

July 29, 2016

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. E114, 126/SA-16-480

Dear Mr. Wolf:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (the Department or DOC) in the following matter:

The Joint Request of Federated Rural Electric Association (Federated) and Nobles Cooperative Electric (Nobles) for approval of an *Agreement for Confirmation and Realignment of Electric Service Area* to make changes to the boundaries of the assigned service area of each electric utility.

The petition was filed on June 1, 2016 by:

Scott O. Reimer, General Manager
Federated Rural Electric Association
77100 US Highway 71
PO Box 69
Jackson, MN 55143

Adam M. Tromblay, General Manager
Nobles Cooperative Electric
22636 US Highway 59
PO Box 788
Worthington, MN 56187

The Department recommends that the Minnesota Public Utilities Commission (Commission) approve the requested service territory transfer. The Commission's maps should be updated by MnGeo to reflect the service area transfer as stated in the joint *Agreement for Confirmation and Realignment of Electric Service Territory*. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ DALE V. LUSTI
Financial Analyst

DVL/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET NO. E114, 126/SA-16-480

I. BACKGROUND

Federated Rural Electric Association (Federated) and Nobles Cooperative Electric (Nobles) are electric distribution cooperatives formed pursuant to the provisions of Minn. Stat. Chapter 308A, and are members of Southern Minnesota Energy Cooperative (SMEC).

According to the Petition, Nobles recently acquired from SMEC the right to serve customers in Kinbrae, Minnesota; however, Nobles does not have facilities in place necessary to serve customers in Kinbrae and in other parts of sections 2 and 11, Graham Lakes Township, Nobles County, Minnesota (the Kinbrae assigned service area or Kinbrae ASA). According to the Petition, Federated does have facilities in place necessary to serve customers in the Kinbrae ASA.

According to the Petition, Nobles currently serves the 21 customers in the Kinbrae ASA, from and through a substation owned and operated by Federated; and Nobles pays wheeling fees to Federated.

II. SUMMARY OF PROPOSAL

On June 1, 2016, Federated and Nobles jointly filed a request (Petition) that the Minnesota Public Utilities Commission (Commission) approve their *Agreement for Confirmation and Realignment of Electric Service Territory* (Agreement), such that Federated will have the permanent right to provide electric service to the Kinbrae ASA. According to the Agreement, the Parties agree the map attached to the Petition depicts the Kinbrae ASA boundary lines between Federated and Nobles, effective as of the date of the Agreement.

III. DEPARTMENT ANALYSIS

A. ASSIGNED SERVICE AREA

Minnesota Statutes section 216B.39, subd. (3) states:

... the commission may on its own or at the request of an electric utility make changes in the boundaries of the assigned service areas, but only after notice and hearing as provided for in sections 216B.17 and 216B.18.

Minnesota Statutes section 216B.39, subd. (4) states:

... The commission shall approve a contract if it finds that the contract will eliminate or avoid unnecessary duplication of facilities, will provide adequate electric service to all areas and customers affected, and will promote the efficient and economical use and development of the electric systems of the contracting electric utilities.

According to the Agreement, the parties request that the Minnesota Public Utilities Commission approve the transfer from Nobles to Federated the right to provide electric service to customers located within the service area described as follows:

All of Section Two (2) and Section Eleven (11) in Graham Lakes Township, Nobles County, Minnesota, not already included within Federated's assigned service area.

B. COMPENSATION

According to the Agreement, Federated will pay to Nobles \$89,311.64 as full compensation for Nobles' transfer to Federated of the Kinbrae ASA and Noble's facilities therein, for lost revenue (past, present and future), for engineering expenses, and any and all other costs associated with or resulting from the transfers contemplated by the Agreement.

C. CONCLUSION

In support of their Petition, the Parties stated that approval and implementation of the agreement negotiated and executed by Federated and Nobles will avoid unnecessary duplication of facilities, will provide adequate electric service to all areas and customers affected, will provide adequate compensation to Nobles for transfer of the Kinbrae ASA, and will promote the efficient and economical use and development of the electric systems of the contracting electric utilities.

Thus, the Department agrees that the Parties' request is reasonable.

IV. RECOMMENDATION

The Department recommends that the Commission approve the requested service territory transfer from Nobles to Federated. MnGeo should update the Commission's maps to reflect the service area transfer as stated in the Agreement.

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