

January 8, 2018

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G004/M-17-858

Dear Mr. Wolf:

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

Informational Update to the Gas Utility Infrastructure Cost (GUIC) Adjustment.

The report was filed on December 8, 2017, by:

Tamie A. Aberle  
Director of Regulatory Affairs  
Great Plains Natural Gas Co.  
400 North 4<sup>th</sup> Street  
Bismarck, ND 58501

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve Great Plains Natural Gas Co.'s request to file their annual gas utility infrastructure cost true-up and proposed rate adjustment no later than April 15, with the GUIC rate adjustment to be effective at least 150 days thereafter.** The Department is available to respond to any questions the Commission may have on this matter.

Sincerely,

/s/ Matthew Landi  
Rates Analyst

ML/ja  
Attachment



## Before the Minnesota Public Utilities Commission

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### Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G004/M-17-858

#### I. SUMMARY OF FILING AND BACKGROUND

On December 8, 2017, Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. (Great Plains or the Company) filed its Informational Update to the Gas Utility Infrastructure Cost (GUIC) Adjustment. This update is in relation to Docket No. G004/M-16-1066 (GUIC Docket) whereby the Minnesota Public Utility Commission (Commission) approved the creation of a rider authorized by Minn. Stat. §216B.1635 for Great Plains to recover the costs incurred for compliance with federal regulations promulgated by the Pipeline and Hazardous Materials Safety Administration (PHMSA).

In its Informational Update filed on December 8, 2017, Great Plains provided an update of 2016 and 2017 GUIC-related expenditures and an explanation as to why the 2016 and 2017 cost estimates differ from the 2016 and 2017 actual costs. Great Plains estimated a capital outlay of \$2.2 million for 2016 and \$1.83 million for 2017.<sup>1</sup> The actual outlays were \$1.84 million for 2016 and \$2.98 million for 2017.<sup>2</sup>

Great Plains explained that the overestimated costs for 2016 are primarily the result of a refund from an overpayment to a contractor. The Company also explained that the underestimated costs for 2017 are primarily due to the use of a preliminary estimate that did not account for the total feet of mains required to replace the PVC system, in addition to other factors not included in the estimate.<sup>3</sup>

In terms of revenue requirement, the Commission approved a 2017 revenue requirement of \$456,286; Great Plains' actual 2017 revenue requirement was \$408,852, the reduction due to delayed timing of actual expenditures.

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<sup>1</sup> Filing, page 2.

<sup>2</sup> *Id.*

<sup>3</sup> Great Plains Information Update to the Gas Utility Infrastructure Cost Adjustment (Filing), Docket No. G004/M-17-858, page 3.

Order Point 3 of the Commission's October 6, 2017 Order in the GUIC Docket states:

3. The Commission hereby approves Great Plains' proposed tracker and true-up mechanism. The true-up calculations must be filed using actual costs and tracker revenue for the twelve months ending October 31 in a December 1 filing to be effective May 1 of the following year.

Because the GUIC adjustment was not in place until November 1, 2017, Great Plains indicated that no revenues were collected during the period ending October 31, 2017. Further, in an effort to improve its estimates of GUIC, Great Plains indicated that it will complete a detailed design for the planned 2018 projects by April 15, 2018. Therefore, the Company proposed to submit its estimate of 2018 GUIC by April 15, 2018, which will include "a true-up calculation to reflect actual revenues collected through [April 15, 2018]" and a projection of annual capital expenditures for 2018 based on more reliable cost estimates of project costs for 2018.<sup>4</sup> Great Plains also proposed to make the new GUIC rate adjustment effective 150 days after the April 15, 2018 and "may propose revisions to its Tariff to reflect true-up dates going forward that better align with GUIC implementation."<sup>5</sup>

Great Plains did not request a change in the GUIC rate adjustment. The Company stated that a change is inappropriate at this time because: (1) GUIC rate revenue collection only recently began on November 1, 2017; (2) the Company does not have a reliable estimate for 2018 GUIC-related costs; and (3) any change to the GUIC rate would be confusing to the customer, as Great Plains only recently sent out the customer notice ordered by the Commission in Docket No. G004/M-16-1066.<sup>6</sup>

## II. DEPARTMENT ANALYSIS

The Department's analysis focuses on whether Great Plains' proposal to change the filing and implementation timeline of the GUIC rate adjustment for 2018 is allowed under the GUIC statute and whether their proposal is in the public interest.

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<sup>4</sup> Great Plains Information Update to the Gas Utility Infrastructure Cost Adjustment (Filing), Docket No. G004/M-17-858, page 3-4.

<sup>5</sup> *Id.*

<sup>6</sup> Order Point #6, Commission's Order dated October 6, 2017 in Docket No. G004/M-16-1066.

A. *STATUTORY REQUIREMENTS*

Minn. Stat. §216B.1635, subd. 2, and subd. 4(1) relate to the timing of the GUIC rate adjustment filing, and are therefore relevant to discuss in the context of the Company's proposal.

1. *Minn. Stat. §216B.1635, subd. 2*

Minn. Stat. §216B.1635, subd. 2, states:

Subd. 2. Gas infrastructure filing. A public utility submitting a petition to recover gas infrastructure costs under this section must submit to the commission, the department, and interested parties a gas infrastructure project plan report and a petition for rate recovery of only incremental costs associated with projects under subdivision 1, paragraph (c). **The report and petition must be made at least 150 days in advance of implementation of the rate schedule, provided that the rate schedule will not be implemented until the petition is approved by the commission pursuant to subdivision 5.** The report must be for a forecast period of one year. [Emphasis added].

Great Plains proposed an April 15, 2018 filing date and an implementation date 150 days from the filing date. This is consistent with the statute.

The Department notes that the original schedule of Great Plains GUIC rate adjustment filing and implementation was proposed by Great Plains with no objection from any of the parties in the GUIC Docket.<sup>7</sup>

2. *Minn. Stat. §216B.1635, subd. 4(1)*

Minn. Stat. §216B.1635, subd. 4(1), states:

Subd. 4. Cost recovery petition for utility's facilities. Notwithstanding any other provision of this chapter, **the commission may approve a rate schedule for the automatic annual adjustment of charges for gas utility infrastructure costs**

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<sup>7</sup> Great Plains proposed the original filing and implementation schedule: a filing 150 days before a May 1 implementation for the annual period ending October 31. See GUIC Docket initial filing, Exhibit C, Proposed Tariff Sheets, Original Sheet No. 5-130.

**net of revenues under this section**, including a rate of return, income taxes on the rate of return, incremental property taxes, incremental depreciation expense, and any incremental operation and maintenance costs. A gas utility's petition for approval of a rate schedule to recover gas utility infrastructure costs outside of a general rate case under section 216B.16 is subject to the following:

- (1) **a gas utility may submit a filing under this section no more than once per year**; [emphasis added].

The Company did not indicate whether the April 15 filing date would be permanent; however, the Department notes that allowing an April 2018 and a December 2018 filing would not comply with statute. Further, allowing a little more time each year for a better estimate of the upcoming year's expenditures would be prudent, as more fully discussed below. Therefore, the Department concludes that changing Great Plains' annual filing date from December 1 to April 15 is reasonable and consistent with the statute.

#### *B. PUBLIC INTEREST ANALYSIS*

The public interest considerations of Great Plains' proposal relate to the Company's ability to collect the data needed to make an informed, accurate cost estimate for its GUIC-related costs, and the timing of the implementation of the GUIC rate adjustment that is not burdensome or confusing to customers.

The Company demonstrated that its costs for 2017 were significantly underestimated and expressed a desire to ensure that this does not happen again. They indicated that several unknown variables and the general inaccuracy of their preliminary estimate for 2017 GUIC projects led to an inaccurate GUIC-related cost estimates.<sup>8</sup>

The Company also stated that they wish to avoid such a scenario moving forward. They stated that the "detailed design for the planned 2018 projects, which include continued replacement work in Pelican Rapids and Clarkfield, are not currently available in the level of detail necessary to accurately project 2018 expenditures" and further, that changing the "timing of the submission of the 2018 Report will result in more reliable cost estimates and will minimize the likelihood that there is a significant variance between estimated and actual project costs for 2018."<sup>9</sup>

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<sup>8</sup> Filing, pages 2-3.

<sup>9</sup> *Id.*, at 3-4.

The public interest is best served in this case when the projected costs are as close to actual costs as possible, as this will minimize the magnitude of the tracker balance. Avoiding the over- or under-collection of revenue is always preferred from a ratemaking standpoint to closely align ratepayer costs with benefits. To the extent that the Company will be better positioned to match projected and actual costs if the Commission were to approve an April 15 filing date, the Department is supportive.

### **III. RECOMMENDATION**

Based on its analysis, the Department recommends that the Commission approve Great Plains' proposal to change the timing of its annual GUIC Report as follows:

By April 15 of each year, the true-up calculations must be filed using actual costs and tracker revenue for the twelve months ending the preceding December 30, with the corresponding GUIC rate adjustment to be effective upon Commission approval but not before 150 days after the April filing.

ML/ja