

November 17, 2016

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
Saint Paul, Minnesota 551010-2147

RE: **Letter from the Minnesota Department of Commerce, Division of Energy Resources regarding Greater Minnesota Gas' 2016-2017 Heating Season Demand Entitlement Filing**  
Docket No. G022/M-16-522

Dear Mr. Wolf:

The Minnesota Department of Commerce, Division of Energy Resources (Department) provides the following *Letter* regarding Greater Minnesota Gas' (Greater Minnesota or the Company) *Petition for Change in Contract Demand Entitlement (Petition)* filed with the Minnesota Public Utilities Commission (Commission) on June 15, 2016. In its September 20, 2016 *Comments*, the Department recommended that the Commission approve the Company's proposed level of demand entitlements, subject to any possible changes before November 1, 2016, and allow Greater Minnesota to recover associated demand costs, subject to any changes, through the monthly Purchased Gas Adjustment (PGA) effective November 1, 2016. In addition, the Department also recommended that the Commission require Greater Minnesota to make a supplemental filing on, or about, November 1, 2016 detailing final costs.

Greater Minnesota filed a *Letter—In Lieu of Reply Comments* on September 22, 2016 agreeing with the Department's recommendations. The Company made its *Supplemental Filing* with the Commission on October 27, 2016.

In its *Supplemental Filing*, the Company stated that it had amended its request for changes in demand entitlements. Greater Minnesota stated that it will not contract for the initially proposed increase of 350 Dekatherms (Dkt) per day of Viking Forward Haul FT-Zone 1 capacity envisioned in the Company's *Petition*. Greater Minnesota explained that it is approximately 135 customers short of its growth expectations for the year, and that the primary factor for this customer shortfall is a delay in a highway project in Otter Tail County. This delay, anticipated to be one year in length, will prevent approximately 200 customers from receiving service on the Greater Minnesota system at this time. Given slower than expected customer growth, the Company ultimately concluded that the incremental Viking capacity was unnecessary. The decision not to procure incremental Viking capacity results in lower demand costs, which is illustrated by the Company in its *Supplemental Filing*.

Greater Minnesota also identified an operational change for one of its customers that occurred subsequent to filing its *Petition*. The Company stated that it was notified by one of

its largest customers that this customer will transition some of its retail meters to transportation service. This transfer is allowable under the Company's tariff but created a potential operational concern because Greater Minnesota had already procured capacity, expecting the need to serve this customer, for the heating season. The Company explained that it was able to negotiate a recallable capacity release arrangement with this customer for the upcoming heating season. Under this agreement, the customer is able to have the flexibility of transportation service while still paying the same amount to Greater Minnesota as was anticipated prior to the customer's switch to transportation service, which will protect other firm ratepayers from having to pay the entitlement costs associated with the now transportation customer. Further, in the event that Greater Minnesota needs the entitlements associated with this newly transitioned transportation customer, the Company is able to recall these entitlements and use them to serve firm demand. Greater Minnesota concluded its discussion by stating that it did not believe it was prudent at this time to give up this capacity permanently.

After reviewing the Company's *Supplemental Filing*, the Department concludes that Greater Minnesota's revised entitlement level is reasonable. Since the revision in entitlement levels is associated with slower customer growth, it is unlikely that the Company's ability to serve firm need on a peak day will be compromised. If Greater Minnesota had decided to reduce its procurement level absent a decrease in customer counts, it may have been necessary for the Department to revise its recommendations. However, with the lower customer count figure for the upcoming heating season, it is reasonable to assume that expected use on a peak day will also decrease. Specifically, using data in DOC Attachment R-2, it is reasonable to assume that peak demand will be lower by approximately 200 - 300 Dkt/day based on the lower customer count forecast.<sup>1</sup> Therefore, the Department concludes that the revised entitlement level is reasonable.

The Company's revised entitlement level impacts costs assessed to ratepayers. Based on the expected costs calculated by the Company, the revised entitlement proposed would result in the following annual rate impacts:

- Annual bill decrease of \$4.73, or approximately 2.43 percent, for the average Residential customer consuming 68.0 Dkt annually; and
- Annual bill decrease of \$228.64, or approximately 2.43 percent, for the average Residential customer consuming 3,286.5 Dkt annually.

The Department also concludes that Greater Minnesota's non-recallable agreement with its newly transitioned transport customer is reasonable and an appropriate way to mitigate rate impacts to firm customers on the Greater Minnesota system. The agreement is also acceptable at this time given the information provided by the Company in its June 23, 2016

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<sup>1</sup> In its *Supplemental Filing*, Greater Minnesota noted a shortfall in customer growth of approximately 135. Using the peak consumption per customer figure of 1.4854 Dkt/day in DOC Attachment R-2, this would result in 201 Dkt/day less in peak day consumption. In addition, the Company also noted in its *Supplemental Filing* that the delayed construction project in Otter Tail County has prevented 200 customers from joining the Greater Minnesota system. Using the same peak consumption data, if the 200 customer estimate is more appropriate for lost customer growth, then peak day consumption may be 297 Dkt/day less.

*Letter*. In the June 23, 2016 *Letter*, Greater Minnesota discussed its strategy in the upcoming years to rebalance its entitlement makeup. Further, as shown in its *Petition*, a large portion of the Company's current entitlement contracts are set to expire over the next two years (*Petition*, Attachment C). Given these facts, the Department concludes that Greater Minnesota should have ample opportunity over the next two years to mitigate any entitlement impacts associated with this large customers' decision to transition from firm to transportation service.

Based on the Company's discussion in its *Supplemental Filing*, the Department modifies its recommendations as follows:

- Approve Greater Minnesota's proposed level of demand entitlements, as shown in its *Supplemental Filing*, and
- Allow Greater Minnesota to recover associated demand costs, based on the information in its *Supplemental Filing*, through the monthly Purchased Gas Adjustment effective November 1, 2016.

The Department maintains its recommendations regarding future filing requirements as detailed in its *Comments*.

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

Sincerely,

/s/ ADAM J. HEINEN  
Rates Analyst  
651-539-1825

AJH/lt

**Revised DOC Attachment 1**  
**Details of Greater Minnesota Gas's Demand Entitlements Historical and Current Proposal**

2013-2014 Heating Season (Final)			2014-2015 Heating Season (November-January)			2014-2015 Heating Season (February-March)			2015-2016 Heating Season			2016-2017 Heating Season (FINAL)		
	Quantity (Mcf)	Change in Quantity		Quantity (Mcf)	Change in Quantity		Quantity (Mcf)	Change in Quantity		Quantity (Mcf)	Change in Quantity		Quantity (Mcf)	Change in Quantity
TF-7 (Apr.-Oct.)	0	0	TF-7 (Apr.-Oct.)	0	0	TF-7 (Apr.-Oct.)	0	0	TF-7 (Apr.-Oct.)	0	0	TF-7 (Apr.-Oct.)	0	0
TF12 (Nov.-Oct.)	210	(420)	TF12 (Nov.-Oct.)	210	0	TF12 (Nov.-Oct.)	210	0	TF12 (Nov.-Oct.)	210	0	TF12 (Nov.-Oct.)	716	500
TFX-S (Nov.-Mar.)	0	(270)	TFX-S (Nov.-Mar.)	0	0	TFX-S (Nov.-Mar.)	0	0	TFX-S (Nov.-Mar.)	0	0	TFX-S (Nov.-Mar.)	0	0
TFX-S (Nov.-Mar.)	6,344	(500)	TFX-S (Nov.-Mar.)	6,344	0	TFX-S (Nov.-Mar.)	6,344	0	TFX-S (Nov.-Mar.)	6,344	0	TFX-S (Nov.-Mar.)	6,344	0
Vikings Zone 1	2,000	0	Vikings Zone 1	2,000	0	Vikings Zone 1	2,000	0	Vikings Zone 1	2,000	0	Vikings Zone 1	2,000	0
Delivery Contract	665	0	Delivery Contract	665	0	Delivery Contract	665	0	Delivery Contract	665	0	Delivery Contract	665	0
TFX (Apr. and Oct.)	0	0	TFX (Apr. and Oct.)	0	0	TFX (Apr. and Oct.)	0	0	TFX (Apr. and Oct.)	0	0	TFX (Apr. and Oct.)	0	0
Vikings Forward Haul	0	0	Vikings Forward Haul	0	0	Vikings Forward Haul	1,200	1,200	Vikings Forward Haul	685	0	Vikings Forward Haul	685	0
TF8 (Nov.-Mar.)	90	90	TF8 (Nov.-Mar.)	90	0	TF8 (Nov.-Mar.)	90	0	Vikings Forward Haul	1,200	0	Vikings Forward Haul	1,200	0
Vikings Forward Haul/Emerson	1,300	1,300	Vikings Forward Haul/Emerson	1,400	100	Vikings Forward Haul/Emerson	1,400	0	TF8 (Nov.-Mar.)	90	0	TF8 (Nov.-Mar.)	90	0
SMS	1,300	0	SMS	2,000	700	SMS	2,000	0	Vikings Forward Haul/Emerson	1,400	0	Vikings Forward Haul/Emerson	1,400	0
									SMS	2,600	0	SMS	2,000	0
Total Demand Entitlement	9,559	200	Total Demand Entitlement	9,559	100	Total Demand Entitlement	10,859	1,200	Total Demand Entitlement	12,509	1,650	Total Demand Entitlement	13,009	500
Total Transportation	11,559	200	Total Transportation	11,559	100	Total Transportation	12,859	1,200	Total Transportation	14,509	1,650	Total Transportation	15,009	500
Total Annual Transportation	0	0	Total Annual Transportation	0	0	Total Annual Transportation	0	0	Total Annual Transportation	0	0	Total Annual Transportation	0	0
Total Seasonal Transport	9,559	200	Total Seasonal Transport	11,659	2,100	Total Seasonal Transport	12,859	1,200	Total Seasonal Transport	14,509	1,650	Total Seasonal Transport	15,009	500
Percent Annual on Greater Minnesota System	0.00%	0.00%	Percent Annual on Greater Minnesota System	0.00%	0.00%	Percent Annual on Greater Minnesota System	0.00%	0.00%	Percent Annual on Greater Minnesota System	0.00%	0.00%	Percent Annual on Greater Minnesota System	0.00%	0.00%
Percent Seasonal on Greater Minnesota System	82.70%	0.30%	Percent Seasonal on Greater Minnesota System	100.00%	17.30%	Percent Seasonal on Greater Minnesota System	100.00%	0.00%	Percent Seasonal on Greater Minnesota System	100.00%	0.00%	Percent Seasonal on Greater Minnesota System	100.00%	0.00%

**Revised DOC Attachment 2**  
**Details of Greater Minnesota Gas's Demand Entitlements Historical and Current Proposal**

Heating Season	Number of Firm Customers			Design Day Requirement			Total Entitlement + Peak Shaving + Peak Shaving			Reserve Margin (10)
	(1) Number of Design Day Customers	(2) Change from Previous Year	(3) % Change From Previous Year	(4) Design Day (Mcf)	(5) Change from Previous Year	(6) % Change From Previous Year	2016-2017 Heating Season Total Entitlement (Mcf)	(8) Change from Previous Year	(9) % Change From Previous Year	% of Reserve Margin [(7)-(4)]/(4)
2016-2017	7,482	839	12.63%	12,564	1,438	12.92%	13,009	500	4.00%	3.54%
2015-2016	6,643	791	13.52%	11,126	2,157	24.05%	12,509	2,850	29.51%	12.43%
2014-2015	5,852	547	10.31%	8,969	52	0.58%	9,659	100	1.05%	7.69%
2013-2014	5,305	531	11.12%	8,917	3,953	79.63%	9,559	4,350	83.51%	7.20%
2012-2013	4,774	558	13.24%	4,964	514	11.55%	5,209	165	3.27%	4.94%
2011-2012	4,216	296	7.55%	4,450	0	0.00%	5,044	0	0.00%	13.35%
2010-2011	3,920	198	5.32%	4,450	239	5.68%	5,044	500	11.00%	13.35%
2009-2010	3,722	162	4.55%	4,211	(71)	-1.66%	4,544	300	7.07%	7.91%
2008-2009	3,560	182	5.39%	4,282	566	15.23%	4,244	244	6.10%	-0.89%
2007-2008	3,378	170	5.30%	3,716	166	4.68%	4,000	350	9.59%	7.64%
2006-2007	3,208	237	7.98%	3,550	583	19.65%	3,650	350	10.61%	2.82%
2005-2006	2,971	290	10.82%	2,967	270	10.01%	3,300	300	10.00%	11.22%
2004-2005	2,681	336	14.33%	2,697	697	34.85%	3,000	600	25.00%	11.23%
2003-2004	2,345	181	8.36%	2,000	(200)	-9.09%	2,400	(200)	-7.69%	20.00%
2002-2003	2,164	300	16.09%	2,200	400	22.22%	2,600	400	18.18%	18.18%
2001-2002	1,864	301	19.26%	1,800	400	28.57%	2,200	500	29.41%	22.22%
2000-2001	1,563	393	33.59%	1,400	300	27.27%	1,700	300	21.43%	21.43%
1999-2000	1,170	279	31.31%	1,100	250	29.41%	1,400	150	12.00%	27.27%
1998-1999	891	289	48.01%	850	350	70.00%	1,250	750	150.00%	47.06%
1997-1998	602	339	128.90%	500	200	66.67%	500	200	66.67%	0.00%
1996-1997	263	263		300	300		300	300		
Average Change Per Year:			20.38%			22.61%			24.53%	12.93%

**Firm Peak Day Sendout**

Heating Season *	(11) Firm Peak Day Send out (Mcf)	Change from Previous Year	% Change From Previous Year	Excess per Customer [(7) - (4)]/(1)	Design Day per Customer (4)/(1)	Entitlement per DD Customer (7)/(1)	Peak Day Sendout per DD Customer (11)/(1)
2016-2017				0.0595	1.6792	1.7387	
2015-2016	9,495	1,126	13.45%	0.2082	1.6748	1.8830	1.4293
2014-2015	8,369	489	6.21%	0.1179	1.5326	1.6505	1.4301
2013-2014	7,880	2,855	56.82%	0.1210	1.6809	1.8019	1.4854
2012-2013	5,025	1,368	37.41%	0.0513	1.0398	1.0911	1.0526
2011-2012	3,657	(248)	-6.35%	0.1409	1.0555	1.1964	0.8674
2010-2011	3,905	251	6.87%	0.1515	1.1352	1.2867	0.9962
2009-2010	3,654	(374)	-9.29%	0.0895	1.1314	1.2208	0.9817
2008-2009	4,028	(72)	-1.76%	(0.0107)	1.2028	1.1921	1.1315
2007-2008	4,100	550	15.49%	0.0841	1.1001	1.1841	1.2137
2006-2007	3,550	738	26.24%	0.0312	1.1066	1.1378	1.1066
2005-2006	2,812	285	11.28%	0.1121	0.9987	1.1107	0.9465
2004-2005	2,527	185	7.90%	0.1130	1.0060	1.1190	0.9426
2003-2004	2,342	587	33.45%	0.1706	0.8529	1.0235	0.9987
2002-2003	1,755	747	74.11%	0.1848	1.0166	1.2015	0.8110
2001-2002	1,008	(180)	-15.15%	0.2146	0.9657	1.1803	0.5408
2000-2001	1,188	291	32.44%	0.1919	0.8957	1.0877	0.7601
1999-2000	897	95	11.85%	0.2564	0.9402	1.1966	0.7667
1998-1999	802	397	98.02%	0.4489	0.9540	1.4029	0.9001
1997-1998	405	233	135.47%	0.0000	0.8306	0.8306	0.6728
1996-1997	172	172		0.0000	1.1407	1.1407	0.6540
Average Change Per Year:			28.13%	0.1303	1.1400	1.2703	0.9844

## CERTIFICATE OF SERVICE

I, Marcella Emeott, 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**  
*Letter*

**Docket No. Docket No. G022/M-16-522**

Dated this **17<sup>th</sup>** day of **November 2016**

**/s/Marcella Emeott**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.	202 S. Main Street  Le Sueur, MN 56058	Electronic Service	No	OFF_SL_16-522_M-16-522
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_16-522_M-16-522
Bob	Emmers	bemmers@greatermngas.com	Greater Minnesota Gas, Inc.	202 South Main St. PO Box 68 Le Sueur, MN 56058	Electronic Service	No	OFF_SL_16-522_M-16-522
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_16-522_M-16-522
Nicolle	Kupser	nkupser@greatermngas.com	Greater Minnesota Gas, Inc.	202 South Main Street P.O. Box 68 Le Sueur, MN 56058	Electronic Service	No	OFF_SL_16-522_M-16-522
John	Lindell	john.lindell@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_16-522_M-16-522
Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc.	PO Box 68 202 South Main Street Le Sueur, MN 56058	Electronic Service	No	OFF_SL_16-522_M-16-522
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_16-522_M-16-522
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_16-522_M-16-522