

## Staff Briefing Papers

Meeting Date	December 20, 2018	Agenda Item 7
Company	Minnesota Energy Resources Corporation	
Docket No.	<b>G011/M-18-589</b>	
	<b>In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of Proposed Winter Construction Charges</b>	
Issues	Should the Commission approve Minnesota Energy Resources Corporation (MERC) Petition to update its tariffs to incorporate annual adjustments to its Winter Construction Charges for years 2018, 2019 and 2020?	
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### Relevant Documents

### Date

**Docket # G-011/M-14-361**

Commission - Order Approving Winter Construction Charges

June 16, 2014

**Docket # G-011/M-18-589**

Minnesota Energy Resources Corporation (MERC) – Petition

September 14, 2018

Department of Commerce – Comments

November 7, 2018

MERC – Reply Comments

November 7, 2018

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

## I. Statement of the Issue

Should the Commission approve Minnesota Energy Resources Corporation (MERC) Petition to update its tariffs to incorporate annual adjustments to its Winter Construction Charges for years 2018, 2019 and 2020?

## II. Introduction

On September 14, 2018, Minnesota Energy Resources Corporation (“MERC”) submitted its petition for approval of updated tariffs to incorporate annual adjustments to Winter Construction Charges. The purpose of the winter construction charges is to recover costs in excess of normal construction costs resulting from those customers who require installation of new natural gas service (services and mains) during winter construction conditions.

On November 7, 2018, the Minnesota Department of Commerce, Division of Energy Resources (Department) recommend approval of MERC’s petition.

On November 7, MERC submitted reply comments agreeing to the Department’s recommendation

## III. Background

The last time MERC’s requested a change in its winter construction charges was in 2014. On April 30, 2014, MERC filed a Petition requesting approval of its proposed winter construction charges.

On June 16, 2014, the Commission approved MERC’s winter construction charges in the 5th Revised Sheet No. 9.06 as follows: <sup>1</sup>

- Winter Construction Charge: \$5.50 (7 County Metro), \$4.96 (out-state) per lineal foot;
- Frost Charge: \$6.05 (7 Country Metro), \$5.77 (out-state) per lineal foot; and
- Bell Holes: When it is necessary to use thawing devices in order to excavate the bell hole, or locate other utility crossings, there will be a per burner charge of \$279.90; and
- Approved an effective date of June 30, 2014.

## IV. Parties’ Comments

### A. Minnesota Energy Resources Corporation

On September 14, 2018, Minnesota Energy Resources Corporation, submitted its Petition for approval for winter construction charges for years 2018, 2019 and 2020.<sup>2</sup>

MERC proposed the below changes to winter construction charges as adapted from its redline tariff sheet.

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<sup>1</sup> Commission Order dated June 14, 2014 in Docket No. G-011/M-14-361

<sup>2</sup> Minnesota Energy Resources Corporation, p.1

Figure 1. Extension of Natural Gas Service – Winter Construction Charges-Redline Tariff Sheet<sup>3</sup>

Winter Construction Charge 2018	\$5.83 per lineal foot (7 county metro) \$5.25 per lineal foot (out-state)
Winter Construction Charge 2019	\$6.00 per lineal foot (7 county metro) \$5.41 per lineal foot (out-state)
Winter Construction Charge 2020	\$6.12 per lineal foot (7 county metro) \$5.52 per lineal foot (out-state)

Figure 2. Extension of Natural Gas Service – Winter Construction Charges – Frost Charges

Frost Charge 2018	\$6.41 per lineal foot (7 county metro) \$6.12 per lineal foot (out-state)
Frost Charge 2019	\$6.41 per lineal foot (7 county metro) \$6.12 per lineal foot (out-state)
Frost Charge 2020	\$6.41 per lineal foot (7 county metro) \$6.12 per lineal foot (out-state)

MERC in figure 2 above shows frost charges that are addition to the base winter construction charge shown in figure 1. MERC also proposed bell hole charges as noted below.

Bell Holes: When it is necessary to use thawing devices in order to excavate the bell hole, or locate other utility crossings, there will be a per burner charge equal to \$296.69 in 2018, \$305.59 in 2019, and \$311.70 in 2020.<sup>4</sup>

## B. Department of Commerce

The Department recommends that the effective date on the tariff sheets should reflect the actual date of Commission's approval and not as the Company lists on its proposed tariff sheets an effective date stated as "upon Commission Approval".<sup>5</sup>

The Department requests a minor modification be made to the Petition by moving the sentence "Frost charges for bell holes will be paid per the perimeter footage of the bell hole (one bell hole per service)" to the paragraph concerning frost charges.<sup>6</sup>

In summary the Department recommends to the Commission to:<sup>7</sup>

- approve MERC's Petition
- approve an effective date of "Upon Commission Approval" but with directive that MERC update its tariff sheets with the appropriate that reflect the date the Commission granted approval; and

<sup>3</sup> MERC Petition, Attachment A.

<sup>4</sup> Ibid.

<sup>5</sup> The Department Comment, p. 4

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

- require MERC to file, as a compliance filing within 10 days of the Order issue date in the present docket, the relevant tariff sheets that comply with the Commission's determinations in this proceeding.

## V. Staff Analysis

There are no other commentators to MERC's petition, except the Department and there are no issues in contention between the parties. The Department in its comment agrees with MERC's petition and recommends that the Commission approve the proposed winter construction charges as shown in the 7th Revised Sheet No. 9.06.<sup>8</sup>

Staff notes that winter construction charges and related Contributions in Aid of Construction (CIAC), result when the service or main is installed between December 1 and April 1. There are several reasons this might occur. The customer may have failed to meet all the requirements of the Company by November 30. It could also happen when the customer's property, or the streets leading thereto, are not ready to receive the service pipe or gas main by the December 1 to April 1 date, thus, the anticipated winter construction charges would be included in determining the feasibility of construction and any necessary CIAC.<sup>9</sup>

In the instant case, the proposed, updated charges represent what MERC has contracted with NPL (MERC's Construction Contractor)<sup>10</sup> to be charged for the 2018, 2019 and 2020 winter construction seasons. MERC's winter construction charges have not been updated since the last approved Commission Order in 2014.

The Department considers the proposed charges reasonable. Further, by virtue of the arms-length transaction relationship between NPL and MERC, and including the detailed analysis to which this petition has been wrought, staff agrees with the Department analysis.

## VI. Decision Options

1. Approve MERC Petition to update its tariffs to incorporate annual adjustment to its Winter Construction Charges for years 2018, 2019 and 2020,) and require effective date be the date of the Commission's Order granting approval of the proposed changes; (MERC, DOC) and
2. Require MERC to file, as a compliance filing within 10 days of the Order issue date, the relevant tariff sheets that comply with the Commission's determinations in this proceeding. (MERC, DOC) Or
3. Do not approve the Petition.

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<sup>8</sup> The Department Comment, p. 4

<sup>9</sup> MERC Petition, Attachment A.

<sup>10</sup> MERC Petition, p. 3

