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September 22, 2016

VIA ELECTRONIC FILING

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

RE: Petition for Change in Contract Demand Entitlement
Docket No. G022/M-16-522

Dear Mr. Wolf:

Greater Minnesota Gas, Inc. ("GMG") filed its Petition for Approval of a Change in Contract Demand Entitlement on June 15, 2016. The Minnesota Department of Commerce, Division of Energy Resources ("the Department") filed its Comments on September 20, 2016. This letter serves as GMG's Reply in lieu of filing Reply Comments.

GMG appreciates the Department's recommendation that the Commission approve its request, subject to possible changes as the heating season draws near, and its recommendation that GMG be allowed to recover the associated costs. GMG will make a supplemental filing on or about November 1st with final demand entitlement information. GMG notes that it has received a request from its largest customer to transition to transport service; and, GMG is working through that issue to handle the request in a way that protects GMG's ratepayers. GMG has requested an opportunity to meet with Commission staff and Department staff to discuss the matter; and, GMG will include information about how the change affects its demand entitlement request in its supplemental November 1st filing.

GMG agrees with the Department's recommendations to employ different strategies in future demand forecasting and appreciates the Department's proposal to work together to transition to forecasting involving multiple weather stations and longer time periods. GMG believes that it is important to be aware that the transition may take several years before meaningful data is available. GMG's northern district is growing by over 50% this year in terms of its customer base; and, GMG expects an additional 20% to 25% growth in that district next year. There is a time lag between the addition of customers, their connection dates, and the time that the new customers actually convert their equipment and start using gas. GMG believes, based on past experience, that the delay artificially distorts regression data and understates the use per customer per degree day; and, the Department also recognized that issue in its Comments.



Mr. D. Wolf
Page Two

GMG looks forward to continuing to receive the Department's input and is pleased that the Department is willing to continue working with GMG as it develops future demand entitlement filings. GMG also concurs that it is important that GMG include explanatory information in filing as forecasting methods and input information changes throughout the transition; and, GMG will endeavor to clarify its rationale in future demand entitlement dockets.

Thank you. Please do not hesitate to contact me should there be any questions or concerns.

Sincerely,

GREATER MINNESOTA GAS, INC.

/s/

Kristine A. Anderson
Corporate Attorney

cc: Service List