

December 11, 2015

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. E293, 015/SA-15-989

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:

The Joint Request of the City of Pierz and Minnesota Power, collectively the Parties, for Approval of a Compensation and Service Territory Agreement.

The petition was filed on November 18, 2015 by:

David R. Moeller  
Senior Attorney  
Minnesota Power  
30 West Superior Street  
Duluth, MN 55802

The Department recommends that the Minnesota Public Utilities Commission (Commission) approve the requested service territory boundary transfer from Minnesota Power to the City of Pierz, and is available to answer any questions the Commission may have.

Sincerely,

/s/ DALE V. LUSTI  
Financial Analyst

DVL/lt  
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES

DOCKET No. E293, 015/SA-15-989

**I. SUMMARY OF PROPOSAL**

On November 18, 2015, the City of Pierz (City) and Minnesota Power (MP), collectively the Parties, jointly filed a petition under Minn. Stat. 216B.39, subd.3, asking the Minnesota Public Utilities Commission (Commission) to modify the Parties' service territory boundaries.

Exhibit A to the Petition is the COMPENSATION AND SERVICE TERRITORY AGREEMENT BETWEEN THE CITY OF PIERZ AND MINNESOTA POWER. Attachment A to Exhibit A is a map of the Affected Area that was annexed by the City and will be transferred from MP to the City.

**II. DEPARTMENT ANALYSIS**

**A. TRANSFER OF THE AFFECTED AREA FROM MP TO THE CITY**

Minnesota Statutes section 216B.44, subd. (a) states:

... whenever a municipality which owns and operates an electric utility (1) extends its corporate boundaries through annexation or consolidation, or (2) determines to extend its service territory within its existing corporate boundaries, the municipality shall thereafter furnish electric service to these areas unless the area is already receiving electric service from an electric utility, in which event, the municipality may purchase the facilities of the electric utility servicing the area.

As referenced in the Parties' joint petition and identified on Attachment A to Exhibit A, the service territory, which contains no current customers, will be transferred from MP to the City.

**B. COMPENSATION**

Minnesota Statutes Section 216B.44, subd. (b) states:

The municipality acquiring the facilities shall pay to the electric utility formerly serving the area the appropriate value of its properties within the area .... In the event the municipality and the electric utility involved are unable to agree as to terms of the payment or exchange, the municipality or the electric utility may file an application with the commission requesting that the commission determine the appropriate terms for the exchange or sale.

The Department notes that the Parties have agreed to the following compensation:

- Since no assets of MP are included in this Agreement, there will be no compensation for any MP facilities.
- The City shall pay to MP for loss of revenues at the rate of ten (10) mills (\$0.01) times each kWh of electric energy sold by the City to each new customer in the Transferred Area for a ten-year period; however, no compensation shall be paid after December 31, 2035.

Thus, the Department agrees that the Parties' request to establish the Affected Area as part of the City's service area is consistent with Minn. Stat. 216B.44, subd. (a) and (b).

**III. RECOMMENDATION**

The Department recommends that the Commission approve the requested service territory boundary transfer from Minnesota Power to the City of Pierz.

/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. E293,015/SA-15-989**

**Dated this 11<sup>th</sup> day of December 2015**

**/s/Sharon Ferguson**

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