

The Commission met on **Friday, November 13, 2015**, with Chair Heydinger, and Commissioners Lange, Lipschultz, Tuma, and Wergin present.

The following matters were taken up by the Commission:

## **TELECOMMUNICATIONS AGENDA**

### **P-999/CI-15-535**

#### **In the Matter of the Telephone Assistance Plan**

Commissioner Lipschultz moved to take the following actions maintain the current TAP credit and surcharge.

The motion passed 5-0.

## **ENERGY AGENDA**

### **G-004/GR-15-879**

#### **In the Matter of the Petition by Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc., for Authority to Increase Natural Gas Rates in Minnesota**

Commissioner Wergin moved to take the following actions:

1. Accept the petition for authority to increase natural gas rates in Minnesota filed by Great Plains Natural Gas Co. (Great Plains or the Company), a Division of MDU Resources Group, Inc., as being in proper form and substantially complete as of September 30, 2015.
2. Grant Great Plains' request to treat the compensation information of its sixth through tenth highest compensated employees as private data pursuant to Minn. Stat. § 216B.16, subd. 17(c).
3. Suspend the proposed final rates until the Commission makes its final determination in this matter.
4. Find that the Commission has insufficient time to make a final determination in this case within a 10-month suspension period because of the need to make final determinations in other pending cases involving changes in general rates under Minn. Stat. § 216B.16; and extend the suspension period of rates in this case for an additional 30 days, until August 31, 2016.
5. Refer this matter to the Minnesota Office of Administrative Hearings for a contested case proceeding and request the report of the administrative law judge on or before June 30, 2016.

6. Identify the following issues for development of a complete record in this case.
  - A. The standard rate case issue.<sup>1</sup>
  - B. The consolidation of Great Plains' north and south districts separate base cost of gas rates into one unified base cost of gas rate.
  - C. The proposed change for the recovery, and crediting, of demand-related gas costs.
  - D. The inclusion of Unamortized Loss on Debt and its related deferred taxes in rate base.
7. Regarding supplemental testimony or exhibits:
  - A. Require Great Plains to reflect any updated sales forecasts from its general rate case in the per dekatherm demand cost of gas rate. The informational base cost of gas updates should be filed during the course of the general rate proceeding in this docket and in Docket No. G-004/MR-15-878, *In the Matter of Great Plains Natural Gas Company (Great Plains), a Division of MDU Resources Group, Inc. Petition to Establish a New Base Gas Cost Filing for Interim Rates in Great Plains' General Rate Case, Docket No. G-004/GR-15-879*. Direct Great Plains to work with Commission staff and the Minnesota Department of Commerce (the Department) to determine the timing of these updates.
  - B. Require Great Plains to make an informational filing of its 2015 operational activity by providing updated 2015 Rate Base and Operating Statement numbers (including bridge schedules to the most recent fiscal year 2014, the projected fiscal year 2015, and the 2016 test year). The information should be filed by January 4, 2016, and include actual 2015 data through October 31, 2015, as well as revised projections for the balance of 2015. Great Plains should clearly indicate the witness sponsoring these schedules and include supplemental testimony that explains the basis for the differences illustrated by the bridge schedules.
8. Authorize Great Plains to implement interim rates for service rendered on and after November 30, 2015, and grant Great Plains' request to waive its right under statute to put interim rates into effect on November 30 and authorize Great Plains to implement interim rates for service rendered on and after January 1, 2016.
9. Require Great Plains to adjust its interim rate revenue deficiency and rates to do the following:
  - A. Remove the Unamortized Loss on Debt and the associated deferred income taxes from the revenue deficiency calculation; and/or

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<sup>1</sup> 1) Is the test year revenue increase sought by the Company reasonable or will it result in unreasonable and excessive earnings by the Company? 2) Is the rate design proposed by the Company reasonable? and 3) Are the Company's proposed capital structure and return on equity reasonable?

- B. Reduce the Late Payment Revenue included in the interim rate revenue deficiency calculation by \$2,416, from \$57,981 to \$55,565; or
  - C. Reduce the Late Payment Revenue included in the interim rate revenue deficiency calculation by \$16,911, from \$57,981 to \$41,070; and
  - D. Direct Great Plains to file revised interim financial schedules and calculations (interim rate base, income statement, cost of capital, and revenue summary) and class revenue schedules to reflect the Commission's modification(s), within four calendar days of this meeting.
- 10. Approve Great Plains' proposed interim cost of capital for setting interim rates.<sup>2</sup>
  - 11. Approve Great Plains' request to collect as a uniform percent interim rate adjustment to the non-gas base rates of customer bills, i.e. the basic service charge and the delivery charge [which includes the conservation cost recovery charge (CCRC) and the gas affordability program (GAP) adjustment], and to display the interim rate increase on customer bills using a single, line-item interim rate adjustment.
  - 12. Direct Great Plains to set the interim rate increase to a uniform percent calculated that assesses the approved interim rate increase to all customer classes, including its market-based rate service (flexible tariff) customers. Determine there are exigent circumstances and allow Great Plains to forgo collection of interim rates from its market-based rate service (flexible tariff) customers, but disallow recovery of this forgone interim revenue from its remaining customers.
  - 13. In the Notice and Order for Hearing, require the following:
    - A. This order will be served on the Company, which shall mail copies of the order to all municipalities, counties, and local governing bodies in its Minnesota service area.
    - B. Public hearings shall be held in this matter at locations within the service area of the Company.
    - C. The Company shall give the following notices of the evidentiary and public hearings:
      - 1) Individual written notice to each customer, which may be in the form of a bill insert, and shall be served at least ten days before the first day of hearings.

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<sup>2</sup> For the calculation of interim rates, Great Plains proposed a rate of return on common equity of 9.72 percent and an overall rate of return of 7.553 percent.

- 2) Written notice to the governing bodies of all municipalities, counties, and local governing bodies in the area affected and to all parties in the Company's last two rate cases. These notices shall be mailed at least ten days before the first day of hearings.
- 3) Display advertisements in legal newspapers of affected counties and other newspapers of general circulation within the Company's Minnesota service area. These advertisements shall appear at least ten days before the first day of hearings. They shall include the heading **RATE INCREASE NOTICE**, which shall appear in bold face type no smaller than 30 points.
- 4) The Company shall submit proposed notices for Commission approval prior to publication or service.

14. In the Order Setting Interim Rate, require the following:

- A. Order the Company to file with the Commission and the Department's Division of Energy Resources interim rate tariff sheets and supporting documentation reflecting the decisions herein. The Company's filing should also include the notice to customers, approved by the Executive Secretary, regarding the rate change under the interim rate schedule.
- B. Order the Company to keep such records of sales and collections under interim rates as would be necessary to compute a potential refund. Any refund should be made within 120 days of the effective date of the Commission's final order in a manner approved by the Commission.
- C. Order the Company to include with each customer's first bill under the interim rate schedule a notice of the rate change, approved by the Executive Secretary. Upon completion of this task, the Company shall certify this fact to the Commission.
- D. Require Great Plains to maintain records of Conservation Improvement Program (CIP) costs and collection through the interim period so that it can be ascertained that recoveries dedicated to CIP are properly recorded as CIP.

15. Delegate authority to approve notices, bill inserts, and bill format to the Commission's Executive Secretary for the duration of this proceeding.

Commissioner Wergin amended her motion to omit Motion paragraph 9.C.

Commissioner Wergin amended her motion to omit Motion paragraph 9.B.

Chair Heydinger proposed to amend the motion to exclude Motion paragraph 9. Commissioner Wergin accepted the amendment.

Commissioner Wergin amended Motion paragraph 11 as follows:

Approve Great Plains' request to collect as a uniform percent interim rate adjustment to the non-gas base rates of customer bills, i.e. the basic service charge and the delivery charge [which includes the conservation cost recovery charge (CCRC) ~~and the gas affordability program (GAP) adjustment~~], and to display the interim rate increase on customer bills using a single, line-item interim rate adjustment.

Chair Heydinger called the motion. The motion passed 5-0.

Commissioner Wergin moved to approve an annual interim rate revenue deficiency of \$1,534,823, or 6.35 percent.

Chair Heydinger proposed to amend the motion to specify that the Commission's motion did not entail a substantive determination regarding contested legal issues in Great Plains' interim rates petition. Commissioner Wergin accepted the amendment.

Commissioner Wergin withdrew the motion and moved to take the following action:

9. Require Great Plains to adjust its interim rate revenue deficiency and rates to do the following:
  - A. Remove the Unamortized Loss on Debt and the associated deferred income taxes from the revenue deficiency calculation; and
  - D. Direct Great Plains to file revised interim financial schedules and calculations (interim rate base, income statement, cost of capital, and revenue summary) and class revenue schedules to reflect the Commission's modification(s), within four calendar days of this meeting.

The motion passed 5-0.

**G-004/MR-15-871**

**In the Matter of Great Plains Natural Gas Company (Great Plains), a Division of MDU Resources Group, Inc. Petition to Establish a New Base Gas Cost Filing for Final Rates in Great Plains' General Rate Case, Docket No. G-004/GR-15-879**

**G-004/MR-15-878**

**In the Matter of Great Plains Natural Gas Company (Great Plains), a Division of MDU Resources Group, Inc. Petition to Establish a New Base Gas Cost Filing for Interim Rates in Great Plains' General Rate Case, Docket No. G-004/GR-15-879**

Commissioner Lange moved to take the following action:

1. Approve Great Plains' Interim Base Cost of Gas Petition and the following:

- A. Direct Great Plains to recalculate and restate its purchased gas adjustment (PGA) factors for its South District to assign the storage capacity and balancing costs to its South PGA District commodity factors in accordance with *In the Matter of a Request by Great Plains Natural Gas Company for Approval of its 2007-2008 Demand Entitlements*, et al., Docket No. G-004/M-07-1401 *et al.*, Order Accepting Demand Entitlement Filings, Requiring Consultation, and Requiring Other Action (September 30, 2010).
  - B. Direct Great Plains to revise its general rate case (Docket No. G-004/GR-15-879) base cost of gas amount of \$15,855,558 to the interim base cost of gas amount of \$15,500,969, and submit all affected general rate case schedules within four calendar days, at the same time as it files its revised interim financial schedules and calculations.
2. Close Docket No. G-004/MR-15-871, the final rates base cost of gas petition.
  3. Order Great Plains to provide updated information about its commodity base cost of gas during the course of the general rate proceeding. Direct Great Plains to work with the Department and Commission staff to determine the timing of these updates. The updates shall be filed in both this docket and the general rate case, Docket No. G-004/GR-15-879.
  4. Require Great Plains to provide specific information on its transportation and storage contracts in its demand entitlement petition on a going forward basis, starting with supplementing its 2015-2016 demand entitlement petition in Docket No. G-004/M-15-645, *In the Matter of Great Plains Natural Gas Company's Demand Entitlement Filing*.

The motion passed 5-0.

#### **G-011/GR-15-736**

#### **In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota**

Commissioner Tuma moved to take the following actions:

1. Accept this filing as being in proper form and substantially complete as of September 30, 2015.
2. Find the Commission has insufficient time to make a final determination if the rates are suspended for a 10-month suspension period because of the need to make a final determination in other pending cases involving changes in general rates. Find that the rates in this case should be suspended for an additional ninety days, until October 31, 2016.

3. Request the ALJ's report on or before August 20, 2016 if the Commission adopts the above alternative. If the deadline for the Commission's decision is extended beyond ten months plus ninety days at any point during this proceeding for any reason (e.g. settlement discussions, waiver, etc.) request the ALJ's report at least two- and-a-half-months before the extended deadline for the Commission's decision.
4. Identify issues requiring development of a complete record in this case:
  - a. The standard rate case issues.
  - b. Other Revenue issues pertaining to MERC's Informational Requirements Document No. 5, Pages 3 and 4 including the adjustments to, and reduction in Account 495-Other Gas Revenues.
  - c. Request that the parties and the ALJ address the question of whether the test year in this case and in future MERC rate cases should be so far removed from the most recent fiscal year and whether the test year should be allowed to start more than 60 days after the filing date.
  - d. The extent to which upgrades to serve Rochester should be borne by all MERC ratepayers and if so, on what basis.
5. Issues for Supplemental Testimony or Exhibits:
  - a. Require MERC to reflect any updated sales forecasts from its general rate case in its per dekatherm demand cost of gas rate. The updates should be filed in this docket and the related base cost of gas, in Docket No. G-011/MR-15-748.
  - b. Require MERC to file supplemental direct testimony explaining the changes in Other Income including the significant adjustments to, and reductions in, Account 495-Other Gas Revenues.
  - c. Require MERC to file supplemental direct testimony, along with updated 2015 rate base and Operating Statement numbers including bridge schedules to the most recent fiscal year 2014, projected fiscal year 2015, and test year 2016. The 2015 rate base and operating statement numbers would be updated to reflect actual data through December 2015.
6. Effective Date of Interim Rates: Authorize MERC to implement interim rates for service rendered on and after November 23, 2015 (sixty days after MERC's September 30, 2015 filing date), and grant MERC's request to waive its right under the statute to put interim rates into effect on November 30 and acknowledge and approve MERC's request to implement interim rates for services rendered on and after January 1, 2016.
7. Interim Rates—Capital Structure and Cost of Capital: Approve MERC's proposed interim cost of capital for setting interim rates.

8. Interim Rates—Rate Design:
- a. Approve MERC’s request to collect the approved interim rate increase as a uniform percent interim rate adjustment to the base rate portion of customer bills, i.e. the basic service charge, the delivery charge, and the Demand Charge. Require MERC to display the interim rate increase on customer bills using a single, line-item interim rate adjustment; and
  - b. Determine that exigent circumstances exist and approve MERC’s request to forgo full collection of the interim rate increase from its Super Large Volume customers and its FLEX rate customers, increasing the customer charge and daily firm capacity charge for these customers, and to not seek recovery of the difference from its other customers.
9. Data Classification of Employee Salary: MERC’s request to classify the salaries of the sixth through tenth highest paid employees as non-public, private data.
10. Administrative and Compliance Issues: In the Notice and Order for Hearing, require the following:
- a. This Order will be served on the Company, which shall mail copies of the Order to all municipalities, counties, and local governing bodies in its Minnesota service area.
  - b. Public Hearings shall be held in this matter at locations within the service area of the Company, including at least one hearing in Albert Lea.
  - c. The Company shall give the following notices of the evidentiary and public hearings:
    - 1) Individual written notice to each customer, which may be in the form of a bill insert, and shall be served at least ten days before the first day of hearings;
    - 2) Written notice to the governing bodies of all municipalities, counties, and local governing bodies in the area affected and to all parties in the Company’s last two rate cases. These notices shall be mailed at least ten days before the first day of hearings.
    - 3) Display advertisements in legal newspapers of affected counties and other newspapers of general circulation within the Company’s Minnesota service area. These advertisements shall appear at least ten days before the first day of hearings. They shall include the heading **RATE INCREASE NOTICE**, which shall appear in bold face type no smaller than 30 points.
    - 4) The Company shall submit proposed notices for Commission approval prior to publication or service.
11. Administrative and Compliance Issues: In the order setting interim rates require the following:



- a. Order the Company to file with the Commission and the Department of Commerce-Division of Energy Resources interim rate tariff sheets and supporting documentation reflecting the decisions herein. The Company's filing should also include the notice to customers, approved by the Executive Secretary, regarding the rate change under the interim rate schedule;
  - b. Order the Company to keep such records of sales and collections under interim rates as would be necessary to compute a potential refund. Any refund should be made within 120 days of the effective date of the Commission's final order in a manner approved by the Commission;
  - c. Order the Company to include with each customer's first bill under the interim rate schedule a notice of the rate change, approved by the Executive Secretary. Upon completion of this task, the Company shall certify this fact to the Commission;
  - d. Require MERC to maintain records of Conservation Improvement Program (CIP) costs and collection through the interim period so that it can be ascertained that recoveries dedicated to CIP are properly recorded as CIP.
12. Approval of Notices and Customer-Bill Inserts: Delegate authority to approve notices, bill inserts, and bill format to the Commission's Executive Secretary for the duration of this proceeding.

The motion passed 5–0.

Commissioner Wergin moved to take the following actions:

1. Require MERC to adjust its interim rate revenue deficiency and rates to remove all regulatory assets and liabilities, and the associated deferred income taxes, from rate base except for the three items authorized in its last rate case: Purchased Accounting Effect Benefits, Cloquet Plant Amortization, and 2010 Health Care Legislation/Medicare Part D Subsidy.
2. Direct MERC to file revised financial schedules and calculations (interim rate base, income statement, cost of capital, and revenue summary) and class revenue schedules reflecting the Commission's modifications within 5 calendar days of this meeting.

The motion passed 3–2. Commissioners Lange and Tuma voted no.

Commissioner Tuma moved to remove from the interim rate revenue deficiency the \$577,742 of Former Manufactured Gas Plant costs.

The motion failed 2–3. Chair Heydinger and Commissioners Lipschultz and Wergin voting no.

**G-011/M-15-748**

**In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of a New Base Cost of Gas to Coincide with Implementation of Interim Rates**

Commissioner Lipschultz moved to take the following actions:

1. Approve PUC staff's adjusted interim base cost of gas PGA factors as reflected in Table 4 of the briefing papers.
2. Direct MERC to recalculate and restate its NNG, Consolidated, and Albert Lea's PGA District factors in accordance with PUC staff's adjusted calculations reflected in Tables 4 through 6 and Attachment 1, and resubmit its interim base cost of gas.
3. Direct MERC to revise and re-submit all affected general rate case schedules within five calendar days, at the same time as it files its revised interim financial schedules and calculations.
4. Order MERC to provide updated information about its commodity base cost of gas during the course of the general rate case proceeding. Direct MERC to work with the Department and Staff to determine the timing of these updates. The updates shall be filed in both this docket and the general rate case, in Docket No. G-011/GR-15-736.

The motion passed 4-1. Commissioner Lange voted no.

There being no further business, the meeting was adjourned.

**APPROVED BY THE COMMISSION: December 9, 2015**



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**Daniel P. Wolf, Executive Secretary**