

**Minnesota Public Utilities Commission**  
*Staff Briefing Papers*

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Meeting Date: January 7, 2014 .....\*Agenda Item # 5

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Company: Great Plains Natural Gas Co. (Great Plains)

Docket No. G004/M-13-566  
In the Matter of Great Plains' Request for Changes in Demand Entitlements

Issues: Should the Commission accept Great Plains' Demand Entitlement filing effective November 1, 2013?

Staff: Sundra Bender .....651-201-2247

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***Relevant Documents***

Great Plains – Initial Filing..... June 28, 2013  
DOC – Comments..... August 19, 2013  
Great Plains – Reply Comments ..... August 29, 2013

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The attached materials are workpapers 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 Issues***

Should the Commission accept Great Plains' Demand Entitlement filing effective November 1, 2013?

## ***Minnesota Rules***

Minnesota Rules require gas utilities to make a filing whenever there is a change in their entitlement to the demand-related services provided to them by a supplier or transporter of natural gas.

Minnesota Rule part 7825.2910, Subp. 2, Filing upon a change in demand, is included in the Automatic Adjustment of Charges rule parts 7825.2390 through 7825.2920 and requires gas utilities to file to increase or decrease demand, to redistribute demand percentages among classes, or to exchange one form of demand for another.

Minnesota Rule part 7825.2400, Subp. 13a. Demand, defines demand as “the maximum daily volumes of gas that the utility has contracted with a supplier or transporter to receive.”

## ***Background***

On June 28, 2013, Great Plains requested to change its demand portfolio to reflect the reallocation of the TF12 contract from Northern Natural Gas Co., and stated that it has converted its FT-A, Zone 1-2 contract, utilized in both the North District and South District, to FT-A, Zone 1-1. Great Plains requested that the changes in capacity be effective November 1, 2013.

On August 19, 2013, the Minnesota Department of Commerce, Division of Energy Resources (Department or DOC), filed comments, recommending that the Commission: accept Great Plains' proposed design day method for the South District and the North District; accept Great Plains' proposed reserve margins for the South District and the North District; accept Great Plains' proposed PGA recovery of its demand entitlement proposals for the South District and the North District; and request Great Plains to continue filing, on a going-forward basis, its annual demand entitlement filing by July 1 of each year. The Department also requested that Great Plains provide a detailed discussion, in reply comments, explaining whether it believes the current peak day definition is appropriate or whether maintaining the 1996-1997 heating season event as the planning objective, on a going-forward basis, is more appropriate.

On August 29, 2013, Great Plains filed reply comments in which it agreed with the recommendations of the Department and requested that the Commission issue an Order accepting Great Plains' Demand Entitlement filing. Additionally, Great Plains filed brief responsive comments.

## ***Summary of Parties Positions***

### ***Great Plains***

Great Plains requested to change its demand portfolio to reflect the reallocation of the TF12 contract from Northern Natural Gas Co. (NNG). Great Plains requested that changes in the capacity be effective November 1, 2013, which corresponds with the effective date of NNG's TF12 Base and Variable capacity reallocation. At the time of Great Plains' filing, the amount of the TF12 Base and Variable capacity reallocation was not known. However, as Great Plains stated, there is no deliverability difference between the TF 12 Base and TF12 Variable entitlement.

Great Plains also converted its FT-A, Zone 1-2 contract, which is utilized in both the North District and the South District, to FT-A, Zone 1-1. Great Plains proposed no changes to the overall level of capacity available in the North and South Districts.

Based on its design-day study and proposed capacity levels, Great Plains is anticipating a reserve margin of 6.1 percent in the North District<sup>1</sup> and 2.3 percent in the South District.<sup>2</sup> Great Plains stated that this level of reserve margin is consistent with the Commission's directive in its September 30, 2010 Order in Docket No. G004/M-09-1262 that Great Plains reduce its reserve margin to approximately 5 percent in the North District and South District.

In response to a Department request<sup>3</sup> for a comparison between actual usage for new and older construction, Great Plains explained that it has continued to explore different ways of identifying and developing a reliable method to determine, on a comparable basis, the usage at a newly constructed home versus an older constructed home. Great Plains stated that it has been unable to find a way to accurately quantify the differing types of consumption due to the number of variables and lack of data related to the variables. As explained:

Great Plains' customer records do not contain this information and Company personnel were unable to develop a cost effective study that would produce reliable/informative data absent this information. As a result, despite its efforts Great Plains has found it infeasible to isolate the component the declining use per customer resulting from improved building design. Notwithstanding this fact, Great Plains remains open to suggestions regarding how such a study could be completed, but is concerned that any conclusions would be speculative.

In reply comments, in response to a Department request that Great Plains provide a detailed

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<sup>1</sup> Great Plains' North District includes the following Minnesota communities: Breckenridge, Crookston, Fergus Falls, Pelican Rapids, and Vergas.

<sup>2</sup> Great Plains' South District includes the following Minnesota communities: Belleview, Boyd, Clarkfield, Danube, Dawson, Echo, Granite Falls, Marshall, Montevideo, Redwood Falls, Renville, Sacred Heart, and Wood Lake.

<sup>3</sup> In comments on Great Plains' 2012 Demand Entitlement filing, Docket No. G004/M-12-740, the Department requested that Great Plains provide a discussion and supporting documentation comparing actual usage for new construction to usage for older construction for both its North and South Districts. Great Plains proposed to submit its findings in this, its 2013 Demand Entitlement filing.

discussion explaining whether it believes the current peak day definition is appropriate or whether maintaining the 1996-1997 heating season event as the planning objective, on a going-forward basis, is more appropriate, Great Plains provided the following discussion:

While Great Plains has been comfortable with the use of the coldest day in the last twenty years, it believes that switching from the coldest average temperature in the past twenty years to a longer time period would be appropriate. Montana-Dakota Utilities Co., also a Division of MDU Resources Group, Inc. uses the past thirty years in the four jurisdictions it provides gas service and is more comfortable with the longer historical time period. Great Plains attempts to maintain a pipeline transportation reserve margin of around five percent in order to handle unexpected events, such as a daily average temperature setting a new record low. Great Plains is in agreement with the statement that system reliability is a concern and using a longer historical temperature period of thirty years should help address this issue.

Great Plains stated that it agrees with the recommendations of the Department and the Company requested that the Commission issue an Order accepting Great Plains' Demand Entitlement filing. Great Plains also agreed with the Department's request that Great Plains continue to file its annual demand entitlement on, or about, July 1 of each year.

#### *DOC*

##### Design Day Requirements

The Department stated that, while concerns about sample size and changing weather patterns remain valid, and will continue to be factors in the Department's analysis of Great Plains' demand entitlement filings, because the Company's analysis produces results that are not unreasonable, the Department supports Great Plains' Petition.

The Department used two methods to gauge the reasonableness of Great Plains' design day amounts for the South District and the North District: 1) using data from the previous five heating seasons; and 2) using data from the heating season with the overall greatest peak sendout per firm customer, which occurred before the previous five heating seasons.

The Department noted that when all-time peak-day sendout is analyzed, it appears that Great Plains may not have sufficient capacity to serve firm customers, for each of its districts, on a Commission design day. However, the Department also discussed how it observed, in Great Plains' 2010 demand entitlement proceeding, that generally Great Plains' assertions about changes in use per customer over time appear to be plausible and should be reflected in estimates of use per customer.

The Department stated that it believes the Company has reasonably attempted to model the difference between gas consumption for newer construction and existing housing stock.

The Department stated that it will continue to closely assess Great Plains' design-day method so that it produces the most reasonable results possible. The Department recommended that the Commission accept the Company's proposed design day method for the South District and the North District.

### Reserve Margins

The Department stated that it does not believe that Great Plains' reserve margins are unreasonable and recommended that the Commission accept Great Plains' proposed reserve margins for the South District and the North District.

### PGA Cost Recovery Proposal

The Department recommended that the Commission accept the Company's proposed PGA recovery of its demand entitlement proposals for the South District and the North District.

### Future Demand Entitlement Filings

The Department recommended that the Commission request Great Plains to continue filing, on a going-forward basis, its annual demand entitlement filing by July 1 of each year.

### ***Staff Comment***

There does not appear to be any controversy in this docket. However, staff notes the following:

The Department recommended that the Commission request Great Plains to continue filing, on a going-forward basis, its annual demand entitlement filing by July 1 of each year. Great Plains has agreed to do this. Further, the Commission has since requested this. Specifically, the Commission's September 3, 2013 Order in Docket No. G-004/M-11-1075 states the following at ordering point number 6:

6. Requests that Great Plains file future annual demand-entitlement filings on, or about, July 1 of each year with the understanding that additional information will be required through supplemental filings once final demand-entitlement changes are known.

Staff notes that with the earlier filing date, Great Plains is filing its demand entitlement petitions before final changes, for example the NNG TF12 Base and Variable reallocation, and the associated rate and bill impact are known. In this instance, Great Plains did not make a supplemental filing. Therefore, staff assumes the only change was the finalization of the NNG TF12 Base and Variable reallocation amounts. The new allocation of TF 12 entitlements between Base and Variable amounts is determined by NNG based on the previous May through September throughput and is generally not known until sometime between mid-October and early November.

## ***Decision Alternatives***

1. Accept Great Plains' 2013 Demand Entitlement filing. [Great Plains]
2. Accept Great Plains' proposed design day method for the South District and the North District. [DOC]
3. Accept Great Plain's proposed reserve margins for the South District and the North District. [DOC]
4. Accept Great Plain's proposed PGA recovery of its demand entitlement proposals for the South District and the North District. [DOC]
5. Request Great Plains to continue filing, on a going-forward basis, its annual demand entitlement filing on, or about, July 1 of each year with the understanding that additional information will be required through supplemental filings once final demand entitlement changes are known. [DOC with staff modification to reflect the language contained in the Commission's September 3, 2013 Order in Docket No. G004/M-11-1075]

[Staff notes that the Commission has already requested this in its September 3, 2013 Order in Docket No. G004/M-11-1075 and it may be unnecessary to do so again.]