November 3, 2020

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Late Filed Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/M-20-700

Dear Mr. Seuffert:

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

> In the Matter of a Notice of Refund Plan for Northern Natural Gas Transmission Pipeline and Request for a Rule Variance submitted by Minnesota Energy Resources Corporation (MERC or the Company).

The Petition was filed on September 1, 2020 by:

> Joylyn C. Hoffman Malueg
> Project Specialist 3
> Minnesota Energy Resources Corporation
> 2685 145th Street West
> Rosemount, MN 55068

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve the Company's proposal with modifications**.

Due to some unexpected internal delays the Department was unable to file these comments before the Commission deadline. The Department respectfully asks that the Commission accept these late filed comments. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ JOHN KUNDERT
Financial Analyst

JK/ar
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G-011/M-20-700

I. INTRODUCTION

On September 1, 2020 Minnesota Energy Resources Corporation (MERC or the Company) submitted a filing (*Petition)* in which the Company proposes to refund interstate pipeline costs for service on the Northern Natural Gas Transmission (NNG) pipeline. The amount of the NNG refund (Refund) is estimated to be $3.6 million.

According to the Company, the source of the Refund was the difference between NNG's interim and final rates related to a rate case Northern Natural filed with the Federal Energy Regulatory Commission (FERC) on July 1, 2019 (Docket No. RP19-1353-000). On July 21, 2020 the Administrative Law Judge (ALJ) in this proceeding issued a Certificate of Uncontested Settlement certifying a settlement to FERC. The next steps procedurally are that FERC issue an Order approving the settlement and that the rehearing window is completed.

MERC proposes to:

- restrict the refund to ratepayers that pay the NNG System Purchased Gas Adjustment (NNG-PGA).[1]
- pay interest on the refunded amount until such time that it is formally refunded to ratepayers.
- use the Prime Rate, currently 3.25 percent, as the appropriate interest rate for that calculation.
- Use sales volumes from its most recent Base Cost of Gas filing (Docket No. G011/MR-17-564) to allocate the Refund to the different customer classes.
- Estimate the refund amount per unit using forecasted sales for the Purchased Gas Adjustment (PGA) in the month the Refund will be disbursed.
- Use the PGA's annual true-up mechanism to disburse any amounts associated with the Refund not initially disbursed via the PGA.

Table 1 (following page) provides MERC's estimate for average customer impact.

The Department provides its analysis in the following section.

[1] The Company collects two PGAs for its different Minnesota service areas. The consolidated (CON)-PGA and a Northern-Natural Gas or NNG-PGA.

Table 1 – MERC's Estimated Customer Impact by Class[2]

Rate Class	Estimated NNG Refund	Average MERC-NNG Customer Count	Average Impact Per Customer
Residential	$ 2,205,155	186,130	$ 11.85
Firm Class 1	$ 101,681	7,458	$ 13.63
Firm Class 2 & 3	$ 957,126	11,341	$ 84.40
Interruptible	$ 333,956	463	$ 721.29
Firm/Interruptible	$ 2,083	8	$ 260.35
Total	$ 3,600,000	205,400	$ 17.53

II. ANALYSIS

Minn. R. 7825.2700, subp. 8 (the Refund Rule) describes the process for a returning a natural gas refund to ratepayers.

> Refunds and interest on refunds, that are received by 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 the 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.

MERC requested a variance to at least two of the requirements included in the Refund Rule in its *Petition.* Table 2 summarizes the requirements included in the Refund Rule and compares them to MERC's proposal. Items that require a rule variance are italicized.

Table 2 – Comparison of Refund Rule Requirements and MERC's Proposal

Topic	Requirement	MERC Proposal
Amount	Greater than $5 per customer must be refunded within 90 days	MERC recognizes that the average refund is greater than $5 per customer. Company proposes to disburse the Refund through the NNG Purchased Gas Adjustment (PGA) in the month following the receipt of the funds. Any funds not disbursed immediately would be included in subsequent PGA true-up filing.

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[2] *Petition* at page 5.

Allocation to Customer Classes	In proportion to previously charged cost of gas	*MERC allocated refund to customer classes using monthly usage for the four months NNG's interim rates were in effect from the Company's most recent Base Cost of Gas filing, Docket No. G011/MR-17-564.*
Refund amount per unit within customer classes	Based on 12 months of individual usage	*Will be based on forecasted weather normalized sales in the month the Refund is disbursed.*
Interest on refund	Prime rate	Company is proposing to use the prime rate to calculate interest on the refund.

The Department notes that, by commencing its refund in the first month following receipt of the refund, it appears that the Company complies with the requirement that refunds greater than $5 per customer be refunded within 90 days. However, to ensure that the amounts disbursed in that month reasonably returns most if not all of the refund, the Department recommends that the Commission require MERC to file a compliance filing after the refund is disbursed reporting the percentage of the refund that was returned in that first month, by customer class.

MERC requested a variance to the requirements regarding the allocation of the Refund to customer classes and to the calculation of the refund amount per unit within customer classes.

1. *Refund Amount and Interest on that Amount*

The Department calculated its own estimate of the NNG refund amount through December 31, 2020. Table 3 below delineates the calculation. Given that there is some uncertainty as to when FERC will issue its final Order in the NNG rate case, these calculations should be classified as preliminary estimates.

Table 3 – Department's Estimated Refund as of January 1, 2021

Line No.	Description	Amounts
1.	Refund with interest through November 15, 2020[3]	$3,600,000.00
2.	Interest on refund for last 15 days of November and December 2020	$14,774.79
3.	Estimated total amount to be refunded on 1/1/2021	$3,614,774.79

One and a half months of additional interest increases the amount of the refund slightly.

[3] *Petition* at page 8.

The Refund Rule is clear as to the use of the prime rate as the appropriate interest rate that should be used to calculate the time value of the refund before it is disbursed to ratepayers. MERC agreed to use the prime rate for this purpose.[4]

2. Allocation of Refund to Customer Classes

As noted above, the Refund Rule requires that "Refunds must be allocated to customer classes in proportion to previously charged costs of purchased gas." Also as noted above, MERC proposes to use forecasted sales volumes from its most recent base cost of gas filing.[5]

Given the general language in the Refund Rule on this point, there may be more than one way to interpret the rule. The Department focused on the driving factor for the refund. Specifically, the refund from NNG stems from a proceeding where FERC suspended NNG's rates effective January 1, 2020, subject to refund, and NNG implemented unopposed lower settlement rates in May, 2020. Thus, using January through April 2020 actual sales, the period over which NNG's higher rates were in place, is a reasonable basis for determining each the proportion of "previously charged costs of gas" for each customer class. Using information that the Company provided in its response to Department information request no. 6, we substituted that information into Table 1 into the following Table 4.

Table 4 – Department Estimate of NNG Refund by Class Using Actual Sales Data ($/customer)

Rate Class	Actual Usage Jan through April 2020	Estimated NNG Refund	Average MERC-NNG Customer Count	Average Impact Per Customer
Residential	93,092,389	$2,157,528.06	186,130	$ 11.59
Firm Class 1	3,915,844	$ 90,754.39	7,458	$ 12.17
Firm Class 2 & 3	47,240,298	$1,094,850.72	11,341	$ 96.54
Interruptible	11,641,885	$ 269,814.68	463	$ 582.75
Firm/Interruptible	78,802	$ 1,826.33	8	$ 228.29
Total	155,969,218	$3,614,774.19	205,400	$ 17.60

The average impact per customer in total for MERC's estimate is $17.53. The same number for the Department is $17.60. This difference is due to the additional interest the Department assumes will accrue in waiting for the FERC to issue its order requiring a refund.

Table 5 compares MERC's and the Department's allocation of the Refund to customer class. The Department's use of actual sales data for the four months in question decreases the amount of the refund allocated to the Residential, Firm Class 1, Interruptible and Firm/Interruptible classes and

[4] *Petition* at Attachment A.
[5] See Attachment 1 to the Comments, Company's response to Department information request no. 1.

increases the refunds for the Firm Class 2 & 3. In this instance, this different allocation is appropriate due to the change in demand caused by the COVID-19 pandemic.

Department information request no. 6 asked: "Has the Covid-19 pandemic had an effect the demand for natural gas by customer class since March 2020 in MERC's service area?"[6]

MERC replied:

> COVID-19 has had a minimal effect on the natural gas usage of the Residential customer class. Although there are more residential customers working from home, this has not had a significant impact on demand for natural gas. *Commercial and Industrial firm and interruptible classes have experienced declines in natural gas sales mostly driven by the "Stay at Home" Order from March-May 2020, restrictions that were in place through the summer and into the fall, and the economic downturn that has resulted as a result of the pandemic*. [Emphasis added.]

The Department considers this approach to be more equitable than MERC's proposal in that the class allocation reflects the actual usage by class for the time period NNG's higher interim rates were in effect. This approach is also more consistent with the requirements in Minn. R. 7825.27, subp. 8 as it uses actual data for the time period in question rather than forecasted data.

Table 5 – Comparison – MERC and Department Estimates of NNG Refund by Class ($)

Rate Class	MERC Class Allocation	Department Class Allocation	Nominal Difference $	Percentage Difference
Residential	$ 2,205,155.00	$ 2,157,528.00	$ (47,627.00)	-2%
Firm Class 1	$ 101,681.00	$ 90,754.00	$ (10,927.00)	-11%
Firm Class 2 & 3	$ 957,126.00	$ 1,094,851.00	$ 137,725.00	14%
Interruptible	$ 333,956.00	$ 269,815.00	$ (64,141.00)	-19%
Firm/Interruptible	$ 2,083.00	$ 1,826.00	$ (257.00)	-12%
Total	$ 3,600,001.00	$ 3,614,774.00	$ 14,773.00	0%

Thus, rather than MERC's proposal to allocate the refund to customer classes based on forecasted information from its 2017 Base Cost of Gas filing, the Department recommends that the Commission require MERC to allocate the refund based on actual use by customer class for the 4-month period when NNG's higher rates were in place.

[6] Attachment 2 includes the Company's response to this information request.

3. *Calculation of the Refund Amount per Unit Within the Customer Classes*

The language in the Refund Rule regarding the calculation of the refund amount per unit within the customer classes identifies the use of actual, historical billing information – "the refund amount per unit must be applied to bills on the basis of individual 12-month usage."

MERC's proposal is that the Company use one month of forecasted sales information to develop the refund per unit and then true-up the difference between the actual disbursement of the refund in through the PGA for the month in question. The Company's proposal is not consistent with the method identified in the Refund Rule. MERC identified several prior dockets in which the Commission had allowed it or natural gas local distribution companies to use the PGA disbursement approach to return pipeline refunds to customers.[7]

Minn. R. 7829.3200, delineates the decision criteria for evaluating a request for a rule variance.

> Subpart 1. **When granted.** 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.

Enforcement of the Rule Would Impose an Excessive Burden Upon the Applicant or Others Affected by the Rule

In its *Petition*, MERC stated the following:

- Enforcement of the requirement found in Minn. R. 7825.2700, subp. 8, that the Company is required to use 12 months of actual customer usage to issue individual bill credits to customers would be administratively burdensome. Under this approach MERC would incur the costs associated with the programming and issuing of the bill credits.
- The public interest would be served by the administrative efficiencies associated with issuing the refund through the PGA. In addition, the Company noted that it will continue to apply interest at the prime rate until the refund is complete and that to the "extent that actual sales differ from forecasted sales for the month in which the refund is issued, this amount will be trued up in the Company's annual true-up filing".[8]
- MERC is not aware of any standard imposed by law that conflicts with the use of the PGA to effectuate the refund. The Company also cited three prior dockets in which the Commission approved a variance under similar circumstances. The Department is also not aware of any statute that would prevent the implementation of the Company's refund proposal.

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[7] See Docket Nos. G007, 011/M-11-154, G004/M-10-63, and G004/M-08-1027.
[8] *Petition* at page 8.

In addition, MERC stated the following on pages 1-2 of its October 27, 2020 supplemental letter:

> …calculation of refunds based on individual 12-month usage would impose an excessive burden on MERC as such individual 12-month calculations would be administratively burdensome due to the time and expense required to determine individual 12-month usage. Granting a variance to allow the Company to refund over a single month through the PGA mechanism based on one-month forecasted sales rather than 12-months of actual sales also will not adversely affect the public interest as MERC's proposal will ensure customers are appropriately refunded based on the NNG refund amounts, plus interest.

The Department discusses below the limitations of MERC's new customer service system to meet the requirements of Minnesota Rules in a timely manner. Given the desire to return refunds to customers as quickly and accurately as possible during the COVID-19 pandemic, the Department agrees that use of the PGA to administer the refund during a month when use of natural gas use is likely to be higher is reasonable, and thus recommends approval of MERC's requested variance. However, the Department provides further discussion for consideration in future proceedings where refunds are required, given MERC's new customer service system, for which ratepayers are paying in rates.

Thus, using the results of the allocation to customer classes indicated in Table 5 above, Table 6 compares MERC's and the Department's average refund per customer.[9] Given that we did not modify MERC's estimated number of customers, the percentage difference in Table 6 for the different classes is identical to those in Table 5.

The differences between the average estimates refund amounts are not large. Each customer's refund will be based on the amount of natural gas they use in whatever month the refund is administered.

Table 6 – Comparison – MERC and Department Estimates of NNG Refund for Average Customer by Class ($/Cust)

Rate Class	MERC Average Impact Per Customer	Department Average Impact Per Customer	Nominal Difference $ per Customer	Percentage Difference
Residential	$ 11.85	$ 11.59	$ (0.26)	-2%
Firm Class 1	$ 13.63	$ 12.17	$ (1.46)	-11%
Firm Class 2 & 3	$ 84.40	$ 96.54	$ 12.14	14%
Interruptible	$ 721.29	$ 582.75	$ (138.54)	-19%
Firm/Interruptible	$ 260.35	$ 228.29	$ (32.06)	-12%
Total	$ 17.53	$ 17.60	$ 0.07	0%

9 MERC's estimate assumes November 2020 sales volumes. The Company's estimate would vary depending on the month the refund is dispersed through the PGA.

4. Interest on Refund

The Department reviewed MERC's proposed use of the Prime Rate to calculate interest on the NNG refund and concludes that it is appropriate and consistent with the applicable language in Minn. R. 7825.2700, subp. 8, which states "The utility shall add interest to the unrefunded balance at the prime interest rate."

B. USE OF MERC'S ICE SYSTEM IN FUTURE REFUNDS

The Company recently completed the installation of a new billing system, called the Improved Customer Experience (ICE). Thus, the Department expected that MERC's new billing system would allow it to provide a refund consistent with the refund requirements included in Minn. R. 7825.2700, subp. 8.[10] In Department information request no. 3 we asked a series of questions related to the ICE system.

a. When did MERC complete the installation of its Improved Customer Experience billing system?
b. What was the effect of the installation on MERC's rate base?
c. Did MERC specify to its vendor that ICE's functionality needed to comply with Minnesota regulatory requirements prior to installation?
d. Did MERC require the ICE application to comply with the refund requirements included in Minn. R. 7825.2700, subp 8?
e. If so, why is it necessary to request a variance for issuing the amounts associated with the Northern Natural Gas refund discussed in this docket?
f. If not, why was this functionality not required as part of the installation, as it is a long-standing regulatory requirement?

MERC explained in its response that: "All this to say that yes, the ICE platform was implemented with the functionality to issue rate refunds and those refunds can comply with Minn. R. 7825.2700, subp. 8, but the process can require a considerable amount of technical effort to ensure that refunds are applied correctly." The Company also noted in response to subpart e: "MERC is not requesting the refund because it cannot perform the refund."

In Department information request no. 5 we asked the Company to "provide an analysis that estimates the expenses associated with programming, testing and the issuance of a bill refund within MERC's billing system for this refund".[11]
MERC replied:

> The ICE billing system . . . has the functionality to calculate and apply rate refunds. . . . all applicable Minnesota regulatory requirements were

[10] Attachment 3 contains the Company's response to Department information request no. 3.
[11] Attachment 4 contains the Company's response to Department information request no. 5.

> reviewed and the refund functionality remains. However, each time a refund is authorized, the system must be configured to accommodate the unique circumstances of the refund. . . . MERC estimates, at a minimum, a cost of $60,000 to conduct the configuration and testing phases of a bill refund within MERC's billing system for NNG customers that is in accordance with Minn. R. 7825.2700, subpart 8.

The Company then explained that it would need a minimum of 60 days to configure and test the system for the refund. MERC also listed several additional issues which would need to be addressed.

While the Department supports MERC's variance in the current circumstances for the reasons identified above, the information MERC provided indicates, disappointingly, that the ICE system for which ratepayers are paying provides little if any efficiency in meeting the requirements of Minnesota Rules. Further, to be clear, spending $60,000 or more to effectuate the refund consistent with the requirements in the Refund Rule, if it were required, would simply be a cost of doing business for which ratepayers should not be charged.

III. CONCLUSION AND RECOMMENDATIONS

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

1) Reject the Company's proposal to allocate the Northern Natural Gas refund to customer classes using sales volumes from MERC's most recent Base Cost of Gas filing (Docket No. G011/MR-17-564).
2) Instead, require the refund to be allocated to customer classes based on their actual natural gas use during the period January through April 2020 when NNG's rates were in effect.
3) Grant a variance and allow the Company to disburse the Northern Natural Gas refund via the Purchased Gas Adjustment (PGA), given the disappointing limitations of MERC's ICE system.
4) Require MERC to report on the status of the NNG refund after it is completed, specifically require MERC to report the percentage of the refund that was returned through the PGA, by customer class.

/ar

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G011/M-20-700 ☐Nonpublic ☒Public
Requested From: Joylyn C. Hoffman Malueg, MERC Date of Request: 9/15/2020
Type of Inquiry: General Response Due: 9/25/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).
Assigned Analyst(s): John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-600-1182

ADDITIONAL INSTRUCTIONS:
Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number:	**1**
Topic:	Refund Allocation to Customer Classes
Reference(s):	Page 5

Request:

What is the basis for the allocation of the estimated $3.6 million refund from Norther Natural Gas (NNG) in Table 1? Please provide this calculation.

MERC Response:

Please see the attached file *DOC IR-001_NNG Table 1.xlsx*

The basis for the allocation of the estimated $3.6M are January through April therms, by rate class, from MERC's 2018 Base Cost of Gas approved in Docket No. G011/MR-17-564, which is also the same sales approved in MERC's 2018 Rate Case in Docket No. G011/GR-17-563. The NNG refund is applicable to the time period of January 1, 2020 through April 30, 2020, which is why January through April therms were used in the allocation.

To be completed by responder

Response Date:	September 24, 2020
Response by:	Joylyn Hoffman Malueg
Email Address:	Joylyn.HoffmanMalueg@wecenergygroup.com
Phone Number:	414-221-4208

COMMERCE DEPARTMENT

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G011/M-20-700 ☐Nonpublic ☒Public
Requested From: Joylyn C. Hoffman Malueg, MERC Date of Request: 10/16/2020
Type of Inquiry: General Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).
Assigned Analyst(s): John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-600-1182

ADDITIONAL INSTRUCTIONS:
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Request Number: **6**
Topic:
Reference(s):

Request:

Has the Covid 19 pandemic had an effect on the demand for natural gas by customer class since March 2020 in MERC's service area? If so, please identify those effects by customer class. If not, please explain why there has been no change in customer demand for natural gas by class.

MERC Response:

COVID-19 has had minimal effect on the natural gas usage of the Residential customer class. Although there are more residential customers working from home, this has not had a significant impact on demand for natural gas. Commercial and Industrial firm and interruptible classes have experienced declines in natural gas sales mostly driven by the "Stay at Home" Order from March-May 2020, restrictions that were in place through the summer and into the fall, and the economic downturn that has occurred as a result of the pandemic.

In the data table provided below, January 2020 through April 2020 billed sales, by customer class, are shown in comparison to forecasted December 2020 sales taking into consideration the impacts of the COVID-19 pandemic, to date. January 2020 through April 2020 are the months that customers were billed for the higher NNG pipeline rates. December 2020 is most likely to be the month that MERC would be able to conduct the refund via the PGA, assuming Commission approval of the variance request. Under MERC's proposal, the refund would be conducted via the PGA, applying a refund credit to the Commodity and Demand PGA charges, which are charged to Firm and Interruptible customers and Firm customers, respectively. The table below shows that MERC's proposal to refund via the PGA over one month would be reasonably likely to return the pipeline over-collections with a similar

To be completed by responder

Response Date: October 26, 2020
Response by: Jared Peccarelli
Email Address: jared.peccarelli@wecenergygroup.com
Phone Number: 414-221-4829

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

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Assigned Analyst(s): John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-600-1182

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allocation by customer class as how the higher pipeline rates were billed for the period January through April 2020.

	Actual Sales							Forecast **	
	Jan-20	Feb-20	Mar-20	Apr-20	Total Jan - Apr			Dec-20	
Residential	27,745,080	26,630,131	21,984,476	16,732,702	93,092,389	59.6%		28,898,229	60.9%
Firm Class 1	1,164,731	1,131,142	987,180	632,792	3,915,844			1,787,445	
Firm Class 2	12,535,492	12,109,481	10,695,093	7,510,363	42,850,428	32.8%		12,438,558	31.2%
Firm Class 3	1,153,716	1,134,818	1,016,291	1,085,046	4,389,870			593,474	
Interruptible Class 1	87,869	26,885	20,177	7,707	142,638			23,997	
Interruptible Class 1 Power Generation	8,337	4,419	4,706	2,244	19,705			16,536	
Interruptible Class 2	2,442,486	1,203,348	1,118,633	567,195	5,331,661	7.6%		1,604,185	7.9%
Interruptible Class 3	2,943,307	1,408,093	1,137,379	821,446	6,310,224			1,742,768	
Interruptible Class 4	16,349	4,194	-	38,553	59,097			354,731	
					156,111,856	100.0%		47,459,924	100.0%

** Adjusted for the effects of Jan - Sept YOY changes 2019 to 2020, which would account for the impacts of COVID

To be completed by responder

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85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G011/M-20-700
Requested From: Joylyn C. Hoffman Malueg, MERC
Type of Inquiry: General

☐Nonpublic ☒Public
Date of Request: 9/15/2020
Response Due: 9/25/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).
Assigned Analyst(s): John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-600-1182

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Request Number:	**3**
Topic:	MERC's Billing System
Reference(s):	Page 4

Request:

a. When did MERC complete the installation of its Improved Customer Experience (ICE) billing system?
b. What was the effect of the installation of ICE on MERC's rate base?
c. Did MERC specify to its vendor that ICE's functionality needed to comply with Minnesota regulatory requirements prior to installation?
d. Did MERC require the ICE application to comply with the refund requirements included in Minn. R. 7825.2700, subp. 8?
e. If so, why is it necessary to request a variance for issuing the amounts associated with the Northern Natural Gas refund discussed in this docket?
f. If not, why was this functionality not required as part of the installation, as it is a long-standing regulatory requirement?

MERC Response:

a. In January 2016, the ICE Project was implemented as a standard process architecture and technology CIS platform for MERC, Michigan Gas Utilities, and other legacy Integrys utilities. This implementation resulted in a single CIS across these utilities, moving all of the legacy Integrys utilities to the latest update of Open-CIS ("Open C"), version 4.0. Wisconsin Public Service had been using Open C since 2005.
b. MERC's allocation of the ICE Project was approximately $9.84 million. This was approved for recovery in MERC's rate case Docket No. G011/GR-15-736.

To be completed by responder

Response Date:	September 24, 2020
Response by:	Joylyn Hoffman Malueg
Email Address:	Joylyn.HoffmanMalueg@wecenergygroup.com
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Phone Number(s): 651-600-1182

ADDITIONAL INSTRUCTIONS:
Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

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c. The ICE application was initially designed to serve utilities in Wisconsin and Upper Michigan and has the functionality to calculate and apply rate refunds. When it was adapted for use by MERC and Michigan Gas Utilities, and later the Illinois gas utilities, the refund functionality remained. However, each time a refund is authorized, the system must be configured to accommodate the unique circumstances of the refund. For instance, there are differences between the methods used to apply interim rate refunds in Minnesota as compared to applying a pipeline rate refund under Minn. R. 7825.2700, subp. 8 (please refer to MERC's response to information request DOC-4) and Minnesota has the added complexity of franchise fees to consider.

   MERC also added a number of additional customer classes to its rate design in its 2018 rate case (Docket No. G011/GR-17-563) such that applying an accurate refund in this instance will likely require additional configuration and testing. All this to say that yes, the ICE platform was implemented with the functionality to issue rate refunds and those refunds can comply with Minn. R. 7825.2700, subp. 8, but the process can require a considerable amount of technical effort to ensure that refunds are applied correctly.

d. See (c) above.
e. MERC is not requesting the variance because it cannot perform the refund. 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 as explained in more detail in the petition.
f. See (c) and (e) above.

To be completed by responder

Response Date: September 24, 2020
Response by: Joylyn Hoffman Malueg
Email Address: Joylyn.HoffmanMalueg@wecenergygroup.com
Phone Number: 414-221-4208

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G011/M-20-700 ☐Nonpublic ☒Public
Requested From: Joylyn C. Hoffman Malueg, MERC Date of Request: 10/16/2020
Type of Inquiry: General Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).
Assigned Analyst(s): John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-600-1182

ADDITIONAL INSTRUCTIONS:
Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number:	**5**
Topic:	Costs for individual bill refunds
Reference(s):	Pages 4 and 5

Request:

Provide an analysis that estimates the expenses associated with programming, testing and the issuance of a bill refund within MERC's billing system for this refund.

MERC Response:

The ICE billing system was initially designed to serve utilities in Wisconsin and Upper Michigan and has the functionality to calculate and apply rate refunds. When it was adapted for use by MERC and Michigan Gas Utilities, and later the Illinois gas utilities, all applicable Minnesota regulatory requirements were reviewed and the refund functionality remained. However, each time a refund is authorized, the system must be configured to accommodate the unique circumstances of the refund. For instance, there are differences between the methods used to apply interim rate refunds in Minnesota as compared to applying a pipeline rate return refund under Minn. R. 7825.2700, subp. 8 and Minnesota has the added complexity of franchise fees to consider, so there can be a considerable amount of configuration and testing to ensure all aspects of the process are configured and implemented correctly. MERC also added a number of additional customer classes to its rate design in its 2018 rate case (Docket No. G011/GR-17-563) such that applying a refund under Minn. R. 7825.2700, subp. 8 would likely require additional configuration and testing.

MERC estimates, at a minimum, a cost of $60,000 to conduct the configuration and testing phases of a bill refund within MERC's billing system for NNG customers that is in accordance with Minn. 7825.2700, subpart 8.

To be completed by responder

Response Date: October 26, 2020
Response by: Joylyn Hoffman Malueg
Email Address: Joylyn.HoffmanMalueg@wecenergygroup.com
Phone Number: 414-221-4208

COMMERCE DEPARTMENT

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G011/M-20-700
Requested From: Joylyn C. Hoffman Malueg, MERC
Type of Inquiry: General

☐Nonpublic ☒Public
Date of Request: 10/16/2020
Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).
Assigned Analyst(s): John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-600-1182

ADDITIONAL INSTRUCTIONS:
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MERC reiterates that this is a minimum estimate, as MERC has not undertaken a pipeline refund in accordance with Minn. 7825.2700, subpart 8 within the current billing system previously. MERC is basing the estimate upon the time and effort involved with the process of refunding interim rate refunds attributable to a general rate case. In comparison to the process MERC has applied for interim rate refunds, Minn. R. 7825.2700, subpart 8, from which MERC is requesting a variance, would require a pipeline refund to be allocated to customer classes in proportion to previously charged costs of purchased gas, requiring separate calculations for each customer class. Within classes, the refund amount per unit must be applied to bills on the basis of individual 12-month usage. This customer class component to the refund calculation will most likely require additional configuration and testing beyond what has been required for interim rate refunds.

Assuming available resources, a minimum of 60 days lead-time would be needed to conduct the configuration and testing phases for issuance of pipeline refunds via individual bill credits. After the configuration and testing is completed, the refunds would then be applied over the course of one month, taking 4-5 bill cycles to run over the weekends, due to the volume and time needed to process these adjustments within the billing system. Lastly, MERC would then need to address the following impacts of issuing the pipeline refund under Minn. R. 7825.2700, subp. 8, which would require additional time and expense:

- How are customers who have left MERC's system who are owed a refund to be addressed? Historically, in the situation of interim refunds from a general rate case, these customers who have left and are owed a refund of $2.00 or greater are sent a check for the refund amount owed to their forwarding address if one was provided upon termination of service.
- Any refund amounts owed to customers who have left MERC's system who MERC is unable to locate will be handled in accordance with Minnesota Statutes chapter 345.

To be completed by responder

Response Date: October 26, 2020
Response by: Joylyn Hoffman Malueg
Email Address: Joylyn.HoffmanMalueg@wecenergygroup.com
Phone Number: 414-221-4208

COMMERCE DEPARTMENT

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G011/M-20-700 ☐Nonpublic ☒Public
Requested From: Joylyn C. Hoffman Malueg, MERC Date of Request: 10/16/2020
Type of Inquiry: General Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).
Assigned Analyst(s): John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-600-1182

ADDITIONAL INSTRUCTIONS:
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- Customer checks that are sent out but are not cashed are handled in accordance with Minnesota Statutes chapter 345.
- Historically, in the situation of interim refunds from a general rate case, customers due a refund of less than $2.00 who are no longer customers of MERC will not receive a refund and those amounts are donated to the Salvation Army Northern Division for distribution to customers under the Minnesota HeatShare Program to help offset costs of low income customers.

To be completed by responder

Response Date: October 26, 2020
Response by: Joylyn Hoffman Malueg
Email Address: Joylyn.HoffmanMalueg@wecenergygroup.com
Phone Number: 414-221-4208

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Late Filed Comments

Docket No. G011/M-20-700

Dated this **3rd** day of **November 2020**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_20-700_M-20-700
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-700_M-20-700
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_20-700_M-20-700
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St Chicago, IL 60661	Electronic Service	No	OFF_SL_20-700_M-20-700
Joylyn C	Hoffman Malueg	Joylyn.hoffmanmalueg@wecenergygroup.com	Minnesota Energy Resources	2685 145th St W Rosemount, MN 55068	Electronic Service	Yes	OFF_SL_20-700_M-20-700
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-700_M-20-700
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-700_M-20-700
Catherine	Phillips	Catherine.Phillips@wecenergygroup.com	Minnesota Energy Resources	231 West Michigan St Milwaukee, WI 53203	Electronic Service	Yes	OFF_SL_20-700_M-20-700
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_20-700_M-20-700
Elizabeth	Schmiesing	eschmiesing@winthrop.com	Winthrop & Weinstine, P.A.	225 South Sixth Street Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-700_M-20-700

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-700_M-20-700
Colleen	Sipiorski	Colleen.Sipiorski@wecenergygroup.com	Minnesota Energy Resources Corporation	700 North Adams St Green Bay, WI 54307	Electronic Service	Yes	OFF_SL_20-700_M-20-700
Kristin	Stastny	kstastny@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 South 8th St Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_20-700_M-20-700
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_20-700_M-20-700
Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	Yes	OFF_SL_20-700_M-20-700
Tina E	Wuyts	tina.wuyts@wecenergygroup.com	Minnesota Energy Resources Corporation	PO Box 19001 700 N Adams St Green Bay, WI 54307-9001	Electronic Service	Yes	OFF_SL_20-700_M-20-700