

**Pat Garofalo**  
State Representative  
District 58B  
Dakota and Goodhue Counties



# Minnesota House of Representatives

**COMMITTEES:**

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GREATER MINNESOTA ECONOMIC AND WORKFORCE DEVELOPMENT POLICY  
RULES AND LEGISLATIVE ADMINISTRATION  
TAXES  
WAYS AND MEANS

October 17, 2016

Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul MN 55101

Re: In the Matter of a Petition by Minnesota Energy Resources Corporation for Evaluation and Approval of Rider Recovery for Its Rochester Natural Gas Extension Project, MPUC Docket No. G011/M-15-895, OAH Docket NO. 68-2500-33191

In the Matter of a Petition by Minnesota Energy Resources Corporation for Approval of Recovery of Natural Gas Extension Project Costs through a Rider and a New Area Surcharge for the Balaton Project, MPUC Docket No. G011/M-16-654

In the Matter of a Petition by Minnesota Energy Resources Corporation for Approval of Recovery of Natural Gas Extension Project Costs through a Rider and a New Area Surcharge for the Esko Project, MPUC Docket No. G011/M-16-655

I write to urge the Minnesota Public Utilities Commission to approve Minnesota Energy Resources Corporation's requests to recover a portion of the costs for its Rochester Natural Gas Extension Project, Esko Project, and Balaton Project pursuant to Minn. Stat. §216B.1638. Approval of these projects for rider recovery under Minn. Stat. §216B.1638 is entirely consistent with the Natural Gas Extension Statute, a statute that I personally worked on passing to ensure that areas of the State that have inadequate gas service or no service at all have a better chance to be served by this important resource.

Adoption of the Statute reflects the state's priority to develop and expand access to natural gas in Minnesota. With this statute, the Legislature determined that natural gas extension and expansion projects do not need to be self-supporting to be recovered across all customers. Instead, the statute authorizes recovery of project costs like those of Minnesota Energy Resource's Rochester, Esko, and Balaton projects from customers in other areas, to support overall development in the state.



The statute was intentionally broadly drafted to cover a variety of circumstances in order to serve broad legislative goals of enhancing natural gas service to both unserved and inadequately served areas. In particular, "Natural Gas Extension Project" is defined under the statute as "the construction of new infrastructure or upgrades to existing natural gas facilities necessary to serve currently unserved or inadequately served areas." "Unserved or inadequately served area" is also defined under the statute as "an area in this state lacking adequate natural gas pipeline infrastructure to meet the demand of existing or potential end-use customers." In other words, the statute covers both construction of new infrastructure and upgrades to existing infrastructure in order to ensure adequate natural gas service to meet the demand of both existing and future end-use customers. MERC's proposed Esko and Balaton projects are intended to serve currently unserved areas while the Rochester Project is designed to serve an inadequately served area. All of these projects fit squarely within the definition of the statute and recovery of a portion of the project costs is consistent with the clear language of the statute.

With respect to projects like the Esko and Balaton Projects, which extend natural gas service to previously unserved areas, the Statute also supports partial recovery of costs through an NGEF rider in combination with a New Area Surcharge. The NGEF rider bill was intended to give utilities an additional tool to use, in combination with the New Area Surcharge mechanism, to make system extensions and expansions affordable where they previously would not have been. In passing the NGEF legislation, the Legislature discussed the need for an additional tool to supplement the New Area Surcharge mechanism in order to make extension to more new areas possible.

Approval by the Commission of MERC's request for partial NGEF rider recovery for each of the Esko, Balaton, and Rochester Projects under Minn. Stat. §216B.1638 is entirely consistent with the Natural Gas Extension Statute and important to help further the goal of extending and expanding safe and reliable natural gas service in Minnesota.

Sincerely,



Pat Garofalo  
State Representative  
District 58B