



July 1, 2019

VIA E-FILING

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

RE: Minnesota Energy Resource Corporation's Emergency Request to Suspend Collection of Gas Utility Infrastructure Cost Rider and Natural Gas Extension Project Rider Surcharges for Direct Connect Customers

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of a Gas Utility Infrastructure Cost (GUIC) Rider
Docket No. G011/M-18-281

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of a Natural Gas Extension Project (NGEP) Cost Rider Surcharge for Recovery of 2019 Rochester Project Costs
Docket No. G011/M-18-182

Dear Mr. Wolf:

Encore Energy Services, Inc. ("Encore") submits this letter in support of the Emergency Request to Suspend Collection of Gas Utility Infrastructure Cost Rider and Natural Gas Extension Project Rider Surcharges for Direct Connect Customers ("Emergency Request") filed by Minnesota Energy Resources Corporation ("MERC") in the above-captioned dockets on June 28, 2019.

Encore is an independently-owned business serving commercial and industrial energy consumers in Minnesota and several other states. Encore provides its customers throughout these states with natural gas commodity and energy-related services, including commodity and capacity procurement, risk management, nomination and imbalance management, pipeline and local distribution company rate negotiation, and asset optimization services. Encore provides its services to a number of customers on MERC's distribution system in Minnesota and is itself a significant current customer of MERC.

Mr. Daniel P. Wolf

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In MERC's last rate case, I filed testimony on behalf of Encore discussing the risk of bypass posed by a number of MERC's largest customers, which are connected directly to Northern Natural Gas's ("NNG") pipeline.¹ The parties to that rate case, as well as the Commission,² acknowledged that these customers, specifically the taconites, are extremely price sensitive and are likely to exercise their right to bypass MERC entirely and become direct connect customers of NNG.

This price sensitivity, not surprisingly, exists whether the "price" is extracted through rates or through a rider, such as the NGEP and GUIC riders at issue here. MERC correctly notes that the direct connect customers require minimal MERC-owned facilities to receive service. In fact, the only MERC-owned facility used by these customers is an odorizer. These customers therefore do not benefit from the expansion and improvement of MERC's infrastructure, and imposition of costs associated with that expansion and improvement only serves to make the direct connect customers more likely to leave the system. As noted by MERC in the Emergency Request, if these customers leave MERC's system, the remainder of MERC's customers will suffer from an increase in costs both through base rates and the two riders at issue here. In addition, as noted in my testimony in the rate case, these customers provide a significant, predictable year-round load which effectively expands MERC's daily balancing tolerance on NNG. If the taconites leave MERC, this benefit to MERC and its customers will also be lost.

Encore appreciates the Commission's consideration of this important issue, and respectfully requests that the Commission grant MERC the Order requested in its Emergency Request.

This document has been filed with the eDocket system and served on the attached service list. Also enclosed is our affidavit of service.

Very truly yours,



Bret Feller
Chief Operating Officer

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¹ Rebuttal Testimony of Encore Energy Services, Inc. Bret Feller, Docket No. G-011/GR-17-563 (June 1, 2018). For the convenience of the Commission, a copy of this testimony is attached to this letter.

² The Commission observed that its selected rate design proposal in MERC's last rate case "reduces the extent of the Company's proposed increase to the interruptible classes, a recognition that these customers are highly price-sensitive and could obtain service elsewhere if their costs become excessive." Findings of Fact, Conclusion, and Order, Docket No. G-011/GR-17-563 (December 26, 2018).

**BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS
600 North Robert Street
St. Paul, Minnesota 55101**

**FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101**

**MPUC Docket No. G-011/GR-17-563
OAH Docket No. 8-2500-34864**

**In the Matter of the Application of
Minnesota Energy Resources Corporation
for Authority to Increase Rates for
Natural Gas Service in Minnesota**

**REBUTTAL TESTIMONY
OF
ENCORE ENERGY SERVICES, INC. WITNESS**

BRET FELLER

June 1, 2018

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1 **I. INTRODUCTION**

2 Q. Did you provide direct testimony in this matter?

3 A. Yes.

4 Q. What is the purpose of your rebuttal testimony?

5 A. I am responding to a portion of the testimony of Office of Attorney General
6 (“OAG”) witness Tim Meernik.

7 **II. RESPONSE TO TESTIMONY**

8 Q. What portion of Mr. Meernik’s testimony does your rebuttal testimony address?

9 A. I will address Mr. Meernik’s recommendation that the rates for “Transport”
10 customers, which includes the taconites, be increased overall by 77.92%.

11 Q. Do you disagree with this recommendation?

12 A. Yes.

13 Q. Why?

14 A. While other parties may address other flaws with Mr. Meernik’s recommendation,
15 I specifically disagree with Mr. Meernik’s testimony because it significantly
16 understates the risk of bypass by a number of the Transport customers, specifically
17 the taconites.

18 Q. How is this risk understated by Mr. Meernik?

19 A. While Mr. Meernik acknowledges that the Transport customer class poses risk of
20 bypass, his recommendation suggests that the threat of bypass will not come into
21 play until rates increase by some level above 77.92%. This is incorrect. In fact,

1 there is a substantial risk that the taconites will bypass Minnesota Energy Resources
2 Corporation (“MERC”) in response to any appreciable rate increase.

3 Q. Why is there a substantial risk?

4 A. Each taconite mine is directly connected to Northern Natural Gas and is only
5 deemed to be a utility customer by virtue of a paper assignment of the delivery point.
6 MERC does not own *any* facilities that provide natural gas to the taconites, with the
7 exception of an odorizer at each mine. In short, the taconites are at best tenuous
8 customers of MERC, even at existing rates.

9 Q. Would bypassing MERC be difficult for these customers?

10 A. No. Because MERC does not own the facilities that provide natural gas to the
11 mines, these customers could bypass MERC and become direct connect Northern
12 Natural Gas customers with minimal expense.

13 Q. If it is that easy to bypass MERC, why have these customers not done so already?

14 A. These customers have a long-term relationship with MERC, and while the taconites
15 believe that the current rate allocation does not accurately reflect the cost of serving
16 them, they have, so far, accepted that allocation. Additionally, because the taconites
17 are not in the natural gas business, they would prefer not to deal directly with
18 odorizing the natural gas used at the mines. That said, the taconites would be willing
19 to take over the odorization if, in their view, the cost of any appreciable rate increase
20 exceeds the benefit of having MERC handle odorization.

**Rebuttal Testimony
Bret Feller**

1 Q. Would bypass by the taconites harm MERC's other customers?

2 A. Yes. The taconites provide substantial revenue to MERC, and if that revenue is lost,
3 MERC may seek to recover that revenue from its other customers. In addition, the
4 taconites provide a significant, predictable year-round load which effectively
5 expands MERC's daily balancing tolerance on Northern National Gas.

6 Q. Mr. Meernik notes that MERC's revenue requirements have decreased since filing
7 the rate case due to changes in federal tax law, and notes that the Commission may
8 make additional reductions in response to the recommendations of witnesses for
9 OAG and other parties. Does this make a difference in your assessment of the
10 bypass risk for the taconites?

11 A. No. As noted above, the taconites have no reason to accept a revenue allocation
12 that further skews what they believe to be an already inequitable allocation.

13 Q. Does this conclude your testimony?

14 A. Yes.

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BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101-2147

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of a Gas Utility Infrastructure Cost (GUIC) Rider

MPUC Docket No. G-011/M-18-281

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of a Natural Gas Extension Project (NGEP) Cost Rider Surcharge for Recovery of 2019 Rochester Project Costs

MPUC Docket No. G-011/M-18-182

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

Mary G. Holly, of the City of Lake Elmo, County of Washington, the State of Minnesota, being first duly sworn, deposes and says that on the 1st day of July, 2019, she served the attached **Correspondence** to all said persons on the attached Service List, true and correct copies thereof, by eFiling.

/s/ Mary G. Holly
MARY G. HOLLY

Subscribed and sworn to before me this
1st day of July, 2019.

/s/ Jane E. Justice
Notary Public

My Commission Expires: January 31, 2020

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_18-281_M-18-281
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-281_M-18-281
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Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-182_M-18-182
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Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_18-182_M-18-182