

April 3, 2015

Daniel P. 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. G011/M-14-660

Dear Mr. Wolf:

The Minnesota Department of Commerce, Division of Energy Resources (Department) provides the following *Response Comments* with regards to the following matter:

Request (*Petition*) by Minnesota Energy Resources Corporation (MERC or the Company) for approval by the Minnesota Public Utilities Commission (Commission) of changes in demand entitlements for its Northern Natural Gas (Northern or NNG) Transmission System (14-660) Purchased Gas Adjustment (PGA), effective November 1, 2014.

The filings were submitted on August 1, 2014 and updated on November 3, 2014. On December 8, 2014 the Department filed its Comments recommending that the Commission:

- accept MERC-NNG's peak-day analysis with the caveat that the Department cannot fully verify the results of MERC's analysis;
- approve MERC-NNG's proposed level of demand entitlement and proposed recovery of associated demand costs effective November 1, 2014, contingent on the Company providing in its reply comments clarification on its petition.

The Department requested that MERC in *Reply Comments*:

- indicate whether all of the contracted demand volumes on the NNG pipeline are used to serve the firm customers who are charged for these costs;
- provide additional details and clarification regarding the pipeline rates for NNG; and
- explain why the changes in contracts 112561 and 112486 and associated entitlement amounts and associated increase in costs are reasonable.

Additionally, the Department requested that MERC supplement its November PGA filing in Docket No. G011/AA-14-940 with the relevant Federal Energy Regulatory Commission (FERC) pipeline tariff sheets and associated details/clarifications for the NNG rates.

On December 18, 2014, MERC filed a response to the Department's requests.

Regarding the first request in reference to contracted demand volumes, MERC stated the following in its *Reply Comments*:

MERC only contracts for firm capacity to serve MERC firm customers based upon the design day plus a reasonable reserve margin. The contracted demand volumes on the NNG pipeline are used to serve the firm load and the interruptible customers as the margin allows, but only the firm load is used to determine our contract capacity needs.

The Department appreciates MERC's explanation and agrees with MERC's approach in only using the firm load to determine the contracted interstate pipeline capacity needs.

Regarding the second request to provide additional details and clarification on the pipeline rates for NNG, MERC stated the following in its *Reply Comments*:

...The NNG TF Service tariff (MERC Contract 112495) has a different rate during the summer and the winter. The summer rate (April through October) is \$5.6830. . . . During the winter, NNG has three different rates for TF Service, a Base Rate of \$10.2300, a Variable Rate of \$13.8660 and a Winter Rate of \$15.1530. . . . Based on how the contract is used determines the volumes that fall under the Base and Variable rates. Because the Demand Entitlement filing period is effective November 1, 2014, the rates that were used for NNG are based on the average of NNG tariff rates, as mentioned above. MERC also has a discount on 5,200 Dth/day annual capacity on contract number 112495 during the winter months.

MERC provided a similar explanation for the changes in NNG's TFX pipeline service. Additionally, MERC stated that it supplemented its November 2014 PGA filing in Docket No. G011/AA-14-940 with the relevant NNG pipeline FERC tariff sheets and associated details for the changes in NNG rates. The Department appreciates MERC's clarifications regarding the NNG pipeline rates.<sup>1</sup>

Regarding the third request to provide explanation for the changes in contracts 112561 and 112486, associated entitlement amounts and associated increase in costs; MERC stated the following in its *Reply Comments*:

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<sup>1</sup> The Department notes that in Attachment 12 of its *Petition*, for TF 12B (max rate) pipeline service October PGA costs are approximately \$3,966,337 whereas in its October PGA filing in Docket No. G011/AA-14-830, MERC shows costs of approximately \$3,964,789 resulting in a difference of \$1, 548. MERC's Attachment 12 is utilized to show the change in costs (from October to November) due to the changes resulting from the Demand Entitlement *Petition*. The difference is immaterial.

Contract 112561 was a 6,000 Dth/day discount contract that could only be utilized when the average temperature was -3 or below, and which had a termination date of effective April 1, 2014. NNG was no longer willing to sell this capacity to MERC at a discount and under the temperature restriction and only would sell it to MERC at maximum tariff rates. This capacity has a delivery point of Rochester 1B, where MERC needs the capacity to meet a system-wide design day. Therefore, MERC agreed to keep the capacity for the winter months (November through March) through March 31, 2017. Since this became a maximum tariff rate contract, MERC requested NNG combine the 6,000 Dth/day capacity into MERC's contract 112486 to minimize the number of contracts MERC needs to administer.

MERC's decision to keep the 6,000 dekatherm (Dth) /day winter capacity appears reasonable considering the delivery point of Rochester<sup>2</sup> and to meet the system-wide design day.

The Department continues to make the same recommendations as in its December 8, 2014 *Comments* stated above, namely:

- accept MERC-NNG's peak-day analysis with the caveat that the Department cannot fully verify the results of MERC's analysis; and
- approve MERC-NNG's proposed level of demand entitlement and proposed recovery of associated demand costs effective November 1, 2014.

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

Sincerely,

/s/ SACHIN SHAH  
Rates Analyst

SS/lt

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<sup>2</sup> In Docket No. G011/M-13-670, MERC had stated that it was expecting significant growth in Rochester. See January 13, 2014 *Response Comments* of the Department.

## **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. G011/M-14-660**

Dated this 3<sup>rd</sup> day of April 2015

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500  Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_14-660_M-14-660
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_14-660_M-14-660
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	150 S. 5th Street, #1200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-660_M-14-660
Seth	DeMerritt	ssdemerritt@integrysgroup.com	Integrays Business Support	700 North Adams P.O. Box 19001 Green Bay, WI 543079001	Electronic Service	No	OFF_SL_14-660_M-14-660
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_14-660_M-14-660
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_14-660_M-14-660
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St  Chicago, IL 60661	Electronic Service	No	OFF_SL_14-660_M-14-660
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_14-660_M-14-660
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street  St. Paul, MN 551012134	Electronic Service	No	OFF_SL_14-660_M-14-660
Harry W	John	HWJohn@integrysgroup.com	MERC, Integrays	700 North Adams PO Box 19001 Green Bay, WI 54307-9001	Electronic Service	No	OFF_SL_14-660_M-14-660

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David G.	Kult	dgkult@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St. NW Rosemount, MN 55068	Electronic Service	No	OFF_SL_14-660_M-14-660
David	Kyto	djkyto@integrysgroup.com	IntegrYS Business Support	700 North Adams PO Box 19001 Green Bay, WI 543079001	Electronic Service	No	OFF_SL_14-660_M-14-660
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th Street West Rosemount, MN 55068	Electronic Service	No	OFF_SL_14-660_M-14-660
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_14-660_M-14-660
Eric	Lipman	eric.lipman@state.mn.us	Office of Administrative Hearings	PO Box 64620 St. Paul, MN 551640620	Electronic Service	Yes	OFF_SL_14-660_M-14-660
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_14-660_M-14-660
Chad T	Marriott	ctmarriott@stoel.com	Stoel Rives LLP	900 SW 5th Ave Ste 2600 Portland, OR 97204	Electronic Service	No	OFF_SL_14-660_M-14-660
Brian	Meloy	brian.meloy@stinsonleonard.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-660_M-14-660
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-660_M-14-660
Barbara	Nick	banick@integrysgroup.com	Minnesota Energy Resources Corporation	2665 145th Street PO Box 455 Rosemount, MN 55068-0455	Electronic Service	No	OFF_SL_14-660_M-14-660

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750  St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-660_M-14-660
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	Yes	OFF_SL_14-660_M-14-660
Kristin	Stastny	stastny.kristin@dorsey.com	Dorsey & Whitney LLP	50 South 6th Street Suite 1500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-660_M-14-660
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_14-660_M-14-660
Gregory	Walters	N/A	Minnesota Energy Resources Corporation	3460 Technology Dr. NW  Rochester, MN 55901	Paper Service	No	OFF_SL_14-660_M-14-660
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_14-660_M-14-660
James P.	Zakoura	Jim@smizak-law.com	Smithyman & Zakoura Chartered	750 Commerce Plaza II 7400 West 110th Street Overland Park, KS 662102362	Electronic Service	No	OFF_SL_14-660_M-14-660