

June 24, 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 to Minnesota Regulated Natural Gas Companies' Reply Comments
Docket No. G999/AA-14-580

Dear Mr. Wolf:

Attached please find the Minnesota Department of Commerce, Division of Energy Resources' (Department or DOC) Response Comments to the Reply Comments of the Minnesota regulated natural gas companies. Specifically, the Department responds to Reply Comments from the following utilities:

- Greater Minnesota Gas, Inc., filed May 15, 2015;
- Great Plains Natural Gas Co., a division of MDU Resources Group, Inc., filed with an extension on May 27, 2015;
- Interstate Power and Light Company - Gas Utility, filed May 15, 2015;
- Minnesota Energy Resources Corporation (MERC), filed May 15, 2015;
- CenterPoint Energy, filed May 15, 2015; and
- Northern States Power Company d/b/a Xcel Energy - Gas Utility, filed May 15, 2015.

The Department's Response Comments contain revised recommendations to the original recommendations included in the Department's Review of the 2013-2014 Annual Automatic Adjustment Reports filed on May 5, 2015. The Department recommends that the Minnesota Public Utilities Commission (Commission) adopt the DOC's recommendations, as discussed in greater detail herein. For ease of reference, the Department lists all of its recommendations at the end of these Response Comments.

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

Sincerely,

/s/ MICHELLE ST. PIERRE
Financial Analyst

/s/ ANGELA BYRNE
Financial Analyst

MS/AB/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

**RESPONSE COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES**

DOCKET No. G999/AA-14-580

I. BACKGROUND

On May 5, 2015, the Minnesota Department of Commerce, Division of Energy Resources (Department or DOC) filed its Review of 2013-2014 Annual Automatic Adjustment Reports (AAA Report) with the Minnesota Public Utilities Commission (Commission) in the present docket. In its AAA Report, the DOC requested that all of the gas utilities address specific issues in Reply Comments. Minnesota's regulated gas utilities are:

- Greater Minnesota Gas, Inc. (Greater Minnesota or GMG);
- Great Plains Natural Gas Company (Great Plains);
- Interstate Power and Light Company – Gas Utility (Interstate Gas);
- MERC, a Division of Minnesota Energy Resources Corp. (MERC);
- CenterPoint Energy, a Division of CenterPoint Energy Resources Corp. (CenterPoint Energy or CPE); and
- Northern States Power Company d/b/a Xcel Energy – Gas Utility (Xcel Gas).

Since May 5, 2015, each of these utilities filed Reply Comments in the present docket. The following is the Department's response to each of the above utilities' Reply Comments. Additionally, Department restates its recommendations and provides revised recommendations for all gas utilities, except for Interstate Gas and CPE.

II. THE DOC'S RESPONSE TO THE UTILITIES' REPLY COMMENTS

In its AAA Report, the Department recommended that the Commission accept all of the utilities' (GMG, Great Plains, Interstate Gas, MERC, CPE, and Xcel Gas) true-up filings. The Department also made recommendations specific to Great Plains, MERC, and Xcel Gas. The Department made recommendations for subsequent AAA filings on hedging and the

Contractor Main Strikes Report. Additionally, the Department requested that in its Reply Comments, each utility provide a discussion on a series of curtailment questions.

The Department discusses the issues for Great Plains, MERC and Xcel Gas below. Additionally, the Department provides the responses to the reporting of contractor main strikes reporting, curtailment inquiries, and MERC's Transportation Resale Tariff.

A. RESPONSE TO GREAT PLAINS' REPLY COMMENTS

In its AAA Report, the Department recommended that Great Plains 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. Great Plains agreed with this recommendation.¹

The Department also recommended that the Commission require Great Plains to request that its auditor include, as part of the true-up audit, the allocations between Purchased Gas Adjustment (PGA) systems. Great Plains disagreed with this recommendation since the error was not associated with the allocation of costs between PGA systems. Great Plains reasoned:

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.²

According to a June 4, 2015 email with Great Plains, there was a transition of personnel preparing and reviewing the true-up filing which lead to a miscommunication between Great Plains' Accounting and Regulatory staff as to whether the initial correction to the error was made in the FYE13 true ups. The miscommunication caused the correction to be made a second time in the FYE14 true-ups. Based on Great Plains' Reply Comments and the email from Great Plains, the Department now removes its recommendation that Great Plains' auditor include, as part of the true-up audit, the allocations between PGA systems.

¹ Great Plains Reply Comments, page 1.

² Great Plains Reply Comments, page 2.

B. RESPONSE TO MERC'S REPLY COMMENTS

In its AAA Report, the Department recommended that the Commission require MERC to request that its auditor include as part of the true-up audit, the allocations between PGA systems. The Department also recommended that the Commission require MERC to provide its meter testing results on a calendar-year basis starting with the year 2014. In its Reply Comments, MERC stated that it agreed “to request that its auditor review the cost allocations between PGAs for future true-up filings and address any concerns regarding cost-allocations in the audit report to be filed with the AAA report.”³ MERC also stated that it agreed “to provide future meter testing results on a calendar-year basis.”⁴

Additionally, the Department recommended that MERC respond in Reply Comments with its recovery proposals for the Great Lakes Gas Transmission (GLGT) metering and Deer River errors and whether variances were necessary.

1. MERC's Reply Comments Regarding GLGT Metering Error

Regarding the GLGT metering error, MERC summarized the issue:

After the submittal of its 2014 true-up reports, MERC was notified by GLGT in early September 2014 that their meter at the Grand Rapids, Minnesota, Town Border Station (“TBS”) was incorrectly measuring natural gas flow. GLGT calculated an adjustment amount of 163,143 Dths for the time period of February 2014 through July 2014. GLGT corrected the measurement error by adjusting the balancing volume MERC owed to GLGT by 163,143 Dths on the August 2014 Balancing Statement issued to MERC. MERC treated this imbalance amount owed to GLGT as it treats other imbalances on the GLGT pipeline by adjusting pipeline nominations in future months. In other words, MERC adjusted future nominations downward to adjust for the increased imbalance amount of 163,143 Dths caused by GLGT’s faulty TBS meter. The GLGT metering error only affected MERC-CON PGA system customers. MERC was temporarily not charged for this amount of gas until GLGT issued an invoice to MERC in September 2014 that included the 163,143 Dths of “unmetered” gas in the August 2014 month-end imbalance amount. The August 2014 adjusted month-end imbalance amount was included in MERC

³ MERC’s Reply Comments, Section A.

⁴ MERC’s Reply Comments, Section F.

CON PGA system August 2014 monthly gas costs and will be accounted for as such in MERC's 2015 annual true-up.⁵

Regarding whether a variance is needed, MERC stated:

Minnesota Rule 7820.4000, the Natural Gas Utility Billing Errors Rule, requires that when a customer has been undercharged as a result of incorrect reading of the meter, incorrect application of a rate schedule, incorrect connection of the meter, application of an incorrect multiplier or constant, or other similar reasons, the utility shall calculate the difference between the amount collected for service rendered and the amount the utility should have collected for the period beginning one year before the date of discovery. If the recalculated bills indicate that the amount due the utility exceeds \$10, the utility may bill the customer for the amount due. Because the error was made by GLGT and MERC properly passed through the charged natural gas costs to customers, there is no billing error that would require a variance from the natural gas billing error rules, Minn. R. 7820.4000.

Nevertheless, if the Commission believes a variance to Minn. R. 7820.4000 or Minn. R. 7825.2700 is required in order to correct the error through the 2015 true-up, MERC meets the requirements for a variance in order to account for this error in the 2015 true-up. Minnesota Rule 7829.3200 provides that the Commission shall grant a variance to its rules when it determines that the following requirements are met:

- A. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- B. Granting the variance would not adversely affect the public interest; and
- C. Granting the variance would not conflict with standards imposed by law.

All of these requirements are met here. First, to the extent strict enforcement would be inconsistent with MERC's proposal as outlined above, such enforcement of the applicable rules would

⁵ MERC's Reply Comments, Section E, pt. 1.

impose an excessive burden on MERC and would require MERC to incur significant and unreasonable costs. Second, the public interest would not be adversely affected by granting the variance. To the contrary, granting the variance would benefit the public interest by correcting an error and correctly assigning costs to MERC's customers. Finally, MERC is not aware of any legal standards that would be violated by granting a variance in this case.⁶

In its AAA Report, the Department noted that the GLGT metering error only pertained to the MERC-CON PGA customers, who were all undercharged.⁷ Because MERC compensated for the meter malfunction by adjusting future nominations downward, the Department concludes that neither MERC nor the customers were harmed. Therefore, no billing error occurred that would invoke or require a variance from the natural gas billing error rules, Minn. R. 7820.4000.

2. *MERC's Reply Regarding Deer River PGA System Assignment Error*

Regarding the Deer River system PGA assignment error, MERC summarized the issue:

After the submittal of its 2014 true-up reports, MERC discovered that approximately 460 gas customer accounts in the Deer River, MN area were incorrectly assigned to the MERC-NNG PGA system from July 2013 to October 2014. Customers in the Deer River area were incorrectly billed MERC-NNG PGA system monthly gas cost rate factors but should have been billed MERC-CON PGA system gas cost rate factors. The incorrect assignment of PGA systems caused these customers in Deer River to be over charged for the cost of gas. This also caused revenues associated with approximately 843,100 therms of gas to be incorrectly included in the 2014 annual true up for the MERC-NNG PGA system. Conversely, the error caused the revenues associated with the approximately 843,100 therms of gas to be incorrectly excluded from the 2014 annual true-up for the MERC-CON PGA system.⁸

⁶ *Id.*

⁷ AAA Report, pages 76-77.

⁸ MERC's Reply Comments, Section E, pt. 2.

MERC stated that it issued refunds via a credit on April 2015 bills to MERC's customers in the Deer River area that had been over charged for the cost of gas and that no variance was necessary to complete the refund:

The total amount of the refunds issued, inclusive of interest pursuant to the Natural Gas Utility Billing Errors Rule (Minn. R. 7820.4000), was approximately \$81,000. Because the process used to refund Deer River customers complied with the requirements of the Natural Gas Utility Billing Errors Rule, Minn. R. 7820.4000, no variance from that rule was necessary to complete the refund.⁹

The Department agrees that no variance from the Billing Errors Rule, Minn. R. 7820.4000¹⁰ was necessary to complete the refund.

Additionally, MERC proposed to correct the overstatement of gas cost revenues applied to the MERC-NNG PGA system and the understatement of gas cost revenues applied to the MERC-CON PGA system in MERC's 2014 annual true-up by adjusting the FYE15 true-up beginning balances used in the calculation of the FYE15 Gas Cost True up Factors as follows:

- MERC-NNG General Service (GS): An amount of \$487,878.99 will be added to the“(Over)/Under Recovery to be (Credited)/Surcharged” amount reported on line 7, page 1 of 3, in the 2013-2014 MERC-NNG annual true-up report and entered as “2013-2014 Gas Costs to be Recovered” amount on line 1, page 1 of 3, in the upcoming September 2015 filing of the MERC-NNG annual true-up report.
- MERC-NNG Interruptible/Joint Commodity (SVI/LVI): An amount of \$39,645.12 will be added to the“(Over)/Under Recovery to be (Credited)/Surcharged” amount reported on line 7, page 1 of 3, in the 2013-2014 MERC-NNG annual true-up report and entered as “2013-2014 Gas Costs to be Recovered” amount on line 1, page 1 of 3, in the upcoming September 2015 filing of the MERC-NNG annual true-up report.

⁹ *Id.*

¹⁰ The Billing Errors Rule requires in part that overcharges be refunded to the customer.

- MERC-CON General Service (GS): An amount of (\$407,178.83) will be added to the“(Over)/Under Recovery to be (Credited)/Surcharged” amount reported on line 7, page 1 of 3, in the 2013-2014 MERC-CON annual true-up report and entered as “2013-2014 Gas Costs to be Recovered” amount on line 1, page 1 of 3, in the upcoming September 2015 filing of the MERC-CON annual true-up report.
- MERC-CON Interruptible/Joint Commodity (SVI/LVI): An amount of (\$39,452.91) will be added to the“(Over)/Under Recovery to be (Credited)/Surcharged” amount reported on line 7, page 1 of 3, in the 2013-2014 MERC-CON annual true-up report and entered as “2013-2014 Gas Costs to be Recovered” amount on line 1, page 1 of 3, in the upcoming September 2015 filing of the MERC-CON annual true-up report.

Thus, if the Commission approves MERC’s proposal, MERC-NNG’s September 2015 true-up would be surcharged \$527,524.11 (\$487,878.99 + \$39,645.12) and MERC-CON’s September 2015 true up would include a total credit of \$446,631.74 (\$407,178.83 + \$39,452.91). The difference between the surcharge and the credit is the refund of approximately \$81,000.¹¹

Regarding whether a variance is required, MERC stated:

This proposal likely will require a variance from Minnesota Rule 7825.2700, Subpart 7, which requires that a true-up address only costs and credits arising within the relevant reporting year. MERC meets the requirements for a variance from this rule in order to adjust its FYE15 true-up beginning balances as described above. As noted above, Minnesota Rule 7929.3200 provides that the Commission shall grant a variance to its rules when it determines that the following requirements are met:

¹¹ The \$81,000 includes interest of \$129.70 (\$128.77 for General Service customers and \$0.93 for Small Volume Interruptible customers). In a June 1, 2015 email with MERC personnel, MERC stated that it calculated interest monthly as prescribed by Minn. R. 7820.4000, subp. 2 which refers to Minn. Stat., § 325E.02, paragraph (b) for the interest rate.

- A. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- B. Granting the variance would not adversely affect the public interest; and
- C. Granting the variance would not conflict with standards imposed by law.

All of these requirements are met here. First, strict enforcement of Rule 7825.2700 would burden MERC's customers because there would be in an incorrect assignment of revenues such that customers would not be paying the correct gas cost charges. Further, it would not be practicable to make the correction in the current true up period. The proposal outlined above is also more transparent because all corrections will be included in the true-up. Second, the public interest would not be adversely affected by granting the variance. To the contrary, granting the variance would benefit the public interest by correcting an error in assignment of revenues. Finally, MERC is not aware of any legal standards that would be violated by granting a variance in this case.

The Department agrees that all of the requirements have been met for a variance to Minn. R. 7825.2700, subp. 7¹² in order to adjust the September 1, 2015 true-up balance. Therefore, the Department recommends that the Commission approve a variance to Minn. R. 7825.2700, subp. 7 for the FYE15 true-up.

Based on its review of MERC's Reply Comments, the Department now recommends that the Commission:

- allow MERC to adjust the September 1, 2015 true-up balance for its MERC-NNG classes that were undercharged due to the system assignment error by MERC;

¹² Minn. R. 7825.2700, subp. 7 states:

True-up amount. The true-up amount is the difference between the commodity and demand gas revenues by class collected by the utility and the actual commodity-delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year. The true-up adjustment must be computed annually for each class by dividing the true-up amount by the forecasted sales volumes and applied to billings during the next 12-month period beginning on September 1 of each year, provided that the adjustment has been filed under part 7825.2910, subpart 3.

- allow MERC to adjust the September 1, 2015 true-up balance for its MERC-CON classes that were overcharged the system assignment error by MERC; and
- grant MERC a variance to Minn. R. 7825.2700, subp. 7 (for the FYE15 true-up).

C. RESPONSE TO XCEL GAS' REPLY COMMENTS

In its AAA Report, the Department recommended that Xcel Gas request a variance (Minn. R. 7829.3200) for the five occasions where Xcel Gas continued to use the Capacity Utilization Program during 2013-2014 after the expiration of the original variance.¹³

Xcel Gas responded:

We apologize for any oversight on our part because it was not clear to us that Commission approval of the accounting method is or was required. To the extent that either an extension or a variance is required, please consider this Reply our formal request for an extension to provide explicit authorization for the Company to use the accounting treatment under the Capacity Utilization Program in the five instances noted by the Company.

Upon further review, the Department notes that the Capacity Utilization Program was approved under Minn. Stat. § 216B.10¹⁴ and as a result no variance was required to the Rules. In a June 4, 2015 email, Xcel Gas stated that it agreed that no variance was required, but Xcel Gas was unclear whether any additional Commission approval was required for the continuation of the accounting treatment after the term of the pilot program expired. As discussed in the AAA Report,¹⁵ the Capacity Utilization Program has resulted in net savings to ratepayers.

Based on this information, the Department now recommends that the Commission

- approve Xcel Gas' request for an extension to use the accounting treatment under the Capacity Utilization Program in the five instances after the expiration of the three-year pilot program; and
- approve Xcel Gas' Capacity Utilization Program as a permanent program.

¹³ Docket No. E,G002/M-09-852.

¹⁴ Titled Accounting.

¹⁵ AAA Report, page 43.

D. RESPONSE TO REPORTING OF CONTRACTOR MAIN STRIKES

In its AAA Report, the Department recommended that all of the utilities total the gas costs in their Contractor Main Strikes Report and provide the allocation of gas costs credited to each class in its true-up of commodity costs.

GMG, Great Plains, and CPE did not mention Contractor Main Strikes Report in their replies. Both MERC and Xcel Gas stated that they do not object to the Department's recommendation.¹⁶ IPL stated that for the FYE14 the total cost of lost gas in its Contractor Main Strikes Report was \$252.70, of which \$153.97 was allocated to firm customers and \$98.73 to interruptible customers.¹⁷ The Department appreciates the additional information provided by IPL in its reply. The Department notes that due to MERC's purchase of Interstate Gas, Docket No. G001,011/PA-14-107, MERC should report in its future Contractor Main Strikes Reports, Interstate Gas' data on contractor main strikes from July 1, 2014 through May 1, 2015, the date Interstate's customers became MERC's customers.¹⁸

E. RESPONSE TO CURTAILMENTS

In its AAA Report, the Department recommended that the Commission require that all utility tariffs, except Interstate Gas, 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.

The Department also requested that each utility provide discussion on the following questions discussed in Section III.F.1.b. Customer Concentration and Habitual Offenders in its Reply Comments:

- What anticipated effects would the above recommended change to tariff language have on the utilities' demand entitlements?
- When should a utility remove a customer from interruptible service? Immediately? The following November 1? A different date?
- 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?
- 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?
- How long would a customer be excluded from interruptible service before it could be reinstated into that rate class?

¹⁶ MERC Reply Comments, Section F and Xcel Gas' Reply Comments, page 8.

¹⁷ Interstate Gas' Reply Comments, page 2.

¹⁸ MERC reports on a fiscal year July 1 through June 30.

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

The Department also requested that the utilities provide discussion in Reply Comments on the Department's suggested \$5.00 per therm penalty and related tariff language discussed in Section III.F.1.b. *Customer Concentration and Habitual Offenders* of the AAA Report.

1. *Utilities' Replies on Curtailments Generally*

Interstate Gas was excluded from responding to the Department's questions, since Interstate Gas has sold its assets and operations to MERC. MERC's tariff now applies to all of Interstate Gas' former customers.

In a response letter to the Department's request for information, GMG stated that it has not experienced an issue with unauthorized gas use. GMG also stated that it only has two interruptible customers that use gas during the heating season, which have complied with curtailment requests.

The remaining utilities provided general discussions on the topic of interruptible customers and curtailments, followed by responses to each of the questions posed by the Department.

Great Plains stated in its response that it has not experienced a significant level of unauthorized use during curtailments. Great Plains also expressed concern that its system may not be able to provide firm service in all situations (assuming certain large customers are converted) without significant investment. Finally, Great Plains stated that it believes that its existing tariff adequately addresses unauthorized use.¹⁹

MERC was generally supportive of the Department's tariff suggestions but emphasized that any tariff would need to provide enough flexibility to evaluate the impacts of transitioning a customer to firm service on a case-by-case basis.²⁰

In its response, CenterPoint Energy stated that it believes its tariffs already hold interruptible customers accountable for unauthorized use of gas, and therefore making changes to its tariff is unnecessary. CPE also emphasized the importance of engagement with interruptible customers in relation to avoiding unauthorized gas use, and that its tariff already allows CenterPoint Energy to discontinue service or move a customer to firm service for non-compliance.²¹

¹⁹ Great Plains' Reply Comments, page 2.

²⁰ MERC's Reply Comments, page 3.

²¹ CPE's Reply Comments, pages 1-2.

Xcel Gas responded to the Department's request for more information, but prefaced its discussion with the desire to allow its recently implemented \$5.00 per therm penalty pricing to be in effect for at least two more heating seasons before evaluating its effectiveness.²²

2. Utilities' Replies to the Department's Questions on Curtailments

Overall, the utilities varied on their support for forced conversion of an interruptible customer to firm service, but the common thread among the responses was the concern for unintended increased costs for current firm customers. All of the utilities agreed that, depending on the size and location of a customer, forced conversion could require an increase in the demand entitlement, and in some instances, investments in new facilities. This could potentially increase costs for all firm customers.

The Department suggested in its AAA Report that non-compliant customers be removed from interruptible service on November 1 following the heating season in which the customer was non-compliant. All of the utilities expressed concern with setting a specific date. Generally, the utilities stated that the unique circumstances in each case could prove problematic, especially with large customers that would require additional investment in order to take firm service.

For egregious offenses, all of the regulated gas utilities have tariff provisions that allow the utilities to shut off gas supply to interruptible customers if they do not comply with a called curtailment. Based on the Reply Comments from the utilities, it appears that the utilities prefer to use this option only if unauthorized use threatens system reliability, or in an instance of willful or repeated non-compliance.

The Department asked the utilities to discuss what specific triggers should warrant the utility to remove a customer from interruptible service. The answers varied widely. Great Plains and CenterPoint Energy stated that this determination should be made on a case by case basis.²³ MERC suggested that more than one violation as a trigger, while Xcel Gas proposed a trigger ratio of usage between penalty gas and winter season usage.²⁴

Based on the utilities' answers, if a non-compliant customer was removed from interruptible service, that customer would need to take firm service for at least a year, but possibly up to ten years. If increases in the demand entitlement and/or capital investments are necessary to convert an interruptible customer to firm service, Xcel and Great Plains argued that a

²² Xcel Gas' Reply Comments, page 1.

²³ Great Plains' Reply Comments, page 4, and CPE's Reply Comments, page 4.

²⁴ MERC's Reply Comments, page 4, and Xcel Gas' Reply Comments, page 5.

customer may need to remain on firm service for an extended period of time.²⁵ MERC requested flexibility in the length of exclusion.²⁶

Regarding the period for proper notice to a customer, the utilities' responses to the Department's question varied widely, from ten to sixty days. However, all of the utilities agreed that the converted customer should bear all costs of reinstatement. MERC and Xcel stated, though, that they did not want to be responsible for inspecting customers' back-up systems.²⁷

Finally, regarding the Department's suggested \$5.00 per therm penalty and tariff language, MERC was agreeable to the \$5.00 per therm penalty but expressed concerns with enforcing the 1-hour notice provision.²⁸ CenterPoint Energy disagreed that a \$5.00 per therm penalty is appropriate, in light of its current tariff structure.²⁹ Xcel Gas recently implemented a \$5.00 per therm penalty and stated that it would be willing to further increase its penalty rate if a higher financial deterrent is warranted.³⁰

3. *The Department's Analysis On Curtailments*

The Department appreciates the information provided by all of the gas utilities. The utilities' replies gave the Department and Commission a comprehensive look at each utility's tariff and policies. The Department also recognizes the utilities' concerns regarding the proposed tariff language on non-compliant interruptible customers.

Based on the above discussion, the Department will refrain from making any recommendations that would impose specific triggers for conversion of non-compliant customers to firm service at this time. Thus, the Department now removes its recommendation 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. However, the Department would like to revisit this issue in the future, after reviewing additional information from the utilities. The Department now recommends that all Minnesota regulated gas utilities provide information on unauthorized gas use for the next three AAA Reports (2014-2015, 2015-2016, and 2016-2017 reports). For each customer that did not comply with a called interruption(s) during the heating season, the Department requests that the utility provide:

- the volume of gas consumed by the non-compliant customer during the curtailment period;
- the specific commodity rate charged for the unauthorized gas used and how that rate is determined;

²⁵ Xcel Gas' Reply Comments, page 6, and Great Plains' Reply Comments, page 4.

²⁶ MERC's Reply Comments, page 4.

²⁷ MERC's Reply Comments, page 5, and Xcel Gas' Reply Comments, page 6.

²⁸ MERC's Reply Comments, page 5.

²⁹ CPE's Reply Comments, page 5.

³⁰ Xcel Gas' Reply Comments, page 3.

- the financial penalty, if any, assessed by the utility on the customer. Please include calculations in determining the penalty or penalties; and
- a discussion about utility communications with each customer regarding non-compliance with interruptions (excluding invoices).

If the actual weather during one of these future heating seasons mirrors the weather experienced in Minnesota during the 2013-2014 heating season,³¹ the Department may reevaluate the curtailment penalties sooner than in the 2017 AAA Report.

In the meantime, some level of standardization can be applied to the utilities' curtailment penalties. In its AAA Report, the Department suggested that the penalty for all occurrences of unauthorized gas use be raised to \$5.00 per therm. Great Plains and Xcel Gas currently have \$5.00 per therm penalties included in their tariffs.

Even though Greater Minnesota Gas did not experience unauthorized gas use during the 2013-2014 heating season, proper incentives should be in the tariff, ideally before a situation arises in which it is needed. The Department now recommends that GMG file a miscellaneous docket to update its tariff to include a \$5.00 per therm curtailment penalty. Specifically, Greater Minnesota Gas should update its Gas Rate Book, Section V, Sheet No. 14 from "...the higher of (i) \$1.00 per CCF, or..." to "...the higher of (i) \$5.00 per CCF, or...". This change will bring GMG's tariff language closer to Xcel Gas' newly revised curtailment penalty tariff language.

The Department also now recommends that MERC update its tariff from a \$20 per dekatherm curtailment penalty to \$50 per dekatherm penalty. Specifically, where MERC's tariff states, "...plus the greater of either the pipeline daily delivery variance charges or \$20 per dekatherm...", the \$20 figure should be updated to \$50. Since MERC will be planning to file a general rate case in 2015, the Department recommends that MERC propose this tariff change in that docket.

After these changes, CenterPoint Energy will be the only utility that does not have a \$5.00 per therm penalty. Currently, CPE has an escalating penalty of \$1.00 per therm for first occurrence of unauthorized gas use, and \$2.00 per therm for subsequent occurrences. But CenterPoint Energy is also the only gas utility with a tariff provision that explicitly states that a non-compliant customer will be charged the highest incremental cost of gas for the day. In its Reply Comments, CenterPoint Energy demonstrated that the charge for unauthorized gas can reach upwards of \$75.00 per dekatherm, depending on the prevailing price of gas during the curtailment. This level of penalty is more severe than \$5.00 per therm (or \$50.00 per dekatherm) recommended by the Department for other utilities. The

³¹ The weather was significantly below normal during the heating season. See page 4 of the AAA Report.

Department does not currently recommend that CenterPoint update its tariff, however the possibility could be raised again in the future, depending on the compliance information provided by CPE over the next three years.

4. *MERC's Transportation for Resale Tariff*

In its AAA Report, the Department recommended that MERC update its Transportation-for-Resale tariff to clarify that the end-use customers for this service are firm customers and cannot be interrupted.³² In its Reply Comments, MERC agreed and proposed to modify its tariff in its next rate case, which is planned for 2015.³³ The Department recommended above that MERC update its curtailment penalty in its next rate case so therefore the Department has no concerns with MERC's proposal to modify its Transportation-for-Resale Tariff in that case as well. Accordingly, the Department updates its recommendation for MERC below.

III. SUMMARY OF THE DEPARTMENT'S RECOMMENDATIONS

1. The Department continues to recommend that the Commission accept the FYE14 annual reports as filed by the gas utilities as being complete as to Minnesota Rules 7825.2390 through 7825.2920.
2. The Department continues to recommend that each utility that hedges (including physical and financial) continue to provide a post-mortem analysis, in a format similar to what was provided in this docket, in subsequent AAA filings.
3. The Department continues to recommend that the Commission require that all of the utilities total the gas costs in its Contractor Main Strikes Report and also provide the allocation of the gas costs credited to each class in its true up of commodity costs.
4. The Department recommends that all Minnesota regulated gas utilities provide information on unauthorized gas use for the next three AAA Reports (2014-2015, 2015-2016, and 2016-2017 reports). For each customer that did not comply with a called interruption(s) during the heating season, the Department requests that the utility provide:
 - the volume of gas consumed by the non-compliant customer during the curtailment period;
 - the specific commodity rate charged for the unauthorized gas used and how that rate is determined;

³² The Department's AAA Report, page 68.

³³ MERC's Reply Comments, pages 5-6.

- the financial penalty, if any, assessed by the company on the customer. Please include calculations in determining the penalty or penalties; and
- a discussion about utility communication with each customer regarding non-compliance with interruptions (excluding invoices).

5. Greater Minnesota

The Department now recommends that the Commission:

- accept GMG's FYE14 true up as filed in Docket No. G022/AA-14-728;³⁴
- allow GMG to implement its true-up, as shown in DOC Attachment G5 of the AAA Report; and
- Require GMG to file a miscellaneous docket to update its tariff to include a \$5.00 per therm curtailment penalty.

6. Great Plains

The Department now recommends that the Commission:

- accept Great Plains' FYE14 true-ups as filed in 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; and
- 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.

7. Interstate Gas

The Department continues to recommend that the Commission:

- accept Interstate Gas' FYE14 true-up filing in Docket No. G001/AA-14-742; and
- allow Interstate Gas to implement its true-up, as shown in Department Attachment G7 of the AAA Report.

8. MERC

The Department now recommends that the Commission:

- accept MERC-NNG's FYE14 true-up as filed in Docket No. G011/AA-14-755;
- allow MERC-NNG to implement its true-up, as shown in Department Attachment G8 of the AAA Report;

³⁴ The Department corrected the company number erroneously listed as G001 in the Summary of the Department's Recommendations section of the AAA Report.

- accept MERC-Consolidated's FYE14 true-up as filed in Docket No. G011/AA-14-754;
- allow MERC-Consolidated to implement its true-up, as shown in Department Attachment G9 of the AAA Report;
- require MERC to request that its auditor include as part of the true-up audit, the allocations between PGA systems;
- require MERC to provide its meter testing results on a calendar year basis starting with the year 2014;
- allow MERC to adjust the September 1, 2015 true-up balance for its MERC-NNG classes that were undercharged due to the system assignment error by MERC;
- allow MERC to adjust the September 1, 2015 true-up balance for its MERC-CON classes that were overcharged the system assignment error by MERC;
- grant MERC a variance to Minn. R. 7825.2700, subp. 7 (for the FYE15 true-up);
- require MERC, in its next general rate case, to update its tariff from a \$20 per dekatherm curtailment penalty to a \$50 per dekatherm penalty; and
- require MERC, in its next general rate case, to update its Transportation-for-Resale tariff to clarify that the end-use customers for this service are firm customers and cannot be interrupted.

9. CenterPoint Energy

The Department continues to recommend that the Commission:

- accept CenterPoint Energy's FYE14 true-up, Docket No. G008/AA-14-752; and
- allow CenterPoint Energy to implement its true-up, as shown in Department Attachment G10 of the AAA Report.

10. Xcel Gas

The Department now recommends that the Commission:

- accept Xcel Gas' FYE14 true-up, Docket No. G002/AA-14-736;
- allow Xcel Gas to implement its true-up, as shown in Department Attachment G11 of the AAA Report;
- approve Xcel Gas' request for an extension to use the accounting treatment under the Capacity Utilization Program in the five instances after the expiration of the three-year pilot program; and
- approve Xcel Gas' Capacity Utilization Program as a permanent program.

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. G999/AA-14-580

Dated this 24th day of June 2015

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tamie A.	Aberle	tamie.aberle@mdu.com	Great Plains Natural Gas Co.	400 North Fourth Street Bismarck, ND 585014092	Electronic Service	No	OFF_SL_14-580_G999-AA-14-580
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.	202 S. Main Street Le Sueur, MN 56058	Electronic Service	No	OFF_SL_14-580_G999-AA-14-580
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_14-580_G999-AA-14-580
Marie	Doyle	marie.doyle@centerpointenergy.com	CenterPoint Energy	800 LaSalle Avenue P O Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_14-580_G999-AA-14-580
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_14-580_G999-AA-14-580
Michael	Greiveldinger	michaelgreiveldinger@alliantenergy.com	Interstate Power and Light Company	4902 N. Biltmore Lane Madison, WI 53718	Electronic Service	No	OFF_SL_14-580_G999-AA-14-580
Nicolle	Kupser	nkupser@greatermngas.com	Greater Minnesota Gas, Inc.	202 South Main Street P.O. Box 68 Le Sueur, MN 56058	Electronic Service	No	OFF_SL_14-580_G999-AA-14-580
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_14-580_G999-AA-14-580
Paul J.	Lehman	paul.lehman@xcelenergy.com	Xcel Energy	414 Nicollet Mall Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_14-580_G999-AA-14-580
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_14-580_G999-AA-14-580
Regulatory	Records	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_14-580_G999-AA-14-580

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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_14-580_G999- AA-14-580