

**STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION**

Katie Sieben	Chair
Dan Lipschultz	Vice Chair
Valerie Means	Commissioner
Matt Schuerger	Commissioner
John Tuma	Commissioner

In the Matter of the Petition of Minnesota
Energy Resources Corporation for its Annual
Review of Depreciation Rates for 2019

DOCKET NO. G-011/D-19-377

**COMMENTS OF THE OFFICE OF
THE ATTORNEY GENERAL**

INTRODUCTION

The Office of the Attorney General—Residential Utilities and Antitrust Division (“OAG”) respectfully submits the following Comments in response to Minnesota Energy Resources Corporation’s (“MERC” or the “Company”) depreciation petition (“Petition”) filed on May 31, 2019. The Petition updates the depreciation parameters previously approved by the Minnesota Public Utilities Commission (“Commission”) in 2018¹ and would increase the annual depreciation accrual by \$310,583.² These Comments address two concerns. First, the Company’s proposal to use the 75-R2.5 interim survivor curve for the major grouping in FERC Account 390 - Structures and Improvements³ is not supported by the analysis provided by the Company and could result in an under-collection of depreciation reserve from ratepayers while the assets are in-service. Second, the Company’s proposed one-percent rule to determine when buildings will be depreciated individually in the major grouping, as opposed to being included in group depreciation in the minor grouping, is the wrong criteria to use, as this determination

¹ *In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of its 2017 Five-Year Review of Depreciation Certification*, Docket G-011/D-17-442, ORDER (May 4, 2018).

² Petition at Attachment 1.

³ Petition at Attachment 3.

should be based on an asset's individual characteristics and not solely on its cost in relation to other assets.⁴

BACKGROUND

In MERC's last rate case, both the OAG and the Department argued that MERC's group accounting was inappropriate for large assets (such as office buildings). Both parties were concerned that the old Rosemount building had been taken out of service, but had not been fully depreciated. The Company proposed to take the old Rosemount building out of service (thereby removing it from the rate base) by making an adjustment to the test year for an *equal* amount of plant and depreciation reserve, rather than making an adjustment for the full plant amount and only the amount of depreciation reserve that had been collected from ratepayers while the plant was used and useful. The effect of that test year adjustment, and associated accounting journal entry, was that depreciation reserve from other assets in the group that are still in-service was used to cover the depreciation reserves that were not yet recovered from ratepayers because the building was taken out of service before it was fully depreciated. In an attempt to remedy this concern, the OAG and the Department both recommended that the Commission order a reduction to the Company's rate base. While the Commission did not order such an adjustment, it did order the Company "propose accounting practices and adjustments that would separately depreciate [large assets], or to explain why no change from its current accounting practice is warranted or appropriate."⁵

The Company's proposal in this depreciation proceeding is specific to office buildings within FERC Account 390 – Structures and Improvements and did not address how the proposal

⁴ *Id.*

⁵ *In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Utility Service in Minnesota*, Docket No. G-011/GR-17-563, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 19-20 (December 26, 2018).

could be applied to other large assets. The Company now proposes to separate its new Rosemount headquarters building and its Rochester Service Center from group depreciation in FERC Account 390 – Structures and Improvements, and to depreciate these two assets individually. This methodology will allow the Company to more accurately calculate the depreciation rate for each building, and to collect sufficient depreciation reserves from ratepayers while the buildings are used and useful, rather than relying on the use of depreciation reserves from assets within the group to recover depreciation reserve shortfalls for assets that are no longer used and useful.

Since the Company only addresses assets in FERC Account 390 – Structures and Improvements, the Commission should require the Company to look at other existing large transmission or distribution assets, as well as any future large or unique assets to see if this separate depreciation methodology would apply.-

ANALYSIS

I. THE COMPANY SHOULD USE AN INTERIM SURVIVOR CURVE THAT YIELDS A SHORTER REMAINING LIFE FOR ASSETS IN THE MAJOR GROUPING.

While the Company appropriately proposes to depreciate the Rochester and Rosemount Service Centers individually, it has selected the wrong interim survivor curve to determine the depreciation rate for each of the two buildings.

Survivor curves, otherwise known as Iowa Type Curves, illustrate the average service life of an asset, which is the estimated number of years an asset is expected to provide service. The curve line represents the retirement dispersion or the scattering of retirements by age of each of the individual building components. The survivor curve is used to calculate “the average life of

the group, the remaining life expectancy, the probable life, and the frequency curve.”⁶ The Company has selected the 75-R2.5 survivor curve for the major grouping of FERC Account 390 – Structures and Improvements and stated that it is using “informed judgement” as the supporting factor for this selection.⁷

This proposal is unreasonable because the Company’s analysis does not support a survivor curve that is different from the survivor curve used in the last depreciation filing for the major grouping of FERC Account 390 – Structures and Improvements. That survivor curve was selected based on a historical analysis of the amount of plant retirements for each age interval in a given time period.⁸ The Company’s historical analysis for the major grouping for FERC Account 390 is the same as it has provided in this proceeding.⁹ Although the Company uses the same data points, it has proposed two different survivor curves that impact the remaining life calculation differently in each case. The Company used the survivor curve 55-R3 in its last depreciation proceeding.¹⁰ It is now requesting to use the survivor curve 75-R2.5 in the instant proceeding. The effect of this is that the remaining life and associated depreciation rate will now be based on a survivor curve that predicts less of the individual building components will be retired at the end of the building’s 55-year life span. This slows down the recovery of the building from ratepayers during the life of the building, and decreases depreciation expense in the instant proceeding.¹¹

⁶ *In the Matter of the Application of Minnesota Energy Resources Request for Certification of Depreciation Rates*, Docket No. G-007/D-12-533, PETITION at Exhibit 3, page II-3 (May 31, 2012).

⁷ MERC Response to DOC Information Request 4 (attached as Exhibit A).

⁸ *In the Matter of the Application of Minnesota Energy Resources Corporation for Approval of its 2017 Five-Year Review of Depreciation Certification*, Docket No. G-011/D-17-442, PETITION at Exhibit 1 (May 31, 2017).

⁹ Exhibit B.

¹⁰ *In the Matter of the Application of Minnesota Energy Resources Corporation for Approval of its 2017 Five-Year Review of Depreciation Certification*, Docket No. G-011/D-17-442, PETITION at Exhibit 1 (May 31, 2017).

¹¹ Petition at Attachment 1, Statement 2A.

The Company's proposal has the potential to harm ratepayers because it creates a discrepancy between the theoretical reserve and the actual reserve collected from ratepayers. This difference is called the theoretical reserve imbalance and is a benchmark on how the current depreciation parameters (service life and net salvage estimates, which were approved at the last depreciation certification) compare to the actual reserves collected from ratepayers. This imbalance suggests that previous depreciation parameters were inaccurate, and that the depreciation expense collected from ratepayers in the past has been too low. While this imbalance exists temporarily at the specific point in time that it is calculated, there was also a theoretical reserve imbalance in the previous 2017 depreciation proceeding. The long term effect of not collecting sufficient reserves from ratepayers while an asset (in this case a building) is used and useful is that it can lead to stranded costs when the building is taken out of service (whether that occurs at the end of its useful life or earlier). The outcome would likely be the same as in the Company's last rate case. In that proceeding, the old Rosemount headquarters building required reserves from other assets that are still in-service to be transferred out in order to cover reserve shortfalls. This causes intergenerational inequities and results in ratepayers paying for an asset that is no longer used and useful.

The Company's proposal to use survivor curve 75-R2.5 is not appropriate because the current survivor curve of 55-R3 follows a shorter remaining life, and therefore exacerbates the existing theoretical reserve imbalances. The Company should use a shorter remaining life for the major grouping in FERC Account 390 – Structures and Improvements, such as the curve used for the minor grouping of 45-R2. This would be reasonable because the selection of the survivor curves and resulting depreciation rates do not need to (and should not be) based strictly on statistical modeling. The selection process should take into consideration recent Company behavior, industry practices, and informed judgment.

In addition the theoretical reserve imbalance in the major grouping of FERC Account 390 – Structures and Improvements, there are theoretical reserve imbalances in the minor grouping of the same FERC account.¹² As with the major grouping, this imbalance is the result of the survivor curves that were previously selected and used lower depreciation rates than they should have. Since the Company previously used a group depreciation rate for all assets in FERC Account 390 – Structures and Improvements, this composite depreciation rate is one of the factors that caused this imbalance. This is because a composite depreciation rate calculated using the depreciation rates from each of the different curves for both the minor and major groupings has led to a weighted average depreciation rate that is lower than it would be if the groupings were depreciated separately.

Alternatively, if the Commission does not require the Company to use the shorter remaining life from the 45-R2 survivor curve, it should, require the Company to use the same survivor curve of 55-R3 that was approved for the major grouping in its most recent depreciation filing.

II. THE COMPANY SHOULD NOT USE AN ARBITRARY ONE-PERCENT THRESHOLD WHEN DETERMINING WHETHER TO USE INDIVIDUAL OR GROUP ACCOUNTING.

The Company's proposal to use a one-percent threshold calculation for assets in FERC Account 390 – Structures and Improvements in order to decide if a building should be depreciated individually or under group depreciation is unreasonable. This is because the Company's proposed screening methodology to determine whether an asset should be depreciated individually or under group depreciation should not be based solely on the monetary relation to other existing assets, but rather should consider the asset itself, its value, and its characteristics.

¹² Exhibit C.

As proposed, the Company will continue to depreciate the Albert Lea and Cloquet Service Centers under group depreciation. As noted earlier, a theoretical reserve imbalance in the minor grouping suggests that the collection of depreciation reserve from ratepayers has been lower than it should have been in the past. This is a detriment to ratepayers in the long run for the same reasons discussed earlier. Since these two buildings are older in age, and likely closer to being replaced than the Rochester or Rosemount Service Centers, these buildings should be depreciated individually so that any shortfall identified in this time period can be recovered from ratepayers while the buildings are still used and useful.

At a minimum, the Company's threshold of one-percent of the total depreciable net plant value should not be dispositive as to whether or not an asset is depreciated individually. This one-percent threshold should not preclude any regulatory agency or other stakeholder from reviewing or making any determination that a building asset should be depreciated individually. The Company has stated in its filing that asset characteristics vary and that these characteristics influence the selection of a survivor curve and the resulting depreciation rate. Thus, a fixed threshold should not be used to determine whether a building is depreciated individually or not.

The Commission should reject the Company's proposed one-percent limit for depreciating buildings individually, and require the Company to identify new buildings put into service that exceed a book value of \$1,000,000 in its future depreciation filings, so that a review and determination of the depreciation method can be made. This would include existing assets with a book value under \$1,000,000, but that incur new capital improvement costs that increase the asset's book value to over \$1,000,000.

SUMMARY

Based on the foregoing analysis and recommendations, the Commission should take the following actions:

1. Require the Company to look at other existing large transmission or distribution assets, as well as any future large or unique assets to determine if the separate depreciation methodology would apply.
2. Require the Company to use a shorter remaining life for the major grouping in FERC Account 390 – Structures and Improvements, such as the curve used for the minor grouping of 45-R2.
3. Reject the Company’s proposed rule for depreciating buildings individually, and require the Company to identify new or existing buildings that exceed a total book value of \$1,000,000 in its future depreciation filings.

Dated: August 9, 2019

Respectfully submitted,

KEITH ELLISON
Attorney General
State of Minnesota

s/ **Shoua Lee**
SHOUA LEE
Financial Analyst

s/ **Joseph C. Meyer**
JOSEPH C. MEYER
Assistant Attorney General
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OFFICE OF THE ATTORNEY GENERAL—
RESIDENTIAL UTILITIES AND ANTITRUST
DIVISION

**Minnesota Department of Commerce
Division of Energy Resources
Information Request**

Docket Number: G011/D-19-377 Nonpublic Public
Requested From: Minnesota Energy Resources Corp. Date of Request: June 17, 2019
Type of Inquiry: Financial Response Due: June 27, 2019

Requested by: Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

Request Number: 4

Topic: Account 390 Major Grouping Interim Retirement Curve
Reference(s): Petition, Attachment 3, page 7

Request:

- a. The Company's Petition states that proposed interim survivor curve of 75-R2.5 was "determined through historical analysis and informed judgement." Please provide all historical analysis used to support the selection of this curve.
- b. Does the selection of the 75-R2.5 survivor curve imply that the components of these buildings are expected to have an average service life of 75 years, and are therefore expected to outlive, on average, the building itself (which is assumed to have a 55-year life)? If so, please explain why this is not contradictory.

Response:

- a. The historical analysis referenced in that statement was represented in the Depreciation Study presented in Docket No. G-011/D-17-442. In the case of the major grouping, there were no recorded retirements in the first eight years of activity for the Rochester Service Center and the Rosemount Service Center had not been placed in service. The major grouping in this Docket is now introducing the use of a life span coupled with an interim survivor curve. Based on the above, a 75-R2.5 interim survivor curve was selected to depict estimated future retirement activity with a planned end of life. The primary factor for the 75-R2.5 interim survivor curve is informed judgment. The informed judgment includes understanding the type facility, plans for

To be completed by responder

Response Date: June 27, 2019
Response by: John Spanos – Gannett Fleming Valuation and Rate Consultants, LLC (contact information via MERC – Tina Wuyts)
Email Address: tina.wuyts@wecenergygroup.com
Phone Number: 920-433-4951

Exhibit A-1

**Minnesota Department of Commerce
Division of Energy Resources
Information Request**

Docket Number: G011/D-19-377 Nonpublic Public
Requested From: Minnesota Energy Resources Corp. Date of Request: June 17, 2019
Type of Inquiry: Financial Response Due: June 27, 2019

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Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

outlook of the facilities and estimates of others in the industry for similar structures. As noted in Attachment 3 of MERC's 2019 Annual Review of Depreciation Rates, the 75-R2.5 represents an interim survivor curve used in conjunction with a 55 year life span. This is shown in the attached file.

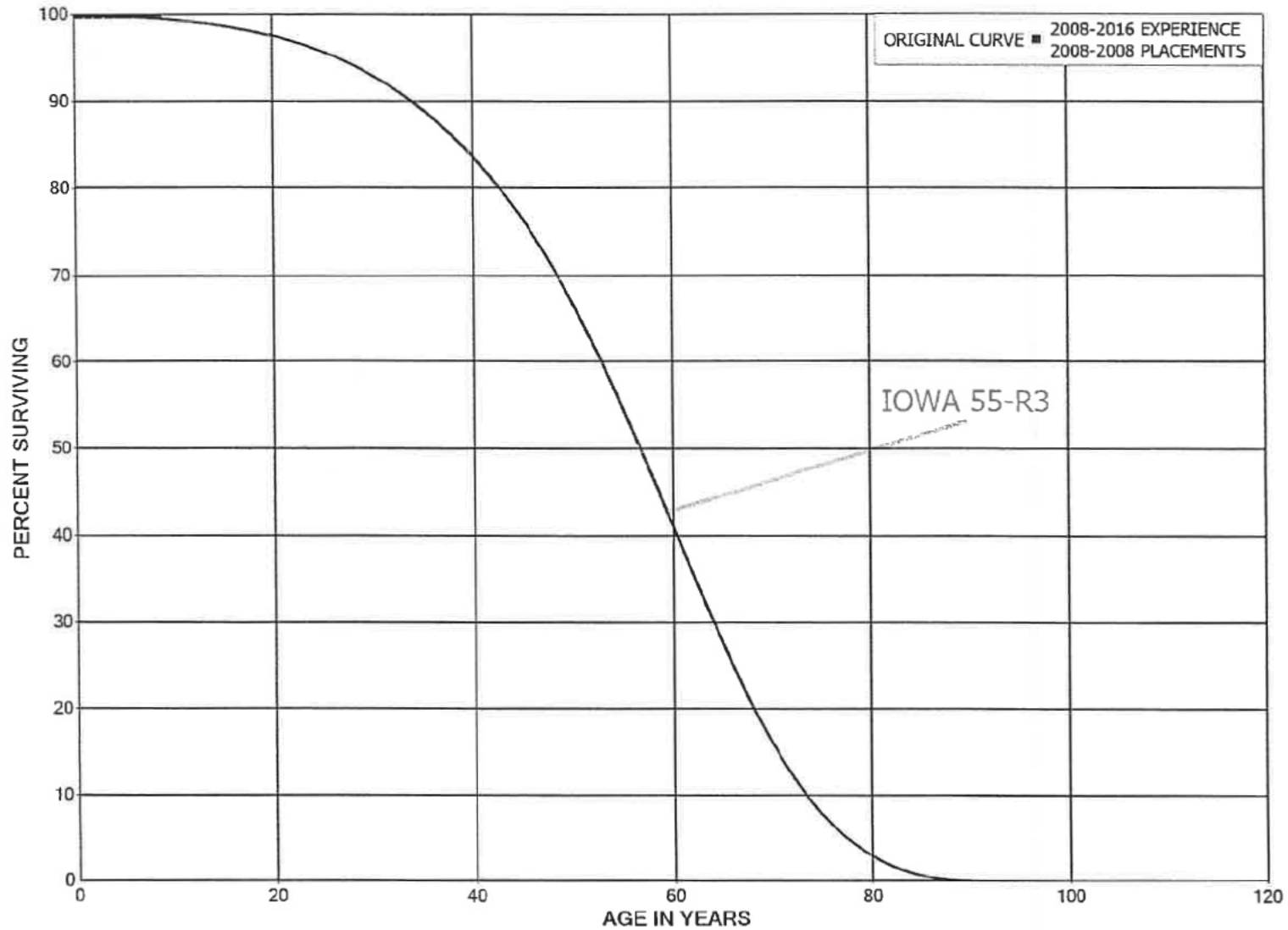
- b. The life characteristic of a large service center has two components. One is the physical life of the components of the building while in service from year to year. The other component is the end of life when the structure is economically in need of replacement due to functionality, condition, etc. The 75-R2.5 survivor curve represents the physical life characteristics for the 55 years until the rehabilitation or closure of the building is expected. Therefore, the 75-R2.5 survivor curve does not imply that the components of the building will outlive the building itself. The two life components are not directly related.

To be completed by responder

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Phone Number: 920-433-4951

Exhibit A-2

MINNESOTA ENERGY RESOURCES CORPORATION
ACCOUNT 390.00 STRUCTURES AND IMPROVEMENTS - MAJOR
ORIGINAL AND SMOOTH SURVIVOR CURVES



MINNESOTA ENERGY RESOURCES CORPORATION
ACCOUNT 390.00 STRUCTURES AND IMPROVEMENTS - MAJOR
ORIGINAL LIFE TABLE

PLACEMENT BAND 2008-2008			EXPERIENCE BAND 2008-2016		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	3,224,389		0.0000	1.0000	100.00
0.5	3,224,389		0.0000	1.0000	100.00
1.5	3,224,389		0.0000	1.0000	100.00
2.5	3,224,389		0.0000	1.0000	100.00
3.5	3,224,389		0.0000	1.0000	100.00
4.5	3,224,389		0.0000	1.0000	100.00
5.5	3,224,389		0.0000	1.0000	100.00
6.5	3,224,389		0.0000	1.0000	100.00
7.5	3,224,389		0.0000	1.0000	100.00
8.5					100.00

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Email Address: tina.wuyts@wecenergygroup.com
Phone Number: 920-433-4951

Exhibit B-3

**Minnesota Department of Commerce
Division of Energy Resources
Information Request**

Docket Number: G011/D-19-377 Nonpublic Public
Requested From: Minnesota Energy Resources Corp. Date of Request: June 17, 2019
Type of Inquiry: Financial Response Due: June 27, 2019

Requested by: Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

outlook of the facilities and estimates of others in the industry for similar structures. As noted in Attachment 3 of MERC's 2019 Annual Review of Depreciation Rates, the 75-R2.5 represents an interim survivor curve used in conjunction with a 55 year life span. This is shown in the attached file.

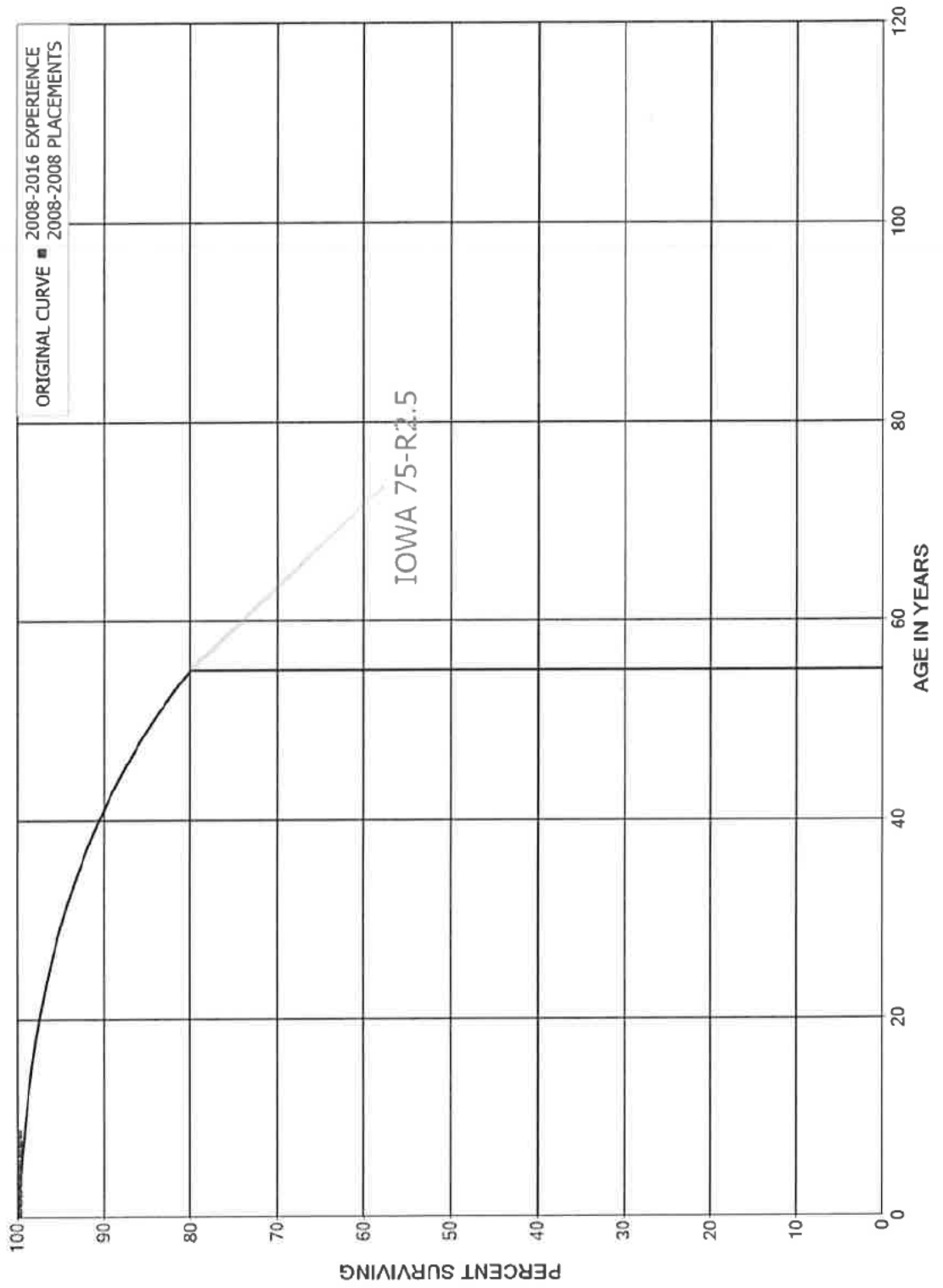
- b. The life characteristic of a large service center has two components. One is the physical life of the components of the building while in service from year to year. The other component is the end of life when the structure is economically in need of replacement due to functionality, condition, etc. The 75-R2.5 survivor curve represents the physical life characteristics for the 55 years until the rehabilitation or closure of the building is expected. Therefore, the 75-R2.5 survivor curve does not imply that the components of the building will outlive the building itself. The two life components are not directly related.

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Exhibit B-4

MINNESOTA ENERGY RESOURCES CORPORATION
 ACCOUNT 390.00 STRUCTURES AND IMPROVEMENTS - MAJOR
 ORIGINAL AND SMOOTH SURVIVOR CURVES



MINNESOTA ENERGY RESOURCES CORPORATION

ACCOUNT 390.00 STRUCTURES AND IMPROVEMENTS - MAJOR

ORIGINAL LIFE TABLE

PLACEMENT BAND 2008-2008			EXPERIENCE BAND 2008-2016		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	3,224,389		0.0000	1.0000	100.00
0.5	3,224,389		0.0000	1.0000	100.00
1.5	3,224,389		0.0000	1.0000	100.00
2.5	3,224,389		0.0000	1.0000	100.00
3.5	3,224,389		0.0000	1.0000	100.00
4.5	3,224,389		0.0000	1.0000	100.00
5.5	3,224,389		0.0000	1.0000	100.00
6.5	3,224,389		0.0000	1.0000	100.00
7.5	3,224,389		0.0000	1.0000	100.00
8.5					

MINNESOTA ENERGY RESOURCES CORPORATION

ACCOUNT 390.00 STRUCTURES AND IMPROVEMENTS - MINOR

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2016

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R2						
NET SALVAGE PERCENT.. -10						
1965	25,877.53	22,374	21,749	6,716	9.63	697
1966	2,517.60	2,152	2,092	677	10.03	67
1968	35,294.41	29,454	28,631	10,193	10.86	939
1971	3,776.19	3,027	2,942	1,212	12.21	99
1974	20,757.30	15,892	15,448	7,385	13.68	540
1977	1,325.06	963	936	522	15.26	34
1979	11,807.00	8,257	8,026	4,962	16.39	303
1980	354,371.22	242,808	236,025	153,783	16.97	9,062
1981	94,825.39	63,605	61,828	42,480	17.56	2,419
1982	592,631.10	388,816	377,954	273,940	18.16	15,085
1983	26,610.71	17,056	16,580	12,692	18.78	676
1985	1,224.30	747	726	621	20.05	31
1986	1,050.71	624	607	549	20.70	27
1987	421,634.79	243,545	236,741	227,057	21.37	10,625
1988	355,087.17	199,290	193,723	196,873	22.04	8,933
1989	194,912.39	106,106	103,142	111,262	22.73	4,895
1990	402,268.77	212,203	206,275	236,221	23.42	10,086
1991	165,776.86	84,572	82,209	100,146	24.13	4,150
1992	1,671,165.00	823,550	800,543	1,037,738	24.84	41,777
1993	111,673.50	53,040	51,558	71,283	25.57	2,788
1994	76,667.92	35,046	34,067	50,268	26.30	1,911
1995	1,350.36	593	576	909	27.05	34
1996	139,736.38	58,751	57,110	96,600	27.80	3,475
1997	59,734.00	23,990	23,320	42,387	28.57	1,484
1998	85,325.68	32,663	31,751	62,107	29.34	2,117
1999	38,063.84	13,845	13,458	28,412	30.12	943
2002	8,294.34	2,532	2,461	6,663	32.51	205
2003	11,076.54	3,163	3,075	9,109	33.32	273
2004	2,917.60	774	752	2,457	34.15	72
2005	273,660.16	67,029	65,157	235,869	34.98	6,743
2006	199,414.83	44,797	43,546	175,810	35.81	4,910
2007	296,294.84	60,404	58,716	267,208	36.66	7,289
2008	48,208.71	8,826	8,579	44,451	37.51	1,185
2009	358,437.05	58,180	56,555	337,726	38.36	8,804
2010	347,358.52	48,992	47,623	334,471	39.23	8,526
2011	335,234.12	40,154	39,032	329,726	40.10	8,223
2012	487,157.13	47,870	46,533	489,340	40.98	11,941
2013	802,129.09	61,570	59,850	822,492	41.86	19,649

MINNESOTA ENERGY RESOURCES CORPORATION

ACCOUNT 390.00 STRUCTURES AND IMPROVEMENTS - MINOR

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2016

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R2						
NET SALVAGE PERCENT.. -10						
2014	284,242.97	15,633	15,196	297,471	42.75	6,958
2015	450,943.38	14,881	14,466	481,572	43.65	11,033
2016	523,780.36	5,762	5,601	570,557	44.55	12,807
	9,324,614.82	3,163,536	3,075,159	7,181,917		231,815
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 31.0						2.49

MINNESOTA ENERGY RESOURCES CORPORATION

ACCOUNT 390.01 STRUCTURES AND IMPROVEMENTS - MINOR

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2018

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R2						
NET SALVAGE PERCENT.. -10						
1965	25,877.53	22,854	15,545	12,920	8.87	1,457
1968	35,294.41	30,170	20,521	18,303	10.03	1,825
1974	20,757.30	16,394	11,151	11,682	12.69	921
1977	1,325.06	998	679	779	14.19	55
1979	18,100.79	13,159	8,950	10,961	15.26	718
1980	354,371.22	252,767	171,926	217,882	15.82	13,773
1981	94,825.39	66,317	45,107	59,201	16.39	3,612
1982	592,631.10	406,058	276,192	375,702	16.97	22,139
1983	26,610.71	17,849	12,140	17,132	17.56	976
1985	1,224.30	785	534	813	18.78	43
1986	1,050.71	657	447	709	19.41	37
1987	163,770.40	99,881	67,937	112,210	20.05	5,597
1988	190,005.57	112,863	76,767	132,239	20.70	6,388
1989	187,981.87	108,582	73,855	132,925	21.37	6,220
1990	116,035.14	65,124	44,296	83,343	22.04	3,781
1991	163,400.15	88,952	60,503	119,237	22.73	5,246
1992	1,671,165.00	881,566	599,622	1,238,660	23.42	52,889
1993	111,673.50	56,971	38,750	84,091	24.13	3,485
1994	68,701.57	33,856	23,028	52,544	24.84	2,115
1995	1,350.36	641	436	1,049	25.57	41
1997	40,942.63	17,965	12,219	32,818	27.05	1,213
1998	21,975.58	9,239	6,284	17,889	27.80	643
2002	8,294.34	2,857	1,943	7,181	30.91	232
2003	3,241.68	1,053	716	2,850	31.71	90
2004	2,917.60	891	606	2,603	32.51	80
2005	188,695.83	53,876	36,645	170,920	33.32	5,130
2006	154,651.23	41,017	27,899	142,217	34.15	4,164
2007	299,382.04	73,330	49,878	279,442	34.98	7,989
2008	21,295.89	4,784	3,254	20,171	35.81	563
2009	249,655.92	50,896	34,619	240,003	36.66	6,547
2010	95,716.13	17,524	11,919	93,369	37.51	2,489
2011	227,750.32	36,968	25,145	225,380	38.36	5,875
2012	581,991.45	82,085	55,833	584,358	39.23	14,896
2013	660,601.22	79,126	53,820	672,841	40.10	16,779
2014	330,428.31	32,469	22,085	341,386	40.98	8,331
2015	359,680.46	27,608	18,778	376,871	41.86	9,003
2016	519,310.19	28,562	19,427	551,814	42.75	12,908
2017	1,469,983.16	48,509	32,995	1,583,986	43.65	36,288
2018	279,435.47	3,074	2,091	305,288	44.55	6,853
	9,362,101.53	2,888,277	1,964,542	8,333,770		271,391

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 30.7 2.90

MINNESOTA ENERGY RESOURCES CORPORATION

ACCOUNT 390.00 STRUCTURES AND IMPROVEMENTS - MAJOR

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2016

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 55-R3						
NET SALVAGE PERCENT.. -10						
2008	3,224,389.42	533,975	463,237	3,083,591	46.72	66,002
	3,224,389.42	533,975	463,237	3,083,591		66,002
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						46.7 2.05

MINNESOTA ENERGY RESOURCES CORPORATION

ACCOUNT 390.00 STRUCTURES AND IMPROVEMENTS - MAJOR

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2018

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
ROCHESTER SERVICE CENTER						
INTERIM SURVIVOR CURVE.. IOWA 75-R2.5						
PROBABLE RETIREMENT YEAR.. 6-2063						
NET SALVAGE PERCENT.. -10						
2008	3,193,360.22	683,325	464,782	3,047,914	41.53	73,391
2012	14,421.85	2,053	1,396	14,468	42.04	344
2014	33,734.52	3,448	2,345	34,763	42.27	822
	3,241,516.59	688,826	468,524	3,097,144		74,557
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 41.5						2.30

MINNESOTA ENERGY RESOURCES CORPORATION

ACCOUNT 390.00 STRUCTURES AND IMPROVEMENTS - MAJOR

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2018

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
ROSEMOUNT SERVICE CENTER						
INTERIM SURVIVOR CURVE.. IOWA 75-R2.5						
PROBABLE RETIREMENT YEAR.. 6-2072						
NET SALVAGE PERCENT.. -10						
2017	6,949,317.28	213,504	145,221	7,499,028	50.12	149,621
	6,949,317.28	213,504	145,221	7,499,028		149,621
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						50.1 2.15



KEITH ELLISON
ATTORNEY GENERAL

STATE OF MINNESOTA

OFFICE OF THE ATTORNEY GENERAL

SUITE 1400
445 MINNESOTA STREET
ST. PAUL, MN 55101-2131
TELEPHONE: (651) 296-7575

August 9, 2019

Mr. Daniel Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

Re: *In the Matter of the Minnesota Energy Resources Corporation Annual Review of Depreciation Rates for 2019*
Docket No. G011/D-19-377

Dear Mr. Wolf:

Enclosed and e-filed in the above-referenced matter please find Comments of the Office of the Attorney General—Residential Utilities and Antitrust Division.

By copy of this letter all parties have been served. An affidavit of service is enclosed.

Sincerely,

s/ **Joseph C. Meyer**

JOSEPH C. MEYER

Assistant Attorney General

(651) 757-1433 (Voice)

(651) 296-9663 (Fax)

joseph.meyer@ag.state.mn.us

Enclosures

cc: Service List

AFFIDAVIT OF SERVICE

Re: *In the Matter of the Minnesota Energy Resources Corporation Annual Review of Depreciation Rates for 2019*
Docket No. G011/D-19-377

STATE OF MINNESOTA)
) ss.
COUNTY OF RAMSEY)

I, DEANNA DONNELLY, hereby state that on the 9th day of August, 2019, I efiled with eDockets *Comments* of the Office of the Attorney General–Residential Utilities and Antitrust Division, and served the same upon all parties listed on the attached services list via electronic submission and/or United States Mail with postage prepaid, and deposited the same in a U.S. Post Office mail receptacle in the City of St. Paul, Minnesota.

See Attached Service List

s/ Deanna Donnelly
DEANNA DONNELLY

Subscribed and sworn to before me
this 9th day of August, 2019.

s/ Patricia Jotblad
Notary Public
My Commission expires: January 31, 2020.

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_19-377_D-19-377
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-377_D-19-377
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_19-377_D-19-377
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St Chicago, IL 60661	Electronic Service	No	OFF_SL_19-377_D-19-377
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-377_D-19-377
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-377_D-19-377
Catherine	Phillips	catherine.phillips@we-energies.com	We Energies	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_19-377_D-19-377
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-377_D-19-377
Elizabeth	Schmiesing	eschmiesing@winthrop.com	Winthrop & Weinstine, P.A.	225 South Sixth Street Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-377_D-19-377
Colleen	Sipiorski	Colleen.Sipiorski@wecenergygroup.com	Minnesota Energy Resources Corporation	700 North Adams St Green Bay, WI 54307	Electronic Service	No	OFF_SL_19-377_D-19-377

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kristin	Stastny	kstastny@briggs.com	Briggs and Morgan, P.A.	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-377_D-19-377
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_19-377_D-19-377
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7 h Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_19-377_D-19-377
Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_19-377_D-19-377
Tina E	Wuyts	ina.wuyts@wecenergygroup.com	Minnesota Energy Resources Corporation	PO Box 19001 700 N Adams St Green Bay, WI 54307-9001	Electronic Service	No	OFF_SL_19-377_D-19-377