

Staff Briefing Papers

Meeting Date November 7, 2019 Agenda Item 3*

Company Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co.

Docket No. **G-004/MR-19-512**

In the Matter of the Application of Great Plains Natural Gas Co. (Great Plains), a Division of Montana-Dakota Utilities Co., to Establish a New Base Cost of Gas and Reset the Purchased Gas Adjustment to Zero, to Coincide with the Implementation of Interim Rates in its General Rate Case Filing, in Docket No. G-004/GR-19-511

Issues Should the Commission approve Great Plains' new base cost of gas?

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Relevant Documents

Date

Great Plains – Initial Filing	September 27, 2019
PUC – Notice of Shortened Comment Period	October 1, 2019
Department of Commerce – Comments	October 14, 2019
Great Plains – Reply Comments	October 17, 2019

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

I. Statement of the Issues

Should the Commission approve Great Plains' new base cost of gas?

II. Background

On September 27, 2019, Great Plains Natural Gas Company (Great Plains or the Company) filed its general rate case in Docket No. G-004/GR-19-511.

On September 27, 2019 Great Plains also filed its miscellaneous rate petition reflecting a new base cost of gas to coincide with the implementation of interim and final rates (Docket No. G-004/MR-15-511).

On October 14, 2019, the Department of Commerce, Division of Energy Resources (Department) filed comments recommending the Commission approve Great Plains' filing with modifications.

On October 17, 2019, Great Plains filed reply comments accepting the Department's recommended modifications and recommended the Commission approve its petition.

III. Relevant Commission Rule

Minn. Rules Pt. 7825.2700, Subp. 2, New Base Gas Cost

A new base gas cost must be submitted as a miscellaneous rate change to coincide with the implementation of interim rates during a general rate proceeding. A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding. The base gas cost must separately state the commodity base cost and the demand base cost components for each class. The base gas cost for each class is determined by dividing the estimated base period cost of purchased gas for each class by the estimated base period annual sales volume for each class.

IV. Parties' Comments

A. Great Plains – Initial Filing

Great Plains stated in its summary:¹

... The new base cost of gas calculation is based on the projected 2020 annual gas commodity costs, transportation and storage capacity quantities included in Great Plains' Demand Entitlement filing, in Docket No. G-004/M-18-454, gas pipeline rates as of August 1, 2019, and projected volumes included in the general rate

¹ Great Plains, Initial Filing, September 27, 2019

case filing. Great Plains proposes the new base cost of gas tariff sheet to be effective with interim rates proposed in Docket No. G-004/GR-19-511.

The Company also provided a clean and red-line version of its tariff sheet in its filing.

B. Department - Comments

In its comments, the Department highlighted two issues. First, the Company neglected to change a date on the red-lined tariff sheet. Second, the Department noticed an issue in its review of demand costs.²

The Department notes that in its October 31, 2018 Informational Update in Docket 18-454, the Company stated that it had acquired a five-year FT-A, Zone 1-1 annual contract for 5,000 Dth per day of capacity in lieu of seasonal winter-only Viking capacity. Of the 5,000 Dth per day of capacity, the Company released 2,600 Dth per day in a capacity release to a prearranged bidder for the period of November 2018 through March 2019. However, the Company included the 2,600 Dth per day capacity release in its demand cost calculation even though that transaction has expired. Instead, the Company now has released the entire 5,000 Dth per day of capacity on a seasonal basis beginning in May 2019. The Department notes that correcting for the capacity release change results in an extremely minor change to the total demand costs.

[footnotes omitted]

Overall, the Department recommended that the Commission approve Great Plains' proposed new base cost of gas, with the Department's modifications, and recommended the Commission require Great Plains to provide updated cost of gas information in both the base cost of gas docket (19-512) and the general rate case docket (19-511). The Department also recommended that the Company work with Commission Staff to determine an appropriate timeline to provide the requested information.

C. Great Plains - Reply Comments

On October 17, 2019, Great Plains filed a brief letter agreeing with the Department recommendations.

V. Staff Analysis

The omitted date change aside, the only issue in the base cost of gas filing is a minor error in the demand cost, as identified by the Department. The release of 2,600 Dth of pipeline capacity resulted in the demand costs being overstated by approximately \$19,829, using the Company's sales forecast. Due to the incidental nature of this error and the robust record that will be developed throughout Great Plains' general rate case, Staff recommends the Commission approve Great Plains' base cost of gas, as modified by the Department.

² Department Comments, October 14, 2019, page 2

VI. Decision Options

1. Approve Great Plains' base cost of gas Petition, as modified by the Department. (Great Plains, Department)
2. Require Great Plains to provide updated cost of gas information in this proceeding and in its companion general rate case and work with Commission Staff to determine the appropriate timing for providing this information and whether the update(s) to the information should be applied to Great Plains' base cost of gas and reflected in the accompanying general rate case. (Department, Great Plains does not oppose)