

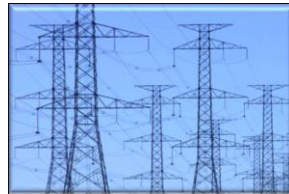
# Overview of Natural Gas Industry and Regulation in Minnesota

for the Legislative Energy Commission  
July 28, 2014

Presented by

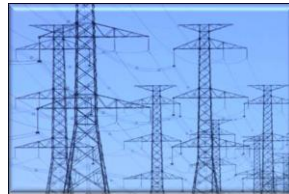
Betsy Wergin, Commissioner

Minnesota Public Utilities Commission



# Five Commissioners

- **Appointed by the Governor, confirmed by the Minnesota Senate**
- **Staggered six year terms**
- **Not more than three from one political party**
- **At least one from outside the Twin Cities metropolitan area**
- **Removed only for cause**

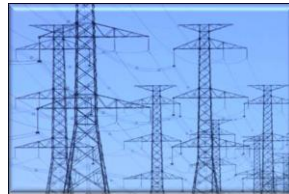


# Statutory Functions

**Quasi-judicial:** Decisions based on formal record; judicial decision-making procedures

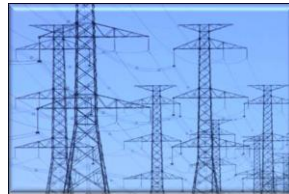
**Legislative:** Promulgate rules

**Administrative:** Investigate and enforce; represent Minnesota in regional and national forums



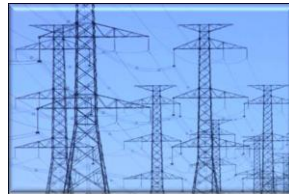
# Commission Responsibilities

- **Ensure safe, adequate and reliable service at fair and reasonable rates for three critical service industries**
  - **Electricity**
  - **Natural gas**
  - **Local telephone service (limited rate regulation)**
- **Determine need for and physical location of large energy facilities**
- **Mediate consumer service issues**
- **Foster effective telephone competition**

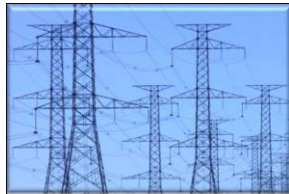
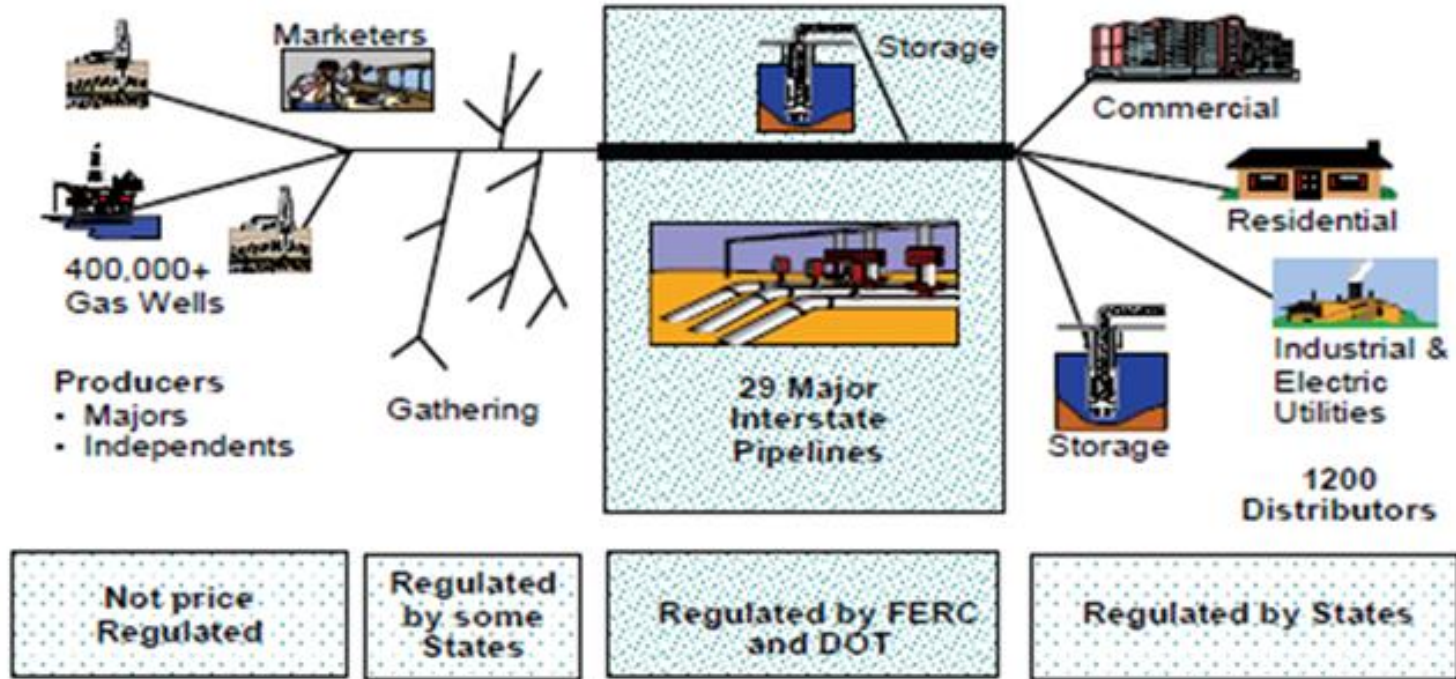


# Propane

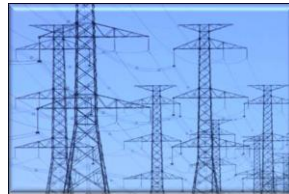
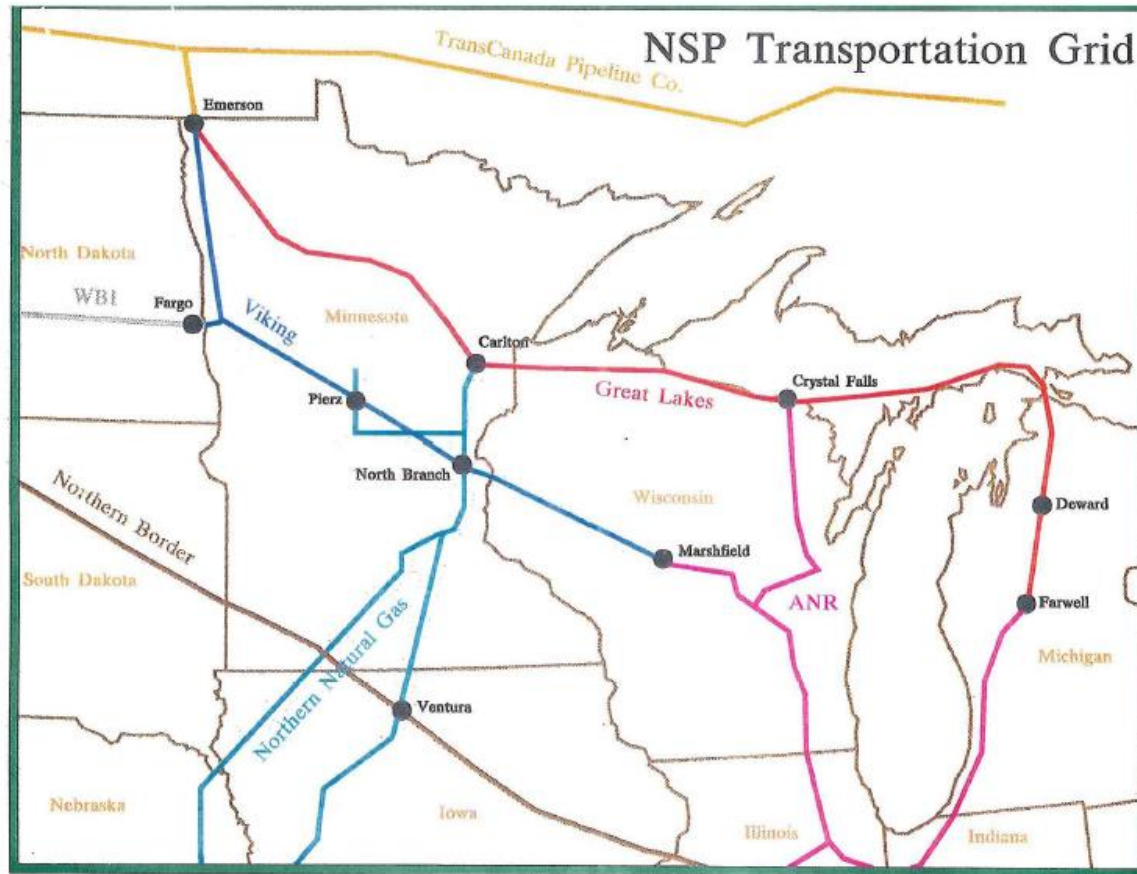
- **Construction of propane storage facilities exceeding 100,000 gallons , or increasing capacity by 20 percent or more, are subject to the PUC's certificate-of-need rules (Chapter 7853)**
- **PUC received requests from propane suppliers for a rule variance because of critical supply situation in Minnesota**
- **All requests have been granted by the PUC**
  - One year variance
- **No variance requests for propane storage facilities are currently pending at the PUC**



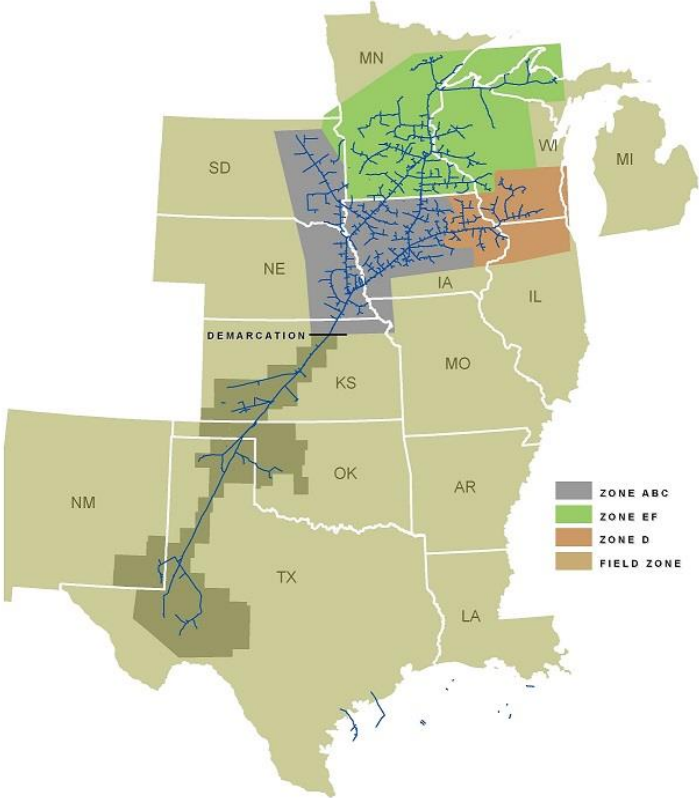
# Structure of the U.S. Natural Gas Sector



# Interstate Pipelines Serving Minnesota



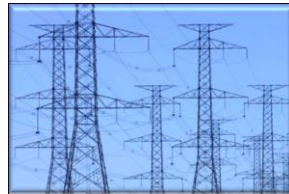
# Northern Natural Gas Pipeline





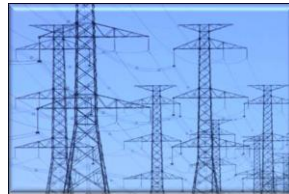
# Natural Gas Distribution Companies

- Rate-regulated IOUs
- Small exempt natural gas companies
- Municipal gas companies



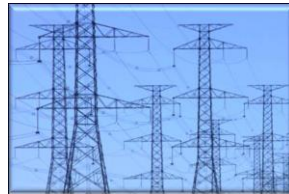
# Characteristics of Local Natural Gas Service in Minnesota

- No universal service obligation for natural gas
- Not practical for all areas to receive service
  - Interstate pipelines locations
  - Geographic/environmental issues
  - Economic concerns



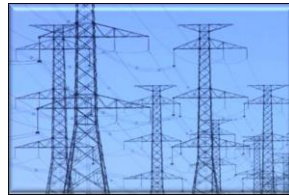
# Service Extension Policies

- New extensions should not burden existing customers
- Utility tariffs specify qualifying “free” footage allowance and cost of additional mains and services
- Customer extensions that do not qualify would pay the additional costs



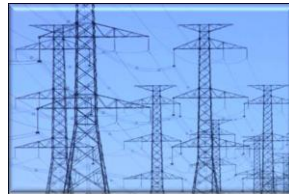
# New Area Surcharges (NAS)

- Extensions to entire towns in remote areas
- Customers pay a share of the existing system's costs in base rates, plus the incremental cost of the new extension in the surcharge
- Surcharges repaid over multiple years



# Example New Area Surcharges (NAS)

- **CenterPoint Energy**
  - Alexandria Lakes area (1990s)
- **Xcel Energy**
  - Brainerd Lakes area project in the 1990s
  - Pending in Barnesville, Holdingford and Pillager
- **Minnesota Energy Resources Corporation (MERC)**
  - Pending for area near Ely Lake in the cities of Eveleth and Gilbert



# Municipally Owned Example

- **City of Battle Lake** – authorized by City Council in May, this 9 mile, \$3.4 million project will begin service this fall in Battle Lake and surrounding areas



# Questions ?

# Thank You

Minnesota Public Utilities Commission

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<http://www.mn.gov.puc/>

