



Minnesota Energy Resources Corporation
2685 145th Street West
Rosemount, MN 55068
www.minnesotaenergyresources.com

September 1, 2020

VIA ELECTRONIC FILING

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

Re: In the Matter of the Petition of Minnesota Energy Resources Corporation for a
Variance and Notice of Refund Plan for Northern Natural Gas Pipeline Refund
Docket No. G011/M-20-____

Dear Mr. Seuffert:

Enclosed please find the Petition of Minnesota Energy Resources Corporation ("MERC" or the "Company") for approval of a variance from Minnesota Rule 7825.2700, subp. 8, and a notice of its refund plan to allow MERC to return a pipeline refund received from Northern Natural Gas ("NNG") to customers in the MERC-NNG purchased gas adjustment ("PGA") area through the monthly PGA as soon as the Commission approves this variance request or as soon as the NNG refund has been issued, whichever occurs later.

In accordance with Minnesota Rule 7829.1300, this miscellaneous filing has been served on the Department of Commerce, Division of Energy Resources; the Office of the Attorney General – Residential Utilities Division; and on MERC's general service list.

Please contact me at (414) 221-4208 if you have any questions regarding the information in this filing. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joylyn C. Hoffman Malueg". The signature is fluid and cursive.

Joylyn C. Hoffman Malueg
Project Specialist 3

Enclosures
cc: Service List

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

**Katie J. Sieben
Valerie Means
Matthew Schuerger
Joseph K. Sullivan
John A. Tuma**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

In the Matter of the Request of Minnesota
Energy Resources Corporation for a Variance
and Notice of Refund Plan for Northern Natural
Gas Pipeline Refund

Docket No. G011/M-20-____

SUMMARY OF FILING

Pursuant to Minn. R. 7829.3200, on September 1, 2020, Minnesota Energy Resources Corporation (“MERC” or the “Company”) submitted to the Minnesota Public Utilities Commission a request for a variance from Minn. R. 7825.2700, subp. 8, and a notice of its refund plan relating to a pipeline refund to be received from Northern Natural Gas (“NNG”), in order to allow the Company to refund gas transportation costs issued by NNG as a result of a decision by the Federal Energy Regulatory Commission accepting proposed settlement rates through the MERC-NNG purchased gas adjustment (“PGA”), rather than through customer bill credits under Minn. R. 7825.2700, subp.8.

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

**Katie J. Sieben
Valerie Means
Matthew Schuerger
Joseph K. Sullivan
John A. Tuma**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

In the Matter of the Request of Minnesota
Energy Resources Corporation for a Variance
and Notice of Refund Plan for Northern Natural
Gas Pipeline Refund

Docket No. G011/M-20-____

INTRODUCTION

Pursuant to Minn. R. 7829.3200, Minnesota Energy Resources Corporation (“MERC” or the “Company”) respectfully submits to the Minnesota Public Utilities Commission (the “Commission”) this request for approval of a variance from Minn. R. 7825.2700, subp. 8, and notice of its proposed refund plan relating to a pipeline refund to be received from Northern Natural Gas (“NNG”). MERC proposes to refund this amount to ratepayers through the NNG System Purchased Gas Adjustment (“NNG-PGA”) and therefore requests a variance from the provisions of Minn. R. 7825.2700, subp. 8.

I. Summary of Filing

Pursuant to Minn. R. 7829.1300, subp. 1, a one-paragraph summary of the filing accompanies this petition.

II. Service

Pursuant to Minn. R. 7829.1300, subp. 2, MERC has served a copy of this filing on the Company’s general service list; the Department of Commerce, Division of Energy Resources (the “Department”); and the Office of the Attorney General – Residential Utilities Division (“OAG”).

III. General Filing Information

A. Name, Address, and Telephone Number of Filing Party

Minnesota Energy Resources Corporation
2685 145th Street West
Rosemount, MN 55068
(651) 322-8900

B. Name, Address, Electronic Address, and Telephone Number of Attorney for the Filing Party

Kristin M. Stastny
Taft Stettinius & Hollister LLP
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
KStastny@Taftlaw.com
(612) 977-8656

C. Date of the Filing and Date Proposed Change Will Take Effect

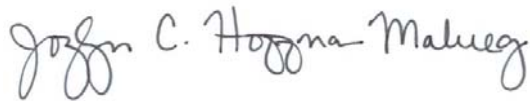
Date of filing: September 1, 2020

Proposed Effective Date: MERC proposes to issue a refund to its customers through the NNG-PGA upon receipt of Commission approval of its variance request. MERC requests that the Commission approve the proposed variance request and refund plan in order to allow the Company to include the NNG refund amounts in the NNG-PGA as soon as possible after the refund is issued. While the exact timing of the refund is unknown at this time, as discussed below, the refund could be issued as early as October, 2020.

D. Statute Controlling Schedule for Processing the Filing

Under Minn. R. 7829.0100, subp. 11, this petition is a “miscellaneous” filing because no determination of MERC’s general revenue requirement is necessary. Under Minn. R. 7829.1400, initial comments on a miscellaneous filing are due within 30 days of filing, with reply comments due 10 days thereafter.

E. Signature, Electronic Address, and Title of Utility Employee Responsible for the Filing



Joylyn C. Hoffman Malueg
Project Specialist 3
Joylyn.HoffmanMalueg@wecenergygroup.com
2685 145th Street West
Rosemount, MN 55068
(414) 221-4208

IV. Description and Purpose of Filing

A. Background

On July 1, 2019, NNG filed a Section 4 rate case in Docket No. RP19-1353-000 at the Federal Energy Regulatory Commission (“FERC”) to increase its transportation and storage rates. On July 31, 2019, FERC issued an order accepting NNG’s filing, suspending rates, and approving implementation of the proposed increase to rates effective January 1, 2020, subject to refund based on final approved rates. On May 20, 2020, NNG filed an unopposed motion to place settlement rates into effect on an interim basis and on May 27, 2020, FERC’s Administrative Law Judge (“ALJ”) issued an Order authorizing interim settlement rates as of May 1, 2020. On July 21, 2020, the ALJ issued a Certification of Uncontested Settlement certifying the settlement to FERC. Once FERC has issued an order approving the settlement and the rehearing period has passed, refunds will be processed by NNG during the next available invoicing period. Although FERC is under no timing requirement and no formal timetable is known, it is anticipated that NNG could process refunds as early as October 2020. MERC estimates that the NNG refund will be approximately \$3.6M.

B. Request for Variance

Minn. R. 7825.2700, subp. 8, provides:

Refunds and interest on refunds, that are received from the suppliers or transporters of purchased gas and attributable to the cost of gas previously sold, must be annually refunded by credits

to bills, except that cumulative refund amounts equal to or greater than \$5 per customer must be refunded within 90 days from the date of refund is received from a supplier or transporter. Refunds must be allocated to customer classes in proportion to previously charged costs of purchased gas. Within classes, the refund amount per unit must be applied to bills on the basis of individual 12-month usage. The utility shall add interest to the unrefunded balance at the prime interest rate.

This rule requires that MERC annually return to customers, via credits on customer bills, refunds (including interest) from gas suppliers or transporters, where the refund is less than \$5 per customer. If the cumulative refund amounts are \$5 per customer or greater, this rule requires refunds via credits on customer bills within 90 days from the date the refund is received from gas suppliers or transporters. MERC seeks a variance from the Commission from the requirements of Minn. R. 7825.2700, subp.8 in order to issue the NNG refund through the NNG-PGA over one month after Commission approval rather than as a bill credit. Assuming the Commission approves this variance request, MERC will be able to incorporate the refund amount into the PGA within the 90 day period specified in Minn. R. 7825.2700, subp. 8.

Under Minn. R. 7829.3200, the Commission shall grant a variance to its rules when it determines that the following requirements are met: A. enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule; B. granting the variance would not adversely affect the public interest; and C. granting the variance would not conflict with standards imposed by law. The variance request by MERC meets these three criteria.

1. Enforcement Would Impose an Excessive Burden on MERC

Enforcement of the requirement to issue the refund through a bill credit would be administratively burdensome on MERC due to the time and expense associated with such a refund. MERC would need to separately administer the refund by issuing individual bill credits for each customer, and MERC would incur expenses associated with the programming, testing, and issuance of the refund within MERC's billing system. As shown in Table 1 below, the

impact of the refund for an average Residential customer on the MERC-NNG PGA is approximately \$11.85. MERC's proposal to issue the NNG pipeline refund through the NNG-PGA would ensure that NNG sales customers at the class level are appropriately refunded for the full amount of the refund in a timely manner, without the administrative burden and expense of programming individual bill credits, and would avoid the confusion and potential for errors associated with the calculation and application of credits to individual accounts. In light of the time and administrative expense of separate bill credits, MERC believes it will be more efficient to issue the refund through the NNG-PGA over a single month.

Table 1. Average Customer Impact

Rate Class	Estimated NNG Refund	Average MERC-NNG Customer Count	Average Impact Per Customer
Residential	\$2,205,155.25	186,130	\$11.85
Firm Class 1	\$101,680.94	7,458	\$13.63
Firm Class 2 & 3	\$957,125.50	11,341	\$84.40
Interruptible	\$333,955.54	463	\$721.29
Firm/Interruptible	\$2,082.77	8	\$260.35
Total	\$3,600,000.00	205,400	\$17.53

2. Granting the Variance Would Not Adversely Affect the Public Interest

The public interest would be served by the administrative efficiencies associated with issuing the refund through the NNG-PGA. It would not adversely affect the public interest to issue the refund to current customers through the NNG-PGA because this proposal will ensure that MERC's sales customers on the NNG-PGA are appropriately credited for the refunded amounts and will ensure timely return of these refunded amounts to customers through the PGA. Additionally, MERC would apply interest at the prime rate until the refund is complete.

3. Granting the Variance Would Not Conflict With Standards Imposed by Law

MERC is not aware of any standard imposed by law that would conflict with MERC's implementation of the refund through the NNG-PGA. Further, the Commission has granted

variances to Minn. R. 7825.2700, subp. 8 in the past, to allow pipeline refunds to be refunded to customers through the monthly PGA and/or annual automatic adjustment.¹

C. Refund Plan

As required by Minn. R. 7825.2700, subp. 8, MERC will apply interest at the prime rate to the balance to be refunded from the time when NNG issues the refund. MERC will continue to apply interest to the balance at the prime rate until the refund is complete.

Minn. R. 7825.2700, subp. 8, requires that pipeline refunds be allocated to customer classes in proportion to previously charged costs of purchased gas, and within classes, the refund amount per unit must be applied to bills on the basis of individual 12-month usage. MERC requests a variance from the requirements of Minn. R. 7825.2700, subp. 8 and proposes to allocate the refund between Demand (74.83 percent) and Commodity (25.17 percent) based on the proportion of costs actually allocated to Demand and Commodity during the period covered by the NNG refund (January 1, 2020 through April 30, 2020).² The calculation of these proration percentages are shown in Attachment A. MERC proposes to then compute the refund on a per therm basis utilizing the associated sales volumes approved in MERC's Base Cost of Gas filing in Docket No. G011/MGR -17-564³ applicable to the month of the refund (e.g. assuming NNG processes the refund in October 2020, and MERC incorporates the refund in the

¹ For example, in Docket No. G007,011/M-11-154, MERC requested and was granted identified variance to Minn. R. 7825.2700, subp. 8 to allow the Company to return pipeline refunds to customers through the PGA adjustment rather than as customer bill credits. *In the Matter of a Request by Minnesota Energy Resources Corporation for Approval of a Variance and Notice of Refund Plan*, Docket No. G007,011/M-11-154, ORDER (Aug. 25, 2011). See also Docket No. G004/M-10-63, ORDER (Apr. 30, 2010) (approving a variance to Minn. R. 7825.2700, subp. 8 to allow Great Plains to return Kansas ad valorem tax refund amounts through the Company's Gas Cost Reconciliation adjustment rather than customer bill credits); Docket No. G004/M-08-1027, Order (May 15, 2009) (approving a variance to Minn. R. 7825.2700, subp. 8 to allow Great Plains to return a Northern Natural Gas System Leveling Account refund and Viking Load Management System refund to customers through the Company's Gas Cost Reconciliation Adjustment rather than customer bill credits).

² The NNG pipeline refund is associated with the NNG demand contracts, storage service contracts, and balancing service contract as shown in Attachment A.

³ These are also the same forecasted sales volumes approved in MERC's most recent rate case in Docket No. G011/GR-17-563.

November 2020 NNG-PGA, the November sales forecast would be used to calculate the per-therm rates). This method is consistent with how the NNG rate increase was allocated, which is the basis for the refund.

1. Refund Calculation and Allocation Process

Attachment A shows the refund proration amongst demand and commodity. Attachment B shows the respective demand and commodity refund calculations. As shown in Attachment B, MERC started with the NNG Estimated Refund amount. This amount will be updated based on the final actual refund to be issued by NNG. Using the demand and commodity proration percentages from Attachment A, MERC allocated the NNG Estimated Refund amount to demand and commodity. For each of the respective Total NNG Refund-Demand and Total NNG Refund-Commodity amounts, MERC then computed the interest based upon the prime rate.⁴ Depending on the timing of a Commission decision on MERC's request to refund via the NNG-PGA, along with the timing of when NNG processes the refund, MERC would continue to compute a refund rate per-therm each month on the accumulated balance, as can be seen in Attachment B. Assuming NNG processes the refund on October 1, 2020, and using November 2020 as an example, MERC would utilize the accumulative balance to be refunded from October 2020, and apply the prime rate applicable for November 2020 to compute interest. MERC would add that computed interest to October 2020's accumulative balance of (\$2,701,275) and (\$908,661), for demand and commodity, respectively.

To calculate the per-therm credits to be incorporated into the NNG-PGA in the month of the refund, MERC proposes to divide the demand and commodity Accumulative Balances to be Refund by the respective forecasted demand and commodity sales as approved in Docket No. G011/MR-17-564, for the month of the refund. The sales shown in Attachment B are the

⁴ Note that in Attachment B, MERC has displayed the current prime rate effective as of the date of this filing. If there are any changes to the prime rate, MERC would update accordingly within the proposed refund calculation.

November monthly forecasted sales from MERC's Base Cost of Gas filing in Docket No. G011/MR-17-564⁵ and assumes a proposed implementation date of November 2020.

Upon Commission approval of the proposed refund plan and variance, MERC will incorporate the per-therm refund rates to demand and commodity, which are credit amounts, as line items on Schedule A, page 2, of the monthly NNG-PGA, ensuring the refund and interest at prime rate for the unrefunded period, is issued to applicable customers.

MERC will include the final calculation of the NNG pipeline refund and interest in the monthly NNG-PGA filing where the refund is incorporated after the Commission makes a determination on this petition. Finally, to the extent that actual sales differ from forecasted sales for the month of the PGA in which the refund is issued, this amount will be trued-up in the Company's annual true-up filing due September 1, 2021.

CONCLUSION

MERC respectfully requests that the Commission approve the Company's request for a variance to issue the NNG pipeline refund through its NNG-PGA.

DATED: September 1, 2020

Respectfully submitted,

MINNESOTA ENERGY RESOURCES
CORPORATION

By: /s/ Joylyn C. Hoffman Malueg
Joylyn C. Hoffman Malueg
2685 145th Street West
Rosemount, MN 55068
Telephone: (414) 221-4208

⁵ These are also the same sales volumes approved in MERC's most recent rate case in Docket No. G011/GR-17-563. Exhibit ____ (MRC-1), Schedule E-1, page 5 of 5, specifically see November sales volumes for the respective NNG rate classes.

Pipeline	Contract Type	Season	Contract Number	Total Monthly Entitlement Mcf	Number Months	Effective Jan-2020	Rate Case Sales (Ccf)	Contract Cost	Monthly Rate (\$/Ccf)	Monthly Rate during Refund Time Period					Allocation of Refund between Demand and Commodity
						Reservation Rate (\$/Mcf)				Jan	Feb	Mar	Apr	Average	
Demand Costs (assigned to Demand)															
	TF12B (Max Rate)	Winter	112495	46,580	5	\$18.1050	236,895,506	\$ 4,216,655	\$ 0.01780	\$ 0.01780	\$ 0.01780				
	TF12B (Max Rate)	Summer	112495	46,580	7	\$10.0580	236,895,506	\$ 3,279,511	\$ 0.01384				\$ 0.01384		
	TF12V (Max Rate)	Annual	112495	32,929	12	\$16.0930	236,895,506	\$ 6,359,117	\$ 0.02684	\$ 0.02684	\$ 0.02684	\$ 0.02684	\$ 0.02684		
	TF5 (Max Rate)	Winter	112495	36,275	5	\$26.8220	236,895,506	\$ 4,864,840	\$ 0.02054	\$ 0.02054	\$ 0.02054	\$ 0.02054			
	TFX12 (Max Rate)	Annual	112486	10,822	12	\$17.0430	236,895,506	\$ 2,213,272	\$ 0.00934	\$ 0.00934	\$ 0.00934	\$ 0.00934	\$ 0.00934		
	TFX Apr (Max Rate)	Summer	112486	2,000	1	\$10.0580	236,895,506	\$ 20,116	\$ 0.00008				\$ 0.00008		
	TFX Oct (Max Rate)	Summer	112486	2,000	1	\$10.0580	236,895,506	\$ 20,116	\$ 0.00008						
	TFX5 (Max Rate)	Winter	112486	77,688	5	\$26.8220	236,895,506	\$ 10,418,738	\$ 0.04398	\$ 0.04398	\$ 0.04398				
									\$ 0.13252	\$ 0.11850	\$ 0.11850	\$ 0.11850	\$ 0.05011	\$ 0.10140	74.83%
Storage Services (assigned to Commodity)															
	FDD Storage Reservation	Annual	118657	81,508	12	\$3.5994	264,337,861	\$ 3,520,559	\$ 0.01332	\$ 0.01332	\$ 0.01332	\$ 0.01332	\$ 0.01332		
	FDD Storage Cycle Volume	Annual	118657	939,864	5	\$0.7491	264,337,861	\$ 3,520,261	\$ 0.01332	\$ 0.01332	\$ 0.01332	\$ 0.01332			
	FDD Storage Reservation	Annual	133736	17,345	12	\$3.5994	264,337,861	\$ 749,179	\$ 0.00283	\$ 0.00283	\$ 0.00283	\$ 0.00283	\$ 0.00283	\$ 0.00283	
	FDD Storage Cycle Volume	Annual	133736	200,000	5	\$0.7491	264,337,861	\$ 749,100	\$ 0.00283	\$ 0.00283	\$ 0.00283	\$ 0.00283			
	FDD Storage Reservation	Annual	132024	8,672	12	\$3.5994	264,337,861	\$ 374,568	\$ 0.00142	\$ 0.00142	\$ 0.00142	\$ 0.00142	\$ 0.00142		
	FDD Storage Cycle Volume	Annual	132024	100,000	5	\$0.7491	264,337,861	\$ 374,550	\$ 0.00142	\$ 0.00142	\$ 0.00142	\$ 0.00142			
Balancing Service (assigned to Commodity)															
	SMS	Annual	112521	22,680	12	\$3.2700	264,337,861	\$ 889,963	\$ 0.00337	\$ 0.00337	\$ 0.00337	\$ 0.00337			
									\$ 0.03850	\$ 0.03850	\$ 0.03850	\$ 0.03850	\$ 0.02094	\$ 0.03411	25.17%

NNG Estimated Refund Amount: \$ (3,600,000.00)

Proration to Demand ¹ :	74.83%	\$ (2,693,840.05)
Proration to Commodity ¹ :	25.17%	\$ (906,159.95)
		<u>\$ (3,600,000.00)</u>

	Total NNG Refund ** Demand **	Prime Rate ²	Computed Interest	Accumulative Balance to be Refunded	Sales (therms) ³	Refund Rate (\$/therm)
Oct-20	\$ (2,693,840.05)	3.25%	\$ (7,435.74)	\$ (2,701,275.79)	26,544,383	\$ (0.10176)
Nov-20	\$ (2,701,275.79)	TBD	TBD	TBD	26,544,383	TBD

	Total NNG Refund ** Commodity **	Prime Rate	Computed Interest	Accumulative Balance to be Refunded	Sales (therms)	Refund Rate (\$/therm)
Oct-20	\$ (906,159.95)	3.25%	\$ (2,501.25)	\$ (908,661.20)	29,380,534	\$ (0.03093)
Nov-20	\$ (908,661.20)	TBD	TBD	TBD	29,380,534	TBD

1. See Attachment A.
2. For this illustration, MERC has the displayed the current prime rate effective as of the date of this filing.
If there are any changes to the prime rate, MERC would update accordingly within the proposed refund calculation.
3. The sales forecast used to calculate the per-therm refund rate will be based on the approved sales in the month the refund is included in the PGA. For this illustration, MERC has used November sales.

In the Matter of the Request of Minnesota
Energy Resources Corporation for a Variance
and Notice of Refund Plan for Northern Natural
Gas Pipeline Refund

Docket No. G011/M-20-____

CERTIFICATE OF SERVICE

I, Colleen T. Sipiorski, hereby certify that on the 1st day of September, 2020, on behalf of Minnesota Energy Resources Corporation ("MERC"), I electronically filed a true and correct copy of the enclosed Petition 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 1st day of September, 2020.

/s/ Colleen T. Sipiorski
Colleen T. Sipiorski

[illegible]

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Colleen	Sipiorski	Colleen.Sipiorski@wecenergygroup.com	Minnesota Energy Resources Corporation	700 North Adams St Green Bay, WI 54307	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Kristin	Stastny	kstastny@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 South 8th St Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List