

October 14, 2019

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G004/MR-19-512

Dear Mr. Wolf:

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

A Petition by Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co., (Great Plains or the Company) for Approval of a New Base Cost of Gas for Interim Rates.

The Petition was filed on September 27, 2019 by:

Tamie A. Aberle  
Director of Regulatory Affairs  
Great Plains Natural Gas Company  
705 West Fir Avenue  
PO Box 176  
Fergus Falls, Minnesota 56538-0176

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve as modified herein** Great Plains' base cost of gas filing. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ SACHIN SHAH  
Rates Analyst

SS/ja  
Attachment



## Before the Minnesota Public Utilities Commission

---

### Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G004/MR-19-512

#### I. SUMMARY OF GREAT PLAINS' PROPOSAL

Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. (Great Plains or the Company), requests that the Minnesota Public Utilities Commission (Commission) approve a new base cost of gas (BCOG) to coincide with the proposed January 1, 2020 implementation of interim rates requested in its general rate case Docket No. G004/GR-19-511 (Docket 19-511). Great Plains filed its general rate case on September 27, 2019, the same day as its BCOG Petition. The Minnesota Department of Commerce, Division of Energy Resources' (Department) analysis of Great Plains Petition is presented below.

#### II. THE DEPARTMENT'S ANALYSIS

Minnesota Rules part 7825.2700, subpart 2, requires a utility to petition for a new base cost of gas, submitted as a miscellaneous rate change, to coincide with the implementation of interim rates during a general rate proceeding. This Rule requires that "The base cost of gas must separately state the commodity base cost and the demand base cost components for each class." Through its review of Great Plains' Petition, and for the Petition's consistency with the calculations in the general rate case, the Department concludes that the Company has complied with these requirements through its Statement C, Schedule C-1, page 4 and 10 through 17 of 18; Schedule C-2, page 9 of 27; and Statement E, Schedule E-1 in its rate case filing; and through its supporting data and calculations provided in Attachments C through E in the Petition. (Also See Department Attachment 1). The Department discusses Great Plains' demand and commodity costs separately below.

##### A. DEMAND GAS COSTS

The Department reviewed Great Plains' Petition for consistency with the calculations in the rate case. The Department's analysis indicates that the information is generally consistent between the rate case and the base cost of gas filing with a minor rounding difference as shown in Attachment E in the Petition. Great Plains calculated its demand cost of gas based on the demand entitlement units that are estimated to be charged in the Company's November 2018 Purchased Gas Adjustment (PGA) filings.<sup>1</sup> These estimated demand costs are representative of the entitlement levels proposed by the Company in Docket No. G004/M-18-454 (Docket 18-454). The Department notes that the demand costs are based on the interstate pipeline rates of Northern Natural Gas (Northern or NNG) and Viking Gas Transmission (VGT) as of August 2019.

---

<sup>1</sup> See Great Plains' June 29, 2018 *Demand Entitlement Filing*, Exhibit B, and October 31, 2018 *Informational Update* in Docket No. G004/M-18-454.

The Department notes that in its October 31, 2018 *Informational Update* in Docket 18-454, the Company stated that it had acquired a five-year FT-A, Zone 1-1 annual contract for 5,000 Dth per day of capacity in lieu of seasonal winter-only Viking capacity. Of the 5,000 Dth per day of capacity, the Company released 2,600 Dth per day in a capacity release to a prearranged bidder for the period of November 2018 through March 2019. However, the Company included the 2,600 Dth per day capacity release in its demand cost calculation even though that transaction has expired. Instead, the Company now has released the entire 5,000 Dth per day of capacity on a seasonal basis beginning in May 2019.<sup>2</sup> The Department notes that correcting for the capacity release change results in an extremely minor change to the total demand costs.<sup>3</sup>

Finally, in its review of demand costs, the Department found no inconsistencies between the sales forecast reported in the rate case filing and that which was presented in the base cost of gas Petition.

Thus, the Department recommends that Great Plains provide updated cost of gas information in this proceeding and in its companion general rate case. The Commission should require Great Plains to work with Commission Staff to determine the appropriate timing for providing this information and whether the update(s) to the information should be applied to Great Plains' BCOG and reflected in the accompanying general rate case. The update(s) should be filed in both this docket and in the general rate case Docket 19-511. Additionally, when the Company files its final base cost of gas pursuant to Minn. R. pt. 7825.2700, subp. 2, the cost of gas in that filing should equal the cost of gas approved for use in the general rate case.<sup>4</sup>

#### *B. COMMODITY GAS COSTS*

Great Plains estimated its commodity costs based on an average of monthly *Inside Federal Energy Regulatory Commission's* (IFERC) and *Gas Daily's* (GD) New York Mercantile Exchange (NYMEX) wellhead prices and forecasted basis point differentials at the Emerson, Demarc, and Ventura hubs, and for delivery at each of the interstate pipelines from which the Company receives delivered gas.<sup>5</sup> The Department compared these estimated commodity cost rates to current NYMEX market expectations and concludes that, at this time, the rate estimates are appropriate.

After estimating commodity costs for its customers, and accounting for pipeline transportation, balancing and storage charges, Great Plains calculated the estimated Weighted Average Cost of Gas (WACOG).<sup>6</sup> Great Plains calculated its total gas cost recovery amount by multiplying monthly test-year

---

<sup>2</sup> Please see the May 2019 Purchased Gas Adjustment (PGA) filing in Docket No. G004/AA-19-383.

<sup>3</sup> The impact to the cost of gas would be a decrease of approximately \$19,829 for a total cost of gas of approximately \$13,849,735 as opposed to \$13,869,563 filed by the Company using its sales forecast.

<sup>4</sup> Minn. R. pt. 7825.2700, subp. 2, states in part: "A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding."

<sup>5</sup> Petition, Attachment C, page 6.

<sup>6</sup> Petition, Attachment C, pages 3 and 4.

sales amounts by the monthly projected WACOG price.<sup>7</sup> Great Plains expects total 2020 commodity costs to be \$10,049,227.<sup>8</sup>

### C. TOTAL GAS COSTS

When MERC's proposed demand gas costs (\$3,820,335) and commodity cost of gas (\$10,049,229) are added together, the resulting total gas costs are approximately \$13,869,564.<sup>9</sup> The Department notes that the Company's Petition referenced where gas costs are included in its rate case filings. Based on the rate case exhibits and Statements, and the work papers noted above, the 2020 gas costs reported are \$13,869,562, resulting in a difference between the rate case and base cost of gas Petition of \$2. The Department concludes that the \$2 difference is attributable to rounding and is therefore acceptable.

### D. TARIFFS

Great Plains provided its proposed updated tariff sheets in both clean and redlined versions as Attachment B to the Petition. The Department reviewed the proposed tariff sheets and concludes that the proposed changes correctly update the base cost of gas values in accordance with the calculations contained in Attachments C through E of the Petition. However, in the redline version, the Company failed to strike the "Date Filed – July 31, 2019", "Effective Date – Service rendered on and after August 1, 2019", and "Docket No. G004-MR-16-834". That is, the redlined version should have shown the following:

~~"Date Filed – July 31, 2019", "Effective Date – Service rendered on and after August 1, 2019", and "Docket No. G004-MR-16-834".~~

With this modification on the redlined tariffs, both the clean and redlined versions of the tariff sheets are acceptable.

### E. OTHER ISSUES

On July 1, 2019 Northern filed a rate case (RP19-1353) at FERC and has proposed dramatic increases in their rates.<sup>10</sup> Great Plains intervened and filed a protest under the Northern Municipal Distributors Group and the Midwest Region Gas Task Force Association<sup>11</sup> (jointly, NMDG). On July 31,

---

<sup>7</sup> General Rate Case, Volume III, Statement C, Schedule C-1, page 4 and 10 through 17 of 18; Schedule C-2, page 9 of 27; and Statement E, Schedule E-1.

<sup>8</sup> Id.

<sup>9</sup> Petition, Attachment E.

<sup>10</sup> For additional details please see Department's *October 3, 2019 Comments* in Docket No. G002/M-19-498.

<sup>11</sup> Austin Utilities, Circle Pines, Community Utility Company, Dooley's Natural Gas, Great Plains Natural Gas Company, Greater Minnesota Gas, Hibbing, Hutchinson, New Ulm, Northwest Natural Gas Company, Owatonna, Round Lake, Sheehan's Gas Company, Inc., Two Harbors, Virginia, and Westbrook, Minnesota; Midwest Natural Gas, Inc., and St. Croix Valley Natural Gas, Wisconsin; Watertown, South Dakota; and the Cities of Fremont, Lyons, and Stromsburg, and the Village

2019, FERC issued its *Order Accepting and Suspending Tariff Records, Subject to Refund, Rejecting Tariff Revisions, and Establishing Hearing Procedures and Technical Conference* (FERC NNG Order) in FERC Docket No. RP19-1353-000. Ordering point (A) of the FERC NNG Order stated the following:

The tariff records in Appendix A are accepted and suspended to be effective January 1, 2020, subject to refund and the outcome of the hearing and technical conference established in the body of this order.

Additionally, On June 28, 2019 Viking filed with the FERC a general rate case (RP19-1340) to change rates effective August 1, 2019 in accordance with its previous rate case settlement.<sup>12</sup> Great Plains intervened and filed a protest on July 9, 2019. On July 31, 2019, FERC issued its *Order Accepting and Suspending Tariff Record, Subject to Refund, Accepting Tariff Record, Establishing Hearing Procedures and Terminating FERC Form No. 501-G Proceeding* (FERC VGT Order) in FERC Docket No. RP19-1340-000. Ordering point (A) of the FERC VGT Order stated the following:

The tariff record reflecting rate increases (Part 5.0, Statement of Rates, 34.0.0) is accepted and suspended, to be effective upon motion on January 1, 2020, subject to refund and the outcome of the hearing established herein, as discussed in the body of this order.

As with NNG's proposed rate increase, the proposed VGT FERC approved tariffs that are currently "suspended, to be effective upon motion on January 1, 2020, subject to refund" will impact the demand costs. Thus, by the time the appropriate timing for the updated BCOG has been determined (in consultation with Commission Staff) and filed, likely during 2020 (Great Plains' test-year), it is possible that FERC will have acted on NNG and VGT proposals in their respective FERC rate case filings in FERC Docket Nos. RP19-1353 and RP19-1340. Therefore, Great Plains could potentially have actual costs of gas reflected in its update to the Petition, for the respective historical time period in Great Plains' test-year, depending on the timing of the BCOG update.

### III. CONCLUSION AND RECOMMENDATIONS

Based on its review of the Company's Petition, the Department recommends that the Commission approve Great Plains' base cost of gas filing as modified herein with the following additional recommendations.

The Department recommends that the Commission require that Great Plains:

---

of Pender, Nebraska. <sup>11</sup> See NMDG, *MOTION TO INTERVENE, PROTEST, REQUEST FOR PARTIAL SUMMARY REJECTION, REQUEST FOR MAXIMUM SUSPENSION, AND REQUEST FOR EVIDENTIARY HEARING OF THE NORTHERN MUNICIPAL DISTRIBUTORS GROUP AND THE MIDWEST REGION GAS TASK FORCE ASSOCIATION*, filed on July 15, 2019 in FERC Docket No. RP-19-1353-000.

<sup>12</sup> For additional details please see Department's *October 3, 2019 Comments* in Docket No. G002/M-19-498.

- provide updated cost of gas information in this proceeding and in its companion general rate case; and
- work with Commission Staff to determine the appropriate timing for providing this information and whether the update(s) to the information should be applied to Great Plains' BCOG and reflected in the accompanying general rate case. The update(s) should be filed in both this docket and in the general rate case Docket 19-511.

/ja

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

Docket Number: G004/MR-19-512                       Nonpublic                       Public  
Requested From: Great Plains Natural Gas Co.      Date of Request: 9/17/2019  
Type of Inquiry: General                                      Response Due: 9/27/2019

Requested By: Sachin Shah  
Email Address(es): sachin.shah@state.mn.us  
Phone Number(s): 651-539-1834

---

**Request Number: 1**

Topic:  
Reference(s): Great Plains Natural Gas Co. (Great Plains), a Division of  
Montana-Dakota Utilities Co Base Cost of Gas (BCOG) Petition.

---

**Request:**

- A. At the same time that the Company files its BCOG Petition, please provide all tables, charts, figures, attachments, statements, work papers and schedules from the Petition.

Please provide the requested data in a Microsoft Excel executable format (\*.xlsx) with all links and formulae intact. If any of these links target an outside file, please provide all such additional files.

In addition, whenever acronyms are used in the data given in response to all the parts above, please provide an explanation of all acronyms used AND also provide a brief but complete explanation of the source of each data series that is provided.

If this information has already been provided in the application or in response to an earlier Department information request (IR), please identify the specific cite(s) or Department IR number(s).

**Response:**

Please see MR-19-512 GP Response IR 1 Attachment A for a Microsoft Excel file including all schedules and workpapers used in the preparation of the Petition.

---

---

Response Date: 9/27/2019  
Response by: Travis Jacobson, Manager, Regulatory Affairs  
Email Address: travis.jacobson@mdu.com  
Phone Number: (701) 222-7855

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

Docket Number: G004/MR-19-512                       Nonpublic                       Public  
Requested From: Great Plains Natural Gas Co.      Date of Request: 9/17/2019  
Type of Inquiry: General                                      Response Due: 9/27/2019

Requested By: Sachin Shah  
Email Address(es): sachin.shah@state.mn.us  
Phone Number(s): 651-539-1834

---

**Request Number: 2**

Topic:  
Reference(s): Great Plains Natural Gas Co. (Great Plains), a Division of  
Montana-Dakota Utilities Co Base Cost of Gas (BCOG) Petition.

---

**Request:**

- A. At the same time that the Company files its BCOG Petition, please provide Great Plains proposed tariffs referenced in the BCOG Petition in both a red-line and a clean version.

Please provide the requested information, in Adobe Acrobat format (\*.PDF) with all links intact. If any of these links target an outside file, please provide all such additional files.

In addition, whenever acronyms are used in the data given in response to all the parts above, please provide an explanation of all acronyms used AND also provide a brief but complete explanation of the source of each data series that is provided.

If this information has already been provided in the application or in response to an earlier Department information request (IR), please identify the specific cite(s) or Department IR number(s).

**Response:**

Please see Attachment B of the filing in this Docket for the clean and red-line versions of the proposed tariff sheets.

---

Response Date: 9/27/2019  
Response by: Travis Jacobson, Manager, Regulatory Affairs  
Email Address: travis.jacobson@mdu.com  
Phone Number: (701) 222-7855

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

Docket Number: G004/MR-19-512                       Nonpublic                       Public  
Requested From: Great Plains Natural Gas Co.      Date of Request: 9/17/2019  
Type of Inquiry: General                                      Response Due: 9/27/2019

Requested By: Sachin Shah  
Email Address(es): sachin.shah@state.mn.us  
Phone Number(s): 651-539-1834

---

**Request Number: 3**

Topic:

Reference(s): Great Plains Natural Gas Co. (Great Plains), a Division of  
Montana-Dakota Utilities Co Base Cost of Gas (BCOG) Petition.

---

**Request:**

- A. At the same time that the Company files its BCOG Petition, please provide each and all respective interstate pipelines' tariff sheets that were used in the base cost of gas' calculations.
- B. Have the interstate pipelines' tariff sheets been approved by the Federal Energy Regulatory Commission (FERC)?

Please provide the requested information, in Adobe Acrobat format (\*.PDF) with all links intact. If any of these links target an outside file, please provide all such additional files.

In addition, whenever acronyms are used in the data given in response to all the parts above, please provide an explanation of all acronyms used AND also provide a brief but complete explanation of the source of each data series that is provided.

If this information has already been provided in the application or in response to an earlier Department information request (IR), please identify the specific cite(s) or Department IR number(s).

**Response:**

- A. Please see Attachment D of the filing in this Docket for the pipeline rates used in the base cost of gas calculation.
- B. Yes, all tariff sheets have been approved by FERC.

---

Response Date: 9/27/2019  
Response by: Travis Jacobson, Manager, Regulatory Affairs  
Email Address: travis.jacobson@mdu.com  
Phone Number: (701) 222-7855

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

Docket Number: G004/MR-19-512                       Nonpublic                       Public  
Requested From: Great Plains Natural Gas Co.      Date of Request: 9/17/2019  
Type of Inquiry: General                                      Response Due: 9/27/2019

Requested By: Sachin Shah/Angela Byrne/Dale Lusti  
Email Address(es): sachin.shah@state.mn.us, angela.byrne@state.mn.us,  
Phone Number(s): 651-539-1834; 651-539-1820; 651-539-1829

---

**Request Number: 4**

Topic:

Reference(s): Great Plains Natural Gas Co. (Great Plains), a Division of  
Montana-Dakota Utilities Co Base Cost of Gas (BCOG) Petition.

---

**Request:**

- A. At the same time that the Company files it's BCOG Petition, please identify how and where, the information from the BCOG Petition is used in the Company's general rate case.
- B. In your response to part (A) above, please also provide the specific cite(s).
- C. Please fully explain how the base cost of gas calculation affects rate case calculations and provide a list of any, and all, rate case items affected by the base cost of gas calculation.

As part of your response to parts (A) through (C) above, please provide the cited/ listed tables, charts, figures, attachments, statements, work papers, and/or schedules in a Microsoft Excel executable format (\*.xlsx) with all links and formulae intact. If any of these links target an outside file, please provide all such additional files.

In addition, whenever acronyms are used in the data given in response to all the parts above, please provide an explanation of all acronyms used AND also provide a brief but complete explanation of the source of each data series that is provided.

If this information has already been provided in the application or in response to an earlier Department information request (IR), please identify the specific cite(s) or Department IR number(s).

---

Response Date: 9/27/2019  
Response by: Travis Jacobson, Manager, Regulatory Affairs  
Email Address: travis.jacobson@mdu.com  
Phone Number: (701) 222-7855

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

Docket Number: G004/MR-19-512                       Nonpublic                       Public  
Requested From: Great Plains Natural Gas Co.      Date of Request: 9/17/2019  
Type of Inquiry: General                                      Response Due: 9/27/2019

Requested By: Sachin Shah/Angela Byrne/Dale Lusti  
Email Address(es): sachin.shah@state.mn.us, angela.byrne@state.mn.us,  
Phone Number(s): 651-539-1834; 651-539-1820; 651-539-1829

---

**Request Number: 4**

Topic:

Reference(s): Great Plains Natural Gas Co. (Great Plains), a Division of  
Montana-Dakota Utilities Co Base Cost of Gas (BCOG) Petition.

---

**Response:**

- A. Please see Attachment E of the filing in this Docket for the locations that the base cost of gas calculation is used in the rate case, as well as the rate case items affected.
- B. See A.
- C. See A.

---

Response Date: 9/27/2019  
Response by: Travis Jacobson, Manager, Regulatory Affairs  
Email Address: travis.jacobson@mdu.com  
Phone Number: (701) 222-7855

## **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/MR-19-512**

Dated this **14<sup>th</sup>** day of **October 2019**

**/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_19-512_MR-19-512
Peter	Beithon	pbeithon@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_19-512_MR-19-512
James J.	Bertrand	james.bertrand@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-512_MR-19-512
Barbara	Case	barbara.case@state.mn.us	Office of Administrative Hearings	600 N. Robert St. St. Paul, Mn. 55101	Electronic Service	Yes	OFF_SL_19-512_MR-19-512
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	OFF_SL_19-512_MR-19-512
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_19-512_MR-19-512
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_19-512_MR-19-512
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-512_MR-19-512
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_19-512_MR-19-512
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-512_MR-19-512

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-512_MR-19-512
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	7400 Lyndale Ave S Ste 190  Richfield, MN 55423	Electronic Service	Yes	OFF_SL_19-512_MR-19-512
Byron E.	Starns	byron.starns@stinson.com	STINSON LLP	50 S 6th St Ste 2600  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-512_MR-19-512
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_19-512_MR-19-512
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_19-512_MR-19-512