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February 6, 2019

VIA ELECTRONIC FILING

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

RE: Petition for Approval of 2019 Capital Structure and Permission to Issue Securities
Docket No. G022/S-18-749

Dear Mr. Wolf:

Attached hereto, please find Greater Minnesota Gas, Inc.'s Reply Comments for filing in the above-referenced docket.

All individuals identified on the attached service list have been electronically served with the same.

Thank you for your assistance. Please do not hesitate to contact me should you have any questions or concerns or if you require additional information. My direct dial number is (507) 665-8657 and my email address is kanderson@greatermngas.com.

Sincerely,

GREATER MINNESOTA GAS, INC.

/s/

Kristine A. Anderson
Corporate Attorney

Enclosure

cc: Service List

CERTIFICATE OF SERVICE

I, Kristine Anderson, hereby certify that I have this day served a true and correct copy of the following document to all persons at the addresses indicated on the attached list by electronic filing, electronic mail, or by depositing the same enveloped with postage paid in the United States Mail at Le Sueur, Minnesota:

Greater Minnesota Gas, Inc.'s Reply Comments
Docket No. G022/S-18-749

filed this 6th day of February, 2019.

/s/ Kristine A. Anderson
Kristine A. Anderson, Esq.
Corporate Attorney
Greater Minnesota Gas, Inc.

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.	202 S. Main Street Le Sueur, MN 56058	Electronic Service	No	OFF_SL_18-749_S-18-749
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-749_S-18-749
Ian	Dobson	residential.utilities@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_18-749_S-18-749
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_18-749_S-18-749
Nicolle	Kupser	nkupser@greatermngas.com	Greater Minnesota Gas, Inc.	202 South Main Street P.O. Box 68 Le Sueur, MN 56058	Electronic Service	No	OFF_SL_18-749_S-18-749
Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc.	PO Box 68 202 South Main Street Le Sueur, MN 56058	Electronic Service	No	OFF_SL_18-749_S-18-749
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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_18-749_S-18-749

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Nancy Lange
Dan Lipschultz
Matt Schuerger
Katie Sieben
John Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

MPUC Docket No. G022/S-18-749

**In the Matter of Greater Minnesota
Gas, Inc.'s Petition For Approval Of
2019 Capital Structure And
Permission To Issue Securities**

REPLY COMMENTS

OVERVIEW

Greater Minnesota Gas, Inc. (“GMG”) submitted a filing to the Minnesota Public Utilities Commission (“Commission”) requesting approval of its 2019 capital structure and permission to issue securities on December 4, 2018. The Petition requests that the Commission approve GMG’s proposed 2019 capital structure which will enable it to provide natural gas to areas of rural Minnesota that are currently unserved. On February 4, 2019, the Minnesota Department of Commerce, Division of Energy Resources (“Department”), filed Comments of the Minnesota Department of Commerce Division of Energy Resources (“Comments”) in response to GMG’s Petition. This submission constitutes GMG’s Reply to the Department’s Comments.

ISSUE SUMMARY

In its Comments, the Department recommended approval of GMG’s capital structure, subject to proposed requirements for future years, and discussed several issues. GMG appreciates the Department’s recommendation for approval. GMG continues to share the expressed desire of the Department and the Commission to promote an increased equity ratio and it does not object to the general idea of the same. GMG hopes that the additional information provided herein is helpful to explicating the framework for its proposed capital structure; hence, it provides the following

- Discussion regarding its treatment of expensing the reduction in its deferred tax asset; and,
- Examination of the Department’s proposed increasing equity ratio requirements in the future.

DISCUSSION IN REPLY

GMG is pleased with the Department's recommendation that its capital structure be approved; and, as GMG has indicated in previous dockets and by its 2019 proposed capital structure, GMG is also interested in continuing the development of a financially strong utility that can provide quality service to rural Minnesota and expand the benefits of natural gas to unserved areas. GMG accepts the Department's contention that it should continue to increase its target equity ratio and believes that the proposal as discussed herein regarding subsequent capital structure design provides a balanced approach to meet mutual GMG, Department, and Commission goals while ensuring that the Commission's decisions and GMG's planning are based on a complete record.

1. GMG's Treatment of the Reduction of Its Deferred Tax Asset Resulting from the Tax Cuts and Jobs Act of 2017 (TCJA) is Consistent With the Manner Required by Generally Accepted Accounting Principles (GAAP).

As the Commission is aware, the TCJA ultimately resulted in GMG's reduction of a significant deferred tax asset. The Department noted in its Comments that GMG expensed the full reduction of the deferred tax asset in 2017 rather than amortizing it over a five year period. The Department opined that the Commission's Order in Docket No. E,G999/CI-17-895 (the TCJA treatment docket) predicated GMG's ordered rate reduction on a savings estimate that reflected a five year amortization period of the asset reduction; and, that approach indicated that the Commission's intention was for GMG to amortize the reduction over time. However, as the Department recognized in its Comments, the Commission's Order did not explicitly require GMG to amortize the reduction over five years. Additionally, the Order did not clearly provide GMG with the right to do so. GMG and its auditors believe that, absent an express directive or explicit grant of authority from the Commission, GMG is obligated to comply with GAAP.

2. GMG Will Develop Its Next Capital Structure Proposal Such That Its Equity Ratio Will Continue to Increase.

GMG, the Department, and the Commission all share the goal of continuing to see GMG's financial position improve. Accordingly, GMG does not object to the principle of developing a forward-looking capital structure that advances its equity ratio by one percent at both year end and for the equity ratio floor for the given time period. Therefore, GMG agrees to the Department's proposal that its next capital structure petition contain a plan that is designed to result in an equity ratio of 37.0 percent by December 31, 2020 and an equity ratio floor of 35% by March 31, 2021, assuming normal weather conditions and no unforeseen expenses, or that it will explain why such an increases are not possible.

GMG would like to clarify, however, that its understanding of the Department's recommendation with regard to both the equity ratio and the equity ratio provides for variance if GMG falls short due to things beyond the Company's control such as abnormally warm weather, unanticipated tax increases or regulatory mandates, substantial materials cost increases, etc., as long as GMG advises the Commission of that situation and provides an explanation for the same. Assuming that GMG's interpretation of the Department's recommendation is consistent with the

Department's intent, then GMG agrees to the Department's recommendations. Such an approach balances the parties' mutual desire to promote improved financial performance with the business realities of the natural gas industry. In the event that GMG has misapprehended the Department's recommendations, GMG welcomes clarification from the Department and respectfully reserves the right to respond thereto.

REQUEST FOR COMMISSION ACTION

GMG's proposed capital structure is reasonable and will benefit the interests of GMG's customers, both existing and new. Hence, GMG respectfully requests that the Commission approve its 2019 proposed capital structure and grant permission to issue securities in accordance with the limits and contingencies identified in the Department's Comments, assuming that GMG's understanding of the recommendations is correct.

Dated: February 6, 2019

Respectfully submitted,

/s/

Kristine A. Anderson
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