MINNESOTA DEPARTMENT OF
COMMERCE

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November 9, 2016

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

RE: **Supplemental Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G004/M-15-645

Dear Mr. Wolf:

Attached are the *Supplemental Response Comments* of the Minnesota Department of Commerce, Division of Energy Resources (Department or DOC), in the following matter:

> Demand Entitlement Filing (*Petition*) submitted by Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. (Great Plains or the Company), to the Minnesota Public Utilities Commission (Commission).

The *Petition* was submitted on July 1, 2015 by:

> Tamie A. Aberle
> Director of Regulatory Affairs
> Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc.
> 400 North 4th Street
> Bismarck, North Dakota 58501-4092

The Department recommends that the Minnesota Public Utilities Commission (Commission) **accept** Great Plains' Petition as modified and updated.

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

Sincerely,

/s/ SACHIN SHAH
Rates Analyst

SS/lt

MINNESOTA DEPARTMENT OF COMMERCE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

DOCKET NO. G004/M-15-645

I. INTRODUCTION

On July 1, 2015, Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. (Great Plains or the Company) filed a change in demand entitlement petition (Petition) for its customers.

In its August 27, 2015 *Comments*, the Minnesota Department of Commerce (Department or DOC) recommended that the Minnesota Public Utilities Commission (Commission) accept Great Plains' *Petition* pending Great Plains' response to various inquiries and the provision of additional information in *Reply Comments*.

On October 29, 2015, Great Plains filed an *Informational Update* which did not include the information requested by the Department. Specifically, Great Plains did not provide an explanation on the non-heating season capacity shortfall nor a reconciliation of the data discrepancies about the firm peak-day sendout.

On December 9, 2015, Great Plains filed its second I*nformational Update* and complied with Commission's November 30, 2015 *Order* in Docket No. G004/MR-15-878.[1]

On August 31, 2016, the Department filed *Supplemental Comments* in the instant docket. In the *Supplemental Comments*, the Department recommended that the Commission:

- **withhold approval of** Great Plain's peak-day analysis;
- **withhold approval of** Great plains' level of demand entitlements until Great Plains provides the clarification and detailed explanations requested in reference to its new TFX 12-month 2,000 Dth/day annual contract with Northern; and

[1] *In the Matter of Great Plains Natural Gas Company, a Division of MDU Resources Group, Inc. Petition to Establish a New Base Gas Cost Filing for Interim Rates in Great Plains' General Rate Case, Docket No. G004/GR-15-879.*

- Require Great Plains to confirm the accuracy of the Department's observations regarding the North District non-heating season capacity shortfall and/or provide its explanation.

The Department also requested that Great Plains:

- provide an explanation and reconciliation of the data discrepancies referenced in the Department's August 27, 2015 *Comments*; and
- in future demand entitlement updates and/or Reply Comments, Great Plains not only explain its proposed changes but update all its Attachments and provide a red-line version so that changes can readily be seen.

On September 23, 2016, Great Plains filed *Reply Comments* to the Department's August 31, 2016 *Response Comments* in the instant docket and to the Department's August 31, 2016 *Comments* in Docket No. G004/M-16-557[2] (Docket 16-557). In its *Reply Comments*, Great Plains attempted to address its new TFX 12-month 2,000 Dth/day annual 10-year contract, the North District non-heating season capacity shortfall, and the data discrepancies referenced in the Department's August 27, 2015 *Comments,* as mentioned above.

Great Plains also addressed the rate and bill impact and reporting as requested in the Department's *Comments* in Docket 16-557. The Department will address the issues identified in Docket 16-557 through *Response Comments* to be filed in Docket 16-557.

II. THE DEPARTMENT'S ADDITIONAL ANALYSIS OF GREAT PLAINS' PROPOSAL

A. SEPTEMBER 23, 2016 REPLY COMMENTS

1. Non-Heating-Season Capacity Shortfall

In its August 31, 2016 *Response Comments*, with regards to the non-heating season capacity shortfall, the Department stated the following:[3]

> The Department observes that capacity from Viking Interstate Pipeline Company (Viking) and Northern Natural Gas Company (NNG or Northern) should be readily available during the non-heating season and may be cheaper to ratepayers than the additional cost to contract for the additional non-heating season demand. In addition, utilities may sell their contracted pipeline capacity (capacity-release transactions) if the utility determines that a portion of their reserved capacity will not be needed to serve its customers. Thus, Great Plains would likely also have access to capacity release supplies from other shippers during the non-heating season. However, Great Plains

[2] Great Plains' 2016-2017 Demand Entitlement Filing.
[3] See Department's August 31, 2016 *Response Comments* in Docket 15-645 at page 2.

> should confirm the accuracy of the Department's observation and provide its explanation regarding the non-heating season capacity shortfall.

In its September 23, 2016 *Reply Comments*, Great Plains stated the following:[4]

> Great Plains is able to meet its non-heating season capacity by obtaining gas in the day market to meet the peak day demand on a day-by-day basis should the need arise.
>
> The Viking system has adequate backhaul transportation capacity available from the Chisago interconnect with Northern Natural to allow daily flow from this point. Great Plains has firm capacity on Northern's system to ensure the gas will flow on a firm contract to the Chisago interconnect. In response to the Department's observation on page 2 of its Response Comments, Great Plains could seek additional capacity through the release capacity market; however, the Company would then be paying for this additional capacity every day regardless if the capacity is needed or not. By using the backhaul capacity that is available in the day market Great Plains only pays for this capacity on the day(s) it is required. Although unlikely, exceeding contracted capacity would be concentrated in the months of April and October and Great Plains has not acquired additional capacity to meet firm customers' demand during the past five years. Also, as noted in the Department's comments, the Company has requested that the Purchased Gas Adjustment districts be combined in Docket No. G004/GR-15-879 which was approved in the Commission's Order dated September 6, 2016 to be effective July 1, 2017. On a combined basis, no non-heating season capacity shortfall exists under the Company's current capacity arrangements.

The Department agrees that Great Plains can meet its non-heating season capacity by obtaining gas in the day market on a day-by-day basis, if the need arises. The Department appreciates Great Plains' clarification that it could use "the backhaul capacity that is available in the day market and that Great Plains only pays for this capacity on the day(s) it is required." Thus, Great Plains' clarification and explanation above for how it manages its non-heating season capacity are reasonable.

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[4] Great Plains September 23, 2016 *Reply Comments* at pages 4-5.

2. Data Discrepancies

In its August 31, 2016 *Response Comments*, with regards to the data discrepancies, the Department stated the following:[5]

> Consistent with the analysis presented by the DOC in Docket Nos. G004/M-11-1075, G004/M-12-740, and G011/M-13-566 the Department used two methods to gauge the reasonableness of the Company's 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 identified several inconsistencies in the data contained in the Company's Exhibit D. For example, for the North District, the Company shows 13,236 dk as the firm peak day sendout for the 2013-2014 heating season whereas in Docket No. G999/AA-14-580, the Company shows 13,109 dk for the firm peak day sendout. Please see DOC Attachment 2 that shows, for example, some of the highlighted cells where discrepancy in the data exists. The Department requests that Great Plains in its *Reply Comments* provide a reconciliation and explanation for all data discrepancies. (footnote omitted)
>
> Great Plains neither filed Reply Comments nor did it provide the requested reconciliation in its updates in this proceeding. However, given the time that has elapsed in this proceeding, the Department requests that Great Plains provide an explanation and reconciliation of the data discrepancies referenced above in its next demand entitlement filing in Docket No. G004/M-16-557.

In its September 23, 2016 *Reply Comments*, Great Plains stated the following[6]:

> The Department also raised concerns regarding historical reporting discrepancies of Firm Peak Day Usage between responses to the Department's Annual Gas Cost Recovery (GCR) Information Request, No. 3(B) and the DEQ [demand entitlement] filing's Exhibit D, Column 11, from 2012 to 2014. Great Plains appreciates the Department's thorough review, but maintains that DEQ Exhibit D reflects the actual Firm Peak Day Usage values.

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[5] See Department's August 31, 2016 *Response Comments* in Docket 15-645 at pages 2-3.
[6] Great Plains September 23, 2016 *Reply Comments* at pages 4.

> Responses to the GCR Information Request, No. 3(B) for 2012 and 2014 reflect calculated peak usage derived from the regression analysis utilized by the DEQ. This is done by replacing the design day heating degree days with the highest actual heating degree days. For 2013, the response to GCR Information Request, No. 3(B) reflects design day customer numbers, which were reported instead of the Firm Peak Day Usage. Great Plains will be more diligent in future filings to ensure the Firm Peak Day Usage reported in the DEQ and GCR are the same. Great Plains will supplement the GCR Information Request, No. 3(B) for 2012 through 2014 with the correct information in its Response in Docket No. G999/AA-16-524 due October 3, 2016.

The Department appreciates Great Plains' clarification and explanation that the Company's Exhibit D in its initial *Petition* reflects the actual firm peak-day sendout. The Department also appreciates Great Plains' willingness to supplement and provide the correct information in the Annual Fuel Report in Docket No. G999/AA-16-524. A copy of Great Plains' response to DOC Information Request No. 3 is included as DOC Attachment 1 to this *Supplemental Response Comments*. Given Great Plains' commitment towards diligence in its future filings and its explanations above, the Department considers the issue of data discrepancies referenced above, resolved.

3. *Changes to South District Capacity - TFX 12-month 2,000 Dth/day annual contract*

In its August 31, 2016 *Response Comments*, with regards to the new Northern Natural Gas Pipeline (NNG or Northern) TFX 12-month 2,000 Dth/day annual contract[7], the Department stated the following[8]:

> Northern had additional capacity available as a result of pipeline system improvements. Great Plains took advantage of this newly available capacity and entered into a 10-year, 2,000 dk per day annual capacity contract effective November 1, 2015. Although this amount of capacity exceeds current requirements, Great Plains believes it will require this amount of capacity in the near future. Great Plains has released 1,300 dk per day of the 2,000 dk per day additional capacity for the upcoming heating season to a third party marketer, which results in a reserve margin for the South District for the 2015-2016 season of 5.9 percent, net of the released capacity.
>
> … The 10-year TFX contract's annual costs are approximately $231,092 per year with a temporary revenue recovery through

[7] Dth and/or dk is Dekatherm, a unit of natural gas measurement.
[8] See Department's August 31, 2016 Response Comments in Docket 15-645 at pages 4-7.

the short-term capacity release, in the amount of $43,186. In its June 2015 PGA, the annual costs were $1,674,996. Thus, without the capacity release the impact of the new contract would have been an annual increase of approximately 14 percent over the Company's prior annual demand costs for the South District.

… In terms of assessing whether this expectation is reasonable, the Department notes that, in Exhibit B and D of its *Petition*, Great Plains projected approximately 12,039 customers for its South District. In Docket No. G004/GR-15-879, in Statement Workpapers C, page C1-3 (included as DOC RC Attachment 1), Great Plains had projected approximately 12,068 firm customers for the 12 months ending December 31, 2016, for its South District, which is close to what Great Plains projected in the instant *Petition*. In its *Petition*, Exhibit D, Great Plains also indicated that in some years, Great Plains has experienced the loss of firm customers and also in some years has added customers. For example, in the 2014-2015 heating season Great Plains projected the addition of approximately 193 customers from the prior heating season. Thus, the basis for Great Plains' projection of a need for the excess capacity in the future is not clear.

Because Great Plains has not provided reasonable explanations for why it was in the best interest of its current South District ratepayers to acquire this new additional capacity, the Department requests that Great Plains, at a minimum, clarify, and provide detailed explanations for the following:

a) What sort of pipeline system improvements did Northern make, where on its system were the improvements made, and when?
b) Did Northern conduct an open season?
c) If the response to part b is, "yes," when did Northern conduct the open season and did Great Plains participate?
d) If the response to part b is, "yes," which other Northern shippers participated?
e) Did Northern have any unutilized capacity available prior to the "pipeline system improvements" referenced above?
f) Did Great Plains inquire of other Northern Shippers and/or marketers if they had capacity available for release to Great Plains?
g) Did Great Plains, after it filed its *Initial Petition* in the instant docket, need to meet unexpected demand growth of new customers or group of customers?

> h) Is this new contract tied to any of its existing contracts with Northern? For example, is the contract a result of "grandfathered rights"?
>
> i) What sort of criteria did Great Plains use to evaluate the costs, benefits, and reasonableness of the acquisition of this particular 10-year contract for its South District customers?

In its September 23, 2016 *Reply Comments*, Great Plains stated the following:[9]

> Subsequent to the July submission and prior to the 2015-1016 heating season, the opportunity to secure incremental capacity on Northern was made available through an Open Season offering made by Northern on September 1, 2015. Great Plains participated in the Open Season offering and successfully secured incremental capacity for the South System and entered into a 10-year, 2,000 dk per day annual contract with Northern.

Great Plains provided the open season offering and results as Attachments A and B to its *Reply Comments*. In its September 23, 2016 *Reply Comments*, Great Plains also stated the following:[10]

> This update resulted in a 5.9 percent reserve margin on the South District, which Great Plains recognizes is above the targeted reserve margin preferred by the Commission of 5 percent and, in a perfect situation, Great Plains would request the exact incremental capacity as required of approximately 500 dk per day per year. However, Northern' s pipeline system that serves the South District customers is fully subscribed and the Company determined that procuring capacity made available through the Open Season on September 1, 2015 was in the best long-term interest of its customers. In reaching this determination, Great Plains concluded that the only viable alternative to procuring additional pipeline capacity was constructing a propane air peaking system to ensure deliverability of firm gas to its customers.
>
> Great Plains' decision to procure additional capacity on Northern was driven by increased peak demand. In particular, during the past three years the estimated peak day demand has increased approximately 516 dk per day per year. With this in mind, the 2,000 dk of additional capacity will be required to meet the peak day demands of its firm customers in only four years and Great Plains will then be required to secure additional

[9] See Great Plains September 23, 2016 *Reply Comments* at page 2.
[10] *Id*.

> capacity to meet its anticipated increase of demand. Such capacity may not be available on Northern at that time or may only be available at a prohibitively high cost. In the 2015-16 heating season Great Plains offset the cost of the new capacity by releasing 1,300 dk per day to an independent marketer. For the upcoming heating season, Great Plains will again release any unneeded capacity to help offset costs and bring its reserve margin to approximately five percent.

In addition, in its *Reply Comments*, Great Plains responded to the Department's specific questions (a) through (i) listed above. The Department will not repeat all the answers to these questions. However, Great Plains' responses to question (g) and (i) are shown below.

In its response to question (g), Great Plains responded as follows:

> g) Did Great Plains, after it filed its *Initial Petition* in the instant docket, need to meet unexpected demand growth of new customers or group of customers?
>
> No. The capacity was acquired to meet current and anticipated future growth requirements in its South District. During the four-year period between the 2012-2013 DEQ and the 2016-2017 DEQ filings, the Projected Design Day has increased from 14,850 dk to 16,842 dk. That represents an increase of 1,992 dk. Great Plains expects a similar growth rate in the Projected Design Day to continue.

In its response to question (i), Great Plains responded as follows:

> i) What sort of criteria did Great Plains use to evaluate the costs, benefits, and reasonableness of the acquisition of this particular 10-year contract for its South District customers?
>
> Great Plains prepared a net present value comparison of the 10-year contract to a propane air peaking facility and determined the cost of the capacity contract was beneficial to the South District customers. The rate per dk/month, on a net present value basis, for the additional pipeline capacity is $66.19 versus a propane peaking facility of $85.84 based on the Company's analysis. See Attachment D for a list of assumptions and a summary of the results.

While Great Plains' Attachment D did not explain or provide all of the underlying detailed calculations, the Department makes the following observations in regards to the new 10-year TFX 12-month 2,000 Dth/day contract.

First, the Department notes that Great Plains' use of a propane-air peaking facility as a comparison to the new contract may not be appropriate. A propane-air peaking facility, as the name suggests, would typically be used in the winter (at system peak). Thus, the comparison to a 2,000 Dth/day contract that includes all months of the year may not necessarily be valid. Further, comparing the annual TFX 2,000 Dth/day contract to using a propane-air peaking facility for regular gas supply could potentially be favorably biased towards pipeline capacity since use of a propane-air peaking facility could potentially increase operations and maintenance (O&M) costs as well as fuel costs.[11] The Department notes that, in reviewing Great Plains' Attachment B, which portrays the results of Northern' s open season, it is evident that the Company's bid for year-round capacity (2,000 Dth/day) was advantageous to NNG as opposed to the other bid NNG received for 2,000 Dth/day for winter and 500 Dth/day for summer capacity. In addition, Great Plains' bid was for a longer duration, with contract expiration in 2025 as opposed to the other bid that had contract expiration in 2022.

In any event, the comparison to a propane-air peaking facility would not be valid given that Great Plains has expressed practical concerns in the past about blending propane-air with natural gas. In its *November 1, 2010 Compliance Filing* in Docket Nos. G004/M-07-1401, G004/M-08-1306 and G004/M-09-1262, Great Plains stated the following[12]:

> Great Plains was concerned that the potential blending of propane air with natural gas could result in a mixture where the specific gravity may be too high for the newer high efficiency appliances to burn the gas, potentially impacting efficiency and energy conservation efforts. While older style appliances can burn a wider range of quality of natural gases, the newer styles are affected more by the wide swing in gas quality. When the Redwood Falls propane facility was installed in the mid-70s, a high BTU gas did not affect the older appliance models as much as it does the newer appliances of today.[2] These concerns would be compounded if propane peaking capacity is relied upon to serve non-peak system needs in the South District. [Footnote omitted].

Second, Great Plains stated that during the last four demand entitlement filings, between the 2012-2013 filing and the current 2016-2017 filing in Docket G004/M-16-557 (Docket 16-557), the projected design day has increased from 14,850 Dth to 16,842 Dth. Great Plains further stated that it expected a similar growth rate in the projected design day to continue.

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[11] See Great Plains *November 1, 2010 Compliance Filing* in Docket Nos. G004/M-07-1401, G004/M-08-1306 and G004/M-09-1262 at page 3.
[12] *Id* at pages 3-4.

In addition, Great Plains stated above that, "during the past three years the estimated peak day demand has increased approximately 516 dk per day per year. With this in mind, the 2,000 dk of additional capacity will be required to meet the peak day demands of its firm customers in only four years." The Department observes that while the above statements are true, it is also equally true that from the 2008-2009 filing to the 2012-2013 filing, the projected design day decreased by approximately 426 Dth.[13] Thus, it is important to keep in mind that the actual historical firm peak day sendout is based on actual weather conditions that occurred during the corresponding heating season.

Third, and as noted above, Great Plains mentioned that, "Northern's pipeline system that serves the South District customers is fully subscribed and the Company determined that procuring capacity made available through the Open Season on September 1, 2015 was in the best long-term interest of its customers." The Department notes that Great Plains has previously stated the following:[14]

> Initially, NNG is currently fully subscribed and additional firm capacity is not readily available to meet increased demand. While NNG could expand its facilities to meet growing demand, pipeline expansion projects on NNG are typically large and costly, depending on the amount and type of enhancements that are required to meet customer growth. Under Federal Energy Regulatory Commission [FERC] policy, the costs of pipeline expansions are allocated entirely to the customers using the expanded capacity through precedent agreements. If pipeline expansions are required to meet incremental growth, the cost of the expansion, whether it consists of additional compression or replacement of pipeline, could fall entirely to a single shipper requiring the capacity.

Fourth, the Department observes that during the Polar Vortex in January and March of 2014 when the Company had a firm peak-day sendout of 14,457 Dth, in the Company's *Petition*, Attachment D, under Column 14 for the South District, the excess entitlement per customer compared to the projected design day was the lowest since the 2002-2003 heating season. However, the peak-day send out per customer has been increasing since the 2011-2012 heating season. As mentioned above, Great Plains expects a growth of approximately 516 Dth per year in the design day; however, from the 2008-2009 to the 2012-2013 heating seasons, the Company experienced a reduction of approximately 426 Dth per year. As mentioned before, actual weather conditions will dictate the historical and future peak-day sendout.

In the Department's May 5, 2015 Comments in Docket No. G999/AA-14-580 the Department stated the following:[15]

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[13] See Great Plains initial Petition dated June 30, 2016 in Docket 16-557 and July 1, 2015 Petition in the instant docket.
[14] Id at pages 2-3.
[15] See the Department's May 5, 2015 Comments in Docket No. G999/AA-14-580 at pages (iii), and 4-5.

> Although the industry was relatively unaffected during FYE14 by hurricanes, as noted above, temperatures during the heating season were significantly below normal, particularly during two “Polar Vortexes,” which contributed to significantly higher gas usage. The FYE14 annual temperatures were also colder-than-normal.
>
> … According to NNG’s March 2014 Northern Notes, the weather during the 2013-2014 heating season was 24 percent colder than normal and was the coldest winter Northern had on record (surpassing the winter of 2007-08 that was 7 percent colder than normal). The winter was also persistently cold with all five months colder than normal and without the short periods of warmer temperatures that typically occur at some point during the winter months. There were 49 days when throughput deliveries were in excess of 4 Bcf per day; by contract, in the previous reporting period there were 8 such days.
>
> … According to NNG, the extremely cold winter provided a unique opportunity for customers to evaluate the appropriate level of pipeline capacity needed to serve their requirements.[3] As a result, Northern stated that it received significant customer interest in acquiring additional or new service. Recent open seasons for the combined Northern Lights Zone EF 2014-16 Expansion and Zone ABC 2014-15 expansion, and the West Leg expansion resulted in bids totaling 64,813 Dth/day and 66,110 Dth/day of peak winter Maximum Daily Quantity (MDQ), respectively. [Footnote Omitted].

During the 2014-2015 heating season, in its South District, Great Plains had an even greater firm peak-day sendout of 15,231 Dth compared to the previous 2013-2014 heating season of 14,457 Dth during which utilities had experienced 2 “Polar vortexes.” In the Department’s July 1, 2016 Comments in Docket No. G999/AA-15-612, the Department stated the following:[16]

> Although the industry was relatively unaffected during FYE15 by hurricanes, temperatures during the heating season were colder than normal especially in the period of November 2014 and February 2015, which contributed to significantly higher gas usage in those months.
>
> … According to Northern Natural Gas Company (NNG) March 2015 Northern Notes, for the second consecutive winter, average temperatures were colder than normal in NNG’s market area with new all-time monthly peak delivery records

[16] See the Department’s July 1, 2016 Comments in Docket No. G999/AA-15-612 at pages (iii), and 3.

> being established by NNG. The 2014- 2015 heating season was 9 percent colder than normal compared to the record setting 2013-2014 heating season that was 24 percent colder than normal. The winter alternated between colder-than-normal and warmer-than-normal weather. When compared to normal temperatures, November 2014 had the largest deviation from normal during this period, with temperatures that were 40 percent colder than normal. This cold weather was followed by the warmer-than-normal months of December 2014 and January 2015, and then 29 percent colder-than-normal temperatures in February 2015. NNG experienced 36 days of market area deliveries of 4.0 Bcf/day or greater during the 2014-2015 heating season. This amount compares to 49 days of market area deliveries in the 2013-2014 heating season.

Fifth, in assessing whether the new 2,000 Dth/day of NNG TFX capacity is reasonable, it is also helpful to consider Great Plains' expected reserve margin. The Commission has previously ordered Great Plains to reduce its reserve margin to approximately 5 percent.[17] In the Company's *Petition*, Exhibit A in Docket 16-557, Great Plains shows some contracts that are currently scheduled to terminate on or around October 2017 for its North District, resulting in an approximately negative 100 percent reserve margin (although clearly Great Plains will address the deficit before then). As mentioned before, the reserve margin without the temporary capacity release is effectively 13.6 percent for the South District. As noted above, on September 6, 2016, the Commission in Docket No. G004/GR-15-879 approved the Company's request to combine its PGA districts (North and South districts), to be effective July 1, 2017. It is important to consider the PGA district consolidation since the new NNG TFX contract (currently for the South District) is for a ten-year period. Thus, on a combined basis, the Company's current capacity arrangements may change as a result of the approval of the Company's proposed PGA consolidation.

Given the discussion above, the Department concludes that the new 2,000 Dth/day of NNG's TFX capacity may be reasonable since:

- There is no valid alternative such as a propane-air peak shaving facility;
- Great Plains' peak-day sendout has been increasing over the last three heating seasons;
- Future weather cannot be forecasted accurately and with precision;
- NNG is fully subscribed and will not sell capacity in a "just-in-time" fashion; rather, capacity must be added in larger "chunks;"
- Great Plains must plan for its design day; and
- Consolidation of the Company's PGA districts could result in changes to Great Plains' current and future capacity arrangements,

[17] See Ordering Paragraph No. 4 of the Commission's September 30, 2010 Order in Docket Nos. G004/M-07-1401, G004/M-08-1306, and G004/M-09-1262.

4. *Transparency of Capacity Changes*

In its August 31, 2016 *Response Comments*, the Department at pages 8 and 9, stated the following:

> Given all the capacity changes to the Company's North and South Districts that were reported in the Informational Updates, Great Plains did update its Attachments A, B and C but failed to update its Attachment D to reflect its proposed changes. In its future demand entitlement filing updates and/or Reply Comments, the Department requests that Great Plains not only explain the proposed changes that are made in the update and/or Reply Comments, but also update all of its Attachments and provide a red-lined version so that changes can readily be seen.

In its September 23, 2016 *Reply Comments*, Great Plains stated the following:[18]

> Great Plains also agrees to update all of its Attachments updates and Reply Comments in future demand entitlement filings and updates and provide a red-lined version so that changes can readily be seen.

Thus, the Department appreciates Great Plains agreement to not only explain the proposed changes that are made in the update and/or *Reply Comments*, but to also update all of its Attachments and provide a red-lined version so that changes can readily be seen.

B. CONCLUSIONS AND RECOMMENDATIONS

The Department concludes that Great Plains' clarification and explanation for how it manages its non-heating season capacity are reasonable.

While acknowledging that there is mixed justification for the procurement of the new 10-year contract for the South District, the Department concludes that on balance, the contract is reasonable. Therefore, the Department recommends that the Commission:

- **approve** Great Plains' peak-day analysis; and
- **approve** Great Plains' level of demand entitlements.

/lt

[18] Great Plains September 23, 2016 *Reply Comments* at pages 5.

State of Minnesota

DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: G999/AA-16-524 Date of Request: 9/2/2016

Requested From: All Regulated Minnesota Gas Utilities Response Due: 10/3/2016

Analysts Requesting Information: Angela Byrne/Mike Ryan

Type of Inquiry:	[ ]......Financial	[ ]......Rate of Return	[ ]......Rate Design
	[ ]......Engineering	[ ]......Forecasting	[ ]......Conservation
	[ ]......Cost of Service	[ ]......CIP	[ ]......Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
3	Reference: Comparison of Peak-Day Demand Usage (Table G10) Please provide, by PGA system, the following information, from Table G10 in the DOC's July 1, 2016 *Comments* in Docket No. G999/AA-15-612 over the period from July 1, 2015 to June 30, 2016: (A) Firm-Peak Day Demand Deliverability; (B) Actual Firm Peak-Day Usage; (C) Actual Firm Requirement (Percentage); and (D) Actual Peak Date. As part of this response, please specify the demand entitlement filing docket number where these numbers are shown. **Pursuant to Ordering Paragraph No. 26 of the Minnesota Public Utilities Commission's April 3, 2012 Order in Docket No. G999/AA-10-885, please provide justification of any information designated as trade secret by your utility.**

Response by: Travis Jacobson

List sources of information:

Title: Manager, Regulatory Affairs

Department: Regulatory Affairs

Telephone: (701) 222-7855

Response:

(A)-(D) Please see chart below. The design day demand was filed in Docket No. G004/M-15-645.

	(A) Firm-Peak Day Demand Deliverability (Dk)	(B) Actual Firm Peak Day Usage (Dk)	(C) Actual Firm Requirement (%)	(D) Actual Peak Date
North District	15,700	11,664	74.29%	1/9/2016
South District	17,845	15,582	87.32%	1/16/2016
Total	33,545	27,246	81.22%	

Corrected data for 2012-2014 GCR information requests as discussed in Great Plains' Reply Comments in Docket No. G004/M-16-557 filed on September 23, 2016:

	Firm-Peak Day Demand Deliverability (Dk)	Actual Firm Peak Day Usage (Dk)	Actual Firm Requirement (%)	Actual Peak Date
2014: Docket No. G004/M-14-580				
North District	15,000	13,236	88.24%	1/5/2014
South District	15,645	14,457	92.41%	1/5/2014
Total	30,645	27,693	90.37%	
2013: Docket No. G004/M-13-600				
North District	15,000	11,706	78.04%	1/31/2013
South District	15,645	12,516	80.00%	1/31/2013
Total	30,645	24,222	79.04%	
2012: Docket No. G004/M-12-756				
North District	14,841	8,441	56.88%	1/18/2012
South District	15,645	10,268	65.63%	1/18/2012
Total	30,486	18,709	61.37%	

Response by: Travis Jacobson

List sources of information:

Title: Manager, Regulatory Affairs

Department: Regulatory Affairs

Telephone: (701) 222-7855

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
Supplemental Response Comments

Docket No. G004/M-15-645

Dated this 9th day of November 2016

/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_15-645_M-15-645
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_15-645_M-15-645
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_15-645_M-15-645
John	Lindell	john.lindell@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_15-645_M-15-645
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_15-645_M-15-645