COMMERCE DEPARTMENT

April 4, 2024

Will Seuffert 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. G004/M-24-73

Dear Mr. Seuffert:

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

Petition for Approval of a New Rate Schedule "Renewable Natural Gas Producer Access and Interconnection Service Rate 87"

These Response Comments are in response to Great Plains Natural Gas Co.'s Reply Comments filed on March 22, 2024.

The Petition on behalf of Great Plains Natural Gas Co. is:

Travis R. Jacobson Director of Regulatory Affairs Great Plains Natural Gas Co. 400 North 4th Street Bismarck, North Dakota 58501

The Department recommends **approval**, **subject to modifications and conditions as discussed herein**, and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/DR. SYDNIE LIEB Assistant Commissioner of Regulatory Analysis

SL/MS/AB/ad Attachment

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COMMERCE DEPARTMENT Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G004/M-24-73

I. INTRODUCTION

On January 12, 2024, Great Plains Natural Gas Co. (Great Plains, GP, or the Company), filed a Petition with the Minnesota Public Utilities Commission (Commission) for approval of an *Access and Interconnection Tariff* (Petition) for the transportation of Renewable Natural Gas (RNG).

On March 08, 2024, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed comments regarding the Company's Petition.

On March 22, 2024, the Company filed reply comments, to which the Department addresses below.

II. DEPARTMENT ANALYSIS

The Department responds to reply comments filed by the Company in sections A through F below:

- A. Quality Requirements
- B. Compliance Filing
- C. Renewable Natural Gas Producer Access and Interconnection Service Rate 87 (Tariff or Rate 87)
- D. RNG Facilities Interconnect Agreement (Interconnect Agreement)
- E. RNG Producer Access and Maintenance Agreement (Access and Maintenance Agreement)
- F. Other Considerations

The Department appreciates the responses provided by the Company.

A. QUALITY REQUIREMENTS

1. Quality Reporting

As noted in the Department comments, Great Plains is not requesting approval of the specifications and testing procedures presented in the Interconnect Agreement.¹ However, it is Great Plains responsibility to ensure safe and reliable natural gas system.

¹ This is the same approach used by CenterPoint Energy Resources Corporation (CP) in Docket No. G008/M-20-434, approved by the Commission the Commission's January 26, 2021 Order approving CenterPoint's RNG interconnection tariff, and Minnesota Energy Resource Corporation (MERC) in Docket No. G011/M-489.

As a result, the Department requested, in comments, Great Plains to state whether the Company would be amenable to including the quality reporting requirements set forth in Order Point 4 of the Commission's January 26, 2021, Order (Order) in Docket No. G008/M-20-434.

The Department appreciates the Company's response, in reply comments, affirming the Company's intention in complying with requirements set forth in Order Point 4 and recommends the Commission require Great Plains to comply with them.

2. RNG Supply Source

In Comments, the Department requested the Company clarify whether the quality tests proposed apply to any particular source, e.g., RNG derived from landfill or agricultural waste.

In reply comments, the Company states that the proposed tests are valid for RNG derived from any source. Moreover, the Department notes, the Company states, in the Petition, that RNG derived from Hazardous Waste Landfills and associated systems cannot be injected into the Company's system.

In its 2019 report,² the Northeast Gas Association states:

It is important for the engineering staff undertaking the preliminary evaluation and IFA [Interconnect Feasibility Analysis Agreement] to understand the RNG feedstock (biomass/typical raw gas composition), since raw gas quality will vary depending on the source. Raw gas from a landfill operation, for example, is different than gas from a biomass gasifier or a dairy digester. Constituents of concern (COC typically include trace constituents which may vary significantly by feedstock and conversion technology (see Appendix H for Feedstock/Upgraded Gas Constituent Guidance Matrix) and aligning testing requirements with expected COC will help optimize testing requirements. If a COC is not reasonably expected to be found above background levels in flowing gas supplies at the point of interconnect, then testing may not be required.

While the Department does not have the expertise necessary to determine whether or not the quality requirements are appropriate, the Department stresses that it is the Company's burden to ensure the integrity, safety, and reliability of its system.

As a result, the Department recommends the Commission direct Great Plains to consider exploring the possibility of requiring different quality standards for different RNG sources, considering the trade-off between imposing the same quality standards across all possible sources being potentially too restrictive versus the gain obtained from higher quality standards being more beneficial to the Company's obligation to ensure the integrity, safety, and reliability of its system.

² Interconnect Guide for Renewable Natural Gas (RNG) in New York State, August 2019.

B. COMPLIANCE FILING

The Department noted, in comments, that Great Plains did not include in the petition a proposal to make compliance filings with the Commission for every new interconnection or to make regular filings to keep the Commission fully appraised to state of the effective interconnection agreements.

The Department included in comments Commission's Order Points 10 and 11 as well as MERC's proposed compliance filing process and requested Great Plains state whether the Company would be amenable to making similar compliance filings.

The Company in its reply comments, stated it is amenable to complying, however with reservations. For one-time compliance filings for each new RNG interconnection, the Company is not amenable to filing:

- Methane leakage control and mitigation measures employed by the producer at the production and upgrade facility.
- Estimated amount of methane leakage for the producer and a description of the methodology used to develop that estimate.
- Analysis of the lifecycle greenhouse gas emissions, including emissions associated with the upgrade facility, of RNG volumes provided by the producer and a description of the methodology used to develop the lifecycle analysis.

For annual compliance filings, the Company is not amenable to filing:

- The mix of end-uses of the digestate for each producer interconnected to Great Plains' system.
- The estimated methane emissions associated with the total amount of RNG received on Great Plains' system in the previous calendar year and by primary feedstock, and a description of the methodology for estimating methane emissions.
- Estimated lifecycle greenhouse gas emissions, including emissions associated with the upgrade facilities, of the RNG received on Great Plains' system in the previous calendar year in total and by primary feedstock compared to lifecycle emissions of geological natural gas on Great Plains' system, along with a description of the methodology for determining those lifecycle greenhouse gas emissions.
- Updated information for each interconnected RNG producer using the same data points as included in the per-producer compliance filing.

Regarding these points, the Company states the requested information "are the RNG producer's information to provide and not information the Company would have available to it and consequently would be administratively burdensome to provide." Moreover, the Company states the petition is "requesting an access and interconnection tariff for transportation of RNG and, at this time is not seeking to purchase the RNG or the environmental attributes associated to the RNG."

The Department agrees with the Company. The Petition is requesting the approval of an access and interconnection service, and the Company proposal focuses on ensuring this service will not affect the Company's ability to provide a safe and reliable service overall. The Department notes, the Petition establishes mechanisms protecting rate payers. Moreover, the interconnection service will allow the transportation of RNG that would, otherwise, be released into the atmosphere in the form of biogas.

The Department acknowledges the importance of these issues but defers further consideration to a future docket when Great Plains presents a concrete proposal to purchase RNG. ³

Hence, the Department recommends the Commission request the Company to comply with Order Points 10, excluding points E., F., and G., and 11, excluding points E. and F., of the Commission's January 26, 2021 approving CenterPoint's RNG interconnection process in Docket No. G008/M-20-434.

C. RENEWABLE NATURAL GAS PRODUCER ACCESS AND INTERCONNECTION SERVICE RATE 87 (TARIFF OR RATE 87)

1. Cash-Out Mechanism

In its Petition, the Company presents the Under-Nomination Purchase Rate, a price schedule that maps the under-nomination volume, the volume of gas delivered in excess of the volume nominated, to payments made by the Company to the RNG producer. These payments would be a fraction – 100 percent or less – of the Company's Cash-out mechanism.⁴

The Department asked the Company to clarify, in comments, how this mechanism would prevent RNG producers from under-nominating on purpose and be paid the Under-Nomination Purchase Rate.

In reply comments, the Company states "Great Plains will effectively obtain ownership of the undernominated gas and will transfer this same quantity to the applicable interstate pipeline."

Based on the Company's reply comments and answer to the Department Information Request No. 6,⁵ the Department concludes that GP's Nomination and Balancing Requirements are reasonable and protect ratepayers. The Department appreciates the Company's effort in clarifying this issue and has no further objections.

2. Maintenance Fee

³ The Department asked Great Plains whether the Company has the interest now, or in the future, to purchase RNG. The Company states in reply comments "given the limited RNG projects completed at this time, Great Plains is not aggressively pursuing the purchase of RNG but is open to future consideration."

⁴ The Cash-out is equal to the lesser of the Company's Weighted Average Cost Of Gas or the Index Price. This mechanism guarantees that the Company pays for the volume of gas in excess of the volume nominated a price equal to or lower than the cost of gas for its customers.

⁵ Department comments, Attachment A.

In comments, the Department requested the Company clarify if the Maintenance Fee as specified in Rate 87 is the same as the Routine Maintenance Fee, specified in the Access and Maintenance Agreement, or if it includes the Extraordinary Maintenance Fee, also included in the Access and Maintenance Fee.

In response to the Department, the Company states the Routine Maintenance Fee "would be developed based on expected routine maintenance of the interconnect facilities" and the Extraordinary Maintenance Fee "would be costs incurred due to unexpected maintenance, such as equipment failure or replacement." The Company also explains the unexpected swings of the latter justify separating "maintenance costs into routine and extraordinary".

The Department agrees with the Company's position on this matter. Unlike routine maintenance, which can be anticipated with a considerable degree of certainty, estimating unexpected maintenance costs is subject to a higher degree of unpredictability. As a result, separating the Maintenance Fee into these two components is reasonable. Also, the Department understands, based on the Company's response, that while the Routine Maintenance Fee is estimated for the year ahead and revised annually,⁶ the Extraordinary Maintenance would be charged every month with no estimated value for the year.

The Department recommends the Commission direct the Company to revise the language on the Tariff, to specify the Maintenance Fee is composed of two components, Routine and Extraordinary. Moreover, the Department recommends including whether components are estimated for the year ahead and revised annually, or computed and charged every month with no estimated value for the year.

3. Nomination Notification

In comments, the Department requested Great Plains state whether the Company had a process detailing nomination notification, since the Petition stated, "nomination requirements will be further defined in the RNG Producer Access and Maintenance Agreement."

In reply comments, the Company stated such details were not included in the original agreement, and suggested the following text to be added to the Nomination and Balance Requirements section of the proposed Tariff:

3. Daily Nomination Requirements: Customer agrees to communicate, to Company, the following month's daily quantity of RNG no later than the 25th calendar day prior to the start of the applicable month. Communication shall be performed through electronic means as directed by the Company. The Company reserves the right to deny such request

⁶ Petition, Attachment B, has a sample calculation.

pursuant to the Company's sole determination of available receipt quantity. Failure to produce the requested daily quantity shall be remedied as outlined in Section 2 Balancing Requirements.

The Department appreciates the Company response and is satisfied with the proposed alteration.

D. RNG FACILITIES INTERCONNECT AGREEMENT (INTERCONNECT AGREEMENT)

1. Term Section

In comments, the Department noted the proposed tariff states that both the Interconnect Agreement and the Access and Maintenance Agreement must be signed for a minimum of twelve months.⁷ However, while the Interconnect Agreement has no section specifying the term of the contract, the Access and Maintenance Agreement has a minimum term of five year.⁸

In reply comments, the Company states it is amenable to include a Term and Termination section to the Interconnection Agreement.

The Department recommends the Commission direct the Company to present appropriate text for a section specifying the term to be included in the Interconnect Agreement. Moreover, the Department recommends the Commission direct the Company to revise the Term section on the Access and Maintenance Agreement to be consistent with the minimum twelve-month duration requirement stated in the Tariff.

2. Long-Lead Equipment Section

In comments, the Department recommended the Company to revise Section 2 of its Interconnect Agreement to include language protecting its customers from potential costs resulting from an early termination of an interconnect agreement. Specifically, any negative balance remaining after deducting the cost of the long lead equipment or as a result of transferring the equipment to the RNG supplier shall be the responsibility of the RNG supplier.

In reply comments, the Company agreed with the need to include language to clarify that the RNG supplier would be responsible should such balance remain.

The Department recommends the Commission direct the Company to present appropriate text modifying Paragraph 2 of the Interconnect Agreement to protect the Company (thus rate payers) from potential negative balances.

⁷ Tariff Paragraph 2(c) under "General Provisions", sheet No. 5-59

⁸ Access and Maintenance Agreement, section 2.

E. RNG PRODUCER ACCESS AND MAINTENANCE AGREEMENT (ACCESS AND MAINTENANCE AGREEMENT)

1. Access Fee

In comments, the Department requested the Company to explain why the Access and Maintenance Agreement included a "Access Fee" without a pre-determined value,⁹ while Rate 87 included a "Access Fee" with preset value at \$260.00 per month.

The Department appreciates the Company reply comments agreeing to exclude the "Access Fee" clause from the Access and Maintenance Agreement.

F. OTHER CONSIDERATIONS

1. Other Costs of Interconnecting

All costs and expenses resulting from an interconnection should not be transferred to rate payers. This includes impacts on the interconnection operation or damages resulting from either the Company or a RNG producer activities. In comments, the Department referred to two such circumstances as presented in the Interconnect Agreement:

The Parties agree to control the operation of their respective facilities such that there will be no material interference with the Interconnect Facilities. If operation of a Party's facilities materially interferes with the Interconnect Facilities, such interfering Party agrees to remedy the operational problem at its own expense [emphasis added].¹⁰

If either Party's operations, activities or RNG cause damage to the Interconnect Facilities or the System (other than normal wear and tear), **the Party responsible for such damage shall reimburse the other Party for any costs and expenses** [emphasis added], including parts, materials, labor and any third-party services required to repair the Interconnect Facilities or the System and resume receipt of RNG from Supplier or Supplier's designated RNG purchaser. Supplier further agrees Company may discontinue receipt of Supplier's RNG until Supplier's operations or activities are modified to prevent continued or future damage to the Interconnect Facilities or the System.¹¹

In comments, the Department recommended the Company track all such costs in appropriate accounts. The Department appreciates the Company's response affirming the Company's intention in tracking and ability to identify all costs associated with an RNG interconnection.

⁹ Access and Maintenance Agreement, Paragraph 5(b), page 1

¹⁰ Interconnect Agreement, Paragraph 17, page 5

¹¹ Interconnect Agreement, Paragraph 21, page 6

The Department recommends that the Commission require the Company to track all of the actual costs separately for each and all RNG supplier that the Company interconnects and the total RNG received by each RNG supplier in Dekatherms (Dths), identifying these costs using appropriate FERC accounts, sub accounts and/or FERC account equivalents and CPE charted accounts and/or sub-accounts.

2. Other Affiliates

In response to Department comments, the Company states "the undertaking of an RNG project in Minnesota by an affiliate of Great Plains is not anticipated." Moreover, the Company states its intention to inform the Commission through its annual filing if circumstances ever change.

The Department appreciates the effort of the Company, however, stresses the importance of the Commission being informed to ensure that the Company complies with Minnesota statutes and rules. Hence, the Department recommends the Commission requests the Company to comply with Order Point 8 of the Commission's January 26, 2021 approving CenterPoint's RNG interconnection process in Docket No. G008/M-20-434.

3. Inflation Reduction Act

In response to Department comments, Great Plains states not being aware of any IRA benefits that would be applicable to the interconnection of RNG. The Department is also unaware of specific programs in the IRA relevant to RNG. Two possible components of the IRA that may be applicable are the Investment Tax Credits (ITA) and Production Tax Credits (PTC).¹² However, due to the IRA's evolving nature it is uncertain whether they may or may not be applicable and to what extent.¹³

4. Comments Raised by The Coalition for Renewable Natural Gas (Coalition)

i. Interconnect Pricing Requirements

The Coalition argues that the Access Fee, the Access Commodity Charge, and the Maintenance Fee as proposed will likely exceed the true cost of interconnecting and moving RNG through the Company's system.

¹² EPA's <u>Summary of Inflation Reduction Act provisions related to renewable energy</u>.

¹³ For instance, after proposed regulations regarding the investment tax credit under 48 of the Internal Revenue Code were <u>published</u> on November 22, 2023, on February 26, 2024, a <u>correction</u> that changes the scope of what is ITC-eligible was issued. The correction states:

A correction is needed to clarify that gas upgrading equipment that is necessary to concentrate the gas from qualified biogas property into the appropriate mixture for injection into a pipeline through removal of other gases such as carbon dioxide, nitrogen, or oxygen, would be energy property if it is an integral part of an energy property as defined in proposed 1.48-9(f)(3).

In response, the Company explains that the Access Fee and the Access Commodity Charge are based on the Company's approved Large Interruptible Transportation Service Rate 82 (Rate 82), once the service provided under this tariff is similar to the service provided under the proposed tariff. The Company also clarifies that the value presented for the Maintenance Fee was an example, and that the actual value will be identified based on each customer.

The proposed tariff would allow RNG producers to deliver RNG through its injection into the Company's system. So the Department agrees with the Company that charging an Access Fee and an Access Commodity Charge similar to the ones of Rate 82 is reasonable, since they refer to the cost of transporting gas, which was already assessed by the Company. Regarding O&M costs, they would be recovered through the Maintenance Fee, composed of Routine and Extraordinary components, which is dependent on the specificity of each point of interconnection. Hence it cannot be estimated before the RNG Facilities Interconnect Agreement is signed. The Department notes that the construction costs will be paid up-front by the RNG producer, so these charges will not recover any portion of these costs.

ii. Up-Front Construction Payments

In response to GP's petition, the Coalition requested the Company revise its requirement that RNG producers pay the estimated cost of construction up-front. The Coalition suggested the Company consider:

- The possibility of negotiating a payment schedule with the RNG producer.
- Revisit the tariff to an approach consistent with the "exit fee" model implemented in CenterPoint's interconnection service, Docket No. 20-434.

The Department is amenable to both alternatives provided by the Coalition. Notably, the Department's position in CenterPoint's interconnection service agreeing "with the Company that payment of all upfront CIAC costs could discourage smaller RNG Interconnect customers and as a result, the imposition of an exit fee is a reasonable alternative".¹⁴ Furthermore, the Department notes that Great Plains suggests a payment plan with two installments, an initial payment due 15 days after the RNG Facilities Interconnect Agreement is signed and a second due 30 days after all the "Condition Precedent listed in Section 1" of the RNG Facilities Interconnect Agreement are satisfied.

In response, the Company states that this arrangement "is the same as that that would be required of any interruptible customer under Great Plains' Interruptible Gas Main and Service Line Extension provision of the Company's General Terms and Conditions Tariff."

The Department agrees with the Company that requiring all estimated costs of construction up-front, subject to true-up upon completion, is reasonable, since this mechanism is already implemented in one of the Company's approved tariffs. Furthermore, it is the understanding of the Department that, since the Company's petition is in "response to customer inquiries from renewable natural gas (RNG)

¹⁴ Docket No. 20-434, Department comments submitted on September 22, 2020

producers", ¹⁵ the Company should have a minimum understanding of its potential customers to be able to judge whether this arrangement is unreasonable to them.

III. DEPARTMENT RECOMMENDATIONS

The Department recommends the Commission approve Great Plains' proposed access and interconnection tariff with the following modifications:

- revise the language on the Tariff, to specify the Maintenance Fee is composed of two components, Routine and Extraordinary. Also, include whether components are estimated for the year ahead and revised annually, or charged every month with no estimated value for the year.
- include the suggested text to the Nomination and Balance Requirements section of the Tariff.
- present appropriate text for a section specifying the term of the Interconnect Agreement to be included in the agreement and revise the Term section on the Access and Maintenance Agreement to be consistent with the minimum twelve-month duration requirement stated in the Tariff.
- present appropriate text modifying Paragraph 2 of the Interconnect Agreement to protect the Company (thus rate payers) from potential negative balances.
- exclude the "Access Fee" clause from the Access and Maintenance Agreement.

In addition, the Department recommends the Commission require the Company to:

- direct Great Plains to consider exploring the possibility of requiring different quality standards for different RNG sources, considering the trade-off between imposing the same quality standards across all possible sources being potentially too restrictive versus the gain obtained from higher quality standards being more beneficial to the Company's obligation to ensure the integrity, safety, and reliability of its system.
- comply with quality reporting requirements as set forth in Order Point 4 of the Commission's January 26, 2021, Order in Docket No. G008/M-20-434.
- comply with Order Points 10, excluding points E., F., and G., and 11, excluding points E. and F., of the Commission's January 26, 2021 approving CenterPoint's RNG interconnection process in Docket No. G008/M-20-434.
- comply with Order Point 8 of the Commission's January 26, 2021 approving CenterPoint's RNG interconnection process in Docket No. G008/M-20-434.
- track all of the actual costs separately for each and all RNG supplier that the Company interconnects and the total RNG received by each RNG supplier in Dekatherms (Dths), identifying these costs using appropriate FERC accounts, sub accounts and/or FERC account equivalents and CPE charted accounts and/or sub-accounts.

¹⁵ Petition, page 1.

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 to Reply Comments

Docket No. G004/M-24-73

Dated this 4th day of April 2024

/s/Sharon Ferguson

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Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_24-73_M-24-73
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