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October 9, 2020

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

Re: *In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of Natural Gas Extension Project Rider True-Up for 2019, Rider Revenue Deficiency for 2021, and Revised Surcharge Factors*
Docket No. G011/M-20-420

Dear Mr. Seuffert:

The Office of the Attorney General—Residential Utilities Division (“OAG”) respectfully submits this letter in response to the petition of Minnesota Energy Resources Corporation (“MERC” or “Company”) in the above-entitled matter. The purpose of this letter is to recommend that the surcharge factors for MERC’s 2021 Natural Gas Extension Project (“NGEP”) rider be calculated in accordance with recent Commission guidance regarding the Company’s 2020 NGEP rider.

On September 30, 2019, MERC filed a petition to establish NGEP rider factors for 2020.¹ The Company’s proposed rider factors were generally consistent with the revenue apportionment approved in its last rate case, except that the Company proposed to assess Direct Connect customers only \$0.00001 per therm. The OAG opposed this aspect of MERC’s proposal, arguing that charging Direct Connect customers a token amount would be inconsistent with the intent of the NGEP statute, which requires that the NGEP rider “include all of the utility’s customers.”² The OAG also argued that MERC had failed to substantiate its claim that Direct Connect customers pose a bypass threat, and that deviating from its approved revenue apportionment based solely on this threat, to the exclusion of other relevant factors, would be unreasonable.

On April 13, 2020, before the Commission had decided MERC’s 2020 NGEP rider petition, the Company filed the instant petition to establish rider factors for 2021. The

¹ See *In the Matter of Minnesota Energy Resources Corporation’s 2020 Rochester Natural Gas Extension Project Rider*, Docket No. G-011/M-19-608.

² Minn. Stat. § 216B.1638, subd. 2(a).

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Company's 2021 petition includes the same proposal to charge Direct Connect customers \$0.00001 per therm.

On September 21, 2020, the Commission issued its order on the 2020 NGEP rider. The Commission agreed with the OAG, directing MERC to "apply the full NGEP rider surcharge, based on MERC's proposed method of revenue apportionment and rate design, to all of its customers, including its Direct Connect customers."³ The Commission reasoned,

This approach appropriately balances the NGEP surcharge rates between customer classes and ensures that each customer class pays a reasonable share, while significantly reducing the rate paid by Direct Connect customers. Although it is impossible to say with certainty whether certain Direct Connect customers will choose to bypass MERC at different cost levels, this reduction in the NGEP surcharge rate reduces the risk of bypass compared to the existing rate.⁴

The Commission should require MERC to establish 2021 NGEP rider factors in accordance with the September 21, 2020 order. This will ensure that each class pays a reasonable share of the NGEP revenue requirement, consistent with the apportionment found to be just and reasonable in the Company's last rate case.

Sincerely,

/s/ Peter G. Scholtz

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³ Docket No. G-011/M-19-608, Order Approving NGEP Rider Surcharge with Modifications at 8.

⁴ *Id.*

CERTIFICATE OF SERVICE

Re: *In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of Natural Gas Extension Project Rider True-Up for 2019, Rider Revenue Deficiency for 2021, and Revised Surcharge Factors*
Docket No. G011/M-20-420

I, JUDY SIGAL, hereby certify that on the 9th day of October, 2020, I e-filed with eDockets *a Letter of the Office of the Attorney General Residential Utilities Division* and served a true and correct copy of the same upon all parties listed on the attached service list by e-mail, electronic submission, and/or United States Mail with postage prepaid, and deposited the same in a U.S. Post Office mail receptacle in the City of St. Paul, Minnesota.

/s/ Judy Sigal

JUDY SIGAL

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Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_20-420_M-20-420
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_20-420_M-20-420
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_20-420_M-20-420
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Joylyn C	Hoffman Malueg	Joylyn.hoffmanmalueg@weceneenergygroup.com	Minnesota Energy Resources	2685 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_20-420_M-20-420
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-420_M-20-420
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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_20-420_M-20-420
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