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April 20, 2017

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G004/M-16-1066

Dear Mr. Wolf:

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

Great Plains Natural Gas Co., A Division of MDU Resources Group, Inc. (Great Plains or the Company), Request for Approval of a Gas Utility Infrastructure Cost Rider.

The Petition was filed on December 21, 2016 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 **approval** of Great Plains' proposed Gas Utility Infrastructure Cost (GUIC) Rider, **with modifications** and the request of additional information in Reply Comments. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/MICHAEL RYAN  
Rates Analyst

MR/lt  
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE

DOCKET No. G004/M-16-1066

**I. SUMMARY OF PROPOSAL**

On December 21, 2016, Great Plains Natural Gas Co., A Division of MDU Resources Group, Inc. (Great Plains or the Company) filed its Petition to the Minnesota Public Utilities Commission (Commission) for approval of a Gas Utility Infrastructure Cost (GUIC) Rider (Petition). Great Plains proposed to recover \$456,286 of annual revenue requirements through the GUIC Rider, effective May 20, 2017. The GUIC Rider would allow the Company to begin rate recovery of deferred and projected natural gas infrastructure investments for the Distribution Integrity Management Program (DIMP). The Company has no Transmission Integrity Management Program (TIMP) projects forecasted over the period from 2017 through 2020.

The recovery of \$456,286 requested by the Company is for two DIMP projects to replace PVC pipeline mains and services in Minnesota. The proposed GUIC rider includes 2016-projected expenditures not reflected in the most recent rate case<sup>1</sup> and 2017 expenditures. Great Plains stated that it seeks recovery of costs outside of a general rate case, including retroactive cost recovery for 2016, for the following reasons:

The capital investments included in this filing were not reflected in the most recent rate case and therefore are eligible for recovery under the statute. Great Plains will avoid filing a rate case and the costs associated with filing a general rate case through the use of a GUIC tariff and adjustment, especially when the amount sought, while critical to Great Plains, is not a significant increase to customers.<sup>2</sup>

Great Plains recommends using the authorized rate of return from the recent rate case (Docket No. G004/GR-15-879 [Docket No. 15-879]), as it was effective January 1, 2017. The Company also proposes allocating the total revenue requirement based on non-gas

<sup>1</sup> Docket No. G004/GR-15-879 (Docket No. 15-879).

<sup>2</sup> Petition, Exhibit F, pg. 1 of 1

revenues as authorized in Docket No. 15-879. Flexible rate customers have been excluded from the allocation due to price sensitivity.<sup>3</sup>

## II. BACKGROUND

In its last general rate case, Great Plains was allowed to increase its overall revenue by \$1,141,376 for the test year ending December 31, 2016.<sup>4</sup> Great Plains included both DIMP and TIMP costs in its 2016 test year.

Great Plains stated on page 2 of its Petition that:

Great Plains, like other gas utilities, must comply with federal and state regulations that require natural gas companies to implement integrity management programs to assess and improve the safety, reliability, and integrity of their natural gas infrastructure. Minn. Stat. §2168.1635 provides a mechanism for gas utilities to recover costs and expenses of gas infrastructure costs associated with the required replacement of transmission and distribution facilities "required by a federal or state agency." In recent years, several regulations focused on gas infrastructure integrity have been implemented.

The Company stated in its Petition that the TIMP and DIMP programs that were implemented in December 2004 and March 2014, respectively, to meet rules established by the Pipeline and Hazardous Materials Safety Administration (PHMSA). Based on the DIMP model, Great Plains is requesting recovery of two projects to replace PVC pipe mains and services in Minnesota.

Great Plains believes that the filing is consistent with the requirements of Minn. Stat. § 216.1635, in the public interest, and that costs are just and reasonable.

## III. DEPARTMENT ANALYSIS

The Department notes that Great Plains is the second gas utility to request rider recovery under the Minnesota GUIC statute. The Company proposed to recover total estimated annual revenue requirements of \$456,286 for DIMP related activities. Below, the Department discusses the statutory requirements and merits of Great Plains' GUIC Rider proposal.

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<sup>3</sup> Petition, pages 5 and 6.

<sup>4</sup> Commission's September 6, 2016 Order in Docket No. G004/GR-15-879, page 47.

## A. STATUTORY REQUIREMENTS

Generally, a public utility may not change its rates without undergoing a general rate case in which the Commission comprehensively reviews the utility's costs and revenues. However, the Legislature created exceptions to this general policy, allowing a utility to implement a rider with a rate-adjustment mechanism to expedite recovery of certain costs not reflected in the utility's current base rates. Minnesota Statute 216B.1635 allows utilities to seek rider recovery of gas utility infrastructure costs.

### 1. Eligibility for GUIC Rider Recovery

The term "Gas utility infrastructure costs" means costs incurred in certain "gas utility projects." Gas utility infrastructure costs allowed for recovery in the rider are costs that were not included in the gas utility's rate base in its most recent general rate case, do not serve new customers, and projects that do not constitute a "betterment" unless the betterment is "based on" requirements by a political subdivision or a federal or state agency.<sup>5</sup> As amended by the legislature in 2013, "gas utility projects" means:

(1) replacement of natural gas facilities located in the public right-of-way required by the construction or improvement of a highway, road, street, public building, or other public work by or on behalf of the United States, the state of Minnesota, or a political subdivision; and

(2) replacement or modification of existing natural gas facilities, including surveys, assessments, reassessment, and other work necessary to determine the need for replacement or modification of existing infrastructure that is required by a federal or state agency.<sup>6</sup>

As discussed in Xcel Energy's current GUIC filing<sup>7</sup>, the Commission interpreted the above Statute in its January 27, 2015 Order in Docket No. G002/M-14-336 as meaning that a gas infrastructure project is eligible for rider recovery under Minn. Stat. 216B.1635 if either provision (1) or (2) above is satisfied. Based on its review, the Department concludes that the DIMP projects included in the Petition,<sup>8</sup> and addressed via the Company's DIMP model, satisfy subpart (2) above.

As noted briefly above, in order for a project to meet the GUIC Rider statute, the costs incurred must meet the following three criteria:<sup>9</sup>

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<sup>5</sup> Minn. Stat. 216B.1635, subd. 1(b).

<sup>6</sup> Minn. Stat. 216B.1635, subd. 1(c).

<sup>7</sup> Docket No. G002/M-16-891.

<sup>8</sup> Petition, Exhibit B, page 4.

<sup>9</sup> Minn. Stat. 216B.1635, subd. 1(b).

- a) *GUIC cannot serve to increase revenue by directly connecting the infrastructure replacement to new customers.*

In discovery, the Company stated:

The PVC replacement projects are replacing existing infrastructure. If Great Plains connects a new customer, it is not part of the PVC replacement work order. Those costs are recorded in a different work order and not charged to the PVC main/service replacement work orders. No new customer projects are included in the proposed infrastructure tracker.<sup>10</sup>

- b) *The projects must not have been included in the gas utility's rate base in the most recent rate case.*

In discovery, the Company stated that the projects included in the filing were omitted from the most recent rate case.<sup>11</sup>

- c) *Projects that constitute a "betterment" do not qualify for rider recovery unless the betterment is "based on" requirements by a political subdivision or a federal or state agency.*

The Department asked extensive discovery in regards to the projects and any potential issues with additional pipeline pressure, size, or other characteristics. The Minnesota Office of Attorney General (OAG) provided extensive discussion and analysis regarding the issue of betterment in Xcel Energy's 2015 GUIC filing (Docket No. G002/M-15-808). In the Commission's August 18, 2016 Order in that docket, the Commission determined that Xcel's GUIC-eligible projects were appropriate and did not constitute a betterment. The analysis and Commission Order in last year's Xcel filing provide a framework to analyze the issue of betterment as it relates to Great Plains and its proposed projects. The Company provided extensive responses to Department information requests on this topic.<sup>12</sup> The Department reviewed these discovery responses and concludes that the proposed projects do not constitute a betterment.

Based on the responses provided by the Company, the Department concludes that the project costs meet the definitions outlined in Minnesota Statute 216B.1635, subd. 1 and are eligible for recovery, with the exception of 2016 costs, which are discussed in Section 3 below.

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<sup>10</sup> DOC Attachment 1. DOC Information Request 12.

<sup>11</sup> DOC Attachment 2. DOC Information Request 16

<sup>12</sup> DOC Attachments 3-7. DOC Information Requests 13, 17, 18, 19, and 23.

## 2. *Filing Requirements*

Minnesota Statute § 216B.1635, subd. 4 (2) requires that a gas utility file sufficient information to satisfy the Commission regarding the proposed GUIC. The information includes, but is not limited to:

- (i) the information required to be included in the gas infrastructure project plan report under subdivision 3;
- (ii) the government entity ordering or requiring the gas utility project and the purpose for which the project is undertaken;
- (iii) a description of the estimated costs and salvage value, if any, associated with the existing infrastructure replaced or modified as a result of the project;
- (iv) a comparison of the utility's estimated costs included in the gas infrastructure project plan and the actual costs incurred, including a description of the utility's efforts to ensure the costs of the facilities are reasonable and prudently incurred;
- (v) calculations to establish that the rate adjustment is consistent with the terms of the rate schedule, including the proposed rate design and an explanation of why the proposed rate design is in the public interest;
- (vi) the magnitude and timing of any known future gas utility projects that the utility may seek to recover under this section;
- (vii) the magnitude of GUIC in relation to the gas utility's base revenue as approved by the commission in the gas utility's most recent general rate case, exclusive of gas purchase costs and transportation charges;
- (viii) the magnitude of GUIC in relation to the gas utility's capital expenditures since its most recent general rate case; and
- (ix) the amount of time since the utility last filed a general rate case and the utility's reasons for seeking recovery outside of a general rate case.

Great Plains included a Matrix of Information Required in Minn. Stat. § 216B.1635 in Attachment A of the filing. Upon review of the Petition, the Department concludes that the Company has sufficiently complied with the filing requirements.

**B. GREAT PLAINS' GUIC RIDER PROPOSALS**

**1. Timing of the Factors and Test Year Conflicts**

Great Plains' GUIC Filing requests recovery of \$456,286 in DIMP costs through the Rider. These costs include expenses from both 2016 projected expenditures that the Company stated were not included in its 2015 Rate Case, which had a calendar year 2016 test year, and 2017 projected expenditures. The Department does not support Great Plains' request to recover 2016 DIMP costs in its GUIC Rider. Since PVC replacement projects under DIMP have been ongoing since 2013<sup>13</sup>, the Company should have included these costs in its 2015 Rate Case. In fact, recovery of any 2016 expenditures in the GUIC Rider would appear to constitute retroactive ratemaking. As a result, the Department concludes that the GUIC Rider should only be used to recover prospective expenses that occur after the 2016 test year in the recently completed rate case.

Given the issue of 2016 costs, the Department requested updated exhibits with only 2017 expenditures included in the GUIC rider.<sup>14</sup> Based on the information provided, the Department recommends that only \$125,214 be applicable for recovery from the GUIC Rider. In other words, the Department concludes that \$331,072 of the Company's requested revenue requirement are unreasonable. The GUIC is not meant to be a retroactive tool, but instead a proactive one that allows recovery for infrastructure projects that meet the terms of the statute between rate cases.

**2. Reasonableness of Proposed Costs**

Minnesota Statute § 216B.1635 subd. 5 states that the Commission may approve the annual GUIC rate adjustments, provided that "the costs included for recovery through the rate schedule are prudently incurred and achieve gas facility improvements at the lowest reasonable and prudent cost to ratepayers." In its Petition, Great Plains reasoned that the GUIC activities are prudent based on their use of a competitive bidding process and oversight of costs.

The Department requested in discovery that Great Plains expand upon the competitive bidding process and oversight of costs due to a lack of detail in the Petition. Great Plains explained that it only uses contractors for the installation of underground materials due to a lack of construction staff and that they handle all design and inspection for maintenance and accuracy of the records.<sup>15</sup>

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<sup>13</sup> Petition, Exhibit B, Page 3.

<sup>14</sup> DOC Attachment 8, DOC Information Request 26.

<sup>15</sup> DOC Attachments 9 and 10. DOC Information Requests 4 & 25.

The Company provided the following regarding the competitive bidding process:

The larger PVC replacement projects are put through the bidding process on an annual basis, with the scope of work for each project area provided by the Company. There are typically two or three contractors that submit bids, with Great Plains' engineering and operations staff evaluating the bids. Great Plains provides the materials and performs the inspection for each project.

The two to three contractors used are from the area, have a proven track record with performing this type of work and are familiar with the projects. Other contractors were included in the process in the past, but either did not submit bids or were unable to perform the required work during the construction season.<sup>16</sup>

The Department followed up and requested additional detailed information on how the bids are evaluated and contractors are determined.

Great Plains' engineering and operations staff evaluate bids by price, quality of work performed by contractor, track record with contractor and also the ability to complete project during construction season.

Quality of work is the highest ranked component, due to the code requirements that need to be met for installation of gas distribution system at both a state and local level.

The cost of the project is the next highest component. This component varies year to year based on available work for contractors, location of work and scope of projects and is the primary reason projects are bid out on an annual basis.

The ability to complete projects during construction season is the third highest component. The weather has a major impact on projects. The ground freezes and a contractor cannot workaround existing PVC gas system due to safety concerns and also the need to have gas system operations during winter months to provide service to customers. The limited construction season and projects need to be designed around that time frame.

Track record with contractor is the final component. This component depends on the lead or project manager for the contractor based on past experience. Great Plains provides its

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<sup>16</sup> DOC Attachment 11. DOC Information Request 3.



own Company inspector for this reason to insure quality and that the project is completed to Company requirements.<sup>17</sup>

Finally, the Department asked for further clarity on how the budget is established and how ratepayers are protected from overspending.

The capital budget is set each year for all Great Plains' projects through the annual capital budgeting process. Work orders and budgets are submitted, reviewed and approved through five levels within the Company and Great Plains is held internally accountable to not exceed the budget amount each year.

The replacement of PVC mains and services, under the two work orders included in the proposed GUIC tracker, are part of the budgeting process and are reviewed on an annual basis.<sup>18</sup>

Based on its analysis, the Department concludes that the projected 2017 costs included for recovery through the GUIC Rider appear reasonable and supported by the Company's budgeting process. However, to help ensure that the costs are prudent, the Department recommends that the Commission not allow Great Plains to recover through the rider any increases in costs above the Company's proposed costs; instead, Great Plains should be put on notice that any increase in costs would need to be justified in a rate case before recovery would be allowed.

### 3. *GUIC Revenue Requirements*

Minnesota Statute § 216B.1635, subd. 4, *Cost recovery petition for utility's facilities*, states:

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 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.

Great Plains' 2017 annual revenue requirement calculations are shown in Exhibit D of its Petition. As shown therein, Great Plains proposes to recover \$456,286 in 2017 annual revenue requirements in its GUIC Rider. However, as noted earlier, a portion of these annual revenue requirements (\$331,072) are attributable to 2016 costs which the Department concludes are not eligible for recovery. Instead, the Department recommends that Great Plains be allowed to recover the remaining amount of \$125,214, which are attributable to 2017 costs.

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<sup>17</sup> DOC Attachment 12. DOC Information Request 24.

<sup>18</sup> DOC Attachment 13. DOC Information Request 5.

Regarding “costs net of revenues,” the Company did not indicate in its Petition whether there were any offsetting revenues associated with these projects. However, Great Plains did indicate that there was no salvage value associated with the PVC mains and services being retired as part of the projects. The Department recommends that Great Plains explain, in Reply Comments, whether there are any offsetting revenues associated with these projects, including any insurance payments, any provisions to offset costs in contracts, or any other sources of funds that offsets the costs of the projects.

#### 4. *Rate of Return*

Minnesota Statute § 216B.1635, subd. 6, *Rate of Return*, requires that:

The return on investment for the rate adjustment shall be at the level approved by the commission in the public utility’s last general rate case, unless the commission determines that a different rate of return is in the public interest.

Great Plains proposed to use the pre-tax rate of return of 7.032 percent and capital structure approved in its 2015 Rate Case (Docket No. 15-879).<sup>19</sup> Since this was a recent rate case, the Department agrees with Great Plains proposal to use the rate of return from its 2015 Rate Case.

#### 5. *Prorated Accumulated Deferred Income Taxes (ADIT)*

Great Plains included the effects of proration on its ADIT balances in its revenue calculations. The Company’s prorated ADIT calculations are included in Exhibit D of its Petition, in which the Company prorates ADIT for each month in the “test year” for this rider.

The prorated ADIT issue stems from recently issued Private Letter Rulings (PLRs) from the Internal Revenue Service (IRS). According to these PLRs, based on facts in proceedings that may be different from the facts in the instant case, the IRS is concerned that utilities may be violating tax normalization rules by passing back the benefits of accelerated depreciation (via an ADIT credit to rate base) to ratepayers too soon. IRS Section 1.167(l)(h)(6) defines the procedures a company must use to normalize the impact on rate making in a forward-looking test year if a company elects to use accelerated depreciation. This section stipulates that the monthly changes to the deferred taxes balance, as calculated by the company, must be prorated prior to computing the average of beginning and ending balances for ADIT.

The Department notes that there is a difference between prorating ADIT balances in riders as opposed to rate cases. Riders have subsequent true-up calculations whereas rate cases do not. In addition, rate cases have interim rates and interim rate refunds, which riders do not have.

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<sup>19</sup> Petition, page 5.

The prorated ADIT issue has been discussed extensively in the following riders and rate cases; however, the issue remains largely unresolved:

- **Otter Tail Power (OTP)'s 2015 Environmental Cost Recovery Rider (ECR Rider) (Docket No. E017/M-15-719).** OTP first proposed to incorporate the effects of prorated ADIT in its 2015 ECRR. As explained in the DOC's January 15, 2016 Reply Comments, OTP proposed to raise the annual revenue requirements by \$55,000 due to the effects of proration. However, since OTP proposed to keep its current ECRR rate in effect, the DOC concluded and the Commission agreed that this issue did not need to be addressed in that proceeding.<sup>20</sup>
- **Xcel Energy's 2015 Transmission Cost Recovery Rider (TCRR) (Docket No. E002/M-15-891).** Xcel Energy also proposed to incorporate the effects of prorated ADIT in its 2015 TCRR, which increased the annual revenue requirements by \$150,830. Xcel's 2015 TCR Rider was based on forecasted calendar year 2016 figures. This docket was before the Commission on December 8, 2016. Since the 2016 calendar year was nearly complete, the Commission directed Xcel to refile its proposed annual revenue requirements using actual 2016 balances once they became known. This approach essentially eliminated the need for Xcel to prorate its ADIT balances for its 2015 TCRR purposes. In addition, the Commission directed the Department to work with Xcel to seek its own Private Letter Ruling from the IRS to determine the proper treatment of prorated ADIT balances in forecasted riders and whether the effects of proration may be returned to ratepayers in subsequent rider true-up calculations that replace prorated ADIT balances with actual non-prorated ADIT balances once they become historical. Xcel's draft of its PLR request is currently under review by the Department and other parties.
- **Xcel Energy's 2015 Renewable Energy Standards Rider (RES Rider) (Docket No. E002/M-15-805).** Xcel Energy proposed to incorporate the effects of ADIT proration in its 2015 RES Rider, which increased its annual revenue requirement by \$38,754. The Department opposed Xcel's proposal to prorate its ADIT balances. However, for purposes of resolving the issue and not using limited state resources, the Department's alternative recommendation was to: 1) allow the prorated ADIT only for recovery of forecasted costs and, 2) require a true-up in the following year (once all amounts are historical/actual) by using actual non-prorated ADIT amounts. Finally, if Xcel continued to pursue this issue to the detriment of ratepayers, the Department recommended that the Commission consider either denying rider recovery or limiting rider recovery to historical costs, as both of these approaches would eliminate the need to prorate ADIT balances. Prior to the Commission's January 26, 2017 Agenda meeting, the Company proposed that the Commission apply the same treatment to the prorated ADIT issue to the RES as it had in Xcel's TCR Rider.

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<sup>20</sup> See Commission's March 9, 2016 Order in Docket No. E017/M-15-719.

- **Xcel Energy's 2015 Rate Case (Docket No. E002/GR-15-826).** Xcel Energy proposed to incorporate the effects of prorated ADIT in its 2015 Rate Case, which increased its annual revenue requirements for 2016 through 2019 by \$11,549,000. The Department recommended in its Direct Testimony an adjustment to exclude prorated ADIT from the rate case.<sup>21</sup> However, since the parties entered into an aggregated financial settlement, even though the settlement was largely informed by the Department's testimony, specific decisions on individual financial issues were not determined. As a result, the issue remains unresolved.
- **OTP's 2015 Rate Case (Docket No. E017/GR-15-1033).** The prorated ADIT issue was discussed at length in OTP's 2015 Rate Case. In order to resolve this complex issue, the Department and OTP have jointly sought a PLR from the IRS to determine the proper rate case treatment of prorated ADIT balances in OTP's forecasted test year, interim rates, and the interim rate refund. OTP filed its PLR request with the IRS on December 29, 2016. A response from the IRS is expected later in 2017.
- **OTP's 2016 ECR Rider (Docket No. E017/M-16-373).** OTP proposed to incorporate the effects of ADIT proration in its 2016 ECR Rider, which increased its annual revenue requirement by \$396,020 for the Minnesota jurisdiction. However, OTP also proposed to replace its forecasted prorated ADIT balances with actual non-prorated ADIT balances for true-up purposes. The Department agreed with this approach.<sup>22</sup>
- **OTP's 2016 TCRR Rider (Docket No. E017/M-16-374).** OTP proposed to incorporate the effects of ADIT proration in its 2016 ECR Rider, which increased its annual revenue requirement by \$123,825 for the Minnesota jurisdiction. The Department recommended approval subject to a true-up calculation in the following year using actual non-prorated ADIT amounts. OTP's replies are due May 30, 2017.

Consistent with the approach that OTP has agreed to use in its ECR Rider, the Department recommends at this time that the Commission approve the Company's proposed ADIT proration for the forecasted test year in the filing, subject to a true-up calculation in the following year using actual non-prorated ADIT amounts. Great Plains' proposed true-up and tracker mechanism is discussed below.

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<sup>21</sup> See Ms. Nancy Campbell's June 14, 2016 Direct Testimony in Docket No. E002/GR-15-826, Page 23; \$6,483,000+\$1,896,000+1,813,000+1,357,000 = \$11,549,000 (for 2016 to 2019).

<sup>22</sup> DOC's March 3, 2017 Comments in Docket No. E017/16-374, Page 14-15.

## 6. *True-up (Tracker Recovery Mechanism)*

Great Plains stated on page 5 of its Petition that its proposed GUIC Rider is based on projected costs for a calendar year with a true-up of the projected costs to actual costs each year to be effective on May 1 each year.

In discovery, the Department requested further clarity with regard to the tracker. The Company explained:

...Under its proposal, Great Plains will calculate the true-up using actual costs and tracker revenue for the twelve months ending October 31. That true-up will be reflected in the December 1 filing to be effective May 1 each year.

While the use of the October under(over) recovered balance does result in a lag, with an October balance effective in May, as noted in Response No. 9, Great Plains' construction season is mostly completed by the end of October, and there is little construction activity during the winter months. Rather than file a trueup with six months of estimates, resulting in a further true-up, Great Plains prefers to base its true-up on actual data.<sup>23</sup>

The information provided in discovery matches the proposed tariff language provided in the Petition. The Department recommends that the Company also add tariff language that the tracker be reset to zero whenever Great Plains implements changes to base rates as the result of a Commission order in a general rate case. Since this is the first year of the GUIC Rider, the Department notes that there is not a tracker balance included in the 2017 proposed annual revenue requirements.

## 7. *Jurisdictional Allocators*

The Department notes that Great Plains' Petition did not include any discussion of jurisdictional allocators. The Department recommends that the Company explain, in Reply Comments, how it allocated gas plant costs to the Minnesota Jurisdiction in its most recent rate case and how it allocated the gas plant costs in the Petition.

## 8. *Rate Design*

Minnesota Statute § 216B.1635, subd. 4 (v) requires that the filing include calculations to establish that the rate adjustment is consistent with the terms of the rate schedule, including the proposed rate design and an explanation of why the proposed rate design is in the public interest. Great Plains proposed the following GUIC adjustment factors by class:<sup>24</sup>

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<sup>23</sup> DOC Attachment 14. DOC Information Request 21.

<sup>24</sup> Filing, page 6.

**Table 1**  
**Great Plains' Proposed GUIC Rate Adjustment Factors**

<b>Class</b>	<b>Rate per Dekatherm (DK)</b>
<u>Sales</u>	
Residential	\$0.1485
Firm General	\$0.1117
Small Int.	\$0.0861
Large Int.	\$0.0632
<u>Transportation (excluding Flexible)</u>	
Small Int.	\$0.0657
Large Int.	\$0.0315

Because the initial filing included recovery of 2016 expenditures, the Department requested that the Company provide revenue requirements that reflected on 2017 project expenditures. The following GUIC adjustment factors are for 2017 expenditures only:<sup>25</sup>

**Table 2**  
**Great Plains' Proposed GUIC Rate Adjustment Factors**  
**(2016 Expenditures Excluded)**

<b>Class</b>	<b>Rate per Dekatherm (DK)</b>
<u>Sales</u>	
Residential	\$0.0408
Firm General	\$0.0307
Small Int.	\$0.0236
Large Int.	\$0.0173
<u>Transportation (excluding Flexible)</u>	
Small Int.	\$0.0180
Large Int.	\$0.0087

The Company apportioned the revenue requirement among its classes in both tables above using the rate base allocated from the Class Cost of Service Study in its most recent natural gas rate case, Docket No. G004/GR-15-879. The rates were calculated using forecasted Minnesota sales for each class.

In its Petition, Great Plains proposed excluding flexible rate customers from the GUIC adjustment, stating that such an approach would be consistent with the prior rate case. The Company further explained that the flexible rate customers are highly price sensitive and subject to effective competition.

For the following reasons, the Department recommends, instead, that the flexible rate customers should be included in the GUIC adjustment. First, the Legislature created riders as exceptions to general ratemaking policy, allowing a utility to implement a rider with a rate-adjustment mechanism to expedite recovery of certain costs not reflected in the utility's current base rates. The flexible or negotiated rate customer has negotiated a base rate and,

<sup>25</sup> DOC Attachment 8, Page 14. DOC Information Request 26, Exhibit E.

until the GUIC can be reflected in base rates, cost recovery of the GUIC projects should be assessed to all customers.

Second, Great Plains provided no evidence in the record that they are precluded from including flexible rate customers in GUIC recovery. Moreover, the Department reviewed the currently approved flexible rate tariff sheets and with the application of the GUIC rider rate, as proposed by Great Plains, which is greater than the Department’s modified GUIC rider rate, the effectively charged rate remains within the approved flexible rate band. As such, assessing GUIC costs to flexible rate customers is reasonable.

Third, earlier in these Comments, the Department noted that Great Plains is the second utility to request recovery from the GUIC statute. Xcel Energy was the first utility to request recovery from the GUIC statute in 2014. Xcel Energy’s tariff includes a GUIC factor for all Transportation customers without an exclusion for customers on a negotiated or flexible rate. The Xcel Energy tariff specifically states that Negotiated Transportation Service customers are subject to resource adjustments provided for in the Conservation Improvement Program Adjustment Rider, the State Energy Policy Rate Rider and the Gas Utility Infrastructure Cost Rider.<sup>26</sup>

The Department reviewed the Company’s rate design methodology and concludes that it is reasonable, with the following exceptions: 1) Great Plains should be allowed to recover only 2017 expenditures and 2) Great Plain’s proposed GUIC Rate adjustment factors should be revised to include flexible rate customers. Table 3 reflects both of these changes and is the Department’s recommendation to date; the Department will review Great Plains’ replies.

**Table 3**  
**Great Plains’ Proposed GUIC Rate Adjustment Factors**  
**(2016 Expenditures Excluded and Inclusive of Flexible Rate Customers)**

<u>Class</u>	<u>Rate per Dekatherm (Dk)</u>
<u>Sales</u>	
Residential	\$0.0372
Firm General	\$0.0280
Small Int.	\$0.0216
Large Int.	\$0.0158
<u>Transportation (including Flexible)</u>	
<u>Small Int.</u>	\$0.0165
<u>Large Int.</u>	
<u>North Flex</u>	\$0.0046
<u>South</u>	\$0.0034
<u>South Flex</u>	\$0.0029

<sup>26</sup> Northern States Power Company, Minnesota Gas Rate Book, Section No. 5, 1<sup>st</sup> Revised Sheet No. 24.  
[https://www.xcelenergy.com/staticfiles/xcel/Regulatory/Regulatory%20PDFs/rates/MN/Mg\\_Section\\_5.pdf](https://www.xcelenergy.com/staticfiles/xcel/Regulatory/Regulatory%20PDFs/rates/MN/Mg_Section_5.pdf)

Included in the Department's discovery request for the GUIC rate adjustment factors inclusive of flexible rate customers was the following information contained in footnote number three:<sup>27</sup>

In 12/21/16 Filing, the South Flex volumes reflected a customer moving from Rate 82 to Rate 82 flex. The change is still pending so volumes are restated to be included in Rate 82.

The Department recommends that the Company provide information in Reply Comments regarding when the customer reflected in the footnote anticipates moving from Rate 82 to a flexible rate. If the switch has already occurred, please provide information on when the switch was made. The Department also recommends that the Company provide an explanation of how Great Plains plans to account for the shift of this customer and how Great Plains will recover the full cost of the GUIC projects. The explanation should include details on both the Company's recommendation that flexible rate customers be excluded from GUIC recovery and the Department's recommendation that flexible rate customers be included in the GUIC recovery.

#### 9. *Tariff Review*

The Department reviewed the proposed tariff sheets in Exhibit C. If the Commission agrees with the Department's recommendations, the tariff sheets will have to be updated to reflect the GUIC rates recommended.

The proposed tariff sheets also include language excluding flexible rate customers in the following instances:

- **Gas Rate Schedules for Interruptible Gas Transportation Service** Rates N81, N82, S81, and S82 include a statement that "...customers served under a flexible distribution rate agreement are excluded from this provision."<sup>28</sup>
- **Gas Rate Schedules for Large Interruptible Gas Sales Service** Rates N85 and S85 include a statement that "...customers served under a flexible distribution rate agreement are excluded from this provision."<sup>29</sup>

The Department recommends that the language excluding flexible rate customers be removed from the tariff. This recommendation includes, but is not limited to, the language citations listed above.

As noted in the True-up section above, the Department recommends the addition of tariff language that the tracker be reset to zero whenever Great Plains implements changes to base rates as the result of a Commission order in a general rate case.

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<sup>27</sup> DOC Attachment 15, DOC Information Request 27, Exhibit E.

<sup>28</sup> Filing, Exhibit C, 5<sup>th</sup> Revised Sheet No. 5-51 and 4<sup>th</sup> Revised Sheet No. 5-81.

<sup>29</sup> Filing, Exhibit C, 4<sup>th</sup> Revised Sheet No. 5-59 and 4<sup>th</sup> Revised Sheet No. 5-89.



The Department concludes that the Company's revisions, apart from the rate class adjustments, flexible rate exclusion, and need for additional true-up language are consistent with the GUIC Rider proposals. Therefore, the Department recommends that the Commission approve the Company's proposed tariff sheets with modifications.

#### *10. Customer Notice*

Great Plains did not file plans to provide notice to customers regarding the GUIC Rider. For the sake of transparency, the Department recommends that the Company proactively provide notice in monthly customer gas bills for all rate classes impacted. The Department also recommends that the Company file a sample notification in its Reply Comments.

#### *11. Future Filings*

Minnesota Statute § 216B.1635, subd. 2, *Gas infrastructure filing*, states:

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.

Great Plains anticipates PVC replacement projects through 2020. The Company therefore will submit for cost recovery under the GUIC in subsequent filings. To address the timing of subsequent filings, the following tariff language was included:

The effective dates of the Gas Utility Infrastructure Cost Adjustment (GUIC) shall be service rendered on and after May 1 each year with a filing date 150 days before the proposed effective date.<sup>30</sup>

The Department concludes that the Company's proposal to file its proposed changes 150 days on or after May 1 to the GUIC factors for the subsequent year is reasonable.

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<sup>30</sup> Filing, Exhibit C, Proposed Tariff Sheets, Original Sheet No. 5-130.

#### IV. CONCLUSIONS AND RECOMMENDATIONS

##### 1. *Conclusions*

The Department concludes that:

- the Company has sufficiently complied with the filing requirements;
- the GUIC Rider should only be used to recover prospective expenses that occurred after the 2016 test year;
- the projected 2017 costs included for recovery through the GUIC Rider appear reasonable and supported by the Company's budgeting process;
- to help ensure that the costs are prudent, the Commission should not allow Great Plains to recover through the rider any increases in costs above the Company's proposed costs; instead, any increase in costs would need to be justified in a rate case before recovery would be allowed.
- the Department agrees with Great Plains' proposal to use the rate of return from its 2015 Rate Case;
- it is acceptable to allow the proposed ADIT proration for the forecasted test year in the filing, only if there is a true-up calculation in the following year using actual non-prorated ADIT amounts;
- the proposed tariff language for the true up matches the Company's description;
- rate design using apportionment of the revenue requirement among its classes allocated from the Class Cost of Service Study in its most recent natural gas rate case, Docket No. G004/GR-15-879 is acceptable, but flexible rate customers must also be included in the GUIC Rider recovery; and
- the Company's proposal to file its proposed changes 150 days on or after May 1 to the GUIC factors for the subsequent year is reasonable.

##### 2. *Recommendations*

Based on its analysis to date, the Department recommends that:

- Great Plains explain, in Reply Comments, whether they are any offsetting revenues associated with these projects, including any insurance payments, any provisions to offset costs in contracts, or any other sources of funds that offsets the costs of the projects;
- the Company provide further discussion of jurisdictional allocators in Reply Comments including how it allocated gas plant costs to the Minnesota Jurisdiction in its most recent rate case and how it allocated the gas plant costs in the Petition;
- Great Plains provide, in Reply Comments, the timing of the large customer moving from the Large Interruptible Rate 82 to a flexible rate class and explain how the Company will recover GUIC cost assuming flexible rate customers can be included in the GUIC and also assuming that flexible rate customers cannot be included in the GUIC;

- the Company provide a sample notification to customers regarding the GUIC Rider in Reply Comments;
- the Commission not allow Great Plains to recover through the rider any increases in costs above the Company's proposed costs and any increase in costs would need to be justified in a rate case before recovery would be allowed;
- a pre-tax rate of return of 7.032 percent in the GUIC Rider be used;
- the GUIC Rider be approved to recover only 2017 expenditures and proposed GUIC Rate adjustment factors should be inclusive of flexible rate customers;
- the Commission approve the tariff sheets, apart from the rate class adjustments and flexible rate exclusion; and
- the Commission require Great Plains to add tariff language that the tracker be reset to zero whenever Great Plains implements changes to base rates as the result of a Commission order in a general rate case.

Given that the Department is requesting additional information in Reply Comments, an update with final recommendations will be filed subsequent to the Company's response.

/lt

## State of Minnesota

**DEPARTMENT OF COMMERCE**  
**DIVISION OF ENERGY RESOURCES**

Nonpublic

Public

### Utility Information Request

Docket Number: G004/M-16-1066

Date of Request: 2/13/2017

Requested From: Great Plains Natural Gas Co.

Response Due: 2/23/2017

Analyst Requesting Information: Michael Ryan

Type of Inquiry:    ..... Financial            ..... Rate of Return    ..... Rate Design  
                          ..... Engineering            ..... Forecasting        ..... Conservation  
                          ..... Cost of Service        ..... CIP                    ..... Other:

*If you feel your responses are trade secret or privileged, please indicate this on your response.*

Request No.	
12	<p>Subject: New Customers</p> <p>Please fully explain if new customers were added, or expected to be added, due to the projects that seek recovery under the GUIC rider. Please include the number of customers by rate class.</p> <p>If this information has already been provided in written comments, please identify the specific cite(s).</p>

Response:

The PVC replacement projects are replacing existing infrastructure. If Great Plains connects a new customer, it is not part of the PVC replacement work order. Those costs are recorded in a different work order and not charged to the PVC main/service replacement work orders. No new customer projects are included in the proposed infrastructure tracker.

State of Minnesota

DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic
Public

Form with 'X' in a box

Utility Information Request

Docket Number: G004/M-16-1066 Date of Request: 2/13/2017
Requested From: Great Plains Natural Gas Co. Response Due: 2/23/2017
Analyst Requesting Information: Michael Ryan

Type of Inquiry: [ ]..... Financial [ ]..... Rate of Return [ ]..... Rate Design
[ ]..... Engineering [ ]..... Forecasting [ ]..... Conservation
[ ]..... Cost of Service [ ]..... CIP [ ]..... Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Table with 2 columns: Request No., Subject: Rate Case. Content includes: Please explain, in detail, why the projects seeking recovery via the GUIC Rider were not included in the most recent rate case when Exhibit B states that PVC replacements started in 2013. If this information has already been provided in written comments, please identify the specific cite(s).

Response:

The funding projects (work orders) for the PVC main and service replacements for projected 2015-2016 were overlooked when preparing the most recent rate case and thus were not included.

## State of Minnesota

**DEPARTMENT OF COMMERCE**  
**DIVISION OF ENERGY RESOURCES**

Nonpublic   
 Public

### Utility Information Request

Docket Number: G004/M-16-1066                      Date of Request: 2/13/2017  
 Requested From: Great Plains Natural Gas Co.                      Response Due: 2/23/2017  
 Analyst Requesting Information: Michael Ryan

Type of Inquiry:    ..... Financial                      ..... Rate of Return                      ..... Rate Design  
                           ..... Engineering                      ..... Forecasting                      ..... Conservation  
                           ..... Cost of Service                      ..... CIP                      ..... Other:

*If you feel your responses are trade secret or privileged, please indicate this on your response.*

Request No.	
13	<p>Subject: Existing Customers</p> <p>A. Please fully explain if existing customers have requested additional pipeline capacity that would require larger distribution pipeline infrastructure in the project areas listed in the Company's filing.</p> <p>B. Please fully explain whether the Company plans to install larger distribution pipeline infrastructure, relative to what is currently installed, in any of the project areas listed in the Company's filing.</p> <p>If this information has already been provided in written comments, please identify the specific cite(s).</p>

Response:

- A. The existing system operated at 15 PSI and the new system is operating at 50 PSI in order to meet industry standards so Great Plains is able to provide more capacity with the increased pressure. However, the projects have not been sized in order to accommodate capacity increases requested by customers.
- B. In most of the communities, the Company has designed a larger truck line and the remaining infrastructure is relative to current size. The Company intends to be a prudent operator and design the system for today's needs and also provide for some growth.

**State of Minnesota**

**DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES**

Nonpublic	<input type="checkbox"/>
Public	<input checked="" type="checkbox"/>

Utility Information Request

Docket Number: G004/M-16-1066                      Date of Request: 2/13/2017  
Requested From: Great Plains Natural Gas Co.                      Response Due: 2/23/2017  
  
Analyst Requesting Information: Michael Ryan

Type of Inquiry:    ..... Financial                      ..... Rate of Return                      ..... Rate Design  
   ..... Engineering                      ..... Forecasting                      ..... Conservation  
   ..... Cost of Service                      ..... CIP                      ..... Other:

*If you feel your responses are trade secret or privileged, please indicate this on your response.*

Request No.	
17	<p>Subject: GUIC Projects</p> <p>Reference: Initial Filing, Exhibit B, pg. 4.</p> <p>Please list, for each project listed in the referenced exhibit, the diameter, material, maximum operating pressure, and length of pipeline installed including projections for any projects yet to be completed. Please include if, and to what extent, this changed or will change from what was in the ground prior.</p> <p>If this information has already been provided in written comments, please identify the specific cite(s).</p>

Response:

Please see the table below. All materials installed were medium density polyethylene (PE) pipe with a MAOP of 60 PSI. The 2" PE pipe replaced 1.5", 2" and 2.5" PVC pipe and steel pipe. The 4" PE pipe replaced 3" PVC and steel pipe. The 6" PE replaced 4" PVC or steel pipe.

	<u>Feet</u>	<u>Diameter (inches)</u>	<u>MAOP - PSI</u>
Breckenridge	23,000	2	60
	15,000	4	60
Renville	18,000	2	60
Pelican Rapids	20,000	2	60
	15,000	4	60
	3,000	6	60
Clarkfield	20,000	2	60
	15,000	4	60
Echo	8,000	2	60
	12,000	4	60
Belview	8,000	2	60
	12,000	4	60
Danube	15,000	2	60
	10,000	4	60
Fergus Falls	40,000	6	60
Misc. Projects	20,000	2	60
	5,000	4	60



## State of Minnesota

**DEPARTMENT OF COMMERCE**  
**DIVISION OF ENERGY RESOURCES**

Nonpublic

Public

### Utility Information Request

Docket Number: G004/M-16-1066

Date of Request: 2/13/2017

Requested From: Great Plains Natural Gas Co.

Response Due: 2/23/2017

Analyst Requesting Information: Michael Ryan

Type of Inquiry:    ..... Financial            ..... Rate of Return    ..... Rate Design  
                           ..... Engineering        ..... Forecasting        ..... Conservation  
                           ..... Cost of Service    ..... CIP                    ..... Other:

*If you feel your responses are trade secret or privileged, please indicate this on your response.*

Request No.	
18	<p>Subject:        GUIC Projects</p> <p>Reference:     Initial Filing, Exhibit B, pg. 4.</p> <p>Please list, for each project listed in the referenced exhibit, the year in which the pipe replaced was originally entered service including all projects listed in the filing through 2020.</p> <p>If this information has already been provided in written comments, please identify the specific cite(s).</p>

Response:

The majority of the mains and services in the replacement areas were initially installed in 1966:

Breckenridge	1966
Renville	1966
Pelican Rapids	1966
Clarkfield	1966
Echo	1966
Belview	1966
Danube	1966
Fergus Falls	1966

## State of Minnesota

**DEPARTMENT OF COMMERCE**  
**DIVISION OF ENERGY RESOURCES**

Nonpublic   
 Public

### Utility Information Request

Docket Number: G004/M-16-1066                      Date of Request: 2/13/2017  
 Requested From: Great Plains Natural Gas Co.                      Response Due: 2/23/2017

Analyst Requesting Information: Michael Ryan

Type of Inquiry:    ..... Financial                      ..... Rate of Return                      ..... Rate Design  
                          ..... Engineering                      ..... Forecasting                      ..... Conservation  
                          ..... Cost of Service                      ..... CIP                      ..... Other:

*If you feel your responses are trade secret or privileged, please indicate this on your response.*

Request No.	
19	<p>Subject:            GUIC Projects</p> <p>Reference:        Initial Filing, Exhibit B, pg. 4.</p> <p>Please fully describe any projects where improvements were needed to expand pressure or enlarge the pipeline. If this occurred, please fully explain how the Company came up with the decision, or the requirements by a political subdivision or a federal or state agency, as evidenced by specific documentation, an order, or other similar requirement from the government entity requiring the replacement or modification of infrastructure.</p> <p>If this information has already been provided in written comments, please identify the specific cite(s).</p>

Response:

Great Plains' distribution system consists of two medium pressure systems; one that operates at 15 PSI and one that operates at 50 PSI. All of the existing PVC pipe operates on the 15 PSI pressure. Once these replacement projects are completed all of the Great Plains' distribution system will be operated at 50 PSI and a MAOP of 60 PSI.

It is an industry standard to design medium pressure systems to 60 PSI.

**Minnesota Department of Commerce  
Division of Energy Resources  
Information Request**

Docket Number: G004/M-16-1066  Nonpublic  Public  
Requested From: Great Plains Natural Gas Co. Date of Request: 3/16/2017  
Type of Inquiry: General Response Due: 3/27/2017

Requested by: Michael Ryan  
Email Address(es): Michael.J.Ryan@state.mn.us  
Phone Number(s): 651-539-1807

**Request Number: 23**

Topic: GUIC Projects  
Reference(s): Department of Commerce Information Requests 13, 17, & 19

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**Request:**

- A. Please identify the party, or parties, that determine whether a distribution pipeline of 50 PSI with a MAOL of 60 PSI is the medium pressure industry standard. As part of this response, please include any, and all, documentation of how the standard is derived.
- B. Please explain if there are any other benefits besides size, maintenance, monitoring, etc. provided by the larger 50 PSI distribution pipeline as compared to the legacy pipeline.

**Response:**

- A. PHMSA (Pipeline and Hazardous Materials Safety Administration) code 192.619 - Maximum allowable operating pressure. The Code is derived by pressure testing of system 1.5 times the maximum allowable pressure which is 60 PSI. The medium density plastic pipe is designed to be operated up to 60 PSI based on testing and requirements of ASTM code of pipe.
- B. Great Plains currently has two pressure systems in most of the communities served. A 50 PSI system and also a 15 PSI system. The Company could reduce regulator stations in most communities and run the distribution system on 50 PSI system.

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To be completed by responder

Response Date: 3/22/2017  
Response by: Travis Jacobson  
Email Address: travis.jacobson@mdu.com  
Phone Number: 701-222-7855

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**Minnesota Department of Commerce  
Division of Energy Resources  
Information Request**

Docket Number: G004/M-16-1066  Nonpublic  Public  
Requested From: Great Plains Natural Gas Co. Date of Request: 3/16/2017  
Type of Inquiry: General Response Due: 3/27/2017

Requested by: Michael Ryan  
Email Address(es): Michael.J.Ryan@state.mn.us  
Phone Number(s): 651-539-1807

**Request Number: 26**

Topic: Revenue Requirements  
Reference(s): Initial Filing, Exhibit D

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**Request:**

Please provide 2017 revenue requirements reflecting only 2017 projected expenditures. Please provide the exhibits and supporting exhibits in Microsoft Excel format with all links and formulae intact.

**Response:**

Please see the attached Excel file "DOC IR-26 Exhibits 2017 only".

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To be completed by responder

Response Date: 3/22/2017  
Response by: Travis Jacobson  
Email Address: travis.jacobson@mdu.com  
Phone Number: 701-222-7855

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**GREAT PLAINS NATURAL GAS CO.  
GUIC REVENUE REQUIREMENT  
PROJECTED 2017**

	<u>Total</u>	<u>Mains</u>	<u>Services</u>
O&M	\$0	\$0	\$0
Depreciation Expense	23,031	10,587	12,444
Ad valorem taxes	28,975	15,454	13,521
Return	45,303	24,418	20,885
Income Taxes	27,905	14,217	13,688
Total	<u>\$125,214</u>	<u>\$64,676</u>	<u>\$60,538</u>

**GREAT PLAINS NATURAL GAS CO.  
GUIC PLANT ADDITIONS- MAINS  
2017 REVENUE REQUIREMENT**

	2017												
	Average	January	February	March	April	May	June	July	August	September	October	November	December
Plant in Service 1/	\$354,077	\$0	\$0	\$0	\$199,455	\$199,455	\$199,455	\$199,455	\$618,862	\$618,862	\$618,862	\$618,862	\$975,652
Accumulated Reserve	3,244	0	0	0	497	994	1,491	1,988	3,530	5,072	6,614	8,156	10,587
ADIT 2/	3,590	822	1,576	2,254	2,858	3,386	3,840	4,218	4,520	4,748	4,900	4,979	4,981
Rate Base	\$347,243	(\$822)	(\$1,576)	(\$2,254)	\$196,100	\$195,075	\$194,124	\$193,249	\$610,812	\$609,042	\$607,348	\$605,727	\$960,084
Return @ 7.032% 3/	\$24,418	(\$5)	(\$9)	(\$13)	\$1,149	\$1,143	\$1,138	\$1,132	\$3,579	\$3,569	\$3,559	\$3,550	\$5,626
	<u>Total</u>												
Expenses													
O&M	\$0												
Depreciation	10,587	0	0	0	497	497	497	497	1,542	1,542	1,542	1,542	2,431
Ad Valorem Taxes	15,454	0	0	0	263	263	263	263	817	817	817	817	11,134
Total Expenses	\$26,041	\$0	\$0	\$0	\$760	\$760	\$760	\$760	\$2,359	\$2,359	\$2,359	\$2,359	\$13,565
Income before taxes	(\$26,041)	\$0	\$0	\$0	(\$760)	(\$760)	(\$760)	(\$760)	(\$2,359)	(\$2,359)	(\$2,359)	(\$2,359)	(\$13,565)
Interest expense	8,324	(2)	(3)	(5)	392	390	388	386	1,220	1,217	1,213	1,210	1,918
	(\$34,365)	\$2	\$3	\$5	(\$1,152)	(\$1,150)	(\$1,148)	(\$1,146)	(\$3,579)	(\$3,576)	(\$3,572)	(\$3,569)	(\$15,483)
Income Taxes	\$14,217	(\$1)	(\$1)	(\$2)	\$477	\$476	\$475	\$474	\$1,481	\$1,479	\$1,478	\$1,476	\$6,405
Revenue Requirement	\$64,676	(\$6)	(\$10)	(\$15)	\$2,386	\$2,379	\$2,373	\$2,366	\$7,419	\$7,407	\$7,396	\$7,385	\$25,596

1/ Reflects the 2016 projected expenditures not reflected in projected revenue requirement in Docket No. G004/GR-15-879 and 2017 projects. Actuals through November 2016.

2/ Balances based on monthly proration methodology.

3/ Authorized in Docket No. G004/GR-15-879.

**GREAT PLAINS NATURAL GAS CO.  
GUIC PLANT ADDITIONS- SERVICES  
2017 REVENUE REQUIREMENT**

	2017												
	Average	January	February	March	April	May	June	July	August	September	October	November	December
Plant in Service 1/	\$303,468	\$0	\$0	\$0	\$163,178	\$163,178	\$163,178	\$163,178	\$533,832	\$533,832	\$533,832	\$533,832	\$853,574
Accumulated Reserve	3,766	0	0	0	558	1,116	1,674	2,232	4,056	5,880	7,704	9,528	12,444
ADIT 2/	2,701	619	1,186	1,696	2,150	2,547	2,889	3,173	3,400	3,572	3,687	3,746	3,748
Rate Base	\$297,001	(\$619)	(\$1,186)	(\$1,696)	\$160,470	\$159,515	\$158,615	\$157,773	\$526,376	\$524,380	\$522,441	\$520,558	\$837,382
Return @ 7.032% 3/	\$20,885	(\$4)	(\$7)	(\$10)	\$940	\$935	\$929	\$925	\$3,085	\$3,073	\$3,062	\$3,050	\$4,907
	<u>Total</u>												
Expenses													
O&M	\$0												
Depreciation	12,444	0	0	0	558	558	558	558	1,824	1,824	1,824	1,824	2,916
Ad Valorem Taxes	13,521	0	0	0	215	215	215	215	705	705	705	705	9,841
Total Expenses	\$25,965	\$0	\$0	\$0	\$773	\$773	\$773	\$773	\$2,529	\$2,529	\$2,529	\$2,529	\$12,757
Income before taxes	(\$25,965)	\$0	\$0	\$0	(\$773)	(\$773)	(\$773)	(\$773)	(\$2,529)	(\$2,529)	(\$2,529)	(\$2,529)	(\$12,757)
Interest expense	7,121	(1)	(2)	(3)	321	319	317	315	1,051	1,047	1,044	1,040	1,673
	(\$33,086)	\$1	\$2	\$3	(\$1,094)	(\$1,092)	(\$1,090)	(\$1,088)	(\$3,580)	(\$3,576)	(\$3,573)	(\$3,569)	(\$14,430)
Income Taxes	\$13,688	\$0	(\$1)	(\$1)	\$453	\$452	\$451	\$450	\$1,481	\$1,479	\$1,478	\$1,476	\$5,970
Revenue Requirement	\$60,538	(\$4)	(\$8)	(\$11)	\$2,166	\$2,160	\$2,153	\$2,148	\$7,095	\$7,081	\$7,069	\$7,055	\$23,634

1/ Reflects the 2016 projected expenditures not reflected in projected revenue requirement in Docket No. G004/GR-15-879 and 2017 projects. Actuals through November 2016.

2/ Balances based on monthly proration methodology.

3/ Authorized in Docket No. G004/GR-15-879.

**GREAT PLAINS NATURAL GAS CO  
GUIC PLANT ADDITIONS- MAINS  
2016**

	2016												
	Total	January	February	March	April	May	June	July	August	September	October	November	December
<b>FP-200800 Replace PVC Main</b>													
Expenditures	\$0												
Close to Plant (cumulative)	\$0		\$0	\$0	0	0	0	0	0				0
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Accumulated Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
ADIT	\$0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net Plant</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>	<b>\$0</b>

1/ Not included in the 2016 projected revenue requirement in Docket No. G004/GR-15-879.

Tax Depreciation - 20 yr	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Book Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Difference	0	0	0	0	0	0	0	0	0	0	0	0	0
DIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Balance		0	0	0	0	0	0	0	0	0	0	0	0



**GREAT PLAINS NATURAL GAS CO  
GUIC PLANT ADDITIONS-SERVICES  
2016**

	2016												
	Total	January	February	March	April	May	June	July	August	September	October	November	December
<b>FP-200823 Replace PVC Services</b>													
Expenditures	\$0												
Close to Plant	\$0												
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Accumulated Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
ADIT	\$0	0	0	0	0	0	0	0	0	0	0	0	0
Net Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

1/ Not included in the 2016 projected revenue requirement in Docket No. G004/GR-15-879.

Tax Depreciation - 20 yr	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Book Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Difference	0	0	0	0	0	0	0	0	0	0	0	0	0
DIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**GREAT PLAINS NATURAL GAS CO.  
GUIC PLANT ADDITIONS- MAINS  
2016 ADDITIONS - YEAR 2**

	2016 Year 2												
	Total	January	February	March	April	May	June	July	August	September	October	November	December
<b>FP-200800 Replace PVC Main</b>													
Expenditures													
Close to Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Accumulated Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
ADIT	\$0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net Plant</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>	<b>\$0</b>
Ad Valorem Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

1/ Not included in the 2016 projected revenue requirement in Docket No. G004/GR-15-879.

Tax Depreciation - 20 yr	\$0	0	0	0	0	0	0	0	0	0	0	0	0
Book Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Difference	0	0	0	0	0	0	0	0	0	0	0	0	0
DIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Balance		0	0	0	0	0	0	0	0	0	0	0	0

**GREAT PLAINS NATURAL GAS CO.  
GUIC PLANT ADDITIONS-SERVICES  
2016 ADDITIONS - YEAR 2**

	2016 Year 2												
	Total	January	February	March	April	May	June	July	August	September	October	November	December
<b>FP-200823 Replace PVC Services</b>													
Expenditures													
Close to Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Accumulated Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
ADIT	\$0	\$0	\$0	0	0	0	0	0	0	0	0	0	0
<b>Net Plant</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>	<b>\$0</b>
Ad Valorem Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

1/ Not included in the 2016 projected revenue requirement in Docket No. G004/GR-15-879.

Tax Depreciation - 20 yr	\$0	0	0	0	0	0	0	0	0	0	0	0	0
Book Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Difference	0	0	0	0	0	0	0	0	0	0	0	0	0
DIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Balance		0	0	0	0	0	0	0	0	0	0	0	0

**GREAT PLAINS NATURAL GAS CO  
GUIC PLANT ADDITIONS- MAINS  
2017**

	2017												
	Total	January	February	March	April	May	June	July	August	September	October	November	December
<b>FP-200800 Replace PVC Main</b>													
Expenditures	\$975,652	\$12,065	\$36,222	\$60,434	\$90,734	\$90,939	\$109,242	\$109,489	\$109,737	\$97,920	\$98,142	\$86,299	\$74,429
Close to Plant	\$975,652				199,455	199,455	199,455	199,455	618,862	618,862	618,862	618,862	975,652
Depreciation	10,587	0	0	0	497	497	497	497	1,542	1,542	1,542	1,542	2,431
Accumulated Reserve	10,587	0	0	0	497	994	1,491	1,988	3,530	5,072	6,614	8,156	10,587
ADIT	\$4,981	822	1,576	2,254	2,858	3,386	3,840	4,218	4,520	4,748	4,900	4,979	4,981
Net Plant	\$960,084	(\$822)	(\$1,576)	(\$2,254)	\$196,100	\$195,075	\$194,124	\$193,249	\$610,812	\$609,042	\$607,348	\$605,727	\$960,084
Ad Valorem Taxes	\$15,454	\$0	\$0	\$0	\$263	\$263	\$263	\$263	\$817	\$817	\$817	\$817	\$11,134
Tax Depreciation - 20 yr	\$36,588	\$0	\$0	\$0	\$7,480	\$0	\$0	\$0	\$15,728	\$0	\$0	\$0	\$13,380
Book Depreciation	10,587	0	0	0	497	497	497	497	1,542	1,542	1,542	1,542	2,431
Difference	26,001	0	0	0	6,983	(497)	(497)	(497)	14,186	(1,542)	(1,542)	(1,542)	10,949
DIT	\$10,756	\$0	\$0	\$0	\$2,889	(\$206)	(\$206)	(\$206)	\$5,869	(\$638)	(\$638)	(\$638)	\$4,530
Balance		0	0	0	2,889	2,683	2,477	2,271	8,140	7,502	6,864	6,226	10,756

**GREAT PLAINS NATURAL GAS CO  
GUIC PLANT ADDITIONS-SERVICES  
2017**

	2017												
	Total	January	February	March	April	May	June	July	August	September	October	November	December
<b>FP-200823 Replace PVC Services</b>													
Expenditures	\$853,574	\$12,065	\$24,157	\$48,342	\$78,614	\$78,792	\$97,068	\$97,287	\$97,507	\$97,728	\$85,884	\$74,014	\$62,116
Close to Plant	\$853,574				163,178	163,178	163,178	163,178	533,832	533,832	533,832	533,832	853,574
Depreciation	12,444	0	0	0	558	558	558	558	1,824	1,824	1,824	1,824	2,916
Accumulated Reserve	12,444	0	0	0	558	1,116	1,674	2,232	4,056	5,880	7,704	9,528	12,444
ADIT	\$3,748	619	1,186	1,696	2,150	2,547	2,889	3,173	3,400	3,572	3,687	3,746	3,748
Net Plant	\$837,382	(\$619)	(\$1,186)	(\$1,696)	\$160,470	\$159,515	\$158,615	\$157,773	\$526,376	\$524,380	\$522,441	\$520,558	\$837,382
Ad Valorem Taxes	\$13,521	\$0	\$0	\$0	\$215	\$215	\$215	\$215	\$705	\$705	\$705	\$705	\$9,841
Tax Depreciation - 20 yr	\$32,009	\$0	\$0	\$0	\$6,119	\$0	\$0	\$0	\$13,900	\$0	\$0	\$0	\$11,990
Book Depreciation	12,444	0	0	0	558	558	558	558	1,824	1,824	1,824	1,824	2,916
Difference	19,565	0	0	0	5,561	(558)	(558)	(558)	12,076	(1,824)	(1,824)	(1,824)	9,074
DIT	\$8,093	\$0	\$0	\$0	\$2,301	(\$231)	(\$231)	(\$231)	\$4,996	(\$755)	(\$755)	(\$755)	\$3,754
Balance		0	0	0	2,301	2,070	1,839	1,608	6,604	5,849	5,094	4,339	8,093

**GREAT PLAINS NATURAL GAS CO  
ADITS ON GUIC PROJECTS  
GAS UTILITY - MINNESOTA  
PROJECTED 2016-2017**

Month	Mains				Service			
	Weighting for Projection	Monthly Increments	Balance/ Increments	Balance	Weighting for Projection	Monthly Increments	Balance/ Increments	Balance
<u>2016 Plant additions</u>								
December 2015	100.00%			\$0	100.00%			\$0
January 2016	91.78%	\$0	\$0	0	91.78%	\$0	\$0	0
February	84.11%	0	0	0	84.11%	0	0	0
March	75.62%	0	0	0	75.62%	0	0	0
April	67.40%	0	0	0	67.40%	0	0	0
May	58.90%	0	0	0	58.90%	0	0	0
June	50.68%	0	0	0	50.68%	0	0	0
July	42.19%	0	0	0	42.19%	0	0	0
August	33.70%	0	0	0	33.70%	0	0	0
September	25.48%	0	0	0	25.48%	0	0	0
October	16.99%	0	0	0	16.99%	0	0	0
November	8.77%	0	0	0	8.77%	0	0	0
December	0.27%	0	0	0	0.27%	0	0	0
Total		\$0	\$0			\$0	\$0	
December 2016	100.00%			\$0	100.00%			\$0
January 2017	91.78%	\$0	0	0	91.78%	\$0	0	0
February	84.11%	0	0	0	84.11%	0	0	0
March	75.62%	0	0	0	75.62%	0	0	0
April	67.40%	0	0	0	67.40%	0	0	0
May	58.90%	0	0	0	58.90%	0	0	0
June	50.68%	0	0	0	50.68%	0	0	0
July	42.19%	0	0	0	42.19%	0	0	0
August	33.70%	0	0	0	33.70%	0	0	0
September	25.48%	0	0	0	25.48%	0	0	0
October	16.99%	0	0	0	16.99%	0	0	0
November	8.77%	0	0	0	8.77%	0	0	0
December	0.27%	0	0	0	0.27%	0	0	0
Total		\$0	\$0			\$0	\$0	

**GREAT PLAINS NATURAL GAS CO  
ADITS ON GUIC PROJECTS  
GAS UTILITY - MINNESOTA  
PROJECTED 2016-2017**

Month	Mains			Service				
	Weighting for Projection	Monthly Increments	Balance/ Increments	Balance	Weighting for Projection	Monthly Increments	Balance/ Increments	Balance
<u>2017 Plant additions</u>								
December 2016	100.00%			\$0	100.00%			\$0
January 2017	91.78%	\$896	822	822	91.78%	\$674	619	619
February	84.11%	896	754	1,576	84.11%	674	567	1,186
March	75.62%	896	678	2,254	75.62%	674	510	1,696
April	67.40%	896	604	2,858	67.40%	674	454	2,150
May	58.90%	896	528	3,386	58.90%	674	397	2,547
June	50.68%	896	454	3,840	50.68%	674	342	2,889
July	42.19%	896	378	4,218	42.19%	674	284	3,173
August	33.70%	896	302	4,520	33.70%	674	227	3,400
September	25.48%	896	228	4,748	25.48%	674	172	3,572
October	16.99%	896	152	4,900	16.99%	674	115	3,687
November	8.77%	896	79	4,979	8.77%	674	59	3,746
December	0.27%	900	2	4,981	0.27%	679	2	3,748
Total		\$10,756	\$4,981			\$8,093	\$3,748	

	Projected			Projected		
	2016 Yr 1	2016 Yr 2	2017	2016 Yr 1	2016 Yr 2	2017
Prior year December ADIT balance	\$0	0	\$0	\$0	0	\$0
Projected additions	0	0	10,756	0	0	8,093
Projected ADIT	0	0	10,756	0	0	8,093
Change in DITs	0	0	10,756	0	0	8,093
Monthly Increment	\$0	\$0	\$896	\$0	\$0	\$674

**GREAT PLAINS NATURAL GAS CO.  
 AVERAGE UTILITY CAPITAL STRUCTURE  
 AUTHORIZED**

	<u>Balance</u>	<u>Ratio</u>	<u>Cost</u>	<u>Required Return</u>
<b><u>Authorized 2016 1/</u></b>				
Long Term Debt	\$555,451,153	41.712%	5.492%	2.291%
Short Term Debt	87,302,622	6.556%	1.610%	0.106%
Preferred Stock	15,258,600	1.146%	4.562%	0.052%
Common Equity	673,616,423	50.586%	9.060%	4.583%
Total	<u>\$1,331,628,798</u>	<u>100.000%</u>		<u>7.032%</u>

1/ Authorized in Docket No. G004/GR-15-879.



**GREAT PLAINS NATURAL GAS CO.  
ALLOCATION OF GUIC BASED ON  
AUTHORIZED REVENUE ALLOCATION  
PROJECTED 2017**

	Authorized 1/ Rev. Alloc	%	GUIC	Projected Dk 2/	Per Dk
<b>Residential</b>					
North	\$2,184,051	24.2038%	\$30,307		
South	2,126,981	23.5714%	29,515		
Total	<u>4,311,032</u>	<u>47.7752%</u>	<u>\$59,822</u>	1,467,867	\$0.0408
<b>Firm General</b>					
North	1,245,547	13.8032%	\$17,284		
South	1,494,511	16.5623%	20,738		
Total	<u>2,740,058</u>	<u>30.3655%</u>	<u>\$38,022</u>	1,240,494	0.0307
<b>Small IT Sales</b>					
North	540,099	5.9854%	\$7,494		
South	549,521	6.0898%	7,625		
Total	<u>1,089,620</u>	<u>12.0752%</u>	<u>\$15,119</u>	639,937	0.0236
<b>Large IT Sales</b>					
North	344,558	3.8184%	\$4,781		
South	27,707	0.3071%	385		
Total	<u>372,265</u>	<u>4.1255%</u>	<u>\$5,166</u>	297,907	0.0173
<b>Small IT Transportation</b>					
North	49,538	0.5490%	\$687		
South	32,152	0.3563%	446		
Total	<u>81,690</u>	<u>0.9053%</u>	<u>\$1,133</u>	62,836	0.0180
<b>Large IT Transportation</b>					
North Flex	745,730		0	2,072,398	
South	428,919	4.7533%	5,952	687,838	0.0087
South Flex	118,913		0	1,427,971	
Total	<u>1,293,562</u>	<u>4.7533%</u>	<u>5,952</u>	<u>4,188,207</u>	<u>0.0014</u>
Total	<u><u>\$9,888,227</u></u>	<u><u>100.0000%</u></u>	<u><u>\$125,214</u></u>	<u><u>7,897,248</u></u>	<u><u>\$0.0159</u></u>
Excluding Flex	\$9,023,584				

1/ Docket No. G004/GR-15-879, Final Order Compliance Filing, Exhibit 3b, p. 1.

2/ Projected dk for the period May 2017-April 2018, excluding volumes associated with flexible rate customers.

GUIC Increase \$125,214

**State of Minnesota**

**DEPARTMENT OF COMMERCE**  
**DIVISION OF ENERGY RESOURCES**

Nonpublic   
 Public

**Utility Information Request**

Docket Number: G004/M-16-1066                      Date of Request: 2/13/2017  
 Requested From: Great Plains Natural Gas Co.                      Response Due: 2/23/2017  
  
 Analyst Requesting Information: Michael Ryan

Type of Inquiry:    ..... Financial                      ..... Rate of Return                      ..... Rate Design  
                          ..... Engineering                      ..... Forecasting                      ..... Conservation  
                          ..... Cost of Service                      ..... CIP                      ..... Other:

*If you feel your responses are trade secret or privileged, please indicate this on your response.*

Request No.	
4	<p>Subject: Outsourcing</p> <p>Please list any consultants, or outside parties, used for the bidding process and/or maintenance of the pipeline projects subject to the GUIC Rider. Please also fully explain what the parties provide that cannot be handled in-house by Great Plains.</p> <p>If this information has already been provided in written comments, please identify the specific cite(s).</p>

Response:

Contractors are only used to install underground materials on projects, with all design and inspection work completed by Great Plains' employees.

**Minnesota Department of Commerce  
Division of Energy Resources  
Information Request**

Docket Number: G004/M-16-1066  Nonpublic  Public  
Requested From: Great Plains Natural Gas Co. Date of Request: 3/16/2017  
Type of Inquiry: General Response Due: 3/27/2017

Requested by: Michael Ryan  
Email Address(es): Michael.J.Ryan@state.mn.us  
Phone Number(s): 651-539-1807

**Request Number: 25**

Topic: Outsourcing  
Reference(s): Department of Commerce Information Requests 4

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**Request:**

- A. Please expand on the response provided in the information request referenced above. Please provide a detailed discussion and description of why Great Plains only outsources the installation of the pipeline and why Great Plains' employees complete design and inspection work.
- B. Please fully explain the contractual relationship between Great Plains and the contractors and detail any long-term contracts in place.

**Response:**

A. Great Plains outsources the construction of pipeline due to a limited workforce. The Company does not have enough construction staff to handle the replacement projects and all other work tasks.

Great Plains' employees perform design and inspection work to maintain quality of work and also accuracy of records. Great Plains has the staff to perform this work and also gives the Company control of the projects.

B. Great Plains currently has annual contracts to perform work on projects. The Company has used this approach for years and, due to limited construction season, renews contracts on an annual basis during that construction period. The Company currently has no long-term contracts in place.

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To be completed by responder

Response Date: 3/22/2017  
Response by: Travis Jacobson  
Email Address: travis.jacobson@mdu.com  
Phone Number: 701-222-7855

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**State of Minnesota**

**DEPARTMENT OF COMMERCE**  
**DIVISION OF ENERGY RESOURCES**

Nonpublic   
 Public

**Utility Information Request**

Docket Number: G004/M-16-1066                      Date of Request: 2/13/2017  
 Requested From: Great Plains Natural Gas Co.                      Response Due: 2/23/2017  
 Analyst Requesting Information: Michael Ryan

Type of Inquiry:    ..... Financial                      ..... Rate of Return                      ..... Rate Design  
                           ..... Engineering                      ..... Forecasting                      ..... Conservation  
                           ..... Cost of Service                      ..... CIP                      ..... Other:

*If you feel your responses are trade secret or privileged, please indicate this on your response.*

Request No.	
3	<p>Subject:        Bidding Process</p> <p>Reference:      Initial Filing, Exhibit B, pg. 3.</p> <p>The filing states that the costs of the projects are reasonable through first using a competitive bidding process with multiple contractors on larger projects. Please provide detail on this process including, but not limited to, the number of contractors included to bid on projects, method of communication of bids, timing, detail on how the bids are evaluated, and who evaluates the bids.</p> <p>If this information has already been provided in written comments, please identify the specific cite(s).</p>

Response:

The larger PVC replacement projects are put through the bidding process on an annual basis, with the scope of work for each project area provided by the Company. There are typically two or three contractors that submit bids, with Great Plains' engineering and operations staff evaluating the bids. Great Plains provides the materials and performs the inspection for each project.

The two to three contractors used are from the area, have a proven track record with performing this type of work and are familiar with the projects. Other contractors were included in the process in the past, but either did not submit bids or were unable to perform the required work during the construction season.

**Minnesota Department of Commerce**  
**Division of Energy Resources**  
**Information Request**

Docket Number: G004/M-16-1066  Nonpublic  Public  
Requested From: Great Plains Natural Gas Co. Date of Request: 3/16/2017  
Type of Inquiry: General Response Due: 3/27/2017

Requested by: Michael Ryan  
Email Address(es): Michael.J.Ryan@state.mn.us  
Phone Number(s): 651-539-1807

**Request Number:** 24  
Topic: Bidding Process  
Reference(s): Department of Commerce Information Request 3

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Please expand on the response provided in the information request referenced above, specifically with regard to how Great Plains' engineering and operations staff evaluate the bids provided by contractors. Please fully explain in detail the components that are evaluated (e.g. price, quality, track record, etc.) and how the components are weighted.

Response:

Great Plains' engineering and operations staff evaluate bids by price, quality of work performed by contractor, track record with contractor and also the ability to complete project during construction season.

Quality of work is the highest ranked component, due to the code requirements that need to be met for installation of gas distribution system at both a state and local level.

The cost of the project is the next highest component. This component varies year to year based on available work for contractors, location of work and scope of projects and is the primary reason projects are bid out on an annual basis.

The ability to complete projects during construction season is the third highest component. The weather has a major impact on projects. The ground freezes and a contractor cannot work around existing PVC gas system due to safety concerns and also the need to have gas system operations during winter months to provide service to customers. The limited construction season and projects need to be designed around that time frame.

Track record with contractor is the final component. This component depends on the lead or project manager for the contractor based on past experience. Great Plains provides its own Company inspector for this reason to insure quality and that the project is completed to Company requirements.

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To be completed by responder

Response Date: 3/22/2017  
Response by: Travis Jacobson  
Email Address: travis.jacobson@mdu.com  
Phone Number: 701-222-7855

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## State of Minnesota

**DEPARTMENT OF COMMERCE**  
**DIVISION OF ENERGY RESOURCES**

Nonpublic

Public

### Utility Information Request

Docket Number: G004/M-16-1066

Date of Request: 2/13/2017

Requested From: Great Plains Natural Gas Co.

Response Due: 2/23/2017

Analyst Requesting Information: Michael Ryan

Type of Inquiry:    ..... Financial                    ..... Rate of Return            ..... Rate Design  
                                  ..... Engineering                    ..... Forecasting                    ..... Conservation  
                                  ..... Cost of Service                    ..... CIP                                    ..... Other:

*If you feel your responses are trade secret or privileged, please indicate this on your response.*

Request No.	
5	<p>Subject:        Budget</p> <p>Reference:     Initial Filing, Exhibit B, pg. 3.</p> <p>The filing states that the budget is monitored for reasonableness. Please fully explain how the budget is established to protect ratepayers from over spending on projects. If an internal process is used, please provide a detailed explanation of the process or oversight implemented.</p> <p>If this information has already been provided in written comments, please identify the specific cite(s).</p>

Response:

The capital budget is set each year for all Great Plains' projects through the annual capital budgeting process. Work orders and budgets are submitted, reviewed and approved through five levels within the Company and Great Plains is held internally accountable to not exceed the budget amount each year.

The replacement of PVC mains and services, under the two work orders included in the proposed GUIC tracker, are part of the budgeting process and are reviewed on an annual basis.

## State of Minnesota

**DEPARTMENT OF COMMERCE**                      Nonpublic        
**DIVISION OF ENERGY RESOURCES**          Public               

### Utility Information Request

Docket Number: G004/M-16-1066                      Date of Request: 2/13/2017  
 Requested From: Great Plains Natural Gas Co.                      Response Due: 2/23/2017  
  
 Analyst Requesting Information: Michael Ryan

Type of Inquiry:    ..... Financial                      ..... Rate of Return                      ..... Rate Design  
                           ..... Engineering                      ..... Forecasting                      ..... Conservation  
                           ..... Cost of Service                      ..... CIP                      ..... Other:

*If you feel your responses are trade secret or privileged, please indicate this on your response.*

Request No.	
21	<p>Subject: True Up/Tracker Balance</p> <p>Please fully explain and provide an example of how the true up will be calculated on October 31, 2017 using the assumptions in the initial filing and approximation of what actuals will be to demonstrate the true up.</p> <p>If this information has already been provided in written comments, please identify the specific cite(s).</p>

Response:

Please see Response No. 21, Attachment A for a sample calculation of the true-up. Under its proposal, Great Plains will calculate the true-up using actual costs and tracker revenue for the twelve months ending October 31. That true-up will be reflected in the December 1 filing to be effective May 1 each year. While the use of the October under(over) recovered balance does result in a lag, with an October balance effective in May, as noted in Response No. 9, Great Plains' construction season is mostly completed by the end of October, and there is little construction activity during the winter months. Rather than file a true-up with six months of estimates, resulting in a further true-up, Great Plains prefers to base its true-up on actual data.

**GREAT PLAINS NATURAL GAS CO.  
EXAMPLE OF GUIC TRUE-UP**

Assumptions:

1st tracker implemented May 2017 (filed December 2016)

True-up period is November-October to be effective the following May

No true-up in the May-October 2017 period (to be filed December 2017) since the tracker will only have six months of actual data.

For purposes of illustration:

Year 1 = May 2017-April 2018

Year 2 = May 2018-April 2019

2018 revenue requirement = 2017 revenue requirement

2018 GUIC tracker = 2017 GUIC tracker

	Activity		Under	Under
	Actual 1/	Recovered 2/	(Over) Recovery	(Over) Balance
<u>Year 1 - December 2017 filing</u>				
May 2017	\$32,198	\$14,489	\$17,709	\$17,709
June	32,132	9,632	22,500	40,209
July	32,068	9,592	22,476	62,685
August	42,017	9,746	32,271	94,956
September	41,944	11,168	30,776	125,732
October	41,874	36,796	5,078	130,810
Total	222,233	91,423	130,810	

No true-up due to only six months of actual data.

Year 2 - December 2018 filing

October 2017				130,810
November	\$41,804	\$54,430	(\$12,626)	118,184
December	76,550	73,212	3,338	121,522
January 2018	27,879	79,793	(51,914)	69,608
February	27,810	68,375	(40,565)	29,043
March	27,745	55,672	(27,927)	1,116
April	32,265	33,360	(1,095)	21
May	32,198	14,631	17,567	17,588
June	32,132	9,712	22,420	40,008
July	32,068	9,675	22,393	62,401
August	42,017	9,829	32,188	94,589
September	41,944	11,278	30,666	125,255
October	41,874	37,123	4,751	130,006
	\$456,286	\$457,090	(\$804)	

True-up balance @ October to be applied in the  
December filing effective May

\$130,006

1/ Mains and services revenue requirement from Exhibit D, pages 2-3, assuming implementation date of May 2017.

2/ Based on proposed tracker from Exhibit E, page 1 and projected volumes.



**GREAT PLAINS NATURAL GAS CO.  
EXAMPLE OF GUIC TRUE-UP  
GUIC RECOVERY**

	Sales				Transportation		
	Total	Residential	Firm	Small IT	Large IT	Small IT	Large IT
<u>Dk throughput</u>							
May		30,009	37,139	30,318	24,335	2,438	50,056
June		11,366	23,738	28,500	18,990	1,802	48,241
July		11,560	24,590	24,645	19,809	1,867	51,762
August		11,656	24,609	27,094	21,638	1,861	45,808
September		20,296	30,061	26,670	17,970	2,124	38,873
October		94,550	82,464	116,033	29,583	4,335	44,397
November		183,030	145,863	82,080	27,570	6,864	53,863
December		267,158	207,528	68,541	26,846	9,665	67,451
January 2018		293,575	227,339	70,260	26,910	10,454	75,114
February		248,277	192,606	65,464	28,364	9,264	62,040
March		195,008	156,110	56,172	27,962	7,685	68,826
April		101,382	88,447	44,160	27,930	4,477	81,407
May		30,230	38,108	30,318	24,335	2,438	50,056
June		11,448	24,354	28,500	18,990	1,802	48,241
July		11,644	25,228	24,645	19,809	1,867	51,762
August		11,739	25,247	27,094	21,638	1,861	45,808
September		20,450	30,844	26,670	17,970	2,124	38,873
October		95,200	84,615	116,033	29,446	4,335	44,397
Tracker per dk		\$0.1485	\$0.1117	\$0.0861	\$0.0632	\$0.0657	\$0.0315
<u>Recovery</u>							
May	\$14,489	\$4,456	\$4,148	\$2,610	\$1,538	\$160	\$1,577
June	9,632	1,688	2,652	2,454	1,200	118	1,520
July	9,592	1,717	2,747	2,122	1,252	123	1,631
August	9,746	1,731	2,749	2,333	1,368	122	1,443
September	11,168	3,014	3,358	2,296	1,136	140	1,224
October	36,796	14,041	9,211	9,990	1,870	285	1,399
November	54,430	27,180	16,293	7,067	1,742	451	1,697
December	73,212	39,673	23,181	5,901	1,697	635	2,125
January 2018	79,793	43,596	25,394	6,049	1,701	687	2,366
February	68,375	36,869	21,514	5,636	1,793	609	1,954
March	55,672	28,959	17,437	4,836	1,767	505	2,168
April	33,360	15,055	9,880	3,802	1,765	294	2,564
May	14,631	4,489	4,257	2,610	1,538	160	1,577
June	9,712	1,700	2,720	2,454	1,200	118	1,520
July	9,675	1,729	2,818	2,122	1,252	123	1,631
August	9,829	1,743	2,820	2,333	1,368	122	1,443
September	11,278	3,037	3,445	2,296	1,136	140	1,224
October	37,123	14,137	9,451	9,990	1,861	285	1,399

**Minnesota Department of Commerce  
Division of Energy Resources  
Information Request**

Docket Number: G004/M-16-1066  Nonpublic  Public  
Requested From: Great Plains Natural Gas Co. Date of Request: 4/7/2017  
Type of Inquiry: General Response Due: 4/17/2017

Requested by: Michael Ryan  
Email Address(es): Michael.J.Ryan@state.mn.us  
Phone Number(s): 651-539-1807

**Request Number: 27**

Topic: Revenue Requirements  
Reference(s): Initial Filing, Exhibit D & E, DOC Information Request #6 & DOC Information Request #26

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**Request:**

Please provide the spreadsheets requested in DOC Information Requests 6 and 26 updated to include volumes associated with flexible rate customers.

- Initial Filing, Exhibit D&E inclusive of flexible rate customers.
- IR # 26, 2017 revenue requirements reflecting only 2017 projected expenditures inclusive of flexible rate customers.

Please provide the exhibits and supporting exhibits in Microsoft Excel format with all links and formulae intact.

**Response:**

Please see the attached Excel files "DOC IR 27 Exh D&E incl Flex dk" and "DOC IR 27 Exh 2017 Only with flex".

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To be completed by responder

Response Date: 4/18/2017  
Response by: Tamie Aberle  
Email Address: tamie.aberle@mdu.com  
Phone Number: 701-222-7856

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**GREAT PLAINS NATURAL GAS CO.  
ALLOCATION OF GUIC BASED ON  
AUTHORIZED REVENUE ALLOCATION INCLUDING FLEX VOLUMES  
PROJECTED 2017**

	Authorized 1/ Rev. Alloc	%	GUIC	Projected Dk 3/	Per Dk
Residential					
North	\$2,184,051	22.0874%	\$100,782		
South	2,126,981	21.5102%	98,148		
Total	<u>4,311,032</u>	<u>43.5976%</u>	<u>\$198,930</u>	1,467,867	\$0.1355
Firm General					
North	1,245,547	12.5963%	\$57,475		
South	1,494,511	15.1140%	68,963		
Total	<u>2,740,058</u>	<u>27.7103%</u>	<u>\$126,438</u>	1,240,494	0.1019
Small IT Sales					
North	540,099	5.4620%	\$24,922		
South	549,521	5.5573%	25,357		
Total	<u>1,089,620</u>	<u>11.0193%</u>	<u>\$50,279</u>	639,937	0.0786
Large IT Sales					
North	344,558	3.4845%	\$15,899		
South	27,707	0.2802%	1,279		
Total	<u>372,265</u>	<u>3.7647%</u>	<u>\$17,178</u>	297,907	0.0577
Small IT Transportation					
North	49,538	0.5010%	\$2,286		
South	32,152	0.3252%	1,484		
Total	<u>81,690</u>	<u>0.8262%</u>	<u>\$3,770</u>	62,836	0.0600
Large IT Transportation 3/					
North Flex	745,730	7.5416%	34,411	2,072,398	0.0166
South	428,919	4.3377%	19,793	1,594,323	0.0124
South Flex	118,913	1.2026%	5,487	521,486	0.0105
Total	<u>1,293,562</u>	<u>13.0819%</u>	<u>59,691</u>	<u>4,188,207</u>	<u>0.0143</u>
Total	<u><u>\$9,888,227</u></u>	<u><u>100.0000%</u></u>	<u><u>\$456,286</u></u>	<u><u>7,897,248</u></u>	<u><u>\$0.0578</u></u>

1/ Docket No. G004/GR-15-879, Final Order Compliance Filing, Exhibit 3b, p. 1.

2/ Projected dk for the period May 2017-April 2018.

3/ In 12/21/16 Filing, the South Flex volumes reflected a customer moving from Rate 82 to Rate 82 flex. The change is still pending so volumes are restated to be included in Rate 82.

**GREAT PLAINS NATURAL GAS CO.  
 ALLOCATION OF GUIC BASED ON  
 AUTHORIZED REVENUE ALLOCATION INCLUDING FLEX VOLUMES  
 PROJECTED 2017**

	Authorized 1/ Rev. Alloc	%	GUIC	Projected Dk 3/	Per Dk
Residential					
North	\$2,184,051	22.0874%	\$27,657		
South	<u>2,126,981</u>	<u>21.5102%</u>	<u>26,934</u>		
Total	4,311,032	43.5976%	\$54,591	1,467,867	\$0.0372
Firm General					
North	1,245,547	12.5963%	\$15,772		
South	<u>1,494,511</u>	<u>15.1140%</u>	<u>18,925</u>		
Total	2,740,058	27.7103%	\$34,697	1,240,494	0.0280
Small IT Sales					
North	540,099	5.4620%	\$6,839		
South	<u>549,521</u>	<u>5.5573%</u>	<u>6,959</u>		
Total	1,089,620	11.0193%	\$13,798	639,937	0.0216
Large IT Sales					
North	344,558	3.4845%	\$4,363		
South	<u>27,707</u>	<u>0.2802%</u>	<u>351</u>		
Total	372,265	3.7647%	\$4,714	297,907	0.0158
Small IT Transportation					
North	49,538	0.5010%	\$627		
South	<u>32,152</u>	<u>0.3252%</u>	<u>407</u>		
Total	81,690	0.8262%	\$1,034	62,836	0.0165
Large IT Transportation					
North Flex	745,730	7.5416%	9,443	2,072,398	0.0046
South	428,919	4.3377%	5,431	1,594,323	0.0034
South Flex	<u>118,913</u>	<u>1.2026%</u>	<u>1,506</u>	<u>521,486</u>	<u>0.0029</u>
Total	1,293,562	13.0819%	16,380	4,188,207	0.0039
Total	<u>\$9,888,227</u>	<u>100.0000%</u>	<u>\$125,214</u>	<u>7,897,248</u>	<u>\$0.0159</u>

1/ Docket No. G004/GR-15-879, Final Order Compliance Filing, Exhibit 3b, p. 1.

2/ Projected dk for the period May 2017-April 2018.

3/ In 12/21/16 Filing, the South Flex volumes reflected a customer moving from Rate 82 to Rate 82 flex. The change is still pending so volumes are restated to be included in Rate 82.

## **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  
Comments**

**Docket No. G004/M-16-1066**

**Dated this 20<sup>th</sup> day of April 2017**

**/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_16-1066_M-16-1066
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_16-1066_M-16-1066
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_16-1066_M-16-1066
John	Lindell	john.lindell@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_16-1066_M-16-1066
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-1066_M-16-1066
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_16-1066_M-16-1066