

September 20, 2018

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

RE: **Additional Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G004/M-18-282

Dear Mr. Wolf:

Attached are the additional response comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Petition of Great Plains Natural Gas Company for Approval of Recovery of Updated Gas Utility Infrastructure Costs.

The petition was filed on April 13, 2018 by:

Tamie A. Aberle
Director of Regulatory Affairs
Great Plains Natural Gas Company
400 North 4th St
Bismarck, ND 58501.

The Department recommends **approval, with modification**, and is available to respond to any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ MARK JOHNSON
Analyst Coordinator

/s/ STEPHEN COLLINS
Rates Analyst

MJ/ja
Attachment

Before the Minnesota Public Utilities Commission

Additional Response Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G004/M-18-282

I. INTRODUCTION

On April 13, 2018, Great Plains Natural Gas Company (Great Plains or GP or the Company) filed a petition requesting that the Minnesota Public Utilities Commission (Commission) approve updates to the Company's Gas Utility Infrastructure Costs (GUIC) tariff, to be effective October 1, 2018.

On June 27, 2018, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed comments recommending approval of Great Plains' petition with conditions and potential modifications. Specifically, the Department recommended that the Commission approve Great Plains' petition, modified if necessary to account for any costs still being recovered in base rates of pipes being replaced. Given ongoing tax issues, the Department also recommended that the Commission condition approval on requiring Great Plains to replace its forecasted prorated accumulated deferred income tax (ADIT) balances with actual nonprorated ADIT balances in its beginning-of-month and end-of-month average calculations for true-up purposes in future GUIC rider filings. The Department stated that, alternatively, the Commission could require the Company's GUIC rider to be based solely on historical costs by implementing recovery of rates one day after the period in which the costs were incurred.

On July 9, 2018, Great Plains filed reply comments addressing the Department's recommendations regarding continued recovery of costs associated with the pipes being replaced and ADIT.

On July 23, 2018, Great Plains filed supplemental reply comments further addressing the Department's recommended treatment of ADIT.

On September 4, 2018, the Department filed response comments. The Department recommended that the Commission conditionally approve GP's petition with the following conditions:

- Require GP's GUIC rider to be based solely on historical costs by implementing recovery of rates one day after the rate recovery period (January 1, 2019), thereby eliminating the need to prorate ADIT balances;
- Require GP to provide its excess ADIT balance as of December 31, 2017 for its GUIC Rider along with its proposed amortization period using the Average Rate Assumption Method (ARAM); and
- Require GP to begin amortizing and refunding its excess ADIT balances in the GUIC Rider by including the amortization amount in its 2018 annual revenue requirement calculations.

On September 13, 2018, GP filed reply comments addressing the conditions recommended by the Department.

II. RESPONSE TO GREAT PLAINS

A. PRORATED ADIT AND RECOVERY PERIOD

Beginning on page 2 of its September 13 reply comments, GP stated that:

Great Plains believes the use of the proration method, as amended in the supplemental reply comments on July 23, 2018, is necessary to comply with Section 1.67(1)-1 (h)(6)(ii) of the IRS's Regulations to avoid any potential tax normalization issues when using a projected period. The Department recommended implementation of the GUIC updated factor one day after the rate recovery period, or January 1, 2019 in this fling [sic]. By doing so, the need to prorate the forecasted ADIT is eliminated and historical costs will be used.

Attachment A reflects a recalculation of the GUIC revenue requirement using historical costs and assuming an effective date of January 1, 2019. As shown, this would reduce the revenue requirement under the GUIC by \$1,342.

The Department appreciates GP's acknowledgement that waiting to implement rates until one day after the recovery period eliminates the need to prorate ADIT. As a result, the Department continues to recommend that the Commission require GP's GUIC rider rates be implemented

one day after the rate recovery period (January 1, 2019), thereby eliminating the need to prorate ADIT.

B. EXCESS ADIT AND AMORTIZATION

Beginning on page 2 of its September 13 reply comments, GP stated that:

The Department noted that Great Plains did not provide its excess ADIT balance for its GUIC Rider as of December 31, 2017 nor the amortization period associated with the excess ADIT using ARAM.

Great Plains' excess ADIT balance for assets included in the GUIC Rider at December 31, 2017 totals \$28,985. The assets included in the GUIC Rider have an in-service date of 2016 and 2017. The Company agrees with the Department that the excess ADIT will be returned through this rider following ARAM in a manner consistent with the Commission's decision in Docket No. E, G-999/CI-17-895. Following ARAM, the excess ADIT will begin in a future period and will not impact this annual filing.

The Department notes that under the ARAM, the amortization and refunding of excess ADIT does not begin until the year in which book depreciation exceeds tax depreciation. Since the assets in GP's GUIC rider are relatively new, the Department agrees with GP that its excess ADIT balance will begin to be amortized and refunded to customers in future periods under the ARAM. However, the Department recommends that the Commission require GP to provide its excess ADIT balance and any related amortization amount to be refunded to customers in future GUIC rider filings.

III. DEPARTMENT RECOMMENDATION

The Department recommends that the Commission approve GP's petition as modified to require that GP's GUIC rider rates be implemented one day after the rate recovery period (January 1, 2019), thereby eliminating the need to prorate ADIT.

The Department also recommends that the Commission require GP to provide its excess ADIT balance and any related amortization amounts to be refunded to customers in future GUIC rider filings.

/ja

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Additional Response Comments**

Docket No. G004/M-18-282

Dated this 20th day of September 2018

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tamie A.	Aberle	tamie.aberle@mdu.com	Great Plains Natural Gas Co.	400 North Fourth Street Bismarck, ND 585014092	Electronic Service	No	OFF_SL_18-282_M-18-282
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-282_M-18-282
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_18-282_M-18-282
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_18-282_M-18-282
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-282_M-18-282
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_18-282_M-18-282