

Staff Briefing Papers

Meeting Date	May 15, 2025		Agenda Item 2*
Company	Great Plains Natural Gas Co.		
Docket No.	G-004/M-24-234		
	In the Matter of Great Plains Natural Gas Co.'s Petition for Approval of changes in Contract Demand Entitlement for the 2024-2025 Winter Heating Season		
Issues	Should the Commission approve Great Plains' proposed demand entitlement levels and cost changes?		
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✓ Relevant Documents

Great Plains – Initial Filing	Date June 28, 2024
Department of Commerce – Initial Comments	October 18, 2024
Great Plains – Informational Update	October 31, 2024
Great Plains – Reply Comments	November 6, 2024
Great Plains – Additional Informational Update	November 27, 2024
Department of Commerce – Supplemental Comments	December 20, 2024
Great Plains – Supplemental Reply Comments	December 30, 2024
Great Plains – Additional Informational Update	March 12, 2025

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

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BACKGROUND

I. Introduction

Great Plains (GP, Company) has various interstate pipeline transportation contracts (demand entitlements) to transport its natural gas supply for retail services to its customers. As a result, to assure continued reliability of firm natural gas supply deliveries to its customers, each year Great Plains reviews and updates these contracts as needed.

In this annual demand entitlement petition (Petition), Great Plains requested approval for capacity changes in these interstate pipeline transportation entitlements and certain demand-related contract costs and to implement the rate impact of these changes through its Purchased Gas Adjustment (PGA) charges effective December 1, 2024.

The Department recommended approval of Great Plains' Petition, subject to reporting requirements in the Company's 2025-2026 Demand Entitlement filing.

II. Procedural Background

On June 28, 2024, Great Plains filed its annual Demand Entitlement Petition requesting Commission approval to change levels of demand for natural gas pipeline capacity and recovery of associated costs for the 2024 – 2025 winter heating season.

On October 18, 2024, the Department of Commerce filed its initial comments and stated that the results produced by Great Plains' analysis were acceptable for planning the design-day, however, it would wait and provide to the Commission its final recommendations after Great Plains filed its November 1, 2024, update.

Great Plains filed its Informational Update on October 31, 2024, which showed the Company's demand entitlement volumes and costs and noted that the WBI Wahpeton Project's (Project) in-service date had been delayed from November 1 to December 1, 2024, and the Company had been required to continue to include the Wahpeton load in its design day calculation and the corresponding demand entitlement calculation.

On November 06, 2024, Great Plains filed Reply Comments accepting the Department's assessment of the Company's proposed demand entitlement levels used for planning its design-day.

On November 27, 2024, Great Plains filed an Additional Informational Update which reflected the Wahpeton, North Dakota customers transition from Great Plains' integrated gas system to Montana-Dakota's integrated gas system effective December 1, 2024. This information showed the Company's updated demand entitlement volumes and costs that would be charged to ratepayers.

On December 20, 2024, the Department filed Supplemental Comments and recommending

approval of Great Plains' amended proposed level of demand entitlement and allow recovery of associated demand costs.

On December 30, 2024, Great Plains filed a reply to the Department's supplementary comments accepting the Department's recommendations.

On March 12, 2025, Great Plains filed another Informational Update Filing.

III. Minnesota Rules

Minnesota Rule, part 7825.2910, subpart 2, requires gas utilities to make a filing whenever there is a change to demand-related entitlement services provided by a supplier or transporter of natural gas.¹

DISCUSSION

IV. Parties' Comments

A. Great Plains – Petition

Great Plains proposed a net daily decrease of 4,000 dekatherms (dk), that includes an 8,291 Dekatherm per day (dk/day) capacity release on the Viking Gas Transmission (VGT). The reason for the additional release is due to the completion of the Wahpeton Expansion Project which resulted in Wahpeton, North Dakota customers no longer taking service through Great Plains' system as of November 1, 2024.² The Company noted that the additional capacity release is reasonable based on Wahpeton's capacity of 3,700 dk per day of VGT capacity for the 2023-2024 heating season.

Great Plains also proposed to amend the TF5 (Nov-Mar), a seasonal contract, to the annual TF12 Base and TF12 Variable contracts on the Northern Natural Gas Pipeline (NNG) but not changing any capacity on NNG because its reserve margin is at an acceptable level of 8.5%.³

Based on a winter design day (DD) of 31,678 dk,⁴ Great Plains projected a 7.8% reserve margin⁵ for the heating season effective November 1, 2024.

As shown in Table 1, Great Plains estimates the proposed demand costs will increase a residential customer's annual bill by \$34.73, or 6.1% and a commercial customer's annual bill by

¹ <https://www.revisor.mn.gov/rules/7825.2910/#rule.7825.2910.2>

² Great Plains, Initial Filing, p. 3

³ *Id.*

⁴ Great Plains, Initial Filing, Exhibit B, p. 1 of 2

⁵ *Id.* Exhibit A.

\$186.48, or 6.5%.⁶

Table 1: Proposed Demand Cost Impacts

Filing Date	Residential Customer (81.2 Dk)	Total Change Residential (%)	Firm General Customer (436.0 Dk)	Total Change Firm General (%)
July 1, 2024	\$34.73	6.1	\$186.48	6.5

Great Plains requested approval to begin recovery of the associated demand costs in the Company's monthly PGA effective November 1, 2024.

B. Department of Commerce – Initial Comments

The Department reviewed and analyzed the reasonableness of Great Plains' proposed design-day requirements, changes to demand entitlement levels, reserve margin, PGA cost recovery proposal, compliance with the Commission's Order February 17, 2023 in Dockets 21-135/21-235, and Great Plains' firm general rate service 70.

1. Design-day Requirements

The Department noted that Great Plains calculated a projected design-day requirement of 31,678 dk/day, of which 14,029 dk/day is for firm customers that receive natural gas from city gates interconnecting with Viking (VGT) and 17,649 dk/day for firm customers on NNG system. The Department compared Great Plains' design-day levels in Table 2.

Table 2 - Great Plains' Design-Day Levels

Pipeline & Area	Previous Design-Day (Dth/day)	Proposed Design-Day (Dth/day)	Change (Dth/day)	Percent Change
Crookston	3,805	3,769	(36)	-0.95%
North-4	10,086	10,206	174	1.73%
Wahpeton	3,391	14,029	(3,391)	-100.00%
Total Viking	17,282	14,029	(3,253)	-18.82%
South District				
Total NNG	17,693	17,649	(44)	-0.25%
Grand Total	34,975	31,678	(3,297)	-9.43%

The Department stated that, in this docket, Great Plains used the same basic DD method that was previously approved in Docket No. G-004/M-03-303.

The Department noted that, in previous demand entitlement proceedings, both the

⁶ *Id.* Table 2

Department and Commission Staff expressed concerns that Great Plains' design-day method might under-estimate the need for natural gas on a peak day for the South District and the North District.⁷

Thus, the Department highlighted, the issue of serial correlation and its potential impact and noted that, by checking its models for autocorrelation, Great Plains partially complied with the Commission's Order in Docket No. G-004/M-17-557; however, Great Plains did not correct the models for serial correlation. In this filing, the Department corrected the models resulting in a total system design-day estimate of 31,868 dk/day, approximately 190 dk/day, or 0.6 % change, greater than Great Plains' proposed design-day estimate of 31,678 dk/day. Due to the small difference, the Department concluded that Great Plains' models can be used by Great Plains in planning for its design day.

Additionally, Great Plains' 30,686 dk peak during the 2022-2023 heating season was its second highest peak in recent history and below the 35,159 dk design-day for that season.

Based on all the above discussion, the Department recommended that the Company's same proposed design-day methodology be accepted.

2. Great Plain's Proposed Overall Demand Entitlement Level

The Department reviewed the Company's proposed overall entitlement levels and as shown in Table 3, compared with its current levels

Table 3 - Comparison of Great Plains' Current and Proposed Entitlements⁸

Pipeline	Current Entitlement (Dth/day)	Proposed Entitlement (Dth/day)	Change Entitlement (Dth/day)	Percent Change
VGT	19,000	15,000	(4,000)	-21.05%
NNG	19,145	19,145	-	0.00%
Total	38,145	34,145	(4,000)	-10.49%

For winter season 2024-2025, Vikings' entitlement level is 15,000 dk and NNG's entitlement level is not changing at 19,145 dk. The proposal would reduce the overall demand entitlement level of 4,000 dk/day.

⁷ Department Comments, p. 5

⁸ Department Comments, p. 9 (data extract from GP's Petition Exhibit B.)

The Department noted that, as shown in Table 4, the 2022 and 2023 annual net benefit of the Company's capacity release efforts increased significantly and the 2024 net benefit from Great Plains' proposal to release an even larger amount for capacity release for the 2024-2025 heating season is estimated to be negative, assuming a capacity release rate that is equal to VGT's current tariffed rate. The Department is concerned that the Company is utilizing annual contracts to acquire firm capacity, for which ratepayers are paying the tariffed rate for 12 months of capacity, while the Company's capacity release approach generates revenue based on five months of seasonal release at an uncertain rate.⁹

Table 4 – Net Benefit of Capacity Release to Ratepayers 2018 – 2024 (\$/yr)

Year	Amount of Capacity Released (Dks.)	VGT tariffed rate (\$/Dk)	Cost of VGT Capacity Released (\$/yr)	Capacity Release Rate (\$/Dk.)	Capacity Release Revenue (\$/yr)	Net Benefit to Ratepayers (\$/yr)
2018	2,600	\$ 4.3706	\$ 136,363	\$ 2.1300	\$ 27,690	\$ (108,673)
2019	2,200	\$ 4.3706	\$ 115,384	\$ 4.7507	\$ 52,258	\$ (63,126)
2020	2,000	\$ 3.8060	\$ 91,344	\$ 3.9200	\$ 39,200	\$ (52,144)
2021	-	\$ 3.8060	\$ -		\$ -	\$ -
2022	4,291	\$ 3.8060	\$ 195,979	\$ 13.5939	\$ 291,657	\$ 95,679
2023	4,291	\$ 3.8060	\$ 195,979	\$ 16.4756	\$ 353,484	\$ 157,505
2024	8,291	\$ 5.6200	\$ 559,145	\$ 5.6200	\$ 232,977	\$ (326,168)
Total						\$ (296,927)

In late October 2024, the Department recommended the Company's proposed 8,291 dk release be accepted and will defer additional comments or specific recommendations on the excess capacity issue to its comments on GP's 2025-2026 Demand Entitlement filing.

The Department also recommended Commission require the Company, in its 2025-2026 Demand Entitlement filing, to provide the following information for the 5,000 dk/day contract Great Plains included as part of its capacity release efforts for the 2024-2025 heating season:

- whether the Company can turn the VGT-FT-A 5,000 dk/day capacity back with no penalty, or
- whether it will incur penalties from Viking;
- whether the Company cannot rollover and not renew some of the expiring 2027 FT-A capacity; and,
- whether the Company can decrease its excess capacity

Regarding the Company's proposed amendment to the seasonal TF5 contract to annual TF12 base and variable contracts, the Department noted that the contract amendment would

⁹ Department Comments, p. 11

eliminate the 3,410 dk/day on the TF5 contract, with a corresponding increase on the TF12 contracts, resulting in no net capacity change.¹⁰

The Department considered the Company's approach to acquire additional shoulder-season firm capacity and the resulting cost impact to customers to be reasonable and expected the Company will update its allocation of NNG TF12 base and TF12 variable capacity amounts in its November 1, 2024 compliance filing.

3. Proposed Reserve Margin

As shown in table 5, The Department summarized Great Plains' reserve margin calculation for 2019 through 2025 and stated that Great Plains proposed to decrease its 2024-2025 reserve margin to 7.79%.

Table 5 - Great Plains' Reserve Margin 2019 through 2025 (%)¹¹

Heating Season	Design Day (Dth/day) (a)	Total Entitlement (Dth/day) (b)	Reserve Margin (c) = (b-a)/a
2019-2020	34,066	36,945	8.45%
2020-2021	33,922	37,145	9.50%
2021-2022	34,398	39,145	13.80%
2022-2023	35,159	38,145	8.49%
2023-2024	34,975	38,145	9.03%
2024-2025	31,678	34,145	7.79%

The Department concluded the Company likely has sufficient capacity to ensure firm reliability on a peak day and noted that the requested margin appears acceptable (this amount already accounts for the entire capacity release of 8,291 dk) and within the historical range in which the Company has operated since the 2006-2007 heating season.¹²

4. PGA Cost Recovery Proposal

The Department reviewed Great Plains' Exhibit C¹³ indicating that the Company's demand entitlement proposal would result in the following estimated annual rate impacts for customers:

- An annual bill increase of \$34.73 or approximately 6.1 percent, for the average

¹⁰ *Id.*, p. 13

¹¹ *Id.*, Table 4, p. 14

¹² *Id.*, Attachment 2

¹³ Great Plains, Initial Filing, Exhibit C

- residential customer consuming 81.2 dk annually; and
- An annual bill increase of \$186.48 or approximately 6.5 percent, for the average firm general service customer consuming 436 dk annually.¹⁴

5. Compliance with Commission's Order on 21-135 and 21-235

In its Information Request (IR) #6, the Department requested the Company provide the compliance information to the Commission's February 17, 2023 Order, Order Point 9, docket numbers 21-135 and 21-235.¹⁵

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.

The Company provided replied that it did not make any changes that will impact receipt and delivery capacity during the upcoming heating season. Following the removal of Wahpeton from Great Plains' system, the Company will have the same access to supplies, therefore, there is no effect to supply diversity.¹⁶

The Department requested the Company to include the required information in its future demand entitlement filings and should confirm if no changes to pipeline capacity impact supply diversity in its filings.

6. Firm General Rate Service 70

The Department requested the Company, in reply comments, provide additional information on the provision of service to customers whose demand exceeds the maximum allowed under Firm General Service Rate Schedule 70.

The Department referred to the Company's rate book that was filed on February 26, 2021, in its most recent general rate case, Docket No. G-004/GR-19-511, to identify the requirements for

¹⁴ Staff notes that annual consumption of 81.2 and 436 dk would be extraordinarily low. Staff interpreted Great Plains filing to mean that, for *monthly* consumptions of 81.2 and 436 dk, the *annual* impact would be \$34.73 and \$186.48, respectively. Staff does not consider this clarification to impact any of the Department's underlying analysis.

¹⁵ In the Matter of a Commission Investigation into the Impact of Severe Weather in February 2021 on Impacted Minnesota Natural Gas Utilities and Customers and In the Matter of the Petition by Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co. for Approval of Rule Variances to Recover High Natural Gas Costs from February 2021, Minnesota Public Utilities Commission, Order, Docket Nos. G999/CI-21-135 and G004/M-21-235, at 23.

¹⁶ Department Comments, Attachment 4, p. 24 of 25.

service under Firm General Service Rate 70¹⁷ and estimate the upper limit for service under Firm General Rate Service 70 to be 2 dk/hour or 48 dk/day. The Department also requested the Company, in reply comments, explain how a customer whose daily demand was 3,984 dk (or 440 or 134 dk/day) could be served under this tariff.

C. Great Plains – Reply Comments

Great Plains agreed with the Department's assessment and recommendations and provided the additional information in its October 31, 2024 compliance filing in this docket:

- Provided additional information regarding its Firm General Service Rate Schedule 70.¹⁸
- The Company also agreed to provide the information for the 5,000 dk/day contract that was included as part of Great Plain's capacity release efforts for the 2024-2025 heating season and will include the required information for Order Point 9 from the February 17, 2023 Order and confirm if there are no changes to pipeline capacity that impacts supply diversity.

D. Great Plains – Informational Update (October 31, 2024)

Great Plains' October 31, 2024 Informational Update showed the Company's demand entitlement volumes and costs that would be charged to ratepayers. The Company noted that the WBI Wahpeton Project's (Project) in-service date had been delayed from November 1 to December 1, 2024. Great Plains stated that it must maintain access to a demand entitlement equal to the 31,678 dk/day for Minnesota firm customers plus approximately 3,300 dk/day required for firm customers in Wahpeton, North Dakota. Firm and interruptible customers in Wahpeton, North Dakota will continue to contribute to demand costs until they transition to Montana-Dakota's integrated gas system. Great Plains has successfully released 9,000 dk/day for the month of November 2024 at a weighted average rate of \$15.30/dk/Month. The Company also provided the final allocation of TF Base and TF Variable entitlements for NNG. The TF12 Base allocation increased to 5,703 dk/day and the TF12 Variable allocation decreased to 5,242 dk/day. The proposed amount changed also decreased the residential customers' annual demand costs.

E. Great Plains – Additional Informational Update (November 27, 2024)

Great Plains' Additional Informational Update, updated supply and demand information and costs that would be effective December 1, 2024. With the Wahpeton Expansion Project completion effective December 1, 2024, the released amount of FT-A capacity on VGT will be 7,000 dk/day (instead of 9000 dk/day), at an average market value of \$30.32 per dk while the cost of that capacity to Great Plains' ratepayers is \$5.62/dk, which is netting a credit of

¹⁷ Service under this rate schedule is available to any firm general service customers whose maximum requirements are not more than 2,000 cubic feet per hour. See General Terms and Conditions, Paragraph 3, for definition on class of service.

¹⁸ Great Plains, Reply Comments, p. 1

\$212,240 for December 2024.

F. Department of Commerce – Supplemental Comments

The Department reviewed Great Plains’ Supplemental Informational reports and as shown in Table 6 and Table 7, updated its analysis on the Company’s change levels of demand for natural gas pipeline capacity and recovery of associated costs for the 2024-2025 winter heating season.

Table 6 – Updated Comparison of Great Plains’ Current and Proposed Entitlements¹⁹

Pipeline	Current Entitlement (Dth/day)	Proposed Entitlement (Dth/day)	Change Entitlement (Dth/day)	Percent Change
VGT	19,000	16,291	(2,709)	-14.26%
NNG	19,145	19,145	-	0.00%
Total	38,145	35,436	(2,709)	-7.10%

Table 7 – Updated Great Plains’ Reserve Margin 2019 through 2025 (%)²⁰

Heating Season	Design Day (Dth/day) (a)	Total Entitlement (Dth/day) (b)	Reserve Margin (c) = (b-a)/a
2019-2020	34,066	36,945	8.45%
2020-2021	33,922	37,145	9.50%
2021-2022	34,398	39,145	13.80%
2022-2023	35,159	38,145	8.49%
2023-2024	34,975	38,145	9.03%
2024-2025	31,678	35,436	11.86%

The Department noted the Company’s current estimate of the market value of that capacity is \$30.32/dk while the cost of that capacity to Great Plains’ ratepayers is \$5.62/dk, which is VGT’s tariffed rate. The Department recognized that the Company’s forecast of the market value for firm heating season capacity on Viking was correct and Great Plains’ ratepayers benefited in November and December 2024 financially from that strategy. Therefore, the Department will not recommend a change to the Company’s proposal to release the 8,291 dk of capacity for the winter heating season.

¹⁹ Department Reply Comments, Table 1, p. 6

²⁰ *Id.*, Table 2, p. 7

Based on its review and analysis of the information in the record, the Department recommended that the Commission:

- Accept the Company's proposed level of demand entitlement; and
- Allow Great Plains to recover associated demand costs through the monthly PGA effective December 1, 2024 subject to the following reporting requirements for the Company's 2025-2026 Demand Entitlement filing:
 - whether the company can turn this VGT-FT-A 5,000 dth/day capacity back with no penalty, or whether will it incur penalties from Viking;
 - whether the company cannot rollover and not renew some of the expiring 2027 FT-A capacity; and,
 - whether the company can decrease its excess capacity.

G. Great Plains – Supplemental Reply Comments

Great Plains agreed with the Department's recommendations and commented that it will comply with the Department's request in the demand entitlement filings for the 2025-2026 heating season.

H. Great Plains – Additional Informational Update (March 12, 2025)

Great Plains' Additional Informational Update reflected the Wahpeton, North Dakota customers' transition from Great Plains' integrated gas system to Montana-Dakota's integrated gas system effective December 1, 2024.

Table 8 reflects the informational update which included the actual capacity releases for November 2024 - March 2025.

Table 8 – Great Plains' Capacity Releases for November 2024 – March 2025²¹

Months	Capacity Releases (dk)	Rate (\$)	Amount (\$)
November 2024	9,000	15.30	137,700
December 2024	7,000	30.32	212,240
January 2025	8,000	25.84	206,720
February 2025	8,000	15.68	125,440
March	8,000	7.90	63,200
Total	8,000	18.6325	745,300

After incorporating the changes mentioned above, the 2024-2025 heating season capacity reserve averaged 8.7% which is an increase of 0.9% from Great Plains' June 28 proposed

²¹ Great Plains – Additional Informational Update (March 12, 2025), p. 2

reserve margin and the releases produced \$745,300 in capacity cost offsets, or a decrease to customers of \$512,323.

V. Staff Analysis

After reviewing the analysis, Staff finds Great Plains has provided appropriate information in supporting its proposed demand entitlement levels and cost changes. Staff agrees with the Department's assessment and recommendations.

Staff notes that the Department's initial impact analysis of Great Plains' planned capacity releases for the 2024-2025 heating season showed a net-negative ratepayer benefit of \$326,168 (see Table 4). Subsequently, in its November 27, 2024 filing, Great Plains updated the ratepayer benefit to a net-positive of \$212,240. Finally, in its March 12, 2025 filing, Great Plains further increased the ratepayer benefit to a net-positive of \$512,323. Thus, since the initial filing, Great Plains' planned capacity releases have increased by over \$800,000.

DECISION OPTIONS

1. Approve Great Plains' proposed level of demand entitlements for the 2024-2025 winter heating season as amended by Great Plains in its Supplemental Filing. (Great Plains, Department)
2. Accept Great Plains' design day estimate for the 2024-2025 heating season.
3. Allow Great Plains to amend the seasonal TF5 contract, to eliminate the 3,410 dk/day on the TF5 contract, with a corresponding increase to the annual TF12 Base and TF12 Variable contracts on NNG. (Great Plains, Department)
4. Effective December 1, 2024, allow Great Plains to recover associated demand costs through the monthly Purchased Gas Adjustment (PGA). (Great Plains, Department)
5. Require Great Plains, in its 2025-2026 demand entitlement filings, to provide the following information for the 5,000 dk/day contract:
 - whether the Company can turn the VGT-FT-A 5,000 dk/day capacity back with no penalty, or whether will it incur penalties from Viking;
 - whether the Company cannot rollover and not renew some of the expiring 2027 FT-A capacity; and
 - whether the Company can decrease its excess capacity. (Department, Great Plains agreed)
6. Require Great Plains, in future demand entitlement filings, to provide compliance information with Commission's February 17, 2023 Order, Order Point 9, docket numbers 21-135 and 21-235. (Department, Great Plains agreed)