

October 15, 2020

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
Saint Paul, Minnesota 55101-2147

**RE: Response Comments of the Minnesota Commerce Department, Division of Energy Resources**  
Docket No. G011/GR-17-563

Dear Mr. Seuffert:

This letter serves as the Response Comments of the Minnesota Commerce Department, Division of Energy Resources (Department), in the following matter:

Minnesota Energy Resources Corporation's Compliance Filing Regarding Improved Customer Experience (ICE) Implementation for WEC Legacy Utilities,  
In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota (2017 Rate Case).

On October 4, 2019, Minnesota Energy Resources Corporation (MERC) filed its Compliance Filing pursuant to Order Point 27, parts a through e, of the Commission's December 26, 2018 Order in MERC's 2017 Rate Case.

The Department filed Comments on July 30, 2020 concluding that MERC complied with parts a., b., and d. of Order Point 27 in the 2017 Rate Case Order. Regarding parts c. and e. of the Order, the Department requested that MERC provide additional discussion regarding the Value Line, iAvenue, and Aspect Work Force Manager applications and withheld a conclusion about the re-allocation of prior ICE costs after evaluating the additional discussion from MERC.

MERC submitted its Reply Comments on August 10, 2020, providing the requested discussion about certain software applications.

In its Reply Comments, MERC clarified that the Value Line Financial Market Valuation application is an off-the-shelf software package, and not a subscription service as the Department had concluded. MERC stated that the licenses for this software were acquired prior to the WEC/Integrus Energy Group merger and was not used by MERC pre-merger. MERC also stated that it now benefits from this software through inflation forecasting (*e.g.* budgeting) and market analysis (*e.g.* rate case rate of return analysis).

Regarding iAvenue and Aspect Work Force Manager, MERC acknowledged that both of these applications are customer relations management (CRM) and call center management software programs, respectively, that functionally overlap with ICE. MERC stated that iAvenue provides incremental features to manage contacts and other business information about large commercial and industrial customers, including Outlook integration for emails and task tracking. As for Aspect, MERC explained that Integrys and We Energies each had their own implementations pre-merger. Now post-merger, the Company stated that, “the go-forward solution synergized the best of both. Thus, while MERC was using its own implementation of the software in addition to ICE pre-acquisition, the enhancements provided by We Energies did result in additional incremental enhancements that were shared with MERC at no additional cost.”

The Department appreciates this additional discussion provided by MERC and concludes that the Company has satisfied the compliance requirements from Order Point 27 parts a through e from the Commission’s 2017 Rate Case Order.

The Department also concludes that, for purposes of this compliance matter, MERC’s Affiliated Interest Agreement (AIA) will generally ensure that MERC ratepayers do not pay an unreasonable amount of ICE costs on a going-forward basis. The specific details of how to calculate a reasonable level of costs to allocate to MERC will be determined in future AIA dockets.

The final outstanding issue in this compliance matter is the allocation of previously incurred ICE costs. When MERC initially sought recovery of its ICE platform in its 2015 rate case,<sup>1</sup> the Company had recently merged with WEC. In testimony, the Department expressed concerns that costs incurred to date would be allocated to Integrys legacy utilities only and then later implemented in WEC legacy utilities. At the time MERC stated that it had no plan to roll out ICE to WEC legacy utilities but agreed to provide a compliance in the event that it did.

The Department appreciates MERC’s cooperation in filing compliances through the evolution of rolling ICE out to WEC legacy utilities. The additional information provided since MERC’s 2015 rate case has allowed the Department to monitor the evolution of the ICE platform and ensure that Minnesota ratepayers are not subjected to unreasonable rates related to this significant investment.

While WEC ratepayers will benefit from ICE, MERC has discussed an exchange of technology with, and considerable investment by, WEC that is mutually beneficial. For example, MERC’s use of the SAP ERP software application from WEC is a sizeable exchange. In addition, smaller applications are compatible with and provide incremental functionality to ICE. Based on the information provided in the Company’s Compliance Filing and its Reply Comments, the Department does not recommend re-allocation of previously incurred ICE expenses to WEC legacy utilities.

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<sup>1</sup> Docket No. G011/GR-15-736.

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In its Reply Comments, MERC agreed that the Department's recommendations here do not apply to the reasonableness of the overall CS2022 program costs or the relevant allocations. That analysis will be completed during the Department's investigation in the Company's next rate case.

The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ ANGELA BYRNE  
Financial Analyst

ACB/ja

**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. G011/GR-17-563**

Dated this 15<sup>th</sup> day of **October 2020**

**/s/Sharon Ferguson**

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