COMMERCE DEPARTMENT

February 25, 2019

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/M-19-108

Dear Mr. Wolf:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

> The Petition of Minnesota Energy Resources Corporation for Approval of Proposed Tariff Amendments to Remove Volume Balancing Service and Modify Residential Deposit Provisions.

The Petition was filed on January 25, 2019 by:

> Seth S. DeMerritt
> Senior Project Specialist
> Minnesota Energy Resources Corporation
> 2685 145th Street West
> Rosemount, Minnesota 55068
> (920) 433-2926

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve, in part, Minnesota Energy Resources Corporation's proposals.** The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/Gemma Miltich
Financial Analyst

GM/ja
Attachment

COMMERCE DEPARTMENT

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G011/M-19-108

I. INTRODUCTION

On January 25, 2019, the Minnesota Energy Resources Corporation (MERC or the Company) filed a petition with the Minnesota Public Utilities Commission (Commission) requesting approval to (1) remove volume balancing services from its tariffed service offerings and (2) modify its residential deposit provisions to increase the maximum required deposit amount and eliminate a section of outdated language.

(1) MERC currently offers optional volume balancing services to its small and large volume transportation customers. The volume balancing services, if elected by a transportation customer, offer protection from the balancing/scheduling penalty charges the customer may otherwise incur if their nominated and received volumes do not balance. The Company proposes to discontinue *both* its volume balancing service offerings.

On June 29, 2009, the Commission denied MERC's previous proposal in Docket No. G-001, 011/GR-08-835 to eliminate the Company's volume balancing service offering for *small* volume transportation customers. The relevant Commission Order states:[1]

> …the Commission will not permit the Company to discontinue its balancing services as originally proposed. Small Volume Transportation customers may still find value in not having to comply with the balancing requirements in the Company's tariff and may want to continue to protect against the risk of incurring scheduling penalties by continuing to purchase this service.

(2) The Company's current deposit provisions permit MERC to require a deposit amount of up to one month's average bill from residential customers. The Company proposes to increase the maximum amount collectible for residential customer deposits to two months' worth of estimated or existing billings.[2]

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[1] *Findings of Fact, Conclusions of Law, and Order* at page 17.
[2] *Petition* at page 49.

The amount of MERC's proposed deposit increase is allowable under Minnesota Rules, part 7820.4500, subpart 1, which states:

> When required, a customer may assure payment by submitting a deposit. A deposit **shall not exceed** an estimated two months' gross bill or existing two months' bill where applicable.

In addition, the Company proposes to eliminate the following outdated language from its deposit provisions: [3]

> EXCEPTION: Per order in Docket G-999/CI-05-1832, reconnection fees and deposit requirements are waived for customers receiving benefits through the federal Low Income Energy Assistance Program (LIHEAP) **effective December 1, 2005 through April 15, 2006**.

II. DEPARTMENT ANALYSIS

A. NEED FOR PROPOSED CHANGES

MERC offered justifications for the items proposed in its petition. The Minnesota Department of Commerce, Division of Energy Resources (Department) evaluated the reasonableness of these justifications.

1. Proposed Removal of Volume Balancing Service Offerings

MERC provided the following explanations in its petition:

- Customers have historically demonstrated a lack of interest in the volume balancing service offerings, and no customers are currently enrolled in these services.
- MERC has determined that the cost of continuing to offer volume balancing services outweighs the benefit of potential revenues.

The Department concludes that MERC's reasons for eliminating its balancing service offerings are reasonable and logically connected to the need for this proposed change. In response to the Department's Information Request No. 1, MERC provided the Department with additional details around its customer billings and contracts for volume balancing services. The Company's

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[3] *Petition* at page 49.

response[4] demonstrates that indeed none of its current transportation customers are now or were previously enrolled in either of the Company's volume balancing services. Given the long-standing lack of customer interest in MERC's volume balancing service offerings, it follows that the cost of continuing to offer volume balancing services is not justified by potential revenues.

In terms of ratepayer impact, because MERC's large and small volume transportation customers would no longer have the option to elect volume balancing services under the Company's proposal, these customers would, by default, be subject to potential balancing penalty charges. The Department notes that by consistently *not* electing volume balancing services now or in the past, MERC's large and small volume transportation customers have demonstrated a willingness to accept the risk of incurring balancing penalty charges.

The Department notes that removal of these services would also require minor modifications to the Company's tariff sheet table of contents.[5]

2. Proposed Modifications to Residential Deposit Provisions

MERC provided the following explanations in its petition:

- The proposed change will align MERC's deposit policy for its residential customers with that of its non-residential customers, thereby standardizing the MERC customer deposit process.
- The proposed change will align MERC's deposit policy with that of other utilities within the WEC Energy Group and Minnesota gas utilities.
- Making the proposed update will ensure that MERC's deposit practices conform to Minnesota Rule 7820.4500.

The Department concludes that MERC's reasons for its proposal to increase the maximum residential customer deposit amount do not have a meaningful connection to the need for this modification. MERC is *not* obligated to require a deposit amount that is (1) identical for residential and non-residential customers or (2) in alignment with other utilities in either the WEC Energy Group or Minnesota. Moreover, MERC's existing deposit provisions are already in compliance with Minnesota Rule 7820.4500.

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[4] See Department Attachment 1, MERC's Response to Department Information Request No. 1.

[5] *Petition* at page 50.

In terms of ratepayer impact, under this proposal, MERC's residential customers who (1) have not established good credit or (2) have been issued two or more disconnection notices within twelve months,[6] may pay a deposit that is double the presently required amount. Residential customers with multiple utility service disconnections, no established credit, or poor credit are, in general, customers with the least ability to pay deposits. Increasing the maximum deposit amount from one to two months' worth of estimated or existing billings has the potential to place an additional, and seemingly unnecessary, burden on a vulnerable customer group.

While collecting additional deposits would allow MERC to ameliorate more of its customer accounts in arrears,[7] this positive impact on the Company would be small *relative* to the negative financial impact on the customers required to pay larger deposits.

MERC's proposal to remove the "exception" provision pertaining to Docket No. G-999/CI-05-1832 appears appropriate. This portion of the deposit policy language was effective from December 1, 2005 through April 15, 2006, making the language irrelevant to the current or future versions of the policy.

III. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

Based on the Department's review, the Department recommends that the Commission take the following actions:

- **Approve** MERC's proposal to remove the volume balancing service offerings from its tariffed service offerings.
- **Deny** MERC's proposal to increase the maximum residential customer deposit amount.
- **Approve** MERC's proposal to remove the outdated "exception" language in its deposit provisions.

/ja

[6] See Department Attachment 2, MERC's Response to Department Information Request No. 2, part b.
[7] See Department Attachment 2, MERC's Response to Department Information Request No. 2, part c. The Company provided a "snapshot" of customer accounts in arrears, totaling $1,451,961 among 3,637 residential accounts, as of February 8, 2019. Increasing the maximum residential deposit amount would allow MERC to collect up to $538,380 in deposits in contrast to the $269,190 the Company can collect under its current deposit policy. If required to pay the maximum deposit amount, the 3,637 deposit-eligible residential customers would pay, on average, $74 *more* under the proposed than under the current deposit provisions.
[$538,380/3,637] – [$269,190/3,637] = $74

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. G011/M-19-108

Dated this 25th day of February 2019

/s/Sharon Ferguson

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