

Staff Briefing Papers

Meeting Date February 25, 2021 Agenda Item *4

Company Community Co-ops of Lake Park (Community Co-ops)
United Natural Gas, LLC (UNG)
Lake Region Energy Services (LRES)
Dooley's Natural Gas I, LLC (Dooley's I)
Dooley's Natural Gas II, LLC (Dooley's II)

Docket Nos. G-6956/M-15-856 (Community Co-ops)
G-6960/M-16-214 (UNG)
G-6977/M-17-186 (LRES)
G-6915/M-13-672 (Dooley's I)
G-6915/M-16-756 (Dooley's II)

In the Matter of Community Co-ops of Lake Park's Petition for an Exemption for a Small Gas Utility Franchise

In the Matter of a Petition by United Natural Gas, LLC for Approval of its Request for a Small Gas Utility Franchise Exemption

In the Matter of a Petition by Lake Region Energy Services, Inc. for a Small Gas Utility Franchise Exemption

In the Matter of the Petition of Dooley's Natural Gas LLC for Exemption for a Small Gas Utility

In the Matter of a Petition by Dooley's Natural Gas II, LLC for a Small Gas Utility Franchise Exemption

Issue Should the Commission approve the annual compliance filings from Community Co-ops, UNG, LRES, Dooley's I, and Dooley's II?

Staff Sally Anne McShane sally.anne.mcshane@state.mn.us 651-201-2224

To request this document in another format such as large print or audio, call 651.296.0406 (voice). Persons with a hearing or speech impairment may call using their preferred Telecommunications Relay Service or email consumer.puc@state.mn.us for assistance.

The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.



Relevant Documents

Date

All Exempt Small Gas Utilities – Docket Nos. G-6956/M-15-856, G-6960/M-16-214, G-6977/M-17-186, G-6915/M-13-672, and G-6915/M-16-756

PUC – Order Determining Compliance With Commission Orders And Establishing Filing Requirements November 9, 2018

PUC – Informal Order Approving Compliance Filings Made By The Exempt Small Gas Utilities On Or About May 1, 2019. October 7, 2019

Community Co-ops – Docket No. G-6956/M-15-856

Compliance Filing – Annual Reporting Letter April 17, 2020

United Natural Gas – Docket No. G-6960/M-16-214

Compliance Filing June 10, 2020

Lake Region Energy Services – Docket No. G-6977/M-17-186

Compliance Filing – Annual Compliance Report May 1, 2020

Dooley's I and II – Docket Nos. G-6915/M-13-672 and G-6915/M-16-756

Report – Annual Reporting Letter February 27, 2020

Report – Annual Reporting Letter - Customer Counts & Revenue February 27, 2020

I. Statement of the Issue

Should the Commission approve the annual compliance filings from Community Co-ops, UNG, LRES, Dooley's I, and Dooley's II?

II. Background

All of the five natural gas utilities have filed for and received Commission approval and confirmation of their small gas utility franchise exemptions, pursuant to Minn. Stat. § 216B.16, Subd. 12.¹ This exemption allows small gas providers to provide natural gas service to customers located in municipalities and nearby incidental loads without being subject to Commission rate regulation. Instead of Commission oversight, governance is provided by the municipalities.

On November 9, 2018, the Commission issued its ORDER DETERMINING COMPLIANCE WITH COMMISSION ORDERS AND ESTABLISHING FILING REQUIREMENTS, in these dockets, which required a uniform compliance filing from each of the exempt small gas utilities by May 1, 2019. The compliance filings were required to include:

- Updated customer counts with a statement that the utility doesn't discriminate between customers that are located inside or outside the municipality, and if it does, why;

¹ Minn. Stat. § 216B.16, Subd. 12. Exemption for small gas utility franchise.

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

(b) The commission shall grant an exemption from this section for that portion of a public utility's business that is requested by each municipality it serves. Furthermore, the commission shall also grant the public utility an exemption from this section for any service provided outside of a municipality's border that is considered by the commission to be incidental. The public utility shall file with the commission and the department all initial and subsequent changes in rates, tariffs, and contracts for service outside the municipality at least 30 days in advance of implementation.

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

(d) In all cases covered by this subdivision in which an exemption for service outside of a municipality is granted, the commission may initiate an investigation under section 216B.17, on its own motion or upon complaint from a customer.

(e) If a municipality files with the commission a resolution of its governing body rescinding the request for exemption, the commission shall regulate the public utility's business in that municipality under this section.

- Any municipality-approved rate changes that occurred in the prior year and when these changes went into effect;
- All changes to the tariff book in redlined and final revised form;
- A copy of the Cold Weather Rule disconnection notice sent to all customers, including how the notice was communicated and the date sent;
- A copy of any utility disconnection reports served to any municipalities; and
- A copy of the notice form sent to customers in arrears with any policy not clearly identified in the tariff regarding budget billing plans, payment arrangements, and under-charge repayment.

In its November 9, 2018 Order, the Commission also stated that after submitting their May 1, 2019 compliance filings:

Each year thereafter, all small gas utilities will be required to provide any updates to the data filed for 2019. If there are no changes to the data submitted in the 2019 report, the small gas utility shall file a letter saying there are no changes.²

On October 7, 2019, the Commission issued its informal letter order, in these dockets, in which it agreed with and adopted the recommendations of the Department of Commerce, to approve the compliance filings made by Community Co-ops of Lake Park, United Natural Gas, LLC, Lake Region Energy Services, Dooley Natural Gas I, LLC, and Dooley Natural Gas II, LLC on or about May 1, 2019.

III. Compliance Filings

Staff reviewed the Companies' 2020 compliance filings to determine if they were consistent with the requirements contained in the Commission's Orders. Staff organized these comments by docket number using a standardized checklist.

1. Community Co-ops of Lake Park

Table 1 summarizes Community Co-ops' 2020 compliance filing and ensuing communications.

Table 1 – Community Co-ops of Lake Park Compliance Filing Checklist³

| Requirement | Information Included | Notes/Comments |
|---|----------------------|--|
| Customer count | Yes | Customer count as of April 17, 2020 filing is 865. |
| Non-discrimination statement or explanation | Yes | |

² Commission Order, November 9, 2018, p. 4.

³ Community Co-ops of Lake Park compliance filing, April 17, 2020, pp. 1-2.

| Requirement | Information Included | Notes/Comments |
|---|----------------------|---|
| List of municipality-approved rate changes | Yes | Rate changes went into effect on August 1, 2020. ⁴ Rate book was updated to include Fisher, MN in service area. ⁵ |
| Copy of Cold Weather disconnection notice | Yes | No change from last compliance filing. |
| Date and delivery method of Cold Weather disconnection notice | Yes | Notice was mailed with updated rates on August 24, 2020. ⁶ |
| Copies of any utility disconnection reports served to any of the municipalities required by statute | Yes | No municipalities have requested notice, so none were sent. |
| Copy of customer past due/arrearage forms | Yes | No change from last compliance filing. |
| Copy of any policy not included in tariff related to budget billing plans, payment arrangements, and under-charge repayment | Yes | No change from last compliance filing. |

Community Co-ops provided a list of cities they supply gas service to, including Mahanomen, Twin Valley, Fertile, Beltrami, Red Lake Falls, Gary, and Fisher. Community Co-ops recently started serving the City of Fisher. Community Co-ops submitted a copy of its franchise agreement with the City of Fisher, MN pursuant to Minnesota Statute § 216B.16, subdivision 12[e].

Community Co-ops filed additional information in the docket upon request, completing their compliance filing. Staff concludes that Community Co-ops of Lake Park have complied with the Commission's Order requirement for Docket No. G-6956/M-15-856.

2. United Natural Gas

Table 2 summarizes United Natural Gas' 2020 compliance filing.

Table 2 – United Natural Gas Compliance Filing Checklist⁷

⁴ Community Co-ops provided additional clarification to staff about rates upon request over email. Rates are the same for all of the communities served by Community Co-ops. The rates are set by a rate setting committee that meets in July. The committee is made up of mayors from four cities, Community Co-ops' general manager, and two Community Co-ops board directors.

⁵ City of Fisher Franchise Agreement was eFiled on February 9, 2021.

⁶ Community Co-ops provided this information to staff upon request over email.

⁷ United Natural Gas compliance filing, June 10, 2020, pp. 1-2.

| Requirement | Information Included | Notes/Comments |
|---|----------------------|--|
| Customer count | Yes | Projected customer count is 510. |
| Non-discrimination statement or explanation | Yes | |
| List of municipality-approved rate changes | Yes | No change from last compliance filing. |
| Copy of Cold Weather disconnection notice | Yes | No change from last compliance filing. |
| Date and delivery method of Cold Weather disconnection notice | Yes | Cold Weather disconnection notice mailed to all customers via US Mail along with bill on October 2, 2019. |
| Copies of any utility disconnection reports served to any of the municipalities required by statute | Yes | No customers were disconnected in 2018 or 2019. |
| Copy of customer past due/arrearage forms | Yes | No change from last compliance filing. Past Due Letter and Secure Pay Plan mailed to customers in arrears. |
| Copy of any policy not included in tariff related to budget billing plans, payment arrangements, and under-charge repayment | Yes | No change from last compliance filing. |

Staff concludes that United Natural Gas has complied with the Commission's Order requirement for Docket No. G-6960/M-16-214.

3. Lake Region Energy Services

Table 3 summarizes Lake Region Energy Services' 2020 compliance filing.

Table 3 – Lake Region Energy Services Compliance Filing Checklist⁸

| Requirement | Information Included | Notes/Comments |
|---|----------------------|--|
| Customer count | Yes | Customer count as of December 31, 2019 is 634. |
| Non-discrimination statement or explanation | Yes | |
| List of municipality-approved rate changes | Yes | No change from last compliance filing. |
| Copy of Cold Weather disconnection notice | Yes | No change from last compliance filing. |

⁸ Lake Region Energy Services compliance filings, May 1, 2020, pp. 1-4.

| Requirement | Information Included | Notes/Comments |
|---|----------------------|--|
| Date and delivery method of Cold Weather disconnection notice | Yes | Newsletter also included notice of Cold Weather disconnection. |
| Copies of any utility disconnection reports served to any of the municipalities required by statute | Yes | No municipalities have requested notice, so none were sent. |
| Copy of customer past due/arrearage forms | Yes | No change since last compliance filing. |
| Copy of any policy not included in tariff related to budget billing plans, payment arrangements, and under-charge repayment | Yes | No change from last compliance filing. |

Staff concludes that Lake Region Energy Services have complied with the Commission's Order requirement for Docket No. G-6977/M-17-186.

4. Dooley's Natural Gas I, LLC

Table 4 summarizes Dooley's Natural Gas I, LLC 2020 compliance filing and ensuing communications.

Table 4 – Dooley's Natural Gas I, LLC Compliance Filing Checklist

| Requirement | Information Included | Notes/Comments |
|---|----------------------|--|
| Customer count | Yes | Customer count as of December 31, 2019 is 1,382. |
| Non-discrimination statement or explanation | Yes | |
| List of municipality-approved rate changes | Yes | No change from last compliance filing. |
| Copy of Cold Weather disconnection notice | Yes | No change from last compliance filing. |
| Date and delivery method of Cold Weather disconnection notice | Yes | Notice included with September 2019 customer billing, which were sent via US Mail and email on September 10, 2019. |
| Copies of any utility disconnection reports served to any of the municipalities required by statute | Yes | No municipalities have requested notice, so none were sent. |
| Copy of customer past due/arrearage forms | Yes | No change from last compliance filing. |
| Copy of any policy not included in tariff related to budget billing | Yes | No change from last compliance filing. |

m Staff Briefing Papers for Docket Nos. G-6956/M-15-856 (Community Co-ops), G-6960/M-16-214 (UNG), G-6977/M-17-186 (LRES), G-6915/M-13-672 (Dooley's I), and G-6915/M-16-756 (Dooley's II)

| Requirement | Information Included | Notes/Comments |
|---|----------------------|----------------|
| plans, payment arrangements, and under-charge repayment | | |

Dooley's Natural Gas filed additional information in the docket upon request, completing their compliance filing. Staff concludes that Dooley's Natural Gas I, LLC has complied with the Commission's Order requirement for Docket No. G-6915/M-13-672.

5. Dooley's Natural Gas II, LLC

Table 5 summarizes Dooley's Natural Gas II, LLC 2020 compliance filing and ensuing communications.

Table 5 – Dooley's Natural Gas II, LLC Compliance Filing Checklist

| Requirement | Information Included | Notes/Comments |
|---|----------------------|--|
| Customer count | Yes | Customer count as of December 31, 2019 is 511. |
| Non-discrimination statement or explanation | Yes | |
| List of municipality-approved rate changes | Yes | No change from last compliance filing. |
| Copy of Cold Weather disconnection notice | Yes | No change from last compliance filing. |
| Date and delivery method of Cold Weather disconnection notice | Yes | Notice included with September 2019 customer billing, which were sent via US Mail and email on September 10, 2019. |
| Copies of any utility disconnection reports served to any of the municipalities required by statute | Yes | No municipalities have requested notice, so none were sent. |
| Copy of customer past due/arrearage forms | Yes | No change from last compliance filing. |
| Copy of any policy not included in tariff related to budget billing plans, payment arrangements, and under-charge repayment | Yes | No change from last compliance filing. |

Dooley's Natural Gas filed additional information in the docket upon request, completing their compliance filing. Staff concludes that Dooley's Natural Gas II, LLC has complied with the Commission's Order requirement for Docket No. G-6915/M-16-756.

IV. Staff Analysis

Based on the numbers provided, staff notes that the total number of customers served by these companies in 2019 is 3,902. The customer count has increased 6.15%, as compared to a 15% increase in 2018.

In 2019 and 2020, no customers of the exempt small gas utilities made complaints with the PUC's Consumer Affairs Office.

Staff concludes that Community Co-ops, United Natural Gas, Lake Region, Dooley's I, and Dooley's II have complied with the Commission's 2018 Order establishing filing requirements and recommends that the compliance filings be accepted.

V. Decision Options

1. Approve the compliance filings from Community Co-ops of Lake Park, United Natural Gas, Lake Region Energy Services, Dooley's Natural Gas I, LLC, and Dooley's Natural Gas II, LLC.
2. Take no action.