

BEFORE 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 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: February 7, 2007

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

ORDER APPROVING RATES AND
TARIFFS, OPERATING INCOME
STATEMENT, AND REFUND PLAN AS
REVISED

PROCEDURAL HISTORY

On August 11, 2006, Great Plains Natural Gas Company (Great Plains or the Company) filed a compliance filing as directed by the Commission in its July 11, 2006 ORDER DENYING RECONSIDERATION AND CORRECTING MAY 1, 2006 ORDER in this docket.

On September 8, 2006, the Minnesota Department of Commerce (the Department) filed comments recommending that the Commission reject Great Plains' compliance filing and direct the Company to re-file it using the Commission's approved revenue requirement. The Department also recommended that the Company provide workpapers in support of its proposed refund plan.

On September 15, 2006, Great Plains submitted an alternative proposal together with workpapers for the proposed refund plan.

On October 18, 2006, the Department filed comments recommending that the Commission 1) approve the refund methodology as proposed with one modification; 2) approve Great Plains' proposal to credit the unrefunded money to Great Plains Conservation Improvement Program (CIP) tracker account; and 3) require Great Plains to submit, within 10 days of the refunds, a compliance filing that shows the actual refunds and interest paid by service area and class including the calculations.

On October 31, 2006, Great Plains filed supplemental reply comments. The Company agreed with the Department that the CIP Conservation Cost Recovery Charge (CCRC) should be \$0.0259 per dk and filed schedules based on the Department's interpretation that the across the board increase based on the revenue deficiency should be a 1.3 percent increase to each rate class.

On December 26, 2006, Great Plains filed a compliance filing based on its agreement with the Department on the interpretation of the Commission's Order.

The Commission met on January 11, 2007 to consider this matter.

FINDINGS AND CONCLUSIONS

I. Small Interruptible Transportation (SIT) Charge

In its rate filing, Great Plains proposed to increase the monthly customer charge and the Company's initial brief in the rate case contained a table intended to show the present and proposed customer charges for all classes. Unfortunately, a typographical error in the table erroneously listed the present Small Interruptible Transportation (SIT) monthly charge as \$175 and the proposed charge as also \$175, no change.

Because the Company's brief showed that no increase was requested for the SIT customer class the Administrative Law Judge (ALJ) did not address the issue and no party noted that the table contained an error. Consequently, the Commission did not address the issue in its Order and did not approve an increase for the SIT customer class.

The Commission believes that if the table error had not been made the Commission would have agreed to increase the SIT monthly customer charge by \$25 as requested by Great Plains in its initial filing. The Commission concludes it would have done so because the rationale it expressed for approving a similar increase to the service charge for Small Interruptible Sales (SIS) customers applies to the SIT customer charge increase as well. In approving a \$25 increase in the monthly service charge for SIS customers from \$100 to \$125, the Commission stated:

The Commission will permit the Company's requested increase of \$25.00 per month for the small interruptible customers to a total of \$125.00 per month. Again, the Commission finds that allowing the relatively small increase will move rates toward cost for those large customers with the ability to pay.¹

Accordingly, the Commission will reconsider on its own motion and approve the Company's request to increase the Small Interruptible Transportation (SIT) Customer Charge by \$25 per month.

II. Rates and Tariffs

On December 26, 2006, Great Plains filed a compliance filing including proposed rates and tariffs based on its agreement with the Department on the interpretation of the Commission's May 1, 2006 Order. In their agreement, the parties

- determined that the CCRC should be \$0.0259 per dk based on test year CIP costs of \$141,177 divided by the test year volumes of 5,460,874;

¹ *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*, Docket No. G-004/GR-04-1487, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER (May 1, 2006) at page 26.

- agreed that the Commission intended to increase the Small Interruptible Transportation monthly customer charge by \$25 to \$175;
- agreed that the across the board increase is 1.3 percent;
- agreed that the sales revenues and cost of gas reflected in the operating income summary should be reduced by \$111,861 to reflect the change in demand costs necessitated by the change in the sales forecast from the originally filed sales forecast; and
- agreed to interim rate refund plan and that refund checks would be issued to all inactive customers owed at least \$2.00.

The Commission has reviewed all parts of the parties' agreement and finds them reasonable, except for the parties' jointly expressed view that the Commission in its May 1, 2006 Order intended to increase the SIT monthly customer charge by \$25 to \$175. As explained above in Section I, prior to the current Order, Commission has not considered raising the SIT charge. In this Order, however, the Commission has considered the SIT pricing issue on its own motion (see discussion above in Section I) and decided it is reasonable to increase the SIT monthly customer charge by \$25 to \$175. Accordingly, the Commission also finds that all the rates and tariffs proposed by the Company are reasonable and will approve them.

III. Conservation Cost Recovery Charge (CCRC)

Great Plains and the Department agreed that the Conservation Cost Recovery Charge (CCRC) should be calculated using the CIP expenses of \$141,177 divided by the total approved test year volumes of 5,460,874 dk resulting in a rate of \$0.0259 per dk for all classes. The Commission finds that this method and result are reasonable and will approve the parties' agreement on this issue.

IV. Operating Income Summary

After an exchange of comments, the Company and the Department have agreed that the Operating Income Summary included in the Commission Order should be revised to reflect the revision to the base cost of gas found in Docket No. G-004/MR-06-1411. Based on its own review, the Commission finds the revision appropriate and that Sales Revenues and Cost of Gas should therefore be reduced by \$111,861 to reflect that revision. Accordingly, the Commission will approve the revised Operating Income Summary appearing as Attachment A to this Order.

V. Refund Plan

The Company and the Department agreed that 1) Great Plains will issue a bill credit to current customers within 90 days of the date of approval of the Compliance Filing based on each customer's dk usage during the interim period (January 10, 2005 through implementation of final rates) and a refund per dk applied to those volumes; 2) Great Plains will issue refund checks to customers that are no longer active if the amount of the refund is \$2.00 or greater; and 3) refund amounts to inactive customers that are less than \$2.00 will be aggregated and credited to all customers through the CIP tracker filing.

The Commission has reviewed the proposed refund plan agreed to by the Company and the Department and finds it reasonable. Accordingly, the Commission will approve it and allow the Company to implement final rates and commence the refund as soon as possible after the January 11, 2007 meeting.

VI. Future Filings

A. Crookston and North 4 Rate Consolidation Phase-in Plan

The Commission's October 9, 2003, Order accepting the settlement reached by the Company and the Department in Great Plains' last general rate case (Docket G-004/GR-02-1682) directed the Company to modify the two-step, three year phase in of the consolidation of the Crookston and North 4 rate structures. The Order established that the first step is to occur one and a half years from the date final rates go into effect and the second step is to occur at the end of three years.

In its May 1, 2006 FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in this matter the Commission approved the final sentence of the ALJ's Finding 177, amended to read as follows:

Should the Commission accept the adjustments to Great Plains' revenue deficiency that are proposed in this Recommendation, neither rate shock nor customer confusion will result from an immediate initiation of ~~phase I~~ Phase II.

In Great Plains' August 11, 2006 compliance filing, the Company reported that the consolidation of the Crookston and North 4 rate areas will continue with Phase 2 of the consolidation occurring with the final rates implemented in this Docket and proposed that Phase 3 rates will be filed with the Commission for approval and implementation eighteen months after the final rates in this docket are implemented.

No party objected to the Company's proposal. The Commission accepts the Company's proposal regarding Phase 3 but will direct the Company to notify the Commission in writing, 30 days in advance of implementing it.

B. Refund Report

The Commission finds that it will be helpful and reasonable to require Great Plains to submit, within 10 days of the refunds, a report (including the calculations) detailing the actual refunds and interest paid (in total and by service area and class) and the total amount of the refund it was unable to distribute.

VII. Customer Notice

Great Plains submitted proposed customer notices regarding final rates as part of its August 11, 2006 compliance filing. The Commission has reviewed the proposed notices and approves them as to form. The Commission clarifies, however, that the Company must re-file with the Commission the notices updated to reflect the rates approved in this Order as well as including the actual dates for implementation and refunds.

ORDER

1. On its own motion, the Commission reconsiders its May 1, 2006 Order with respect to the Small Interruptible Transportation (SIT) Customer Charge and determines to grant Great Plains' request to increase this charge by \$25 per month, from \$150 to \$175.
2. The Commission approves the rates and tariffs in the December 26, 2006 filing.
3. The Commission approves the Conservation Cost Recovery Charge of \$0.0259 per dk for all customer classes.
4. The Commission approves the revised Operating Income Summary that reduces the Sales revenues and the cost of gas by \$111,861 to include the correct demand cost resulting from the change in the forecasted sales to firm customers. A copy of the approved Operating Income Summary is attached, marked Attachment A.
5. The Commission approves the refund plan agreed to by the Company and the Department as specified above and in the compliance filings. The Company is authorized to implement final rates and commence the refund as of January 11, 2007.
6. Thirty (30) days in advance of implementing the third step of its Crookston and North 4 rate consolidation phase-in plan, Great Plains shall notify the Commission in writing.
7. Within 10 days of making the refunds, Great Plains shall submit a refund report (including the calculations) detailing the actual refunds and the interest paid (in total and by service area and class) as well as the total amount of the refund it was unable to distribute.
8. The Commission approves the customer notices as to form but requires the Company to re-file with the Commission the notices updated to reflect the rates approved in this Order as well as including the actual dates for implementation and refunds.
9. 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 651-201-2202 (voice) or 1-800-627-3529 (MN relay service)