



85 7TH PLACE EAST, SUITE 280
SAINT PAUL, MINNESOTA 55101-2198
MN.GOV/COMMERCE
651.539.1600 FAX: 651.539.1574
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April 12, 2017

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. E131, E231/SA-17-205

Dear Mr. Wolf:

Attached are the *Comments* of the Minnesota Department of Commerce, Division of Energy Resources in the following matter:

The Joint Request of PKM Electric Cooperative, Inc. (the Cooperative) and the Water, Light, Power and Building Commission of and for the City of East Grand Forks (City), collectively the Parties, to Modify Electric Services Territory Boundaries.

The petition was jointly filed on March 14, 2017 by:

PKM Electric Cooperative, Inc.
406 N. Minnesota Street
Warren, MN 56762

And

East Grand Forks Water and Light Department
600 Demers Avenue
P.O. Box 322
East Grand Forks, MN 56721

The Department recommends that the Minnesota Public Utilities Commission (Commission) approve the requested service territory boundary transfer from PKM Electric Cooperative, Inc. to the Water, Light, Power and Building Commission of and for the City of East Grand Forks. The Commission's maps should be updated by MnGeo to reflect the service area designations as shown on the map in the Agreement. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ DALE V. LUSTI
Financial Analyst

DVL/ja
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

DOCKET No. E131, E231/SA-17-205

I. BACKGROUND

The City of East Grand Forks, acting by and through its Water, Light, Power and Building Commission (City), is an electric municipal utility organized and existing under the laws of the State of Minnesota. PKM Electric Cooperative Inc. (Cooperative), is an electric distribution cooperative organized and existing under the laws of the State of Minnesota.

On December 20, 2007, the Minnesota Office of Administrative Hearings approved Ordinance No. 302, Third Series¹ which annexed into the City the following real property:

The easterly 65 feet of the Northeast Quarter of the Southeast Quarter of Section 27, Township 153 North, Range 50 West of the 5th principal Meridian, Polk County, Minnesota containing 1.97 acres or 85,955 Square feet more or less.

On May 12, 2016, the Minnesota Office of Administrative Hearings approved Ordinance No. 15,4th Series² which annexed into the City the following real property:

Southeast Quarter of the Southeast Quarter (SE1/4SE1/4), Section Twenty-six (26), Township One hundred Fifty-Two (152) North, Range Fifty (50) West of the Fifth Principal Meridian, Polk County, Minnesota containing approximately 40 acres.

¹ Attached to the Settlement Agreement as Exhibit A-1, as resubmitted on March 29, 2017.

² Attached to the Settlement Agreement as Exhibit A-2, as resubmitted on March 29, 2017.

II. SUMMARY OF PROPOSAL

On March 14, 2017, the City and the Cooperative, 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. On March 22, 2017, the Parties refiled the March 7, 2017 Settlement Agreement to include Page 11 that was missing from the original March 14, 2017 filing. On March 29, 2017, the Parties refiled Exhibits A-1 and A-2, requesting that the exhibits A-1 and A-2 as filed on March 14, 2017 be discarded.

In addition to the specific service territory boundary change referenced above, the March 7, 2017 Settlement Agreement also provides the basis for the Parties to address future annexations by the City until December 31, 2027 and for successive periods as the parties may agree upon after the initial term. The March 7, 2017 Settlement Agreement is a revised version of the Settlement Agreement that was approved without specific action by the Commission on October 18, 2004 in Docket No. E231, E131/SA-04-1669.

III. DEPARMTENT ANALYSIS

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

EXHIBIT A-1 to the Settlement Agreement, as re-submitted on March 29, 2017, is the approved annexation request and map depicting the boundary for Ordinance No. 302 which involves 1.97 acres.

EXHIBIT A-2 to the Settlement Agreement, as re-submitted on March 29, 2017, is the approved annexation request and map depicting the boundary for Ordinance No. 15 which contains approximately 40 acres.

It should be noted that there are currently no customers in either of the two affected areas (Exhibits A-1 and A-2) that are being transferred from the Cooperative to the City in this proceeding.

Per conversation with Keith R. Mykleseth (General Manager, Water & Light Department City of East Grand Forks), it should also be noted that the proposed transfer is a permanent transfer of service territory.

EXHIBIT B to the Petition is a map of the service territories of the City and the Cooperative as they appeared on the effective date of this Agreement.

B. COMPENSATION

Although there are no current customers in the affected area, it is appropriate to address compensation related to future customers in the affected areas, as well as future annexations which may occur in the subsequent 10-year period. Therefore, the Parties have agreement upon appropriate compensation as identified in Article III “Compensation for Existing Customers and Facilities” and in Article IV “Compensation for Acquisitions and Future Customers.”

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.39.

IV. RECOMMENDATION

The Department recommends that the Commission approve the requested service territory transfer from PKM Electric Cooperative to the Water, Light, Power and Building Commission of and for the City of East Grand Forks. The Commission’s maps should be updated by MnGeo to reflect the service area designations as shown on the map in the Agreement.

/ja