

STATE OF MICHIGAN  
DEPARTMENT OF TREASURYRICK SNYDER  
GOVERNORNICK A. KHOURI  
STATE TREASURER

**DATE:** November 28, 2017

**TO:** Members of the State Tax Commission

**FROM:** Heather S. Frick, Executive Director

**SUBJECT:** Pipeline Economic Factor

In 2010, the State Tax Commission approved an economic factor for ANR Pipeline and Mid-Michigan Gas Storage. Those factors began for the 2011 year at 65% and moved in increments of 5% down to 50% for the 2014 year. We discussed a possible factor for Great Lakes Gas Transmission and determined at that point, a factor was not indicated for Great Lakes Gas Transmission.

In 2013, the Commission approved a 40% economic factor for the 2014 Great Lakes Gas Transmission and amended the prior factor adopted in 2014 for ANR Pipeline and Mid-Michigan Gas Storage to 40%. The Commission adopted the same factors for the 2015, 2016 and 2017 years.

Staff received a request for a 2018 factor from Northern Natural Gas Company, which transports natural gas from Texas and Oklahoma to the upper Midwest. A small portion of that line enters and terminates in the Upper Peninsula. The reason for the requested factor was due to significant capital investments made to the pipeline system following a rupture in 2009 outside of Bessemer, Michigan and the replacement of 5.5 miles of pipeline in 2014 – 2015.

After meeting with representatives from the pipeline companies and further review of available data, staff recommends the Commission adopt the same factors again (40%) for the 2018 year for ANR Pipeline, Mid-Michigan Gas Storage, and Great Lakes Gas Transmission. Staff further recommends the same factor of 40% for the 2018 tax year for Northern Natural Gas Company.