

October 15, 2020

Will Seuffert
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. G022/D-20-612

Dear Mr. Seuffert:

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

In the Matter of Greater Minnesota Gas, Inc.'s Petition for Approval of Depreciation Certificate.

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve Great Minnesota Gas's petition as modified**. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ GEMMA MILTICH
Financial Analyst, CPA

GM/ja
Attachment



Before the Minnesota Public Utilities Commission

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

Docket No. G022/D-20-612

I. INTRODUCTION

On July 22, 2020, Greater Minnesota Gas, Inc. (GMG or the Company) filed its 2020 five-year depreciation study (Petition) with the Minnesota Public Utilities Commission (Commission).

On September 9, 2020, the Minnesota Department of Commerce, Division of Energy Resources (Department) submitted its initial Comments, recommending that the Commission approve the Company's Petition with certain modifications.

On September 17, 2020, GMG provided Reply Comments, generally agreeing with the Department's recommendations and providing additional information.

II. DEPARTMENT ANALYSIS

In our initial Comments, the Department made several recommendations that either modified GMG's proposed depreciation parameters for specific accounts or added future requirements/guidelines associated with the depreciation of certain property. Based on the information provided by GMG in its Reply Comments, we conclude that all outstanding issues in this docket have been resolved and that the Department and the Company are now in full agreement. The resolved issues are summarized in the following two sections.

A. SALVAGE RATE FOR ACCOUNT 392 – TRANSPORTATION EQUIPMENT

In our Comments, the Department observed that GMG reported experiencing positive trade-in values for its trucks under Account 392 – *Transportation Equipment*. Therefore, we determined that it would not be reasonable to support the Company's initial proposal to apply a 0 percent salvage rate to the property in Account 392. Based on the information available at the time we filed our initial Comments, the Department recommended the following:

Absent additional information specific to GMG's salvage percentage experience with Account 392 retired assets, the Department recommends that the Commission approve a positive salvage rate of 30 percent for Account 392, which would be consistent with the current Commission-approved salvage rate for this account. However, if GMG considers a 30 percent salvage rate to be too high, based on its experience with truck trade-in values, and the Company wishes to propose and provide support

for a different positive salvage rate in its Reply Comments, the Department invites GMG to do so. Should GMG choose to provide a revised salvage proposal for Account 392 in Reply Comments, the Department will evaluate the Company's modified proposal at that time.¹

In its Reply Comments, GMG provided historical data on the positive trade-in values of its trucks for the years 2015 – 2020, and, based on this data, the Company proposed to apply a positive 20 percent salvage rate to Account 392.² The Department appreciates the Company's provision of this helpful information in its Reply Comments, and we conclude that the historical trade-in value data supports GMG's revised salvage rate proposal. Therefore, we recommend that the Commission approve a positive 20 percent salvage rate for the Company's Account 392.

B. DEPRECIATION FOR ACCOUNT 390 – STRUCTURES & IMPROVEMENTS

While the Department supported GMG's proposed initial depreciation parameters for the Company's office building under Account 390 – *Structures & Improvements* in our September 9, 2020 Comments, we also made additional recommendations related to the depreciation of this account. Specifically, the Department recommended that the Commission require GMG to (1) discuss whether its expectations have changed for the Account 390 average service lives (ASLs) in its next depreciation study or general rate case, whichever comes first, and (2) to individually depreciate the buildings under Account 390, at least until the Company files its next depreciation study or general rate case.³

On page 3 of its Reply Comments, GMG explained that it does not object to the Department's recommendations regarding the Company's Account 390. The Department appreciates GMG's response, and we continue to support our initial recommendations pertaining to this account.

III. CONCLUSION AND RECOMMENDATIONS

Based on our review, the Department concludes that GMG's Petition complies with the applicable statutes, rules and Commission orders, and that the Company's depreciation proposals are reasonable. The Department recommends that the Commission take the following actions:

- Approve GMG's depreciation proposals, as shown on page 63 of the Petition and as amended on page 2 of the Company's September 17, 2020 Reply Comments, with an effective date of January 1, 2020 (note: we recommend that the Commission approve a positive 20 percent salvage rate for the Company's Account 392).

¹ Department's September 9, 2020 Comments, pages 4 – 5, Docket No. G022/D-20-612.

² Greater Minnesota Gas's September 17, 2020 Reply Comments, page 2, Docket No. G022/D-20-612.

³ Department's September 9, 2020 Comments, pages 5 – 6, Docket No. G022/D-20-612.

- Require GMG in its next depreciation study or general rate case, whichever comes first, to specifically discuss whether its expectations have changed for the Account 390 ASLs and explain why or why not.
- Require GMG to individually depreciate the Company's office building currently in Account 390 as well as any future buildings GMG places into service under Account 390 until the Company files its next depreciation study or general rate case, whichever comes first. If, at the time GMG files its next depreciation study or general rate case, the Company wishes to reevaluate the application of individual and group depreciation methodologies for Account 390 assets, the Department will then review any requested depreciation methodology changes for GMG's Account 390.
- Require GMG to file its next depreciation by August 1, 2025.

/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. G022/D-20-612

Dated this 15th day of **October 2020**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Lane PO Box 798 Faribault, MN 55021	Electronic Service	Yes	OFF_SL_20-612_D-20-612
Cody	Chilson	cchilson@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_20-612_D-20-612
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-612_D-20-612
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_20-612_D-20-612
Brian	Gardow	bgardow@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_20-612_D-20-612
Nicolle	Kupser	nkupser@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_20-612_D-20-612
Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_20-612_D-20-612
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_20-612_D-20-612
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-612_D-20-612