March 8, 2018

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

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/M-17-588

Dear Mr. Wolf:

Attached are the response comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

In the Matter of Minnesota Energy Resources Corporation's (MERC) Demand Entitlement Filing (Petition) for its Customers Served off of the Northern Natural Gas Company (NNG) System.

The Petition was filed on August 1, 2017 by:

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation
1995 Rahncliff Court, Suite 200
Eagan, Minnesota 55122

On November 1, 2017, MERC submitted its *November Update* (Update). On January 29, 2018 the Department filed Comments recommending that the Minnesota Public Utilities Commission (Commission) accept MERC's peak-day analysis and requested that MERC provide additional information in Reply Comments. On February 20, 2018 MERC filed its Reply Comments.

The Department recommends that the Commission accept the Company's proposed level of demand entitlement and allow MERC to recover associated demand costs through the monthly Purchased Gas Adjustment (PGA) effective November 1, 2017.

The Department is available to respond to any questions the Minnesota Public Utilities Commission may have on this matter.

Sincerely,

/s/ SACHIN SHAH
Rates Analyst

SS/ja
Attachment

COMMERCE DEPARTMENT

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G011/M-17-588

I. BACKGROUND

Pursuant to Minnesota Rules part 7825.2910, subpart 2, Minnesota Energy Resources Corporation (MERC or the Company) filed a petition on August 1, 2017 with the Minnesota Public Utilities Commission (Commission or PUC) to change the levels of demand entitlements for natural gas pipeline capacity (Petition) for is customers served off of the Northern Natural Gas (NNG or Northern) System. The Petition is the first in which the Company's NNG and Albert Lea systems were combined based on the ruling in Docket No. G011/GR-15-736.[1] MERC requested that the Commission approve changes in the Company's recovery of overall level of contracted capacity.[2]

On November 1, 2017, MERC filed its *November 1 Update* (Update). On January 29, 2018 the Minnesota Department of Commerce, Division of Energy Resources (Department) filed Comments recommending that the Commission accept MERC's peak day analysis and requested that MERC provide additional information in Reply Comments. On February 20, 2018 MERC filed its Reply Comments.

II. COMPANY'S FEBRUARY 20, 2018 REPLY COMMENTS

A. MERC'S CORRECTIONS, CLARIFICATIONS AND ADDITIONAL INFORMATION

In its Comments, the Department at pages 7-8 stated the following:

---

[1] 1 In its December 21, 2012 Order in Docket No. G007,011/GR-10-977, the Commission approved consolidation of MERC's 4 Purchased Gas Adjustment (PGA) systems effective July 1, 2013. MERC named the PGA for the NNG customers "MERC-NNG." At the time, MERC's only other PGA system was named "MERC-Consolidated." Effective May 1, 2015, MERC acquired Interstate Power & Light Company's Minnesota natural gas operations and customers. The Commission required MERC to maintain the transitioned customers on a separate PGA until MERC's next rate case. MERC named the PGA for the transitioned customers "MERC NNG-Albert Lea." Pursuant to the Commission's Order in Docket No. G011/GR-15-736, the MERC-NNG and MERC NNG–Albert Lea PGAs were consolidated effective July 1, 2017. On August 1, 2017, MERC filed a demand entitlement request for MERC-Consolidated in Docket No. G011/M-17-587.

[2] MERC noted in its August cover letter that any updated information would be provided with the Company's November 1, 2017 filing.

> As shown above, given the discrepancies between Attachments 3 and 7 of MERC's Petition, the Department appreciates the reconciliation provided in Attachment 8.1 of MERC's November Update. While the Company reconciled its data, it failed to update its Attachments 3 and 7 of its November Update to properly reflect the corrected data reflected in Attachment 8.1. In addition, the Company failed to explain that it had updated its reallocation of TF-12B and TF-12V services.

In addition, the Department requested corrections and clarification on other numbers and the Company's storage contracts as mentioned in its Comments at pages 19 through 21. The Company in its Reply Comments provided the requested clarifications, revisions, and corrections as described on pages 5 through 12. (See Department Attachment 2). As a result, the Company corrected its Attachments 1 through 4, and 7 through 11 and provided a summary of all the corrections and revisions.

With regards to the Storage contracts the Department on page 21 of its Comments stated the following:

> - In its *November Update*, MERC stated the following:
>
> Attachment 8.1: Change in Entitlement Levels and Related Demand Costs (Including MERC-NNG and MERC-Albert Lea) [2]
>
> ___________________
>
> 2 MERC also identified an error in the storage cost calculation in its 2016-2017 Demand Entitlement. This error has been corrected in Attachment 8 and Attachment 8.1 to accurately reflect the 2016-2017 storage costs. There is no impact as a result of this correction to the proposed 2017-2018 storage costs.
>
> In Docket No. 16-650, MERC filed a letter on May 31, 2017 on the modification of its Storage contracts effective June 1, 2017. The Department filed Supplemental Comments in Docket 16-650 on June 2, 2017 identifying concerns related to contracted rates for the NNG Storage that were above NNG's maximum tariffed rates. Thus, it is unclear whether the changes reflected in MERC's Attachment 8.1 in its November Update are as a result of correcting for the previous MERC-Albert Lea PGA system storage units, the modification of the Storage contracts, and correcting for the NNG Storage rates that were above NNG's maximum tariffed rates, or

> some combination of those 3 changes. The Department requests that MERC, in its Reply Comments, provide a detailed explanation for its "correction" referenced in its footnote 2 shown above.

In its Reply Comments at page 9, the Company stated the following:

> Upon further review, MERC determined that the storage calculations in the 2016-2017 Demand Entitlement was correctly reflected and that the calculation for 2017-2018 was inaccurate. In particular, with the August 1, 2017, filing, MERC combined two lines for storage contract 118657. In making that change, MERC failed to account for the small portion of storage contract 118657 that has higher rates as part of an NNG storage expansion contracted for 2008. Attachment 4, page 2, and Attachment 8 have been corrected to appropriately state these rates on separate lines. This correction results in MERC-NNG's 2017/18 commodity assigned costs in the November 1, 2017, filing having been understated by $213,360. As the correct amount was not reflected in MERC's November 1, 2017, commodity rate as implemented, MERC would propose to address this correction in its future annual automatic adjustment [AAA] and true-up filings.

The Department agrees with the Company that it can address the commodity cost under-recovery issue related to Storage contracts in its future AAA and true-up filing. The Department appreciates all of the corrections, revisions, clarifications provided in the Company's Reply Comments and attachments, and does not have any outstanding issues or questions.

B. PROPOSED RESERVE MARGIN

In its Comments at page 15, the Department stated that the proposed reserve margin was (0.55) %. With regards to the Company's proposed reserve margin, the Department made the following observations:[3]

> - Design Day assumes that interruptible customers, because they don't contribute to MERC's costs to reserve capacity on the interstate pipeline, will be required to discontinue gas use. In addition, the design day is an estimate of how much

[3] January 29, 2018 Comments at pages 18-19.

entitlement, or capacity, is needed on interstate pipelines to move all of the gas required by <u>firm</u> customers under design-day conditions that involves very cold temperatures. Interruptible customers are not part of the design-day estimates and as such the Company's response above is non-responsive to the question the Department asked of MERC.

- Given that MERC will have added capacity in the Rochester area in 2018 with flexibility for MERC to request alternative NNG delivery points, it makes sense that "The alternative to proceeding with a very small negative reserve margin for the 2017-2018 heating season would have been to enter into a five year capacity contract with NNG at maximum tariffed rates, and that entering into a five year contract for additional capacity would not be prudent or in the best interest of MERC's customers." However, that may not have been the only alternative.

- MERC has not explained whether it could have planned for and obtained capacity via NNG's Electronic Bulletin Board (EBB) for the typical months of highest risk within the winter season (e.g. December, January, and February).

- MERC has not explained why it was unable to plan for and obtain a 5-month contract similar to NNG contract 127852 in the volume of 14,383 Dth/day for the 2015/16 winter season that MERC did not renew. According to MERC, this NNG contract was TFX-5 winter-only capacity at maximum tariff rates and had been contracted for beginning with the 2014/15 winter season and as such spanned only one winter season.

- While it might be true that a less conservative design-day estimate for Balaton and Esko could increase the negative 0.55 percent reserve margin and bring it closer to zero, MERC has not explained whether there were other options for increasing the reserve margin, such as whether it could have planned for and purchased third-party delivered contract(s).

- Ultimately, MERC must plan for its design day and ensure that it reliably serves its firm customers under design-day conditions.

- Given the recent cold spell from approximately December 15, 2017 to January 20, 2018, MERC should provide information in its Reply Comments on how its system performed in terms of reliably serving its firm customers; what the associated weather was; how close it came to its design-day parameters; what the associated interstate pipeline operating conditions were – such as "operational flow orders," "constraints" et cetera; and if MERC had difficulty in securing gas supply for and/or reliably serving its firm customers.

In its Reply Comments, the Company agreed with the Department that the correct proposed reserve margin would be (0.55) %. In addition, the Company stated the following:

> While a negative 0.55 percent reserve margin is not ideal, MERC had limited options available to cover the difference and ultimately determined that under the circumstances, including a very conservative estimate for Esko and Balaton, none of the available alternatives would be preferable to the approach the Company has taken to manage the negative reserve on a day-to-day basis. Based on MERC's evaluation of available alternatives, the size of the negative reserve margin, and the anticipated additional capacity to be added as a result of the Rochester Project beginning in 2018, the Company concluded that managing the reserve margin risk through its day-to-day operations would be the most reasonable course of action for customers. In particular, the Company is prepared to purchase spot market delivered supplies to make up for the peak day capacity deficiency in the event such additional capacity is needed due to peak day conditions.

While the Company "is prepared to purchase spot market delivered supplies to make up for the peak day capacity deficiency in the event such additional capacity is needed due to peak day conditions" it is not clear at what premium such capacity would be available (especially given the "significant price volatility" the Company observed during the recent weather as mentioned below) if peak day conditions were present compared to other alternatives such as a third party delivered contract for three months (December through February).

MERC also stated the following:[4]

> MERC responds that it did not seek capacity in the secondary market because the secondary market capacity would have been released on a recallable basis and therefore it would not have provided a dependable alternative in a peak day scenario.
>
> The five-month contract MERC entered into during the 2015/2016 winter season is no longer an available option as NNG's system is more fully subscribed (as evidenced by the Northern Lights and Rochester expansion projects). In MERC's experience, NNG has been entering into five-year, max-rate contracts in areas without pipeline competition, the scenario that MERC would be requesting additional capacity under.

The above explanations by the Company in response to the Department's third and fourth observations shown above are reasonable. In response to the Department's request for MERC to provide information on how its system performed during December 15, 2017 through January 20, 2018 cold spell, the Company in its Reply Comments stated the following:[5]

> During the period from December 25, 2017, through January 5, 2018, weather was consistently 15 to 25 degrees below normal with adjusted Heating Degree Days ("HDD") ranging from 71 to 85. MERC uses 98 adjusted HDD for its peak day forecast, so temperatures were nearing peak conditions.
>
> MERC's system performed well during this time with no firm capacity deficiency issues. MERC did not have issues securing supply, but did see significant price volatility at times. NNG had a "System Overrun Limit" in place from December 23, 2017 – January 8, 2018 and again January 11 – January 17, 2018. Furthermore, NNG had "Critical Days" in place from December 29, 2017 – January 6, 2018. The Company was able to meet its load reliably and did not receive any penalties for using gas in excess of supply during the cold weather.

[4] MERC's February 20, 2018 Reply Comments at page 3.
[5] Id at pages 4-5.

The Company stated the following in regards to its reserve margin, as follows:[6]

> In sum, MERC's planning was prudent under the circumstances, given available alternatives and the anticipated additional capacity to be added as a result of the Rochester Project beginning in 2018. The Company is confident that the lowest cost alternative taken was also low in risk and still provided for the reliable service of firm customers during the 2017/2018 winter. As the Department correctly states in its Comments, "[u]ltimately, MERC must plan for its design day and ensure that it reliably serves its firm customers under design-day conditions."[2] As discussed in MERC's response to Department Information Request No. 1, included in the Department's Comments as Attachment 8, MERC is very sensitive to the risks presented by a negative reserve margin. Due to mitigating factors, such as a conservative estimate for new load at Esko and Balaton, combined with the very slightly negative reserve margin, and the impending addition of capacity in 2018- 2019 as a result of the Rochester Project, MERC believes its approach for managing the negative reserve margin for the 2017-2018 heating season is reasonable. Further, as discussed below, MERC has not had any issues serving both firm and interruptible load through mid-February of the 2017-2018 heating season.
>
> Nevertheless, MERC agrees with the Department that in general, absent the unique circumstances that existed for this heating season, the reserve margin should be positive and MERC anticipates it will be positive in future years based on current forecasts and entitlements.

As the Department stated in its Comments, a negative reserve margin is not reasonable. The Department makes the following additional observations:

- The heating season that typically spans November – March is almost over.

- The typical months of highest risk within the winter season have already occurred and according to the Company, it was able to serve its firm customers reliably when weather conditions were "nearing peak conditions."

[6] Id at page 4.

- Going forward the Company expects to have a positive reserve margin as a result of capacity addition due to the Rochester project.

Based on all of the above, the Department recommends that the Commission approve MERC's Petition, as modified in its November 1, 2017 Update and February 20, 2018 Reply Comments, and allow MERC to recover the associated demand costs through the monthly PGA effective November 1, 2017.

III. DEPARTMENT'S JANUARY 29, 2018 COMMENTS AND TELEMETRY

With regards to the 2016 Order and 2017 Order referenced on pages 11 and 12 of the Department's Comments and for Greater Minnesota Gas (GMG), the Department had stated the following:[7]

> The Department has requested information from Greater Minnesota addressing the 2016 and 2017 Orders. (See Department Attachment 7). The Department will address Greater Minnesota's use of telemetry in developing its design-day requirements in Department Response Comments.

GMG does not use interruptible data in the development of its design day requirements. In its response to the Department's Information Request, GMG stated the following:[8]

> Greater Minnesota Gas, Inc. (GMG) only employs firm customer usage data for purposes of factoring information into its design day analysis. GMG does not include interruptible customer data in its design day analysis for several reasons including the fact that interruptible customers can be (and likely would be) curtailed during a heating season design day type event and because many of the Company's interruptible customers do not use gas during the heating season due to seasonal shut-downs. In order to provide the most accurate reflection of design day needs for firm customers and prevent the Company's ratepayers from being overly-burdened by paying for too much reserve, GMG believes the most prudent method for it to use is to focus on firm customer usage for design day analysis and demand entitlement decisions.

[7] January 29, 2018 Department Comments at page 14.
[8] See Department Attachment 1.

> Accordingly, GMG has not reduced its design day and/or interstate pipeline demand entitlements in the prior five years as a result of having daily interruptible data.
>
> GMG's tariff requires that service for interruptible and transportation customers "be provided through a Company owned meter with telemetering or other automated meter reading capabilities" Copies of the relevant tariff sheets are attached hereto. All of GMG's interruptible and transport customers have the necessary telemetering or other automated meter reading equipment installed.

In addition, please see pages 5 – 8 of the Department's November 16, 2017 Comments in Docket No. G022/M-17-399 discussing the design-day requirements for GMG. Typically, given the long-term nature and size of interstate pipeline contracts, it is not clear to the Department how use of telemetering would "reduce costs."

IV. DEPARTMENT'S RECOMMENDATIONS.

Based on our review, the Department recommends that the Commission accept MERC's peak day analysis, and approve MERC's Petition, as modified in its November 1, 2017 Update and February 20, 2018 Reply Comments; and allow MERC to recover the associated demand costs through the monthly PGA effective November 1, 2017.

/ja

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	G022/M-17-399	☐Nonpublic ☒Public
Requested From:	Kristine A. Anderson, Greater Minnesota	Date of Request: January 26, 2018
Type of Inquiry:	General	Response Due: February 5, 2018

Requested by: Sachin Shah/Adam Heinen
Email Address(es): sachin.shah@state.mn.us & adam.heinen@state.mn.us
Phone Number(s): 651-539-1834 & 651-539-1825

Request Number: 1
Topic: Demand Entitlement
Reference(s): August 16, 2017 Public Utilities Commission (Commission or PUC) Staff Briefing Papers in Docket No. G011/M-16-650 and December 6, 2017 PUC Order.

Request:

On page 12 of the Briefing Papers, staff stated the following:

> If the Department has not begun the investigation, requested in Commission Order Point 13, in Docket Nos. 15-722, 15-723, and 15-724, into how other natural gas utilities acquire and use daily customer usage data:
>
> 5. Request the Department to review and confirm how the other Minnesota natural gas utilities use metered daily interruptible data in the development of their Design Day requirements and provide a discussion explaining its conclusions. This review should determine if similar interruptible service tariff language requiring telemetering is already in each natural gas utilities' tariff for interruptible and transportation service and, if so, whether data from telemetering is being used effectively, and, if not, should a telemetering requirement be incorporated into their tariffs, and this data be used to possibly reduce costs.

Continued on next page

To be completed by responder

Response Date: March 7, 2018
Response by: Kristine Anderson
Email Address: kanderson@greatermngas.com
Phone Number: 507-665-8657

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	G022/M-17-399	☐Nonpublic ☒Public
Requested From:	Kristine A. Anderson, Greater Minnesota	Date of Request: January 26, 2018
Type of Inquiry:	General	Response Due: February 5, 2018

Requested by: Sachin Shah/Adam Heinen
Email Address(es): sachin.shah@state.mn.us & adam.heinen@state.mn.us
Phone Number(s): 651-539-1834 & 651-539-1825

The final order in Docket No. G011/M-16-650 has been issued, and requests the following:

> Requested the Department to review and confirm how the other Minnesota natural gas utilities use metered daily interruptible data in the development of their Design Day requirements and provide a discussion explaining its conclusions.

Based on this order, please:

- Provide general discussion on how interruptible customers and their data are incorporated into design-day analysis;
- Provide general discussion of telemetering requirements for interruptible customers;
- Explain if the Company has any interruptible customers without telemetering and if so, provide the number of interruptible customers without telemetering and explain why this is the case;
- Reference and provide any tariff language that requires interruptible customers to have telemetering; and
- Explain if the Company has reduced its design day and/or interstate pipeline demand entitlements in the prior five years as a result of having daily interruptible data.

If this information has already been provided in the application, written testimony or in response to an earlier Department information request (IR), please identify the specific testimony cite(s) or IR number(s).

GMG RESPONSE:

Greater Minnesota Gas, Inc. (GMG) only employs firm customer usage data for purposes of factoring information into its design day analysis. GMG does not include interruptible customer data in its design day analysis for several reasons including the fact that interruptible customers can be (and likely would be) curtailed during a heating season design day type event and because many of the Company's interruptible customers do not use gas during the heating season due to seasonal shut-downs. In order to

---

To be completed by responder

Response Date: March 7, 2018
Response by: Kristine Anderson
Email Address: kanderson@greatermngas.com
Phone Number: 507-665-8657

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	G022/M-17-399	☐Nonpublic ☒Public
Requested From:	Kristine A. Anderson, Greater Minnesota	Date of Request: January 26, 2018
Type of Inquiry:	General	Response Due: February 5, 2018

Requested by: Sachin Shah/Adam Heinen
Email Address(es): sachin.shah@state.mn.us & adam.heinen@state.mn.us
Phone Number(s): 651-539-1834 & 651-539-1825

---

provide the most accurate reflection of design day needs for firm customers and prevent the Company's ratepayers from being overly-burdened by paying for too much reserve, GMG believes the most prudent method for it to use is to focus on firm customer usage for design day analysis and demand entitlement decisions. Accordingly, GMG has not reduced its design day and/or interstate pipeline demand entitlements in the prior five years as a result of having daily interruptible data.

GMG's tariff requires that service for interruptible and transportation customers "be provided through a Company owned meter with telemetering or other automated meter reading capabilities" Copies of the relevant tariff sheets are attached hereto. All of GMG's interruptible and transport customers have the necessary telemetering or other automated meter reading equipment installed.

To be completed by responder

Response Date: March 7, 2018
Response by: Kristine Anderson
Email Address: kanderson@greatermngas.com
Phone Number: 507-665-8657

Greater Minnesota Gas, Inc.
St. Peter, Minnesota 56082
Gas Rate Book

General Interruptible Service Section V
Rate Code IND1 3rd Revised Sheet No. 13

Availability
Available on an interruptible basis to any commercial or industrial customer in All Rate Areas and shall be applied to all commercial and industrial customers for the purpose of providing construction heat during the winter months of December, January, and February.

Customer will agree to:
1. Curtail use within one hour after Company notification,
2. Provide and maintain suitable and adequate alternate fuel capable standby facilities, and
3. Have access to sufficient standby alternate fuel for periods of curtailment of the delivery of gas sold hereunder.

If a portion of a customer's usage is for processing or manufacturing, and curtailment would not be in violation of codes, then requirements (2) and (3) above shall not apply to that portion. If customer agrees to confine the use of natural gas for specified end uses under this rate to the months of April through October in any calendar year, requirements (2) and (3) above shall not apply. However, any use under this rate is still curtailable at Company option.

Applicability and Character of Service
Rate schedule applies to interruptible gas service for Customers, and construction heating during the winter months of December, January, and February.

Delivery of gas hereunder shall be subject to curtailment whenever requested by the Company. Service may be provided through a Company owned meter with telemetering or other automated meter reading capabilities installed.

Therm Adjustment
Customer's consumption in Ccf will be adjusted to reflect 1,000 Btu per cubic foot, base pressure 14.73 PSIA, and a gas temperature of 60 degrees Fahrenheit.

Rate

Facility Fee per Month	$275.00
Distribution Charge per CCF	$0.251310
Base Cost of Gas per CCF	$0.588013

Flexible Distribution Charge. Company and customer will agree to a price between $0.0300 and $0.25131 per CCF. Unless otherwise agreed, a five day notice of price change shall be provided.

Service on the Flexible Rate. Customers are normally served on a fixed rate but will be placed on the flexible rate if: (1) the customer requests flexible rate service, (2) for pricing reasons, the customer uses an on-gas alternate energy supply/service from a supplier not regulated by the Commission, or (3) the customer uses gas from a supplier not regulated by the Commission.

(Continued on Sheet No. V-14)

Returning to the Fixed Rate. A customer who has been on the flexible rate for at least six months can give the Company notice that in an additional six months customer wishes to return to the fixed rate. The notice is made void if the customer thereafter voluntarily uses an alternate fuel or service.

Flexible Rate Exemption. The Company shall not offer or impose the flexible rate in competition with indigenous biomass energy.

Non-Agreement Penalties. If Company and customer cannot agree to a flexible distribution charge and customer nonetheless uses gas then customer shall be charged the maximum allowable flexible distribution charge, plus all other applicable charges and penalties.

Determination of Cost of Gas
The billed Cost of Gas is the above Base Cost of Gas adjusted by the Purchased Gas Adjustment as provided for in the Purchased Gas Adjustment Clause.

Monthly Minimum Charge
Facility Fee

Additional Charge for Unauthorized use of Gas During Service Curtailment, Interruption, or Restriction
If customer fails to curtail, interrupt, or otherwise restrict use of gas hereunder when requested to do so by Company, customer shall pay, in addition to the appropriate rates above, the higher of (i) $5.00 per CCF, or (ii) and amount equal to any payment Company is required to make to its transporting pipeline, Northern Natural Gas (NNG), as a result of such failure to curtail, interrupt, or restrict service as follows:

> If NNG calls an operational flow order, system operation limitation (SOL) or critical day, the additional charge for unauthorized use will be equal to the NNG daily delivery variance charge or critical day charge in effect for such day multiplied by customer's unauthorized use volume. Currently, the charge is $11.30 per CCF. As NNG revises it rate schedules, the Company's rate will be adjusted accordingly.

Such payments, however, shall not preclude Company from 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.

Late Payment Charge
Any unpaid balance over $10.00 is subject to a 1.5% late payment charge or $1.00, whichever is greater, after the date due. The charge may be assessed as provided in the General Rules and Regulations, Section VI-2.

Term of Agreement Service
Service agreement shall be for a term of not less than one year. Upon expiration of term, agreement continues in force until terminated by at least 30 days' written notice by either party.

Greater Minnesota Gas, Inc.
St. Peter, Minnesota 56082
Gas Rate Book

General Interruptible – Agricultural Service Section V
Rate Code AG1 3rd Revised Sheet No. 15

Availability
Available on an interruptible basis to any commercial or industrial customer in all Rate Areas. Customer will agree to:
1. Curtail use within one hour after Company notification,
2. Provide and maintain suitable and adequate alternate fuel capable standby facilities, and
3. Have access to sufficient standby alternate fuel for periods of curtailment of the delivery of gas sold hereunder.

If a portion of a customer's usage is for processing or manufacturing, and curtailment would not be in violation of codes, then requirements (2) and (3) above shall not apply to that portion. If customer agrees to confine the use of natural gas for specified end uses under this rate to the months of April through October in any calendar year, requirements (2) and (3) above shall not apply. However, any use under this rate is still curtailable at Company option.

Applicability and Character of Service
Rate schedule applies to interruptible gas service for Agricultural Customers whose normal demand occurs in September, October, and November.

Delivery of gas hereunder shall be subject to curtailment whenever requested by the Company. Service may be provided through a Company owned meter with telemetering or other automated meter reading capabilities installed.

Therm Adjustment
Customer's consumption in Ccf will be adjusted to reflect 1,000 Btu per cubic foot, base pressure 14.73 PSIA, and a gas temperature of 60 degrees Fahrenheit.

Rate

Facility Fee per Month	$200.00 in October and November $ 20.00 all other months
Distribution Charge per CCF	$0.231310
Base Cost of Gas per CCF	$0.588013

Determination of Cost of Gas
The billed Cost of Gas is the above Base Cost of Gas adjusted by the Purchased Gas Adjustment as provided for in the Purchased Gas Adjustment Clause.

Monthly Minimum Charge
Facility Fee

Greater Minnesota Gas, Inc.
St. Peter, Minnesota 56082
Gas Rate Book

General Interruptible – Agricultural Service (Continued) Section V
Rate Code AG1 2nd Revised Sheet No. 16

Additional Charge for Unauthorized Use of Gas During Service Curtailment, Interruption, or Restriction
If customer fails to curtail, interrupt, or otherwise restrict use of gas hereunder when requested to do so by Company, customer shall pay, in addition to the appropriate rates above, the higher of (i) $1.00 per CCF, or (ii) and amount equal to any payment Company is required to make to its transporting pipeline, Northern Natural Gas (NNG), as a result of such failure to curtail, interrupt, or restrict service as follows:

> If NNG calls an operational flow order, system operation limitation (SOL) or critical day, the additional charge for unauthorized use will be equal to the NNG daily delivery variance charge or critical day charge in effect for such day multiplied by customer's unauthorized use volume. Currently, the charge is $11.30 per CCF. As NNG revises it rate schedules, the Company's rate will be adjusted accordingly.

Such payments, however, shall not preclude Company from 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.

Late Payment Charge
Any unpaid balance over $10.00 is subject to a 1.5% late payment charge or $1.00, whichever is greater, after the date due. The charge may be assessed as provided in the General Rules and Regulations, Section VI-2.

Term of Agreement Service
Service agreement shall be for a term of not less than one year. Upon expiration of term, agreement continues in force until terminated by at least 30 days' written notice by either party.

Greater Minnesota Gas, Inc.
St. Peter, Minnesota 56082
Gas Rate Book

General Service Transportation Service Section V
Rate Code TR1 4th Revised Sheet No. 17

Availability
Available to any customer for use of natural gas service in All Rate Areas.

Applicability and Character of Service
Rate schedule applies to transportation gas service for any Customers who have made arrangements to have gas other than Company system supply delivered to a Company town border station. Company may, at its own option, take title to transportation gas if necessary to arrange interstate pipeline transportation to Company town border station. Service shall be provided through a Company owned meter with telemetering or other automated meter reading capabilities.

Therm Adjustment
Customer's consumption in CCF will be adjusted to reflect 1,000 Btu per cubic foot, base pressure 14.73 PSIA, and a gas temperature of 60 degrees Fahrenheit.

Rate

Facility Fee per Month	Rate applicable if customer were served under an existing rate structure for which customer qualified by rate class and usage.
Fixed Distribution Charge per CCF	Rate applicable if customer were served under an existing rate structure for which customer qualified by rate class and usage.

Monthly Minimum Charge
Facility Fee plus applicable taxes and any resulting pipeline or supply charges assessed Company and caused by customer's transportation activities.

Late Payment Charge
Any unpaid balance over $10.00 is subject to a 1.5% late payment charge or $1.00, whichever is greater, after the date due. The charge may be assessed as provided in the General Rules and Regulations, Section VI-2.

Transfer to Transportation Service
Customers may transfer to Transportation Service for the period November 1 through October 31, subject to providing the Company with written notice at least six (6) months prior to November 1. A transportation customer must maintain transportation service for the entire November through October period. A transportation customer may not return to, or transition to, sales service until the next November 1st, subject to providing the Company with written noticeat least six (6) months prior to the transfer. A customer may only transfer to firm sales service if the Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer at terms similar to the Company's existing portfolio without jeopardizing system reliability or increasing costs to its other customers.

Unless determined otherwise by the Commission upon the request of the utility, transitioning customers are responsible for reimbursement for all incremental on-site plant investments, including telemetry equipment, required by the Company for providing transitioned services to either firm sales or interruptible transportation customers. The investment will remain the Company's property.

If the transitioning customer is currently receiving general firm sales service, the transitioning customer is responsible for stranded demand costs. The Company will forego charging the customer for the stranded demand costs if the Company can either utilize or reduce its transportation obligations with interstate pipelines such that stranded costs will not be absorbed by the remaining firm service customers.

Department Attachment 2
Docket No. G011/M-17-588
MERC NNG Demand Entitlement Analysis*

	Number of Firm Customers			Design-Day Requirement			Total Entitlement Plus Peak Shaving			Reserve Margin	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Heating Season	Number of Customers	Change from Previous Year	% Change From Previous Year	Design Day (Dth)	Change from Previous Year	% Change From Previous Year	Total Design-Day Capacity (Dth)	Change from Previous Year	% Change From Previous Year	Reserve (7) - (4)	% Reserve [(7)-(4)]/(4)
2017-2018	197,991	2,680	1.37%	267,783	5,459	2.08%	266,317	0	0.00%	(1,466)	-0.55%
2016-2017	195,311	3,295	1.72%	262,324	3,248	1.25%	266,317	0	0.00%	3,993	1.52%
2015-2016	192,016	2,938	1.55%	259,076	(14,841)	-5.42%	266,317	(14,287)	-5.09%	7,241	2.79%
2014-2015	189,078	(176)	-0.09%	273,917	15,004	5.79%	280,604	10,000	3.70%	6,687	2.44%
2013-2014	189,254	1,709	0.91%	258,913	19,588	8.18%	270,604	22,900	9.24%	11,691	4.52%
2012-2013	187,545	1,655	0.89%	239,325	(8,657)	-3.49%	247,704	(15,771)	-5.99%	8,379	3.50%
2011-2012	185,890	(720)	-0.39%	247,982	13,075	5.57%	263,475	(15,690)	-5.62%	15,493	6.25%
2010-2011	186,610	799	0.43%	234,907	(9,694)	-3.96%	279,165	7,000	2.57%	44,258	18.84%
2009-2010	185,811	1,243	0.67%	244,601	(19,298)	-7.31%	272,165	4,227	1.58%	27,564	11.27%
2008-2009	184,568	1,854	1.01%	263,899	23,416	9.74%	267,938	0	0.00%	4,039	1.53%
2007-2008	182,714	7,073	4.03%	240,483	1,729	0.72%	267,938	2,036	0.77%	27,455	11.42%
2006-2007	175,641			238,754			265,902			27,148	11.37%
Average			1.10%			1.20%			0.11%		6.24%

	Firm Peak-Day Sendout**			Per Customer Metrics			
	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Heating Season	Firm Peak-Day Sendout (Dth)	Change from Previous Year	% Change From Previous Year	Excess per Customer [(7) - (4)]/(1)	Design Day per Customer (4)/(1)	Entitlement per Customer (7)/(1)	Peak-Day Send per Customer (12)/(1)
2017-2018	unknown			-0.0074	1.3525	1.3451	unknown
2016-2017	212,653	(2,524)	-1.17%	0.0204	1.3431	1.3636	1.0888
2015-2016	215,177	10,612	5.19%	0.0377	1.3492	1.3870	1.1206
2014-2015	204,565	(19,471)	-8.69%	0.0354	1.4487	1.4841	1.0819
2013-2014	224,036			0.0618	1.3681	1.4298	1.1838
2012-2013				0.0447	1.2761	1.3208	
2011-2012				0.0833	1.3340	1.4174	
2010-2011				0.2372	1.2588	1.4960	
2009-2010				0.1483	1.3164	1.4647	
2008-2009				0.0219	1.4298	1.4517	
2007-2008				0.1503	1.3162	1.4664	
2006-2007				0.1546	1.3593	1.5139	
Average			-1.56%	0.0823	1.3460	1.4284	1.1188

*Design-Day, and Total Entitlement were larglley attributed the Albert Lea PGA however MERC did not increase its 2017-2018 Firm Customers to incoporate the Albert Lea PGA numbers
**Effective 7/1/13 MERC PGAs were consolidated from four down to two (NNG and Consolidated). Prior to 2013, no Peak-Day was calculated for only the NNG PGA.
Source: MERC's Attachment 1 - Reply Comments

CERTIFICATE OF SERVICE

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

Minnesota Department of Commerce
Response Comments

Docket No. G011/M-17-588

Dated this 8th day of March 2018

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_17-588_M-17-588
Michael	Auger	mauger@usenergyservices.com	U S Energy Services, Inc.	Suite 1200 605 Highway 169 N Minneaplis, MN 554416531	Electronic Service	No	OFF_SL_17-588_M-17-588
Elizabeth	Brama	ebrama@briggs.com	Briggs and Morgan	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-588_M-17-588
Jeanne	Cochran	Jeanne.Cochran@state.mn.us	Office of Administrative Hearings	P.O. Box 64620 St. Paul, MN 55164-0620	Electronic Service	No	OFF_SL_17-588_M-17-588
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_17-588_M-17-588
Seth	DeMerritt	ssdemerritt@integrysgroup.com	MERC (Holding)	700 North Adams P.O. Box 19001 Green Bay, WI 543079001	Electronic Service	No	OFF_SL_17-588_M-17-588
Ian	Dobson	residential.utilities@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_17-588_M-17-588
Darcy	Fabrizius	Darcy.fabrizius@constellation.com	Constellation Energy	N21 W23340 Ridgeview Pkwy Waukesha, WI 53188	Electronic Service	No	OFF_SL_17-588_M-17-588
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_17-588_M-17-588
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St Chicago, IL 60661	Electronic Service	No	OFF_SL_17-588_M-17-588

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	No	OFF_SL_17-588_M-17-588
Kimberly	Hellwig	kimberly.hellwig@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-588_M-17-588
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	No	OFF_SL_17-588_M-17-588
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-588_M-17-588
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_17-588_M-17-588
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_17-588_M-17-588
Brian	Meloy	brian.meloy@stinson.com	Stinson,Leonard, Street LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-588_M-17-588
Joseph	Meyer	joseph.meyer@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St Paul, MN 55101-2131	Electronic Service	No	OFF_SL_17-588_M-17-588
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-588_M-17-588

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_17-588_M-17-588
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	7400 Lyndale Ave S Ste 190 Richfield, MN 55423	Electronic Service	No	OFF_SL_17-588_M-17-588
Colleen	Sipiorski	ctsipiorski@integrysgroup.com	Minnesota Energy Resources Corporation	700 North Adams Street Green Bay, WI 54307	Electronic Service	No	OFF_SL_17-588_M-17-588
Kristin	Stastny	kstastny@briggs.com	Briggs and Morgan, P.A.	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-588_M-17-588
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_17-588_M-17-588
Casey	Whelan	cwhelan@usenergyservices.com	U.S. Energy Services, Inc.	605 Highway 169 N Ste 1200 Plymouth, MN 55441	Electronic Service	No	OFF_SL_17-588_M-17-588
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_17-588_M-17-588