

January, 29, 2025

Will Seuffert  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: Comments of the Minnesota Department of Commerce  
Docket No. G011/M-24-269

Dear Mr. Seuffert:

Attached are the supplemental comments of the Minnesota Department of Commerce (Department) in the following matter:

*In the Matter of Minnesota Energy Resources Corp.'s Petition for Approval  
of a Change in Demand Entitlement for its Consolidated System*

The Petition was filed by the Minnesota Energy Resources Corporation (MERC or the Company) on August 1, 2024, and was updated on November 1, 2024.

The Department recommends that the Commission accept the Company's proposed level of demand entitlement and allow MERC to recover associated demand costs through the monthly Purchased Gas Adjustment effective November 1, 2024. The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Peter Wyckoff, Ph.D.  
Deputy Commissioner, Division of Energy Resources

AZ/SS/ad  
Attachment



## Before the Minnesota Public Utilities Commission

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### Supplemental Comments of the Minnesota Department of Commerce

Docket No. G011/M-24-269

#### I. INTRODUCTION

The Minnesota Department of Commerce, Division of Energy Resources (Department) provides its supplemental comments on the Demand Entitlement Filing (Petition) of Minnesota Energy Resources Corporation (MERC or the Company) for its Consolidated System in Docket No. G011/M-24-269.<sup>1</sup> Pursuant to Minn. R. 7825.2910, subp. 2, MERC filed a petition to request a change in demand on August 1, 2024 with the Minnesota Public Utilities Commission (Commission or PUC), to change the levels of demand for natural gas pipeline capacity (Petition) for its customers served off the Consolidated Purchased Gas Adjustment (PGA) system (MERC-Consolidated).<sup>2</sup> MERC-Consolidated serves customers located along three pipelines: Great Lakes Gas Transmission (Great Lakes or GLGT), Viking Gas Transmission Co. (Viking or VGT), and Centra Minnesota Pipelines (Centra). MERC requested that the Commission approve changes in the Company's recovery of the overall level of contracted capacity.

On November 1, 2024, MERC filed its November Update (Update)<sup>2</sup> detailing final entitlement levels for the 2024-2025 heating season. The Update includes final updated demand rates and commodity pricing. The Department recommends accepting the Company's proposed level of demand entitlement and allowing MERC to recover the associated demand costs through the monthly Purchased Gas Adjustment (PGA) effective November 1, 2024. These comments address the remainder of the MERC Petition and Update.

#### II. PROCEDURAL BACKGROUND

The Department outlines the relevant procedural history as follows.

February 4, 2015	The Commission issued its Order in Docket Nos. G011/M-12-1192, G011/M-12-1193, G011/M-12-1194, G011/M-12-1195, the Commission stated in part the following: "Required MERC to check its regression models for autocorrelation and correct the model if autocorrelation is present by removing the autocorrelation from the model."
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<sup>1</sup> Minnesota Energy Resources Corporation, Petition, August 1, 2024, (eDockets) [20248-209170-01](#), (hereinafter "Petition").

<sup>2</sup> Minnesota Energy Resources Corporation, Update of Petition, November 1, 2024, (eDockets) [202411-211523-01](#), (hereinafter "Update").

April 28, 2016

The Commission issued its Order in Docket Nos. G011/M-15-722, G011/M-15-723, G011/M-15-724, the Commission stated in part the following: “Required MERC to verify its regression analysis results in future demand entitlement filings to ensure the results are consistent with the underlying theory the analysis attempts to explain.”<sup>3</sup>

February 17, 2023

The Commission issued its *Order Requiring Actions to Mitigate Impacts From Future Natural Gas Price Spikes, Setting Filing Requirements, and Initiating a Proceeding to Establish Gas Resource Planning Requirements*. Ordering Paragraphs 9 and 10 stated the following:

9. In future contract demand entitlement filings, the gas utilities in this docket shall discuss how changes to their pipeline capacity affect their supply diversity and, if pipeline capacity comes at a cost premium but increases supply diversity, provide a meaningful cost/benefit discussion of the tradeoff, including a comparison with the least-cost capacity option.

10. Each gas utility in this docket shall include in its relevant annual, forward-looking gas planning or hedging filings:

- A. Its expected supply mixes across different load and weather conditions throughout each month of the upcoming winter season;
- B. The forecasted minimum, average, and maximum day load requirements; and
- C. The expected mix of baseload, storage and spot supply on those days.

January 17, 2024

In its January 17, 2024 Order, the Commission accepted the Company’s proposed demand entitlement, allowed the Company to recover associated demand costs through the monthly PGA effective November 1, 2023, and required the Company provide an update on the Viking Gas

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<sup>3</sup> In the Matter of a Petition by Minnesota Energy Resources Corporation (MERC-Consolidated, MERC -Northern Natural Gas (NNG), and MERC-Albert Lea) for Approval of Changes in Contract Demand Entitlements for the 2015-2016 Heating Season Supply Plan effective November 1, 2015, Minnesota Public Utilities Commission, Order, April 28, 2016, Docket Nos. G 011/M-15-722; G-011/M-15-723; G-011/M-15-724, (eDockets) [20164-120779-03](#) at 2, (hereinafter “April 28, 2016 Order”).

Transmission (VGT or Viking) rate case in its next demand entitlement filing.

August 1, 2024	The Company submits its Petition in the current proceeding, requesting a change to the Company's demand entitlements pursuant to Minn. R. 7829.2910, Subp. 2. <sup>4</sup>
October 3, 2024	The Department files its Initial Comments in the current proceeding. <sup>5</sup> The Department recommended approval of the Company's Design-Day Analysis.
October 14, 2024	MERC files its Reply Comments, and requests that the Commission approve its Design-Day Analysis. <sup>6</sup>
November 1, 2024	The Company files its Update in the current proceeding, detailing the final entitlement levels for the 2024-2025 heating season, as well as updated demand rates and commodity pricing.

### III. DEPARTMENT ANALYSIS

The Department provides an analysis for the Company's Petition and Update that includes the following areas:

- Summary of proposed changes;
- Changes to Capacity and non-capacity items;
- The reserve margin;
- The PGA cost recovery proposal; and
- Compliance with the Commission's January 17, 2024 Order.

#### A. SUMMARY OF PROPOSED CHANGES

In its initial comments the Department stated the following:

MERC proposes to increase its total design-day requirement by 588 dekatherms (Dth) to 57,736 Dth/day. The Company currently has design day capacity of 62,019 Dth/day on its MERC-Consolidated system. In terms of capacity, MERC proposed to increase its current design-day deliverability of 62,019 Dth/day approved for the last heating season, by 2,410 Dth to 64,429 Dth/day for the 2024-2025 heating season. This

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<sup>4</sup> Minn. R. 7825.2910, subp. 2.

<sup>5</sup> Minnesota Department of Commerce, Initial Comments, October 3, 2024, (eDockets) [202410-210698-01](#).

<sup>6</sup> Minnesota Energy Resources Corporation, Reply Comments, October 14, 2024, (eDockets) [202410-210950-01](#).

increase results in an estimated reserve margin of approximately 11.59%.  
MERC also proposes changes to its non-design-day deliverable contracts such as storage contracts.<sup>7</sup> [citations omitted]

MERC's proposed entitlement changes results in an estimated increase in demand costs for residential customers of \$0.0481 per Dth, 5.72 percent, or approximately \$4.15 per year compared to the rates included in the Company's October 2024 PGA.<sup>8</sup>

MERC also requests that the Commission allow recovery of the associated demand costs in the Company's monthly PGA effective November 1, 2024.<sup>9</sup>

## ***B. CHANGES TO CAPACITY AND NON-CAPACITY ITEMS***

### ***B.1. Capacity Contracts***

As an initial matter, the Department confirms that, as required by the Commission's Order Point 9<sup>10</sup> of its April 28, 2016 Order that MERC provided separate data on its summer and winter demand entitlements.<sup>11</sup>

As noted in Table 1, and indicated in Department Attachment 1, the Company proposes changes to its overall entitlement level. MERC makes changes to its GLGT pipeline amounts by acquiring new FT Western to Eastern Zone capacity in the amount of 2,202 Dth/day and by updating volumes for the the Centra pipeline contract line in the amount of 208 Dth/day. Based on its reserve margin analyses in Section III.D below, the Department concludes that MERC's proposed level of demand entitlement is appropriate and is likely sufficient to ensure firm reliability on a peak day.<sup>12</sup>

**Table 1: MERC's Consolidated Total Entitlement Levels**

<b>Filing</b>	<b>Previous Entitlement (Dth)</b>	<b>Proposed Entitlement (Dth)</b>	<b>Entitlement Changes (Dth)</b>	<b>Change From Previous Year (%)</b>
August 1, 2024	62,019	64,429	2,410	3.89 %
November 1, 2024	62,019	64,429	2,410	3.89 %

<sup>7</sup> Department Comments at 3.

<sup>8</sup> Update Attachment 4.

<sup>9</sup> *Id.* at 1.

<sup>10</sup> Order Point 9 states, "Required MERC to separate its summer and winter demand entitlements as reflected in Attachment 4 of its petitions, rather than combining the data as reflected on Attachment 3 of its petitions." April 28, 2016 Order at 2.

<sup>11</sup> Petition Attachment 3.

<sup>12</sup> *Id.* at 5-6.

## B.2. Changes to Non-Capacity Items

MERC notes that both of its ANR pipeline transportation service (ANRP) and its ANR Storage services (ANRS) contracts have been extended through March 31, 2028.<sup>13</sup> The Company proposes to reduce its storage from 1,006,350 Dth to 1,003,600 Dth, which is a change of 2,750 Dth, or 2.73 percent.

## C. PROPOSED RESERVE MARGIN

As indicated in Department Attachment 1, the proposed reserve margin is 6,693 Dth, or 11.59%, as shown in Table 5.

**Table 5: MERC-Consolidated Reserve Margin**

Pipeline	Total Entitlement (Dth)	Design-day Estimate (Dth)	Difference (Dth)	Reserve Margin %	Percentage Point Change From Previous Year <sup>14</sup>
Centra	10,108	9,626	482	5.01%	2.86%
Great Lakes	33,530	30,245	3,285	10.86%	4.65%
Viking	20,791	17,866	2,925	16.37%	0.61%
Total Consolidated	64,429	57,736	6,693	11.59%	3.07%

The proposed reserve margin of 11.59% represents an increase of 3.07 percentage points as compared to last year's reserve margin of 8.52%.<sup>15</sup> The increase in the reserve margin is driven by an increase in capacity on the Centra and GLGT pipelines. The Company's proposed reserve margin is slightly over seven and a half percentage points greater than the 11-year average of 3.95 percent for the overall Consolidated-PGA system.

Based on the Department's review of MERC's historic design-day data and regression results, the Department concludes that MERC's reserve margin is acceptable.

## D. THE COMPANY'S PGA COST RECOVERY PROPOSAL

In its Attachment 4 of the Update, MERC compares its October 2024 PGA to MERC's projected November 2024 PGA rates to highlight the changes in demand costs. According to MERC's calculations, the Company's demand entitlement proposal would result in the following annual demand cost impacts:

- Annual bill increase of \$4.15 related to demand costs, or approximately 5.72 percent, for the average General Service customer consuming 86 dekatherms annually.
- Annual bill increase of \$33.38 related to demand costs, or approximately 5.72 percent, for the average Large Commercial and Industrial customer consuming 694 dekatherms annually; and.
- No demand cost impacts related to MERC's Consolidated interruptible rate classes.

<sup>13</sup> *Id.* at 6.

<sup>14</sup> For the 2023-2024 heating season, the reserve margins were as follows: Centra – 2.15%; Great Lakes – 6.21%; Viking – 15.76%; and Total – Consolidated – 8.52%.

<sup>15</sup> Petition Attachment 3.

Based on its analysis, the Department recommends that the Commission approve the proposed demand costs with an effective date of November 1, 2024.

*E. COMMISSION ORDERS IN DOCKET NO G999/CI-21-135 AND G011/CI-21-611*

Ordering Paragraphs 9 and 10 of the Commission's February 17, 2023 Order state the following:

9. In future contract demand entitlement filings, the gas utilities in this docket shall discuss how changes to their pipeline capacity affect their supply diversity and, if pipeline capacity comes at a cost premium but increases supply diversity, provide a meaningful cost/benefit discussion of the tradeoff, including a comparison with the least-cost capacity option.

10. Each gas utility in this docket shall include in its relevant annual, forward-looking gas planning or hedging filings:

- A. Its expected supply mixes across different load and weather conditions throughout each month of the upcoming winter season;
- B. The forecasted minimum, average, and maximum day load requirements; and
- C. The expected mix of baseload, storage, and spot supply on those days.<sup>16</sup>

In its Petition, the Company provides the required information.<sup>17</sup> MERC states:

The acquired incremental capacity discussed above did not impact MERC's supply diversity, as the Company increased its capacity with supply to be sourced at the Emerson GLGT supply basin for the volume change on GLGT, and at the Spruce supply basin for the volume change on Centra Pipeline. Further, no other pipeline alternatives are available for the demand being served from GLGT and Centra Pipeline, and Liquefied Natural Gas ("LNG") is not a viable operational or cost effective option for those parts of MERC's system. Therefore, acquiring the additional capacity via an Open Season that GLGT held in December of 2023 provided MERC the opportunity to maintain deliverability for its customers at GLGT's current tariff rates, which are expected to be much less costly than future pipeline

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<sup>16</sup> February 17, 2023 Order at 23.

<sup>17</sup> Petition at 5-6 and 8-9 and Attachment 6 at 3.

expansions. GLGT's Open Season limited the receipt point of the capacity to only the Emerson location, therefore no other options were available.<sup>18</sup>

Regarding compliance with paragraph 10, the Company states that it provided the requested information in its Attachment 6 using the three prior years data. MERC states the following:

Attachment 6, page 3, provides this information for the November 2024 through March 2025 period. All load estimates are based on the previous three years observed data, except for the December through February months, in which the Design Day (i.e. Peak Day) was used to represent the maximum load. While three years of historical data provide a reasonable estimate, conditions can deviate and provide load requirements different from those in the past.<sup>19</sup>

The Department concludes that MERC complied with the February 17, 2023 Order. In addition, after reviewing the information provided by MERC, the Department concludes that MERC's explanations regarding its compliance with the Ordering paragraphs 9 and 10 are acceptable. However, the prudence of the natural gas costs inferred above, and actions taken by MERC to minimize those costs will be evaluated in a future proceeding when MERC files its annual automatic adjustment report and true up filing on September 1, 2025.

#### **IV. DEPARTMENT RECOMMENDATIONS**

Based on analysis of MERC's Petition, and the information in the record, the Department recommends that the Commission:

- Accept the Company's proposed level of demand entitlement; and
- Allow MERC to recover associated demand costs through the monthly PGA effective November 1, 2024.

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<sup>18</sup> *Id.* at 5.

<sup>19</sup> *Id.* at 8-9.



**Department Attachment 1**  
**Docket No. G011/M-23-358**  
**MERC Consolidated Demand Entitlement Analysis**

	Number of Firm Customers			Design-Day Requirement			Total Entitlement Plus Peak Shaving			Reserve Margin	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Heating Season	Number of Customers	Change from Previous Year	% Change From Previous Year	Design Day (Dth)	Change from Previous Year	% Change From Previous Year	Total Design-Day Capacity (Dth)	Change from Previous Year	% Change From Previous Year	Reserve (7) - (4)	% Reserve [(7)-(4)]/(4)
2024-2025	37,898	470	1.26%	57,736	588	1.03%	64,429	2,410	3.89%	6,693	11.59%
2023-2024	37,428	(150)	-0.40%	57,148	185	0.32%	62,019	2,000	3.33%	4,871	8.52%
2022-2023	37,578	427	1.15%	56,963	560	0.99%	60,019	1,170	1.99%	3,056	5.36%
2021-2022	37,151	571	1.56%	56,403	(662)	-1.16%	58,849	200	0.34%	2,446	4.34%
2020-2021	36,580	599	1.66%	57,065	283	0.50%	58,649	700	1.21%	1,584	2.78%
2019-2020	35,981	328	0.92%	56,782	312	0.55%	57,949	0	0.00%	1,167	2.06%
2018-2019	35,653	(312)	-0.87%	56,470	204	0.36%	57,949	0	0.00%	1,479	2.62%
2017-2018	35,965	466	1.31%	56,266	738	1.33%	57,949	3,050	5.56%	1,683	2.99%
2016-2017	35,499	700	2.01%	55,528	2,453	4.62%	54,899	(550)	-0.99%	(629)	-1.13%
2015-2016	34,799	402	1.17%	53,075	4,369	8.97%	55,449	3,990	7.75%	2,374	4.47%
2014-2015	34,397	390	1.15%	48,706	(1,342)	-2.68%	51,459	(1,500)	-2.83%	2,753	5.65%
2013-2014	34,007	377	1.12%	50,048	(2,241)	-4.29%	52,959	(2,000)	-3.64%	2,911	5.82%
2012-2013	33,630			52,289			54,959				
Average			0.98%			0.87%			1.16%		3.95%

	Firm Peak-Day Sendout			Per Customer Metrics			
	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Heating Season	Firm Peak-Day Sendout (Dth)	Change from Previous Year	% Change From Previous Year	Excess per Customer [(7) - (4)]/(1)	Design Day per Customer (4)/(1)	Entitlement per Customer (7)/(1)	Peak-Day Send per Customer (12)/(1)
2024-2025	unknown			0.1766	1.5235	1.7001	unknown
2023-2024	46,189	(130)	-0.28%	0.1301	1.5269	1.6570	1.2341
2022-2023	46,319	276	0.60%	0.0658	1.5182	1.5840	1.2326
2021-2022	46,043	(4,880)	-9.58%	0.0433	1.5600	1.6033	1.2393
2020-2021	50,923	6,963	15.84%	0.0433	1.5600	1.6033	1.3921
2019-2020	43,960	(9,693)	-18.07%	0.0324	1.5781	1.6105	1.2218
2018-2019	53,653	7,215	15.54%	0.0415	1.5839	1.6254	1.5049
2017-2018	46,438	(2,358)	-4.83%	0.0468	1.5645	1.6113	1.2912
2016-2017	48,796	6,117	14.33%	-0.0177	1.5642	1.5465	1.3746
2015-2016	42,679	(3,072)	-6.71%	0.0682	1.5252	1.5934	1.2264
2014-2015	45,751	6,845	17.59%	0.0800	1.4160	1.4960	1.3301
2013-2014	38,906			0.0856	1.4717	1.5573	1.1441
Average			2.75%	0.0563	1.5335	1.5898	1.2957

Source: MERC's Attachment 1, 3 and 7.

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce  
Supplemental Comments**

**Docket No. G011/M-24-269**

**Dated this 29<sup>th</sup> day of January 2025**

**/s/Sharon Ferguson**

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
1	Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP		50 S 6th St Ste 1500 Minneapolis MN, 55402-1498 United States	Electronic Service		No	24-269M-24-269
2	Generic	Commerce Attorneys	commerce.attorneys@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		Yes	24-269M-24-269
3	Sharon	Ferguson	sharon.ferguson@state.mn.us		Department of Commerce	85 7th Place E Ste 280 Saint Paul MN, 55101-2198 United States	Electronic Service		No	24-269M-24-269
4	Daryll	Fuentes	energy@usg.com	USG Corporation		550 W Adams St Chicago IL, 60661 United States	Electronic Service		No	24-269M-24-269
5	Joylyn C	Hoffman Malueg	joylyn.hoffmanmalueg@wecenergygroup.com	Minnesota Energy Resources		2685 145th St W Rosemount MN, 55068 United States	Electronic Service		Yes	24-269M-24-269
6	Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP		33 South Sixth St Ste 4200 Minneapolis MN, 55402 United States	Electronic Service		No	24-269M-24-269
7	Catherine	Phillips	catherine.phillips@wecenergygroup.com	Minnesota Energy Resources		231 West Michigan St Milwaukee WI, 53203 United States	Electronic Service		Yes	24-269M-24-269
8	Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		Yes	24-269M-24-269
9	Elizabeth	Schmiesing	eschmiesing@winthrop.com	Winthrop & Weinstine, P.A.		225 South Sixth Street Suite 3500 Minneapolis MN, 55402 United States	Electronic Service		No	24-269M-24-269
10	Will	Seuffert	will.seuffert@state.mn.us		Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul MN, 55101 United States	Electronic Service		Yes	24-269M-24-269
11	Richard	Stasik	richard.stasik@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)		231 West Michigan St - P321 Milwaukee WI, 53203	Electronic Service		No	24-269M-24-269

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
						United States				
12	Kristin	Stastny	kstastny@taftlaw.com	Taft Stettinius & Hollister LLP		2200 IDS Center 80 South 8th Street Minneapolis MN, 55402 United States	Electronic Service		No	24-269M-24-269
13	Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine		225 S 6th St Ste 3500 Capella Tower Minneapolis MN, 55402-4629 United States	Electronic Service		No	24-269M-24-269
14	Tina E	Wuyts	tina.wuyts@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)		PO Box 19001 700 N Adams St Green Bay WI, 54307-9001 United States	Electronic Service		Yes	24-269M-24-269