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September 9, 2016

VIA ELECTRONIC FILING

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

RE: Conservation Improvement Program Request for Cost Recovery
Docket No. G022/M-16-494

Dear Mr. Wolf:

Attached hereto, please find Greater Minnesota Gas, Inc.'s Reply Comments for filing in the above-referenced docket.

All individuals identified on the attached service list have been electronically served with the same.

Thank you for your assistance. Please do not hesitate to contact me should you have any questions or concerns or if you require additional information. My direct dial number is (507) 665-8657 and my email address is kanderson@greatermngas.com.

Sincerely,

GREATER MINNESOTA GAS, INC.

/s/

Kristine A. Anderson
Corporate Attorney

Enclosure

cc: Service List

CERTIFICATE OF SERVICE

I, Kristine Anderson, hereby certify that I have this day served a true and correct copy of the following document to all persons at the addresses indicated on the attached list by electronic filing, electronic mail, or by depositing the same enveloped with postage paid in the United States Mail at Le Sueur, Minnesota:

**Greater Minnesota Gas, Inc.'s Reply Comments
Docket No. G022/M-16-494**

filed this 9th day of September, 2016.

/s/ Kristine A. Anderson
Kristine A. Anderson, Esq.
Corporate Attorney
Greater Minnesota Gas, Inc.

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**STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
Matt Schuerger
John Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

Docket No. G022/M-16-494

In the Matter of Greater Minnesota
Gas, Inc.'s Conservation Improvement
Program Request for Cost Recovery

REPLY COMMENTS

OVERVIEW

Greater Minnesota Gas, Inc. ("GMG") submitted its Petition for Approval of CIP Recovery Rider to the Minnesota Public Utilities Commission ("Commission") on June 1, 2016. GMG proposed a CIP Adjustment Factor (also known as a Conservation Cost Recovery Adjustment or CCRA) of \$0.18 per Dth. On August 31, 2016, the Minnesota Department of Commerce, Division of Energy Resources ("Department"), filed Comments of the Minnesota Department of Commerce Division of Energy Resources ("Comments") in response to GMG's Petition. This submission constitutes GMG's Reply to the Department's Comments.

ISSUE SUMMARY

In its Comments, the Department discussed the Petition and generally supported GMG's proposed CCRA. It also requested additional clarifying information from GMG. GMG appreciates the Department's recommendation that its Petition be approved; and, GMG is happy to make adjustments that comport with the Department's requests in its Comments. GMG's Reply addresses the following issues in turn:

- Changes recommended by the Department.
- Additional information requested by the Department.
- Clarification regarding two factual issues.

DISCUSSION IN REPLY

1. **GMG Concurs that the Modifications Recommended by the Department are Appropriate and GMG Will Implement Them.**

In its Comments, the Department identified two requested changes to GMG's proposal. First, the Department requested that GMG capture monthly data and use the template that it provided for future CIP Tracker filings. GMG has no objection to doing so and will incorporate the template into its subsequent filings.

Second, GMG agrees that it will make its annual CIP Tracker/CCRA filing by May 1 of each year contemporaneously with other gas utilities pursuant to the Department's request, rather than utilizing the July 1 filing date that GMG initially proposed.

2. **GMG's Identified CIP Expenditures Do Not Include NGEA Assessments; However, Inclusion of the NGEA Assessments Does Not Impact the Requested CCRA.**

The Department requested that GMG address the inclusion of Next Generation Energy Act ("NGEA") assessments in its Reply Comments. GMG appreciates the Department's observation that the NGEA assessments may not have been included; and, GMG did not originally include the NGEA Assessments in its CIP Tracker. GMG was invoiced for the following NGEA assessments over the period in question:

2010	\$ 2,909.72
2011	2,125.83
2012	2,897.88
2013	2,797.78
2014	3,750.71
2015	6,110.09
2016	<u>5,126.91</u>
TOTAL	\$25,718.92

In GMG's Petition, the under-recovered CIP Tracker Balance upon which its CCRA was based was \$314,156. Including the NGEA assessments raises the unrecovered balance to \$339,875 and the total requested recovery to \$315,287.67. Nonetheless, the impact of including the NGEA assessments in the total amount that GMG seeks to recover is nominal, as it does not change the requested CIP Adjustment Factor. Thus, the proposed CCRA remains at \$0.18 per Dth as set forth in the Petition. The Proposed CIP Adjustment Factor Calculation Methodology, appended to the Petition as Exhibit C, has been revised in the table below to reflect the inclusion of the unrecovered NGEA assessments:

Balance of page intentionally left blank to accommodate table size

Revised Exhibit C**PROPOSED CIP ADJUSTMENT FACTOR CALCULATION METHODOLOGY**

Calculation	Line Item	Amount	
A	CIP Tracker Balance	\$339,875.00	(Under-Recovered)
B	Amortize over	3 years	
A/B=C	Sub-Total for Under-Recovery through 2016	\$113,291.67	
D	2017 CIP Proposed Budget (excludes NGEA)	\$201,996.00	
E	2017 Incentive Budget	\$0.00	
C+D+E	Total Requested Recovery	\$315,287.67	
H*CCRC=F	Annual Recovery Built into Base Rates	\$58,084.00	
E-F=G	Net Adjustment	\$257,203.67	
H	Projected Annual Sales for 2017 (Dth)	1,406,400.00	
G/H=I	Adjusmtenet per Dth	\$0.18	

3. GMG’s Proposed Billing Message Will Appropriately Notify Customers of the Impending CCRA Addition.

GMG noted in its Petition that it would communicate with customers about the adjustment (Petition, Page 7); however, it did not provide a proposed notice because GMG did not know how its Petition would be received by the Department and the Commission or what type of notice would be recommended. GMG agrees with the Department that prompt customer notification is important. In its Comments, the Department recommended that GMG utilize a billing message to notify customers of the CCRA and requested that GMG work with the Commission’s Consumer Affairs Office (“CAO”) to create the billing message.

GMG concurs that notifying customers with a billing message in the billing month immediately following the date of the Order in the present docket makes sense. GMG drafted the following bill message, which is modeled after approved CCRA bill messages sent by other utilities:

Effective January 1, 2017, your bill will include a Conservation Cost Recovery Adjustment (“CCRA”). The Minnesota Public Utilities Commission (“Commission”) approved the CCRA on _____, 2016.

The recovery charge is necessary and allowed by law to fund the cost of the state-mandated Conservation Improvement Program (“CIP”). The CCRA will be \$0.018 per therm, or \$0.18 per dekatherm, of natural gas that you use. If you have questions, please contact us at 1-888-931-3411 or www.greatermngas.com. Thank you.

GMG submitted its proposed bill message to the CAO for review and comment. As of the submission of these Reply Comments, GMG has confirmed that the CAO received the proposed bill message; but, GMG has not received the CAO’s feedback. When GMG receives the CAO’s input, GMG will submit a supplemental filing containing the final proposed bill message language.

4. GMG Appreciates the Department’s Review of its Petition and Takes This Opportunity to Clarify Two Issues that Appear Clouded upon Review of the Department’s Comments.

First, GMG notes that clarification is necessary with regard to the question of a financial incentive. GMG stated that it “anticipates proposing an incentive plan following the first year of the next triennial when it has empirical data available.” (Petition, Page 3, footnote 1; *also found at* Comments, Attachment E, IR 1 Response #3.) The Department interpreted that to mean that GMG “does not intend to apply for [a financial incentive] until the first year of the next triennial plan (2020) . . .” (Comments, Page 5.) GMG intends to revisit the question of whether to seek a financial incentive after the first year of its next triennial plan, meaning the Triennial Plan that begins in 2017. Hence, GMG intends to visit the issue of whether to seek financial incentive beginning in 2018. GMG apologizes for any confusion.

Second, the Department noted that GMG provided CIP-exempt sales figures to the Department but that GMG does not have any customers who were approved for CIP-exempt status. (Comments, Page 4, footnote 6.) The CIP-exempt totals that were reported were deliveries to Xcel Energy (“Xcel”) related to GMG’s firm transportation agreement with Xcel for Xcel’s distribution in the Holdingford, Minnesota area which was approved in Docket No. G022/M-14-342. GMG is merely transporting Xcel’s gas and Xcel is not a retail natural gas customer of GMG. Consequently, GMG excluded the deliveries from its CIP sales figures. GMG used the reference to being exempt in a general sense and did not intend to suggest that the amounts qualify as CIP-exempt in the term-of-art sense that would stem from large facility exemptions obtained by petition. Any confusion created by GMG’s response to the Department was inadvertent.

REQUEST FOR COMMISSION ACTION

GMG remains confident that its proposal is sound; and, GMG believes that it has fully addressed the issues identified in the Department’s Comments. Accordingly, GMG respectfully requests that its Petition be approved. GMG will submit final versions of its proposed tariff sheets containing subsequent to the issuance of an order in the instant docket.

Dated: September 9, 2016

Respectfully submitted,

/s/ Kristine A. Anderson
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