

October 23, 2015

Mr. Daniel P. Wolf
Executive Director
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket Nos. G004/MR-15-871 and G004/MR-15-878

Dear Dr. Haar:

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

Petitions by Great Plains Natural Gas Company (Great Plains), a Division of MDU Resources Group, Inc., to the Minnesota Public Utilities Commission (Commission) requesting approval of its interim base cost of gas (Docket No. G004/MR-878) and final base cost of gas (Docket No. G004/MR-15-871) to coincide with implementation of interim rates and final rates in its general rate case filing, Docket No. G004/GR-15-879.

The petitions were filed on September 30, 2015 by:

Tamie Aberle
Director of Regulatory Affairs
Great Plains Natural Gas Company
705 West Fir Avenue, P.O. Box 176
Fergus Falls, Minnesota 56538

Based on its review of the Company's *Petitions* and *Reply Comments*, the Department recommends that the Commission **approve** Great Plains' interim base cost of gas filing.

The Department continues to recommend that the Commission take no action on the final base cost of gas filing in Docket No. G004/MR-15-871.

The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ ADAM J. HEINEN
Rates Analyst
(651)-539-1825

AJH/ja
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

RESPONSE COMMENTS OF THE MINNESOTA DEPARTMENT OF COMMERCE DIVISION OF ENERGY RESOURCES

DOCKET NOS. G004/MR-15-871 and G004/MR-15-878

I. BACKGROUND

Great Plains Natural Gas Company, a Division of MDU Resources Group (Great Plains or the Company), requested that the Minnesota Public Utilities Commission (Commission) approve a new base cost of gas to coincide with the Company's proposed January 1, 2016 implementation of interim rates requested in its general rate case Docket No. G004/GR-15-879. Great Plains also filed a final base cost of gas filing to coincide with the implementation of final rates in its general rate case.

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviewed these two petitions and filed *Comments* on October 12, 2015. The Department observed various issues with the Company's initial *Petitions* and recommended that the Commission withhold its decisions on Great Plains' interim base cost of gas filing subject to Great Plains providing clarifying information, updated schedules, and revised tariff sheets in *Reply Comments*. Specifically, the Department recommended that Great Plains provide:

- a breakdown of gas costs on both a demand and commodity basis, in addition to the total gas level currently provided in the general rate case filing;
- a full reconciliation between its revenues in the base cost of gas filing and the general rate case petition and file updated schedules detailing this reconciliation of costs in the general rate case docket and in the base cost of gas docket;
- updated schedules that show Minnesota jurisdictional revenue in addition to total system revenue; and
- redlined and clean tariff sheets that reflect the appropriate updated base cost of gas rates.

In addition, the Department recommended that Great Plains provide, in its completeness reply comments in its general rate case, an updated Statement E, reflecting separate demand and commodity costs in addition to total gas costs. Finally, the Department

recommended that the Commission take no action, at this time, in the final base cost of gas filing (Docket No. G004/MR-15-871).

On October 15, 2015 Great Plains provided extensive responsive information in *Reply Comments*. The Department provides its review of this information below.

II. THE DEPARTMENT'S ANALYSIS

A. DEMAND GAS COSTS

Great Plains provided demand cost figures in its initial interim base cost of gas *Petition* and explained that the cost estimates were based on proposed demand costs in its most recent demand entitlement filing.¹ The Department reviewed these data and confirmed that the figures are consistent with the costs proposed in the demand entitlement filing. However, based on a review of the base cost of gas filing and the rate case schedules, the Department observed that Great Plains did not provide a breakdown of demand and commodity costs in its rate case filing; as such, the Department was unable to reconcile costs between the rate case and the base cost of gas filing. The Department recommended that the Company provide updated rate case schedules, with a separate breakdown of demand and commodity costs, to allow for a full reconciliation of costs between the base cost of gas filing and the rate case filing.

Great Plains provided updated base cost of gas schedules and relevant updated rate case schedules in its *Reply Comments*.

The Department reviewed Great Plains' supplemental rate case and base cost of gas schedules provided in *Reply Comments* for consistency. The Department's analysis indicates that the supplemental information is consistent between the rate case schedules and base cost of gas schedules. The Department appreciates the Company's efforts to update the information.

Based on a review of the supplemental rate case schedules and the updated demand cost information included in the *Reply Comments*, the Department observed two different demand cost figures, one for interim rates and one for final rates. To clarify which revenue figure is appropriate for setting base energy rates, the Department contacted Great Plains via telephone, in which the Company confirmed that the rates in its proposed tariff sheets tie to the interim cost schedules. Therefore, the Department concludes that the interim costs, which are representative of current rates assessed to customers, are the appropriate figures to set the base cost of energy.

¹ The Docket number for that demand entitlement filing is Docket No. G004/M-15-645.

The Minnesota jurisdictional demand costs reported by Great Plains reconciles between the supplemental rate case schedules and the updated base cost of gas schedules. Great Plains reports Minnesota jurisdictional demand costs of \$3,757,428.² The Department concludes that this figure is reasonable to use in setting base demand rates.

B. COMMODITY GAS COSTS

As noted in the demand section above, the Department stated in its *Comments* that Great Plains did not provide a breakdown of gas costs by demand and commodity costs in its rate case schedules; as such, the Department was unable to verify whether commodity costs reconciled between the base cost of gas filing and the general rate case filing. In its *Reply Comments*, Great Plains filed supplemental rate case schedules and updated base cost of gas schedules separating demand and commodity costs from the total cost of gas.

Based on a review of the supplemental rate case schedules and the updated demand cost information included in *Reply Comments*, the Department was able to reconcile the commodity costs in the base cost of gas schedules and the rate case schedules. Great Plains reports base commodity costs of \$11,743,541.³ The Department concludes that this figure is reasonable to use in setting base commodity rates.

C. TOTAL GAS COSTS

When the base demand costs (\$3,757,428)⁴ and base commodity gas cost (\$11,743,541)⁵ figures that Great Plains proposes in this filing are added together, it translates into total gas costs of approximately \$15,500,969. These costs fully reconcile between Great Plains' rate case schedules and base cost of gas schedules, including the updated tariff sheets. The Department concludes that the total gas cost figure is appropriate.

D. JURISDICTIONAL SALES

In its *Comments*, the Department expressed concern that Great Plains did not provide a breakdown of revenues by jurisdiction in the base cost of gas filing. Since the Company's rate case petition included costs on a Minnesota jurisdictional basis, it was difficult to fully reconcile revenues and costs with the base cost of gas filing. Great Plains provided a breakdown of costs in its updated base cost of gas schedules on a jurisdictional and total company basis. The Department was able to reconcile the jurisdictional costs and appreciates the Company's provision of these data.

² Attachment C, Page 2 of 2. The figure is derived by adding North District (\$1,849,688) demand costs and South District (\$1,907,740) demand costs together.

³ The revenue figure of \$11,743,541 includes \$20,944 in FDD capacity charges per footnote #4 in Attachment C, Page 2 of 2.

⁴ See Attachment C, Page 2 of 2.

⁵ See Attachment C, Page 2 of 2.

D. *TARIFF SHEETS*

While reviewing Great Plains' initial filing, the Department observed that the Company had not filed updated tariff sheets to reflect the change in the base cost of gas rates. As such, the Department recommended that Great Plains provide redlined and clean tariff sheets in its *Reply Comments*. Great Plains provided redlined and clean tariff sheets in its *Reply Comments*. These tariff sheets are consistent with the cost schedules in the base cost of gas and the rate case filing. The Department has no further comments on this issue.

E. *FINAL BASE COST OF GAS*

Great Plains agreed that the Commission should not take action at this time on the Company's final base cost of gas. Great Plains noted that "the final base cost of gas is predicated on final billing determinants, costs and rate design and that the final base cost of gas may need changes from the filed base cost of gas." Great Plains stated that it will file a final base cost of gas when it files final compliance rates in Docket No. G004/GR-15-879. The Department appreciates Great Plains' response and notes that this issue is resolved between the parties.

III. *THE DEPARTMENT'S RECOMMENDATIONS*

Based on its review of the Company's Petitions and Reply Comments, the Department recommends that the Commission approve Great Plains' interim base cost of gas filing and take no action on the final base cost of gas filing in Docket No. G004/MR-15-871.

/ja

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Response Comments**

Docket No. G004/MR-15-871 and G004/MR-15-878

Dated this 23rd day of October 2015

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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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_15-871_MR-15-871
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_15-871_MR-15-871
John	Lindell	agorud.ecf@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_15-871_MR-15-871
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_15-871_MR-15-871

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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