

Pat Garofalo
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Minnesota House of Representatives

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TAXES
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January 18, 2018

Via Electronic Filing

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 Formal Complaint and Petition for Relief by Minnesota Energy Resources Corporation Against Northern States Power Company d/b/a Xcel Energy

Docket No. G-011, G-002/C-17-802

In the Matter of a Commission Investigation into Parameters for Competition Among Natural Gas Utilities Involving Duplication of Facilities and the Use of Promotional Incentives and Other Payments

Docket No. G-999/CI-17-499

Dear Mr. Wolf:

I have been following with great interest the Commission's current investigation that is examining the appropriate parameters of competition between Minnesota natural gas utilities. It is my understanding that one of the objectives of this proceeding is to establish clear and better guidelines for gas utilities to grow and compete for natural gas customers in our state. As you know, in recent years the Legislature has focused on ensuring more customers have access to natural gas to promote economic development and ensure resiliency of energy supply. In my view, the greatest benefit is providing access to gas service in unserved or underserved areas.

While I do not take any position on the merits of Minnesota Energy Resources Corporation's ("MERC") pending complaint against Xcel Energy, it is my understanding that there are a growing number of instances where gas utilities are attempting to extend service to areas already served by other gas utilities in our order to "cherry pick" certain customers. I encourage



the Commission to undertake a critical review in this proceeding of the Legislature's directives as set forth in Minn. Stat. § 216B.01 to ensure fair competition and avoid the unnecessary duplication of gas lines.

Minnesota law explicitly recognizes that the duplication of regulated utility infrastructure is not in the best interests of customers because it raises costs for consumers. Policies that encourage the duplication of utility infrastructure and the considerable capital expenditure involved are not in the best interest of customers as a whole. I hope that the Commission's oversight of these situations is performed in a manner to discourage the unnecessary duplication of utility infrastructure, particularly in these "cherry picking" situations which I believe are contrary to the legislature's intent.

The second issue that I hope you will address is whether rate regulated utilities should be permitted to continue to offer customers "promotional incentives" or other discounts to compete against other utilities. Promotional incentives are not authorized to allow natural gas utilities to compete against other regulated utilities. I am concerned that the use of promotional incentives would create the opportunity for unlimited discrimination between customers, between those more attractive customers for whom the utilities compete and all of the utilities' other customers. In the end, all that is accomplished is one utility adding load at the expense of another utility and its customers. This is not the result of a rational system for regulating public utilities.

The Legislature has established limited circumstances under which gas utilities may compete for customers, or flex or discount their rates to attract new customers. I hope that you will use this proceeding to clarify those circumstances and establish policies that advance rational and fair competition among our state's natural gas utilities.

I applaud the Commission for looking into these important issues and appreciate the opportunity to provide these brief comments.

Sincerely,



Representative Pat Garofalo
Chair, Job Growth and Energy Affordability Policy and Finance Committee