



Minnesota Energy Resources Corporation  
Suite 200  
1995 Rahncliff Court  
Eagan, MN 55122  
[www.minnesotaenergyresources.com](http://www.minnesotaenergyresources.com)

September 12, 2016

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

**VIA ELECTRONIC FILING**

**Re: In the Matter of the Petition for Approval of the Affiliated Interest Agreement with WEC Energy Group and Minnesota Energy Resources Corporation, Docket No. G011/AI-16-284  
Reply Comments**

Dear Mr. Wolf:

On April 1, 2016, Minnesota Energy Resources Corporation (MERC or the Company) filed a petition with the Minnesota Public Utilities Commission (Commission) for approval of an Affiliated Interest Agreement between WEC Energy Group, Inc. (WEC) and its regulated and non-regulated subsidiaries (the WEC Energy AIA). On August 31, 2016, the Department of Commerce, Division of Energy Resources (the Department) filed Comments recommending the Commission approve the WEC Energy AIA with modifications and reporting requirements. MERC generally agrees with the Department's recommendations, but requests that the Commission incorporate the proposals into its order or a separate MERC-specific addendum to the WEC Energy AIA and not require MERC to amend the WEC Energy AIA. MERC responds to each of the Department's recommendations below.

**Overhead Costs and Amount of Compensation**

The Department first recommends the Commission:

Put MERC on notice that it should be prepared to demonstrate in the Company's rate cases that its proposed allocation methods provide similar results compared to the Commission's preferred general allocation method, or that the Company's method better serves the public interest. For example, MERC will need to show that the Company made a "good faith effort" to obtain an alternative to an affiliated transaction;

MERC is in agreement that the Order Point previously adopted by the Commission in Docket No. G007,011/AI-06-1052 is reasonable and appropriate but wishes to clarify that such modification does not mean MERC may only meet its burden by

obtaining bids for all services covered by the AIA. In particular, the additional language included in the Department's recommendation that "For example, MERC will need to show that the Company made a 'good faith effort' to obtain an alternative to an affiliated transaction," was not previously included in the Commission's Order in the referenced Docket No. G007,011/AI-06-1052, and MERC believes such additional language is unnecessary and potentially confusing in the context of the overall AIA.

MERC does not disagree with the Department's suggestion that the Company be required to demonstrate the reasonableness of costs under the AIA but would propose the same Order language as was used in Docket No. G007,011/AI-06-1052. Specifically,

Put MERC on notice that it should be prepared to demonstrate in the Company's next rate case that its ... allocation method provides similar results compared to the Commission's preferred general allocation method, or that the Company's method better serves the public interest.

The specific evidence necessary to develop the reasonableness of such allocations is likely to vary depending on the services or category of services and MERC agrees that in its future rate cases it bears the burden of demonstrating the reasonableness of its costs, including costs of services provided to it by its affiliates.

#### Trigger for Reporting Requirements

Regarding the reporting requirements the Department recommends that the Commission "allow MERC's proposed increased limit from \$100,000 to \$250,000 to apply only to services and not to any plant as an operating unit or system in Minnesota." MERC agrees that the statutory requirements with the \$100,000 trigger continue to apply. The proposed change to a \$250,000 trigger affects only reporting requirements associated with certain services and would not undermine or conflict with the statutory requirement on transfers.

#### Reporting and Internal Audit Requirements

The Department recommends the Commission "[r]equire MERC's internal audit to apply to both Regulated and Non-Regulated entities to assess whether MERC is overpaying or undercharging either Regulated or Non-Regulated affiliates in transactions when market alternatives are available." MERC agrees and the internal audit process will assess the charges to both regulated and non-regulated affiliates in such transactions.

### Customer Information

Regarding the protection of customer data, the Department recommended an additional provision as follows:

Additionally, each Party agrees to protect the other Parties' information using the same degree of care which it uses to protect its own confidential information, and in no event less than reasonable care. However, any Party with information about customers of MERC shall treat the information according to the requirements of the Minnesota Public Utilities Commission.

MERC agrees that the Commission's data privacy requirements should apply to the WEC Energy AIA. Though the WEC Energy AIA outlines the general course of dealings between the Parties, each individual regulated subsidiary may be subject to additional requirements of their appropriate regulatory authority. Therefore, MERC agrees with the Department that this condition is useful, but we propose the alternative language below to clarify MERC's responsibilities to notify our affiliates of the Commission's data privacy requirements. Additionally, MERC requests that the Commission not require a modification to the WEC Energy AIA and, instead, include the underlined language in the Commission's Order.

Additionally, each Party agrees to protect the other Parties' information using the same degree of care which it uses to protect its own confidential information, and in no event less than reasonable care. If any Regulated or Non-Regulated affiliate is responsible for the treatment of MERC customer data, MERC must inform that affiliate, in writing, that the information about MERC's customers must be treated according to the requirements of the Minnesota Public Utilities Commission, then in effect.

### Order Imposing Conditions

As discussed above, MERC generally accepts the conditions proposed by the Department. MERC requests, however, that the Commission adopt these conditions via order, rather than require MERC to amend the WEC Energy AIA. All modifications recommended by the Department can be handled through a Commission Order imposing conditions on approval directing MERC to take the specified actions. MERC will implement the WEC Energy AIA consistent with those conditions.

Imposing the recommended conditions via order will alleviate the need to seek additional approval of a modified WEC Energy AIA in other jurisdictions. The Public Service Commission of Wisconsin recently approved the WEC Energy AIA, and the Illinois Commerce Commission Staff has filed testimony recommending no changes to the agreement. The adoption of the recommended conditions via Order will alleviate the need for additional regulatory review, yet effectively impose additional requirements upon MERC. Alternatively, MERC requests the Commission approve a MERC-specific addendum to the WEC Energy AIA incorporating the recommended conditions, similar to the Commission's approach followed in Docket No. G-007,011/AI-10-783 (Order, December 5, 2013).

MERC thanks the Department for its review of this matter and appreciates this opportunity to respond to the Department's proposed recommendations. Please contact me at (651) 322-8965 if you have any questions.

Sincerely,

/s/ Amber S. Lee

Amber S. Lee  
Regulatory and Legislative Affairs Manager  
Minnesota Energy Resources Corporation

cc: Service List

In the Matter of the Petition for Approval of  
the Affiliated Interest Agreement with WEC  
Energy Group, Inc. and Minnesota Energy  
Resources Corporation

Docket No. G011/AI-16-284

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 12th of September, 2016, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Reply Comments on [www.edockets.state.mn.us](http://www.edockets.state.mn.us). Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

Dated this 12th day of September, 2016.

/s/ Kristin M. Stastny  
Kristin M. Stastny

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_16-284_AI-16-284
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_16-284_AI-16-284
Mary	Klyasheff	MPKlyasheff@integrysgroup.com	WEC Eenergy Group, Inc.	200 East Randolph St  Chicago, IL 60601	Electronic Service	No	OFF_SL_16-284_AI-16-284
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-284_AI-16-284
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W  Rosemount, MN 55068	Electronic Service	No	OFF_SL_16-284_AI-16-284
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_16-284_AI-16-284
Kodi	Verhalen	kverhalen@briggs.com	Briggs & Morgan	2200 IDS Center 80 South Eighth Street Minneapolis, Minnesota 55402	Electronic Service	No	OFF_SL_16-284_AI-16-284
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_16-284_AI-16-284