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December 31, 2018

Mr. Daniel Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

RE: *In the Matter of the Commission's Investigation into Parameters of Competition among Natural Gas Utilities Involving Duplication of Facilities and Use of Promotional Incentives and Other Payments*
Docket No. G-999/CI-17-499

Dear Mr. Wolf :

The Office of the Attorney General-Residential Utilities and Antitrust Division ("OAG") respectfully submits this letter in response to the Public Utilities Commission's ("Commission") Notice of Comment Period issued on December 4, 2018. The purpose of this letter is to support Greater Minnesota Gas' ("GMG") suggestion that the Commission clarify that its September 19, 2018 Order's prohibition on extending natural gas service to customers already being served by other regulated utilities also applies to new customers capable of being served through existing infrastructure. Alternatively, the Commission should consider the harm to ratepayers caused by duplication of facilities when engaging in a case-by-case review of gas-service disputes over new customers.

In its Order, the Commission stated that regulated natural gas companies are "prohibited from extending natural gas service to any customer" that is already being served by another regulated natural gas company, subject to certain exceptions.¹ The Commission acknowledged its statutory mandate to "avoid unnecessary duplication of facilities which increase the cost of service to the customer."² On November 28, 2018, GMG submitted a letter asking the Commission to clarify whether its Order also applied to potential customers that could be served by the existing infrastructure of another regulated natural gas company. The Commission should answer that question in the affirmative.

¹ Order Adopting Standards Governing Competition Among Natural Gas Utilities at 7.

² *Id.* (citing Minn. Stat. § 216B.01).

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As the OAG argued in its Comments in the above-entitled matter, when natural gas utilities duplicate infrastructure, the result is “Minnesota ratepayers collectively paying more than necessary” to serve the customers.³ This economic reality holds true regardless of whether the customer in question is an existing customer already being served by a natural gas utility, or a potential customer capable of being served by a natural gas utility’s existing infrastructure. When Minnesota ratepayers are paying for superfluous infrastructure, their collective rates are higher than they should be. Accordingly, including potential customers that are capable of being served by other regulated natural gas companies in its prohibition would be consistent with the Commission’s statutory edict and would be more likely to lead to just and reasonable rates for Minnesota ratepayers.

If the Commission does not find potential customers to be within the purview of its prohibition, this should not prevent the Commission from considering these concerns in future disputes over new customers. The Commission’s Order makes clear that it will “decide gas-service disputes on a case-by-case basis.”⁴ The Commission noted that it historically balances “the interests of utilities, competed-for customers, and *current customers*.”⁵ Thus, even if the Commission chooses to exclude potential customers from its categorical prohibition, it should continue to consider the increased costs to current customers when deciding whether to allow a utility to drive up system-wide costs through the building of duplicative infrastructure. It is likely that consideration of these costs will often lead to the same conclusion in a case-by-case balancing of the equities as would be achieved by including potential customers in the Commission’s prohibition.

The Commission should clarify its Order to include potential customers in its prohibition on the building of duplicative infrastructure. Even if it does not, it should still consider the impact of duplicative costs on existing ratepayers when evaluating the merit of a proposal to duplicate facilities.

Sincerely,

s/ Joseph C. Meyer

JOSEPH C. MEYER

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³ OAG Comments (Nov. 30, 2017) at 4.

⁴ Order Adopting Standards Governing Competition Among Natural Gas Utilities at 8.

⁵ *Id.* at 4 (emphasis added).

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