

Staff Briefing Papers

Meeting Date February 17, 2022 Agenda Item 2*

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

Docket No. **G-004/M-21-272**

In the Matter of Great Plains Natural Gas Company’s (Great Plains) Annual Report and Petition for Approval of Recovery for Gas Utility Infrastructure Costs and Revised Adjustment Factors for 2021.

Issues Should the Commission accept Great Plains Annual Report and Petition for Approval of Recovery for Gas Utility Infrastructure Costs and Revised Adjustment Factors for 2021?

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 **Relevant Documents**

Date

Great Plains Natural Gas Company – Petition	April 15, 2021
Minnesota Department of Commerce – Comments	August 9, 2021
Great Plains Natural Gas Company – Reply Comments	August 13, 2021

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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.

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I. Statement of the Issues

Should the Commission accept Great Plains Annual Report and petition for Approval of Recovery for Gas Utility Infrastructure Costs (GUIC) and Revised Adjustment Factors for 2021?

II. Introduction

On April 15, 2021, Great Plains Natural Gas Co. (Great Plains or the Company), a Division of Montana-Dakota Utilities Co. submitted its Annual Report and petitioned for approval of recovery of the 2021 Gas Utility Infrastructure Costs (GUIC) under its GUIC Adjustment Rider. Pursuant to the Minnesota Public Utilities Commission's (Commission) November 22, 2019¹ Order, in Docket No. G-004/M-19-273, this annual report presented the true-up of the 2021 revenue requirement with actual costs and recoveries for the period ending December 31, 2020.

III. Background

Minnesota (Minn.) Statute (stat.) section (§) 216B.1635 allows utilities to seek rider recovery of gas utility infrastructure costs. Gas utility infrastructure costs are those that are not included in the gas utility's rate base in its most recent general rate case, and that are incurred in projects involving: (1) the replacement of natural gas facilities required by road construction or other public work by or on behalf of a government agency or (2) the replacement or modification of existing facilities required by a federal or state agency, including surveys, assessments, reassessment, and other work necessary to determine the need for replacement or modification of existing infrastructure.

Since December 21, 2016, Great Plains, to recover costs incurred in compliance with federal regulations,² has proposed a GUIC rider that set standards governing the safety, reliability, and Parties' Comments integrity of natural gas distribution assets and infrastructure. The Commission has issued Orders approving Great Plains' petitions for updates to the GUIC rider to true up costs, and apply revenues collected and projected.

¹*In the Matter of the Petition of Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co., for Approval of a Gas Utility Infrastructure Cost (GUIC) Adjustment True-up Report for 2018, 2019 Revenue Requirement, and Revised Adjustment Factors*, Docket No. G-004/M-19-273, Order Approving Request to Suspend GUIC Rider, (November 22, 2019)

² In December of 2003, PHMSA published the Transmission Integrity Management Rule or the "TIMP Rule" (49 C.F.R. 192, Subpart O). The TIMP Rule specifies how operators must identify, prioritize, assess, evaluate, repair, and validate the safety and integrity of its transmission pipelines that could affect High Consequence Areas or "HCAs". HCAs are highly populated buildings or outdoor areas of population. As required by the rule, Great Plains implemented its TIMP program in December of 2004. Since its inception, several revisions have been made to the program. The latest revision (Rev. 4) was made in September of 2013. Great Plains' TIMP program consists of Fifteen Sections along with three associated appendices.

On October 6, 2017, the Commission issued its ORDER APPROVING RIDER AND RATE ADJUSTMENT FACTORS; AND REQUIRING COMPLIANCE FILING³ authorizing Great Plains to establish a GUIC rider for the recovery of costs related to its Distribution Integrity Management Program (DIMP). Specifically, the Company identified two capital projects for replacing polyvinyl chloride (PVC) pipe mains and service lines⁴ throughout the Company's service territory.

Great Plains did not include any Transmission Integrity Management Program (TIMP) projects in its proposed GUIC. Great Plains' proposed GUIC rider recovery is limited to projects in the Company's Minnesota service area.

In Great Plains' previous GUIC filing in Docket No. G-004/M-19-273, the Commission approved the Company's proposal to suspend the GUIC rider adjustment rates, effective January 1, 2020, in order to move GUIC recovery out of the rider and into the interim rates of Great Plains' most recently filed rate case, Docket No. G-004/GR-19-511. The purpose of suspending the rider as of the effective date of the Company's interim rates in Docket No. G-004/GR-19-511 is to prevent the Company from double recovering gas utility infrastructure costs. The Commission also acknowledged that, in the Company's April 2020 GUIC rider filing, Great Plains would true-up any under-or over-recovery in the GUIC tracker balance as of December 31, 2019.⁵

On August 3, 2020, the Commission issued its Order in Docket No. G-004/M-20-422, approving the Company's 2019 GUIC true-up balance of \$933,138 and effective October 31, 2020, revised GUIC rider adjustment factors.⁶

IV. Parties' Comments

A. Great Plains

Pursuant to the November 22, 2019 Commission Order in Docket No. G-004/M-19-273, this annual report presents the true-up of the 2020 revenue requirement with actual costs and recoveries for the period ending December 31, 2020, as presented in Table 1 below.

³ *In the Matter of the Petition of Great Plains Natural Gas Co. for Approval of a Gas Utility Infrastructure Cost (GUIC) Tariff and Adjustment*, Docket No. G-004/M-16-1066.

⁴ Great Plains requested GUIC rider recovery for Distribution Integrity Management Program (DIMP) projects in Docket Nos. G-004/M-16-1066, G-004/M-17-858, G-004/M-18-282, G-004/M-19-273, and G-004/M-20-422.

⁵ Docket No. G-004/M-19-273, Commission's November 22, 2019 Order, page 2.

⁶ Docket No. G-004/M-20-422, Commission's August 3, 2020 Order

Table 1: GUIC Costs and Recoveries

Under/(Over) Recovery - December 2019	\$ 933,138
Actual Recoveries: October - December, 2020	<u>(212,331)</u>
Total Under Recovery as of December 31, 2020	<u>\$ 720,807</u>
Projected 2021 Revenue Requirement	191,430
Estimated Recoveries: January - September, 2021	(665,746)
Total Required Recovery - October, 2021 - September, 2022	<u>\$ 246,491</u>

Great Plains proposed to update its GUIC adjustment rider tariff and implement a GUIC adjustment to be effective with service rendered on and after October 1, 2021.⁷ According to the Company, this update reflects the projected 2021 revenue requirement and the continued amortization of the net under collected balance authorized in Docket No. G-004/M-20-422.⁸

As authorized in Docket No. G-004/GR-19-511, the customer classes were revised to add the newly established Grain Drying class, as well as to include the Margin Sharing Customer's volumes and revenues in the Large Interruptible – Transport customer class. In Table 2 below, the Company proposed the rates, by class, to be effective October 1, 2021.

Table 2: Rates, by Class to be Effective October 1, 2021

Sales	Proposed Rate	Current Rate	Change
Residential	\$0.0962	\$0.3041	(\$0.2079)
Firm General	\$0.1127	\$0.1803	(\$0.0676)
Grain Drying ⁹	\$0.1614	N/A	N/A
Small Interruptible	\$0.03120	\$0.1788	(\$0.1476)
Large Interruptible	\$0.0087	\$0.0975	(\$0.0888)
Transportation			
Small Interruptible	\$0.0522	\$0.0350	\$0.0172
Large Interruptible (including Margin Sharing Customers)	(\$0.0413)	\$0.0865	(\$0.1278)

Great Plains requested that this filing be accepted as being in full compliance with Commission filing requirements and that it be approved as consistent with the public interest.

⁷ The effective date is consistent with the timing outlined in the GUIC tariff and the process changes as authorized in the Commission's Order issued March 21, 2018 in Docket No. G-004/M-17-858.

⁸ Docket No. G-004/M-21-272, Initial Petition; p. 1

⁹ New rate class authorized in Docket No. G-004/GR-19-511. Grain Drying customers are currently included with Small or Large Interruptible customers.

In Exhibit D, Great Plains provided GUIC's revenue requirement calculation. The calculation includes the rate of return approved in the Company's most recent rate case,¹⁰ depreciation, ad valorem taxes and income taxes related to the projects.

B. Department Comments

1. Introduction

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviewed Great Plains' Petition to determine it complies with applicable statutes and Commission orders and evaluated the reasonableness of the Company's proposals. Based on the result of its review, the Department recommended that the Commission approve Great Plains' petition.

2. Compliance with Minnesota Statute

The Department further stated that, as a result of its review, it believes that the Company complied with the relevant specifications of Minn. Stat. § 216B.1635 as outlined below:

a. GUIC Rider Project Eligibility

The Department noted that Minn. Stat. § 216B.1635 allows utilities to seek rider recovery of gas utility infrastructure costs that are not included in the gas utility's rate base in its most recent general rate case, and that are incurred to replace or modify natural gas facilities as needed for government public work projects, such as road construction, or as required by federal or state agencies. The Department further observed that, unless required by a government entity, projects eligible for GUIC cost recovery do not include those undertaken to increase a utility's revenues by connecting project infrastructure directly to new ratepayers or those representing a "betterment".¹¹

The Department confirmed that costs for which Great Plains is requesting recovery are limited to the DIMP capital costs for replacing PVC distribution mains and services.

b. Timing of GUIC Rider Filing

The Department stated that the timing of the Company's GUIC filing and its proposed rate schedule implementation date complies with Minn. Stat. § 216B.1635, Subdivision 2, which requires that a utility's GUIC petition be filed at least 150 days before the effective date of the proposed GUIC rates.

c. Gas Infrastructure Project Plan

Minn. Stat. § 216B.1635, Subdivision 3 requires that any gas utility infrastructure project plan submitted under Subdivision 2 include the proposed projects' description and scope as well as the estimated costs and expected in-service dates. The Department noted that, in Exhibit B of

¹⁰ Docket No. G-004/GR-19-511.

¹¹ Minn. Stat. § 216B.1635, Subdivision 1(b), (c).

its Petition, Great Plains provided this information and concluded that Great Plains' Petition satisfies the statutory requirements.

d. GUIC Rider Filing Requirements

The Department stated that Great Plains complied with the GUIC Rider Filing Requirements as stipulated by Minn. Stat. § 216B.1635, Subdivision 4(1).

e. Prudence and Reasonableness of Costs

Based on Great Plains' description of its 2019 request for proposal (RFP) process, the Department concluded that, as required by Minn. Stat. § 216B.1635, Subdivision 5, the Company had proposed rider recovery at the "lowest reasonable and prudent cost to ratepayers".¹² The Department concluded that Great Plains' use of a competitive RFP bidding process for its 2019 GUIC projects provides sufficient support for the prudence and reasonableness of the Company's gas utility infrastructure costs incurred.

f. Rate of Return

The Department agreed that the Company complied with the stipulations by Minn. Stat. § 216B.1635, Subdivision 6, by using the rate of return approved in a Great Plains' most recent general rate case.¹³

g. Compliance with prior Commission Orders

The Department stated that Great Plains' Petition complies with prior Commission orders.

3. Department's Analysis of Great Plains' Current GUIC Proposals

The Department noted that, as shown in Table 1, Great Plains proposed to recover a revenue requirement of \$246,491, which reflects the under-recovered balance in the Company's GUIC tracker as of December 31, 2020 and implement the adjustment rates shown in Table 2.

The Department asserted that, if the Commission approves the proposed revenue requirement and tariff changes, Great Plains will notify its customers about the newly authorized GUIC adjustment rates with the bill insert information provided in Petition Exhibit G.

a. 2021 Revenue Requirement and 2020 GUIC True-up

Based on their review, the Department concluded that Great Plains' calculations appear reasonable and consistent with prior GUIC rider filings. As a result, the Department recommended that the Commission approve Great Plains proposed net revenue requirements of \$246,491.

¹² Department's September 13, 2019 Comments in Docket No. G-004/M-19-273, pages 11 – 12.

¹³ Petition, Docket No. G-004/M-21-272; Exhibit D, pages 3, 4, and 8.

b. Calculation of Proposed Adjustment Rates

Based on the review, the Department concluded that the adjustment rate calculations are mathematically accurate and that the revenue allocation and dekatherm sales assumptions underlying the proposed GUIC adjustment rates seem reasonable and recommended approval of Great Plains' proposed GUIC adjustment rates.

c. Customer Notification

The Department noted that Great Plains' proposed bill insert language is consistent with previous customer bill notices and recommended that it be approved.

4. Department's Conclusion and Recommendations

- Find that Great Plains' Petition complies with Minnesota Statutes, § 216B.1635.
- Approve Great Plains' proposed 2021 revenue requirements, 2020 GUIC true-up, and resulting revenue requirement of \$246,491.
- Approve Great Plains' proposed GUIC adjustment rates, effective October 1, 2021.
- Within 10 days of the Commission's order in the instant docket, require that Great Plains submit a compliance filing that includes (1) the GUIC tariff sheet, updated with the newly authorized adjustment rates and their approved effective date and (2) the final version of the GUIC customer notice that Great Plains plans to include as a bill insert following Commission approval of new GUIC adjustment rates.

C. Great Plains – Reply Comments

On August 13, 2021, Great Plains filed Reply Comments and agreed with the Department's conclusions and recommendations.

V. Staff Comments

Staff concurs with the Department's conclusion and recommendations. Staff notes that it worked in conjunction with the Company and the Consumer Affairs Office in finalizing the attached bill insert.

VI. Decision Alternatives

Compliance with Minnesota Statutes, § 216B.1635

1. Find that Great Plains' Petition complies with Minnesota Statutes, § 216B.1635. (Great Plains, DOC) **or**

2. Find that Great Plains' Petition does not comply with Minnesota Statutes, § 216B.1635.

Revenue Requirement

3. Approve Great Plains' proposed 2021 revenue requirement of \$246,491, which includes the 2020 GUIC true-up. (Great Plains, DOC) **or**
4. Approve a different revenue requirement and determine what that amount should be.

Effective Date

5. Approve Great Plains' proposed GUIC adjustment rates, effective October 1, 2021. (Great Plains, DOC) **or**
6. Approve Great Plains' proposed GUIC adjustment rates to be effective a different date and determine what that date should be.

Bill Insert

7. Approve Great Plains' revised bill insert. (Great Plains, Staff) **or**
8. Not approve the revised bill insert.

Compliance

9. Within 10 days of the Commission's order in the instant docket, require that Great Plains submit a compliance filing that includes (1) the GUIC tariff sheet, updated with the newly authorized adjustment rates and their approved effective date and (2) the final version of the GUIC customer notice that Great Plains plans to include as a bill insert following Commission approval of new GUIC adjustment rates. (DOC)

**Gas Utility Infrastructure Cost Adjustment
Rate Effective October 1, 2021**

On April 15, 2021, Great Plains Natural Gas Co. (Great Plains) requested approval from the Minnesota Public Utilities Commission (MPUC) to update its Gas Utility Infrastructure Cost (GUIC) tariff. The GUIC allows Great Plains to recover the cost of infrastructure investments mandated by federal and state agencies that are associated with Great Plains' pipeline integrity and safety programs. This covers expenses such as the cost of assessments, and modifications and replacement of natural gas facilities that are not included in the base rate. The GUIC was initially approved by the MPUC on October 6, 2017.

The per dekatherm adjustment charge approved in the GUIC filing is shown by customer class in the table below. The GUIC is reflected as a separate line item on your monthly gas service statement and will be effective with service rendered on or after October 1, 2021.

<u>Sales</u>	<u>Rate per Dekatherm (DK)</u>
Residential	\$0.0962
Firm General	\$0.1127
Grain Drying	\$0.1614
Small Interruptible	\$0.0312
Large Interruptible	\$0.0087
 <u>Transportation (excluding flexible rate contracts)</u>	
Small Interruptible	\$0.0522
Large Interruptible (including Margin Sharing Customer)	(\$0.0413)

Questions? For more information regarding the charges on your natural gas bill, please visit our web site at www.gpng.com and click on "Understanding your bill" or contact us at 1-877-267-4764.