

June 2, 2017

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Response Comments of the Minnesota Department of Commerce, Division of Energy Resources to Lake Region Energy Services' Reply Comments in the Matter of a Petition for Exemption for Small Gas Utility Franchise
Docket No. G6977/M-17-186

Dear Mr. Wolf:

In its April 24, 2017 Comments in the above-referenced matter, the Minnesota Department of Commerce, Division of Energy Resources (Department or the DOC) requested that Lake Region Energy Services, (LRES or the Company) provide additional information in its Reply Comments. The Department indicated that it would defer making a final recommendation regarding the Petition until it had an opportunity to review the Company's Reply Comments.

While the information in the Petition was adequate for the Department to determine that the Company had complied with the majority of regulatory requirements associated with a filing of this nature, the Department asked LRES to address the following concerns in its Reply Comments:

- An assurance from LRES that it will file Annual Cold Weather Rule reports with the Commission as required under Minn. Stat. §216B.096, subd. 11;
- An assurance from the Company that annual tariff updates with municipally approved rates will be submitted to the Commission, consistent with Minn. Stat. §216B.16, subd. 12 (c) ;
- An assurance from LRES that any subsequent changes in rates, tariffs and contracts for service outside the Municipalities will be filed at least 30 days in advance of implementation;
- An assurance from the Company that it will notify the Commission if its customer base expands beyond the 5,000 customer threshold;
- Inconsistencies in its proposed tariff, and
- An explanation as to why the agricultural heating and drying service rate schedule is needed and is separate and distinct from the interruptible sales service rate schedule.

LRES submitted its Reply Comments on May 15, 2017. The Department has reviewed the Company's Reply Comments and addresses the points of response below.

A. VARIOUS ASSURANCES RELATED TO STATUTORY REQUIREMENTS

LRES provided the various requested assurances in its Reply Comments. The Department concludes the Company has fulfilled these requests.

B. INCONSISTENCIES IN LRES' PROPOSED TARIFF

The Company provided an updated tariff which addressed all of the Department's concerns. The Department concludes the Company has fulfilled this request.

C. EXPLANATION OF THE DIFFERENCE BETWEEN THE AGRICULTURAL HEATING AND DRYING AND THE INTERRUPTIBLE SALES RATE SCHEDULES

LRES provided additional detail related to this issue in its Reply Comments. The different rate schedules serve slightly different customer groups. The interruptible sales rate schedule requires that a customer receiving service under that schedule have an alternative fuel backup if natural gas service is interrupted. This requirement is not included in the agricultural heating and drying rate schedule.

The Department concludes that the Company has responded to all of the concerns the DOC identified in its Comments.

On May 22, 2017 LRES filed corrections to its responses to Department Information Requests Nos. 8 through 10. The Company explained that upon further review, it had identified several errors in its responses related to the classification of customers to different customer classes and the status of those customers relative to their location within or outside of the municipalities of Deer Creek and Parkers Prairie (the Municipalities).

Specifically, the number of customers, annual throughput and Design Day estimates for the Incidental category (customers located outside of the Municipalities) increased. Revised Table 2 provides a summary of this updated information.

Revised Table 2 – Comparison of Forecasted Load and Customer Numbers Located Within and Outside the Municipalities (in Percentage) 2018-2020

Location	Customers	Design Day Demand (Dkt/day)	Percentage of Annual Throughput (Annual Dkt)
Within Municipal Boundaries	93.0%	75.1%	63.8%
Outside of Municipal Boundaries (Incidental)	7.0%	24.9%	36.2%
Total	100.0%	100.0%	100.0%

While these corrected estimates result in more customers and load being classified as incidental when compared to LRES's original responses, the Department continues to conclude that LRES's service to the Municipalities meets the statutory criteria for an exemption. In support of this position, the Department notes that the Commission approved an exemption for United Natural Gas LLC in Docket No. G6960/M-16-214 in which UNG had similar levels of customers and load classified as incidental.

The DOC recommends **approval** of LRES's request for exemption for small gas utility franchise. The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ JOHN KUNDERT
Financial Analyst

JK/lt
Attachment

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Response Comments**

Docket No. G6977/M-17-186

Dated this 2nd day of June 2017

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_17-186_M-17-186
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Tim	Thompson	tthompson@lrec.coop	Lake Region Electric Cooperative	PO Box 643 1401 South Broadway Pelican Rapids, MN 56572	Electronic Service	No	OFF_SL_17-186_M-17-186
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