Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: **August 10, 2017** ....*Agenda Item _#4__

Company: Greater Minnesota Gas, Inc.

Docket No. **G-022/M-16-920**

In the Matter of a Petition by Greater Minnesota Gas, Inc. for Approval to Modify Its Tariff for General Service Transportation Service

Issue(s): Should the Commission approve Greater Minnesota Gas, Inc.'s proposed modification to the terms and conditions of its General Service Transportation Service tariff?

Staff:
Bob Brill.. 651-201-2242
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Jason Bonnett... 651-201-2235

Relevant Documents

Greater Minnesota Gas, Inc. – Initial Petition .... November 10, 2016

Department of Commerce, Division of Energy Resources – Comments .... December 12, 2016

Greater Minnesota Gas, Inc. – Letter in Lieu of Reply Comments .... December 14, 2016

The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless otherwise noted.

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Statement of the Issue

Should the Commission approve Greater Minnesota Gas, Inc.'s (Greater Minnesota) proposed modification to the terms and conditions of its General Service Transportation Service tariff?

Background

On November 10, 2016, Greater Minnesota submitted its request to the Minnesota Public Utilities Commission (Commission) for approval to modify its General Service Transportation Service tariff to better service its customers wishing to transition from firm sales service to interruptible transportation services or from interruptible transportation service to firm sales service.

On December 12, 2016, the Minnesota Department of Commerce, Division of Energy Resources (Department) recommended Commission approval of Greater Minnesota's request with modifications.

On December 14, 2016, Greater Minnesota filed a letter in lieu of Reply Comments accepting the Department's modifications.

Parties' Comments

Greater Minnesota

In September 2016, one of its largest customers notified Greater Minnesota that it wished to transition from firm sales service to interruptible transportation service. Greater Minnesota's currently effective tariff was void of language addressing the requested transition.[1] The loss of this customer would normally result in excess interstate pipeline capacity (demand entitlements) that the remaining Greater Minnesota customers would have to absorb. Customer costs would have risen, to accommodate this customer's conversion to interruptible transportation service; Greater Minnesota explained that it was able to mitigate the cost of the excess interstate pipeline capacity caused by this customer's transition through a recallable capacity release contract with this customer. This ensured Greater Minnesota's remaining firm sales customers did not pay for the excess interstate pipeline capacity while maintaining system reliability.

Greater Minnesota discussed its concerns with the Department and Commission staff addressing possibilities of similar situations occurring in the future. All parties agreed that Greater Minnesota's existing tariff required specific conversion timeframes and notice provisions to assist in governing future transitions between firm sales and interruptible transportation service so that existing ratepayers will not be put at risk of either facing diminished capacity or paying for any unnecessary capacity.

[1] Greater Minnesota noted that the transition occurred after it had filed its 2016-2017 annual demand entitlement filing (Docket No. 16-522).

Department

The Department generally agreed with Greater Minnesota's proposed tariff changes. The proposed language appears to be sufficient to enable Greater Minnesota to manage any consequences to system reliability and avoid short-term cost increases for other customers due to such rate class transitions. The Department noted that Greater Minnesota's proposed changes were similar to other Minnesota natural gas utilities' transportation service tariffs. The Department recommended some relatively minor modifications to which Greater Minnesota agreed in its Reply Comments.

Commission Staff Comment

Commission staff reviewed Greater Minnesota's petition and appreciates the Department's thorough comments. Commission staff concludes that the Department's analysis addressed the relevant issues and will not repeat those comments. Commission staff generally agrees with the Department's recommendations, but provides additional discussion for Commission consideration.

Based upon a review of the transportation service tariffs of other Minnesota natural gas utilities, Commission staff believes there are two tariff provisions that the Commission may wish to consider requiring Greater Minnesota to include in its tariff as special conditions. The two provisions are:

- Customer is responsible for reimbursement for all incremental on-site plant investments, including telemetry equipment, required by Greater Minnesota to transition a customer to either firm sales service or to interruptible transportation services. This investment will remain Greater Minnesota property.

- If the transitioning customer is currently receiving general firm sales service, the transitioning customer is responsible for all stranded demand costs. However, Greater Minnesota will forego charging the customer for the stranded demand costs, if Greater Minnesota can either utilize or reduce its transportation obligations with interstate pipelines such that stranded cost will not be absorbed by the remaining firm service customers.

Greater Minnesota's General Service Transportation Service tariff currently requires "telemetering or other automated meter reading capabilities." Commission staff is unclear as to which party bears the cost of telemetering installation or other automated meter reading equipment and wants to clarify that the individual transitioning customer should be responsible for any additional metering costs due to the service conversion.

Commission staff understands that one of the primary reasons behind the proposed tariff modifications is to reduce or eliminate the possibility of firm sales customers paying for unneeded interstate pipeline capacity (demand entitlements) due to a firm sales customer transitioning to interruptible transportation service. Commission staff believes that remaining firm sales customers should be held harmless if Greater Minnesota is unable to mitigate fully the cost of any unneeded interstate pipeline capacity due to a specific customer transitioning to interruptible transportation service.

Commission staff notes that neither Greater Minnesota nor the Department have had an opportunity to comment on Commission staff's proposals, so the Commission may wish to solicit their comments at the August 10, 2017 Commission agenda meeting.

Decision Alternatives

1. Approve Greater Minnesota's petition as filed.

   or

2. Approve Greater Minnesota's petition as modified by the Department.

   or

3. Deny Greater Minnesota's petition.

If the Commission approves decision alternative 1 or 2, the Commission may also want to consider requiring Greater Minnesota to include the following terms and conditions of service in its General Service Transportation Service tariff:

4. Transitioning customers are responsible for reimbursement for all incremental on-site plant investments, including telemetry equipment, required by Greater Minnesota for providing transitioned services to either firm sales or interruptible transportation customer. The investment will remain Greater Minnesota property.

   and/or

5. If the transitioning customer is currently receiving general firm sales service, the transitioning customer is responsible for all stranded demand costs. However, Greater Minnesota will forego charging the customer for the stranded demand costs, if Greater Minnesota can either utilize or reduce its transportation obligations with interstate pipelines such that stranded cost will not be absorbed by the remaining firm service customers.