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May 27, 2015

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

RE: Docket Nos. G004/AA-14-749 and G999/AA-14-580
Reply Comments to the Comments of the Minnesota Department of Commerce, Division of Energy Resources

Dear Mr. Wolf:

Great Plains Natural Gas Co. (Great Plains), a Division of MDU Resources Group, Inc., herewith electronically files its Reply Comments to the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) filed on May 5, 2015.

In its comments regarding the 2013-2014 AAA/True-up filing submitted by Great Plains, the Department recommends that the Commission:

- accept Great Plains' FYE14 true-ups, Docket No. G004/AA-14-749;
- allow Great Plains to implement its true-ups, as shown in DOC Attachments G6a and G6b of the *AAA Report*;
- describe and report each of the FYE14 corrections as a separate line item to the beginning balance of the demand cost of gas in its September 1, 2015 true-up; and
- require Great Plains to request that its auditor include, as part of the true-up audit, the allocations between PGA systems.

Great Plains agrees with the first three recommendations of the Department and requests that the Commission issue an Order accepting Great Plains' Annual Gas Cost Reconciliation (GCR) filing.

Great Plains, however, disagrees with the Department's recommendation that the Commission require Great Plains to request that its auditor include, as part of the true-up audit, the allocations between PGA systems.[1] Great Plains does not allocate costs between its PGA systems; rather all costs are directly assigned. While Great Plains did initially record costs to the wrong PGA system true up account, the error in the true up account was detected and corrected prior to its auditor's review. The 2013-2014 AAA/True-up filing did reflect an error in that the accounting correction correctly made in the prior true-up filing was included in the current true-up filing; however, the error was not associated with the allocation of costs between PGA systems. Therefore, it is not necessary or appropriate for the Commission to require Great Plains to request that its auditor include, as part of the true-up audit, the allocations between PGA systems.

Additionally, the Department recommends that all utility tariffs have a provision that gives the utilities the right to revoke interruptible customer class status from habitually non-compliant interruptible customers by discontinuing service or moving the customer to firm service. While Great Plains appreciates the genesis of the Department's recommendation, Great Plains does not believe that such changes are warranted on its system.

Initially, Great Plains has not experienced a significant level of unauthorized use during curtailments and the extreme conditions during the 2013 – 2014 winter season resulted in less than 2,500 dekatherms of unauthorized usage during interruptions. Moreover, the Great Plains system may not be able to provide firm service in all situations (assuming certain large customers are converted) without significant investment which may result in higher costs to existing customers without providing commensurate corresponding benefits. In this respect, Great Plains believes that an unintended consequence of the Department's recommendation could be that firm customers are, in fact, disadvantaged.

Most importantly, Great Plains believes its existing Tariff adequately addresses unauthorized use, including (1) a current penalty structure that is sufficient to deter such usage; and (2) provisions allowing for the Company to manually shut off a customer's supply of gas in the event of a customer's failure to curtail or interrupt.

In particular, Great Plains' interruptible service tariffs contain the following provisions that are in place to ensure reliable service to firm service customers and to ensure firm service customers are not economically disadvantaged in the event of an interruptible customer's failure to interrupt service:

- Customer must be able to satisfy Company of customer's ability and willingness to discontinue the use of said gas during periods of curtailment or interruption by the use of standby facilities or suffering plant shutdown.
- If customer fails to curtail or interrupt their use of gas hereunder when requested to do so by Company, any gas taken above that received on customer's behalf, shall be billed at the Firm General Service Rate N70 or S70, plus an amount equal to any charges the Company is required to pay to interconnecting

[1] Minn. R. 7825.2820 requires each gas utility to submit an independent auditor's report by September 1 of each year that evaluates the accounting for automatic adjustments for the prior year.

pipeline(s) as a result of such failure to curtail or interrupt, or $50.00 per dk of gas used in excess of the volume of gas to which customer was requested to curtail or interrupt, whichever amount is greater. The Company, in its discretion, may shut off customer's supply of gas in the event of customer's failure to curtail or interrupt use of gas when requested to do so by the Company.

In addition, Great Plains' Terms and Conditions of Service provides for the following provision in order to efficiently and economically design and operate the gas system:

- All new customers whose consumption of gas for any purpose will exceed an input of 2,000,000 Btu per hour, metered at a single delivery point, shall consult with the Company and furnish details of estimated hourly input rates for all gas utilization equipment. Where system design capacity permits, such customers may be served on a firm basis. Where system design capacity is limited, and at Company's sole discretion, Company will serve all such new customers on an interruptible basis only. Architects, contractors, heating engineers and installers, and all others should consult with the Company before proceeding to design, erect or redesign such installations for the use of natural gas. This will ensure that such equipment will conform to the Company's ability to adequately serve such installations with gas.

These existing Tariff mechanisms are sufficient to allow Great Plains to manage issues around unauthorized usage. Great Plains believes that its ability to shut-off or curtail gas usage coupled with the imposition of penalties has proven to be an efficient and economic manner in which operate its gas system.

Notwithstanding Great Plains' reservations, below are responses to the Department's questions related to the potential implementation of its recommendation:

- *What anticipated effects would the above recommended change to tariff language have on the utilities' demand entitlements?*

  Response: Great Plains would expect an overall increase in its required demand entitlement and an increase in the associated costs if interruptible customers were converted to firm customers, particularly select large customers.

- *When should a utility remove a customer from interruptible service? Immediately? The following November 1? A different date?*

  Response: It may be appropriate to remove a customer from interruptible service if the customer is noncompliant in certain instances. However, Great Plains would suggest a better approach would be to address non-compliance on a case-by-case basis to ensure the integrity of the system can be maintained and unintended consequences avoided. The company may not be able to transfer customer(s) from interruptible to firm service immediately as adequate upstream pipeline capacity may not be available to meet the additional firm demand

- *What notice, if any, is required from the utility to give to a customer before moving the customer to a different rate class? If none is required, how should notice be given?*

  Response: The current Great Plains tariff provides for a 60 day notice and Great Plains believes that is a reasonable length of time.

- *What are the specific triggers for a utility to remove a customer from interruptible service? Unauthorized usage over a pre-determined amount of dekatherms? A percentage of winter sales? Non-compliance with called curtailments more than once?*

  Response: Again, Great Plains believes each circumstance needs to be evaluated based upon its unique facts and circumstances.

- *How long would a customer be excluded from interruptible service before it could be reinstated into that rate class?*

  Response: There are external factors that may affect the amount of time a customer would be required to remain on firm service prior to being reinstated into its previous rate class. For instance, an increase in the demand entitlement or required capital construction costs may necessitate that a customer remain on firm service for a longer period.

- *What amount should be charged to be reinstated and what types of costs would be included in the charge?*

  Response: Great Plains agrees with the Department's suggestion that the customer should be responsible for costs associated with a conversion or reinstatement.

Great Plains appreciates the opportunity to provide these brief comments and requests that the Commission accept Great Plains' GCR filing. If you have any questions regarding this filing, please contact Tamie A. Aberle at (701) 222-7856, or Brian Meloy, at (612) 335-1451.

Sincerely,

/s/ Tamie A. Aberle

Tamie A. Aberle
Director of Regulatory Affairs

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