COMMERCE DEPARTMENT

August 1, 2019

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

RE: **Additional Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/M-18-526

Dear Mr. Wolf:

Attached are the additional 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 or the Company) Demand Entitlement Filing for its Customers Served off of the Northern Natural Gas Company (Northern) System.

The petition was filed on August 1, 2018 by:

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation
2685 145th Street West
Rosemount, MN 55068

On November 1, 2018, MERC submitted a *November 1 Update* (Update). The Department filed initial comments on December 31, 2018.

On January 10, 2019, MERC submitted Reply Comments. The Update and Reply Comments were filed by:

Seth DeMerritt
Project Specialist 3
Minnesota Energy Resources Corporation
2685 145th Street West
Rosemount, MN 55068

On July 3, 2019, MERC submitted its Correction to 2018-2019 Demand Entitlement and Request for Variances to Allow for Correction through the Purchased Gas Adjustment (Correction Filing). The Correction Filing was filed by:

Mary Wolters
Director—Gas Regulatory Planning & Policy
Minnesota Energy Resources Corporation
2685 145th Street West
Rosemount, MN 55068

Based on its review, the Department recommends that the Commission:

- **Accept** the Company's proposed level of demand entitlements for its Northern Purchased Gas Adjustment (PGA);
- **Allow** MERC to recover associated demand costs, as calculated in the body of these comments, through the monthly PGA effective November 1, 2018 for its Northern PGA;
- **Determine** that the Rochester demand error is an error in the automatic adjustment calculation and is therefore governed by Minnesota Rules, part 7825.2920, subp. 2, which does not allow utilities to impose surcharges to collect under-recovered amounts; and
- **Require** MERC to calculate interest, at the prime rate, on the amount of costs over-recovered from firm ratepayers and include this in its refund to these customers, consistent with Minnesota Rules, part 7825.2920, subp. 2.

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

Sincerely,

/s/ ADAM J. HEINEN
Public Utilities Rates Analyst

AJH/ja
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G011/M-18-526

I. BACKGROUND AND INTRODUCTION

Pursuant to Minnesota Rules, part 7825.2910, subpart 2, Minnesota Energy Resources Corporation (MERC or the Company), filed a petition on August 1, 2018 with the Minnesota Public Utilities Commission (Commission) to change the level of demand for natural gas pipeline capacity (Petition) for its customers served by the Northern Natural Gas (NNG or Northern) system. MERC requested that the Commission approve changes in the Company's recovery of the overall level of contracted capacity.

On November 1, 2018, MERC submitted its *November 1 Update* (Update) detailing final entitlement levels for the upcoming heating season. The Update included final updated demand rates and anticipated commodity pricing. The Update reflected that the Company did not change its total entitlement level, but MERC updated final future contracts, storage positions, and call options for the 2018-2019 heating season.

On December 31, 2018, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed Comments analyzing MERC's Petition and Update. In its Comments, the Department recommended that the Commission accept MERC's proposed level of demand entitlement and allow the Company to recover associated demand costs through the monthly Purchased Gas Adjustment (PGA). The Department made a minor change to the demand recovery rate for the Northern system based on an inconsistency it observed in MERC's schedules in its Update.

On January 10, 2019, MERC filed Reply Comments responding to the Department's Comments. Regarding the inconsistency in MERC's schedules, the Company provided a revised Attachment 4, Page 1.

On May 21, 2019, the Department filed Response Comments. The Department maintained its original recommendations that the Commission accept MERC's proposed level of demand entitlement and allow the Company to recover associated demand costs through the monthly PGA. The Department also observed a minor inconsistency in demand costs calculated in MERC's Reply Comments and included revised rate calculations correcting this issue.

On July 3, 2019, the Company filed its Correction to 2018-2019 Demand Entitlement and Request for Variance to Allow for Correction through the Purchased Gas Adjustment (Correction Filing). MERC explained that subsequent to the Department's Response Comments, Commission Staff identified an error in the Company's treatment of Rochester capacity costs; specifically, MERC included Rochester capacity costs in the demand portion of the PGA despite the Commission's directive to recover these costs from both firm and interruptible sales customers through the commodity portion of the monthly PGA.[1] In its Correction Filing, the Company proposed to correct this error and requested a variance to Minnesota Rules, parts 7825.2910, 7825.2700, subp. 7, 7825.2920, subp. 2, 7820.4000, and "any other applicable rule as necessary to allow MERC to correct for the over- and under-charged amounts through the monthly PGA."

The Department responds to this correction and variance request below.

II. MERC PROPOSAL

In its Correction Filing, MERC acknowledged that it incorrectly included the additional Rochester capacity costs in the demand portion of the PGA, consistent with how other capacity costs are generally recovered. As a result of this error, the Company's November 1, 2018 through June 30, 2019 demand costs were overstated and the corresponding commodity costs were understated.[2] MERC estimated that approximately $423,646[3] were charged to firm service customers that should have been charged to interruptible and joint customers.

The Company proposed a two-part correction to this error. First, on a going-forward basis, MERC will properly assign the Rochester capacity costs to the commodity portion of the PGA effective July 1, 2019, consistent with the Commission's Order in Docket No. G011/M-15-895. MERC included updated rate calculations in its filing and indicated that these updated rates will be reflected in MERC's July 2019 PGA filing.[4] The Department reviews these rate calculations in Section IV below. On a going-forward basis, the Department concludes that this solution is reasonable.

Second, the Company proposed to correct the error for the amounts collected between November 1, 2018 and June 30, 2019 over a six-month period following Commission approval. Specifically, the Company proposed to refund firm customers for this period through the monthly PGA and surcharge interruptible and joint customers through the monthly PGA. This proposal is contrary to certain requirements in Minnesota Rules, so MERC also requested that the Commission grant variances to, at a minimum, the following Minnesota Rules: [5]

- 7825.2910: requires monthly PGA reports to reflect the previous month's commodity-delivered gas cost and an explanation of significant changes between the base gas cost and current cost, quantified as to changes in price and source of gas;

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[1] May 5, 2017 Order, Page 15, Docket No. G011/M-15-895.
[2] Correction Filing, Page 1.
[3] Correction Filing, Attachment A.
[4] Correction Filing, Attachment B.
[5] Correction Filing, Page 2.

- 7825.2700, subp. 7: defines the true-up amount as the difference between the commodity and demand gas revenues by class and the actual delivered gas cost;
- 7825.2920, subp. 2: specifies that PGA errors must be refunded by check or credits to bills, and that an interest rate equal to the prime rate be applied; and
- 7820.4000: specifies parameters for refunds/surcharges if a billing error has occurred.

The Company explained that Minnesota Rules, part 7829.3200 provides that the Commission shall grant a variance to its rules when it determines that the following requirements are met:

1. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
2. Granting the variance would not adversely affect the public interest; and
3. Granting the variance would not conflict with standards imposed by law.

MERC explained that each of these requirements is met under the circumstances of its proposal. First, the Company argued that enforcement of the applicable rules would impose an excessive burden on MERC because issuing individual bill credits and charges in accordance with the Natural Gas Billing Errors Rule (Minnesota Rule 7820.4000) would be administratively difficult given the insignificant billing impacts for the majority of customers.[6] The Company also stated that its proposal to adjust the PGA is appropriate because it is the same mechanism that originally charged these costs and using the PGA mechanism would ensure that customers pay for appropriate costs. In addition, MERC argued that making this correction over a six-month period would ensure that customers are appropriately charged and refunded within a reasonable timeframe.

Finally, MERC stated that granting the requested variance would not adversely affect the public interest. The Company reasoned that its proposal would ensure that all of MERC's sales customers are accurately charged for Rochester capacity costs as ordered by the Commission. The Company further argued that its variance request would not conflict with standards imposed by law. MERC noted that it is not aware of any laws that would be violated by the Commission's approval of the requested variance and that the Commission has granted variances to the PGA and billing error rules to allow similar adjustments in the past.[7]

The Department analyzes and responds to MERC's proposal below.

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[6] MERC estimated that an average Residential customer was over-charged $1.53 during this period, and the average Small Volume Interruptible customer was under-charged $815.46. Correction Filing, Page 2.
[7] Correction Filing, Page 3.

III. DEPARTMENT ANALYSIS

As noted above, MERC incorrectly recovered Rochester capacity costs through the demand portion of the PGA and not the commodity portion of the PGA as required by the May 5, 2017 Order in Docket No. G011/M-15-895 (May 5 Order). Based on this error, MERC firm customers were overcharged by $423,646.[8] There are two main components to an analysis of MERC's proposal to correct the Rochester capacity cost allocation error, 1) whether the error falls under the Billing Errors Rule (Minnesota Rules, part 7820.4000) or the Automatic Adjustment Rule (Minnesota Rules, part 7825.2920, subp. 2), and 2) whether it is appropriate to provide refunds and/or surcharges via the PGA rather than through direct bill credits.

The Department provides the following discussion and analysis of these two components below.

1. Billing Errors Rule

As noted above, billing errors for natural gas utilities are governed by Minnesota Rule 7820.4000 (Billing Errors Rule) and errors in automatic adjustment charges are governed by Minnesota Rule 7825.2920, subp. 2 (Automatic Adjustment Rule). One of the most prominent differences between the two rules is that the Billing Errors Rule addresses both over-charges and under-charges, while the Automatic Adjustment Rule only contemplates over-charges. Another difference is that the Billing Errors Rule applies to particular types of errors, while the Automatic Adjustment Rule applies to all "[e]rrors made in adjustment." The Billing Errors Rule states in relevant part:[9]

> When a customer has been overcharged or undercharged as a result of incorrect reading of the meter, incorrect application of rate schedule, incorrect connection of the meter, application of an incorrect multiplier or constant or other similar reasons, the amount of the overcharge shall be refunded to the customer or the amount of the undercharge may be billed to the customer as detailed in subparts 2 through 4…
>
> When a utility has undercharged a customer, the utility shall calculate the difference between the amount collected for service rendered and the amount the utility should have collected for service rendered, for the period beginning one year before the date of discovery. If the recalculated bills indicate that the amount due the utility exceeds $10, the utility may bill the customer for the amount due. But a utility must not bill for any undercharge incurred after the date of a customer inquiry or complaint if the utility failed to begin investigating the matter within a reasonable time and the inquiry or complaint ultimately resulted in the discovery of the

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[8] Correction Filing, Attachment A.
[9] Minnesota Rules, part 7820.4000.

> undercharge. The first billing rendered shall be separated from the regular bill and the charges explained in detail.

Based on the wording of the Billing Errors Rule, it does not appear that MERC's Rochester contract error meets the definition of a billing error. The types of errors listed in the Billing Errors Rule relate to metering issues and rate application issues resulting in an erroneous bill; however, the rule also references "other similar reasons," so the Department investigated *Statement of Need and Reasonableness* (SONARs) associated with Minnesota Rules, part 7820.4000 to determine if there is additional guidance on what may qualify as a billing error.

The most recent rule making for the billing error rule was initiated in 2005 (2005 Rule Making).[10] The Department reviewed the SONAR associated with this proceeding and there were no changes or further guidance regarding what may be considered a billing error.[11] The SONAR did note that in 1976 the Commission adopted rules PSC 314 (pertaining to electricity) and PSC 315 (pertaining to natural gas), now known as Minnesota Rules, part 7820.3900 (pertaining to electric utilities) and Minnesota Rules, part 7820.4000 (pertaining to natural gas utilities). The Department reviewed the original rule making proceeding to determine if discussion or analysis existed regarding the current Minnesota Rule 7820.4000, subp. 1.[12] The original rule proceeding provided the following related to the Billing Errors Rule:[13]

> In conjunction with the addition of the terms used in PSC 316, the Commission has added those terms as they would apply to the situation of inaccuracies either through meter readings or other causes as provided in PSC 314 and PSC 315. The Commission finds that the additional terms are usual causes of meter error and specifically will be dealt with when the engineering standards are determined by the Commission. Accordingly, the Commission finds that the addition of these terms to their use in PSC 314 and PSC 315 neither add nor detract from the original intent of the proposed regulation but merely delineate. The Commission finds that the original proposed regulation PSC 314 and PSC 315 originally applied to the situation of when a customer has been overcharged or undercharged as a result of incorrect reading of the meter, incorrect application of the rate schedule, incorrect connection of the meter or similar reasons. The amendments made by the Commission to these regulations delineate the "other similar reasons" for the overcharge or undercharge but do not limit these "other similar reasons" to such circumstances. The Commission finds that other similar reasons intended by the regulation were to include

[10] Docket No. E,G999/R-05-444.
[11] October 7, 2009 Order, Docket No. E,G999/R-05-444.
[12] PSC Docket No. A-8117-10.
[13] PSC Docket No. A-8117-10, January 19, 1976 *Findings of Fact*, Pages 182-183.

> "improper voltage, improper frequency or wave form, improper power factor, or errors due to temperature variation." The Commission finds that it is within the intent of this regulation to include such terms. These terms by their inclusion do not limit the application of the regulation to these terms alone and do not restrict the regulation which previously provided protection when a customer had been overcharged according to "other similar reasons." There terms were intended to be included in the meaning of other similar reasons. Accordingly, the Commission has amended PSC 314(b)(1) to include these terms discussed above.

The other reasons noted by the Commission appear related more closely to issues with metering, not the incorrect application of a Commission order. However, the Commission was clear that the list of examples was not exhaustive and there could be other instances that may constitute a billing error.

The Company's error involved the incorrect application of a Commission Order, which is not listed in the Billing Errors Rule or analogous to the examples explicitly listed in the rule and discussed in the original rule proceeding. In its Correction Filing, MERC stated that the Commission approved variances and similar adjustments in the past.[14] The examples noted by MERC are as follows:[15]

> The first billing error resulted from a defective flow meter owned by [Great Lakes Gas Transmission], which inaccurately measured the amount of gas GLGT supplied to MERC. The second billing error arose because MERC incorrectly assigned approximately 460 gas customer accounts in Deer River to the MERC-NNG PGA that should have been assigned to the MERC-CON PGA.

Although the Commission approved an adjustment for these errors, the Department notes that these errors involved instances that clearly meet the definition of a billing error as described in the Billing Errors Rule (*i.e.,* incorrect gas flow at a meter, incorrect application of a rate schedule).

Based on its review of Minnesota Rules, part 7829.4000 and the original rule making, the Department concludes that the Billing Errors Rule is not applicable in this instance; therefore, no rule variance to this rule part is needed.

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[14] Correction Filing, Page 3.
[15] *See* MERC May 15, 2015 Reply Comments, Docket Nos. G011/AA-14-754 and AA-14-755, pages 6-8.

2. *Automatic Adjustment Rule*

The Automatic Adjustment Rule states:[16]

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

In terms of the Automatic Adjustment Rule, the Department reviewed the SONAR associated with Minnesota Rule Chapter 7825. The most recent SONAR was filed on March 7, 1989 in Docket No. G999/R-85-789 (1985 Rulemaking). During the 1985 Rulemaking, no change was made to Subparts 1, 2, and 3 of Minnesota Rule 7825.2920, other than a re-numbering. The Commission concluded that it was reasonable to include the identical language from the previous iteration of Minnesota Rule 7825.2920 because the need for the rate change approval requirements had not changed, but needed to be regrouped to distinguish between natural gas and electric utilities.[17]

Prior to the 1985 Rulemaking, the Commission modified Minnesota Rule Chapter 7825 in Docket No. G,E999/R-83-467 (1983 Rulemaking). However, there were no changes made to Minnesota Rule 7825.2900 in the 1983 Rulemaking.[18] As such, the interpretation of current Minnesota Rule 7825.2920 is governed by the original Public Service Commission (PSC) Rules 390-395 promulgated on January 1, 1978.

The original PSC Rules 390-395 were crafted in 1975 (1975 Rulemaking) as the result of a formal hearing process, including written and oral testimony, under the direction of the Commission.[19] The Commission considered the record, including suggested revisions, and issued its *Findings, Conclusions and Order for Automatic Adjustment of Charges for Public Utility Service* on June 15, 1977 (1977 Order). When originally proposed, Minnesota Rule 7825.2920 was known as PSC Rule 394(d). The 1975 Rulemaking involved significant input and suggested revisions from the Commission, the Department, and various regulated electric and natural gas utilities. The Department notes that the draft PSC Rule 394(d) included the following language regarding errors:

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[16] Minnesota Rule 7825.2920, subp. 2.
[17] Docket No. G999/R-85-789, *Statement of Need and Reasonableness*, Page 22.
[18] Commission's October 10, 1984 Findings of Fact, Conclusions of Law and Order Adopting Rules in Docket No. G,E999/R-83-467.
[19] Public Service Commission Docket No. A-8117-11.

> Errors made in computing adjustments or adjustments made which deviate from the procedures described in PSC 390 through 395 may be refunded to the consumer in an amount not to exceed the amount of the error upon the order of the Commission…

At the hearing, a spokesman for Minnesota Power and Light suggested that the draft language be amended to clarify the fact that the refund may be made either by a check or a credit on a customer bill.[20]

The SONAR states:[21]

> The Commission agrees with Minnesota Power and Light that any refund to the consumer may be made by either a check to the consumer or a credit on his bill. Any refund shall be included interest computed at the prime rate.

The final rule language incorporated this finding without change and stated the following:[22]

> Errors made in adjustment must be refunded by check or credits to bill to the consumer in an amount not to exceed the amount of the error plus interest computed at the prime rate upon the order of the Commission…

As noted above, the error-related language for PSC 394(d), now known as Minnesota Rule 7825.2920, remains unchanged from its approval on June 15, 1977 and promulgation into Minnesota Rules on January 1, 1978. Nothing in the rule language or past rule making proceedings indicates that MERC's error in recovering costs through the PGA from the wrong set of customers due to the Company's inadvertent failure to follow the Commission's Order calls for a conclusion that somehow the Automatic Adjustment Rule does not apply in this situation.

The Automatic Adjustment Rule does not allow for surcharges due to a calculation error – only refunds. Application of the Automatic Adjustment Rule to this case would require MERC to refund to firm customers, with interest,[23] the Rochester capacity costs they were inappropriately charged. It would not allow MERC to surcharge interruptible and joint customers for the Rochester capacity costs not previously collected between November 2018 and June 2019 (*i.e.,* and refunded to firm customers erroneously charged). Therefore, the portion of MERC's proposal involving surcharging customers (whether through the PGA or via direct surcharges) for the amounts not collected due to the refund is

[20] June 15, 1977 Order, Docket No. A-8117-11, Page 33.
[21] June 15, 1977 Order, Docket No. A-8117-11, Page 34.
[22] June 15, 1977 Order, Docket No. A-8117-11, Page 34.
[23] The Department notes that the Commission has typically required interest to be paid on customer refunds provided under the Billing Errors Rule. See, for example, Docket Nos. G008/M-12-547, E,G002/M-14-74, and G002/M-16-347.

not allowed by the Automatic Adjustment Rule. Further, the Company is required to apply interest, at the prime rate, on the refund amounts due to firm customers for previous overcharges.

3. Whether Refunds Should be Provided through the PGA or Direct Credits

The Company proposed to correct the Rochester capacity cost allocation error for the amounts collected between November 1, 2018 and June 30, 2019 over a six-month period following Commission approval. Specifically, the Company proposed to refund firm customers for this period through the monthly PGA and surcharge interruptible and joint customers through the monthly PGA. This proposal is contrary to certain requirements in Minnesota Rules, so MERC also requested that the Commission grant variances to, at a minimum, the following Minnesota Rules: [24,25]

- 7825.2910: requires monthly PGA reports to reflect the previous month's commodity-delivered gas cost and an explanation of significant changes between the base gas cost and current cost, quantified as to changes in price and source of gas;
- 7825.2700, subp. 7: defines the true-up amount as the difference between the commodity and demand gas revenues by class and the actual delivered gas cost; and
- 7825.2920, subp. 2: specifies that PGA errors must be refunded by check or credits to bills, and that an interest rate equal to the prime rate be applied.

The Department recommends that the Commission deny MERC's variance request. The Company's variance request would adversely impact the public interest by increasing the time needed to fully refund firm ratepayers, and it will conflict with the requirements of Minnesota Rules, part 7825.2920, subp. 2. Specifically, Minnesota Rule 7825.2920, subp. 2 states the following:

> Errors made in adjustment must be refunded by check or credits to the consumer… if … (2) the amount of the error is greater than five percent of the corrected adjustment charge.

The rule is clear that if the error in question is greater than five percent of the correct adjustment charge, then the refund must be by check or credit. The correction decreased total demand charges from $0.11467 per therm[26] to $0.09493 per therm,[27] which is a change of approximately 21 percent. This impact is greater than five percent; therefore, MERC is required to provide refunds by check or credit.

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[24] Correction Filing, Page 2.
[25] MERC also requested a variance to Minnesota Rules, part 7820.4000; however, the Department concludes that the Billing Errors Rule does not apply to this situation, as discussed herein.
[26] Department Attachment R-1.
[27] Department Attachment A-1.

MERC indicated that individual refunds would be burdensome, but has not provided information substantiating that a line item credit to firm ratepayers is administratively burdensome, especially in light of the $1.59 impact per average Residential ratepayer.[28] However, in the event the Commission concludes that a line item credit is administratively burdensome, the Department recommends that the Commission approve a variance to Minnesota Rules, part 7825.2920, subp. 2, and require MERC to provide refunds in full, plus interest at the prime rate, as a credit to the first monthly PGA after the issuance of an order in this docket. Doing so would return the overcharge to ratepayers in a more expeditious manner than the Company's six-month proposal and would obviate any need for rule variances.

IV. UPDATED COST RECOVERY

The Department reviewed the Company's October 2018 PGA and its Attachment B to its Correction Filing and confirms that they reconcile. The Department reviewed MERC's Attachment B to its Correction Filing and notes that demand costs for its Small and Large Volume Firm rate classes are incorrectly reported. The Department includes revised rate calculations in Department Attachment A-1. Based on the information in MERC's Correction Filing, the Company's demand entitlement proposal results in the following annual demand cost impacts:

- annual bill increase of $1.11 related to demand costs, or 1.35 percent, for the average General Service customer consuming 88 Dth annually;
- annual bill increase of $9.46 related to demand costs, or 1.35 percent for the average Small Volume Firm customer consuming 25 Dth annually of firm gas;
- annual bill increase of $28.37 related to demand costs, or 1.35 percent, for the average Large Volume Firm customer consuming 75 Dth annually of firm gas;
- annual bill increase of $1,008.71 related to Rochester contract costs for the average Small Volume Interruptible customer consuming 5,110 Dth annually; and
- annual bill increase of $3,188.01 related to Rochester contract costs for the average Large Volume Interruptible customer consuming 16,150 Dth annually.

Based on its analysis, the Department recommends that the Commission approve the proposed demand costs with an effective date of November 1, 2018.

V. DEPARTMENT RECOMMENDATIONS

Based on its review of MERC's submittals in the instant docket, the Department recommends that the Commission:

- Accept the Company's proposed level of demand entitlement for its Northern PGA;

[28] MERC Correction Filing, Attachment A.

- Allow MERC to recover associated demand costs, as calculated in the body of these comments, through the monthly PGA effective November 1, 2018 for its Northern PGA;
- Determine that the Rochester demand error is an error in the automatic adjustment calculation and is therefore governed by Minnesota Rules, part 7825.2920, subp. 2 which does not allow for surcharges to collect under-recovered amounts; and
- Require MERC to calculate interest, at the prime rate, on the amount of costs over-recovered from firm ratepayers and include this in its refund to these customers, consistent with Minnesota Rules, part 7825.2920, subp. 2.

/ja

MINNESOTA ENERGY RESOURCES - NNG

RATE IMPACT OF THE PROPOSED DEMAND CHANGE
NOVEMBER 1, 2018

All costs in $/Dth	Base Cost of Gas G011/MR-17-564 Jan 1, 2018	Demand Charge Oct 1, 2017	Demand Charge Demand Filing Nov 1, 2017	Most Recent PGA Oct 1, 2018	Proposed Effective Nov 1, 2018	Result of Proposed Change: Change from Last Rate Case	Change from Nov 1, 2017 Demand Filing	Change from Last PGA %	Change from Last PGA $
1) General Service Residential: Avg. Annual Use:		**88**		**Dth**					
Commodity Cost	$3.7406	$3.2257	$3.0201	$3.4787	$3.4787	($0.2619)	$0.4586	0.00%	$0.0000
Demand Cost	$0.9361	$0.9288	$0.9328	$0.9367	$0.9493	$0.0132	$0.0165	1.35%	$0.0126
Commodity Margin	$2.6284	$2.4116	$2.4116	$2.5727	$2.5727	($0.0557)	$0.1611	0.00%	$0.0000
Total Cost of Gas	$7.3051	$6.5661	$6.3645	$6.9881	$7.0007	($0.3044)	$0.6362	0.18%	$0.0126
Avg Annual Cost	$642.85	$577.82	$560.08	$614.95	$616.06	($26.79)	$55.99	0.18%	$1.11
Effect of proposed commodity change on average annual bills:									$0.00
Effect of proposed demand change on average annual bills:									$1.11
2) Small Vol. Interruptible: Avg. Annual Use:		**5,110**		**Dth**					
Commodity Cost	$3.7406	$3.2257	$3.0201	$3.8855	$3.4787	($0.2619)	$0.4586	-10.47%	($0.4068)
Demand Cost									
Commodity Margin	$1.0616	$0.9740	$0.9740	$1.0391	$1.0391	($0.0225)	$0.0651	0.00%	$0.0000
Total Cost of Gas	$4.8022	$4.1997	$3.9941	$4.9246	$4.5178	($0.2844)	$0.5237	-8.26%	($0.4068)
Avg Annual Cost	$24,539.24	$21,460.47	$20,409.85	$25,164.71	$23,085.96	($1,453.28)	$2,676.11	-8.26%	($2,078.75)
Effect of proposed commodity change on average annual bills:									($2,078.75)
Effect of proposed demand change on average annual bills:									$0.00
3) Large Vol. Interruptible: Avg. Annual Use:		**16,150**		**Dth**					
Commodity Cost	$3.7406	$3.2257	$3.0201	$3.8855	$3.4787	($0.2619)	$0.4586	-10.47%	($0.4068)
Demand Cost									
Commodity Margin	$0.5808	$0.5329	$0.5329	$0.5685	$0.5685	($0.0123)	$0.0356	0.00%	$0.0000
Total Cost of Gas	$4.3214	$3.7586	$3.5530	$4.4540	$4.0472	($0.2742)	$0.4942	-9.13%	($0.4068)
Avg Annual Cost	$69,790.61	$60,701.39	$57,380.95	$71,932.10	$65,362.28	($4,428.33)	$7,981.33	-9.13%	($6,569.82)
Effect of proposed commodity change on average annual bills:									($6,569.82)
Effect of proposed demand change on average annual bills:									$0.00
4) Small Vol. Firm: Avg. Annual Use:		**5,110**		**Dth**					
		25		**DTh**					
Commodity Cost	$3.7406	$3.2257	$3.0201	$3.8855	$3.4787	($0.2619)	$0.4586	-10.47%	($0.4068)
Demand Cost	$28.0830	$27.8640	$27.98	$28.10	$28.4792	$0.0000	$0.4952	1.35%	$0.3782
Commodity Margin	$1.0616	$0.9740	$0.9740	$1.0391	$1.0391	($0.0225)	$0.0651	0.00%	$0.0000
Demand Margin	$3.2697	$3.0000	$3.0000	$3.1449	$3.1449	$3.1449	$0.1449	0.00%	$0.0000
Total Cost of Gas	$4.8022	$4.1997	$3.9941	$4.9246	$4.5178	($0.2844)	$0.5237	-8.26%	($0.4068)
Total Demand Cost	$31.3527	$30.8640	$30.9840	$31.2459	$31.6241	$0.2714	$0.6401	1.21%	$0.3782
Avg Annual Cost	$25,323.06	$22,232.07	$21,184.45	$25,945.85	$23,876.56	($1,446.50)	$2,692.11	-7.98%	($2,069.29)
Effect of proposed commodity change on average annual bills:									($2,078.75)
Effect of proposed demand change on average annual bills:									$9.46
5) Large Vol. Firm: Avg. Annual Use:		**16,150**		**Dth**					
		75		**DTh**					
Commodity Cost	$3.7406	$3.2257	$3.0201	$3.8855	$3.4787	($0.2619)	$0.4586	-10.47%	($0.4068)
Demand Cost	$28.0830	$27.8640	$27.9840	$28.1010	$28.4792	$0.3962	$0.4952	1.35%	$0.3782
Commodity Margin	$0.5808	$0.5329	$0.5329	$0.5685	$0.5685	($0.0123)	$0.0356	0.00%	$0.0000
Demand Margin	$3.2697	$3.0000	$3.0000	$3.1449	$3.1449	$0.0000	$0.1449	0.00%	$0.0000
Total Cost of Gas	$4.3214	$3.7586	$3.5530	$4.4540	$4.0472	($0.2742)	$0.4942	-9.13%	($0.4068)
Total Demand Cost	$31.3527	$30.8640	$30.9840	$31.2459	$31.6241	$31.6241	$0.6401	1.21%	$0.3782
Avg Annual Cost	$72,142.06	$63,016.19	$59,704.75	$74,275.54	$67,734.09	($2,056.52)	$8,029.34	-8.81%	($6,541.45)
Effect of proposed commodity change on average annual bills:									($6,569.82)
Effect of proposed demand change on average annual bills:									$28.37

Note: Average Annual Average based on NNG Annual Automatic Adjustment Report in Docket No. E,G999/AA-17-493
Note: Commodity Cost Rates do not include ACA adjustment.

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
Additional Comments

Docket No. G011/M-18-526

Dated this **1st** day of **August 2019**

/s/Sharon Ferguson

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