

**STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
Matthew Schuerger
John Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition by Minnesota
Energy Resources Corporation for Evaluation
and Approval of Rider Recovery for Its
Rochester Natural Gas Extension Project

MPUC Docket No. G-011/M-15-895
OAH Docket No. 2500-33191

**REPLY OF THE MINNESOTA DEPARTMENT OF COMMERCE,
DIVISION OF ENERGY RESOURCES TO EXCEPTIONS TO ALJ REPORT**

The Minnesota Department of Commerce, Division of Energy Resources (Department) respectfully submits to the Minnesota Public Utilities Commission (Commission) this Reply to the Exceptions to the Administrative Law Judge's Findings of Fact, Conclusions and Recommendations (ALJ Report) as to the Minnesota Energy Resources Corporation (MERC) Rochester Natural Gas Extension Project (Project).

A. The Commission Should Not Amend the ALJ Report Regarding the Department's Analysis of MERC's Forecasted Need.

The Department agrees with the Office of Attorney General (OAG) Exceptions (the Exceptions) at 3-4 that "the Commission should be provided with a complete record and a fair accounting" of the parties' arguments. The Department is concerned, however, that the language proposed in the Exceptions for Findings 111 and 113 of the ALJ Report does not fairly characterize the record. As to Finding 111, the Exceptions proposes that the Commission add two sentences about the forecast of the Rochester-Olmsted Council of Governments (ROCG). The proposed addition appears to imply that the ROCG conducted a customer count forecast, which the ROCG, in fact, did not perform. The ROCG's forecast looked at population growth.

Further, the second proposed sentence is not supported by a citation to the record and could be read to imply that the ROCG assessment was part of or relied upon in the Department's analysis of forecasted need, which it was not. The proposed revision to Finding 113 is also not helpful because it could be read to imply that the proposed new language ("60 percent less") may be attributed to a Department witness. Such an attribution would be inaccurate, as no Department (nor other party's) witness made such a statement.¹

B. The Commission Should Not Amend the ALJ Report's Conclusions Regarding MERC's Forecast of its Future Capacity Needs.

The Department does not recommend the deletion or amendment proposed by the Exceptions at 9-10 to the ALJ Report, Findings 169 and 170. The proposal appears to misconstrue the ALJ Report's analysis; the ALJ Report at Findings 169 and 170 was not trying to "force the facts in this record" into the type of analysis used in an integrated resource plan. The ALJ Report on this point appears only to have been a distillation of the Department's analysis, (i.e., that the various outcomes are *analogous to* low, base, and high scenarios).

The Department does not recommend the amendment proposed by the Exceptions at 10-11 to ALJ Report, Finding 179, for several reasons. First, proposed Findings 179a to 179g are not supported by a citation to the evidentiary record and, while the proposed new Findings could have been drawn as conclusions, no Department witness made the statements that are set forth in these proposed new Findings 179a to 179g. In addition, the Department's testimony is not supportive, but is instead inconsistent with proposed Finding 179c regarding the assumption that residential use-per-customer will remain constant for the next two or three decades. Finally, the proposed new Finding 179e does not accurately characterize the Department's testimony.

¹ If any change is made to Finding 113, it would be more appropriate for the Finding to characterize the testimony as saying that the "forecast is approximately 1.14 percentage points less than the Company's projections...."

C. The Commission Should Not Amend the ALJ Report's Analysis of Need and Reasonableness of the Rochester Project.

The Exceptions at 18-19 notes certain policies described in the ALJ Report, Footnote 429 that the ALJ Report did not recommend, but which the Commission could conceivably choose to consider with respect to cost recovery. The Exceptions urges the Commission to consider these policies and their implications when determining the reasonableness of the Rochester Project.²

If the Commission were to adopt the policies mentioned in the ALJ Report, Footnote 429 to support a finding that a “phased approach” is reasonable, such an adoption would reflect a fundamental change in the Commission’s cost recovery policy. The Department urges that, if the Commission wishes to defer some recovery until later in the Rochester Project’s life, it should exercise care in making any such fundamental change in cost recovery policy.

The Department also disagrees with the Exceptions at 20-21, which misleadingly suggests that the Department’s testimony, (that revenue generated by capacity release sales is “typically small compared to the original purchase price of the capacity”) constitutes support for the Exceptions’ proposed amendment to ALJ Report, Finding 321. The Department testimony that is quoted at pages 20-21 pertains solely to the standard capacity releases and not the type of long term capacity releases that the Department witness discussed extensively in pre-filed testimony, which testimony directly contradicts the proposed amendment to ALJ Report Finding 321.

The Exceptions at 20-22 also proposes amendments to ALJ Report Findings 314-328 that appear to confuse how reserve margins enter into the analysis of cost recovery. In particular, the Exceptions proposes amendments to Findings 318-323 that would make significant the reserve margins in the Rochester area while making insignificant the system-wide reserve margins.

² The Exceptions does not appear to take exception to the language in Footnote 429.

These suggested amendments should not be adopted. The Commission has always accounted for reserve margins on a system-wide level, not a micro level. For example, there could be town border stations (TBSs) throughout the State with large reserve margins, and there could be good reasons for such situations to exist. The Commission analyzes such reserve margins on a system-wide reserve basis; it does not deny cost recovery area by area, simply because a reserve margin in that area is “too high”.

In conclusion, the Department recommends that the Commission adopt the ALJ Report as recommended by the ALJ.

Respectfully submitted,

Dated: December 29, 2016

/s/ Linda S. Jensen

LINDA S. JENSEN

Assistant Attorney General

Atty. Reg. No. 0189030

445 Minnesota Street, Suite 1800

St. Paul, MN 55101-2134

Telephone: (651) 757-1472

Fax: (651) 297-1235

linda.s.jensen@ag.state.mn.us

ATTORNEY FOR MINNESOTA
DEPARTMENT OF COMMERCE,
DIVISION OF ENERGY RESOURCES



STATE OF MINNESOTA

OFFICE OF THE ATTORNEY GENERAL

SUITE 1800
445 MINNESOTA STREET
ST. PAUL, MN 55101-2134
TELEPHONE: (651) 297-2040

December 29, 2016

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
350 Metro Square Building
121 Seventh Place East
St. Paul, MN 55101

**Re: In the Matter of a Petition by Minnesota Energy Resources Corporation for
Evaluation and Approval of Rider Recovery for Its Rochester Natural Gas
Extension Project
MPUC Docket No. G-011/M-15-895, OAH Docket No. 2500-33191**

Dear Mr. Wolf:

Please find attached for filing, the REPLY OF THE DEPARTMENT TO EXCEPTIONS TO THE ALJ REPORT and AFFIDAVIT OF SERVICE in the above-referenced matter.

Sincerely,

/s/ Linda S. Jensen

LINDA S. JENSEN
445 Minnesota Street, Suite 1800
St. Paul, MN 55101-2131

Telephone: (651) 757-1472
Linda.S.Jensen@ag.state.mn.us

Attorney for the Minnesota Department of Commerce,
Division of Energy Resources

AFFIDAVIT OF SERVICE

**Re: In the Matter of a Petition by Minnesota Energy Resources Corporation for
Evaluation and Approval of Rider Recovery for Its Rochester Natural Gas
Extension Project
MPUC Docket No. G-011/M-15-895, OAH Docket No. 2500-33191**

STATE OF MINNESOTA)
) ss.
COUNTY OF RAMSEY)

I, Ann Kirlin, hereby state that on December 29, 2016, I filed by electronic eDockets the attached REPLY OF THE DEPARTMENT TO EXCEPTIONS TO THE ALJ REPORT and eServed or sent by US Mail, as noted, to all parties on the attached service list.

See attached service list.

/s/ Ann Kirlin
ANN KIRLIN

Subscribed and sworn to before me on
this December 29, 2016.

/s/ Laura Capuana
Notary Public – Minnesota
My Commission Expires January 31, 2018.

SERVICE LIST

Electronic Service Member(s)

Last Name	First Name	Email	Company Name	Delivery Method	View Trade Secret
Abeln	Mitchell	mitchellabeln@dmceda.org	Destination Medical Center - Economic Development Agency	Electronic Service	No
Adkins	Terry L.	tadkins@rochestermn.gov	City Of Rochester	Electronic Service	No
Anderson	Julia	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	Electronic Service	Yes
Barlow	Ryan	Ryan.Barlow@ag.state.mn.us	Office of the Attorney General-RUD	Electronic Service	Yes
Bender	Sundra	sundra.bender@state.mn.us	Public Utilities Commission	Electronic Service	Yes
Brama	Elizabeth	ebrama@briggs.com	Briggs and Morgan	Electronic Service	No
Brede	Ardell	abrede@rochestermn.gov	Rochester City Hall	Electronic Service	No
Brill	Bob	bob.brill@state.mn.us	Public Utilities Commission	Electronic Service	Yes
Cochran	Jeanne	Jeanne.Cochran@state.mn.us	Office of Administrative Hearings	Electronic Service	Yes
Dammel	Joseph	joseph.dammel@ag.state.mn.us	Office of the Attorney General-RUD	Electronic Service	Yes
Demman	Laura	laura.demman@nngco.com	Northern Natural Gas Company	Electronic Service	No
Fazio	Emma	emma.fazio@stoel.com	Stoel Rives LLP	Electronic Service	No
Ferguson	Sharon	sharon.ferguson@state.mn.us	Department of Commerce	Electronic Service	Yes
Gorden	Brett	gorden.brett@mayo.edu	Mayo Clinic	Electronic Service	No
Harding	Robert	robert.harding@state.mn.us	Public Utilities Commission	Electronic Service	Yes
Jensen	Linda	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	Electronic Service	Yes
Kotschevar	Mark	mkotschevar@rpu.org	Rochester Public Utilities	Electronic Service	No
Krikava	Michael	mkrikava@briggs.com	Briggs And Morgan, P.A.	Electronic Service	Yes
Kult	David G.	dgkult@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	Electronic Service	No
Kenvold	Steven	skenvold@rochestermn.gov	City of Rochester - Administrator	Electronic Service	No
Lee	Amber	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	Electronic Service	No
Lindell	John	john.lindell@ag.state.mn.us	Office of the Attorney General-RUD	Electronic Service	Yes
Moratzka	Andrew	andrew.moratzka@stoel.com	Stoel Rives LLP	Electronic Service	No
Phillips	Catherine	catherine.phillips@we-energies.com	We Energies	Electronic Service	No
Schlink	Walter	wschlink@rpu.org	Rochester Public Utilities	Electronic Service	No
Shaddix Elling	Janet	jshaddix@janetshaddix.com	Shaddix And Associates	Electronic Service	Yes

Stastny	Kristin	kstastny@briggs.com	Briggs and Morgan, P.A.	Electronic Service	Yes
Swanson	Eric	eswanson@winthrop.com	Winthrop Weinstine	Electronic Service	Yes
Wolf	Daniel P	dan.wolf@state.mn.us	Public Utilities Commission	Electronic Service	Yes