

Staff Briefing Papers

Meeting Date July 29, 2021 Agenda Item **6

Company Minnesota Energy Resources Corporation

Docket No. **G-011/M-17-409**

In the Matter of a Petition by the Minnesota Energy Resources Corporation (MERC) for Approval of Farm Tap Customer-Owned Fuel Line Replacement Plan, Tariff Amendments, and Deferred Accounting

- Issues
1. Should the Commission accept MERC's Phase I report and permit continued deferred accounting of the costs incurred through the evaluation and implementation of Phase II?
 2. Has MERC provided the information required in the Commission's November 30, 2017 Order?
 3. Should the Commission determine that the costs incurred in Phase I and Phase II of the farm tap project satisfy the definition of gas utility infrastructure costs, and therefore, are eligible for recovery in a future GUIC Rider filing?
 4. Should the Commission authorize MERC to move forward with implementation of its revised Phase II farm tap replacement project and approve the proposed schedule for the implementation of Phase II?

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


|  Relevant Documents | Date |
|---|--------------------|
| Commission Order APPROVING PHASE 1 OF FARM TAP REPLACEMENT PROJECT WITH CONDITIONS | November 30, 2017 |
| Minnesota Energy Resources Corporation Compliance Filing – Report on Farm Tap Planning and Design Phase and Phase II Procedural Proposal (Non-Public) | December 30, 2019 |
| Minnesota Energy Resources Corporation – Letter from Land Improvement Contractors of America | March 20, 2020 |
| Minnesota Department of Commerce, Division of Energy Resources – Comments (Non-Public) | September 14, 2020 |
| Minnesota Office of the Attorney General, Residential Utilities Division – Comments | September 14, 2020 |
| Minnesota Energy Resources Corporation – Reply Comments | October 1, 2020 |
| Response from Northern Natural to Commission Information Requests | June 1, 2021 |

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I. Statement of the Issues

1. Should the Commission accept MERC's Phase I report and permit continued deferred accounting of the costs incurred through the evaluation and implementation of Phase II?
2. Has MERC provided the information required in the Commission's November 30, 2017 Order?
3. Should the Commission determine that the costs incurred in Phase I and Phase II of the farm tap project satisfy the definition of gas utility infrastructure costs, and therefore, are eligible for recovery in a future GUIC Rider filing?
4. Should the Commission authorize MERC to move forward with implementation of their revised Phase II farm tap replacement project and approve the proposed schedule for the implementation of Phase II?

II. Background

The installation of farm taps in Minnesota began over 85 years ago when the predecessor of the primary interstate natural gas pipeline that serves Minnesota (Northern Natural Gas or NNG), InterNorth Corp., started building interstate pipelines to move natural gas from central Kansas to the upper Midwest. Easements between Northern Natural Gas and rural landowners granted access to NNG for the construction, maintenance, and operation of the pipeline. In exchange, Northern Natural Gas agreed to provide a tap to supply natural gas to the landowner "at the rates and upon the terms as may be established by NNG or any vendee of NNG, from time to time."¹

Once the easements were signed and the interstate transmission line was constructed, NNG installed the tap, consisting of the riser, pressure regulator, and measurement meter. Landowners installed the fuel line from the tap to the buildings they wished to serve with natural gas. Landowners had discretion in piping materials and installation techniques used to connect the interstate pipeline tap to their homes and other facilities. In most cases, facility maps were not recorded showing the location of customer-owned piping.

On May 19, 2017, Minnesota Energy Resources Corporation (MERC or the Company) filed a Petition for Approval of Farm Tap Customer-Owned Fuel Line Replacement Plan, Tariff Amendments, and Deferred Accounting (MERC's Initial Petition). MERC requested approval from the Minnesota Public Utilities Commission (Commission) of a capital investment plan for the replacement of customer-owned fuel lines, which are located between the interstate pipeline tap and the customers' premises, commonly known as farm taps, with utility-owned service lines to address significant safety concerns related to the existing farm tap customer-owned lines (Farm Tap Replacement Project or Project). MERC's initial, high-level estimate of

¹ Text from representative easements provided by Northern Natural Gas in NNG June 1, 2021 IR responses, Attachments 2a-2g.

the costs for replacing all farm tap lines was \$45 million. In its 2017 petition, MERC stated it serves approximately 1,660 active farm tap customers in Minnesota.

MERC proposed a two-step regulatory approval process for the Project. First, MERC requested Commission approval to proceed with an initial scoping phase to complete engineering and design work to refine the total cost estimate to replace the existing lines (Planning and Design Phase), including approval to apply deferred accounting to the costs related to the Planning and Design Phase. Second, MERC proposed to submit the results of the Planning and Design Phase and to seek approval for the implementation of the Farm Tap Replacement Project (Implementation Phase).

On November 30, 2017, the Commission issued an Order Approving Phase 1 of Farm Tap Replacement Project with Conditions (Order). In its Order, the Commission approved MERC's proposed Planning and Design Phase to develop a refined project scope and cost estimate for potential replacement of customer-owned fuel lines. The Commission ordered MERC to address several of the additional proposals presented by the Department of Commerce, Division of Energy Resources (Department) and the Minnesota Office of the Attorney General – Residential Utilities Division (OAG).² The Commission also approved MERC's request for deferred accounting treatment of the costs to complete the Planning and Design Phase and to evaluate other alternatives.³ While recognizing the concern for continued safety and sustainability of privately-owned farm tap lines, the Commission concluded that it was impossible at that time to determine whether MERC's proposal to replace all non-conforming customer-owned fuel lines with Company-owned mains and service lines was the most prudent and reasonable approach relative to possible alternatives.

With respect to the evaluation of alternatives, the Commission required MERC to provide estimates of the cost of:

- Requiring maximum allowable operating pressure (MAOP) testing of the small number of locatable lines and the potential savings that could be realized if the Company were to assume control of the lines with acceptable MAOP rather than replacement;
- Refunding farm tap customers for lines replaced in the last 10 years that meet MERC's safety standards for the farm tap program which the Company would plan to take over and maintain; and
- Converting current farm tap customers to either propane or electric service.⁴

The Commission further determined that it would be helpful for MERC to provide additional analysis and information related to possible rate design alternatives for future evaluation of the implementation of the Project.⁵ In addition to information regarding the customer bill impacts

² *In the Matter of a Petition by the Minnesota Energy Resources Corporation for Approval of Farm Tap Customer-Owned Fuel Line Replacement Plan, Tariff Amendments, and Deferred Accounting*, Docket No. G-011/M-17-409, Order Approving Phase I of Farm Tap Replacement Project with Conditions at 11-12 (November 30, 2017).

³ *Id.* at 9-10, 12.

⁴ *Id.* at 11.

⁵ *Id.* at 6.

of MERC's proposal to socialize all of the costs of the Project, the Commission's Order required MERC to provide cost estimates of:

- What farm tap customers would pay for the new service lines assuming MERC applied its current tariff for service line extensions;
- What farm tap customers would pay under MERC's current service extension tariff assuming a greater free footage allowance for farm tap customers with longer service lines than the typical firm customer; and
- Other rate design options MERC considered that would allow for possible recovery of the program's costs directly from farm tap customers to reduce the costs to be socialized across MERC's entire customer base, along with a description of the cost implications of those options.

Finally, the Commission's Order required that MERC provide a detailed and specific procedural proposal for the Implementation Phase including dates, times, and locations for public hearings and a proposed notice to all customers. The Order specified that the notice include MERC's proposal to socialize all costs of the Project, associated customer bill impacts, and identification of all possible alternatives.⁶

On December 30, 2019, MERC filed its Report of Farm Tap Planning and Design for Phase I and Procedural Proposal for Phase II (MERC's Farm Tap Report or Report). Based on the results of the Planning and Design Phase, MERC's evaluation of the alternatives identified in the Commission's Order and evaluation of possible additional alternatives and rate impact considerations, MERC identified a revised proposal aimed at mitigating the safety risks associated with continued service to farm tap customers, while also attempting to mitigate the potential rate impacts associated with full replacement of all existing farm tap customer-owned fuel lines at this time. In its Report, MERC states that the Company had 1,801 farm taps in 2016; by May 2019, there remained only 1,686 active taps. Approximately 90 farm taps will no longer be active as a result of NNG's abandonment of its A-line and J-line in southern Minnesota in 2023. MERC therefore assumes that approximately 1,550 farm taps would remain active by 2023 and could be subject to replacement.⁷

These briefing papers will first address MERC's Phase I report on engineering planning and design work, which has led it to propose an alternative project scope, which is addressed in Section IV.

⁶ *Id.* at 11.

⁷ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Planning at 6, fn. 7.

III. Farm Tap Report (Phase I)

A. Overview

The Planning and Design Phase consisted of completing engineering planning and design work on a statistically significant sample of farm tap lines to develop a more reliable total cost estimate for the overall Farm Tap Replacement Project.

On February 14, 2018, MERC issued a Farm Tap Conversion Feasibility Study Scope of Work (SOW) inviting companies to submit a proposal to perform a feasibility study on the conversion of farm tap customer-owned fuel lines to utility main and service lines.⁸ MERC received six responses to the SOW from two construction firms and four engineering firms, ultimately selecting HDR Engineering, Inc. (HDR) to perform the work, because HDR offered the least-cost proposal.

HDR gathered information to scope the current load infrastructure of randomly selected farm tap customers and calculated cost estimates to replace those customer-owned lines with utility installed mains, services, and meters. From that data, MERC extrapolated costs to the entire group of farm tap customers. In accordance with the Commission's Order, information regarding growth opportunities, whether customer-owned lines are locatable, and whether customers have replaced their lines within the past ten years was also considered.

B. Results of Engineering, Design, and Information Gathering, and Extrapolation of Project Costs

Based on the study, the Farm Tap Replacement Project would cost \$46.6 million for a five-year construction schedule from 2020⁹ to 2024. Below is the break-down of the total costs of each category in the Farm Tap Replacement Project:

Table 1: Cost Estimate of Full Farm Tap Replacement Project¹⁰

| <i>Cost Categories</i> | <i>Cost</i> |
|-----------------------------|--------------|
| Customer Contact and Design | \$1,765,575 |
| Project Management | \$600,000 |
| Construction Total | \$26,150,947 |
| Environmental Services | \$800,000 |
| Real Estate Services | \$3,562,580 |
| Legal Services | \$1,000,000 |
| Customer Notices | \$500,000 |
| Agency Assessments | \$650,000 |
| Internal Labor | \$784,528 |
| Contingency | \$10,744,089 |
| Total | \$46,557,719 |

⁸ Copy of SOW included as Attachment A in MERC's Report.

⁹ Staff notes that MERC's proposal includes a 2020 start date. Due to scheduling, the start date will need to be adjusted.

¹⁰ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Planning at 6.

C. Alternatives to Full Farm Tap Replacement Project Ordered by the Commission

1. Cost Estimate of Pressure Testing Locatable Lines

As discussed above, the Commission's Order required that MERC "provide a cost estimate of MAOP testing of the small number of locatable lines, and the potential savings that could be realized if the Company were to assume control of the lines with acceptable MAOP rather than replacement."¹¹ This requirement was in response to the Department's recommendation that MERC determine the potential for cost savings if the Company were to assume ownership of lines that pass an MAOP test.

During the Planning and Design Phase's customer outreach, HDR asked selected customers whether their gas lines were locatable. Approximately 5.5 percent (15 out of the sample of 275) responded affirmatively. While MERC anticipates that this number is a high estimate of the number of customer-owned lines that are actually fully locatable, the Company utilized this information to develop a general cost estimate to test customer-owned lines that are locatable and meet the other requirements and testing in accordance with the Commission's Order:

Table 2: Cost Estimate of Pressure Testing Locatable Lines¹²

| | |
|--------------|-----------|
| Per Farm Tap | \$2,340 |
| Total | \$198,866 |

After considering the results of the data collected in Phase I of the Farm Tap Replacement Project, MERC stated it is still not willing to ultimately take ownership of any customer lines. MERC does not believe that these lines are adequate for utility distribution and does not support the Commission requiring MAOP testing on locatable lines to determine the potential for cost savings.

a. Department Comments

In response to the Report, the Department considered the following:

- 1) Locatable lines are likely less than the 5.5 percent and therefore do not solve much of the farm tap problem;
- 2) MERC's concern that these lines are not adequate for utility distribution and possible safety concerns;
- 3) No good solution has been presented for who should pay for these costs; and
- 4) MERC under its Modified Alternative Proposal is now agreeing to continue ongoing maintenance for customer-owned lines.

¹¹ *In the Matter of a Petition by the Minnesota Energy Resources Corporation for Approval of Farm Tap Customer-Owned Fuel Line Replacement Plan, Tariff Amendments, and Deferred Accounting*, Docket No. G-011/M-17-409, Order Approving Phase I of Farm Tap Replacement Project with Conditions at 11 (OP 1a) (November 30, 2017).

¹² MERC states that this estimate is based on projected labor and travel time for a three-man crew to undertake testing for a total of 85 customer-owned lines (5.5 percent) at 2020 contract rates. MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Planning at 10.

As a result, the Department no longer recommends that MERC take control over these possibly locatable customer owned farm taps.¹³

2. Cost Estimate for Reimbursing Customers for Lines Installed in the Last Ten Years

The Commission required MERC to “provide cost estimates associated with refunding farm tap customers for lines replaced in the last 10 years that meet MERC’s safety standards for the farm tap program which the Company would plan to take over and maintain as part of the farm tap program.”¹⁴ This request was in response to the Department’s recommendation that MERC provide an estimate of the costs associated with paying farm tap customers for lines that were recently installed.

At the outset, MERC notes that in both the Nebraska and Iowa farm tap proceedings, which the Department relied upon to develop its proposal to evaluate potential reimbursement, farm tap customers are only reimbursed if their lines both (1) meet all of the MAOP and safety requirements, and (2) the customer is able to document that the line was installed within the past ten years, and at what cost. MERC assumes any reimbursement proposal would also require that the customer-owned line meet specified criteria and pass testing, consistent with the approach in Nebraska and Iowa, and in accordance with the language of the Commission’s Order, which limits potential refunding to lines that meet MERC’s safety standards.

MERC had previously discussed calculating potential reimbursement to customers with lines that had been installed during the past ten years using the percentage of actual installation costs as approved in the Nebraska farm tap proceedings. In its comment filings, customers generally did not have ready access to documentation regarding the cost of installation at the time of the site visits. As a result, MERC developed a cost estimate based on the \$10 per foot amount as approved by the Iowa Utilities Board. HDR asked selected customers whether their natural gas lines had been replaced within the past 10 years. Of the 275 customers surveyed, 35 customers (approximately 12.7 percent) responded that their lines had been replaced within the last 10 years. While the ultimate method of determining the appropriate amount of reimbursement, if any, would need to be evaluated and take into consideration the value and age of the line, MERC developed the following high-level estimate based on an extrapolation assuming 12.7 percent of the total pool of farm tap customers had their lines replaced within the past 10 years.

Table 3: Cost Estimate to Reimburse Customers for Recently Replaced Lines¹⁵

| | |
|--------------|-------------|
| Per Farm Tap | \$10,250 |
| Total | \$2,022,045 |

¹³ Department Comments at 21.

¹⁴ *In the Matter of a Petition by the Minnesota Energy Resources Corporation for Approval of Farm Tap Customer-Owned Fuel Line Replacement Plan, Tariff Amendments, and Deferred Accounting*, Docket No. G-011/M-17-409, Order Approving Phase I of Farm Tap Replacement Project with Conditions at 11 (November 30, 2017).

¹⁵ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Planning at 10.

MERC continues to have concerns about acquiring the farm tap customer-owned lines. MERC does not seek approval to acquire any existing farm tap customer-owned lines regardless of their age.

a. Department Comments

In its comments, the Department notes that the same concerns as those described above about locatable lines apply to facilities built in the last ten years, and in addition the need for customers to verify that the lines were installed in the last ten years, along with receipts for total costs of installation. Therefore, the Department no longer recommends MERC take ownership of customer-owned farm taps that are less than 10 years old.¹⁶

3. Cost Estimate of Converting to Propane or Electric Service

In its Order, the Commission required MERC to “provide a cost estimate of converting current farm tap customers to either propane or electric service.”¹⁷ In the Report, MERC stated the costs of converting appliances from natural gas to propane costs anywhere from approximately \$12 to \$54 per appliance plus labor costs for installation. MERC stated that these costs are minimal and could reasonably be paid for by either the farm tap customers or socialized over the remaining customer base. MERC noted that conversion from natural gas to electricity would require all new appliances and may require an electrician to install a significant number of outlets. In addition, MERC noted that the average cost to install an electric furnace is \$3,551.¹⁸ Also, MERC stated that the farm tap customers would incur substantially more expensive energy costs every year by switching from natural gas to alternative fuels.¹⁹

MERC maintains that paying to convert customers to an alternate fuel is not a preferred option for all existing farm tap customers. While MERC has provided natural gas billing and leak surveys on behalf of NNG, the farm tap customers have contributed to MERC’s rate base and thus have greatly supported other customers on the system. Forcing farm tap customers to choose between terminating their natural gas service or paying a significant contribution to continue natural gas service is not reasonable.

a. Department Comments

The Department concludes that this may still be a viable option and a reasonable way to address safety concerns depending upon whether the Commission approves MERC’s modified proposal which is discussed below.

¹⁶ Department comments at 22.

¹⁷ *In the Matter of a Petition by the Minnesota Energy Resources Corporation for Approval of Farm Tap Customer-Owned Fuel Line Replacement Plan, Tariff Amendments, and Deferred Accounting*, Docket No. G-011/M-17-409, Order Approving Phase I of Farm Tap Replacement Project with Conditions at 11 (November 30, 2017).

¹⁸ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Planning at 12.

¹⁹ A copy of the Alternative Fuel Cost Comparison is included as Attachment G in MERC’s Report. Propane is \$862 more expensive than natural gas annually, and electricity is \$1,979 more expensive.

D. Phase I Conclusions

MERC concludes that there are legitimate safety concerns with the customer-owned farm tap lines that may be difficult to identify and costly to resolve. The Planning and Design Phase confirmed that the projected costs for replacement of all existing farm tap customer-owned fuel lines would be substantial, and thereby, concludes that direct charge of those costs to farm tap customers would be inequitable and cost prohibitive. In addition, MERC does not believe those customers could or should be required to pay for such replacement costs directly. Further, MERC notes that socialization of the projected costs of full replacement across all customers over a five-year replacement program as initially proposed would result in substantial rate impacts for all customers and create concerns of rate shock, particularly in light of other current and planned system investments. Finally, MERC notes its efforts to obtain any contributions from NNG related to the Company's ongoing service to farm tap customers have been unsuccessful.

In its report, MERC also notes significant disinterest on the part of farm tap customers in participating in the Planning and Design Phase, and as a result, MERC has concerns that it will be even more difficult to gain customer acceptance for the replacement of customer-owned lines as initially proposed.

As a result, MERC no longer recommends the full replacement of all existing farm tap customer-owned fuel lines at this time. MERC also continues to have concerns with the alternatives identified in the Commission's Order as proposed for consideration by the Department and the OAG. While the Company is providing the information ordered by the Commission, MERC does not believe these alternatives reasonably address the issue of continued service to farm tap customers.

E. Decision Options

Decision Option #1: Accept MERC's Farm Tap Report.

Decision Option #2: Find that MERC complied and provided the information requested in the Commission's November 30, 2017 Order.

IV. MERC's Modified Farm Tap Proposal

A. Background

Based on the Company's analysis and evaluation, and results of the Planning and Design Phase, MERC proposes a modified alternative to address the risks posed by existing customer-owned farm tap lines while balancing the associated costs and customer service. MERC proposes:²⁰

- Implementation of additional farm tap customer safety education and outreach along with an initial replacement of only those 210 farm taps within one mile of MERC's distribution system, with those costs to be socialized across all customers.

²⁰ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Proposal at 3-4.

- For the approximately 1,340 other farm tap customers, MERC proposes to apply its Commission-approved customer extension model to determine CIAC to extend utility-owned main and services for those customers who choose to have their pipe replaced with MERC pipe
- Outreach to other natural gas utilities serving areas near existing farm tap customers to determine the feasibility of connecting those customers to existing distribution systems;
- Providing service to new farm tap customers only with express approval from the Commission and under the terms and conditions of MERC's existing tariff extension rules and upon receipt of payment, as appropriate, of any customer CIAC;
- Submitting a report within five years of approval of its proposal providing information, lessons learned, and a status update on farm tap customer service, including an update regarding the number of customers converted to distribution service or disconnected due to inactivity, leaks/damaged lines, etc. In that report, MERC would propose additional steps to manage the risks related to remaining farm tap customers; and
- Farm tap customers, in the meantime, could utilize MERC for ongoing maintenance of customer-owned lines at a cost and for upgrades of service provided the customer can demonstrate the safety of their current lines. Farm tap customers would also have the option to have maintenance and/or upgrades completed by a qualified third-party contractor.

According to MERC, this modified proposal would cost \$7.1 million for the costs of installing main, services, meters, internal labor costs, and a ten percent contingency. MERC believes that this alternative would allow the Company to most efficiently and effectively address the safety and service issues related to farm taps while balancing cost and other considerations related to continued service to farm tap customers.

Each component of the modified proposal is described in the following sections, along with the Department's and OAG's comments regarding that component and the corresponding decision options.

B. Enhanced Customer Safety Education

1. Background

MERC proposes enhancements to current farm tap customer safety education efforts including:²¹

- Improved distribution of annually updated safety information;
- Updated farm tap safety information on MERC's website; and
- Creation of a farm tap safety calendar with meter read dates and information that would be provided at an annual customer visit. MERC proposes that the first such calendar would be for 2021 and distributed in-person to farm tap customers in summer 2020.

²¹ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Proposal at 12-13.

MERC proposes these enhancements to current farm tap customer safety education as a minimum step toward addressing the risks associated with continued service to customers through meters owned by NNG and customer-owned fuel lines. If approved, the Company proposes to defer the incremental O&M costs associated with these improvements for recovery in a future gas utility infrastructure cost (GUIC) rider or rate case. The incremental costs of these education efforts will not exceed \$250,000 per year.

2. Department Comments

The Department considers MERC's proposal to be reasonable and a significant improvement over the Company's initial proposal in MERC's May 19, 2017 petition. The Department recommends the Commission require "MERC to demonstrate in its upcoming rate recovery filings that the costs proposed for recovery are truly incremental, least-cost and are not recovered elsewhere."²²

3. Decision Options

Decision Option #3: Approve MERC's proposed Enhanced Customer Safety Education Proposal. [MERC]

Decision Option #4: Find MERC's proposed Enhanced Customer Safety Education Proposal to be reasonable and require the Company to demonstrate in its upcoming rate recovery filings that the costs proposed for recovery are truly incremental, least-cost and are not recovered elsewhere. [Department]

C. Extend Distribution System to Farm Tap Customers within One Mile

1. Background

MERC proposes to extend its existing utility distribution system to serve only farm tap customers within one mile of existing distribution facilities instead of all farm tap customers, as previously proposed. MERC notes that this revised proposal would impact approximately 210 of the Company's 1,550 farm tap customers (14 percent of total farm taps).²³

MERC argues that extending the Company's distribution service to farm tap customers rather than continuing to serve through existing farm taps on the NNG interstate pipeline would ensure that customers are receiving the same natural gas distribution service, while mitigating the associated safety risks. MERC argues that this proposal would also ensure that facilities serving farm tap customers are equivalent to the current infrastructure comprising MERC's system. Extending the distribution system would result in the elimination of some existing facilities that require maintenance (e.g., odorizer fills). Additionally, existing farm taps are above-grade facilities, which are at higher risk of being damaged by farm equipment, passing

²² Department comments at 5.

²³ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Proposal at 6. In footnote 7, MERC states that the Company reported 1,801 farm taps in 2016; by May 2019, there remained only 1,686 active taps. Approximately 90 farm taps will no longer be active as a result of NNG's abandonment of its A-line and J-line in southern Minnesota in 2023. MERC therefore assumes that approximately 1,550 farm taps would remain active by 2023 and could be subject to replacement.

cars, or other external forces. By extending MERC's existing distribution system to only farm tap customers within one mile of such existing distribution facilities, the risk of damage to these above-grade facilities is minimized.

MERC states that the estimated cost to extend its distribution system to serve customers within one mile is approximately \$7.1 million.²⁴ MERC proposes to separately meter each customer building, consistent with its current practice of installing service to new customers. This may result in multiple meters where there is currently only one.²⁵ MERC proposes to recover the infrastructure costs through a future rate case filing or its GUIC rider, dependent on the timing of a Commission decision in this proceeding.

Farm tap customers within one-mile of MERC's distribution system who refuse to have their existing lines replaced with utility-owned distribution facilities would be required within three years to find another utility to serve them with natural gas or switch to an alternative fuel. MERC proposes that it would not continue to provide service of any kind to those customers on behalf of NNG on the existing farm taps beyond the three-year period.

MERC estimates that it could extend service to as many as 240 additional customers in close proximity. New customers added to the system would be assessed a customer CIAC in accordance with MERC's standard feasibility model. Incremental new loads would eventually result in additional revenues to offset the costs of expanding the distribution system.

For the purposes of this proposal, MERC requests that the parameters of MERC's "existing utility distribution system" be defined as of the date of the Commission order in Phase II of the farm tap proceeding. This approach would enable the Company to establish a defined project scope and avoid customer confusion as its system grows naturally.

2. Department Comments

The Department supports MERC's proposal to extend its distribution system to farm tap customers within one mile of MERC's existing distribution system, thereby replacing approximately 210 farm taps and improving the safety of the overall system. In addition, the Department considers MERC's \$7.1 million cost estimate to be reasonable, except for the Internal Labor and Contingency funds. For rate recovery purposes, the Department does not support MERC's proposal to charge its ratepayers \$839,000 for Internal Labor since it is not an incremental cost, nor \$643,000 for contingency costs, at least until they are incurred. The Department argues that MERC is already recovering labor costs of existing employees in the Company's existing rates, so Internal Labor is not an incremental cost. The Department argues that MERC should not be able to include these contingency costs through its rates via riders or rate cases until incurred and reviewed.

Instead, the Department recommends that the Commission allow MERC to charge only \$5.6 million in construction cost amounts first before claiming additional costs in the contingency

²⁴ The cost estimate of \$7.1 million includes main, services, meters, internal labor costs, and a ten percent contingency.

²⁵ MERC stated that customers would incur separate meter charges for each meter and the service lines would be appropriately sized to the underlying gas usage requirements.

category. MERC should also be required to show in its future rate case or rider that all costs (especially legal and environmental services) are incremental costs and are clearly differentiated from the representative amounts already being charged to ratepayers in existing rates. For example, if MERC has \$2.0 million in legal costs built into existing rates, then only legal costs above and differentiated from the \$2.0 million and directly related to the Farm Tap Project would qualify as recoverable.

3. OAG Comments

The OAG argues for allowing existing farm tap customers to keep receiving service. To recognize their historical contributions to base rates, the Commission should allow MERC to recover from all ratepayers the cost of replacing all farm taps with Company-owned infrastructure. Farm tap customers should, however, pay a modest fee in lieu of a CIAC to ensure that MERC's ratepayers only pay for new infrastructure that farm tap customers actually intend to use.

Replacing farm taps with company-owned equipment and having the whole system pay for the cost of doing so is the most reasonable option. While the OAG understands that the underlying motive for limiting its proposal to customers located within one mile of the Company's distribution system was limiting rates for MERC's other customers, excluding the remainder of the farm tap customers would not be an equitable outcome. As MERC has noted, despite not causing the same costs as general service customers, farm tap customers have historically paid general service rates. It would be unjust for the system not to pay for the necessary upgrades now.

The OAG argues that while the price tag is substantial, the unique situation justifies incurring these costs. The OAG notes that MERC estimates that replacing all farm taps would increase its revenue requirement by more than \$5 million per year.²⁶ The impact to an average residential ratepayer for the total project would be \$16 per year, or \$1.33 per month.²⁷ The OAG does not take this kind of rate impact to residential ratepayers lightly. That said, a rate increase of less than \$2 per month for residential customers is reasonable if it means that 1,550 customers who have contributed to base rates for several decades get to continue receiving natural gas service.

The OAG recommends the Commission require any farm tap customer wishing to continue service to make a modest \$500 contribution to the replacement project. Depending on the methodology used to calculate the CIAC, the average contribution for a farm tap customer would be \$39,601.²⁸ By contributing \$500, these customers would be paying less than two percent of this cost. The purpose of this contribution, however, would not be to fund a meaningful portion of the project costs. Rather, requiring this contribution would ensure that only farm tap customers who intend to continue using their natural gas service receive facility replacement.

²⁶ See MERC Response to Department IR No. 45 (attached as Exhibit A to OAG's comments).

²⁷ *Id.*

²⁸ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Proposal at 20.

The OAG noted that during the planning and design phase of this project, MERC experienced significant disinterest on the part of some farm tap customers.²⁹ When trying to study the feasibility of this project, MERC had to send three rounds of letters and reduce its target sample size due to a lack of response, ultimately contacting 520 customers just to find 275 willing to participate.³⁰ If the low response rate reflects a lack of interest in receiving natural gas service, moving forward with the replacement project would risk spending millions of dollars on natural gas infrastructure for customers who do not value it. Asking farm tap customers to contribute less than two percent of the extension costs is a fair way to make sure that these upgrades only go to customers who are actually invested in receiving natural gas service.

4. MERC Reply Comments

a. Extension of Distribution System

MERC appreciates the OAG's interest in pursuing the replacement of all farm tap customer-owned fuel lines, even at an estimated total cost in excess of \$46 million to be socialized over all customers. However, MERC believes that its proposed gradual approach is best. Limiting the next phase to the 210 customers within one mile enables MERC to manage the construction process and extend the utility distribution system rather than just replacing customer-owned lines, while also managing ratepayer impacts.

b. Recovery of Internal Labor Capital Expenditures

MERC states that the Department is incorrect when it claims that MERC's estimated \$800,000 of internal labor capital expenditures are not incremental and that they are already included in base rates.

In response, MERC states "approximately 80 percent of the internal labor costs of MERC engineers are capitalized in a typical year. The other 20 percent of their work is expensed as operations and maintenance ("O&M") expense (non-productive time like vacation and training). The O&M component is included in base rates based on the historic year O&M expense because it is forecast to continue in the future test year. MERC, therefore, did not include those internal labor O&M costs in its Project estimate."³¹

In addition, MERC argues "capitalized internal labor costs are only recovered from customers in base rates as return on and of capital for projects that are in service or forecasted to be placed in service in the rate case test year, and are thus included in rate base. Unlike O&M expense, which continues to be recovered at a representative level in base rates based on the approved test year O&M expense, recovery of capital costs for projects placed in service after the test year are not included in base rates. Rather, capitalized internal labor costs are specific to a capital project and only the costs related to projects already in service are being recovered in current base rates."³²

²⁹ *Id.* at 3.

³⁰ *Id.* at 4-5.

³¹ MERC reply comments at 2.

³² *Id.*

MERC concludes that no costs related to MERC's Proposal are included in the Company's current rate base or being recovered in base rates. Capitalized internal labor for any project performed in a future test year, such as farm tap replacements, is not included in current base rates. Therefore, the internal labor capital expenditures to be incurred for this Project are truly incremental costs because they reflect costs to be incurred in the future and are not included in base rates. MERC recommends that rate recovery of the incremental capitalized internal labor costs should be included in either a GUIC Rider or a future rate case proceeding.

c. Recovery of Contingency Estimates

MERC requests that the contingency estimates be included in the \$7.1 million Project and subject to rate recovery under the GUIC Rider, which would be trued-up to actuals and reviewed in the annual GUIC filings. MERC prefers GUIC Rider treatment to allow for Project funding and focused review outside of a multi-issue rate case proceeding.

While MERC understands the Department's rationale for recommending exclusion of contingency costs for recovery through a forecasted rider before they are incurred and reviewed, MERC argues that this Project presents unique challenges and uncertainty.

Contingency estimates are commonly applied to construction project estimates because it is not possible to forecast the exact cost of this type of work. MERC argues that this Project is especially subject to forecast inaccuracy because the cost estimates are based only on a sample of actual customer surveys. Permitting contingency costs in the estimates will enable the Project to proceed as close to schedule as possible. The Project may have to proceed more slowly than planned if cost overruns are incurred because of conditions discovered in the field and MERC does not have access to contingency funding. Likewise, if contingency funds are not needed for segments of the Project, it could proceed more quickly than planned. MERC states if the requested GUIC Rider recovery is approved, the cost estimates will be trued-up to actuals and customers will not pay more or less than the actual costs. Given the unique nature of this Project, and the fact that MERC already is obligated to demonstrate the reasonableness and prudence of all costs spent at the time of the true-up, inclusion of the contingency in the overall project costs is reasonable.

MERC notes that this is a five-year Project. Under the GUIC Rider each year, MERC will file its plan for the next year and true-up the previous year's costs. The Commission will thus be able to monitor progress and evaluate the use of contingency funding, making adjustments as appropriate.

d. Contributions in Aid of Construction

In response to the OAG recommendation that all farm tap customers wishing to continue to receive natural gas service be required to pay a modest fee of \$500 in lieu of a CIAC, MERC says that it did not propose to require a CIAC for customers within one mile of the existing distribution system, but does not oppose this the OAG proposal. As outlined in the Report, the Company proposes that it will apply its existing Commission-approved customer extension model to evaluate CIAC for farm tap customers who are not located within one mile of MERC's existing distribution facilities. MERC notes that any fees or CIAC collected would be used to

reduce the capitalized project costs and this would ultimately reduce the costs borne by other ratepayers.

5. PUC Staff Analysis

MERC is proposing to replace only the farm taps within one mile of their distribution service at approximately \$7.1 million. The Department supports MERC's proposal to extend service to farm tap customers within one mile but does not support collection for Internal Labor and contingency funds instead the Department recommends the Commission allow recovery of only \$5.6 million in construction costs. MERC rejects both of the Department's opinions. The OAG proposes that the Company replace all farm taps by all customers bearing a larger monthly rider charge and requiring a \$500 contribution from all farm tap customers.

Staff confirmed with MERC that customers outside of the one mile radius would continue to receive farm tap service as it currently exists with the Company reporting back to the Commission on additional steps in its proposed five year report. The Commission may wish MERC to confirm this understanding at the July 29th agenda meeting.

6. Decision Options

Decision Option #5: Approve MERC's proposal to extend the distribution system to farm tap customers within one mile of MERC's existing distribution infrastructure. [MERC]

[OR]

Decision Option #6: Approve MERC's proposal to extend the distribution system to farm tap customers within one mile of MERC's existing distribution system. [Department]

[AND]

Decision Option #6a: Require MERC to remove from its request for recovery (through GUIC or rate case?) the Internal Labor costs of approximately \$839,000.

[AND/OR]

Decision Option #6b: Require MERC to remove from its request for recovery (through GUIC or rate case?) the Contingency costs of approximately \$643,000.

[AND]

Decision Option #7: Require MERC to continue a month-to-month extension of the service agreement with NNG to allow MERC to continue to provide service to current farm tap customers located more than one mile from MERC's distribution system. [Staff]

[OR]

Decision Option #8: Approve MERC's initial proposal to socialize the farm tap replacement costs and expand it to include all farm tap customers. Require all farm tap customers to pay a flat \$500 contribution to replacement costs in lieu of paying a CIAC. [OAG]

D. Other Farm Tap Customers May Request Distribution Extension

1. Background

For farm tap customers who are not located within one mile of MERC's existing distribution system at the time of the Commission's order in Phase II, MERC proposes to apply its existing Commission-approved customer extension model to evaluate required CIAC. MERC states that "those customers may choose to request that MERC extend utility facilities to serve them but would be required to pay any CIAC as determined through the model."³³ Essentially, they would be viewed as a new customer to MERC under the feasibility model, consistent with how they would be treated if they went to another utility for service instead of MERC.

While MERC hopes that some farm tap customers will come forward after receiving the enhanced safety information, it is more likely that such customers will do so only when they experience a problem (e.g., a leak or other repair) with their existing customer-owned facilities.

2. Department Comments

The Department noted that it supports MERC's proposal to treat customers located further than one mile from MERC's system as new customers with CIAC evaluation. However, as a practical matter as noted by MERC, even if the footage allowances were increased from 75 feet to 600- or 1,000-feet, the CIAC would still likely result in a cost prohibitive option for such farm tap customers.

3. OAG Comments

The OAG continues to recommend that the Commission require MERC to expand its farm tap replacement project to all farm tap customers.

4. MERC Reply Comments

In the event that a customer greater than one mile requests the installation of MERC facilities, due to safety concerns or load growth, the calculated CIAC may or may not be cost prohibitive. At the very least, MERC's proposed gradual approach would limit the costs incurred and would provide information for use in the development of the next phase of the farm tap replacement project.

5. Decision Option

Decision Option #9: Approve MERC's proposal to treat customers located further than one mile from the Company's system who request MERC facilities as new customers, with the application of MERC's Commission-approved extension model to evaluate required CIAC.
[MERC, Department]

³³ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Proposal at 14.

E. Encourage Other Gas Utilities to Extend Service to Nearby Farm Tap Customers

1. Background

MERC states that it intends to engage in further investigation and outreach to other natural gas distribution utilities providing service near farm tap customers located more than one mile to determine the feasibility of those utilities extending service.

2. Department Comments

The Department states that it supports MERC's recommendation to encourage other gas utilities to extend service to nearby farm tap customers. In addition, the Department recommends that MERC include a discussion of how it facilitated this option in its 5-year report.

3. Decision Options

Decision Option #10: Approve MERC's recommendation to encourage other gas utilities to extend service to nearby farm tap customers. [MERC, Department]

[AND OPTIONALLY]

Decision Option #11: Require MERC to include a discussion of how it facilitated other utilities to provide service to nearby farm tap customers in its 5-year report. [Department]

F. Inactive and New Farm Tap Service

1. Background

To avoid increasing the number of farm tap customers, MERC requests Commission approval to decline extending farm tap service as it currently exists (i.e., allowing customers to install their own service lines) to new customers seeking service under their NNG easement for the first time. MERC would extend distribution service to new customers if they are within one mile of MERC's existing distribution system, but any other prospective customers could only have service extended under MERC's Commission-approved customer extension model. In the event a farm tap easement holder requesting new farm tap service is in closer proximity to another natural gas utility, MERC would work with that customer to see whether service could be extended by the other utility.

Additionally, MERC proposes that currently inactive farm tap customers and those that become inactive during the course of Phase II may not reactivate their farm tap service under the current terms and conditions. MERC proposes to consider a farm tap customer inactive if no natural gas usage has been recorded for 12 consecutive months. MERC proposes to provide notice to customers that farm tap service will be suspended for any inactive customers and may only be reinstated if they meet the requirements of a new farm tap customer.

2. Department Comments

In response to MERC's request for Commission approval to "decline extending farm tap service as it currently exists (i.e., allowing customers to install their own service lines) to any new customers exercising their NNG easement rights for the first time," the Department issued an information request (IR) asking MERC to substantiate how it is able to discontinue service to customers with NNG "easement rights" .³⁴

In response to Department IR no. 50, MERC states it is permitted to decline extension of farm tap service to new customers with NNG easement rights, because the Company is not a party to easement agreements between NNG and landowners. Further, MERC notes farm tap customers do not have the same conditions of service or rights and responsibilities as traditional natural gas customers with specified service under the 1987 farm tap agreement and subsequent orders.

Also, MERC does not intend the Commission to prevent landowners with NNG easement rights from installing their own customer-owned fuel lines with no involvement from the Company. However, MERC does intend for the Commission to not require the Company to serve new farm tap customers through customer owned-fuel lines.

The Department concluded its comments by stating "it is unclear whether the Commission would have the authority to prevent a farm tap customer to exercising its easement rights with NNG. However, the Department agrees that the Commission does not need to require MERC to install and service new farm tap lines and can allow MERC to use its Commission-approved customer extension model for service to new customers."³⁵

3. MERC Reply Comments

MERC agrees with the Department's conclusion that the Commission may not have the authority to prevent a farm tap customer from exercising its easement rights with NNG. MERC also agrees with the Department that the Commission does not need to require MERC to install and service each and every new farm tap line requested by a potential customer with a valid easement agreement with NNG. In fact, MERC states that a definitive order in this proceeding from the Commission that precludes MERC from serving new customer-owned farm taps or re-initiating inactive customer-owned systems would be helpful to avoid increasing the scope of the issues to be addressed.

MERC therefore requests that the Commission require that MERC provide natural gas service to new farm taps only by extending Company-owned distribution facilities and that the Commission-approved customer extension model be used to determine the CIAC required for service to any new farm taps. Likewise, any previous farm tap customer that is currently inactive should have to comply with these same requirements to reactivate their service as though they were a new farm tap customer.

³⁴ Department comments at 9-12. IR No. 50 is included as an attachment to the Department comments.

³⁵ Department comments at 12.

4. PUC Staff Analysis

In response to the discussion above regarding Commission authority as it relates to an individual customers' easement rights pursuant to any agreement with NNG, staff issued information requests to NNG. In response to staff's request for a representative sample of easements, NNG provided seven farm tap easements. Each of those easements indicate that gas taken by the farm tap customer, "shall be measured and furnished to the Grantor [farm tap customer] at the rates and *upon the terms as may be established by Grantee [NNG], or by any vendee of Grantee [such as MERC], from time to time.* NNG also stated:

Continuation of service downstream of Northern's delivery point, is an issue subject to MPUC jurisdiction. Northern owns no facilities and provides no service downstream of Northern's delivery point. As such, whether gas service is continued is a matter properly between the MPUC, MERC and the customers receiving service. Should the MPUC allow MERC to discontinue gas service, unless another provider of utility service replaces MERC, the farm tap customer would not receive natural gas distribution service. To the extent retail service is provided by MERC or another utility, Northern stands ready and able to provide the required interstate transportation service to the pipeline delivery point³⁶

5. Decision Options

Decision Option #12: Grant MERC's request to no longer extend farm tap service to any new customer seeking service under their NNG easement for the first time. [MERC, Department]

[AND/OR]

Decision Option #13: Grant MERC's request to not reactivate farm tap service to currently inactive farm tap customers (no natural gas usage recorded for 12 consecutive months) and those customers who become inactive during the course of the Phase II period. [MERC, Department]

G. Shutting Off Service to Farm Taps Where Leaks are Identified

1. Background

In its Phase I Report, MERC noted that leak surveys are performed on 20 percent of the farm tap fuel lines annually, utilizing flame ionization equipment. The survey is performed at least 100 yards away from significant structures along the assumed/apparent direction of the fuel line. If a dangerous leak is detected on a farm tap customer-owned fuel line in the regular course of MERC's annual inspection or as a result of an emergency or other customer call, MERC will shut-off service to that customer. Should such a circumstance occur, MERC proposes that service will not be restored to a customer that has been shut-off for a leak unless and until (1) the customer has repairs performed by MERC or another contractor from a MERC-approved contractor list and provides proof of the repairs, or (2) the customer has repairs made by a contractor of their choosing and provides proof of the repairs along with a signed waiver indicating they have made repairs at their own risk. MERC states that if the customer does not

³⁶ Information Requests and NNG's responses are found in Attachment A to these briefing papers.

restore service under these conditions within 12 months of the shut-off date, the customer will be considered inactive and ineligible for future farm tap service.³⁷

2. Department Comments

In response to MERC's proposal, the Department stated that "it considers MERC's recommendation to shut off service to farm taps where leaks are identified until and unless they are properly repaired within a 12-month period to be reasonable."³⁸

3. MERC Reply Comments

MERC notes that it and the Department are in agreement with the Company's proposal to shut off service to farm taps where leaks are identified until and unless they are properly repaired within a 12-month period.

4. Decision Option

Decision Option #14: Approve MERC's proposal to shut off service to farm taps where leaks are identified until and unless: (1) the customer has repairs performed by MERC or another contractor from a MERC-approved contractor list and provides proof of the repairs, or (2) the customer has repairs made by a contractor of their choosing and provides proof of the repairs along with a signed waiver indicating they have made repairs at their own risk within a 12-month period. [MERC, Department]

H. Upgrading and Maintaining Service to Existing Farm Tap Customers

1. Background

Existing farm tap customers occasionally require upgrades to their existing farm tap configuration to accommodate growth in their load. MERC states that its role in this process has historically been advisory, where they design the necessary facilities to accommodate the request. MERC also performs maintenance on customer-owned facilities, such as three-way valves and odorizers.

MERC proposes to continue providing these services only in circumstances where MERC can determine if the customer-owned facilities are safe. Further, MERC proposes to charge the customer for the time and materials required to perform maintenance of customer-owned facilities.

2. Department Comments

The Department considers MERC's recommendation regarding upgrading and maintaining service to existing farm tap customers to be reasonable.

³⁷ Please see annual reports, In the Matter of a Investigation into Safety and Inspection Programs for Customer-Owned Natural Gas Lines, Docket No. G-999/CI-1365

³⁸ Department comments at 12.

3. PUC Staff Analysis

Staff confirmed with MERC that this requirement would only apply to customers beyond the one mile radius under the proposal. Customers within one mile would have distribution main and service extended to serve them, with any upgrades occurring under MERC's standard tariffs for natural gas distribution service. In addition, MERC noted that it currently performs maintenance on customer-owned facilities such as three-way valves and odorizers. MERC proposes to continue providing these services only in circumstances where the Company can determine if the customer-owned facilities are safe. Further, MERC proposes to charge the customer for the time and materials required to perform maintenance of customer-owned facilities.

4. Decision Option

Decision Option #15: Approve MERC's recommendation regarding upgrading and maintaining service to existing farm tap customers. [MERC, Department]

I. Status Report and Next Steps

1. Background

Within five years following implementation of MERC's Proposal, the Company proposes to file a status report and proposal for additional steps to manage the risk of continued service to remaining farm tap customers. MERC will have gathered additional information, customer feedback, and lessons learned. MERC states that this approach allows the Company to most efficiently and effectively address safety concerns related to existing farm tap service while balancing the cost impact of replacements.

2. Department Comments

The Department considers MERC's recommendation to provide a status report and next steps in five years to be reasonable. The Department recommends that MERC include in this five-year report a discussion regarding MERC's actions to encourage other gas utilities to extend service to farm tap customers.

3. Decision Options

Decision Option #16: Approve MERC's proposal to provide a status report and next steps for farm taps in five years. [MERC, Department]

[AND, BUT OPTIONAL]

Decision Option #17: Require MERC to include in its five-year report a discussion regarding MERC's actions to encourage other gas utilities to extend service to farm tap customers. [Department]

J. Evaluation of Cost Recovery and Rate Design Alternatives

1. Socialization of Costs and Rate Design Alternatives

In its Report, MERC presented an analysis on rate design options, evaluating the impact of the socialization of the cost to replace all farm tap customer-owned lines and the Company's proposed alternative to replace only lines within one mile of the Company's existing distribution system. MERC also analyzed several other options, including the costs to customers of requiring a CIAC charge and a specific fixed and volumetric charge for farm tap customers and/or other customers.

MERC proposes to recover the costs for replacing customer-owned lines within one mile of the Company's existing system through the GUIC rider from all customers. MERC estimates the cost to replace all farm tap customer lines to be approximately \$46.6 million, while the Company's proposed replacement of only farm tap lines within one mile of MERC's system is an estimated \$7.1 million.

In addition to evaluating the rate impacts of proposed socialization of replacement costs, the Commission, in its Order, required that MERC "provide an analysis of other rate design options MERC has considered that would allow for possible recovery of the program's costs directly from farm tap customers to reduce the costs to be socialized across MERC's entire customer base, along with a description of the cost implications of those options."³⁹ Below are the two considered options:

1) **Direct allocation of costs to each farm tap customer through a direct customer CIAC.**

The simple average cost per farm tap could be as much as \$30,000 (\$46.6 million / 1,550 farm tap customers), which MERC determined to be infeasible.

2) **A specific customer fixed charge and/or volumetric charge that could be applied only to farm tap customers or some combination of farm tap and other customers.**

MERC created a specific farm tap class in its recent rate case in Docket No. G-011/GR-17-563, the Company has the flexibility to design rate recovery along a large spectrum of fixed and variable rate options that could be applied to farm taps only or any other subset of customers.

MERC does not recommend either alternative and recommends use of the GUIC rider and socializing the costs.

In its Report, MERC argued that "recovery through MERC's GUIC rider mechanism provided for under Minn. Stat. § 216B.1635, and approved by the Commission in Docket No. G-011/M-18-

³⁹ *In the Matter of a Petition by the Minnesota Energy Resources Corporation for Approval of Farm Tap Customer-Owned Fuel Line Replacement Plan, Tariff Amendments, and Deferred Accounting*, Docket No. G-011/M-17-409, Order Approving Phase I of Farm Tap Replacement Project with Conditions at 11 (November 30, 2017).

281, is reasonable and appropriate as the proposed farm tap replacements meet the definition of “gas utility projects” under the GUIC rider statute.”

MERC notes that Minn. Stat. § 216B.1635, Subd. 1(c) defines gas utility projects to “include the replacement or modification of existing natural gas facilities, including surveys, assessments, reassessment, and other work necessary to determine the need for replacement or modification of existing infrastructure that is required by a federal or state agency.” MERC notes the Commission, has already approved the evaluation and assessment of alternatives to address the ongoing safety, reliability, and service to farm tap customers.

a. Department Comments

The Department reviewed the rate design proposals presented by the Company. MERC’s analysis shows that, using the 2020 GUIC allocation methodology, replacing all customer lines would add about \$5 million per year to the Company’s GUIC rider, while replacing only those lines within one mile of the MERC’s existing system would only add about \$1 million per year to the GUIC. The Department included a table (reproduced below) which compares the rate impact on impacted classes of these two proposals.

Table 4: Rate Design Comparison⁴⁰

| Customer Class | All Farm Tap Lines | | | | Farm Tap Lines Within One Mile | | | |
|--|---|---------------------|---|----------------------------|---|---------------------|---|----------------------------|
| | Proposed GUIC Rider Surcharge (per therm) | Annual Average Cost | Average Percentage Increase in Customer Annual Bill | Total Annual Cost Recovery | Proposed GUIC Rider Surcharge (per therm) | Annual Average Cost | Average Percentage Increase in Customer Annual Bill | Total Annual Cost Recovery |
| Residential | \$0.01821 | \$16 | 2.2% | \$3,400,932 | \$0.00360 | \$3 | 0.4% | \$671,586 |
| Class 1 & 2 Firm | \$0.01094 | \$49 | 1.6% | \$1,073,976 | \$0.00216 | \$10 | 0.3% | \$212,079 |
| Class 1 & 2 Interruptible, Class 1 & 2 Grain Drying, Class 1 Electric Generation | \$0.01094 | \$465 | 2.5% | \$204,775 | \$0.00216 | \$92 | 0.5% | \$40,437 |
| Class 3 & 4 Firm | \$0.00184 | \$305 | 0.3% | \$7,306 | \$0.00036 | \$60 | 0.1% | \$1,443 |
| Class 3 & 4 Interruptible, Class 3 Grain Drying | \$0.00184 | \$1,036 | 1.1% | \$185,989 | \$0.00036 | \$203 | 0.2% | \$36,728 |
| Class 5 Flex, Class 2 Electric Generation, Transport-for-Resale | \$0.00184 | \$8,003 | 10.5% | \$183,663 | \$0.00036 | \$1,566 | 2.0% | \$36,268 |
| Direct Connect | \$0 | \$0 | 0% | \$0 | \$0 | \$0 | 0% | \$0 |
| TOTAL | | | | \$5,056,640 | | | | \$998,451 |

Complete replacement of the farm tap lines would cause a \$16, or approximately 2.2 percent, increase in the annual bill for the residential class, while replacing farm tap lines within a mile of MERC's system would cause a \$3, or approximately 0.4 percent, increase in the annual residential bill.

2. Application of MERC's Tariff Feasibility Model and Residential Footage Allowance Option

The Commission's Order required that MERC "provide a cost estimate of what farm tap customers would pay for the new service lines assuming MERC applied its current tariff for service line extensions."⁴¹ Consistent with the Commission's Order, MERC applied its current

⁴⁰ Department comments at 24-25.

⁴¹ *In the Matter of a Petition by the Minnesota Energy Resources Corporation for Approval of Farm Tap*

customer extension model, inclusive of the Residential 75-foot service line footage allowance, to determine the estimated customer CIAC that would be required for (1) replacement of all 1,550 farm tap customer-owned fuel lines with utility-owned main and service, and (2) MERC's alternative proposal to connect only the farm tap customers within one mile of the Company's distribution system to the distribution system.

Applying MERC's customer extension model and 2018 excess footage charges to the replacement of all existing farm tap customer-owned fuel lines with utility-owned main and service lines would require estimated customer contributions of approximately \$9.86 million. This includes customer CIACs totaling \$7.87 million plus \$1.99 million in excess footage charges.⁴² Based on the results of the Planning and Design Phase, MERC estimates approximately 68 percent of all farm tap customers would be required to pay excess footage charges under a 75-foot allowance. Additionally, approximately 19 percent of farm tap customers would be required to pay a CIAC under MERC's customer extension model. MERC calculated an average excess footage charge of \$1,879 per customer and an average CIAC of \$27,384.⁴³

In contrast, the Company's alternative proposal to extend the system to farm tap customers within one mile of the existing system would require customer contributions of approximately \$4.32 million plus \$180,000 in excess footage costs.

Based on MERC's analysis, 64 percent of the 210 customers located within one mile would be required to pay for excess footage under a 75-foot allowance. The average excess footage charge for each affected customer would be approximately \$1,321. Such excess footage costs would be in addition to any CIAC required under the customer extension model. MERC estimates that approximately 52 percent of customers would be obligated to pay a CIAC under the customer extension model, resulting in an average CIAC per customer of \$39,601. MERC determined that such contributions would likely be cost-prohibitive for affected customers.

3. Analysis of Alternative Footage Allowances Option

In its Order, the Commission required MERC to "provide a cost estimate of what farm tap customers would pay under MERC's current service extension tariff assuming a greater free footage allowance due to farm tap customers having longer service lines than the typical firm customer."⁴⁴ Consistent with the Commission's Order, MERC performed the analysis assuming free footage allowances of 600 and 1,000 feet instead of the currently-authorized 75-foot

Customer-Owned Fuel Line Replacement Plan, Tariff Amendments, and Deferred Accounting, Docket No. G-011/M-17-409, Order Approving Phase I of Farm Tap Replacement Project with Conditions at 11 (November 30, 2017).

⁴² MERC noted that applying the customer extension model would not require a CIAC from every farm tap customer. As a result, some customers would not be charged a CIAC and others would have a CIAC much greater than the average based on the facilities required to provide service.

⁴³ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Proposal at 19.

⁴⁴ *In the Matter of a Petition by the Minnesota Energy Resources Corporation for Approval of Farm Tap Customer-Owned Fuel Line Replacement Plan, Tariff Amendments, and Deferred Accounting, Docket No. G-011/M-17-409, Order Approving Phase I of Farm Tap Replacement Project with Conditions at 11 (November 30, 2017).*

allowance. MERC evaluated both (1) replacement of all farm tap customer-owned fuel lines with utility-owned main and service, and (2) MERC's alternative proposal to connect farm tap customers within one mile of the Company's distribution system to the distribution system.

MERC calculated the average excess footage charge for each farm tap customer who would be obligated to pay under a 600 and 1,000 excess footage allowance under four different scenarios:

1) Estimated out-of-pocket charges due from the farm tap customers for the full replacement project, assuming greater footage allowances of 600-feet and 1,000-feet.

These cost estimates assume that the currently authorized excess footage charge would be applied to footage in excess of these two amounts.⁴⁵ Based on MERC's Planning and Design Phase, approximately 25 percent of farm tap customers would be obligated to pay for excess footage under a 600-foot allowance and approximately 9 percent of farm tap customers would be required to pay for excess footage under a 1,000-foot allowance. Based on the results of the Planning and Design Phase, the average excess footage charge for each farm tap customer who would be obligated to pay under a 600- and 1,000-excess footage allowance would be approximately \$1,802 and \$2,638 respectively. Such excess footage costs would be in addition to any CIAC required under the customer extension model.⁴⁶

2) Estimated out-of-pocket costs that would be required from farm tap customers under MERC's proposal to extend its distribution system only to the farm tap customers within one mile of the existing system.

Based on MERC's analysis, approximately 14 percent of affected customers would be required to pay for excess footage under a 600-foot allowance and approximately 5 percent would be required to pay for excess footage under a 1,000-foot allowance. The average excess footage charge for each farm tap customer who would be obligated to pay under a 600- and 1,000-excess footage allowance would be approximately \$1,576 and \$1,653 respectively. Such excess footage costs would be in addition to any CIAC required under the customer extension model. MERC estimates that approximately 52 percent of affected customers would be obligated to pay a CIAC under the customer extension model, resulting in an average CIAC per customer of \$39,601. MERC concludes that such contributions would likely be cost-prohibitive for affected customers.⁴⁷

3) Estimated contributions that would be required by the farm tap customers for the full replacement under footage allowances of 75, 600, and 1,000 feet at an excess footage price of \$10.97 per foot.

MERC stated that this is the estimated 2018 cost per foot for construction of an average service line specifically for a farm tap customer based on HDR's cost estimates developed during the Planning and Design Phase. MERC argues that such cost per foot likely reflects a more accurate picture of the actual cost to install service lines for the Farm Tap Replacement Project. MERC

⁴⁵ MERC used the 2018 excess footage charge of \$3.63 per foot was used in the estimate.

⁴⁶ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Proposal at 21-22.

⁴⁷ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Proposal at 22.

estimates that approximately 68 percent of farm tap customers would be required to pay excess footage charges under a 75-foot allowance; approximately 25 percent of customers would be required to pay excess footage charges under a 600-foot allowance, and approximately 9 percent of farm tap customers would be required to pay excess footage charges under a 1,000 foot allowance. Additionally, MERC estimates that approximately 19 percent of farm tap customers would be required to pay a CIAC under MERC's customer extension model. MERC states that the average excess footage charge is \$5,679 under a 75-foot allowance; \$5,445 under a 600-foot allowance; and \$7,971 under a 1,000-foot allowance in addition to the CIAC of approximately \$27,384 as discussed previously.⁴⁸

4) Estimated customer excess footage contributions for the Company's proposal to extend its distribution system to farm tap customers within one mile using the estimated 2018 cost per foot calculated for the sample of farm tap customers for which HDR undertook engineering and design.

Based on MERC's analysis, approximately 64 percent of the farm tap customers located within 1 mile of MERC's existing distribution system would be required to pay excess footage charges under a 75 foot allowance; 14 percent of customers would be required to pay for excess footage under a 600 foot allowance; and approximately 5 percent of customers would be required to pay for excess footage under a 1,000 foot allowance. MERC calculated the average excess footage charge for each farm tap customer who would be obligated to pay under a 75 foot, 600 foot, and 1,000 foot excess footage allowance would be approximately \$3,992, \$4,762, and \$4,996 respectively. In addition, MERC notes that any excess footage costs would be in addition to any CIAC required under the customer extension model. As noted above, MERC estimates that approximately 52 percent of customers would be obligated to pay a CIAC under the customer extension model, resulting in an average CIAC per customer of \$39,601. As noted above, MERC concludes that such contributions would likely be cost-prohibitive for affected customers.⁴⁹

a. Department Comments

For the full replacement project, the Department says that the out-of-pocket costs for all farm tap customers would start at \$8.2 million and go up to \$13.9 million (for estimated CIAC and excess footage charges), depending on the excess footage charge estimate and footage allowance. This amount results in an average farm tap customer paying at least \$33,000 and up to \$41,000 in out-of-pocket costs for CIAC and excess footage charges.

For the one-mile extension Project, the Department says that the out-of-pocket costs for farm tap customers located within one mile of the distribution system starting at \$4.3 million up to \$4.9 million (for estimated CIAC and excess footage charges), depending on the excess footage charge estimate and footage allowance. The amount results in an average farm tap customer paying around \$44,000 in out-of-pocket costs for CIAC and excess footage charges (assuming the \$10.97 excess footage charge estimate).

⁴⁸ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Proposal at 22-23.

⁴⁹ MERC Report on Farm Tap Planning and Design Phase and Phase II Procedural Proposal at 23-24.

In conclusion, the Department agrees that charging the average farm tap customer between \$33,000 and \$44,000 in Out-of-Pocket Costs to cover CIAC and excess footage charge for each Farm Tap, even with considering alternative footage allowances and full replacement compared to one-mile replacement, is likely cost-prohibitive, especially in light of current financial difficulties being experienced by farmers.

4. Continuation of Cost Deferral

In the November 30, 2017, Order, the Commission approved MERC's request for deferred accounting treatment of Phase I costs, including costs related to the Planning and Design Phase engineering and information gathering work, regulatory proceeding, and customer notices.⁵⁰ Costs for these tasks were estimated to be \$2.3 million.

MERC requests continuation of the accounting deferral for these types of costs through Phase II of the Farm Tap Replacement Project. MERC states that it will continue to incur costs for regulatory proceedings and customer notices, but the total is still projected to remain under the initial estimate of \$2.3 million. Additionally, MERC requests authorization to defer capital and O&M costs related to implementation of Phase II of the Farm Tap Replacement Project. In particular, MERC proposes to defer costs incurred to implement enhanced safety education and to replace customer-owned fuel lines with utility-owned distribution mains and service for customers within one mile of MERC's existing distribution system. MERC requests continued deferred accounting treatment until the recovery of the Phase I and Phase II costs can be determined in either a GUIC Rider or a general rate proceeding.

According to MERC, the costs proposed to be deferred for implementation of Phase II satisfy the Commission's criteria for deferred accounting. Those costs are: (1) related to MERC's utility operations for which ratepayers have incurred costs or received benefits; (2) significant in amount; (3) unforeseen, unusual, or extraordinary; and (4) subject to review for reasonableness and prudence. MERC's costs for Phase II enhanced customer safety education and preliminary facility replacements are related to ensuring continued safe, adequate, and reliable natural gas service to all customers. Additionally, the incremental costs associated with enhanced customer safety education (\$250,000) and the capital costs to connect farm tap customers within one mile of MERC's existing system to distribution service (\$7.1 million) are significant in comparison to MERC's gas distribution business. MERC states that these ongoing costs are large enough to have a substantial impact on the Company's financial condition. Further, MERC argues that the timing and specific nature of the replacement projects are unusual and extraordinary for utility service in Minnesota. Finally, MERC agrees that all costs are subject to review for reasonableness and prudence in a future rate case or GUIC rider filing.

⁵⁰ *In the Matter of a Petition by the Minnesota Energy Resources Corporation for Approval of Farm Tap Customer-Owned Fuel Line Replacement Plan, Tariff Amendments, and Deferred Accounting*, Docket No. G-011/M-17-409, Order Approving Phase I of Farm Tap Replacement Project with Conditions at 10 (November 30, 2017).

a. Department Comments

The Department stated that since the Commission already approved MERC's deferred accounting, the Department considers MERC's request for an additional \$250,000 for enhanced customer safety education related to Phase II to be reasonable, subject to MERC showing in its future rate case or GUIC rider that these costs are actually incremental costs. For example, the Department notes that MERC's costs of regulatory proceedings are generally not incremental since the Company's base rates include regulatory costs. As an example of how incremental costs are treated, if MERC has \$1.0 million in education costs built into existing rates, then only education costs above the \$1.0 million and directly related to the farm tap project would qualify as incremental costs recoverable through deferred accounting.

1) Recovery via GUIC or General Rate Case

The Department argues that it would be more appropriate to recover Phase II costs through a rate case, rather than the GUIC Rider. The Department agrees that the project complies with Minn. Stat. §216B.1635 and that recovery of costs through the GUIC would be permissible. The Department notes if these costs are recovered through the GUIC, the Direct Connect customers would not be charged for these costs. Additionally, the Department points out that Direct Connect customers are not assessed the current 2020 GUIC Surcharge (Docket No. G-011/M-19-282). The Department argues that NNG installed the farm tap lines decades ago, in exchange for easements on rural landowners' property, so that NNG could provide service to the large Direct Connect customers and thus the farm tap services exist in large part due to the Direct Connect customers.⁵¹ Further, the Department notes that because replacement of the farm taps within one mile of MERC's distribution line is a safety issue for the MERC system, it is reasonable for all ratepayers to pay for these costs. As a result, rate recovery in MERC's rate case rather than GUIC rider would be more appropriate.⁵²

MERC disputes the Department's contention that the NNG pipeline was routed specifically to serve Direct Connect customers or that they would not have service today if not for the farm tap customer easements.⁵³

MERC notes that easements were obtained from all parties along the NNG pipeline whether they took natural gas service later or not. MERC argues that no evidence has been provided in this record to determine the circumstances underlying the granting of each NNG easement, and with the passage of time, it is unlikely that any research would be fruitful. More importantly, NNG did not build the service lines as part of those easements; the customers arranged to have their own lines built. Customer-owned service lines are the subject of this farm tap replacement project, not the NNG lines.

In addition, MERC argues that this project qualifies for GUIC Rider recovery, so there is no reason it should not be permitted to be recovered through the GUIC Rider in accordance with the GUIC statute. The possibility that Direct Connect customers could pay a larger proportion of project costs in base rates in a future rate case does not support disallowing rider recovery

⁵¹ Department comments at 25.

⁵² Department comments at 28.

⁵³ MERC reply comments at 6.

for GUIC Rider eligible costs. And while the Commission has determined that GUIC-eligible projects need not be funded by Direct Connect customers, ultimately, projects for which MERC receives GUIC Rider recovery will be rolled into base rates in a future rate case, with rate base recovery subject to the same revenue apportionment as authorized in such case. MERC notes, however, that historically, customers comprising MERC's Direct Connect class have not been subject to rate increases due to the fact that that class of customers poses a significant bypass risk on MERC's system.⁵⁴ Thus, MERC argues that the premise that the Direct Connect customer group would pay for a larger portion of overall project costs if the project is recovered through base rates rather than the GUIC rider is unsupported.

MERC states that rate design for the GUIC Rider excludes Direct Connects for two reasons: (1) they do not benefit from the MERC distribution system and (2) they are price sensitive. MERC argues that the farm tap project is consistent with the other GUIC projects for which MERC has received GUIC Rider recovery; it does not provide a quantifiable benefit to Direct Connects, and more importantly, it has been determined by both the Department and this Commission in prior GUIC proceedings that the Direct Connect customers pose a significant bypass risk and should not be subject to the additional costs.

b. Decision Options

Decision Option #18: Approve MERC's request to recover Phase II costs through the GUIC Rider.
[MERC]

[OR]

Decision Option #19: Require Phase II costs to be recovered through a general rate case.
[Department]

5. Depreciable Lives for Farm Tap Facilities

In its comments, the Department notes that MERC assumes a 40-year depreciation life for the farm tap facilities. However, the Department argues that MERC's most recent depreciation study in Docket No. G-011/D-19-377 shows the following depreciation lives that are applicable to Farm Tap type of facilities on the schedule "Statement IC":

Mains – 65.0 average year life;
Services – 56.0 average year life; and
Meters – 39.0 average year life.⁵⁵

⁵⁴ In MERC's most recent rate case in Docket No. G-011/GR-17-563, where the Commission adopted the revenue apportionment as proposed by the OAG, the OAG agreed that revenues collected from Class 5 customers should be held constant, in recognition of the bypass risk posed by those customers. In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service In Minnesota, Docket No. G-011/GR-17-563, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 42 (Dec. 26, 2018) (adopting the OAG's finding that "Class 5 customers should not have their rates changed to account for any possible bypass threat."). See also ORDER SETTING INTERIM RATES at 3- 4 (Dec. 5, 2017) (approving MERC's proposal to charge its Super Large Volume and FLEX-rate customers less than their pro-rate share of the interim revenue requirement due to the fact that those customers have the ability to bypass MERC's system and secure alternative energy supplies).

⁵⁵ Department comments at 24.

Based on its review of revenue requirements, the Department recommends that the Commission require MERC to use the most recent applicable depreciation lives as approved by the Commission. The Department also recommends that a more detailed review of final revenue requirements should occur in MERC's future rate case or GUIC rider.

Staff confirmed with MERC that it does not oppose the Department's recommendation to use the actual depreciation booked based on the approved depreciation rates / lives for the respective asset classes (mains, services, meters). The Commission may wish to confirm at the July 29th agenda meeting.

a. Decision Options

Decision Option #20: Approve MERC's proposed depreciation lives for the Farm Tap facilities. [MERC]

[OR]

Decision Option #21: Require MERC to use the most recent applicable depreciation lives approved by the Commission. [Department]

[AND OPTIONALLY]

Decision Option #22: Require MERC to provide a more detailed review of final revenue requirements in MERC's future rate case or GUIC rider. [Department]

K. Procedural Proposal for Phase II and Request to Refer Matter to the Office of Administrative Hearings to Conduct Public Hearings

The Commission's November 30, 2017 Order required the Company to provide a detailed and specific procedural proposal for the Implementation Phase of the Farm Tap Project (Phase II), including dates, times, and locations for public hearings.⁵⁶

⁵⁶ *In the Matter of a Petition by the Minnesota Energy Resources Corporation for Approval of Farm Tap Customer-Owned Fuel Line Replacement Plan, Tariff Amendments, and Deferred Accounting, Docket No. G-011/M-17-409, Order Approving Phase I of Farm Tap Replacement Project with Conditions at 10, 11 (November 30, 2017).*

In its Report, MERC proposed the following schedule for consideration and evaluation of the Company's revised Farm Tap Phase II proposal and alternatives:

| MILESTONE | DATE(S) |
|--|----------------------------|
| Filing of Results of Planning and Design Phase, Proposal for Implementation of Phase II | December 2019 |
| Other Parties' Comments on Initial Planning/Design Analysis and Replacement Proposal, Proposed Procedure for Phase 2, and Request for Assignment of ALJ to Conduct Public Hearings | January 2020 ⁴³ |
| Reply Comments on Initial Planning Design Analysis and Proposal | February 2020 |
| Commission Meeting on Request for Assignment on ALJ to Conduct Public Hearings | March 2020 |
| Commission Order Requesting Office of Administrative Hearings to Assign an ALJ to Conduct Public Hearings | March 2020 |
| Public Hearings to be Held in Eveleth, Cloquet, North Branch, St. Cloud, Litchfield, Lakeville, Granite Falls, Rochester, Mankato, and Jackson. ⁴⁴ | April 2020 |
| ALJ Summary of Public Hearings and Public Comments | May 2020 |
| Commission Hearing | August 2020 |

In an information request, the Department asked MERC to provide an update of the procedural schedule:

| MILESTONE | DATE(S) |
|--|----------------|
| Filing of Results of Planning and Design Phase, Proposal for Implementation of Phase II | December 2019 |
| Other Parties' Comments on Initial Planning/Design Analysis and Replacement Proposal, Proposed Procedure for Phase 2, and Request for Assignment of ALJ to Conduct Public Hearings | August 2020 |
| Reply Comments on Initial Planning Design Analysis and Proposal | September 2020 |
| Commission Meeting on Request for Assignment of ALJ to Conduct Public Hearings | October 2020 |
| Commission Order Requesting Office of Administrative Hearings to Assign an ALJ to Conduct Public Hearings | October 2020 |
| MILESTONE | DATE(S) |
| Public Hearings to be Held in Eveleth, Cloquet, North Branch, St. Cloud, Litchfield, Lakeville, Granite Falls, Rochester, Mankato, and Jackson. ¹ | Nov-Dec 2020 |
| ALJ Summary of Public Hearings and Public Comments | January 2021 |
| Commission Hearing | April 2021 |

The Department believes MERC's proposed schedule is very optimistic but defers scheduling to the Commission.

1. PUC Staff Analysis

Staff recognizes that a significant amount of time has elapsed since the Report and Department comments were filed and therefore any proposed schedule or timeline is out of date. However, the Commission does not have to approve a schedule or timeline at this point but could merely accept MERC's proposed schedule as complying with the Commission's November 30, 2017 Order. If the Commission wishes, it can ask MERC to provide an updated schedule in a compliance filing to the Commission's Order.

In addition, MERC requests that the proposed public hearings be conducted by an Administrative Law Judge (ALJ) from the Minnesota Office of Administrative Hearings (OAH). No party objected to MERC's request, so the Commission can refer this to the OAH and ask that an ALJ conduct public hearings on the Commission's behalf and request a report from the ALJ after the public hearings have concluded.

Staff believes the Commission's November 30, 2017 Order delegates authority to the Commission's Executive Secretary to establish new processes necessary to facilitate resolution of this matter which could include refinement of the specified purpose and schedule for public hearings. Staff believes the main purpose of these public hearings is help MERC communicate with its customers about its farm tap replacement program.

2. Decision Options

Decision Option #23: Accept the proposed schedule provided in compliance with the Commission's November 30, 2017 Order. [MERC]

Decision Option #24: Request an updated schedule from MERC in a compliance filing to the Commission's Order. [Staff]

Decision Option #25: Refer this matter to the Minnesota Office of Administrative Hearings for the conduct of public hearings. Request a report from the assigned ALJ after the conclusion of the public hearings. [MERC]

L. Customer Notice

The Commission's Order also required MERC to develop a notice to send to all of its customers at the beginning of Phase II regarding the farm tap project including the Company's proposal to socialize all of the costs of this project, associated customer bill impacts, and all possible alternatives. MERC provided a copy of its proposed notice in Attachment H of its Report.

The Department notes that since customer notices are under the Commission's staff's purview, it defers the review of MERC's customer notices to Commission staff.

Staff notes that the Commission's November 30, 2017 Order delegates authority to the Commission's Executive Secretary to approve customer and other notices, bill inserts, and advertisements of any other kind related to this matter for the duration of this proceeding.

V. Decision Options

General (Section III)

1. Accept MERC's Farm Tap Report.
2. Find that MERC complied and provided the information requested in the Commission's November 30, 2017 Order.

Enhanced Customer Safety Education (Sections IV, B)

3. Approve MERC's proposed Enhanced Customer Safety Education Proposal. [MERC]
4. Find MERC's proposed Enhanced Customer Safety Education Proposal to be reasonable and require the Company to demonstrate in its upcoming rate recovery filings that the costs proposed for recovery are truly incremental, least-cost and are not recovered elsewhere. [Department]

Extend Distribution System (Sections IV, C)

5. Approve MERC's proposal to extend the distribution system to farm tap customers within one mile. [MERC]

[OR]

6. Approve MERC's proposal to extend the distribution system to farm tap customers within one mile. [Department]

[AND]

- a. Require MERC to remove the Internal Labor costs of approximately \$839,000.

[AND/OR]

- b. Require MERC to remove the Contingency costs of approximately \$643,000.

[AND]

7. Require MERC to continue a month-to-month extension of the service agreement with NNG to allow MERC to continue to provide services to current farm tap customers located more than one mile from MERC's distribution system. [Staff]

[OR]

8. Approve MERC's initial proposal to socialize the farm tap replacement costs and expand it to include all farm tap customers. Require all farm tap customers to pay a flat \$500 contribution to replacement costs in lieu of paying a CIAC. [OAG]

Customers Requesting Distribution Extension (Sections IV, D)

9. Approve MERC's proposal to treat customers located further than one mile from the Company's system as new customers, with the application of MERC's Commission-approved extension model to evaluate required CIAC. [MERC, Department]

Encourage Other Gas Utilities to Extend Service (Sections IV, E)

10. Approve MERC's recommendation to encourage other gas utilities to extend service to nearby farm tap customers. [MERC, Department]

[AND OPTIONALLY]

11. Require MERC to include a discussion of how it facilitated other utilities to provide service to nearby farm tap customers in its 5-year report. [Department]

Inactive and New Farm Tap Service (Sections IV, F)

12. Grant MERC's request to no longer extend farm tap service to any new customer exercising their NNG easement rights for the first time. [MERC, Department]

[AND/OR]

13. Grant MERC's request to not reactivate farm tap service to currently inactive farm tap customers (no natural gas usage recorded for 12 consecutive months) and those customers who become inactive during the course of the Phase II period. [MERC, Department]

Shut Off Service to Farm Taps Where Leaks are Identified (Sections IV, G)

14. Approve MERC's proposal to shut off service to farm taps where leaks are identified until and unless: (1) the customer has repairs performed by MERC or another contractor from a MERC-approved contractor list and provides proof of the repairs, or (2) the customer has repairs made by a contractor of their choosing and provides proof of the repairs along with a signed waiver indicating they have made repairs at their own risk within a 12-month period. [MERC, Department]

Upgrading and Maintaining Service to Existing Farm Tap Customers (Sections IV, H)

15. Approve MERC's recommendation regarding upgrading and maintaining service to existing farm tap customers. [MERC, Department]

Status Report and Next Steps (Sections IV, I)

16. Approve MERC's proposal to provide a status report and next steps for farm taps in five years. [MERC, Department]

[AND OPTIONALLY]

17. Require MERC to include in its five-year report a discussion regarding MERC's actions to encourage other gas utilities to extend service to farm tap customers. [Department]

Continuation of Cost Deferral (Sections IV, J, 4)

18. Approve MERC's request to recover Phase II costs through the GUIC Rider. [MERC]

[OR]

19. Require Phase II costs to be recovered through a general rate case. [Department]

Depreciable Lives for Farm Tap Facilities (Sections IV, J, 5)

20. Approve MERC's proposed depreciation lives for the farm tap facilities. [MERC]

[OR]

21. Require MERC to use the most recent applicable depreciation lives approved by the Commission. [Department]

[AND OPTIONALLY]

22. Require MERC to provide a more detailed review of final revenue requirements in MERC's future rate case or GUIC rider. [Department]

Procedural Proposal and Referral to the OAH (Sections IV, K)

23. Accept the proposed schedule provided in compliance with the Commission's November 30, 2017 Order. [MERC]

24. Request an updated schedule from MERC in a compliance filing to the Commission's Order. [Staff]

25. Refer this matter to the Minnesota Office of Administrative Hearings for conduct of public hearings. Request a report from the assigned ALJ after the conclusion of the public hearings. [MERC]

- Not Public Document – Not For Public Disclosure
- Public Document – Not Public Data Has Been Excised
- Public Document

Information Request No. 1

Docket No.: G-011/M-17-409

Response To: MPUC Data Requests

Requestor: Jason Bonnett (MPUC)

Date Received: May 20, 2021

PUC Request No. 1

Please provide comments on MERC’s Phase II Procedural Proposal filed December 30, 2019 in Docket No. G-011/M-17-409.

Northern Natural Gas Response:

Northern filed comments in this docket on September 14, 2017 (“Northern 2017 Comments”). The Northern 2017 Comments were to support MERC’s proactive initiative to address the safety of natural gas service provided to farm tap customers and to supplement the history of farm tap service provided in MERC’s Petition. Northern continues to support MERC’s proactive initiative, in particular the enhanced customer safety education described in MERC’s Phase II Procedural Proposal filed December 30, 2019.

Preparer: Greg Porter

Title: Assistant General Counsel

Telephone: 402.398.7406

Date: June 1, 2021

- Not Public Document – Not For Public Disclosure
- Public Document – Not Public Data Has Been Excised
- Public Document

Information Request No. 2

Docket No.: G-011/M-17-409
 Response To: MPUC Data Requests
 Requestor: Jason Bonnett (MPUC)
 Date Received: May 20, 2021

PUC Request No. 2

Please provide a representative sample (8-10) of farm tap easements entered into by Northern Natural Gas Company for Minnesota landowners.

Northern Natural Gas Response: See Attached easements identified in Attachment 2(a)-2(g).

| <u>Last Name of Grantor</u> | <u>Attachment</u> |
|-----------------------------|-------------------|
| Werner | 2(a) |
| Munstenteiger | 2(b) |
| Bradley | 2(c) |
| Klaff | 2(d) |
| Jobe | 2(e) |
| Keogh | 2(f) |
| Campbell | 2(g) |

Preparer: Greg Porter
 Title: Assistant General Counsel
 Telephone: 402.398.7406
 Date: June 1, 2021

- Not Public Document – Not For Public Disclosure
- Public Document – Not Public Data Has Been Excised
- Public Document

Information Request No. 3

Docket No.: G-011/M-17-409
Response To: MPUC Data Requests
Requestor: Jason Bonnett (MPUC)
Date Received: May 20, 2021

PUC Request No. 3

Please confirm the extent to which a Minnesota Northern Natural Gas Company farm tap customer has easement rights to continued gas service from NNG in the event MERC (or any other state-regulated utility) is allowed to discontinue its services to that customer. Are the landowner’s easement rights absolute or limited in some way?

Northern Natural Gas Response:

The easement rights do not extend to gas distribution service. A Minnesota landowner that has granted Northern an easement containing a “farm tap clause” has a right to a tap on Northern’s pipeline but does not have a right to gas distribution service from Northern. Northern is an interstate natural gas pipeline regulated by the Federal Energy Regulatory Commission pursuant to the Natural Gas Act. Northern does not and cannot provide the easement grantor any gas distribution service provided by MERC (or any other state-regulated utility). Therefore, a gas utility has always provided the distribution service to the grantor/farm tap customer. As explained in the Northern 2017 Comments:

The retail service MERC currently provides to the farm tap customers in Minnesota is the same service Peoples provided prior to (and after) UtiliCorp's 1985 acquisition. Through the Purchase Agreement and the 1985 Agreement, UtiliCorp assumed the obligation of Peoples to provide farm tap service. Thereafter, as UtiliCorp broke up Peoples and sold the separate operating utilities, the farm tap obligations, which were fully integrated in the operating utilities, transferred to the separate purchasers as part of the acquired assets and liabilities.

MERC and the other successors to UtiliCorp’s interest in Peoples Natural Gas assum[ed] all of Peoples Natural Gas’ rights, liabilities, and obligations in regard to farm taps along Northern’s pipeline system through the Agreement dated December 20, 1985.

Preparer: Greg Porter
Title: Assistant General Counsel
Telephone: 402.398.7406
Date: June 1, 2021

- Not Public Document – Not For Public Disclosure
 Public Document – Not Public Data Has Been Excised
 Public Document

Information Request No. 4

Docket No.: G-011/M-17-409
Response To: MPUC Data Requests
Requestor: Jason Bonnett (MPUC)
Date Received: May 20, 2021

PUC Request No. 4

Please describe how Northern Natural Gas Company will address situations described in the Phase II Procedural Proposal in which MERC discontinues its services to a Minnesota farm tap customer under easement to NNG. We reference Northern Natural Gas Company's statement in its September 14, 2017 Comments that there has always been a local utility serving as the retail provider. Was Northern Natural Gas Company, or its predecessor InterNorth, initially considered the retail provider for farm tap customers and was this service jurisdictional to the FERC or the MNPUC? How will that continue if MERC is allowed to discontinue its service as described in the Phase II Procedural Proposal?

Northern Natural Gas Response:

See the Northern 2017 Comments filed in this docket and the above response to PUC Request No. 3.

Prior to InterNorth's sale of Peoples Natural Gas to UtiliCorp in 1985, Peoples provided the retail gas distribution service to farm tap customers. Although Peoples and Northern were affiliates, Northern owned the interstate pipeline, tap, and associated facilities. Northern delivered natural gas to the pipeline delivery point - the point of interconnection between Northern facilities and the facilities immediately downstream of the Northern-owned facilities. The utility (gas distribution company) or the enduser/farm tap customer owned all facilities downstream of the pipeline delivery point. The service provided upstream of the pipeline delivery point fell under FERC jurisdiction. Peoples provided the utility service downstream of the pipeline delivery point. Peoples Natural Gas was regulated by the Minnesota Public Utilities Commission.

Continuation of service downstream of Northern's delivery point, is an issue subject to MPUC jurisdiction. Northern owns no facilities and provides no service downstream of Northern's delivery point. As such, whether gas service is continued is a matter properly between the MPUC, MERC and the customers receiving service. Should the MPUC allow MERC to discontinue gas service, unless another provider of utility service replaces MERC, the farm tap customer would not receive natural gas distribution service. To the extent retail service is provided by MERC or another utility, Northern stands ready and able to provide the required interstate transportation service to the pipeline delivery point.

Preparer: Greg Porter
Title: Assistant General Counsel
Telephone: 402.398.7406
Date: June 1, 2021

- Not Public Document – Not For Public Disclosure
- Public Document – Not Public Data Has Been Excised
- Public Document

Information Request No. 5

Docket No.: G-011/M-17-409

Response To: MPUC Data Requests

Requestor: Jason Bonnett (MPUC)

Date Received: May 20, 2021

PUC Request No. 5

Please comment on a preferred process for Northern Natural Gas Company's involvement in any farm tap customer disconnection.

Northern Natural Gas Response:

See response to PUC Request No. 4.

Preparer: Greg Porter

Title: Assistant General Counsel

Telephone: 402.398.7406

Date: June 1, 2021

- Not Public Document – Not For Public Disclosure
- Public Document – Not Public Data Has Been Excised
- Public Document

Information Request No. 6

Docket No.: G-011/M-17-409

Response To: MPUC Data Requests

Requestor: Jason Bonnett (MPUC)

Date Received: May 20, 2021

PUC Request No. 6

Please state the extent to which Northern Natural Gas Company is entering into new farm tap agreements/easements with landowners in Minnesota. How many new farm taps are planned for 2021 and how many new or replacement farm taps were there in each of the last five years? What are the terms of such agreements/easements?

Northern Natural Gas Response:

Northern has not entered into new easements in Minnesota with farm tap clauses in the last five (5) years. Northern's engineering records indicate no new farm taps have been installed since 2016 and currently no new farm taps are planned to be installed in Minnesota in 2021. Northern maintains the Northern owned FERC jurisdictional facilities upstream of the pipeline delivery point.

Preparer: Greg Porter

Title: Assistant General Counsel

Telephone: 402.398.7406

Date: June 1, 2021

- Not Public Document – Not For Public Disclosure
- Public Document – Not Public Data Has Been Excised
- Public Document

Information Request No. 7

Docket No.: G-011/M-17-409

Response To: MPUC Data Requests

Requestor: Jason Bonnett (MPUC)

Date Received: May 20, 2021

PUC Request No. 7

Please indicate what effect, if any, Commission approval or disapproval of the Phase II Procedural Proposal will have on the month-to-month extension of the 1987 Agreement with MERC.

Northern Natural Gas Response:

Peoples, and its successors and assignees, obligation to provide the gas distribution service to farm tap customers was unconditionally assumed when Peoples was purchased by UtiliCorp in 1985. The 1987 Agreement merely detailed the responsibilities that were known, understood, and accepted since the time of original construction. The obligation to provide the gas service to farm tap customers is expressly established in the 1985 purchase agreement, not the 1987 Agreement. Therefore, the important question is not regarding the 1987 Agreement but rather, will MERC or some other utility satisfy the obligation to provide gas distribution service to the farm tap customers not directly connected to MERC's distribution system. If no gas distribution service is provided, the farm tap customer cannot receive service.

See Northern's 2017 Comments and Northern response to PUC Request Nos. 3 and 4.

Preparer: Greg Porter

Title: Assistant General Counsel

Telephone: 402.398.7406

Date: June 1, 2021

CARL O. WERNER
MB-634-1-76 #2

Form #2629 - Minnesota
Rev. 12/1/65

PIPELINE EASEMENT

KNOW ALL MEN BY THESE PRESENTS:

That Carl O. Werner and Ella C. Werner, His Wife

hereinafter

referred to as Grantor, (whether one or more) for and in consideration of the sum of One Dollar per lineal rod and other valuable considerations, the receipt of One Dollars (\$1.00) of which is hereby acknowledged, does hereby grant and convey unto NORTHERN NATURAL GAS COMPANY, a Delaware corporation, hereinafter referred to as Grantee, and to its successors and assigns, the right, privilege and easement to construct, maintain and operate pipelines, and appurtenances thereto, over, under, across and through a strip of land Fifty feet (50) in width across the following described lands situated in the County of Stearns and State of Minnesota, to-wit:

A fraction of an acre lying in the Southeast Quarter of the Southeast Quarter (SE $\frac{1}{4}$ SE $\frac{1}{4}$) of Section Twelve (12), Township One Hundred Twenty-One (121) North, Range Twenty-Nine (29) West, described as follows: Starting at the Southeast corner of Section Twelve (12), thence West along the section line 24 $\frac{1}{2}$ rods more or less to an iron monument imbedded in a cement foundation, thence North nine rods more or less to the Highway known and designated as Highway #55, thence Southeast along the Highway to the East line of said Section Twelve (12), thence South to the point of beginning.



STATE DEED TAX DUE \$ 1.10

TO HAVE AND TO HOLD unto said NORTHERN NATURAL GAS COMPANY, its successors and assigns, together with the right of ingress to and egress from said premises across the adjacent lands of the Grantor for the purpose of constructing, inspecting, repairing, maintaining, replacing, re-sizing, or removing the property of the Grantee located thereon at the will of the Grantee; it being the intention of the parties hereto that the Grantor may continue to use the surface of the easement strip conveyed hereby for all agricultural purposes, pasturage or other purposes; provided, however, that Grantor shall not construct or permit to be constructed anything upon the easement strip which would interfere with Grantee's exercise of the rights hereby conveyed.

It is further agreed as follows:

1. That the balance of the consideration due from Grantee to Grantor (if any) shall be paid when the Grantee's first pipeline is constructed.
2. That during construction or removal of any pipeline the Grantee may utilize an additional strip of land not more than ~~XXXXXXXXXXXXXXXXXXXX~~ feet (XXXX) in width on each side of the easement strip referred to above for working space only.
3. That the Grantee will bury all line pipe to a sufficient depth so as not to interfere with the ordinary cultivation of the soil.
4. That Grantee will pay for any damages to Grantor's growing crops, grasses, trees, shrubbery, fences or buildings caused by the operations or activities of the Grantee; provided, however, that the Grantee shall have the right from time to time to cut or clear trees, brush and other obstructions on said right-of-way that might interfere with the operation or maintenance of Grantee's facilities.
5. That Grantee will replace or rebuild to the satisfaction of Grantor or of his representative any and all damaged parts of all drainage systems, the damage to which shall be occasioned by the construction of said pipelines under and through the above-described premises.
6. That the exact location of the easement strip conveyed hereby shall be determined by the construction of Grantee's first pipeline, and shall thereupon be established as being Twenty-Five feet on the either side ~~and~~ ~~XXXXXXXXXXXXXXXXXXXX~~ ~~feet~~ ~~of~~ ~~the~~ ~~XXXXXXXXXXXXXXXXXXXX~~ ~~side~~ of the centerline thereof.

634-1-76(3)(1042)

7. That Grantee, upon written application by the Grantor, will make, or cause to be made, a tap in any gas pipeline constructed by Grantee upon the above-described premises for the purpose of supplying gas to Grantor for domestic purposes only and not for re-sale, and for use upon the above-described premises only. All connections required, shall be furnished and paid for by Grantor with the exception of the meter, which is to be furnished and owned by Grantee. Said tap will be provided by Grantee from a convenient point on its main line or some lateral as the Grantee may determine, and gas to be taken under this provision shall be measured and furnished to the Grantor at the rates and upon the terms as may be established by Grantee, or by any vendee of Grantee, from time to time.

8. That in the event that the Grantee or its assigns shall at any time construct one or more additional lines of pipe within its easement strip the then owner of the lands subject to this easement shall be entitled to receive an additional consideration of One Dollar per lineal rod for each pipeline so constructed.

9. That the rights of the Grantee may be assigned in whole or in part.

10. That this instrument contains the entire agreement of the parties; that there are no other or different agreements or understandings between the Grantor and the Grantee or its agents; and that the Grantor, in executing and delivering this instrument, has not relied upon any promises, inducements, or representations of the Grantee or its agents or employees, except such as are set forth herein.

This instrument and the covenants and agreements herein contained shall inure to the benefit of and be binding and obligatory upon the heirs, executors, administrators, successors and assigns of the parties hereto.

Dated this 8 day of September, 1966.

Carl O. Werner
 Carl O. Werner
Ella C. Werner
 Ella C. Werner

This instrument drafted by:
Dale Washburn, Jr.
 Dale Washburn, Jr.

STATE OF MINNESOTA : SS.
 COUNTY OF Wright :

On this 9 day of September, A.D., 1966
 before me, a Notary within and for said County, personally
 appeared Carl O. Werner and Ella C. Werner

to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that They executed the same as THEIR free act and deed.

My Commission expires: Nov 5, 1971 J. MAUS
 Notary Public, Stearns County, Minnesota
 My Commission Expires November 5, 1971

STATE OF MINNESOTA : SS.
 COUNTY OF _____ :

On this _____ day of _____, A.D., 19____
 before me, a _____ within and for said County, personally
 appeared _____

to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as _____ free act and deed.

My Commission expires: _____

OCT 24 10 51 AM '66
 STATE OF MINN.
 COUNTY OF STEARNS
 J. MAUS
 Notary Public
Blaise Stearns
 634-1-76(3)(2/2)

Form #2629 - Minnesota
Rev. 9-15-65

+ *Annex*
#31A-33+33A
ME 634-1-22

PIPELINE EASEMENT

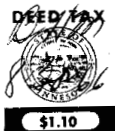
KNOW ALL MEN BY THESE PRESENTS:

That Ben H. Munstenteiger and Isabel E. Munstenteiger his wife

hereinafter

referred to as Grantor, (whether one or more) for and in consideration of the sum of One Dollar per lineal rod and other valuable considerations, the receipt of One & 00/100 Dollars (\$1.00) of which is hereby acknowledged, does hereby grant and convey unto NORTHERN NATURAL GAS COMPANY, a Delaware corporation, hereinafter referred to as Grantee, and to its successors and assigns, the right, privilege and easement to construct, maintain and operate pipelines, and appurtenances thereto, over, under, across and through a strip of land Fifty feet (50) in width across the following described lands situated in the County of Wright and State of Minnesota, to-wit:

Northeast Quarter of the Southeast Quarter (NE¹SE⁴) and the South Half of the Northeast Quarter (S¹NE⁴) all in Section Sixteen (16), Township One Hundred Twenty (120) North, Range Twenty-Six (26) West.



STATE DEED TAX DUE \$ 1.10

TO HAVE AND TO HOLD unto said NORTHERN NATURAL GAS COMPANY, its successors and assigns, together with the right of ingress to and egress from said premises across the adjacent lands of the Grantor for the purpose of constructing, inspecting, repairing, maintaining, replacing, re-sizing, or removing the property of the Grantee located thereon at the will of the Grantee; it being the intention of the parties hereto that the Grantor may continue to use the surface of the easement strip conveyed hereby for all agricultural purposes, pasturage or other purposes; provided, however, that Grantor shall not construct or permit to be constructed anything upon the easement strip which would interfere with Grantee's exercise of the rights hereby conveyed.

It is further agreed as follows:

1. That the balance of the consideration due from Grantee to Grantor (if any) shall be paid when the Grantee's first pipeline is constructed.
2. That during construction or removal of any pipeline the Grantee may utilize an additional strip of land not more than XXXXXXXXXXXXXXXXXX feet (XXXXXX) in width on each side of the easement strip referred to above for working space only.
3. That the Grantee will bury all line pipe to a sufficient depth so as not to interfere with the ordinary cultivation of the soil.
4. That Grantee will pay for any damages to Grantor's growing crops, grasses, trees, shrubbery, fences or buildings caused by the operations or activities of the Grantee; provided, however, that the Grantee shall have the right from time to time to cut or clear trees, brush and other obstructions on said right-of-way that might interfere with the operation or maintenance of Grantee's facilities.
5. That Grantee will replace or rebuild to the satisfaction of Grantor or of his representative any and all damaged parts of all drainage systems, the damage to which shall be occasioned by the construction of said pipelines under and through the above-described premises.
6. That the exact location of the easement strip conveyed hereby shall be determined by the construction of Grantee's first pipeline, and shall thereupon be established as being twenty-five feet on ~~the~~ either side ~~and XXXXXXXXXXXXXXXXXXXX feet on the XXXXXXXXXXXXXXX side~~ of the centerline thereof.

634-1-22(4)(10/2)

7. That Grantee, upon written application by the Grantor, will make, or cause to be made, a tap in any gas pipeline constructed by Grantee upon the above-described premises for the purpose of supplying gas to Grantor for domestic purposes only and not for re-sale, and for use upon the above-described premises only. All connections required, shall be furnished and paid for by Grantor with the exception of the meter, which is to be furnished and owned by Grantee. Said tap will be provided by Grantee from a convenient point on its main line or some lateral as the Grantee may determine, and gas to be taken under this provision shall be measured and furnished to the Grantor at the rates and upon the terms as may be established by Grantee, or by any vendee of Grantee, from time to time.

8. That in the event that the Grantee or its assigns shall at any time construct one or more additional lines of pipe within its easement strip the then owner of the lands subject to this easement shall be entitled to receive an additional consideration of One Dollar per lineal rod for each pipeline so constructed.

9. That the rights of the Grantee may be assigned in whole or in part.

10. That this instrument contains the entire agreement of the parties; that there are no other or different agreements or understandings between the Grantor and the Grantee or its agents; and that the Grantor, in executing and delivering this instrument, has not relied upon any promises, inducements, or representations of the Grantee or its agents or employees, except such as are set forth herein.

This instrument and the covenants and agreements herein contained shall inure to the benefit of and be binding and obligatory upon the heirs, executors, administrators, successors and assigns of the parties hereto.

Dated this 27 day of December, 1965.

Ben H. Munstenteiger
Ben H. Munstenteiger

Isabel E. Munstenteiger
Isabel E. Munstenteiger

Witnesses:

This instrument drafted by:

Kenneth Hanowski

STATE OF MINNESOTA : SS.
COUNTY OF Wright :

On this 27 day of December, A.D., 1965,
before me, a Notary Public within and for said County, personally
appeared Ben H. Munstenteiger and Isabel E. Munstenteiger his wife

to me known to be the person s described in and who executed the foregoing instrument, and acknowledged that she executed the same as their free act and deed.

My Commission expires: Dec 7, 1972

Melvin Anderson
Melvin Anderson

STATE OF MINNESOTA : SS.

COUNTY OF _____: On this _____ day of _____, A.D., 19____
before me, a _____ within and for said County, personally
appeared _____

to me known to be the person _____ described in and who executed the foregoing instrument, and acknowledged that he executed the same as _____ free act and deed.

My Commission expires: _____

OFFICE OF REGISTER OF DEEDS)
County of Wright, Minn. (ss.
I hereby certify that the within
instrument was filed in this office for
record on the 30th day of
August, A.D. 1966, at
1 o'clock P. M. and was
duly recorded in Book 32
Miscellaneous, Page 9
of 10.
E. R. ILSTRUP
Register of Deeds
Deputy

(e-ae)(4)20-1-489

242146

Know All Men by These Presents:

That Francis J. Bradley, Margaret M. Bradley, William J. Bradley, Ruth Bradley, Hilary H. Bradley, Myrna Bradley. By Francis J. Bradley, Attorney in-Fact.

of the County of Mower and State of Minnesota, for and in consideration of the sum of One Dollar (\$1.00) per lineal rod, receipt of One Dollar (\$1.00) of which consideration is hereby acknowledged and balance of which is to be paid when and as the location of pipe lines over and through the lands hereinafter described shall be established, surveyed and measured, and the further consideration of the performance of the covenants and agreements by the grantee, as hereinafter set out and expressed, do hereby GRANT, REMISE and RELINQUISH unto NORTHERN NATURAL GAS COMPANY, a Delaware corporation, its successors or assigns, the RIGHT, PRIVILEGE and EASEMENT to construct, maintain and operate pipe lines, and appurtenances thereto, over and through the following described lands and appurtenances thereunto belonging, including riparian rights, situated in the County of Steele and State of Minnesota, to-wit:

The South half (S $\frac{1}{2}$) of the Southwest quarter (SW $\frac{1}{4}$), and commencing at the Southwest corner of the Northwest quarter (NW $\frac{1}{4}$) of the Southwest quarter (SW $\frac{1}{4}$), East seven hundred sixty nine feet (769'), North One thousand one hundred thirty eight feet (1138'), West seven hundred sixty nine feet (769'), South One thousand one hundred thirty eight feet (1138') to the place of beginning, all in Section 17, Township 105, Range 21.

TO HAVE AND TO HOLD unto said NORTHERN NATURAL GAS COMPANY, its successors and assigns, so long as such pipe lines, and appurtenances thereto, shall be maintained, together with the right of ingress to and egress from said premises, for the purpose of constructing, inspecting, repairing, maintaining and replacing the property of the grantee located thereon, or the removal thereof, in whole or in part, at the

will of the grantee; it being the intention of the parties hereto that grantors are hereby granting the uses herein specified without divesting grantors of the rights to use and enjoy said above described premises, subject only to the right of the grantee to use the same for the purposes herein expressed.

As a further consideration for this grant, the grantee herein agrees as follows:

- (1) That it will bury all line pipe laid upon said land to a sufficient depth so as not to interfere with the cultivation of the soil.
- (2) That it will pay to grantor a any damages which may arise to growing crops, trees, shrubbery, fences or buildings from the construction, maintenance or operation of said pipe lines, said damages, if not mutually agreed upon, to be ascertained and determined by three disinterested persons, one of whom shall be appointed by the grantor a, one by the grantee, and the third to be selected by the two appointed as aforesaid, and the written award of such three persons shall be final, conclusive and binding upon the parties hereto.
- (3) That grantee, upon written application by the grantor a, will make, or cause to be made, a tap in any gas pipe line constructed by grantee upon the above described premises for the purpose of supplying gas to grantor a, for domestic purposes only and not for re-sale, and for use upon the above described premises only. All connections required, shall be furnished and paid for by Grantor with the exception of the meter, which is to be furnished and owned by the Grantee. Said tap will be provided by grantee from a convenient point on its main line or some lateral as the grantee may determine, and gas to be taken under this provision shall be measured and furnished to the grantors a at the rates and upon the terms as may be established by grantee, or by any vendee of grantee, from time to time.
- (4) That grantee will replace or rebuild to the satisfaction of grantors a or of their representative any and all damaged parts of all drainage systems, the damage to which shall be occasioned by the construction of said pipe lines under and through the above described premises.

This instrument, and the covenants and agreements herein contained, shall inure to the benefit of and be binding and obligatory upon the heirs, executors, administrators, successors and assigns of the respective parties.

IN WITNESS WHEREOF we have hereunto set our hands this 13th day of April, 1954.

Francis J. Bradley
Margaret M. Bradley
William J. Bradley
Ruth Bradley
Hilary H. Bradley
Myrna Bradley

by [Signature]
Attorney-in-fact

Signed, Sealed and Delivered in Presence of

[Signature]
[Signature]

W. H. Carver

STATE OF MINNESOTA,

COUNTY OF Mower } ss.

On this 13th day of April, A. D. 1954, before me, a Notary Public

within and for said County, personally appeared Francis J Bradley, Attorney-in-fact for Francis J Bradley, Margaret W/ Bradl William J Bradley, Ruth Bradley, Hilary H Bradley & Myrna Bradley to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

E. L. Lindley
E. L. LINDLEY

My commission expires 1955, 1955
My commission expires Dec. 24, 1955

STATE OF MINNESOTA,

COUNTY OF _____ } ss.

On this _____ day of _____, A. D. 19____, before me, a _____ within and for said County, personally appeared _____

to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as _____ free act and deed.

My commission expires _____, 19____

112236

EASEMENT GRANT

FROM

Francis J. Bradley, et al.
By Atty.

TO

NORTHERN NATURAL GAS COMPANY
(Sec. 17-105-21)

OFFICE OF REGISTER OF DEEDS,
STATE OF MINNESOTA.

COUNTY OF Steele

I hereby certify that the within instrument

was filed in this office for record on the 1

day of December, A. D. 1954,

at 1:10 o'clock P.M., and was duly

recorded in Book 125 of Deeds, on

Page 112

John R Hartung
Register of Deeds.

By _____ Deputy.

STATE OF MINNESOTA,

COUNTY OF _____ } ss.

On this _____ day of _____, A. D. 19____, before me, a _____ within and for said County, personally appeared _____

and _____ to me personally known, who, being each by me duly sworn _____ did say that they are respectively the _____ President and the _____ of _____

the corporation named in the foregoing instrument, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of _____, and said _____ and _____

acknowledged said instrument to be the free act and deed of said corporation.

My Commission expires _____, 19____

837 1 19

Know All Men by These Presents:

That Max A. Klaff & Auguste Klaff, Husband & Wife

of the County of Watonwan and State of Minnesota, for and in consideration of the sum of One Dollar (\$1.00) per lineal rod, receipt of One Dollar (\$1.00) of which consideration is hereby acknowledged and balance of which is to be paid when and as the location of pipe lines over and through the lands hereinafter described shall be established, surveyed and measured, and the further consideration of the performance of the covenants and agreements by the grantee, as hereinafter set out and expressed, do hereby GRANT, REMISE and RELINQUISH unto NORTHERN NATURAL GAS COMPANY, a Delaware corporation, its successors or assigns, the RIGHT, PRIVILEGE and EASEMENT to construct, maintain and operate pipe lines, and appurtenances thereto, over and through the following described lands and appurtenances thereunto belonging, including riparian rights, situated in the County of Watonwan and State of Minnesota, to-wit:

The Northeast Quarter (NE $\frac{1}{4}$), of Section Thirty Four (34), Township One Hundred Six (106), Range Thirty (30).

TO HAVE AND TO HOLD unto said NORTHERN NATURAL GAS COMPANY, its successors and assigns, so long as such pipe lines, and appurtenances thereto, shall be maintained, together with the right of ingress to and egress from said premises, for the purpose of constructing, inspecting, repairing, maintaining and replacing the property of the grantee located thereon, or the removal thereof, in whole or in part, at the will of the grantee; it being the intention of the parties hereto that grantors are hereby granting the uses herein specified without divesting grantors of the rights to use and enjoy said above described premises, subject only to the right of the grantee to use the same for the purposes herein expressed.

As a further consideration for this grant, the grantee herein agrees as follows:

- (1) That it will bury all line pipe laid upon said land to a sufficient depth so as not to interfere with the cultivation of the soil.
- (2) That it will pay to grantors any damages which may arise to growing crops, trees, shrubbery, fences or buildings from the construction, maintenance or operation of said pipe lines, said damages, if not mutually agreed upon, to be ascertained and determined by three disinterested persons, one of whom shall be appointed by the grantors, one by the grantee, and the third to be selected by the two appointed as aforesaid, and the written award of such three persons shall be final, conclusive and binding upon the parties hereto.
- (3) That grantee, upon written application by the grantors, will make, or cause to be made, a tap in any gas pipe line constructed by grantee upon the above described premises for the purpose of supplying gas to grantors, for domestic purposes only and not for re-sale, and for use upon the above described premises only. All connections required, shall be furnished and paid for by Grantor with the exception of the meter, which is to be furnished and owned by the Grantee. Said tap will be provided by grantee from a convenient point on its main line or some lateral as the grantee may determine, and gas to be taken under this provision shall be measured and furnished to the grantors at the rates and upon the terms as may be established by grantee, or by any vendee of grantee, from time to time.
- (4) That grantee will replace or rebuild to the satisfaction of grantors or of their representative any and all damaged parts of all drainage systems, the damage to which shall be occasioned by the construction of said pipe lines under and through the above described premises.

This instrument, and the covenants and agreements herein contained, shall inure to the benefit of and be binding and obligatory upon the heirs, executors, administrators, successors and assigns of the respective parties.

IN WITNESS WHEREOF we have hereunto set our hands this 5th day of May, 1953.

Max A Klaff
Auguste Klaff

Signed, Sealed and Delivered in Presence of
E. C. Stilwell
Albert Bethke

837-1-19 (P)(182)

STATE OF MINNESOTA, }
COUNTY OF Watowan } ss.

On this 5th day of May, A. D. 1953, before me, a Notary Public within and for said County, personally appeared Max A. Klaff & Auguste Klaff, husband & wife

to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

Albert Bethke = ALBERT BETHKE
NOTARY PUBLIC, WATOWAN COUNTY

My commission expires JANUARY 27, 1954

STATE OF MINNESOTA, }
COUNTY OF _____ } ss.

On this _____ day of _____, A. D. 19____, before me, a _____ within and for said County, personally appeared _____

to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as _____ free act and deed.

My commission expires _____, 19____.

93369 ✓ 19

EASEMENT GRANT
FROM
TO
NORTHERN NATURAL GAS COMPANY
OFFICE OF REGISTER OF DEEDS,
STATE OF MINNESOTA.
COUNTY OF Watowan
I hereby certify that the within instrument was filed in this office for record on the 8th day of August, A. D. 1953, at 11:00 o'clock A.M., and was duly recorded in Book 66 of Deeds, on Page 31
By Gordon Klaff Register of Deeds.
Deputy.

STATE OF MINNESOTA, }
COUNTY OF _____ } ss.

On this _____ day of _____, A. D. 19____, before me, a _____ within and for said County, personally appeared _____

and _____ to me personally known, who, being each by me duly sworn _____ did say that they are respectively the _____ President and the _____ of _____

the corporation named in the foregoing instrument, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of _____, and said _____ and _____

acknowledged said instrument to be the free act and deed of said corporation.

My Commission expires _____, 19____.

Know All Men by These Presents:

805 1 143

That William H. Jobe and Marie Jobe, husband and wife

of the County of Blue Earth and State of Minnesota, for and in consideration of the sum of Fifty Cents (50c) per lineal rod, receipt of One Dollar (\$1.00) of which consideration is hereby acknowledged and balance of which is to be paid when and as the location of pipe lines over and through the lands hereinafter described shall be established, surveyed and measured, and the further consideration of the performance of the covenants and agreements by the grantee, as hereinafter set out and expressed, do hereby GRANT, REMISE and RELINQUISH unto NORTHERN NATURAL GAS COMPANY, a Delaware corporation, its successors or assigns, the RIGHT, PRIVILEGE and EASEMENT to construct, maintain and operate pipe lines, and appurtenances thereto, over and through the following described lands and appurtenances thereunto belonging, including riparian rights, situated in the County of Blue Earth and State of Minnesota, to-wit:

Southwest quarter (SW 1/4) of Section 30, Township 106 Range 28, except East four (4) acres of the south half of the Southwest quarter (S 1/2 SW 1/4) of said Section 30

TO HAVE AND TO HOLD unto said NORTHERN NATURAL GAS COMPANY, its successors and assigns, so long as such pipe lines, and appurtenances thereto, shall be maintained, together with the right of ingress to and egress from said premises, for the purpose of constructing, inspecting, repairing, maintaining and replacing the property of the grantee located thereon, or the removal thereof, in whole or in part, at the will of the grantee; it being the intention of the parties hereto that grantor s ~~are~~ hereby granting the uses herein specified without divesting grantor s of the rights to use and enjoy said above described premises, subject only to the right of the grantee to use the same for the purposes herein expressed.

As a further consideration for this grant, the grantee herein agrees as follows:

- (1) That it will bury all pipe laid upon said land to a sufficient depth so as not to interfere with the cultivation of the soil.
- (2) That it will pay to grantor s any damages which may arise to growing crops, trees, shrubbery, fences or buildings from the construction, maintenance or operation of said pipe lines, said damages, if not mutually agreed upon, to be ascertained and determined by three disinterested persons, one of which shall be appointed by the grantor s, one by the grantee, and the third to be selected by the two appointed as aforesaid, and the written award of such three persons shall be final, conclusive and binding upon the parties hereto.
- (3) That grantee, upon written application by the grantor s, will make, or cause to be made, a tap in any gas pipe line constructed by grantee upon the above described premises for the purpose of supplying gas to grantor s for domestic purposes only and not for re-sale, and for use upon the above described premises only. All connections required, with the exception of the meter, which is to be furnished and owned by grantee, shall be furnished and paid for by grantor s according to the rules and regulations of the grantee. Said tap will be provided by grantee from a convenient point on its main line or some lateral as the grantee may determine, and gas to be taken under this provision shall be measured and furnished to the grantor s at the rates and upon the terms as may be established by grantee, or by any vendee of grantee, from time to time.
- (4) That grantee will replace or rebuild to the satisfaction of grantor s or ~~##~~ their representative any and all damaged parts of all drainage systems, the damage to which shall be occasioned by the construction of said pipe lines under and through the above described premises.

This instrument, and the covenants and agreements herein contained, shall inure to the benefit of and be binding and obligatory upon the heirs, executors, administrators, successors and assigns of the respective parties.

IN WITNESS WHEREOF we have hereunto set our hands this 18th day of July, 1939.

William H. Jobe
Marie Jobe

Signed, Sealed and Delivered in Presence of

Oranderson
L. E. Michelson

805-1-143 (2/12/22)

STATE OF MINNESOTA, }
COUNTY OF Blue Earth } ss.

On this 18th day of July, A. D. 1939, before me, a Notary Public within and for said County, personally appeared William H. Jobe and Marie Jobe, husband and wife

to me known to be the person as described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

T. G. Mickelson

T. G. MICKELSON, Notary Public,
Mankato, Blue Earth County, Minn.
My Commission Expires Feb. 19, 1946

My commission expires _____, 19____

STATE OF MINNESOTA, }
COUNTY OF _____ } ss.

On this _____ day of _____, A. D. 193____, before me, a _____ within and for said County, personally appeared _____

to me known to be the person _____ described in and who executed the foregoing instrument, and acknowledged that _____ he _____ executed the same as _____ free act and deed.

My commission expires _____, 19____

Copy
Ind. ✓
Comp. ✓
169436

EASEMENT GRANT
FROM
William H. Jobe
Marie Jobe.
TO
NORTHERN NATURAL
GAS COMPANY
OFFICE OF REGISTER OF DEEDS,
STATE OF MINNESOTA.
COUNTY OF BLUE EARTH
I hereby certify that the within instrument was filed in this office for record on the 18 day of Aug, A. D. 1939, at 9 o'clock A.M., and was duly recorded in Book 142 of Deeds, on Page 524.
By Carl F. Hodapp Register of Deeds.
Deputy.

STATE OF MINNESOTA, }
COUNTY OF _____ } ss.

On this _____ day of _____, A. D. 193____, before me, a _____ within and for said County, personally appeared _____

and _____ to me personally known, who, being each by me duly sworn _____ did say that they are respectively the _____ President and the _____ of _____

the corporation named in the foregoing instrument, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of _____, and said _____

and _____ acknowledged said instrument to be the free act and deed of said corporation.

My Commission expires _____, 19____

Know All Men by These Presents:

805 1 254

That ^{awidow;} Mary E. Keogh and Clinton Keogh, single

of the County of Le Sueur and State of Minnesota, for and in consideration of the sum of Fifty Cents (50c) per lineal rod, receipt of One Dollar (\$1.00) of which consideration is hereby acknowledged and balance of which is to be paid when and as the location of pipe lines over and through the lands hereinafter described shall be established, surveyed and measured, and the further consideration of the performance of the covenants and agreements by the grantee, as hereinafter set out and expressed, do hereby GRANT, REMISE and RELINQUISH unto NORTHERN NATURAL GAS COMPANY, a Delaware corporation, its successors or assigns, the RIGHT, PRIVILEGE and EASEMENT to construct, maintain and operate pipe lines, and appurtenances thereto, over and through the following described lands and appurtenances thereunto belonging, including riparian rights, situated in the County of Le Sueur and State of Minnesota, to-wit:

N.E. 1/4 and N.E. 1/4 of the N.W. 1/4 of section No. (14) Twp. No. (110) R. 25
also Lot 1 sec 12 T 110 R 25

TO HAVE AND TO HOLD unto said NORTHERN NATURAL GAS COMPANY, its successors and assigns, so long as such pipe lines, and appurtenances thereto, shall be maintained, together with the right of ingress to and egress from said premises, for the purpose of constructing, inspecting, repairing, maintaining and replacing the property of the grantee located thereon, or the removal thereof, in whole or in part, at the will of the grantee; it being the intention of the parties hereto that grantor are hereby granting the uses herein specified without divesting grantor of the rights to use and enjoy said above described premises, subject only to the right of the grantee to use the same for the purposes herein expressed.

As a further consideration for this grant, the grantee herein agrees as follows:

- (1) That it will bury all pipe laid upon said land to a sufficient depth so as not to interfere with the cultivation of the soil.
(2) That it will pay to grantor any damages which may arise to growing crops, trees, shrubbery, fences or buildings from the construction, maintenance or operation of said pipe lines, said damages, if not mutually agreed upon, to be ascertained and determined by three disinterested persons, one of which shall be appointed by the grantor, one by the grantee, and the third to be selected by the two appointed as aforesaid, and the written award of such three persons shall be final, conclusive and binding upon the parties hereto.
(3) That grantee, upon written application by the grantor, will make, or cause to be made, a tap in any gas pipe line constructed by grantee upon the above described premises for the purpose of supplying gas to grantor for domestic purposes only and not for re-sale, and for use upon the above described premises only. All connections required, with the exception of the meter, which is to be furnished and owned by grantee, shall be furnished and paid for by grantor according to the rules and regulations of the grantee. Said tap will be provided by grantee from a convenient point on its main line or some lateral as the grantee may determine, and gas to be taken under this provision shall be measured and furnished to the grantor at the rates and upon the terms as may be established by grantee, or by any vendee of grantee, from time to time.
(4) That grantee will replace or rebuild to the satisfaction of grantor or of their representative any and all damaged parts of all drainage systems, the damage to which shall be occasioned by the construction of said pipe lines under and through the above described premises.

This instrument, and the covenants and agreements herein contained, shall inure to the benefit of and be binding and obligatory upon the heirs, executors, administrators, successors and assigns of the respective parties.

IN WITNESS WHEREOF we have hereunto set our hands this 15th day of July, 1939
Mary E. Keogh
Clinton Keogh

Signed, Sealed and Delivered in Presence of
A. [Signature]
J.M. Johnson

805-1-254 (4) (1939)

STATE OF MINNESOTA, }
COUNTY OF Le Sueur } ss.
On this 15 th, day of July, A. D. 1939, before
me, a Notary Public within and for said County, personally appeared
Mary E. Keogh a Widow and Clinton Keogh a Single Person

to me known to be the person described in and who executed the foregoing instrument, and acknowledged
that he executed the same as their free act and deed.

Alvin J. Kaisersatt

ALVIN J. KAISERSATT,
Notary Public, LeSueur County, Minn.
My commission expires My Commission Expires Dec. 6, 1944, 19 .

STATE OF MINNESOTA, }
COUNTY OF _____ } ss.
On this _____ day of _____, A. D. 193____, before
me, a _____ within and for said County, personally appeared

to me known to be the person described in and who executed the foregoing instrument, and acknowledged
that he executed the same as _____ free act and deed.

My commission expires _____, 19____.

EASEMENT GRANT
83645
FROM
TO
NORTHERN NATURAL
GAS COMPANY
OFFICE OF REGISTER OF DEEDS,
STATE OF MINNESOTA.
COUNTY OF Le Sueur
I hereby certify that the within instrument
was filed in this office for record on the 26
day of Aug, A. D. 1939,
at 2 o'clock P M., and was duly
recorded in Book 57 of Deeds, on
Page 614.
A. A. Traylor
Register of Deeds.
By Lytle Hanson Deputy.

STATE OF MINNESOTA, }
COUNTY OF _____ } ss.
On this _____ day of _____, A. D. 193____, before
me, a _____ within and for said County, personally appeared

and _____
to me personally known, who, being each by me duly sworn _____ did say that they are respec-
tively the _____ President and the _____ of _____

the corporation named in the foregoing instrument, and that the seal affixed to said instrument is the corporate
seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by
authority of its Board of _____, and said _____

and _____
acknowledged said instrument to be the free act and deed of said corporation.

My Commission expires _____, 19____.

605-1-254 (4) (copy)

Know All Men by These Presents:

That Rodney N. Campbell and Anna M. Campbell, his wife

of the County of Freeborn and State of Minnesota, for and in consideration of the sum of Fifty Cents (50c) per lineal rod, receipt of One Dollar (\$1.00) of which consideration is hereby acknowledged and balance of which is to be paid when and as the location of pipe lines over and through the lands hereinafter described shall be established, surveyed and measured, and the further consideration of the performance of the covenants and agreements by the grantee, as hereinafter set out and expressed, do we hereby GRANT, REMISE and RELINQUISH unto MINNESOTA NORTHERN NATURAL GAS COMPANY, a Minnesota corporation, its successors or assigns, the RIGHT, PRIVILEGE and EASEMENT to construct, maintain and operate pipe lines, and appurtenances thereto, over and through the following described lands and appurtenances thereunto belonging, including riparian rights, situated in

the County of Freeborn and State of Minnesota, to-wit:

Southeast Quarter of the Northeast Quarter of Section 4 and the West Half of the Northwest Quarter of Section 5, Township 102, Range 20
(SE 1/4 NE 1/4 4 & W 1/2 NW 1/4 3-102-20)

TO HAVE AND TO HOLD unto said MINNESOTA NORTHERN NATURAL GAS COMPANY, its successors and assigns, so long as such pipe lines, and appurtenances thereto, shall be maintained, together with the right of ingress to and egress from said premises, for the purpose of constructing, inspecting, repairing, maintaining and replacing the property of the grantee located thereon, or the removal thereof, in whole or in part, at the will of the grantee; it being the intention of the parties hereto that grantor s are hereby granting the uses herein specified without divesting grantor s of the rights to use and enjoy said above described premises, subject only to the right of the grantee to use the same for the purposes herein expressed.

As a further consideration for this grant, the grantee herein agrees as follows:

- (1) That it will bury all pipe laid upon said land to a sufficient depth so as not to interfere with the cultivation of the soil.
- (2) That it will pay to grantor s any damages which may arise to growing crops, trees, shrubbery, fences or buildings from the construction, maintenance or operation of said pipe lines, said damages, if not mutually agreed upon, to be ascertained and determined by three disinterested persons, one of which shall be appointed by the grantor s, one by the grantee, and the third to be selected by the two appointed as aforesaid, and the written award of such three persons shall be final, conclusive and binding upon the parties hereto.
- (3) That grantee, upon written application by the grantor s, will make, or cause to be made, a tap in any gas pipe line constructed by grantee upon the above described premises for the purpose of supplying gas to grantor s for domestic purposes only and not for re-sale, and for use upon the above described premises only. All connections required, with the exception of the meter, which is to be furnished and owned by grantee, shall be furnished and paid for by grantor s according to the rules and regulations of the grantee. Said tap will be provided by grantee from a convenient point on its main line or some lateral as the grantee may determine, and gas to be taken under this provision shall be measured and furnished to the grantor s at the rates and upon the terms as may be established by grantee, or by any vendee of grantee, from time to time.
- (4) That grantee will replace or rebuild to the satisfaction of grantor s or of their representative any and all damaged parts of all drainage systems, the damage to which shall be occasioned by the construction of said pipe lines under and through the above described premises.

This instrument, and the covenants and agreements herein contained, shall inure to the benefit of and be binding and obligatory upon the heirs, executors, administrators, successors and assigns of the respective parties.

IN WITNESS WHEREOF we have hereunto set our hands this 8th day of June, 1932.

Rodney N Campbell
Anna M Carrysell

Signed, Sealed and Delivered in Presence of
W Scott
P J Finwood

812-1-35(4) (20/2)

APPROVED AS TO FORM
R. J. Organ *mk*

STATE OF MINNESOTA, }
COUNTY OF Freeborn } ss.

On this 8th day of June, A. D. 1932, before me, a Notary Public within and for said County, personally appeared Rodney N. Campbell and Anna M. Campbell, his wife,

to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

R. S. Farnsworth
Notary Public, Freeborn County, Minnesota.

My commission expires August 11, 1933, R. S. FARNSWORTH, Notary Public, Freeborn County, Minn. My Commission expires Aug. 11th, 1933.

STATE OF MINNESOTA, }
COUNTY OF _____ } ss.

On this _____ day of _____, A. D. 193____, before me, a _____ within and for said County, personally appeared _____

to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as _____ free act and deed.

My commission expires _____, 19____.

EASEMENT GRANT

FROM
Rodney N. Campbell
TO
Anna M. Campbell
MINNESOTA NORTHERN
NATURAL GAS COMPANY

OFFICE OF REGISTER OF DEEDS,
STATE OF MINNESOTA.

COUNTY OF *Freeborn*

I hereby certify that the within instrument was filed in this office for record on the 14 day of July, A. D. 1932, at 8:36 o'clock P. M., and was duly recorded in Book 11 of *11* *11* on Page 181.

A. J. Helgeson
Register of Deeds.

By *A. R.* Deputy.

STATE OF MINNESOTA, }
COUNTY OF _____ } ss.

On this _____ day of _____, A. D. 193____, before me, a _____ within and for said County, personally appeared _____ and _____

to me personally known, who, being each by me duly sworn _____ did say that they are respectively the _____ President and the _____ of _____

the corporation named in the foregoing instrument, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of _____, and said _____ and _____

acknowledged said instrument to be the free act and deed of said corporation.

My Commission expires _____, 19____.

812-1-35(4) (20/2)

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