

**Minnesota Public Utilities Commission**  
*Staff Briefing Papers*

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**Meeting Date:** August 3, 2017 ..... **Agenda Item 2\*\***

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**Company:** Minnesota Energy Resources Corporation (MERC)

**Docket Nos. G-011/M-17-210**

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval to Add Additional Customer Classes to the Detroit Lakes-Long Lake New Area Surcharge Project

**G-011/M-17-211**

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval to Add Additional Customer Classes to the Ely Lake New Area Surcharge Project

**G-011/M-17-212**

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval to Add Additional Customer Classes to the Fayal Township Long Lake New Area Surcharge Project

**Issues:** Should the Commission approve MERC’s request to add additional New Area Surcharge (NAS) surcharges for the Large Commercial and Industrial (C&I), Small Volume Interruptible (SVI), and Large Volume Interruptible (LVI) customer classes to previously approved NAS projects?

Should the Commission require MERC to recalculate the previously approved Residential and Small C&I NAS surcharges from Docket Nos. 15-441, 15-776, and 16-221 to reflect the unanticipated customer class growth?

Should the Commission require MERC to recalculate the Ely Lake Small C&I surcharge to conform to MERC’s customer class “customer charge allocation” methodology used in determining monthly NAS surcharges in other NAS dockets (Docket Nos. 15-441, 16-221, 17-210, 17-211, and 17-212)?

Should the Commission approve MERC’s request to add additional NAS surcharges for the Large C&I (17-212), SVI (17-210, 17-211, and 17-212), and LVI (17-210, 17-211, and 17-212) customer classes not supported by customer growth?

**Staff:** Bob Brill ..... 651-201-2242

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*Relevant Documents*

**Docket No. G-011/M-17-210**

MERC - Initial Petition and Attachments (TS)..... March 16, 2017<sup>1</sup>

**Docket No. G-011/M-17-211**

MERC - Initial Petition and Attachments (TS)..... March 15, 2017

**Docket No. G-011/M-17-212**

MERC - Initial Petition and Attachments (TS)..... March 15, 2017

**All Dockets (Docket Nos. 17-210, 17-211, and 17-212)**

Department of Commerce (Department) – Comments ..... April 14, 2017

MERC - Reply Comments ..... April 24, 2017

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The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless otherwise noted.

**This document can be made available in alternative formats (e.g., large print or audio) by calling 651-296-0406 (voice). Persons with hearing loss or speech disabilities may call us through their preferred Telecommunications Relay Service.**

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<sup>1</sup> This documents is dated March 15, 2017 but was not received by the Department and Commission e-filing system until March 16, 2017. Pursuant to Minn. Rules, part 7829.0400, subpart 5a, "... Filings are filed with the commission when received during regular business hours. ..."

## Table of Contents

Statement of the Issues.....	1
Introduction.....	1
Parties Positions.....	2
MERC.....	2
Department.....	2
Department Recommendations.....	2
Staff Analysis.....	3
Should the Commission approve MERC’s request to add additional New Area Surcharge (NAS) surcharges for the Large Commercial and Industrial (C&I), Small Volume Interruptible (SVI), and Large Volume Interruptible (LVI) customer classes to previously approved NAS projects? .....	3
Should the Commission require MERC to recalculate the previously approved Residential and Small C&I NAS surcharges from Docket Nos. 15-441, 15-776, and 16-221 to reflect the unanticipated customer class growth? .....	5
Should the Commission require MERC to recalculate the Ely Lake Small C&I surcharge to conform to MERC’s customer class “customer charge allocation” methodology used in determining monthly NAS surcharges in other NAS dockets (Docket Nos. 15-441, 16-221, 17-210, 17-211, and 17-212)?.....	6
Should the Commission approve MERC’s request to add additional NAS surcharges for the Large C&I (17-212), SVI (17-210, 17-211, and 17-212), and LVI (17-210, 17-211, and 17-212) customer classes not supported by customer growth?.....	7
Decision Alternatives.....	9
Recalculation of Residential and Small C&I NAS surcharges .....	9
If the Commission decides not to recalculate the Residential and Small C&I NAS surcharges .....	10
If the Commission decides to require MERC to recalculate the Residential and Small C&I NAS charges (alternatives 2 or 3).....	10
If the Commission approves MERC’s requested Detroit Lakes-Long Lake, Ely Lake, and Fayal Township Long Lakes NAS surcharges for all customer classes: .....	10

## Statement of the Issues

Should the Commission approve MERC's request to add additional New Area Surcharge (NAS) surcharges for the Large Commercial and Industrial (C&I), Small Volume Interruptible (SVI), and Large Volume Interruptible (LVI) customer classes to previously approved NAS projects?

Should the Commission require MERC to recalculate the previously approved Residential and Small C&I NAS surcharges from Docket Nos. 15-441, 15-776, and 16-221 to reflect the unanticipated customer class growth?

Should the Commission require MERC to recalculate the Ely Lake Small C&I surcharge to conform to MERC's customer class "customer charge allocation" methodology used in determining monthly NAS surcharges in other NAS dockets (Docket Nos. 15-441, 16-221, 17-210, 17-211, and 17-212)?

Should the Commission approve MERC's request to add additional NAS surcharges for the Large C&I (17-212), SVI (17-210, 17-211, and 17-212), and LVI (17-210, 17-211, and 17-212) customer classes not supported by customer growth?

## Introduction

The Commission approved MERC's New Area Surcharge (NAS) tariffs, in Docket No. 11-1045, for uneconomical natural gas projects for unserved areas in Minnesota.<sup>2</sup> The NAS tariff's purpose is to prevent undue subsidization from existing customers and required new area customer(s) to be responsible for the costs of providing service to that area. The project(s) become economical by permitting a utility company to collect a NAS factor (surcharge) in addition to the tariffed, base rates.

In Docket Nos. 15-441 (Detroit Lakes–Long Lakes), 15-776 (Ely Lake)<sup>3</sup>, and 16-211 (Fayal Township Long Lake), the Commission approved NAS tariff surcharges for these specific projects. The Commission decision approved NAS surcharges for Residential and Small Commercial & Industrial (C&I) customer classes, but not for any other customer classes where MERC did not project customers.<sup>4</sup>

MERC's current petitions reflect new Large Commercial & Industrial (C&I) customers for the Detroit Lake–Long Lake (Docket No. 17-210) and Ely Lake (Docket No. 17-211) NAS projects. Further, MERC proposed a new Fayal Township Long Lake NAS Large C&I NAS surcharge. MERC also requested NAS surcharges for Small Volume Interruptible (SVI) and Large Volume Interruptible (LVI) customer classes. MERC does not currently have any SVI or LVI customers in any of these new areas that would use these proposed SVI or LVI NAS surcharges.

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<sup>2</sup> The Commission's July 26, 2012 Order approved the NAS tariff provision.

<sup>3</sup> The Commission initially approved Ely Lake in Docket No. 14-524, but was revised in Docket No. 15-776.

<sup>4</sup> The Commission decision did not include NAS customer classes where MERC did not provide projected customers.

## Parties Positions

### MERC

On March 15 and 16, 2017, MERC filed miscellaneous rate petitions requesting Commission approval of additional customer classes' NAS surcharges for three previously approved NAS projects, Detroit Lakes – Long Lakes (15-441), Ely Lake (15-776), and Fayal Township Long Lake (16-221) - for its Large C&I, SVI, and LVI customer classes. The Commission's Orders previously approved NAS surcharges for the Residential and Small C&I customer classes. The Orders required MERC to file for Commission approval of additional customer classes NAS surcharges, if service is requested.

On April 24, 2017, MERC filed *Reply Comments* responding to the Department April 14<sup>th</sup> *Comments*. MERC continued its request for Commission approval of all of its requested NAS surcharges for all customer classes.

### Department

The Department indicated that MERC's request was governed by Minn. R. 7829.1300-Miscellaneous Tariff and Price List Filings, and MERC's NAS tariff sheets approved in Docket No. 11-1045.<sup>5</sup> The Department believed that MERC provided the majority of the required information and followed-up informally on any information not provided within the petitions. The Department focused its review on the following concerns:

- NAS factors for customer classes associated with initially unanticipated customers;
- Maintaining the current Ely Lake Small C&I NAS factor for future Small C&I customers;
- Developing NAS factors for all of MERC's customer classes including classes unsupported by customer growth; and
- Maintaining the previously approved NAS factors for Residential and Small C&I customer classes.

### Department Recommendations

The Department recommended approval of MERC's requested Large C&I customer class NAS surcharges for the Detroit Lakes-Long Lakes and Ely Lake NAS projects. The Department agreed with MERC on the following NAS surcharges:

Table 2: Department's Recommended Large C&I NAS Surcharges

NAS Expansion Project	Large C&I NAS Surcharges
Detroit Lakes-Long Lakes (15-441)	\$90.76
Ely Lakes (15-776)	\$120.55

<sup>5</sup> See the Commission's July 26, 2012 Order, which required MERC to provide: 1) an updated surcharge tariff sheet and its related spreadsheets with and without the proposed surcharge for each new surcharge area; 2) its work papers showing all underlying assumptions concerning interest rates, costs, depreciation, demographics, rate structure, etc.; 3) a surcharge rate for each customer class, even if no customers are anticipated for the class; 4) the Company's proposed customer notice; and 5) all pertinent contract demand entitlement change requests as soon as the required information is ascertained.

Further, the Department recommended that the Commission:

- Deny MERC’s request to establish a Large C&I NAS factor for the Fayal Township Long Lake (16-221) NAS expansion project.
- Deny MERC’s request to establish NAS factors for the Small Volume Interruptible (SVI) and Large Volume Interruptible (LVI) classes for the Detroit Lakes-Long Lake (15-441), Ely Lake (15-776), and Fayal Township Long Lake (16-221) NAS expansion projects.
- Require MERC to file a compliance filing consistent with the Commission’s decisions in these dockets within 10 days of the Commission’s Order.

## Staff Analysis

The Commission previously approved NAS surcharges for the Residential and Small C&I customer classes in Docket Nos. 15-441, 15-776, and 16-221. The Commission did not approve NAS surcharges for other customer classes’ because MERC did not anticipate customers requesting service and the uncertainties surrounding the customer classes. The Commission ordered MERC to submit a petition seeking Commission approval for the new NAS surcharges if unanticipated customers materialized.

In Docket No. 17-210, 17-211, and 17-212, MERC requested Commission approval of additional customer classes’ NAS surcharges for the Large C&I, SVI, and LVI customer classes. See Table 1, for a summary of the dockets.

Table 1: Summary of MERC NAS Dockets<sup>6</sup>

NAS Project	NAS Petition Docket No.	NAS Order Date	Docket No. Requesting Additional NAS Customer Classes
Detroit Lakes	15-441	09/05/2014	17-210
Ely Lake	15-776	07/28/2015	17-211
Fayal Township	16-221	06/10/2016	17-212
Additional NAS Dockets			
Balaton	16-654	02/09/2017	No additional customer classes requested.
Esko	16-655	02/09/2017	No additional customer classes requested.

**Should the Commission approve MERC’s request to add additional New Area Surcharge (NAS) surcharges for the Large Commercial and Industrial (C&I), Small Volume Interruptible (SVI), and Large Volume Interruptible (LVI) customer classes to previously approved NAS projects?**

As previously stated, MERC proposed additional NAS surcharges for the Large C&I, SVI, and LVI customer classes. The proposed NAS surcharges were developed by using MERC’s

<sup>6</sup> The Ely Lake NAS project was originally approved in Docket No. 14-524.

“customer charge allocation” methodology – approved in MERC’s Fayal Township Long Lakes (16-211)<sup>7</sup>, Balaton (Docket No. 16-654)<sup>8</sup> and Esko (Docket No. 16-655)<sup>9</sup> NAS expansion projects. The methodology developed a factor by dividing a customer class’ currently effective customer charge by the currently effective Residential customer charge and then applied the factor to the Residential NAS surcharge for each docket.<sup>10</sup> See the following tables:

Table 2: MERC’s Proposed Large C&amp;I NAS Surcharges

MERC’s calculation	Detroit Lakes	Ely Lake	Fayal Township
Large C&I Customer Charge	\$45.00	\$45.00	\$45.00
Divide By: Residential Customer Charge	\$9.50	\$9.50	\$9.50
Large C&I NAS Surcharge Factor	4.7368	4.7368	4.7368
Multiply by: Residential NAS Surcharge	\$19.16	\$25.45	\$21.16
Large C&I NAS Surcharge	\$90.76	\$120.55	\$100.23

Table 3: MERC’s Proposed SVI NAS Surcharges

MERC’s calculation	Detroit Lakes	Ely Lake	Fayal Township
SVI Customer Charge	\$165.00	\$165.00	\$165.00
Divide By: Residential Customer Charge	\$9.50	\$9.50	\$9.50
SVI NAS Surcharge Factor	17.3684	17.3684	17.3684
Multiply by: Residential NAS Surcharge	\$19.16	\$25.45	\$21.16
SVI NAS Surcharges	\$332.78	\$442.03	\$367.49

Table 4: MERC’s Proposed LVI NAS Surcharges

MERC’s calculation	Detroit Lakes	Ely Lake	Fayal Township
LVI Customer Charge	\$185.00	\$185.00	\$185.00
Divide By: Residential Customer Charge	\$9.50	\$9.50	\$9.50
LVI NAS Surcharge Factor	19.4737	19.4737	19.4737
Multiply by: Residential NAS Surcharge	\$19.16	\$25.45	\$21.16
LVI NAS Surcharge	\$373.12	\$495.61	\$412.04

MERC believed this approach is consistent with the previously Commission approved surcharges for other NAS projects. Further, this approach resulted in fair and reasonable

<sup>7</sup> In the Matter of a Petition by Minn. Energy Res. Corp. for Approval of a New Area Surcharge for the Fayal Township Long Lake Project, Docket No. G011/M-16-221, ORDER APPROVING NEW AREA SURCHARGE AND REQUIRING COMPLIANCE FILING at 3 (June 10, 2016).

<sup>8</sup> In the Matter of the Petition of Minn. Energy Res. Corp. for Approval for Recovery of Nat. Gas Extension Project Costs through a Rider and for Approval of a New Area Surcharge for the Balaton Project, Docket No. G011/M-16-654, PETITION FOR APPROVAL OF NATURAL GAS EXTENSION PROJECT RIDER AND NEW AREA SURCHARGE at 11 (Aug. 2, 2016).

<sup>9</sup> In the Matter of the Petition of Minn. Energy Res. Corp. for Approval for Recovery of Nat. Gas Extension Project Costs through a Rider and for Approval of a New Area Surcharge for the Esko Project, Docket No. G011/M-16-655, PETITION FOR APPROVAL OF NATURAL GAS EXTENSION PROJECT RIDER AND NEW AREA SURCHARGE at 11 (Aug. 2, 2016).

<sup>10</sup> MERC Customer charges were approved in Docket No. 15-736.

surcharges across all customer classes, and its proposed customer class NAS surcharges were in the public interest and should be approved. MERC supported its position by stating that

*“Adding the additional classes will allow additional customers to receive natural gas service and will lower the overall cost to other customers in the project area due to the likely resulting shorter NAS term, benefitting the existing Residential and Small C&I customers. MERC’s proposed surcharges for the additional customer classes will ensure the Company’s customers receiving service through the NAS are treated fairly and consistently and will allow for customer growth in the project area.”* [Emphasis Added]

The Department determined that MERC had received service requests for the Large C&I customer class in Detroit Lakes-Long Lakes and Ely Lakes NAS projects. The Department commented that it and MERC had reviewed methodologies in calculating additional NAS surcharges in Docket No. 16-211, where MERC proposed two options: 1) annual volumetric usage, and 2) proportional “customer charge allocation” methodology between customer classes (see Tables 2-4). Both MERC and the Department concluded that the proportional “customer charge allocation” methodology produced reasonable results.<sup>11</sup> The Department concluded this methodology was reasonable in these dockets – but, only for NAS surcharges supported by customers requesting service.

Staff believes that the proportional “customer charge allocation” methodology is a reasonable way to calculate other customer class’ NAS surcharges when additional customers are added. This assumes that the Commission decides not to require MERC to recalculate its Residential and Small C&I NAS surcharges for the additional unanticipated customer additions. Without preparing a class cost of service study, as in a general rate case, this methodology simulates cost causation among the NAS customer classes by using the monthly customer class service charges developed in MERC’s last general rate case, in Docket No. 15-736.

It appears to staff that the Commission should approve the Detroit Lakes-Long Lakes (15-441) and the Ely Lake (15-776) Large C&I NAS surcharges because of the added customers in this customer class. Staff agrees with the Department’s recommendations for Detroit Lakes-Long Lakes and Ely Lakes Large C&I NAS surcharges.

**Should the Commission require MERC to recalculate the previously approved Residential and Small C&I NAS surcharges from Docket Nos. 15-441, 15-776, and 16-221 to reflect the unanticipated customer class growth?**

MERC proposed not to modify its existing Residential and Small C&I NAS surcharges for the Detroit Lakes-Long Lakes and Ely Lakes NAS projects for the new unanticipated Large C&I customers. MERC cited that a NAS adjustment would create an administrative burden and would cause customer confusion. Instead, MERC believed that by retaining the approved Residential and Small C&I NAS surcharges while adding larger customers in the NAS areas, an earlier recovery of MERC’s NAS investment would be possible. MERC would then stop collecting the NAS surcharges, thus providing savings to MERC’s NAS customers.

The Department concluded that in these dockets, a NAS recalculation was not necessary because it does not appear that such an adjustment would have a significant impact. But, the Department believed this decision should be made on a case-by-case basis because depending on the degree, timing, and size of an unanticipated customer, because some circumstances may warrant the

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<sup>11</sup> Docket 16-221, Department’s April 27, 2016 Response Comments, p. 2.



recalculation of previously approved NAS surcharges. The Department's further justified its decision by stating that MERC assumes the risk of NAS project under-collection and that safeguards are in place to prevent MERC from over-collecting the NAS surcharges. The Department believed that the additional revenues from the Large C&I customers would provide MERC with a better opportunity to recover its NAS project costs and may lead to the early termination of the NAS surcharges.

Staff generally agrees with the Department's recommendation not to recalculate the Residential and Small C&I NAS surcharges approved in Docket Nos. 15-441, 15-776, and 16-221. Staff believes that the impact of the two unanticipated customers will provide a benefit to other NAS customers and will provide MERC with a better opportunity to recover its NAS investments. However, if the Commission decides to recalculate the NAS surcharges, additional analysis will be necessary before approving any recalculated NAS surcharges from these dockets.

**Should the Commission require MERC to recalculate the Ely Lake Small C&I surcharge to conform to MERC's customer class "customer charge allocation" methodology used in determining monthly NAS surcharges in other NAS dockets (Docket Nos. 15-441, 16-221, 17-210, 17-211, and 17-212)?**

MERC requested its first NAS surcharge in Docket No. 14-524, the Ely Lake NAS expansion project. In that docket, the Commission approved the requested Residential NAS surcharge and further approved a Small C&I NAS surcharge equal to that NAS surcharge.<sup>12</sup> MERC proposed not to change its Ely Lake Small C&I NAS surcharge in this docket to reflect the proportional "customer charge allocation" methodology used in later dockets. The Commission's September 5, 2014 Order, Ordering Point 2 stated:

*... Should additional potential customers from the small business class or other customer classes seek to take service under the surcharge, the Company shall return to the Commission to determine the appropriate surcharge.*

The Commission also stated that:

*In the event any other small commercial customers or customers from other customer classes seek to take natural gas service in the Ely Lake project area, the Company must first refile its request with Commission to examine the full impact of the addition of such customer(s) so as to determine the appropriate surcharge level for all customer classes.*

The current Small C&I NAS surcharge is \$25.45.<sup>13</sup> If this NAS surcharge is recalculated to conform to MERC's other NAS expansion projects, the NAS surcharge would increase to \$48.22 or an increase of 89 percent. MERC's 14-524 initial petition did not include customer projections for the Small C&I customer class because MERC believed that additional customers would not materialize. MERC currently provides service to only one customer under the \$25.45 Small C&I surcharge. The Department believed that it would not be reasonable to increase the NAS surcharge to that customer. The Department believed that the addition of one customer in this class does not justify a reversal or modification of the Commission earlier decision. The Department recommended that MERC's Ely Lake Small C&I NAS surcharge remain at \$25.45.

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<sup>12</sup> The NAS surcharges were later revised by the Commission in Docket No. 15-776.

<sup>13</sup> Approved in Docket No. 15-776.

Staff generally agrees with the Department's recommendation because the Small C&I customer would suffer economic consequences for MERC's actions if the NAS surcharge was recalculated and increased. An increase to the NAS surcharge might cause the customer to discontinue service, which would impact the remaining MERC Ely Lake NAS customers. However, the Commission may wish to address MERC's actions at the August 3, 2017 agenda meeting.

**Should the Commission approve MERC's request to add additional NAS surcharges for the Large C&I (17-212), SVI (17-210, 17-211, and 17-212), and LVI (17-210, 17-211, and 17-212) customer classes not supported by customer growth?**

In its petitions (17-210, 17-211, and 17-212), MERC proposed NAS surcharges for customer classes that were not supported by unanticipated customers. MERC proposed NAS surcharges for Large C&I, SVI, and LVI, but MERC only had customers for the Detroit Lakes-Long Lakes and Ely Lake Large C&I customer classes. In MERC's earlier NAS dockets, 15-441, 15-776, and 16-221, the Commission did not approve customer class NAS surcharges that were unsupported by customers.

The Commission's Orders directed MERC to submit a petition for Commission consideration if unanticipated customers requested service in customer classes that previously did not have NAS surcharges set. The Commission's Orders stated:

Docket No. 15-441:<sup>14</sup>

*Since the Company does not expect to receive new-service applications from customers outside the residential and small commercial/industrial classes, the Company should submit new-area-surcharge tariffs for only those classes. If and when large commercial or large industrial customers seek service, the Company should file proposed tariffs for those customer classes, with documentation showing estimated costs and revenues, as well as the application of the new-area-surcharge model to those customer classes.*

Docket No. 15-776 (originally Docket No. 14-524)<sup>15</sup>

*In light of the Company's representations in its filing and at the hearing, the Commission will for the present authorize the Company to apply the surcharge rate of \$33.50 to residential and existing small commercial customers, noting that at present it does not expect customers for any other customer class to request service. In the event any other small commercial customers or customers from other customer classes seek to take natural gas service in the Ely Lake project area, the Company must first refile its request with [the] Commission to examine the full impact of the addition of such customer(s) so as to determine the appropriate surcharge level for all customer classes.<sup>16</sup>*

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<sup>14</sup> *In the Matter of a Petition by Minn. Energy Res. Corp. for Approval of a New Area Surcharge for the Detroit Lakes – Long Lake Project*, Docket No. G011/M-15-441, ORDER APPROVING NEW AREA SURCHARGE AND REQUIRING COMPLIANCE FILING (July 28, 2015).

<sup>15</sup> The Ely Lake NAS project was originally approved in Docket No. 14-524 and later modified in Docket No. 15-776. The modification resulted in a lower NAS surcharge for both the residential and small (C&I) customers – resulted from giving NAS customers MERC's standard customer extension allowance.

<sup>16</sup> *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Project*, Docket No. G011/M-14-524, ORDER APPROVING NEW AREA SURCHARGE AND PROPOSED TARIFF MODIFICATION at 3 (Sept. 5, 2014).

Docket No. 16-221:<sup>17</sup>

*The Commission will approve the New Area Surcharge factors for the Small C&I customers, as well as the Residential class as properly calculated. At hearing, the Company stated that adding a large customer class could affect the accounting for the proposed extension. Accordingly, the Commission will not set tariff factors for MERC's large customer classes at this time. The Commission authorizes the Company to publish the Residential and Small C&I factors in the New Area Surcharge tariff. In the event customers from the other MERC classes seek to take natural gas service in the Fayal Township Long Lake project area, the Commission will require MERC to first refile its request with the Commission to examine the full impact of the addition of such customer(s) so as to determine the appropriate surcharge level for all customer classes.*

But, the Commission approved NAS surcharges for all customer classes, including customer classes unsupported by projected customers in MERC's Balaton (Docket No. 16-654)<sup>18</sup> and Esko (Docket No. 16-655)<sup>19</sup> NAS expansion projects.

The Department noted that MERC's Detroit Lakes-Long Lakes (17-210) and Ely Lakes (17-211) NAS areas received unanticipated service requests for Large C&I service, but had not received service requests for the other customer classes. The Department believed that the Commission should deny MERC the remaining NAS surcharges to be consistent with Commission decisions in Docket Nos. 15-441, 15-776 (14-524), and 16-221 – where establishing NAS factors for the Fayal Township Large C&I, SVI and LVI customer classes was not approved because they were not supported by customers.

Staff believes that the Commission will need to decide whether to approve MERC's requested Fayal Township Long Lake Large C&I, SVI, and LVI NAS surcharges. These proposed surcharges are not supported by existing customers and none are anticipated. Staff is of the opinion that prior Commission decisions exist to support either approving or not approving the requested NAS surcharges for the Fayal Township Long Lake Large C&I, SVI, and LVI customer classes. Staff points out that the Commission determined how to develop the customer class NAS surcharges by approving proportional "customer charge allocation" methodology in Docket No. 16-221.

If the Commission decides not to approve these NAS surcharges, the Commission would be requiring MERC to submit additional petitions seeking Commission approval whenever an unanticipated customer requests service. Further, staff believes that there are safeguards in place that prevent MERC from over-collecting the NAS investment for each project and that approving the proposed NAS surcharges in advance of customer participation may give MERC an

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<sup>17</sup> In the Matter of a Petition by Minn. Energy Res. Corp. for Approval of a New Area Surcharge for the Fayal Township Long Lake Project, Docket No. G011/M-16-221, ORDER APPROVING NEW AREA SURCHARGE AND REQUIRING COMPLIANCE FILING at 3 (June 10, 2016).

<sup>18</sup> In the Matter of the Petition of Minn. Energy Res. Corp. for Approval for Recovery of Nat. Gas Extension Project Costs through a Rider and for Approval of a New Area Surcharge for the Balaton Project, Docket No. G011/M-16-654, PETITION FOR APPROVAL OF NATURAL GAS EXTENSION PROJECT RIDER AND NEW AREA SURCHARGE at 11 (Aug. 2, 2016).

<sup>19</sup> In the Matter of the Petition of Minn. Energy Res. Corp. for Approval for Recovery of Nat. Gas Extension Project Costs through a Rider and for Approval of a New Area Surcharge for the Esko Project, Docket No. G011/M-16-655, PETITION FOR APPROVAL OF NATURAL GAS EXTENSION PROJECT RIDER AND NEW AREA SURCHARGE at 11 (Aug. 2, 2016).

advantage in soliciting unanticipated customers (to provide immediate service instead waiting for Commission approval).

## **Decision Alternatives**

### **Recalculation of Residential and Small C&I NAS surcharges**

1. Do not require MERC to recalculate Docket Nos. 15-441, 15-776, and 16-221 Residential and Small C&I NAS surcharges. (Department, MERC)
2. Require MERC to recalculate all of the Docket Nos. 15-441, 15-776, and 16-221 Residential and Small C&I NAS surcharges to include all new unanticipated customers.
3. Require MERC to recalculate only the Ely Lake Small C&I NAS surcharge to conform to MERC's customer class "customer charge allocation" methodology which has been used to determine monthly NAS surcharges in other NAS dockets (Docket Nos. 15-441, 16-221, 17-210, 17-211, and 17-212)?

**If the Commission decides not to recalculate the Residential and Small C&I NAS surcharges**

4. Approve MERC’s requested Detroit Lakes-Long Lake and Ely Lake Large C&I NAS charges. (Department, MERC)

NAS Expansion Project	Current Dockets	Large C&I NAS Surcharges
Detroit Lakes-Long Lakes (15-441)	17-210	\$90.76
Ely Lakes (15-776)	17-211	\$120.55

5. Approve MERC’s requested Detroit Lakes-Long Lake, Ely Lake, and Fayal Township Long Lakes NAS surcharges for all customer classes, Large C&I, SVI, LVI. (MERC)

NAS Expansion Project	Current Docket	Large C&I NAS Surcharges	SVI NAS Surcharges	LVI NAS Surcharges
Detroit Lakes-Long Lakes (15-441)	17-210	\$90.76	\$332.78	\$373.12
Ely Lakes (15-776)	17-211	\$120.55	\$442.03	\$495.61
Fayal Township Long Lake (16-221)	17-212	\$100.23	\$367.49	\$412.04

6. Require MERC within 10 days of the Commission’s order to submit a compliance filing. Allow interested parties to submit comments on MERC’s compliance filing within 10 days of MERC submitting its compliance filing.

**If the Commission decides to require MERC to recalculate the Residential and Small C&I NAS charges (alternatives 2 or 3)**

7. Require MERC to recalculate its Residential and Small C&I NAS surcharges to include all new unanticipated NAS customers for the Detroit Lakes-Long Lakes (15-441) and Ely Lake (15-776) NAS projects.
8. Require MERC within 20 days of the Commission’s order to submit a compliance filing that includes its recalculated surcharges and a proposal for implementing the revised surcharges. Allow interested parties to submit comments on MERC’s proposal within 20 days of MERC submitting its proposal.

**If the Commission approves MERC’s requested Detroit Lakes-Long Lake, Ely Lake, and Fayal Township Long Lakes NAS surcharges for all customer classes:**

9. Require MERC to include information in its annual NAS compliance filings about the number and customer class of the unanticipated customers that are added each year to the Detroit Lakes-Long Lake (15-441), Ely Lake (15-776), or Fayal Township Long Lakes (16-221) NAS projects.