



Mailing Address:
705 West Fir Avenue
P.O. Box 176
Fergus Falls, MN 56538-0176
(218) 736-6935

July 23, 2018

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

RE: Supplemental Reply Comments to the Comments of Minnesota Department of Commerce, Division of Energy Resources, Docket No. G004/M-18-282

Dear Mr. Wolf:

Great Plains Natural Gas Co. (Great Plains), a Division of MDU Resources Group, Inc., herewith electronically submits these Supplemental Reply Comments in the above referenced docket related to Great Plains' Petition for Approval of Recovery of Updated Gas Utility Infrastructure Cost (GUIC) Adjustment.

As noted in its Reply Comments submitted on July 9, 2018 Great Plains appreciates the Department's review and agrees with its recommendation that the Company's proposals are consistent with the applicable Minnesota statutes, past Commission Orders, and Great Plains' tariff. The Department has also recommended approval of Great Plains' proposed clarifications to its GUIC tariff.

Great Plains' Supplemental Reply Comments address the use of Prorated Accumulated Deferred Income Tax (ADIT) Balances.

In its Reply Comments, Great Plains responded to the Department's recommendation that the Commission require Great Plains to replace its forecasted prorated ADIT balances with actual non-prorated ADIT balance in future GUIC rider filings. Great Plains noted that given recent Private Letter Rulings issued by the IRS and discussions with its auditors, Great Plains concluded that future filings will need to preserve the effect of the application of the proration methodology used in the projected test year calculation in order to comply with Section 1.67(l)-1(h)(6)(ii) of the IRS's Regulations, which Great Plains believes requires the use of proration. However, Great Plains noted

in its Reply Comments that it would evaluate Xcel Energy's alternative methodology intended to address the ADIT proration issue raised by the Department in Docket No. E002/M-17-797.

Great Plains has confirmed that Xcel Energy's alternative methodology described below would meet its external auditors' requirements and avoid a potential normalization violation while minimizing the customer impact associated with prorating the ADITs. Using this methodology:

- Each forecast month would be considered a test period and only the monthly activity would be prorated by applying a mid-month convention for the proration factors each month.
- The same calculation would be performed for the true-up period.

Applying the above methodology to Great Plains' request would result in a reduction of \$757 in the requested revenues to be recovered under the GUIC. The 2017 true-up would be \$312 more than as filed since the Company did not originally prorate the 2017 true-up and the 2018 projection would be \$1,069 less. Please see Exhibit 1 attached.

Great Plains respectfully requests that the Commission consider the Supplemental Reply Comments expressed above. The Company maintains that the GUIC Rider as filed meets the requirements as outlined in the GUIC statute, is in the best interest of Great Plains' customers and should be approved.

If you have any questions regarding this filing, please contact Tamie A. Aberle at (701) 222-7856, or Brian Meloy, at (612) 335-1451.

Sincerely,

/s/ Tamie A. Aberle

Tamie A. Aberle
Director of Regulatory Affairs

cc: Brian Meloy
Service List

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

ACTUAL 2017 TRUE UP 1/			
	Revised	As Filed	Variance
Depreciation Expense	\$73,514	\$73,514	\$0
Ad Valorem Taxes	83,964	83,964	-
Return	162,959	162,751	208
Income Taxes	(88,129)	(88,104)	(25)
Gross up for Taxes	163,920	163,791	129
Total	<u>\$396,228</u>	<u>\$395,916</u>	<u>\$312</u>
PROJECTED 2018 2/			
	Revised	As Filed	Variance
Depreciation Expense	\$166,473	\$166,473	\$0
Ad Valorem Taxes	125,420	125,420	-
Return	342,185	343,029	(844)
Income Taxes	(117,421)	(117,502)	81
Gross up for Taxes	208,394	208,700	(306)
Total	<u>\$725,051</u>	<u>\$726,120</u>	<u>(\$1,069)</u>
Total	<u>\$1,121,279</u>	<u>\$1,122,036</u>	<u>(\$757)</u>

1/ Initial filing incorrectly used actual balances rather than maintaining the proration methodology.

2/ Revised to reflect alternative monthly period proration rather than annual period proration methodology.

**GREAT PLAINS NATURAL GAS CO.
ADIT BALANCES - REVISED METHODOLOGY VS. AS FILED**

2017 TRUE UP

Revised	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mains	\$15,488	\$18,924	\$22,252	\$25,688	\$29,016	\$32,452	\$35,780	\$39,162	\$42,598	\$45,926	\$49,362	\$52,690
Services	13,092	15,513	17,856	20,277	22,620	25,041	27,384	29,766	32,187	34,530	36,951	39,294
Total	\$28,580	\$34,437	\$40,108	\$45,965	\$51,636	\$57,493	\$63,164	\$68,928	\$74,785	\$80,456	\$86,313	\$91,984
As Filed	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mains	\$17,233	\$20,615	\$23,997	\$27,379	\$30,761	\$34,143	\$37,525	\$40,907	\$44,289	\$47,671	\$51,053	\$54,434
Services	14,321	16,703	19,085	21,467	23,849	26,231	28,613	30,995	33,377	35,759	38,141	40,523
Total	\$31,554	\$37,318	\$43,082	\$48,846	\$54,610	\$60,374	\$66,138	\$71,902	\$77,666	\$83,430	\$89,194	\$94,957
Variance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mains	(\$1,745)	(\$1,691)	(\$1,745)	(\$1,691)	(\$1,745)	(\$1,691)	(\$1,745)	(\$1,745)	(\$1,691)	(\$1,745)	(\$1,691)	(\$1,744)
Services	(1,229)	(1,190)	(1,229)	(1,190)	(1,229)	(1,190)	(1,229)	(1,229)	(1,190)	(1,229)	(1,190)	(1,229)
Total	(\$2,974)	(\$2,881)	(\$2,974)	(\$2,881)	(\$2,974)	(\$2,881)	(\$2,974)	(\$2,974)	(\$2,881)	(\$2,974)	(\$2,881)	(\$2,973)

2018 PROJECTION

Revised	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mains	\$56,179	\$59,842	\$63,389	\$67,052	\$70,599	\$74,262	\$77,809	\$81,414	\$85,077	\$88,624	\$92,287	\$95,827
Services	41,694	44,153	46,532	48,991	51,370	53,829	56,208	58,627	61,086	63,465	65,924	68,297
Total	\$97,873	\$103,995	\$109,921	\$116,043	\$121,969	\$128,091	\$134,017	\$140,041	\$146,163	\$152,089	\$158,211	\$164,124
As Filed	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mains	\$57,743	\$60,775	\$63,501	\$65,930	\$68,053	\$69,880	\$71,401	\$72,617	\$73,535	\$74,148	\$74,464	\$74,474
Services	42,743	44,777	46,606	48,237	49,662	50,888	51,908	52,723	53,339	53,750	53,962	53,969
Total	\$100,486	\$105,552	\$110,107	\$114,167	\$117,715	\$120,768	\$123,309	\$125,340	\$126,874	\$127,898	\$128,426	\$128,443
Variance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mains	(\$1,564)	(\$933)	(\$112)	\$1,122	\$2,546	\$4,382	\$6,408	\$8,797	\$11,542	\$14,476	\$17,823	\$21,353
Services	(1,049)	(624)	(74)	754	1,708	2,941	4,300	5,904	7,747	9,715	11,962	14,328
Total	(\$2,613)	(\$1,557)	(\$186)	\$1,876	\$4,254	\$7,323	\$10,708	\$14,701	\$19,289	\$24,191	\$29,785	\$35,681