Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: **August 6, 2015** .... ****Agenda Item # 7**

Company: All Commission-Regulated Natural Gas Utilities

Docket No. G-999/AA-14-580, et al (please see attached list)

In the Matter of the Review of the 2013-2014 Annual Automatic Adjustment Reports and Annual Purchased Gas Adjustment (PGA) True-up Filings

Issues: Should the Commission accept the natural gas utilities' 2013-2014 annual automatic adjustment reports and 2013-2014 annual true-up filings?

Should the Commission accept Great Plains' and Minnesota Energy Resources' FYE14 true-ups and grant rule variances allowing them to make corrections in their September 1, 2015 true-ups, or should it reject their FYE14 true-ups and require them to file corrected true-ups and make refunds and surcharges according to Minn. Rule 7820.4000?

Should the Commission require Great Plains to request that its auditor include as part of the true-up audit, the assignment of costs and revenues between PGA systems?

Should the Commission approve Xcel Energy's Capacity Utilization Program as a permanent program or defer the decision and grant Xcel an extension of time to use the accounting treatment under the program from the date the pilot program ended through the date of the Commission Order in pending Docket No. E,G-002/M-15-618?

Should the Commission require all MN natural gas utilities to: 1) have a common unauthorized gas penalty of $5 per therm; 2) update their tariff provisions to include CenterPoint Energy's additional unauthorized gas penalty – charging non-compliant interruptible customers the highest incremental cost of gas during that day; 3) update their tariff provisions to include language comparable to Xcel Gas' tariff language in Docket No. G-002/M-14-540; and 4) provide information on unauthorized gas use for the next three years in the Annual Automatic Adjustment Reports?

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Relevant Documents

Review of the 2013-2014 Annual Automatic Adjustment Reports
Department – Review ....May 5, 2015

Reply Comments
Xcel Energy ....May 15, 2015
Interstate Power and Light Company ....May 15, 2015
Minnesota Energy Resources Company ....May 15, 2015
CenterPoint Energy..May 15, 2015
Greater Minnesota Gas, Inc. ....May 15, 2015
Great Plains Natural Gas Company ....May 27, 2015

Comments and Response Comments
Department – Response ....June 24, 2015
Office of the Attorney General-Residential Utilities and Antitrust Division ....June 26, 2015

Replies to the Comments and Response Comments
Xcel Energy ....July 6, 2015
CenterPoint Energy..July 6, 2015
Minnesota Energy Resources Company ....July 6, 2015
Great Plains Natural Gas Company ....July 7, 2015

Supplemental Response Comments
Department – Supplemental Response ....July 16, 2015

Replies to Supplemental Response Comments
Xcel Energy ....July 22, 2015
Minnesota Energy Resources Company ....July 22, 2015
Office of the Attorney General-Residential Utilities and Antitrust Division ....July 22, 2015

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

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July 28, 2015

2013-14 Annual Automatic Adjustment Reports—Docket No. G999/AA-14-580
Docket Numbers for the Gas Utilities' 2013-2014 True-Up Filings:

Docket No. G002/AA-14-736 – Northern States Power d/b/a Xcel Energy – Gas Utility

Docket No. G001/AA-14-742 – Interstate Power and Light Company – Gas Utility

Docket No. G008/AA-14-752 – CenterPoint Energy

Docket No. G022/AA-14-728 – Greater Minnesota Gas, Inc.

Docket No. G011/AA-14-755 – Minnesota Energy Resource Corporation (MERC) – Northern Natural Gas PGA system

Docket No. G011/AA-14-754 – Minnesota Energy Resource Corporation (MERC) – Consolidated PGA system

Docket No. G004/AA-14-749 – Great Plains Natural Gas Company

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Statement of the Issues

Should the Commission accept the natural gas utilities' 2013-2014 annual automatic adjustment reports and 2013-2014 annual true-up filings?

Should the Commission accept Great Plains and MERC's FYE14 true-ups and grant rule variances allowing them to make corrections in their September 1, 2015 true-ups, or should it reject their FYE14 true-ups and require them to file corrected true-ups and make refunds and surcharges according to Minn. Rule 7820.4000?

Should the Commission require Great Plains to request that its auditor include as part of the true-up audit, the assignment of costs and revenues between PGA systems?

Should the Commission approve Xcel Energy's Capacity Utilization Program as a permanent program or defer the decision and grant Xcel an extension of time to use the accounting treatment under the program from the date the pilot program ended through the date of the Commission Order in pending Docket No. E,G-002/M-15-618?

Should the Commission require all MN natural gas utilities to: 1) have a common unauthorized gas penalty of $5 per therm; 2) update their tariff provisions to include CenterPoint Energy's additional unauthorized gas penalty – charging non-compliant interruptible customers the highest incremental cost of gas during that day; 3) update their tariff provisions to include language comparable to Xcel Gas' tariff language in Docket No. G-002/M-14-540; and 4) provide information on unauthorized gas use for the next three years in the Annual Automatic Adjustment Reports?

Introduction

Every year the natural gas utilities file by September 1 annual automatic adjustment reports and annual purchased gas adjustment true-up filings for the preceding July 1 through June 30 fiscal gas year. Each year, the Minnesota Department of Commerce, Division of Energy Resources (Department or DOC) performs an extensive review of the utilities' filings. In the current dockets, the natural gas utilities incurred and recovered total purchased gas costs during the 2013-2014 fiscal gas year of approximately $1.6 billion and $1.5 billion, respectively. Following the Department's review, there were a number of rounds of comments. By the end of the last round of comments filed on July 22, 2015, all issues raised by the Department appear to be resolved between the Department and the gas utilities.

Background

Automatic rate adjustments are covered under Minnesota Rules parts 7825.2390 through 7825.2920. Every year the Commission reviews the automatic adjustment of charges reported in the natural gas and electric utilities' annual automatic adjustment (AAA) reports and the natural gas utilities' annual true-up filings. The Commission's review is closely tied to the Department's

review of these filings. The electric utilities' 2013-2014 AAA reports are reviewed and addressed in Docket No. E-999/AA-14-579.

On or about September 2, 2014, the following gas utilities submitted AAA reports in Docket No. G-999/AA-14-580 and true-up filings (true-ups) in the Dockets indicated below:

Greater Minnesota Gas, Inc. (GMG)……………………………………… G022/AA-14-728
Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. (Great Plains)…………………………………………………………. G004/AA-14-749
Interstate Power and Light Co., An Alliant Energy Company-Gas Utility (Interstate Gas) ……………………………………………………………. G001/AA-14-742
Minnesota Energy Resources Corporation- (MERC-NNG PGA) ……….. G011/AA-14-755
Minnesota Energy Resources Corporation-(MERC-Consolidated PGA) …G011/AA-14-754
CenterPoint Energy (CenterPoint Energy or CPE)… …………………… G008/AA-14-752
Northern States Power Company, d/b/a Xcel Energy (Xcel Gas) ……… G002/AA-14-736

Each year, the Department prepares a comprehensive review and analysis of the utilities' annual reports and provides comment on other topics that it believes are important. On May 5, 2015, the Department submitted its REVIEW OF THE 2013-2014 ANNUAL AUTOMATIC ADJUSTMENT REPORTS (Review). In its Review, the Department recommended the Commission accept the FYE14 annual reports as filed by the gas utilities as being complete as to Minnesota Rules, parts 7825.2390 through 7825.2920. The Department also recommended the Commission accept the annual true-up filings of all of the natural gas utilities: GMG, Great Plains, Interstate Gas, MERC, CenterPoint Energy, and Xcel Gas. The Department requested that the gas utilities provide additional information in reply comments, including providing a discussion on removing customers from interruptible service due to non-compliance with curtailment requests.

The Department also provided comments on the gas utilities' 2013-2014 gas costs, peak-day demand profiles and pipeline transportation sources, annual auditor reports, lost-and-unaccounted for gas, contractor main strikes, purchasing and hedging practices, as well as other topics.

All of the gas utilities submitted reply comments in May 2015.

On June 24, 2015, the Department submitted response comments (Department Response) that contained revised recommendations. The Department Response addresses the reply comments of the natural gas utilities.

On June 26, 2015 the Office of the Attorney General—Residential Utilities and Antitrust Division (OAG) filed comments requesting that the utilities provide additional information in reply comments on how they measure their own curtailment performance internally, and additional metrics that could be used to ensure that utilities' customer outreach and fees are effective at increasing curtailment compliance.

On July 6, 2015, Xcel Gas, CenterPoint Energy, and MERC submitted replies, and on July 7, 2015, Great Plains submitted its reply.

On July 16, 2015, the Department filed supplemental response comments (Department Supplemental Response) in which it responded to the comments of the OAG and the reply comments of MERC, CenterPoint Energy, Xcel Gas, and Great Plains. The Department Supplemental Response included revised recommendations and listed all of the Department's final recommendations.

On June 22, 2015, Xcel Gas, MERC, and the OAG filed replies.

Department Review and Staff Comment

Natural gas prices were higher in FYE14 than in FYE13. The Department's Review stated: [1]

> … Generally, prices increased during the reporting period, due in large part to extreme temperatures, particularly in January and February 2014, along with supply difficulties. The Henry Hub price[2] began the reporting period in the $3.62 per Mcf range during July 2013 and ended the reporting period around $4.59 per Mcf in June 2014.
>
> Although the industry was relatively unaffected during FYE14 by hurricanes, as noted above, temperatures during the heating season were significantly below normal, particularly during two "Polar Vortexes," which contributed to significantly higher gas usage. The FYE14 annual temperatures were also colder-than-normal.
>
> The sustained cold temperatures, along with the TransCanada pipeline rupture in January 2014 during a Polar Vortex, pipeline operational issues, increased demand for electric generation for space heating and other needs, disruptions in gas production, Northern Natural Gas' (NNG or Northern) Demarcation (Demarc) and Emerson supply point being fully utilized, significant seasonal draw-down of storage, and a shortage of alternative fuels (e.g., propane), kept pressure on the market to keep prices high during the heating season. . .

FYE14 AAA Reports and True-up Filings

PUC Staff: Sundra Bender

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[1] Department Review at pages ii through iii.

[2] The Henry Hub is a distribution hub on the natural gas pipeline system that serves as the official delivery location for futures contracts on the New York Mercantile Exchange (NYMEX).

The Department concluded that all six[3] regulated Minnesota gas utilities met the annual filing requirements, including the provision of information relating to fuel procurement and the annual true-up adjustment.

Gas costs are a significant portion of most customers' bills. The Department found that the gas utilities incurred approximately $1.66 billion in natural gas commodity, transportation, storage and related purchased gas costs for the fiscal year ended June 30, 2014, representing an increase in gas costs of approximately $596 million, or approximately 56 percent from the level in FYE13. The gas utilities recovered approximately $1.53 billion in natural gas costs in base rates and the monthly purchased gas adjustment (PGA). The PGA system over- and under-recoveries during FYE14 ranged from a 5.92 percent over-recovery for Interstate Gas to an under-recovery of 13.57 percent for Great Plains' South District.

The following table (Table G1) was copied from page 6 of the Department's Review.

TABLE G1[5]
Summary of Gas Utilities' Annual Demand and Commodity Cost Recovery
July 1, 2013 through June 30, 2014

Utility	Gas Cost Recovered ($)	Incurred Cost of Gas ($)	Over/(Under) Recovery ($)	Over/(Under) Recovery (%)
Greater Minnesota	$6,343,225	$6,360,602	$(17,377)	(0.27) %
Great Plains				
North	$12,200,500	$13,878,652	$(1,678,152)	(12.09)%
South	$13,322,796	$15,414,790	$(2,091,994)	(13.57)%
Interstate Gas	$10,719,415	$10,119,966	$599,449	5.92%
MERC				
MERC-Consolidated	$36,516,208	$40,238,904	$(3,722,696)	(9.25)%
MERC- NNG	$179,088,264	$191,434,993	$(12,346,729)	(6.45)%
CenterPoint Energy	$840,687,775	$902,777,336	$(62,089,561)	(6.88)%
Xcel Gas	$428,883,794	$479,032,245	$(50,148,451)	(10.47)%
MN Weighted Average	**$1,527,761,977**	**$1,659,257,488**	**$(131,495,511)**	**(7.92)%**

In footnote 5 of its Review, the Department stated that the information for Table G1 can be found in each of the utilities' true-ups, which are included in the Department's Review as Department Attachments G5 through G11.

[3] In Docket No. G-001, G-011/PA-14-107, the Commission issued an Order on December 8, 2014, allowing Interstate Gas to sell its gas distribution facilities to MERC, However, for the time period considered in this report, Interstate Gas served those customers.

As explained and illustrated by the Department on pages 11-12 of its Review, all eight of the PGA systems significantly over-recovered demand costs during FYE14, and all eight under-recovered commodity costs during FYE14.

GMG

GMG under-recovered its FYE14 total gas costs by $17,377, or approximately 0.27 percent. However, GMG over-recovered its demand costs by $115,403, or approximately 18.46 percent, and under-recovered its commodity costs by $132,780, or approximately 2.32 percent. According to GMG, the demand cost over-recovery was due to customer growth and the commodity cost under-recovery was due to the extent that estimated prices and volumes vary from actual purchases. GMG's actual FYE14 sales of 1,030,069 Mcf were 477,384, or 86 percent higher than its FYE13 sales of 552,685 Mcf. Thus, the Department reasoned the demand cost over-recovery would more than likely be attributable to the colder weather during the heating season and new customers.[4]

The Department recommended that the Commission accept GMG's FYE14 true-up, and allow GMG to implement its true-up as shown in DOC Attachment G5 of the Department's Review.[5]

Great Plains

Great Plains has two PGA systems, the North District and the South District, which have separate true-up calculations.

North District

Great Plains under-recovered its FYE14 total current gas costs by $1,678,152, or approximately 12.09 percent in its North District. Great Plains' North District over-recovered its demand costs by $317,687, or approximately 19.34 percent, and under-recovered its commodity costs by $1,995,839, or approximately 16.31 percent.

Great Plains explained that the colder than normal weather exacerbated the winter over recovery of demand costs. Further, $80,537 of the over-recovery represented adjustments made by Great Plains. $77,764 of the adjustment was associated with a decrease related to Viking Transmission Co.'s FT-A service and represented a reclassification of demand costs recorded in the balancing account from the North District to the South District. However, upon further review, Great Plains determined that the adjustment shown for the North District included ($59,424) that had been properly reflected in the prior year's activity which was included in the Gas Cost Reconciliation (GCR) factor approved in Great Plains' prior true-up docket.

The Department stated at page 20 of its Review:

> Thus, Great Plains concluded that demand costs should not have been reduced by the $59,424 amount. Great Plains provided to the Department revised true-up schedules and stated "The result in the ending balance being understated by $59,424 and this correction results in an increase [from $1.0923 to $1.1452] of

[4] Department Review at page 15-16.
[5] Department Review at page 17.

> $0.0529 per Dk in the annual True-up Report filed for the North District under Docket No. G004/AA-14-749." [There was no change to the interruptible class true-up factor.]

The Department noted that the error is 4.62 percent of the corrected adjustment charge or less than the five percent required under Minn. R. 7825.2920, subp. 2 before "errors made in adjustment must be adjusted by check or credits to bills." However, the Department concluded that the current true-up factor for the North District's Firm customers does not reflect the correct gas costs. The Department recommended that the Commission require Great Plains to report the correction to demand costs as a separate line item to the beginning balance of the demand cost of gas in its September 1, 2015 true-up. Great Plains agreed with this recommendation.

Great Plains stated that the North District commodity cost under-recovery was primarily related to:

> …higher volumes purchased during January through March 2014 due to the colder weather. Great Plains' practice is to purchase gas on the first of the month index price to cover the majority of the needs based on normal operating conditions. The remainder of the gas is purchased in the spot market. Great Plains' purchases during the January through March timeframe were increased due to the colder weather and those volumes were generally purchased in the daily spot market which greatly exceeded the estimated spot price used to calculate the cost of gas included in the tariff. Market conditions, including the explosion of a line section of the TransCanada Pipeline in January 2014, colder weather across a large portion of the region and low storage levels, put upward pressure on the spot prices in excess of the amount included as an estimate. Great Plains does not have access to storage facilities in the North District.

South District

Great Plains under-recovered its FYE14 total current gas costs by $2,091,994, or approximately 13.57 percent in its South District. Great Plains' South District over-recovered demand costs by $331,942, or approximately 20.89 percent, and under-recovered its commodity costs by $2,423,936, or approximately 17.53 percent.

The demand cost over-recovery included interruptible curtailment revenue of $940 and adjustments which decreased the over-recovery by $51,228. Without this revenue and Great Plains' adjustments, the Department stated there was an over-recovery of demand costs of approximately 24.06 percent on the South District system.

In response to a Department request that Great Plains explain the adjustments, Great Plains explained that the adjustments consisted of an adjustment of $44,271 related to disallowance of cost recovery in Docket No. G-999/AA-11-793, and an adjustment of $95,499[6] related to a

[6] Staff notes that this amount is higher than the $77,764 reclassified from the North District. It is staff's understanding that the difference is due to the North District amount shows only the Minnesota jurisdictional amount of the North

reclassification of demand costs recorded in the balancing account from the North District to the South District. However, upon further review, Great Plains determined that the adjustment shown for the South District included $33,126 that had been properly reflected in the prior year's activity which was included in the GCR approved in Great Plains' prior true-up docket.

At page 22 of its Review, the Department stated:

> Another error was subsequently discovered during the Department's investigation. The Department questioned why the South District's propane peaking facilities credit of $126,404 was the same amount for recovered cost and actual cost. Great Plains responded that the actual costs were in error and should be correct[ed] to $102,945 since that was the credit agreed to by Great Plains in its 2004 general rate case Docket No. G004/GR-04-1487.

The Department noted that Great Plains South District's errors are 0.67 percent of the corrected adjustment charge or less than the five percent required under Minn. Rule 7825.2920, subp.2 before "errors made in adjustment must be adjusted by check or credits to bills."

The Department concluded that the current true-up factor for the South District's Firm customers does not reflect the correct gas costs. The Department recommended that the Commission require Great Plains to describe and report each of the FYE14 corrections as a separate line item to the beginning balance of the demand cost of gas in its September 1, 2015 true-up. Great Plains agreed with this recommendation.

Great Plains under-recovery of commodity costs in the South District was primarily related to the same reasons as its under-recovery of commodity costs in the North District; that is, higher volumes purchased during January through March 2014 due to colder weather and volumes purchased in the spot market where the prices greatly exceed the estimated spot price used to calculate the cost of gas included in the tariff. Great Plains does have limited storage capability in the South District and stated that it did use the full extent of the available storage, somewhat mitigating the necessary purchases in the spot market.

Great Plains Summary

The Department recommended that the Commission accept Great Plains' FYE14 true-ups, and allow Great Plains to implement its true-ups, as shown in DOC Attachment G6a and G6b of the Department's Review. The Department also recommended that the Commission require Great Plains to describe and report each of the FYE14 corrections as a separate line item to the beginning balance of the demand cost of gas in Great Plains' September 1, 2015 true-up.[7]

In its May 27, 2015 reply comments, Great Plains agreed with the above recommendations.

District and does not include the amount that would have been reclassified from the Wahpeton, North Dakota portion of the North District.

[7] Department Review at page 24.

Initially, the Department also recommended that the Commission require Great Plains to request that its auditor include as part of the true-up audit, the allocations between PGA systems.[8] However, in reply comments, Great Plains disagreed with this recommendation, stating that:

> Great Plains does not allocate costs between its PGA systems; rather all costs are directly assigned. While Great Plains did initially record costs to the wrong PGA system true up account, the error in the true up account was detected and corrected prior to its auditor's review. The 2013-2014 AAA/True-up filing did reflect an error in that the accounting correction correctly made in the prior true-up filing was included in the current true-up filing; however, the error was not associated with the allocation of costs between PGA systems. Therefore, it is not necessary or appropriate for the Commission to require Great Plains to request that its auditor include, as part of the true-up audit, the allocations between PGA systems.

In its June 24, 2015 response comments, the Department stated:

> According to a June 4, 2015 email with Great Plains, there was a transition of personnel preparing and reviewing the true-up filing which lead to a miscommunication between Great Plains' Accounting and Regulatory staff as to whether the initial correction to the error was made in the FYE13 true ups. The miscommunication caused the correction to be made a second time in the FYE14 true-ups. Based on Great Plains' Reply Comments and the email from Great Plains, the Department now removes its recommendation that Great Plains' auditor include, as part of the true-up audit, the allocations between PGA systems.

Staff Comment

Staff notes that the assignment of costs to individual PGA systems is similar to the allocation of costs between PGA systems. Although the Department withdrew its recommendation, the Commission may wish to consider whether it feels it necessary at this time to require Great Plains to have its auditor evaluate, as part of the true-up audit, the assignment of costs and revenues to individual PGA systems.

The Department noted that the North District error was 4.62 percent of the corrected adjustment charge and the South District errors were 0.67 percent of the corrected adjustment charge, and that both were less than the five percent required under Minn. Rule 7825.2920, subp. 2 before "errors made in adjustment must be adjusted by check or credits to bills." Further, the Department concluded that the current true-up factors for both the North and South Districts' firm customers do not reflect the correct gas costs. However, there is no discussion about whether Great Plains would need variances to Minn. Rule 7820.4000, the Natural Gas Utility Billing Errors rule, and/or Minn. Rule 7825.2700, Subp. 7, which requires that a true-up address only costs and credits arising within the relevant reporting year.

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[8] Department Review at pages 74 and 89.

As discussed further below, the Department has recommended that the Commission grant MERC a variance to Minn. Rule 7825.2700, Subp. 7, for the FYE15 true-up, in order to allow MERC to adjust next year's beginning balances for errors made in this year's calculations. It appears that Great Plains would also need a variance to this rule in order to adjust the beginning balance of the demand cost of gas in its September 1, 2015 true-up for FYE14 errors.

Since the current true-up factors do not reflect the correct gas costs, Great Plains may also need a variance to Minn. Rule 7820.4000 to allow it to make the corrections by adjusting the beginning balances in next year's true-up filing instead of separately refunding and surcharging customers for the difference between what has been collected under the current true-up factors and what should have been collected under correctly calculated true-up factors.

Minnesota Rule 7820.4000 Natural Gas Utility Billing Errors states in part:

> Subpart 1. **Errors warranting remedy.**
> When a customer has been overcharged or undercharged as a result of incorrect reading of the meter, incorrect application of rate schedule, incorrect connection of the meter, application of an incorrect multiplier or constant or other similar reasons, the amount of the overcharge shall be refunded to the customer or the amount of the undercharge may be billed to the customer as detailed in subparts 2 through 4.

The Commission may determine that the application of the resulting true-up factors was application of an incorrect constant (the true-up factors) or other similar reasons. If it does, it appears the Company may need a variance from Minn. Rule 7820.4000, or the Commission may reject, rather than accept, Great Plains' true-ups as filed and require Great Plains to refund/surcharge the applicable customers for the difference between the true-up factors implemented and correctly calculated true-up factors multiplied by the volume of gas each affected customer consumed during the implementation period.

Due to the relatively small size of the adjustments and the burden of attempting to separately calculate refunds/surcharges for individual customers as opposed to simply adjusting next year's true-up, Great Plains would likely be able to meet the conditions for variances as outlined in Minn. Rule 7929.3200 if requested.

If the Commission believes Great Plains needs variances to Minn. Rules 7825.2700, Subp. 7 (for the FYE15 true-up) and 7820.4000 (for the FYE14 true-up), it may wish to (1) request, during the Commission meeting on the AAA Reports, that Great Plains orally request variances to these rules and show that it meets the conditions for receiving such variances, or (2) consider rejecting Great Plains' true-ups as filed, as well as the Department's recommendation that Great Plains describe and report each of the FYE14 corrections as a separate line item to the beginning balance of the demand cost of gas in its September 1, 2015 true-up, and (3) require Great Plains to make the corrections by filing corrected FYE14 true-ups and issuing individual customer refunds and surcharges according to Minn. Rule 7820.4000.[9]

Interstate Gas

Interstate Gas over-recovered its FYE14 total gas costs by $599,448, or approximately 5.92 percent. Interstate Gas over-recovered its Assigned Demand costs by $531,006, or approximately 39.84 percent. The demand cost over-recovery was partially due to the netting of capacity release and interruptible penalty revenues with demand costs and partially due to higher revenue collections from customers as a result of higher actual sales volumes than had been forecasted in the monthly PGA factor calculations due to the extremely cold winter.

Interstate Gas over-recovered Allocated Demand costs by $75,444, or approximately 22.81 percent, and under-recovered commodity costs by $7,001, or approximately 0.08 percent. Interstate Gas stated that the Allocated Demand costs were over-recovered because an extremely cold winter caused actual sales to be higher than the forecasted sales used in calculating the PGA factor.

The Department concluded that Interstate Gas' over-recovery of demand costs and under-recovery of commodity costs appears to be reasonable. The Department recommended that the Commission accept Interstate Gas' true-up filing, and allow Interstate Gas to implement its true-up as shown in DOC Attachment G7 of the Department's Review.[10]

MERC

MERC now has two PGA systems: MERC-NNG and MERC-Consolidated (MERC-CON). FYE14 is the first year of truing up the costs of the two PGA systems. In FYE13, the costs of four MERC PGA systems were presented for the year with individual true-ups. The four system true-up amounts were allocated between the two new systems on June 30, 2013.[11]

MERC-NNG

MERC under-recovered its FYE14 total current gas costs by $12,346,729, or approximately 6.45 percent, on its NNG system. For the NNG system, MERC over-recovered demand costs by $8,917,995, or approximately 24.46 percent, and under-recovered commodity costs by $21,264,724, or approximately 13.72 percent.[12] The demand cost over-recovery was predominantly caused by actual sales volume being greater than projected sales volume. According to MERC, the commodity cost under collection was caused by the difference in projected monthly gas costs compared to actual gas costs. The Department stated that MERC-NNG under estimated its PGA commodity rates in December, January, February, and March when volumes and costs were the highest. The Department concluded that MERC-NNG's over-recovery of demand costs and under-recovery of commodity costs on its NNG system appears reasonable.

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[10] Department Review at pages 26-27.
[11] Department Review at page 27.
[12] Department Review at pages 28-29.

The Department recommended that the Commission accept MERC-NNG's true-up filing and allow MERC-NNG to implement its true-up as shown in DOC Attachment G8 of the Department's Review.[13]

MERC-Consolidated

MERC under-recovered its FYE14 total current gas costs by $3,722,696, or approximately 9.25 percent on its Consolidated system. The Company over-recovered demand costs on its Consolidated system by $1,060,752, or approximately 27.79 percent, and under-recovered commodity costs on the system by $4,783,448, or approximately 13.13 percent. [14] MERC stated that the over collection of demand cost was predominantly caused by the actual sales being greater than projected sales, and the under-recovery of commodity costs was caused by the difference in projected monthly gas costs compared to actual gas costs.[15] The Department compared MERC-Conolidated's FYE14 estimated commodity rates to the actual commodity rates and stated, "MERC-Consolidated under estimated its PGA commodity rates in the five winter months and especially in January through March when volumes and costs were the highest."[16] The Department concluded that MERC-Consolidated's over-recovery of demand costs and under-recovery of commodity costs appears to be reasonable.

The Department recommended that the Commission accept MERC-Consolidated's true-up filing and allow MERC-Consolidated to implement its true-up as shown in Department Attachment G9 of the Department's Review.

Errors

As discussed further below in section E. Lost-and-Unaccounted For Gas (LUF), MERC discovered some errors after filing and implementing its September 1, 2014 true-up factors.

GLGT Error

In its May 15, 2015 reply comments, MERC stated:

> After the submittal of its 2014 true-up reports, MERC was notified by GLGT in early September 2014 that their meter at the Grand Rapids, Minnesota, Town Border Station ("TBS") was incorrectly measuring natural gas flow. GLGT calculated an adjustment amount of 163,143 Dths for the time period of February 2014 through July 2014. GLGT corrected the measurement error by adjusting the balancing volume MERC owed to GLGT by 163,143 Dths on the August 2014 Balancing Statement issued to MERC. MERC treated this imbalance amount owed to GLGT as it treats other imbalances on the GLGT pipeline by adjusting pipeline nominations in future months. In other words, MERC adjusted future nominations downward to adjust for the increased imbalance amount of 163,143

[13] Department Review at pages 31-32.
[14] Department Review at page 29.
[15] Department Review at page 29.
[16] Department Review at page 30.

> Dths caused by GLGT's faulty TBS meter. The GLGT metering error only affected MERC-CON PGA system customers. MERC was temporarily not charged for this amount of gas until GLGT issued an invoice to MERC in September 2014 that included the 163,143 Dths of "unmetered" gas in the August 2014 month-end imbalance amount. The August 2014 adjusted month-end imbalance amount was included in MERC-CON PGA system August 2014 monthly gas costs and will be accounted for as such in MERC's 2015 annual true-up.
>
> … Because the error was made by GLGT and MERC properly passed through the charged natural gas costs to customers, there is no *billing* error that would require a variance from the natural gas billing error rules, Minn. R. 7820.4000.

However, if the Commission believes a variance to Minn. Rule 7820.4000 or Minn. Rule 7825.2700 is required in order to correct the error through the 2015 true-up, MERC stated that it meets the requirements for a variance contained in Minn. Rule 7829.3200 as follows:

> … First, to the extent strict enforcement would be inconsistent with MERC's proposal as outlined above, such enforcement of the applicable rules would impose an excessive burden on MERC and would require MERC to incur significant and unreasonable costs. Second, the public interest would not be adversely affected by granting the variance. To the contrary, granting the variance would benefit the public interest by correcting an error and correctly assigning costs to MERC's customers. Finally, MERC is not aware of any legal standards that would be violated by granting a variance in this case.

In its June 24, 2015 response comments, the Department concluded that neither MERC nor the customers were harmed because MERC compensated for the meter malfunction by adjusting future nominations downward. The Department agreed that no billing error occurred that would require a variance from the natural gas billing error rules, Minn. Rule 7820.4000.

Deer River Error

MERC discovered that it had incorrectly assigned approximately 460 gas customer accounts in the Deer River, MN area to the MERC-NNG PGA system from July 2013 to October 2014. These customers were incorrectly billed MERG-NNG PGA system monthly gas cost rate factors but should have been billed MERC-Consolidated (MERC-CON) PGA system gas cost rate factors. This error was reflected in the annual true-ups by incorrectly including revenues associated with approximately 843,100 therms of gas in the MERC-NNG system true-up, and incorrectly excluding revenues associated with the same amount of gas from the MERC-CON system true-up.[17]

According to the Department, MERC stated that "The incorrectly assigned Deer River customer gas cost recovery revenue amounts will be corrected in MERC's 2015 annual true up." The

[17] MERC's May 15, 2015 reply comments at E. 2.

Department recommended that MERC respond in reply comments with its recovery proposal and discuss whether rule variances are necessary.[18] The Department also recommended that the Commission require MERC to request its auditor to include as part of the true-up audit, the allocations between PGA systems.[19]

In reply comments, MERC agreed to request its auditor to review the cost allocations between PGAs for future true-up filings. MERC also discussed how it had issued refunds plus interest, pursuant to the Natural Gas Utility Billing Errors Rule (Minn. Rule 7820.4000), of approximately $81,000 to customers for the over recovery difference between the NNG system rates customers were billed and the Consolidated system rates that they should have been billed. MERC stated:

> MERC issued refunds, via a credit on April 2015 customer bills, to MERC customers in the Deer River area that had been over charged for the cost of gas. The total amount of the refunds issued, inclusive of interest pursuant to the Natural Gas Utility Billing Errors Rule (Minn. R. 7820.4000), was approximately $81,000. Because the process used to refund Deer River customers complied with the requirements of the Natural Gas Utility Billing Errors Rule, Minn. R. 7820.4000, no variance from that rule was necessary to complete the refund.

Additionally, MERC proposed to correct the overstatement of gas cost revenues applied to the MERC-NNG PGA system and the understatement of gas cost revenues applied to the MERC-CON PGA system in the 2014 true-ups by debiting the beginning FYE15 NNG system true-up balances by approximately $527,524, and crediting the beginning FYE15 Consolidated system true-up balances by approximately $446,632.

To allow the correction of FYE14 balances to occur within the FYE15 true-ups, MERC requested a variance to Minn. Rule 7825.2700, Subp. 7, which requires that a true-up address only costs and credits arising within the relevant reporting year.

MERC stated that it meets the requirements for a variance, contained in Minn. Rule 7929.3200, as follows:

> …First, strict enforcement of Rule 7825.2700 would burden MERC's customers because there would be in an incorrect assignment of revenues such that customers would not be paying the correct gas cost charges. Further, it would not be practicable to make the correction in the current true-up period. The proposal outlined above is also more transparent because all corrections will be included in the true-up. Second, the public interest would not be adversely affected by granting the variance. To the contrary, granting the variance would benefit the public interest by correcting an error in assignment of revenues. Finally, MERC is not aware of any legal standards that would be violated by granting a variance in this case.

[18] Department Review at page 77.
[19] Department Review at page 74.

In its June 24, 2015 response comments, the Department agreed that no variance from the billing errors rule, Minn. Rule 7820.4000 was necessary to complete the refund. Additionally, the Department noted that if the Commission approves MERC's proposal to correct the overstatement of gas cost revenues applied to the MERC-NNG PGA system and the understatement of gas cost revenues applied to the MERC-CON PGA system in MERC's 2014 annual true-up by adjusting the FYE15 true-up beginning balances used in the calculation of the FYE15 Gas Cost True-up Factors, MERC-NNG's September 2015 true-up would be surcharged $527,524.11 and MERC-CON's September 2015 true-up would include a total credit of $446,631.74. The Department stated, " The difference between the surcharge and credit is the refund of approximately $81,000."

The Department also agreed that all of the requirements have been met for a variance to Minn. Rule 7825.2700, subp. 7 in order to adjust the September 1, 2015 true-up balance. The Department recommended that the Commission:

- allow MERC to adjust the September 1, 2015 true-up balance for its MERC-NNG classes that were undercharged due to the system assignment error by MERC;

- allow MERC to adjust the September 1, 2015 true-up balance for its MERC-CON classes that were overcharged the system assignment error by MERC; and

- grant MERC a variance to Minn. R. 7825.2700, subp. 7 (for the FYE15 true-up).

In the Department's July 16, 2015 Supplemental Response, the Department noted that MERC's Deer River PGA system assignment error could also require a variance to Minn. Rule 7825.2920, subp. 2 in addition to the variance to Minn. Rule 7825.2700, subp.7. The Department revised its recommendations to now recommend that the Commission grant MERC a variance to Minn. Rule 7825.2700, subp. 7 and Minn. Rule 7825.2920, subp. 2 (for the FYE15 true-up) for the Deer River system PGA error.

Farm Tap Error in Payments to NNG

In its July 6, 2015 reply comments, MERC identified another error which affected its lost-and-unaccounted for gas (LUF) calculation and gas charges from Northern Natural Gas for MERC's farm tap customers. MERC stated:

> After the submittal of its 2014 true-up reports, MERC was notified by NNG in the fall of 2014 that there appeared to be a discrepancy in the amount of gas consumed and the amount paid for by MERC's farm tap customers. Following notification of the issue, MERC conducted an investigation of the amounts of gas consumed by its farm tap customers and the amounts reported to NNG for payment under MERC's contract with NNG. MERC has resolved its obligation to NNG through a swap of the imbalance out of MERC's available storage capacity. MERC proposes to correct the understatement of gas costs to the MERC-NNG PGA system in MERC's 2014 annual true-up by adjusting the FYE2015 true-up beginning balance

used in the calculation of the FYE2015 gas cost true-up factor, as discussed in more detail below.

According to MERC, the farm tap settlement gas volume is being handled as an imbalance in the month of May 2015. MERC proposed to account for the settlement transaction in its 2015 annual true-up.

MERC stated that:

> This proposal likely will require a variance from Minnesota Rule 7825.2700, Subpart 7, which requires that a true-up address only costs and credits arising within the relevant reporting year. MERC meets the requirements for a variance from this rule in order to adjust its FYE15 true-up beginning balance as described above. Minnesota Rule 7929.3200 provides that the Commission shall grant a variance to its rules when it determines that the following requirements are met:
>
> A. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
> B. Granting the variance would not adversely affect the public interest; and
> C. Granting the variance would not conflict with standards imposed by law.
>
> All of these requirements are met here. First, strict enforcement of the applicable rules, to the extent such enforcement would be inconsistent with MERC's proposal as outlined above, would impose an excessive burden on MERC and would require MERC to incur significant and unreasonable costs. Second, the public interest would not be adversely affected by granting the variance. Finally, MERC is not aware of any legal standards that would be violated by granting a variance in this case.

In its June 16, 2015 Supplemental Response Comments, the Department described the farm tap error and settlement as follows:

> In sum, NNG determined that MERC's customer usage on the NNG pipeline was more than MERC's delivery into the NNG pipeline. MERC settled the issue via a gas storage swap by netting the farm tap's short position of 658,349 Dth against the rest of the MERC-NNG PGA system's long position of 219,952 Dth which resulted in a net short imbalance of 366,397 Dth. NNG settled on applying the May storage weighted average cost of gas of $3.9155/Dth to the net shortage (approximately $2,577,766) plus withdrawal fees of approximately $32,499 ($0.0887/Dth x 366,397 Dth) for a total of $2,610,265 in commodity costs. According to MERC, compared to a monthly cash out at the NNG market area rate or a monthly withdrawal at the NNG storage weighted average cost of gas price, the storage swap resulted "in significant overall cost savings relative to other alternatives." The Department agrees that the storage swap was a reasonable way to settle the issue.

[Footnotes omitted]

With respect to variances, the Department concluded that in the FYE13 AAA Report,[20] a similar situation occurred. The Department stated:

> MERC discovered an allocation error after the September 1, 2013 implementation of its true-up adjustment factors. Since MERC's FYE13 true-up adjustment was incorrect, MERC requested that the Commission allow it to correct the misallocation of gas costs in its FYE14 AAA filing.

In that case, the Commission granted MERC variances to:

- Minn. R. 7825.2920, subp. 2;
- Minn. R. 7825.2700, subp. 7;[21] and
- Minn. R. 7820.4000

Because according to Minn. Rule 7825.2700, subp.7 the true-up addresses only costs and credits arising in the relevant reporting period, and the proposed adjustment to the FYE15 true-up balances includes a six-month period (January 2014-June 2014) prior to the FYE15 true-up period, the Department agreed that a variance to Minn. Rule 7825.2700, subp. 7 is necessary. The Department also stated that it believes that a variance to Minn. Rule 7825.2920, subp. 2 and Minn. Rule 7820.4000 are necessary for the farm tap error. The Department concluded that, based on MERC's stated reasons for meeting the conditions for a variance to Minn. Rule 7825.2700, subp. 7, MERC has met all of the requirements for these variances.

On July 22, 2015, MERC replied that it agrees with the Department's recommendations as set forth in the Department's July 16, 2015 Supplemental Response, including the recommendation that the Commission grant MERC a variance to Minn. Rules 7825.2920, subp. 2, 7825.2700, Subp.7, and 7820.4000, to adjust the September 1, 2015 true-up balance for the NNG farm tap issue and the Deer River system PGA error.

Staff Comment

In addition to the Deer River customers being overcharged, the misclassification of the Deer River customers led to errors in the calculation of the true-up factors implemented September 1, 2014. The true-up factors were understated for the MERC-NNG customers and overstated for the MERC-Consolidated customers, and they appear to have been overstated by more than 5 percent. Thus, the Deer River customers, who received a refund, were not the only customers affected by the error. Since September 1, 2014, as a result of this error, MERC-NNG customers have been

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[20] Docket No. G999/AA-13-600.

[21] Minnesota Rule 7825.27000, subpart 7 (True-up amount) states:

> The true-up amount is the difference between the commodity and demand gas revenues by class collected by the utility and the actual commodity delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year. The true-up adjustment must be computed annually for each class by dividing the true-up amount by the forecasted sales volumes and applied to billings during the next 12-month period beginning on September 1 each year, provided that the adjustment has been filed under part 7825.2910, subpart 3.

paying a true-up factor that is too low, and MERC-CON customers have been paying a true-up factor that is too high. In order to correct this incorrect assignment error through an adjustment to the beginning balances in the September 1, 2015 true-up, in addition to a variance to Minn. Rule 7825.2700, Subpart 7, it appears that a variance to Minn. Rule 7825.2920, Subp. 2, and possibly Minn. Rule 7820.4000, may also be necessary for the incorrectly calculated true-up factors implemented September 1, 2014. As noted by the Department, in last year's AAA docket, Docket No. G-999/AA-13-600, et al, the Commission granted MERC a variance to all three of these rule parts and allowed MERC to correct an error in the FYE13 true-up calculations in the FYE14 true-ups. Staff believes variances to all three rule parts (Minn. Rule 7825.2700, Subp. 7 (for FYE15), Minn. Rule 7825.2920, Subp. 2 (for FYE14), and Minn. Rule 7820.4000 (for FYE14)) are likely necessary for the Deer River assignment error, and variances to Minn. Rule 7825.2700, subp. 7 and Minn. Rule 7820.4000 are likely necessary for the Farm Tap error.[22]

Minnesota Rule 7825.2920 states, in part:

> Subp. 2. **Errors.** Errors made in adjustment must be refunded by check or credits to bills to the consumer in an amount not to exceed the amount of the error plus interest computed at the prime rate upon the order of the commission if (1) the order is served within 90 days after the receipt of the filing defined in part 7825.2900 or 7825.2910 or at the end of the next major rate proceeding, whichever is later, and (2) the amount of the error is greater than five percent of the corrected adjustment charge.[23]

Staff notes that it is more than 90 days since the receipt of MERC's true-up filings pursuant to Minn. Rule 7825.2910, Subp. 4. However, this rate proceeding is arguably a major rate proceeding because MERC is asking to recover approximately $16 million for its true-ups for the NNG and Consolidated areas. This rate proceeding, in which the Commission accepts or rejects MERC's true-ups, has not yet ended. While staff believes MERC's proposal to adjust for the errors in the next annual true-ups would likely be the simplest way to correct for the errors, MERC has not requested, nor addressed the need for,[24] a variance to Minn. Rule 7825.2920, Subp. 2 for the true-up factors it implemented September 1, 2014.

Minnesota Rule 7820.4000 Natural Gas Utility Billing Errors states in part:

> Subpart 1. **Errors warranting remedy.**
> When a customer has been overcharged or undercharged as a result of incorrect reading of the meter, incorrect application of rate schedule, incorrect connection of the meter, application of an incorrect multiplier or constant or other similar reasons, the amount of the overcharge shall be refunded to the customer or the

[22] The Department recommended variances to all three rule parts for the Farm Tap error and just to Minn. Rules 7825.2700 and 7825.2920, Subp. 2 for the Deer River error.

[23] Staff notes that this rule subpart only speaks of refunds or credits to customer bills. Since the Farm Tap error resulted in true-up factors that were too low, this rule subpart may not apply to that error.

[24] Staff notes that MERC did agree with the Department's recommendation that the Commission grant MERC a variance to Minn. Rule 7825.2920, Subp. 2.

> amount of the undercharge may be billed to the customer as detailed in subparts 2 through 4.

The true-up factors calculated for September 1, 2014 implementation were incorrectly calculated as a result of the Deer River and Farm-Tap errors. The Commission may determine that the application of the resulting true-up factors was application of an incorrect constant (the true-up factors) or other similar reasons. If it does, it appears likely the Company would need a variance from Minn. Rule 7820.4000, or the Commission may reject, rather than accept, MERC's true-ups as filed, and require MERC to refund/surcharge the applicable customers for the difference between the true-up factors implemented and correctly calculated true-up factors multiplied by the volume of gas each customer consumed during the implementation period.

While MERC did not request a variance to Minn. Rule 7825.2920, Subp. 2, or Minn. Rule 7820.4000, it did agree with the Department's recommendations to grant MERC a variance to Minn. Rules 7825.2920, Subp. 2, 7825.2700, Subp. 7, and 7820.4000. It appears likely that MERC would be able to meet the conditions for such variances. Attempting to calculate individual surcharges and credits for the time period that the incorrectly calculated true-up factors were in place would likely be quite burdensome. Further, the mismatch between customers who were charged the incorrect rates is likely not much different than the typical mismatch that occurs in trueing up costs from one period over a subsequent period. Also, the Department Supplemental Response concluded that, based on MERC's reasons for a variance to Minn. R. 7825.2700, Subp. 7, MERC has met all of the requirements for variances to all three rule parts, Minn. Rules 7825.2920, Subp. 2, 7825.2700, Subp. 7, and 7820.4000.

However, since MERC did not specifically request variances to Minn. Rule 7825.2920, Subp. 2 and Minn. Rule 7820.4000,[25] the record does not show whether MERC meets the requirements for a variance as contained in Minn. Rule 7829.3200. Therefore, at its meeting on the AAA reports, if the Commission believes MERC needs a variance to these rules in order to simply make corrections in its 2015 true-ups instead of correcting the 2014 true-up factors, it may wish to request that MERC orally request a variance to Minn. Rule 7825.2920, Subp. 2, and Minn. Rule 7820.4000, and provide the details of why it meets the conditions for the granting of a variance to these rules. Then, if the Commission believes variances are justified, it may wish to grant MERC a variance to these rules and accept its FYE 2014 true-ups as filed. Alternatively, the Commission may wish to reject MERC's FYE14 true-up filings and require that they be recalculated and surcharges/refunds be made for the differences instead of correcting the errors in the 2015 true-ups.

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[25] Staff notes that in its May 15, 2015 reply comments, for the GLGT error, MERC stated that if the Commission believes a variance to Minn. Rule 7820.4000… is required in order to correct the error through the 2015 true-up, MERC meets the requirements for a variance as follows:

> First, to the extent strict enforcement would be inconsistent with MERC's proposal as outlined above, such enforcement of the applicable rules would impose an excessive burden on MERC and would require MERC to incur significant and unreasonable costs. Second, the public interest would not be adversely affected by granting the variance. To the contrary, granting the variance would benefit the public interest by correcting an error and correctly assigning costs to MERC's customers. Finally, MERC is not aware of any legal standards that would be violated by granting a variance in this case.

CenterPoint Energy

CenterPoint Energy under-recovered its FYE14 current total gas costs by $62,089,561, or approximately 6.88 percent. Staff notes that this is before deducting gas cost credits. Including the credits, CenterPoint Energy under-recovered its FYE14 current total gas costs by $51,267,649; over-recovered demand costs by $7,344,058, or approximately 10.00 percent; and under-recovered commodity costs by $58,611,707, or approximately 7.10 percent.

The Department stated[26] that:

> …CenterPoint Energy over-recovered demand costs by $7,344,058 or approximately 10.00 percent including off-system sales revenue of $6,589,090 and curtailment revenue of $916,066. Without these revenues, there was an under recovery of demand costs of $161,098 or approximately 0.22 percent. In its filing [See CenterPoint Energy's AAA Report, page 18], CenterPoint Energy stated that the demand-cost under-recovery of 0.22 percent resulted from weather that was about 18 percent colder than normal and sales that were 18,604,217 dth or 18.4 percent more than the weather-normalized sales of 100,990,000 dth used to calculate the demand recovery factor. According to CenterPoint Energy, adjustments to demand from the "demand smoothing" factor brought the demand cost recovery much closer to the demand costs incurred.

Most recently approved in Docket No. G-008/M-13-728, CenterPoint Energy has been granted a variance to Minn. Rule 7825.2700, subp.5 to allow it to continue calculating a monthly demand adjustment to the Company's demand-cost recovery rate during the months of October through May. The adjustments are intended to reduce the annual over- or under-recovery of demand costs in a gas year that are related to deviations from average weather conditions. These monthly demand cost rate adjustments have been referred to as "demand-smoothing" factors.

CenterPoint provided a thorough explanation of the commodity cost under-recovery. See Page 34 of the Department's Review. In summary, due to the cold weather, CenterPoint Energy purchased more swing gas supplies priced at daily market prices. Both the increase in volume of swing gas supplies purchased and increased price volatility drove up the average cost compared to the planned purchases used in setting the monthly PGA rate.

The Department concluded that CenterPoint Energy's over- and under-recoveries of costs appear reasonable and the Department recommended that the Commission:[27]

- accept CenterPoint Energy's FYE14 true-up, Docket No. G008/AA-14-752; and
- allow CenterPoint Energy to implement its true-up, as shown in DOC Attachment G10 of the Department's Review.

[26] Department Review at page 33.
[27] Department Review at page 38.

Xcel Gas

Xcel Gas under-recovered FYE14 total current gas costs by $50,148,451, or approximately 10.47 percent.[28] Xcel Gas over-recovered Minnesota demand costs by $7,394,847, or approximately 15.11 percent[29] and under-recovered commodity costs by $57,543,298, or about 13.38 percent.[30]

Xcel Gas also has a monthly demand cost true-up mechanism. The mechanism is designed to offset swings in revenue collection caused by deviations from the forecasted normal weather. The mechanism helped minimize the demand cost over-recovery by crediting an additional $3,594,643 of demand costs to customers during the 2103-2014 heating season.[31] Xcel Gas stated that without the mechanism its over-recovery of demand costs would have been approximately 22.45 percent.[32]

According to Xcel Gas, actual FYE14 sales were approximately 26.25 percent higher than forecasted for firm customers, resulting in the over-recovery of demand costs. Xcel Gas stated that the commodity cost under-recovery:[33]

> … was prompted by deviations between the monthly PGA price and actual wholesale commodity gas prices. These price deviations during the 2013-2014 heating season (in particular January and February) were the result of extreme price volatility in the wholesale natural gas commodity market and higher than average customer demand for natural gas.

The Department concluded that Xcel Gas' demand cost over-recovery and its commodity cost under-recovery appear reasonable.

The Department recommended that the Commission:

- accept Xcel Gas' FYE13 true-up as filed in Docket No. G002/AA-13-783; and
- allow Xcel Gas to implement its true-ups, as shown in DOC Attachment G11 of the DOC Review.

Natural Gas Capacity Utilization Program—Docket No. E,G-002/M-09-852

On February 18, 2010, the Commission approved,[34] as a three-year pilot program, Xcel Energy's natural gas capacity utilization plan for its gas distribution and electric generation business units. Xcel Energy maintains distinct natural gas transportation capacity and storage contracts[35] for Xcel Gas and Xcel Generation and the capacity utilization program was to allow for capacity sharing

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[28] Department Review at page 38.
[29] Department Review at page 39.
[30] Department Review at page 40.
[31] Xcel Gas' AAA Report at Attachment B, Schedule 3, page 3 of 4.
[32] Department Review at page 39.
[33] Xcel Gas' AAA Report at Attachment B, Schedule 3, pages 3-4.
[34] February 18, 2010 ORDER APPROVING PROGRAM, WITH MODIFICATIONS AND REQUIRING REPORT, Docket No. E,G-002/M-09-852.
[35] It is staff's understanding that Xcel Energy combined the storage accounts according to the FDD Consolidation provisions of NNG's tariff, but kept the capacity held by each system separate.

between the gas distribution and electric generation business units. The Commission's Order[36] required Xcel to include in its annual AAA reports, a listing of each individual transaction showing quantities and cost, the specific accounting entries and brief explanations of the transactions.

The approved three-year pilot program expired on February 18, 2013. However, due to administrative oversight, the Company continued to utilize this mechanism on five occasions after the expiration (during the summer of 2013). According to Xcel Gas, the transactions during the 2013-2014 reporting year resulted in net savings to Xcel Gas of approximately $68,500 including capacity sharing transaction savings of approximately $9,500 and avoided storage fees of approximately $59,000 through storage nettings.

In its Review, the Department recommended that Xcel Gas in reply comments request a variance for the five occasions where Xcel Gas continued to use the program during 2013-2014 after the expiration of the original variance.[37]

In reply, Xcel Gas stated:

> We apologize for any oversight on our part because it was not clear to us that Commission approval of the accounting method is or was required. To the extent that either an extension or a variance is required, please consider this Reply our formal request for an extension to provide explicit authorization for the Company to use the accounting treatment under the Capacity Utilization Program in the five instances noted by the Company.

Xcel Gas stated that its request meets the standards contained within Minn. R. 7829.3200 for granting a variance as follows:

> 1. *Enforcement of the Rule Would Impose an Excessive Burden upon the Applicant or Others Affected by the Rule*
>
> Our natural gas customers have already been credited for the savings generated by the transactions. To reverse the credit now would be a burden to customers.
>
> 2. *The Public Interest is Served*
>
> An extended accounting treatment is supported by the public interest because the Capacity Utilization Program benefits both natural gas and electric customers. Net savings were returned to natural gas customers through the annual true-up calculation and subsequent year's true-up factors included in the Purchase Gas Adjustment (PGA) calculations.
>
> 3. *There is No Conflict with the Law*

[36] Ibid.
[37] Department Review at page 43.

> We are not aware of any legal standard that precludes the Commission from approving this variance at this time.

In its June 24, 2015 response comments, the Department noted that, upon further review, the Capacity Utilization Program was approved under Minn. Stat. § 216B.10 and as a result, no variance was required to Minnesota Rules. The Department stated, that:

> In a June 4, 2015 email, Xcel Gas stated that it agreed that no variance was required, but Xcel Gas was unclear whether any additional Commission approval was required for the continuation of the accounting treatment after the term of the pilot program expired. As discussed in the AAA Report,[38] the Capacity Utilization Program has resulted in net savings to ratepayers.

Based on this information, the Department recommended that the Commission:

- approve Xcel Gas' request for an extension to use the accounting treatment under the Capacity Utilization Program in the five instances after the expiration of the three-year pilot program; and
- approve Xcel Gas' Capacity Utilization Program as a permanent program.

On June 24, 2015 Xcel Energy filed a request for approval of a permanent extension of the accounting treatment for the natural gas capacity utilization plan for its gas distribution and electric generation business units in Docket No. E,G002/M-15-618 (docket 15-618). On July 6, 2015 in reply comments in the instant AAA docket, Xcel Gas stated:

> Shortly before receiving the Department's recommendation, on June 24, 2015 we filed a petition in Docket No. E,G002/M-15-618 seeking Commission approval of the permanent use of the accounting treatment for the Gas Capacity Utilization Program. We recognize that based on the Commission's interest in efficiencies, it may wish to address this issue in the Gas AAA docket, rather than in the new docket. We apologize if our recent Petition has created confusion or duplicative effort. We defer to the Commission on the best procedural manner to move the issue forward, and accordingly, we have included the service list for both dockets on this filing. We also include our Petition as Attachment A to this Reply.

In the July 16, 2015 Department Supplemental Response, the Department suggested that the Commission address the Capacity Utilization Program in the present docket. The Department provided an analysis of Xcel's request for a permanent extension to its Capacity Utilization Program.

The Department agreed with Xcel's proposal to track and report two categories of capacity sharing transactions and recommended that the Commission require Xcel Gas to report the two categories

[38] Department Review at page 43.

of capacity sharing transactions – those used to not curtail interruptible customers and other transactions that benefit the whole system.

The Department did not oppose Xcel Gas' change from using a subaccount to FERC Account 858 to separately track and report the transactions to instead creating and using subaccount 1050.

In June 2010, Xcel consolidated its Northern Natural Gas (NNG) storage contracts for its gas and electric companies and began to use NNG's storage netting program. According to Xcel Gas, since the contracts were consolidated there is no longer any need or benefit of using storage diversion transactions. The Department did not oppose this change.[39]

The Department stated that, from its review of past reporting compliances on the pilot program, Xcel Gas only reported the gas side of the transactions in its compliance reports. The Department concluded that Xcel Gas should show the electric as well as the gas transactions in its annual reports and recommended that the Commission require Xcel Gas to continue reporting the transactions related to the Capacity Utilization Program annually in its AAA Report and to include both the gas and electric transactions.

In the July 16, 2015 Supplemental Response, the Department stated that it now recommends that the Commission:

- approve Xcel Gas' request for an extension to use the accounting treatment under the Capacity Utilization Program in the five instances after the expiration of the three-year pilot program;
- approve Xcel Gas' Gas Capacity Utilization Program as a permanent program;
- require Xcel Gas to report the two categories of capacity sharing transactions – those used to not curtail interruptible customers and other transactions that benefit the whole system for the Capacity Utilization Program; and
- require Xcel Gas to continue to report the transactions related to the Capacity Utilization Plan annually in its AAA Report and include both the gas and electric transactions.

On July 22, 2015, Xcel replied that it appreciates the Department's recommendation that the Commission approve Xcel's request for an extension to use the accounting treatment under the Capacity Utilization Program and approve that Program as permanent. Xcel also stated that it agrees with the Department's reporting recommendations.

Staff Comment

Staff agrees there does not appear to be any rule that would need to be varied. If the Commission feels it is necessary to grant a short extension of time for the program to cover the five transactions that occurred during 2013, it could do so. Staff notes that in its Order in the Capacity Utilization Program docket, which set up the pilot program, the Commission stated:

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[39] Department June 16, 2015 Supplemental Response Comments at page 3.

> …[A]dopting the Program as a pilot project will allow the Commission to evaluate whether the transactions are appropriate and if there are enough of them to create accounting problems before granting long term approval.

Staff appreciates the Company filing a petition to request approval of the permanent use of the accounting treatment for the Gas Capacity Utilization Program. Xcel Energy's Capacity Utilization Program is for both the Local Gas Distribution business unit (Xcel Gas) and the electric generation business unit (Xcel Electric). Staff believes it may be more efficient to consider extending the program as a permanent program in the separate proceeding, docket 15-618. Xcel Gas and Electric have already filed a petition to extend the program in docket 15-618. The program is for both Xcel Gas and Xcel Electric. However, for the most part, Xcel has only been reporting on the Xcel Gas LDC side of the transactions.

The Commission may want to defer consideration of extending this program as a permanent program to docket 15-618. If the Commission does defer its decision on the permanence of the program, it may also wish to consider at this time approving an extension of time to use the accounting treatment under the Capacity Utilization Program from the date the pilot program ended through the date of the Commission Order in docket 15-618.

Alternatively, the Commission may want to make its decisions on the program in the instant docket as recommended by the Department.

Comparison between Minnesota local distribution companies ("LDCs")

PUC Staff: Sundra Bender

The Department's Review provides cost and operating data for all of the rate regulated natural gas local distribution companies. (Please see pages 44 through 87 of the Department's Review.)

One comparison ranks the companies according to the size of the annual bill for an average residential customer.

The following table (Table G4) was copied from page 46 of the DOC Review.

TABLE G4
Average Annual Residential Bill and Average Use per Utility for the FYE14 Reporting Period

Utility	System	Average Use (Mcf)[96]	Annual Bill Rankings[97]	Total Annual Bill ($)	Average[95] Cost per Mcf ($)	Annual Customer Charges ($)
GMG		100 (3)	8	$1,154.10	$11.56	$102.00
Great Plains	North	91 (2)	5	$864.30	$9.51	$78.00
	South	86 (1)	1	$672.87	$7.87	$78.00
Interstate Gas		102 (5)	3	$841.75	$8.22	$60.00
MERC	CON	101 (4)	2	$840.80	$8.34	$108.55
	NNG	102 (5)	7	$954.04	$9.38	$108.55
CenterPoint Energy		106 (6)	6	$886.22	$8.39	$99.51
Xcel Gas		102 (5)	4	$848.98	$8.34	$108.00

Similar to last year, residential customers of GMG had the highest average annual bill and customers of Great Plains' South District had the lowest. Many factors contributed to the size of these average annual residential bills. The amount of gas used by an average residential customer is one factor. A second factor would be the company's cost of gas, and a third would be the non-gas rates the company is allowed to charge. There are a number of other contributing factors such as mix of firm and interruptible customers, number of available pipeline systems, weather, and access to storage. See page 47 of the Department's Review. Also, see DOC Attachment G13 of the Department's Review, attached to the end of these briefing papers, which gives a more detailed analysis of an average residential bill, as well as a comparison of 2013-14 to 2012-13.

As can be seen in the following table, Great Plains' North District system had the highest average purchased gas cost and Interstate Gas's system had the lowest average purchased gas cost.

The following table (Table G6) was copied from page 50 of the Department's Review.

TABLE G6
FYE14
Total System Gas Costs (Demand and Commodity)[102]

Utility/System	PGA Recovered ($/MMBtu)	Rankings	Current-Period Actual Incurred Gas Cost ($/MMBtu)	Rankings	Actual Over/(Under) ($/MMBtu)	Percent Recovery
Greater Minnesota	$6.1581	6	$6.1749	6	$(0.0169)	(0.27)%
Great Plains						
North	$6.3469	8	$7.2199	8	$(0.8730)	(12.09)%
South	$5.2008	1	$6.0174	2	$(0.8166)	(13.57)%
Interstate Gas	$5.8225	5	$5.4969	1	$0.3256	5.92%
MERC						
Consolidated	$5.4997	3	$6.0604	3	$(0.5607)	(9.25)%
NNG	$6.2540	7	$6.6852	7	$(0.4312)	(6.45)%
CenterPoint Energy	$5.6631	4	$6.0814	5	$(0.4183)	(6.88)%
Xcel Gas	$5.4421	2	$6.0784	4	$(0.6363)	(10.47)%
MN Weighted Avg.	**$5.6607**		**$6.1479**		**$(0.4872)**	**(7.92)%**
MN Non-Weighted Avg.	**$5.7984**		**$6.2268**		**$(0.4284)**	**(6.88)%**

DOC Review of LDC Gas Purchasing Practices

PUC Staff: Sundra Bender

In its August 11, 2014 Order, Docket No. G-999/AA-13-600, et al, the Commission requested that the Department include a review of gas purchasing practices in its review of future annual automatic adjustment reports.[40] The Department provided its analysis at pages 79 through 83 of its Review. The Department changed the look of its Review from previous years' Reviews.

The Review included a list of the non-weighted average prices of the various types of gas purchases as follows:

1) Monthly index-priced gas at $4.7750 per Mcf;
2) Monthly spot-market priced gas at $5.3440 per Mcf;
3) Daily index-priced gas at $6.0514 per Mcf;
4) Daily spot-priced gas at $11.3749 per Mcf;

[40] August 11, 2014 ORDER ACCEPTING GAS UTILITIES' ANNUAL REPORTS AND 2012-2013 TRUE-UP PROPOSALS AND SETTING FURTHER REQUIREMENTS, Docket No. G-999/AA-13-600 et al, at Order Point 3.

The Department looked at how much of each LDCs' gas purchases during the heating season consisted of each of these types of gas supply and provided the following table copied from page 81 of the Department's Review:

Table G20[189]
Portfolio Composition for the FYE14 Heating Season
(Components as a Percent of Actual Purchases)

Utility	All Gas Purchases	Index Gas (Monthly)	Index Gas (Daily)	Spot Gas (Monthly)	Spot Gas (Daily)
Great Plains North	100%	57.53%			42.27%
Great Plains South	100%	67.84%			32.16%
Greater Minnesota	100%	62.30%	37.70%		
Interstate Gas	100%	89.75%			10.25%
MERC-CON	100%	78.06%	3.28%		18.66%
MERC-NNG	100%	79.68%	11.13%	4.73%	4.47%
CenterPoint Energy	100%	61.20%	38.52%		0.28%
Xcel Gas	100%	65.56%	19.13%		15.31%

Staff notes that when comparing this chart with the weighted average cost of commodity shown on page 48 of the Department's Review, Great Plains' North District and CenterPoint Energy purchased the lowest percentages of monthly priced gas during the heating season at 57.53% and 61.20%, respectively, and had the highest overall annual weighted average incurred commodity costs per Mcf of $6.3654 and $5.5865, respectively.[41] Interstate Gas purchased the largest percentage of monthly priced gas and had the lowest annual average commodity cost per Mcf at $4.5932.

In previous years, the Department typically requested additional information if a company's cost for a particular type of gas supply varied by more than on standard deviation from the average for all companies. The Department did not report on this type of analysis this year.

The Department did not challenge the prudence of any of the natural gas utilities' purchasing practices.

Minnesota Gas Utilities' Hedging Practices

PUC Staff: Sundra Bender

Three Minnesota LDCs have received Commission approval to recover the costs of financial hedging through the purchased gas adjustment, CenterPoint Energy, MERC and Xcel Gas. In Docket No. G999/AA-10-885, the Commission's April 3, 2012 Order required that in future initial Annual Automatic Adjustment reports, all regulated gas utilities must provide additional

[41] Department Review at page 48.

information on the embedded cost/benefit associated with physical hedges (non-storage price protections) used in the procurement of gas supplies.

In its August 11, 2014 Order, Docket No. G-999/AA-13-600 et al, the Commission also requested the Department to include a review of gas cost hedging practices in its review of future annual automatic adjustment reports.[42] At pages 83 through 87 of its Review, the Department included a different type of analysis than previous years by evaluating expectations against actual performance.

The Department stated that:

> Weather and various supply issues play a significant role in the commodity price of natural gas, especially during the heating season of November through March. As previously discussed in Section 1.C. *Natural Gas Prices and Weather*, the 2013-2014 heating season was one of the coldest in recent history. In addition, several other non-weather issues caused interruptions to supply (*e.g.,* well-freeze offs, significant draw-down of storage, and the explosion on a line section of the TransCanada pipeline). As a result, market prices for gas in February and March 2014 were significantly higher than anticipated.
>
> In this type of market environment, the Department would anticipate that CPE, MERC, and Xcel Gas would experience cost savings and/or gains on the hedge portion of their purchase portfolios.

The Department reviewed the performance of MERC's, CenterPoint Energy's and Xcel Gas's hedging programs against the expectation that they would experience cost savings and/or gains on the hedge portion of their purchase portfolios.

According to the Department's Review, each of the three utilities experienced gains and/or cost savings due to hedging during FYE14. The Department stated that each of the three utilities' hedges provided a financial gain due to the high prices experienced in February and March 2014, as the Department expected. Specifically:

- The financial gain to ratepayers from MERC-NNG's and MERC Consolidated's Futures and Call Options was $2,762,755. Although MERC did not quantify it, there was almost certainly additional cost savings as a result of the requirements contracted through pipeline storage.

- According to CenterPoint Energy, the price of its hedged purchases resulted in an approximate $20 million reduction to the annual costs that would have occurred had CenterPoint Energy purchased all gas at first of the month indices.

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[42] August 11, 2014 ORDER ACCEPTING GAS UTILITIES' ANNUAL REPORTS AND 2012-2013 TRUE-UP PROPOSALS AND SETTING FURTHER REQUIREMENTS, Docket No. G-999/AA-13-600 et al, at Order Point 3.

- Xcel Gas suspended its hedging activity when its prior variance authorization ended on June 30, 2012 until the Commission's Order in Docket No. G-002/M-12-519 (Docket 12-519) was issued in September 2013. This was well into the season when Xcel Gas would have normally entered into hedging transactions for the upcoming 2013-2014 heating season. Although Xcel Gas only hedged about a third of the volume it typically would, due to the timing of the Commission's Order in Docket 12-519, Xcel Gas reported that it gained approximately $8 million on its hedged gas.

The Department concluded that the utilities' hedging programs performed as expected. The Department recommended that each utility that hedges (including physical and financial) continue to provide a post-mortem analysis, in a format similar to what was provided in this docket, in subsequent AAA filings.

Lost-and-Unaccounted For Gas (LUF)

PUC Staff: Sundra Bender

The Department developed a comparison of LUF gas by utility using the formula from the U. S. Department of Transportation, Pipeline and Hazardous Material Safety Administration's Form 7100.1-1 to calculate the LUF percentages.[43]

The following table (Table G19) presents the Department's summary of LUF gas percentages for the period July 1, 2013 to June 30, 2014 for Minnesota jurisdictional volumes and is copied from page 75 of the Department's Review.

[43] The formula is as follows: [(purchased gas + produced gas) minus (customer use + utility use + appropriate adjustments)] divided by (purchased gas + produced gas) equals percent unaccounted.

TABLE G19[165]
Lost-and-Unaccounted-For Gas
For FYE14

Utility	LUF Percent
Greater Minnesota	(0.22) %
Great Plains-North	0.58 %
Great Plains-South	1.46%
Interstate Gas	1.10 %
CenterPoint Energy	1.31 %
MERC-Consolidated before correction	(1.15) %
MERC-Consolidated after correction	0.38 %
MERC-NNG before correction	(3.07) %
MERC-NNG after correction	(2.82) %
Xcel Gas	1.30 %
MN Weighted Average before MERC corrected	**0.84%**
MN Weighted Average after MERC corrected	**0.90%**

[See the Department's Review at DOC Attachment G19 for detailed calculations.]

As shown in the above table, the LUF gas ranged from a negative 2.82 percent for MERC-NNG after correction to 1.46 percent for Great Plains' South District. As discussed further below, in its July 6, 2015 reply comments, MERC found another error in its calculation for MERC-NNG, which when corrected, along with previously identified corrections, changes the MERC-NNG LUF to a negative 0.72 percent.

A negative LUF number means that a utility, in effect, found gas. The MERC-NNG system reported negative lost gas during the reporting period, as the former MERC-PNG and MERC-NMU did during prior reporting periods.

In the FYE09 AAA Report, MERC investigated its negative LUF situation that occurred during the 2008-2009 true-up period. The Department concluded that the occurrence of negative LUF was primarily the result of MERC's large concentration of transportation customers and transportation sales during that period.

The Commission, in its November 14, 2013 Order in Docket No. G999/AA-12-756 (12-756 Order), found that MERC's persistent report of negative lost and unaccounted for gas may warrant further investigation. Further, the 12-756 Order[44] stated:

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[44] See page 11, ordering paragraphs 15 and 18 of the Commission's November 14, 2013 *ORDER ACCEPTING GAS UTILITIES' AUTOMATIC ADJUSTMENT REPORTS AND TRUE-UP PROPOSALS, AND SETTING FURTHER REQUIREMENTS*, Docket No. G999/AA-12-756.

> In its 2013 annual automatic adjustment filing, if MERC again demonstrates a negative amount of lost and unaccounted for gas, the utility shall provide a detailed description and calculations explaining this phenomenon and showing the role of transportation customers and sales.

MERC provided the following description with its FYE14 AAA report:

> MERC performed a thorough investigation of the LUF in the Company's August 30, 2010 Reply Comments in Docket Nos. G999/AA-09-896, G007/AA-09-1038 and G011/AA-09-1039 regarding the 2008-2009 AAA Report. In those Reply Comments, MERC pointed out that the formula used by the Department in monitoring LUF does not include transportation. MERC, however, has a large percentage of transportation volumes that could affect the LUF calculation. In particular, gas can be lost between Town Border Stations (Gate Stations) and End Use Meters the same for transporters as for retail customers. The total system perspective for MERC is an important consideration when making comparisons of LUF between MERC and other utilities. MERC will continue to analyze its LUF reporting to understand the impact of its transport customers. MERC will work with the Department and Commission staff to ensure its AAA LUF reporting methodology is as accurate as possible.

MERC informed the Department in November of 2014 that it was continuing to investigate LUF and that a billing error had been found that would take care of some of the negative LUF. MERC later revised its calculation of LUF gas for the FYE14 and stated that, after submitting its initial response to a Department Information Request, it had discovered two errors as follows:[45]

1. A defective flow meter, owned by Great Lakes Gas Transmission (GLGT) inaccurately measuring the amount of gas supplied to MERC by GLGT at its Grand Rapids town border station. The correction of the metering error resulted in an adjustment of an estimated 171,151 Dth of "unmetered" gas that MERC-CON received during the time period of July 2013 through June 2014; and

2. An incorrect assignment of approximately 350 customers to the MERC-NNG PGA system rather than the MERC-CON PGA system from July 2013 to October 2014.[46] This caused 69,877 Dth of Customer Use Gas to be included in the MERC-NNG LUF calculation and the same amount to be excluded from the MERC-CON LUF calculation.

[45] Department Review at page 76.

[46] The Department noted that this period extends three months beyond the FYE14 true up period but stated that the difference of removing the customer use from the LUF calculation for the 350 customers during the summer is likely insignificant.

According to the Department, MERC also stated that "The incorrectly assigned Deer River customer gas cost recovery revenue amounts will be corrected in MERC's 2015 annual true up."

The Department noted (1) that the GLGT metering error only pertains to the MERC-Consolidated PGA customers who were all undercharged, and (2) that the Billing Error Rule (Minn. Rule 7820.4000) seems to apply to the Deer River error. As discussed above in the MERC true-up section, the Department recommended that MERC respond in Reply Comments with its recovery proposals for the GLGT metering and Deer River errors and whether variances are necessary.

MERC --GLGT Error

In reply comments, MERC stated that with respect to the GLGT error, GLGT corrected the measurement error by adjusting the balancing volume MERC owed to GLGT by 163,143 Dths on the August 2014 Balancing Statement issued to MERC. MERC stated that:

> After the submittal of its 2014 true-up reports, MERC was notified by GLGT in early September 2014 that their meter at the Grand Rapids, Minnesota, Town Border Station ("TBS") was incorrectly measuring natural gas flow. GLGT calculated an adjustment amount of 163,143 Dths for the time period of February 2014 through July 2014. GLGT corrected the measurement error by adjusting the balancing volume MERC owed to GLGT by 163,143 Dths on the August 2014 Balancing Statement issued to MERC. MERC treated this imbalance amount owed to GLGT as it treats other imbalances on the GLGT pipeline by adjusting pipeline nominations in future months. In other words, MERC adjusted future nominations downward to adjust for the increased imbalance amount of 163,143 Dths caused by GLGT's faulty TBS meter. The GLGT metering error only affected MERC-CON PGA system customers. MERC was temporarily not charged for this amount of gas until GLGT issued an invoice to MERC in September 2014 that included the 163,143 Dths of "unmetered" gas in the August 2014 month-end imbalance amount. The August 2014 adjusted month-end imbalance amount was included in MERC-CON PGA system August 2014 monthly gas costs and will be accounted for as such in MERC's 2015 annual true-up.

MERC--Deer River Error

With respect to the Deer River error, MERC stated:

> After the submittal of its 2014 true-up reports, MERC discovered that approximately 460 gas customer accounts in the Deer River, MN area were incorrectly assigned to the MERC-NNG PGA system from July 2013 to October 2014. Customers in the Deer River area were incorrectly billed MERC-NNG PGA system monthly gas cost rate factors but should have been billed MERC-CON PGA system gas cost rate factors. The incorrect assignment of PGA systems caused these customers in Deer River to be over charged for the cost of gas. This also caused revenues associated with approximately 843,100 therms of gas to be incorrectly included in the 2014 annual true-up for the MERC-NNG PGA system.

> Conversely, the error caused the revenues associated with the approximately 843,100 therms of gas to be incorrectly excluded from the 2014 annual true-up for the MERC-CON PGA system.

MERC--Farm Tap Customer Error

As discussed above, in its July 6, 2015 reply comments, MERC identified another error which affected its LUF calculation and gas charges from Northern Natural Gas for MERC's farm tap customers.

In its July 6, 2015 reply comments, MERC recalculated its LUF percentages, making corrections for the NNG Farm Tap reporting, Deer River Customer PGA assignment, and GLGT metering errors. After adjusting for all three errors, MERC reported revised LUF of a negative 0.21% for the MERC-Consolidated system, and of a negative 0.72% for the MERC-NNG system.

PUC Staff Comment

The description that MERC provided does not appear to "provide a detailed description and calculations explaining this phenomenon and showing the role of transportation customers and sales" as required by the Commission. MERC's description that it has a large percentage of transportation volumes that could affect the LUF calculation is just a repeat of previous statements and does not describe how they might be, or are, affecting the LUF calculation and provides no calculations in either actual or example format showing the role of transportation customers and sales on the LUF calculation.

The Commission may again want to require MERC, in its next AAA Report, to provide a more detailed description <u>and calculations</u> showing how transportation customers and sales might be, or are, affecting the LUF calculation. The Commission may also wish to require MERC to check its LUF calculation before filing and implementing new true-up factors so that it might catch errors before factors are implemented.

Reporting of Contractor Main Strikes and Meter Testing

PUC Staff: Sundra Bender

In its October 11, 2012, Order Accepting Progress Reports and Meter Testing Plans in Docket No. G999/AA-10-885, the Commission required all gas utility companies to file, as part of their annual AAA reports, a schedule reflecting the contractor main strikes during the corresponding annual period billings to at-fault contractors. The Commission required that the schedules reflect the date, party involved, repair cost amount, and gas lost amount for each incident. The Commission also required the utilities to file any updates regarding meter testing within an annual period in their AAA reports starting in 2012.

Contractor Main Strike Reports

The Department stated that all of the gas utilities except GMG filed the required information on contractor main strikes. According to the Department, in response to a Department request, GMG reported that:

> GMG did not sustain any contractor main strikes subsequent to the date of the Commission's approval [October 11, 2012]; and, therefore, there was nothing to bill or include in the AAA report. In the event that GMG's main line is subjected to contractor strikes in the future, GMG will bill the relevant contractor(s) in accordance with the formula approved by the Commission in January, 2014 and will include the requisite information in a AAA filing.[47]

The Department noted that the reports would be more meaningful if the total gas cost charged for main strikes during the period reconciled to the amount in the true-up, and recommended that the Commission require that all the utilities total the gas costs in its report and also provide the allocation of the gas costs credited to each class in its true-up of commodity costs.

Meter Testing Updates

The Department stated that all of the gas utilities except GMG and Great Plains filed the required information with their AAA Reports.

In response to a Department request for an update, GMG responded that GMG's meter testing program has not changed since October 11, 2012, so there has not been any update.

Interstate Gas and CenterPoint Energy also continued their meter testing programs.

On February 12, 2015, Great Plains submitted an update on meter testing. In 2013, Great Plains made several minor modifications to its Gas Meter Testing in Section 7 of Great Plains' Gas Distribution Standards. Great Plains provided the revisions in Attachment A of its February 12, 2015 filing. The Department stated that it reviewed the revisions and confirmed that the revisions did not affect the overall context of the meter testing plan.

MERC stated that it made one change to the timing of its meter testing program that affected the number of meters tested during the AAA period, July 1, 2013 through June 30, 2014. During this period MERC tested 876 meters. In last year's AAA, MERC reported a total of 2,292 meters tested. According to MERC, the difference is attributable to the fact that MERC tested a substantial amount of meters in the first half of 2013, while this year the tests for March through July are currently underway. MERC expects to test approximately the same number of meters in the calendar year 2014 as 2013, but was not able to provide the results of those tests in this AAA period.

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[47] Department Review at page 77.

The Department recommended that the Commission require that MERC's future meter testing reports provide the meter testing results on a calendar year basis starting with the year 2014. In reply comments, MERC agreed to provide future meter testing results on a calendar-year basis.

Xcel Gas stated:[48]

> There were changes commencing January 2014 to the test frequency of some rotary gas meters. The rotary meters with a capacity of 11,000 CFH and less are grouped into 8-year periodic test lots; these meters were previously in a 5-year periodic test lot. Rotary meters with a capacity greater than 16,000 CFH are grouped into 4-year periodic test lots; these meters were previously in an annual periodic test lot. The changes were made since the previous test frequency indicated that the meters are performing accurately.

The Department did not object to Xcel Gas' change to the test frequency of some rotary gas meters, and concluded that the utilities complied with the Commission's Order.

Concerns with Curtailment Non-Compliance

PUC Staff: Bob Brill

Background

After the 2013-2014 heating season, Xcel Gas became concerned when multiple interruptible customers were non-compliant to curtailment orders.[49] Xcel filed a petition in Docket No. G-002/M-14-540 (Docket No. 14-540) requesting that the Commission approve interruptible tariff curtailment language changes, specifically, to change its unauthorized gas penalty from $1 to $5 per therm.[50] Xcel Gas believed these tariff modifications would encourage interruptible customers to be compliant with ordered curtailments.

The Department stated its concerns over Xcel Gas's then effective interruptible tariff provisions where the language did not adequately describe Xcel Gas's policies and procedures on its disconnection of service for unauthorized gas consumption. The Commission Order[51] required Xcel Gas to make a compliance filing proposing its policies and procedures regarding disconnection of service for unauthorized gas consumption.

Xcel Gas made its compliance filing reflecting its proposed interruptible tariff language. In its January 27, 2015 *Comments,* the Department made its tariff language proposal to Xcel Gas. The parties resolved the majority of the issues and developed tariff language addressing the Department's concerns for disconnection of service for unauthorized gas consumption.[52]

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[48] Department Review at page 79.
[49] Certain interruptible customers were non-complaint on multiple occasions.
[50] In its October 17, 2014 Order for Docket No. 14-540, the Commission approved Xcel Gas's proposed non-curtailment penalty of $5 per therm and Xcel Gas updated its tariff.
[51] Dated October 17, 2014 Order.
[52] The Department and Xcel Gas disagreed on the following Department language:

In its March 24, 2015 *Reply Letter*, the Department stated that it would address the issue of interruptible tariff provisions in its May 5, 2015 Annual Automatic Adjustment (AAA) Report. The Department stated that its goal in the AAA Report was to create a consistent policy across all Minnesota (MN) gas utilities regarding unauthorized natural gas consumption by interruptible customers during curtailment periods.[53]

In its May 26, 2015 Order, the Commission approved the Department's March 24, 2015, recommendation to accept Xcel Gas's tariff as modified by the Department with the understanding that further interruptible tariff modifications may be required through its review of Docket No. 14-580 AAA Report.

Department's May 5, 2015 AAA Review

The Department stated that all of MN's regulated natural gas utilities have received prior Commission approval to implement a number of changes to their tariff language that added several provisions on natural gas use curtailments and further introduced penalties to discourage customers from using unauthorized gas during curtailment periods.

When a customer chooses to take service under an interruptible tariff, it accepts the potential of curtailment in return for lower prices.[54] Further, it is important that interruptible customers who do not use the gas system in a responsible manner be held financially accountable.[55]

The Department issued Information Data Requests to each utility seeking information on penalty revenues charged to non-compliant interruptible customers and unauthorized gas usage for the 2013-2014 heating season.

> *"More than one instance of failure to curtail within one year will result in a transfer of the customer from its current interruptible rate class to a firm rate class."*

[53] The Department further stated that the additional information and concerns that Xcel Gas hoped to address in a future filing may be pertinent and helpful to the discussion in the AAA Report; therefore, the Department encouraged Xcel Gas to provide this information in its *Reply Comments* to the Department's AAA Report in Docket No. G999/AA-14-580.

[54] The interruptible customer is not charged the interstate pipeline transportation demand entitlement costs.

[55] Interruptible customers' failure to curtail can jeopardize reliable firm customer's gas service.

Table 1: Comparison of FYE14 Unauthorized Gas Use Penalties for Interruptible Customers to FYE13[56]

Company	FYE13 Unauthorized Gas Use Penalties	FYE14 Unauthorized Gas Use Penalties	Increase
GMG	The Department did not provide data for individual utilities in FYE13.	$0	
Great Plains		$6,721	
Interstate Gas		$37,118	
MERC		$906,705	
CenterPoint		$916,066	
Xcel Gas		$1,384,872	
Total	$17,564	$3,251,482	$3,233,918

The Department attributed the large unauthorized gas use penalty revenue increase to the 2013-2014 heating season where MN experienced its coldest winter in recent history and the TransCanada pipeline incident that shut-off gas supplies from Canada. The Department noted that the unauthorized gas use penalties identified above were returned to firm sales customers as a credit to demand cost in the annual PGA true-up.

Table 2: Comparison of FYE14 Unauthorized Gas Use in Dth to Actual Annual Dth Sold[57]

Company	Unauthorized Gas - Dth	Actual Annual Dth Sold	% of Sales	# of non-compliant interruptible customers
GMG	0	1,030,069	0.00%	0
Great Plains	2,461	4,483,982	0.05%	27
Interstate Gas	3,774	1,841,021	0.21%	26
MERC	44,509	35,275,248	0.13%	200
CenterPoint	69,660	148,449,728	0.05%	700
Xcel Gas	126,590	78,808,906	0.16%	197
Total	246,994	269,888,954	0.09%	1,150

The Department's review determined that the majority of the unauthorized gas use was concentrated to a few customers for Great Plains, Interstate Gas, and Xcel Gas:

- For Great Plains, three customers used 1,506 Dth, or approximately 60%; and
- For Interstate Gas, four customers used 2,097 Dth, or approximately 56%; and
- For Xcel Gas, one customer used over 72,000 Dth, or approximately 57%.[58]

[56] The Department compared the unauthorized gas use penalty to each utility's total gas costs, includes both demand and commodity costs.

[57] The Department noted that Xcel Gas had the most unauthorized gas use by volume, and one of the highest unauthorized gas use by percentage of annual sales; about 197 Xcel Gas's interruptible customers or 44%, did not comply with at least one of the interruptions during the 2013-2014 heating season.

[58] Xcel Gas stated that its representatives were in contact with its interruptible customers throughout the curtailment periods. In the case of this one customer, there was a physical failure of their alternate fuel equipment serving one of

During the 2013-2014 heating season, no utility shut off gas supply to non-compliant interruptible customers for not following a curtailment order. However, all of the MN regulated gas utilities[59] have specific tariff provisions that allow the utility to shut off the interruptible customer's gas supply for curtailment order non-compliance. The Department recognized that no utility suffered any operating system concerns due to the customer's non-compliance to called curtailment. However, the non-curtailment situation speaks to a larger issue about the utilities' tariff provisions regarding non-compliant interruptible customers. For this reason it is important for utilities and customers to follow the utilities' tariff provisions. The Department urged the utilities to be more aggressive with enforcing their tariff provisions when customers do not comply with called curtailments.

The Department concluded that based on interruptible customers behavior during the 2013-2014 heating season, it was apparent that current utility unauthorized gas penalties generally do not provide the proper incentive to encourage customer compliance with called interruptions. To be effective, the penalty charge should be set at a level that is high enough that unauthorized gas use occurs infrequently and should not give customers the opportunity to choose to take unauthorized gas as an economic decision.

As a result of its analysis, the Department recommended:

1. that all utility tariffs, except Interstate Gas, have a provision which gives the utilities the right to revoke interruptible customer class status from habitually non-compliant interruptible customers by discontinuing service or moving the customer to firm service;[60] and

2. that the Commission require MERC to update its Transportation-for-Resale tariff to clarify that the end-use customers for this service are firm customers and cannot be interrupted;

3. The Department further requested that each utility provide discussion on the following:

    a. What anticipated effects would the above recommended change to tariff language have on the utilities' demand entitlements?

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their boilers. Due to the cold temperatures, the equipment was not repaired before the last curtailment period. Xcel Gas also stated that it continuously monitored the gas distribution system throughout the interruptible curtailment periods, and since there was no system impacts due to the customers discussed above, no consideration of shutting off natural gas service was contemplated for this or other customers.

[59] Except for IPL Gas.

[60] Further, the Department recommended that the utilities provide discussion on: 1) non-compliant interruptible customers should be evaluated by the utility after each heating season; 2) Customers that cumulatively take unauthorized gas over a certain threshold, or do not comply with more than one called curtailment, in one heating season be removed from interruptible service and made firm customers as of the following November 1; 3) customers lose interruptible service for at least a year (November 1 through October 31); 4) as a condition for reinstating interruptible service, the customer would be responsible for all costs of reconnection. For utilities that require a back-up system as a condition of service, reconnection costs should include the costs for the utility to physically inspect and test the customer's back up system before interruptible service is reinstated.

b. When should a utility remove a customer from interruptible service? Immediately? The following November 1? A different date?

c. What notice, if any, is required from the utility to give to a customer before moving the customer to a different rate class? If none is required, how should notice be given?

d. What are the specific triggers for a utility to remove a customer from interruptible service? Unauthorized usage over a pre-determined amount of dekatherms? A percentage of winter sales? Non-compliance with called curtailments more than once?

e. How long would a customer be excluded from interruptible service before it could be reinstated into that rate class?

f. What amount should be charged to be reinstated and what types of costs would be included in the charge?

4. that the utilities provide discussion in Reply Comments on the suggested $5.00 per therm penalty and tariff language.

Department Response Comments

In its June 24, 2015 *Response Comments* filed in response to the natural gas utilities *Reply Comments,* the Department ***removed*** its original recommendation that all utility tariff provisions should include the right to revoke interruptible class status from habitually non-compliant interruptible customers by moving the interruptible customer to firm service.

Natural Gas Companies Reply Comments

[Staff note: Because the Department withdrew its original recommendation that all natural gas utilities tariff provisions should include the right to revoke interruptible service class and to move the customer to firm service, PUC staff did not summarize the utilities' *Reply Comments* that were provided in this docket. The Department's concern was stated in the Department's original May 5, 2015 recommendations, items 1 and 3.]

[Staff note: Because the Department and the OAG are now in agreement with what information will be provided in future AAA reports, PUC staff does not discuss the OAG proposed metrics. Also, staff does not summarize the comments filed by CenterPoint, Great Plains, MERC, and Xcel Gas.]

CenterPoint Energy in response to the Department's May 5, 2015 AAA Report

CenterPoint Energy agreed with the Department goal to hold interruptible customers accountable and stated that its tariff provisions already address the Department's concerns.

CenterPoint Energy concluded that with its small quantities of unauthorized gas use, it believes that it has sufficient tariff language to effectively manage non-compliant interruptible customer's unauthorized gas use and that no further action is necessary.

CenterPoint Energy in response to the Department June 24, 2015 Response Comments

CenterPoint Energy agreed with the Department's recommendations, thus, supporting the Department's concerns regarding unauthorized gas use by non-compliant interruptible customers. CenterPoint Energy believed that the Department's recommendation will lead to increased understanding of these issues by all parties.

Great Plains in response to the Department's May 5, 2015 AAA Report

Great Plains stated that it has not experienced a significant level of unauthorized gas use during curtailment periods and even during the extreme conditions of the 2013-2014 heating season Great Plains experienced less than 2,500 dekatherms or 25,000 therms of unauthorized gas usage during interruption periods.

Great Plains believes its existing tariff provisions are sufficient in managing unauthorized gas usage, the provisions: (1) includes a penalty charge of $5 per therm to deter unauthorized gas use; and (2) allow for the manual shut-off a customer's supply of gas in the event of non-curtailment.

Great Plains in response to the Department June 24, 2015 Response Comments

Great Plains appreciated the Department's review and agreed with the Department's recommendations to provide the data requested by the Department in its June 24, 2015 *Response Comments*.

GMG in response to the Department's May 5, 2015 AAA Report

GMG stated that it has not experienced the unauthorized gas use concerns referenced by the Department. The majority of GMG's interruptible customers do not use gas during the heating season. GMG has two interruptible customers that use gas during the heating season, which are area schools, and these interruptible customers have complied with GMG curtailment requests. Therefore, GMG declined to provide responses to the Department's inquiries based on its experience with its interruptible customers.

Interstate Gas in response to the Department's May 5, 2015 AAA Report

The Department's AAA Report did not include comments from Interstate Gas because Interstate Gas's sale of its Minnesota gas assets to MERC has been completed. Interstate Gas has not provided comments.

MERC in response to the Department's May 5, 2015 AAA Report

MERC believes that increasing the unauthorized gas penalty for non-compliance with curtailment orders to $5.00 per therm as proposed by the Department would be effective in reducing non-compliance. Further, MERC believes that the tariff language approved for Xcel Gas, which "reserves the right to discontinue service for such unauthorized use of gas and/or move non-compliant customers to a different rate class," would be sufficient discretion for MERC to evaluate each case.

MERC in response to the Department's June 24, 2015 Response Comments

MERC agreed with the Department's recommendations as set forth in its June 24, 2015 *Response Comments*.[61]

MERC supported the Department's approach to monitor and evaluate the interruptible customers' unauthorized gas use. MERC will reevaluate the effectiveness of the curtailment penalty on unauthorized gas use once the additional data from multiple interruptions is gathered and analyzed.

Xcel Gas in response to the Department's May 5, 2015 AAA Report

Xcel Gas believes that its interruptible tariff language approved in Docket No. 14-540 will appropriately address an interruptible customer's future unauthorized gas use during curtailment periods. Specifically, Xcel Gas believes that the following will address the unauthorized gas use concerns:

1. the increased unauthorized gas penalty charge of $5 per therm;[62] and
2. the approved interruptible tariff language clarification from Docket No. 14-540 where taking unauthorized gas during curtailment periods is a breach of the service terms.[63]

Xcel Gas believes that penalty pricing is an appropriate course of action to address interruptible customers' non-compliance with curtailment requests and will minimize unauthorized gas use. Xcel Gas suggested that the higher penalty should be given the opportunity to succeed, given that Xcel Gas has not experienced an adequate number of heating season curtailments since introducing the higher penalty.[64] [65] Once sufficient data exist on the effectiveness of the higher penalty, Xcel Gas will be in a position to determine if next steps for unauthorized gas use would be needed.[66]

Xcel Gas indicated that if the higher penalty is not a sufficient deterrent for unauthorized customer usage during curtailments, it would be willing to further increase the penalty rate. Despite its

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[61] Specifically, the Department proposed that MERC update its tariff to change its current penalty for unauthorized gas to $50 per Dth ($5 per therm). MERC agreed to propose this tariff change in its upcoming rate case. MERC believes that this higher penalty will encourage customers to comply with curtailment requests and minimize unauthorized gas usage.

[62] In Docket No. 14-540, the Commission approved Xcel's proposed penalty change from $1 per therm to $5 per therm.

[63] Further, the Commission approved proposed tariff changes that address how curtailment notifications are made and a new procedures that define how and when interruptible customers will be temporarily disconnect the customer's service, approval for customer notification methods, meter data querying, and eventual disconnection and meter locking if unauthorized use persists.

[64] During the 2014-2015 heating season, Xcel Gas observed individual customers use less unauthorized gas, but could not determine whether the driving factor was the increased penalty, milder weather, or other reasons cannot be determined at this time.

[65] Xcel Gas believes that the penalty pricing mechanism does not cause a significant impact on its system operations, such as disruption to existing customer contracts, its demand entitlement contracting, no additional facilities construction, and does not require extensive billing system modifications.

[66] Xcel Gas stated that it would like to experience at least two more heating seasons with curtailment requests before determining how effective the increased penalty rate has been on its system.

strong preference for the pricing mechanism, Xcel Gas will continue to explore other alternatives, including those suggested by the Department.

Xcel Gas in response to the Department's June 24, 2015 Response Comments

Xcel Gas supported the Department's approach to annually review information on interruptible customer curtailment compliance and penalty pricing effectiveness as reflected in the Department's June 24, 2015 *Response Comments*.[67]

OAG

In its June 26, 2015 Comments, the OAG discussed the possibility of developing a non-compliance performance metric with the intent that natural gas utilities could use this information to better manage their called curtailments. In its July 22, 2015 *Letter*, the OAG stated that after reviewing the Department's response and discussing the matter with the Department, the OAG agreed that the information requested by the Department is a reasonable starting point for improving curtailment performance metrics.[68]

PUC staff believes that the Department and the OAG are now in agreement on the information that future AAA reports should include, thus, staff does not discuss the OAG metrics proposal to which MERC, Great Plains, Xcel Gas, and CenterPoint Energy negatively responded.

For further OAG discussion, see staff analysis below.

Staff Analysis

In its July 16, 2015 *Supplemental Response Comments*, the Department recommended that the Commission require GMG to file a miscellaneous docket to update its tariff to include a $5 per therm unauthorized gas curtailment penalty. [69] Further, that the Commission require MERC, in its next general rate case,[70] to update its unauthorized gas penalty tariff from a $20/Dth penalty ($2 per therm) to a $50/Dth penalty ($5 per therm).[71]

The Department recommended that the Commission require all MN regulated gas utilities to provide information on unauthorized gas use in their next three AAA Reports (2014-2015, 2015-2016, and 2016-2017 reports). For each customer that did not comply with a called interruption(s) during the heating season, the Department requested that the utility provide:

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[67] Xcel Gas continued to believe that penalty pricing is a superior solution to address unauthorized gas use, and urged the Commission to allow appropriate time to observe and analyze the impact of its increased unauthorized gas penalty on customer behavior.

[68] The OAG believes that while the data requested in the OAG's June 26, 2015 Comments would allow additional analysis beyond what the Department has requested; the information requested by the Department will allow parties to begin making improvements in the way curtailment performance is reviewed.

[69] GMG did not file an extension or comments on July 6, 2015, so the Department assumed that GMG does not object to this recommendation.

[70] Currently scheduled for September 2015.

[71] MERC agreed to the Department's proposal.

a. the volume of gas consumed by the non-compliant customer during the curtailment period; and
b. the specific commodity rate charged for the unauthorized gas used and how that rate is determined; and
c. the financial penalty, if any, assessed by the utility on the customer. Please include calculations in determining the penalty or penalties; and
d. a discussion about utility communications with each customer regarding noncompliance with interruptions (excluding invoices).

The Department noted that Great Plains, MERC, CenterPoint Energy, and Xcel Gas have agreed to provide this information in future AAA Reports. (GMG has not.)

PUC staff generally agrees with the Department's recommendations, but staff does provide additional discussion. The following table provides a summary of all MN natural gas utilities' unauthorized gas penalties and other penalties used by certain utilities that provide additional punitive penalties for non-compliant interruptible customers.

Table 3: Summary of MN Natural Gas Utilities Unauthorized Gas Penalties Provisions:

Company	Current Penalty in therms	Other Penalties
GMG	$0.00	
Great Plains	$5.00	
MERC[72]	$2.00	
CenterPoint	$1.00 first occurrence $2.00 for subsequent occurrences	non-compliant customers will be charged the highest incremental cost of gas for the day
Xcel Gas	$5.00	

PUC staff believes that curtailment order non-compliance is a serious operational concern that many MN natural gas utilities faced in the 2013-2014 heating season when MN faced the coldest winter in recent history. Prior to the 2013-2014 heating season, many if not all MN natural gas utilities, had not curtailed interruptible customers for many years. PUC staff is of the opinion when natural gas utilities are non-compliant to a curtailment order, the natural gas utility could incur severe operational difficulties that could possibly affect the firm customers reliability. Staff further believes that a natural gas utility will only issue a curtailment order when dire circumstances exist, thus it is important that interruptible customers curtail when ordered.

The primary reason why customers choose to contract for interruptible services is to receive a lower rate than the traditional firm customer. But, in exchange for the lower rate, these customers

[72] The Interstate Gas customers have been consolidated into MERC's operating system.

agree to service interruptions when the natural gas utility deems it necessary to maintain firm customer system reliability.[73]

Generally, the majority, if not all, interruptible customers have auxiliary fuel sources that meet the customer's energy needs during curtailment periods, i.e. dual-fuel customer. The Department suggested that the Commission may wish to require utilities to inspect these duel-fuel facilities to ensure that the facilities are in good working order. PUC staff believes that this facilities review is the interruptible customer's responsibility because the gas utility may not have the necessary expertise to evaluate all interruptible customers' duel-fuel facilities.[74]

PUC staff appreciated all parties' work and the Department's effort to have a similar tariff platform across all MN natural gas utilities for unauthorized gas use. As pointed out in the staff analysis of Docket No. 14-540, PUC staff continues to believe that the Department's proposal for common tariff language across all MN gas utilities has merit, but it may be difficult to develop common tariff language because of the different system operations of each MN natural gas utility.

In its July 7, 2015 *Reply Comments* in response to the Department's June 24, 2015 *Response Comments*, CenterPoint Energy points out that while a common language and a "bright line test" among utilities sounds good, it is impractical due to the operational differences among utility systems and could lead to more problems than pro-actively engaging with customers to determine root causes and solutions.

PUC staff believes that some level of tariff standardization can be applied to each utility's curtailment tariff provisions, i.e. unauthorized gas penalties and certain tariff language for non-compliant interruptible customers.

Non-complaint Interruptible Customer Unauthorized Gas Penalty

Customer decisions are often driven by economic factors where other alternative energy sources are more expensive than taking the unauthorized gas plus the penalty charge during curtailment periods. PUC staff believes that interruptible customers are not entitled to use the utility's system during curtailment periods.

In Docket No. 14-540, the Department concluded that a penalty charge should be set at a level that is punitive enough that unauthorized use is eliminated or only occurs infrequently. The Department's analysis compared the price of natural gas (including the unauthorized gas penalty) to the cost of alternative fuel sources.[75] The Department believed the proposed $5 per therm

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[73] It is important to remember the gas utility's demand entitlements are acquired to provide firm service during peak-day events and these associated demand entitlement costs are paid by these firm customers.

[74] In the case of interruptible critical needs customers, for example, hospitals, nursing homes, schools, etc., some utilities requires these customers that choose interruptible service to provide an annual certification letter that their alternate or back-up fuel arrangements are maintained and in working order.

[75] The Department noted that its analysis did not take into consideration non-monetary reasons for choosing not to curtail, i.e. ancillary costs involved with fuel switching.

penalty was reasonable since it brings the cost of unauthorized gas above other energy alternatives.[76]

In its AAA Report, the Department suggested that the unauthorized gas use penalty for all occurrences could be raised to $5.00 per therm. The Department recommended that GMG should be required to file a miscellaneous petition updating its tariff to state the $5 per therm unauthorized gas penalty. MERC should address the $5 per therm unauthorized penalty in its next rate case. Great Plains and Xcel Gas currently have $5.00 per therm unauthorized gas penalties included in their tariffs.

In its June 26, 2015 *Comments*, the OAG suggested that natural gas utilities need to have proper penalties in effect to discourage interruptible customers from using unauthorized gas during curtailment periods.

CenterPoint Energy disagreed that a $5.00 per therm penalty is appropriate, in light of its current tariff structure. CenterPoint Energy's tariff explicitly states that a non-compliant customer will be charged the highest incremental cost of gas for the day in addition to its current unauthorized gas penalty. CenterPoint Energy stated that depending on the prevailing price of gas during the curtailment, this level of penalty could be more severe than the $5.00 per therm penalty. The Department did not recommend that CenterPoint Energy file in its next rate case, a similar petition to GMG or MERC updating CenterPoint Energy's unauthorized gas penalty from $1 per therm (2nd offense is $2 per therm) to the Department's proposed $5 per therm penalty.

CenterPoint Energy believes its current tariff provisions are adequate to deter unauthorized gas use by interruptible customers. CenterPoint Energy not only charges the non-compliant interruptible customer its unauthorized gas penalty, as reflected in Table 3, but also charges the non-compliant interruptible customer the highest incremental cost of gas for that day.

Even though the Department did not recommend that CenterPoint Energy update its tariff, the Commission may wish to require CenterPoint Energy to update its tariff to reflect the $5 per therm unauthorized gas penalty to be consistent with the other utilities. PUC staff believes that increasing the unauthorized gas penalty to $5 per therm will make it uneconomical for interruptible customers to use unauthorized gas during curtailment periods across all MN natural gas utilities. Further, staff believes that the increased unauthorized gas penalty should be given the opportunity to work before requiring each natural gas utility to attempt to develop a workable performance metric (as recommended by the OAG) to (1) evaluate the effectiveness of the curtailment provisions in the utilities' tariffs, (2) gauge interruptible customers compliance to curtailment orders, and (3) the utilities administration of the curtailment provisions in their tariffs.

Staff recognizes that CenterPoint's approach of using a penalty combined with charging a relatively high unit price for the cost of gas appears to have worked satisfactorily over the past 15 to 20 years. The Commission needs to decide whether more uniformity amongst the Minnesota gas utilities would be a more effective way to control unauthorized gas use or not.

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[76] For the Department's analysis, see its August 4, 2014 Comments in Docket No. 14-540, pp. 2-4 and the Department Attachments 1-3

Additional Non-compliant Interruptible Customer Unauthorized Gas Penalties

As its tariff provisions state, CenterPoint Energy, in addition to its unauthorized gas penalty, charges its non-compliant interruptible customers the highest incremental cost of gas during that day. This means that non-compliant interruptible customers not only pay the unauthorized gas penalty, but an additional and often substantial amount through CenterPoint Energy's cost of gas penalty. CenterPoint Energy stated that this amount could exceed $50 per Dth, as happened in the 2013-2014 heating season. CenterPoint Energy is the only natural gas utility that currently has this cost of gas unauthorized gas penalty in its tariff provisions.

PUC staff believes that the Commission may wish to require ***all*** MN natural gas utilities to update their tariff provisions to include this additional unauthorized gas penalty. This additional unauthorized penalty would provide an additional level of assurance that interruptible customers will be compliant when a utility issues a curtailment order.

Interruptible Tariff Language

In Docket No. 14-540, the Commission Orders approved certain tariff language enhancements to Xcel Gas's existing tariff. PUC staff believes that the enhanced tariff language tightened Xcel Gas's existing tariff thus providing additional assurance that interruptible customers will be compliant to a curtailment order.

The Commission approved the following tariff language in its October 17, 2014 Order. The tariff language provided Xcel Gas stronger tariff language for non-compliant interruptible customers who fail to curtail by clearly stating in the tariff Xcel Gas's right to disconnect non-compliant customers.

> *The payment of a penalty shall not, under any circumstances, be considered as giving the customer the right to take unauthorized gas. Nor shall such payment be considered to exclude or limit any other remedies available to the Company, including, but not limited to, shutting off customer's supply of gas in the event of customer's failure to curtail, interrupt, or restrict the use thereof when requested by Company to do so.*
>
> *An interruptible customer's unauthorized use of gas during an interruption is a breach of the terms of service. Xcel Energy reserves the right to discontinue service for such unauthorized use of gas and/or move noncompliant customers to a different rate class. If an interruptible customer's service is reconnected following a breach of the terms of service or unauthorized use of gas, the customer will reimburse the company for the cost of reconnection.*

The Commission's Order further required Xcel Gas to make a compliance filing within 30 days stating Xcel's proposed policies and procedures regarding disconnection of service for unauthorized gas consumption and to include a draft tariff that illustrates this policy. Xcel Gas made its compliance filing on November 17, 2014. The Department later filed its proposal for this tariff language and the parties agreed on the final tariff language.

The Commission approved the following agreed upon tariff language[77] in its May 26, 2015 Order so that Xcel Gas's disconnection policies and practices are included in Xcel Gas's tariff.

Included on all Interruptible Tariff Sheets:

> *Curtailment notifications will be made to customer-provided notification devices (e.g. phone, email, text message, fax, or pager) a minimum of one hour prior to the curtailment start. Notifications identifying the end of the curtailment period will be made to interruptible gas customers in the same manner.*
>
> **Policies and Procedures – Disconnection of Service for Unauthorized Gas Consumption**
>
> *When the Company enters a system critical condition, the Company will begin the procedure to temporarily disconnect customers who have not curtailed their usage in response to the original curtailment notification. Once the system critical condition period begins, the Company will query customers' meter data to identify any customers failing to curtail, interrupt, or otherwise restrict usage. Should current meter data be unavailable, crews will be dispatched to check meters in order of highest to lowest estimated usage.*
>
> *Company's Customer Account Representatives shall call customers initially failing to curtail to ensure customer is aware that a curtailment has been implemented and that continued use will result in customer's meter being locked. If unauthorized use continues, crews will be dispatched (if not already on site) to disconnect service by locking the meter.*
>
> *Once system curtailment is released, crews will be dispatched to reconnect service by unlocking meters.*

PUC staff believes that this is an instance where common tariff language could be incorporated into ***all*** natural gas utilities tariff provisions, if such language does not already exist. PUC staff is of the opinion that the Commission may wish to direct all natural gas utilities (except Xcel Gas) to review their current tariff provisions for comparable tariff language and if such language does not exist, require all natural gas utilities to make a compliance filing either incorporating such language into their tariff within 30 days after the Commission Order is issued or explaining why they should not.

OAG's concerns over Demand Entitlements and Associated Costs

In the OAG's June 26, 2015 Comments, the OAG stated that it was concerned with the amount of unauthorized gas that is being consumed by interruptible customers during curtailment periods. Further, the OAG was concerned that the interruptible customers' unauthorized gas volumes could inadvertently be included in the natural gas utility's calculation of its design- and peak-day

[77] Between the Department and Xcel Gas as result of discussion between the parties.

demand entitlement requirements. Further, interruptible customers who do not interrupt when a curtailment order is issued can cause at least three problems:

- non-compliant interruptible customers can cause system reliability issues; and
- non-complaint interruptible customers receive reduced rates during curtailments; and
- future peak-day forecasting calculation can be impacted by non-compliant interruptible customers.

In its July 7, 2015 Reply Comments, Great Plains stated it does not agree with the OAG assumption that interruptible customer's unauthorized gas use will lead to increased demand entitlement contract levels and additional costs because all interruptible customer usage is removed from its design-day calculations.[78]

In its July 6, 2015 Reply Comments, CenterPoint Energy stated that its design-day demand forecast is based on the historical usage data of firm customers only. Usage by interruptible customers is not included in the data and has no impact on CenterPoint Energy's design-day forecast; or in its interstate pipeline demand entitlements and associated costs.[79]

PUC believes that at this point in time, no Minnesota natural gas utility includes any interruptible customer volumes in its design-day design.

OAG's Comments on Customer Outreach and Communication Programs

In its July 26, 2015 *Comments*, the OAG further suggested that natural gas utilities should attempt to influence non-compliant interruptible customers through outreach and better communication.

CenterPoint Energy stated that it communicates each fall with its dual-fuel customers about curtailment procedures and tariffed penalties for non-compliance, including the right to shut off service.[80] CenterPoint Energy believes that the root causes regarding why interruptible customers are non-compliant needs to be explored before decisions are unilaterally made. Engaging customers in discussions regarding their reasons for non-compliance with a curtailment request can clear up misunderstandings and achieve resolutions with customers that achieve future compliance.

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[78] Further, Great Plains believes that compliance with interruption requests is important from a fairness and reliability standpoint. Great Plains will disconnect any non-complaint interruptible customer's service in order to maintain system reliability.

[79] Further CenterPoint Energy points out that compliance with interruption requests by the interruptible customers is important to ensure system reliability; however, in only the most unique circumstances would non-compliance by an individual interruptible customer, or even a number of small individual interruptible customers, jeopardize its firm customers reliability. Those unique circumstances are generally location-specific (e.g., a large interruptible customer on a relatively small segment of the distribution system with limited supply points) and are managed through a higher level of communication with the customer.

[80] CenterPoint Energy encourages its interruptible customers to have a curtailment plan that includes updating its curtailment contact information, conducting maintenance checks of its back-up equipment, training of operators, and arranging for alternate fuel supply. In addition, CenterPoint Energy annually sends out a request to interruptible customers to update their curtailment contacts.

Great Plains agreed with the OAG that each utility should use customer outreach and communication and the appropriate unauthorized gas penalties to increase curtailment compliance.

PUC staff further believes that the majority of MN natural gas utilities have and use outreach and communication programs, but the Commission may wish to require ***all*** MN natural gas utilities to develop such programs, if the utility has not already developed such a program, and have ***all*** natural gas utilities report the results of such programs in their next next three AAA reports.

Commission Decision Alternatives

All Commission Regulated Natural Gas Utilities

1. Accept the FYE14 annual reports as filed by the gas utilities as being complete as to Minnesota Rules 7825.2390 through 7825.2920. (See staff briefing papers, p. 2)

2. Require each utility that hedges (including physical and financial) to continue to provide a post-mortem analysis, in a format similar to what was provided in this docket, in subsequent AAA filings. (See staff briefing papers, pp. 27-29)

3. Require that in future AAA Reports, each of the utilities total the gas costs in its Contractor Main Strikes Report and also provide the allocation of the gas costs credited to each class in its true up of commodity costs. (See staff briefing papers, p. 34)

4. Require that, for the next three AAA Reports (2014-2015, 2015-2016, and 2016-2017 reports), all Minnesota regulated natural gas utilities provide the following information on unauthorized gas use for each customer that did not comply with a called interruption(s) during the heating season: (See staff briefing papers, pp. 35-49)

    a. The volume of gas consumed by the non-compliant customer during the curtailment period;

    b. The specific commodity rate charged for the unauthorized gas used and how that rate is determined;

    c. The financial penalty, if any, assessed by the company on the customer, and include calculations in determining the penalty or penalties; and

    d. A discussion about utility communication with each customer regarding non-compliance with interruptions (excluding invoices).

5. $5.00 per therm curtailment penalties (See staff briefing papers, pp. 35-49)

    a. Greater Minnesota Gas (GMG) – Require GMG to make a miscellaneous filing, in a new docket, to update its tariff to include a $5.00 per therm curtailment penalty.

    b. Minnesota Energy Resources Corporation (MERC) - Require MERC, in its next general rate case, to update its tariff from a $20 per dekatherm curtailment penalty to a $50 per dekatherm penalty; and

       Require MERC, in its next general rate case, to update its Transportation-for-Resale tariff to clarify that the end-use customers for this service are firm customers and cannot be interrupted.

   c. CenterPoint Energy - Require CenterPoint Energy to file a petition, in its 2015 rate case or in a new docket, to update its tariff to reflect a $5 per therm unauthorized gas use penalty. [Staff added decision alternative]

6. Additional Interruptible Customer Unauthorized Gas Penalties [Staff added decision alternatives] (See staff briefing papers, pp. 35-49)

   a. Require ***all*** MN natural gas utilities to update their tariff provisions to include CenterPoint Energy's additional unauthorized gas penalty - charging the non-compliant interruptible customer the highest incremental cost of gas during that day or explain why they should not be required to do so.

   b. Take no action.

7. Interruptible Tariff Language [Staff added decision alternatives] (See staff briefing papers, pp. 35-49)

   a. Direct all natural gas utilities (except Xcel Gas) to review their current tariff provisions for comparable tariff language approved in Docket No. 14-540 for Xcel Gas, and if such language does not exist, require ***all*** natural gas utilities to make a compliance filing incorporating such language into their tariffs within 30 days after the Commission Order is issued or explain why they should not be required to do so.

   b. Take no action.

8. Customer Outreach and Communication programs [Staff added decision alternatives] (See staff briefing papers, pp. 35-49)

   a. Require ***all*** MN natural gas utilities to develop a Customer Outreach and Communication Program, if the utility has not already done so, and have ***all*** natural gas utilities report the program results in the next three annual AAA reports or explain why they should not be required to do so.

   b. Take no action.

Greater Minnesota Gas (GMG)

9. Greater Minnesota Gas (GMG) (See staff briefing papers, p. 5)

   a. Accept GMG's FYE14 true up as filed in Docket No. G022/AA-14-728; and

   b. Allow GMG to implement its true up, as shown in DOC Attachment G5 of the Department's May 5, 2015, *Review of the 2013-2014 Annual Automatic Adjustment Reports*.

Great Plains

10. Great Plains
    (See staff briefing papers, pp. 5-9)

    a. Grant Great Plains variances, as necessary and justified, to Minn. Rules 7820.4000 (for FYE14) and 7825.2700, Subp. 7 (for FYE15); [Staff provided option] and

        i. Accept Great Plains' FYE14 true-ups as filed in Docket No. G004/AA-14-749; and

        ii. Allow Great Plains to implement its true ups, as shown in DOC Attachments G6a and G6b of the Department's May 5, 2015, *Review of the 2013-2014 Annual Automatic Adjustment Reports*; and

        iii. Require Great Plains to describe and report each of the FYE14 corrections as a separate line item to the beginning balance of the demand cost of gas in its September 1, 2015 true-up.

        OR

    b. Do not grant Great Plains variances to Minn. Rules 7820.4000 (for FYE14) and 7825.2700, Subp. 7 (for FYE15); and [Staff provided alternatives]

        i. Reject Great Plains' FYE14 true-ups as filed in Docket No. G004/AA-14-749; and

        ii. Require Great Plains to correct its FYE14 true-ups and issue individual customer surcharges and credits according to Minn. Rule 7820.4000.

    c. Require Great Plains to request that its auditor to include as part of the true-up audit, the assignment of costs between PGA systems. [Staff provided option]

Interstate Gas

11. Interstate Gas
    (See staff briefing papers, p. 10)

    a. Accept Interstate Gas' true-up filing in Docket No. G001/AA-14-742; and

    b. Allow Interstate Gas to implement its true up, as shown in DOC Attachment G7 of the Department's May 5, 2015, *Review of the 2013-2014 Annual Automatic Adjustment Reports*.

Minnesota Energy Resources Corporation (MERC)

12. Minnesota Energy Resources Corporation (MERC)
    (See staff briefing papers, pp. 10-18)

    a. Grant MERC variances, as necessary and justified, to Minn. Rules 7825.2920, Subp. 2 and 7820.4000, and:

       i. Accept MERC- NNG's true-up filing in Docket No. G011/AA-14-755; and

       ii. Allow MERC-NNG to implement its true-up as shown in DOC Attachment G8 of the Department's May 5, 2015, *Review of the 2013-2014 Annual Automatic Adjustment Reports*; and

       iii. Accept MERC-Consolidated's FYE14 true-up as filed in Docket No. G011/AA-14-754; and

       iv. Allow MERC-Consolidated to implement its true-up as shown in DOC Attachment G9 of the Department's May 5, 2015, *Review of the 2013-2014 Annual Automatic Adjustment Reports*; and

       v. Grant MERC a variance to Minn. Rule 7825.2700, subp. 7 (for the FYE15 true-up); and

       vi. Allow MERC to adjust the September 1, 2015 true-up balance for its MERC-NNG classes that were undercharged due to the system assignment error, and the farm tap customer error in payments to NNG, by MERC; and

       vii. Allow MERC to adjust the September 1, 2015 true-up balance for its MERC-Consolidated classes that were overcharged the system assignment error by MERC

       OR

    b. Do not grant variances to Minn. Rules 7825.2920, Subp. 2 and 7820.4000, and: [Staff provided alternatives]

       i. Reject MERC- NNG's true-up filing in Docket No. G011/AA-14-755; and

       ii. Require MERC correct its NNG true-up filing and to surcharge those customers who were undercharged during the true-up factor implementation period; and

       iii. Reject MERC-Consolidated's FYE14 true-up as filed in Docket No. G011/AA-14-754; and

iv. Require MERC correct its Consolidated true-up filing and to issue bill credits or refunds to those customers who were over-charged during the true-up factor implementation period.

c. Require MERC to request that its auditor include as part of the true-up audit, the allocations between PGA systems.

13. MERC's Meter Testing Reporting
(See staff briefing papers, pp. 33-35)

a. Require MERC to provide its meter testing results on a calendar year basis starting with the year 2014.

14. MERC's Negative LUF Calculations
(See staff briefing papers, pp. 29-33)

a. Require MERC, in Docket No. G999/AA-15-612, to provide a more detailed description and calculations showing how transportation customers and sales might be, or are, affecting the LUF calculation. [Staff provided option]

b. Require MERC to check its LUF calculation before filing and implementing new true-up factors so that it might catch errors before factors are implemented. [Staff provided option]

c. Take no action.

CenterPoint Energy

15. CenterPoint Energy
(See staff briefing papers, p. 19)

a. Accept CenterPoint Energy's FYE14 true up, Docket No. G008/AA-14-752; and

b. Allow CenterPoint Energy to implement its true up, as shown in DOC Attachment G10 of the Department's May 5, 2015, *Review of the 2013-2014 Annual Automatic Adjustment Reports*.

Xcel Gas

16. Xcel Gas
(See staff briefing papers, pp. 20-24)

a. Accept Xcel Gas' FYE14 true-up, Docket No. G002/AA-14-736; and

b. Allow Xcel Gas to implement its true up, as shown in DOC Attachment G11 of the Department's May 5, 2015, *Review of the 2013-2014 Annual Automatic Adjustment Reports*.

c. Grant Xcel a short term extension to use the accounting treatment under Capacity Utilization Program in the five instances after expiration of the three-year pilot program.

d. Approve Xcel Gas' Capacity Utilization Program as a permanent program; and

   i. Require Xcel Gas to report the two categories of capacity sharing transactions – those used to not curtail interruptible customers and other transactions that benefit the whole system for the Capacity Utilization Program; and

   ii. Require Xcel Gas to continue to report on the transactions related to the Capacity Utilization Plan annually in its AAA Report and include both the gas and electric transactions.

OR

e. Defer consideration of Xcel Energy's Capacity Utilization Program as a permanent program to Docket No. E,G002/M-15-618; [Staff added decision alternative] and

f. Grant Xcel an extension of time to use the accounting treatment under the Capacity Utilization Program from the date the pilot program ended through the date of the Commission Order in Docket No. E,G002/M-15-618. [Staff added decision alternative.]

Concluding Comment

On many of the above alternatives, the Commission also has the alternative of rejecting or taking no action. For brevity, these were not specifically listed as alternatives in each case. Also, for the Commission's benefit, staff has added a number of decision alternatives that were not recommended by any party and are not necessarily staff recommendations.

AVERAGE RESIDENTIAL BILLS ANALYSIS
ATTACHMENT G13 (SUPPORTING GRAPH 1, TABLE G4 AND TABLE G7)
July 1, 2013 - June 30, 2014

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
		2012-2013	2013-2014			2012-2013	2013-2014			2012-2013	2013-2014			2012-2013	2013-2014		
Company	Tariff Rate Designation	Annual Customer Charge ($)	Annual Customer Charge ($)	$ Diff (2) - (1)	% Diff (3)/(1)	Average Combined Commodity and Demand Charges ($/Mcf)	Average Combined Commodity and Demand Charges ($/Mcf)	$ Diff (6) - (5)	% Diff (7)/(5)	Average Non-Gas Commodity Margin ($/Mcf)	Average Non-Gas Commodity Margin ($/Mcf)	$ Diff (10) - (9)	% Diff (11)/(9)	Average True-Up ($/Mcf)	Average True-Up ($/Mcf)	$ Diff (14) - (13)	% Diff (15)/(13)
Greater Minnesota Gas	RS-1	$102.00	$102.00	$0.00	0.00%	$4.6262	$6.0543	$1.4281	30.87%	$4.4433	$4.4433	$0.0000	0.00%	$0.0668	$0.0445	($0.0224)	-33.49%
Great Plains North	N60	$78.00	$78.00	$0.00	0.00%	$5.6699	$6.3993	$0.7294	12.86%	$1.7602	$1.7864	$0.0262	1.49%	$0.5810	$0.4645	($0.1165)	-20.06%
Great Plains South	S60	$78.00	$78.00	$0.00	0.00%	$4.6536	$5.4795	$0.8259	17.75%	$1.3762	$1.4024	$0.0262	1.90%	$0.1977	$0.0756	($0.1221)	-61.77%
Interstate Gas	010	$60.00	$60.00	$0.00	0.00%	$4.8527	$5.8062	$0.9535	19.65%	$1.9769	$1.9769	$0.0000	0.00%	$0.2228	($0.1491)	($0.3718)	-166.91%
MERC-CON	3H801/3HS01	$99.36	$108.55	$9.19	9.25%	$4.8096	$5.4168	$0.6072	12.63%	$2.1972	$2.1022	($0.0949)	-4.32%	$0.0657	($0.2572)	($0.3228)	-491.72%
MERC-NNG	301 / 2HS012HS	$98.58	$108.55	$9.97	10.11%	$5.2945	$6.2139	$0.9194	17.37%	$1.9586	$2.1022	$0.1437	7.34%	$0.1900	($0.0033)	($0.1934)	-101.75%
CenterPoint Energy	Residential	$96.00	$99.51	$3.51	3.66%	$4.3258	$5.4134	$1.0875	25.14%	$1.7841	$2.0034	$0.2194	12.30%	$0.1774	$0.0330	($0.1443)	-81.38%
Xcel Gas	101	$108.00	$108.00	$0.00	0.00%	$4.4095	$5.4210	$1.0115	22.94%	$1.8591	$1.8591	$0.0000	0.00%	$0.1121	($0.0048)	($0.1169)	-104.28%
MN NON-WEIGHTED AVERAGE		$91.71	$92.83	$1.12	1.22%	$4.70	$5.78	$1.0741	22.85%	$2.13	$2.21	$0.0822	3.87%	$0.1569	$0.0254	($0.1315)	-83.81%

AVERAGE RESIDENTIAL BILLS ANALYSIS
ATTACHMENT G13 (SUPPORTING GRAPH 1, TABLE G4 AND TABLE G7)
July 1, 2013 - June 30, 2014

		(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
		2012-2013	2013-2014			2012-2013	2013-2014			2012-2013	2013-2014			2012-2013	2013-2014		
Company	Tariff Rate Designation	Average Total Cost of Gas ($/Mcf) (6)+(10)+(14)	Average Total Cost of Gas ($/Mcf) (6)+(10)+(14)	$ Diff (18) - (17)	% Diff (19)/(17)	Average Use (Mcf)	Average Use (Mcf)	Mcf Diff (22) - (21)	% Diff (23)/(21)	Total Average Customer Use (Mcf)	Total Average Customer Use (Mcf)	Mcf Diff (26) - (25)	% Diff (27)/(25)	Average Number of Customers	Average Number of Customers	Customer Diff (30) - (29)	% Diff (31)/(29)
Greater Minnesota Gas	RS-1	$9.1364	$10.5420	$1.4057	15.39%	7.43	8.32	0.88	11.88%	89.20	99.80	10.60	11.88%	4,314	4,643	329.33	7.63%
Great Plains North	RS-1	$8.0111	$8.6502	$0.6391	7.98%	6.98	7.58	0.60	8.60%	83.70	90.90	7.20	8.60%	8,077	8,120	43.17	0.53%
Great Plains South	RS-1	$6.2276	$6.9575	$0.7300	11.72%	6.55	7.13	0.58	8.78%	78.60	85.50	6.90	8.78%	9,904	9,937	33.83	0.34%
Interstate Gas	511	$7.0524	$7.6341	$0.5817	8.25%	7.56	8.53	0.98	12.94%	90.67	102.40	11.73	12.94%	9,303	9,308	4.83	0.05%
MERC-CON	GS	$7.0724	$7.2618	$0.1895	2.68%	7.75	8.40	0.66	8.48%	92.95	100.84	7.88	8.48%	35,678	28,479	(7,199.25)	-20.18%
MERC-NNG	GSTP	$7.4431	$8.3128	$0.8697	11.69%	7.41	8.48	1.07	14.45%	88.87	101.71	12.84	14.45%	144,716	162,682	17,966.17	12.41%
CenterPoint Energy	Residential	$6.2873	$7.4498	$1.1626	18.49%	7.84	8.80	0.96	12.22%	94.10	105.60	11.50	12.22%	745,201	752,407	7,206.00	0.97%
Xcel Gas	Res	$6.3807	$7.2753	$0.8946	14.02%	7.56	8.49	0.92	12.20%	90.78	101.85	11.07	12.20%	404,673	407,523	2,849.25	0.70%
MN NON-WEIGHTED AVERAGE		$6.9856	$8.0105	$1.0248	14.67%	7.37	8.21	0.85	11.51%	88.40	98.57	10.18	11.51%	137,085	172,888	35,802.34	26.12%

Prepared by the Minnesota Department of Commerce, Division of Energy Resources

AVERAGE RESIDENTIAL BILLS ANALYSIS
ATTACHMENT G13 (SUPPORTING GRAPH 1, TABLE G4 AND TABLE G7)
July 1, 2013 - June 30, 2014

		(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)
		2012-2013	2013-2014			2012-2013	2013-2014			2012-2013	2013-2014		
Company	Tariff Rate Designation	Average Total Monthly Bill ($) [(2)/12]+[(18)*(22)]	Average Total Monthly Bill ($) [(2)/12]+[(18)*(22)]	$ Diff (34) - (33)	% Diff (35)/(33)	Average Total Annual Bill ($) (2)+[(18)*(26)]	Average Total Annual Bill ($) (2)+[(18)*(26)]	$ Diff (38) - (37)	% Diff (39)/(37)	Average Total Annual Bill at 140 Mcf/Year ($) (1)+[(18)*140]	Average Total Annual Bill at 140 Mcf/Year ($) (1)+[(18)*140]	$ Diff (42) - (41)	% Diff (43)/(41)
Greater Minnesota Gas	RS-1	$76.41	$96.17	$19.76	$0.26	$916.96	$1,154.10	$237.13	$0.26	$1,381.09	$1,577.89	$196.79	$0.14
Great Plains North	RS-1	$62.38	$72.03	$9.65	$0.15	$748.53	$864.30	$115.77	$0.15	$1,199.56	$1,289.03	$89.47	$0.07
Great Plains South	RS-1	$47.29	$56.07	$8.78	$0.19	$567.49	$672.87	$105.38	$0.19	$949.86	$1,052.05	$102.19	$0.11
Interstate Gas	511	$58.29	$70.15	$11.86	$0.20	$699.44	$841.75	$142.31	$0.20	$1,047.33	$1,128.77	$81.44	$0.08
MERC-CON	GS	$63.06	$70.07	$7.00	$0.11	$756.75	$840.80	$84.05	$0.11	$1,089.49	$1,125.21	$35.72	$0.03
MERC-NNG	GSTP	$63.34	$79.50	$16.17	$0.26	$760.03	$954.04	$194.02	$0.26	$1,140.61	$1,272.34	$131.73	$0.12
CenterPoint Energy	Residential	$57.30	$73.85	$16.55	$0.29	$687.63	$886.22	$198.59	$0.29	$976.22	$1,142.48	$166.27	$0.17
Xcel Gas	Res	$57.27	$70.75	$13.48	$0.24	$687.22	$848.98	$161.75	$0.24	$1,001.30	$1,126.54	$125.24	$0.13
MN NON-WEIGHTED AVERAGE		$59.11	$73.57	$14.46	24.47%	$709.34	$882.88	$173.55	24.47%	$1,069.70	$1,214.29	$144.59	13.52%