

BY ORDER OF THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Great Plains Natural
Gas Company's Request for

ISSUE DATE: November 17, 2005

Certification of 2005 Depreciation Rates

DOCKET NO. G-004/D-05-866

ORDER CERTIFYING DEPRECIATION
RATES AND METHODS

PROCEDURAL HISTORY

On May 31, 2005 Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc., (Great Plains or the Company) filed a depreciation update requesting that the Commission approve the proposed depreciation rates with an effective as of the date of the Commission Order in this docket. The Department of Commerce (the Department) examined the petition and recommended approval with modification and additional requirements.

No party opposed approval.

FINDINGS AND CONCLUSIONS

The depreciation study submitted by the Company used the remaining life (RL) and vintage year techniques of straight line depreciation to calculate depreciation accruals, as required by Minn. Rules, Part 7825.0800. The Commission finds the resulting depreciation rates proper and adequate under Minnesota Statutes § 216B.11 (1986) and Minn. Rules, Part 7825.0600.

The following items represent changes from the G-004/D-02-1438 and G-004/D-04-817 Depreciation Orders:

- Account 391.4- Computer Software is reported separately in Account 303-Miscellaneous Intangible Plant and Account 391.1 Office Furniture and Equipment, and a 10-year service life is proposed.
- Accounts 392.21-Trucks, 392.22-LPG Conversion Equipment and 392.30-Other Transportation Equipment are combined into Account 392.20. The weighted average service life for the combined account based upon the authorized average service lives directly weighted to the investments of the sub-accounts is seven years.

- The amortization period for Account 396-Power Operated Equipment is 15 years.

The Company's records support the proposed remaining lives, average service lives for the General Plant accounts employing the vintage year method, and salvage rates. They will be approved.

Great Plains adjusted the 2004 depreciation accruals, plant and reserve balances to reflect the calculation of depreciation accruals for 2002, 2003, and 2004 using the effective certified methods, service lives, and salvage rates for each period. Great Plains also demonstrated that these adjustments are reflected in the net plant included in the rate base of the G-004/GR-04-1487 general rate case.

The depreciation rates and methods certified in this Order are binding on all future rate proceedings and remain in effect until the next depreciation certification or until otherwise changed by the Commission. Minn. Rules, Part 7825.0900. Specific dollar amounts of gross plant, depreciation reserve, annual accrual and dollars to be allowed as additional depreciation are subject to audit, however, and the inclusion of items in this Order for depreciation purposes does not guarantee their inclusion in rate base and the income statement for ratemaking purposes.

Companies are required by law to review their depreciation rates annually to ensure that they are still generally appropriate. Minn. Rules, Part 7825.0600, subparts 2 and 3. The Commission will require the Company to file a remaining life depreciation petition based on its next annual review.

Great Plains has adjusted 2004 depreciation expense and reserves to reflect the 2002 and 2003 depreciation accruals at the depreciation rates certified by the Commission in Docket No. G-004/D-02-1438 and used in the G-004/GR-04-1487 general rate case.

Great Plains has adjusted its plant and reserve accounts in 2004 to reflect the approved vintage year method of accounting for accounts 391 through 398 during 2002 and 2003.

ORDER

1. The Commission certifies the following remaining lives, salvages and depreciation or amortization rates on the basis of the depreciation study submitted by Great Plains Natural Gas Company.

Account		Remaining Lives	Net Salvages	Depreciation Or Amortization Rates
<u>RL PLANT</u>				
Intangible Plant				
303	Misc.	10.00	0.00%	10.00%
Product Plant				
305	Structures	16.50	-0.00%	1.32%
311	Liq. Petro Gas Equip.	14.40	-15.00%	1.97%
350	Other Plant	4.10	0.00%	0.47%
Trans. Plant				
365.20	Right-of-Way	26.70	0.00%	1.47%
367	Mains	20.40	-100.00%	4.77%
367.40.42	RR, River & Hwy Crossing	26.20	-100.00%	5.35%
367.45	Anodes & Cathodic Prot.	13.40	-100.00%	8.92%
367.50	Valves	8.80	-100.00%	7.36%
367.60-.61	Farm & Side Taps	20.40	-100.00%	9.51%
369	M & R Station Equip.	19.10	-8.00%	3.66%
Distrib. Plant				
374.2	Rights-of-Way	31.50	0.00%	2.40%
375	M&R Reg. Station Struct	20.20	-5.00%	2.14%
376.00	Steel Mains	38.80	-55.00%	2.53%
376.10	Plastic Mains	45.40	-55.00%	2.80%
376.11	Plastic Mains-PVC	7.60	-65.00%	4.01%
376.20	Valves	29.90	-55.00%	3.03%
376.28-.50	RR, River & Hwy Crossings	19.90	-55.00%	4.32%
376.55	Anodes & Cathodic Prot.	11.90	-55.00%	5.97%
376.56	Pipeline Markers	2.30	0.00%	3.79%
378.00	M & R Stat. Equip.	13.90	-45.00%	4.06%
379.00	M & R St-City Gate	13.10	-2.00%	2.14%
380.00	Steel Services	25.80	-120.00%	4.95%
380.10	Plastic Services	35.30	-120.00%	4.91%
380.11	Plastic Services-PVC	7.20	-120.00%	7.25%
380.55	Anodes & Cathodic Prot.	5.10	-120.00%	9.41%
381.00	Meters	15.00	0.00%	2.94%
382.00	Meter Instal.	31.70	-45.00%	3.28%
383.00	Regulators	23.60	0.00%	2.00%
385.00	Ind. M & R St. Equip.	20.80	0.00%	-0.16%
387.00	Other Equipment	12.60	0.00%	-0.14%
387.10	Cathodic Protect. Equip.	20.60	0.00%	4.90%
General Plant				
390.00-01	Gen. Struct. & Improv.	19.10	0.00%	2.66%
390.20	Leasehold Improvements	2.20	0.00%	0.00%
<u>AMORTIZABLE PLANT</u>				

Vintage Year Method

391.10	Office Furn & Equip.	16	0.00%	8.69%
391.30	Computers & AMR	4	0.00%	23.05%
392.10	Trailers	20	0.00%	5.00%
392.20	Transportation Equip.	7	6.00%	10.53%
393.00	Stores	35	0.00%	2.76%
394.00	Tools	20	0.00%	5.02%
395.00	Lab Equip.	25	0.00%	3.11%
396.00	Power Oper. Equip.	15	7.00%	2.69%
397.00	Communic. Equip.	18	0.00%	5.06%
398.00	Misc.	25	0.00%	5.37%

2. By June 1, 2006, Great Plains shall file an annual depreciation update based on its annual review of RLs, salvage values, and vintage year plant retirements and additions.
3. The rates certified by this Order are effective October 1, 2005.
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), 651-297-1200 (TTY) or 1-800-627-3529 (TTY relay service).