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December 18, 2014

VIA ELECTRONIC FILING

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

Re: In the Matter of the Petition by Minnesota Energy Resources Corporation (MERC) for Approval of a Change in Demand Entitlement for its Customers Served off of the Northern Natural Gas Company (Northern) System Effective in the Purchased Gas Adjustment (PGA) on November 1, 2014.

Docket No. G011/M-14-660
Reply Comments

Dear Dr. Haar:

On December 8, 2014, the Department of Commerce, Division of Energy Resources (the Department) filed Comments recommending that the Minnesota Public Utilities Commission (Commission) accept MERC's peak-day analysis and approve MERC's proposed level of demand entitlement and proposed recovery of associated demand costs effective November 1, 2014, contingent on MERC providing additional information in Reply Comments. MERC thanks the Department for its review and submits the attached Reply Comments responding to the requests for additional information from the Department.

The nonpublic version of the attachments to this filing contains trade secret information. Specifically, the attachments to these comments include contract terms that are not generally known to, and not readily ascertainable by vendors and competitors of MERC, who could obtain economic value from its disclosure. MERC maintains this information as secret. Accordingly, the attached document contains data that qualifies as "Trade Secret Data" pursuant to Minnesota Statutes Section 13.37, Subdivision 1(b).

Thank you for your attention to this matter.

Sincerely yours,

/s/ Michael J. Ahern

Michael J. Ahern

STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
Betsy Wergin	Commissioner

In the Matter of the Petition by
Minnesota Energy Resources
Corporation (MERC) for Approval
of a Change in Demand Entitlement
for Its Customers Served off of the
Northern Natural Gas Company System
Effective in the Purchased Gas
Adjustment on November 1, 2014

Docket No. G011/M-14-660

REPLY COMMENTS OF MINNESOTA ENERGY RESOURCES CORPORATION

Minnesota Energy Resources Corporation (MERC) submits these Reply Comments in response to the December 8, 2014, Comments of the Minnesota Department of Commerce, Division of Energy Resources (the Department) in this docket. In its Comments, the Department recommended that the Minnesota Public Utilities Commission (Commission) accept MERC's peak-day analysis and approve MERC's proposed level of demand entitlement and proposed recovery of associated demand costs effective November 1, 2014, contingent on MERC providing clarification on the following items:

- A. Whether all of the contracted demand volumes on the NNG pipeline are used to serve the firm customers who are charged for these costs;
- B. Additional details and clarification regarding the pipeline rates for NNG; and
- C. An explanation for why the changes in contracts 112561 and 112486 and associated entitlement amounts and associated increases in costs are reasonable.

MERC provides responses to the Department's requests for additional information below.

1. Whether all of the Contracted Demand Volumes on the NNG Pipeline are Used to Serve the Firm Customers Who are Charged for These Costs.

The Department first requested that MERC indicate, in reply comments, whether all of the contracted demand volumes on the NNG pipeline are used to serve the firm customers who are charged for these costs.

MERC only contracts for firm capacity to serve MERC firm customers based upon the design day plus a reasonable reserve margin. The contracted demand volumes on the NNG pipeline are used to serve the firm load and the interruptible customers as the margin allows, but only the firm load is used to determine our contract capacity needs.

2. Additional Details and Clarification Regarding the Pipeline Rates for NNG.

Additionally, the Department requested that MERC provide additional information regarding the pipeline rates for NNG.

The NNG TF Service tariff (MERC Contract 112495) has a different rate during the summer and the winter. The summer rate (April through October) is \$5.6830. (See NNG Seventh Revised Sheet No. 50, attached to these Comments as Attachment A). During the winter, NNG has three different rates for TF Service, a Base Rate of \$10.2300, a Variable Rate of \$13.8660 and a Winter Rate of \$15.1530. (See NNG Seventh Revised Sheet No. 50, attached to these Comments as Attachment A). Based on how the contract is used determines the volumes that fall under the Base and Variable rates. Because the Demand Entitlement filing period is effective November 1, 2014, the rates that were used for NNG are based on the average of NNG tariff rates, as mentioned above. MERC also has a discount on 5,200 Dth/day annual capacity on contract number 112495 during the winter months. NNG Contract 112495 is included as a Trade Secret Attachment C to these Comments.

NNG TFX Service tariff (MERC Contracts 112486, 127852) has a different rate during the summer and the winter. The summer rate (April through October) is \$5.6830. (See NNG Seventh Revised Sheet No. 51, attached to these Comments as Attachment B). The winter rate

(November through March) is \$15.1530. (See NNG Seventh Revised Sheet No. 51, attached to these Comments as Attachment B). Since the Demand Entitlement filing period is effective November 1, 2014, the rates that were used for NNG are based on the average of NNG tariff rates, as mentioned above. MERC also has a discount on 1,800 Dth/day winter only capacity on contract number 112486 during the winter months. NNG Contract 112486 is included as a Trade Secret Attachment D to these Comments.

NNG TFX Service tariff (MERC Contract 111866) is a discount agreement MERC has in place with NNG. This contract has a different rate in the winter than in the summer. NNG Contract 111866 is included as a Trade Secret Attachment E to these Comments.

The Department requested that MERC supplement its November 2014 PGA filing in Docket No. G011/AA-14-940 with the relevant FERC pipeline tariff sheets and associated details for the changes in NNG rates. MERC has filed a supplement to its November 2014 PGA in Docket No. G011/AA-14-940 as requested.

3. An Explanation For Why the Changes in Contracts 112561 and 112486 and Associated Entitlement Amounts and Associated Increases in Costs Are Reasonable.

Finally, the Department requested that MERC provide an explanation for why the changes in contracts 112561 and 112486 and associated entitlement amounts and costs are reasonable.

Contract 112561 was a 6,000 Dth/day discount contract that could only be utilized when the average temperature was -3 or below, and which had a termination date of effective April 1, 2014. NNG was no longer willing to sell this capacity to MERC at a discount and under the temperature restriction and only would sell it to MERC at maximum tariff rates. This capacity has a delivery point of Rochester 1B, where MERC needs the capacity to meet a system-wide design day. Therefore, MERC agreed to keep the capacity for the winter months (November through March) through March 31, 2017. Since this became a maximum tariff rate contract,

MERC requested NNG combine the 6,000 Dth/day capacity into MERC's contract 112486 to minimize the number of contracts MERC needs to administer.

A. CONCLUSION

Based upon the foregoing, MERC respectfully requests that the Commission grant the demand changes requested herein effective November 1, 2014. If any further information, clarification, or substantiation is required to support this filing please advise.

DATED this 18th day of December, 2014.

Respectfully submitted,

DORSEY & WHITNEY LLP

/s/ Michael J. Ahern

Michael J. Ahern
50 South Sixth Street
Minneapolis, MN 55402
(612) 340-2881

Attorney for Minnesota Energy
Resources Corporation

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

Kristin M. Stastny hereby certifies that on the 18th day of December, 2014, on behalf of Minnesota Energy Resources Corporation (MERC) she electronically filed a true and correct copy of the enclosed Reply Comments on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

/s/ Kristin M. Stastny
Kristin M. Stastny

Subscribed and sworn to before me
This 18th day of December, 2014.

/s/ Alice Jaworski
Notary Public, State of Minnesota

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_14-660_M-14-660
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_14-660_M-14-660
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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PUBLIC DOCUMENT—TRADE SECRET DATA HAS BEEN EXCISED

PUBLIC ATTACHMENTS

Docket No. G011/M-14-660

Attachments to MERC's Reply Comments

ATTACHMENT A

RATE SCHEDULE TF

RESERVATION RATES	MARKET-TO-MARKET			FIELD-TO-FIELD/MARKET DEMARCATION
	TF12 Base	TF12 Variable	TF5	TFE
Base Tariff Rates 1/				
Summer (Apr-Oct)	5.683	5.683	-0-	5.473
Winter (Nov-Mar)	10.230	13.866	15.153	9.853

COMMODITY RATES 2/		Market Area 3/		Field Mileage 5/		Carlton Surcharges 4/		Out-of-Balance 3/	
TF12 Base	TF12 Var.	TF5	TFE	Rate per 100 miles		Maximum	Minimum	Maximum	Minimum
Receipt Point	Delivery Point	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum
Market	Market	0.0364	0.0195			0.0175	0.0000	0.0364	0.0195
Field	Market	0.0364	0.0195	0.0122	0.0040	0.0175	0.0000		
Market	Field			0.0122	0.0040				
Field	Field			0.0122	0.0040			0.0276	0.0090

- 1/ The minimum reservation rate is equal to zero.
- 2/ The applicable Mileage Indicator Districts (MIDs) billing rate will be added to the TF rates for volumes received in the Field Area, or received in the Market Area and delivered to the Field Area. The MIDs rates shown on Sheet Nos. 59-60A represent the maximum Field Area throughput commodity rates for any transaction involving MIDs. For volumes transported through Northern's Ft. Buford compressor station, the commodity rate, fuel and unaccounted for apply only to volumes that are not ultimately confirmed for re-delivery into Northern's Market Area.
- 3/ The Maximum and Minimum rates include the Market Area Electric Compression charge of \$0.0005 where applicable. In addition, Shipper shall pay the ACA unit surcharge as posted on FERC's website at <http://www.ferc.gov>.
- 4/ Applicable to Market Area shippers as provided for in the Carlton Settlement filed in Docket No. RP96-347 dated October 28, 1996.
- 5/ Where applicable, the Field Area Electric Compression charge of \$0.0000 and the ACA unit surcharge as set forth on FERC's website at <http://www.ferc.gov> will be added to the mileage based rates.

ATTACHMENT A

Northern Natural Gas Company
 FERC Gas Tariff
 Sixth Revised Volume No. 1

Sixth Revised Sheet No. 53
 Superseding
 Fifth Revised Sheet No. 53

	<u>Commodity Charges</u>	
	<u>Nov-Oct</u>	
GS-T COMMODITY THROUGHPUT RATE		
Market Area	0.7029	1/ 6/
Field to Demarcation	0.6396	
Field-to-Market	1.2586	1/ 6/
STAND ALONE COMPRESSION		
Ft. Buford		
Maximum	0.2599	1/ 2/ 6/
Minimum	0.0105	1/ 2/ 6/
RATE SCHEDULE CS-1		
Compression Fee (Exhibit A Volumes)		
Maximum	0.0401	
Minimum	0.0054	
Compression Fee (Additional Volumes)		
Maximum	0.0401	
Minimum	0.0054	
BEAVER COMPRESSION FEE		
Incidental Jurisdictional Compression Fee	0.0400	
WATERVILLE STORAGE		
<p>The Market Area transportation rate, fuel and unaccounted for is charged for delivery to Waterville storage point (POI 922), or other similarly situated third party storage points in the Market Area. If redelivery from Waterville, or other similarly situated third party storage points, is to a Market Area point, there are no additional transportation, fuel or unaccounted for charges. If the redelivery is to a Field Area delivery point, the Field Area mileage/MID transportation rate and fuel is charged.</p>		
CAPACITY RELEASE FEE (Rate per transaction)		
Marketing	Negotiated	3/
DAILY DELIVERY VARIANCE CHARGE:		
Positive DDVC	1.0000	7/
Positive/Critical DDVC		
-First 2%	15.0000	
-Next 3%	22.0000	
Negative DDVC	0.4000	7/
Punitive DDVC	4/	7/
Punitive/Critical DDVC		
-Level I	56.5000	
-Level II	113.0000	
AUTHORIZED OVERRUN		
TF, TFX, LFT, TI and GS-T Rate Schedules	5/	

- 1/ In addition, Shipper shall pay the ACA unit surcharge as posted on FERC's website at <http://www.ferc.gov>.
- 2/ Rate only applies to interruptible volumes transported through Ft. Buford that are not ultimately confirmed for redelivery into Northern's Market Area system.
- 3/ Northern will assess fee only in those instances outlined in Sheet No. 288.
- 4/ Charge equal to five (5) times the SMS monthly reservation fee.
- 5/ The Authorized Overrun Rate shall be equal to the TI rate for the applicable MID path shown in Sheet Nos. 59-60A.
- 6/ Reflects Market Area Electric Compression Surcharge of \$0.0005 and Field Area Electric Compression charge of \$0.0000 where applicable.
- 7/ On non-SOL/SUL/Critical Days the rate will be the maximum November-March Market Area TI Rate during the November-March period, and the maximum April-October Market Area TI Rate during the April-October period.

RATE SCHEDULES TF, TFX, LFT, GST, TI, & FDD

Fuel Percentages/Electric Compression Rates

	<u>Percentages</u>
FUEL PERCENTAGES:	1/
Market Area (including Out-of-Balance)	1.39%
Field Area	2/ 3/ 5/ 6/
UNACCOUNTED FOR PERCENTAGE (including Out-of-Balance)	0.09% 4/ 5/
FDD Storage Fuel	1.76%
	<u>Electric Compression</u>
COMMODITY RATES:	1/
Market Area	\$0.0005
Field Area	\$0.0000

1/ Northern will adjust its Fuel percentages and electric compression commodity rates in accordance with Sections 53A and 53B, respectively, of the General Terms and Conditions of this Tariff.

2/ Fuel shall be determined by Mileage Indicator Districts (MIDS) for the Field Area.

3/ Fuel charged in the Field and Market Areas for a pooling transaction or for processing plant transactions will not exceed the fuel charged on a unified Field-to-Market transaction having the same initial Field receipt point and ultimate Market delivery point, i.e., the total fuel collected for transactions that go into and out of pooling points or processing plants in either the Field Area or the Market Area will be no greater than the fuel collected on the total path between the original receipt point and the ultimate delivery point, subject to the shipper(s) providing Northern the requisite information.

4/ The Unaccounted For percentage utilizes the most recent twelve-month period ending December 31, 2013.

5/ Sheet No. 54A identifies the specific transportation transactions exempt from fuel and unaccounted-for retention charges.

6/ The Out-of-Balance Fuel Percentage for deliveries in MIDS 1-7 shall be the applicable Section 1 Mainline Fuel percentage, and for deliveries in MIDS 8-16B shall be the applicable Section 2 Mainline Fuel percentage.

In the event facilities have been abandoned, Northern shall have the right to file to reduce the applicable MID fuel percentage(s) on a common basis for all transactions affected by the abandonment to reflect the reduction in use for the remainder of the PRA period. In the event such abandoned facilities (gas compressors) have been replaced with electric compressors installed after October 1, 1998, and Northern reduces the applicable MID fuel percentages, Northern has the right to file to increase the applicable electric compression commodity rate.

ATTACHMENT B

RATE SCHEDULES TFX and LFT

RESERVATION RATES	MARKET-TO-MARKET		FIELD-TO-FIELD	
	Apr-Oct	Nov-Mar	Apr-Oct	Nov-Mar
Base Tariff Rates 1/	\$5.683	\$15.153	\$5.473	\$9.853

COMMODITY RATES 2/ TFX and LFT		Market Area 3/		Field Mileage 5/ Rate per 100 miles		Carlton Surcharge 4/		Out-of-Balance 3/	
Receipt Point	Delivery Point	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum
Market	Market	0.0364	0.0195			0.0175	0.0000	0.0364	0.0195
Field	Market	0.0364	0.0195	0.0122	0.0040	0.0175	0.0000		
Market	Field			0.0122	0.0040				
Field	Field			0.0122	0.0040			0.0276	0.0090

GULF COAST	Reservation 1/		Commodity 6/		Out-of-Balance 6/	
	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum
MOPS Gathering	1.0514	0.0000	0.0000	0.0000	0.0000	0.0000
MOPS Transmission	1.5337	0.0000	0.0000	0.0000	0.0000	0.0000
Tivoli - Downstream	0.6827	0.0000	0.0000	0.0000	0.0000	0.0000
Other Gulf Coast	4.8169	0.0000	0.0000	0.0000	0.0000	0.0000

- 1/ The minimum reservation rate is equal to zero.
- 2/ The applicable Mileage Indicator Districts (MIDs) billing rate will be added to the TF rates for volumes received in the Field Area, or received in the Market Area and delivered to the Field Area. The MIDs rates shown on Sheet Nos. 59-60A represent the maximum Field Area throughput commodity rates for any transaction involving MIDs. For volumes transported through Northern's Ft. Buford compressor station, the commodity rate, fuel and unaccounted for apply only to volumes that are not ultimately confirmed for re-delivery into Northern's Market Area.
- 3/ The Maximum and Minimum rates include the Market Area Electric Compression charge of \$0.0005 where applicable. In addition, Shipper shall pay the ACA unit surcharge as posted on FERC's website at <http://www.ferc.gov>.
- 4/ Applicable to Market Area shippers as provided for in the Carlton Settlement filed in Docket No. RP96-347 dated October 28, 1996.
- 5/ Where applicable, the Field Area Compression charge of \$0.0000 and the ACA unit surcharge as set forth on FERC's website at <http://www.ferc.gov> will be added to the mileage based rates.
- 6/ In addition to the Maximum and Minimum rates, Shipper shall pay the ACA unit surcharge as posted on FERC's website at <http://www.ferc.gov>.

	<u>Commodity Charges</u>	
	<u>Nov-Oct</u>	
GS-T COMMODITY THROUGHPUT RATE		
Market Area	0.7029	1/ 6/
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Ft. Buford		
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Incidental Jurisdictional Compression Fee	0.0400	
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Marketing	Negotiated	3/
DAILY DELIVERY VARIANCE CHARGE:		
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Punitive DDVC	4/	7/
Punitive/Critical DDVC		
-Level I	56.5000	
-Level II	113.0000	
AUTHORIZED OVERRUN		
TF, TFX, LFT, TI and GS-T Rate Schedules	5/	

- 1/ In addition, Shipper shall pay the ACA unit surcharge as posted on FERC's website at <http://www.ferc.gov>.
- 2/ Rate only applies to interruptible volumes transported through Ft. Buford that are not ultimately confirmed for redelivery into Northern's Market Area system.
- 3/ Northern will assess fee only in those instances outlined in Sheet No. 288.
- 4/ Charge equal to five (5) times the SMS monthly reservation fee.
- 5/ The Authorized Overrun Rate shall be equal to the TI rate for the applicable MID path shown in Sheet Nos. 59-60A.
- 6/ Reflects Market Area Electric Compression Surcharge of \$0.0005 and Field Area Electric Compression charge of \$0.0000 where applicable.
- 7/ On non-SOL/SUL/Critical Days the rate will be the maximum November-March Market Area TI Rate during the November-March period, and the maximum April-October Market Area TI Rate during the April-October period.

RATE SCHEDULES TF, TFX, LFT, GST, TI, & FDD

Fuel Percentages/Electric Compression Rates

	<u>Percentages</u>
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UNACCOUNTED FOR PERCENTAGE (including Out-of-Balance)	0.09% 4/ 5/
FDD Storage Fuel	1.76%

	<u>Electric Compression</u>
COMMODITY RATES:	1/
Market Area	\$0.0005
Field Area	\$0.0000

1/ Northern will adjust its Fuel percentages and electric compression commodity rates in accordance with Sections 53A and 53B, respectively, of the General Terms and Conditions of this Tariff.

2/ Fuel shall be determined by Mileage Indicator Districts (MIDS) for the Field Area.

3/ Fuel charged in the Field and Market Areas for a pooling transaction or for processing plant transactions will not exceed the fuel charged on a unified Field-to-Market transaction having the same initial Field receipt point and ultimate Market delivery point, i.e., the total fuel collected for transactions that go into and out of pooling points or processing plants in either the Field Area or the Market Area will be no greater than the fuel collected on the total path between the original receipt point and the ultimate delivery point, subject to the shipper(s) providing Northern the requisite information.

4/ The Unaccounted For percentage utilizes the most recent twelve-month period ending December 31, 2013.

5/ Sheet No. 54A identifies the specific transportation transactions exempt from fuel and unaccounted-for retention charges.

6/ The Out-of-Balance Fuel Percentage for deliveries in MIDS 1-7 shall be the applicable Section 1 Mainline Fuel percentage, and for deliveries in MIDS 8-16B shall be the applicable Section 2 Mainline Fuel percentage.

In the event facilities have been abandoned, Northern shall have the right to file to reduce the applicable MID fuel percentage(s) on a common basis for all transactions affected by the abandonment to reflect the reduction in use for the remainder of the PRA period. In the event such abandoned facilities (gas compressors) have been replaced with electric compressors installed after October 1, 1998, and Northern reduces the applicable MID fuel percentages, Northern has the right to file to increase the applicable electric compression commodity rate.

ATTACHMENT C

PUBLIC DOCUMENT—TRADE SECRET DATA HAS BEEN EXCISED

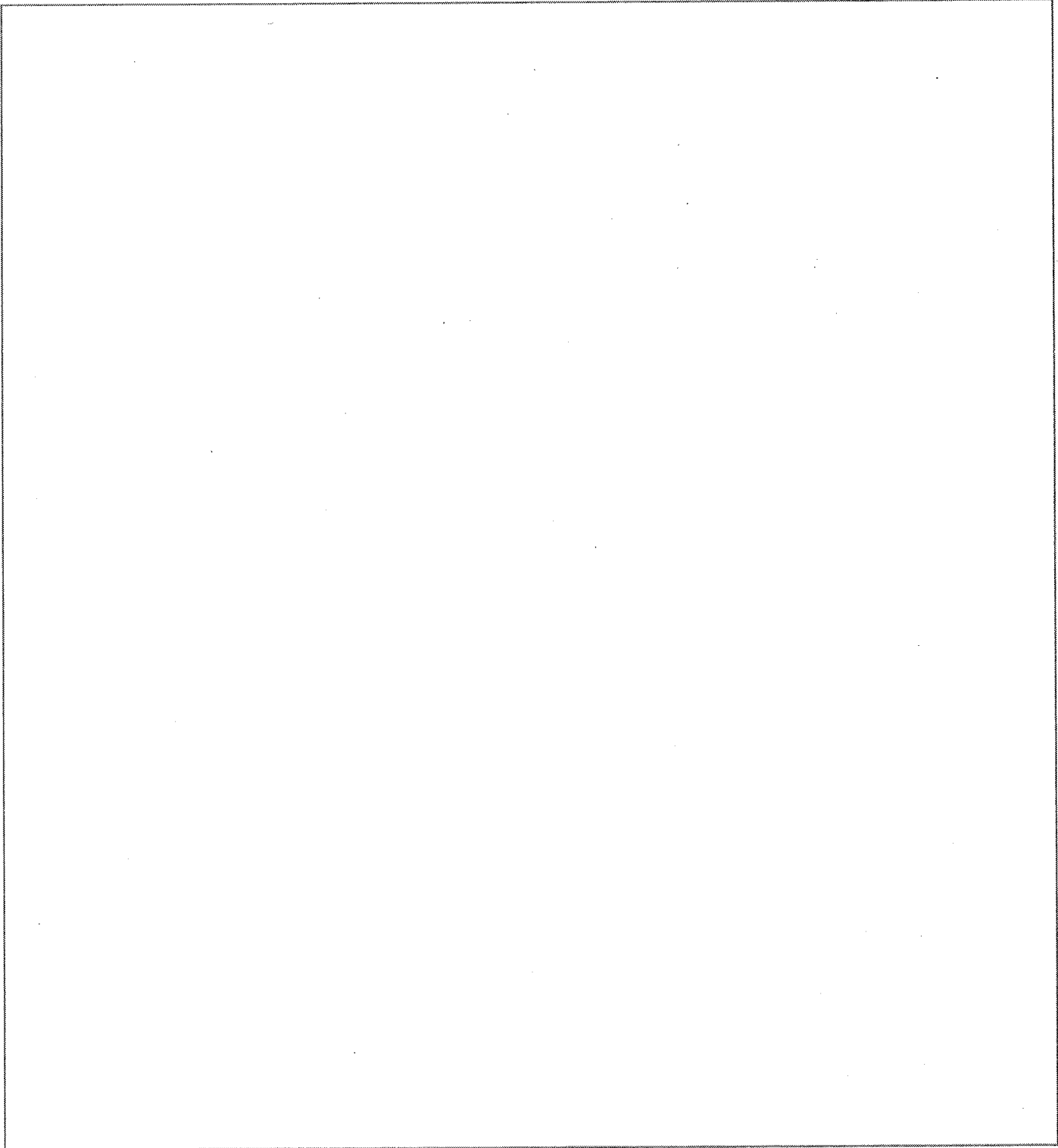
Docket No. G011/M-14-660

MERC Reply Comments

Attachment C



Northern Natural Gas Company
Amendment to TF Throughput Service Agreement

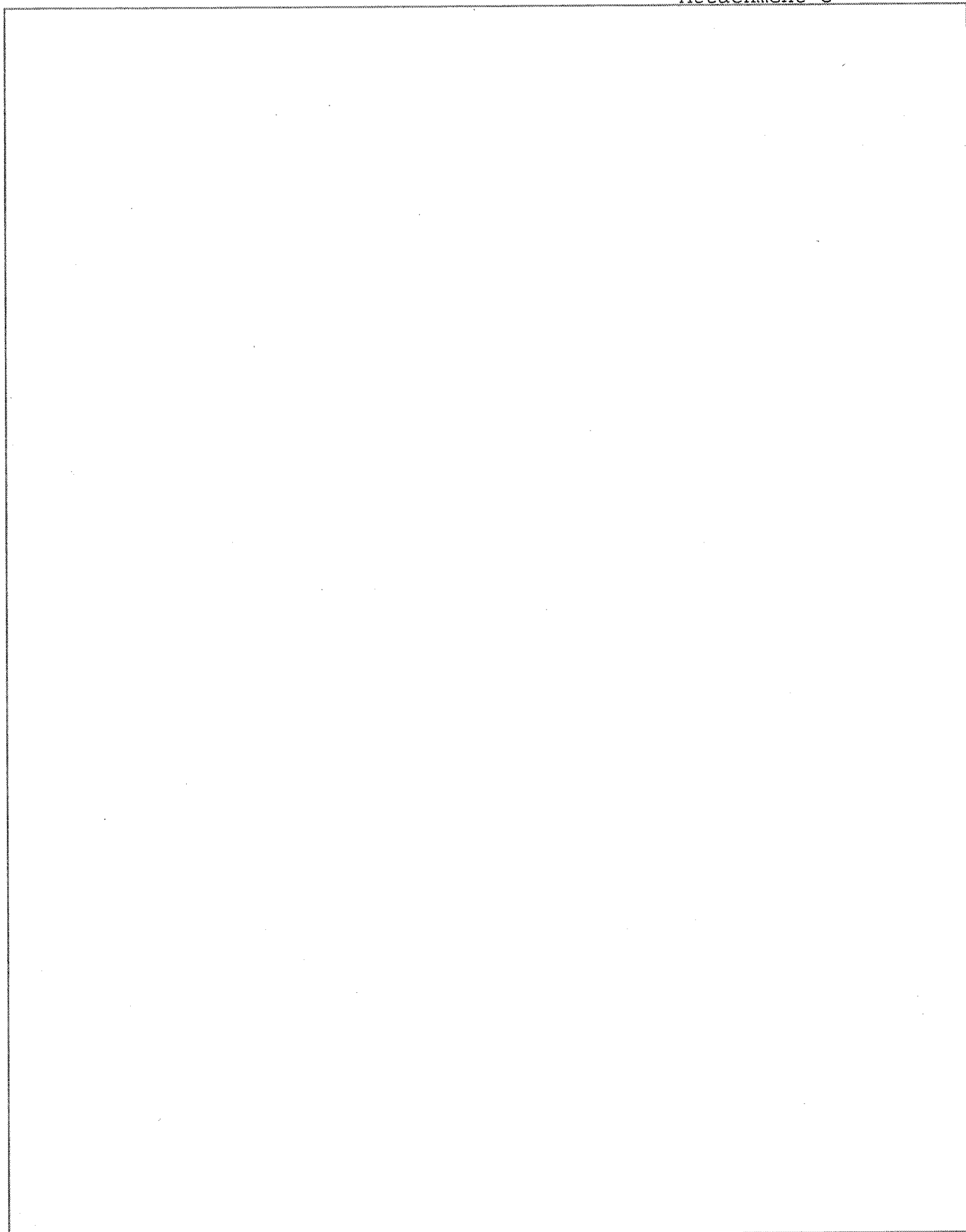


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MERC Reply Comments

Attachment C

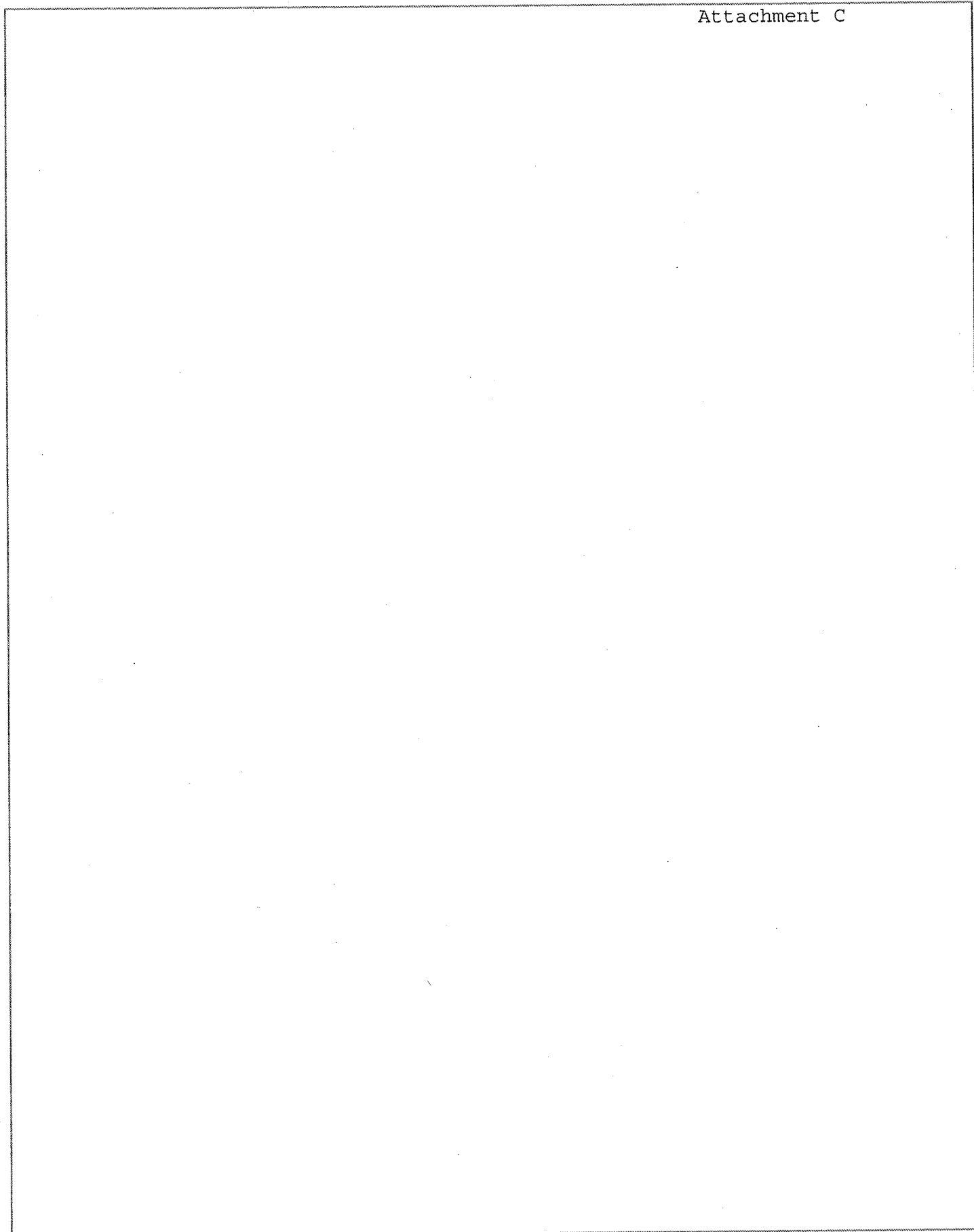


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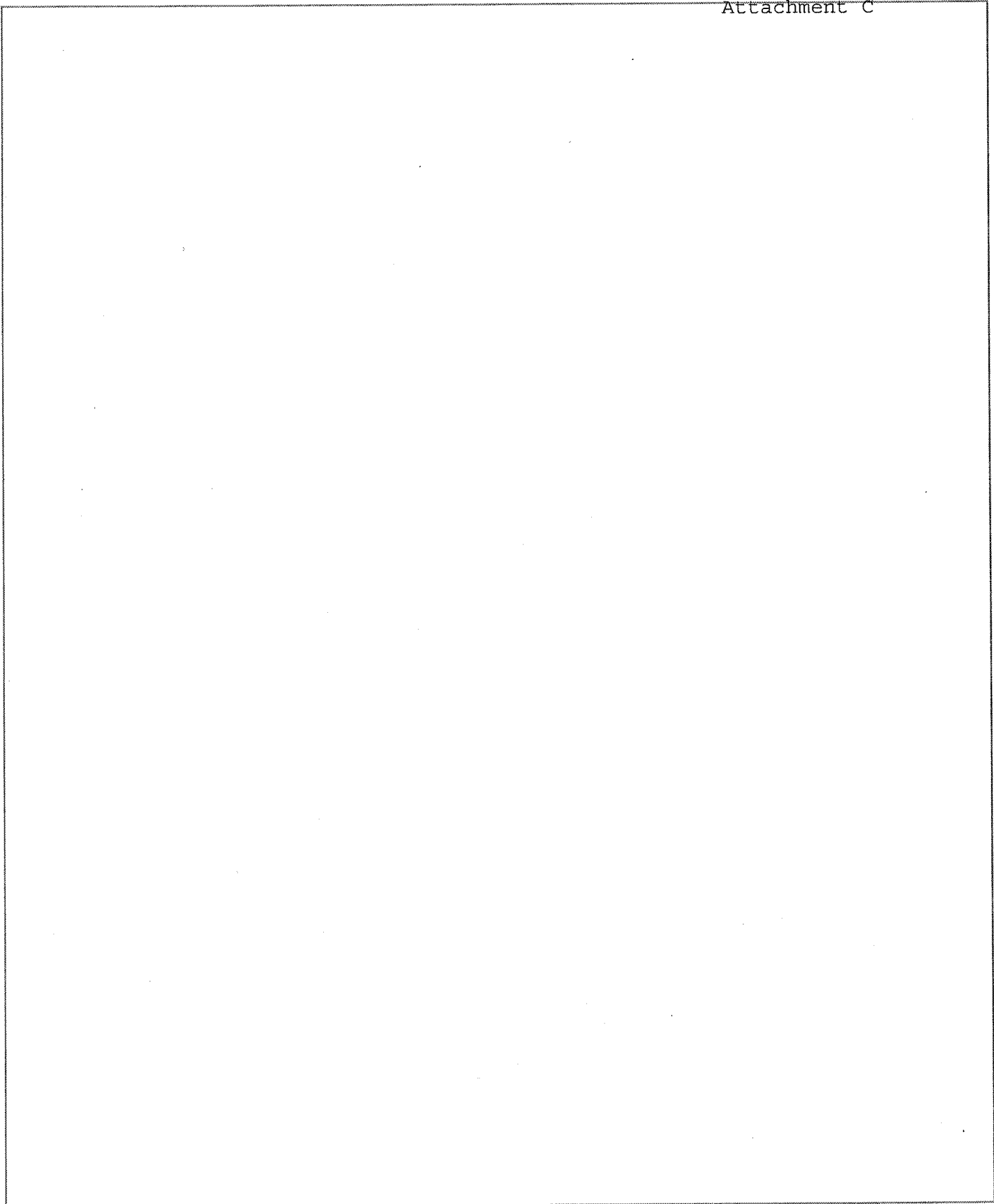


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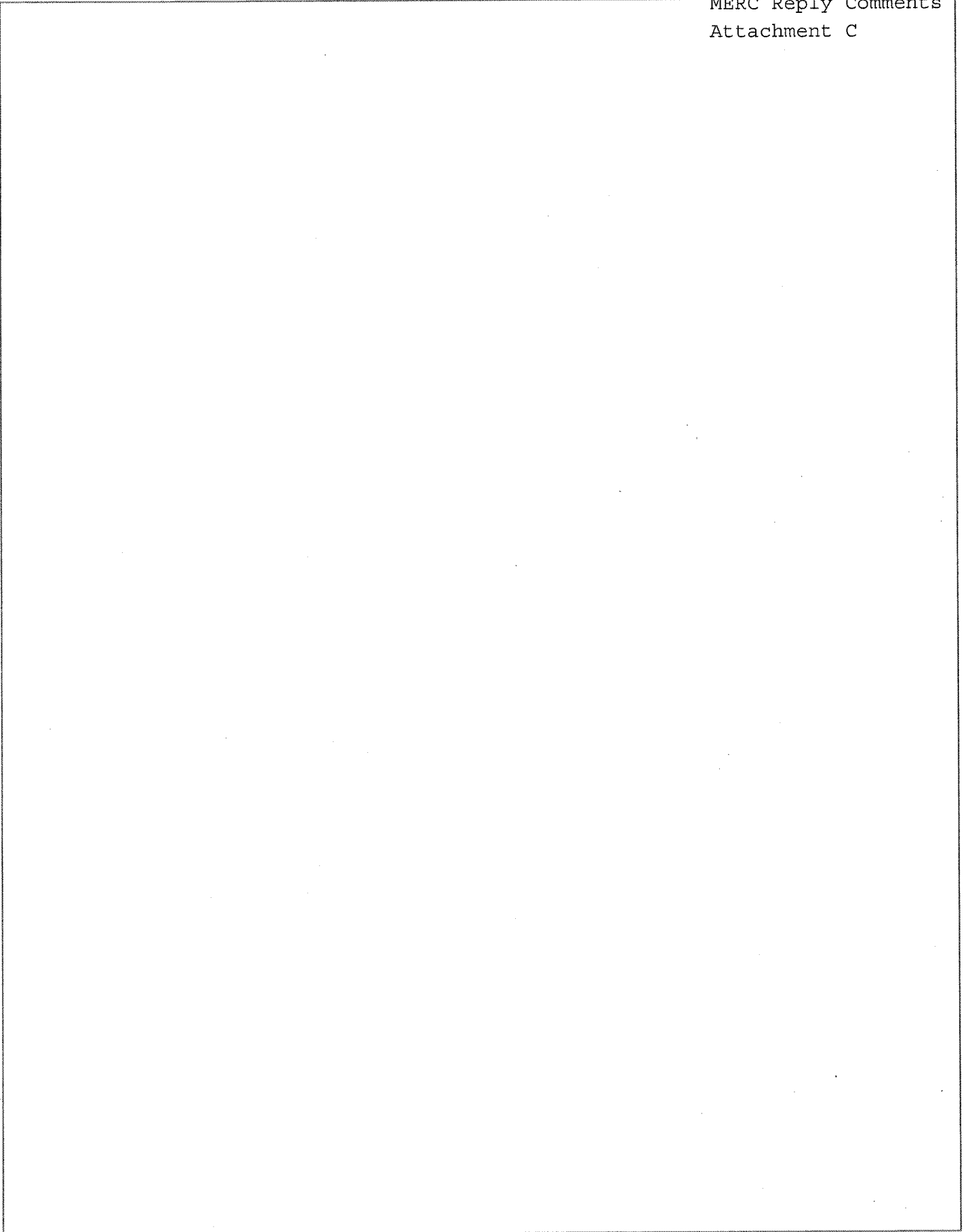
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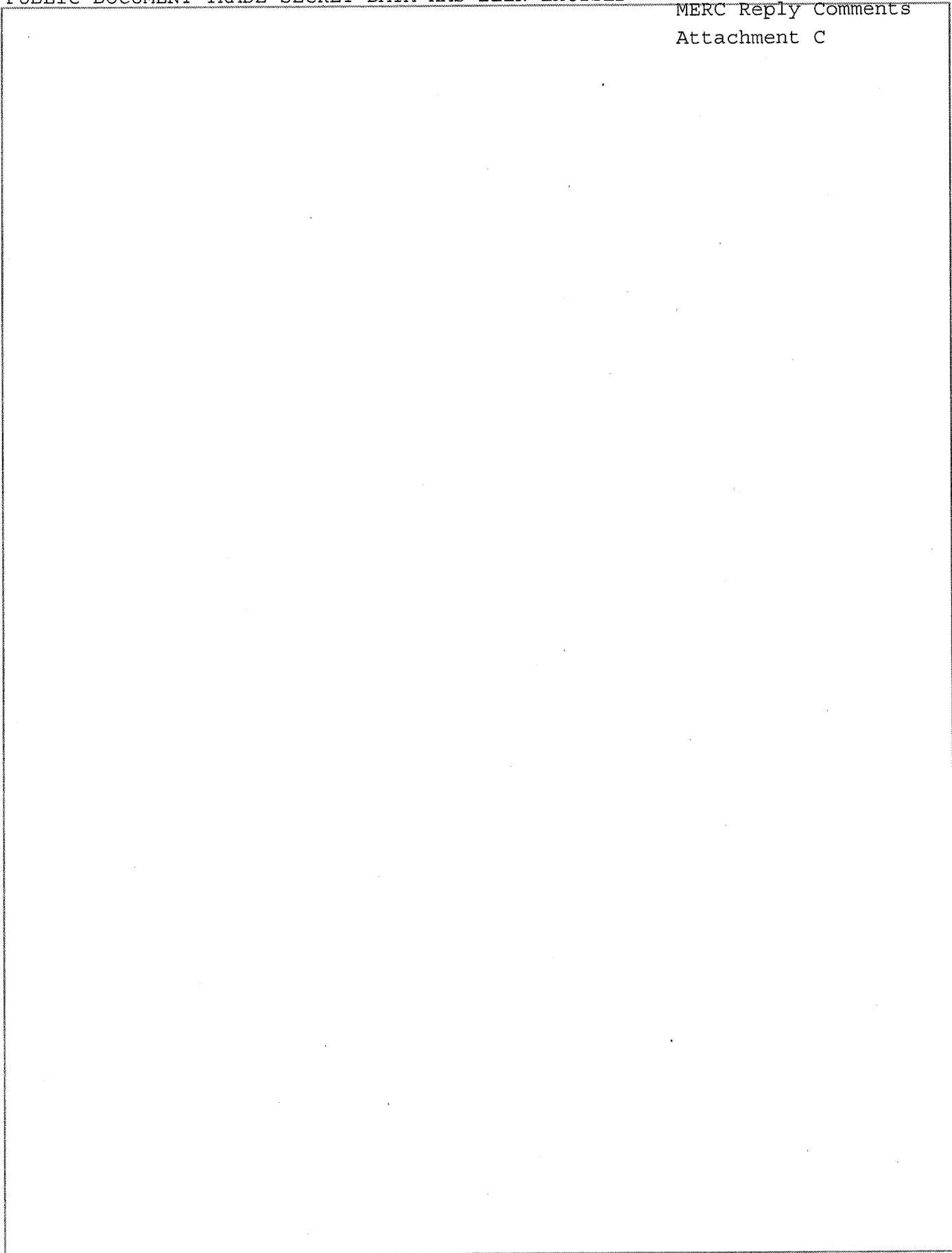


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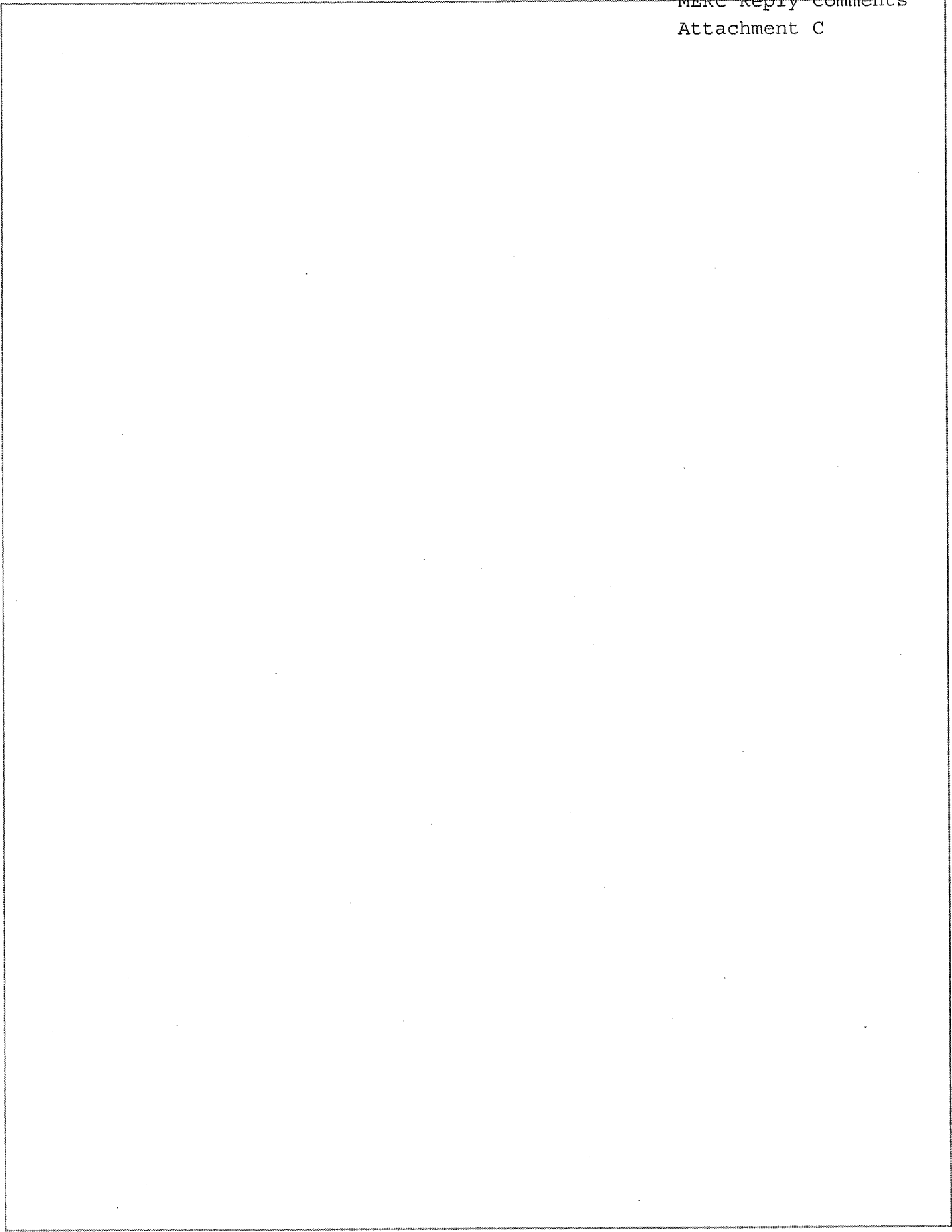


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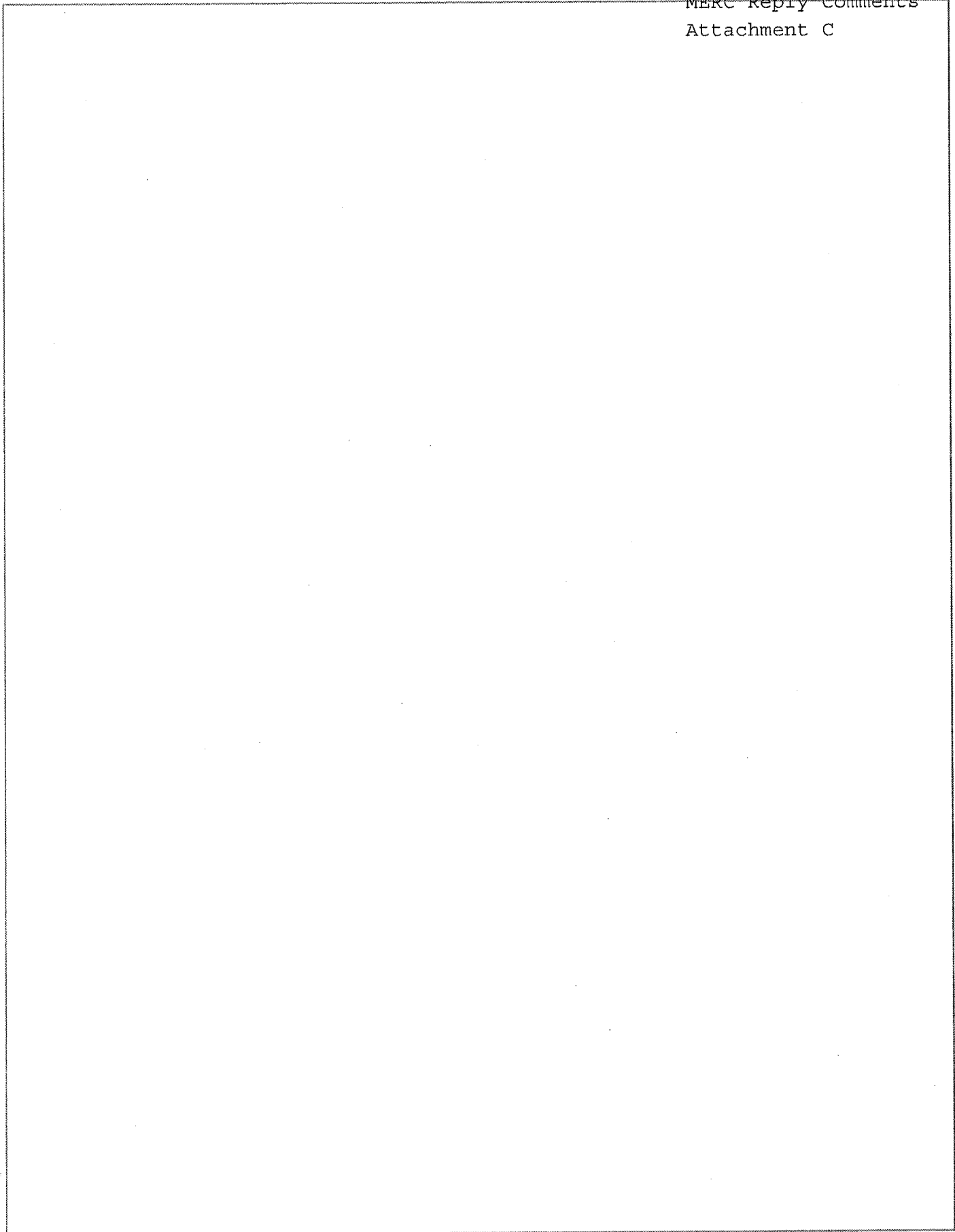


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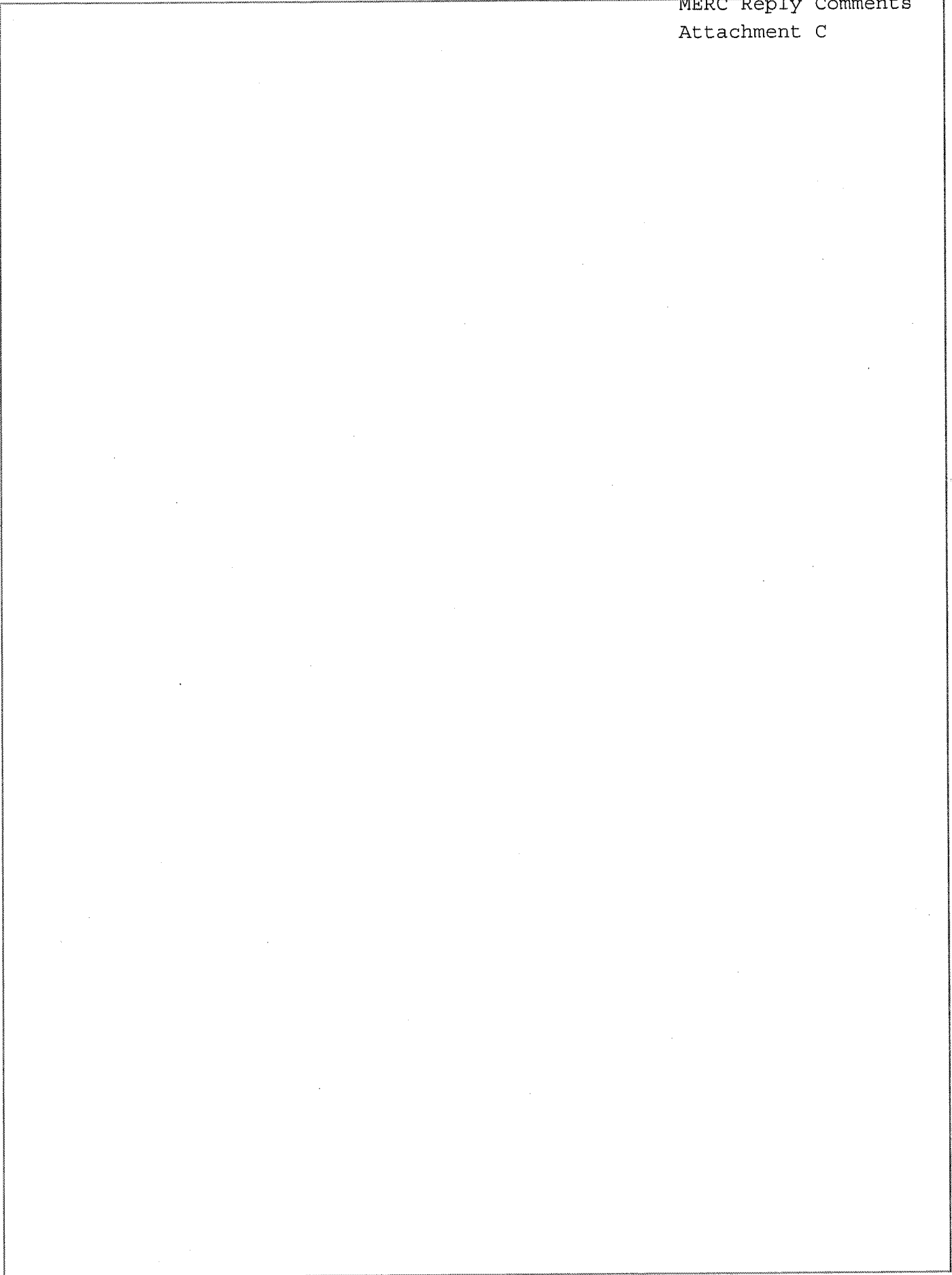
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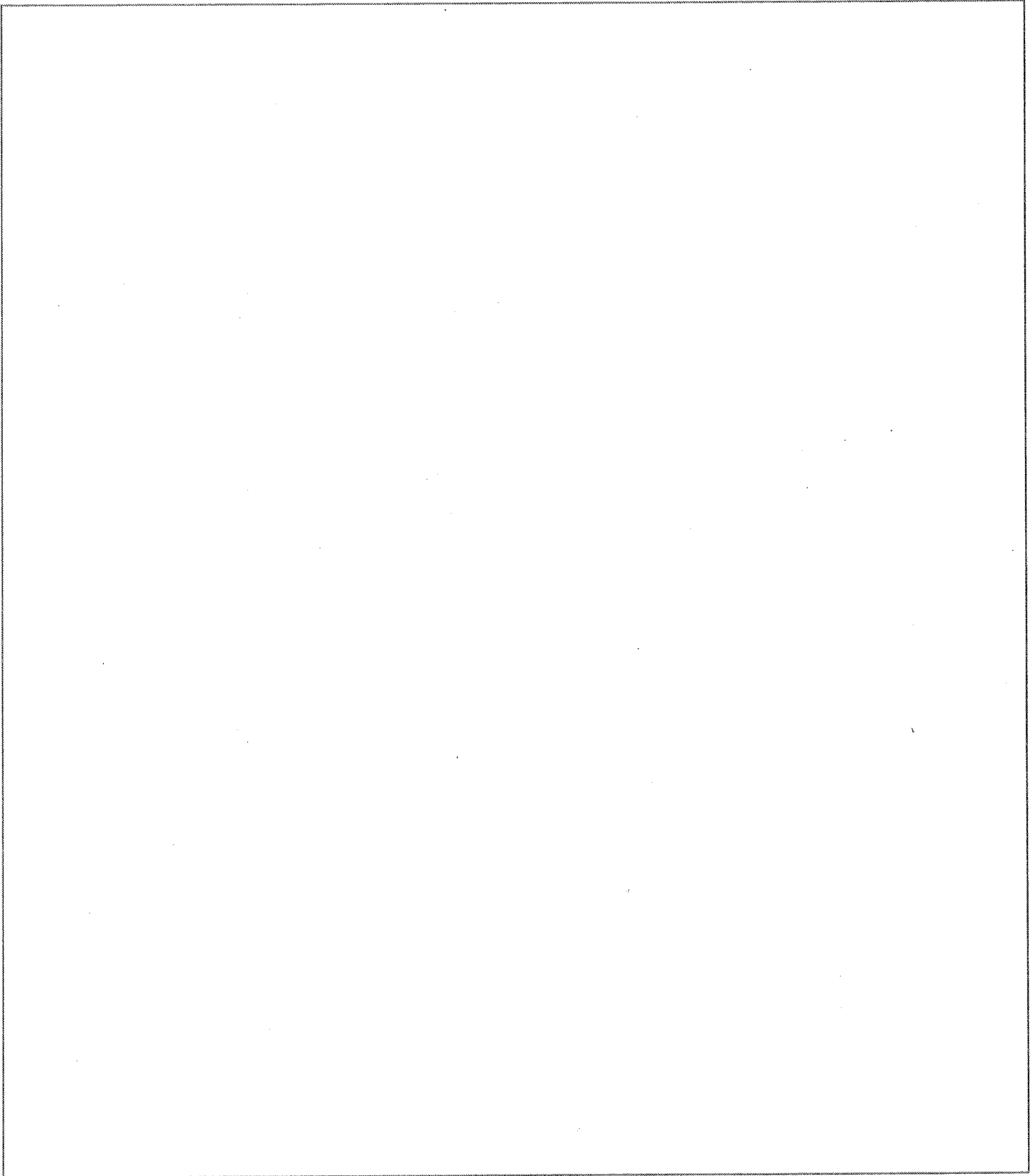


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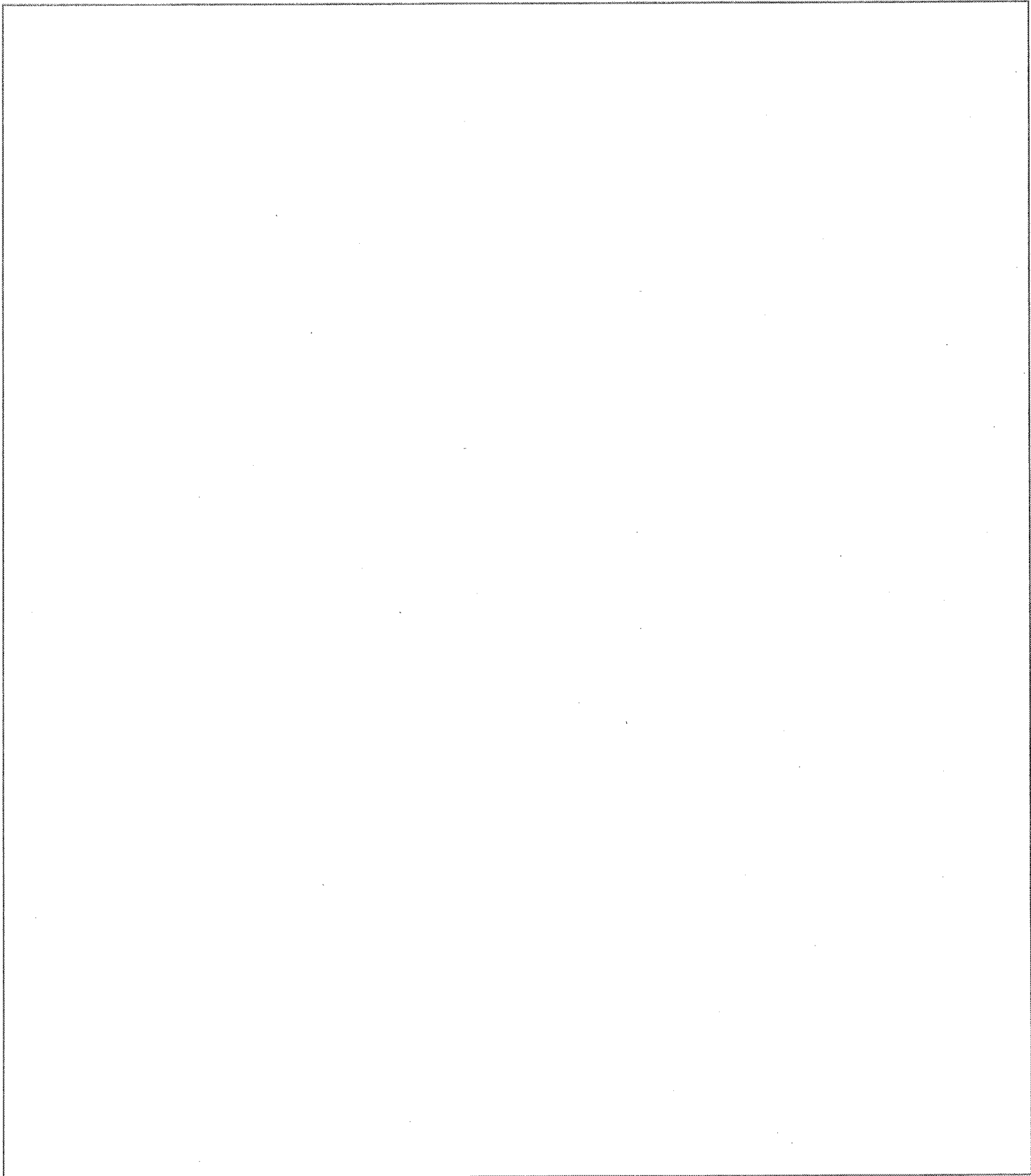
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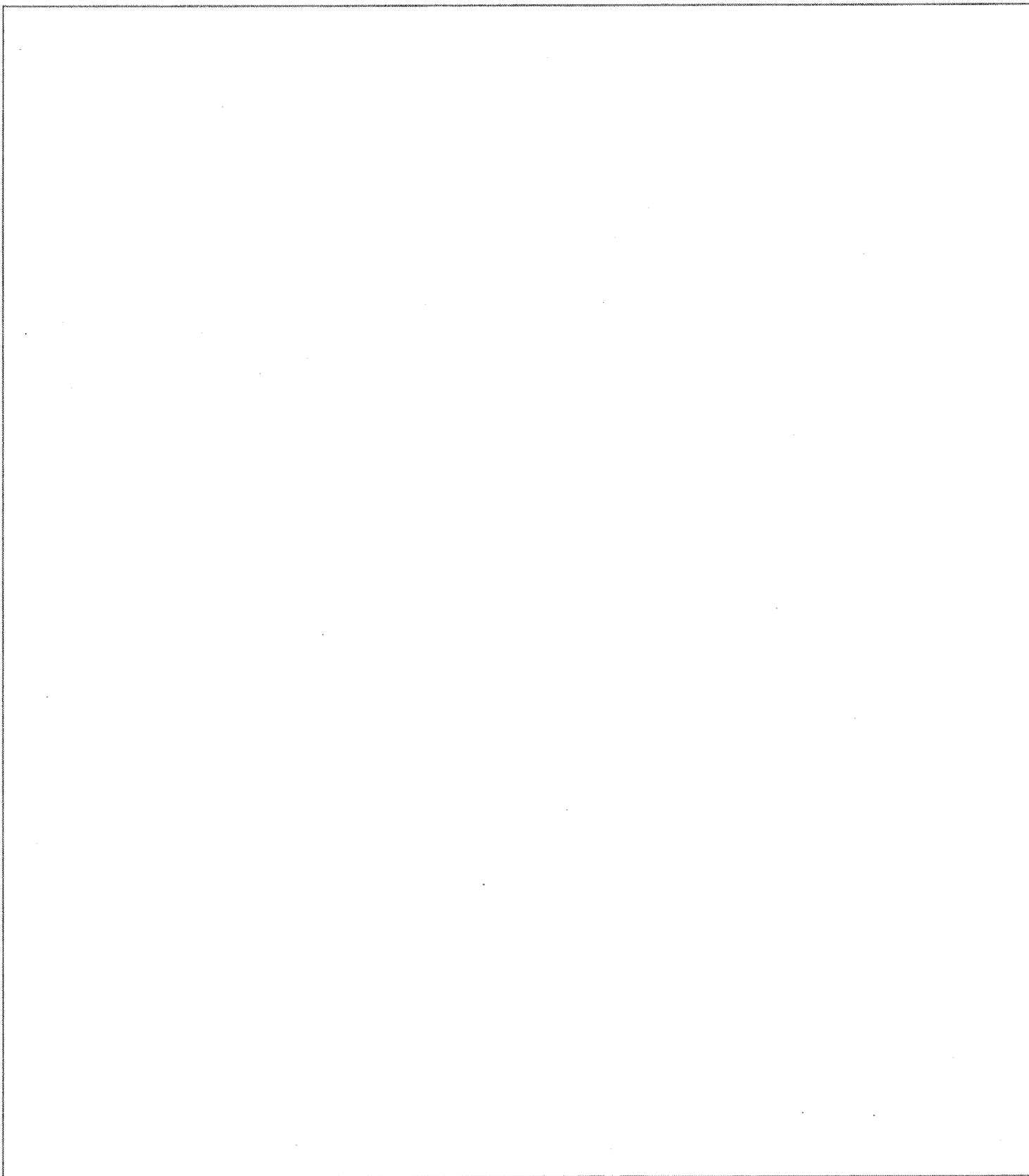


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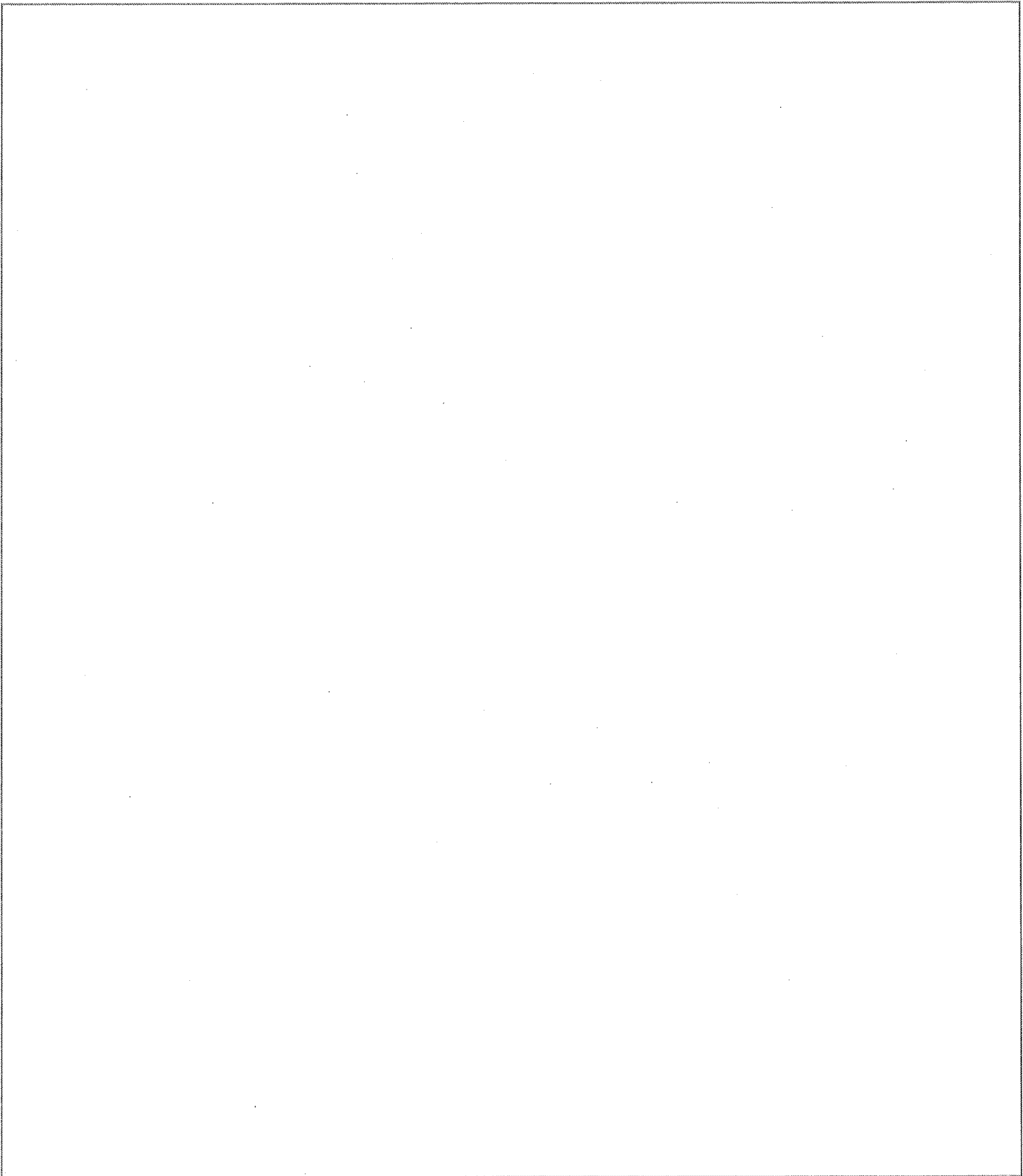


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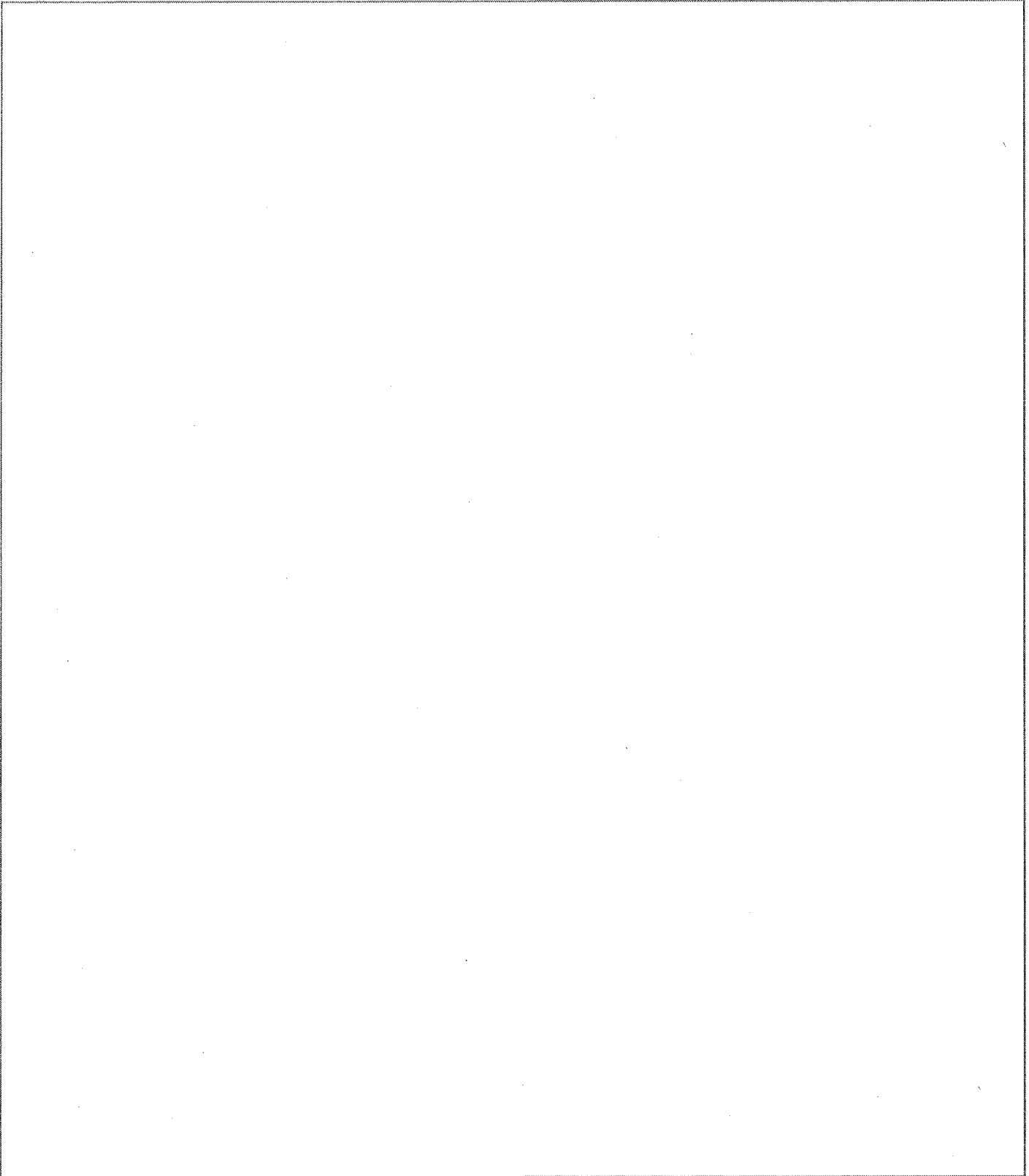


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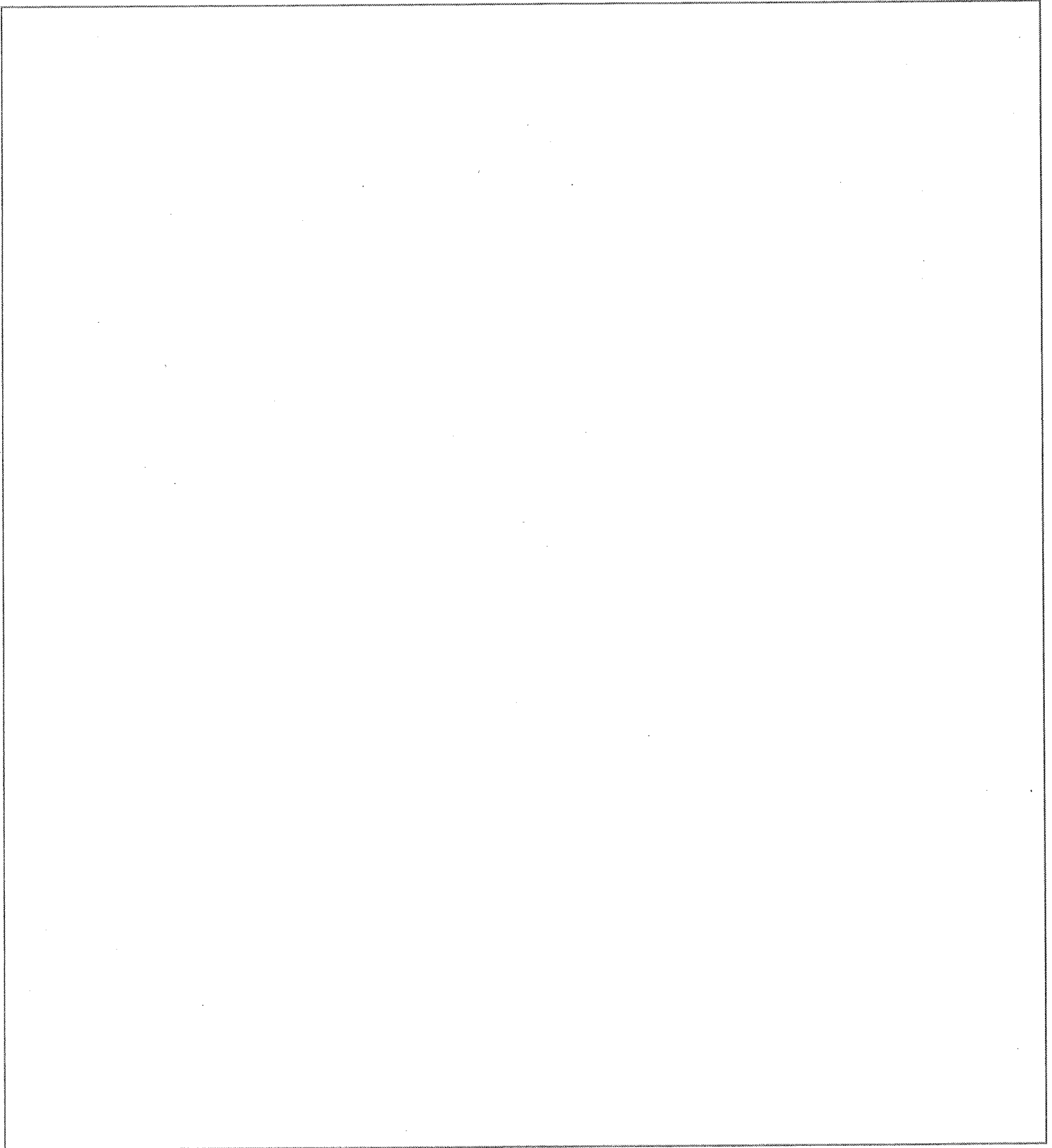


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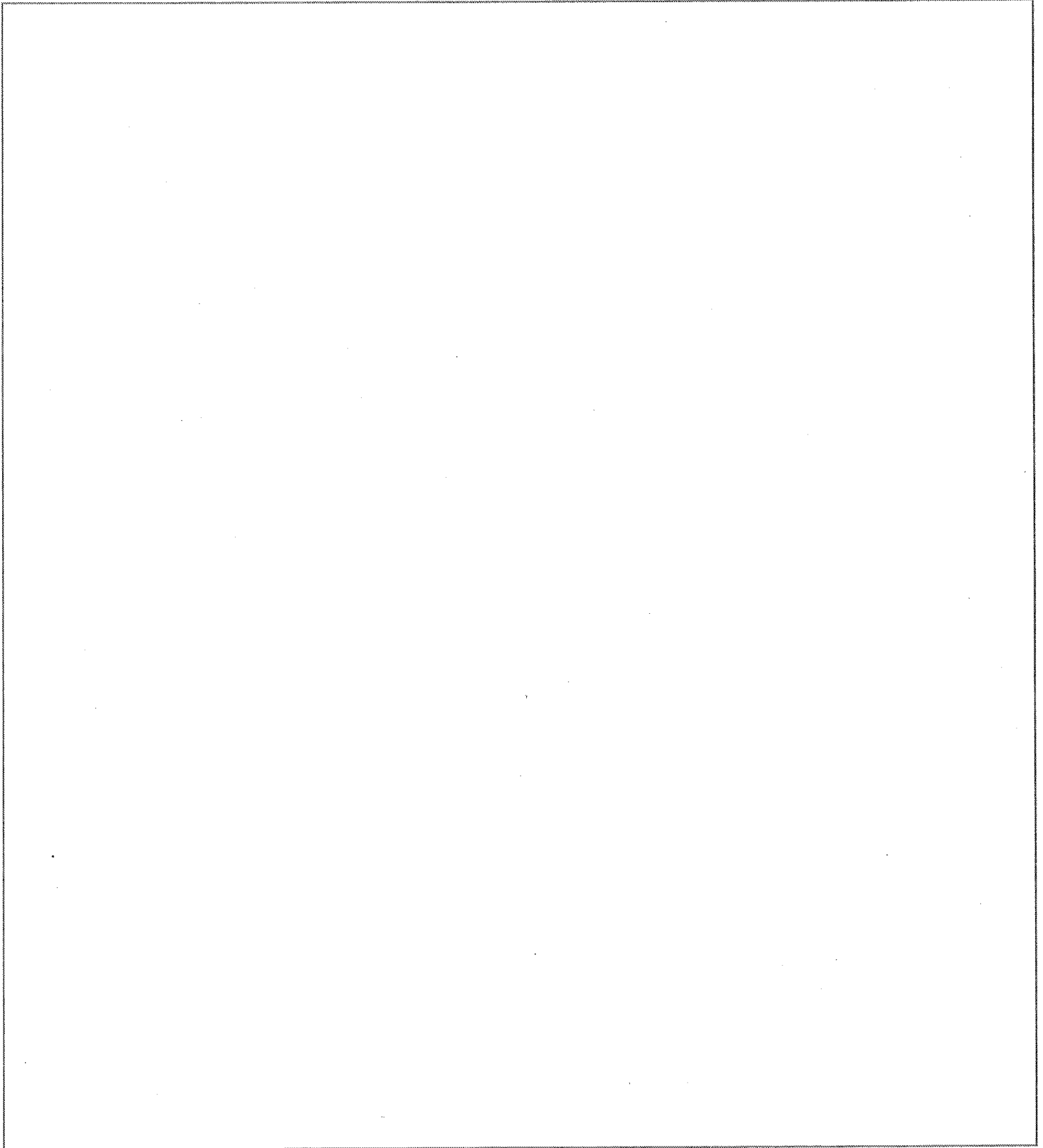


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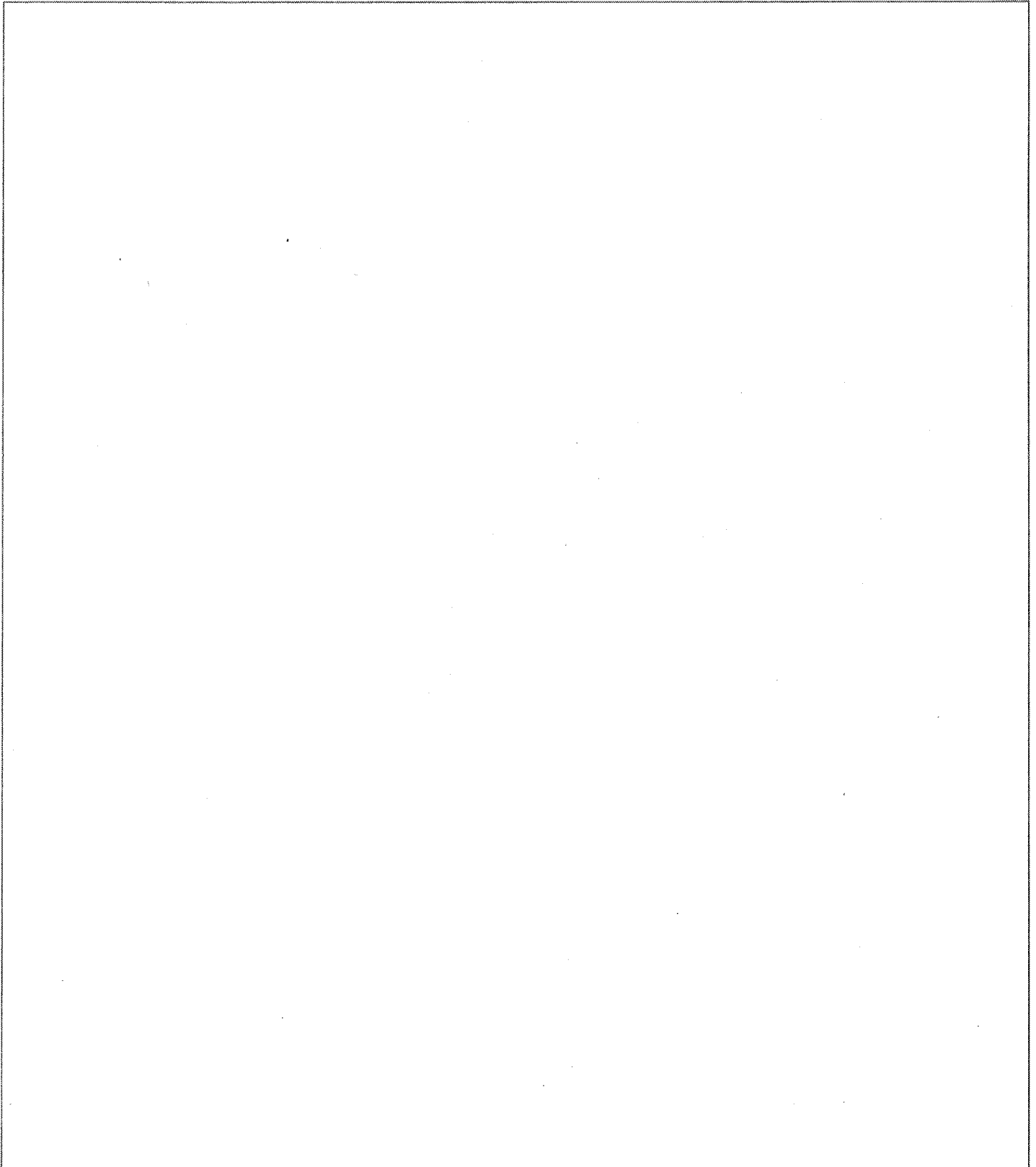
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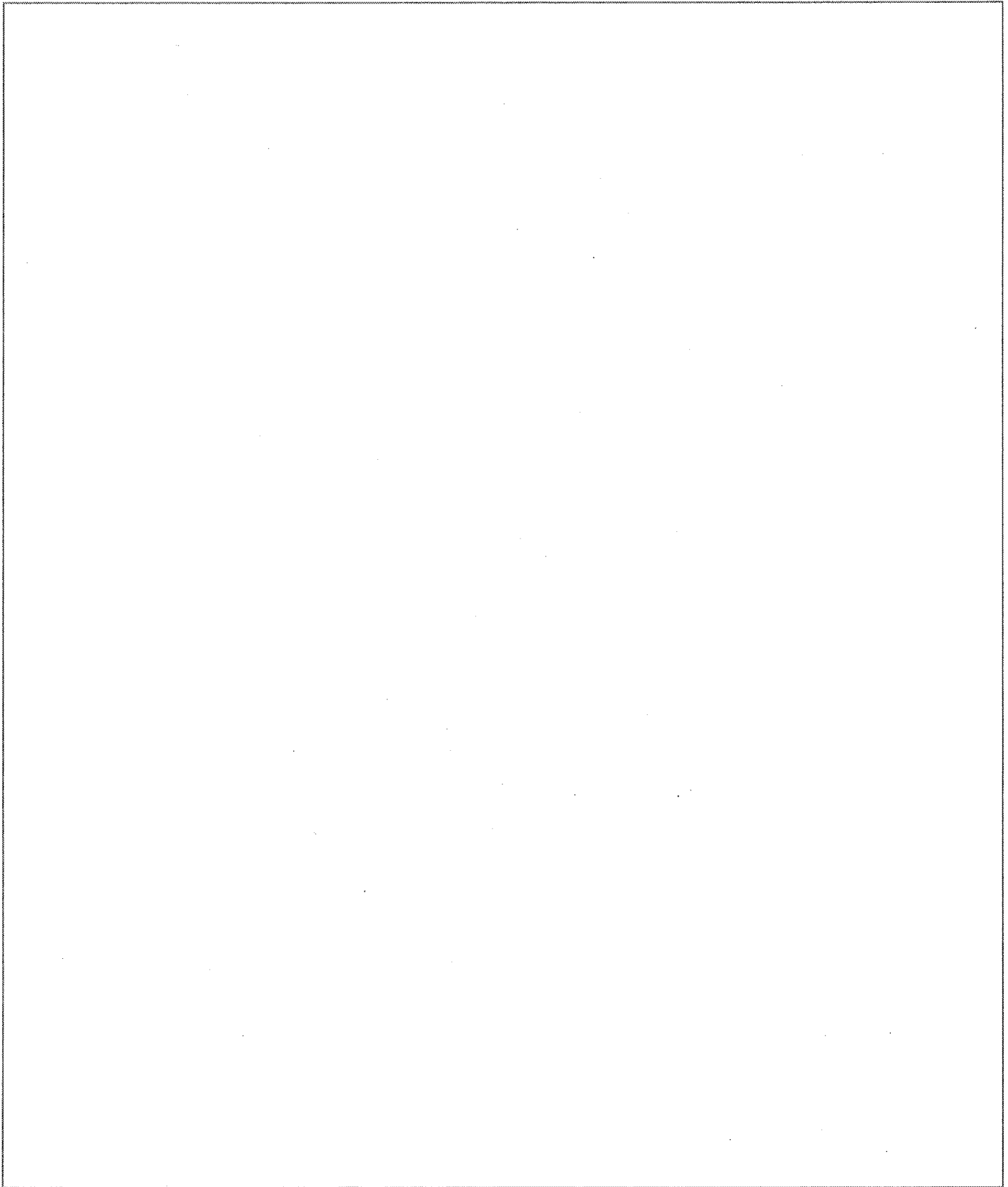
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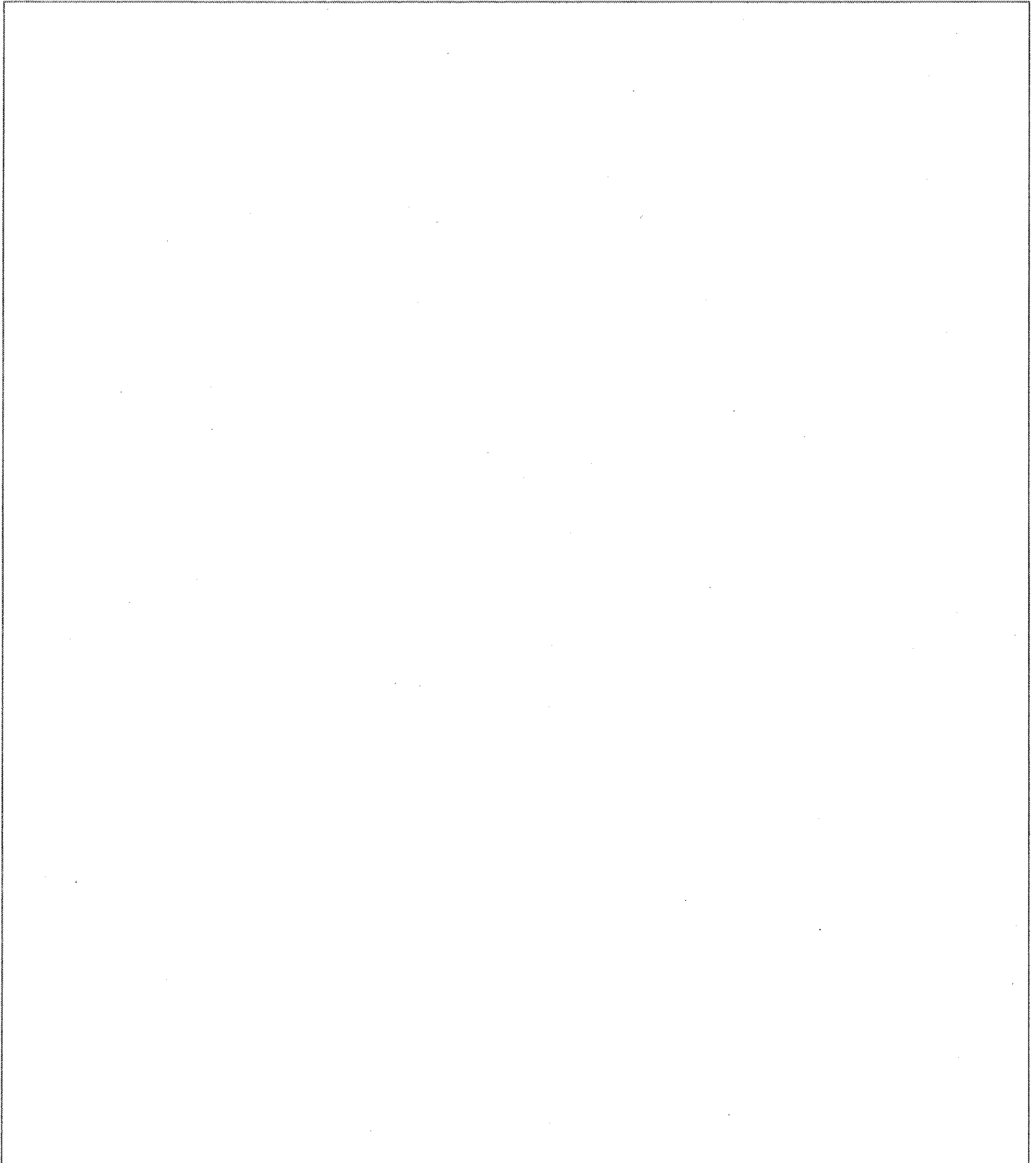
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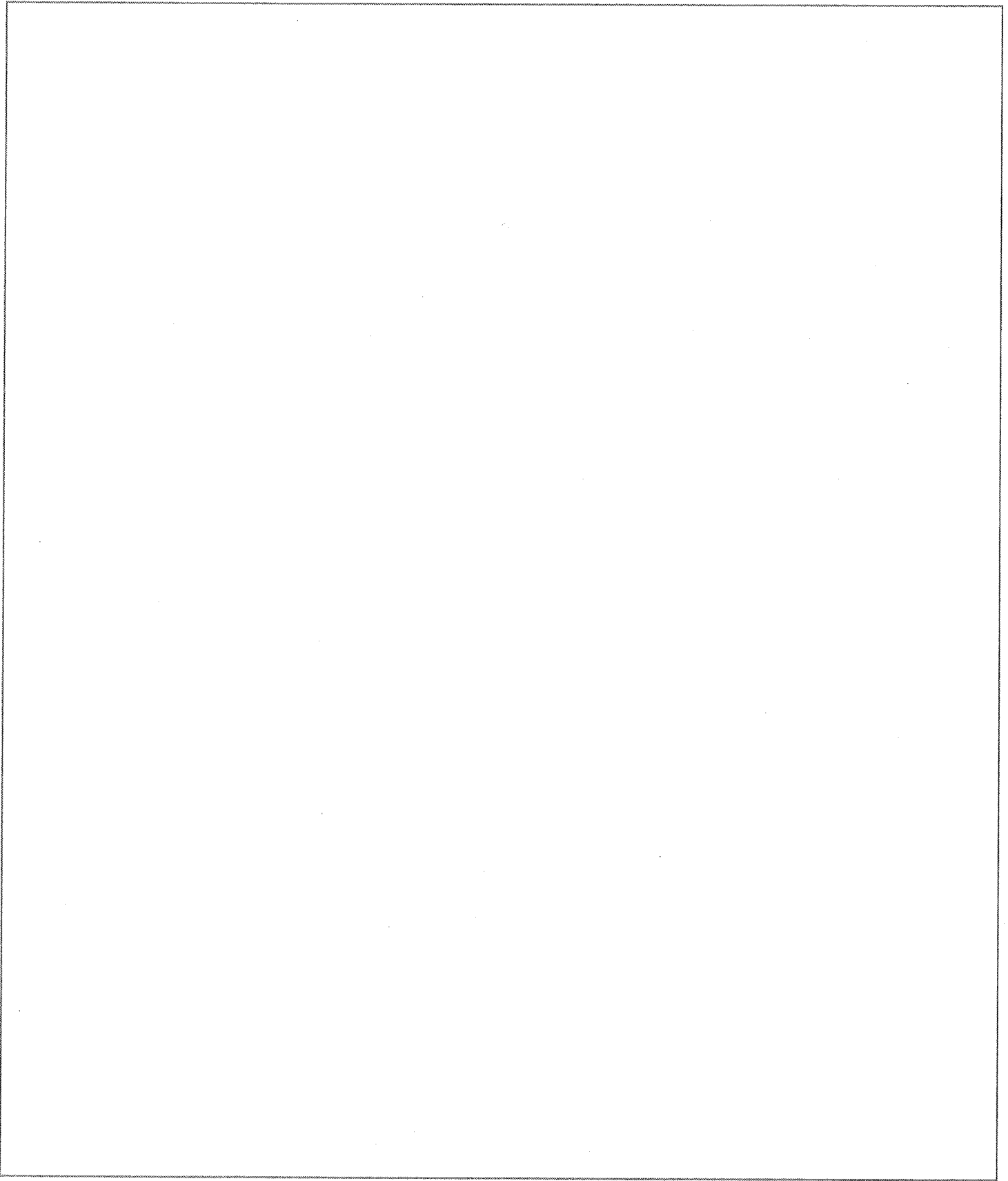


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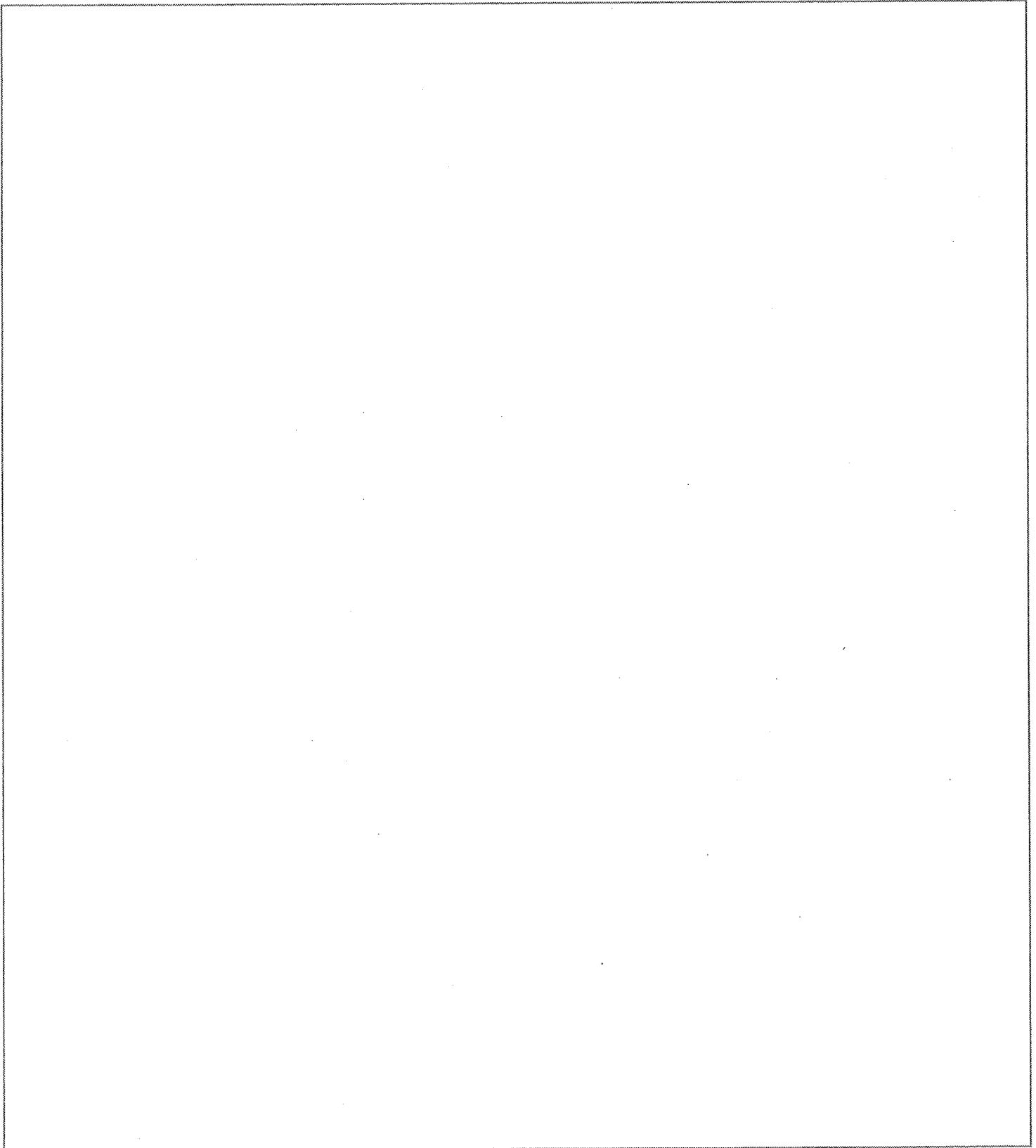


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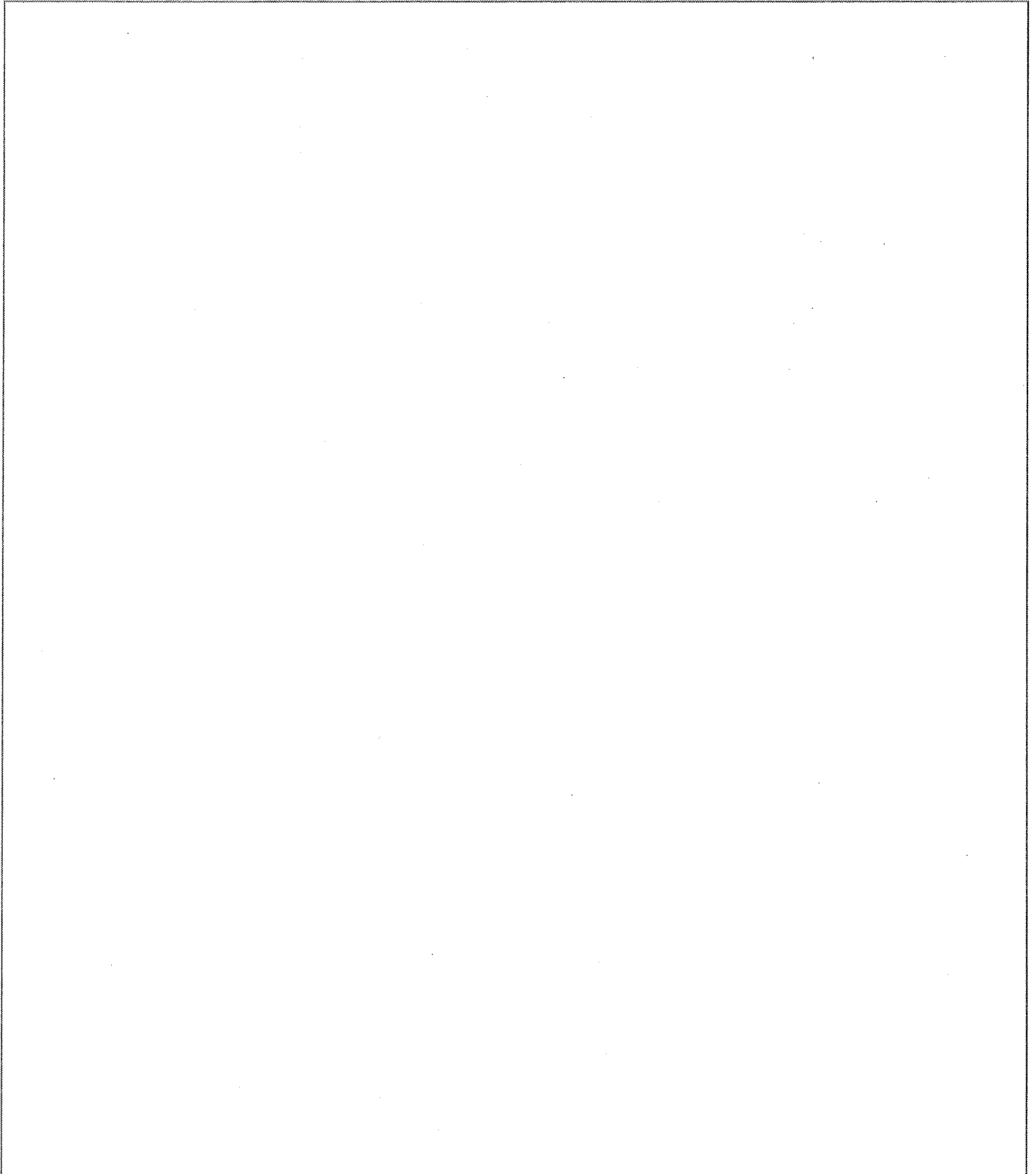


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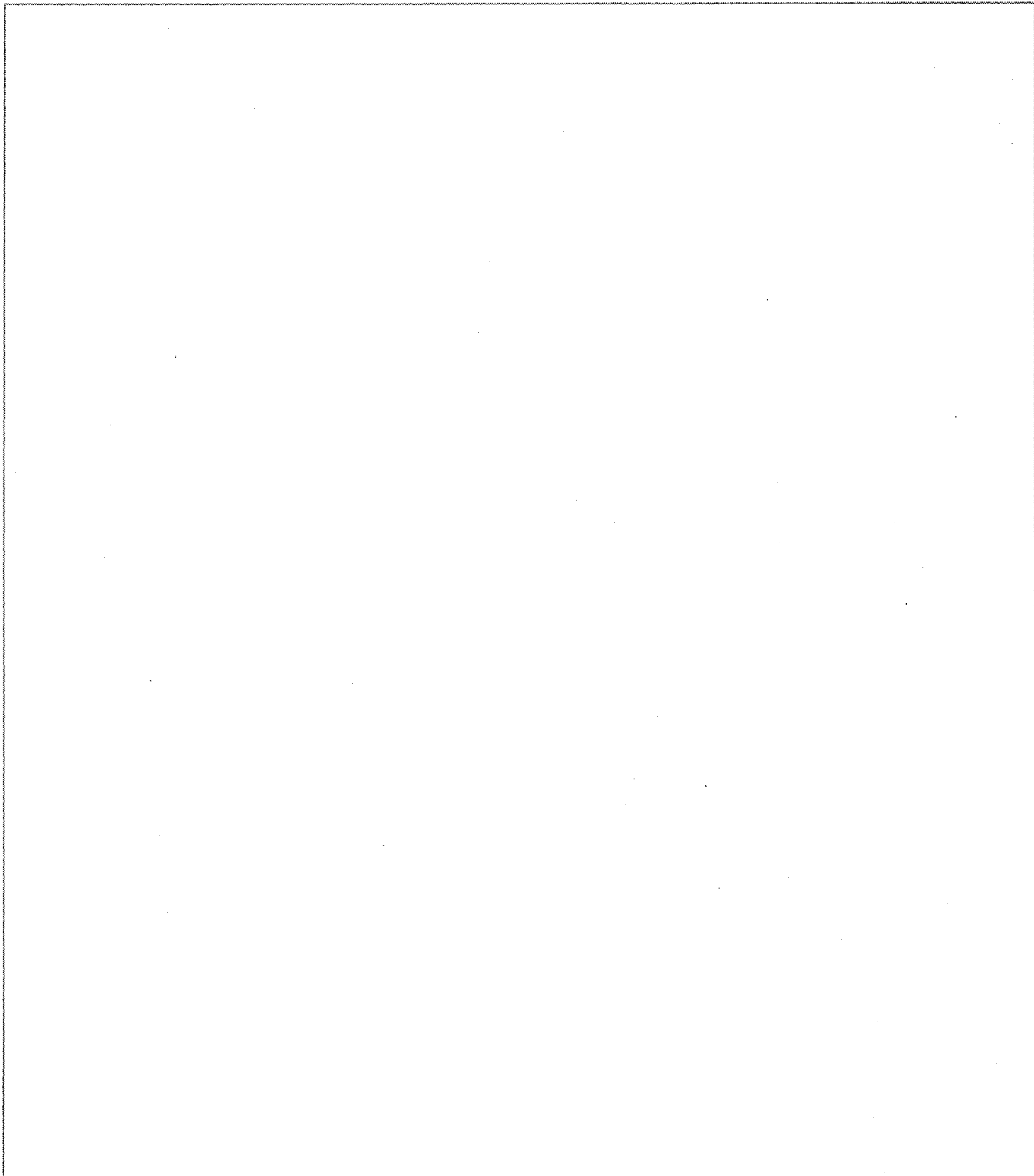
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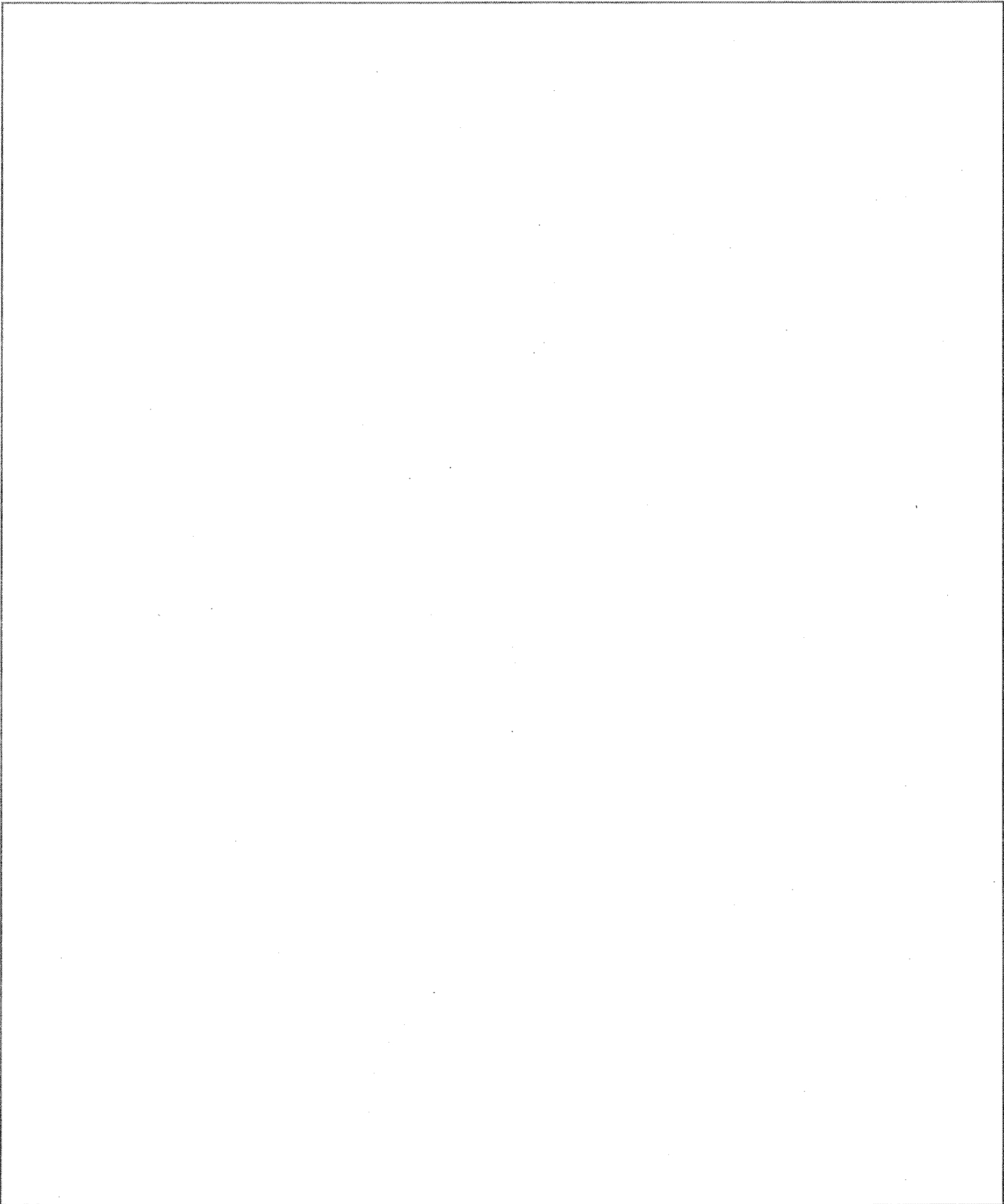
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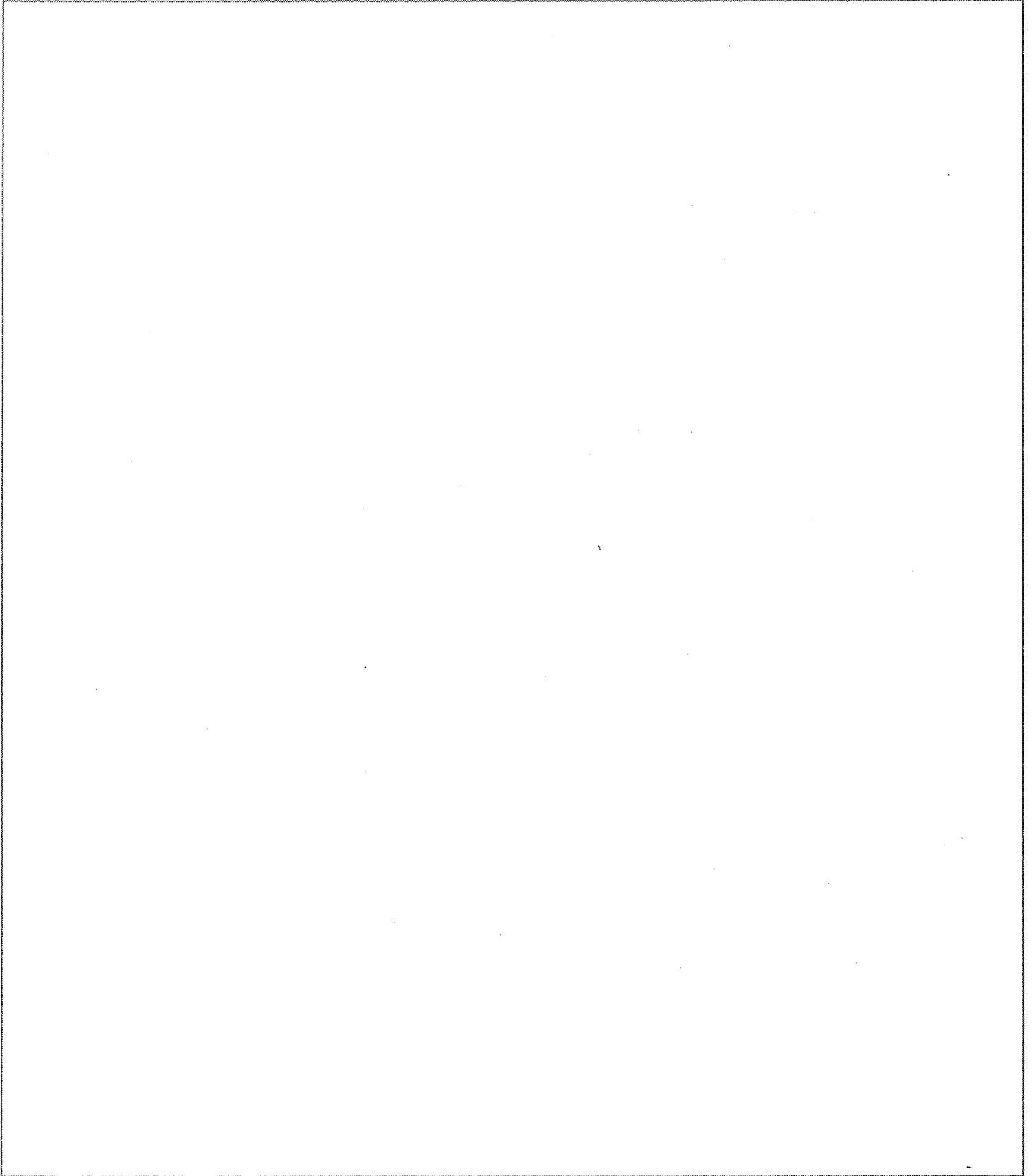


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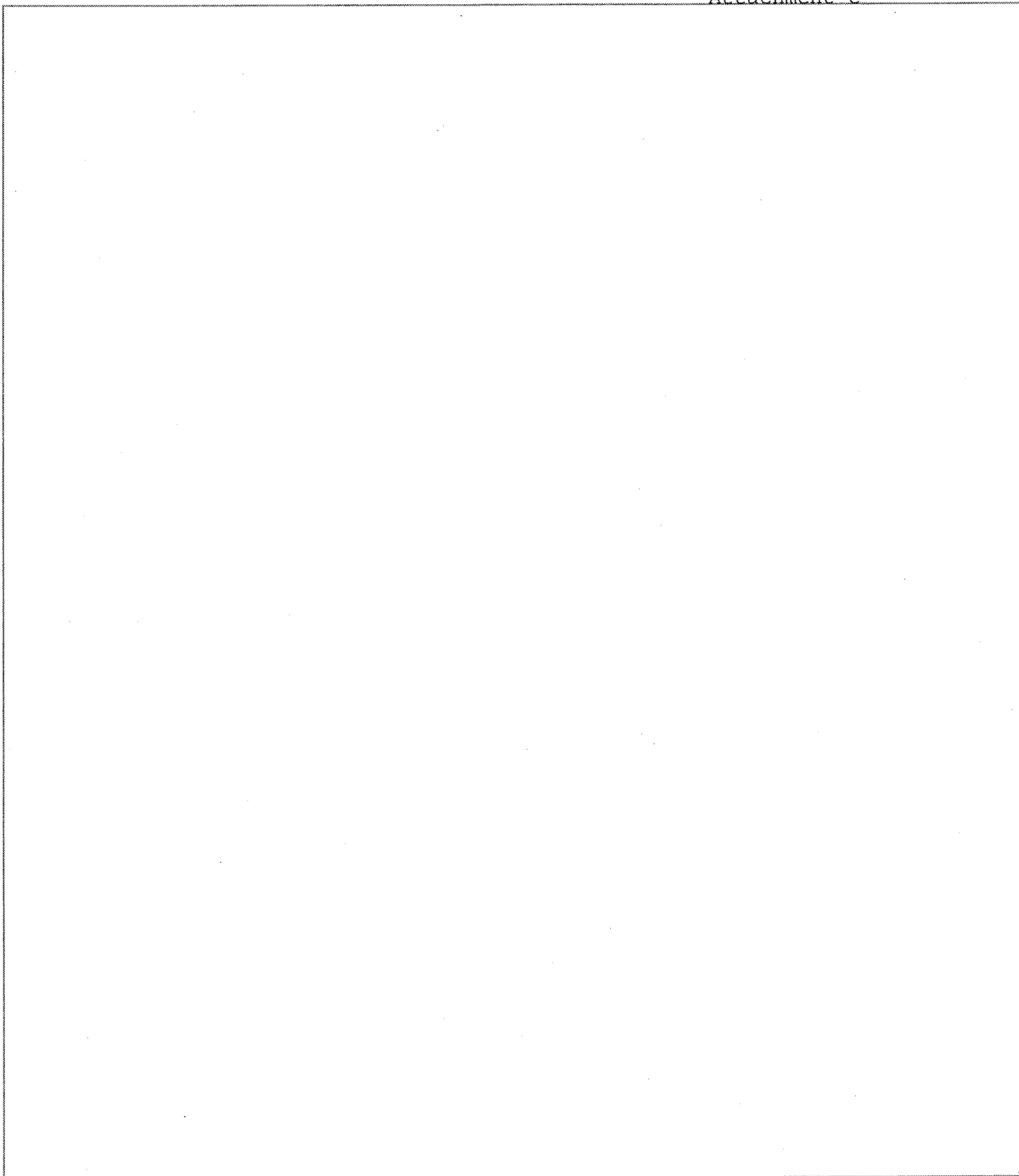


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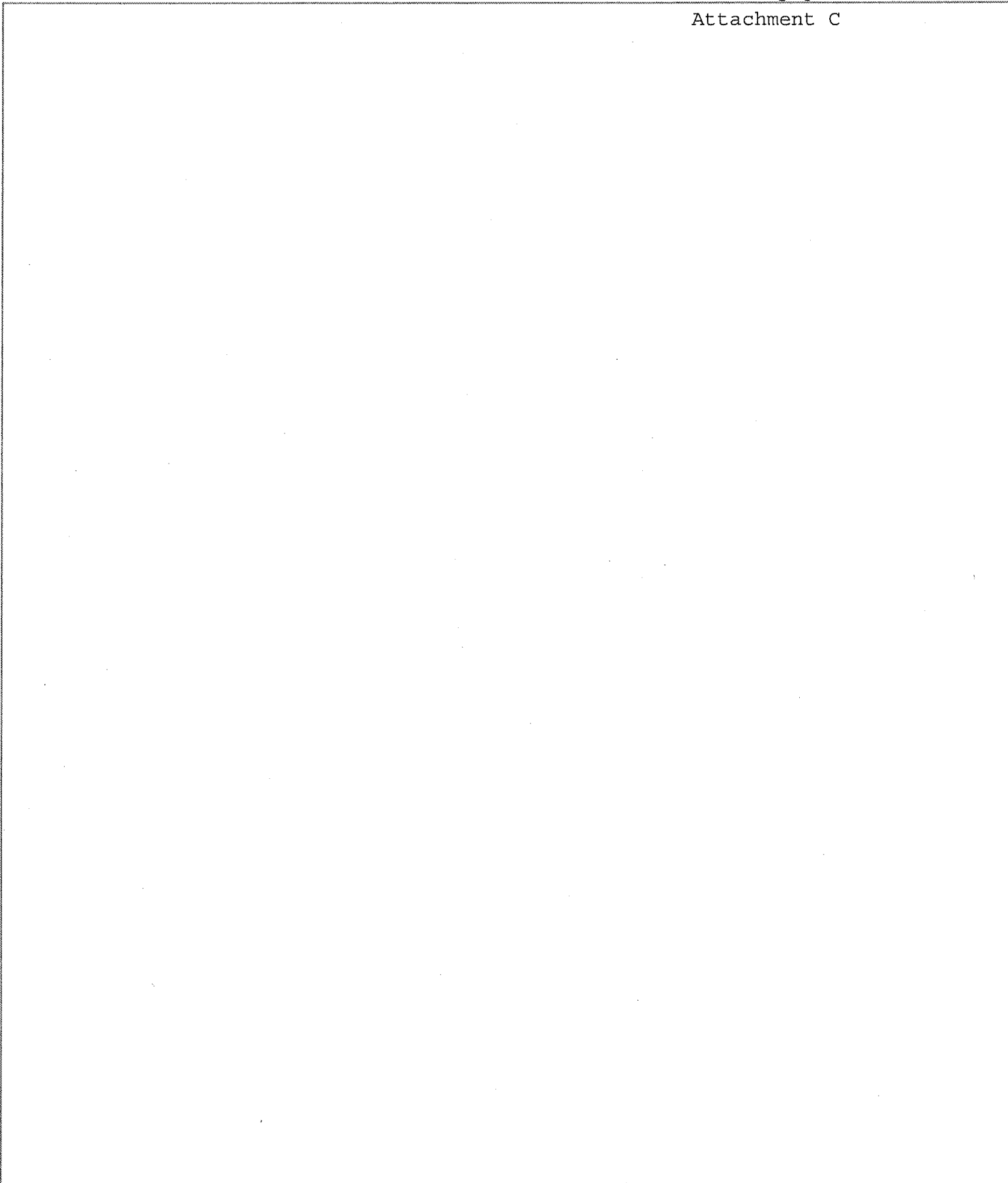


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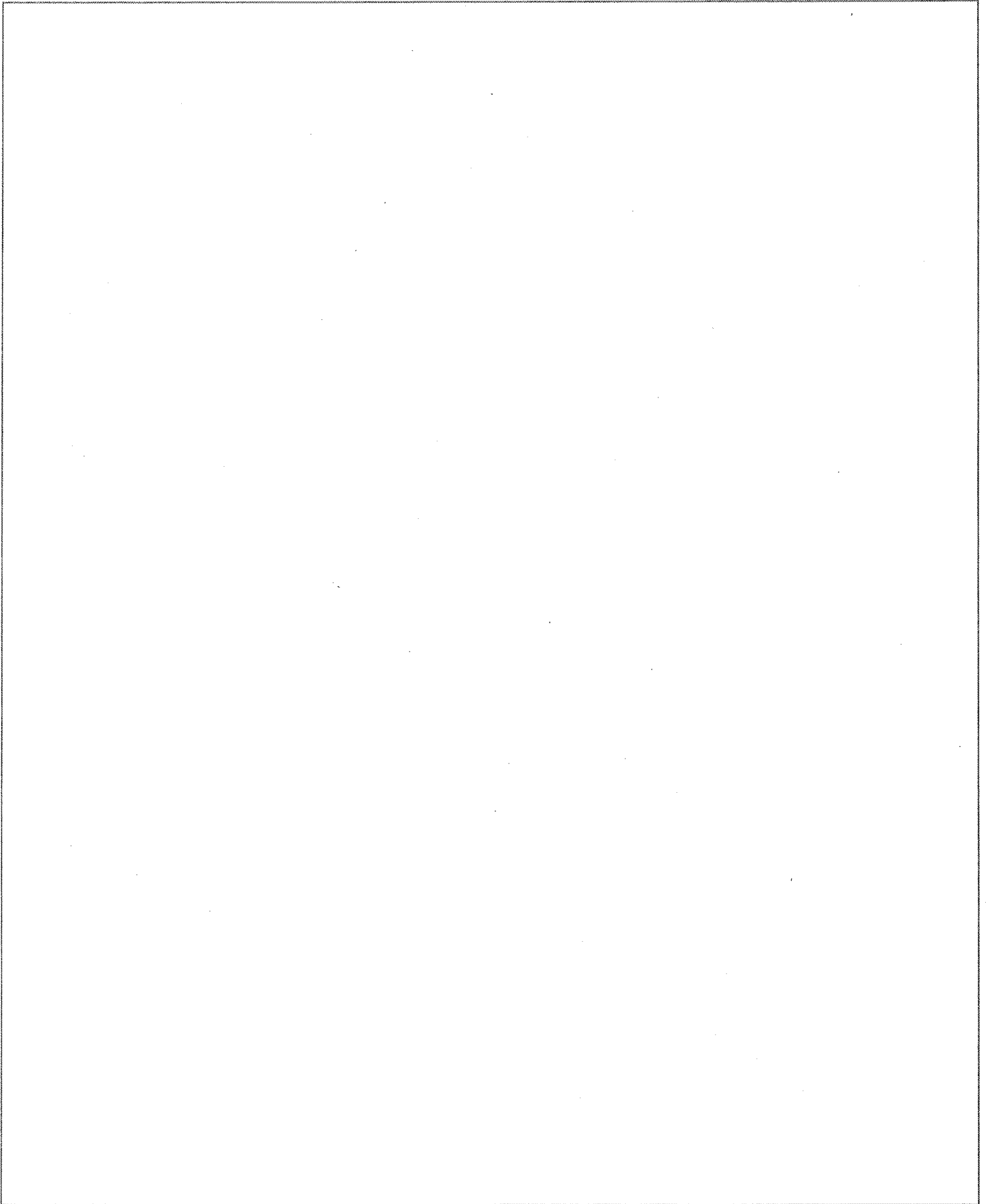
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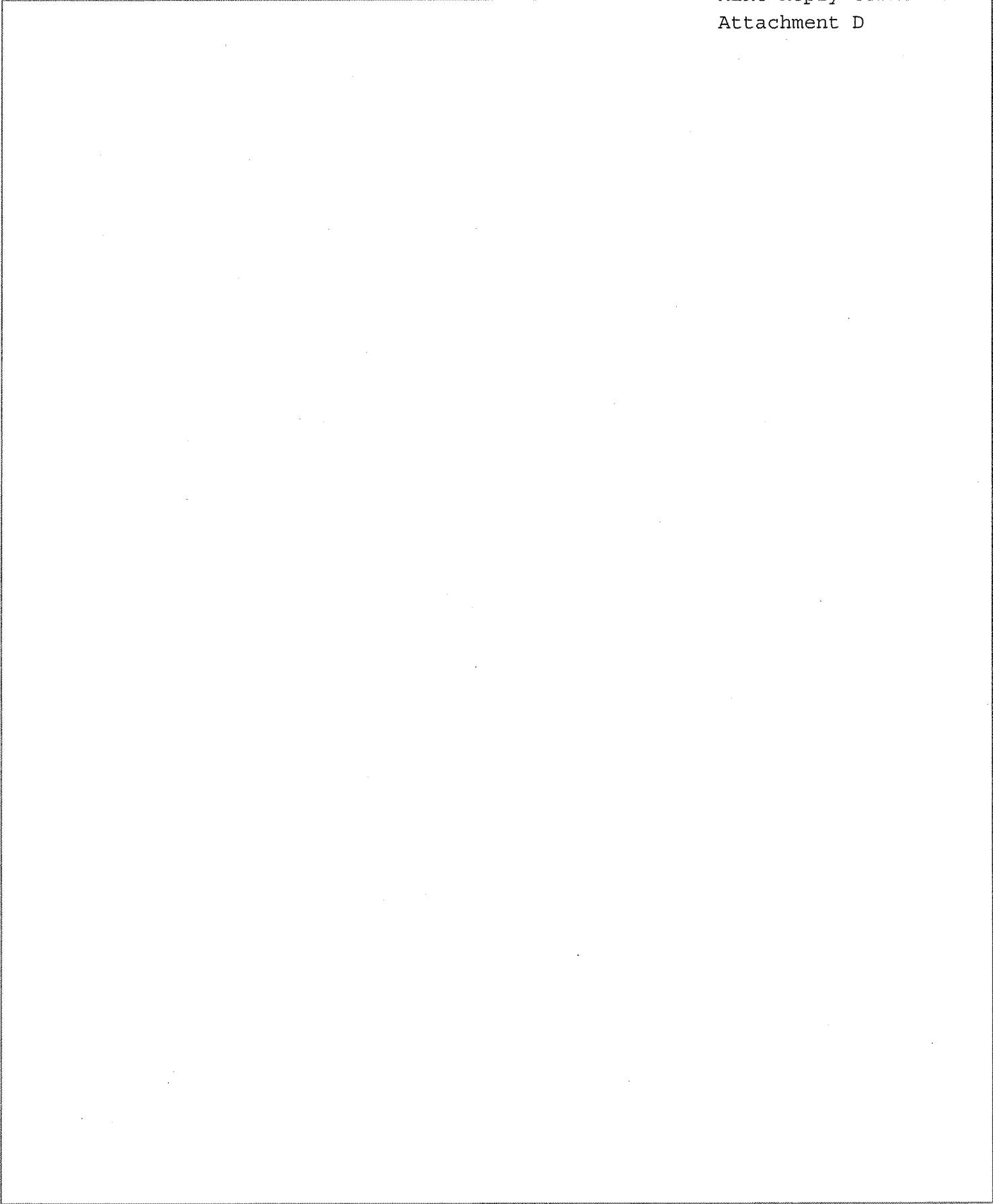


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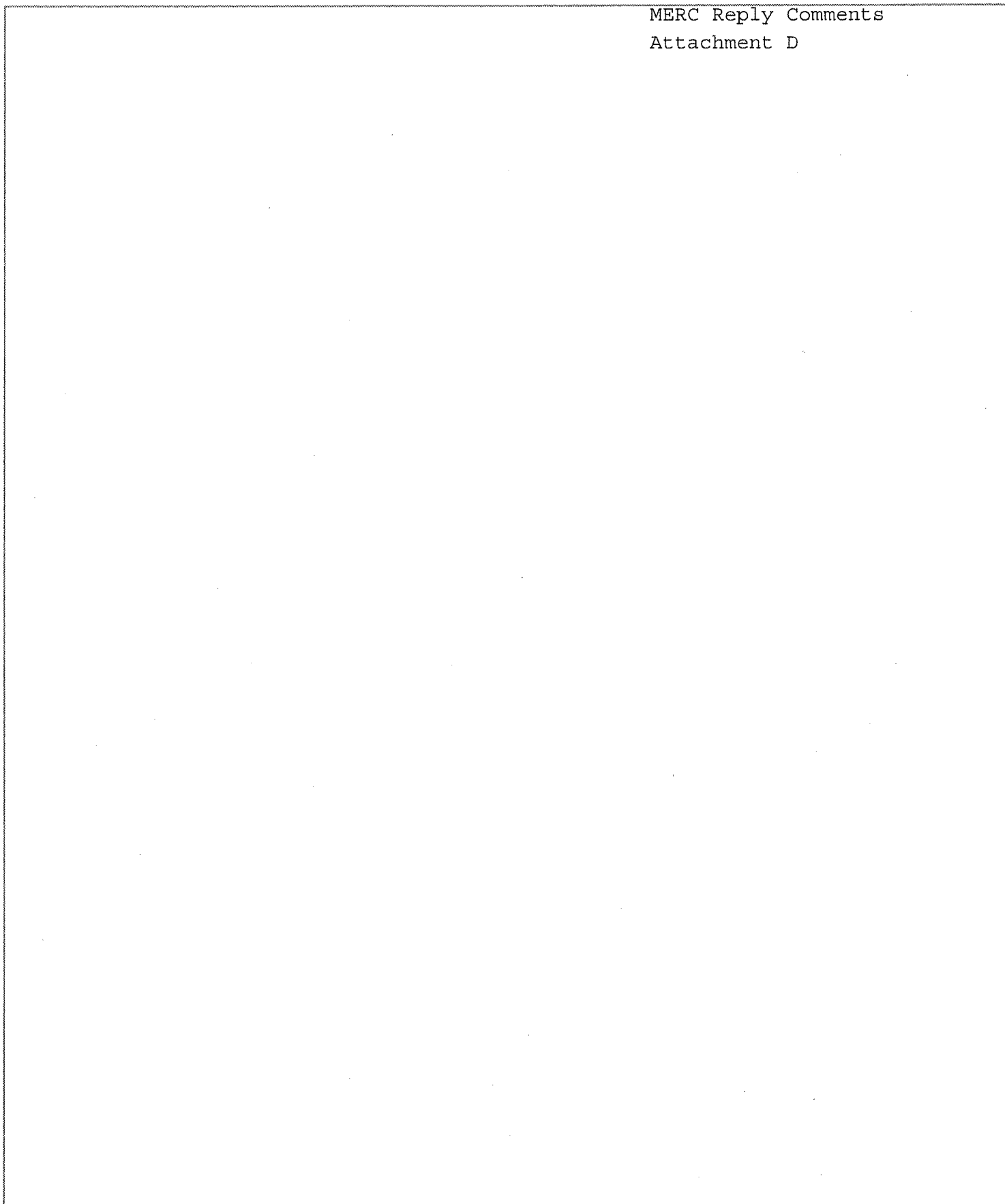
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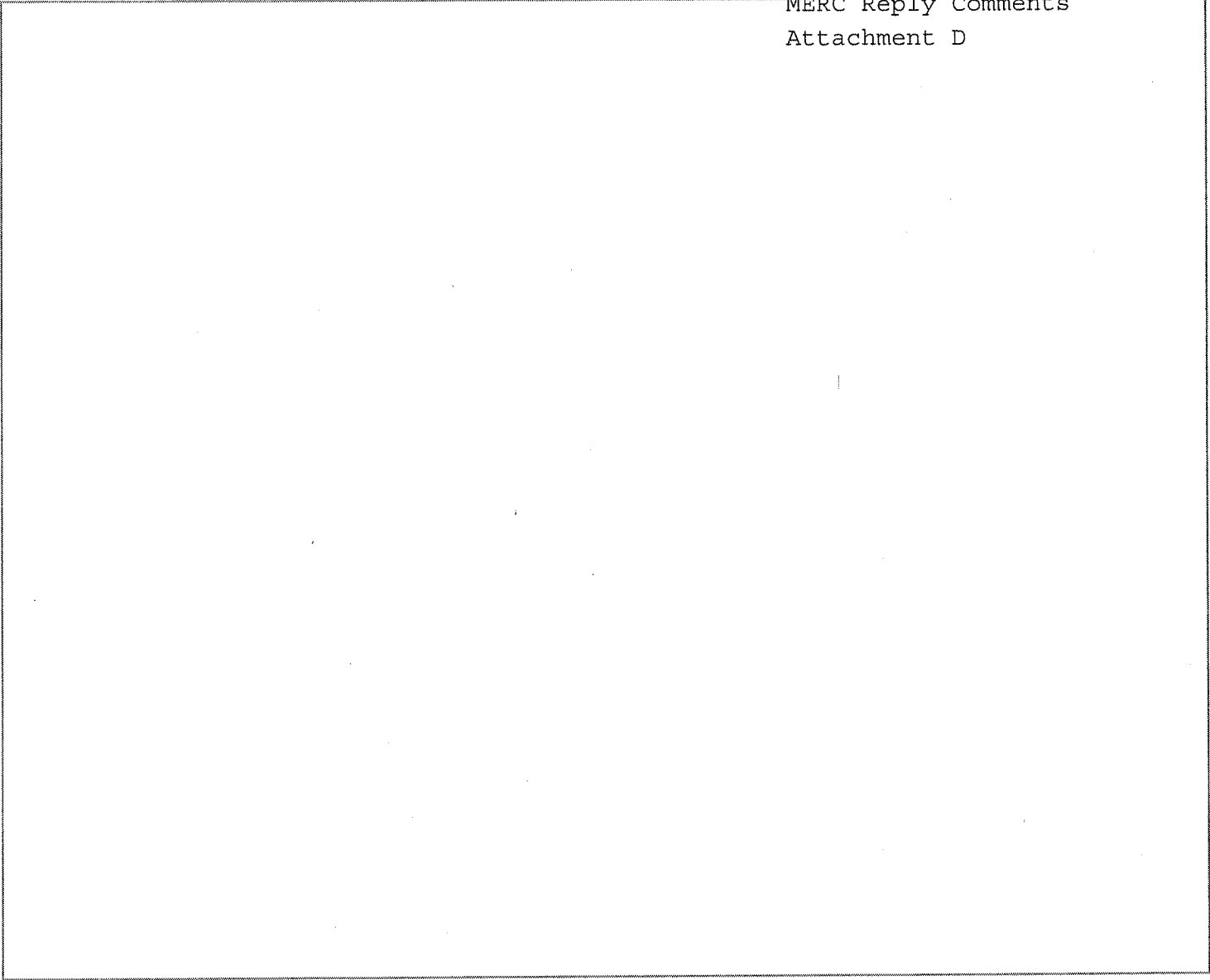


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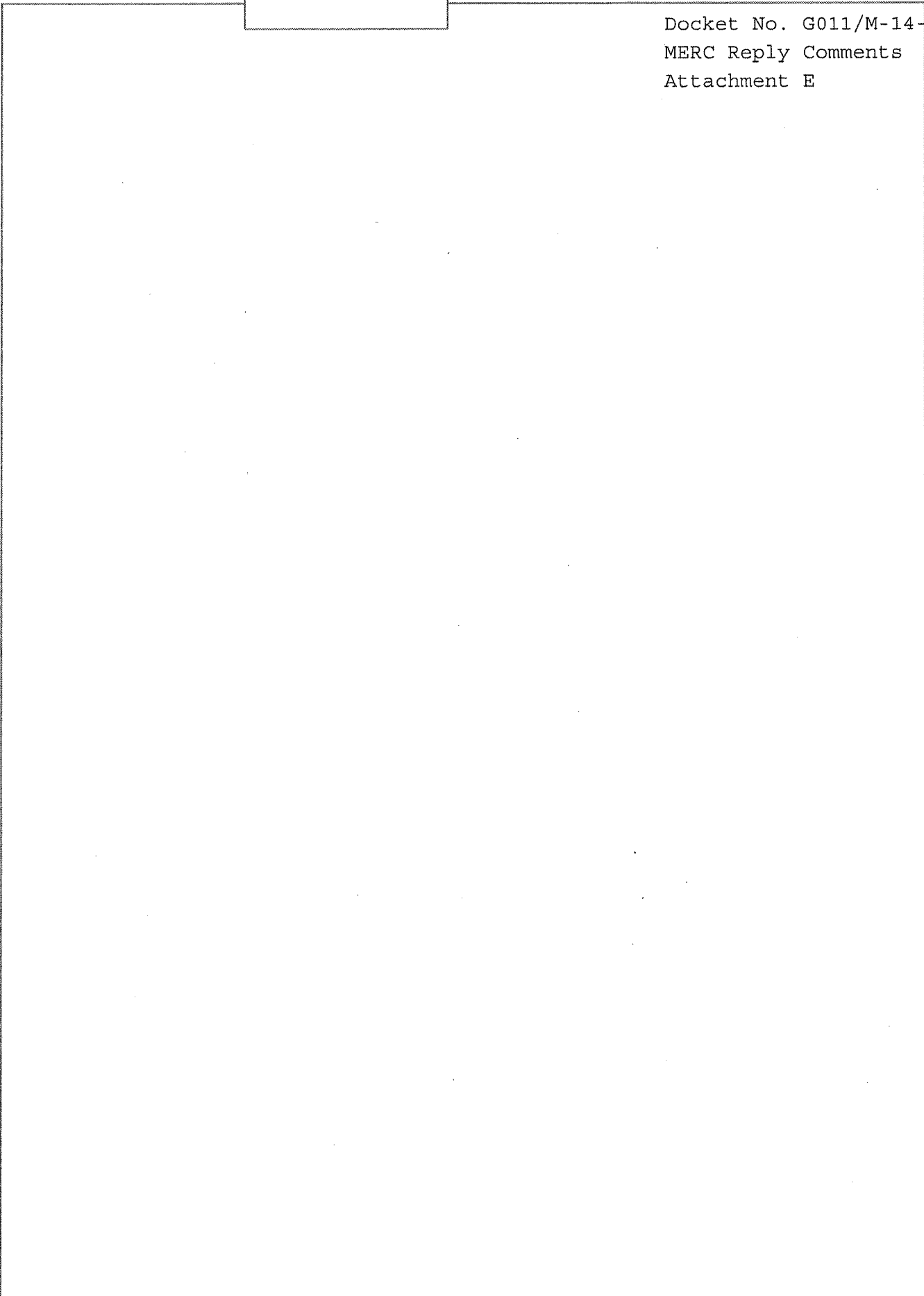
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