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June 22, 2016

**VIA ELECTRONIC FILING**

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

RE: Petition for Change in Contract Demand Entitlement  
Informational Update  
Docket No. G022/M-16-522

Dear Mr. Wolf:

Greater Minnesota Gas, Inc. (“GMG”) submits this letter for informational purposes only to advise the Commission that it anticipates obtaining additional future capacity on the Viking pipeline. At the outset, please note that GMG believes that its Petition for Change in Contract Demand Entitlement, previously filed herein, accurately reflects customer needs and that the proposed entitlement level meets those needs. Nonetheless, because GMG is committed to continuing to serve the best interests of its customers, GMG believes that it is prudent to act to secure future capacity as detailed herein.

On June 17, 2016, Viking provided notice that it declared open season for available future capacity, with bidding to open June 21, 2016. Viking opened a three-day bidding window for that capacity, as is typical. GMG subsequently submitted a request to Viking for its desired volumes; and, GMG is hopeful that its bid will ultimately be accepted. Of course, true to the nature of open bidding, it is uncertain whether GMG’s bid will be high enough to receive any capacity.

When GMG became aware of the open bidding season, it analyzed its likely future needs. Prior to submitting a bid, GMG advised Commission staff and Department staff of its intent to submit bids for 3,000 Dth per day of capacity effective December 1, 2017 and 2,000 Dth per day of capacity effective November 1, 2018, both of which are discussed in more detail below. GMG contacted staff with the full understanding that neither the Commission staff nor the Department staff were in a position to approve or deny recovery. GMG simply reached out to staff to apprise them of the situation and discuss any concerns that GMG’s planned bid submissions might immediately raise. GMG’s appreciates the time that staff spent discussing the matter. Department staff requested that GMG submit an informational letter in this docket, despite the fact that the additional capacity does not impact the 2016-2017 heating season, merely to provide the Commission with notice of its future plans.

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As part of its comprehensive plan to protect its customers, both in terms of rates and reliability, GMG constantly tries to consider its longer terms needs and evaluate ways to commit to meeting those needs. Consequently, GMG has requested additional capacity on Viking. First, GMG has committed to contract for 3,000 Dth per day of Viking forward haul at Emerson effective December 1, 2017 for a five year contract. GMG intends that this will replace the 2,600 Dth of release capacity that GMG previously secured from WE Energies through November 1, 2017; as well as providing 400 Dth of incremental entitlement beyond July 1, 2016 levels. As you know, GMG requested authority to add 350 Dth of this capacity for the 2016-2017 heating season in its Petition herein. The 3,000 Dth contract would continue that 350 Dth level and add an additional 50 Dth of incremental capacity.

Second, GMG has committed to contract for 2,000 Dth per day of Viking forward haul at Emerson effective November 1, 2018 for a five year contract. GMG intends that this will replace capacity currently under a backhaul contract on Viking that expires October 31, 2018; however, a final decision on whether to use the capacity to replace existing entitlement or increase capacity will not be finalized until 2018 when market needs are more clearly defined.

GMG believes that contracting for firm capacity through Viking's open season makes sense for its customers. It allows GMG to obtain guaranteed replacement capacity to meet future needs, thus ensuring reliability at reasonable rates without subjecting ratepayers to unknown future market conditions. Once actual growth levels and locations are identified, GMG will adjust its plan to ensure adequate capacity is available to meet customer needs at minimum costs.

The addition of the Viking forward haul firm transportation contracts furthers GMG's commitment, and the Commission's commitment, to sufficient assurance of reliability and reasonable rates for customers. GMG's coordination of its gas-supply planning for future heating seasons coupled with consideration of previous Department and Commission concerns and recommendations and its broader corporate planning presents the best situation currently available. It balances assurance of physical reliability with sufficient supply to serve all customers for the long term and best serves the public interest in an industry where decisions must sometimes be made quickly and early in order to protect customer interests. GMG appreciates the Commission's consideration and hopes that it finds this information helpful in contextualizing GMG's long-range plans to meet its customers' needs.

Sincerely,

GREATER MINNESOTA GAS, INC.

/s/

Kristine A. Anderson  
Corporate Attorney

cc: Service List

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