

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye	Chair
Marshall Johnson	Commissioner
Ken Nickolai	Commissioner
Thomas Pugh	Commissioner
Phyllis A. Reha	Commissioner

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

ISSUE DATE: November 1, 2004

DOCKET NO. G-004/GR-04-1487

NOTICE AND ORDER FOR HEARING

**PROCEDURAL HISTORY**

On September 7, 2004, Great Plains Natural Gas Company, a Division of MDU Resources Group, Inc., (Great Plains or the Company) filed a general rate case seeking an annual rate increase of \$1,436,026, or approximately 4.0%. On September 9, 2004, the Commission issued a notice to potentially interested parties requesting comments on whether the Commission should accept the filing as substantially complete and whether it should be referred to the Office of Administrative Hearings for contested case proceedings.

On September 17, 2004, the Minnesota Department of Commerce (the Department) filed comments recommending that the Commission reject the filing as incomplete. The Department stated that its review revealed serious deficiencies in at least three areas: (1) insufficient detail on compliance with service extension policies and tariffs; (2) inaccurate depreciation calculations resulting from the Company's failure to implement a 2002 depreciation Order; and (3) discrepancies between the rate case filing date, the beginning of the projected test year, and the proposed effective date for interim rates.

On September 28, 2004, the Company filed reply comments contesting the Department's findings and recommendations.

On October 8, 2004, Ag Processing Inc a cooperative (Ag Processing) filed a petition to intervene in the rate case.

On October 21, 2004, the case came before the Commission. At that time the Company and the Department submitted a joint recommendation resolving all disputed issues and permitting the case to go forward on a slightly modified time line. The major terms of the joint recommendation were as follows:

- (a) The Company would file the additional information that had been identified as missing by the Department, as well as information that had been identified as missing in subsequent conversations with Commission staff.
- (b) The Commission would accept the rate case filing as substantially complete as of November 2, 2004 or the date on which all the information described above had been filed, whichever was later.
- (c) Interim rates would be set at the levels proposed by the Company, with a \$4,823 downward adjustment to correct a mismatch between cost and recovery amounts associated with the Conservation Cost Recovery Charge.
- (d) Interim rates would become effective on the later of January 1, 2005 or a later date corresponding to the filing of the additional information.
- (e) The Commission would suspend the proposed final rates and refer the matter to the Office of Administrative Hearings for contested case proceedings.

No one opposed the joint recommendation of the Company and the Department.

Today the Commission issues two Orders in this docket: (1) an Order accepting the parties' joint recommendation and suspending the proposed rates; and (2) this Notice and Order for Hearing, referring the rate case to the Office of Administrative Hearings for contested case proceedings. Once the filing has been found substantially complete, the Commission will issue a third Order setting interim rates and providing for their implementation.

## **FINDINGS AND CONCLUSIONS**

### **I. Jurisdiction and Referral for Contested Case Proceedings**

The Commission has jurisdiction over proposed rate changes under Minn. Stat. § 216B.16. If the Commission is unable to resolve all significant issues regarding the reasonableness of the proposed rates on the basis of the filing itself, the Commission is to refer the matter to the Office of Administrative Hearings for contested case proceedings. Minn. Stat. § 216B.16, subd. 2.

The Commission finds that it cannot satisfactorily resolve all questions regarding the reasonableness of the proposed rates on the basis of the Company's filing. The Commission will therefore refer the matter to the Office of Administrative Hearings for contested case proceedings.

### **II. Proposed Rates**

The Company proposes rate increases by customer class as follows:

Class	Test Year Revenue at Present Rates	Change from present rates in \$	Change from present rates in %
Residential	\$ 16,712,389	\$ 838,699	5.00%
Firm General Service	9,174,350	382,821	4.20%
Small Interruptible Sales	4,107,878	121,993	2.97%
Large Interruptible Sales	5,367,603	85,710	1.60%
Small Interruptible Transportation	155,270	6,803	4.38%
Large Interruptible Transportation	156,575	-0-	0%
Other Revenue	-0-	-0-	0%
Total	\$ 35,674,065	\$ 1,436,026	4.00 %

Great Plains also proposed to increase the monthly basic service charge for the following customer classes.

Basic Charge (per month)	Current Basic Service Charge	Proposed Basic Service Charge
Residential	\$ 5.50	\$ 8.00
Firm General Service (Sales)		
Meters < 500 CF/hr	\$ 20.00	\$ 20.00
Meters > 500 CF/hr		\$ 25.00
Small Interruptible Sales	\$ 100.00	\$ 125.00
Small Interruptible Transportation	\$ 150.00	\$ 175.00
Large Interruptible Sales	\$ 200.00	\$ 200.00
Large Interruptible Transportation	\$ 250.00	\$ 250.00

### III. Issues to be Addressed

Parties shall specifically and thoroughly address the following issues in the course of the contested case proceedings ordered herein:

- (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?
- (3) Are the Company's proposed capital structure and return on equity reasonable?
- (4) Are the Company's service extensions and service extension policies consistent with applicable statutes and rules, Commission directives, and the public interest?
- (5) Are the Company's cost allocation policies and processes consistent with applicable statutes and rules, Commission directives, and the public interest?
- (6) Are the Company's customer charge proposals consistent with applicable statutes and rules, Commission directives, and the public interest?

The parties may also raise and address other issues relevant to the Company's proposed rate increase.

#### **IV. Procedural Outline**

##### **A. Administrative Law Judge**

The Administrative Law Judge assigned to this case is Richard C. Luis. His address and telephone number are as follows: Office of Administrative Hearings, Suite 1700, 100 Washington Square, Minneapolis, Minnesota 55401-2138; (612) 349-2542.

##### **B. Hearing Procedure**

- *Controlling Statutes and Rules*

Hearings in this matter will be conducted in accordance with the Administrative Procedure Act, Minn. Stat. §§ 14.57-14.62; the rules of the Office of Administrative Hearings, Minn. Rules, parts 1400.5100 to 1400.8400; and, to the extent that they are not superseded by those rules, the Commission's Rules of Practice and Procedure, Minn. Rules, parts 7829.0100 to 7829.3200.

Copies of these rules and statutes may be purchased from the Print Communications Division of the Department of Administration, 660 Olive Street, St. Paul, Minnesota 55155; (651) 297-3000. These rules and statutes also appear on the State of Minnesota's website at [www.revisor.leg.state.mn.us](http://www.revisor.leg.state.mn.us).

The Office of Administrative Hearings conducts contested case proceedings in accordance with the Minnesota Rules of Professional Conduct and the Professionalism Aspirations adopted by the Minnesota State Bar Association.

- *Right to Counsel and to Present Evidence*

In these proceedings, parties may be represented by counsel, may appear on their own behalf, or may be represented by another person of their choice, unless otherwise prohibited as the unauthorized practice of law. They have the right to present evidence, conduct cross-examination, and make written and oral argument. Under Minn. Rules, part 1400.7000, they may obtain subpoenas to compel the attendance of witnesses and the production of documents.

Parties should bring to the hearing all documents, records, and witnesses necessary to support their positions.

- *Discovery and Informal Disposition*

Any questions regarding discovery under Minn. Rules, parts 1400.6700 to 1400.6800 or informal disposition under Minn. Rules, part 1400.5900 should be directed to Clark Kaml, Public Utilities Rates Analyst, Minnesota Public Utilities Commission, 121 7<sup>th</sup> Place East, Suite 350, St. Paul, Minnesota 55101-2147, (651) 297-4563; or Kari Zipko, Assistant Attorney General, 1100 NCL Tower, 445 Minnesota Street, St. Paul, Minnesota 55101, (651) 296-1408.

- *Protecting Not-Public Data*

State agencies are required by law to keep some data not public. Parties must advise the Administrative Law Judge if not-public data is offered into the record. They should take note that any not-public data admitted into evidence may become public unless a party objects and requests relief under Minn. Stat. § 14.60, subd. 2.

- *Accommodations for Disabilities; Interpreter Services*

At the request of any individual, this agency will make accommodations to ensure that the hearing in this case is accessible. The agency will appoint a qualified interpreter if necessary. Persons must promptly notify the Administrative Law Judge if an interpreter is needed.

- *Scheduling Issues*

The times, dates, and places of public and evidentiary hearings in this matter will be set by order of the Administrative Law Judge after consultation with the Commission and intervening parties.

- *Notice of Appearance*

Any party intending to appear at the hearing must file a notice of appearance (Attachment A) with the Administrative Law Judge within 20 days of the date of this Notice and Order for Hearing.

- *Sanctions for Non-compliance*

Failure to appear at a prehearing conference, a settlement conference, or the hearing, or failure to comply with any order of the Administrative Law Judge, may result in facts or issues being resolved against the party who fails to appear or comply.

### **C. Parties and Intervention**

The current parties to this case are the Company, the Minnesota Department of Commerce, and Ag Processing Inc a cooperative. Other persons wishing to become formal parties shall promptly file petitions to intervene with the Administrative Law Judge. They shall serve copies of such petitions on all current parties and on the Commission. Minn. Rules, part 1400.6200.

### **D. Prehearing Conference**

A prehearing conference will be held in this case and will be scheduled by the Administrative Law Judge. The Office of Administrative Hearings will notify all parties of its time, date, and place.

Persons participating in the prehearing conference should be prepared to discuss time frames, scheduling, discovery procedures, and similar issues. Potential parties are invited to attend the prehearing conference and to file their petitions to intervene as soon as possible.

### **E. Time Constraints**

The Commission is required to act on substantially complete rate case filings within ten months, although this ten-month period can be extended for brief periods to permit the negotiation and consideration of settlements.<sup>1</sup> Under the terms of the joint recommendation accepted in this case, this rate case will be treated as substantially complete as of the later of November 2, 2004, or the date that the Executive Secretary identifies as the date on which all additional information required in the Order Suspending Rates has been filed.

The Commission asks the Office of Administrative Hearings to conduct contested case proceedings in light of these time constraints and requests that the Administrative Law Judge submit his final report within eight months of the date on which this rate case qualifies for treatment as substantially complete.

### **V. Application of Ethics in Government Act**

The lobbying provisions of the Ethics in Government Act, Minn. Stat. §§ 10A.01 *et seq.*, apply to general rate cases. Persons appearing in this proceeding may be subject to registration, reporting, and other requirements set forth in that Act. All persons appearing in this case are urged to refer to the Act and to contact the Campaign Finance and Public Disclosure Board, telephone number (651) 296-5148, with any questions.

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<sup>1</sup> Minn. Stat. § 216B.16, subd. 2; Minn. Stat. § 216B.16, subds. 1a and 2.

## **VII. Ex Parte Communications**

Restrictions on ex parte communications with Commissioners and reporting requirements regarding such communications with Commission staff apply to this proceeding from the date of this Order. Those restrictions and reporting requirements are set forth at Minn. Rules, parts 7845.7300-7845.7400, which all parties are urged to consult.

### **ORDER**

1. The Commission hereby refers this case to the Office of Administrative Hearings for contested case proceedings, as set forth above.
2. A prehearing conference shall be held at a time, date, and place to be set by the Administrative Law Judge.
3. The Commission delegates to the Executive Secretary the authority to approve customer notices and bill inserts for the duration of this proceeding.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 297-4596 (voice), or 1-800-627-3529 (MN relay service).relay service).

BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS  
100 Washington Square, Suite 1700  
Minneapolis, Minnesota 55401-2138

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION  
121 Seventh Place East Suite 350  
St. Paul, Minnesota 55101-2147

In the Matter of a Petition by Great Plains                      MPUC Docket No. G-004/GR-04-1487  
Natural Gas Company, a Division of MDU  
Resources Group, Inc., for Authority to Increase    OAH Docket No.  
Natural Gas Rates in Minnesota

**NOTICE OF APPEARANCE**

Name, Address and Telephone Number of Administrative Law Judge:

Richard C. Luis, Office of Administrative Hearings, Suite, 1700, 100 Washington Square,  
Minneapolis, Minnesota 55401; (612) 349-2542

TO THE ADMINISTRATIVE LAW JUDGE:

You are advised that the party named below will appear at the above hearing.

NAME OF PARTY:

ADDRESS:

TELEPHONE NUMBER:

PARTY'S ATTORNEY OR OTHER REPRESENTATIVE:

OFFICE ADDRESS:

TELEPHONE NUMBER:

SIGNATURE OF PARTY OR ATTORNEY: \_\_\_\_\_

DATE: \_\_\_\_\_