

September 25, 2019

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G004/D-19-376

Dear Mr. Wolf:

Attached are the Response Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Petition of Great Plains Natural Gas for Approval of the 2019 Annual Depreciation Study.

The Department continues to recommend that the Minnesota Public Utilities Commission (Commission) **approve the Petition**. The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ GEMMA MILTICH
Financial Analyst

GM/ja
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G004/D-19-376

I. INTRODUCTION

On May 31, 2019, Great Plains Natural Gas Company (Great Plains or the Company), a division of the MDU Resources Group, Inc., filed its 2019 Annual Depreciation Study (Petition) with the Minnesota Public Utilities Commission (Commission). The Petition was prepared by the Company in conjunction with its consultant-preparer, Concentric Advisors.

On July 31, 2019 the Minnesota Department of Commerce (Department) filed its initial Comments in the instant docket and recommended that the Commission approve Great Plains' Petition, pending the Company's submission of certain additional information in its Reply Comments.

Great Plains filed its Reply Comments on August 12, 2019 and provided the additional information requested by the Department. Great Plains and the Department are in agreement regarding approval of the Petition, and the Department continues to support the Company's requests that the Commission approve the following:

- Depreciation rates that result in a composite rate of 4.32 percent, which reflects an overall increase of 0.01 percentage point compared to the 2018 composite depreciation rate of 4.31 percent.¹
- Initial depreciation parameters for account 366.0 – *Transmission Structures*, an account that has not yet been included in a 5-year depreciation study.
- An effective date of January 1, 2019 for the proposed depreciation rates and parameters.

II. DEPARTMENT ANALYSIS

At the request of the Department, Great Plains submitted in its Reply Comments (1) the actual 2018 depreciation expense provision calculations for specific accounts and (2) an additional explanation around certain capital addition transactions recorded in 2018, but applicable to prior vintages (i.e. years). The Department appreciates Great Plains' provision of this additional information. The following sections A and B discuss the Department's review of the information submitted in Great Plains' Reply Comments.

¹ The 2018 composite depreciation rate of 4.31 percent was approved by the Commission in Docket No. G004/D-18-369.

A. DEPRECIATION EXPENSE PROVISION CALCULATIONS FOR 2018

In its initial Comments for the current docket, the Department explained that it reviewed the Company's 2018 depreciation expense provisions to determine whether these provisions align with the corresponding plant-in-service activity and asset remaining lives.² Based on its review, the Department requested in its Information Request number 11³ that Great Plains provide the actual 2018 depreciation expense calculations for the following accounts (as labeled in Table 3 of the Petition):

- *367-G-Mains*
- *376-G-Mains*
- *378-G-Measure/Regulation Distribution*
- *380-G-Services*
- *381-G-Meters*
- *391-G-Comp Equip-Server & Workstation*
- *391-G-Office Furn & Equipment*
- *392-G-Transportation Equipment*
- *396-G-Power Operated Equipment*

The Company's response to Department Information Request 11 provided a general, rather than specific, answer to the request, so the Department asked in its initial Comments that Great Plains provide the relevant calculations in the Company's Reply Comments. Great Plains has since provided the requested calculations as a part of its Reply Comments, and the Department has had an opportunity to review the relevant data. The Department verified that, for the accounts bulleted above, Great Plains used the approved depreciation rates⁴ to compute the 2018 depreciation expense provisions and calculated depreciation expense as: (prior month's plant-service-balance x approved depreciation rate).⁵

With the Company's provision of these calculations, the Department can confirm that, indeed, given the month-end plant-in-service balances throughout 2018 for these particular accounts, the corresponding depreciation expense provisions are reasonable. The Department is satisfied that its inquiries have been answered and concludes that its review of the Company's 2018 depreciations provisions is complete.

² Department's July 31, 2019 Comments in Docket No. G004/D-19-376 at page 10.

³ Department's July 31, 2019 Comments in Docket No. G004/D-19-376 at Attachment 5.

⁴ The Commission most recently approved Great Plains' depreciation rates in Docket No. G004/D-18-369.

⁵ Department's July 31, 2019 Comments in Docket No. G004/D-19-376 at Attachment 5.

B. ADJUSTMENTS IN 2018 TO COSTS CAPITALIZED IN PRIOR YEARS

As explained in its initial Comments in the current docket, the Department observed a few potential concerns for certain 2018 capital addition amounts.⁶ In response to the Department's Information Request number 7, Great Plains explained that "While it is normal for addition transactions to have the same transaction and vintage year, it is also common over the course of ... a technical update, that companies will scrutinize their accounting records to ensure the vintage information is correct."⁷ In addition, Great Plains provided a spreadsheet detailing the 2018 capital addition transactions. In its examination of these transactions, the Department noted both positive and negative capital addition transactions in relatively minor amounts that were recorded in 2018, but associated with the 2017 vintage year.

The Department understands that minor accounting corrections or adjustments are not uncommon and are not necessarily a concern, but invited Great Plains to provide explanations around the cause(s) that precipitated these adjustments or corrections to determine whether Great Plains was aware of the nature (i.e. internal versus external, systematic versus isolated, etc.) of the reason(s) behind the observed corrections or adjustments. Great Plains stated in its Reply Comments that "During 2018, certain capital additions were comprised of supplemental charges to existing plant in service placed in service prior to 2018. These supplemental charges were reported as 2017 vintage or prior assets as appropriate. Great Plains does not consider this practice to be an error."⁸

The Department appreciates the Company's efforts to provide an explanation around these capitalization adjustments. The Department notes that in the transaction data provided by Great Plains for these adjustments, it appears that the adjustments and their corresponding amounts are reasonable. Thus, the Department continues to recommend that the Commission approve Great Plains' Petition.

III. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

The Department continues to recommend that the Commission:

- Approve Great Plains' proposed depreciation rates, as outlined in Table 1 of the Petition and with an effective date of January 1, 2019.
- Approve the depreciation parameters for account 366.0 – *Transmission Structures*, as outlined in Table 1 of Great Plains' Petition.

⁶ Department's July 31, 2019 Comments in Docket No. G004/D-19-376 at page 11.

⁷ Department's July 31, 2019 Comments in Docket No. G004/D-19-376 at Attachment 3.

⁸ Great Plains' August 12, 2019 Reply Comments in Docket No. G004/D-19-376 at page 2.

- Require Great Plains to continue reporting retirements in account 390.0 – *General Structures & Improvements* in future depreciation filings as the Company has done in Attachment B of its Petition.
- Continue to require Great Plains to provide an update on the Company's PVC replacement program in its future depreciation studies.

The Department emphasizes that the Commission's determination in depreciation proceedings are for accounting purposes only and are not a determination for purposes of rates.

/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
Response Comments**

Docket No. G004/D-19-376

Dated this **25th** day of **September 2019**

/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_19-376_D-19-376
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_19-376_D-19-376
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_19-376_D-19-376
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-376_D-19-376
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-376_D-19-376
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_19-376_D-19-376