Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: January 7, 2014 .... *Agenda Item # _**4**_

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

Docket No. G004/M-12-740
In the Matter of Great Plains' Request for Changes in Demand Entitlements

Issues: Should the Commission accept Great Plains' proposed level of demand entitlements effective November 1, 2012?

Should the Commission require Great Plains to provide, in its next rate case or in a miscellaneous filing, a full discussion and cost analysis showing the impact of requiring telemetry for all current interruptible customers and as a requirement for any future customer to receive interruptible service?

Staff: Sundra Bender 651-201-2247

Relevant Documents

Great Plains – Initial Filing .... July 2, 2012
DOC – Comments .... March 18, 2013
Great Plains – Reply Comments .... March 28, 2013

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.

Statement of the Issues

Should the Commission accept Great Plains' proposed level of demand entitlements effective November 1, 2012?

Should the Commission require Great Plains to provide, in its next rate case or in a miscellaneous filing, a full discussion and cost analysis scenario showing the impact of requiring telemetry for all current interruptible customers and as a requirement for any potential future customer to receive interruptible service?

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 July 2, 2012, Great Plains requested Commission approval of changes in capacity to be effective November 1, 2012.

On March 18, 2013, the Minnesota Department of Commerce, Division of Energy Resources (Department or DOC), filed comments, recommending that the Commission: accept Great Plains' Petition subject to Great Plains' provision of additional information in reply comments; and require Great Plains to provide, in its next rate case, a full discussion and cost analysis scenario showing the impact of requiring telemetry for all current interruptible customers and as a requirement for any potential future customer to receive interruptible service.

On March 28, 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.

Staff Comment

Please refer to the Department's comments and Great Plains' initial and reply filings in this matter. There appears to be no controversy. The purpose of these briefing papers is to (1) address the Department's recommendation that the Commission require Great Plains to provide, in its next rate case, a full discussion and cost analysis scenario showing the impact of requiring telemetry for all current interruptible customers and as a requirement for any potential future customer to receive interruptible service; (2) note the expiration of Great Plains' long term transportation and supply contract with ProGas; and (3) discuss the Department's recommendation that the Commission request Great Plains to continue filing, on a going-forward basis, its annual demand entitlement filing on, or about, July 1 of each year.

Telemetry Requirement for Next Rate Case

According to the Department, tele-metering for interruptible customers is an important issue in the design-day analysis because Great Plains' available throughput data cannot differentiate between firm and non-firm monthly use; therefore, an accurate estimate of non-firm usage is necessary to correctly calculate the design day. The Department provided the following discussion of interruptible customers and tele-metering from Great Plains' June 27, 2012 compliance filing, made in response to the Commission's September 30, 2010 ORDER ACCEPTING DEMAND ENTITLEMENT FILINGS, REQUIRING CONSULTATION, AND REQUIRING OTHER ACTION in Docket Nos. G004/M-07-1401, G004/M-08-1306, and G004/M-09-1262:

> Great Plains explained that it currently has approximately 20 interruptible transport customers and 130 interruptible sales customers. Transportation customers are required to install telemetry and the Company requires certain other interruptible customers to have telemetry equipment; however, there is no requirement that all interruptible customers have telemetry equipment.
>
> Great Plains investigated the costs associated with installing telemetry equipment and concluded that the benefits from telemetry would not outweigh the monetary costs. In particular, the Company supported its claim by noting that it would cost $2,000 per site, about $240,000 for the entire Great Plains system, plus monthly recurring expenses (*e.g.*, phone line).

The Department agreed that $2,000 per site is a significant expense; but stated that the non-monetary cost of reliability issues and the annual cost to firm customers of unnecessary entitlements are also an important consideration. According to the Department, the decision to require telemetry for all interruptible customers is ultimately a cost issue and is best dealt with in a rate case, because the additional cost of telemetry may impact the cost of service to this class. The Department recommended that the Commission require Great Plains to provide, in its next rate case filing, a full discussion and cost analysis showing the impact of requiring telemetry for all current interruptible customers and as a requirement for any potential future customer to receive interruptible service.

Great Plains agreed with the Department that requiring telemetry on all interruptible sales customers is ultimately a cost issue and is best dealt with in a rate case. Great Plains stated that it does not object to providing the requested analysis in its next general rate case.

Staff notes that in Docket No. G001/M-11-1066, the Commission required Interstate Power and Light Company (IPL) to submit a miscellaneous petition (or compliance filing) by year end 2013 that addresses whether IPL's interruptible service tariffs should have a telemetry or other advanced meter reading requirement. The timing of Great Plains next general rate case petition is unknown. Therefore, rather than in its next rate case as recommended by the Department, the Commission may wish to consider requiring Great Plains to provide the requested analysis in a miscellaneous filing to be filed during 2014.

Contract Expiration

Great Plains' long term transportation and supply contract with ProGas expired on October 31, 2012. In the North District, Great Plains has entered into new upstream gas supply and transportation contracts. As described by Great Plains, its customers, particularly in the North District, will benefit considerably from this change. Great Plains described the replacement alternatives it reviewed and the new contracts it entered into with Northern Natural Gas Company (NNG). Under the new contracts, North District customers will continue to receive natural gas through Viking Gas Transmission Company (Viking), however, the source of the natural gas will switch from the Emerson receipt point on the TransCanada Pipeline to NNG's pipeline at the interconnect point between NNG and Viking. Effective November 1, 2012, the firm transportation services upstream of Viking will originate on NNG's system at the NNG interconnect point with Northern Border at Ventura, Iowa.

While the pipeline contract changes reduce demand charges for South District customers, because summer capacity agreements on the TransCanada/Viking system will no longer be used, there will be an even greater reduction in demand charges for North District customers. Staff notes that these contract changes may reduce the difference in gas costs between the North and South District customers, something which Commissioners have previously questioned when reviewing the Annual Automatic Adjustment reports.

Future Filings

In its comments filed March 18, 2013, 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.

Staff notes that the Department made a similar recommendation in its comments on Great Plains' 2011 Demand Entitlement filing, Docket No. G-004/M-11-1075. The issue was discussed in briefing papers in that docket and the Commission has since issued its September 3, 2013 Order in Docket No. G-004/M-11-1075, which states the following at ordering point number 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.

Decision Alternatives

1. Accept Great Plains' proposed design day method for the South District and the North District. [DOC]

2. Accept Great Plain's proposed reserve margins for the South District and the North District. [DOC]

3. Accept Great Plain's proposed PGA recovery of its demand entitlement proposals for the South District and the North District. [DOC]

4. Telemetry

   a) Require Great Plains to provide, in its next rate case, a full discussion and cost analysis showing the impact of requiring telemetry for all current interruptible customers and as a requirement for any future customer to receive interruptible service. [DOC]

   OR

   b) Require Great Plains to provide, in a miscellaneous filing to be filed no later than June 30, 2014, a full discussion and cost analysis showing the impact of requiring telemetry for all current interruptible customers and as a requirement for any future customer to receive interruptible service.

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 as modified by staff to include language about additional information so that it matches the Commission request in its 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.]