

November 7, 2018

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/M-18-589

Dear Mr. Wolf:

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

In the Matter of the Petition of Minnesota Energy Resources Corporation for the
Approval of Proposed Winter Construction Charges

The *Petition* was filed on September 14, 2018 by:

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation
2685 145th Street West
Rosemount, MN 55068

As discussed in the attached *Comments*, the Department recommends **approval** and is available to answer any questions that the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ DANIELLE D. WINNER
Rates Analyst

DDW/ja
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G011/M-18-589

I. SUMMARY OF THE UTILITY'S PROPOSAL

On September 14th, 2018, Minnesota Energy Resources Corporation (MERC or the Company) filed a *Petition* for approval by the Minnesota Public Utilities Commission (Commission) of its proposed winter construction charges. MERC requested “approval of updated tariffs to incorporate annual adjustments to Winter Construction Charges.” The Company stated that the adjustments to the winter construction charges would allow MERC to recover the costs in excess of normal summer construction costs imposed on customers who choose to have natural gas service installed during winter construction conditions. The Company provided redlined and clean tariff sheets for review as well as a letter from Northern Pipeline Construction Company (NPL) confirming its agreed-upon winter construction charges for 2018, 2019, and 2020. The Company noted that it has not updated these charges since 2014, when they were last approved by the Commission’s June 16, 2014 Order in Docket No. G011/M-14-361.

Specifically, MERC’s proposed changes to its winter construction charges, as shown in its redlined tariff sheet,¹ are as follows:

- ~~Winter Construction Charge: \$5.50 (7 County Metro), \$4.96 (out state) per lineal foot;~~

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)

¹ *Petition*, Attachment A.

- ~~Frost Charge: \$6.05 (7 County Metro), \$5.77 (out-state) per lineal foot.~~

Frost Charge 2018	\$6.41 per lineal foot (7 county metro) \$6.12 per lineal foot (out-state)
Frost Charge 2019	\$6.60 per lineal foot (7 county metro) \$6.30 per lineal foot (out-state)
Frost Charge 2020	\$6.74 per lineal foot (7 county metro) \$6.43 per lineal foot (out-state)

- 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~~ equal to \$296.69 in 2018, \$305.59 in 2019, and \$311.70 in 2010.²

Additionally, MERC proposed three language changes to its tariff: the addition of a sentence, the deletion of a sentence, and the relocation of a sentence. MERC proposed the following sentence addition in its 7th Revised Sheet No. 9.06:

2. EXTENSIONS OF COMPANY MAINS AND SERVICES (Continued)

D. Winter Construction Charge

When the service or main is installed between December 1 and April 1, inclusive, because of failure of customer to meet all requirements of the Company by November 30 or because the customer's property, or the streets leading thereto, are not ready to receive the service pipe or gas main by such date, the anticipated winter construction charges will be included in determining the feasibility and any necessary CIAC. Such work will be subject to a base winter construction charge on all ditch footages, as an adder, and applies to any plowing, trenching, boring, or bell holes. Frost charges for bell holes will be paid per the perimeter footage of the bell hole (one bell hole per service).

² On Page 3 of its Petition, MERC mistakenly listed the Bell Hole or "Frost Hog" charges as \$269.69 for years 2018, 2019, and 2020. The Department verified with the Company via email that the charges listed above are the correct figures.

MERC also proposed the following sentence deletion in its 7th Revised Sheet No. 9.06:

In addition to the base winter construction charge, a frost charge will be assessed by the Company for those portions of main or service lines where twelve or more inches of frost exists. The frost charge is not included on boring lengths but can apply to open trench and send or receive holes for bores. When twelve inches or more of frost exists outside the Winter Construction period, the frost charge may be applied as an expense due to abnormal conditions pursuant to Sheet No. 9.04 or Sheet No. 9.05. ~~Included within the base winter construction charge and the frost charge are the use of any thawing devices or other equipment required to install as needed.~~

Additionally, MERC proposed to delete the following sentence from the 7th Revised Sheet No. 9.06 and add it to the 4th Revised Sheet No. 9.07 due to the spacing impacts of the above proposed changes:

2. EXTENSIONS OF COMPANY MAINS AND SERVICES (Continued)

E. Extension of Mains- Limitations

The Company reserves the right to refuse to install its facilities in or to any lot, tract or area if in the Company's judgement it is not economically feasible per the tariffed Customer Extension Model, is not safe for the Company's personnel, the customer, or the general public, or the lot, tract, or area is located remotely from the Company's other general service areas such that effective service, operations, or emergency response capabilities are impacted.

Finally, as also shown on its redlined tariff sheet, MERC proposed an effective date of "Upon Commission Approval." The Company notes that NPL began charging MERC the newly negotiated rates effective March 1, 2018, but MERC intends to implement the charges once Commission approval has been obtained.

II. THE DEPARTMENT'S ANALYSIS

MERC's filing indicated that the proposed winter construction charges equal charges NPL will charge MERC in the 2018, 2019, and 2020 winter construction seasons. Therefore, the Minnesota Department of Commerce, Division of Energy Resources (Department) concludes that MERC's proposed 2018, 2019, and 2020 construction charges are reasonable. The

Department recommends that the Commission approve MERC's proposed winter construction charges as shown in the 7th Revised Sheet No. 9.06.

The Department further concludes that the three proposed language changes described above are reasonable. However, for continuity, the Department suggests that it may be more appropriate to place the new proposed sentence (beginning "Frost charges for bell holes...") in the tariff section that details frost charges, rather than its current placement in the section that details winter construction charges. The resulting section on frost charges would read:

"In addition to the base winter construction charge, a frost charge will be assessed by the Company for those portions of main or service lines where twelve or more inches of frost exists. The frost charge is not included on boring lengths but can apply to open trench and send or receive holes for bores. When twelve inches or more of frost exists outside the Winter Construction period, the frost charge may be applied as an expense due to abnormal conditions pursuant to Sheet No. 9.04 or Sheet No. 9.05. ~~Included within the base winter construction charge and the frost charge are the use of any thawing devices or other equipment required to install as needed.~~ Frost charges for bell holes will be paid per the perimeter footage of the bell hole (one bell hole per service)."

Finally, the Department notes that although the Company lists in its proposed tariff sheets an effective date of "Upon Commission Approval," the Department recommends that these sheets reflect the actual date of Commission approval.

III. THE DEPARTMENT'S RECOMMENDATIONS

Based on the analysis provided above, the Department recommends that the Commission:

- approve the Company's *Petition*, with the minor modification that the added sentence "Frost charges for bell holes will be paid per the perimeter footage of the bell hole (one bell hole per service)" be moved to the paragraph concerning frost charges;
- approve an effective date of "Upon Commission Approval," with the caveat that MERC update its tariff sheet with the appropriate date; and

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Analyst assigned: Danielle D. Winner

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- 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.

/ja

CERTIFICATE OF SERVICE

I, Linda Chavez, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, 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 – COMMENTS

Docket Nos. **G011/M-18-589**

Dated this **7th** day of **November, 2018**.

/s/Linda Chavez

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