



202 S. Main Street  
Le Sueur, MN 56058  
Toll Free: (888) 931-3411  
Fax (507) 665-2588  
www.greatermngas.com

October 29, 2015

**VIA ELECTRONIC FILING**

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

RE: Petition for Change in Contract Demand Entitlement  
Docket No. G022/M-15-285

Dear Mr. Wolf:

In its Order issued on September 23, 2015, the Commission required Greater Minnesota Gas, Inc. ("GMG") to file an informational letter indicating the total number of new customers that started taking service in 2015 and including a revised estimate of GMG's reserve margin on or before November 1, 2015.

A review of the above-identified docket will indicate that GMG uses customer equivalents ("CEs") in virtually all of its modeling and forecasting. GMG uses CEs for purposes of both its contract demand entitlement filings and its capital structure filings. Essentially, all of the anticipated customer use is converted into CEs. One CE is based on one average residential customer and, for mathematical purposes, is equivalent to enough sales to generate \$545 of margin. Commercial customers' projected usage is multiplied by \$0.36161 per therm divided by \$545 to determine how many CEs are anticipated from it. Since GMG's modeling is based on CEs rather than on actual customer numbers, the reserve margin analysis in this informational update is based on the actual number of new CEs.

This year, GMG has added 1,430 new CEs as of October 23, 2015 based on its new customer mix and its projected usage. That number is the result of the addition of 713 actual residential and 53 actual commercial and industrial new customers as of that same date. GMG is continuing to add new customers as of this writing; however, GMG does not anticipate that it will exceed the number of new customers or new CEs that it originally projected.

GMG believes that its reserve margin remains at an appropriate level. The discussion in this docket has contemplated two different methods of calculating GMG's design day need and estimating an appropriate reserve margin: one based on GMG's regression analysis and the other based on the Department's recommended use of an all-time peak mathematical assessment. Hence, the revised estimate of GMG's reserve margin based on actual customer additions will be explained employing both methods. Using either method, GMG's total entitlement is sufficient to serve its existing customer base and any additional customers that GMG acquires during the coming heating season without unduly burdening its ratepayers.

Employing the same regression analysis that GMG utilized in its Petition herein, but adjusting for actual customer additions to date, GMG’s reserve margin as of its 10/23/2015 customer count is 17.28%, which is illustrated below:

<b>Regression Analysis</b>	
Design Day Use Per CE Based on 2014-15 Heating Season	1.4646
Total CEs on System as of 12/31/14	5,852
Residential CE Additions as of 10/23/15	713
Commercial & Industrial CE Additions as of 10/23/15	717
Total CEs on System as of 10/23/15	7,282
Design Day Requirement	10,665
Approved Entitlement Per 9/23/15/ Order	12,509
Reserve Margin	17.28%

Employing the mathematical calculation method endorsed by the Department as an alternate calculation method, GMG’s reserve margin as of its 10/23/15 customer count is 8.14%, which is illustrated below:

<b>Mathematical Peak Day Analysis</b>	
Use Per CE on All-Time High Use Peak Day at 82 HDD	1.4854
Total CEs on System as of 12/31/14	5,852
Residential CE Additions as of 10/23/15	713
Commercial & Industrial CE Additions as of 10/23/15	717
Total CEs on System as of 10/23/15	7,282
Peak Day Requirement	10,817
Adjustment for Commission-Prescribed Design Day at 90 HDD	751
Total Requirement Level	11,568
Approved Entitlement Per 9/23/15/ Order	12,509
Reserve Margin	8.14%

The current reserve margin, which lies in a range of 8.14% to 17.28% depending on the calculation method, will ensure that GMG’s firm customers will be reliably and safely served even on the coldest day. Additionally, it does so without resulting in an unwarranted increase in cost to ratepayers. GMG recognizes that its reserve margin is higher than that associated with other natural gas providers; but, as the Commission and the Department have historically observed, a higher reserve margin is appropriate given GMG’s business model. GMG remains committed to providing safe, reliable, and affordable gas to its customers and to making that gas accessible to rural Minnesotans who have not previously had the benefits of natural gas. GMG’s current entitlement level allows it to meet its customers’ needs at an affordable rate. Hence, no change to the ordered entitlement level is necessary.

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Mr. D. Wolf

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All individuals identified on the attached service list have been electronically served with a copy of this letter. Thank you for your assistance. Please do not hesitate to contact me should you have any questions or concerns or if you require additional information. My direct dial number is (507) 665-8657 and my email address is kanderson@greatermngas.com.

Sincerely,

GREATER MINNESOTA GAS, INC.

/s/

Kristine A. Anderson  
Corporate Attorney

cc: Service List