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July 15, 2015

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

RE: Docket No. G004/M-15-422
Reply Comments to the Comments of the 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 submits its Reply Comments to the Comments of the Department of Commerce (Department) filed on July 1, 2015, regarding Great Plains' 2014 Conservation Improvement Program (CIP) Tracker Account including a Proposed Conservation Cost Recovery Adjustment (CCRA) and Demand Side Management (DSM) Financial Incentive.

As discussed in these Reply Comments, Great Plains agrees with the Department's recommendation that the Minnesota Public Utilities Commission (Commission) approve the Company's DSM Financial Incentive and CIP Tracker Account, and Great Plains agrees to update the interest rate used to calculate carrying charges to reflect the two-year U.S. Treasury bond interest rate in future petitions. In addition, Great Plains has provided additional information and a revised CCRA as requested by the Department.

Sincerely,

/s/ Tamie A. Aberle

Tamie A. Aberle
Director of Regulatory Affairs

cc: Brian Meloy
Service List

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John Tuma	Commissioner
Betsy Wergin	Commissioner

In the matter of Great Plains Natural Gas Co.'s Request for Approval of its Proposed 2014 Conservation Improvement Program Tracker Account, Including a Proposed Conservation Cost Recovery Adjustment, and a Demand Side Management Financial Incentive for 2014.)	Docket No. G004/M-15-422
)	Great Plains Natural Gas Co.
)	Reply Comments

On May 1, 2015 Great Plains Natural Gas Co. (Great Plains), a Division of MDU Resources Group, Inc., submitted its Conservation Improvement Program (CIP) Tracker and Demand Side Management (DSM) financial incentive with the Minnesota Public Utilities Commission (Commission). On July 1, 2015, the Department of Commerce (Department) filed its Comments on Great Plains' filing. In its Comments, the Department recommends that the Commission approve Great Plains' 2014 CIP tracker account and its proposed 2014 DSM financial incentive. The Department recommended that the Commission also require Great Plains to update the interest rate used to calculate carrying charges to reflect the two-year U.S. Treasury bond interest rate in future petitions. Great Plains agrees with these Department recommendations.

Additionally, the Department requested that Great Plains explain whether it would be appropriate to reflect a large custom project in the calculation of the CCRA, and if so, provide a revised CCRA calculation.

I. DISCUSSION

A. Approval of Great Plains' CIP Tracker, DSM Incentive and Interest Rate on Carrying Charges.

In its July 1, 2015 Reply Comments, the Department recommends that the Commission approve Great Plains' (1) 2014 CIP tracker account, as provided in the Company's Petition and summarized in Table 1 of the Department's Comments; (2) proposed 2014 DSM financial incentive of \$42,180; and (3) require Great Plains to update the interest rate used to calculate carrying charges to reflect the two-year U.S. Treasury bond interest rate in future petitions. Great Plains agrees with the Department's recommendations and appreciates the Department's thorough review.

B. Discussion on the Calculation of the CCRA.

On pages 7 through 9 of its July 1, 2015 Comments, the Department discusses the calculation of the CCRA and its concerns that the proposed rate would result in an under collection of CIP expenses during the period September 1, 2015 through August 31, 2016. In particular, the Department noted that the Company has indicated that it has a large custom project that was expected to be completed in 2014 but is now expected to be completed in the fall of 2015, and could add significant expenses during 2015. The Department requested that Great Plains explain whether it would be appropriate to reflect this large custom project in the calculation of its CCRA and, if so, to provide a revised CCRA calculation.

Great Plains has reviewed and subsequently determined that the large custom project is very likely to be completed during 2015 and does have significant associated expenses. The Measurement and Verification (M&V) Plan for this project has been approved by the Department and the M&V should be completed in the fall of 2015. Great Plains has revised its calculation of the CCRA to reflect an estimate of \$115,200

for the custom project and has also recalculated a revised CCRA calculation including that amount. Based on these assumptions, the CCRA rate would be \$0.0255 per dk rather than \$0.0011. See the Revised Attachment E for the calculation of the revised CCRA including the costs associated with the custom project described above.

II. SUMMARY AND RECOMMENDATIONS

Great Plains requests the Commission approve the 2014 CIP Tracker Account and DSM Financial Incentive and agrees to use the two-year U.S. Treasury bond interest rate to calculate carrying charges in future petitions. Great Plains has provided additional information and a revised calculation of its CCRA as requested by the Department. Great Plains agrees it would be appropriate to include the incentive associated with the custom project that is expected to be completed in the fall of 2015.

Dated: July 15, 2015

Sincerely,

/s/ Tamie A. Aberle

Tamie A. Aberle
Director Regulatory Affairs

**GREAT PLAINS NATURAL GAS CO.
CIP RATE TRUE-UP FILING
DOCKET NO. G004/M-15-422**

	Projected Dk 1/	Volumetric Allocation	CCRA Recovery	Proposed CCRA	Current CCRA 2/	Change
Residential	1,462,800	27.2600%	\$32,946	\$0.0225	\$0.0747	(\$0.0522)
Firm General	1,196,500	22.3000%	26,951	0.0225	0.0747	(0.0522)
Interruptible	1,397,500	26.0400%	31,471	0.0225	0.0747	(0.0522)
Transportation	1,309,000	24.4000%	29,489	0.0225	0.0747	(0.0522)
Total	<u>5,365,800</u>	<u>100.0000%</u>	<u>\$120,857</u>			

Rate change for the average customer using 78 Dk per year.

	Dk 3/	CCRC	CCRA	Total	Total CIP Cost
Current Rate	78	\$0.0259	\$0.0747	\$0.1006	7.85
Proposed Rate	78	0.0259	0.0225	0.0484	3.78
Change		0.0000	(0.0522)	(0.0522)	

The average residential customer will pay an annual CIP cost of \$3.78 per year.

- 1/ Projected dk throughput September 2015 through August 2016 pursuant to Docket No. G004/M-12-439. Excludes CIP-exempt customer dk throughput.
- 2/ Authorized in Docket No. G004/M-14-358, effective January 1, 2015.
- 3/ Reflects average normalized 2014 residential dk per customer.

**GREAT PLAINS NATURAL GAS CO.
CCRA FILING AND DEMAND INCENTIVE
DOCKET NO. G004/M-15-422**

<u>CIP True-Up</u>	<u>Beginning Balance</u>	<u>Expenses</u>	<u>Carrying Charges</u>	<u>Billed Recovery</u>	<u>Net Activity</u>	<u>Ending Balance</u>
2014 Activity	\$397,382	\$327,380	\$9,732	\$784,249	(\$447,137)	(\$49,755)
2015 Activity						
January - March Actual	(49,755)	\$107,550	(\$109)	\$247,987	(140,546)	
April - August 2015 Estimated		380,204	(265)	110,961	268,978	
	<u>(49,755)</u>	<u>487,754</u>	<u>(374)</u>	<u>358,948</u>	<u>128,432</u>	
Projected Balance September 1, 2015	<u>(\$49,755)</u>	<u>\$487,754</u>	<u>(\$374)</u>	<u>\$358,948</u>	<u>\$128,432</u>	<u>\$78,677</u>
DSM Incentive						<u>42,180</u> 1/
Total Balance						<u>\$120,857</u>

1/ Reflects \$42,180 or 4.69311 percent of the \$898,771 net benefits achieved in 2014.

**GREAT PLAINS NATURAL GAS CO.
CIP PROGRAM
2014**

Month	Beginning Balance	Carrying Charge 1/	Current Month Charges	Billed Recovery			Ending Balance
				CCRC	CCRA	Total	
December 2013							\$397,382
January 2014	\$397,382	\$2,851	\$21,179	\$24,640	\$97,739	\$122,379	299,033
February	299,033	2,146	21,116	21,179	84,065	105,244	217,051
March	217,051	1,558	32,722	19,285	76,591	95,876	155,455
April	155,455	1,116	25,227	14,854	59,077	73,931	107,867
May	107,867	774	9,856	11,386	45,391	56,777	61,720
June	61,720	443	21,548	7,718	30,847	38,565	45,146
July	45,146	330	22,660	5,371	21,455	26,826	41,310
August	41,310	310	12,926	4,267	17,073	21,340	33,206
September	33,206	252	16,805	6,307	25,172	31,479	18,784
October	18,784	148	36,301	10,650	42,432	53,082	2,151
November	2,151	29	26,508	12,449	49,572	62,021	(33,333)
December 2014	(33,333)	(225)	80,532	19,457	77,272	96,729	(49,755)
Total 2014		<u>\$9,732</u>	<u>\$327,380</u>	<u>\$157,563</u>	<u>\$626,686</u>	<u>\$784,249</u>	

1/ Reflects interest at authorized rate of return of 8.960%.

GREAT PLAINS NATURAL GAS CO.
CIP PROGRAM
2015

Month	Beginning Balance	Carrying Charge 1/	Current Month Charges	Billed Recovery			Ending Balance
				CCRC	CCRA	Total	
December 2014							(\$49,755)
January 2015	(\$49,755)	(\$19)	\$56,582 2/	\$20,214	\$73,864	\$94,078	(87,270)
February	(87,270)	(34)	17,861	18,377	53,059	71,436	(140,879)
March	(140,879)	(56)	33,107	21,234	61,239	82,473	(190,301)
April - est.	(190,301)	(76)	72,505	10,360	29,880	40,240	(158,112)
May - est.	(158,112)	(63)	28,349	5,594	16,135	21,729	(151,555)
June - est.	(151,555)	(61)	61,919	4,095	11,810	15,905	(105,602)
July - est.	(105,602)	(42)	65,109	4,105	11,840	15,945	(56,480)
Aug - est.	(56,480)	(23)	152,322 3/	4,413	12,729	17,142	78,677
Total 2015 YTD		<u>(\$374)</u>	<u>\$487,754</u>	<u>\$88,392</u>	<u>\$270,556</u>	<u>\$358,948</u>	

1/ Reflects the authorized interest at the two-year U.S. Treasury Bond rate as of October 29, 2014 of 0.48%, divided over 12 months, per Order No. G004/M-14-358, issued December 17, 2014.

2/ Includes DSM incentive amount of \$24,137 authorized in Docket No. G004/M-14-358.

3/ Includes estimated costs of \$115,200 for a large custom project to be completed in 2015.