BRIGGS
BRIGGS AND MORGAN

2200 IDS Center
80 South 8th Street
Minneapolis MN 55402-2157
tel 612.977.8400
fax 612.977.8650

October 25, 2016

Michael C. Krikava
(612) 977-8566
Mkrikava@briggs.com

VIA MAIL AND ELECTRONIC FILING

The Honorable Jeanne M. Cochran
Administrative Law Judge
Office of Administrative Hearings
PO Box 64620
St. Paul, MN 55164-0620

Re: Minnesota Energy Resources Corporation's Reply Brief

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 Nos. G011/M-15-895
OAH Docket No. 68-2500-33191

Dear Judge Cochran:

Enclosed please find the Reply Brief of Minnesota Energy Resources Corporation in the above-referenced matter.

These documents have been filed via the e-docket system and served as specified by the enclosed service list. Please contact me at mkrikava@briggs.com or (612) 977-8566 if you have any questions regarding this filing.

Very truly yours,

/s/ Michael C. Krikava
Michael C. Krikava

Enclosures
Cc: Service List

STATE OF MINNESOTA
BEFORE THE OFFICE OF ADMINISTRATIVE HEARINGS
FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION

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. G011/GR-15-895 MPUC Docket No. G011/GR-16-315 OAH Docket No. 68-2500-33191

MINNESOTA ENERGY RESOURCES CORPORATION'S REPLY BRIEF

October 25, 2016

Michael C. Krikava
Kristin M. Stastny
BRIGGS AND MORGAN, P.A.
2200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402
Telephone: (612) 977-8400

Attorneys on Behalf of
Minnesota Energy Resources Corporation

TABLE OF CONTENTS

Page

I. INTRODUCTION

Minnesota Energy Resources Corporation ("MERC" or the "Company") files this Reply Brief in response to the Initial Briefs filed by the Minnesota Department of Commerce, Division of Energy Resources (the "Department"), the Minnesota Office of the Attorney General, Residential Utilities and Antitrust Division (the "OAG"), and the Super Large Gas Intervenors ("SLGI").

Throughout its Initial Brief, the Department affirms that MERC has met its burden in this case and concludes that, based on the potential risks and cost considerations, the Rochester Natural Gas Extension Project (the "Rochester Project" or the "Project"), as proposed, is reasonable and should be approved. The Department concludes MERC's forecast to estimate the need for the Project was appropriate and likely represents an acceptable estimate of expected demand in the Rochester area. Additionally, the Department concludes that the size of the proposed Project and the resulting reserve margin are reasonable and that MERC's request for proposals ("RFP") process was fair and rational and resulted in reasonable provisions for ratepayers in Rochester and other areas of MERC's system. The Department concludes that MERC's distribution system upgrades qualify for partial rider recovery pursuant to the Natural Gas Extension Project Statute ("NGEP Statute"), Minn. Stat. § 216B.1638, and that recovery of Northern Natural Gas ("NNG") capacity costs via the commodity portion of the NNG purchased gas adjustment ("PGA") is appropriate.

Only one issue remains in dispute between MERC and the Department – the appropriate allocation of costs under the NGEP Rider. MERC has proposed to recover its distribution costs on a per-therm basis across all customers equally while the Department recommends at least fifty percent of the NGEP Rider-eligible revenue deficiency should be apportioned to MERC's Rochester area customers, with the remainder to be recovered from non-Rochester customers.

While MERC acknowledges the Minnesota Public Utilities Commission ("Commission") has the authority to establish a reasonable allocation of rider recovery, MERC supports an equal allocation across all customers as the more reasonable and appropriate policy.

The OAG, in contrast, argues the Commission should reject the Petition and direct the Company to restart the process and develop a more moderate plan to increase capacity in the region. The OAG's recommendation is based on its assertion that the Rochester Project will produce more interstate pipeline capacity than is necessary and that MERC did not adequately consider phased or incremental approaches to adding capacity. While the vast majority of the OAG's arguments were addressed in detail in MERC's Initial Post-Hearing Brief, MERC responds to the OAG's new issues and arguments in this Reply Brief. In short, no party, including the OAG, submitted evidence that would undermine the significant and credible analysis and evaluation provided by the Company demonstrating the need, reasonableness, and prudence of the Project.

Denial of the Project, as recommended by the OAG, would have significant adverse effects on MERC's ability to provide adequate, safe, and reliable natural gas service to customer in the Rochester area as MERC is currently operating with a negative reserve margin. The OAG's recommendation to reject the Project and require the Company to start over to identify a new set of potential smaller alternatives would expose MERC's customers to significant risk that they will not have adequate and reliable natural gas service while also exposing ratepayers to substantial and unjustified risk of having to pay significantly greater costs for future capacity upgrades.

Contrary to the OAG's assertions, the record fully demonstrates that there is a range of potential demand forecasts, all of which support a conclusion that the Rochester Project is reasonable and necessary to meet anticipated demand. MERC reasonably considered whether alternatives to adding additional interstate capacity were available before it undertook the process to develop an RFP and the record supports MERC's conclusion that the addition of interstate pipeline capacity was the only viable alternative to address the demonstrated need. No more reasonable and prudent alternative was presented on the record to meet the identified need and no superior alternatives were proposed by the parties. Rather, the Rochester Project, as proposed, is reasonable and prudent in light of relevant cost and risk considerations, the need for the Project, and available alternatives.

Accordingly, MERC respectfully requests that the Administrative Law Judge ("ALJ") and the Commission adopt MERC's positions as set forth herein and in MERC's Initial Post-Hearing Brief and Pre-Filed Testimony in this proceeding.

This Reply Brief is structured to address the following topics:

1. The Standard of Review and Burden of Proof
2. The Need for the Rochester Project
3. The Process for Selection of the Project
4. The Reasonableness of the Project
5. Qualification of the Project for Rider Recovery Under the Natural Gas Extension Project Statute
6. The Structure of Rate Design for Recovery of MERC and NNG Upgrade Costs
7. Conclusion

II. THE RECORD FULLY SUPPORTS MERC'S REQUEST.

There is no dispute that MERC fully complied with the filing requirements set forth in Minn. Stat. § 216B.1638.[1] The Commission made a finding of completeness of MERC's Initial

[1] *See* OAG Initial Post-Hearing Brief at 79-80 (Oct. 11, 2016) (identifying the filing requirements for a petition under the NGEP statute).

Petition by its Notice of and Order for Hearing on February 8, 2016.[2] Additionally, though the Project does not require a certificate of need, to facilitate regulatory review, MERC provided information similar to that required under a certificate of need petition.[3] Under the certificate of need rules, which the parties agree provide a useful framework for evaluating MERC's Project in this proceeding,[4] the applicant bears the burden of demonstrating the need for the Project by a preponderance of the evidence. No party, including the OAG, submitted any evidence to undermine the Company's analysis and evaluation demonstrating the need, reasonableness, and prudence of the Project. Nevertheless, the OAG continues to assert MERC failed to meet its burden to demonstrate the Project's reasonableness.

The OAG's position is largely based on a series of unsupported allegations, unreasonable assumptions, and misunderstandings of the record in this proceeding. For example, the OAG alleges MERC's forecast and RFP process were not transparent,[5] despite the fact that MERC provided all relevant inputs, data, and analysis, and the Department was able to replicate MERC's forecast and fully evaluate the RFP process.[6] Additionally, the OAG incorrectly

[2] *In the Matter of a Petition by Minn. Energy Res. Corp. for Evaluation and Approval of Rider Recovery for Its Rochester Nat. Gas Extension Project*, Docket No. G011/M-15-895, NOTICE OF AND ORDER FOR HEARING at 4 (Feb. 8, 2016) ("The Department reviewed MERC's petition and the supplemental information the Company filed on December 7, 2015. Based on its review of MERC's filings and the NGEP statute, the Department concluded that the Company had provided the information required by the statute. The Commission concurs in the Department's analysis and will accept MERC's petition as being substantially complete.").

[3] Ex. 1 at Appendix A (Initial Filing – Rochester Project Rider Petition).

[4] Ex. 300 at 6 (Amended and Corrected Urban Direct) ("While MERC does not need to obtain a CN for the Rochester Project, the CN process can still provide useful guidance on what analysis will be useful in this case."); Evidentiary Hearing Transcript, Vol. 1 at 170:12-21 (Urban) (acknowledging that the certificate of need procedures are analogous to the current proceeding and provide "useful guidance" on how to implement the NGEP Statute).

[5] OAG Initial Post-Hearing Brief at 27, 30, 45. In particular, the OAG asserts, "There are several instances in which the statements MERC has made about the RFP are not consistent with the facts in the record." The OAG also alleges MERC's projected growth is based on an unreasonable assumption of increases in population above current conditions, despite the fact that MERC submitted substantial testimony and support reinforcing the expectation of population growth in the Rochester area.

[6] Department Initial Post-Hearing Brief at 18-19 ("The Department reviewed the Company's model outputs for the sales and peak demand models and was able to replicate MERC's regression results units its input data and model specifications."). The Department also expressed an understanding of MERC's use of *a priori* information –

assumes forecasting risk only goes one direction,[7] and as a result fails to properly consider the risks and costs associated with a smaller project.[8] The OAG compounds this inaccurate view by incorrectly assuming that NNG's phased proposals provided fixed costs for the second phase when in fact that was not the case.[9] Further illustrating the problems with the OAG's analysis and conclusion that MERC has not met its burden, despite acknowledging an error in its testimony and analysis regarding historical data and filing errata to correct the error, the OAG continued to rely on its inaccurate data and analysis to support its conclusions and recommendations.[10]

Finally, the OAG mischaracterizes MERC's and the Department's testimony in an attempt to support its errant conclusions. For example, in support of its claim that the reserve margin resulting from the Project is unreasonable, the OAG cites MERC's independent expert,

another area where the OAG alleges MERC was not adequately transparent. *See* Department Initial Post-Hearing Brief at 17. Department witness Mr. Ryan reviewed MERC's internal review of the competitive bid process and concluded that "MERC's RFP process was fair and reasonable," and that MERC's evaluation criteria and "weights to each category appeared reasonable. Overall, the driving component was cost and the summary data confirms the decision made by MERC." Ex. 402 at 10, 14 (Ryan Direct).

[7] OAG Initial Post-Hearing Brief at 18 ("MERC's reliance on the results of its forecast, without controlling for any kind of risk or variance, is inherently unreasonable. It places all of the forecasting risk, the risk of overbuilding, and the risk of building facilities before they are necessary, on ratepayers.").

[8] *See* Department Initial Post-Hearing Brief at 43 ("[T]he risk of much higher costs exists if growth related to the DMC and Rochester Public Utilities materializes. Although it is not fully quantifiable, it is important to consider these factors involved with building a smaller project, and these factors were omitted from Dr. Urban's analysis. It is unreasonable to fail to consider risks that would likely represent a significant increase in costs for MERC's ratepayers, given the expectation that MERC will provide reliable service.").

[9] Ex. 16 at 14 (Mead Surrebuttal); Evidentiary Hearing Transcript, Vol. 1 at 175:19-176:1 (Urban) ("Q. … Would you agree with me that under the Northern package of bids as proposed, … that would allow MERC to stop and not implement the second phase, … came with the price risk that the second phase would be at actual costs at the time incurred? A. Yes.").

[10] Dr. Urban filed errata correcting tables in her Direct and Rebuttal Testimonies from which she quoted growth rates based on non-weather normalized data but drew conclusions with the premise that the data was weather normalized. In Dr. Urban's revised Rebuttal Testimony page 4, lines 4 and 5, she continued to mistakenly assert that "[t]here is no indication of an upward trend in firm demand," and that total firm demand in 2015 was lower than it was in 2007. While she corrected her testimony further during the Evidentiary Hearing to remove the statement that total firm demand in 2015 was lower than in 2007, she did not change her conclusion that historic data did not indicate an upward trend in firm demand. In fact, the corrected table shows positive growth and 2015 sales are higher than 2007 sales. Ex. 307 at 4:3-4 (Urban Amended and Corrected Rebuttal); Evidentiary Hearing Transcript, Vol. 1 at 161:2-7 (Urban).

Timothy Sexton, as stating "most utility distribution companies maintain capacity reserve margins in the 3% to 7% range with targets near 5% with variances in reserve margin targets resulting from unique local conditions."[11] But this discussion is taken entirely out of context. In fact, MERC submitted substantial testimony demonstrating that in markets that require the installation of new pipeline capacity, the reserve margin is often higher than five percent after the new capacity is installed:

> Conversely, in markets such as the Rochester area specifically or Southeast Minnesota generally, where unsubscribed pipeline capacity is not available, new pipeline and/or compression must be installed to provide incremental capacity. Since a lead time of three years or more is typically required to support facility expansions, capacity cannot be acquired on a "just in time" basis. Rather, in order to retain the reliability supported by a five percent reserve margin of capacity, expansions must be planned years in advance, which typically results in capacity acquired in tranches with resulting reserve margins in excess of 5% in the initial years after the in-service date of an expansion project.[12]

The OAG also continues to assert that MERC did not sufficiently consider whether other alternatives could have addressed the need for the Project.[13] With respect to alternatives to the Project, MERC meets its burden by showing that the Project is a reasonable and prudent way to satisfy the articulated and demonstrated need.[14] It is not MERC's burden to disprove other

---

[11] OAG Initial Post-Hearing Brief at 11 (citing Ex. 17 at 10 (Sexton Direct)).

[12] Ex. 17 at 11-12 (Sexton Direct); *see also* Ex. 5 at 31 (Lee Direct) (noting that pipeline counterparties rarely accommodate capacity additions that just keep pace with increased customer demand, particularly where construction is required to provide the additional capacity). The OAG similarly mischaracterized the Department's position on appropriate reserve margins, as discussed in the Rebuttal Testimony of Mr. Heinen. Ex. 406 at 203 (Heinen Rebuttal). There were other areas the Department identified where the OAG mischaracterized its position to support the OAG's conclusions. For example, in Surrebuttal Testimony, Mr. Heinen notes, "Dr. Urban implied that I found MERC's need forecast unreasonable. This statement is inaccurate." Ex. 407 at 6 (Heinen Surrebuttal).

[13] OAG Initial Post-Hearing Brief at 64-68.

[14] Pursuant to Minn. R. 7851.0110, "[t]he commission shall consider only those alternatives proposed before the close of the public hearing and for which there exists substantial evidence on the record with respect to each of the criteria listed in part 7851.0120." *See, e.g.*, *In re Application of the City of Hutchinson for a Certificate of Need to Construct a Large Nat. Gas Pipeline*, No. A03-99, 2003 WL 22234703, at *7 (Minn. App. Sept. 23, 2003); *In the Matter of the Application of Prairie Rose Wind, LLC for a Certificate of Need for an up to 200 MW Project & Associated Facilities in Pipestone & Rock Counties in Sw. Minn.*, Docket No. IP-6838/CN-10-80, ORDER GRANTING

potential alternatives or to prove the absence of theoretical alternatives. Rather, the burden falls on other parties to come forward with actual alternatives and prove (1) they are sufficiently presented in the record to be considered, and (2) they are more reasonable and prudent than the applicant's proposal.[15]

Both the OAG and the Department conducted extensive discovery and had over ten months to request information deemed relevant to this proceeding. MERC provided considerable information and data throughout the discovery process, including responses to over 150 Information Requests. The efforts by the Company throughout this proceeding to be transparent and forthcoming with relevant and requested information is apparent in this record and rebuts any assertion by the OAG to the contrary. To label the Company's decision-making process as somehow tainted is contrary to the record evidence, which reflects significant efforts by MERC to engage with stakeholders early to develop a competitive RFP process to obtain the least-cost alternative to meet projected demand in the Rochester area. A robust record has been

---

A CERTIFICATE OF NEED at 12 (Sept. 16, 2011) (assessing the electric equivalent CON rules and explaining that "Minn. Rules, part 7849.0110, provides for the Commission to consider alternatives a) that are proposed prior to the close of the last public hearing, and b) for which the record contains substantial evidence with respect to the certificate of need criteria. Ultimately the Commission must make its decision based on whether 'a more reasonable and prudent alternative to the proposed facility has not been demonstrated by a preponderance of the evidence on the record . . . .'" (citation omitted)); *see also In the Matter of the Application of Great River Energy, N. States Power Co. (d/b/a Xcel Energy), and Others for Certificates of Need for the CapX 345-kV Transmission Project*, Docket No. ET-2, E-002, *et al.*/CN-06-1115, ORDER GRANTING CERTIFICATES OF NEED WITH CONDITIONS at 30 (May 22, 2009) (granting the CON and citing the procedural limitations for proposing alternatives in an electric proceeding without explicitly relying on said rule) ("Procedurally, Applicants and OES argue that the choice of a Brookings Project that terminates at the Lake Marion substation is not properly available for consideration. Minn. Rules, part 7849.0110, states that the Commission shall consider only those alternatives proposed before the close of the public hearing for which 'there exists substantial evidence on the record with respect to each of the criteria listed in part 7849.0120.' No party proposed the alternative of building a Brookings Project without the Hampton Corner substation until CETF's reply brief, long after the public hearings ended.").

[15] Minn. R. 7851.0120, subp. B; *see also In the Matter of the Application of ITC Midwest LLC for a Certificate of Need for the Minn.-Iowa 345 kV Transmission Line Project in Jackson, Martin and Faribault Ctys*, Docket No. ET-6675/CN-12-1053, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATIONS at 52-53 (Sept. 8, 2014) (explaining that Rule 7849.0120 "requires opponents of the proposed Project to come forward and establish the existence and characteristics of a more reasonable and prudent alternative. . . . If a party wants a particular alternative to be considered, that party must make sure that sufficient evidence is submitted to satisfy the Commission's requirement that 'only those alternatives proposed before the close of the public hearing and for which there exists substantial evidence on the record' be considered").

developed regarding the proposed Project, the need for the Project, the RFP process that was used to select the Project, and potential alternatives to the Project, and the record shows the Rochester Project, as proposed, is necessary, reasonable, and prudent, and should be approved.

III. THE NEED FOR THE ROCHESTER PROJECT IS REAL AND IMMEDIATE.

As discussed in MERC's Initial Post-Hearing Brief, the need for additional capacity in the Rochester area is real and immediate. Even under the Department's low-growth alternative forecast, the Rochester Project is the right choice given the immediate deficit in southeastern Minnesota, the cost considerations of available alternatives, and the nature of natural gas infrastructure development.[16] The OAG's recommendation to reject the Project and require the Company to start over to identify a new set of potential smaller alternatives is plainly unsupported. The OAG's recommendation would expose MERC's customers to the significant risk of inadequate and unreliable natural gas service while also exposing ratepayers to risk of incurring significantly greater costs for capacity upgrades in the future.

Ultimately, the OAG's criticisms of the inputs and assumptions used in MERC's forecast miss the point.[17] The need for additional capacity exists today.[18] Regardless of whether an individual forecaster would have made less robust growth assumptions than those made by the Company, MERC's forecast represents a reasonably likely outcome under currently known facts and circumstances. The Department's alternative low-growth forecast demonstrates that the Project is necessary, even assuming low growth in the Rochester area. The City of Rochester is

---

[16] Department Initial Post-Hearing Brief at 32.

[17] The OAG's recommendation also appears to contradict the OAG's statutory charge of "representing and furthering the interests of residential and small business utility consumers through participation in matters before the Public Utilities Commission involving utility rates and *adequacy of utility services* to residential or small business utility consumers." Minn. Stat. § 8.33 (emphasis added).

[18] Under current conditions, MERC is operating with a negative 9.5 percent reserve margin in Rochester and has been extremely fortunate not to have had a design day situation that would challenge the ability to meet firm customers' natural gas needs. *See* Evidentiary Hearing Transcript, Vol. 1 at 103:22-24 (Mead).

simply not growing at a *negative* rate as the OAG's superficial analysis using isolated inputs suggests. To make a decision that could result in customers having unreliable and inadequate natural gas service based on the OAG's unreasonable projection would subject MERC's customers to undue risk.

A. The OAG's Criticisms Do Not Undermine MERC's Forecast.

The OAG focuses significant attention in its Initial Brief on criticizing the various assumptions and inputs in the Company's demand forecast submitted in support of the need for the Rochester Project. Ultimately, however, none of the criticisms raised by the OAG undermine the conclusion that there is a demonstrated need for additional capacity in the Rochester area and that the Rochester Project is the best available alternative on the record to meet that need. As the Department thoroughly addressed, none of the concerns identified with MERC's forecast warrant rejecting the Project.[19] MERC addressed virtually all of the OAG's criticisms of its demand forecast in its Initial Post-Hearing Brief,[20] and will not restate the reasons the OAG's arguments are without merit here, but a few of the issues raised by the OAG require clarification.

First, the OAG asserts that MERC criticized the inclusion of a time trend variable even though MERC used a trend variable in its Small C&I use-per-customer model.[21] As MERC explained in its Initial Brief, the Company's principal criticism is not with the use of a trend variable, but with the OAG's proposal to include such a variable in isolation, without consideration of the larger forecast model.

[19] *See* Ex. 407 at 4 (Heinen Surrebuttal) ("The results of the Company's analysis were not significantly different than the results of my alternative analysis. . . . Based on my alternative analysis, I concluded that MERC's need analysis likely represents an optimistic view of expected growth in the Rochester Area, while my need analysis likely represents a status quo view to growth in the Rochester Area. Further, based on the potential risks, and cost considerations, of [] building a smaller project, I concluded that the Project, as proposed, is reasonable.").

[20] MERC Initial Post-Hearing Brief at 14-18.

[21] OAG Initial Post-Hearing Brief at 26.

> Even if a time trend variable were used, … the time trend variable to reflect declining use per customer suggested by the OAG would be inappropriate when added in isolation as Dr. Urban requested without reviewing the entire model. In other words, the variables in the forecast model work together and the addition or modification of particular variables without corresponding adjustments to other variables in the model can yield inconsistent and unsound results.[22]

While the OAG is correct that MERC utilized a trend variable in its Small C&I use-per-customer model, MERC also included other variables and made other adjustments to properly account for that trend variable. In particular, while the Small C&I model included a trend variable, it also included a monthly binary variable and moving average component to manage the trend variable. These variables were not included in the Residential use-per-customer model. MERC fully described the construction of all of its forecast models in its Initial Petition.[23] Ultimately, MERC's Residential use-per-customer model was statistically significant as submitted in the Petition and the OAG's criticism is without merit.

Second, the OAG alleges it is impossible to evaluate whether MERC's reliance on *a priori* information was reasonable because, according to the OAG, "MERC has not been transparent about what outside information it used, or what it used that information for."[24] Contrary to the OAG's position, MERC has been clear that the *a priori* information considered was the growth that will be created by the expansion of the Mayo Clinic and the Destination Medical Center ("DMC") initiative. MERC has also been clear that no specific data related to the DMC was used in the forecast modeling and that MERC's forecasts were developed using historical data, based on valid statistical modeling, with *a priori* information considered to

[22] MERC Initial Post-Hearing Brief at 16.

[23] Ex. 1 at 77-78 (Initial Filing – Rochester Project Rider Petition).

[24] OAG Initial Post-Hearing Brief at 27.

corroborate the reasonableness of the results of the forecast modeling.[25] The OAG issued an Information Request regarding MERC's reliance on *a priori* information on November 4, 2015, less than two weeks after MERC filed its Initial Petition.[26] In response, MERC stated:

> As explained in our Petition and Appendix B, our forecasting process involved gathering *a priori* information regarding expected sales growth among our customer classes. This *a priori* information included internal MERC projections of potential customer usage and peak day requirements based on summary demographic data from the Rochester Olmsted Council of Governments ("ROCOG") 2040 Long Range Plan. A copy of the ROCOG and MERC data as referenced is included as Attachment_OAG_154.pdf.
>
> This information was used to corroborate the reasonableness of the results of the forecast modeling. The comparison showed that the *a priori* information and statistical forecast modeling were consistent, both reflecting strong anticipated growth in demand over the next ten years.
>
> In the Petition and Appendix B, MERC inadvertently references adjusting rather than analyzing our forecast modeling in light of *a priori* information. In fact no modeling adjustments were made based on the *a priori* information. Rather MERC used the information to analyze the reasonableness of its forecasting model output.

MERC has consistently and clearly explained that *a priori* information was used as a tool to corroborate the reasonableness of MERC's models, and the OAG's allegation that MERC has been inconsistent in its explanation of whether and how it relied on *a priori* information should be rejected.

The OAG also alleges that MERC's use of Moody's Analytics data incorporates impacts related to the DMC and, therefore, is inconsistent with the Company's statements that *a priori* information was used as a check on the reasonableness of its models. But MERC's Initial

[25] Ex. 10 at 15 (Clabots Rebuttal).

[26] Ex. 309 at Schedule JAU-R-1 (Urban Rebuttal Schedules) (MERC Response to OAG Information Request No. 154).

Petition was also clear about its use of data from Moody's Analytics. As shown on pages 77-78 of MERC's Initial Petition, only the Large C&I customer count model used an economic variable from Moody's (Gross Metro Product ("GMP")). The Residential and Small C&I models *did not use any Moody variables,* so no DMC impact was modeled. Since the Large C&I sales model is a total sales model, the Large C&I customer count model did not play a role in determining the growth rate of 1.5 percent.[27] Thus, there was nothing about the Moody's data that influenced MERC's projected growth rate.

Third, the OAG incorrectly alleges that MERC and the Department incorporated consideration of interruptible and transportation usage into their analysis of the projected need for the Rochester Project.[28] MERC's forecast of the need for the Rochester Project included only firm demand. No increased demand related to Rochester Public Utilities ("RPU") or any other interruptible or transportation customer was considered in MERC's forecast, which fully supports the need for the Project. Similarly, the Department's alternative forecast analysis does not include any demand related to RPU or any other interruptible or transportation customers. MERC's and the Department's need analyses reflect a range of possible firm demand growth scenarios, each of which support a conclusion that the Rochester Project is reasonable and necessary.

While MERC and the Department were clear that interruptible and transport demand were not used in their respective evaluations of the forecasted design day need for the Project, both MERC and the Department agreed that ensuring reliable natural gas and electric service

[27] Ex. 1 at 77-78 (Initial Filing – Rochester Project Rider Petition). The Interruptible and Transport models also used GMP but are not firm so these did not impact the 1.5 percent growth rate either.

[28] OAG Initial Post-Hearing Brief at 69 ("According to the vast majority of witnesses in this case, the fact that RPU will take interruptible transportation service means its consumption should not be considered when planning to serve peak demand. And, yet, both the Department and MERC have used RPU's future plans to justify the Rochester Project.").

means RPU's needs are an important factor to consider in this proceeding even though RPU might opt for interruptible service. Under existing tariffs, MERC is unable to dictate whether RPU takes service as a firm, interruptible, sales, or transport customer.[29] However, there is evidence in the record that electric generation may need to move to firm natural gas service in the future. As the Department discusses, RPU's recent Infrastructure Report noted the following:

> Historically, natural gas-fired power plants were dispatched during the summer to meet increased demand due to air conditioning needs, when there is little competition for natural gas supply and deliveries. However, with the increased coal-fired power plant retirements, more natural gas-fired generation is going to be required during winter months when increased natural gas demand is prevalent due to residential and commercial heating needs. As such, many of the independent system operators are evaluating the overall reliability of the bulk electric system, especially during winter months, with increased reliance on natural gas- fired power plants. If firm natural gas deliveries are required for power generators, it could increase the cost of production significantly.[30]

While both MERC's and the Department's forecasts support the need for the Project, regardless of RPU's plans, that does not mean that the need for natural gas to support electric generation is irrelevant to the Commission's consideration in this proceeding.

Contrary to the OAG's claims, MERC's forecast represents a reasonable estimate of expected need for the Rochester area based on consideration of historic growth and anticipated future growth. None of the OAG's criticisms of MERC's forecasting inputs, assumptions, or methodology undermine the conclusion that the record in this proceeding demonstrates that the Project as proposed is necessary.

[29] Ex. 13 at 6 (Mead Rebuttal).

[30] Ex. 405 at 12-13 and Schedule AJH-4 at 3-2 and 3-3 (Heinen Direct).

B. The OAG's So-Called "Corrected Forecast" Should Be Given No Weight.

The OAG argues that in light of the problems it identified with MERC's forecast, the alternative forecast it requested MERC to run should be used to determine the need for the Project.[31] As MERC discussed in its Initial Post-Hearing Brief, the OAG submitted an Information Request asking MERC to modify a number of isolated inputs and assumptions in its forecast model. The Company disagreed with the premise of the OAG's request – that the modifications and adjustments requested are reasonable or appropriate – and noted that it had significant concerns with the requested modifications.[32] Nevertheless, in an effort to be transparent and cooperative, MERC made the adjustments requested by the OAG, which resulted in a 10-year average total retail sales growth of negative 0.1 percent. As addressed in MERC's Initial Post-Hearing Brief,

> Not only is the OAG's alternative forecast of negative 0.1 percent growth highly improbable given historic growth trends in the Rochester area, the projected population growth provided by the Rochester-Olmsted Council of Governments,[33] and the expansion plans of the Mayo Clinic and DMC initiative that are already underway, the record in this case demonstrates that if the Project is not undertaken and growth does occur more quickly than the OAG projects, ratepayers would be required to invest in significant future upgrades at even greater costs than the proposed Project.[34]

Further, the record evidence indicates that the historic average annual growth rate in Rochester of 0.46 percent likely does not represent the level of future growth. Much of the historic period 2007-2015 represented a significant downturn in the economy in the Rochester area and development during much of that period was slow or nonexistent. The OAG provided zero support – historic or otherwise – to demonstrate that a negative forecast is reasonable or

[31] OAG Initial Post-Hearing Brief at 31-34.

[32] *See* Ex. 11 at 12-13 (Clabots Surrebuttal).

[33] Ex. 9 at Schedule DCW-2 (Clabots Direct).

[34] MERC Initial Post-Hearing Brief at 19-20.

likely to accurately reflect anticipated growth in the Rochester area. Such a projection is simply not credible under the facts and circumstances presented in the record. To the contrary, the record reflects that development in the Rochester area is anticipated to increase significantly in the coming years and that the DMC initiative is already well underway.[35] The OAG's suggestion that its alternative forecast should be relied upon to determine natural gas need in the Rochester area should be given no weight.

C. Denial of the Project Would Expose Customers to Unreasonable Risk.

In its Initial Brief, the OAG repeatedly criticizes MERC for not reasonably protecting ratepayers from "forecasting risk," defining forecasting risk as the risk of overbuilding or building facilities before they are necessary.[36] Contrary to the OAG's assertions, however, the Project *is* designed to best protect ratepayers from forecasting risk. Further, as OAG witness Dr. Urban acknowledged during the Evidentiary Hearing, forecasting risk does not only go one way – just as it is possible that a forecast would overestimate actual demand, it is possible a forecast could underestimate actual demand.[37] Based on the record and range of potential growth scenarios, the potential that growth will meet or exceed MERC's forecast projections significantly outweighs the risk that actual growth in Rochester occurs more slowly than MERC has projected. If the Project is not approved and growth meets or exceeds MERC's forecast projections, MERC will be caught short of capacity with little or no time to react.[38]

---

[35] Recent reports indicate that the DMC initiative is on track to hit $200 million in private investment by the end of 2016, triggering the release of $585 million in public funding to support infrastructure improvements for the DMC. Ex. 11 at 3-4 (Clabots Surrebuttal) (citing Matt McKinney, *Redoing Rochester: Where Has Investment for the DMC Gone So Far?,* Star Tribune (Aug. 11, 2016) (http://www.startribune.com/redoing-rochester-where-has-destination-medical-center-money-gone-sofar/389537791/)).

[36] OAG Initial Post-Hearing Brief at 18.

[37] Evidentiary Hearing Transcript, Vol. 1 at 185:19-186:3; 186:20-187:9 (Urban) (acknowledging that it was uncertain whether demand would, in fact, decline over time and also acknowledged the possibility that demand could grow more quickly than projected).

[38] Ex. 11 at 4 (Clabots Surrebuttal).

Though it may be possible to meet the immediate existing need in the Rochester Area with a smaller increment of capacity, that outcome would only be possible if growth in the Rochester area and on the MERC system as a whole remained relatively constant despite known upward pressure on throughput, such as from the DMC initiative. If growth increased, there is a substantial risk that ratepayers would be required to invest in significant future upgrades that could have costs similar to or greater than the costs of the Project as proposed by MERC.[39] The record demonstrates that subsequent upgrades would be much more expensive than completing all of the work at this time to lock in an advantageous price and very attractive contract terms.

MERC has an immediate obligation to ensure continued safe and reliable natural gas service to its customers at overall reasonable costs. And the record establishes that the Project, as proposed, provides the most reasonable and prudent way for MERC to meet that obligation.

IV. MERC'S RFP WAS REASONABLE AND RESULTED IN RATEPAYER BENEFITS.

The record demonstrates MERC's process for selecting the Rochester Project was reasonable. MERC involved stakeholders from the beginning stages;[40] evaluated potential alternatives to adding additional interstate capacity; successfully designed an RFP to foster competitive bids and pressure the incumbent pipeline, NNG, to sharpen its pencil;[41] designed an outcome with NNG that was both cost-effective and incorporated multiple additional benefits such as being able to serve Rochester at multiple points, using the least amount of pipeline, and

[39] Ex. 16 at 13 (Mead Surrebuttal) ("In other words, had MERC selected the 30,000 Dth/day alternative, MERC customers would have paid 101 percent of the costs as under the PA while receiving less total capacity. And customers would receive substantially less capacity for that higher cost, putting them at significant risk of having to endure future upgrades and potential capacity shortfalls if demand exceeds MERC's forecast.").

[40] Ex. 24 at 1 (Lee Opening Statement).

[41] Ex. 28 at 2 (Sexton Opening Statement); Ex. 402 at 14-15 (Ryan Direct).

capping the reservation price of NNG capacity;[42] and negotiated an agreement with NNG that provides additional benefits and cost savings to MERC customers, including MERC customers outside the Rochester area.[43]

Nevertheless, the OAG takes issue with a number of aspects of MERC's RFP process and selection of NNG to provide additional capacity as part of the Rochester Project, asserting the process prevented MERC from considering smaller or phased-in alternatives.[44] MERC addressed many of the OAG's arguments in its Initial Post-Hearing Brief,[45] but responds to a number of new issues raised in the OAG's Initial Brief below.

A. The Design of MERC's RFP Was Reasonable.

The Department conducted a review of MERC's RFP process and reached the conclusion that MERC's process was "a reasonable, comprehensive gauge of the market and potential alternatives for obtaining interstate pipeline services to the Rochester TBSs."[46] The OAG, in contrast, argues that MERC's RFP was not designed to consider all alternatives because the Company selected 100,000 Dth/day as the target capacity.[47] The OAG contends that it was unreasonable for MERC to have "relied exclusively on the results of its forecast to determine how large the Rochester Project should be," and "[t]hat design was unreasonable because it prevented the Company from considering options that could insulate ratepayers from forecasting risk."[48]

---

[42] Ex. 402 at 12 (Ryan Direct).

[43] Ex. 402 at 14 (Ryan Direct).

[44] OAG Initial Post-Hearing Brief at 39.

[45] MERC Initial Post-Hearing Brief at 22-30.

[46] Department Initial Post-Hearing Brief at 66.

[47] OAG Initial Post-Hearing Brief at 35-36.

[48] OAG Initial Post-Hearing Brief at 36, 39.

Contrary to the OAG's assertions, however, the record demonstrates it was both reasonable and appropriate for MERC to structure its RFP based on the long-term demand and demand growth associated with the 100,000 Dth/day included in the RFP. By selecting 100,000 Dth/day as the target capacity, MERC served three important goals: (1) it provided sufficient capacity to serve customers for the long term; (2) it provided a sufficiently large capacity position to entice non-incumbent pipelines to submit competing proposals; and (3) the presence of a competitive environment had a materially positive impact on the negotiations and final outcome achieved with NNG.[49] To foster a competitive environment for its RFP, MERC developed an approach where it sought capacity solutions that would meet long-term requirements in and around the Rochester area.[50] If MERC had issued an RFP that only supported near-term demand requirements, the quantity would not have been sufficient to enable third-party service providers to submit proposals that had any realistic chance of clearing the significant barrier to entry created by the 80-mile pipeline construction requirement.[51]

The OAG attacks the need for MERC to create a competitive environment as support for the size of the Company's RFP as "suspect . . . because MERC did not mention the concept of a 'competitive environment' until the RFP was challenged."[52] This argument is baseless both because the OAG failed to offer any evidence into the record that would contradict the record evidence demonstrating the substantial value and benefit obtained through the competitive RFP process and because it is axiomatic that the purpose of an RFP is to foster a competitive environment and solicit competitive bids. As Department witness Michael Ryan recognized in

[49] Ex. 19 at 7-8 (Sexton Rebuttal).

[50] Ex. 19 at 5 (Sexton Rebuttal).

[51] Ex. 19 at 5-6 (Sexton Rebuttal).

[52] Ex. 19 at 38 (Sexton Rebuttal).

Direct Testimony, "While other pipelines may have difficulty serving Rochester, MERC made reasonable efforts to address this issue through the timing of the process and allowing other bidders the opportunity to provide competitive bids on the Project.[53]

As the record reflects, the interstate pipeline market in Rochester is a captive market on the NNG system with no third-party pipeline service providers within 80 miles of the City.[54] The 80-mile distance creates a significant hurdle for third-party service providers to overcome in order to compete with the incumbent service provider. Further, a pipeline has full authority to charge a captive utility like MERC maximum tariff rates and provide no concessions, and without some competitive pressure, the pipeline would have no incentive to accept any terms other than maximum rates.[55] The OAG either does not understand or refuses to acknowledge the lack of competitive environment and it has not offered actual evidence that the lack of competition would not have harmed ratepayers if MERC had not strategized to bring bidders to the RFP process.

The OAG also alleges that the fact that the bids received from non-incumbent third parties were $50 million net present value more than NNG's base proposal indicates that the RFP process was not, in fact, competitive.[56] To the contrary, the fact that NNG felt pressure to reduce its bid so significantly and provide numerous contract concessions demonstrates that the process to create competition was highly successful. As noted by Department witness Mr. Heinen, as a result of the competitive bid process, MERC was able to reduce the projected cost of the

---

[53] Ex. 402 at 14-15 (Ryan Direct).

[54] Ex. 19 at 5 (Sexton Rebuttal).

[55] Evidentiary Hearing Transcript, Vol. 1 at 175:3-12 (Urban) (admitting that NNG had the legal right to tell MERC "take my max rates, take it or leave it" but that NNG did not do so and, in fact, provided significant concessions).

[56] OAG Initial Post-Hearing Brief at 38-39.

Rochester Project significantly – from about $170 million to approximately $100 million.[57] Through that process, including MERC's RFP and the creation of competition by non-incumbent pipelines, MERC was able to extract significant overall cost savings for the benefit of MERC customers.

MERC witness Ms. Sarah Mead testified without contradiction that pursuing a smaller project would not have attracted any non-incumbent third-party service providers to submit proposals for the capacity, significantly limiting MERC's negotiating leverage with NNG.[58] The proposals MERC received were sufficiently competitive to serve the purpose of creating risk for NNG and prompting NNG to make significant concessions in order to prevail. Overall, MERC's RFP approach allowed the Company to create a competitive environment in which MERC was able to effectively exercise leverage to obtain the best possible terms from NNG.

B. MERC's Review of RFP Responses was Reasonable.

The OAG also takes issue with MERC's bid evaluation and analysis, arguing that this process was not sufficiently rigorous and that MERC misrepresented the facts regarding the RFP responses it received. MERC engaged in a comprehensive analysis of the responses to the RFP that were received, and MERC was entirely transparent regarding its RFP process, the bids received during that process, its evaluation of those bids and selection of NNG as the winning bidder, and the negotiation of the final Precedent Agreement ("PA") terms.

As explained in MERC's Initial Post-Hearing Brief, the Company reviewed the bid proposals and then met with each bidder to clarify the information provided and discuss the

[57] Ex. 405 at 4 (Heinen Direct) ("For example, in its October 2014 presentation, MERC anticipated total project costs upwards of $170 million, not including contingencies, which is significantly greater than the approximately $60 million in projected Northern Natural Gas project costs noted by the Company in this docket.").

[58] Ex. 27 at 2 (Mead Opening Statement).

proposed costs and timing.[59] MERC then evaluated the proposals against a number of criteria and ultimately concluded that, on balance of all factors, NNG's proposal to expand its existing system best met the firm transportation need of Rochester and also addressed shortages at 21 other NNG TBSs in southeastern Minnesota.[60] The Company did more than merely "hand[] over a single sheet of paper to justify a significant expenditure of ratepayer dollars,"[61] as the OAG suggests. MERC not only conducted an inclusive and complete RFP process with multiple parties to determine the best and least-cost option, but it also provided extensive testimony explaining the RFP process and provided the parties with summary results, detailing the pricing provided by suppliers along with other non-quantitative aspects that were factored into the Company's decision.[62] As Department witness Mr. Ryan concluded in assessing MERC's baseline summary document, "the information and weights to each category appeared reasonable" and "[o]verall, the driving component was cost and the summary data confirms the decision made by MERC."[63]

The OAG also takes issue with Ms. Mead's statement that the "only viable alternative was to make a major expansion," arguing that it is disingenuous based on NNG having provided various phased alternatives and noting that such alternatives could "'eliminate the need for MERC to make construction decisions now based on forecast growth requirements that may occur over a 20-year or longer time period,' 'reduce[] the risk to MERC's customers for costs associated with overbuilding facilities for forecasts of unknown growth,' and 'protect customers

[59] MERC Initial Post-Hearing Brief at 28-29; Ex. 12 at 10 (Mead Direct).

[60] MERC Initial Post-Hearing Brief at 28-29; Ex. 12 at 10 (Mead Direct).

[61] OAG Initial Post-Hearing Brief at 42.

[62] Ex. 403 at MR-1 (Ryan Direct HSTS Attachment) (MERC Response to Department Information Request No. 38).

[63] Ex. 402 at 10 (Ryan Direct).

from upfront costs and potential rate shock due to a large single build-out of capacity when they capacity may not be needed until a future time period.'"[64]

As discussed in detail in Pre-Filed Testimony and in MERC's Initial Post-Hearing Brief and discussed in greater detail below, the smaller phased alternatives that were suggested by NNG had critical flaws that singly and in combination made them unacceptable. First, a number of the proposals did not meet MERC's operational requirements and were therefore not feasible to address MERC's needs. Second, many of the smaller phased projects did not provide price certainty with respect to the second phase. Third, as analyzed in MERC's supplemental response to Department Information Request No. 37, an incremental or phased approach to adding capacity would have added significant costs as well as significant risk in the event the smaller capacity additions were inadequate to meet actual demand.[65]

Of course NNG was motivated to present each of its alternative proposals in the best light possible to encourage MERC to select it as the winning bidder. But MERC had an obligation to evaluate the bids received beyond the bidders' statements of the purported benefits of a particular proposal and MERC did just that. Further, as detailed in testimony and MERC's Initial Post-Hearing Brief, MERC did not mechanically implement a single proposal from NNG but instead negotiated a hybrid contract that took various elements from different NNG proposals to obtain the best possible deal for ratepayers.[66]

The OAG also alleges that MERC "misrepresented facts" regarding responses to the RFP and that MERC failed to provide either the PA, the RFP, or the responses to the RFP until they

[64] OAG Initial Post-Hearing Brief at 46 (citing Ex. 306 at Schedule 5 (Urban Direct Schedules HSTS)).

[65] Ex. 16 at 8-9 (Mead Surrebuttal); Ex. 20 at Schedule TCS-R1 (Sexton Rebuttal Schedules).

[66] MERC Initial Post-Hearing Brief at 30-31; Ex 27 at 2 (Mead Opening Statement); Ex. 16 at 15 (Mead Surrebuttal).

were "demanded" in discovery.[67] These claims are unfounded and beside the point. MERC provided the Precedent Agreement, RFP, and responses to the RFP in discovery less that one month after MERC filed its Initial Petition, and well before procedural comments were due.[68] The OAG, the Department, and other interested parties were provided ample opportunity – over nine months – to thoroughly review these documents and request follow-up discovery, as they did. MERC chose this method to produce these documents in discovery to help manage the potentially difficult trade secret issues that were involved and to ensure agency review of these documents without creating the undue risk of public exposure of highly confidential information.[69]

Further, nothing in either the NGEP Statute's filing requirements or the certificate of need rules require the filing of documents such as the PA, RFP, and responses to the RFP, and given the extremely sensitive nature of those documents, MERC reasonably determined that providing them through discovery was more appropriate.[70] The OAG's allegation that MERC was less than transparent regarding the RFP, responses to the RFP, and negotiated agreement with NNG is a red herring, designed to distract from the fact that the OAG's claims lack any real support.

C. MERC Reasonably Considered Available Alternatives.

As discussed in MERC's Initial Post-Hearing Brief, the Company fully considered all reasonable alternatives to the Project and no superior alternatives were proposed on the record by

[67] OAG Initial Post-Hearing Brief at 45-47.

[68] NOTICE OF COMMENT PERIOD ON PROCEDURES (Nov. 3, 2015) (setting a deadline for initial procedural comments of November 25, 2015 and reply comments December 7, 2015).

[69] *See* Ex. 12 at 12:20-13:10 (Mead Direct).

[70] As discussed above, the Commission made a finding that MERC's Initial Petition was substantially complete in its Notice of and Order for Hearing issued on February 8, 2016. *In the Matter of a Petition by Minn. Energy Res. Corp. for Evaluation and Approval of Rider Recovery for Its Rochester Nat. Gas Extension Project*, Docket No. G011/M-15-895, NOTICE OF AND ORDER FOR HEARING at 4 (Feb. 8, 2016)

any party during this proceeding.[71] Under the certificate of need rules, which the parties agree provide a useful framework for evaluating MERC's Project in this proceeding, the applicant bears the burden of demonstrating the need for the Project, with the specific burden being proof by a preponderance of the evidence. With respect to alternatives to the Project, MERC meets this burden by showing that the Project is a reasonable and prudent way to satisfy the articulated and demonstrated needs. It is not MERC's burden to disprove other potential alternatives or to prove the absence of theoretical alternatives.[72]

In its Initial Brief, the OAG continues to argue that MERC did not give sufficient consideration to whether a peak shaving alternative could have reduced demand in the Rochester area[73] and raises for the first time that MERC did not effectively address whether increased conservation could have mitigated the costs of any upgrades that were needed.[74] Neither of these claims withstands scrutiny.

As MERC has consistently provided throughout this proceeding, the Company did consider peak shaving early in the planning process as an alternative to meet peak demand, but determined that such facilities would not solve MERC's capacity need in the Rochester area.[75]

---

[71] MERC Initial Post-Hearing Brief at 22-25 ("These options included alternative pipeline options, distribution system modifications, conservation, and a no-build alternative.").

[72] Minn. R. 7851.0120, subp. 8 and Minn. R. 7849.0110 (providing that for a certificate of need for electric and gas infrastructure, the Commission is only to consider alternatives that have been fully demonstrated on the record as meeting all of the criteria for a certificate of need); *In the Matter of the Application of the City of Hutchinson for a Certificate of Need to Construct a Large Nat. Gas Pipeline*, No. A03-99 at 11 (Minn. App. Sept. 23, 2003) (*citing* State v. Paige, 256 N.W.2d 298, 304 (Minn. 1977)) ("Under the certificate-of-need process established by statute and rule, an applicant bears the burden of proving the need for a proposed facility. An applicant fails to meet this burden when another party demonstrates that there is a more reasonable and prudent alternative to the facility proposed by the applicant. Minn. Stat. § 216B.243, subd. 3; Minn. R. 7851.0120, subp. B. This regulatory scheme is simply a practical way to prevent the issuance of a certificate of need when there is a more reasonable and prudent alternative to the proposed facility without requiring an applicant to face the extraordinary difficulty of proving that there is not a more reasonable and prudent alternative.").

[73] OAG Initial Post-Hearing Brief at 64-68.

[74] OAG Initial Post-Hearing Brief at 64-68.

[75] Ex. 8 at 8-9 (Lyle Rebuttal).

MERC recognized that its predecessor, Aquila, owned several peak shaving plants, but those facilities were either retired or sold because the systems were obsolete and costly to operate and maintain.[76] Moreover, to provide additional capacity to Rochester, a peak shaving alternative such as propane air or compressed natural gas would need to be injected into MERC's high-pressure system, as opposed to the low-pressure system those systems previously supplied.[77] As a result, a peak shaving option was dismissed by the Company early in the decision process.[78] MERC's engineering testimony stands unrebutted that peak shaving is simply not a viable alternative to address the need in the Rochester area. And the OAG's uninformed speculation by a non-engineer provides no support to the claim that peak shaving could be a superior alternative.[79] While the OAG continues to assert that it is not its burden to show the prudence and reasonableness of the Project, it is its burden to prove that more prudent alternatives exist. There is no showing, on this record, that peak shaving is a viable alternative to the Project.

The OAG also raises, for the first time in its Initial Post-Hearing Brief, that MERC should have considered conservation as an alternative to the Project.[80] The OAG argues that MERC's conservation analysis was incomplete and contends that MERC has not effectively addressed whether increased conservation could have mitigated the cost of any upgrades that are needed.[81] Contrary to the OAG's assertions, however, MERC did consider whether conservation

---

[76] MERC Initial Post-Hearing Brief at 24; Ex. 402 at Schedule MR-3 (Ryan Direct) ("MERC no longer has any peaking facilities on its system. MERC retired or sold all of its peaking facilities due to age, reliability concerns, and their inability to provide additional firm capacity during peak demand times.").

[77] Evidentiary Hearing Transcript, Vol. 1 at 63-64 (Lyle).

[78] Ex. 8 at 9 (Lyle Rebuttal).

[79] Evidentiary Hearing Transcript, Vol. 1 at 176:16-179:5 (Urban).

[80] OAG Initial Post-Hearing Brief at 64.

[81] OAG Initial Post-Hearing Brief at 64.

could address the need in the Rochester area and determined that conservation was not a viable alternative to the Project.

MERC fully discussed conservation as an alternative in its Initial Petition[82] and Direct Testimony and explained why the alternative was not viable.[83] MERC's distribution system is currently at capacity in the Rochester area, and this can only be addressed by upgrading the system's capacity along with NNG's interstate pipeline capacity in the area.[84] MERC explained that while conservation of energy among customers in Rochester can soften the demand to a limited degree, it is not sufficient to eliminate it – conservation savings in the Rochester area would have to increase enormously to avoid the need to expand the capacity of the pipeline and distribution systems in the area to meet growing customer demand.[85] MERC's conservation achievement across all customers in 2015 was 493,382 Dth over the course of the year.[86] Even if all conservation savings across MERC's entire system never attributed to the Rochester area, it would account for only three percent of the incremental contracted capacity (45,000 Dth/day). Given the significant challenges in obtaining incremental conservation savings for natural gas, it is entirely unreasonable to expect Rochester-area conservation to increase so substantially even if MERC were to invest significant funding to increase conservation efforts in the Rochester area.[87] Further, reliance on conservation to meet peak demand is not reasonable for a natural gas utility

---

[82] Ex. 1 at 27-28 (Initial Filing – Rochester Project Rider Petition).

[83] Ex. 12 at 8 (Mead Direct).

[84] Ex. 1 at 27 (Initial Filing – Rochester Project Rider Petition); Ex. 12 at 8-9 (Mead Direct).

[85] Ex. 1 at 27 (Initial Filing – Rochester Project Rider Petition); Ex. 12 at 8 (Mead Direct).

[86] Minnesota Energy Resources Corporation's 2015 Conservation Improvement Program Status Report, Docket No. 12-548.03 at 10 (May 2, 2016).

[87] In 2015, MERC's average cost per Dth saved annually was $17.49. Minnesota Energy Resources Corporation's 2015 Conservation Improvement Program Status Report, Docket No. 12-548.03 at 11 (May 2, 2016). While the costs to obtain higher levels of conservation would be significantly higher than the average of $17.49 that MERC achieved in 2015, even assuming that price, it would cost approximately $300 million to achieve conservation to cover the contracted incremental capacity. Even just to cover MERC's existing negative reserve margin in Rochester would come at a cost in excess of $37 million.

with an obligation to ensure adequate and reliable natural gas service to its firm customers during the coldest days. While a customer may take steps to conserve natural gas usage throughout the year, those efforts have minimal impact on the coldest days of the year.

Contrary to the OAG's assertion that MERC "ignored" the possibility that increased conservation efforts could reduce growth in peak demand,[88] MERC did, in fact, consider this alternative in its entirety and did not find it viable to meet the needs currently present in Rochester. The OAG's untimely assertion that a conservation alternative would reduce the need for the Project is meritless. There is no evidence on the record that either conservation or peak shaving could have helped to mitigate the need for additional capacity in the Rochester area.

V. THE PROJECT IS THE BEST ALTERNATIVE ON THE RECORD.

The record demonstrates that the Company's proposed system upgrades and proposed NNG capacity contract are the best available alternatives to meet the demonstrated need in the Rochester area. The OAG, in its Initial Post-Hearing Brief, however, continues to assert that pursuing a "more modest proposal" would be more appropriate,[89] despite failing to offer what more modest proposal may have been available, feasible, or cost effective under the circumstances. Notwithstanding the OAG's assertions, the record supports a finding the Project, as proposed, is right sized and a prudent way to meet the demonstrated need.

A. MERC Has Supported the Reasonableness and Prudence of its Distribution Upgrades.

The OAG argues for the first time in its Initial Brief that MERC did not provide an analysis of how much distribution system cost upgrades would have cost if MERC had

[88] OAG Initial Post-Hearing Brief at 68.

[89] OAG Initial Post-Hearing Brief at 55.

proceeded with a smaller Project.[90] According to the OAG, it is likely that each of the proposals for the Rochester Project would have required a different distribution configuration and, the OAG argues, it is possible MERC could have minimized distribution costs by selecting an alternative interstate capacity project.[91] To the contrary, the record demonstrates that regardless of the quantity of capacity to be added in the Rochester area as a result of the Project, MERC's Phase II distribution system upgrades are necessary to ensure continued system integrity and reliability.[92] The OAG's theory that a smaller distribution upgrade project could be undertaken to address the demonstrated need in the Rochester area is speculation and unsupported by any record evidence. Further, even if MERC did undertake a smaller interstate capacity addition, that would not have any material impact on the need for or cost of the work on MERC's distribution system. As discussed in the Direct Testimony of Amber Lee,

> Phase II addresses a significant system integrity and reliability issue that affects MERC's ability to optimize the availability of its limited firm supply of gas at TBS 1B. While addressing this issue, certain elements of Phase II have been designed to ensure that the upgraded TBS system will appropriately handle the increased supply of gas that will be delivered to MERC's distribution system as a result of NNG's capacity upgrades to its interstate pipeline system in the area.[93]

---

[90] OAG Initial Post-Hearing Brief at 44 ("What MERC did not provide was an estimate of the distribution costs for a more moderate interstate capacity solution.").

[91] OAG Initial Post-Hearing Brief at 44-45.

[92] Ex. 5 at 23, 24 (Lee Direct); Ex. 25 at 1 (Lyle Opening Statement) ("The Rochester Project is designed to eliminate the operating pressure and piping issues that prevent MERC's existing distribution system in the Rochester area from efficiently and reliably distributing all of the gas that is available on the system across Rochester and surrounding communities and to expand the capacity of MERC's gas distribution system in and around the City of Rochester. MERC's Rochester distribution system is currently at capacity and must be upgraded to meet our current and future needs.").

[93] Ex. 5 at 24 (Lee Direct).

MERC has fully supported the reasonableness and estimated cost of its distribution system upgrades.[94] As discussed in the Initial Petition and in the Direct Testimony of Amber Lee, the distribution system upgrades are necessary to address existing operating pressure and piping configuration issues in the Rochester area. As discussed in the Initial Petition:

> MERC's existing distribution system in Rochester consists of two TBSs and approximately 75 DRSs. TBS 1D is located in the northwest portion of Rochester, while TBS 1B is located in the southeast portion of the city. NNG's Rochester transmission lateral feeds TBS 1D from the west, while NNG's LaCrosse transmission lateral feeds TBS 1B from the south. The two TBSs then feed the approximately 75 smaller DRSs that distribute gas to MERC's customers throughout the city and beyond. TBS 1D operates at 400 psig and serves the majority of MERC's load in Rochester, including Rochester Public Utilities' ("RPU") electric generation assets. TBS 1B operates at 72 psig and principally serves the area south of downtown Rochester. Currently, each DRS operates at one of seven different system operating pressures, ranging from 10 psig to 72 psig.[95]

Under present circumstances, in situations of very high demand, MERC's existing low-pressure distribution system in Rochester cannot distribute all of the gas supply available in the southern portion of the system to the northern portion of the system where it is needed. This constraint during peak periods is due to the configuration of the system's piping that interconnects the various portions of MERC's low-pressure distribution system within the City of Rochester and the wide range of pressures under which the distribution system operates.[96] This constraint cannot be alleviated without the construction of MERC's proposed pipeline and TBS upgrades, which will allow MERC to regulate the distribution pressures and move gas to meet demand in and near the City of Rochester.

---

[94] *See* Ex. 1 at 18 (Initial Filing – Rochester Project Rider Petition); Ex. 5 at 15-16 (Lee Direct); Ex. 7 at 3-7 (Lyle Direct).

[95] Ex. 1 at 13 (Initial Filing – Rochester Project Rider Petition).

[96] Ex. 1 at 13-14 (Initial Filing – Rochester Project Rider Petition); Ex. 5 at 11-12 (Lee Direct).

The Company provided a detailed breakdown of annual construction activities and associated costs of the proposed distribution upgrades in both its Initial Petition and Direct Testimony.[97] MERC also provided a comprehensive summary of the Company's distribution upgrades, explaining that the proposed distribution system upgrades are necessary to meet the projected increase in demand in the Rochester area.[98] Recognizing that the distribution system upgrades represent a major investment for the Company and its customers, MERC undertook a thorough process to evaluate and plan the necessary upgrades at the least cost.[99]

B. An Incremental Alternative Creates an Unreasonable Risk of Future Costs.

In its Initial Brief, the OAG argues that MERC did not sufficiently consider phased proposals it received from NNG.[100] The OAG, however, ignores that the phased or incremental proposals it supports would place excessive risk on MERC and its customers, exposing MERC to escalating future costs, the likelihood of multiple construction projects, and inefficiency in deployment.[101] Additionally, the record reflects that many of the phased proposals urged by the OAG were determined to be unacceptable due to operational considerations such as operating pressure and the proposed delivery point of the incremental capacity.[102] As discussed in the Rebuttal Testimony of Mr. Sexton:

> NNG's Proposal 2.2 would have resulted in the delivery of the entire 45,000 Dth/day of incremental capacity at MERC's Rochester 1D gate station at a delivery pressure of only 450 psig. As such, this "non-conforming" Proposal 2.2 did not conform to the RFP requirements, did not meet operational requirements, and

---

[97] Ex. 1 at 18 (Initial Filing – Rochester Project Rider Petition); Ex. 5 at 15-16 (Lee Direct).

[98] Ex. 7 at 3-7 (Lyle Direct).

[99] Ex. 5 at 16 (Lee Direct).

[100] OAG Initial Post-Hearing Brief at 49.

[101] Ex. 28 at 2 (Sexton Opening Statement); *see also* MERC Initial Post-Hearing Brief at 33.

[102] *See* Ex. 19 at 11-12 (Sexton Rebuttal); Ex. 15 at SRM-R1 (Highly Sensitive Trade Secret version) and SRM-R2 (Highly Sensitive Trade Secret version).

> was not evaluated further. With respect to Proposal 2.3, NNG proposed that the majority of the incremental delivery capacity (35,000 Dth/day) be delivered to MERC's Rochester 1B TBS at a delivery pressure of 400 psig. This delivery proposal did not conform to the requirements of the RFP which requested that deliveries be made at a higher pressure and which required that no more than 9,000 Dth/day of incremental capacity be delivered to the Rochester 1B delivery point location. . . . Proposal 2.3 was unacceptable due to operational considerations and was not evaluated further.[103]

MERC has significant expertise regarding its own operational requirements and distribution system and the OAG presented no evidence to contradict MERC's conclusions that a number of NNG's bid alternatives were not operationally feasible.

According to the OAG, because MERC's distribution system upgrades are designed to interconnect the northern and southern portions of the Rochester area distribution system, MERC's assertion that certain bid proposals were not workable because they delivered gas to the wrong TBS is flawed.[104] Again, MERC has substantial experience with its own operational requirements and its ability to move gas within its distribution system. Even if one were to give credence to the OAG's simplistic assertion that MERC's distribution upgrades would have allowed flexibility in the RFP parameters, construction on MERC's phase II distribution system upgrades are scheduled to begin in 2017 with a projected completion date of 2022.[105] And while those upgrades are designed to help interconnect MERC's distribution system to allow for the movement of gas throughout the system once the upgrades are complete, MERC's need for additional natural gas capacity is immediate. Nothing in the record undermines MERC's

---

[103] Ex. 19 at 11-12 (Sexton Rebuttal); *see also* Ex. 15 at Schedule SRM-R2 (Mead Rebuttal Schedules) (Highly Sensitive Trade Secret) (summarizing the differences between the negotiated PA and Proposals 2.0 and 2.3 from NNG).

[104] OAG Initial Post-Hearing Brief at 60-61 ("As such, it is clear that the distribution upgrades would permit MERC to receive the new capacity at any point along the distribution system and still be able to move the gas wherever it is needed.").

[105] Ex. 7 at 5 (Lyle Direct).

conclusion that NNG's phased proposals that provided delivery to locations other than those requested in the RFP were unworkable.

The OAG asserts that the phased proposals presented by NNG could have resulted in a list of ratepayer protections, including possible decreased costs associated with the Project.[106] While it is true under many of the phased approaches proposed by NNG, MERC would not be obligated to proceed with the second phase, it is also true that these approaches did not set a fixed price, exposing MERC and its customers to pricing risk.[107] The second phase of these proposals did not include a price guarantee, but allowed NNG to set the price at the time the second phase was pursued based on actual costs incurred at the time of construction and in light of then-current circumstances.[108]

Under the circumstances, NNG would have every incentive to charge MERC a significantly higher price for the second phase under a take-it-or-leave-it contract in a noncompetitive environment. MERC and its customers would effectively be held hostage by the incumbent pipeline to proceed with the deal, regardless of the cost, or else face the possibility of having inadequate gas supply to meet firm customer demand. As Mr. Sexton concluded,

> [I]f MERC followed an incremental approach, the risk associated with higher future costs with respect to the acquisition of a second or later increment of capacity would likely once again put MERC in a position of negotiating with Northern as a sole supplier. This is due to the fact that this second or later smaller capacity increment would be unlikely to have sufficient scale to foster competitive third party proposals. In such an uncompetitive environment, Northern would have no incentive to offer discounted services or favorable contract terms. As a result, it is a near certainty that costs of a later incremental capacity expansion negotiated in a non-competitive environment with Northern would

[106] OAG Initial Post-Hearing Brief at 50.

[107] Ex. 28 at 4 (Sexton Opening Statement).

[108] *See* MERC Initial Post-Hearing Brief at 33.

> result in higher costs than will be paid for this growth capacity in the current transaction.[109]

The Department also acknowledged the risks associated with the incremental or phased proposals advocated for by the OAG. Department witness Mr. Heinen agreed that if there is low sales growth in Rochester, a smaller project may appear to be better for ratepayers, but pointed out that the risks of much higher costs exist if growth related to the DMC or RPU materializes.[110] Mr. Heinen further explained that, although not fully quantifiable, it is important to consider the risks involved with building a smaller project. In particular, Mr. Heinen noted there was risk associated with the possibility that growth in the Rochester area is closer to the Company's forecast, that overall system peak demand grows at MERC's forecasted rate, that increased natural gas is needed by RPU or any other electric utility, or that the base peak demand in the Company's demand entitlement filing was more representative of peak demand. An assessment of these risks was omitted from the OAG's analysis.[111] It is unreasonable to fail to consider risks that would likely represent a significant increase in costs for MERC's customers, given the expectations that MERC will provide reliable service.[112]

Overall, MERC reasonably concluded that the pricing risk and operational issues associated with potential incremental or phased approaches was unacceptable and that it was preferable to ensure cost certainty for the entire transaction from the beginning. This provides a safeguard to MERC and its customers that both receive the value bargained for and does not include otherwise unacceptable price risk arising out of an uncompetitive environment.

---

[109] Ex. 28 at 3 (Sexton Opening Statement).

[110] Ex. 407 at 5 (Heinen Surrebuttal).

[111] Ex. 407 at 5-6 (Heinen Surrebuttal).

[112] *See* Department Initial Post-Hearing Brief at 43.

C. The Reserve Margin is Reasonable under the Circumstances.

1. The Used and Useful Standard Does Not Apply

The OAG continues to recommend an alternative outcome in the event the Project moves forward, asserting that the Commission should find that a portion of the Project related to the excess capacity is not "used and useful" because it is not reasonably necessary to meet the demand of existing customers.[113] The OAG suggests that the Commission should not allow recovery of this portion of the Project until the Company later demonstrates that growth has made it necessary to provide this amount of capacity to firm customers.[114]

The OAG misunderstands the application of the "used and useful" standard. Under Minn. Stat. § 216B.16, subd. 6, a utility is entitled to a reasonable return on its investment in "property used and useful in rendering service to the public." By the terms of the statute, only property that is used and useful is included in a Company's rate base; thus, the standard is one applicable to rate recovery. The statute is "*applied at the time of a rate case* to determine as a matter of fact whether cost levels are prudent and whether such property is 'used and useful.'"[115] The used and useful standard is applied to determine whether a utility's property should be included in rate base, not in a proceeding to determine the prudence of a capacity addition.[116] The OAG appears to confuse the used and useful standard with the prudence and reasonableness determination applicable to assessing the Rochester Project in this proceeding. As discussed in the Rebuttal Testimony of Amber Lee, "the question before the Commission is whether the

[113] OAG Initial Post-Hearing Brief at 77.

[114] OAG Initial Post-Hearing Brief at 77.

[115] *Re N. States Power Co.*, Docket No. E002/GR-92-1185, FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER (Jan. 14, 1994).

[116] *See In the Matter of the Application of Peoples Nat. Gas Co. for Auth. to Increase Rates for Gas Util. Serv. in Minn.*, Docket No. G011/GR-82-65, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER at 30 (Jan. 29, 1983) ("The used and useful standard comes from M.S. § 216B.16, subd. 6, and clearly relates to the determination of the rate base and overall revenue requirements.").

proposed Project costs are prudent. If so, they should be approved. If not, the Project should be denied. Holding a portion of the Project hostage is inconsistent with the need to provide the Rochester area with sufficient capacity to meet current and future needs."[117] Further, with respect to the NNG capacity upgrades, MERC is not proposing to include those in rate base at any point, now or in the future. Rather, MERC has proposed to recover those costs through the commodity portion of the NNG-PGA. Therefore, the used and useful standard simply is not relevant to those upgrades and costs.

The Commission has explicitly rebuffed a similar attempted application of the used and useful standard. In Docket No. G002/M-93-773, Northern States Power Company requested recovery of a prorated portion of the acquisition adjustment it incurred in its purchase of the Viking Gas Transmission Company.[118] In that case, the OAG argued that the proposed cost failed the used and useful standard and should not be recovered.[119] Disagreeing with the OAG's position, the ALJ found:

> [T]he correct standard to apply is the prudence and reasonableness of the expense. This standard is distinguishable from the used and useful analysis applied in the determination of rate base treatment. The used and useful approach is designed to protect utilities from the imposition of confiscatory rates. It is not designed to preclude amortization of a prudent, reasonable expense which benefits ratepayers.[120]

The Commission agreed with the ALJ and was similarly not persuaded by the OAG's used and useful argument, stating that the utility was not seeking asset recovery through rate base treatment, but rather was seeking recovery of an amortization of the premium paid – a situation

---

[117] Ex. 6 at 38 (Lee Rebuttal).

[118] *In the Matter of a Petition by N. States Power Co. to Recovery the Acquisition Premium Associated with Its Purchase of the Viking Gas Trans. Co.*, Docket No. G002/M-93-773, ORDER DENYING PETITION FOR RECOVERY OF ACQUISITION PREMIUM THROUGH THE PGA (Nov. 21, 1994).

[119] *Id.* at 5.

[120] *Id.* at 4.

that called for a "prudence and reasonableness analysis."[121] In denying reconsideration on the issue, the Commission further provided that "[o]veremphasis on the used and useful standard for rate recovery can obscure the primary duties of the Commission."[122] The Commission further stated that

> As courts recognize, the end result, just and reasonable rates, is more of concern than strict adherence to a used and useful concept. . . . The same standard of direct benefit and causal relationship as applies to rate base recovery should apply to an acquisition adjustment for nonjurisdictional property sought to be amortized as an expense.[123]

As evidenced by Commission precedent and the language of Section 216B.16, the used and useful standard does not apply here as the OAG suggests. The relevant standard for the Commission's consideration is whether the Project is reasonable and prudent, and the record in this case demonstrates that it is.

2. The Resulting Reserve Margin is Reasonable

Although MERC has acknowledged that the Rochester Project results in a relatively high reserve margin for the near-to-mid term, MERC has fully demonstrated that under the circumstances, the anticipated reserve margin that will exist as a result of the Rochester Project is reasonable. The OAG, however, incorrectly argues that reserve margins resulting from the Project are "unreasonable according to industry standards described by MERC's independent consultant."[124]

---

[121] *Id.* at 6.

[122] *In the Matter of a Petition from N. States Power Co. to Recover the Acquisition Premium Associated with Its Purchase of the Viking Gas Transmission Co.*, Docket No. G002/M-93-773, ORDER DENYING PETITION AFTER RECONSIDERATION at 3-4 (Mar. 23, 1995).

[123] *Id.* at 3.

[124] OAG Initial-Post Hearing Brief at 11.

As discussed above, the OAG quotes Mr. Sexton out of context as testifying that "most utility distribution companies maintain capacity reserve margins in the 3% to 7% range with targets near 5% with variances in reserve margin targets resulting from unique local conditions."[125] Mr. Sexton provided this portion of this testimony to support the fact that the Rochester area does not face normal conditions because interstate pipeline capacity in this area is fully subscribed. As a result, new pipeline capacity must be installed to provide incremental capacity and under such circumstances, it is common in the industry for much larger reserve margins to exist.[126] Department witness Mr. Heinen similarly concluded that although the Department has provided comments indicating that a reserve margin of up to five percent is not unreasonable in the context of annual demand entitlement filings, this does not mean there are not circumstances where there will be other acceptable reserve margin levels. "For example, as I discussed in my Direct Testimony, MERC's proposal is reasonable to meet the current and expected need for the Rochester area and MERC's system, given the facts in this proceeding."[127] Based on his analysis of the resulting reserve margin, Mr. Heinen concluded that the size of MERC's proposed Project is reasonable.[128]

Given the need for construction to obtain additional incremental capacity and the contract provision allowing MERC to redirect up to 20 percent of the total capacity to other delivery points, the resulting NNG system-wide reserve margin of approximately 17 percent at the highest level upon implementation of the second phase of the NNG capacity upgrades is "reasonable recognizing that expansion facilities must be installed and that larger scale expansion projects are

[125] Ex. 17 at 10 (Sexton Direct); OAG Initial Post-Hearing Brief at 11.

[126] Ex. 17 at 11-12 (Sexton Direct).

[127] Ex. 406 at 2-3 (Heinen Rebuttal).

[128] Ex. 405 at 36 (Heinen Direct).

more efficient and provide greater reliability benefits than smaller scale projects."[129] Contrary to the OAG's assertions, the record demonstrates that the resulting reserve margins are, in fact, reasonable under the circumstances.[130] The OAG's baseline premise that any reserve margin in excess of five percent is de facto unreasonable, regardless of the facts and circumstances, would be untenable. The record developed in this case demonstrates that pipeline counterparties simply do not accommodate construction of small capacity additions that merely keep pace with increased customer demand.

Further, the OAG's allegation that MERC's ability to redirect up to 20 percent of the capacity to alternative locations is somehow irrelevant to the reserve margin analysis is unsupported. As discussed by Department witness Mr. Heinen, MERC's historical demand entitlements indicate design-day growth of approximately 1.0 percent annually.[131] Under the terms of the Precedent Agreement with NNG, rather than contract for additional capacity at higher rates to accommodate growth in design day on the NNG system, MERC is able to redirect a significant portion of the Rochester entitlement to address that need. That flexibility will absolutely reduce the overall reserve margin and will save ratepayers money in avoiding the need to contract for additional future entitlements.

The OAG also raises concerns with the Department's and MERC's assertion that growth in consumption by RPU should be a factor considered in determining whether the Rochester Project is prudent and reasonable.[132] The OAG premises its concern on the supposition that any

---

[129] Ex. 17 at 37-38 (Sexton Direct).

[130] MERC Initial Post-Hearing Brief at 36-38 ("Department witness Mr. Heinen explained that there can be a range of acceptable or reasonable reserve margin levels. 'For example, as I discussed in my Direct Testimony, MERC's proposal is reasonable to meet the current and expected need for the Rochester area and MERC's system, given the facts in this proceeding.'").

[131] Ex. 405 at 22 (Heinen Direct).

[132] OAG Initial Post-Hearing Brief at 69.

increased consumption from RPU will be interruptible transportation service, not firm service, though MERC has noted that it is unable to dictate whether RPU takes service as a firm, interruptible, sales, or transport customer.[133] Further, as MERC has stated, the Company is committed to taking additional steps to mitigate the overall costs of the Project by actively participating in the capacity release market. And while the price available for capacity release is set by market conditions, the potential reduction in overall Project costs as a result of capacity release is relevant to the evaluation of the reasonableness of the Project and its costs.

The OAG also raises MERC's Bison Pipeline Project, Docket No. G007,011/M-08-698, which it claims is an "example of the problems that can result from pipeline contracts."[134] It is unclear what relevance the Bison Pipeline Project has to the current proceeding, aside from providing a useful cost comparison of the cost impacts of MERC's proposed recovery of NNG capacity costs.[135] As the OAG acknowledges, the Bison Pipeline project was pursued in order to obtain natural gas supply diversity while the Rochester Project is needed to provide continued, reliable natural gas service.[136] The OAG's attempt to discredit the Rochester Project by providing irrelevant comparisons between two distinct projects is a confusing attempt at diverting attention from the reasonableness of the Project and from the lack of evidentiary support for the OAG's positions.

Overall, the record establishes that the Rochester Project, as proposed, is reasonable and prudent. The arguments made by the OAG are wholly without merit and cast no doubt on the

[133] OAG Initial Post-Hearing Brief at 69; Ex. 13 at 6 (Mead Rebuttal).

[134] OAG Initial Post-Hearing Brief at 72-76.

[135] *See* Department Initial Post-Hearing Brief at 35-36.

[136] OAG Initial Post-Hearing Brief at 73-74 (acknowledging "[t]he facts of the Bison case are different from the facts surrounding the Rochester Project").

fact that MERC has met its burden to prove that the Project is the best available alternative to address the demonstrated need in the Rochester area.

VI. THE PROJECT QUALIFIES UNDER THE NGEP STATUTE.

A. The NGEP Statute is Clear on its Face.

MERC and the Department agree that the Project qualifies for partial rider recovery under the NGEP Statute. MERC submitted extensive support for the Project's eligibility for rider recovery in its Initial Filing and Direct Testimony[137] and the Department conducted its own analysis of the Project and determined that it is eligible for recovery under the NGEP Statute.[138]

In contrast, the OAG submitted no testimony on the issue of proposed rider recovery, stating in testimony, "Because of the nature of this proceeding . . . that legal analysis must be reserved for the OAG's Initial Brief following the Evidentiary Hearing."[139] In its Initial Brief, the OAG takes the position that the Rochester Project is not eligible for cost recovery under the NGEP Statute, based on the conclusion that the NGEP Statute is somehow ambiguous, requiring an evaluation of legislative intent, which the OAG asserts supports a conclusion that the Rochester Project does not qualify.[140] The OAG's initial conclusion that the NGEP statutory definition of "unserved or inadequately served area" is ambiguous and requires application of a National Regulatory Research Institute ("NRRI") definition that directly contradicts the clear definition set forth in the statute is clearly contradicted by the plain language of the NGEP Statute itself.

---

[137] Ex. 1 at 26-28 (Initial Filing – Rochester Project Rider Petition); Ex. 5 at 17-26 (Lee Direct). The OAG, in contrast, submitted Direct Testimony noting the question of NGEP Rider eligibility was a legal question that would be reserved for briefing. Ex. 300 at 70 (Urban Direct).

[138] Ex. 405 at 45-46 (Heinen Direct).

[139] Ex. 300 at 70 (Urban Amended and Corrected Direct).

[140] OAG Initial Post-Hearing Brief at 78.

Under Minn. Stat. § 645.16, "[w]hen the words of a law in their application to an existing situation are clear and free from all ambiguity, the letter of the law shall not be disregarded under the pretext of pursuing the spirit." "The objective of statutory interpretation is to ascertain and effectuate the Legislature's intent. *If the Legislature's intent is clear from the statute's plain and unambiguous language, then [a court] interpret[s] the statute according to its plain meaning without resorting to the canons of statutory construction.*"[141]

Here, the statutory language relevant to the question of whether the Rochester Project qualifies for partial NGEP Rider recovery is clear and unambiguous. The statute plainly states that "for the purposes of [Section 216B.1638], the terms defined in this subdivision have the meanings given them."[142] "Natural Gas Extension Project" is a term clearly defined under the statute as "the construction of new infrastructure or upgrades to existing natural gas facilities necessary to serve currently unserved or inadequately served areas."[143]

The OAG spends several pages trying to redefine the statutory term "unserved or inadequately served area" by citing to irrelevant external information. Yet, the Minnesota legislature specifically defined this term, so there is no need to explore external sources for the meaning. By statutory definition, "unserved or inadequately served area" is defined in Section 216B.1638 as "an area in this state lacking adequate natural gas pipeline infrastructure to meet the demand of existing or potential end-use customers."[144]

While it is true that "[i]n the absence of a statutory definition, [the courts] generally turn to the plain, ordinary meaning of a statutory phrase,"[145] this is simply not a scenario where there

---

[141] *State v. Rick*, 835 N.W.2d 478, 482 (Minn. 2013) (citation omitted) (emphasis added).

[142] Minn. Stat. § 216B.1638, subd. 1(a).

[143] Minn. Stat. § 216B.1638, subd. 1(e).

[144] Minn. Stat. § 216B.1638, subd. 1(i).

[145] *State v. Leathers*, 799 N.W.2d 606, 609 (Minn. 2011).

is an absence of a statutory definition. And the definition of "unserved or inadequately served area" is clear on its face that the term applies to *any* area that is lacking *adequate* infrastructure and there is clearly no limitation that it applies only to areas that have *no* infrastructure at all. The statutory definition is in no way unclear or ambiguous and thus must be given full effect.[146]

If the legislature had intended to define "unserved or inadequately served area" consistent with the NRRI language, as the OAG suggests, it could have done so. Instead, the legislature adopted a clear and broad definition of the term "unserved or inadequately served area," which goes well beyond the OAG's made up definition. The language of the statute is clear and further inquiry into legislative intent would be unreasonable and inappropriate.

When considering the plain meaning of the statutorily defined term "unserved or inadequately served area," as a factual matter, MERC has demonstrated that the Rochester area is an area in this state lacking adequate natural gas pipeline infrastructure to meet the demand of existing or potential end use customers. Neither the OAG nor any other party has questioned that fact or presented any evidence contrary to such a finding.

B. A Soft Cap on Rochester Phase II Costs is Appropriate.

MERC and the OAG are both in agreement with the Department's recommendation that the approximately $44 million estimate of MERC's Rochester Phase II distribution upgrade costs (including contingency) should be treated as a "soft cap" and that MERC retains the burden of proving that costs in excess of the estimated $44 million are reasonable.[147] MERC's estimate of $44 million for MERC system upgrades should be considered the baseline against which actual

---

[146] *See Jaeger v. Univ. of Minn.*, No. A10-1852, 2011 WL 2623401 at *2 (Minn. App. June 28, 2011) (finding that the definition provided for a term in a statute is the plain and ordinary meaning of that term and is thus unambiguous).

[147] MERC Initial Post-Hearing Brief at 42; Department Initial Post-Hearing Brief at 45, 52; OAG Initial Post-Hearing Brief at 110-11.

circumstances should be measured.[148] When costs are incurred in furtherance of the Project, the Commission's review should properly be limited to (i) what costs were incurred; (ii) whether those costs were prudently incurred in furtherance of the Project; and (iii) whether any deviations from the proposed costs were justified under the circumstances. MERC is in agreement with the Department that the Company bears the burden of proving that changed circumstances result in changed costs, but fundamentally, the utility should have the opportunity to prove that circumstances changed and resulted in cost changes that were reasonable.[149]

As explained by MERC witness Lindsay Lyle in Rebuttal Testimony, the Commission should view the Project's approximately $44 million estimate as a good-faith estimate of the capital costs of the Project, comprised of reasonable inputs and engineering analysis and is based on the facts known to the Company at the time the estimate was made.[150] Certain facts could not be definitively known at the time the estimate was prepared, including engineering and design details that could be impacted by the selection of a final route or other location changes.[151] If the final route selected in Docket No. G011/GP-15-858 results in a more challenging topography or the need to condemn property, cost changes are certainly possible, depending on the character of the land ultimately impacted by the final route selection.[152]

---

[148]Further, MERC believes it is appropriate that any "soft cap" include MERC's calculated contingency, which represents 20 percent of MERC's total proposed Rochester Phase II Project costs.[148] Twenty percent is the standard contingency that MERC uses in capital cost estimates and is a reasonable contingency level that has been used by others in the natural gas construction arena.[148] MERC notes that in Surrebuttal Testimony, Department witness Mr. Heinen proposed that the "soft cap" should not include MERC's 20 percent contingency,[148] but during the Evidentiary Hearing, Mr. Heinen revised his recommendation to propose the soft cap include the contingency. Evidentiary Hearing Transcript, Vol. 2 at 10:24-25 and 11:1-2 (Heinen).

[149] Ex. 6 at 27-28 (Lee Rebuttal).

[150] Ex. 8 at 3 (Lyle Rebuttal).

[151] Ex. 8 at 4 (Lyle Rebuttal).

[152] Ex. 8 at 5 (Lyle Rebuttal).

While MERC maintains that its $44 million estimate is reasonable, it is important for the Commission to recognize that design changes that result from routing determinations could impose additional costs on MERC that are, effectively, out of MERC's control.[153] It is therefore reasonable and appropriate that MERC be provided with an opportunity to demonstrate that costs in excess of its initial $44 million estimate are reasonable and justified.

VII. THE COMMISSION SHOULD APPROVE MERC'S PROPOSED RATE DESIGN.

A. MERC's Proposed Allocation of Distribution Upgrade Costs is Reasonable.

MERC proposes to recover its Phase II capital costs from all of its customers via base rates and the NGEP Rider and supports equal rider recovery from all MERC customers on a volumetric basis. While the Department continues to recommend a 50/50 apportionment of the NGEP Rider-eligible revenue requirement between Rochester and non-Rochester customers, the OAG agrees that if the Rochester Project is approved, the evidence in the record supports the Company's proposal to allocate the Phase II distribution costs equally across all ratepayers.[154]

MERC has asserted, and the OAG agrees, that it is general Commission policy in Minnesota to spread system upgrade costs amongst all customers and that the NGEP Rider specifies recovery from all customers.[155] As discussed by the OAG in its Initial Brief,

> One reason for that policy is that there are difficult questions of where to draw the line when assigning system integrity and reliability projects to specific customers. If 50 percent of the Rochester Project costs are assigned to Rochester customers, it is difficult to see why that policy should not be applied to all distribution projects that are intended to serve specific areas, which could be the vast majority.[156]

---

[153] Ex. 8 at 4-5 (Lyle Rebuttal).

[154] OAG Initial Post-Hearing Brief at 100-03.

[155] OAG Initial Post-Hearing Brief at 101-03.

[156] OAG Initial Post-Hearing Brief at 101.

Moreover, a disproportionate split, like that recommended by the Department, would effectively create separate rate zones within MERC's system, interfering with the Commission's stated preference that MERC move toward a single, unified system, and would be a potentially excessive cost burden on Rochester customers. Department witness Ms. Peirce, at the Evidentiary Hearing, acknowledged that she was not aware of any instance where the Commission had required customers from one area of a utility's service territory to pay a greater percentage of the infrastructure costs than the rest of the customers in the utility's service area.[157]

Additionally, as discussed in the Rebuttal Testimony of Amber Lee, the Department's 50/50 split recommendation substantially increases the bill impact to Rochester customers.[158] Table 1 below shows the proposed allocation of rider costs[159] under MERC's and the Department's recommended approaches. Under the Department's proposal, the increase is over 300 percent for customers in the Rochester area compared to MERC's proposed rate design. This further supports MERC's proposal to spread the costs of the Project across the Company's entire rate base.

[157] Evidentiary Hearing Transcript, Vol. 1 at 207:19-208:4 (Peirce); OAG Initial Post-Hearing Brief at 104.

[158] Ex. 6 at 17 and Table 1 (Lee Rebuttal).

[159] It should be noted that the comparison only covers eligible rider costs of 33 percent of total project costs. A complete rate comparison is shown in Ex. 6 at Schedule ASL-R1 (Lee Rebuttal).

Table 1. Comparison of Average Annual Rider Impact (33% of Project Costs)				
	Equal Allocation		50/50 Split	
Rate Class	All Customers		Rochester Area	Other Customers
Residential	$0.94		$3.13	$0.55
GS Small C&I	$1.10		$3.67	$0.65
GS Large C&I	$9.39		$31.18	$5.53
Small Volume Interruptible Sales	$58.18		$193.23	$34.25
Small Volume Joint Sales	$58.98		$195.90	$34.72
Small Volume Interruptible Transport	$141.85		$471.16	$83.51
Small Volume Joint Transport	$102.74		$341.24	$60.48
Transportation for Resale	$288.60		$958.57	$169.90
Large Volume Interruptible Sales	$247.41		$821.75	$145.65
Large Volume Interruptible Transport	$1,796.77		$5,967.92	$1,057.75
Large Volume Joint Transport	$1,453.46		$4,827.64	$855.65
Super Large Volume Interruptible Transport	$16,998.16		$56,459.04	$10,006.74
Super Large Volume Joint Transport	$6,316.22		$20,979.20	$3,718.33

While MERC agrees with the Department that the Commission has authority to establish any reasonable rate design it determines appropriate for the rider, sound policy and the record fully supports equal rider recovery from all MERC customers on a volumetric basis.

B. <u>MERC's Proposed Recovery of NNG Capacity Costs is Reasonable.</u>

MERC continues to propose to recover NNG capacity costs through the commodity portion of the purchased gas adjustment from all firm and interruptible system sales customers on the NNG-PGA. The Department agrees with this proposed allocation of NNG capacity costs.[160] In contrast, the OAG raises concerns that while transportation customers will not share in the costs of the NNG upgrades, they will benefit from the newly available capacity when the

[160] Department Initial Post-Hearing Brief at 83 ("[T]he Department recommends that the Commission approve recovery of NNG pipeline capacity costs through MERC's NNG PGA.").

Rochester Project is completed.[161] The Department raised similar concerns during this proceeding, and MERC, at the Evidentiary Hearing, stated that it agreed that transportation customers should be charged at a level that appropriately reflects the benefits they will receive as a result of the overall project and that MERC will make every effort to obtain the best available contract terms for release of excess capacity.[162]

MERC agrees with the OAG's assertions that capacity release prices will be based on market conditions and that it may not be reasonable to assume that the prices in the capacity release market will reflect the full benefit that transportation customers will receive. However, as addressed in SLGI's Initial Brief, it would be unreasonable for MERC to charge its transportation customers for the NNG capacity upgrades because transportation customers do not purchase either natural gas commodity or interstate pipeline capacity from MERC.[163] There is no mechanism available under which MERC could charge transportation customers for interstate pipeline capacity or supply considering those customers do not purchase either their natural gas capacity or supply from MERC. It is also important to note that under the per-therm NGEP rate proposed by MERC, transportation customers will pay a significant portion of the overall rider-eligible project costs.

Accordingly, MERC recommends that the Commission approve the recovery of NNG pipeline capacity costs through the NNG-PGA.

C. <u>MERC Will Review Interruptible Rates and Tariffs in Its Next Rate Case.</u>

The OAG also notes its concern that the amount of excess capacity associated with the Project may incentivize customers to switch to interruptible transportation service in order to

[161] OAG Initial Post-Hearing Brief at 106.

[162] Evidentiary Hearing Transcript, Vol. 1 at 20 (Lee).

[163] SLGI Initial Post-Hearing Brief at 3.

avoid the costs of the Rochester Project to the maximum extent, and concludes that all customers, including transportation customers, should contribute to the costs of the NNG portion of the Rochester Project in a manner commensurate with the benefits received.[164] The OAG asserts that if the Project is approved, MERC should be ordered to work with parties to ensure that the burden does not fall on MERC's firm customers, and that the costs should be shared in an equitable manner between firm, interruptible, and transportation customers.[165]

In Rebuttal Testimony, MERC noted that it was in agreement that the Rochester Project would impact the capacity situation in the Rochester area – both with respect to MERC's distribution and interstate pipeline capacity. As a result, the likelihood of curtailment will be lower in the near-term. Nevertheless, MERC also noted that the Project would not eliminate the risk of interruption as a result of force majeure events, distribution system constraints, or even gas supply constraints.[166] MERC stated it would work with its interruptible customers to find cost effective ways to transition them to firm service to the extent feasible but noted that under MERC's current tariffs, the Company is somewhat limited in its ability to require interruptible customers to switch to firm service.[167] MERC proposed to address the issue of possible changes to its tariffs in its next rate case,[168] and believes that a general rate case would be the best and most appropriate forum for interested parties and the Commission to fully evaluate potential changes to MERC's interruptible rates and tariffs in light of the potentially reduced risk of curtailment as a result of the Rochester Project. MERC is committed to ensuring all customers

[164] OAG Initial Post-Hearing Brief at 108-09.

[165] OAG Initial Post-Hearing Brief at 109-10.

[166] Ex. 6 at 40 (Lee Rebuttal).

[167] Ex. 6 at 41 (Lee Rebuttal).

[168] Ext. 6 at 44 (Lee Rebuttal).

are charged at rates consistent with the service they receive and agrees to review its interruptible rates and tariffs in its next rate case.

VIII. CONCLUSION

Based on the record and the arguments asserted through this proceeding, MERC requests that the Commission find the Company's Rochester Project reasonable and prudent and approve recovery of the Project through an NGEP Rider and base rates and recovery of NNG costs through the commodity portion of the NNG PGA.

Dated this 25th day of October, 2016.

MINNESOTA ENERGY RESOURCES CORPORATION:

BRIGGS AND MORGAN, P.A.

/s/ Michael C. Krikava

Michael C. Krikava
Kristin M. Stastny
2200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402
Telephone: (612) 977-8400

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. G011/M-15-895
OAH Docket No. 68-2500-33191

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 25th of October, 2016, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Reply Brief on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

Dated this 25th day of October, 2016.

/s/ Kristin M. Stastny
Kristin M. Stastny

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Mitchell	Abeln	mitchellabeln@dmceda.org	Destination Medical Center - Economic Development Agency	195 W Broadway Rochester, MN 55902	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Terry L.	Adkins	tadkins@rochestermn.gov	City Of Rochester	Room 247 201 4th Street SE Rochester, MN 55904	Electronic Service	No	OFF_SL_15-895_Official CC Service List
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_15-895_Official CC Service List
Ryan	Barlow	Ryan.Barlow@ag.state.mn.us	Office of the Attorney General-RUD	445 Minnesota Street Bremer Tower, Suite 1400 St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Sundra	Bender	sundra.bender@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 Saint Paul, MN 55101-2147	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Elizabeth	Brama	ebrama@briggs.com	Briggs and Morgan	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Ardell	Brede	abrede@rochestermn.gov	Rochester City Hall	201 Fourth St SE Room 281 Rochester, MN 55904	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Bob	Brill	bob.brill@state.mn.us	Public Utilities Commission	121 E. 7th Place, Suite 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Jeanne	Cochran	Jeanne.Cochran@state.mn.us	Office of Administrative Hearings	P.O. Box 64620 St. Paul, MN 55164-0620	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Joseph	Dammel	joseph.dammel@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St. Paul, MN 55101-2131	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Laura	Demman	laura.demman@nngco.com	Northern Natural Gas Company	1111 S. 103rd Street Omaha, NE 68125	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Emma	Fazio	emma.fazio@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Brett	Gorden	gorden.brett@mayo.edu	Mayo Clinic	200 First St SW Rochester, MN 55905	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Mark	Kotschevar	mkotschevar@rpu.org	Rochester Public Utilities	4000 East River Road NE Rochester, MN 55906	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
David G.	Kult	dgkult@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St. NW Rosemount, MN 55068	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Steven	Kvenvold	skvenvold@rochestermn.gov	City of Rochester - Administrator	201 4th Street SE Rochester, MN 55904	Electronic Service	No	OFF_SL_15-895_Official CC Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_15-895_Official CC Service List
John	Lindell	john.lindell@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_15-895_Official CC Service List
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Catherine	Phillips	catherine.phillips@we-energies.com	We Energies	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Walter	Schlink	wschlink@rpu.org	Rochester Public Utilities	4000 East River Road NE Rochester, MN 559062813	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Kristin	Stastny	kstastny@briggs.com	Briggs and Morgan, P.A.	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	Yes	OFF_SL_15-895_Official CC 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_15-895_Official CC Service List