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November 7, 2016

VIA ELECTRONIC FILING

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

Re: Reply Comments of Minnesota Energy Resources Corporation

In the Matter of the Petition of Minnesota Energy Resources Corporation-Northern Natural Gas—Albert Lea for Approval of a Change in Demand Entitlement, Docket No. G011/M-16-652

Dear Mr. Wolf:

On October 28, 2016, the Department of Commerce, Division of Energy Resources (“Department”) submitted comments in the above-referenced docket, requesting that MERC provide a justification for its selection of data from the Rochester weather station in NNG-Albert Lea’s peak-day analysis and also that MERC provide a revised design-day regression analysis with Albert Lea weather data in Reply Comments. On November 1, 2016, MERC submitted an update to its August 1, 2016, Demand Entitlement filing, stating it would provide the requested additional information regarding Albert Lea weather data in subsequent Reply Comments. MERC submits these Reply Comments to respond to the Department’s request for additional information.

Justification for Selection of Rochester Weather Station

First, the Department requested that MERC provide justification for its use of data from the Rochester weather station in the NNG-Albert Lea peak-day analysis.

MERC responds that at the time of its August 1, 2016, filing, MERC did not possess the necessary Albert Lea weather data to utilize in its regression. MERC acquired the former Interstate Power and Light (“IPL”) customers and IPL’s existing transportation contracts with NNG effective May 1, 2015, based on IPL’s data and analysis. As the Department notes in its Comments, in its April 28, 2016, Order in Docket Nos. G011/M-15-722, G011/M-15-723, and G011/M-15-724, the Minnesota

Public Utilities Commission (“Commission”) “[r]equired MERC to fully justify its selection of the Rochester weather station as opposed to Albert Lea in its Design Day calculation in its next NNG-Albert Lea demand entitlement petition.” Following that Order, MERC purchased Albert Lea weather data and began a process to evaluate and review that data to determine its adequacy and reliability. MERC did not complete that process until after its August 1, 2016, filing was submitted.

Because of the small size of the Albert Lea PGA and its proximity to MERC’s existing weather stations, in particular, Rochester, MERC surmised that the use of historic weather data for Albert Lea would not significantly improve the quality of the design-day regression. Though MERC continues to believe the weather data relied upon for its initial design-day regression analysis was reasonable and appropriate, MERC has been able to obtain and verify adequate historical Albert Lea data to incorporate in the regression analysis at this time.

Design-Day Regression With Albert Lea Weather Data

The Department requested that MERC rerun its regression analysis with Albert Lea weather data and provide the results with its Reply Comments.

MERC has obtained the Albert Lea weather data has analyzed the quality of that data relative to other weather stations to verify its adequacy and reliability. Utilizing the Albert Lea weather data did improve the overall design-day regression models. The impact on the design-day requirement is shown below:

	Design-Day Estimate (Dth)	Reserve Margin
MERC-NNG-Albert Lea as Filed	13,528	4.89%
MERC-NNG-Albert Lea with Albert Lea Weather	13,262	7.0%

Attachment 1 to these Reply Comments is a summary of the results of the revised regression analysis and MERC has provided the full Microsoft Excel regression model separately to the Department. MERC notes that the change to the design day is only 266 Dth. Even if MERC had utilized the Albert Lea weather data in its original design-day regression analysis it would not have impacted MERC’s proposed demand entitlements because MERC would not have been able to reduce its contract entitlements for the NNG-Albert Lea PGA by such a small increment.

MERC thanks the Department for its analysis and review and respectfully requests that the Commission accept MERC's NNG-Albert Lea peak day analysis and approve MERC's NNG-Albert Lea demand entitlement petition for 2016-2017 effective November 1, 2016.

Please contact me at (651) 322-8965 if you have any questions regarding the information in this filing. Thank you for your attention to this matter.

Sincerely yours,

/s/ Amber S. Lee

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation

cc: Service List

Enclosure

MERC - ABL Region Peak Day Regression for Winter 2016/2017 (UPDATED 10_31_2016 WITH ALBERT LEA WEATHER STATION)
Based on December through February Daily Data for 12/1/2013 through 2/29/2016

Current Day 95.8 Prior Day 69.3 AHDD65 Albert Lea 2/1/1996

2015/16 Design Day	13,813
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ABL											Risk Adjusted Confidence Levels	
Throughput Regression	Weather Variable Current Day	Weather Variable Prior Day	Weather Current Day	Weather Prior Day	Intercept	Use Per Current Day	Use Per Prior Day	Total R-Square	Sigma		50% Point Est	97.5% Conf. Level
With Auto-Correlation Correction												
AHDD65, AHDD65-1	AHDD65	AHDD65	95.80	69.30	2,386.00	127.83	24.00	98.1%	330.14		16,296	16,943
											Interruptible - max est per MDQ (1)	
											(2,597)	
											Transportation Max Dec 2015 through Feb 2016 (2)	
											(1,083)	
											Sales Forecast Growth Rate (N/A for 2016)	
											Design Day Requirement	
											12,615	
											13,262	
											Change from IPL 2015 - 2016 Filing	
											(1,198)	
											-8.7%	
											(551)	
											-4.0%	
											Total Capacity or Entitlement	
											14,190	
											Forecasted Design Day Capacity Surplus / (Shortage)	
											1,575	
											928	
											12.5%	
											7.0%	

Peak Day Regression for Winter 2016/2017

Without Auto-Correlation Correction (Not Used / Displayed to show impact of correction)

AHDD65, AHDD65-1	AHDD65	AHDD65	95.80	69.30	2,367.00	128.07	24.53	97.6%	366.20		16,337	17,054
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Off-Peak Day

Current Day	Prior Day	AHDD65	Rochester	MERC Heating Degree Day	Intercept	Use Per Current Day	Use Per Prior Day	Total R-Square	Sigma		50% Point Est	97.5% Conf. Level
55.0	55.0	AHDD65										
AHDD65, AHDD65-1	AHDD65	AHDD65	55.00	55.00	2,386.00	127.83	24.00	98.1%	330.14		10,737	11,384
											Interruptible - max est per MDQ (1)	
											(2,597)	
											Transportation Max Dec 2015 through Feb 2016 (2)	
											(1,083)	
											Sales Forecast Growth Rate (N/A for 2016)	
											Off Peak Requirement	
											7,057	
											7,751	

Notes

(1) Based on 1/20 MDQ calculation of interruptible sales for Dec 2015 through Feb 2016 period.

(2) Transp daily volumes from: T:\DEPTS\GS_PMCA\Shared\DesignDay\OPS1240\MERC\2016-17\data\Demand\MERC Open C Telemetered Customer Exclusions.xlsx[Albert Lea Data].

In the Matter of the Petition of Minnesota
Energy Resources Corporation for Approval of
a Change in Demand Entitlement for its NNG-
Albert Lea System

Docket No. G011/M-16-652

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 7th day of November, 2016, on behalf of Minnesota Energy Resources Corporation (MERC) I electronically filed a true and correct copy of MERC's 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.

Dated this 7th day of November, 2016.

/s/ Kristin M. Stastny
Kristin M. Stastny

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