

Staff Briefing Papers

Meeting Date January 6, 2021

Agenda Item * 1

Company Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co. (Great Plains)

Docket No. **G-004/M-20-813**

In the Matter of a Request by Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co. (Great Plains), for a Variance and Notice of Refund Plan for Northern Natural Gas and Viking Gas Transmission Pipeline Refunds

Issues Should the Commission approve Great Plains' proposed refund plan and grant Great Plains a variance to Minn. R. 7825.2700, subp. 8 to allow Great Plains to determine the refund amount for each customer based on their actual usage from January through April 2020, instead of on a 12-month basis?

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Relevant Documents

Date

Great Plains – Initial Filing	November 4, 2020
Department of Commerce – Comments	December 3, 2020
Great Plains – Reply Comments	December 8, 2020

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

I. Statement of the Issues

Should the Commission approve Great Plains' proposed refund plan and grant Great Plains a variance to Minn. R. 7825.2700, subp. 8 to allow Great Plains to determine the refund amount for each customer based on their actual usage from January through April 2020, instead of on a 12-month basis?

II. Background

On July 1, 2019, Northern Natural Gas (NNG) filed a Section 4 rate case in Docket No. RP19-1353-000 at the Federal Energy Regulatory Commission ("FERC") to increase its transportation and storage rates. On July 31, 2019, FERC issued an order accepting NNG's filing, suspending rates, and approving implementation of the proposed increase to rates effective January 1, 2020, subject to refund based on final approved rates. On May 20, 2020, NNG filed an unopposed motion to place settlement rates into effect on an interim basis and on May 27, 2020, FERC's Chief Administrative Law Judge ("ALJ") issued an Order authorizing interim settlement rates as of May 1, 2020. On July 21, 2020, the ALJ issued a Certification of Uncontested Settlement certifying the settlement to FERC, which was approved by Order dated September 28, 2020. According to Great Plains, it received a refund from NNG on October 22, 2020 in the amount of \$827,719.63, including interest of \$18,215.66. Great Plains stated:

"Of the total, \$743,970.51 is applicable to Great Plains' Minnesota customers. The average residential customer refund would be approximately \$19.14."

Viking Gas Transmission (VGT) filed a Section 4 rate case in Docket No. RP19-1340-005 with FERC on June 28, 2019, proposing an increase to its transportation and storage rates. On July 31, 2019, FERC issued an order accepting VGT's filing, suspending rates, and approving implementation of the proposed increase to rates effective January 1, 2020, subject to refund based on final approved rates. On July 1, 2020, FERC approved a final rate settlement with rates effective as of March 1, 2020 and required refunds for the difference between rates collected from January 1, 2020 through February 29, 2020 and the final approved settlement rates. On an invoice dated August 7, 2020, Great Plains received a refund, in the form of a bill credit, from VGT in the amount of \$33,869.11, including interest of \$642.41. According to Great Plains, \$30,572.15 of the total is applicable to Great Plains' Minnesota customers. "The average residential customer refund would be approximately \$0.75."¹

On November 4, 2020, Great Plains submitted its request for a variance from Minn. R. 7825.2700, Subp. 8 and notice of its refund plan to return the pipeline refunds from NNG and VGT to Great Plains' Minnesota customers which cumulatively amount to more than \$5 per customer.

On December 3, 2020, the Minnesota Department of Commerce, Division of Energy Resources (Department), submitted comments on Great Plains' Petition and recommended the

¹ Great Plains' Initial Filing, p. 3.

Commission approve Great Plains' proposal to calculate the refund per unit cost on actual sales over the months of January through April 2020, and grant a rule variance to allow Great Plains to calculate the refund per unit cost using 4 months of actual usage rather than the 12 months required by Minn. R. 7825.2700, subp. 8. The Department also requested that Great Plains provide additional information for record completeness.

On December 8, 2020, Great Plains submitted reply comments including information requested by the Department and agreed to the Department's recommendations.

III. Parties' Comments

A. Great Plains

1. Refund Plan

Great Plains proposes to combine the refunds from both pipeline companies (NNG and VGT) and apply the refund as a bill credit to active customer accounts no later than January 20, 2021, ninety days after receipt of the NNG refund. Great Plains states:

The refund is only applicable to sales gas customers and not transportation customers. In the event a customer account is no longer active, checks will be issued if the refund is \$5.00 or greater. Any un-refunded monies will be handled in accordance with Minnesota Statute Section 345.34.

Great Plains proposes to calculate individual customer refunds based on each customer's actual usage for January through April 2020, the period when NNG's interim rates were in effect and accounting for the majority of the refund. Thus, Great Plains requested a variance to the Minn. R. 7825.2700 requirement that within classes, the refund amount per unit must be applied to bills on the basis of individual 12-month usage. The refunds will be shown on customers' bills as a separate line item titled "Pipeline Refund".

Great Plains proposed to apply interest at the prime rate of 3.25 percent to the balances as received through the month of January 2021 to determine the total amount to be refunded.

Upon completion of the refund, the Company will submit a compliance filing summarizing the breakdown of the refund by rate class.

2. PGA Rule Variance

Minnesota Rule 7825.2700, Subp. 8, states the following:

Subp. 8. Refunds. Refunds and interest on the refunds, that are received from the suppliers or transporters of purchased gas and attributable to the cost of gas previously sold, must be annually refunded by credits to bills, except that cumulative refund amounts equal to or greater than \$5 per customer must be refunded within 90 days from the date the refund is received from a supplier or transporter. Refunds must be

allocated to customer classes in proportion to previously charged costs of purchased gas. Within classes, the refund amount per unit must be applied to bills based on individual 12-month usage. The utility shall add interest to the unrefunded balance at the prime interest rate.

Great Plains requests that the Commission vary Minn. R. 7825.2700, Subp. 8 to allow Great Plains to determine the refund amount for each customer based on their actual usage from January through April 2020, instead of on a 12-month basis to reflect the time period pipeline interim rates were in effect.

Under Minn. R. 7829.3200, the Commission may vary any of its rules upon making the following findings: that (i) enforcing the rule would impose an excessive burden upon the applicant or others affected by the rule; (ii) granting the variance would not adversely affect the public interest; and (iii) granting the variance would not conflict with any standards imposed by law.

Great Plains states that each of these criteria are met in the present case as follows:

First, enforcement of Rule 7825.2700's 12-month individual usage would not match the volumes upon which customers actually paid the interim rates. The Company's proposal would closely match customer refunds with amounts actually paid between January through April 2020, the period in which the interim NNG pipeline rates were charged to Great Plains' customers.²

Additionally, granting the variance will not adversely affect the public interest. Rather, calculating a refund amount per customer based upon usage that occurred between January and April 2020 would also serve the public interest since it would be representative of customer usage trends for the time period in question rather than based upon any changes to consumption during an annual time period.

Finally, granting the requested variances will not conflict with any standards of law imposed by the law, since both the 12-months usage refund requirement are established by Commission rule rather than statute, and as a result is subject to variance pursuant to Minnesota Rules 7829.3200 for good cause shown, as demonstrated here.

3. Conclusion

In conclusion, Great Plains requested "that the Commission grant the requested variance and approve Great Plains' proposal to provide the NNG and VGT refunds to customers through a single bill credit based upon actual usage by customers for the time period of January through April 2020."

² This period also overlaps with the period (January – February 2020) interim VGT rates were in effect and subject to refund.

B. Department of Commerce

The Department summarized Great Plains' refund plan as follows:

- Refund the amounts to customer accounts no later than January 20, 2021.
- Determine the per-customer refund using their actual usage from January through April 2020.
- Pay interest on the refunded amount until such time that it is formally refunded to ratepayers.
- Use the Prime Rate, currently 3.25 percent, as the appropriate interest rate for that calculation.
- Provide refunds only to sales customers.
- Handle any un-refunded monies in accordance with Minnesota Statute § 345.34.
- Submit a compliance filing summarizing the allocation of the refunds by rate class.

1. Interest on refunds

The Department noted that

... [t]he Refund Rule is clear as to the use of the prime rate as the appropriate interest rate that should be used to calculate the time value of the refund before it is disbursed to ratepayers. Great Plains agreed to use the prime rate for this purpose.

2. Allocation of Refund to Customer Classes

The Department agreed that using January through April 2020 actual sales, the period over which NNG and Viking's higher rates were in place, is a reasonable basis for determining the proportion of "previously charged costs of gas"³ for each customer class.

3. Calculation of the Refund Amount per Unit Within the Customer Classes

The Department stated:

The language in the Refund Rule regarding the calculation of the refund amount per unit within the customer classes identifies the use of actual, historical billing information – "the refund amount per unit must be applied to bills on the basis of individual 12-month usage."

Great Plains' proposal is that the Company use four months of aggregate actual sales information to develop the refund per unit and then to disburse the refunds individually based on a customer's actual usage during that same period via a bill credit or check. The Company's proposal is consistent with the method identified in the Refund Rule with the exception of the use of 12 months of customer usage.

³ The Department of Commerce' Comments, p. 4.

4. Un-refunded Monies

The Department states:

The Company is proposing to keep any unrefunded monies associated with the refund. Great Plains cites Minnesota Statute § 345.34 regarding this issue. Minnesota Stat. § 345.34 states:

Any deposit held or owing by any utility made by a subscriber to secure payment for, or any sum paid in advance for utility services to be furnished in this state, excluding any charges that may lawfully be withheld, that has remained unclaimed by the person appearing on the records of the utility entitled thereto for more than one year after the termination of the services for which the deposit or advance payment was made is presumed abandoned.

The Department agrees with the Great Plains' proposal.

5. Compliance filing

The Department also recommended that the Commission require Great Plains to report the percentage of the refund that was returned by bill credit by customer class as well as the percentage of the refund returned through the issuance of individual checks and the amount of unrefunded monies. The Department also noted that Great Plains is agreeing to file a compliance filing after the refund is disbursed.

6. PGA Rule Variance

The Department stated that it “agrees with the Company regarding the need for a variance to the 12 months of customer usage requirement.” The Department also suggested “that the use of 4 months of actual sales volumes is more accurate than using 12 months of customer data as the basis for disbursing the combined refund.”

7. Conclusion

In its conclusion, the Department recommended the Commission:

- 1) Approve the Company's proposal to calculate the refund per unit cost on actual sales over the months of January through April 2020.
- 2) Grant a rule variance and allow the Company to calculate the refund per unit cost using 4 months of actual usage rather than the 12 months required by Minn. R. 7825.2700, subp. 8.
- 3) Require Great Plains to report on the status of the refund after it is completed; specifically, require Great Plains to report the percentage of the refund that was returned by bill credit by customer class as well as the percentage of the refund

returned through the issuance of individual checks and the amount of un-refunded monies.

Further, in the interest of record completeness, the Department requested that Great Plains identify the attorney⁴ that represents the Company on this matter and the impact of the refund on its rates and services in its Reply Comments.

C. Great Plains' Reply Comments

In reply, Great Plains stated that it agrees with the Department's recommendations and it will submit a compliance filing after the completion of the refund with information relating to amounts returned by bill credits, issuance of checks and any un-refunded monies.

Additionally, Great Plains provided the information requested by the Department.

IV. Decision Alternatives

- 1) Approve Great Plains' proposal to provide the Northern Natural Gas and Viking Gas Transmission refunds to customers through a single bill credit based upon actual usage by customers for the time period of January through April 2020. [Great Plains and Department as modified]
- 2) Grant a rule variance and allow Great Plains to calculate the refund per unit cost using 4 months of actual usage rather than the 12 months required by Minn. R. 7825.2700, subp. 8. [Department, Great Plains]
- 3) Require Great Plains to report on the status of the refund after it is completed; specifically, require Great Plains to report the percentage of the refund that was returned by bill credit by customer class as well as the percentage of the refund returned through the issuance of individual checks and the amount of un-refunded monies. [Department, Great Plains]

⁴ The Department of Commerce' Comments, p. 7.