

February 13, 2018

PUBLIC DOCUMENT

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 280
St. Paul, Minnesota 55101-2147

RE: **PUBLIC Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011, 002/C-17-802

Dear Mr. Wolf:

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

Formal Complaint by Minnesota Energy Resources Corporation against Northern States Power Company d/b/a Xcel Energy.

The Petition was filed on November 9, 2017 by:

Amber Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation
2605 145th Street West
Rosemount, Minnesota 55068

In the attached Response Comments, the Department's analysis¹ indicates that there is an inadequate basis to deny United Development's choice of natural gas utility provider. Given the results of this analysis and the additional analysis provided in the Department's Reply Comments, the Department recommends that the Minnesota Public Utilities Commission (Commission) **dismiss the Complaint**. The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ JOHN KUNDERT
Financial Analyst

JK/lt
Attachment

¹ This analysis follows the protocol the Department recommended in its December 29, 2017 Reply Comments in Docket No. G999/CI-17-499, the Commission's Investigation into Parameters for Competition among Natural Gas Utilities involving Duplication of Facilities and Use of Promotional Incentives and Other Payments.

Before the Minnesota Public Utilities Commission

PUBLIC Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G011, 002/C-17-802

I. PROCEDURAL HISTORY

On November 9, 2017, Minnesota Energy Resources Corporation (MERC or the Company) filed with the Minnesota Public Utilities Commission (Commission) a formal complaint (Complaint) against Xcel Energy (Xcel). MERC requests that the Commission (1) immediately suspend what MERC concludes is Xcel's unlawful Natural Gas Competitive Agreement (Competitive Agreement), pending completion of the investigation in Docket No. G-999/CI-17-499; and (2) refer this Complaint to the Office of Administrative Hearings (OAH) for a contested case hearing to address disputed issues of fact and fully develop the record.² The Complaint alleges that Xcel's use of its Competitive Agreement "constitutes an impermissible discriminatory preference to new customers at the expense of existing customers in violation of Minnesota law, which prohibits natural gas public utilities from discounting their tariffed rates in competition with other natural gas public utilities".³ MERC also posits in the Complaint that such discounts undermine competition between regulated gas utilities and leads to duplication of facilities.

The Complaint involves these facts:

- Xcel entered into a Competitive Agreement with United Properties (United) to serve United's "Boulder Lakes" development in Eagan.
- Under that Competitive Agreement, Xcel agreed to pay United a \$25,000 promotional allowance.
- The facilities Xcel proposes to install to serve United would duplicate MERC's existing natural gas distribution facilities in the area.
- The City of Eagan denied Xcel's request for a permit to install a second distribution main in the same right-of-way as MERC's existing natural gas distribution main on September 22, 2017.
- United and MERC executed a Distribution Facilities Installation Agreement on October 18, 2017.

² Docket No. G999/CI-17-499 (the 17-499 docket) is the Commission's Investigation into Parameters for Competition among Natural Gas Utilities Involving Duplication of Facilities and Use of Promotional Incentives and Other Payments.

³ Complaint at page 1.

- MERC began providing service to United on October 25, 2017.
- MERC spent approximately \$40,000 to extend service to United.
- MERC estimates that it will receive over \$30,000 in revenue annually from service to United.

Procedurally, MERC expressed concern that the Commission's ongoing investigation in Docket No. G999/CI-17-499 will not be completed in time to prevent financial harm to MERC's customers. As a result, MERC requested that the Commission immediately suspend Xcel's use of promotional incentives. MERC also requested that the Commission initiate a contested case proceeding to address issues of fact.

On November 15, 2017, the Commission issued a Notice of Comment Period. The Notice provided for an initial comment period that closed on November 29, 2017 as well as a Reply Comment period that closed December 11, 2017. The Commission's Notice asked the following questions:

- Does the Commission have jurisdiction over the subject matter of this complaint?
- Is it in the public interest for the Commission to investigate these allegations?
- If the Commission chooses to investigate the complaint, what procedures should be used to do so?
- Are there other issues or concerns related to this matter?

On November 29, 2017, Xcel filed its Response to MERC's Formal Complaint. Xcel's response concluded that MERC's complaint was without merit and requested that the Commission dismiss the Complaint without further investigation.

On December 11, the Office of the Attorney General-Residential Utilities and Antitrust Division (OAG), MERC, and the Department filed Reply Comments in this proceeding. OAG's Reply Comments focused on the difference in capital outlays necessary to serve the customer between MERC and Xcel. The OAG expressed concerns that the capital investment made by Xcel to serve the customer would be in excess of the amount that MERC invested to serve that same customer. OAG concluded its Reply Comments by advising the Commission that it should consider this ratepayer impact when making its decision in this proceeding.

MERC's Reply Comments revisited the legal issues it had identified in its Complaint.

- Xcel's promotional use of a promotional incentive is unlawful.
- Xcel's attempt to justify the unnecessary duplication of facilities based on the Commission's decision in Docket No. G011, G002/C-17-305 should be rejected.
- A contested case is necessary to develop the record in this proceeding.

The Department concluded in its Reply Comments:

- The Commission has jurisdiction.
- Xcel's Natural Gas Competitive Agreement is not unlawful.
- The Commission could determine that there are reasonable grounds to initiate an investigation if it wants to include a complaint-specific cost/benefit analysis as part of its review, and
- A contested case proceeding is unnecessary.

On December 18, 2017, MERC filed a letter responding to the analysis included in the Department's Reply Comments.

On December 29, 2017, MERC filed supplemental responses to Department Information Requests (IR) Nos. 15 and 16.

On January 4, 2018, MERC filed a copy of Exhibit H to the Complaint as a public document. MERC had previously filed portions of that exhibit as trade secret.

II. SUMMARY OF ADDITIONAL ANALYSIS PROVIDED IN MERC'S REPLY AND RESPONSE COMMENTS

MERC provided a more thorough explanation of its position in its December 18, 2017 letter. MERC explained in that document:

Minnesota's prohibition against discriminatory, unreasonably prejudicial and unreasonably preferential rates applies to rates in general, not just those rates set forth in the utility's tariff.

For instance, Minn. Stat. § 216B.06 specifically prohibits a utility from offering a discriminatory rate "directly or indirectly, by any device whatsoever":

No public utility shall directly or indirectly, by any device whatsoever, or in any manner, charge, demand, collect, or receive from any person a greater or less compensation for any service rendered or to be rendered by the utility than that prescribed in the schedule of rates of the public utility applicable thereto when filed on the manner provided in Laws 1974, chapter 429, nor shall any person knowingly receive or accept any service from a public utility for compensation greater or less than that prescribed in the

schedules, provided that all rates being charged and collected by a public utility upon January 1, 1975, may be continued until schedules are filed.⁴

In its supplemental response to Department IR 16 MERC included a customer-centric rate comparison for United Properties. The results of that analysis suggested that MERC could provide natural gas to United Properties at a lower annual cost than Xcel.

III. DEPARTMENT ANALYSIS

The Department provides separate policy and economic analyses given that the basis of MERC's complaint appears to a legal/policy matter.

A. POLICY ANALYSIS

The Department appreciates MERC's discussion in its letter dated December 18th. That said, MERC's proposed statutory interpretation that promotional discounts "effectively" lower the tariffed rates a customer pays is a misapplication of Minnesota Statute §216B.06 in these circumstances. That statute requires utilities to charge rates that are "prescribed in the schedule of rates of the public utility." That is precisely what Xcel has done in applying tariffs that the Commission approved. MERC's position appears to argue that the standard competitive agreements included in Xcel's and Centerpoint's current tariffs are illegal. The Department disagrees.

Given the lack of assigned service territories for natural gas utilities in Minnesota, the Commission's policy regarding competition for new natural gas customers has long allowed new natural gas customers considerable leeway in choosing their natural gas utility. The current situation, in which the Commission reviews cost/benefit information from a number of different stakeholder perspectives and considers other non-quantifiable factors, appears to be an instance where Minnesota statutes have allowed for limited competition between natural gas utilities. Hence, the Department does not agree with MERC's position that Centerpoint and Xcel's Commission-approved competitive service agreements are illegal or that the resulting policy is not in the public interest.

Going forward, if the Commission wishes to limit choices by new natural gas customers, it would be helpful to make the decision criteria included in that protocol clear so that new

⁴ MERC's Response Comments in Docket No. G011, G002/C-17-802, dated December 18, 2017 at page 1.

customers seeking natural gas service would be fully informed as they choose where to locate or expand their facilities.

For example, if the minimization of the potential for duplicative capital costs from a societal perspective is the primary criterion for determining which natural gas utility will serve a particular customer, it would appear unlikely that any customer would have a choice of natural gas suppliers.⁵ However, given the lack of service territory maps, new natural gas customers would have no way to know which natural gas utility would serve them. This lack of information may cause undue confusion and make it difficult for new customers to locate or expand facilities in Minnesota. New customers should be informed in a timely manner as to which natural gas utility has been “assigned” to them and the basis for that assignment.

B. TRANSACTION-RELATED ECONOMIC ANALYSIS

In its Reply Comments dated December 29, 2017 in the 17-499 docket, the Department recommended the following protocol for reviewing complaints of this nature, which the Department uses in this proceeding:⁶

- Use a cost/benefit analysis that quantifies the financial effects of the proposal from five different perspectives:
 - The new customer/load that will be served;
 - The preferred utility’s shareholders;
 - The non-preferred utility’s shareholders;
 - The preferred utility’s ratepayers, and
 - The non-preferred utility’s ratepayers.
- Consider the non-quantifiable effects of the proposed change on those same utilities and ratepayers.
- Focus on the effects of promotional incentives and other tariffed and non-tariffed payments by utilities on the utilities’ rate levels and quality of service.

⁵ OAG’s proposal for determining which utility should serve a particular customer, described in its November 30, 2017 comments in this proceeding is the embodiment of this concept.

⁶ The Department’s December 11, 2017 Comments indicated that the Department would develop a cost/benefit analysis if requested by the Commission. After reviewing MERC’s statement that it could provide service to United Properties at a lower annual cost in its supplemental response to Department IR 16, the Department is providing this complaint-specific cost benefit analysis to provide the Commission with a complete review of the available information in a timely fashion. Trade Secret Attachment A contains MERC’s supplemental response to Department IR 16.

1. *United Properties Perspective – Comparison of Benefits and Costs Associated with Taking Service from Xcel or MERC*

The Department parsed the customer-specific cost/benefit analysis into two components – initial costs and/or benefits and on-going costs and/or benefits.

a. *Initial Cost and/or Benefits*

Xcel provided an estimate of the financial benefits to the customer in its Competitive Agreement of \$55,000 in one-time benefits.⁷ The components of the \$55,000 consisted of:

- \$25,000 in a share-holder funded promotional discount;
- \$7,500 in potential reduction in income tax; and,
- \$22,500 in Natural Gas EDA Conservation Rebate.⁸

Xcel provided \$12,500 of the promotional discount upon the execution of the Competitive Agreement. The payment of the remaining \$12,500 is contingent on United/Prime consuming 100,000 therms of natural gas. The estimate for tax-based savings appears to be related to the promotional discount. Thus, the Department has no comment on that customer-specific benefit.

As for the Conservation Rebate amount, the Department asked Xcel to provide any analysis that it had completed regarding “natural gas conservation rebates that United Development/Prime Therapeutics may be eligible for if it were to receive service from Xcel” in Department IR No. 7. Xcel provided a trade secret analysis completed by a third-party vendor, the Weidt Group, in its response. That analysis estimated the natural gas rebate as a lower amount, **[TRADE SECRET DATA HAS BEEN EXCISED]**, not the \$22,500 Xcel identified in its competitive agreement.⁹

Adjusting Xcel’s estimated one-time benefits associated with the competitive agreement given that information lowers it from \$55,000 to **[TRADE SECRET DATA HAS BEEN EXCISED]**.

Another area that may affect a new customer’s one-time or initial costs is a utility’s extension policy. For example, if the capital expenditures associated with serving a customer are greater than the margin Xcel expects to receive from the customer, the utility may charge the customer a contribution-in-aid-of-construction (CIAC). A CIAC lowers the utility’s initial capital costs of serving the customer. A CIAC also represents a cost to the customer.

⁷ Xcel filed this agreement in Docket No. G999/CI-17-499 on August 18, 2017. A copy of the agreement is included as Attachment B.

⁸ "EDA" stands for Economic Development Assistance.

⁹ A copy of Department Information Request No. 7 and Xcel’s response is included as Attachment C.

The Department asked for this information in Department IR No. 3. Xcel provided a copy of its Administrative Instruction Justification (AIJ) worksheet in an Excel format. The Department reviewed the United AIJ to determine if Xcel had applied its extension policy as delineated in its tariff. Xcel Gas' tariff contains the following formula to determine whether the expenditure for commercial and industrial gas service is economically feasible.¹⁰

Maximum Expenditure is equal to the Estimated Annual Revenue divided by the sum of the currently effective Levelized Annual Revenue Requirement Factor plus the Annual Operations and Maintenance Factor.

The Department confirms that Xcel calculation is consistent with the cost justification formula included in the tariff. Xcel identified an initial capital investment of up to **[TRADE SECRET DATA HAS BEEN EXCISED]** as being justifiable for this customer under the extension policy.

In Department Information Request No. 4 the Department asked Xcel to provide an estimate of the capital costs necessary to serve the customer. Xcel stated that its estimated initial capital costs for serving the customer are **[TRADE SECRET DATA HAS BEEN EXCISED]**. Given that this amount is less than the initial capital investment identified previously, Xcel appropriately did not charge United a CIAC for providing natural gas service.

Xcel also referenced a separate **[TRADE SECRET DATA HAS BEEN EXCISED]** in its response to that information request. Xcel states that the City of Eagan was the driver for this second additional cost.¹¹

As to one-time costs and revenues, the Department concludes that Xcel:

- May have **[TRADE SECRET DATA HAS BEEN EXCISED]**.¹² This change in one-time benefits for the customer is related to the amount of the estimated conservation rebate. It will lower the amount of benefits United would receive under its agreement with Xcel. It doesn't have a material effect on Xcel's other ratepayers.
- Consistently applied its extension policy to develop its estimate of the allowed initial capital investment it could make before Xcel would request a contribution in aid of

¹⁰ A copy of Department Information Request No. 3 and Xcel's response is included as **TRADE SECRET** Attachment I. See also Section 6, 1st Revised Sheet No. 17.1 of Xcel's Minnesota Gas Tariff.

¹¹ The sum of the two costs Xcel identified is **[TRADE SECRET DATA HAS BEEN EXCISED]**.

¹² The Department calculates this amount as the difference between \$22,500 in Natural Gas EDA Conservation Rebate identified in the Competitive Agreement and the **[TRADE SECRET DATA HAS BEEN EXCISED]** amount identified in Xcel's response to Department IR No. 7, (\$22,500 - **[TRADE SECRET DATA HAS BEEN EXCISED]**).

construction from United.

- Correctly interpreted its extension policy as to whether to charge United Properties a CIAC given its estimate of the capital costs necessary to provide service to United.

Turning to MERC's efforts to provide natural gas service to United, the Department asked MERC whether it had offered United a "financial incentive or a co-branded sponsorship" in Department IR No. 22.¹³ MERC replied that it did not offer any financial incentives or a co-branded sponsorship offer.

In its response to Department Information Request No. 15 MERC identified a forecasted capital expenditure of **[TRADE SECRET DATA HAS BEEN EXCISED]** to serve United.

MERC's extension policy tariff uses a "Customer Extension Model" spreadsheet to determine whether a customer is required to pay a CIAC. MERC provided a copy of this spreadsheet in response to Department Information Request No. 15.¹⁴ It appears that MERC performed the calculation consistent with its tariff and didn't charge United a CIAC.

In Department Information Request No. 28 the Department asked about "MERC's efforts to identify any natural gas conservation rebates that United might be eligible for if it were to take service from MERC". MERC replied that it "did not have sufficient information to analyze what conservation rebates the development would be eligible to receive. MERC stated that it asked RJ Ryan for this information but this information was never provided".¹⁵

The following represents a summary of United's initial costs and benefits to date by vendor:

- Xcel
 - provided a \$12,500 promotional incentive;
 - promised to provide another \$12,500 in promotional incentive once United consumes 100,000 therms of natural gas;
 - claimed that United had \$7,500 in tax-related savings;
 - consistently applied its extension policy tariff and didn't charge United a CIAC for providing service and
 - estimated a CIP natural gas related rebate of **[TRADE SECRET DATA HAS BEEN EXCISED]**.
- MERC
 - Provided no promotional incentive;

¹³ See MERC's response to Department IR No. 22 which is included as Attachment D.

¹⁴ Attachment E contains MERC's response to Department IR No. 15.

¹⁵ Attachment F contains MERC's response to Department IR No. 28.

- Consistently applied its extension policy tariff and didn't charge United a CIAC for providing service and;
- Provided no CIP-related analysis or estimate of potential rebates.

b. Customer Perspective - On-Going Costs

As noted previously, Xcel and MERC both claim that they can provide natural gas service to United at a lower cost than the other utility. For example, Xcel estimated in the Competitive Agreement included in Attachment B that United would save \$12,500 annually if it took service from Xcel rather than from MERC. MERC stated in a supplemental response to Department IR No. 16 that United could potentially save **[TRADE SECRET DATA HAS BEEN EXCISED]** annually if it took service from MERC.

The Department reviewed the information provided by both MERC and Xcel, attempted to recreate their estimates and then modified each of those estimates to develop an "updated" bill comparison for United given currently available public information. The Department's bill comparison analysis was simplified by the fact that both Xcel and MERC assumed that United would be provided service under Xcel's Large Commercial Demand Billed tariff or MERC's General Service Large C&I tariff.

i. United's Bill Comparison – MERC

MERC estimated United's annual bill if United were to take service from MERC to be **[TRADE SECRET DATA HAS BEEN EXCISED]**.¹⁶ The Department's re-creation of MERC's updated analysis included in its supplemental response to Department IR No. 17 calculated an annual bill that was within one dollar of MERC's estimated bill.¹⁷

The Department's review of MERC's estimate of United's annual bill for service from MERC concluded that MERC had not adjusted its analysis for the 8.99 percent interim rate adjustment or the increase to the Conservation Cost Recovery Charge Adjustment (CCRA) to \$0.02953/therm that became effective as a result of its current rate case (Docket No. G011/GR-17-563) on January 1, 2018.¹⁸

When the Department included those updated figures to its version of MERC's bill comparison analysis, United's estimated annual bill for service from MERC increased from **[TRADE SECRET**

¹⁶ This estimate is included in **TRADE SECRET** Attachment A.

¹⁷ A copy of MERC's updated calculation and the Department's analysis is included as **TRADE SECRET** Attachment G.

¹⁸ See MERC's Interim Rate Tariffs, Workpapers and Notices filing dated December 14, 2017 in Docket No. G011/GR-17-563.

DATA HAS BEEN EXCISED]. This adjustment results in an increase of **[TRADE SECRET DATA HAS BEEN EXCISED]** in United’s estimated bill from MERC, all other things held constant.

MERC’s estimate of United’s annual bill for service from Xcel was **[TRADE SECRET DATA HAS BEEN EXCISED]**. The Department notes that its re-creation of MERC’s updated analysis of United’s estimated annual bill for service from Xcel was also within one dollar of MERC’s estimated bill for Xcel. It appears that MERC correctly modeled Xcel’s rate offering given MERC’s annual throughput and billed demand assumptions.

The Department’s review of MERC’s estimate of United’s annual bill for service from Xcel indicates that MERC had not adjusted its analysis for an increase in Xcel’s State Energy Policy (SEP) Rider rate from \$0.01368/therm to \$0.02237/therm. MERC’s analysis also didn’t include Xcel’s Low-Income Affordability Rate of \$0.00445/therm. Incorporating these updates to the calculation increased United’s annual bill taking service from Xcel by **[TRADE SECRET DATA HAS BEEN EXCISED]**. This adjustment represents a percentage increase of **[TRADE SECRET DATA HAS BEEN EXCISED]**. **TRADE SECRET** Table 1 summarizes this information.

Table 1 – MERC and Department’s Annual Comparisons for United

Description	MERC	Department
	[TRADE SECRET DATA HAS BEEN EXCISED]	
MERC Annual Bill		
Xcel Annual Bill		
Difference		
Percentage Difference		

The information in Table 1 suggests that, given the updates the Department identified, Xcel could provide service to United at a lower cost to United, all other things being equal. This result is contrary to MERC’s claim.

ii. United’s Bill Comparison - Xcel’s Version

Xcel appears to have used information from **[TRADE SECRET DATA HAS BEEN EXCISED]** in the comparative bill analysis it provided to United. Xcel’s selection of this time frame was favorable relative to the bill comparison calculation as MERC **[TRADE SECRET DATA HAS BEEN EXCISED]**.

Incorporating changes to reflect MERC's current circumstances reduced the estimated annual bill **[TRADE SECRET DATA HAS BEEN EXCISED]**.

As for Xcel's estimate for providing service to United itself, its original estimate was **[TRADE SECRET DATA HAS BEEN EXCISED]**. After the Department updated the rates associated with several riders to the current tariffed amounts, Xcel's annual estimated bill **[TRADE SECRET DATA HAS BEEN EXCISED]**. Trade Secret Table 2 summarizes this information.¹⁹

Table 2 – Xcel and Department's Annual Comparisons for United

Description	Xcel	Department
	[TRADE SECRET DATA HAS BEEN EXCISED]	
MERC Annual Bill		
Xcel Annual Bill		
Difference		
Percentage Difference		

Xcel's bill comparison suggested that if United were to take service from MERC, its annual bill would be **[TRADE SECRET DATA HAS BEEN EXCISED]** higher than taking service from Xcel. The Department's estimate for that scenario is that United's annual bill would be **[TRADE SECRET DATA HAS BEEN EXCISED]** higher if it took service from MERC, all other things being equal.

A review of United's estimated annual bills calculated by MERC and Xcel identifies a difference in estimated annual usage and billed demand that is fairly significant. For example, Xcel's annual usage estimate for United is **[TRADE SECRET DATA HAS BEEN EXCISED]** lower than MERC's - **[TRADE SECRET DATA HAS BEEN EXCISED]**. Xcel's maximum demand daily demand is **[TRADE SECRET DATA HAS BEEN EXCISED]** lower than MERC's daily estimated demands. Xcel then lowers this estimate further **[TRADE SECRET DATA HAS BEEN EXCISED]**. The result is that Xcel's final maximum daily demand estimate is **[TRADE SECRET DATA HAS BEEN EXCISED]** lower than MERC's estimate of United's daily maximum demand - **[TRADE SECRET DATA HAS BEEN EXCISED]**.

Given that Xcel is proposing to provide service under a three-part rate (customer charge, volumetric charge and demand charge) versus MERC's provision of service under a two-part rate (customer charge and volumetric charge), it would benefit Xcel to have a lower estimate for United's demand.

¹⁹ A copy of Xcel's estimated bill and the Department's analysis are included as **TRADE SECRET** Attachment H.

Putting the throughput and demand question in perspective, the fact that even under MERC's assumed level of demand and throughput, the Department's bill comparison concluded that Xcel could provide service at a level equal to or below MERC suggests that United made the correct choice in identifying Xcel as the lowest cost supplier for its natural gas service.

2. Xcel Shareholder Perspective

According to Xcel's response to Department Information Request No. 3 Xcel incurred the following direct costs to provide service to United –

- **[TRADE SECRET DATA HAS BEEN EXCISED]** in plant-related capital costs,
- **[TRADE SECRET DATA HAS BEEN EXCISED]** in system-related costs, and
- The aforementioned \$25,000 promotional incentive.²⁰

In return for incurring those costs, Xcel estimates that it will receive **[TRADE SECRET DATA HAS BEEN EXCISED]** in yearly margins from United.²¹

The Department estimated the present value of the yearly margin Xcel estimates it will receive from United over a 20 year period using a discount rate equal of 7.02 percent.²² That present value is equal to **[TRADE SECRET DATA HAS BEEN EXCISED]**.

3. MERC Shareholder Perspective

In Department Information Request No. 15 the Department asked MERC to provide any analyses of the costs and benefits it would incur/receive if it were allowed to continue to serve United, MERC identified **[TRADE SECRET DATA HAS BEEN EXCISED]** in direct costs associated with serving United. MERC also identified an estimated **[TRADE SECRET DATA HAS BEEN EXCISED]** in additional annual revenue.²³

Similar to its earlier calculation for Xcel, the Department estimated the present value of the yearly "excess revenue" that MERC estimates it will receive from United over a 20 year period using a discount rate equal of 6.88 percent.²⁴ That present value is equal to **[TRADE SECRET DATA HAS BEEN EXCISED]**.

²⁰ **Trade Secret** Attachment I contains Xcel's response to Department IR No. 3.

²¹ Xcel defines margin as the **[TRADE SECRET DATA HAS BEEN EXCISED]** in this instance.

²² This discount rate is equal to the average weighted cost of capital the Commission approved in Xcel's 2017 GUIC rider filing (Docket No. G002/M-16-891).

²³ See **Trade Secret** Attachment E.

²⁴ This discount rate is equal to the average weighted cost of capital the Commission approved in MERC's 2015

4. Xcel Energy Ratepayer Perspective

In Department Information Request No. 10 the Department asked Xcel to identify its potential stranded costs if MERC was allowed to serve United instead of Xcel.²⁵ Xcel identified approximately **[TRADE SECRET DATA HAS BEEN EXCISED]** in stranded costs.²⁶ In Department Information Request No. 11, the Department asked Xcel to identify the estimated annual revenue requirements associated with those stranded costs for the period from 2018 through 2020 if the Commission were to determine that it would be reasonable to charge those costs to ratepayers. Xcel's estimates for the three years in question were **[TRADE SECRET DATA HAS BEEN EXCISED]**. While Xcel's interpretation of its stranded costs in this instance could be considered somewhat restrictive given that it identified **[TRADE SECRET DATA HAS BEEN EXCISED]** in customer-specific costs as justification for its maximum capital expenditure under its tariff, the Department notes that the main Xcel installed does provide both customer-specific and system benefits. As a result, it is difficult to develop a distinct boundary between investment made for system reliability as opposed to customer specific load and as to what constitutes stranded costs in this instance.

5. MERC Ratepayer Perspective

MERC identified **[TRADE SECRET DATA HAS BEEN EXCISED]** in customer-specific potential stranded associated with this customer in its response to Department Information Request No. 17. MERC didn't provide a stand-alone estimate of the annual revenue requirement associated with that customer-specific investment. The Department estimated those annual revenue requirements as **[TRADE SECRET DATA HAS BEEN EXCISED]**.

Also in its response to Department Information Request No, 17, MERC included its response to OAG Information Request No. 2 from Docket No. G011, G002/CI-17-305 that the existing plant that would be under-utilized as a result from Xcel's serving the new facilities identified in that docket. MERC explained in its response that similar to the 17-305 docket, its piping in this area will be under-utilized if Xcel is allowed to serve the customer. MERC included the costs of this potentially under-utilized plant in its calculation of the net impact on MERC's annual revenue requirements for 2018 through 2020. MERC's estimate of those annual revenue requirements are **[TRADE SECRET DATA HAS BEEN EXCISED]**

general rate case (Docket No. G011/GR-15-736).

²⁵ For the purpose of this discussion, the Department assumes that ratepayers would likely be responsible financially for the recovery of any stranded costs that Xcel or MERC incurred as a result of the Commission's current policy.

²⁶ **Trade Secret** Attachment J contains Xcel's response to Department IR No. 10.

The Department considers MERC's inclusion of the estimates of the annual revenue requirements associated with that "under-utilized" plant to be inaccurate. MERC will continue to recover the costs it has identified as "under-utilized" in its rates unless those costs are removed from MERC's revenue requirement; thus, the financial effects of that under-utilized plant are nonexistent. MERC's calculations are interesting in that they provide an estimate of the potential stranded costs MERC has identified. At the same time, MERC staff appear to support the position that aside from the customer-specific plant identified earlier, the plant in question is used and useful and improves system reliability. MERC appears to state that the costs identified are not stranded costs while at the same time implying that they are.

6. Non-Quantifiable Effects

MERC identified several concerns expressed by the City of Eagan in the Complaint. Given that the City of Eagan has provided Xcel with a permit to serve United, those issues appear to have been resolved.

7. Effects on System Reliability and Rate Levels

In Department Information Requests No. 8 the Department asked Xcel about the potential effects on its annual reliability measures for the Inver Grove Heights/Eagan/Sunfish Lake area if Xcel serves the United Development. Xcel responded:

Xcel Energy does not anticipate that there will be a material impact on the annual reliability measures in the Inver Grove Heights/Eagan/Sunfish Lake area if the Company [Xcel] provides natural gas service to the United Properties project, since the peak hourly natural gas demand of the incremental load represents less than one quarter of 1% (0.24%) of the peak hourly demand for the described area.

In Department Information Request No. 9 the Department asked Xcel the same question except that it substituted MERC for Xcel as the utility providing natural gas service and Xcel provided essentially the same response.

In Department Information Request No. 29 the Department asked MERC what would be the potential effects on system reliability in Eagan if MERC served the United Project Development (UDP). MERC responded in part "There would be no impact on reliability in the City of Eagan if MERC were to provide service to the development." In Department Information Request No. 30 the Department asked the same question and substituted Xcel for MERC as the utility

serving the UDP. MERC responded: “Although MERC’s facilities would be underutilized, the reliability of MERC’s system would not be impacted if Xcel provides natural gas to the development.”

As to the effects of the potential stranded costs on MERC’s rates, the Department estimated a negative impact of **[TRADE SECRET DATA HAS BEEN EXCISED]** related to the costs of **[TRADE SECRET DATA HAS BEEN EXCISED]** that MERC has incurred in what the Department considers to be customer-specific costs. The Department does not consider that effect on MERC’s 2018 revenue requirement to be material.²⁷

Xcel’s estimate of a negative impact of **[TRADE SECRET DATA HAS BEEN EXCISED]** is also not material given that the Company’s approved base rate revenue requirement of \$159.1 million 2010 revenue requirement in its most recent general rate case, (Docket No. G002/GR-09-1153).

8. Other

The Department also asked MERC a series of information requests to determine the extent of effect of the Commission’s recent decision in the 17-305 Docket on MERC’s customer marketing efforts. In Department Information Request No. 24 the Department asked if “MERC had initiated any internal process changes or improvements to recognize that it is facing competition for new customers from Xcel Gas in the area of the City of Eagan under discussion?” MERC replied:

The competition at issue involves the poaching of existing customers (not new customers as the Department states) via the use of unlawful incentive payments resulting in the duplication of natural gas infrastructure. The Commission will either accept or dismiss MERC’s Complaint and MERC will determine its course of action at that time.²⁸

In Department Information Request No. 25 the Department asked “is MERC considering the use of promotional incentives similar to those provided by Xcel in its Competitive Agreement?” MERC replied:

No, MERC filed this complaint alleging that Xcel’s promotional incentive violates Minnesota law. MERC refuses to compete with other utilities in an unlawful manner and MERC will not consider

²⁷ MERC witness Seth DeMerrit identified MERC’s 2018 revenue requirement to be **[TRADE SECRET DATA HAS BEEN EXCISED]** in his direct testimony in MERC’s current rate case, docket No. G011/GR-17-563.

²⁸ Attachment K contains MERC’s response to Department IR No. 24.

using these promotional incentives unless and until the Public Utilities Commission expressly determines that such provisions do not violate the various provisions of Minnesota law that MERC cites in its Complaint and Reply Comments, and in its comments in the generic docket. [Emphasis added.]²⁹

While MERC is unwilling to adjust its marketing practices at this time, MERC is apparently interested in providing more resources to its marketing department. In Docket No. G011/GR-17-563, MERC witness Seth DeMerritt noted in his Direct Testimony at page 37, lines 4-7 that MERC is asking for additional funds to hire two natural gas “marketing employees to bolster a Marketing/Account Executive Department with the intent of encouraging customers to take natural gas service from MERC.”

V. DEPARTMENT RECOMMENDATIONS

The Department continues to recommend that the Commission dismiss the Complaint. MERC’s claim that Xcel’s Competitive Agreement is illegal or results in poor policy outcomes is not supported by analysis of the facts in this proceeding. The competition between Xcel and MERC for the United Development produced cost savings for the customer without undue financial harm to MERC’s or Xcel’s ratepayers or shareholders. In addition, the Department did not identify any harm to either MERC or Xcel’s system reliability or rate levels as part of its analysis.

/lt

²⁹ Attachment L contains MERC’s response to Department IR No. 25.

PUBLIC DOCUMENT – TRADE SECRET DATA HAS BEEN EXCISED

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

Docket Number: G011, 002/C-17-802 Nonpublic Public
Requested From: Amber Lee, Date of Request: 12/8/2017
Minnesota Energy Resources Corporation
Type of Inquiry: Financial Response Due: 12/18/2017
Requested by: John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-539-1740

Request Number: 16
Topic: Xcel's Revenues and Costs
Reference(s): Click or tap here to enter text.

Request:

Provide any and all analyses that estimate the costs and revenue MERC forecasts Xcel Gas would incur/receive from the Prime Therapeutics if Xcel Gas were to provide service once constructions is completed. Please provide electronic copies with all links and formulas intact.

MERC Response:

Though it is impossible for MERC to accurately forecast Xcel Gas's ongoing costs and profit margins once construction is completed, MERC roughly predicts Xcel Gas's total ongoing revenues based on Xcel Gas's representation that it will provide service to the development pursuant to its Large Demand Billed Service Tariff (Rate Code 103). If that representation is accurate, MERC estimates that Xcel Gas would receive approximately \$43,542 in annual revenue, based on a projected annual gas usage of **[TRADE SECRET BEGINS TRADE SECRET ENDS]**. To be consistent with MERC's calculation of its own anticipated revenues from serving the development, this estimate does not factor in cost of gas, conservation charges, or riders. Please see DOC Attachment 4 for MERC's calculation of Xcel Gas's estimated revenue.

Moreover, MERC initially estimated that it would cost Xcel Gas \$175,000 to install the roughly 4,000 feet of pipe that MERC believed Xcel Gas would need to extend service from the Vikings development to the

To be completed by responder

Response Date: 12/18/2017
Response by: Amber Lee and Seth DeMerritt
Email Address: aslee@integrysgroup.com
Phone Number: 651-322-8965

PUBLIC DOCUMENT – TRADE SECRET DATA HAS BEEN EXCISED

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

Docket Number: G011, 002/C-17-802 Nonpublic Public
Requested From: Amber Lee, Date of Request: 12/8/2017
Minnesota Energy Resources Corporation
Type of Inquiry: Financial Response Due: 12/18/2017
Requested by: John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-539-1740

United Properties development. The map that MERC used to estimate the 4,000 foot distance is provided here as DOC Attachment 5, and a version of the map was also included as Exhibit B to MERC's Complaint. MERC estimated that Xcel would need approximately 3,000 feet of six-inch piping at a cost of around \$135,000 and approximately 1,000 feet of four-inch piping at a cost of around \$30,000. MERC then estimated that Xcel would incur approximately \$10,000 for a new meter set. MERC arrived at these estimates based on the professional judgment of its engineers, as well as MERC's own experience in constructing facilities in this area. These calculations did not factor in the cost to also implement Xcel's looping proposal, which Xcel first proposed after MERC filed its Complaint.

To be completed by responder

Response Date: 12/18/2017
Response by: Amber Lee and Seth DeMerritt
Email Address: aslee@integrysgroup.com
Phone Number: 651-322-8965

PUBLIC DOCUMENT – TRADE SECRET DATA HAS BEEN EXCISED

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

Docket Number: G011, 002/C-17-802 Nonpublic Public
Requested From: Amber Lee, Date of Request: 12/8/2017
Minnesota Energy Resources Corporation
Type of Inquiry: Financial Response Due: 12/18/2017
Requested by: John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-539-1740

MERC Supplemental Response:

MERC has now calculated an anticipated revenue figure that incorporates cost of gas, conservation charges, and riders, for both Xcel's and MERC's proposed service to the United Properties development. This analysis is provided in the attached DOC Supplemental Attachment 2. Under this analysis, MERC projects that it would receive **[TRADE SECRET BEGINS TRADE SECRET ENDS]** in annual revenue from serving the development, while Xcel would receive **[TRADE SECRET BEGINS TRADE SECRET ENDS]** in annual revenue. Thus, MERC is able to provide United Properties an annual savings of **[TRADE SECRET BEGINS TRADE SECRET ENDS]**

To be completed by responder

Response Date: 12/18/2017 (Supplemental Response Provided 12/29/2017)
Response by: Amber Lee and Seth DeMerritt
Email Address: aslee@integrysgroup.com
Phone Number: 651-322-8965



414 Nicollet Mall
Minneapolis, MN 55401

August 18, 2017

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

—Via Electronic Filing—

RE: COMPLIANCE FILING
EXECUTED NATURAL GAS COMPETITIVE AGREEMENT
DOCKET NO. G999/CI-17-499

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission the enclosed executed Natural Gas Competitive Agreement in compliance with Order Point 3 of the Commission's ORDER DISMISSING COMPLAINT, REQUIRING FILINGS, AND OPENING INVESTIGATION issued July 12, 2017 in Dockets No. G011,002/C-17-305 and G999/CI-17-499.

Order Point 3 requires the Company to file with the Commission as public documents Natural Gas Competitive Agreements upon execution with the customer.

We have electronically filed this document with the Commission, which also constitutes service on the Department of Commerce and the Office of the Attorney General – Antitrust and Utilities Division. A copy of this filing has been served on all parties on the attached service list.

Please contact me at (612) 330-6935 or gail.baranko@xcelenergy.com if you have any questions regarding this compliance filing.

Sincerely,

/s/

GAIL A. BARANKO
MANAGER, REGULATORY PROJECT MANAGEMENT
NSPM REGULATORY

Enclosures
c: Service List



NATURAL GAS COMPETITIVE AGREEMENT

This Natural Gas Competitive Agreement made this 15th day of August 2017 between Northern States Power Company, a Minnesota corporation ("Xcel Energy"), 414 Nicollet Mall, Minneapolis, Minnesota 55401, and its successors, and United Properties a Minnesota Company (the "Owner/Developer") (collectively, the "Parties"). This agreement is only valid if signed within 90 days from the date above.

The Owner/Developer owns and is developing property located in Eagan, in the County of Dakota, State of MN, and desires to have Xcel Energy install natural gas main and services to serve the property (the "Project") which is described more specifically on the map or plat attached hereto as Attachment A, and incorporated herein by reference. Xcel Energy is a natural gas public utility and desires to provide service to this property. Therefore, the Parties agree as follows:

1. Xcel Energy agrees to install natural gas main and services to serve the Project. The Owner/Developer represents and warrants to Xcel Energy that it is the owner, or authorized agent of the same, of the property utilized for the Project. Therefore, in consideration of Xcel Energy's agreement to design and install the natural gas service for the Project, the Owner/Developer grants Xcel Energy the exclusive right to transport natural gas to all residential, commercial and industrial structures of any kind within the Project. If another entity transports natural gas to any Structure within the Project, then the Owner/Developer will reimburse Xcel Energy for its costs in the design and installation of its natural gas main and services.
2. All natural gas mains and/or services installed by Xcel Energy shall be and shall remain the property of Xcel Energy, and neither the Owner/Developer nor any contractor of Owner/Developer shall acquire any right, title or interest in any gas main and/or services installed under this Agreement. The Owner/Developer will grant to Xcel Energy all easements necessary for the installation and operation of all natural gas mains and other facilities, as requested by Xcel Energy.
3. It is understood that any incentives offered to the Owner/Developer by Xcel Energy are contingent upon the number and type of customers and respective loads the Owner/Developer has represented to Xcel Energy will exist in the Project. For the Project, the Owner/Developer represents the associated customers and loads are as follows: 19520 CFH. All structures in the Project will utilize natural gas for space heating, unless specified herein: N/A. Any change in the customer count or type may constitute a revised offer to the Owner/Developer from Xcel Energy.
4. The Owner/Developer warrants that it has full right, power and authority, and has received all required approvals to enter into this Agreement, to construct the Project and to perform fully its obligation hereunder.
5. The Owner/Developer may not assign this Agreement. This is the complete Agreement between the Owner/Developer and Xcel Energy and it may not be changed except in writing and signed by both parties. The laws of the state where the Project is located govern the terms of this Agreement.
6. Xcel Energy agrees to maintain in good standing all government licenses, permits and other authorizations granted by any governmental agency or department which are necessary for it to fulfill its obligation hereunder. Xcel Energy will provide services in accordance with all applicable laws, ordinances, codes and regulations. Xcel Energy shall also, at its expense, maintain all natural gas mains it installs and services it provides.



7. Additional terms, if any, are included in Attachment B, which is incorporated herein by reference.

- Natural Gas Promotion Allowance** - Xcel Energy agrees to allocate \$ 25,000 towards the cost of natural gas equipment or other promotional costs associated with Boulder Lakes and approved by Xcel Energy.

(**Promotional dollars should be used for programs that would be mutually beneficial to United Properties, their partners and Xcel Energy.)

Owner/Developer

BILL JUNDT

(NAME)

United Properties

(COMPANY)

651 NICOLLET MALL #450
~~3600 American Blvd W~~

(ADDRESS)

Minneapolis, MN, 55434 55402

(CITY, STATE, ZIP CODE)

SIGNATURE:

PRINT FULL NAME:

DATE:

[Signature]
WILLIAM JUNDT
08-17-17

Northern States Power Company,
a Minnesota corporation ("Xcel Energy")

Christopher W. Conrad

Director, Large Account Management

825 Rice Street

St. Paul, Minnesota 55117

SIGNATURE:

PRINT FULL NAME:

DATE:

[Signature]

Christopher W. Conrad

15-Aug-17



825 Rice Street
Saint Paul, MN 55117-5485

Attachment B

Natural Gas Marketing Proposal, United Properties: Boulder Lakes

To: United Properties: Boulder Lakes
From: Xcel Energy: Torre Heiland; Gas Business Development
CC: Xcel Energy: Scott Hults, Gas Business Development; Chris Conrad, Account Management
Date: 8/15/17
Re: Proposal: United Properties – Boulder Lakes

Xcel Energy is excited to partner with the United Properties on your project to develop the Boulder Lakes office site off of Ames Crossing Road in Eagan. Xcel Energy's proposed partnership plan for the Eagan Site is listed below for your review and consideration. When creating this proposal, our goal is to provide you with information on how natural gas from Xcel Energy will be your most cost effective resource.

2017 Competitive Incentive

\$25,000 Promotional Incentive	\$12,500 Annual gas rate savings
\$ 7,500 Potential tax reduction	
<u>\$ 22,500 Conservation Rebate (estimate – EDA conservation program)</u>	
\$55,000 in 1X Incentive benefits	\$12,500 ongoing annual savings

We recognize new projects have start-up costs. Xcel Energy will provide United Properties the following:

Promotional Incentive = \$25,000, \$12,500 initial promotional incentive upon receipt of signed Competitive Agreement for Xcel Energy to provide natural gas to the Boulder Lakes office development, and \$12,500 promotional incentive after consumption of 100,000 therms of natural gas usage from Xcel Energy in any of the development phases for Boulder Lakes office site (it's anticipated that United Properties would consume this amount of natural gas in 1 year and the 2nd incentive payment would be made as soon as this threshold was met).

**Attachment B - Natural Gas Marketing Proposal, United Properties:
Boulder Lake Eagan Site (Continued)
page 2**

Considerations and Benefits

Total anticipated value to United Properties from choosing Xcel Energy natural gas may exceed \$67,500 as follows:

- \$25,000 in promotional incentive that can be paid directly to United Properties or used for promotional signage, or events that benefit United Properties and Xcel Energy upon consumption of 100,000 therms by the Boulder Lakes office development
- \$12,500 in estimated annual rate savings with Xcel Energy natural gas vs. other natural gas distribution company options.
- Natural gas conservation rebates from Xcel Energy through Energy Design Assistance
Assuming a greater than 5% reduction in natural gas usage through EDA Bundle choices – a rebate estimate for each bundle option is:
 - Bundle 1 - \$17,800
 - Bundle 2 - \$16,250
 - Bundle 3 - \$22,500(based on EDA report of Gas Savings for each Bundle from March 2017)
- Single monthly bill for natural gas and electric
- Account manager assigned to assist with energy management, customer service
- Joint trench gas and electric utility installation of mains & service, including waiver of one utility fee during winter joint construction conditions
- Xcel Energy logo to be incorporated with project signage as appropriate and agreed to by both parties

To accept this proposal, please refer to the enclosed Competitive Agreement. Once the agreement is signed and received, Xcel Energy will do the following:

- Issue a check to United Properties in the amount of \$12,500 or credit towards utility facilities.
- Confirm conservation rebate estimates and provide further detail on natural gas conservation programs
- Follow up on additional \$12,500 (issue a check or credit towards utility facilities) once 100,000 therms is consumed by the office development.

CERTIFICATE OF SERVICE

I, Lynnette Sweet, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

or

xx electronic filing

Docket No. G999/CI-17-499

Dated this 18th day of August 2017

/s/

Lynnette Sweet

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tamie A.	Aberle	tamie.aberle@mdu.com	Great Plains Natural Gas Co.	400 North Fourth Street Bismarck, ND 585014092	Electronic Service	No	OFF_SL_17-499_Official
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.	202 S. Main Street Le Sueur, MN 56058	Electronic Service	No	OFF_SL_17-499_Official
Julia	Anderson	julia.anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_17-499_Official
Carl	Cronin	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_17-499_Official
Ian	Dobson	Residential.Utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_17-499_Official
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_17-499_Official
Travis	Jacobson	travis.jacobson@mdu.com	Great Plains Natural Gas Company	400 N 4th St Bismarck, ND 58501	Electronic Service	No	OFF_SL_17-499_Official
Allen	Krug	allen.krug@xcelenergy.com	Xcel Energy	414 Nicollet Mall-7th fl Minneapolis, MN 55401	Electronic Service	No	OFF_SL_17-499_Official
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_17-499_Official
Amy	Liberkowski	amy.a.liberkowski@xcelenergy.com	Xcel Energy	414 Nicollet Mall 7th Floor Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_17-499_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Brian	Maloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-499_Official
Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc.	PO Box 68 202 South Main Street Le Sueur, MN 56058	Electronic Service	No	OFF_SL_17-499_Official
Peggy	Sorum	peggy.sorum@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-499_Official
James M.	Strommen	jsrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-499_Official
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstein	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_17-499_Official
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_17-499_Official

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- Not-Public Document – Not For Public Disclosure
 Public Document – Not Public (Or Protected) Data Has Been Excised
 Public Document

Xcel Energy

Docket No.: G011,002/C-17-802 Information Request No. 7
Response To: MN Department of Commerce
Requestor: John Kundert
Date Received: December 7, 2017

Question:

Please provide any analyses that Xcel has developed regarding natural gas conservation rebates that United Development/Prime Therapeutics may be eligible for if it were to receive service from Xcel. Please provide electronic copies with all links and formulas intact.

Response:

Please refer to Attachment A to this response, which is the Energy Design Assistance Bundle Requirements Document for Boulder Lakes dated August 31, 2017. The analysis therein is conducted by the Weidt Group.

Attachment A is marked as “Not-Public” because it includes information considered to be trade secret data as defined by Minn. Stat. § 13.37(1)(b). This information includes confidential service and cost terms having independent economic value from not being generally known to and not being readily ascertainable by other parties who could obtain economic value from its disclosure or use. The disclosure of this information could adversely impact the Company and its customers by giving competitors specific information about the costs to extend service on our system. The Company undertakes efforts to keep this type of information confidential. The Company also considers this to be confidential customer information, recognized by the Minnesota Data Practices Act. Thus, Xcel Energy maintains it as a trade secret pursuant to Minn. Rule 7829.0500.

Attachment A submitted with the Not-Public version of this response is marked as “Not-Public” in its entirety. Pursuant to Minn. R. 7829.0500, subp. 3, the Company provides the following description of the excised material:

PUBLIC DOCUMENT
NOT-PUBLIC OR PROTECTED DATA EXCISED

1. **Nature of the Material:** Attachment A is a pdf copy of a report detailing an energy design assistance proposal including selected energy conservation strategies and an approximate timeline for verification.
2. **Authors:** Attachment A was drafted by the Weidt Group in Eagan, Minnesota.
3. **Importance:** The information contained in Attachment A has independent economic value to the Company by not being generally known to or ascertainable by other parties.
4. **Date the Information was Prepared:** The attachment was prepared in August, 2017.

Preparer: Scott Hults
Title: Manager, Account Management & Gas Business Development
Department: Gas Business Development
Telephone: (651) 229-2265
Date: December 18, 2017

PUBLIC DOCUMENT
NOT-PUBLIC OR PROTECTED DATA EXCISED

Northern States Power Company

Docket No. G011,002/C-17-802
DOC Information Request No. 7
Attachment A - 24 Pages Total

Attachment A submitted with the Not-Public version of this response is marked as “Not-Public” in its entirety. Pursuant to Minn. R. 7829.0500, subp. 3, the Company provides the following description of the excised material:

1. **Nature of the Material:** Attachment A is a pdf copy of a report detailing an energy design assistance proposal including selected energy conservation strategies and an approximate timeline for verification.
2. **Authors:** Attachment A was drafted by the Weidt Group in Eagan, Minnesota.
3. **Importance:** The information contained in Attachment A has independent economic value to the Company by not being generally known to or ascertainable by other parties.
4. **Date the Information was Prepared:** The attachment was prepared in August, 2017.

[PROTECTED DATA BEGINS]

PROTECTED DATA ENDS]

NONPUBLIC DOCUMENT – CONTAINS TRADE SECRET DATA

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

Docket Number: G011, 002/C-17-802 Nonpublic Public
Requested From: Amber Lee, Date of Request: 12/8/2017
Minnesota Energy Resources Corporation
Type of Inquiry: Financial Response Due: 12/18/2017
Requested by: John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-539-1740

Request Number: 22
Topic: MERC Incentives
Reference(s): Attachment C of Xcel Energy's Response

Request:

Did MERC offer any financial incentives to United Properties or Prime Therapeutics during its discussions with those entities during July and August 2017 similar to the co-branded sponsorship opportunity referenced in Attachment C of Xcel Energy's Response?

MERC Response:

No, MERC did not offer a financial incentive to United Properties or Prime Therapeutics. Neither did MERC offer a co-branded sponsorship opportunity to them.

To be completed by responder

Response Date: 12/18/2017
Response by: Amber Lee and Seth DeMerritt
Email Address: aslee@integrysgroup.com
Phone Number: 651-322-8965

PUBLIC DOCUMENT – TRADE SECRET DATA HAS BEEN EXCISED

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

Docket Number: G011, 002/C-17-802 Nonpublic Public
Requested From: Amber Lee, Date of Request: 12/8/2017
Minnesota Energy Resources Corporation
Type of Inquiry: Financial Response Due: 12/18/2017
Requested by: John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-539-1740

Request Number: 15
Topic: MERC's Revenues and Costs
Reference(s): Click or tap here to enter text.

Request:

Provide any and all analyses that estimate the costs and revenues MERC forecasts it would incur/receive from the Prime Therapeutics if it is allowed to continue to provide natural gas distribution service to Prime Therapeutics once construction is completed. Please provide electronic copies with all links and formulas intact.

Response:

MERC incurred an infrastructure cost of [TRADE SECRET BEGINS TRADE SECRET ENDS] to install meters and piping to provide natural gas service to the development. This also includes the cost of removing these facilities after United decided to change its natural gas provider to Xcel. Please see DOC Attachment 3 for a more detailed explanation of these costs. MERC anticipates it would incur [TRADE SECRET BEGINS TRADE SECRET ENDS] in O&M expenses and [TRADE SECRET BEGINS TRADE SECRET ENDS] in property tax expenses over the life of those assets, and would receive [TRADE SECRET BEGINS TRADE SECRET ENDS] in annual revenue through service to the development. Please see the "Output" Tab on MERC's customer extension model, which contains these calculations and is attached to this response at DOC Attachment 2.

To be completed by responder

Response Date: 12/18/2017 (Supplemental Response Provided 12/29/2017)
Response by: Amber Lee and Seth DeMerritt
Email Address: aslee@integrysgroup.com
Phone Number: 651-322-8965

NONPUBLIC DOCUMENT – CONTAINS TRADE SECRET DATA

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

Docket Number: G011, 002/C-17-802 Nonpublic Public
Requested From: Amber Lee, Date of Request: 12/8/2017
Minnesota Energy Resources Corporation
Type of Inquiry: Financial Response Due: 12/18/2017
Requested by: John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-539-1740

Request Number: 28
Topic: MERC CIP Rebates
Reference(s):

Request:

Please provide any analyses MERC had developed regarding natural gas conservation rebates that United Development/Prime Therapeutics may be eligible for if it were to receive natural gas service from MERC. Please provide electronic copies with all links and formulas intact.

MERC Response:

MERC did not have sufficient information to analyze what conservation rebates the development would be eligible to receive. MERC asked RJ Ryan for this information but this information was never provided.

To be completed by responder

Response Date: 12/18/2017
Response by: Amber Lee and Seth DeMerritt
Email Address: aslee@integrysgroup.com
Phone Number: 651-322-8965

NONPUBLIC DOCUMENT - CONTAINS TRADE SECRET DATA

[TRADE SECRET BEGINS...

MERC - General Service Large C&I

	Annual Therms	Max Daily Demand	Distribution Charge	CCRA	GUIC	State Energy Policy Rider	Cost of Gas	Demand Rate Base	Demand Rate Gas Cost	Customer Charge	Annual Revenue
Prime			\$ 0.16885	\$ 0.00750	\$ -	\$ -	\$ 0.42596	\$ -		\$ 45.00	

XCEL-Demand Billed Service (Rate Code 103)

	Annual Therms	Max Daily Demand	Distribution Charge	CCRA	GUIC	State Energy Policy Rider	Cost of Gas	Demand Rate Base	Demand Rate Gas Cost	Customer Charge	Annual Revenue
Prime			\$ 0.047512	\$ 0.025277	\$ 0.005274	\$ 0.001368	\$ 0.30490	\$ 0.809470	\$ 0.551445	\$ 275.00	

\$ -

*Cost of Gas comes from the 2017 average gas cost found in the HISTRATES folder

... TRADE SECRET ENDS]

DOC Update of MERC's Bill Comparison

MERC-NNG-C&I Over 1500 therm/yr

[TRADE SECRET BEGINS

					\$ -

Xcel Energy - Commercial Demand Billed Service Large 103

					\$ -

* COG: Data source: MERC Supplemental Response to DOC IR #16

** Conservation Cost Recovery Adjustment Factor - obtained on MERC's site

TRADE SECRET ENDS]

DOC Update of MERC's Bill Comparison

MERC-NNG-C&I Over 1500 therm/yr

[TRADE SECRET BEGINS]

					\$ - - - - -

Xcel Energy - Commercial Demand Billed Service Large 103

					\$ - - - - -

* COG: Data source: MERC Supplemental Response to DOC IR #16
 ** Conservation Cost Recovery Adjustment Factor - obtained on MERC's site

TRADE SECRET ENDS]

DOC Update of MERC's Bill Comparison

MERC-NNG-C&I Over 1500 therm/yr

[TRADE SECRET BEGINS

					\$ - - - - -

Xcel Energy - Commercial Demand Billed Service Large 103

					\$ - - - - -

* COG: Data source: MERC Supplemental Response to DOC IR #16

** Conservation Cost Recovery Adjustment Factor - obtained on MERC's site

TRADE SECRET ENDS]

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NOT-PUBLIC OR PROTECTED DATA EXCISED**

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 Public Document – Not Public (Or Privileged) Data Has Been Excised
 Public Document

Xcel Energy

Docket No.: G011,002/C-17-802 Information Request No. 3
Response To: MN Department of Commerce
Requestor: John Kundert
Date Received: December 7, 2017

Question:

- a. Provide any and all analyses that estimate the costs and revenues Xcel Energy forecasts it would incur/receive from Prime Therapeutics if it were to provide natural gas distribution service once construction is completed. Please provide electronic copies with all links and formulas intact.
- b. Provide any and all analyses that estimate the costs and revenue Xcel Energy forecasts MERC would incur/receive from the Proposed Development if Xcel Gas were to provide service once construction is completed. Please provide electronic copies with all links and formulas intact.

Response:

- a. Please see Attachment A to this response. Attachment A is the Company's Administrative Instruction Justification (AIJ) for United Properties and is provided in live Excel spreadsheet format. (The Company previously provided the AIJ in pdf format as Attachment B to its November 29, 2017 Response to MERC's November 9, 2017 Complaint filed in the present docket.)

Attachment A is marked as "Not-Public" because it includes information considered to be trade secret data as defined by Minn. Stat. § 13.37(1)(b). This information includes confidential service and cost terms having independent economic value from not being generally known to and not being readily ascertainable by other parties who could obtain economic value from its disclosure or use. The disclosure of this information could adversely impact the Company and its customers by giving competitors specific information about the costs to extend service on our system. The Company undertakes efforts to keep this type of information confidential. The Company also considers this to be

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confidential customer information, recognized by the Minnesota Data Practices Act. Thus, Xcel Energy maintains it as a trade secret pursuant to Minn. Rule 7829.0500

- b. Since the development is just the one office building that United Properties is constructing, the estimated costs and revenues MERC would incur/receive if Xcel Energy provides service would be \$0 once construction is completed.

Based on a discussion with United Properties, Xcel Energy informally estimated that MERC's construction to United Properties required less than 900 feet of main/service to be installed from the main that serves this building. Xcel Energy estimates that this length and service could cost approximately \$18,000.

Preparer: Scott Hults
Title: Manager, Account Management & Gas Business Development
Department: Gas Business Development
Telephone: (651) 229-2265
Date: December 18, 2017

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Northern States Power Company

Docket No. G011, G002/C-17-802

DOC Information Request No. 3

Attachment A - Page 1 of 3

Password= 'GBD'

Residential And Commercial Customer Information Sheet

Rev Date

Rev-2 3-29-17

Proj. Wksht Created Date **11/10/2017**

Work Order #

PROJECT NAME:
(Business Name)

Eagan-Prime Therapeutics

NAMING CONVENTION- CITY/TWP First, Then Business Name. Ex: OAKD-Wolf Holow

AIJ SERVICE (SITE) INFO

Customer (contact) Name	Boulder Crossing
Service Install Address	2900 Ames Crossing Road
City, State, Zip	Eagan, MN, 55121
E Mail Address	bill.jundt@uproPERTIES.com
Customer Phone Nos.	952-837-8664

**AGREEMENT FILL-OUT
INFO**

Company Legal Name	United Properties		
Development Name			
Type Of Business	Office Development		
Billing Address (If diff from site)	651 Nicollet Mall - Suite 450		
City, State, Zip	Minneapolis, MN, 55402		
City, County, State	Eagan	Dakota	MN

Billing Sheet,etc Info

Must enter separately

	Name	Phone	E-Mail
Territory Rep	Torre Heiland	651-748-3333	Torre.A.Heiland@Xcelenergy.com
Gas Designer	Bill Lynaugh	651-458-4453	
Service Designer	Jennifer Koeppen	651-779-3160	
Manager of GBD	Scott Hults	651-229-2265	

Agmt made this Day of Full Date

10th	November	11/10/17
HVAC Contractor Name	HVAC Contr. Phone	HVAC Contractor E-Mail

Area Office Info

Office Street Address	
City, State, Zip	

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Northern States Power Company

Docket No. G011, G002/C-17-802
DOC Information Request No. 3
Attachment A - Page 2 of 3

MN COMMERCIAL GAS MAIN AND SERVICE PROJECT ANALYSIS
TRADE SECRET...CONTAINS PRIVILEGED AND CONFIDENTIAL INFORMATION... DO NOT RELEASE

Rev Date Rev-2 3-29-17

Date 11/10/2017 Work Order # 0

PROJECT NAME:
(Business Name)

Eagan-Prime Therapeutics

NAMING CONVENTION- CITY/TWP First, Then Business Name. Ex: OAKD-12345 Cty Rd 35 MXT

SITE

Legal & Billing

Customer Name	Boulder Crossing	Company Legal Name	United Properties
Service Install Address	2900 Ames Crossing Road	Billing Address	651 Nicollet Mall - Suite 450
City, State, Zip	Eagan, MN, 55121	City, State, Zip	Minneapolis, MN, 55402
E Mail Address			
Customer Phone Nos. (Bus)	952-837-8664		
Territory Rep	Torre Helland 651-748-3333		
Gas Designer	Bill Lynaugh 651-458-4453		

[PROTECTED DATA BEGINS]

→ → →

[PROTECTED DATA]

[PROTECTED DATA]

PROTECTED DATA ENDS]

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Northern States Power Company

Docket No. G011, G002/C-17-802

DOC Information Request No. 3

Attachment A - Page 3 of 3

[PROTECTED DATA BEGINS]

The redacted area consists of several distinct elements: a long horizontal bar at the top; a small box to the right of a vertical stack of three boxes; a horizontal line; a small box below the line; a large horizontal bar; a vertical column of five boxes on the left; a vertical column of five boxes on the right; a single box to the right of the right column; a vertical column of five boxes below the right column; and a thick horizontal line at the bottom of the section.

The redacted area at the bottom consists of a horizontal bar at the top, a thick horizontal line in the middle, and another horizontal bar at the bottom.

PROTECTED DATA ENDS]

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 Public Document – Not Public (Or Protected) Data Has Been Excised
 Public Document

Xcel Energy

Docket No.: G011,002/C-17-802 Information Request No. 10

Response To: MN Department of Commerce

Requestor: John Kundert

Date Received: December 7, 2017

Question:

Provide an estimate of Xcel's stranded costs, both customer-specific and system-wide assuming that MERC is allowed to provide natural gas to Prime Therapeutics once construction is completed. Please provide electronic copies with all links and formulas intact.

Response:

The portion of the installation that would not be used to serve other customers would be any pipe installed on Shanahan Way as well as any service pipe used to reach the United Properties meter location. The costs include ***[PROTECTED DATA BEGINS***

PROTECTED DATA ENDS] The costs are based on previous year averages for comparable work. These costs are calculated in Attachment A to the Company's response to DOC Information Request No. 3.

This response is marked as "Not-Public" because it includes information considered to be trade secret data as defined by Minn. Stat. § 13.37(1)(b). This information includes confidential service and cost terms having independent economic value from not being generally known to and not being readily ascertainable by other parties who could obtain economic value from its disclosure or use. The disclosure of this information could adversely impact the Company and its customers by giving competitors specific information about the costs to extend service on our system. The Company undertakes efforts to keep this type of information confidential. The Company also considers this to be confidential customer information, recognized by the Minnesota Data Practices Act. Thus, Xcel Energy maintains it as a trade secret pursuant to Minn. Rule 7829.0500.

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Preparer: Scott Hults / Thomas Kramer
Title: Manager, Account Management & Gas Business Development /
Principal Rate Analyst
Department: Gas Business Development / Revenue Requirements North
Telephone: (651) 229-2265 / (612) 330-5866
Date: December 18, 2017

PUBLIC DOCUMENT – TRADE SECRET DATA HAS BEEN EXCISED

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

Docket Number: G011, 002/C-17-802 Nonpublic Public
Requested From: Amber Lee, Date of Request: 12/8/2017
Minnesota Energy Resources Corporation
Type of Inquiry: Financial Response Due: 12/18/2017
Requested by: John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-539-1740

Request Number: 24
Topic: MERC Operational Response
Reference(s): Click or tap here to enter text.

Request:

Has MERC initiated any internal process changes or improvements to recognize that it is facing competition for new customers from Xcel Gas in the area of City of Eagan under discussion?

MERC Response:

The competition at issue involves the poaching of existing customers (not new customers as the Department states) via the use of unlawful incentive payments resulting in the duplication of natural gas infrastructure. The Commission will either accept or dismiss MERC's Complaint and MERC will determine its course of action at that time.

To be completed by responder

Response Date: 12/18/2017
Response by: Amber Lee and Seth DeMerritt
Email Address: aslee@integrysgroup.com
Phone Number: 651-322-8965

PUBLIC DOCUMENT – TRADE SECRET DATA HAS BEEN EXCISED

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

Docket Number: G011, 002/C-17-802 Nonpublic Public
Requested From: Amber Lee, Date of Request: 12/8/2017
Minnesota Energy Resources Corporation
Type of Inquiry: Financial Response Due: 12/18/2017
Requested by: John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-539-1740

Request Number: 25
Topic: MERC Operational Response
Reference(s): Click or tap here to enter text.

Request:

Is MERC considering the use of promotional incentives similar to those provided by Xcel in its Competitive Agreement?

MERC Response:

No, MERC filed this complaint alleging that Xcel's promotional incentive violates Minnesota law. MERC refuses to compete with other utilities in an unlawful manner and MERC will not consider using these promotional incentives unless and until the Public Utilities Commission expressly determines that such incentives do not violate the various provisions of Minnesota law that MERC cites in its Complaint and Reply Comments, and in its comments in the generic docket.

To be completed by responder

Response Date: 12/18/2017
Response by: Amber Lee and Seth DeMerritt
Email Address: aslee@integrysgroup.com
Phone Number: 651-322-8965

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
Public Comments**

Docket No. G011, G002/C-17-802

Dated this 13th day of February 2018

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Lester	Bagley	bagleyl@vikings.nfl.net	Minnesota Vikings	N/A	Electronic Service	No	OFF_SL_17-802_PUC Official Service List
Thomas	Burman	thomas.burman@stinson.com	Stinson Leonard Street LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-802_PUC Official Service List
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_17-802_PUC Official Service List
Carl	Cronin	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_17-802_PUC Official Service List
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_17-802_PUC Official Service List
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_17-802_PUC Official Service List
Stacy	Kotch	Stacy.Kotch@state.mn.us	MINNESOTA DEPARTMENT OF TRANSPORTATION	395 John Ireland Blvd. St. Paul, MN 55155	Electronic Service	No	OFF_SL_17-802_PUC Official Service List
Allen	Krug	allen.krug@xcelenergy.com	Xcel Energy	414 Nicollet Mall-7th fl Minneapolis, MN 55401	Electronic Service	No	OFF_SL_17-802_PUC Official Service List
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_17-802_PUC Official Service List
Russ	Matthys	matthys@cityofeagan.com	City of Eagan	N/A	Electronic Service	No	OFF_SL_17-802_PUC Official Service List
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-802_PUC Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Matt	Smith	countyadmin@co.dakota.mn.us	Dakota County	Administration Center 1590 Hwy 55 Hastings, MN 55033-2372	Electronic Service	No	OFF_SL_17-802_PUC Official Service List
Scott M.	Wilensky	scott.wilensky@xcelenergy.com	Xcel Energy	7th Floor 414 Nicollet Mall Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_17-802_PUC Official Service List
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_17-802_PUC Official Service List