

September 27, 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. E,G999/CI-19-160**

Dear Mr. Wolf:

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

Minnesota Public Utilities Commission (Commission) Inquiry into the
Impacts of Severe Weather in January and February 2019 on Utility
Operations and Service.

On July 9, 2019, the Commission issued a *Notice of Comment Period* requesting comments from parties on the utilities' submittals and related issues and topics. The Minnesota Department of Commerce (Department) and Office of the Attorney General (OAG) filed comments in response to this notice on August 9, 2019. Several natural gas utilities filed reply comments on August 19, 2019.

While the Commission has not requested further comments, the Department requests that the Commission accept the attached Additional Comments and recommendations, based on the Department's review of the various utility reply comments.

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

Sincerely,

/s/ ADAM J. HEINEN
Public Utilities Rates Analyst

AJH/ar



Before the Minnesota Public Utilities Commission

Additional Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E,G999/CI-19-160

I. BACKGROUND AND INTRODUCTION

The Minnesota Department of Commerce (Department) refers to the background section in our May 20, 2019 Comments for detailed background regarding this proceeding.

On July 9, 2019, the Minnesota Public Utilities Commission (Commission) issued a third *Notice of Comment Period (Third Notice)* for additional discussion of the severe weather event. As part of the *Third Notice*, the Commission referenced the following topics as open for discussion:

- Potential tariff changes related to curtailment and failure to curtail issues.
- Potential tariff changes related to interruptible natural gas service.
- Electric utility curtailment and MISO penalties, if any.
- Xcel Energy's planning for severe weather by its Electric and Gas Utilities.
- Utility communication with interruptible customers regarding curtailments.
- Utility communication with the general public during severe weather events.
- Generation forecasting for wind resources in extreme temperatures.
- Any other issue addressed by the utilities in response to the Department's May 20, 2019 comments and request for additional information in reply comments.
- Are there other issues or concerns related to this matter?

The Department and the Office of the Attorney General (OAG) filed comments on August 9, 2019 responding to the Commission's *Third Notice*. In its Comments, the Department provided analysis in response to utility comments and provided various conclusions and recommendations, such as changes to interruptible tariffs to help decrease unauthorized use in the future. The OAG also included proposed interruptible tariff changes in its comments.

CenterPoint Energy Minnesota Gas (CenterPoint), Minnesota Energy Resources Corporation (MERC), and Northern States Power Company, d/b/a Xcel Energy (Xcel),¹ filed reply comments on August 19, 2019 in response to the Commission's *Third Notice* and the comments of the Department and the OAG.

The Department provides its analysis and recommendations below.

¹ Xcel's reply comments related strictly to its gas operations.

II. DEPARTMENT ANALYSIS

The Department's Additional Comments are organized as follows:

- A. CenterPoint Response;
- B. MERC Response;
- C. Xcel Response;
- D. Department Conclusions.

A. CENTERPOINT RESPONSE

1. Unauthorized Use Penalty

The Department recommended that CenterPoint increase its penalty for unauthorized to \$5 per therm or, if the Commission increases the penalties for other utilities, be set at the level of other utilities. CenterPoint stated that it does not oppose increasing its per-therm penalty but it disagreed with the specific recommendation of \$5 per therm. CenterPoint stated that it is concerned that a \$5 penalty for a first offense could be excessive; however, it concluded that an escalation in penalty, as proposed by the OAG, is an appropriate penalty for repeat offenders.²

CenterPoint explained that its penalty structure for unauthorized use differs from other utilities. According to CenterPoint, unlike other utilities, it charges a flat penalty of \$1 or \$2 per therm, depending on the incidence of unauthorized use, and the highest incremental supply cost for the day when unauthorized use occurred. CenterPoint stated that other utilities charge a flat rate and then the average weighted cost of gas (WACOG) to determine their unauthorized gas penalty.

CenterPoint concluded that its current penalty structure is more effective because it better compensates firm customers for actual costs incurred for non-compliant interruptible customers and sends appropriate price signals to interruptible customers for their non-compliance. CenterPoint also concluded that it may be appropriate to increase the flat penalty amount to \$3 per therm for a first offense and \$6 per therm for additional offenses, in addition to the highest incremental supply cost for the day.

The Department appreciates CenterPoint's conclusion that an increase in penalty amount may be appropriate. As noted in the Department's Response Comments, CenterPoint's level of unauthorized use did not improve between the 2013-2014 heating season and this most recent cold weather event, which suggests that CenterPoint's current penalty amount is too low.³

² CenterPoint Reply Comments, Pages 1-3.

³ Department Response Comments, Pages 10-12.

However, the Department notes that CenterPoint's characterization of unauthorized use penalties for other utilities is not accurate. MERC noted in its reply comments that its unauthorized use penalty was changed on July 1, 2019 to the highest incremental supply cost for the day of unauthorized use occurred, in addition to a \$5 per therm charge.⁴

Further, the Department disagrees that a \$5 penalty for a first instance of non-compliance would be excessive. As discussed at length in this record, it is the requirement, and expectation, of interruptible service that these customers curtail use when required by the utility. To the extent that unauthorized use is for economic purposes, it is important that the penalty level be set at a level sufficient to remove this incentive.

The Commission has approved \$5 per therm penalties for other natural gas utilities and, absent specific information from CenterPoint showing that this penalty level will cause interruptible customers to cease service (*e.g.*, go out of business), the Department concludes that a \$5 per therm penalty level is also reasonable for CenterPoint.

2. Escalation in Unauthorized Use Penalty

The second area CenterPoint addressed was the OAG's proposal that the Commission require gas utilities to double the per-therm penalty for subsequent failures to curtail. CenterPoint stated that its existing tariff increases the penalty for non-compliance after a customer's first incidence of unauthorized use. CenterPoint opposed additional penalties for a third or fourth violation of the tariff because it believed that the administrative and programming efforts would likely outweigh any benefits to firm customers, and instances of more than two instances of non-compliance per winter is uncommon. In particular, CenterPoint noted that no customer during the 2018-2019 heating season failed to curtail multiple times.⁵

The Department generally agrees with CenterPoint on this topic, but notes that several failures to curtail must be addressed. If a customer habitually uses unauthorized gas during a gas year, it is unlikely that escalating penalties will incent compliance with the tariff because the reasons for non-compliance are likely uneconomic (*e.g.*, equipment issue, unauthorized use relatively low). Instead, it would be appropriate to discontinue interruptible service to this customer, or move this customer to firm service, since the customer would have self-identified the inability to abide by the term of service, at the expense to other customers. The Department further discusses the OAG's proposal for escalating penalties in Section II.D below.

⁴ MERC Reply Comments, Page 2.

⁵ CenterPoint Reply Comments, Page 3.

3. Analysis of Unauthorized Use

The third area that CenterPoint addressed was the Department's recommendation that gas utilities fully analyze the circumstances associated with a customer that failed to curtail twice during a gas year or a single instance of significant non-compliance. As part of this analysis, the Department recommended that the utilities include an estimate of the costs and requirement to move this customer to firm service. The Department recommended that the utilities provide this analysis annually with the Commission on May 1.

CenterPoint responded that it appreciates the Department's position in this matter but noted that moving a customer to firm service can be complicated, and it is not necessary or appropriate in every case to complete a full analysis of the costs of moving a customer to firm service for significant or repeated non-compliance. CenterPoint explained that its current process already includes a detailed follow-up with any customer that used unauthorized gas and that, in most cases, the non-compliant usage is relatively low, and temporary, and the reasons for non-compliance is easily explained and resolved. CenterPoint also explained that in the case of large customers it is generally not possible to make necessary system upgrades to allow movement of the customer to firm service before the next heating season. These kinds of larger system upgrades may require procurement of additional interstate pipeline capacity and other upgrades to the CenterPoint system, which, in CenterPoint's estimation, may take two to three years to complete. Given these concerns, CenterPoint recommended that the Commission allow CenterPoint to report, for each repeated or significant noncompliance event, either the costs and requirements to move the customer to firm service or a justification for not completing this analysis and a description of what the utility or customer has done or is doing to prevent further non-compliance.⁶

The Department appreciates CenterPoint's additional discussion and clarification regarding the Department's proposed analysis of unauthorized use recommendations. The Department agrees with CenterPoint that under certain circumstances a full analysis of the costs to move a customer to firm service would be unnecessary given the reasons for the unauthorized use. As such, the Department modifies its recommendation. Since MERC and Xcel also addressed this issue in their respective comments, the Department further discusses this issue and modified recommendation in Section II.D below.

4. Other Areas of Response

CenterPoint also responded that it did not object to the Department's other recommendations regarding a progress report on process improvements to address severe weather, various proposed changes to the interruptible tariff, and the potential of a workgroup to discuss communication to the public during severe weather. CenterPoint also addressed MERC's first-through-the-meter proposal,⁷ which the Department recommended that the Commission approve.⁸ CenterPoint stated that making

⁶ CenterPoint Reply Comments, Pages 5.

⁷ MERC July 1, 2019 Reply Comments, Page 10.

⁸ Department Response Comments, Pages 14-15.

this change to its own tariffs could help avoid unauthorized use during the first hours of a curtailment as certain customers switch over to their back up supply. Given these potential benefits, CenterPoint proposes to change its firm/interruptible tariffs in a similar fashion. CenterPoint made a supplemental filing on September 12, 2019 with its proposed tariff changes.

The Department concurs that the first-through-the-meter change may also be appropriate for the CenterPoint system. The Department reviewed CenterPoint's proposed tariff change and concludes that it appears reasonable. The Department recommends that the Commission approve CenterPoint's proposed tariff changes as filed in its September 12, 2019 filing.

B. MERC RESPONSE

MERC provided significant discussion and analysis in its Reply Comments in response to recommendations from both the OAG and the Department. MERC generally opposed the recommendations of the OAG and the Department. For most of these recommendations, MERC concluded that the proposals and recommendations of the Department and OAG would not improve interruptible compliance or reduce unauthorized use.

1. OAG Proposal

The OAG recommended that the Commission require interruptible tariffs double the per-therm penalty for every failure to curtail.⁹ MERC opposed this recommendation on several grounds. First, MERC noted that it recently modified its tariff such that, in addition to its \$5 per therm penalty, it now charges the highest incremental supply cost for the day unauthorized use occurred. MERC concluded that these combined charges should be sufficient to deter economic non-compliance. Second, MERC argued that this proposal does not address customers who partially complied with a curtailment, and it does not take into account that tracking customer compliance over multiple years is difficult. MERC noted that some customers operate multiple facilities and the administrative and programming effort required to assess bills for each non-compliance event would be substantial relative to the impact on compliance.

Instead, MERC argued that a case-by-case approach to non-compliance would be more appropriate. In particular, MERC noted that it appears that the majority of unauthorized use during the cold weather event was for non-economic reasons and a compounding curtailment penalty would be unlikely to improve compliance. MERC also noted that its first-through-the-meter proposal is likely to improve compliance.¹⁰

Since this issue relates to other natural gas utilities that filed reply comments, the Department addresses its primary recommendation on this topic in Section II.D below. However, in response to MERC's particular arguments, the Department notes, first, that it is unclear why tracking non-compliance is difficult or administratively burdensome. Although a customer may have multiple

⁹ OAG Response Comments, Page 3.

¹⁰ MERC Reply Comments, Pages 1-3.

meters or facilities, these separate services should be specifically marked in the billing system, and readily comparable by the utility to the areas on its system where a curtailment was called. If MERC is unable to track this information, MERC would be unable to selectively target curtailments to certain geographic areas, which would call into question the appropriateness of interruptible service.

Second, MERC's argument that the majority of non-compliance during the cold weather event was for non-economic purposes is not justification to maintain the current penalty structure. The unauthorized use penalty is designed to target economic non-compliance, which MERC experienced during the cold weather event. MERC's goal should be to eliminate all economic non-compliance and undertake any reasonable method to reach this goal. MERC's rebuttal in this matter does not show that increasing the penalty for noncompliance is unreasonable.

2. Non-Compliance Report

In its Response Comments, the Department recommended that the Commission require all gas utilities to make an annual filing with the Commission by May 1 each year to identify any customers that failed to curtail more than once during the past heating season or any significant non-compliance event, analyze the reasons for non-compliance, and estimate the costs and requirements to move the customer to firm service.

MERC responded that it did not support this recommendation and that a review by May 1 each year was not feasible. MERC explained that tracking customer compliance over multiple years is difficult and that certain customers have multiple facilities. MERC also explained that, in its experience and as shown in its June 28, 2019 Reply Comments,¹¹ it often requires multiple conversations with customers to understand why a non-compliance event occurred and what steps can be taken to prevent a future event. To move a customer to either full or partial firm service, MERC stated that it would need to undertake a customer-specific engineering analysis to evaluate whether sufficient firm capacity is available in a given area. Based on this analysis, MERC may have to conduct distribution system analysis or procure additional interstate capacity. MERC concluded its response to this topic by noting that information regarding curtailments and customer compliance are already provided in the Annual Automatic Adjustment (AAA) and that additional reporting requirements are unnecessary and unlikely to improve customer compliance. MERC stated that if the Commission desires additional information on interruptible customer compliance with curtailments, MERC proposed that this information be provided in the AAA process.¹²

The Department appreciates MERC's analysis on this this topic. Since each natural gas utility addressed this recommendation, the Department discusses it further in Section II.D below.

¹¹ MERC June 28, 2019 Reply Comments, Attachment A.

¹² MERC Reply Comments, Pages 4-5.

3. Customer Count Tariff Change Proposal

In its Response Comments, the Department recommended that the Commission require changes to interruptible tariffs to require that interruptible customers maintain three current contacts for curtailment notices. If the customer does not have three qualified contacts, the customers would need to provide an annual attestation to the utility that it is unable to have three contacts and that they are obligated to curtail service when requested. The Department also recommended that the utility make an annual request that each customer confirm their contact information.

MERC responded that it is already its policy to request three separate contacts for all new interruptible customers; however, MERC noted that some interruptible customers do not have this capability and that some transport customers list their marketer as a contact. MERC further explained that each fall it contacts its interruptible customers via mail and email requesting that each customer acknowledge receipt of the communication and whether the contact information on file is correct. MERC noted that some customers do not respond to initial communication or, at times, subsequent rounds of communication. MERC argued that it is the customer's sole responsibility, as a condition of interruptible service, to notify MERC of changes in contact information and MERC provided tariff revisions in its June 28, 2019 Reply Comments¹³ that memorialize that it is the customer's responsibility to provide accurate contact information. For these reasons, and based on its experience, MERC does not believe that the resources required to administer and track compliance for this requirement are justified and will improve interruptible customer compliance.¹⁴

Although the Department agrees that customers have a responsibility to maintain up-to-date contact information, the utility also has a responsibility to firm customers to make sure that interruptible customer contact information is accurate to ensure system reliability on a peak day. The Department is troubled by MERC's statement that certain customers do not respond to communications during the fall. If correct contact information is a requirement of interruptible service, it is unclear why MERC does not remove the customers who fail to respond to utility communication from interruptible service. Natural Gas utilities must ensure that interruptible customers adequately comply with the tariff.

4. Back Up Equipment Attestation

In its Response Comments, the Department proposed tariff language that would require, on an annual basis, that interruptible customers provide an attestation to the utility that it has fully functioning back-up equipment or the ability to curtail natural gas use when requested. The Department also noted that maintenance of back up equipment is the responsibility of the customer and that failure to maintain this equipment or curtail service may result in termination of the interruptible agreement.

¹³ MERC June 28, 2019 Reply Comments, Attachment B.

¹⁴ MERC August 19, 2019 Reply Comments, Pages 5-6.

MERC stated that it does not mandate backup equipment as a requirement of interruptible service, and MERC already proposed additional tariff language in this docket that clarifies the responsibility of interruptible customers to ensure their back-up equipment is fully functional. MERC concluded that the time and resources required to administer and track annual attestations regarding backup equipment, or the ability to curtail, is not justified and that even if a customer's equipment is in good working order, it may malfunction later.¹⁵

The Department notes that MERC did not provide information substantiating its claim that the Department's proposed tariff change is administratively burdensome; as such, the Department maintains its proposal. In addition, the Department notes that MERC's argument does not acknowledge the positives, from a planning and operations standpoint, that this information provides. By having this information, it is likely that MERC can make more informed decisions regarding interruptible compliance (*e.g.*, whether backup customers comply at a higher rate than customers without backup equipment) and how this compliance factor impacts various parts of the utility system. Further, if MERC is able to track this information, it may be able to estimate failure rates for backup equipment and produce more robust localized distribution planning decisions.

C. XCEL RESPONSE

In its reply comments, Xcel stated that it appreciated the Department and OAG's review and that it accepts the recommendations to modify its tariffs as proposed by Xcel and the Department. Xcel also stated that it accepts the OAG's recommendation to increase the customer financial penalty for repeated non-compliance and included proposed tariff language in its filing.¹⁶

Xcel also responded to the Department's recommendation that Xcel fully analyze the circumstances surrounding non-compliance by natural gas interruptible customers when a customer fails to curtail twice in a year or when a single non-compliance event is significant. This analysis would be filed annually on May 1st.

Xcel agreed that this analysis would be beneficial, but it noted that a May 1st due date is not practical. Xcel stated that in years with late season curtailments, there would be insufficient time for a thorough analysis of late season events. In addition, Xcel noted that the analysis associated with a potential move of each customer to firm service would require engineering and design time and would be a costly and timely undertaking. Xcel expressed concern with the Department's request for detailed information and analysis and suggested that the analysis include a narrative regarding the potential engineering and gas supply implications. Xcel also suggested that this analysis possibly include an indicative measure of the complexity of converting certain customers to firm service.

¹⁵ MERC August 19, 2019 Reply Comments Pages 6-7.

¹⁶ Xcel Reply Comments, Pages 1-3.

As an alternative to the May 1st report timing, Xcel noted that the Commission has ordered the gas utilities to provide information regarding unauthorized gas in the AAA report field each September 1st. Xcel stated that it believes the AAA docket and timing would be the most appropriate venue to provide this information on a going-forward basis.¹⁷

The Department appreciates Xcel's agreement on the proposed tariff changes and its openness to an annual review of unauthorized use by interruptible customers. Since the annual review relates to all gas utilities, the Department responds to Xcel's concerns and recommendations in Section II.D below.

D. DEPARTMENT REVIEW

In its Comments, the Department expressed concern regarding unauthorized use by interruptible customers during the cold weather event. The Department's goals in this investigation are three fold: 1) to understand the effects of the cold weather event on utilities in Minnesota, 2) to identify areas that can be improved to ensure system reliability during a future event, and 3) implement these improvements while also maintaining equity of service between different rate classes.

Based on its review of the August 19, 2019 reply comments, the Department remains concerned about the overall commitment of natural gas utilities to hold interruptible customers accountable for unauthorized use. Although the utilities made changes after the 2013-2014 heating season, and have made commitments to improve their tariff language in this proceeding, it appears that the utilities remain concerned, in general, with the potential costs of moving habitually non-compliant customers to firm service.

Each utility's interruptible tariff is clear that, as a condition of service, customers are expected to curtail use when notified. Utilities seem unwilling or reluctant to remove customers from interruptible service because system upgrades or additional capacity is required, and may result in significant costs to the interruptible customer, but do not seem to consider the costs borne by firm customers, who pay higher rates but may receive service that is less than firm if interruptible customers fail to curtail when required to do so. At a minimum, there is a fairness issue as to which customers are paying for the system; when there are extreme weather events, there is also the concern about reliable service.

The Department also notes that if potential upgrade concerns are a significant part of a utility's administration of the interruptible tariff, the utility should factor these concerns, and the potential costs associated with these concerns, into its original decision to extend interruptible service to a particular customer. On the other hand, perhaps the penalty for the interruptible customer should mirror the costs the customer would pay if the utility needed to upgrade its system.

Beyond these conceptual concerns, the Department also responds to discussions from CenterPoint, MERC, and Xcel regarding proposed changes in the penalty structure for unauthorized gas use, and the Department's proposed annual analysis of unauthorized use.

¹⁷ Xcel Reply Comments, Pages 2-4.

On the topic of the per-therm penalty rate and escalating penalty structure, the Department continues to recommend that the Commission require CenterPoint to increase its per-therm penalty. The Department also agrees with the OAG that an escalating penalty structure is reasonable and will serve as an appropriate mechanism to improve interruptible compliance by increasing the costs to those customers who fail to curtail for economic purposes.

As for escalating the penalty for each subsequent failure to curtail, the Department supports a two-tier structure, with a third tier added to consider removing the non-compliant customer to firm service. If a customer fails to curtail more than twice in a heating season or over a number of years when extreme weather events occur, it is strong support for removing this customer from interruptible service or evidence that there is a situation outside the control of the customer that is impacting natural gas consumption.

As noted in Section II.B above, the Department is not convinced by MERC's arguments that it is administratively burdensome to implement an escalating penalty structure. It is unclear why MERC's billing system is unable to charge different rates, and MERC did not provide evidence substantiating its arguments. The Department also notes that CenterPoint already has an escalating penalty structure in place, so this does not represent a new or untested method in Minnesota. The Department recommends that the Commission require Minnesota gas utilities to implement a two-stage penalty structure for unauthorized use, followed by the expectation of considering transitioning the customer to firm service. For the first instance of unauthorized use, the Department recommends that the penalty be set at \$5 per therm plus the highest incremental replacement cost for gas on the day and then increased to \$10 per therm plus the highest incremental replacement cost for gas on the day for each subsequent instance of unauthorized use during the gas year. Three failures to curtail would indicate that the customer is unable to meet the terms of interruptible service.

All three utilities that filed reply comments expressed some level of concern with the Department's proposed annual review of unauthorized gas use. The utilities stated that a May 1st filing date was not feasible given the amount of analysis required. MERC and Xcel noted that review in the AAA filing is the proper venue for review of unauthorized gas use.¹⁸

Based on its review of the utility responses, the Department agrees that a May 1st filing date is likely too soon after conclusion of the heating season. However, the Department does not agree that the AAA represents the best venue for this analysis. Although the September 1st filing date grants more time for analysis and will allow the utilities to follow-up with customers, the AAA filing is not the most efficient regulatory venue given the size of the docket and the typical length of time before an order is issued. CenterPoint explained that the time required to acquire additional firm capacity can be up to two or three years, so if the utilities wait for an order in the AAA filing to initiate movement of a customer from interruptible to firm service, it may be three to five years before a habitually non-compliant customer is removed from interruptible service.¹⁹ Given this potential timeframe, it is

¹⁸ MERC Reply Comments, Page 5 and Xcel Reply Comments, Pages 3-4.

¹⁹ CenterPoint Reply Comments, Page 4.

important that analyzing conversion to firm service, and any required direction from the Commission, occur as soon as possible in the interest of firm reliability and equity.

Given the concerns raised by the utilities, the Department modifies its proposed filing date to July 1st each year. This date would provide the utilities with sufficient time to analyze potential late season curtailment events and conduct follow-up conversations with non-compliant customers, while allowing the Commission to analyze the report in a more efficient manner.

The utilities were also concerned with the potential scope of the analysis.²⁰ The consensus was that requiring an analysis of the costs of switching to firm service for each non-compliant interruptible customer is unnecessary since the reasons for non-compliance may be minor or readily correctable for certain customers. For example, CenterPoint cited circumstances where non-compliance was the result of incorrect piping by the customer.²¹ In that instance, CenterPoint argued that conducting a full cost analysis is unnecessary because the reason was identified and the fix was easily made. The utilities instead recommended that they be given the option of conducting a full analysis of the costs of switching service or providing an explanation of why a detailed analysis for an individual customer was unnecessary.

The Department appreciates the additional discussion provided by the utilities on this subject and agrees that the scope of the Department's proposed annual analysis should be modified. The proposal of conducting a full analysis of the costs of switching service or providing an explanation of why a detailed analysis for an individual customer was unnecessary would be an acceptable starting point for this analysis.

This proposal would address concerns raised by gas utilities and would likely result in a more efficient analysis of unauthorized use. The Department agrees that there may be situations where unauthorized use is correctable and a customer can remain on the interruptible tariff. In addition, by requiring the utility to justify why it did not conduct an analysis, other parties may weigh in on whether the utility's decision was appropriate.

Therefore, the Department now recommends that the Commission require each utility, when a utility observes a customer that fails to curtail twice, or when a single non-compliant event is significant, to fully analyze the circumstances around the non-compliance by the interruptible customer. As part of this analysis, the utility shall report on either the costs and requirements to move the customer to firm service or a justification for not completing this analysis and a description of what the utility or customer has done or is doing to prevent further non-compliance. The Department recommends that these analyses be filed with the Commission by July 1 of each calendar year.

²⁰ MERC Reply Comments, Pages 4-5, CenterPoint Reply Comments, Pages 3-5, and Xcel Reply Comments, Pages 3-4.

²¹ CenterPoint Reply Comments, Page 4.

III. DEPARTMENT RECOMMENDATIONS

The Department continues to recommend that the Commission require the utilities to report by November 1, 2019 on their progress in implementing various process improvements to address severe weather events. The Department also recommends that the Commission:

- clarify that Xcel Gas' proposed reinforcement projects are not eligible for rider recovery given that the system was not adequately constructed;
- approve Xcel Gas' proposed tariff changes included in its June 28, 2019 reply comments;
- approve MERC's proposed tariff changes included in its July 1, 2019 reply comments;
- approve CenterPoint's proposed tariff changes included in its September 12, 2019 supplemental filing;
- require all gas utilities to implement a two-stage penalty structure for unauthorized use. For the first instance of unauthorized use, the Department recommends that the penalty be set at \$5 per therm plus the highest incremental replacement cost for gas on the day and then increased to \$10 per therm plus the highest incremental replacement cost for gas on the day for each subsequent instance of unauthorized use during the gas year (July to June), with the next step being considering removing the non-compliant customer to firm service;
- require natural gas utilities, when a customer fails to curtail twice, or a single non-compliant event is significant, to fully analyze the circumstances around the non-compliance by the interruptible customer. As part of this analysis, the utility shall report on either the costs and requirements to move the customer to firm service or a justification for not completing this analysis and a description of what the utility or customer has done or is doing to prevent further non-compliance. These analyses should be filed with the Commission by July 1 of each calendar year.

The Commission may also wish to consider convening a workgroup of utilities, state agencies, and other interested parties to create a framework governing communication to the public during severe weather and other high consequence events.

The Department also recommends that the Commission consider the following proposed tariff language for inclusion in the interruptible schedules for natural gas utilities:

- Customers must maintain three (3) current contacts to receive notice of curtailment. If the customer does not have three qualified contacts, the customer shall provide an annual attestation to the Company that it is unable to have three qualified contacts and the customer understands they are obligated to curtail service when requested. The Company will make an annual request that customers confirm that contact information is current.
- On an annual basis, the customer shall provide an annual attestation to the Company that it has fully functioning back-up equipment and/or the ability to curtail natural gas use when requested. The operational and functionality of the back-up equipment is the sole responsibility of the interruptible customer. Failure to maintain this equipment or failure to curtail represents a breach of the terms of interruptible service and may result in termination of the agreement.

/ar

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. E,G999/CI-19-160

Dated this **27th** day of **September 2019**

/s/Sharon Ferguson

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Annie	Levenson Falk	annief@cupminnesota.org	Citizens Utility Board of Minnesota	332 Minnesota Street, Suite W1360 St. Paul, MN 55101	Electronic Service	No	OFF_SL_19-160_Official
Michael	Loeffler	mike.loeffler@nngco.com	Northern Natural Gas Co.	CORP HQ, 714 1111 So. 103rd Street Omaha, NE 681241000	Electronic Service	No	OFF_SL_19-160_Official
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_19-160_Official
Mike	McMullen	mmcmullen@misoenergy.org	MISO	2985 Ames Crossing Rd Eagan, MN 55121	Electronic Service	No	OFF_SL_19-160_Official
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-160_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Moeller	dmoeller@allte.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_19-160_Official
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-160_Official
Kate	O'Connell	kate.oconnell@state.mn.us	Department of Commerce	Suite 50085 Seventh Place East St. Paul, MN 551012198	Electronic Service	No	OFF_SL_19-160_Official
Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc.	PO Box 68 202 South Main Street Le Sueur, MN 56058	Electronic Service	No	OFF_SL_19-160_Official
Jennifer	Peterson	jppeterson@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_19-160_Official
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-160_Official
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_19-160_Official
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_19-160_Official
Joseph K	Sullivan	joseph.k.sullivan@state.mn.us	Department of Commerce	85 7th Place East Ste 500 Saint. Paul, MN 55101-2198	Electronic Service	No	OFF_SL_19-160_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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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_19-160_Official
Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_19-160_Official
Aaron W.	Wright	N/A	Viking Gas Transmission Company	ONEOK, Inc. 100 W. Fifth Street, MD 12-2 Tulsa, OK 74103	Paper Service	No	OFF_SL_19-160_Official