

NORTH DAKOTA PUBLIC SERVICE COMMISSION

DATA REQUEST

Requested From: Dakota Natural Gas, LLC
Requested By: Advisory Staff
Date of Request: 8/7/2018
Docket Number: PU-18-224

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

NDPSC Question No. 1: What is the size of the proposed distribution main from the Viking Interconnection?

RESPONSE: *The distribution main from the Viking interconnect point, referred to as the Town Border Station, uses 4" or smaller steel pipe. The final design is not complete; but, normally, the lines are 1" or 2" lines.*

NDPSC Question No. 2: What is the size of the proposed distribution line from the District Regulator station to the large commercial customer?

RESPONSE: *DNG intends to construct the distribution line from the District regulator station (which is the interconnect between DNG's steel and plastic distribution facilities) to the large commercial customer using 4" steel pipe.*

NDPSC Question No. 3: What is the size of the proposed distribution line from the District Regulator station to the city of Drayton?

RESPONSE: *DNG intends to construct the distribution line from the District regulator station to the City of Drayton using a combination of 4" and 2" HDPE pipe.*

NDPSC Question No. 4: What size main does the company intend to install in the city of Drayton?

RESPONSE: *DNG intends to construct the distribution main line in the City of Drayton using a combination of 4" and 2" HDPE pipe.*

NDPSC Question No. 5: How many Commercial, Residential and Industrial customers does the company expect to take service within the first 12 months of operation?

RESPONSE: 200

Response by Kristine Anderson

Title Regulatory Affairs and Corporate Attorney (Minnesota)

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Date of Response August 9, 2018

NDPSC Question No. 6: What is the total cost of the proposed distribution system?

RESPONSE: \$3.74 million including the cost of the Viking Interconnect.

NDPSC Question No. 7: What is the approximate expected cost of gas per dekatherm?

RESPONSE: DNG has attached information showing the historic cost of gas by class for DNG's Minnesota affiliate. DNG expects the costs for North Dakota customers to be similar or identical.

NDPSC Question No. 8: Is the company willing to bill per dekatherm rather than per ccf as proposed?

RESPONSE: DNG proposes using a therm adjustment factor for billing, such that billing will be based on therms of energy, thereby billing on energy versus volume. DNG prefers to bill based on therms of energy, rather than in dekatherms, as therms more closely matches the energy content in gallons of liquid fuel, so it is more likely to mirror the energy unit sizes that prospective customers are already using to buy energy.

NDPSC Question No. 9: What does the company anticipate requesting as a return on equity?

RESPONSE: The Company assumes a levelized 10% return on equity over the first 15 years of the Company. The projections assume a loss in the early years offset by slightly higher returns near the end of the period.

NDPSC Question No. 10: How will Dakota Natural Gas's going concern as a company be provided for? What are the risks to the continued viability of the company?

RESPONSE: DNG will be an addition to the Greater Minnesota Synergy, Inc. family of companies.

NDPSC Question No. 11: Will there be staff dedicated specifically to the North Dakota customers?

RESPONSE: DNG intends to have a dedicated service center located in the Drayton area and its local technicians will operate out of that facility.

NDPSC Question No. 12: Where is the nearest distribution system within DNG's "family of companies"?

RESPONSE: Greater Minnesota Gas, Inc., another of the GMS companies, provides natural gas distribution in several Minnesota communities, the nearest of which to the Drayton is near Detroit Lakes, Minnesota. Greater Minnesota Transmission, LLC has transmission facilities serving the communities of Red Lake Falls, Beltrami, Fertile, Mahanomen, Twin Valley, Barnesville, and Ulen, Minnesota.

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NDPSC Question No. 13: The application describes that there will be shared personnel, expertise, and operations between the MN and ND companies. How does the company account for proper cost allocation between the companies?

RESPONSE: *Time is directly charged to the respective company being supported by shared staff.*

NDPSC Question No. 14: Please provide the holding structure of companies.

RESPONSE: *Greater Minnesota Synergy, Inc. is the parent company of its subsidiaries, Greater Minnesota Transmission, LLC and Greater Minnesota Gas, Inc. Dakota Natural Gas, LLC is a subsidiary of Greater Minnesota Transmission, LLC.*

NDPSC Question No. 15: Understanding that the company is newly formed, please provide as best as can be described:

- a. The organizational structure.

RESPONSE: *DNG is led by Greg Palmer, CEO. Other members of its leadership team include Cody Chilson, Operations Director; Brian Gardow, CFO; Nicolle Kupser, Business Development; and, Kristine Anderson, Regulatory and Legal Affairs.*

- b. A general description of how customer and safety service will be provided.

RESPONSE: *DNG will have live telephone answering 24 hours per day, 7 days per week available to handle any customer issues. DNG does not use automated "phone tree" call management technology. Issues of an emergency nature will be dispatched to local technical personnel for immediate response. Issues of a non-emergency nature will be handled as expeditiously as possible with the goal of providing exceptional customer service. The GMS family of companies has a proven history of providing excellent customer service and technical and safety response service; and, the same standards will be applied to DNG. The GMS family of companies are also members of the American Gas Association which has a larger mutual aid agreement with other natural gas companies that can be used to respond to larger emergencies.*

- c. The anticipated manner in which customer concerns will be processed.

RESPONSE: *DNG's live staff will speak with customers any time they call. In the event that a call is received during normal business hours, customer care representatives will do everything they can to answer each customer's questions and address any concerns during the initial phone call. To the extent that a customer care representative is not able to provide a response, the representative obtains all necessary information, researches and communicates with internal staff, and reaches out to the customer with the answer. In the event that a non-emergency customer call is received outside of normal business*

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hours, answering staff will take a detailed message and a customer care representative will respond at the first available opportunity during business hours.

- d. The anticipated manner and personnel that will respond to customer communications involving risk to life and property.

RESPONSE: Any time an emergency call is received, a dedicated technician is dispatched to the scene. A complete dispatch message, including all emergency information, is sent to the technician being dispatched. The responding technician arrives on scene as quickly as possible and works through an industry-prescribed series of steps to identify and address the emergency situation. Additionally, when the emergency call is received, DNG's customer care personnel provide the caller with safety instructions and use a series of scripted emergency response questions and answers to ensure that complete information is both obtained and shared.

NDPSC Question No. 16: Please provide a description of supply risks to providing service that the company may encounter.

RESPONSE: Risks of supply disruption for DNG are similar to those of other utilities. DNG will be subject to supply disruption risks of the TransCanada Pipeline deliveries near Emerson. To mitigate this risk, DNG will likely contract for some supply deliveries out of Michigan storage which will be transported via the Great Lakes Pipeline to Viking's St. Vincent interconnect. The Viking line from Emerson to the new interconnect is a looped system; so, it will only be interrupted if multiple line are shut down.

NDPSC Question No. 17: Please describe the affordability and competitiveness of DNG's service relative to alternative heating sources for the proposed Drayton operations.

RESPONSE: Based on current supply costs, DNG's residential rate would be the equivalent of 74 cent per gallon propane. Currently, propane in the Drayton market is being quoted at \$1.25 to \$1.49 per gallon. The impact on customers using 1,000 gallons annually is to reduce fuel costs by \$500 to \$750 per year.

NDPSC Question No. 18: Has a company that is or previously was in the "family of companies":

- a. Filed for bankruptcy.

RESPONSE: No.

- b. Temporarily or permanently ceased operation.

RESPONSE: No.

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- c. Found difficulty remaining competitive with an alternative heating source.

RESPONSE: *No.*

- d. Been the subject of a proceeding to revoke a permit or certificate required for operation?

RESPONSE: *No.*

- e. Been the subject of a civil lawsuit (please provide the subject, nature, and description of the case).

RESPONSE: *GMG was the defendant in a worker's compensation lawsuit stemming from an injury in 2013 in which an employee was hurt in a car accident. The lawsuit was settled. A married couple brought a civil claim against GMG and GMS in 2007 for minor property damage issues resulting from line construction and restoration dissatisfaction. The matter was settled and dismissed with prejudice. A contractor filed a mechanic's lien action against GMS, GMT, and GMG in 2008, which claim was settled. In 2009, GMT and GMS were named as defendants, along with several others, in a contract suit brought by GMT's initial lender. Judgment was rendered, GMT's interest was redeemed, and the matter was closed in 2011. GMT was named, along with several property interest holders, in a series of real property condemnation actions for gas pipeline purposes in 2007 and 2008.*

- f. Been the subject of an investigation for a safety violation (whether state or federal, regardless of the outcome of the investigation)?

RESPONSE: *DNG's Minnesota affiliates have ongoing inspections by the Minnesota Office of Pipeline Safety. GMG was cited once for a situation where a contractor working for GMG cleared a locate ticket which should not have been cleared. GMG terminated its contract with the locating contractor as a result of the event and believes the Minnesota Office of Pipeline Safety was appreciative of the GMG's response.*

NDPSC Question No. 19: What is the oldest operating system within the "family of companies?"

RESPONSE: *GMG was formed in August 1995; and, its system is the oldest.*

NDPSC Question No. 20: Please provide an update regarding the Drayton City Council.

RESPONSE: *The Drayton City Council made the first reading of the Dakota Natural Gas franchise ordinance at its July meeting. It's second reading is scheduled for the Council's September meeting. To date, no objections have been raised. The pending franchise is Drayton Ordinance No. 63.*

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Greater Minnesota Gas, Inc.
Total Gas Cost By Customer Rate Class History
Including CIP

Rate Class	2016												\$/Gallon Propane	\$/Gallon #2 Oil
	January	February	March	April	May	June	July	August	September	October	November	December		
Residential	\$0.908	\$0.928	\$0.808	\$0.773	\$0.798	\$0.812	\$0.827	\$0.831	\$0.000	\$0.000	\$0.000	\$0.000	\$0.76	\$1.15
Small Commercial CS1	\$0.890	\$0.908	\$0.790	\$0.755	\$0.780	\$0.794	\$0.809	\$0.813	\$0.000	\$0.000	\$0.000	\$0.000	\$0.74	\$1.12
Commercial CS1	\$0.860	\$0.878	\$0.780	\$0.725	\$0.750	\$0.764	\$0.779	\$0.783	\$0.000	\$0.000	\$0.000	\$0.000	\$0.72	\$1.08
Commercial/Industrial MS1	\$0.840	\$0.858	\$0.740	\$0.705	\$0.730	\$0.744	\$0.758	\$0.763	\$0.000	\$0.000	\$0.000	\$0.000	\$0.70	\$1.05
Commercial/Industrial LS1	\$0.825	\$0.843	\$0.725	\$0.690	\$0.715	\$0.729	\$0.744	\$0.748	\$0.000	\$0.000	\$0.000	\$0.000	\$0.68	\$1.03
Agricultural - Interruptible	\$0.616	\$0.634	\$0.516	\$0.480	\$0.504	\$0.519	\$0.534	\$0.537	\$0.000	\$0.000	\$0.000	\$0.000	\$0.49	\$0.74
General Interruptible	\$0.636	\$0.654	\$0.537	\$0.500	\$0.525	\$0.539	\$0.554	\$0.558	\$0.000	\$0.000	\$0.000	\$0.000	\$0.51	\$0.77

Including CIP

Rate Class	2017												\$/Gallon Propane	\$/Gallon #2 Oil
	January	February	March	April	May	June	July	August	September	October	November	December		
Residential	\$0.990	\$0.954	\$0.841	\$0.838	\$0.834	\$0.851	\$0.832	\$0.821	\$0.824	\$0.830	\$0.845	\$0.898	\$0.82	\$1.24
Small Commercial CS1	\$0.972	\$0.936	\$0.923	\$0.820	\$0.816	\$0.833	\$0.814	\$0.803	\$0.806	\$0.812	\$0.827	\$0.880	\$0.81	\$1.21
Commercial CS1	\$0.942	\$0.906	\$0.893	\$0.790	\$0.786	\$0.803	\$0.784	\$0.773	\$0.776	\$0.782	\$0.797	\$0.850	\$0.78	\$1.17
Commercial/Industrial MS1	\$0.922	\$0.886	\$0.873	\$0.770	\$0.766	\$0.783	\$0.764	\$0.753	\$0.756	\$0.762	\$0.777	\$0.830	\$0.76	\$1.15
Commercial/Industrial LS1	\$0.907	\$0.871	\$0.858	\$0.755	\$0.751	\$0.768	\$0.749	\$0.738	\$0.741	\$0.747	\$0.762	\$0.815	\$0.75	\$1.12
Agricultural - Interruptible	\$0.699	\$0.683	\$0.650	\$0.547	\$0.543	\$0.560	\$0.541	\$0.530	\$0.524	\$0.530	\$0.563	\$0.606	\$0.55	\$0.84
General Interruptible	\$0.712	\$0.677	\$0.683	\$0.561	\$0.557	\$0.574	\$0.565	\$0.544	\$0.545	\$0.550	\$0.583	\$0.626	\$0.57	\$0.86

Rate Class	2016												Equivalent \$/Gallon Propane	Equivalent \$/Gallon #2 Oil
	January	February	March	April	May	June	July	August	September	October	November	December		
Residential	\$0.902	\$0.889	\$0.785	\$0.719	\$0.731	\$0.728	\$0.822	\$0.801	\$0.811	\$0.821	\$0.887	\$0.912	\$0.83	\$1.28
Small Commercial CS1	\$0.884	\$0.871	\$0.767	\$0.701	\$0.713	\$0.708	\$0.804	\$0.783	\$0.793	\$0.803	\$0.849	\$0.894	\$0.82	\$1.23
Commercial CS1	\$0.864	\$0.841	\$0.737	\$0.671	\$0.683	\$0.678	\$0.774	\$0.753	\$0.763	\$0.773	\$0.819	\$0.864	\$0.79	\$1.19
Commercial/Industrial MS1	\$0.834	\$0.821	\$0.717	\$0.651	\$0.663	\$0.658	\$0.754	\$0.733	\$0.743	\$0.753	\$0.799	\$0.844	\$0.77	\$1.16
Commercial/Industrial LS1	\$0.819	\$0.806	\$0.702	\$0.636	\$0.648	\$0.643	\$0.739	\$0.718	\$0.728	\$0.738	\$0.784	\$0.829	\$0.76	\$1.14
Agricultural - Interruptible	\$0.624	\$0.611	\$0.506	\$0.441	\$0.453	\$0.448	\$0.543	\$0.522	\$0.518	\$0.528	\$0.576	\$0.621	\$0.57	\$0.86
General Interruptible	\$0.623	\$0.610	\$0.505	\$0.440	\$0.452	\$0.447	\$0.542	\$0.521	\$0.532	\$0.542	\$0.589	\$0.635	\$0.58	\$0.88

Rate Class	2016												Equivalent \$/Gallon Propane	Equivalent \$/Gallon #2 Oil
	January	February	March	April	May	June	July	August	September	October	November	December		
Residential	\$0.901	\$0.865	\$0.890	\$0.819	\$0.803	\$0.816	\$0.810	\$0.821	\$0.803	\$0.804	\$0.819	\$0.855	\$0.783	\$1.180
Small Commercial CS1	\$0.883	\$0.847	\$0.872	\$0.801	\$0.785	\$0.798	\$0.792	\$0.803	\$0.785	\$0.786	\$0.801	\$0.837	\$0.766	\$1.156
Commercial CS1	\$0.853	\$0.817	\$0.842	\$0.771	\$0.755	\$0.768	\$0.762	\$0.773	\$0.755	\$0.756	\$0.771	\$0.807	\$0.739	\$1.114
Commercial/Industrial MS1	\$0.833	\$0.797	\$0.822	\$0.751	\$0.735	\$0.748	\$0.742	\$0.753	\$0.735	\$0.736	\$0.751	\$0.787	\$0.720	\$1.087
Commercial/Industrial LS1	\$0.818	\$0.782	\$0.807	\$0.736	\$0.720	\$0.733	\$0.727	\$0.738	\$0.720	\$0.721	\$0.736	\$0.772	\$0.707	\$1.066
Agricultural - Interruptible	\$0.600	\$0.559	\$0.579	\$0.508	\$0.492	\$0.505	\$0.499	\$0.510	\$0.532	\$0.533	\$0.542	\$0.578	\$0.529	\$0.798
General Interruptible	\$0.626	\$0.588	\$0.606	\$0.535	\$0.519	\$0.532	\$0.525	\$0.537	\$0.531	\$0.532	\$0.541	\$0.577	\$0.528	\$0.797

NORTH DAKOTA PUBLIC SERVICE COMMISSION

DATA REQUEST #2

Requested From: Dakota Natural Gas, LLC
Requested By: Advisory Staff
Date of Request: 8/15/2018
Docket Number: PU-18-224

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

NDPSC Question No. 1: Please provide a map with sufficient particularity to observe the proposed service territory.

RESPONSE: *Two maps are attached hereto. One shows the distribution area in detail; and, the other shows the entire system from a broader perspective.*

NDPSC Question No. 2: Follow-up to NDPSC Question No. 5 (Data Request #1): Does the company anticipate providing service to additional customers within the proposed service territory in addition to the expected 200 customers beyond the first 12 months of operation?

RESPONSE: *DNG expects to add approximately fifty additional customers within three years. DNG will also consider options to serve other North Dakota communities; but, it does not have any immediate plans or projections in that regard. Any such expansion will, of course, be presented to the Commission in advance.*

NDPSC Question No. 3: With an extended timeframe, does the company forecast growth, or stagnant and declining demand within the proposed service territory?

RESPONSE: *DNG currently projects the service area as being stagnant.*

NDPSC Question No. 4: Will the proposed system have sufficient capacity to accommodate growth within the service area?

a. To what extent?

RESPONSE: *DNG will have sufficient capacity to accommodate 25% growth.*

NDPSC Question No. 5: What safeguards will the company have in order to retain and preserve the large commercial "anchor" customer?

RESPONSE: *DNG's initial contract with the customer will be for a fifteen year term and will include provisions allowing the customer to request an extension of the contract term.*

Response by Kristine Anderson

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Date of Response August 16, 2018

NDPSC Question No. 6: In the event that the large commercial customer discontinues operations how will this affect the financial viability of the system?

RESPONSE: *DNG established the initial depreciation rate at a 30 year life, or two times the life of the contract with DNG's large commercial customer. Thus, the system will be 50% depreciated with the initial contract term expires.*

NDPSC Question No. 7: Describe the Company's ability to attract capital, and what range of price and return on investment is sufficient to attract necessary capital to meet the requirements of its customers?

RESPONSE: *DNG's projections assume a 10% return on equity and a 6% cost of debt. DNG has provided its financial models to its bank; and, based on discussions with the lender, DNG believes that financing can be arranged.*

NDPSC Question No. 8: Please provide a timeline for approval, construction, and operation of the distribution system.

RESPONSE: *The timeline for approval is subject to the requisite regulatory processes; but, DNG intends to approach its regulatory requirements expeditiously. The construction and operation schedule is dependent on permitting and capital of the large industrial customer. DNG's goal is to secure permits by November, 2018 with construction and in-service occurring in either 2019 or 2020, depending on the lead time from the anchor customer's equipment and conversion.*

NDPSC Question No. 9: Recognizing that a Hinshaw exemption requires a certificate that the NDPSC is exercising jurisdiction over rates and adequacy of service, what is the timeframe and process for FERC approval of the exemption.

RESPONSE: *DNG has requested FERC approval for October, 2018. It is dependent on the Commission's approval of the tariff that DNG will propose and FERC's determination that the proposed tariff is acceptable. As of the date of this Response, no objections or adverse comments have been noted in DNG's FERC proceedings and there are no anticipated delays at this time.*

NDPSC Question No. 10: Please provide an explanation of any further procedural or legal responsibilities of the NDPSC resulting from a shared jurisdiction with FERC.

RESPONSE: *DNG does not believe that its Hinshaw exemption will create any unusual procedural or legal responsibilities for the Commission. Rather, DNG will be subject to normal regulatory procedures and the jurisdiction of the Commission.*

NDPSC Question No. 11: Follow-up to NDPSC Question 10 (Data Request #1): How would liability be transferred from Dakota Natural Gas to Greater Minnesota Synergy, Inc. in the event of a major incident with the system causing a large liability or the system usage declining to a point that it is no longer profitable with current rates.

Response by Kristine Anderson

Title Regulatory Affairs and Corporate Attorney (Minnesota)

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Date of Response August 16, 2018

RESPONSE: DNG will operate as a stand-alone company and will have its own insurance to address any large liability. GMT and GMS will be guarantors of DNG's debt; however, the debt will be amortized over the 15 years term of the contract with DNG's anchor customer. DNG will also benefit from the Minnesota companies in terms of scalability and shared overhead.

NDPSC Question No. 12: Please provide documentation corroborating the current propane prices for Drayton at \$1.25 to \$1.49 per gallon.

RESPONSE: DNG based its assessment regarding current propane prices on its in-person conversations with people in the Drayton community while it was doing market research. Information from the Energy Information Administration suggests that the price estimates are reasonable. A chart from the EIA's website showing historic North Dakota propane residential prices is attached for illustrative purposes.

NDPSC Question No. 13: Have the City of Drayton and prospective customers reviewed and compared the cost differences between propane and natural gas service?

RESPONSE: Yes. DNG representatives have discussed it with both City and community personnel (thus, DNG's response to Question No. 12 above). Presumably, the City and prospective customers have also compared costs on their own, given the positive response to DNG's plan to bring natural gas to the area.

NDPSC Question No. 14: Follow-up to NDPSC Question 6 (Data Request #1): Does the \$3.74 Million cost estimate include all distribution facilities necessary to serve the 200 prospective customers? This would include such things as easements, meters, repair and restoration, excess flow valves, etc?

RESPONSE: Yes, the cost estimate includes all necessary distribution facilities and attendant costs such as those identified in the second part of the question.

Response by Kristine Anderson

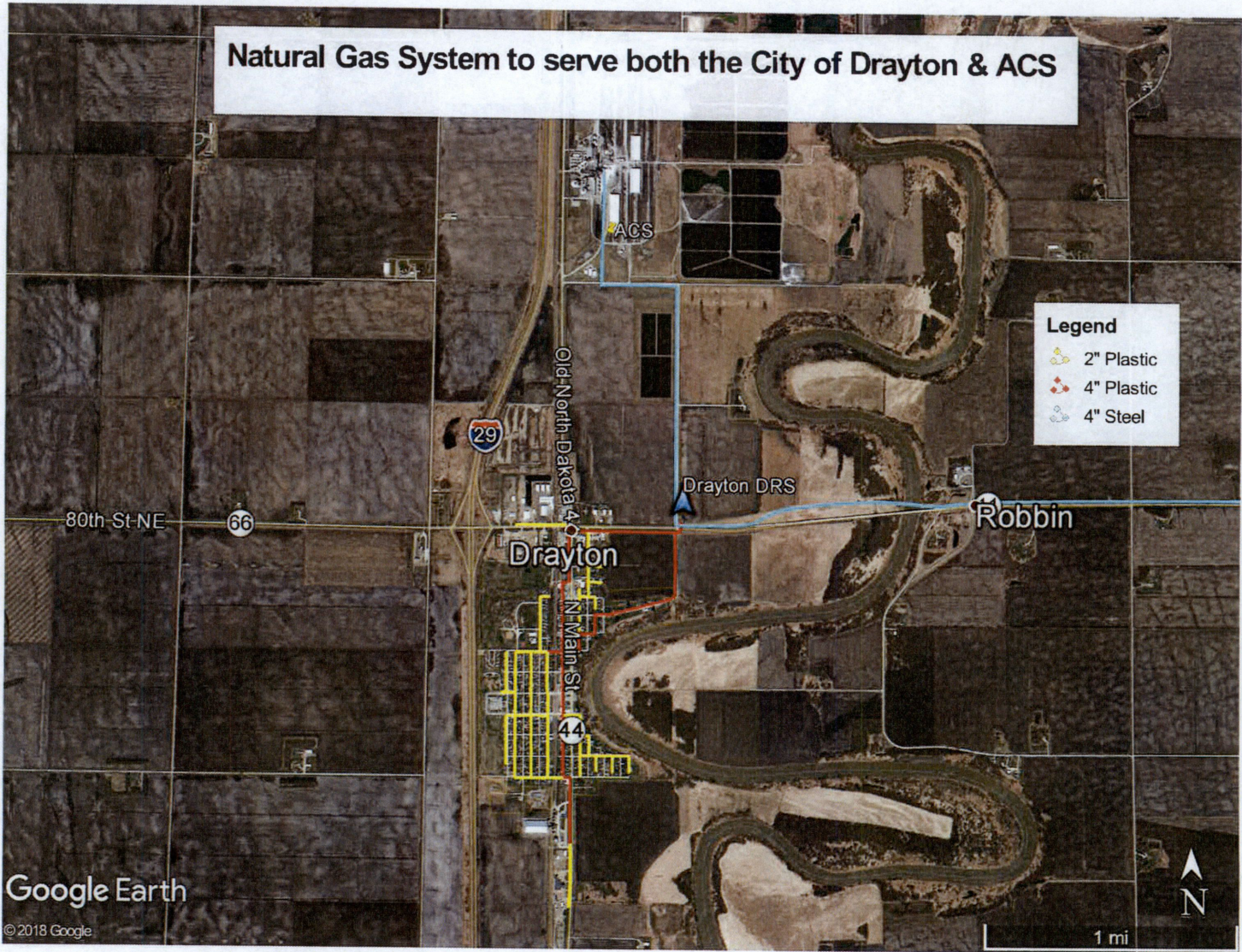
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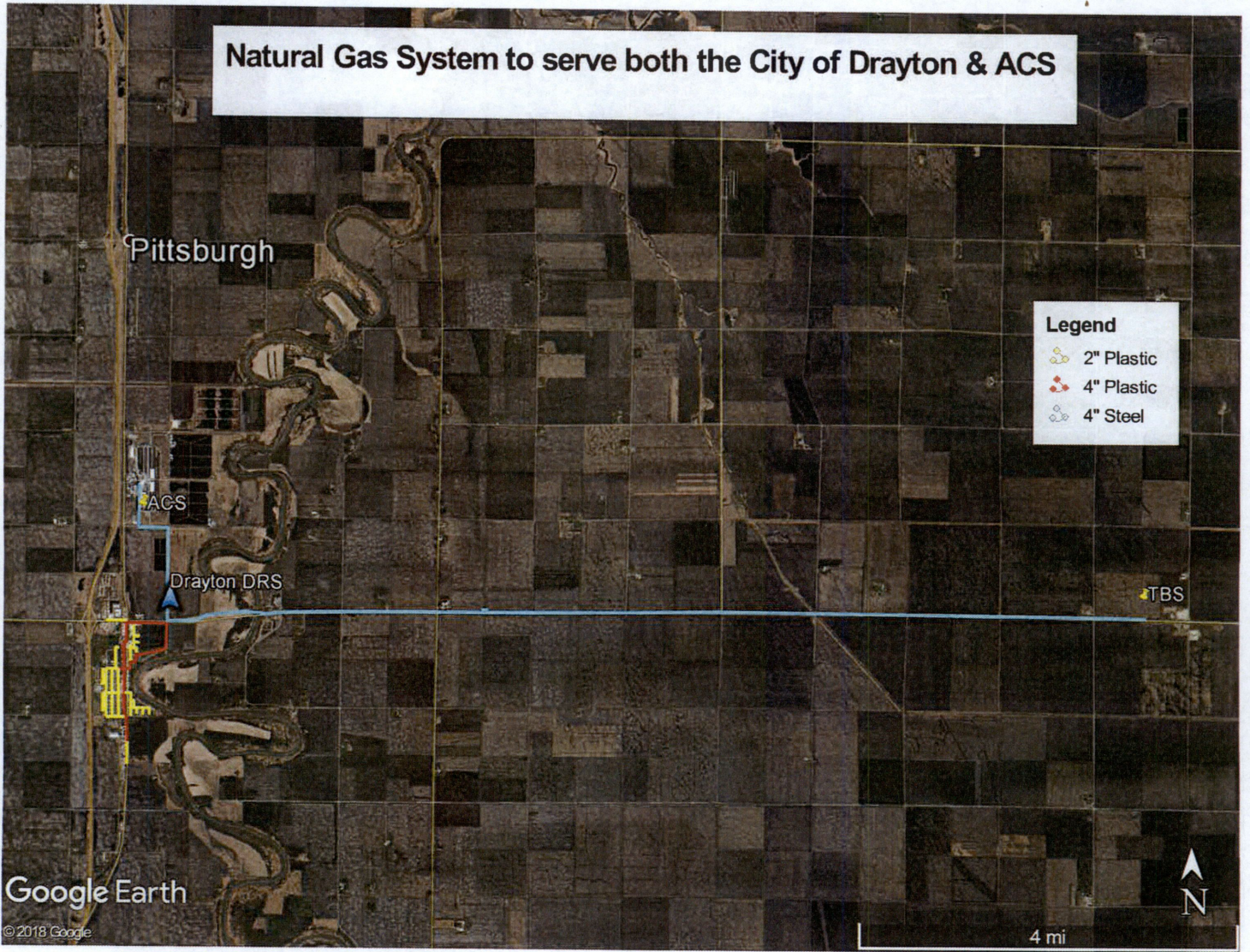
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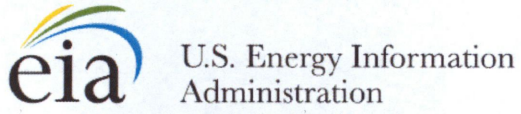
Date of Response August 16, 2018

Natural Gas System to serve both the City of Drayton & ACS



Natural Gas System to serve both the City of Drayton & ACS

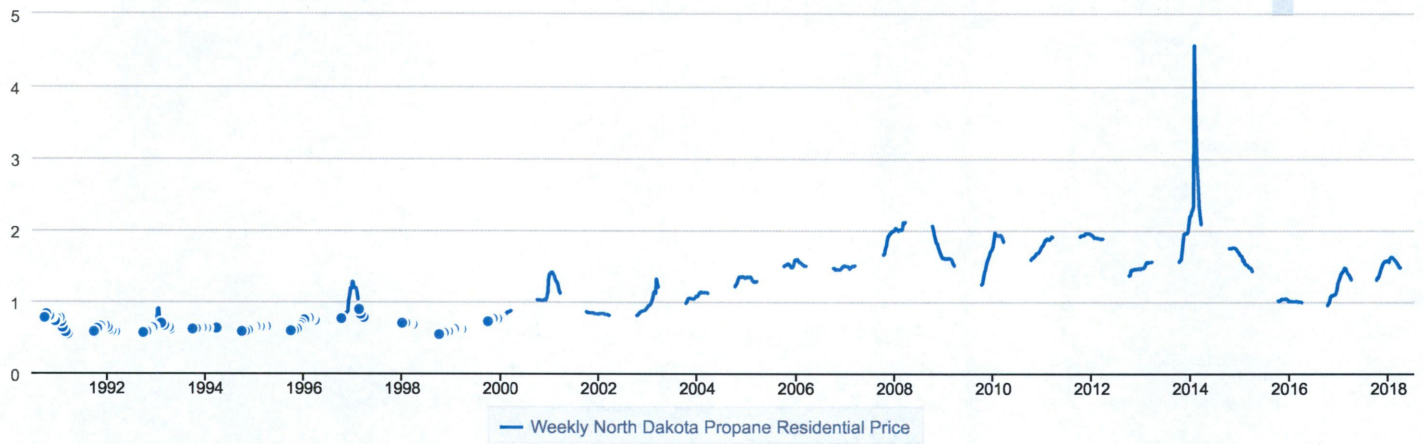




Weekly North Dakota Propane Residential Price

Dollars per Gallon

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Source: U.S. Energy Information Administration