



Minnesota Energy Resources Corporation
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August 28, 2018

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

VIA ELECTRONIC FILING

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

Additional Reply Comments of Minnesota Energy Resources Corporation

Dear Mr. Wolf:

On February 28, 2018, Minnesota Energy Resources Corporation (“MERC” or the “Company”) filed a Petition in the above-referenced docket requesting approval to implement a per-therm surcharge of \$0.00150 to recover the projected 2019 revenue deficiency related to the Rochester Natural Gas Extension Project (the “Rochester Project”) through a Natural Gas Extension Project (“NGEP”) cost rider. Through subsequent rounds of comments filed by MERC and the Department of Commerce, Division of Energy Resources (the “Department”) on May 29, 2018; June 8, 2018; and August 24, 2018; the Company and the Department have reached agreement regarding all issues with the exception of whether the 33 percent limitation in the NGEP Statute, Minn. Stat. § 216B.1638, should be applied to the overall project costs or to the annual incremental revenue requirement.

MERC continues to conclude that the Department’s interpretation is contrary to the unambiguous language of the NGEP Statute, which applies the 33 percent limitation to “the costs of a natural gas extension project.” Further, the mechanics of the Department’s alternative interpretation would result in an unreasonable and administratively onerous result, which would be contrary to the legislative intent of the NGEP Statute to encourage natural gas projects designed to serve unserved and inadequately served areas. Under MERC’s proposed surcharge calculation, 66 percent of the costs of the Rochester Project will still be recovered through base rates in general rate proceedings. Given that the Department has not disputed the prudence or reasonableness of the Rochester Project or costs, it is unclear why the

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Department is advocating to substantially limit the portion of costs that can be recovered through the NGEP rider. Under the Department's methodology, some of MERC's Rochester Project costs incurred in 2019 would be recovered via the rider, and some costs would be recovered in a subsequent rate case. It seems to MERC that this approach is needlessly complicated. The Department's proposal is not only inconsistent with the plain statutory language but it would result in significant additional administrative burden and expense, and merely delay recovery of reasonable costs, necessitating more frequent rate case filings and resulting in further regulatory expense.

Please contact me at (651) 322-8965 if you have any questions regarding the information in this filing. Thank you for your attention to this matter.

Sincerely,

/s/ Amber S. Lee

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation

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

Docket No. G011/M-18-182

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 28th day of August, 2018, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Additional Reply Comments on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

Dated this 28th day of August, 2018.

/s/ Kristin M. Stastny
Kristin M. Stastny

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