

November 15, 2016

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G6915/M-16-756

Dear Mr. Wolf:

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

Petition of Dooley's Natural Gas II, LLC for Exemption for Small Gas Utility Franchise.

The petition was filed on September 14, 2016 by:

Brian M. Meloy
Stinson Leonard Street, LLP
150 South 5th Street, Suite 2300
Minneapolis, MN 55402

The Department recommends that the Commission **approve** the Petition, subject to DNG II providing assurances in its Reply Comments as indicated herein. The Department is available to answer any questions that the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ BEN KAMARA
Financial Analyst

BK/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET No. G6915/M-16-756

I. SUMMARY OF THE UTILITY'S PROPOSAL

On September 14, 2016, Dooley's Natural Gas II, LLC (DNG II or Dooley's II) filed a Petition for approval by the Minnesota Public Utilities Commission (Commission) of an exemption as a small gas utility franchise from the requirements of Minn. Stat. § 216B.16, subd. 12(a) for service provided to the cities of Brooten and Belgrade, Minnesota (Municipalities). Both Municipalities have granted DNG II a nonexclusive franchise to supply natural gas to customers in the respective municipalities. To the extent necessary, DNG II also requested an exemption for incidental natural gas distribution service to the rural areas outside of the borders of the Municipalities it will serve. The system map provided as Attachment B to the petition indicates that DNG II's facilities are or will be located in Stearns, Kandiyohi and Meeker Counties.

DNG II included four attachments to its Petition:

- Attachment A: "Brooten and Belgrade's Franchise Agreements and Resolutions;"
- Attachment B: "DNG II System Map" of the project;
- Attachment C: "Brooten and Belgrade Rate and Tariff Book;" and
- Attachment D: "Acknowledgement of Receipt" of DNG II's Rate and Tariff Book by Brooten and Belgrade.

II. DEPARTMENT ANALYSIS

The Minnesota Department of Commerce (Department of DOC) provides the following background, statutory requirements and application of statutory requirements for the Commission's consideration.

A. BACKGROUND

DNG II shares common ownership with Dooley's Natural Gas, LLC (DNG) and Dooley's Petroleum Inc. (DPI). Together, they are privately held companies that provide fuel, propane, lubricant and natural gas service with their principal place of business located in Murdock, Minnesota.

In its January 7, 2014 Order in Docket No. G6915/M-13-672, the Commission approved for DNG an exemption from Minn. Stat. § 216B.16, subd. 16 for natural gas service to municipalities in west-central Minnesota, namely "Clara City, Maynard, Raymond, Prinsburg, Blomkest and the unincorporated cities of Roseland and Svea."¹

The 2016 legislative session increased the exemption threshold requirement in Minn. Stat. § 216B.16, subd. 12(a) from 2,000 customers to 5,000 customers for a combined customer base.² As its petition indicated, DNG currently serves 1,327 customers as of December 31, 2015 and DNG II currently serves 211 customers as of September 14, 2016 for a total of 1,538 customers.³

In its Petition, DNG II explained how the development of the proposed distribution systems occurred:

Following the Commission's January 7, 2014 Order, DNG began exploring opportunities to establish a second related gas distribution system to provide natural gas service to the Cities of Belgrade and Brooten, Minnesota and the surrounding rural areas. Like the areas DNG now serves, propane was the primary fuel for industrial, agricultural, commercial, and residential uses in Cities of Belgrade and Brooten and the surrounding rural areas.

As a result, in late 2014, DNG II was formed to establish a distribution system to provide service to un-served customers within these municipalities and surrounding areas. As part of such efforts, DNG II worked closely with the Cities and local agricultural interests to develop the system with the understanding that it would be regulated by the municipalities

¹ See in the Matter of the Petition of Dooley's Natural Gas LLC for Exemption for Small Gas Utility, *Order Granting Small Gas Utility Franchise Exemption Under Minn. Stat. § 216B.16, subd. 12* (Jan. 14, 2014).

² See 2016 Minn. Sess. Laws, Ch. 189, Art. 6, § 4 at Minn. Stat. 216B.16 § 12(a).

³ Petition, Page 2. Recent Information Request response indicates 231 customers.

under Minnesota's statutory exemption for small gas utility franchises.⁴

B. STATUTORY REQUIREMENTS FOR SMALL GAS UTILITY FRANCHISE EXEMPTION

Minnesota Statute § 216B.02, subd. 4 states:

“Public utility” means persons, corporations, or other legal entities, their lessees, trustees, and receivers, now or hereafter operating, maintaining, or controlling in this state equipment or facilities for furnishing at retail natural, manufactured, or mixed gas or electric service to or for the public.... In addition, the provisions of this chapter shall not apply to a public utility whose total natural gas business consists of supplying natural, manufactured, or mixed gas to not more than 650 customers within a city pursuant to a franchise granted by the city, provided a resolution of the city council requesting exemption from the regulation is filed with the commission. [Emphasis added]

Viewed in isolation, the statutory language could be interpreted such that DNG II would be considered exempt from legal requirements included in Chapter 216B and by extension, from Commission regulation.

In addition, Minn. Stat. § 216B.16, subd. 12(a) (2016) states:

A municipality may file with the Commission a resolution of its governing body requesting exemption from the provisions of this section for a public utility that is under a franchise with the municipality to supply natural, manufactured, or mixed gas and that serves 650 or fewer customers in the municipality as long as the public utility serves no more than 5,000 customers.

This statutory language reiterates the 650-customers-within-a-municipality threshold included in the definition of public utility and then adds a limiting criterion of 5,000 (increased in 2016) total customers for the public utility as a whole. A conservative reading of the two statutes would lead to the conclusion that both criteria need to be met in order for the Commission to grant an exemption.

Additionally, Minn. Stat. § 216B.16, subd. 12(b) states:

The commission shall grant an exemption from this section for that portion of a public utility's business that is requested by each municipality it serves. Furthermore, the commission shall also grant the public utility an exemption from this section for any

⁴ Petition, Page 2.

service provided outside of a municipality's border that is considered by the commission to be incidental. The public utility shall file with the commission and the department all initial and subsequent changes in rates, tariffs, and contracts for service outside the municipality at least 30 days in advance of implementation.

This section of Chapter 216B adds a layer of complexity by indicating that a public utility may be granted an exemption only for the portion of its business within each municipality, unless the service provided outside each municipality is considered to be incidental, in which case all of the public utility's business is exempt from rate regulation. It appears that Minn. Stat. § 216B.02, subd. 4 (existing since 1981) did not contemplate the possibility that a public utility may serve more than one municipality.⁵ Thus, further refinements were made to the statutory language regarding small gas utility exemptions. First, the initial sentence in Minn. Stat. § 216B.16, subd. 12(b) became law in 1991. The rest of the passage became law in 1995, as did subpart (d).

Minn. Stat. § 216B.16, subd. 12(c)-(e) states:

- (c) However, the commission shall require the utility to adopt the commission's policies and procedures governing disconnection during cold weather. The utility shall annually submit a copy of its municipally approved rates to the commission.
- (d) In all cases covered by this subdivision in which an exemption for service outside of a municipality is granted, the commission may initiate an investigation under section 216B.17, on its own motion or upon complaint from a customer.
- (e) If a municipality files with the commission a resolution of its governing body rescinding the request for exemption, the commission shall regulate the public utility's business in that municipality under this section.

⁵ As Commission staff noted in footnote 2 on page 4 of its briefing papers in Docket No. G6915/M-13-672 (In the Matter of the Petition of Dooley's Natural Gas, LLC for Exemption for Small Gas Utility), "Trying to read these statutes together could arguably result in a contradiction, unless one interprets the former to apply only to a gas utility who services only one city and has 650 or fewer customers in total."

C. APPLICATION OF STATUTORY REQUIREMENTS TO DNG AND DNG II

The Department provides the following analysis regarding the statutory requirements for small gas utility franchise exemptions as applied to DNG II and DNG.

1. Customer Number Estimates

Regarding the number of customers, the Department issued a number of formal and informal information requests to determine the composition of DNG II's potential customer base. In response to DOC's Information Request No. 1, the Company acknowledged some mistakes in its initial response after DOC discovered material differences between both Municipalities' approximation of potential maximum customers in the Mayors' letter to the Commission and the Company's Information Request responses.⁶ In its final revised response, DNG II stated that the maximum number of customers that could receive service in Brooten and Belgrade are 208 and 249, respectively.⁷ Table 1 below summarizes the information provided in DNG II's revised response to DOC Information Request No. 1 and a 2010 population estimate from the United States Census Bureau:

Table 1 – Summary of Expected Number of Customers and Population for Brooten and Belgrade

City	Date of Resolution	Expected Number of Customers*	Population**
Brooten	May 23, 2016	208	743
Belgrade	November 1, 2015	249	740
Immediate Surrounding Areas		144	N/A
Total		601	1,483

*Source: DOC Information Request Response #1 with email modifications.

**Source: League of Minnesota Cities <http://lmc.org>

As indicated above, a natural gas business with 650 or fewer customers within a city and operating pursuant to a franchise granted by the city may request exemption from rate regulation if a resolution from the city is provided supporting the exemption request. The city councils of Brooten and Belgrade signed ordinances granting DNG II a nonexclusive 20-year franchise to operate, repair and maintain a natural gas distribution system within each city's limits.⁸

⁶ DOC Attachment No. 1.

⁷ DOC Attachment No. 2.

⁸ Copies of those Ordinances and the Franchise Agreements for both communities are included in Attachment A to the Petition.

Section 2.5 of both Cities' Ordinances titled "Service and Gas Rate" states:

The service to be provided and the rates to be charged by the Company for gas service in the City are subject to the jurisdiction of a local Utilities Board of which the City shall assign one representative to represent the City or any succeeding regulatory authority assigned by law or regulation. The City further agrees to provide a request to the Minnesota Public Utilities Commission requesting Company be exempt from State Rate Regulation and subject to Local Jurisdiction. [Emphasis added.]

Further, Attachment A to the Petition included resolutions from each of the two Municipalities indicating support for the Franchise Agreements and requesting Commission approval of the exemption request. Further, each city attached a cover letter confirming that "Based on current City population, the maximum number of customers Dooley's could serve could not exceed 650."⁹

The Department notes that not all of the residents and businesses within each city are likely to become customers of DNG II. Therefore, to verify the above assumed customer counts and DNG II's status and independence as a small gas utility, the Department issued the following information request (DOC IR No. 1):

1. Please provide a table that identifies the following:
 - a. By customer class, the number of residential, commercial and industrial customers currently receiving natural gas service within the Brooten and Belgrade municipal boundaries;
 - b. By customer class, the number of residential, commercial and industrial customers that currently receiving service in the surrounding areas (including Hawick, Regal and Grove City townships);
 - c. By customer class, the maximum number of residential, commercial and industrial customers that could receive service within the Brooten and Belgrade municipal boundaries; and
 - d. By customer class, the maximum number of residential, commercial and industrial customers that could receive service in the surrounding rural areas if all residences and businesses were to request natural gas service.

Table 2, below, which is based on DNG II's response to DOC IR No. 1 and some follow-up emails, indicates that Dooley's II is currently providing natural gas service to 231 customers,

⁹ Mayors' letters and Resolutions, Attachment A to the Petition.

up 9 percent since the Company filed its Petition.¹⁰ Further, DNG II estimates that the maximum number of customers that could be served is 601 (if all residences and business in the areas to be served by Dooley's II were to request natural gas service).

Table 2 – DNG II's Current Customers by Class and Potential Maximum No. of Customers Within and Outside the Municipalities Boundaries

City	Residential	Commercial	Industrial	Ag. Heat	Ag. Dry	Total
Current Customers in Brooten	91	7	0	0	0	98
Max Customers In Brooten	176	30	2	0	0	208
Current Customers In Belgrade	99	15	1	0	1	116
Max Customers in Belgrade	206	39	3	0	1	249
Current Cust. Immediate Surrounding Areas	10	0	0	2	5	17
Max Customers in Surrounding Areas	118	0	0	20	6	144

The maximum number of customers provided by the Company includes its current customers. For instance, about 52 percent ($91/176 = 51.7\%$) of Brooten's potential Residential Customers have subscribed to DNG II's service. Also, in their letters to the Commission, the Mayors of Brooten and Belgrade indicated that the approximate number of customers for each city will be 300 and 255, respectively. Though these numbers are still under the threshold of 650, the Department notes that the Company's estimation of potential maximum customers (457) within the cities differs significantly from the Municipalities' approximations.

2. Incidental Service: Number of Customers versus Consumption

Pursuant to Minn. Stat. § 216B.16, subd. 12 (b), the Commission's Order in Docket No. 16-214 indicated that any future decisions involving the interpretation of the term "incidental" for service to areas outside the municipalities borders will be treated on a case by case basis. The Department looked at two measures of "incidental" service: 1) the number of customers located within and outside the municipalities' borders and 2) consumption within and outside the municipalities.

¹⁰ DOC Attachment No. 2.

The Department requested annual gas consumption by customer class. In response, the Company provided actual data for the last three quarters, January 1, 2016 to September 30, 2016.¹¹ Table 3 summarizes this information below:

Table 3 – DNG II’s Current Customers by Class and 9-Month Consumption Totals:

Class	Customers Within Municipal Boundaries	Total Consumption per Therm	Customers Outside of Municipal Boundaries	Total Consumption per Therm
Residential	190	82,710	10	5,093
Commercial	22	81,271	0	0
Industrial	1	349,612	0	0
Ag. Heating	0	0	2	2,341,986
Ag. Drying	1	11,810	5	72,839
Total	214	525,403	17	2,419,918
Percent	93%	18%	7%	82%

The information in Table 3 shows two different perspectives about incidental use. While most of DNG II’s customers are located within municipalities, most of the consumption by its customers occurs outside of Municipalities. Specifically, 93 percent of DNG II customers are currently located within the Municipalities boundaries while 7 percent are outside of the Municipalities. However, only 18 percent of the consumption by DNG II’s customers is within the Municipalities while 82 percent of the consumption is outside the boundaries. Most of the consumption is due to two Large Agricultural Heating Service Customers, located outside the Municipal boundaries, which consumed 2,341,986 therms (234,198.6 dekatherms) during the 9-month period presented above.

From this information, the Commission could conclude, based on the number of customers served, that service outside of the municipalities’ boundaries is incidental. The Commission could also conclude that service outside of municipality boundaries is not incidental since the vast majority of service occurs outside of municipality boundaries. To assess which approach is consistent with Minnesota Statutes, the Department turned to Minnesota Statute section 216B.01, Legislative Findings:

It is hereby declared to be in the public interest that public utilities be regulated as hereinafter provided in order to provide the retail consumers of natural gas and electric service in this state with adequate and reliable services at reasonable rates, consistent with the financial and economic requirements of public utilities and their need to construct facilities to provide such services or to otherwise obtain energy supplies, to avoid

¹¹ The Company’s reason for providing 9-months’ worth of data instead of 12 months was that the system is fairly new and that showing a whole year would inaccurately reflect what the system looks like today. Also see DOC Attachment No. 4.

unnecessary duplication of facilities which increase the cost of service to the consumer and to minimize disputes between public utilities which may result in inconvenience or diminish efficiency in service to the consumers. Because municipal utilities are presently effectively regulated by the residents of the municipalities which own and operate them, and cooperative electric associations are presently effectively regulated and controlled by the membership under the provisions of chapter 308A, it is deemed unnecessary to subject such utilities to regulation under this chapter except as specifically provided herein.

From this language, and particularly the phrase “to provide the *retail consumers* of natural gas and electric service in this state with adequate and reliable services at reasonable rates” (emphasis added), the Department concludes that the focus should be on the number of customers who are served inside and outside municipal boundaries rather than the amount of natural gas that flows to customers inside and outside municipal boundaries. Even though the municipalities in question do not own and operate a municipal utility, the Municipalities respond to their residents in their boundaries. The customers located outside of the municipal boundaries are few and large, and thus should be able to command the attention of DNG II if needed.

However, DNG II also indicated that its potential customer base might expand to the Melrose area. Thus, the Department recommends that the Commission require DNG II to notify the Commission if the total customer base expands beyond 5,000 customers.

3. *DNG II as a Separate Entity from DNG*

To confirm that the Company meets the overall customer threshold contained in Minn. Stat. § 216B.16, subd. 12(a), the DOC asked DNG II whether the ownership of DNG and DNG II is intending to create a new legal entity such as DNG III in the near future to increase the distribution of natural gas in rural areas?

The Company responded:

No additional entities are anticipated to be formed at this time to increase the distribution of natural gas in rural areas; nor are there any plans to connect the DNG and DNG II's systems. In addition, as illustrated in the attached Map, the two systems are approximately ten (10) miles from each other making a connection/loop between the two systems impractical at this time.

The Department also requested the Company to provide a single map showing the location of both DNG and DNG II systems to confirm the proximity of the two systems.¹² The Department concludes that DNG II is a distinct entity from DNG, given the configuration of the systems.

4. Conclusion as to Compliance with Minn. Stat. § 216B.16, Subd. 12(a) and (b)

As a result of the information provided in the Petition, and supplemented by responses to Department information requests, Dooley's II appears to meet the requirements of Minnesota Statutes §§ 216B.02, subd. 4 and 216B.16, subd. 12(a) to be exempt from Commission regulation as a result of being a small gas utility providing service under a franchise to communities with less than 650 customers, and less than 5,000 customers in total. Thus, based on the information available at this time, the Department concludes that DNG II meets this part of the requested qualifications and can be considered exempt from rate regulation.

5. On-Going Statutory Requirements for an Exempt Utility

In the Commission's January 7, 2014 and May 24, 2016 Orders Granting Small Gas Utility Franchise Exemption Under Minn. Stat § 216B.16, subd. 12 for Dooley's Natural Gas (DNG) in Docket No. G6915/M-13-672 and for United Natural Gas (UNG) in Docket No. G6960/M-16-214, the Commission clarified that while DNG and UNG had been exempted from rate regulation, the companies remained subject to various other statutory provisions under Commission jurisdiction, including but not limited to the following:

- Minn. Stat. § 216B.096 – Cold Weather Rule
- Minn. Stat. § 216B.0976 – Notice to Cities of Utility Disconnection
- Minn. Stat. § 216B.098 – Residential Customer Protections
- Minn. Stat. § 216B.16, subd. 12(c) – Tariff updates with municipally approved rates

DNG II included a 59-page proposed tariff in Attachment C of its Petition. The Department reviewed this document in light of Minnesota statutes and Commission Orders.

Minn. Stat. § 216B.0976 states:

Subdivision 1. Notice required.

Notwithstanding section 13.685 or any other law or administrative rule to the contrary, a public utility, cooperative electric association, or municipal utility must provide notice to a statutory city or home rule charter city, as prescribed by this section, of disconnection of a customer's gas or electric service. Upon written request from a city, on October 15 and November 1 of each year, or the next business day if that date falls on a

¹² DOC Attachment No. 3.

Saturday or Sunday, a report must be made available to the city of the address of properties currently disconnected and the date of the disconnection. Upon written request from a city, between October 15 and April 15, daily reports must be made available of the address and date of any newly disconnected properties.

A city provided notice under this section must provide the information on disconnection to the police and fire departments of the city within three business days of receipt of the notice.

For the purpose of this section, “disconnection” means a cessation of services initiated by the public utility, cooperative electric association, or municipal utility that affects the primary heat source of a residence and service is not reconnected within 24 hours.

DNG II included the above statutory language referenced verbatim in its proposed tariff. Consequently, the Department concludes that the Company’s tariff complies with this requirement. The municipalities, police and fire departments should be receiving this information from DNG II.

Minn. Stat. § 216B.16, subd. 12(c) indicates that a small gas utility exemption does not exempt the utility from the Cold Weather Rule requirements:

However, the commission shall require the utility to adopt the commission’s policies and procedures governing disconnection during cold weather. The utility shall annually submit a copy of its municipally approved rates to the commission.

Section XXV of the Company’s proposed tariff addresses this requirement. The language included in this section is consistent with language previously approved for other local gas distribution companies serving Minnesota. The Department concludes that DNG II’s proposed tariff complies with the statutory requirements regarding disconnection during the Cold Weather Rule Period.

In addition, the Department suggests that the Company make a few changes to its Rate Book for accuracy, especially since some of the riders included do not exist:

- a) correct the current references to Section 28 in this portion of the tariff to Section 25 so that the language is consistent with the number included in the Section’s heading;
- b) delete references the Gas Affordability Rider;
- c) delete references the Conservation Improvement Adjustment Rider; and
- d) delete references the Conservation Enabling Rider.

In addition, the following language in sections V through IX of the Rate Book should be removed since these riders do not appear in the Rate Book:

Gas Affordability Rider:

All customer bills under this rate are subject to the adjustment provided for in the Gas Affordability Program Rider.

Conservation Improvement Adjustment Rider:

All customer bills under this rate are subject to the Conservation Improvement Rider.

Conservation Enabling Rider:

All customer bills under this rate are subject to the Conservation Enabling Rider.

Unless DNG II adds such riders, the Department requests that DNG II remove this language in all instances.

DNG II's proposed tariff appears to comply with all the requirements of Minn. Stat. § 216B.098, subdivisions 2-5, which pertains to budget billing plans, payment agreements, undercharges, and medically necessary equipment.

Regarding the threshold number of customers, the Commission's January 7, 2014 Order in the DNG proceeding stated the following:

Finally, as the exemption from rate regulation under Minn. Stat. § 216B.16, subd. 16 applies only as long as the public utility serves no more than 2,000 customers, Dooley's has an affirmative duty to inform the Commission should its customer base expand beyond the 2,000 customer threshold.

Therefore, the Department recommends that the Commission require DNG II to inform the Commission should its customer base expand beyond the 5,000 customer threshold.

6. *Need for DNG Compliance*

During the course of its review, the Department discovered that DNG has failed to comply with several statutory reporting requirements. The Department is concerned that the Ownership of both DNG and DNG II may not have recognized its statutory responsibility in regards to the reporting requirements.

The Department requests that DNG II confirm its understanding of the following future filing requirements:

- Annual Cold Weather Rule reports as required under Minn. Stat. § 216B.096, subd. 11;

- Annual tariff updates with municipally approved rates to the Commission (Minn. Stat. § 216B.16, subd. 12(c));
- Any subsequent changes in rates, tariffs and contracts for service outside the municipalities at least 30 days in advance of implementation;
- Notify the Commission should customer base expand beyond the 5,000 customer threshold; and
- DOC's Minnesota Natural Gas Utility Information Reporting (Minn. Rules 7610.0800 – 7610.0860 to monitor reliability and costs of energy service in Minnesota).

III. RECOMMENDATION

The Department recommends that the Commission approve the Petition, provided that DNG II provide the following assurances in its Reply Comments:

- Annual Cold Weather Rule reports will be filed as required under Minn. Stat. § 216B.096, subd. 11;
- Annual tariff updates with municipally approved rates will be submitted to the Commission (Minn. Stat. § 216B.16, subd. 12(c));
- Any subsequent changes in rates, tariffs and contracts for service outside the Municipalities will be filed at least 30 days in advance of implementation (Minn. Stat. § 216B.16 subd. 12(b)); and
- Notification to the Commission will be made should DNG II's customer base expands beyond the 5,000-customer threshold.
- DNG and DNG II will provide annual Minnesota Natural Gas Utility Information Reporting to the Department (Required by Minn. Rules 7610.0800 – 7610.0860 to monitor reliability and costs of energy service in Minnesota).

As to DNG II's Rate Book, the Department requests that the Company correct the current references to Section 28 in this portion of the tariff to Section 25 so that the language is consistent with the number included in the Section's heading. Finally, language pertaining to riders that do not exist should be removed from the Rate Book.

/lt

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic ☐Public ☒Utility Information Request

Docket Number: G6915/M-16-756

Date of Request: October 17, 2016

Requested From: Brian M. Meloy
 Dooley's Natural Gas LLC

Response Due: October 27, 2016

Analyst Requesting Information: Ben Kamara

Type of Inquiry: ☒.....Financial ☐.....Rate of Return ☐.....Rate Design
 ☐.....Engineering ☒.....Forecasting ☐.....Conservation
 ☐.....Cost of Service ☐.....CIP ☐.....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
1	<p>Subject: September 14, 2016 Petition for Exemption for Small Gas Utility</p> <p>Reference: Potential Customers of Dooley's II, LLC (Page 2- "... DNG currently serves 1,327 customers. ... DNG II has started to provide natural gas distribution service to approximately 211 customers, ...")</p> <p>Please provide a table that identifies the following:</p> <ul style="list-style-type: none"> A. By customer class, the number of residential, commercial and industrial customers currently receiving natural gas service within the Brooten and Belgrade municipal boundaries; B. By customer class, the number of residential, commercial and industrial customers that currently receive service in the surrounding areas (including Hawick, Regal and Grove City townships); C. By customer class, the maximum number of residential, commercial and industrial customers that could receive service within the Brooten and Belgrade municipal boundaries; and D. By customer class, the maximum number of residential, commercial and industrial customers that could receive service in the surrounding rural areas if all residences and businesses were to request natural gas service.

Response by: Michael Johnson

List sources of information:

Title: Chief Financial Officer

Department: _____

Telephone: 320-875-2641

DNG II Response

Please see the attached Excel Spreadsheet setting forth the requested information in items A, B, C, and D in accordance with the applicable customer classes.

Response by: Michael Johnson

List sources of information:

Title: Chief Financial Officer

Department: _____

Telephone: 320-875-2641

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic ☐
Public ☒

Utility Information Request

Docket Number: G6915/M-16-756

Date of Request: October 17, 2016

Requested From: Brian M. Meloy
Dooley's Natural Gas LLC

Response Due: October 27, 2016

Analyst Requesting Information: Ben Kamara

Type of Inquiry: ☒.....Financial ☐.....Rate of Return ☐.....Rate Design
 ☐.....Engineering ☐.....Forecasting ☐.....Conservation
 ☐.....Cost of Service ☐.....CIP ☐.....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
2	<p>Subject: September 14, 2016 Petition for Exemption for Small Gas Utility Potential Customers of Dooley's II, LLC</p> <p>Reference: Attachment C; Brooten and Belgrade Rate and Tariff Book</p> <p>A. In DNG's Petition in Docket No. 13-672, the NNG Demand Charges were \$0.0948/therm. In DNG II's Petition in Docket No. 16-756, NNG Demand charges were up 41% to \$0.2308/therm. Please provide a detailed explanation for the increase in demand charges?</p>

Response by: Michael Johnson

List sources of information:

Title: Chief Financial Officer

Department: _____

Telephone: 320-875-2641

DNG II Response

The demand charges for DNG II are higher due to the additional capacity needs designed into the system – including two Town Border Stations. When the DNG II system was originally planned, designed and constructed, DNG II also assumed a greater throughput on the system and therefore secured pipeline capacity to serve the expected needs of its customers. New customer hook ups have been slower than anticipated and usage has been below expectations due to a number of factors including warmer than normal weather, the impact of the avian bird flu and others factors related to the conversion to natural gas from propane. In addition to the Brooten and Belgrade areas, DNG II secured pipeline capacity with the intent to also extend service agricultural heating and drying customers in the Melrose, Minnesota area. However, prior to proceeding with an extension to serve that area, avian flu broke out and undermined the demand for natural gas service in the near term. Since most of the growers in that area were independent, it became clear that their financial condition would not allow any participation in costs of extending the system nor would their usage warrant the extension.

DNG II intends to continuing exploring possible service to additional agricultural interests in the coming year and if a decision is made to extend such service, DNG II will inform the Commission and Department of such decision and provide additional information as appropriate. If service is extended, DNG II anticipates that it would approximately 10 additional agricultural customers.

If DNG II determines that extension of service is not warranted, DNG II will release excess capacity thereby lowering the demand charges to a level closer to DNG's demand charge. In the interim, DNG is exploring whether it is feasible to release excess capacity on a short-term basis thereby lowering demand charges to existing customers.

Response by: Michael Johnson

List sources of information:

Title: Chief Financial Officer

Department: _____

Telephone: 320-875-2641

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic ☐
Public ☒

Utility Information Request

Docket Number: G6915/M-16-756

Date of Request: October 17, 2016

Requested From: Brian M. Meloy
Dooley's Natural Gas LLC

Response Due: October 27, 2016

Analyst Requesting Information: Ben Kamara

Type of Inquiry: ☒.....Financial ☐.....Rate of Return ☐.....Rate Design
 ☐.....Engineering ☐.....Forecasting ☐.....Conservation
 ☐.....Cost of Service ☐.....CIP ☐.....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
3	<p>Subject: September 14, 2016 Petition for Exemption for Small Gas Utility</p> <p>Reference: Potential Customers of Dooley's II, LLC</p> <p>A. Do the Ownership of DNG and DNG II intend to create a new legal entity such as DNG III in the near future to increase the distribution of natural gas in rural areas?</p> <p><u>DNG II Response</u></p> <p>No additional entities are anticipated to be formed at this time to increase the distribution of natural gas in rural areas; nor are there any plans to connect the DNG and DNG II's systems. In addition, as illustrated in the attached Map, the two systems are approximately ten (10) miles from each other making a connection/loop between the two systems impractical at this time.</p>

Response by: Michael Johnson

List sources of information:

Title: Chief Financial Officer

Department: _____

Telephone: 320-875-2641

DOC Attachment No. 1.1

DNG II

- 1.A By Customer class, the number of residential, commercial and industrial customers currently receiving natural gas service within the Brooten and Belgrade municipal boundaries;**

Res.	Com.	Ind.	Ag Heat	Ag Dry
171	22	1	0	1

- 1.B By Customer class, the number of residential, commercial and industrial customers that currently receive service in the surrounding areas (including Hawick, Regal & Grove City townships);**

Res.	Com.	Ind.	Ag Heat	Ag Dry
10	0	0	2	5

- 1.C By customer class, the maximum number of residential, commercial and industrial customers that could receive service within the Brooten and Belgrade municipal boundaries;**

Res.	Com.	Ind.	Ag Heat	Ag Dry
244	47	4	0	0

- 1.C By customer class, the maximum number of residential, commercial and industrial customers that could receive service in the surrounding rural areas if all residences and businesses were to request natural gas service.**

Res.	Com.	Ind.	Ag Heat	Ag Dry
118	0	0	20	6

DOC Attachment No. 2

- 1.A By Customer class, the number of residential, commercial and industrial customers currently receiving natural gas service within the Brooten and Belgrade municipal boundaries;**

BELGRADE

Res.	Com.	Ind.	Ag Heat	Ag Dry
99	15	1	0	1

BROOTEN

Res.	Com.	Ind.	Ag Heat	Ag Dry
91	7	0	0	0

TOTAL

Res.	Com.	Ind.	Ag Heat	Ag Dry
190	22	1	0	1

- 1.B By Customer class, the number of residential, commercial and industrial customers that currently receive service in the surrounding areas (including Hawick, Regal & Grove City townships);**

Incidentals

Res.	Com.	Ind.	Ag Heat	Ag Dry
10	0	0	2	5

- 1.C By customer class, the maximum number of residential, commercial and industrial customers that could receive service within the Brooten and Belgrade municipal boundaries;**

BELGRADE

Res.	Com.	Ind.	Ag Heat	Ag Dry
206	39	3	0	1

BROOTEN

Res.	Com.	Ind.	Ag Heat	Ag Dry
176	30	2	0	0

TOTAL

Res.	Com.	Ind.	Ag Heat	Ag Dry
382	69	5	0	1

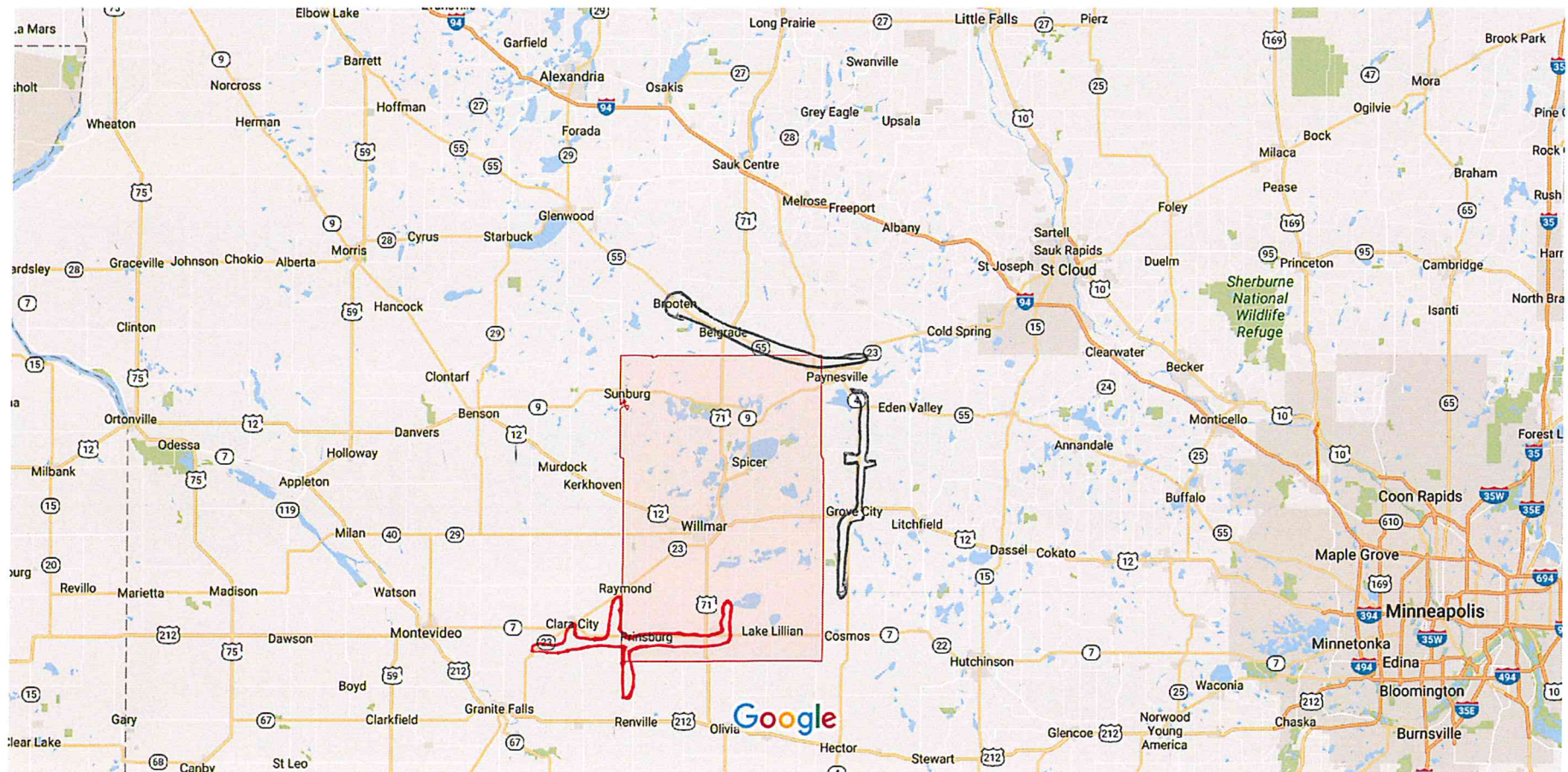
- 1.D. By customer class, the maximum number of residential, commercial and industrial customers that could receive service in the surrounding rural areas if all residences and businesses were to request natural gas service.**

Incidentals

Res.	Com.	Ind.	Ag Heat	Ag Dry
118	0	0	20	6

DOC Attachment No. 3

Google Maps Kandiyohi County



Map data ©2016 Google 10 mi

— DNG

— DNG II

DOC Attachment No. 4

Dooley's Natural Gas II

Therm Volumes - January 1, 2016 to September 30, 2016

Within Municipal Boundaries

	Res.	Com.	Ind.	Ag Heat	Ag Dry	Total
	190	22	1	0	1	
Therms	82,710	81,271	349,612	-	11,810	525,403

Outside Municipal Boundaries

	Res.	Com.	Ind.	Ag Heat	Ag Dry	
	10	0	0	2	5	
Therms	5,093	-	-	2,341,986	72,839	2,419,918

Total

	Res.	Com.	Ind.	Ag Heat	Ag Dry	
	200	22	1	2	6	
Therms	87,803	81,271	349,612	2,341,986	84,649	2,945,321

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. G6915/M-16-756

Dated this 15th day of November 2016

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_16-756_M-16-756
Randy	Dooley	N/A	Dooley's Natural Gas LLC	PO Box 100 Murdock, MN 56271	Paper Service	No	OFF_SL_16-756_M-16-756
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_16-756_M-16-756
John	Lindell	john.lindell@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_16-756_M-16-756
Brian	Meloy	brian.meloy@stinson.com	Stinson,Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-756_M-16-756
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_16-756_M-16-756