

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
Matthew Schuerger
John A. Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Application of
Great Plains Natural Gas Company, a
Division of MDU Resources Group, Inc.,
for Authority to Increase Natural Gas Rates
in Minnesota

ISSUE DATE: December 22, 2016

DOCKET NO. G-004/GR-15-879

DOCKET NO. G-004/MR-16-834

In the Matter of the Petition by
Great Plains Natural Gas Company, a
Division of MDU Resources Group, Inc.,
to Establish a New Base Cost of Gas in
Compliance with the September 6, 2016
Commission Order in Its General Rate Case

ORDER APPROVING FINAL
REVENUE APPORTIONMENT AND
RATE DESIGN, UPDATED BASE
COST OF GAS, AND INTERIM-RATE
REFUND PLAN

PROCEDURAL HISTORY

I. Rate-Case Compliance Filing

On September 6, 2016, the Commission issued its *Findings of Fact, Conclusions, and Order* resolving disputed issues in Great Plains Natural Gas Company's (Great Plains or the Company's) rate case.¹ The order directed Great Plains to file revised schedules of rates and charges reflecting the revenue-requirement and rate-design decisions made by the Commission, along with other compliance items.²

On September 22, Great Plains made a compliance filing in accordance with the Commission's order.

On October 20, the Minnesota Department of Commerce (the Department) filed comments requesting that Great Plains provide more information in reply comments:

- A full discussion reconciling the differences between the Company's proposed customer-class rate increases and those approved by the Commission;
- A full explanation of how the Company calculated the customer charges in its compliance filing;

¹ Docket No. G-004/GR-15-879.

² September 6 order, at 57.

- Updated exhibits with customer charges and distribution charges based on the exact wording of the Commission’s order and also based on an alternative set of customer charges calculated by the Department; and
- Updated customer notices that correctly reflect the Commission-approved Returned Check Charge of \$18.25.

The Department also recommended that the Commission require Great Plains to make two additional compliance filings:

- Within ten days after final rates become effective, resubmit its Conservation Improvement Program (CIP) tracker account for the entire period that interim rates were in effect; and
- Within ten days of refunding excess amounts collected in interim rates, file a report with the actual refunds and interest paid by class, showing the Company’s calculations.

On November 3, Great Plains filed reply comments explaining how it calculated the class revenue apportionment, customer charges, and distribution charges. The Company stated that it agreed with the remainder of the Departments’ recommendations.

II. Updated Base-Cost-of-Gas Filing

The Commission’s September 6 order also directed Great Plains to update its base-cost-of-gas rates to reflect updated sales forecasts and reduced gas costs.³

On October 6, the Company filed updated Purchased Gas Cost Adjustment tariff sheets in accordance with the Commission’s order.⁴

On November 9, the Department requested that Great Plains provide more information in reply comments.

On November 18, Great Plains filed reply comments providing the information requested by the Department.

On November 29, the Department filed comments recommending that the Commission approve Great Plains’ updated base-cost-of-gas rates.

On December 8, the matters came before the Commission.

³ September 6 order, at 56.

⁴ Docket No. G-004/MR-16-834.

FINDINGS AND CONCLUSIONS

I. Summary of Commission Action

In this order, the Commission takes four principal actions with respect to Great Plains' compliance filings:

- Approves the Company's revenue apportionment as filed;
- Approves the alternative customer charges and distribution charges recommended by the Department;
- Approves the Company's plan to refund excess revenue collected through interim rates; and
- Approves the Company's updated base-cost-of-gas rates.

The Commission will authorize Great Plains to implement final rates on January 1, 2017, and will require the Company to submit final tariff sheets that incorporate the Commission's decisions herein within ten days after final rates become effective. And the Commission will direct the Company to make two additional compliance filings as agreed by the parties.

II. Revenue Apportionment, Customer Charges, and Distribution Charges

A. Background

The Commission's September 6 order approved an overall rate increase of \$1,141,376. To allow Great Plains to recoup this increase, the Commission authorized the Company to increase the revenues it recovers from each of its customer classes in proportion to the class's current share of the Company's revenue requirement:⁵

Customer Class	Pre-Rate-Case Revenue Apportionment
Residential	47.87%
Small Firm General	10.35%
Large Firm General	19.63%
Small Interruptible Sales	12.21%
Small Interruptible Transport	0.93%
Large Interruptible Sales	4.19%
Large Interruptible Transport	4.82%

⁵ September 6 order, at 55.

Great Plains recovers a customer class's share of the Company's total revenue requirement through two charges assessed to all customers in the class: a fixed monthly "customer charge" and a volumetric, per-dekatherm "distribution charge." The Commission authorized Great Plains to increase each class's customer charge and distribution charge by the percentage increase in the Company's overall revenue requirement approved by the Commission.⁶

B. Revenue Apportionment

In reviewing Great Plains' compliance filing, the Department observed that the customer classes' percentage shares of the approved rate increase did not precisely match the classes' current percentage shares of the Company's revenue requirement. The Department stated that the differences were generally small and might be related to rounding.

Great Plains stated that it allocated the overall rate increase among the customer classes by increasing each class's current share of the revenue requirement by the percentage increase in the Company's overall revenue requirement. The Company explained that this process was necessary to increase the customer charges and distribution charges equally as required by the Commission's September 6 order.

The Commission finds that Great Plains' revenue-apportionment methodology used in its September 22 compliance filing, and reflected in the table below, complies with the Commission's order and will approve it. The resulting apportionment closely matches the pre-rate-case allocation, while ensuring that the rate increase for each class is proportional to the overall increase approved by the Commission.

Customer Class	Rate Increase
Residential	\$545,194
Firm General	\$346,525
Small Interruptible	\$148,128
Large Interruptible	\$101,536

C. Customer and Distribution Charges

In reviewing Great Plains' filing, the Department also observed that Great Plains appeared to have rounded its customer charges to the nearest round dollar figure (except for the Residential class, whose customer charge was rounded to the nearest 50 cents).

The Department stated that while this rate design was understandable from a bill-presentation standpoint, it did not comply with the Commission's directive to increase each class's customer charge and distribution charge by the percentage of the overall rate increase. It requested that Great Plains calculate two new sets of customer and distribution charges, using (1) customer charges rounded with greater precision and (2) unrounded customer charges.

⁶ *Id.* at 56.

Great Plains provided the recalculated charges in reply comments and requested Commission guidance on which method to use.

The Commission will approve the Department’s preferred rounding method for Great Plains’ customer charges and distribution charges, as reflected in the table below. Both the Department’s and the Company’s rounding methods result in a cleaner bill presentation than unrounded customer charges. However, the Department’s method is preferable because it adheres more closely to the Commission’s directive that customer charges be increased by the same percentage as the overall rate increase.

Customer Class	Customer Charge	Distribution Charge⁷ (/dekatherm)
Residential		
North	\$7.50	\$2.0471
South	\$7.50	\$1.5467
Small Firm General		
North	\$23.00	\$1.6362
South	\$23.00	\$1.2582
Large Firm General		
North	\$28.50	\$1.6362
South	\$28.50	\$1.2582
Small Interruptible Sales		
North	\$145.00	\$1.2294
South	\$145.00	\$1.1951
Large Interruptible Sales		
North	\$230.00	\$1.2193
South	\$230.00	\$0.4365
Small Interruptible Transport		
North	\$200.00	\$1.2294
South	\$200.00	\$1.1951
Large Interruptible Transport		
North	\$260.00	\$1.2193
South	\$260.00	\$0.4365

⁷ The listed distribution charges will apply to Phase 1 of a two-year, three-step phase-in of the new distribution rates. *See id.* at 44–45.

III. Interim-Rate Refund Plan

Great Plains' compliance filing included a plan to refund the difference between the revenue that the Company collected through interim rates, which took effect on January 1, 2016, and the revenue that would have been collected if the final rates determined in the Commission's September 6 order had been in effect since January instead.

Great Plains calculated a total overcollection of \$308,197, plus interest of \$4,969 through November 30, 2016, and estimated that the average residential customer would receive a refund of \$6.63. It proposed that, beginning no later than March 1, 2017, current customers would receive their refunds as a bill credit, while customers who had left the system would be paid by check if their refund was greater than \$2.00.

The Department recommended that the Commission approve the interim-rate refund plan and require the Company to make a compliance filing within ten days of the refund showing the actual refunds and interest paid by class. The Commission concurs, will approve Great Plains' interim-rate refund plan, and will require the Company make the recommended compliance filing.

IV. Updated Base-Cost-of-Gas Rates

A significant component of the rates Great Plains charges its customers for natural-gas service is attributable to the "commodity" cost that the Company incurs in procuring natural gas from its suppliers. Along with its initial rate-case filing, Great Plains filed a petition to establish a new base cost of gas to be implemented with interim rates, and the Commission issued an order establishing a new base cost of gas.⁸

During the course of the rate case, the Company informed the Commission that its commodity cost of gas had declined. In its September 6 order, the Commission directed Great Plains to update its base-cost-of-gas rates in a compliance filing to reflect this lower commodity cost, updated sales forecasts, and any other aspects of that order bearing on base-cost-of-gas rates.

Great Plains made the required compliance filing on October 6 and provided supplemental information requested by the Department. The Department reviewed the Company's filings and recommended that the Commission approve the updated base-cost-of-gas rates. The Commission concurs and will approve Great Plains' updated base cost of gas.

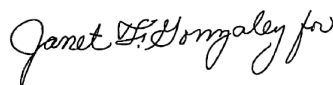
ORDER

1. The Commission hereby approves Great Plains' revenue-apportionment methodology used in its September 22, 2016 compliance filing.
2. The Commission approves the Department's preferred rounding rate design for Great Plains' customer and distribution charges.

⁸ Docket No. G-004/MR-15-878, Order Setting New Base Cost of Gas (November 30, 2015).

3. The Commission approves Great Plains' updated base cost of gas filed in its September 22, 2016 compliance filing, Exhibit 6, and in its October 6, 2016 updated base-cost-of-gas filing.
4. The Commission authorizes Great Plains to implement final rates on January 1, 2017. Within ten days after final rates become effective, the Company shall submit final tariff sheets that incorporate the Commission's decisions herein.
5. Within ten days after final rates become effective, Great Plains shall resubmit the CIP tracker account (including rates, revenues, expenses, and ending balance) for the entire period that interim rates were in effect.
6. The Commission hereby approves Great Plains' proposed interim-rate refund plan. Within ten days of the interim-rate refund, Great Plains shall file a compliance filing report that reflects the actual refunds and interest paid by class including the calculations.
7. This order shall become effective immediately.

BY ORDER OF THE COMMISSION



Daniel P. Wolf
Executive Secretary



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