

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger  
Nancy Lange  
Dan Lipschultz  
Matthew Schuerger  
John Tuma

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

Joel Dahlgren  
United Natural Gas LLC  
705 East 4th Street  
Winthrop, MN 56396

SERVICE DATE: May 24, 2016

DOCKET NO. G-6960/M-16-214

In the Matter of a Petition by United Natural Gas LLC (UNG) for approval of its Request for a Small Gas Utility Franchise Exemption

The above entitled matter has been considered by the Commission and the following disposition made:

- 1. Approved UNG's request for an exemption from the requirements of Minn. Stat. § 216B.16, subd. 12 for service provided within the borders of the municipalities listed in the petition, and for incidental service outside the borders of the municipalities it serves, as listed in the petition.**
- 2. Clarified that UNG is subject to statutory reporting requirements, including:**
  - **annual Cold Weather Rule, in Minn. Stat. § 216B.096, subd.11 and Minn. Stat. § 216B.16, subd. 12(c);**
  - **notice to cities of utility disconnection, in Minn. Stat. § 216B.0976;**
  - **residential customer protections, in Minn. Stat § 216B.098;**
  - **annual tariff updates with municipally-approved rates, in Minn. Stat. § 216B.16, subd. 12(c);**
  - **any subsequent changes in rates, tariffs, and contracts for service outside the municipalities at least 30 days in advance of implementation; and**
  - **notification to the Commission should its customer base expand beyond the 2,000 customer threshold.**
- 3. Required UNG to submit its revised tariff book with the Department's and PUC staff's changes in a compliance filing, plus more detailed maps for areas between Courtland and Lafayette with detail down to the street level, within 10 days of order.**

4. Clarified that the Commission's approval is limited to this docket and that any future decisions involving interpretation of the term incidental service in Minn. Stat. § 216B.16, subd. 12(b) will be made on a case by case basis.
5. Accepted UNG's agreement to provide a compliance filing regarding the quantity and quality of service to UNG customers outside of the municipalities after one year of providing service. The compliance filing shall provide the Commission and the Department with the following information:
  - A. notice when service to the first customer outside the municipalities commences;
  - B. one year from the above date, the number of customers having received or receiving services outside of the municipalities along with their rate class and in-service date;
  - C. one year from the above date, the total number of customers in each class, whether they are within or outside the municipalities, and the total volume of gas received by each class, broken down between customers within the municipalities and outside the municipalities;
  - D. one year from the above date a forecast of the information provided in subpart C;
  - E. one year from the above date, a summary of all complaints submitted orally or in writing by customers outside the municipalities along with a description of the resolution or status of those complaints
6. The Commission will review the UNG/Brownton and UNG/UGS agreements in Docket G-6960/16-317 and not in this docket.

The Commission agrees with and adopts the recommendations of the Department of Commerce, as modified herein, which are attached and hereby incorporated into the Order. The Order shall become effective immediately.

BY ORDER OF THE COMMISSION



Daniel P. Wolf  
Executive Secretary

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April 7, 2016

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

**RE: Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G6960/M-16-214

Dear Mr. Wolf:

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

Petition of United Natural Gas LLC for Exemption for Small Gas Utility Franchise.

The Petition was filed on March 8, 2016 by:

Joel Dahlgren  
United Natural Gas LLC  
705 East 4<sup>th</sup> Street  
Winthrop, Minnesota 56396

As discussed in the attached Comments, the Department is requesting that United Natural Gas LLC (UNG) provide additional information in its Reply Comments. The DOC will develop its final recommendations after it has had the opportunity to review UNG's Reply Comments. The Department is available to answer any questions that the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ JOHN KUNDERT  
Financial Analyst

JK/ja  
Attachment

**BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

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

DOCKET No. G6960/M-16-214

**I. SUMMARY OF THE UTILITY'S PROPOSAL**

On March 8, 2016, United Natural Gas LLC (UNG or United) filed a Petition for approval by the Minnesota Public Utilities Commission (Commission) of an exemption as a small gas utility franchise from the requirements of Minn. Stat. § 216B.16, subd. 12 (a) for service provided to the cities of Lafayette and Courtland, Minnesota (the Municipalities). United stated that the Municipalities' respective city councils had approved franchise agreements that request the Commission approve such an exemption. To the extent necessary, UNG also requested an exemption for incidental natural gas distribution service to the rural areas outside of the borders of the Municipalities it will serve. United's facilities are, or will be, located in McLeod and Nicollet Counties.

United included three attachments to its Petition.

- Attachment A included the "Ordinances, Franchise Agreements and Gas Rate Exemption Resolutions" for each city.<sup>1</sup>
- Attachment B provided system maps of the project.
- Attachment C included a copy of its tariff or "Rates and Rule" book.

**II. THE DEPARTMENT ANALYSIS**

**A. BACKGROUND**

United Natural Gas LLC is a wholly owned for-profit subsidiary of United Farmer's Cooperative (UFC). UFC is apparently a cooperative association organized and existing

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<sup>1</sup> Attachment A's title is not technically correct in that it does not appear that the Municipalities' city councils passed specific resolutions requesting the Commission approve an exemption from state rate regulation for UNG.

under the laws of Minnesota (Minn. Stat. Chapter 308A). According to information provided in the Petition, UFC provides a wide range of services to its members and other individuals in the area around Lafayette.<sup>2</sup> Both UNG and UFC have their principal place of business located in Winthrop, Minnesota.

In its Petition, UNG explained how the development of the proposed distribution systems occurred:

UNG was formed initially in 2012 to deliver natural gas to United Farmers Cooperative's new grain facility and grain dryer located outside of Brownton, Minnesota.<sup>[3]</sup> . . . So in 2014 UFC's Vice President of Energy approached the City of Courtland to inquire whether the City [of Courtland] was interested in creating development of a natural gas distribution system for its residents and businesses in Courtland. Subsequently, in 2015 UFC's management was contacted by Greater Minnesota Transmission, LLC ("GMT") after GMT's management approached the City of Courtland about the same thing.

Lafayette is the ancestral home of UFC. When the City's residents expressed interest in natural gas, UFC naturally expressed interest in developing a natural gas distribution system there as well.<sup>[4]</sup>

#### ***B. STATUTORY REQUIREMENTS FOR SMALL GAS UTILITY FRANCHISE EXEMPTION***

Minnesota Statute § 216B.02, subd. 4 states:

"Public utility" means persons, corporations, or other legal entities, their lessees, trustees, and receivers, now or hereafter operating, maintaining, or controlling in this state equipment or facilities for furnishing at retail natural, manufactured, or mixed gas or electric service to or for the public or engaged in the production and retail sale thereof.... In addition, the provisions of this chapter shall not apply to a public utility whose total natural gas business consists of supplying natural,

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<sup>2</sup> Specifically, "UFC provides refined petroleum and L.P. Gas, agronomy products and services, manufactures animal nutrition feed products, markets grain, owns and operates convenience stores in half a dozen Minnesota communities, owns and operates an ACE affiliated hardware store, an Arctic Cat power sports division and an Exmark lawn mower dealership." Petition at page 3.

<sup>3</sup> The Department's Energy Facility Permitting staff and the Commission reviewed and approved UFC's request for approval of an "Information Book for Owners and Tenants of Property along the Brownton Natural Gas Pipeline Route in McLeod County, Minnesota" in Docket No. PL-6889/PL-12-250.

<sup>4</sup> Petition at page 2.

manufactured, or mixed gas to not more than 650 customers within a city pursuant to a franchise granted by the city, provided a resolution of the city council requesting exemption from the regulation is filed with the commission. [Emphasis added.]

Viewed in isolation, this statutory language could be interpreted such that UNG would be considered exempt from the legal requirements included in Chapter 216B and by extension, from Commission regulation.

Minnesota Statute Chapter 216B contains some additional language that is germane to this topic.

Minnesota Statute § 216B.16, subd. 12 (a) states:

A municipality may file with the Commission a resolution of its governing body requesting exemption from the provisions of this section for a public utility that is under a franchise with the municipality to supply natural, manufactured, or mixed gas and that serves 650 or fewer customers in the municipality as long as the public utility serves no more than 2,000 customers.

This statutory language reiterates the 650-customers-within-a-municipality threshold included in the definition of public utility and then adds a limiting criterion of 2,000 total customers. A conservative reading of the two statutes would lead to the conclusion that both criteria need to be met in order for the Commission to grant an exemption.

Additionally, Minnesota Statute § 216B.16, subd. 12 (b) states:

The commission shall grant an exemption from this section for that portion of a public utility's business that is requested by each municipality it serves. Furthermore, the commission shall also grant the public utility an exemption from this section for any service provided outside of a municipality's border that is considered by the commission to be incidental. The public utility shall file with the commission and the department all initial and subsequent changes in rates, tariffs, and contracts for service outside the municipality at least 30 days in advance of implementation.

This section of Chapter 216B adds a layer of complexity by indicating that a public utility may be granted exemption only for the portion of its business within each municipality, unless the service provided outside each municipality is considered to be incidental, in which case all of the public utility's business is exempt from rate regulation. It appears that

Minnesota Statute § 216B.02, subd. 4 (existing since 1981) did not contemplate the possibility that a public utility may serve more than one municipality;<sup>5</sup> thus, further refinements were made to the statutory language regarding small gas utility exemptions. Chronologically, the initial sentence in Minnesota Statute § 216B.16, subd. 12 (b) became law in 1991. The rest of the passage became law in 1995, as did subpart (d).

Minnesota Statute § 216B.16, subd. 12 (c) through (e) state:

(c) However, the commission shall require the utility to adopt the commission's policies and procedures governing disconnection during cold weather. The utility shall annually submit a copy of its municipally approved rates to the commission.

(d) In all cases covered by this subdivision in which an exemption for service outside of a municipality is granted, the commission may initiate an investigation under section 216B.17, on its own motion or upon complaint from a customer.

(e) If a municipality files with the commission a resolution of its governing body rescinding the request for exemption, the commission shall regulate the public utility's business in that municipality under this section.

The language in Minnesota Statute § 216B.16, subd. 12 subparts (c) and (e) originally became law in 1991. They were re-numbered as part of the statutory changes enacted in 1995.

The Minnesota Department of Commerce, Division of Energy Resources (Department or DOC) provides the following analysis regarding the statutory requirements for small gas utility franchise exemptions, and whether UNG's tariff conforms to the remaining statutory requirements. The Department also discusses an unanticipated issue regarding UNG's agreement with the City of Brownton.

### C. ANALYSIS OF THE PROPOSED EXEMPTION FROM PUC REGULATION OF NATURAL GAS RATES

Regarding the number of customers, the Department asked a number of information requests to determine the composition of UNG's potential customer base. In response to DOC Information Request No. 2, the Company stated that the maximum number of

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<sup>5</sup> As the Commission staff noted in footnote 2 on page 4 of its briefing papers in Docket No. G6915/M-13-672 (*In the Matter of the Petition of Dooley's Natural Gas LLC for Exemption for Small Gas Utility*), "Trying to read these statutes together could arguably result in a contradiction, unless one interprets the former to apply only to a gas utility who services only one city and has 650 or fewer customers in total."

customers that could receive service in Lafayette and Courtland are 225 and 325 respectively.<sup>6</sup> Table 1 below summarizes the information provided in UNG's response to DOC Information Request No. 2 and a 2010 population estimate from the Minnesota State Demographer:

**Table 1 – Summary of Expected Number of Customers and Population for Courtland and Lafayette**

City	Date of Ordinance	Expected Number of Customers*	Population**
Courtland	December 15, 2015	<500	609
Lafayette	December 14, 2015	<500	485
Immediate Surrounding Areas		21	N/A
Total		483	1,094

\*Source: DOC Information Request Response #2

\*\*Source: League of Minnesota Cities <http://lmc.org>

As indicated above, a natural gas business with 650 or fewer customers within a city and operating pursuant to a franchise granted by the city may request exemption from rate regulation if a resolution from the city is provided supporting the exemption request. The city councils of Lafayette and Courtland signed ordinances granting UNG a 10-year franchise to operate, repair and maintain a natural gas distribution system within each city's limits.<sup>7</sup>

Section 2.3 in Ordinance No. 15-102 for the City of Courtland and Section 2.3 in Ordinance No. 117 are both titled "Service and Gas Rates" and state:

The service to be provided and the rates to be charged by the Company for gas service in the City are subject to the jurisdiction of a local Utilities Board of which the City shall assign one representative to represent the City or any succeeding regulatory authority assigned by law or regulation. The City further agrees to provide a request to the Minnesota Public Utilities Commission requesting Company be exempt from State Rate Regulation and subject to Local Jurisdiction. [Emphasis added.]

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<sup>6</sup> A copy of this information request is included in Attachment 1 to these comments.

<sup>7</sup> Copies of those Ordinances and the Franchise Agreements for both communities are included in Attachment A to the Petition.



Attachment A to the Petition included letters to the Commission from each of the mayors of the two Municipalities indicating their support for the Franchise Agreements and requesting that the “necessary state approvals” be granted so that natural gas service can be brought to their communities.

The Company’s position in this matter appears to be that the combination of the language included in the respective ordinances and the subsequent letters from the respective mayors fulfill the statutory requirement pertaining to the resolutions required by Minnesota Statute §§ 216B.16, subd. 12 (a) and 216B.02, subd. 4. The Department presumes that, rather than rescind a resolution requesting exemption as contemplated by Minnesota Statute § 216B.16, subd. 12 (e), either or both of the Municipalities could petition the Commission at some point in the future if exemption is no longer supported.

However, the Department notes that the combination of the language included in the ordinances and the mayors’ letters do not technically fulfill the statutory requirements referenced earlier. The Department requests that UNG address this issue in its Reply Comments. Specifically, the Department would like to know whether it would be practicable for UNG to provide resolutions supporting the Petition consistent with the statute prior to the Commission’s meeting on this issue.

During the course of its review of the intrastate pipeline that will serve UNG’s proposed natural gas local distribution companies in Courtland and Lafayette in Docket No. PL6580/M-15-1041, Commission staff identified a concern regarding the extent of UNG’s forecasted annual throughput that would be delivered to customers located outside of the Municipalities’ boundaries. Given the language in Minn. Stat. § 216B.16, subd. 12 (b), this forecasted usage would be defined or classified as incidental. It appeared that Commission staff’s concern was due in part to the fact that the percentage of UNG’s annual throughput classified as incidental was in excess of 35 percent of its total forecasted annual throughput. Table 2 summarizes this information.

**Table 2 – Comparison of Forecasted Load and Number of Customers Classified as Located Within and Outside the Municipalities Boundaries (in Percentage)**

Location	Customers	Design Day Demand (Dkt/day)	Percentage of Annual Throughput (Annual Dkt)
Within Municipal Boundaries	95.7%	75.4%	61.9%
Outside of Municipal Boundaries (Incidental)	4.3%	24.6%	38.1%
Total	100.0%	100.0%	100.0%

The Department's estimate is that initially over 95 percent of the customers will be located within the Municipalities and that those same customers will be responsible for over 75 percent of UNG's design-day requirements. The DOC's estimate for annual throughput for customers located outside of the Municipalities (i.e. incidental load) is 38 percent. When placed in the context of the number of customers and the design-day requirements, the Department believes that this level of annual throughput could reasonably be considered incidental.

The Department concludes that, with the exception of the requirement that a resolution of the city council of the municipality to be served by the public utility requesting exemption from regulation be filed with the Commission, UNG's service to the Municipalities, including incidental customers located outside of the Municipalities, can be considered exempt from rate regulation.

#### *D. UNG'S PROPOSED TARIFF*

Should the Commission grant UNG's exemption request, the Department notes that the utility will remain subject to certain statutory requirements, as more fully discussed below. As noted previously, UNG included a 47-page proposed tariff in Attachment C of its Petition. The Department reviewed this document in light of Minnesota statutes and Commission precedent.

The first issue reviewed relates to the extension of certain consumer protections to UNG's potential ratepayers. Minnesota Statute § 216B.16, subd. 12 (c) indicates that a small gas utility exemption does not exempt the utility from the Cold Weather Rule requirements:

However, the commission shall require the utility to adopt the commission's policies and procedures governing disconnection during cold weather. The utility shall annually submit a copy of its municipally approved rates to the commission.

Section 25 of the Company's proposed tariff addresses this requirement. The language included in this section is consistent with that previously approved for other local gas distribution companies serving Minnesota. The Department concludes that UNG's proposed tariff complies with the statutory requirements regarding disconnection during cold weather. The DOC's only suggested edit is that the Company correct the current references to Section 24 in this portion of the tariff to Section 25 so that the language is consistent with the number included in the Section's heading.

Regarding the annual reporting requirement noted in Minnesota Statute § 216B.16, subd. 12 (c), the Department would ask that UNG recognize this statutory requirement in its Reply Comments so as to minimize the risk associated of non-compliance with this reporting requirement.

Commission precedent regarding the extension of consumer protections to an exempt small natural gas utility's ratepayers can be found in the Commission's January 7, 2014 *Order Granting Small Gas Utility Franchise Exemption Under Minn. Stat § 216B.16, Subd. 12* for Dooley's Natural Gas (DNG) in Docket No. G6915/M-13-672. In its Order, the Commission clarified that while DNG had been exempted from rate regulation, it remained subject to various other statutory provisions under Commission jurisdiction, including but not limited to the following:

- Minn. Stat § 216B.096 – Cold Weather Rule (previously discussed)
- Minn. Stat § 216B.0976 – Notice to Cities of Utility Disconnection
- Minn. Stat § 216B.098 – Residential Customer Protections

Minnesota Statute § 216B.0976 states:

Subdivision 1. Notice required.

Notwithstanding section 13.685 or any other law or administrative rule to the contrary, a public utility, cooperative electric association, or municipal utility must provide notice to a statutory city or home rule charter city, as prescribed by this section, of disconnection of a customer's gas or electric service. Upon written request from a city, on October 15 and November 1 of each year, or the next business day if that date falls on a Saturday or Sunday, a report must be made available to the city of the address of properties currently disconnected and the date of the disconnection. Upon written request from a city, between October 15 and April 15, daily reports must be made available of the address and date of any newly disconnected properties.

A city provided notice under this section must provide the information on disconnection to the police and fire departments of the city within three business days of receipt of the notice.

For the purpose of this section, "disconnection" means a cessation of services initiated by the public utility, cooperative electric association, or municipal utility that affects the primary heat source of a residence and service is not reconnected within 24 hours.

Subd. 2. Data.

Data on customers that are provided to cities under subdivision 1 are private data on individuals or nonpublic data, as defined in section 13.02.

UNG has included the statutory language referenced verbatim in its proposed tariff. Consequently, the Department concludes that the Company's tariff complies with this requirement.

Minnesota Statute § 216B.098, subd. 2 through 5 states:

Subd. 2. Budget billing plans.

A utility shall offer a customer a budget billing plan for payment of charges for service, including adequate notice to customers prior to changing budget payment amounts. Municipal utilities having 3,000 or fewer customers are exempt from this requirement. Municipal utilities having more than 3,000 customers shall implement this requirement before July 1, 2003.

Subd. 3. Payment agreements.

A utility shall offer a payment agreement for the payment of arrears. Payment agreements must consider a customer's financial circumstances and any extenuating circumstances of the household. No additional service deposit may be charged as a consideration to continue service to a customer who has entered and is reasonably on time under an accepted payment agreement.

Subd. 4. Undercharges.

(a) A utility shall offer a payment agreement to customers who have been undercharged if no culpable conduct by the customer or resident of the customer's household caused the undercharge. The agreement must cover a period equal to the time over which the undercharge occurred or a different time period that is mutually agreeable to the customer and the utility, except that the duration of a payment agreement offered by a utility to a customer whose household income is at or below 50 percent of state median household income must consider the financial circumstances of the customer's household.

(b) No interest or delinquency fee may be charged as part of an undercharge agreement under this subdivision.

(c) If a customer inquiry or complaint results in the utility's discovery of the undercharge, the utility may bill for undercharges incurred after the date of the inquiry or complaint only if the utility began investigating the inquiry or complaint within a reasonable time after when it was made.

Subd. 5. Medically necessary equipment.

(a) A utility shall reconnect or continue service to a customer's residence where a medical emergency exists or where medical equipment requiring electricity necessary to sustain life is in use, provided that the utility receives written certification, or initial certification by telephone and written certification within five business days, that failure to reconnect or continue service will impair or threaten the health or safety of a resident of the customer's household.

(b) Certification of the necessity for service is required. Certification may be provided by:

(1) a licensed medical doctor;

(2) a licensed physician assistant;

(3) an advanced practice registered nurse, as defined in section 148.171; or

(4) a registered nurse, but only to the extent of verifying the current diagnosis or prescriptions made by a licensed medical doctor for the customer or member of the customer's household.

(c) Except as provided in paragraph (d), a certification may not extend beyond six months from the date of written certification.

(d) If a utility determines that a longer certification is appropriate given a particular customer's circumstances, the utility may, at its sole discretion, extend the duration of a certification for up to 12 months.

(e) A certification may be renewed, provided that the renewal complies with this subdivision. A certification may be renewed by the same or another medical professional who meets the qualifications of paragraph (b).

(f) A customer whose account is in arrears must contact and enter into a payment agreement with the utility. The payment agreement must consider a customer's financial circumstances and any extenuating circumstances of the household. The payment agreement may, at the discretion of the utility, contain a provision by which the utility forgives all or a portion of the amount in which the account is in arrears, which, if implemented, extinguishes individual liability for the amount forgiven.

UNG's proposed tariff appears to comply with all the requirements of subdivisions 2, 3, 4 and 5.

Additionally, the Commission stated in its Order:

Under state law, DNG continues to be responsible to submit the following to the Commission:

- Annual Cold Weather Rule reports as required under Minn. Stat. § 216B.096, Subd. 11;
- Annual tariff updates with municipally approved rates to the Commission (Minn. Stat. § 216B.16, Subd. 12 (c)); and
- Any subsequent changes in rates, tariffs and contracts for service outside the municipalities at least 30 days in advance of implementation.

Similar to the Commission's Order in the DNG proceeding, the Commission may wish to state in its Order that UNG has an affirmative duty to inform the Commission should its customer base expand beyond the 2,000 customer threshold.

In conclusion, the Department's review indicates that UNG's proposed tariff complies with the requirements of:

- Minn. Stat §§ 2126B.16, subd. 12(c) and 216B.096 – Cold Weather Rule
- Minn. Stat § 216B.0976 – Notice to Cities of Utility Disconnection
- Minn. Stat § 216B.098 – Residential Customer Protections

The Department requests that UNG confirm its understanding of the following future filing requirements:

- Annual Cold Weather Rule reports as required under Minn. Stat. § 216B.096, subd. 11;
- Annual tariff updates with municipally approved rates to the Commission (Minn. Stat. § 216B.16, subd. 12 (c));
- Any subsequent changes in rates, tariffs and contracts for service outside the municipalities at least 30 days in advance of implementation; and
- Notify the Commission should customer base expand beyond the 2,000 customer threshold.

The Department's review of the information UNG provided in its Petition identified another issue that is not contained within the scope of the Company's proposal. This issue concerns the legal status of a pipeline UNG constructed in 2012 to serve one of its facilities.

*E. BROWNTON NATURAL GAS PIPELINE DOCKET NO. IP-6889/PL-12-250*

On March 30, 2012, UNG filed an “Information Book for Owners and Tenants of Property along the Brownton Natural Gas Pipeline Route in McLeod County, Minnesota. As the Company explained in its filing:

Installation of the proposed Brownton Natural Gas Pipeline is necessary to provide a source of natural gas to the United Grain Systems, LLC (UGS) grain facility and Brownton area businesses and community. The pipeline will be connected to the Hutchinson Utilities natural gas line and UNG will be able to purchase up to 5000 MCF [million cubic feet] per day. The UGS grain facility for the months of October through December in a normal crop drying year will use 2000 MCF per day. The pipeline will provide the natural gas required to operate the UGS facility and therefore is an essential component to the operations of that facility. Additional benefits could include services to the town of Brownton.

On May 16, 2012 the Commission issued an Order approving the Information Book. A copy of that document is included as Attachment 2 to these comments.

In its Petition in this docket, the Company referenced the Brownton facility. Apparently the City of Brownton (City) was able to locate an adequate amount of bonding authority to construct a natural gas local distribution company (LDC) and provide natural gas service as a municipality beginning in 2013.<sup>8</sup>

UNG mentioned that it had concluded an agreement with the City to transport natural gas over its (UNG’s) facility for consumption by the City’s natural gas customers in 2013 in the instant docket.

The Department believes that as a result of the execution of the agreement between UNG and the City under which UNG transported natural gas purchased and consumed by the City (i.e. a third-party), UNG effectively became an intrastate pipeline under Minnesota law.

In support of this position the Department references Minn. Stat. §216B.045, subd. 1 which states:

For the purposes of this section “intrastate pipeline” means a pipeline wholly within the state of Minnesota which transports or delivers natural gas received from another person at a point inside or at the border of the state, which is delivered at a point

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<sup>8</sup> [www.mmua.org/about/about-mns-municipal-utilities](http://www.mmua.org/about/about-mns-municipal-utilities)

within the state to another, provided that all the natural gas is consumed within the state. An intrastate pipeline does not include a pipeline owned or operated by a public utility, unless a public utility files a petition requesting that a pipeline or a portion of a pipeline be classified as an intrastate

The Department's understanding at this juncture is;

- 1) UNG takes possession of the natural gas purchased by the City of Brownton at UNG's receipt point with the Hutchinson Utilities natural gas pipeline.
- 2) UNG then transports this natural gas over its pipeline.
- 3) UNG then delivers this natural gas to City of Brownton.
- 4) All the natural gas delivered to City of Brownton's natural gas utility appears to be consumed within the state.<sup>9</sup>

The Department is concerned that UNG may not have recognized its statutory responsibility to request Commission approval of the contract it concluded in 2013 with the City of Brownton.<sup>10</sup> That said, the Department also recognizes that the review and resolution of this issue need not impact the Company's current request before the Commission regarding the provision of local distribution service to the municipalities of Courtland and Lafayette if UNG is willing to commit to filing a petition that addresses the regulatory status of its contract for transportation service with the City of Brownton within a reasonable time period. Consequently, the Department asks that UNG address this issue in its Reply Comments.

#### *F. PROCEDURAL ISSUES*

Minnesota Rule 7829.1200 allows for an informal or expedited proceeding. Minnesota Rule 7829.1300 delineates the requirements for a miscellaneous tariff filing. UNG's March 8, 2016 filing did not include all the information listed as required in Minn. Rule 7829.1300. The Department asked UNG for the information listed under Minn. Rule 7829.1300, subp. (4) in DOC Information Request No. 1. United provided that information and it is included as Attachment 3 to these comments.

While the Department recognizes that there is a basis for rejecting UNG's initial filing in that it did not contain the information required in the applicable rule, the Department believes United's efforts in support of this Petition are sufficient to allow the filing to be considered in compliance with the appropriate rules and statutes. The Department notes that UNG met with Commission and Department staff prior to initiating the filing at Commission staff's

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<sup>9</sup> The Department also notes that in 2013 when UNG initiated this contract, it did not qualify for the exemption from the definition of an intrastate pipeline delineated in the last sentence of the Minn. Stat. §216B.045, subd. 1 due to the fact that it did not provide retail utility service at that time. Rather, UNG provided (and continues to provide) "wholesale" utility service under that agreement.

<sup>10</sup> Minnesota Statute §216B.045, subd 4 requires an intrastate pipeline providing service in Minnesota to obtain Commission approval for each contract in order for the contract to become effective.



request and that UNG and its representatives have provided information to the Department in a timely fashion.

### III. DEPARTMENT RECOMMENDATION

The DOC will provide its final recommendations in this proceeding to the Commission in a set of Supplemental Comments.

At this time, the Department expects to recommend that the Commission approve the Petition, provided that UNG provide the following assurances in Reply Comments:

- The issue related to the statutory requirement regarding resolutions requesting exemption submitted by the Municipalities is resolved ;
- Annual Cold Weather Rule reports will be filed as required under Minn. Stat. § 216B.096, subd. 11;
- Annual tariff updates with municipally approved rates will be submitted to the Commission (Minn. Stat. § 216B.16, subd. 12 (c));
- Any subsequent changes in rates, tariffs and contracts for service outside the Municipalities will be filed at least 30 days in advance of implementation;
- Notification to the Commission will be made should UNG's customer base expand beyond the 2,000-customer threshold; and
- A petition that addresses the regulatory status of its contract for transportation service with the City of Brownton will be provided within a reasonable time period.

The Department requests that the Company correct the current references to Section 24 in this portion of the tariff to Section 25 so that the language is consistent with the number included in the Section's heading

/ja

**State of Minnesota**  
**DEPARTMENT OF COMMERCE**  
**DIVISION OF ENERGY RESOURCES**

Public

**Utility Information Request**

Docket Number: G,6960/M-16-214

Date of Request: 3/21/2016

Requested From: United Natural Gas LLC

Response Due: 3/31/2016

Analyst Requesting Information: John Kundert

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.	
2	<p>Reference: March 8, 2016 Petition for Exemption of Small Gas Utility</p> <p>Subject: United Natural Gas LLC Existing and Potential Customers</p> <p>Please provide a chart that identifies the following information for the municipalities of Lafayette, Courtland and Brownton (if available);</p> <ul style="list-style-type: none"><li>A. The number of residential, commercial and industrial customers expected to receive natural gas service initially located within Lafayette and Courtland's municipal boundaries and the number of residential, commercial and industrial customers that initially received service in Brownton within its municipal boundary.</li><li>B. The maximum number of residential, commercial and industrial customers that could receive service in Lafayette, Courtland and Brownton, respectively, if all the residences and businesses located within each of the three municipalities requested natural gas service.</li></ul>

Response by: \_\_\_\_\_ List sources of information: \_\_\_\_\_  
Title: \_\_\_\_\_  
Department: \_\_\_\_\_  
Telephone: \_\_\_\_\_

**Docket Number: G6960/M-16-214 Utility Information Response:**

**Request 2 Response:**

- A. Please see attached market study. The study assumed 478 potential residential customers with saturations increasing from 70% to 83% over 3 years. 441 of the customers were in the city limits of Courtland and Lafayette and 37 were outside the city limits. The study assumed 65 commercial customers of which 60 were within the city limits of Courtland and Lafayette, 5 were in Klossner, 10 rural farms and 1 rural school. The study assumed there are 7 industrial customers within the city limits of Courtland and Lafayette and 1 is outside the city limits. We do not know what is serviced within the municipality of Brownton, we strictly provide them Transportation service. United Natural Gas, LLC completed an Information Book with the Public Utilities Commission Docket NO: IP-6889/PL-12-250 and approval of that on May 16, 2012 to run a Natural Gas Pipeline to our (United Farmers Co-op) Grain Elevator for the Grain Dryer. A year later the City of Brownton created their own Municipality and asked United Natural Gas, LLC to allow them to transport gas on the line so they could provide their residents access to natural gas. Please see Filing of Transportation Agreement with City of Brownton (Request 7 Response).
- B. The Maximum number of residential, commercial and Industrial customers that could receive service in Lafayette and Courtland are 225 and 325 respectively. We do not have information about the City of Brownton.

Docket Number: G6960/M-16-214 Utility Information Response: Attachment Market Study

Customer	Hourly Load	#Of Customers	Hourly Peak cfh	Daily Peak cf	Design Day Dkt	Annual Dkt	Estimated Annual Propane gal
Residential 70% Sat	50 cfh	400	20,000	400,000	400	38,000	
Small Commercial	200 cfh	65	13,000	260,000	260	26,000	
<b>Large Commercial Firm</b>							
School 2		1	1,430	22,875	23	2,288	25,000
Farm 6		1	572	9,150	9	915	10,000
School 1		1	1,144	18,300	18	1,830	20,000
Farm 7		1	429	6,863	7	686	7,500
Farm 1		1	1,944	31,110	31	3,111	34,000
Farm 8		1	572	9,150	9	915	10,000
Farm 9		1	858	13,725	14	1,373	15,000
Farm 10		1	572	9,150	9	915	10,000
Farm 2		1	2,859	45,750	46	4,575	50,000
Farm 3		1	486	7,778	8	778	8,500
Farm 4		1	1,144	18,300	18	1,830	20,000
Industrial 1		1	555	8,876	9	888	9,700
Industrial 2		1	1,258	20,130	20	2,013	22,000
Farm 5a		0	1,716	27,450	27	2,745	30,000
		13	15,538	248,606	249	24,861	271,700
<b>Interruptible</b>							
Industrial 7		1	125,000	664,000	0	27,700	200,000 Oil
Industrial 3		1	31,000	198,250	0	5,948	65,000
Industrial 4		1	28,000	176,900	0	5,307	58,000
Industrial 5		1	28,000	45,750	0	1,373	15,000
Industrial 6		1	2,002	32,025	32	3,203	35,000
Farm 5b		0	1,716	27,450	27	2,745	30,000
		5	215,717	1,144,375	59	46,275	403,000
<b>Firm Design</b>							
			48,538	908,606	909	88,861	
				Largest 12 customers outside town.		50,575	% of Load 37.43%
				Largest Customer		27,700	% of Customers 0.21%

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Phyllis Reha  
J. Dennis O'Brien  
David Boyd  
Betsy Wergin

Acting Chair  
Commissioner  
Commissioner  
Commissioner

Darv Turbes  
United Natural Gas, LLC  
705 E. 4th Street  
Winthrop, MN 55396

SERVICE DATE: May 16, 2012

DOCKET NO. IP-6889/PL-12-250

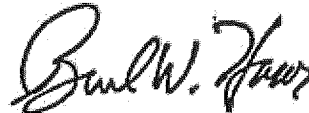
In the Matter of United Natural Gas, LLC's Petition for Approval of an Information Book,  
Pursuant to Minn. Statute Section §216G.04

The above entitled matter has been considered by the Commission and the following disposition made:

**Approve the Information Book. The Commission notes that on May 4, 2012, United Natural Gas, LLC submitted a revision to the Permit Requirements section, page 6 of the Information Book, which now includes both MN Department of Transportation (MN DOT) and the Twin Cities & Western Railroad (TC & W) in the table of permits, as requested by the Department in its April 19, 2012 comments.**

The Commission agrees with and adopts the recommendations of the Department of Commerce, which are attached and hereby incorporated into the Order. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION



Burl W. Haar  
Executive Secretary



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St. Paul, Minnesota 55101-2198  
ph 651.296.4026 | fx 651.297.7891  
<http://mn.gov/commerce/energyfacilities>

April 19, 2012

Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101-2147

**RE: Comments and Recommendations of Department of Commerce Energy  
Facility Permitting Staff  
Docket No. PL-6889/PL-12-250**

Dear Dr. Haar:

Attached are the comments and recommendations of the Department of Commerce, Energy Facility Permitting (EFP) staff in the following matter:

In the Matter of the Approval of an Information Book for Owners and Tenants of Property along the Brownston Natural Gas Pipeline Route in McLeod County, Minnesota

**The Information Book was eFiled on March 30, 2012 by:**

Darv Turbes  
United Natural Gas, LLC  
705 E. 4<sup>th</sup> Street  
Winthrop, MN 55396

Tel: 507-647-6600  
Email: [darv.turbes@unfmn.com](mailto:darv.turbes@unfmn.com)

EFP staff recommends approval of the information book in the above matter. Staff is available to answer any questions the Commission may have.

Sincerely,

/s/ LARRY B. HARTMAN  
DOC EFP Staff

LBH/sm  
Attachment

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BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS AND RECOMMENDATIONS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
ENERGY FACILITY PERMITTING STAFF

DOCKET NO. IP-6889/PL-12-250

EFP Staff: Larry B. Hartman ..... Tel: 651-296-5089

**In the Matter of the Approval of an Information Book Prepared by United Natural Gas, LLC (UNG) for the Brownton Natural Gas Pipeline in McLeod County, Minnesota.**

**Issues Addressed:** These comments and recommendations address the question of whether the Public Utilities Commission should authorize approval of the Information Book.

The enclosed materials are the work papers of the Department of Commerce Energy Facility Permitting (EFP). They are intended for use by the Public Utilities Commission and are based on information already in the record unless otherwise noted.

*This document can be made available in alternative formats; i.e. large print or audio tape by calling (651) 296-0391 (Voice). Persons with hearing or speech disabilities may call us through Minnesota Relay at 1-800-627-3529 or by calling 711.*

**Introduction and Background**

A Commission approved information book is required for certain pipelines as defined in Minnesota Statutes 216G.

United Natural Gas, LLC (UNG) is requesting Commission approval of an Information Book it prepared and filed with the Commission on March 30, 2012, pursuant to the requirements of Minnesota Statutes 216G.04. UNG's "Information Book for Owners and Tenants of Property Along the Brownton Natural Gas Pipeline in McLeod County, Minnesota"<sup>1</sup> is available as a link in the footnote or on eDockets at: <https://www.edockets.state.mn.us/Efiling/search/jsp> (See eDockets at (12-250).

<sup>1</sup> UNG Information Book (See eDoc. # [20123-73191-01](#)), filed on March 30, 2012.



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UNG is proposing a 4-mile-long four-inch (4") outside diameter, welded steel, fusion bond epoxy coated pipe with a wall thickness of 0.156 inches and a design pressure of 275 pounds per square inch (psi) or less to transport natural gas from the Hutchinson Pipeline to the United Grain Systems, LLC (UGS) grain facility and Brownton area businesses and community.

***The Applicant and the Project***

United Natural Gas, LLC is a subsidiary entity of United Farmers Cooperative (UFC). It is UFC's intention to operate UNG as a separate legal entity. For tax purposes, UNG will operate as a disregarded entity without its own federal tax payer identification number while UNG supplies natural gas only to United Grain Systems, LLC. If and when UNG supplies natural gas to the city of Brownton, it will obtain a separate federal identification number, at which point UNG will no longer be disregarded for tax purposes. In either case, it is UFC's intent for UNG to be operated as an independent company on an arms-length basis from UFC.

UNG is a corporation established under the laws of Minnesota as a natural gas delivery company. UNG will contract with Michaels, Inc to install the proposed gas pipeline and associated facilities. The pipeline and associated facilities will be owned by UNG and operated by UNG.

***Project Need***

According UNG, installation of the proposed Brownton Natural Gas Pipeline is necessary to provide a source of natural gas to the UGS grain facility now under construction and Brownton area businesses and community. The proposed Project will tap the Hutchinson Utilities natural gas pipeline as a gas source and UNG will have the ability to purchase up to 5000 million cubic feet (MCF) per day. The UGS grain facility for the months of October through December in a normal crop-drying year will use 2000 MCF per day. Additional area benefits could include gas service to the city of Brownton should they chose to approve of a gas utility and provide bonding authority for it.

***Project Location***

UNG proposes to install a natural gas pipeline approximately 4 miles in length in Sumter and Collins townships in McLeod County. The pipeline will originate at the existing Hutchinson Utilities Pipeline T-Valve, where the interconnect station will be located in the southwest quarter of Section 34, Township 115, Range 30, Collins Township, and will proceed in an easterly direction adjacent to and parallel with the south side of the existing MN Highway 212 in Section 34, then crossing in a northeast direction under MN State Highway 212 and TC & W Railroad right-of-way, continuing eastward parallel with TC & W Railroad right-of-way in Sections 35 & 36 to its terminus at the UGS Grain Facility in Sumter Township Section 31.

***Project Description***

The proposed 4-mile-long natural gas pipeline project calls for the construction and installation of a four-inch outside diameter, welded steel, fusion bonded epoxy coated pipe with a wall thickness of 0.156 inches. The proposed pipeline will be designed to operate at a pressure of 275 pounds per square inch (psi) or less. In addition to the pipeline, associated facilities, will include

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installation of two interconnect valves and a cathodic protection system. The valves will be located in accordance with applicable federal and state pipeline regulations. Cathodic protection system needs are being evaluated and will be installed as necessary to provide anti-corrosion protection. Any other component placements will be determined upon final configuration of the pipeline and operation needs.

UNG is proposing to acquire a permanent easement (right-of-way) 25 feet in width. The easement will be limited to installation of a single pipeline within the permanent right-of-way. Additional temporary workspace may be required to facilitate the boring or horizontal directional drilling (HDD) activities at roadway and rail bed crossings. These additional temporary workspace areas will be approximately 40 feet wide by 200 feet long.

The entire pipeline route lies within a Class 1 location as defined by 49 CFR 192.5. The design and testing of, and materials used for the pipeline meet the 49 CFR Part 192 requirements for installation in a Class 4 location, allowing for future population density increases.

According to the UNG there are no high consequence area (HCAs) as defined by CFR 192.903 along the proposed pipeline route.

The pipeline will be installed with a typical depth of cover of 4-1/2 feet (or 54 inches) including where the pipeline will cross a county, town, or municipal street or highway; where the pipeline will cross cultivated agricultural land; or where the pipeline will cross a drainage ditch right-of-way. The landowner, as described on page 5 of the information book, may waive depth of cover requirements.

#### ***Route Features and Impacts***

The Project will cross eight parcels of property consisting of lands used for agricultural and transportation (i.e., county road right-of-way) purposes. The Project will not cross any park or recreation areas or rivers, streams or wetlands. The pipeline will cross rights-of-way of two township roads, State Highway 212 and TC & W Railroad. Based on UNG's review of site files maintained by the Minnesota State Historic Preservation Office and files maintained by the National Register of Historic Places, no previously recorded archaeological features or historic properties are located within the proposed pipeline route.

#### **Regulatory Process and Procedures**

Minnesota Statutes 216G.01 through 216G.12 [Pipelines] provides for the permitting and regulation of certain pipelines in Minnesota, which in turn may be subject to the requirements of Minnesota Rules Chapter 7852 [Pipelines]. However, Commission review of natural gas pipelines is determined, in part, by the type of natural gas pipeline being proposed, whether it is interstate or intrastate, and pressure threshold. The following provides a brief overview of how certain pipelines are permitted.

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***Interstate Natural Gas Pipelines.*** Under the authority of the federal Natural Gas Act, United States Code, title 15, chapter 15B, interstate natural gas pipelines are permitted by the Federal Energy Regulatory Commission (FERC) and the State is pre-empted (See Minn. Stat. 216G.06).

***Intrastate Natural Gas Pipelines.*** These pipelines require a pipeline routing permit from the Commission, if they are designed to have an operating pressure above 275 pounds per square inch (See Minn. Stat. 216G.02 and Minn. Rules Chapter 7852).

***Information Book for Gas Pipelines Between 90 and 275 pounds per square inch.*** Natural gas pipelines designed to be operated at a pressure of 275 psi or less, are subject to the requirements of Minn. Stat. 216G.03 through Minn. Stat. 216G.05, and are referred to as the “Information Book” requirements. Pipelines designed to be operated at 90 psi or less are not regulated by the Commission. Information book requirements and other parts of Minn. Stat 216G date back to 1979 and are in statute only, not rules. The statutory requirement for a pipeline route permit (see 216G.02) did not exist until 1987. The route permit requirements and information book requirements do not overlap, but represent a tiered approach to review of pipelines in the State of Minnesota. However, other requirements for pipelines, such as depth of burial, appointment of county inspector and other statutory requirements are common to all pipelines.

The following provides an overview of the statutory requirements for a pipeline information book. This overview covers the procedural and notice requirements, including fees and timing restrictions on right-of-way acquisition, information book preparation and content requirements, and public meeting requirements.

**Procedure, Notice, Fees, Route Modifications and Right-of-Way Acquisition Restrictions.** Minn. Stat. 216G.03, Subd. 2. requires that any person proposing to construct or operate a pipeline for which a pipeline routing permit is not required notify the Public Utilities Commission and the county board of each county through which the pipeline will be constructed.

The notice is to include: “a description of the route on which the pipeline is proposed to be located, the size and type of pipeline to be constructed, the types of commodities to be carried and the construction and operational characteristics of the pipeline. The proposed route shall be described in sufficient detail so that the owners or lessees of property on which the route is located can be identified.”

With regard to fees, Minn. Stat. 216G.03, subd. 2. provides that:

Notice to the Public Utilities Commission shall be accompanied by a fee of \$25,000 for preparation of an information book as provided in section 216G.04 and for expenses incurred by state agencies to participate in public meetings as provided in section 216G.05. All fees received are appropriated to the Public Utilities Commission for its own use and for distribution to state agencies for these purposes. The Public Utilities Commission shall refund any amount that exceeds the actual cost to the commission of

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preparing the information book, including necessary revisions, and to state agencies for participating in the public meetings.

Provisions in Minn. Stat. 216G.04, “allow the person proposing the pipeline to prepare the book at that person’s own expense subject to approval of the book by the commission.” When the project proposer prepares the information book for Commission approval, EFP and Commission expenses are nominal (1,000 to 1,500 dollars). Therefore, a dedicated project account is created for tracking costs, and upon completion of Commission requirements, a statement of expenses will be sent to UNG.

When an information book is required, Minn. Stat. 216G.03 Subd. 3, limits a pipeline proposer from acquiring or negotiating for rights-of-way until:

- (a) .... a person may not negotiate or acquire an easement or right-of-way agreement for the purpose of constructing and operating a pipeline until 30 days after:
  - (1) a public meeting has been held as provided in section 216G.05 in the county in which the right-of-way in question is located; and
  - (2) that person has provided to the owner or lessee from whom the easement or agreement is acquired a copy of the information book prepared pursuant to section 216G.04.
- (b) If the original information book is revised pursuant to section 216G.04, each owner or lessee of property which the original route did not affect shall be provided with a copy of the revised book.

**Information Book Preparation, Content and Route Modification.** The preparation and the content requirements of an Information Book are covered in Minn. Stat. 216G.04 [Information Book] and are as follows:

- (a) Within 45 days after receiving the notification and fee required by section 216G.03, the Public Utilities Commission shall prepare and make available to the person proposing to construct the pipeline sufficient copies of an information book for owners and lessees of property along the pipeline. The commission may allow the person proposing the pipeline to prepare the book at that person’s own expense subject to approval of the book by the commission.

- (b) The information book shall contain at least the following information:
  - (1) A description of the pipeline proposed for construction, including the proposed route, types of commodities to be carried, size of the line and construction and operation characteristics;
  - (2) explanation of the steps which must be taken to acquire right-of-way for the pipeline and of the rights and alternatives of the owner;
  - (3) explanation of the legal requirements that must be met in constructing the pipeline; and
  - (4) explanation of the county inspection procedures and instructions for contacting the inspector in the event of noncompliance with legal requirements.
  
- (c) Within 45 days after receiving notification of a change in a proposed route, the commission shall prepare and make available or shall approve a revision of the original information book so that a description of the new route and any other required information relevant to the new route is incorporated in the book.

**Public Meeting.** Requirements are addressed in Minn. Stat. 216G.05:

- (a) Within 60 days of Commission approval of an Information Book, the county board must hold a public meeting to provide information to the public concerning:
  - (1) the pipeline proposed for construction, including the proposed route, the size of the pipeline, types of commodities to be carried and construction and operating characteristics; and
  - (2) the legal requirements which must be met in acquiring easements and in construction and operating the pipeline.
  
- (b) Minn. Stat. 21G.05 (b) provides that notice and agenda of the public meeting shall be given by the county board at least ten days, but no earlier than 45 days before the meeting. Notice shall be by publication in a legal newspaper of the county and a newspaper of general circulation in the area in which the public meeting is to be held and written notice to the clerk of each town and incorporated municipality in the county.

- (c) State agencies authorized to issue permits required for construction or operation of the pipeline shall participate in the public meetings in each county. The agencies shall explain the procedures for issuing the permits and the manner in which the public may participate in those procedures.

### **DOC EFP Staff Analysis and Comments**

Under “Regulatory Process and Procedures,” EFP provided an overview of how natural gas pipelines are permitted and focused on the “Information Book” requirements identified in Minn. Stat. 21G.03 through 216G.05.

In compiling these comments and recommendations, EFP has relied on information provided by the applicant, discussions and emails with: a) representatives of United Natural Gas (Dave Turbes, Doug Lund, Mike Gorman and Joel Dalgren); b) McLeod County Planning and Zoning Administrator (Larry Gassow); c) the Minnesota Office of Pipeline Safety (Elizabeth Skalnek); and d) Commission staff.

In January 2012, representatives of UNG and McLeod County contacted EFP staff regarding the permitting requirements for a natural gas pipeline project. Because the pressure threshold of the pipeline had not been determined, EFP staff reviewed with UNG and McLeod County representatives the natural gas pipeline permitting options and timelines. Once the design pressure of the pipeline had been determined (275 psi or less), EFP staff advised UNG and McLeod County representatives that the proposed Brownton Pipeline would require preparation of an information book.

UNG representatives and EFP staff then reviewed the information book requirements and UNG prepared and submitted a draft information book to EFP staff for review and comment prior to formally filing the information book. EFP staff referred UNG to other information book examples. The requirement for an information book is infrequent; the last book approved by the Commission was for Bear Cub Energy, LLC, in 2007 (See eDockets at 07-472).

On March 13, 2012, UNG provided EFP staff with a draft of the information book. EFP staff reviewed the draft and provided UNG with comments on contents, organization, use of maps and photos. UNG and EFP staff then reviewed and discussed the comments provided.

On March 30, 2012, UNG efiled its proposed “Information Book for Owners and Tenants of Property along the Brownton Natural Gas pipeline Route in McLeod County, Minnesota.” EFP staff on April 17, 2012, advised UNG that the “Permit Requirements” section of the information book needs to include the Minnesota Department of Transportation and the TC & W Railroad and that a cover letter and notice was not included in their March 30, 2012. On April 19, 2012, UNG filed its cover letter and notice.<sup>2</sup> Aside from corrections noted, EFP staff believes the information book filed on March 30, 2012, satisfies the requirements of Minn. Stat 216G.04 (b) described earlier.

<sup>2</sup> Cover letter and notice (See eDoc. #'s [20124-73779-02](#) & [20124-73779-01](#) ), filed on April 19, 2012

EFP staff has reviewed the information book public meeting requirement with a representative of McLeod County (Larry Gassow, April 16, 2012). Mr. Gassow indicated that UNG's conditional use permit application and Information Book will be presented to the McLeod County Planning Commission on May 23, 2012, and to the McLeod County Board on June 5, 2012. Mr. Gassow indicated that McLeod County will provide published notice of any public meeting required for the pipeline. Notice will be published in two newspapers, the *Hutchinson Leader* and the *Glencoe Chronicle*. The notices will contain the required information and will be mailed in accordance with statutory requirements and any McLeod County requirements.

EFP staff has sent McLeod County and UNG a list of the state agency technical representatives to invite to the public meeting to answer questions about permits issued by their respective agency and how the public may participate. EFP staff, depending on the timing of the meeting, may also be able to attend the meeting to answer questions the public may have.

**DOC EFP Staff Recommendation:** The staff recommends that the Commission approve the United Natural Gas, LLC, "Information Book for Owners and Tenants of Property along the Brownton Natural Gas Pipeline Route in McLeod County, Minnesota" prepared in compliance with Minnesota Statute 216GF.04 [Information Book].

**State of Minnesota**  
**DEPARTMENT OF COMMERCE**  
**DIVISION OF ENERGY RESOURCES**

Public

**Utility Information Request**

Docket Number: G,6960/M-16-214

Date of Request: 3/21/2016

Requested From: United Natural Gas LLC

Response Due: 3/31/2016

Analyst Requesting Information: John Kundert

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.*

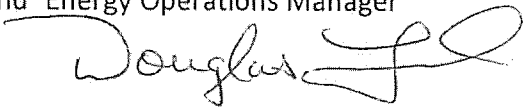
Request No.	
1	Reference: March 8, 2016 Petition for Exemption of Small Gas Utility  a. Please provide the following information related to the petition: a. The name, address and telephone number of the utility, without abbreviation; b. The name, address, and telephone number of the attorney for the utility, if the utility is using an attorney; c. The date of the filing and the date the proposed rate or service change will go into effect; d. The statute that the utility believes controls the time frame for processing the filing; e. The signature and title of the utility employee responsible for the filing; f. A description of the impact of the proposed change on the utility and affected ratepayers.

Response by: \_\_\_\_\_ List sources of information: \_\_\_\_\_  
Title: \_\_\_\_\_  
Department: \_\_\_\_\_  
Telephone: \_\_\_\_\_



**Docket Number: G6960/M-16-214 Utility Information Response:**

**Request 1 Response:**

- a.) United Natural Gas, LLC.; 705 East 4<sup>th</sup> Street, Winthrop, Minnesota 55396; 507-647-6602
- b.) Joel Dahlgren; 705 East 4<sup>th</sup> Street, Winthrop, Minnesota 55396; 507-647-6600
- c.) Initial Filing March 8<sup>th</sup>, 2016
- d.) June 1<sup>st</sup>, 2016 or before and Minnesota Statutes § 216B.16, subd. 12 requires the filing and approval by the Commission of the request for exemption at issue; but, it does not include any explicit time limit for processing the application by the Commission. UNG is not aware of any other statute that controls the time frame for processing this filing. Importantly, however, UNG respectfully requests that the Department and the Commission expedite consideration of the Petition for Exemption for several reasons. The substantial amount of infrastructure construction required to provide the proposed customers with natural gas service necessarily requires that construction begin early in the 2016 construction season. Additionally, the city of Lafayette is installing fiber optic lines and, in order to promote the beneficial public policy of "dig once" and enable joint trenching, construction needs to occur simultaneously with that fiber optic build. Essentially, if a decision on UNG's petition is not made quickly, UNG will not be logistically able to provide natural gas service to the area for the 2016-2017 heating season and area residents will not be able to avail themselves of the benefits of natural gas in the foreseeable future. Consequently, UNG remains hopeful that this matter will be considered by the Commission as soon as possible.
- e.) Douglas Lund Energy Operations Manager  

- f.) United Natural Gas, LLC is a wholly owned division of United Farmers Cooperative based out of Winthrop, MN. As a non-profit Cooperative under Minnesota Statute, Chapter 308A we are regulated by an elected Board of Directors and in addition United Natural Gas would be regulated by a local rate board made up by an elected official of the Courtland Municipality, an elected official of the Lafayette Municipality and elected Lafayette township official and two Board of Directors from United Farmers Cooperative. We feel that with less than 500 customers in each Municipality it would be cost prohibitive to be regulated by the PUC.

April 26, 2016

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 United Natural Gas, LLC's Reply Comments in the Matter of a Petition for Exemption for Small Gas Utility Franchise**  
Docket No. G6960/M-16-214

Dear Mr. Wolf:

In its April 7, 2016 Comments in the above-referenced matter, the Minnesota Department of Commerce, Division of Energy Resources (Department or the DOC) requested that United Natural Gas, LLC, (UNG or the Company) provide additional information in its Reply Comments. The Department indicated that it would defer making a final recommendation regarding the Petition until it had an opportunity to review the Company's Reply Comments.

While the information in the Petition was adequate for the Department to determine that the Company had complied with the majority of regulatory requirements associated with a filing of this nature, the Department asked UNG to address the following concerns in its Reply Comments:

- The statutory requirement that the city councils of the municipalities of Courtland and Lafayette (the Municipalities) pass resolutions requesting regulatory exemption;
- An assurance from UNG that it will file Annual Cold Weather Rule reports with the Commission as required under Minn. Stat. §216B.096, subd. 11;
- An assurance from the Company that annual tariff updates with municipally approved rates will be submitted to the Commission, consistent with Minn. Stat. §216B.16, subd. 12 (c) ;
- An assurance from UNG that any subsequent changes in rates, tariffs and contracts for service outside the Municipalities will be filed at least 30 days in advance of implementation;
- An assurance from the Company that it will notify the Commission if its customer base expands beyond the 2,000 customer threshold; and.
- An assurance that a UNG-sponsored petition that addresses the regulatory status of its contract for transportation service with the City of Brownton would be filed with the Commission within a reasonable time period.

The Department also asked the Company to edit one of its proposed tariff pages.

UNG submitted its Reply Comments on April 13, 2016.<sup>1</sup> The Department has reviewed the Company's Reply Comments and addresses the points of response below.

*A. VARIOUS ASSURANCES RELATED TO STATUTORY REQUIREMENTS*

UNG provided the various requested assurances in its Reply Comments. The Department concludes the Company has fulfilled these requests.

*B. UNG-SPONSORED PETITION THAT ADDRESSES THE COMPANY'S GAS TRANSPORTATION CONTRACT WITH THE CITY OF BROWNTON*

UNG filed a petition for approval of a firm transportation agreement with the City of Brownton with the Commission on April 13, 2016 (Docket No. G6960/M-16-317). The Department concludes the Company has fulfilled this request.

*C. STATUTORY REQUIREMENT REGARDING CITY COUNCIL RESOLUTIONS REQUESTING EXEMPTION FROM COMMISSION REGULATION*

In its Comments, the Department asked "whether it would be practicable for UNG to provide resolutions supporting the Petition consistent with the statute prior to the Commission's meeting on this issue."<sup>2</sup>

The Company filed copies of the Municipalities' City Council resolutions passed on April 7<sup>th</sup>, 2016 (Courtland) and April 11<sup>th</sup>, 2016 (Lafayette). Each resolution indicates that "the City Clerk is directed to file a certified copy of this resolution with the Minnesota Public Utilities Commission." Once the Municipalities complete this task, the Department concludes that the Company and the Municipalities will be in compliance with the statutory requirement to file a resolution in support of the exemption petition.

*D. TARIFF-RELATED MATTER*

The Department also requested that the Company correct some references in Section 25 of its proposed tariff. UNG provided a copy of a revised proposed tariff page that is consistent with this request. The Department appreciates the Company's response to this request.

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<sup>1</sup> Specifically, the Company filed "Response Comments". Functionally, they are Reply Comments.

<sup>2</sup> Department Comments at page 6.

Daniel P. Wolf  
April 26, 2016  
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The DOC recommends **approval** of UNG's request for exemption for small gas utility franchise contingent upon the receipt by the Commission of certified copies of the municipalities of Courtland and Lafayette's resolutions 16-101 and 2016-03 respectively. The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ JOHN KUNDERT  
Financial Analyst

JK/lt