

December 19, 2018

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

**RE: Letter and Correction from the Minnesota Department of Commerce, Division of Energy Resources regarding Greater Minnesota Gas' 2018-2019 Heating Season Demand Entitlement Filing**  
Docket No. G022/M-18-232

Dear Mr. Wolf:

The Minnesota Department of Commerce, Division of Energy Resources (Department) provides the following *Letter* regarding Greater Minnesota Gas' (GMG or the Company) *Petition for Change in Contract Demand Entitlement (Petition)* filed with the Minnesota Public Utilities Commission (Commission) on March 29, 2018. In its May 30, 2018 *Comments*, the Department recommended that the Commission approve the Company's proposed level of demand entitlements and allow Greater Minnesota to recover associated demand costs through the monthly Purchased Gas Adjustment (PGA) effective November 1, 2018.

On November 14, 2018, Greater Minnesota filed a *Letter* regarding its projected customer count for the 2018-2019 heating season. In this *Letter*, Greater Minnesota acknowledged that its expected customer count for the present heating season was 1 to 2 percent greater than originally projected in its *Petition*. The Company stated in its *Petition* that it expected to have 8,345 customers for the 2018-2019 heating season, and a mathematically determined reserve margin, based on 2018-2019 estimated peak-day use, of 7.6 percent.<sup>1</sup>

Upon reviewing the Company's customer count numbers included in its November 14, 2018 *Letter* and in its *Petition*, the Department noticed a discrepancy in the projected customer counts provided by the Company. As noted above, on Page 6 of its *Petition*, the Company stated that it expected to have 8,345 customers. However, in Attachment A to the *Petition*,

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<sup>1</sup> *Petition*, page 6. The Department notes that the Company performs two analyses when estimating its reserve margin – a simple arithmetic approach and one constituting the use of statistics. Based on the arithmetic approach to determine its design-day figure, GMG projected a 2018-2019 heating season reserve margin of 7.6 percent. Using the statistical approach, the Company reported a reserve margin over 11 percent.

Greater Minnesota's estimated 2018-2019 heating season customer count is 8,410.<sup>2</sup> Given the discrepancy in projected customer count, the Department calculated a mathematical reserve margin of 6.7 percent assuming the Attachment A number of 8,410 is correct. Taking the larger customer count estimate of 8,410 and adjusting it upwards by 2 percent (the high end of the range discussed in the Company's *Letter*), results in a mathematical reserve margin of approximately 4.6 percent. However, if the lower customer count estimate of 8,345 from the initial *Petition* is correct, the newly adjusted mathematical reserve margin is approximately 5.4 percent. In any of the above scenarios, the newly calculated mathematical reserve margin is in line with Greater Minnesota's historical mathematical reserve margins. The Department continues to conclude that GMG's reserve margin is reasonable.

The Department notes a correction to its May 30, 2018 *Comments*. Attachment 2, Column (1), Row 2 ("Number of Design Day Customers") listed 8,113 for the 2017-2018 heating season. The 8,113 customer count reflects the projected customer count from Docket G022/M-17-399. The 2017-2018 heating season actual customer count listed in the Department's Attachment 2 should read 7,190 as this is the number reported by the Company in its *Petition*, Attachment A, Page 1 of 7, Colum (1), Row 2 ("Number of Customers"). A corrected Attachment 2 is attached to this *Letter*.

The Department maintains the recommendations made in our May 30, 2018 *Comments* regarding Greater Minnesota's demand entitlement filing.

Sincerely,

/s/ DANIEL BECKETT  
Rates Analyst

DB/ja  
Attachment

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<sup>2</sup> *Petition*, Attachment A, Page 1 of 7, Column (1).

**Department Attachment 2  
Details of Greater Minnesota Gas's Demand Entitlements Historical and Current Proposal**

Heating Season	Number of Firm Customers			Design Day Requirement			Total Entitlement + Peak Shaving + Peak Shaving			Reserve Margin
	(1) Number of Design Day Customers	(2) Change from Previous Year	(3) % Change From Previous Year	(4) Design Day (Mcf)	(5) Change from Previous Year	(6) % Change From Previous Year	Heating Season Total Entitlement (Mcf)	(8) Change from Previous Year	(9) % Change From Previous Year	(10) % of Reserve Margin [(7)-(4)]/(4)
2018-2019	8,410	500	6.32%	12,704	808	6.79%	14,109	1,500	11.90%	11.06%
2017-2018	7,910	532	7.21%	11896	1,078	9.96%	12,609	(400)	-3.07%	5.99%
2016-2017	7,378	735	11.06%	10,818	(308)	-2.77%	13,009	500	4.00%	20.25%
2015-2016	6,643	791	13.52%	11,126	2,157	24.05%	12,509	2,850	29.51%	12.43%
2014-2015	5,852	547	10.31%	8,969	52	0.58%	9,659	100	1.05%	7.69%
2013-2014	5,305	531	11.12%	8,917	3,953	79.63%	9,559	4,350	83.51%	7.20%
2012-2013	4,774	558	13.24%	4,964	514	11.55%	5,209	165	3.27%	4.94%
2011-2012	4,216	296	7.55%	4,450	0	0.00%	5,044	0	0.00%	13.35%
2010-2011	3,920	198	5.32%	4,450	239	5.68%	5,044	500	11.00%	13.35%
2009-2010	3,722	162	4.55%	4,211	(71)	-1.66%	4,544	300	7.07%	7.91%
2008-2009	3,560	182	5.39%	4,282	566	15.23%	4,244	244	6.10%	-0.89%
2007-2008	3,378	170	5.30%	3,716	166	4.68%	4,000	350	9.59%	7.64%
2006-2007	3,208	237	7.98%	3,550	583	19.65%	3,650	350	10.61%	2.82%
2005-2006	2,971	290	10.82%	2,967	270	10.01%	3,300	300	10.00%	11.22%
2004-2005	2,681	336	14.33%	2,697	697	34.85%	3,000	600	25.00%	11.23%
2003-2004	2,345	181	8.36%	2,000	(200)	-9.09%	2,400	(200)	-7.69%	20.00%
2002-2003	2,164	300	16.09%	2,200	400	22.22%	2,600	400	18.18%	18.18%
2001-2002	1,864	301	19.26%	1,800	400	28.57%	2,200	500	29.41%	22.22%
2000-2001	1,563	393	33.59%	1,400	300	27.27%	1,700	300	21.43%	21.43%
1999-2000	1,170	279	31.31%	1,100	250	29.41%	1,400	150	12.00%	27.27%
1998-1999	891	289	48.01%	850	350	70.00%	1,250	750	150.00%	47.06%
1997-1998	602	339	128.90%	500	200	66.67%	500	200	66.67%	0.00%
1996-1997	263	263		300	300		300	300		
Average Change Per Year:			19.68%			21.26%			23.22%	13.29%

**Firm Peak Day Sendout**

Heating Season *	(11)						Peak Day Sendout per DD Customer (11)/(1)
	Firm Peak Day Send out (Mcf)	Change from Previous Year	% Change From Previous Year	Excess per Customer [(7) - (4)]/(1)	Design Day per Customer (4)/(1)	Entitlement per DD Customer (7)/(1)	
2017-2018				0.0901	1.5039	1.5941	1.67764566
2016-2017	9,246	(249)	-2.62%	0.2970	1.4663	1.7632	scenarios
2015-2016	9,495	1,126	13.45%	0.2082	1.6748	1.8830	8410
2014-2015	8,369	489	6.21%	0.1179	1.5326	1.6505	8578.2
2013-2014	7,880	2,855	56.82%	0.1210	1.6809	1.8019	13484.9304
2012-2013	5,025	1,368	37.41%	0.0513	1.0398	1.0911	624
2011-2012	3,657	(248)	-6.35%	0.1409	1.0555	1.1964	0.046279038
2010-2011	3,905	251	6.87%	0.1515	1.1352	1.2867	
2009-2010	3,654	(374)	-9.29%	0.0895	1.1314	1.2208	8.45%
2008-2009	4,028	(72)	-1.76%	(0.0107)	1.2028	1.1921	
2007-2008	4,100	550	15.49%	0.0841	1.1001	1.1841	
2006-2007	3,550	738	26.24%	0.0312	1.1066	1.1378	
2005-2006	2,812	285	11.28%	0.1121	0.9987	1.1107	
2004-2005	2,527	185	7.90%	0.1130	1.0060	1.1190	
2003-2004	2,342	587	33.45%	0.1706	0.8529	1.0235	
2002-2003	1,755	747	74.11%	0.1848	1.0166	1.2015	
2001-2002	1,008	(180)	-15.15%	0.2146	0.9657	1.1803	
2000-2001	1,188	291	32.44%	0.1919	0.8957	1.0877	
1999-2000	897	95	11.85%	0.2564	0.9402	1.1966	
1998-1999	802	397	98.02%	0.4489	0.9540	1.4029	
1997-1998	405	233	135.47%	0.0000	0.8306	0.8306	
1996-1997	172	172		0.0000	1.1407	1.1407	
Average Change Per Year:			26.59%	0.1393	1.1469	1.2861	0.9972