

December 30, 2016

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/GR-15-736

Dear Mr. Wolf:

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

Compliance Filing submitted by Minnesota Energy Resources Corporation (MERC or the Company), pursuant to the Minnesota Public Utilities Commission's (Commission) October 31, 2016 *Findings of Fact, Conclusions, and Order*.

The Compliance Filing was submitted on November 30, 2016 by:

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation
1995 Rahncliff Court, Suite 200
Eagan, Minnesota 55402

The Department recommends **approval** of the Company's Compliance Filing, with additional filing requirements. The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ ANGELA BYRNE
Financial Analyst
651-539-1820

ACB/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

**COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE, DIVISION OF ENERGY
RESOURCES**

DOCKET No. G011/GR-15-736

I. INTRODUCTION

On October 31, 2016, the Minnesota Public Utilities Commission (Commission) issued its *Findings of Fact, Conclusions, and Order* (Order) in the above-referenced docket concerning the request by Minnesota Energy Resources Corporation (MERC or the Company) to increase natural gas rates in Minnesota. Ordering Paragraph No. 19 of the Commission's Order required MERC to submit certain information as discussed below.

On November 30, 2016, MERC submitted its Compliance Filing in accordance with Ordering Paragraph No. 19 of the Commission's Order.

On December 5, 2016, MERC submitted a Supplemental Filing to provide the financial schedules reflecting the approved revenue requirement, as requested by the Department of Commerce, Division of Energy Resources (the Department or DOC). In this filing, MERC also included a revised Schedule H containing a discussion on how the Company incorporated the Improved Customer Experience (ICE) refund in its interim rate refund proposal.

Pursuant to Ordering Paragraph No. 19 of the Order, the DOC submits these comments that address each compliance item.

II. THE DOC'S ANALYSIS OF THE COMPLIANCE FILING BY ORDERING PARAGRAPH

Ordering Paragraph No. 1 of the Commission's Order states that MERC is entitled to increase Minnesota jurisdictional revenues by \$6,775,462 to produce jurisdictional total gross revenue of \$235,890,981 for the test year ending December 31, 2016. Based on our review, the DOC concludes that the Company's financial schedules in the Compliance Filing incorporated the authorized amounts identified above.

Ordering Paragraph No. 19 of the Commission's Order requires that the Company include the following items in its Compliance Filing:

- a. Revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:
 - i. Breakdown of Total Operating Revenues by type;
 - ii. Schedules showing all billing determinants for the retail sales (and sale for resale) of natural gas. These schedules shall include but not be limited to:
 1. Total revenue by customer class;
 2. Total number of customers, the customer charge and total customer-charge revenue by customer class; and
 3. For each customer class, the total number of commodity- and demand-related billing units, the per unit of commodity and demand cost of gas, the non-gas margin, and the total commodity- and demand-related sales revenues.
 - iii. Revised tariff sheets incorporating authorized rate-design decisions.
 - iv. Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing.
- b. A revised base cost of gas, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented.
- c. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.
- d. A computation of the Conservation Cost Recovery Charge (CCRC) based on the decisions made herein. A schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.
- e. If final authorized rates are lower than interim rates, a proposal to make refunds of interim rates, including interest to affected customers.

Each of these items in Ordering Paragraph No. 19 is discussed below.

A. REVISED SCHEDULES OF RATES AND CHARGES

Ordering Paragraph No. 19(a), Subparts (i) and (ii) required the Company to provide revised schedules of rates and charges reflecting the Commission's revenue requirement and rate design decisions, including the information noted above. The Company provided this information in Schedule A of its Compliance Filing and in its December 5, 2016 Supplemental Filing.

The DOC reviewed Schedule A of MERC's Compliance Filing, as well as the December 5, 2016 Supplemental Filing. Based on our review, the Department concludes that these schedules comply with the Commission's Order.

B. REVISED TARIFF SHEETS

Ordering Paragraph No. 19(a) Subpart (iii) required MERC to provide revised tariff sheets incorporating the Commission's authorized rate design decisions. In addition, Ordering Paragraph No. 15(b) required MERC to provide a compliance filing that includes language to revise its pilot revenue-decoupling program. The Company provided this information in Schedule B of its Compliance Filing.

The Department reviewed Schedule B of MERC's Compliance Filing and notes that these schedules comply with the Commission's Order.

C. CUSTOMER NOTICES

Ordering Paragraph No. 19(a) Subpart (iv) required the Company to provide its proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing. The Company provided this information in Schedule C of its Compliance Filing.

The Department reviewed Schedule C of MERC's Compliance Filing and notes that these schedules comply with the Commission's Order.

D. BASE COST OF GAS

Ordering Paragraph No. 19(b) required the Company to provide its revised base cost of gas, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented.

The Commission's November 30, 2015 Order Setting New Base Cost of Gas and Requiring Further Filings required that MERC provide updated information about its commodity base cost of gas during the course of the general rate case proceeding based on timing that was agreeable to the Department and Commission Staff. Parties agreed on a filing date of April 12, 2016 for MERC's base cost of gas update, coinciding with the filing date of Rebuttal Testimony in the instant docket. The Company filed this information on April 12, 2016 in the instant petition and in Docket No. G011/MR-15-748, proposing an adjustment of \$43,522,851. The DOC agreed with MERC's proposed adjustment. The ALJ found that the April 12, 2016 update should be used in the test year,¹ and was ultimately adopted by the Commission. MERC included the April 12, 2016 filing again in its Compliance Filing as Schedule D.

¹ *Findings of Fact, Conclusions of Law, and Recommendation*, filed August 19, 2016, pages 139-140.

Generally, decisions on the base cost of gas would be deferred to the related docket (G011/MR-15-748). In this case, no further decisions need to be made regarding the base cost of gas. The Department concludes that Schedule D complies with the Commission's Order.

E. RATE RIDERS AND CHARGES IN EFFECT

Ordering Paragraph No. 19(c) required the Company to provide a summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented. The Company provided this information in Schedule E of its Compliance Filing.

The Department reviewed Schedule E of MERC's Compliance Filing and notes that these schedules comply with the Commission's Order.

F. CIP TRACKER

Ordering Paragraph No. 19(d) required the Company to provide a computation of the Conservation Cost Recovery Charge (CCRC) based on the decisions made herein. It also required MERC to provide a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective. MERC provided this information in Schedules F and G of its Compliance Filing.

In Schedule F of its Compliance Filing, MERC provided its computation of the CCRC based on the Commission's final Order. MERC calculated its proposed CCRC of \$0.2767 per dekatherm by dividing total approved test-year CIP expense of \$11,280,537 by test-year sales volumes of 40,762,139 dekatherms. For the purpose of the proposed CCRC calculation, MERC calculated test-year volumes of 40,762,139 dekatherms by subtracting CIP exempt volumes of 33,822,773 dekatherms from total sales volumes of 74,584,912 dekatherms. These subtracted dekatherms are associated with large electric customer facilities and large energy facilities that have been granted exemptions by the Commissioner of the Department of Commerce and the Commission from participating in, or paying for, respectively, the Company's gas CIP. The DOC concludes that MERC's proposed calculation of its CCRC is in compliance with the Commission's Order. Thus, the Department recommends that the Commission approve MERC's proposed CCRC of \$0.2767 per dekatherm to be applied to all customer classes except for approved CIP-exempt facilities.

In Schedule G of its Compliance Filing, MERC provided schedules detailing its CIP tracker account balance at the beginning of interim rates, revenues and costs recorded during the period of interim rates, and the CIP tracker account balance as of October 31, 2016. Since MERC assumed that final rates would be effective beginning February 2017, the Department recommends that the Commission require MERC to resubmit the CIP tracker account (including rates, revenues, expenses, and ending balance) for the entire period that interim rates were in effect within 10 days after the actual date final rates become effective.

G. INTERIM RATE REFUND PLAN

Ordering Paragraph No. 19(e) required the Company to provide a proposal to make refunds of interim rates, including interest calculated at the average prime rate, to affected customers. Additionally, Ordering Paragraph No. 11 required that MERC refund \$500,000 from the ICE program budget to ratepayers for 2016. MERC proposed that final rates go into effect on February 1, 2017, and interim rates be refunded beginning in April of 2017.

In Schedule H of its Compliance Filing, MERC estimated a refund obligation of \$1,935,459. As required by Minnesota Rules part 7825.3300, MERC will apply interest at the average prime rate of 3.50 percent to the refund of interim rates (currently estimated to be \$33,157). With the additional \$500,000 refund for the ICE program, the total estimated refund obligation is \$2,468,617 and the refund factor is approximately 37.04 percent. These schedules are updated when actual interim revenues billed are known.

Based on our review, the DOC concludes that the refund plan complies with Ordering Paragraph No. 19(e). Therefore, the DOC recommends that the Commission approve MERC's refund plan. Additionally, the Department recommends that the Commission require MERC to submit, within 10 days of the completion of the refund for all of its customers, a compliance filing that separately shows the actual refunds and interest paid by rate class including supporting calculations.

III. SUMMARY OF THE DOC'S RECOMMENDATIONS

In conclusion, the Department recommends that the Commission:

- 1) approve MERC's proposed tariffs;
- 2) approve MERC's proposed CCRC of \$0.2767 per dekatherm to be applied to all customer classes except for approved CIP-exempt facilities;
- 3) require MERC to resubmit the CIP tracker account (including rates, revenues, expenses, and ending balance) for the entire period that interim rates were in effect within 10 days after the actual date final rates become effective;
- 4) approve MERC's refund plan; and
- 5) require MERC to submit, within 10 days of the completion of the refund for all of its customers, a compliance filing that separately shows the actual refunds and interest paid by rate class including supporting calculations.

/lt

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
Comments**

Docket No. G011/GR-15-736

Dated this 30th day of December 2016

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_15-736_Official CC List
Elizabeth	Brama	ebrama@briggs.com	Briggs and Morgan	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-736_Official CC List
Jeanne	Cochran	Jeanne.Cochran@state.mn.us	Office of Administrative Hearings	P.O. Box 64620 St. Paul, MN 55164-0620	Electronic Service	Yes	OFF_SL_15-736_Official CC List
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, BRM Tower St. Paul, MN 55101	Electronic Service 1400	Yes	OFF_SL_15-736_Official CC List
Darcy	Fabrizius	Darcy.fabrizius@constellation.com	Constellation Energy	N21 W23340 Ridgeview Pkwy Waukesha, WI 53188	Electronic Service	No	OFF_SL_15-736_Official CC List
Emma	Fazio	emma.fazio@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_15-736_Official CC List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_15-736_Official CC List
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_15-736_Official CC List
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_15-736_Official CC List
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-736_Official CC List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_15-736_Official CC List
John	Lindell	john.lindell@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_15-736_Official CC List
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_15-736_Official CC List
Joseph	Meyer	joseph.meyer@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St Paul, MN 55101-2131	Electronic Service	Yes	OFF_SL_15-736_Official CC List
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_15-736_Official CC List
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_15-736_Official CC List
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	Yes	OFF_SL_15-736_Official CC List
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_15-736_Official CC List
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_15-736_Official CC List