

August 31, 2016

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G004/M-16-557

Dear Mr. Wolf:

Attached are the *Comments* of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

Demand Entitlement Filing (*Petition*) submitted by Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. (Great Plains or the Company), to the Minnesota Public Utilities Commission (Commission).

The *Petition* was submitted on June 30, 2016 by:

Tamie A. Aberle
Director of Regulatory Affairs
Great Plains Natural Gas Co., A Division of MDU Resources Group, Inc.
400 North 4th Street
Bismarck, ND 58501-4092

The Department requests that Great Plains provide additional information in reply comments. The Department will offer additional comments and recommendations in subsequent response comments after it has reviewed the additional information.

The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ MICHAEL RYAN
Rates Analyst

/s/ SACHIN SHAH
Rates Analyst

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET No. G004/M-16-557

I. SUMMARY OF THE UTILITY'S PROPOSAL

Pursuant to Minnesota Rules part 7825.2910, subpart 2, Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. (Great Plains or the Company), filed a petition on June 30, 2016 with the Minnesota Public Utilities Commission (Commission) to change the levels of demand for the Company's South District and North District (*Petition*).¹ The Company has requested that the Purchased Gas Adjustment (PGA) districts be combined in Docket No. G004/GR-15-879, which is currently pending before the Commission.

For the South District, Great Plains proposed to do the same as was done in the prior year and release 1,300 dekatherms (dk) per day of excess capacity for its South District customers served by Northern Natural Gas Company's (NNG or Northern) pipeline system. The Company projected a 6 percent reserve margin (net of capacity release) for the 2016-2017 heating season.

For the North District, Great Plains requested that the Commission accept its contracted 5,000 dk per day of forward haul on the Viking system with receipt point of Emerson and 10,000 dk per day of back haul capacity with a receipt point of Chisago, which when combined with an incremental 1,350 dk per day on Viking, is expected to be sufficient to meet the estimated peak-day demand. The North District capacity for the 2016-2017 heating season will increase by 650 dk from the 2015-2016 heating season. The Company projected a 5.1 percent reserve for the upcoming heating season.

The Minnesota Department of Commerce, Division of Energy Resources (Department) discusses below the various effects on the Company's rates for different customer classes.

Great Plains estimated that its proposal would:

¹ Great Plains' South District includes the following Minnesota communities: Belleview, Boyd, Clarkfield, Danube, Dawson, Echo, Granite Falls, Marshall, Montevideo, Redwood Falls, Renville, Sacred Heart, and Wood Lake. Great Plains' North District includes the following Minnesota communities: Breckenridge, Crookston, Fergus Falls, Pelican Rapids, and Vergas.

- cause no change to rates for South District residential customers; and
- decrease rates for North District residential customers by \$0.0151 per dk or approximately \$1.5638 per year for customers assuming usage of 103.8 dk.

Great Plains requested that the Commission allow recovery of the associated demand costs in the Company's monthly PGA for each district effective November 1, 2016.

In Section II below, the Department's analysis of the Company's requests for the South District and the North District includes the following areas:

- the proposed overall demand entitlement levels;
- the design-day requirements;
- the reserve margins; and
- the PGA cost recovery proposals.

II. THE DEPARTMENT'S ANALYSIS OF GREAT PLAINS' PROPOSAL

A. PROPOSED OVERALL DEMAND ENTITLEMENT LEVELS

1. South District

For the South District, Great Plains stated, as it has in prior years, that NNG's reallocation of TF-12B and TF-12V services are not known at this time and that the changes are not significant normally. The changes will be known by November 1, 2016 and will be in accordance with NNG's tariff approved by the Federal Energy Regulatory Commission (FERC).² According to Great Plains in prior demand entitlement dockets, there is no deliverability difference between TF-12B and TF-12V services, but TF-12B service is less expensive than TF-12V service. The Department recommends that Great Plains supplement its *Petition* once the final reallocation of TF-12B and TF-12V demand entitlement changes and the associated rate and bill impacts are known.

Table 1 below provides a comparison of the Company's current and proposed overall level of entitlements for the South District.

² Under its federally approved tariff, NNG is allowed to adjust a utility's assigned level of contracted capacity, based on the utility's usage of its NNG-based capacity over the previous five-month period (May through September).

Table 1: A Comparison of Great Plains' Current and Proposed Entitlements for the South District

Current Entitlement (dk/day)	Proposed Entitlement (dk/day)	Change (dk/day)	Percent Change
17,845	17,845	0	0.00%

As indicated in Table 1, the Company's proposal would result in no change to the overall demand entitlement level for the South District compared to the current entitlement level. Please note that the current and proposed entitlements above include a 1,300 Dk capacity release. As discussed in further detail in Docket No. G004/M-15-645, Great Plains entered into a 10-year TFX annual contract with NNG for 2,000 Dk/day effective November 1, 2015. In the Company's updated comments and compliance filing on October 29, 2015,³ the Company stated that "although this amount of capacity exceeds current requirements, Great Plains believes it will require this amount of capacity in the near future." The Department has requested further detail from the Company regarding the reasonableness of the 10-year TFX contract, and has requested that the information be filed in the instant docket.⁴ The Company's long-term entitlement is 19,145 Dk/day for the South District beyond the upcoming heating season 2016-2017 without the 1,300 Dk/day capacity release option.

2. *North District*

Table 2 below provides a comparison of the Company's current and proposed overall level of entitlements for the North District.

Table 2: A Comparison of Great Plains' Current and Proposed Entitlements for the North District

Current Entitlement (dk/day)	Proposed Entitlement (dk/day)	Change (dk/day)	Percent Change
15,700	16,350	650	4.14%

As indicated in Table 2, the Company's proposal would result in an increase in the overall demand entitlement level for the North District compared to the current entitlement level. Great Plains estimated a slight decrease in demand charges to North District customers by approximately \$0.0151 per dk, or 0.9 percent, from the June 2016 PGA.

³ Docket No. G004/M-15-645.

⁴ See the Department's August 31, 2016 response comments in Docket G004/M-15-645, at pages 6-7.

The Department notes that Exhibit A of the Company's *Petition*, appears to indicate a capacity shortage for the non-heating season. In Docket No. G004/M-15-645, the Department stated the following regarding non-heating season capacity:⁵

The Department observes that capacity from Viking Interstate Pipeline Company (Viking) and Northern Natural Gas Company (NNG or Northern) should be readily available during the non-heating season and may be cheaper to ratepayers than the additional cost to contract for the additional non-heating season demand. In addition, utilities may sell their contracted pipeline capacity (capacity-release transactions) if the utility determines that a portion of their reserved capacity will not be needed to serve its customers. Thus, Great Plains would likely also have access to capacity release supplies from other shippers during the non-heating season. However, Great Plains should confirm the accuracy of the Department's observation and provide its explanation regarding the non-heating season capacity shortfall.

To date no explanation has been provided. The Department recommends that Great Plains provide a detailed explanation in its *Reply Comments* of how it manages its non-heating season capacity.

The Department analyzes below the proposed changes, the proposed design-day requirements, and the proposed reserve margins for the South District and the North District.

B. DESIGN-DAY REQUIREMENTS

The Company used the same basic design-day method in this docket that the Commission accepted in Docket No. G004/M-03-303. In more recent demand entitlement proceedings, the Department and Commission Staff expressed concerns that Great Plains' design-day method might under-estimate the need for natural gas on a peak day for the South District and the North District.⁶ In response to these concerns, the Commission ordered the Company and the Department to work cooperatively on developing a design-day analysis that would address the concerns raised by the Department.⁷ Subsequently, Great Plains submitted a *Compliance Filing* on June 27, 2012 in Docket No. G004/M-10-1164. In its *Compliance Filing*, Great Plains provided additional discussion and analysis regarding its

⁵ See the Departments August 31, 2016 response comments in Docket G004/M-15-645, at page 2.

⁶ The Department's concerns on this issue are discussed in detail in the following documents:

- the Department's July 2, 2008 *Comments* in Docket No. G004/M-07-1401;
- the Department's July 31, 2009 *Comments* in Docket No. G004/M-08-1306; and
- the Department's February 5, 2010 *Comments* in Docket No. G004/M-09-1262.

Commission Staff's concerns are discussed in detail in their September 9, 2010 *Briefing Papers*, which were contemporaneously submitted in each of these three dockets.

⁷ See Ordering Paragraph No. 2 of the Commission's September 30, 2010 *Order* in Docket Nos. G004/M-07-1401, G004/M-08-1306, and G004/M-09-1262.

design-day method using different scenarios (i.e., as filed 36 months, 36 winter months only, 60 winter months only) as requested by the Department. The Department concluded that, “As noted above, despite these concerns, the Department believes that the Company’s design-day analysis does not appear to produce unreasonable results.”⁸ The Commission agreed with the Department’s conclusion that, while concerns about sample size and changing weather patterns still exist, the Company’s design-day methodology was acceptable because its results were not unreasonable.

While reviewing the data for the Company’s design-day analysis, the Department noticed differences in the historical data that was used by the Company in its regression models. The Company did mention that there were differences in the data in its email correspondence, included as DOC Attachment 1. The Company stated the following:

.. I would like to point out that the volumes and customers used in this file do have slight differences than the data used in the prior year’s file from February 2015 and forward. The reason is tied to the new billing system that was implemented that same month. There were some data issues (clean up from transition to the new system, data location, etc.) that took a bit of time to work through. Other than that I think you will find the data to be very similar to what has been provided in the past.

However, the data differences cannot be characterized as “slight differences.” For example, Tables 3 and 4 below illustrate the discrepancies for the month of March 2015.

Table 3: Differences in Billed Data

North District	Initial Filing 2016 (Dth)	Change (Dth)	2015 Petition (Dth)
Crookston Rate 60	21,799.70	(12,317.30)	34,117.00
Rate 70	12,287.10	(6,633.90)	18,921.00
<i>Crookston Total</i>		<i>(18,951.20)</i>	
North 4 Rate 60	55,889.80	(32,902.80)	88,792.60
Rate 70	40,775.00	(16,028.00)	56,803.00
<i>North 4 Total</i>		<i>(48,930.80)</i>	

⁸ The Department’s concerns on this issue are discussed in detail in the following documents:

- the Department’s March 18, 2013 *Comments* in Docket No. G004/M-12-740; and
- the Department’s August 19, 2013 *Comments* in Docket No. G004/M-13-566.

Table 4: Differences in Billed Data

South District	Initial Filing	Change (Dth)	2015 Petition
Rate 60	85,596.90	(61,491.00)	147,087.80
Rate 70	71,956.90	(47,578.00)	119,534.90
Total Difference		(109,069.00)	

In addition to discrepancies in the billing data from February 2015 forward, the actual historical billing period weather data has changed between Great Plains’ 2015 Petition and the current *Petition*. For example, for Wahpeton in May 2013, the Company’s 2015 Petition shows 106 degree days whereas data in the instant docket indicates 551.99 degree days. The Company attributed the “slight differences” mentioned above to “the implementation of the new billing system.” The Department observes that last year’s filing (2015 Petition) was filed by Great Plains on July 1, 2015, after the “new billing system” had already been implemented. Thus, it’s unclear why there are differences in historical data between the instant docket and the 2015 Petition. The Department requests that Great Plains clarify and explain all the historical data differences between the 2015 Petition and the 2016 *Petition*. DOC Attachment 2 consists of a copy of the Department’s Information Request No. 1, which highlights the data discrepancies in question. As a result, the Department will offer its analyses and recommendations on Great Plains design day in the Department’s subsequent Response Comments.

C. PROPOSED RESERVE MARGINS

In the Company’s 2007, 2008, and 2009 demand entitlement proceedings, the Commission stated the following:

Great Plains shall reduce its reserve margin in Docket No. G-004/M-09-1262 to approximately five percent or explain why it is not reasonable to do so.⁹

Table 5 below compares Great Plains’ authorized and proposed reserve margins for the South District and the North District.

Table 5: Great Plains’ Authorized Reserve Margins for the 2014-2015 Heating Season and Proposed Reserve Margins for the 2015-2016 Heating Season

District	2014-2015 Reserve Margin ¹⁰	Proposed Reserve Margin	Proposed Reserve Margin without Capacity Release
South	5.9%	6.0%	13.7%
North	1.9%	5.1%	5.1%

⁹ See Ordering Paragraph No. 4 of the Commission’s September 30, 2010 *Order* in Docket Nos. G004/M-07-1401, G004/M-08-1306, and G004/M-09-1262.

¹⁰ Great Plains *Update*, October 29, 2015, Docket No. G004/M-15-645

For 2014-2015, the Company had initially projected 5.1 percent and 6.0 percent reserve margins for its North and South districts, respectively. Therefore Great Plains has proposed to keep its reserve margin for both districts the same as was originally planned for 2014-2015. But due to the changes proposed by Great Plains in its October 29 *Update*, the resulting reserve margins are 1.9 percent and 5.9 percent (net of the temporary capacity release) for its North and South districts, respectively.

As indicated in Section II.A above, Great Plains plans to release 1,300 Dk/day for the South District. Without the capacity release, the Company's winter entitlement is 19,145 Dk/day resulting in a reserve margin of 13.7%.

The Department will provide its conclusion regarding the Company's reserve margins after Great Plains files its Reply Comments.

D. THE COMPANY'S PGA COST RECOVERY PROPOSAL

The demand entitlement amounts listed above and in the Company's *Petition* represent the demand entitlements for which Great Plains' firm customers would pay. In its *Petition*, the Company used its May 2016 PGA to compare its proposed changes for its South District and June 2016 for its North District.¹¹ Great Plains presented an analysis indicating that the Company's demand entitlement proposal would result in the following estimated annual rate impacts for customers in the South District:

- an annual bill increase of \$0.00 for the average residential customer consuming 88.2 dk annually; and
- an annual bill increase of \$0.00 for the average firm general service customer consuming 340.9 dk annually.

Great Plains also presented an analysis indicating that the Company's demand entitlement proposal would result in the following estimated annual rate impacts for customers in the North District:

- an annual bill decrease of \$1.57 or approximately 0.3 percent, for the average residential customer consuming 103.8 dk annually; and
- an annual bill decrease of \$5.67, or approximately 0.3 percent, for the average firm general service customer consuming 375.7 dk annually.

As mentioned earlier, Great Plains filed its demand entitlement petition before the NNG TF 12 Base and Variable reallocation is known. The Department recommends that Great Plains supplement its *Petition* once the final demand entitlement changes and the associated rate and bill impacts are known.

¹¹ See Exhibit C of the Company's *Petition*.

III. THE DEPARTMENT'S RECOMMENDATIONS

The Department will provide its recommendations to the Commission in Response Comments, after Great Plains files Reply Comments. The Department requests that Great Plains provide additional information on the following:

1. further detail from the Company regarding the reasonableness of the 10-year TFX contract for the South District;
2. reconciliation and explanation for all the historical data discrepancies between the Company's 2015 Petition and the instant *Petition*; and
3. detailed explanation of how the Company manages its non-heating season capacity.

/lt

Ryan, Michael J (COMM)

From: Jacobson, Travis <travis.jacobson@mdu.com>
Sent: Thursday, July 14, 2016 8:49 AM
To: Aberle, Tamie; Ryan, Michael J (COMM)
Subject: RE: G004/M-16-557 - Great Plains Demand Entitlement 2016-2017
Attachments: 2016-17 GPNG Firm Normalization by Rate Class.xlsx

Mike,

I would like to point out that the volumes and customers used in this file do have slight differences than the data used in the prior year's file from February 2015 and forward. The reason is tied to the new billing system that was implemented that same month. There were some data issues (clean up from transition to the new system, data location, etc.) that took a bit of time to work through. Other than that I think you will find the data to be very similar to what has been provided in the past.

Please let me know if you have questions.

Travis

From: Aberle, Tamie
Sent: Thursday, July 14, 2016 7:38 AM
To: 'Ryan, Michael J (COMM)'; Jacobson, Travis
Subject: RE: G004/M-16-557 - Great Plains Demand Entitlement 2016-2017

Mike, Travis Jacobson will send you the requested files. Thanks Travis.
Tamie Aberle

From: Ryan, Michael J (COMM) [<mailto:Michael.J.Ryan@state.mn.us>]
Sent: Wednesday, July 13, 2016 1:34 PM
To: Aberle, Tamie
Subject: G004/M-16-557 - Great Plains Demand Entitlement 2016-2017

Good afternoon Tamie:

I was assigned the Great Plains Demand Entitlement Docket # 16-557 filed June 30th. I wanted to follow up with you and ask if you could please provide the design day data and calculations in Excel format? It is my understanding that my colleague, Sachin Shah, requested this information to conduct last year's review. Please let me know if you need me to send a formal information request.

Thank you.
Mike

Michael Ryan
Public Utilities Rate Analyst
Minnesota Department of Commerce
85 7th Place East, Suite 500, Saint Paul, MN 55101
P: 651-539-1807



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- (b) Additionally, as part of your response to the question in part (a) above, please provide a detailed step-by-step explanation in sufficient detail to permit duplication for any and all difference(s) that are identified.
- (c) Will the reconciliation in parts (a) and (b) above impact the Company's design day analysis and/or Exhibits A through D filed by the Company on July 1, 2016 in Docket No. 16-557?
- (d) If the answer to part (c) above is "yes", then please provide the corrected Exhibits and design day analysis for Docket No. 16-557 reflecting the Company's reconciliation.
- (e) Will the reconciliation in parts (a) and (b) above impact the Company's design day analysis and/or Exhibits A through D filed by the Company on July 1, 2015, and/or the October 29, 2015 and December 9, 2015 Informational Updates, in Docket No. 15-645?
- (f) If the answer to part (e) above is "yes", then please provide the corrected Exhibits and design day analysis for Docket No. 15-645 reflecting the Company's reconciliation.

Where applicable for any and all parts above, please provide the requested data in a Microsoft Excel executable format with all links and formulae intact. If any of these links target an outside file, please provide all such additional files.

If this information has already been provided in written testimony, filing, or in response to an earlier Department of Commerce (DOC) information request, please identify the specific testimony, and/or filing cite(s) or DOC information request number(s).

Response by: _____

List sources of information:

Title: _____

Department: _____

Telephone: _____

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Comments**

Docket No. G004/M-16-557

Dated this 31st day of August 2016

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tamie A.	Aberle	tamie.aberle@mdu.com	Great Plains Natural Gas Co.	400 North Fourth Street Bismarck, ND 585014092	Electronic Service	No	OFF_SL_16-557_16-557
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_16-557_16-557
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_16-557_16-557
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_16-557_16-557
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-557_16-557
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_16-557_16-557