

October 29, 2018

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

RE: **Revised Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E002, E257/SA-18-598

Dear Mr. Wolf:

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

The Joint Request of Northern States Power Company, d/b/a Xcel Energy, and Kasson Public Utilities (the City) for approval of a Compensation and Orderly Transfer Agreement and Bill of Sale between the two parties.

The petition was filed September 19, 2018 by:

Lisa Peterson
Manager, Regulatory Analysis
Xcel Energy
414 Nicollet Mall, 401 – 7th Floor
Minneapolis, MN 55401

and

Theresa Coleman
City Administrator
Kasson Public Utilities
401 5th Street SE
Kasson, MN 55944

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These *Revised Comments* acknowledge that an AFFIDAVIT OF SERVICE was filed indicating that a Customer Notice was provided to all affected customers.

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve both the termination of a service-by-exception arrangement and the permanent adjustment of service territory between Xcel Energy and Kasson Public Utilities**, and is available to answer any questions the Commission may have.

Sincerely,

/s/ DALE V. LUSTI
Financial Analyst

DVL/jl
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E002, E257/SA-18-598

I. BACKGROUND

Northern States Power Company d/b/a Xcel Energy, is a public utility duly organized and existing under the laws of the State of Minnesota. Kasson Public Utilities (Kasson, or the City), is an electric municipal utility organized and existing under the laws of the State of Minnesota. Individually each is referred to as a Party and or collectively as the Parties.

On April 24, 2013, the City and Xcel Energy entered into an Exception Agreement (the 2013 Agreement) that provided Xcel Energy the limited right to provide electric service by exception to (14) residential/commercial locations within the Kasson's assigned service area.

On October 19, 2018, the Minnesota Department of Commerce, Division of Energy Resources (Department) submitted Comments in this proceeding recommending approval.

On October 23, 2018, the City of Kasson filed an AFFIDAVIT OF SERVICE stating that on September 20, 2018 it had mailed Proposed Hearing Notices to its customers affected by either the termination of the "service-by-exception agreement" or the "permanent transfer of service territory".

II. SUMMARY OF PROPOSAL

On September 19, 2018, Xcel Energy and the City jointly filed a petition under Minnesota Statutes Sections 216B.39, asking the Minnesota Public Utilities Commission (Commission) to approve both the termination of the service-by-exception arrangement, and the transfer of a portion of adjacent Xcel Energy service territory that is owned by one of the Exception Customers to Kasson.

III. DEPARTMENT ANALYSIS OF THE EXCEPTION AGREEMENT TERMINATION

A. TERMINATION OF THE EXCEPTION AGREEMENT

The 2013 Agreement identified the following three items that must be addressed if and when Kasson decides to terminate the 2013 Agreement:

- 1) Notice of Intent by Kasson ;
- 2) Compensation for Facilities; and
- 3) Compensation for Lost Revenue.

First, as contemplated in the 2013 Agreement, on May 26, 2017, Kasson provided Xcel Energy with the required ninety (90) days written notice of its intent to permanently provide electric service to those customers in its assigned service area, who previously received electric service by Xcel Energy pursuant to the 2013 Agreement.

B. CUSTOMER NOTICE

Exhibit A to the October 23, 2018, AFFIDAVIT OF SERVICE filed by the City of Kasson, referenced above, is the Hearing Notice provided to its customers on September 20, 2018, affected by the termination of the “service-by-exception agreement”. The notice identified that their property is located within Kasson’s assigned service territory, and that Xcel Energy previously was only allowed to provide the electric service via a service exception agreement with Kasson. The notice also identifies the pending proceeding before the Commission regarding the process of formally updating the service area maps to reflect Kasson as the service provider to the Affected Area.

C. COMPENSATION

Pursuant to the 2013 Agreement, Kasson will pay Xcel Energy \$43,178.56, the net book value of the facilities transferred from Xcel Energy to Kasson, as described in Exhibit C to the Petition.

Pursuant to the 2013 Agreement, Xcel Energy does not owe Lost Revenue to Kasson for Xcel Energy’s provision of electric service in Kasson’s service territory.

Thus, the Department agrees that the Parties’ request to terminate the 2013 Agreement and re-establish the Affected Area as part of the City of Kasson’s service area is consistent with Minnesota Statutes 216B.39 and 216B.40.

IV. DEPARTMENT ANALYSIS OF THE TRANSFER FROM XCEL ENERGY TO KASSON

A. TRANSFER OF THE AFFECTED AREA FROM XCEL ENERGY TO KASSON

Exhibit B to the Petition, contains two different maps that identify the Transfer Area (which is commonly referred to as the “Football Field”), using two different mapping tools. The proposed transfer from Xcel Energy to Kasson is a permanent transfer.

B. CUSTOMER NOTICE

Schedule B, Page 1 of 2 to the Petition is a one-page informational Customer Notice Letter, relating to the transfer of electric service territory from Xcel Energy to Kasson. The letter will be provided to the one customer in the Affected Area. The notice identifies the pending proceeding before the Commission regarding the process of formally updating the service area maps to reflect Kasson as the service provider to the Affected Area. Schedule C to the Petition is a one-page Proposed Hearing Notice.

Exhibit B to the October 23, 2018, AFFIDAVIT OF SERVICE filed by the City of Kasson, referenced above, is the Hearing Notice provided on September 20, 2018, to the one customer who previously had been receiving electric service from Xcel Energy, but since the property is adjacent to Kasson’s assigned service territory, Kasson will now permanently provide the electric service. The notice also identifies the pending proceeding before the Commission regarding the process of formally updating the service area maps to reflect Kasson as the service provider to the Affected Area.

C. COMPENSATION

The Department notes that the Parties have agreed Kasson will pay \$448 as loss of revenue to Xcel Energy for the permanent transfer of service territory to the area referred to as the Football Field.

Thus, the Department agrees that the Parties’ request to establish the Affected Area as part of the City of Kasson’s service area is consistent with Minnesota Statutes 216B.39 and 216B.40.

IV. RECOMMENDATION

The Department recommends that the Commission approve both the Parties' request to terminate the 2013 Agreement and re-establish the Kasson as the electric service provider in its service area, and the permanent service territory transfer of the Football Field from Xcel Energy to Kasson. MnGeo should update the Commission's maps to reflect the service area designations as shown on the maps in the Petition.

/jl