

September 13, 2018

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 Seventh Place East, Suite 350  
St. Paul, MN 55101-2147

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

Dear Mr. Wolf:

Great Plains Natural Gas Co. (Great Plains), a Division of MDU Resources Group, Inc., herewith electronically submits its Reply Comments in response to the Response Comments of the Department of Commerce, Division of Energy Resources (Department) submitted on September 4, 2018 in the above referenced docket related to Great Plains' Petition for Approval of Recovery of Updated Gas Utility Infrastructure Cost (GUIC) Adjustment.

Great Plains responded to the Department's comments on July 9, 2018, in which Great Plains agreed with the Department's recommendation that the proposals are consistent with the applicable Minnesota statutes, past Commission Orders, and Great Plains' tariff. Great Plains also addressed the Department's Comments related to the cost of removal of aged pipe as well as an explanation of the treatment of accumulated deferred income tax (ADIT) balance within the filing. Great Plains provided a supplemental reply on July 23, 2018 to address an alternative approach to the treatment of ADIT.

In the Response Comments, the Department does not oppose Great Plains proposed treatment of the cost of the pipes being replaced in the GUIC rider. The Department disagrees with Great Plains proposal related to the proration of ADIT balances in forecasted periods. The Department also recommends the Commission require Great Plains to provide an excess ADIT balance as of December 31, 2017 for its GUIC Rider as well as a proposed amortization period using the Average Rate Assumption Method (ARAM). Great Plains has addressed these items below.

#### **ADIT Proration Method**

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(l)-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 filing. 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.

**Excess ADIT**

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.

Great Plains respectfully requests that the Commission consider the Reply Comments to the Response Comments expressed above. As indicated above, the Company maintains that the GUIC Rider as filed meets the requirements as outlined in the GUIC statute, is in the best interest of Great Plains' customers and should be approved.

If you have any questions regarding this filing, please contact Tamie A. Aberle at (701) 222-7856, or Brian Meloy, at (612) 335-1451.

Sincerely,

*/s/ Tamie A. Aberle*

Tamie A. Aberle  
Director of Regulatory Affairs

cc: Brian Meloy  
Service List

**GREAT PLAINS NATURAL GAS CO.  
GUIC REVENUE REQUIREMENT**

**ACTUAL 2017 TRUE UP 1/**

	<b>Revised</b>	<b>As Filed</b>	<b>Variance</b>
Depreciation Expense	\$73,514	\$73,514	\$0
Ad Valorem Taxes	83,964	83,964	-
Return	162,751	162,751	-
Income Taxes	(88,104)	(88,104)	-
Gross up for Taxes	163,791	163,791	-
<b>Total</b>	<b>\$395,916</b>	<b>\$395,916</b>	<b>\$0</b>

**PROJECTED 2018 2/**

	<b>Revised</b>	<b>As Filed</b>	<b>Variance</b>
Depreciation Expense	\$166,473	\$166,473	\$0
Ad Valorem Taxes	125,420	125,420	-
Return	341,969	343,029	(1,060)
Income Taxes	(117,402)	(117,502)	100
Gross up for Taxes	208,318	208,700	(382)
<b>Total</b>	<b>\$724,778</b>	<b>\$726,120</b>	<b>(\$1,342)</b>
<b>Total</b>	<b>\$1,120,694</b>	<b>\$1,122,036</b>	<b>(\$1,342)</b>

1/ Initial filing, April 13 2018, used actual balances rather than maintaining the proration methodology for true up period.

2/ Revised to reflect actual ADIT rather than annual period proration methodology.

**GREAT PLAINS NATURAL GAS CO.  
ADIT BALANCES - REVISED METHODOLOGY VS. AS FILED**

**2017 TRUE UP**

Revised	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mains	\$17,233	\$20,615	\$23,997	\$27,379	\$30,761	\$34,143	\$37,525	\$40,907	\$44,289	\$47,671	\$51,053	\$54,434
Services	14,321	16,703	19,085	21,467	23,849	26,231	28,613	30,995	33,377	35,759	38,141	40,523
<b>Total</b>	<b>\$31,554</b>	<b>\$37,318</b>	<b>\$43,082</b>	<b>\$48,846</b>	<b>\$54,610</b>	<b>\$60,374</b>	<b>\$66,138</b>	<b>\$71,902</b>	<b>\$77,666</b>	<b>\$83,430</b>	<b>\$89,194</b>	<b>\$94,957</b>

As Filed	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mains	\$17,233	\$20,615	\$23,997	\$27,379	\$30,761	\$34,143	\$37,525	\$40,907	\$44,289	\$47,671	\$51,053	\$54,434
Services	14,321	16,703	19,085	21,467	23,849	26,231	28,613	30,995	33,377	35,759	38,141	40,523
<b>Total</b>	<b>\$31,554</b>	<b>\$37,318</b>	<b>\$43,082</b>	<b>\$48,846</b>	<b>\$54,610</b>	<b>\$60,374</b>	<b>\$66,138</b>	<b>\$71,902</b>	<b>\$77,666</b>	<b>\$83,430</b>	<b>\$89,194</b>	<b>\$94,957</b>

Variance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mains	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Services	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**2018 PROJECTION - NO PRORATION**

Revised	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mains	\$58,039	\$61,644	\$65,249	\$68,854	\$72,459	\$76,064	\$79,669	\$83,274	\$86,879	\$90,484	\$94,089	\$97,689
Services	42,942	45,361	47,780	50,199	52,618	55,037	57,456	59,875	62,294	64,713	67,132	69,540
<b>Total</b>	<b>\$100,981</b>	<b>\$107,005</b>	<b>\$113,029</b>	<b>\$119,053</b>	<b>\$125,077</b>	<b>\$131,101</b>	<b>\$137,125</b>	<b>\$143,149</b>	<b>\$149,173</b>	<b>\$155,197</b>	<b>\$161,221</b>	<b>\$167,229</b>

As Filed	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mains	\$57,743	\$60,775	\$63,501	\$65,930	\$68,053	\$69,880	\$71,401	\$72,617	\$73,535	\$74,148	\$74,464	\$74,474
Services	42,743	44,777	46,606	48,237	49,662	50,888	51,908	52,723	53,339	53,750	53,962	53,969
<b>Total</b>	<b>\$100,486</b>	<b>\$105,552</b>	<b>\$110,107</b>	<b>\$114,167</b>	<b>\$117,715</b>	<b>\$120,768</b>	<b>\$123,309</b>	<b>\$125,340</b>	<b>\$126,874</b>	<b>\$127,898</b>	<b>\$128,426</b>	<b>\$128,443</b>

Variance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mains	\$296	\$869	\$1,748	\$2,924	\$4,406	\$6,184	\$8,268	\$10,657	\$13,344	\$16,336	\$19,625	\$23,215
Services	199	584	1,174	1,962	2,956	4,149	5,548	7,152	8,955	10,963	13,170	15,571
<b>Total</b>	<b>\$495</b>	<b>\$1,453</b>	<b>\$2,922</b>	<b>\$4,886</b>	<b>\$7,362</b>	<b>\$10,333</b>	<b>\$13,816</b>	<b>\$17,809</b>	<b>\$22,299</b>	<b>\$27,299</b>	<b>\$32,795</b>	<b>\$38,786</b>