

January 14, 2015

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

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G004/M-14-563

Dear Mr. Wolf:

On July 2, 2014, Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. (Great Plains or the Company) filed a change in *Demand Entitlement (Petition)*. On September 2, 2014, the Minnesota Department of Commerce, Division of Energy Resources' (Department or DOC), filed its *Comments* recommending that the Commission:

- accept the Company's proposed design day method for the South District and the North District;
- accept the Company's proposed reserve margins for the South District and the North District;
- accept the Company's proposed PGA recovery of its demand entitlement proposals for the South District and the North District; and
- request Great Plains to supplement its *Petition* once the final demand entitlement changes and the associated rate and bill impact are known.

On September 8, 2014 Great Plains filed *Reply Comments* stating the following:

Great Plains agrees with the recommendation of the Department and requests that the Commission issue an Order accepting Great Plains' Demand Entitlement Filing.

On November 25, 2014, Great Plains filed a one page informational update stating the following:

Great Plains Natural Gas Co. (Great Plains), a Division of MDU Resources Group, Inc., submitted its Demand Entitlement Filing on July 2, 2014 in the above referenced docket. In that filing, Great Plains proposed to increase the North District capacity by

500 dk under a seasonal contract (November – March) on the Viking pipeline system. As planned, Great Plains did attempt to procure the incremental capacity. However Viking was required to reduce the maximum operating pressure of their pipeline resulting in no incremental capacity being offered for the upcoming heating system. Great Plains was able to obtain the needed capacity through a firm gas purchase agreement with its current gas supplier, which had access to capacity that was released from an existing shipper that had firm transportation on Viking's system. The contract will be effective December 1, 2014 through February 28, 2015 and provides Great Plains the ability to purchase firm gas at the town border station (distribution) delivery point.

In the sections below, the Department's analysis of rate impacts based on the Company's requests for the South District and the North District are provided.

1. North District

The Department notes that the above-mentioned Viking pipeline situation was also discussed in the Department's December 1, 2014 *Comments* related to Minnesota Energy Resources Corporation (MERC) Demand Entitlement Filing in Docket No. G011/M-14-661.

While Great Plains provided an update, the Company did not provide the associated rate and bill impacts. However, MERC filed *Reply Comments* on December 11, 2014 in Docket No. G011/M-14-661. In those *Reply Comments* MERC stated the following:

Effective January 1, 2015, the VGT rate will be increasing, based on a rate case settlement between VGT and the shippers. The new Zone 1 to Zone 1 rate for a five plus (5) year contract will increase to \$4.3706. See VGT Settlement Rates Tariff Changes Filing, Part 5.0, Statement of Rates v. 21.0.0 superseding v. 20.0.0, Page 1 of 3, which is attached to these comments as Attachment B.

Thus, the Department provides two additional rate impacts; one for December 2014 showing the purchase of capacity described above in Great Plains' November 25, 2014 informational update and the other for January 2015 showing the changes in Viking pipeline rates. In addition, the January 2015 Purchased Gas Adjustment (PGA) contains one additional change; Viking's Load Management System (LMS) service charges are now recovered from the commodity portion of the rates as opposed to being recovered from the demand portion of rates. This change is based on the Commission's November 14 2013 *Order Accepting Gas Utilities' Automatic Adjustment Reports and True-up Proposals, and Setting Further Requirements*¹.

¹ At page 4, the order in part states the following:

The Department was able to obtain the relevant information from the Company's December 2014 and January 2015 PGA filings in Docket Nos. G004/AA-14-991 and G004/AA-15-22, respectively. These PGA filings contained the changes described above as well as the relevant Federal Energy Regulatory Commission (FERC) natural gas interstate pipeline tariff sheets.

Please see Table 1 below for the annual rate impacts for the North District, based on Great Plains PGA filings.

Table 1
North District Annual Rate Impacts

Filing	Residential Customer (103.8 Dkt)	Total Change Res (%)	Firm General Service (375.7 Dkt)	Total Change FGS (%)
July 2, 2014	\$0.69	0.1	\$2.48	0.1
Dec 2014 PGA	\$2.49	0.3	\$9.02	0.3
Jan 2015 PGA	\$10.60	1.3	\$38.36	1.3

2. *South District*

The Department in its *Comments* had requested Great Plains to supplement its *Petition* once the final demand entitlement changes and the associated rate and bill impact were known. However as mentioned above, Great Plains did not do so in its November 25, 2014 informational update.

The Department provides two additional rate impacts; one for November 2014 showing the purchase of 1,500 Dekatherms (dk or Dkt) capacity for the South District described in Great Plains' *Petition* and the reallocation of the TF-12B and TF-12V services, and the other for

The Commission concurs with the Department and will accept and approve the annual automatic adjustment reports of all gas utilities, and the true-up proposals of all gas utilities, subject to the additional requirements set forth below. The reports and filings demonstrate that the filing utilities are in compliance with the statutes, rules, and Commission Orders pertaining to purchased gas adjustments.

At page 5, the order in part states the following:

Consequently the Commission will direct Minnesota's regulated gas utilities to allocate the cost of balancing services, as well as the utility's penalty revenues and the pipeline's revenue credits, in the same manner as they allocate the commodity cost of gas. Utilities should implement this policy in the first monthly purchased gas adjustment for costs, or true-up filings for revenues, that can reasonably be executed following the issuance of this order.

January 2015 showing the changes in Viking pipeline rates. In addition, the January 2015 PGA contains one additional change; Northern Natural Gas interstate pipeline (NNG) System Management Service (SMS) charges are now recovered from the commodity portion of the rates as opposed to being recovered from the demand portion of rates. This change is based on the Commission's November 14 2013 *Order Accepting Gas Utilities' Automatic Adjustment Reports and True-up Proposals, and Setting Further Requirements*²

The Department was able to obtain the relevant information from the Company's November 2014 and January 2015 PGA filings in Docket Nos. G004/AA-14-992 and G004/AA-15-23, respectively. These PGA filings contained the changes described above as well as the relevant FERC natural gas interstate pipeline tariff sheets.

Please see Table 2 below for the annual rate impacts for the South District, based on Great Plains PGA filings.

Table 2
South District Annual Rate Impacts

Filing	Residential Customer (88.2 Dkt)	Total Change Res (%)	Firm General Service (340.9 Dkt)	Total Change FGS (%)
July 2, 2014	\$7.62	1.2	\$29.45	1.3
Nov 2014 PGA	\$11.14	1.8	\$43.09	1.8
Jan 2015 PGA	\$11.14	1.8	\$43.05	1.8

The Department provides the supporting calculations for the above-mentioned rate impacts in its supplemental Attachment 1 to this *Response Comments*.

² At page 4, the order in part states the following:

The Commission concurs with the Department and will accept and approve the annual automatic adjustment reports of all gas utilities, and the true-up proposals of all gas utilities, subject to the additional requirements set forth below. The reports and filings demonstrate that the filing utilities are in compliance with the statutes, rules, and Commission Orders pertaining to purchased gas adjustments.

At page 5, the order in part states the following:

Consequently the Commission will direct Minnesota's regulated gas utilities to allocate the cost of balancing services, as well as the utility's penalty revenues and the pipeline's revenue credits, in the same manner as they allocate the commodity cost of gas. Utilities should implement this policy in the first monthly purchased gas adjustment for costs, or true-up filings for revenues, that can reasonably be executed following the issuance of this order.

In conclusion, the Department continues to make the same recommendations as in its September 2, 2014 *Comments*. Specifically, the Department recommends that the Commission accept Great Plains' *Petition*, including accepting:

- the Company's proposed design day method for the South District and the North District;
- the Company's proposed reserve margins for the South District and the North District; and
- the Company's proposed PGA recovery of its demand entitlement proposals for the South District and the North District.

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

Sincerely,

/s/ SACHIN SHAH
Rates Analyst

SS/ja
Attachment

**GREAT PLAINS NATURAL GAS CO.
RATE EFFECT OF PROPOSED DEMAND - DECEMBER 1, 2014
NORTH DISTRICT**

	Last Rate Case 1/	Last Demand Change 2/	June 2014 PGA 3/	Proposed 4/	% Change from			Change from June 2014 PGA
					Last Rate Case	Last Demand Change	June 2014 PGA	
Residential								
Commodity Cost of Gas	\$5.5520	\$3.8879	\$4.5727	\$4.5727	-17.6%	17.6%	0.0%	\$0.0000
Demand Cost of Gas	2.0613	1.5253	1.5112	1.5352	-25.5%	0.6%	1.6%	0.0240
Commodity Margin 5/	1.7671	1.8005	1.8005	1.8005	1.9%	0.0%	0.0%	0.0000
Total Rate	9.3804	7.2137	7.8844	7.9084	-15.7%	9.6%	0.3%	0.0240
Average Annual Usage (dk)	103.8	103.8	103.8	103.8				
Average Annual Cost of Gas	\$973.69	\$748.78	\$818.40	\$820.89	-15.7%	9.6%	0.3%	\$2.49
Firm General Service								
Commodity Cost of Gas	\$5.5520	\$3.8879	\$4.5727	\$4.5727	-17.6%	17.6%	0.0%	\$0.0000
Demand Cost of Gas	2.0613	1.5253	1.5112	1.5352	-25.5%	0.6%	1.6%	0.0240
Commodity Margin	1.4471	1.4869	1.4869	1.4869	2.8%	0.0%	0.0%	0.0000
Total Rate	9.0604	6.9001	7.5708	7.5948	-16.2%	10.1%	0.3%	0.0240
Average Annual Usage (dk)	375.7	375.7	375.7	375.7				
Average Annual Cost of Gas	\$3,403.99	\$2,592.37	\$2,844.35	\$2,853.37	-16.2%	10.1%	0.3%	\$9.02
Customer Class								
	Commodity Change		Demand Change		Total Change		Average Annual	
	(\$/dk)	(Percent)	(\$/dk)	(Percent)	(\$/dk)	(Percent)	Bill Change	
Residential	\$0.0000	0.0%	\$0.0240	1.6%	\$0.0240	0.3%	\$2.49	
Firm General Service	0.0000	0.0%	0.0240	1.6%	0.0240	0.3%	\$9.02	

1/ Base Cost of Gas Effective January 2007 in Docket No. G004/MR-06-1141.
2/ Demand in Docket No. G004/M-13-566, effective November 1, 2013.
3/ June 2014 PGA.
4/ Proposed in this docket, G004/M-14-563 effective December 1, 2014.
5/ Includes CCRA and GAP.

**GREAT PLAINS NATURAL GAS CO.
RATE EFFECT OF PROPOSED DEMAND - JANUARY 1, 2015
NORTH DISTRICT**

	Last Rate Case 1/	Last Demand Change 2/	June 2014 PGA 3/	Proposed 4/	% Change from			Change from June 2014 PGA
					Last Rate Case	Last Demand Change	June 2014 PGA	
Residential								
Commodity Cost of Gas	\$5.5520	\$3.8879	\$4.5727	\$4.5727	-17.6%	17.6%	0.0%	\$0.0000
Demand Cost of Gas	2.0613	1.5253	1.5112	1.6133	-21.7%	5.8%	6.8%	0.1021
Commodity Margin 5/	1.7671	1.8005	1.8005	1.8005	1.9%	0.0%	0.0%	0.0000
Total Rate	9.3804	7.2137	7.8844	7.9865	-14.9%	10.7%	1.3%	0.1021
Average Annual Usage (dk)	103.8	103.8	103.8	103.8				
Average Annual Cost of Gas	\$973.69	\$748.78	\$818.40	\$829.00	-14.9%	10.7%	1.3%	\$10.60
Firm General Service								
Commodity Cost of Gas	\$5.5520	\$3.8879	\$4.5727	\$4.5727	-17.6%	17.6%	0.0%	\$0.0000
Demand Cost of Gas	2.0613	1.5253	1.5112	1.6133	-21.7%	5.8%	6.8%	0.1021
Commodity Margin	1.4471	1.4869	1.4869	1.4869	2.8%	0.0%	0.0%	0.0000
Total Rate	9.0604	6.9001	7.5708	7.6729	-15.3%	11.2%	1.3%	0.1021
Average Annual Usage (dk)	375.7	375.7	375.7	375.7				
Average Annual Cost of Gas	\$3,403.99	\$2,592.37	\$2,844.35	\$2,882.71	-15.3%	11.2%	1.3%	\$38.36
Customer Class								
	Commodity Change		Demand Change		Total Change		Average Annual	
	(\$/dk)	(Percent)	(\$/dk)	(Percent)	(\$/dk)	(Percent)	Bill Change	
Residential	\$0.0000	0.0%	\$0.1021	6.8%	\$0.1021	1.3%	\$10.60	
Firm General Service	0.0000	0.0%	0.1021	6.8%	0.1021	1.3%	\$38.36	

1/ Base Cost of Gas Effective January 2007 in Docket No. G004/MR-06-1141.
2/ Demand in Docket No. G004/M-13-566, effective November 1, 2013.
3/ June 2014 PGA.
4/ Proposed in this docket, G004/M-14-563 effective January 1, 2015.
5/ Includes CCRA and GAP.

GREAT PLAINS NATURAL GAS CO.
RATE EFFECT OF PROPOSED DEMAND - NOVEMBER 1, 2014
SOUTH DISTRICT

	Last Rate Case 1/	Last Demand Change 2/	June 2014 PGA 3/	Proposed 4/	% Change from			Change from June 2014 PGA
					Last Rate Case	Last Demand Change	June 2014 PGA	
Residential								
Commodity Cost of Gas	\$5.8954	\$3.8667	\$4.5427	\$4.5427	-22.9%	17.5%	0.0%	\$0.0000
Demand Cost of Gas	1.8689	1.1963	1.1878	1.3142	-29.7%	9.9%	10.6%	0.1264
Commodity Margin 5/	1.4279	1.4165	1.4165	1.4165	-0.8%	0.0%	0.0%	0.0000
Total Rate	9.1922	6.4795	7.1470	7.2734	-20.9%	12.3%	1.8%	0.1264
Average Annual Usage (dk)	88.2	88.2	88.2	88.2				
Average Annual Cost of Gas	\$810.75	\$571.49	\$630.37	\$641.51	-20.9%	12.3%	1.8%	\$11.14
Firm General Service								
Commodity Cost of Gas	\$5.8954	\$3.8667	\$4.5427	\$4.5427	-22.9%	17.5%	0.0%	\$0.0000
Demand Cost of Gas	1.8689	1.1963	1.1878	1.3142	-29.7%	9.9%	10.6%	0.1264
Commodity Margin	1.1775	1.1687	1.1687	1.1687	-0.7%	0.0%	0.0%	0.0000
Total Rate	8.9418	6.2317	6.8992	7.0256	-21.4%	12.7%	1.8%	0.1264
Average Annual Usage (dk)	340.9	340.9	340.9	340.9				
Average Annual Cost of Gas	\$3,048.26	\$2,124.39	\$2,351.94	\$2,395.03	-21.4%	12.7%	1.8%	\$43.09
Customer Class								
	Commodity Change		Demand Change		Total Change		Average	
	(\$/dk)	(Percent)	(\$/dk)	(Percent)	(\$/dk)	(Percent)	Annual	
Residential	\$0.0000	0.0%	\$0.1264	10.6%	\$0.1264	1.8%	Bill Change	\$11.14
Firm General Service	0.0000	0.0%	0.1264	10.6%	0.1264	1.8%		\$43.09

1/ Base Cost of Gas Effective January 2007 in Docket No. G004/MR-06-1141.

2/ Demand in Docket No. G004/M-13-566, effective November 1, 2013.

3/ June 2014 PGA.

4/ Proposed in this docket, G004/M-14-563 effective November 1, 2014.

5/ Includes CCRA and GAP.

**GREAT PLAINS NATURAL GAS CO.
RATE EFFECT OF PROPOSED DEMAND - JANUARY 1, 2015
SOUTH DISTRICT**

	Last Rate Case 1/	Last Demand Change 2/	June 2014 PGA 3/	Proposed 4/	% Change from			Change from June 2014 PGA
					Last Rate Case	Last Demand Change	June 2014 PGA	
<u>Residential</u>								
Commodity Cost of Gas	\$5.8954	\$3.8667	\$4.5427	\$4.5427	-22.9%	17.5%	0.0%	\$0.0000
Demand Cost of Gas	1.8689	1.1963	1.1878	1.3141	-29.7%	9.8%	10.6%	0.1263
Commodity Margin 5/	1.4279	1.4165	1.4165	1.4165	-0.8%	0.0%	0.0%	0.0000
Total Rate	9.1922	6.4795	7.1470	7.2733	-20.9%	12.3%	1.8%	0.1263
Average Annual Usage (dk)	88.2	88.2	88.2	88.2				
Average Annual Cost of Gas	\$810.75	\$571.49	\$630.37	\$641.51	-20.9%	12.3%	1.8%	\$11.14
<u>Firm General Service</u>								
Commodity Cost of Gas	\$5.8954	\$3.8667	\$4.5427	\$4.5427	-22.9%	17.5%	0.0%	\$0.0000
Demand Cost of Gas	1.8689	1.1963	1.1878	1.3141	-29.7%	9.8%	10.6%	0.1263
Commodity Margin	1.1775	1.1687	1.1687	1.1687	-0.7%	0.0%	0.0%	0.0000
Total Rate	8.9418	6.2317	6.8992	7.0255	-21.4%	12.7%	1.8%	0.1263
Average Annual Usage (dk)	340.9	340.9	340.9	340.9				
Average Annual Cost of Gas	\$3,048.26	\$2,124.39	\$2,351.94	\$2,394.99	-21.4%	12.7%	1.8%	\$43.05
<u>Customer Class</u>								
	Commodity Change		Demand Change		Total Change		Average	
	(\$/dk)	(Percent)	(\$/dk)	(Percent)	(\$/dk)	(Percent)	Annual	
Residential	\$0.0000	0.0%	\$0.1263	10.6%	\$0.1263	1.8%	Bill Change	\$11.14
Firm General Service	0.0000	0.0%	0.1263	10.6%	0.1263	1.8%		\$43.05

1/ Base Cost of Gas Effective January 2007 in Docket No. G004/MR-06-1141.

2/ Demand in Docket No. G004/M-13-566, effective November 1, 2013.

3/ June 2014 PGA.

4/ Proposed in this docket, G004/M-14-563 effective January 1, 2015.

5/ Includes CCRA and GAP.

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
Response Comments**

Docket No. G004/M-14-563

Dated this 14th day of January 2015

/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_14-563_M-14-563
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_14-563_M-14-563
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_14-563_M-14-563
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_14-563_M-14-563
Brian	Meloy	brian.meloy@stinsonleonard.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-563_M-14-563
Daniel	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551022147	Electronic Service	Yes	OFF_SL_14-563_M-14-563