

April 1, 2015

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

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G022/M-14-651

Dear Mr. Wolf:

Attached are the *Response Comments* of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

A Request by Greater Minnesota Gas, Inc. (Greater Minnesota or the Company) for Approval by the Minnesota Public Utilities Commission (Commission) of a Change in Contract Demand Entitlement Units Effective November 1, 2014.

The filing was submitted on July 31, 2014. The petitioner is:

Kristine A. Anderson  
Corporate Attorney  
Greater Minnesota Gas, Inc.  
202 South Main Street, P.O. Box 68  
Le Sueur, Minnesota 56058

In an effort to better complete the record in this proceeding, the Department recommends that the Commission accept these *Response Comments*. Based on its review, the Department continues to recommend that the Commission:

- Approve Greater Minnesota's proposed level of demand entitlements as shown in its initial petition, as modified by its January 28, 2015 *Letter* regarding the additional entitlements associated with the Company's TFX-1 contract that were obtained for use during the month of October 2014;
- Allow Greater Minnesota to recover associated demand costs through the monthly Purchased Gas Adjustment effective November 1, 2014; and
- Allow Greater Minnesota to recover associated demand costs through the monthly Purchased Gas Adjustment effective October 1, 2014 for its TFX-1 contract.

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The Department also recommends that the Commission:

- put the Company on notice that failure to make timely demand entitlement filings may imperil Greater Minnesota's future ability to recover costs associated with a change in entitlement levels; and
- Defer analysis and decision on Greater Minnesota's new Viking forward haul contract to Docket No. G022/M-15-285.

The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ ADAM J. HEINEN  
Rates Analyst  
651-539-1825

AJH/lt  
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

RESPONSE COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES

DOCKET No. G022/M-14-651

I. BACKGROUND

On July 31, 2014, Greater Minnesota Gas, Inc. (Greater Minnesota or the Company) submitted to the Minnesota Public Utilities Commission (Commission) its annual demand entitlement filing (*Petition*) for the 2014-2015 heating season. On September 2, 2014, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed *Comments* in response to the Company's *Petition*. In its *Comments*, the Department recommended that the Commission approve Greater Minnesota's proposed level of demand entitlements, subject to any possible changes in anticipated entitlements between the filing of the Department's *Comments* and November 1, 2014 and allow Greater Minnesota to recover associated demand costs, subject to any changes, through the monthly Purchased Gas Adjustment (PGA) effective November 1, 2014.

On September 3, 2014, the Company filed a *Letter in Lieu of Reply Comments* generally agreeing with the Department's recommendations. On November 17, 2014, the Company filed a *Letter* stating that it did not believe increased entitlement levels were warranted, and it requested that the Commission approve its originally submitted *Petition*.

On January 28, 2015, Greater Minnesota filed a *Letter* notifying the Commission of a short-term change to the Company's transportation subscription during October 2014. Greater Minnesota explained that in late September 2014 it was notified by Viking Gas Pipeline (Viking) that hydrostatic testing would occur on the mainline during October 2014 which would cause uncertainty regarding when volumes on the mainline would be available. Given the uncertainty as to when the Viking mainline would be available, Greater Minnesota procured 1,000 Dekatherms (Dkt)/day of capacity for the month of October from Northern Natural Gas (Northern) available at the Chisago delivery point.

On February 13, 2015, the Company made a filing informing the Commission of its procurement of entitlements on Viking as a result of an open season. Greater Minnesota stated that it would seek approval for cost recovery effective February 1, 2015, and that the Company would provisionally include the rate impact of the change in Greater Minnesota's

monthly PGA effective March 1, 2015. The Company anticipated making a separate demand entitlement filing by April 1, 2015.

The Department responds to Greater Minnesota's January 28 and February 13 filings separately below.

## II. DEPARTMENT RESPONSE TO GREATER MINNESOTA'S JANUARY 28, 2015 FILING

Greater Minnesota's January 28, 2015 filing was made to notify the Commission of a short-term contract that the Company entered into as a result of procurement concerns on the Viking mainline in October 2014. As noted above, Greater Minnesota explained that it was notified by Viking in late September 2014 that hydrostatic testing would occur on the Viking mainline in October 2014, so there would be disruptions to service on the mainline during October 2014. The Company further explained that it was concerned that interruptible capacity that could be delivered to Viking via the Northern system at Chisago would not be reliable enough for firm purposes. To ensure firm reliability, the Company decided to procure 1,000 Dkt/day of firm capacity on Northern for delivery to Chisago for the entire month of October 2014. Greater Minnesota noted that the 1,000 Dkt/day contract was only necessary for the month of October 2014 because, effective November 1, 2014, the Company had 2,000 Dkt/day of firm capacity on Northern with a Chisago delivery point available.

On a retrospective basis, the Company noted that actual sales in October 2014 were higher than forecasted sales and Greater Minnesota fully utilized the firm capacity associated with this temporary contract. Greater Minnesota also stated that this firm contract resulted in a gas cost savings of \$961 relative to not procuring the contract.

Based on the discussion provided by the Company, it appears that the decision to procure this one-month firm contract for October 2014 was appropriate, but the Department is troubled by the timing of the filing. Minnesota Rule 7825.2910, Subp. 2—**Filing upon change in demand** states the following:

Gas utilities shall file for a change in demand to increase or decrease demand, to redistribute demand percentages among classes, or to exchange one form of demand for another. A filing must contain:

- A. a description of the factors contributing to the need for changing demand;
- B. the utility's design-day demand by customer class and the change in design-day demand, if any, necessitating the demand revision;
- C. a summary of the levels of winter versus summer usage for all customer classes; and
- D. a description of design-day gas supply from all sources under the new level, allocation, or form of demand.

The Company presumably satisfied Minnesota Rule 7825.2910, Subp. 2 by making a filing; however, the Company did not notify parties of the change in demand entitlements until nearly four months after the contract was used and recovery began through the monthly PGA. Historically, timely filing for a change in demand entitlements is interpreted to mean making a filing before, or concurrent with, the change in demand entitlements. Given Greater Minnesota's late-filed demand entitlement change, the cost recovery associated with this one-month contract could be called into question because there was no notification or support provided for the demand entitlement change at the time the costs were passed on to customers. The Department notes that the Company had an opportunity in its November 17, 2014 *Letter* to request approval for recovery of this temporary contract, but it did not.

Greater Minnesota did provide a brief discussion of why a timely filing was not made in the following statement in its January 28, 2015 *Supplemental Filing*:

GMG had prepared notification to the Commission of this supply-related issue but, through miscommunication, pulled the notification once firm supply was assured for customers at a reduced cost. GMG apologizes for this mistake.

The Department appreciates the Company's admission and believes, given the fact that this contract was fully utilized during October 2014, that the procurement of this contract and its cost recovery are reasonable. However, the Department recommends that the Commission put the Company on notice that failure to make timely demand entitlement filings (and other regulatory filings) may imperil Greater Minnesota's future ability to recover costs associated with a change in entitlement levels.

### III. DEPARTMENT RESPONSE TO GREATER MINNESOTA'S FEBRUARY 13, 2015 FILING

On February 13, 2015, the Company made a filing informing the Commission of its procurement of entitlements on Viking as a result of an open season. The Company explained that on January 26, 2015,<sup>1</sup> Viking provided notice of an open season for capacity beginning on February 1, 2015. This three-day bidding window involved existing capacity on the Viking mainline that would be available beginning January 29, 2014 as a result of the lifting of U.S. Department of Transportation, Pipeline Hazardous Materials and Safety Administration (PHMSA) restrictions. The Company further explained that 40,121 Dkt/day were available and Viking would not accept bids that did not start on February 1, 2015. Greater Minnesota noted that the prospect of bidding for capacity on the Viking mainline was raised with the Department and Commission Staff, and that the Company ultimately contracted for 1,200 Dkt/day of capacity through January 31, 2026 (Viking forward haul contract). Greater Minnesota also stated that it would seek approval for cost recovery of the Viking forward haul contract effective February 1, 2015, and that the Company would provisionally include the rate impact of the change in Greater Minnesota's monthly PGA

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<sup>1</sup> The February 13, 2015 submittal appears to contain typographical errors referring to 2014, rather than 2015 dates.

effective March 1, 2015. Finally, Greater Minnesota indicated its intention to file its next change in contracted demand filing by April 1, 2015 and requested that the Commission approve its *Petition for Change in Contract Demand for the 2014-2015 Heating Season*, as amended.

The Department notes that Greater Minnesota filed its *Petition for Change in Contract Demand Entitlement for 2015-2016 Heating Season* on March 25, 2015 in Docket No. G022/M-15-285 (Docket 15-285). Given that the Company's Viking forward haul contract decision took place in late January 2015 and was not considered while Greater Minnesota was planning for the 2014-2015 heating season, the information and analyses in the instant docket do not provide a comprehensive assessment of the need for, or impact of, the additional capacity. Therefore, the Department concludes that it is more appropriate to analyze this change in Docket 15-285 rather than as an amendment to the current docket.

The Department has viewed recent PGA filings, and notes that the Company has begun recovery of the costs associated with the Viking forward haul contract. If the Commission agrees that the merits of this contract should be reviewed in the context of Docket No. 15-285, the Department notes that the reasonableness of the PGA cost recovery of these entitlements would be subject to the Commission's decisions in Docket No. 15-285.

#### IV. DEPARTMENT RECOMMENDATIONS

Based on its review, the Department continues to recommend that the Commission:

- Approve Greater Minnesota's proposed level of demand entitlements as shown in its initial petition, as modified by its January 28, 2015 *Letter* regarding the additional entitlements associated with the Company's TFX-1 contract that were obtained for use during the month of October 2014;
- Allow Greater Minnesota to recover associated demand costs through the monthly Purchased Gas Adjustment effective November 1, 2014; and
- Allow Greater Minnesota to recover associated demand costs through the monthly Purchased Gas Adjustment effective October 1, 2014 for its TFX-1 contract.

The Department also recommends that the Commission:

- Put the Company on notice that failure to make timely demand entitlement filings may imperil Greater Minnesota's future ability to recover costs associated with a change in entitlement levels; and
- Defer analysis and decision on Greater Minnesota's new Viking forward haul contract to Docket No. G022/M-15-285.

/lt

## **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  
Response Comments**

**Docket No. G022/M-14-651**

Dated this **1<sup>st</sup>** day of **April 2015**

**/s/Sharon Ferguson**

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