COMMERCE DEPARTMENT

January 8, 2021 **PUBLIC DOCUMENT**

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

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/M-20-420

Dear Mr. Seuffert:

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

> Minnesota Energy Resources Corporation's (MERC or the Company) request (*Petition*) for Approval of a Natural Gas Extension Project (NGEP) Cost Rider Surcharge for the Recovery of 2021 Rochester Project Costs.

The Petition was filed on April 13, 2020 by:

> Joylyn Hoffman-Mauleg
> Project Specialist 3
> Minnesota Energy Resources Corporation
> 2685 145th Street West
> Rosemount, MN 55068

The Department recommends that the Minnesota Public Utilities Commission (Commission) allow MERC to implement, with modifications, and continue to charge an NGEP rider surcharge effective for service rendered beginning with the first billing month after the Commission's final order in this proceeding for a portion of NGEP-related forecasted revenue requirements expected to be incurred in calendar year 2021 and true-up for 2018 and 2019. The Department intends to indicate whether any further adjustments are needed to the Company's proposal after reviewing MERC's reply comments.

The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ ADAM J. HEINEN
Public Utilities Rates Analyst

AJH/ar
Attachment

Before the Minnesota Public Utilities Commission

PUBLIC Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G011/M-20-420

I. INTRODUCTION

On April 13, 2020, pursuant to Minnesota Statute 216B.1638 and the Minnesota Public Utilities Commission's (Commission) May 5, 2017 Order in Docket No. G011/M-15-895, and in accordance with Minnesota Rules 7829.1300 and the Commission's June 18, 2019 Order (June 18 Order) in Docket No. G011/M-18-182, Minnesota Energy Resources Corporation (MERC or the Company) submitted to the Commission a petition (Petition) for Approval of a Natural Gas Extension Project (NGEP) Cost Rider Surcharge (NGEP Rider) to recover projected 2021 Rochester Project Costs (Rochester Project). In particular, MERC requested approval of the following:

- an ongoing NGEP Rider;
- recovery of 33 percent, or $997,896, of a forecasted 2021 revenue deficiency of approximately $3,023,928 for MERC's projected 2021 investments related to the Rochester Project, subject to future true up;
- a true-up adjustment of $227,236 for the under-recovered 2019 NGEP revenue deficiency and to account for differences between the 2018 actual Rochester Project capital expenditures and the capital estimates included in base rates in Docket No. G011/GR-17-563;
- NGEP rate factors by customer class be effective January 1, 2021; and
- proposed NGEP Rider tariff sheets.

Subsequent to MERC's filing of its Petition, the Commission issued its Order for the Company's 2020 NGEP Rider in Docket No. G011/M-19-608. In its September 21, 2020 Order (September 21 Order), the Commission made several rulings that impacted the Company's original Petition. In particular, the Commission ordered that the Company:

- include a rate base offset for property taxes in its calculation of the NGEP Rider revenue deficiency.
- assess the NGEP Rider to all customers, including Direct Connect customers, based on the Company's proposed revenue apportionment and rate design; and
- provide estimated, project-area-specific property tax data for the relevant year in its next NGEP rider petition.

The Company's Petition marks the third request by MERC for annual rider recovery through the NGEP Rider.

II. BACKGROUND

On October 26, 2015, in Docket No. G011/M-15-895 (Rochester Project proceeding), MERC submitted its request for approval of rider recovery via Minnesota Statute 216B.1638 (NGEP Statute) for its Rochester Project. The Company requested recovery through the NGEP Statute because MERC's Rochester Area distribution system was constrained and required upgrading to meet not only current customer demand, but also the growth expected in the area over the coming years. For a utility to recover costs through the NGEP Statute, a utility must show that the project is designed to extend natural gas service to an unserved or inadequately served area and that the project costs are reasonable and prudently incurred.

On February 8, 2016, the Commission issued an order referring this case to the Office of Administrative Hearings (OAH) for a contested case hearing. The Rochester Project and the reasonableness of NGEP Rider recovery was fully analyzed in the contested case proceeding and an Administrative Law Judge (ALJ) issued Findings of Fact, Conclusions of Law, and Recommendation, recommending that the Commission determine the Rochester Project to be reasonable and appropriate for NGEP Rider recovery. The ALJ also recommended that the Commission require various reporting and cost mitigation requirements.

On March 23, 2017, the Rochester Project came before the Commission. In its May 5, 2017 Order (May 5 Order), the Commission approved the Rochester Project and granted rider recovery through the NGEP Rider with certain conditions.

On February 28, 2018, the Company filed its first annual request for NGEP Rider recovery in Docket No. G011/M-18-182. MERC petitioned for recovery of the 33 percent of the entire cost of the project rather than one-third of the annual revenue requirements through the NGEP Rider. The Company also proposed recovery on an equal, per-therm basis from all ratepayers.

The Minnesota Department of Commerce, Division of Energy Resources (Department) opposed the Company's new interpretation of the NGEP Statute regarding the amount of costs eligible for rider recovery, pointing out that MERC's interpretation of the NGEP Statute in the Rochester Project proceeding was clear that the amount of the annual revenue deficiency eligible for rider recovery was 33 percent of the annual revenue requirements, and not 33 percent of total costs.

On June 18, 2019, the Commission issued its *Order Approving NGEP Rider Surcharge with Modifications* (June 18 Order). The Commission concluded that the Department's 33 percent of annual revenue requirements interpretation of the NGEP Statute for eligible rider recovery was accurate and required MERC to modify its requested rider surcharge. The Commission also required MERC to remove contingency costs from its total cost projection and modify the sales forecast for 2019 used to calculate NGEP Rider rate.

On June 28, 2019, MERC filed an Emergency Request to Suspend the NGEP Rider and Gas Utility Infrastructure Cost (GUIC) (Emergency Request) in Docket No. G011/M-18-182. In this Emergency Request, the Company argued that implementation of the GUIC and NGEP rider surcharges represented a significant rate increase to Direct Connect customers and risked these customers leaving MERC's system. The Company requested that the Commission suspend the GUIC and NGEP riders for these Direct Connect customers.

The Department and the Minnesota Office of the Attorney General (OAG) filed Comments disputing MERC's Emergency Request. For the NGEP Rider, the Department argued that the rate impacts associated with this rider surcharge were not sufficient, on their own, to warrant a bypass threat by these Direct Connect customers.

On August 26, 2019, the Commission issued an Order (August 26 Order) declining to suspend the NGEP Rider for Direct Connect customers given the rate impacts associated with the surcharge.

On September 30, 2019, the Company filed its second annual request for NGEP Rider recovery in Docket No. G011/M-19-608. In this request, MERC calculated its revenue deficiency in the manner approved by the Commission in its June 18 Order, but the Company proposed to recover only a nominal amount from Direct Connect customers because of a bypass risk. MERC also proposed changes to the rate design and apportionment of revenue responsibility for the NGEP Rider. Specifically, the Company proposed a change in its rate design from an equal per therm charge to recovery based on the apportionment of revenue responsibility approved in its most recent rate case, with some modifications.

The Department and the OAG both filed Comments opposing the Company's proposal to only charge Direct Connect customers a nominal NGEP Rider rate and MERC's proposal to make certain modifications to its apportionment of rider responsibility relative to the apportionment approved in its most recent rate case. The Department reviewed MERC's Direct Connect recovery proposal and concluded that a bypass threat did not exist and that it was reasonable to assess these customers an NGEP rate based on the Company's approved rate design. In terms of rate design and apportionment of revenue responsibility, the Department concluded that the Company did not show that making certain modifications to its apportionment of revenue responsibility for certain customers was warranted given the fact that a new rate design and revenue apportionment had just been approved in a general rate case.

In its reply comments, the Company provided additional information attempting to support its Direct Connect customer and revenue apportionment positions. In terms of Direct Connect customers, MERC continued to argue that a bypass threat existed and that an adjustment to the NGEP Rider for these customers was warranted. On the topic of apportionment of revenue responsibility, the Company provided additional discussion explaining that application of the revenue apportionment approved in MERC's most recent rate case to the NGEP Rider would create economically problematic price signals for certain ratepayers.

The Department responded to the Company's reply comments through additional filings. In these filings, the Department concluded that MERC's slightly modified apportionment of revenue responsibility is reasonable because it maintains the discount between firm and interruptible rates that has resulted from an iterative process over the past 30 years.[1] However, the Department reviewed the Company's additional discussion regarding Direct Connect customers and continued to conclude that rate relief for these customers was not warranted. The Department also conducted additional review of MERC's property taxes and concluded that a rate base offset for property taxes was necessary to recognize the fact that the Company does not pay these property taxes until subsequent years.[2]

On September 21, 2020, the Commission issued its September 21 Order regarding the Company's second annual request. The Commission declined to suspend the full NGEP Rider surcharge for Direct Connect customers given the rate impacts associated with the surcharge. The Commission also approved MERC's proposed rate design and revenue apportionment and required the Company to include a rate base offset for property taxes in its calculation of the NGEP-eligible revenue deficiency.

The Department responds to MERC's third annual request in Section IV below.

III. MERC'S PROPOSAL

MERC's proposal for NGEP Rider recovery in its third request is similar to its second request. Consistent with the Commission's June 18 Order, MERC proposed NGEP surcharges for 2021 based on 33 percent of annual revenue requirements, which results in proposed recovery of $997,896. The Company also proposed a true-up adjustment for under-recovery of authorized NGEP revenue requirements in 2019 and to account for differences between the 2018 actual Rochester Project capital expenditures and MERC's capital estimates used in its most recent general rate case in Docket No. G011/GR-17-563. MERC estimated an under-recovery of $227,236 for 2018 and 2019.[3] The proposed NGEP surcharges for 2021 and the true-up factor result in a proposed total recovery amount of $1,225,132.

The Company also proposed to recover the NGEP Rider surcharge for 2021 using the same apportionment of revenue responsibility it proposed in last year's rider filing. MERC's recovery proposal is based, in large part, on the Company's approved apportionment of revenue responsibility approved in its most recent rate case. However, the Company proposed various adjustments that differ from the approved rate case revenue apportionment.[4]

First, MERC proposed to limit recovery from Direct Connect customers to a nominal amount of $0.00001 per therm to comply with the NGEP Statute, which requires that all customers be assessed for the rider. MERC proposed this adjustment because the rate differentiation between currently

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[1] April 17, 2020 Department Response Comments, Docket No. G011/M-19-608, Page 13.
[2] April 17, 2020 Department Response Comments, Docket No. G011/M-19-608, Pages 7-8.
[3] Petition, Pages 3-4.
[4] Petition, Pages 20-30.

approved rates and costs if Direct Connect customers were to bypass the system are such that these customers represent a threat to leave MERC's system. As such, the Company concluded that charging more than a nominal rate to its Direct Connect customers may lead one or more to bypass the system.[5]

Second, MERC proposed to charge other customer classes the amount not recovered from Direct Connect customers, based largely on the rate case revenue apportionment, but with minor modifications to the rate designs between the Class 1 and 2 and Class 3 and 4 customer classes. MERC noted that establishing different rider rates for firm, interruptible, and transportation customers within the same class (*i.e.,* class 1, 2, 3, 4, and 5) could create inappropriate price signals and encourage customers to move from firm to interruptible service or from system-sales to transportation service.[6] As such, the Company proposed to adjust the apportionment of revenue responsibility to mitigate these concerns and recognize that the proposed NGEP affects system-sales and transportation customers similarly.[7] These modifications result in the apportionment of revenue responsibility and proposed NGEP Rider rates as shown in Table 1 below.

Table 1: Proposed 2021 NGEP Rider Rates and Impacts[8]

Customer Class	Apportionment of Revenue Responsibility	Proposed NGEP Rate	Average Annual Bill Impact
Residential	$812,635	$0.00420	$3.72
Class 1-2 Firm	$259,503	$0.00224	$11.07
Class 1-2 Interruptible, Grain Dryer, and Class 1 Generation	$46,047	$0.00224	$89.90
Class 3-4 Firm	1,784	$0.00036	$69.07
Class 3-4 Interruptible and Grain Dryer	$67,276	$0.00036	$321.01
Class 5, Transport for Resale, and Class 2 Generation	$35,344	$0.00036	$1,368.61
Direct Connect	$2,543	$0.00001	$317.88
Total Requested Revenue Requirement	$1,225,132		

[5] Petition, Pages 26-28.
[6] Petition, Page 24.
[7] Petititon, Pages 25-26.
[8] Petition, Page 29 and Petition, Exhibit B.

Subsequent to MERC filing its Petition, the Commission issued its September 21 Order in Docket No. G011/M-19-608. The Commission's September 21 Order made various rulings that impact the Company's original Petition. In particular, the Commission ordered the Company to:

- include a rate base offset for property taxes in its calculation of the NGEP Rider revenue deficiency;
- assess the NGEP Rider to all customers, including Direct Connect customers, based on the Company's proposed revenue apportionment and rate design; and
- provide estimated project-area-specific property tax data for the relevant year in its next NGEP rider petition.

The Department discusses the impact the Commission's September 21 Order has on the Company's proposal in Section IV.I below.

The Department analyzes the reasonableness of the Company's rate calculations, revenue apportionment, and rate design proposal below.

IV. DEPARTMENT ANALYSIS

In this section, the Department discusses the following:

- Applicable Minnesota Statutes and Commission Orders;
- MERC's Cost Recovery and Revenue Apportionment Proposal;
- True-Up Mechanism;
- Termination of Rider Recovery and Renewal;
- Offsetting Revenues;
- Depreciation Assumptions;
- Regulatory Fees;
- NGEP Rider Sales; and
- Department Alternate Proposal.

A. APPLICABLE MINNESOTA STATUTES AND COMMISSION ORDERS

As noted above, MERC's Petition is governed by Minnesota Statute 216B.1638, the NGEP Statute, the Commission's May 5 Order, the Commission's June 18 Order,[9] and the Commission's September 21 Order. In the May 5 Order, the Commission granted MERC's requested preapproval to recover Phase II costs of up to $44 million through the combination of an NGEP rider and base rates. The Commission also imposed a soft cap of $44 million on recovery of Phase II costs and places the burden of proof on MERC to establish the reasonableness of recovering any costs that exceed the cap. The Commission also approved MERC's proposal to recover NGEP-rider costs from all MERC customers, regardless of location.

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[9] Petition, Pages 5-6.

In its June 18 Order, the Commission affirmed that recovery through the NGEP rider is capped at 33 percent of the annual revenue requirement associated with total project costs. The Commission also required MERC to remove contingency costs from its total cost projections, use the Company's 2019 sales forecast of 764,518,780 therms to calculate rates on Minnesota jurisdictional sales, and allowed MERC to discontinue applying for Destination Medical Center funding for projects within the Destination Medical Center Corporation boundaries as previously ordered in Docket No. G011/M-15-895.[10]

In its September 21 Order, the Commission reaffirmed that MERC shall assess the NGEP Rider surcharge to all customers, including Direct Connect customers, and that these Direct Connect customers shall be assessed an NGEP Rider based on the apportionment of revenue responsibility associated with the prevailing rate class for these customers and not a nominal amount as proposed by the Company. The Commission also required MERC to include a rate base offset for property taxes in the determination of the NGEP Rider revenue deficiency. In addition, the Commission required MERC, in its next NGEP Rider petition, to provide estimated property tax data specific to the project area for the relevant year and provide a detailed discussion showing that MERC executed the rider true-up for 2020 actuals, including the depreciation rates approved for use in the 2020 calendar year if available.

The Department reviewed the NGEP Statute and Commission Orders and concludes that MERC's Petition complied with the various requirements in Statute and Orders at the time it filed its Petition on April 13, 2020. However, as noted in Section III above, subsequent to the Petition, the Commission issued its September 21 Order which includes additional requirements not known by the Company when preparing the Petition. On October 9, 2020, the OAG filed a letter requesting that the Company provide NGEP Rider surcharges based on the Commission's September 21 Order,[11] and the Department also issued discovery requesting information in accordance with the September 21 Order.

The Company provided updated information in its response to Department discovery, and the Department includes this information in its adjustments discussed in Section IV.I below.

B. MERC'S COST RECOVERY AND REVENUE APPORTIONMENT PROPOSAL

As discussed in Section III above, the Company proposed to recover 33 percent of the annual revenue deficiency associated with NGEP costs related to the Rochester Project. The Company's proposed apportionment of revenue responsibility and rate design is the same method it proposed in last year's NGEP Rider filing. This proposal includes modifying recovery from Direct Connect customers such that they are only charged a nominal rate, which is intended to minimize costs assigned to Direct Connect customers while still complying with the NGEP Statute's requirement that NGEP costs be assessed to all customers.

[10] June 18 Order, Ordering Point 5.
[11] October 9, 2020 OAG Letter.

MERC provided its NGEP rider surcharge and revenue apportionment calculations in the exhibits to its Petition.[12] The Company also provided these calculations in electronic format in response to Department Information Request No. 3.[13] The Department reviewed the Company's cost recovery and revenue responsibility apportionment proposals and concludes that MERC's analysis supports its calculations of the revenue deficiency, including its proration of accumulated deferred income taxes (ADIT) for the 2021 NGEP rider period, assuming that the rider starts on January 1, 2021. In other words, the Department did not observe any calculation errors in MERC's analysis. Regarding ADIT, as noted in the September 21 Order, the Commission should require MERC to file a compliance filing subsequent to the Commission's Order in this proceeding, where the Company adjusts its revenue requirement so that ADIT is not prorated for any of the months in 2021 that precede the month when the NGEP Rider is implemented.[14] This adjustment to MERC's revenue requirements can be reflected in the tracker.

However, while reviewing MERC's cost recovery proposal, the Department observed certain issues with the NGEP Rider recovery proposal and true-up mechanism that require adjustment. Moreover, the Department reviewed MERC's proposed apportionment of revenue responsibility and concludes that MERC's proposal to charge only a nominal rate to its Direct Connect customers is not reasonable.

The Department addresses these issues separately below.

1. *Direct Connect Bypass*

The Department reviewed information in the Emergency Request filings in Docket No. G011/M-18-182, the record from last year's NGEP Rider, including the Commission's September 21 Order, and the information provided by the Company in its Petition, and concludes that offering a discount to Direct Connect customers is not justified.[15] The Company's proposed discount to Direct Connect customers is only appropriate if a legitimate bypass risk exists because of the rider surcharge. MERC did not include a bypass analysis in its Petition and, based on the Department's analysis in previous NGEP Rider dockets, it is unclear if a legitimate bypass threat exists.

On July 11, 2019, the Super Large Gas Intervenors (SLGI) filed Comments in Docket No. G011/M-18-182 that included an estimate of bypass costs for MERC's Direct Connect customers. As part of this analysis, SLGI estimated that total bypass cost for a Direct Connect customer is approximately $0.004 per therm. As part of this analysis, SLGI estimated that the physical cost for these customers to bypass MERC's system is approximately $100,000. In addition, Encore Energy estimated ongoing expenses,

[12] Petition, Exhibit B.
[13] MERC Response to Department Information Request No. 3, Department Attachment 1.
[14] For example, if the NGEP Rider is implemented in June 2021, MERC's revenue requirements should be adjusted not to prorate ADIT for the months of January through May.
[15] July 1, 2019 Encore Energy Letter, July 11, 2019 Super Large Gas Intervenors Comments, July 18, 2019 MERC Reply Comments, Attachment A, and MERC Corrected **Trade Secret** Response to Department Information Request No. 2 in Docket No. G011/M-19-608 (**Trade Secret** Department Attachment 1, Department Comments, Docket No. G011/M-19-608).

related generally to odorant, of approximately $36,000 per year.[16] MERC stated that these various costs estimates were reasonable in its July 18, 2019 Reply Comments in Docket No. G011/M-18-182.[17] In its response to Department Information Request No. 1, MERC calculated a rate impact for Direct Connect customers, based on the revenue apportionment that was approved in the September 21 Order, of $0.00031 per therm.[18] This rate is significantly lower than the rate of $0.00052 per therm, which the Commission approved Docket No. G011/M-18-182 and concluded did not necessarily represent a significant impact to Direct Connect customers.[19] This was assessed to customers for approximately 15 months. The proposed rate impact of this lower rate is supportive of the Commission's conclusion regarding assessment of the NGEP Rider to Direct Connect customers in the September 21 Order. The Commission concluded:[20]

> The Commission will direct 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. 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.

The Department is unaware of any customers that bypassed the system as a result of the $0.00052 per therm rate approved in Docket No. G011/M-18-182. Furthermore, the potential rate in this docket is significantly lower than the $0.0008 per therm estimated odorant cost calculated by Encore Energy.[21]

As noted above, MERC did not include a bypass analysis in its Petition. The Department conducted a bypass analysis in last year's proceeding that showed that bypass by Direct Connect customers is unlikely. The Department is unaware of changes in the underlying data or assumptions used in its previous bypass analysis. The Department noted in last year's docket that, since bypass involves opportunity cost (*i.e.,* giving up something to do something else), the cost differential must be sufficient over time to make a business decision reasonable. Given the fact that the NGEP costs related to the Rochester Project will cease in 2022, at the latest,[22] the cost savings for these Direct Connect customers must be sufficiently large to warrant investment from the Direct Connect customers.

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[16] Docket No. G011/M-18-182, July 11, 2019 SLGI Comments.
[17] Docket No. G011/M-18-182, July 18, 2019 MERC Reply Comments, Pages 10-11 and Attachment A.
[18] Department Attachment 2.
[19] August 26 Order, Page 7.
[20] September 21 Order, Page 8.
[21] Docket No. G011/M-18-182, July 11, 2019 SLGI Comments, Exhibit A.
[22] Petition, Page 10. The Company currently estimates completion of the project in 2021. As such, there may be a true-up balance in 2022.

In response to discovery in last year's NGEP Rider docket, MERC provided specific usage characteristics and bypass related cost for each of its Direct Connect customers.[23] The information provided by MERC confirmed that MERC's Direct Connect customers have varying usage characteristics and cannot be treated the same for purposes of determining whether bypass is economic. The Company's Direct Connect customers vary in annual usage from **[TRADE SECRET DATA HAS BEEN EXCISED]**. In addition, the potential cost of bypass and annual costs of using owned equipment differs among customers. MERC estimated upfront bypass costs of between **[TRADE SECRET DATA HAS BEEN EXCISED]** and ongoing annual costs of between **[TRADE SECRET DATA HAS BEEN EXCISED]**. This information differed from the estimates provided by Encore Energy in the Emergency Request and supported the Department's assertion that assessment of bypass risks must be conducted on a customer-by-customer basis.

Using this information, the Department conducted a simple bypass analysis for MERC's Direct Connect customers.[24] As noted above, the NGEP rate for Direct Connect customers, based on the Company's apportionment of revenue responsibility approved in Docket 19-608, is $0.00031 per therm. Based on MERC's cost estimates, with this rate, it would take the Company's largest Direct Connect customer, **[TRADE SECRET DATA HAS BEEN EXCISED]** in 2018, approximately **[TRADE SECRET DATA HAS BEEN EXCISED]** years to breakeven if it bypassed the MERC system. Furthermore, the majority of the Company's other Direct Connection customers, **[TRADE SECRET DATA HAS BEEN EXCISED]**, have payback periods of over **[TRADE SECRET DATA HAS BEEN EXCISED]** years.

As a sensitivity analysis, the Department also analyzed the bypass threat with an NGEP rider significantly greater, $0.00116 per therm, than the $0.00031 per therm rate based on a full assessment of the NGEP to Direct Connect customers.[25] Even at this significantly higher rate, the payback period for **[TRADE SECRET DATA HAS BEEN EXCISED]** years and approximately**[TRADE SECRET DATA HAS BEEN EXCISED]** years for most of the other Direct Connect customers. The Department notes that its simple analysis does not include net present value assumptions or consideration of potential annual operating expenses; as such, the calculations are conservative and the actual payback periods are likely longer. In addition, as discussed further below, the Department also recommends adjustments to the revenue deficiency that result in a lower NGEP rate which, in turn, would extend the payoff periods calculated above.

Since additional NGEP charges associated with the Rochester Project are expected to stop by 2022, at the latest, when the Project is completed, the Department concludes that a bypass threat does not exist for the Company's Direct Connect customers at the current rate or even at significantly higher rates. Even if the Company does not file a rate case for an extended period of time, and the Commission allows continued rider recovery of depreciation and rate of return as requested by the Company,[26] the payback period and business risk (*e.g.,* owning equipment) for these customers

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[23] This information is reproduced and attached to these comments as **Trade Secret** Department Attachment 3.
[24] **Trade Secret** Department Attachment 4.
[25] **Trade Secret** Department Attachment 5.
[26] Petition, Page 39.

involved with bypassing the system are unlikely to result in Direct Connect customers bypassing MERC's distribution system. The Department's conclusion aligns with its analysis in last year's docket, and the Commission's September 21 Order that required Direct Connect customers to pay the full NGEP Rider surcharge. The Department recommends that the Commission require MERC to apply the full NGEP rider surcharge, based on MERC's proposed apportionment of revenue responsibility, to its Direct Connect customers.

2. MERC's Proposed Rate Design

After excluding Direct Connect customers, apart from a nominal surcharge to comply with the NGEP Statute, MERC's proposed rate design generally follows the current apportionment of revenue responsibility approved by the Commission in MERC's 2017 general rate case. However, the Company made additional adjustments to its NGEP rate design, as noted above. First, MERC noted that establishing different rider rates for firm, interruptible, and transportation customers within the same class (*i.e.,* class 1, 2, 3, 4, and 5) could create inappropriate price signals and encourage customers to move from firm to interruptible service or from system-sales to transportation service.[27] Second, the Company argued that transportation customers are favored under the currently approved revenue apportionment and, if the Rochester Project is reviewed in a fully-allocated class cost of service analysis, would likely not be allocated in the same manner. In particular, the rate case apportionment percentages include some allocations of customer-related costs, while NGEP projects are likely to be more a function of throughput or demand.[28] In light of these concerns, the Company made adjustments to rate design between the Class 1 and 2 and Class 3 and 4 customer classes to, in MERC's opinion, appropriately recognize that proposed NGEP work does not benefit a system-sales customer more than a transportation customer.[29]

The Company made the same adjustments to its apportionment of revenue responsibility in its last NGEP Rider filing. In last year's filing, the Department initially expressed concern with these adjustments to the revenue apportionment,[30] but after additional information and support from the Company,[31] the Department concluded that these minor adjustments to the revenue apportionment were necessary to maintain an appropriate price discount between firm and interruptible service.[32] These adjustments were ultimately approved by the Commission in its September 21 Order for the 2020 NGEP Rider.

The Department reviewed MERC's revenue apportionment calculations and, after modifying MERC's proposed apportionment to assess full charges to Direct Connect customers, these calculations and associated rates align with the Commission's September 21 Order. The Department concludes that

[27] Petition, Page 24.
[28] Petition, Pages 24-26.
[29] Petition, Page 26.
[30] Docket No. G011/M-19-608, Department Comments, Pages 8-9.
[31] Docket No. G011/M-19-608, MERC Reply Comments.
[32] Docket No. G011/M-19-608, Department Response Comments, Pages 12-13.

MERC's proposed rate design and apportionment of revenue responsibility, apart from its Direct Connect customer proposal, is reasonable.

3. Rate Base Adjustment for Property Taxes

The NGEP Statute requires utilities to charge ratepayers for incremental property tax expenses in an NGEP rider. In its April 17, 2020 Response Comments in the 2020 NGEP Rider filing, the Department argued that because property taxes are not paid until the following year (*i.e.,* 2020 property taxes are paid in 2021), there should be a reduction to rate base to reflect this timing difference. The Department recommended a rate base reduction for the property taxes to recognize the time value of money for these ratepayer-supplied funds that the Company will collect and hold in advance of actual tax payment. In the 2020 NGEP Rider filing, the Department reviewed MERC's most recent general rate case and determined that the relative amount of the rate base reduction for property taxes was equivalent to approximately 80 percent of the property tax expense. In its September 21 Order, the Commission agreed with the Department's analysis and ordered MERC to include a rate base offset for property taxes in the calculation of the NGEP Rider surcharge for 2020.

Since MERC filed its Petition prior to the Commission's September 21 Order, or the Department's April 17, 2020 Response Comments, the Company's NGEP Rider calculations do not include a rate base offset for property taxes. In discovery, the Department requested that MERC update its NGEP Rider calculations in accordance with the Commission's September 21 Order. This updated information includes an adjustment to rate base related to property taxes of approximately $597,394.[33] The Department recommends that the Commission continue to require the Company to include a property tax offset to rate base in its calculation of the NGEP Rider surcharge. The Department includes this downward adjustment to rate base in its revenue requirement calculation. This adjustment is included in the Department's proposed surcharge rates presented in Section IV.I below.

The Commission's September 21 Order also required MERC to provide specific Rochester Project property tax information in its next NGEP filing. The Department requests that MERC provide this information and corresponding updated NGEP Rider surcharge values in reply comments and updated its NGEP Rider surcharge values. The Department notes that this updated information may impact the rate base adjustment for property taxes since the total property tax amount may change.

C. TRUE-UP MECHANISM

In its Petition, the Company discussed a proposed true-up mechanism for its NGEP surcharge.[34] The Company discussed the true-up mechanism in previous NGEP Rider filings, but this is the first NGEP Rider filing where the Company includes a true-up factor in the NGEP Rider surcharge rate. MERC further elaborated that since recovery of the NGEP rider is through a per-therm charge, the true-up is necessary to adjust for the over- or under-recovery which results from differences between the

[33] MERC Response to Department Information Request No. 1, Department Attachment 2.
[34] Petition, Pages 30-37.

forecast and actual gas sales. These differences could occur for a variety of reasons and cannot be predicted with certainty.

Since this filing represents the first time that a true-up factor is applied to the NGEP Rider surcharge, the Company provided extensive discussion about the various items it included in the true-up factor. MERC's true-up factor is made up of two parts, the first involves reconciliation of forecasted and actual NGEP rider recovery and rate base items for 2019, and the second involves a true-up between actual capital expenditures and capital expenditures for 2018 built into base rates in the 2017 rate case. MERC explained that this true-up of capital expenditures for 2018 is required by the Commission's December 26, 2018 Order in Docket No. G011/GR-17-563 to ensure that any overestimate of Rochester Project costs built into base rates can be corrected.[35] The Department discusses these adjustments separately below.

1. True Up of 2019 Values

MERC explained that the NGEP Statute states that the revenue deficiency recoverable through an NGEP Rider "must include the currently authorized rate of return, incremental income taxes, incremental property taxes, incremental depreciation expenses, and any incremental operation and maintenance costs."[36] In light of the statutory requirements, the Company's actual 2019 Rochester Project expense included in the true-up reconciliation and tracker reflects incremental depreciation expense, property tax expense, incremental O&M expense incurred associated with the Company's 2019 NGEP rider filing and proceedings in Docket No. G011/M-18-182, and return on incremental rate base associated with the Project.

The Company's forecasted 2019 depreciation expense was based on the depreciation rates approved in Docket No. G011/D-17-442. MERC's actual monthly depreciation expenses were based on actual data and the rates approved in Docket No. G011/D-19-377. The Department reviewed MERC's 2019 depreciation expense assumptions and calculations and concludes that they are based on currently approved depreciation rates and are reasonable.[37]

In terms of property taxes, MERC reiterated, as it had in the 2020 NGEP filing, that it does not receive a separate property tax bill for the Rochester Project. To forecast property tax expense for the Project, MERC stated that it calculates the projected system utility plant and projected net operating income related to the Rochester Project for the relevant year. This information is then submitted to the Minnesota Department of Revenue and then is apportioned back to the appropriate tax authority. The Company argued that even after actual tax bills are received, MERC is unable to isolate the property tax expense attributable to a specific capital project. For the 2019 true-up, the Company replaced the forecasted 2019 Rochester Project rate base with actual 2019 rate base to calculate the property tax expenses. MERC also updated the estimated property tax rate based on the actual rates applied by the taxing authorities associated with the Rochester Project.[38]

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[35] Petition, Pages 12-13.
[36] Minn. Stat. 216B.1638, subd. 3(d).
[37] Petition, Exhibit B.
[38] Petition, Pages 33-34.

As noted in Section III above, the Commission required in its September 21 Order provide specific Rochester Project property tax information in its next NGEP filing. Since this is the next annual NGEP Rider filing, the Department requests that MERC provide this information and corresponding updated NGEP Rider surcharge values in reply comments and updated its NGEP Rider surcharge values.

MERC also included a portion of what it claims is actual incremental O&M expense associated with the Rochester Project in the true-up reconciliation. In particular, the Company included $40,632 of outside legal fees related to filings, regulatory proceedings, discovery, and approval of MERC's 2019 NGEP Rider in Docket No. G011/M-18-182. The Company stated that it has not included other incremental O&M expenses associated with the Project, such as agency assessments, in the NGEP Rider at this time. MERC argued that inclusion of outside regulatory expenses associated with the NGEP Rider proceeding in the true-up reconciliation is reasonable, and consistent with the NGEP Statute, because these costs are incremental and are not currently being recovered in base rates approved in Docket No. G011/GR-17-563. MERC further argued that these costs are included in the true-up reconciliation because they were not included in the Company's test year and these types of expenses are not be included in MERC's current rates. In past rate cases, MERC has included costs related to legal expense and agency assessments for routine regulatory filings but has not included any adjustment for unique filings such as the NGEP Rider for the Rochester Project.[39]

Although MERC may not explicitly include these costs in O&M base rates, the Company's claim that these are incremental costs is not valid, and it is inappropriate to include these costs in the NGEP Rider. The Company's general argument that these costs were unforeseen in the creation of base rates, or that the NGEP Rider does not represent a routine regulatory filing, is incorrect. First, the Commission approved the Rochester Project in its May 5, 2017 Order in Docket No. G011/M-15-895. The Commission referenced annual NGEP Rider filings on several occasions in the May 5, 2017 Order, which shows an explicit expectation and is strong evidence that the Commission expected that annual NGEP rider filings would occur and be routine. Second, this Order was issued approximately 5 months before the Company filed its 2017 general rate case; as such, MERC had ample time to incorporate these legal and regulatory costs into base rates if the Company believed they would be unusual or extraordinary. Since the Company included a representative amount of regulatory and legal fees in base rates, and MERC knew about the need for NGEP Rider filings prior to, and during the 2017 rate case proceeding, it is reasonable to assume that a representative amount of these costs are included in base rates. Third, regardless of the nature of these costs, it is likely that a significant amount of the legal and regulatory fees associated with the 2019 NGEP Rider filing are directly related to cost recovery proposals made by the Company that directly contradicted information provided by MERC in the original Rochester docket that the Commission used in its decision to approve the Rochester Project. Given the nature of these legal fees, the Department does not believe it is reasonable or prudent for ratepayers to be assessed costs associated with litigating an issue that was decided in a previous regulatory docket. Allowing recovery of these costs could create a moral hazard for utilities and incent them to make inappropriate or superfluous regulatory filings in the hopes of receiving future cost recovery.

The Company also noted that it calculated the 2019 true-up based on the applicable tax rate in the 2017 Tax Cut and Jobs Act and the return on equity approved by the Commission in MERC's 2017 rate case. The Company explained that it used the gross revenue conversion factor approved in its 2017 rate case, which reflected the lower corporate tax rate from the Tax Cut and Jobs Act. MERC explained

[39] Petition, Page 34.

that it determined actual incremental rate base by comparing the actual 13-month average net plant value to the 13-month average net plant for the Rochester Project included in rate base in Docket No. G011/GR-17-563.[40] MERC also clarified that, for purposes of the true up, proration requirements do not apply to actual ADIT. The Company explained that pursuant to recent Internal Revenue Service (IRS) private letter rulings, the true-up cannot reverse the effects of proration. As a result, MERC proposed to adjust the prorated ADIT with the 13-month average of the differences between projected and actual ADIT balances. MERC further explained that this approach would preserve the original proration and avoid applying the proration to the projected versus actual differences and assure that the Company complies with IRS consistency rules.[41]

The Department notes that this treatment of income taxes appears consistent with the Commission's September 21 Order, and the Department concludes that this approach is reasonable at this time.

2. True Up of 2018 Values

The Company noted that in the Commission's Order in its 2017 rate case, the Commission required MERC to account for differences between rate base approved in the rate case and actual rate base items in 2018 for the Rochester Project.[42] In light of this requirement, the Company accounted for differences between 2018 actual Rochester capital expenditures and the capital forecasts used to set base rates in the 2017 rate case. The Company referenced three specific 2018 items that it trued up.

The first adjustment involves a true-up of depreciation expenses. MERC calculated the difference between Rochester Project depreciation expense included in base rates and the actual 2018 depreciation expenses authorized in Docket No. G011/D-17-442. MERC stated that this difference resulted in an under-recovery of annual depreciation expense of $4,468.[43]

The Department reviewed this calculation and notes that this difference is the same as the difference between the base deprecation expenses used in the 2020 NGEP rider filing (Docket No. G011/M-19-608) and the base figures used in this docket and Docket No. G011/M-18-182. The calculation accounts for the difference between forecasted depreciation expenses and actual depreciation expenses.

The second adjustment involves a true-up of property tax expenses. The Company calculated the difference between the amount of property tax expense allocated to the forecasted 2018 Rochester Project in the 2017 rate case, and the updated 2018 property tax expense based on actual 2018 plant in service and the average of the actual tax rates applied by local taxing authorities. This true-up resulted in an under-recovery of expenses of $56,574.[44]

The Department reviewed this calculation and, like the depreciation expense, notes that this difference is the same as the difference between the base property tax expense used in the 2020 NGEP rider filing (Docket No. G011/M-19-608) and the base figures used in this docket and Docket No. G011/M-18-182.

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[40] Petition, Page 34-35.
[41] Petition, Page 40.
[42] Petition, Pages 12-13.
[43] Petition, Page 36.
[44] *Id.*

The calculation accounts for the difference between forecasted property tax expenses and actual property tax expenses.

The third adjustment discussed involves Rochester Project rate base. In terms of rate base, MERC did not calculate or include a specific adjustment in its true up. The Company explained that by using the rate base value included in the 2017 rate case as a basis and adjusting the rate base through 2019 removals, MERC has trued up for differences in the 2018 forecasted rate base and actual 2018 rate base, in accordance with the Commission's rate case order. MERC further explained that this true-up is captured in the overall 2019 true-up for return on incremental rate base.[45]

The Department reviewed the Commission's Order from its 2017 Rate Case, and it is unclear if the Company's proposed true up adjustments for depreciation or property taxes are allowed. In particular, the Commission required the following:[46]

> MERC shall include any difference between the 2018 actual Rochester capital expenditures and MERC's capital estimates used in this docket (17-563) in its upcoming NGEP Rider (18-182) as a true-up with MERC's NGEP rider true-up calculation.

The Commission's ordering point is clear that the true-up adjustments for 2018 proposed by MERC should have been requested in the Company's 2019 NGEP Rider filing. If the Commission concludes that requested true up adjustments were not requested in a timely manner, and do not comply with the rate case Order, then the amount included in the Company's true-up factor will decrease, which will in turn result in a decrease in the NGEP Rider surcharge assessed to the Company's ratepayers.

Although the Company's requested true up adjustments occur two filings after the 2017 Rate Case Order was issued, the Department is unclear if a strict application of the Commission's Order, namely tying recovery to the 2019 NGEP Rider filing, follows from the general expectations and intent of the true-up factor. The Department concludes that a true-up for capital expenses and expenditures in 2018 is not unreasonable. However, the Department reviewed the Company's calculations and explanation regarding its treatment of 2018 rate base, and it is unclear whether MERC's claimed method accurately accounts for the difference between forecasted and actual 2018 rate base values. The Department reviewed the supporting calculations and rate base, depreciation, and property taxes appear to be treated in the same manner; as such, the Department concludes that an adjustment to rate base is necessary. The Department reviewed information provided in the 2020 NGEP rider filing, Docket No. G011/M-19-608, and notes that actual rate base for 2018 was $9,032,258, which means that the Company over-stated Rochester Project related rate base by $2,350,510 because $11,382,768 in Rochester rate base was included in base rates. The Commission provided discussion in its rate case Order that it was particularly concerned about over-recovery of Rochester Project related costs that are built into rate base.[47] MERC's decision not to true up rate base expenditures, apparently because this adjustment would harm the Company, while proposing adjustments for depreciation and property taxes, both of which benefit the Company, confirms the concerns raised by the Commission in the 2017

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[45] Petition, Pages 36-37.
[46] December 26, 2018 Order, Docket No. G011/GR-17-563, Ordering Point No. 13.
[47] December 26, 2018 Order, Docket No. G011/GR-17-563, Pages 17-18.

rate case Order. The Department concludes that a true-up of the 2018 rate base over-collection is necessary and this adjustment is discussed below.

3. Total MERC True-Up

When accounting for the 2018 and 2019 true-up reconciliation and actual NGEP Rider revenue recovery through December 2019, MERC calculated an under-recovered balance of $227,236.[48] The Department notes that this balance will change as a result of the requirements of Commission's September 21 Order, which was issued after the Company filed its Petition. The Company provided revised calculations and data presented in MERC response to Department Information Request No. 1.[49] This updated information lowers the under-recovered balance to $205,542. The Department incorporates these changes into its revised true-up calculation discussed in Subsection 4 below.

4. Department Conclusions and Recommendations Regarding the Company's True-up Factor

As noted above, it is unclear whether the Commission's 2017 rate case Order allows for the Company's proposed 2018 true up adjustments because the Order explicitly references recovery in a previous NGEP Rider filing. However, assuming that the Commission concludes that this docket is an acceptable venue, the Department reviewed the Company's proposed true-up mechanism, including its treatment of ADIT,[50] and concludes that the proposed true up mechanism and its resulting calculations are unreasonable and require modification. Although certain aspects are reasonable, as noted earlier in this section, the Department identified concerns with certain assumptions and components of the Company's proposed 2018 and 2019 true-up factors. The Department recommends the following adjustments as detailed in Table 2 below.

Table 2: Department Proposed True Up Component Adjustments

Component	MERC Originally Filed	Department Recommended	Adjustment
Incremental O&M	$40,632	$0	$(40,632)
2018 Rate Base	$0	($2,350,510)	($2,350,510)

The Department's recommendations result in a decrease in both the 2018 and 2019 true up factors under-recoveries from a total of $227,236 to $119,303. This decrease in the under-recovery in turn results in a decrease in the NGEP Rider surcharge assessed to ratepayers. The net impact of these

[48] Petition, Page 31.
[49] Department Attachment 2.
[50] In terms of ADIT, for months prior to implementation of the NGEP Rider, there should be no proration of ADIT. While the Department agrees that the IRS requirements do not allow a true-up to undo any *required* proration of ADIT, under IRS requirements and the fact that there are no interim rates for the extraordinary ratemaking of riders,[50] no proration of ADIT is necessary for months prior to when rates go into effect; under the IRS's parlance, those months are "historical", whether or not they are estimated amounts. This issue also applies to the months in 2019 prior to when the NGEP was implemented.

changes is a decrease of $107,933 from $1,225,132 to $1,117,199 in the NGEP Rider surcharge for 2021.[51] The Department discusses this in greater detail in Section IV.I below.

D. TERMINATION OF RIDER RECOVERY AND RENEWAL

MERC noted in its Petition that the NGEP Statute requires a proposed termination date for rider recovery. Thus, the Company included a discussion of potential rider-related costs and how these costs may be recovered.[52]

The Company proposed implementation of the new NGEP Rider surcharge rates effective January 1, 2021 to collect MERC's forecasted 2021 NGEP-eligible revenue deficiency and true-up amounts for 2018 and 2019. MERC also proposed that the NGEP Rider surcharge rates continue in effect from approval until the Commission authorizes new NGEP Rider surcharge rates or the implementation of interim rates in a future rate case proceeding. As part of this proposal, the Company also stated that it would submit reconciliation of the actual 2021 tracker showing NGEP Rider revenues and NGEP-eligible expenses along with proposed 2023 rider recovery in 2022, with implementation of the true-up reconciliation upon Commission approval.[53] The Company stated that it would submit a reconciliation of the actual tracker and proposed 2022 rider recovery in approximately April 2021, with implementation of the reconciled per-therm surcharge upon Commission approval.

The Company also noted that Rochester Project costs incurred in 2022 will be recovered either through base rate increases authorized in a general rate case or via future NGEP Rider petitions. This process of NGEP Rider petitions would continue until the Company files a general rate case. In its next general rate case, MERC proposed that the NGEP rider be zeroed out with respect to the unrecovered 13-month average net rate base of all Rochester Project plant in service at the end of the test year. This unrecovered net plant balance would be placed into rate base for the test year in the rate case, and the future test year will continue to reflect the annual forecasted O&M expense, depreciation expense, and property taxes relative to the completed Rochester Project

The Department concludes that the Company's proposal to terminate rider rates with the implementation of new NGEP Rider surcharges or interim rates in a future rate case proceeding is reasonable. This is the same termination method approved by the Commission in the last NGEP rider filing.

Based on current projections, MERC expects to complete the Rochester Project during 2021, and place it fully into service, with some restoration work anticipated to occur in 2022.[54] MERC also discussed potential outcomes if the Company does not file a general rate case between 2020 and the planned conclusion of the Rochester Project.[55] The Company explained that if no rate case is filed prior to

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[51] Department Attachment 6.
[52] Petition, Page 39-41.
[53] Petition, Page 39.
[54] Petition, Page 41.
[55] *Id*.

completion of the Rochester Project then MERC would continue to file for rider recovery of the annual depreciation expense and return on Rochester Project investments and would account for any revenue true ups through these filings. MERC argued that completion of the Rochester Project in 2021 or 2022 does not terminate the annual depreciation expense and return on rate base related to the Rochester Project.

The Department notes that the Company's proposed treatment of Rochester Project costs following the end of construction differs from what was discussed in previous rider filings. In prior NGEP rider filings, MERC did not discuss options for recovery after the completion of construction and the information in these dockets suggested that recovery would end with the completion of construction. In fact, the Department conducted analysis based on this assumption in the 2020 NGEP filing, and MERC did not provide a response or information disputing this interpretation. The Department is troubled by the Company's continued lack of clarity, and changing proposals between NGEP Rider filings, for this topic and other issues related to NGEP Rider recovery. That being said, the Department reviewed MERC's proposal to continue recovery of depreciation and return on rate base and concludes that this proposal is not unreasonable. This approach is used by other utilities in different rider filings, and the Department does not oppose this approach as long as these items are rolled into rates in the Company's future general rate case and that the NGEP rider is suspended with the implementation of interim rates in a future general rate case.

E. OFFSETTING REVENUES

The NGEP rider surcharge is based on 33 percent of the annual revenue deficiency for Rochester Project costs incurred in 2021[56] The Company includes, as part of its calculation of the revenue deficiency, an offset for incremental sales and revenue related to the Rochester Project. MERC's derivation of offsetting revenues presented in its Petition appears different than the method used in the Company's two previous NGEP rider surcharge dockets. The Company's calculation of offsetting revenues resulted in an estimate of 2021 offsetting revenues of approximately $811,877.[57] MERC also used this method to calculate offsetting revenues in the true up. The Department raised the potential issue of different methods of calculating offsetting revenues in a telephone conversation with representatives from the Company and in discovery.

In its supplemental response to Department Information Request No. 5, MERC provided extensive discussion regarding its calculation of offsetting revenue both for the 2021 NGEP Rider surcharge and the true-up factor.[58] The Company explained that sales and revenue data for 2020 and 2021 is based on the weather-normalized forecast data from the original Rochester Docket. MERC also explained that the 2018 baseline sales data is also from the Rochester Docket and are assumed to represent the Rochester Area sales data included in base rates in Docket No. G011/GR-17-563. Revenues attributable to sales and customer counts above the 2018 baseline are deemed to be additional

[56] June 18 Order, Pages 5-6.
[57] Petition, Exhibit B.
[58] Department Attachment 7.

revenues above the level of the Rochester Project revenues included in base rates; therefore, these additional revenues are incorporated as an offset to the NGEP revenue requirement. The Company clarified that all sales and revenues, base or actual, in the offsetting revenues calculation are weather-normalized so that incremental impacts are isolated.

In terms of the difference in the presentation and calculation of offsetting revenues in this docket and previous NGEP dockets, the Company noted that a difference exists in the values for 2019, but since MERC included offsetting revenues of $0 in the 2019 true up, the difference in values between the old presentation of offsetting revenues and the presentation in this filing are irrelevant. The Company did explain that the difference in the calculated values is driven by how customer counts are specified. MERC noted that in the older presentation, it used year-end customer counts; however, the Company concluded this was inappropriate for 2019 because of the change in rate design and customer classes approved in Docket No. G011/GR-17-563. MERC also explained that the values are different because the values in the 2020 filing were originally based on 9-months of actual data and 3 months of forecasted data for 2019; as such, these data changed as all actual data became available. The Company also noted that its weather-normalization assumptions in this docket have been updated to 20-year weather normalized data relative to 15-year weather normalized data that was used in the 2020 NGEP filing. MERC stated that this weather normalization process is preferred because it ties the sales data to the 20-year weather assumptions used in the 2017 rate case and the Rochester Docket.

The Company reiterated at the close of its discovery responses that it continues to believe that the new method of presenting offsetting revenues is accurate; however, since the Company did not include offsetting revenues for the 2019 true-up, the true-up calculation does not change regardless of whether the old presentation method is used.

The Department reviewed the Company's discussion on this topic and reviewed the supporting calculations provided in its supplemental response to Department Information Request No. 5. MERC's additional discussion and explanation is helpful to understand the Company's rationale and decision-making, but the Department has various concerns regarding the calculation of offsetting revenues that it discusses further below.

First, the Department agrees with the Company's decision to weather-normalize sales in this docket using 20-year weather data. However, the Department is troubled by MERC's use of 15-year data to weather-normalize sales in previous dockets. The use of 15-year data to weather-normalize sales created an inconsistency between the base sales and adjusted-actual sales to determine offsetting revenue; as such, the determination of offsetting revenues in the 2020 NGEP filing is flawed. The Department recommends that MERC address this issue and the calculation of offsetting revenues included in the 2020 NGEP Rider surcharge in reply comments.

Second, the Department reviewed the difference in offsetting revenues between the 2020 NGEP Rider and the current docket, and the difference in the rate class calculations and results are significant. The Department is concerned that these differences may be related to items other than the difference in the weather-normalization timeframe and the customer count issue noted in the Company's discovery response. The Department requests that MERC fully review its weather-normalization process as it relates to offsetting revenues and provide a discussion in reply comments detailing all changes in methodology between the 2020 and 2021 NGEP Rider filings that impacted offsetting revenues.

Third, although MERC provided spreadsheets and supporting calculations, the Company did not provide all information necessary to determine whether its weather-normalization process is reasonable. Namely, MERC states that it used 20-year data in its analysis, but the Department notes that there are, at least, two possible regression analyses that could have been used to determine this weather-normalization process. The Company forecasted sales in the Rochester Docket and in the 2017 rate case, and MERC's regression models and results were different between these two cases, which means that the impacts of weather are also different between these two analyses. Without detailed information regarding the Company's weather-normalization process, the Department cannot determine, at this time, whether the sales data and assumptions in the offsetting revenues calculation are reasonable. The Department requests that MERC identify, in reply comments, what regression results, including all supporting information, it used to weather normalize sales in this docket.

The Department also observed a potential issue with offsetting revenues as it relates to the true-up of previous NGEP Rider surcharges. As discussed in Section IV.D above, the Company proposed to recover the difference between base depreciation and property tax expenses relative to actuals in 2018. Using the weather-normalization assumptions used by the Company in the current filing, the Department analyzed actual offsetting revenues in 2018. The Department analyzed these revenues in light of the Commission's requirement in its 2017 rate case order that the Company account for the difference between base expenses for the Rochester Project, built into base rates, and actual Rochester Project expenses in 2018. If there is a requirement that actual costs and expenses are trued-up, then it is reasonable to consider the impact of related revenues in excess of those included in base rates. If the related revenue side is not considered, then the true-up creates an uneven distribution where the Company benefits fully from the true-up while ratepayers are not protected in an instance where weather-normalized sales and revenues exceed those included in base rates.

Based on the offsetting revenue information and methodology used by MERC in the current NGEP docket and provided in its supplemental response to Department Information Request No. 5, the Department attempted to estimate actual offsetting revenues in 2018. Using this information and MERC's current offsetting revenue methodology, it appears that weather-normalized, actual revenue in the Rochester Area for 2018 was approximately $1,117,546 greater than revenues included in base rates. If the Commission seeks to have symmetry in the Company's true-up for 2018, then this over-collection of revenue should be returned to ratepayers. Furthermore, the under-collection of $318,548 in 2019, as calculated by the Company, should also be included in the true-up of revenues from previous years. When these two values are netted together, it results in a credit, or decrease in the 2021 annual revenue deficiency for the NGEP Rider of approximately $798,998. When the 33 percent factor for the NGEP Rider is applied to this revenue deficiency decrease it results in an approximately $263,669 decrease in the proposed NGEP Rider surcharge for 2021. The Department includes this adjustment in one of its adjustment scenarios presented in Section IV.I below.

The Department requests that MERC address the issues of weather normalization data in the 2020 NGEP Rider docket, the difference in offsetting revenue methodology and presentation between the various NGEP Rider filings, and supporting data used to weather-normalize sales in the current docket, as noted above, in reply comments. The Department also notes that its offsetting revenue calculations and recommendations may change as a result of the discussion and information MERC provides in reply comments.

F. DEPRECIATION ASSUMPTIONS

The NGEP Statute references specific items that must be included in deriving the revenue deficiency from an NGEP that is partially recoverable through the rider.[59] Included as an item in this derivation is incremental depreciation expense. The Department reviewed the Company's depreciation expense calculations to determine whether they are based on current Commission-approved depreciation factors.[60] Based on this review, the Department determined that MERC's depreciation assumptions are appropriate and align with the depreciation rates approved by the Commission in Docket No. G011/D-19-377.[61]

G. REGULATORY FEES

As noted in Section IV.C above, the Company included legal fees in its true-up of 2019 NGEP Rider expenses. The Department reviewed MERC's NGEP Rider surcharge calculations for 2021 and notes that the Company also included the same level, $40,632, in the 2021 NGEP Rider surcharge. For the reasons outlined in Section IV.C above, the Department concludes that it is inappropriate to include legal fees in the 2021 NGEP Rider surcharge because they are already included in base rates and are not true incremental costs. The Department includes this adjustment in its NGEP Rider surcharge calculation in Section IV.I below.

H. NGEP RIDER SALES

Since the NGEP Rider surcharge is assessed on a per-therm basis, it requires an estimate of sales to calculate the per therm rate. MERC's proposed calculation of the 2021 NGEP Rider surcharge rates is based on the Company's Minnesota jurisdictional 2021 sales forecast for each rate class.[62]

In last year's NGEP filing, the Department expressed concern with MERC's forecasted sales for 2020 and argued that the use of weather-normalized actual sales for 2019 represented the most reasonable sales number to establish rates.[63] In its September 21 Order, the Commission acknowledged the

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[59] Minnesota Statute 216B.1638, Subd.3(d)
[60] January 8, 2020 Order, Docket No. G011/D-19-377.
[61] MERC's 2020 annual depreciation filing was made in Docket No. G011/D-20-515. This filing is still pending before the Commission.
[62] Petition, Page 23.
[63] Docket No. G011/M-19-608, April 17, 2020 Department Response Comments, Pages 5-6.

Department's sales concerns and ordered NGEP rates calculated based on weather-normalized actual sales from 2019.[64]

The topic of the sales forecast was recently addressed by the Department in its comments for the Company's Gas Utility Infrastructure Cost (GUIC) Rider docket.[65] In these comments, the Department noted that in MERC's most recent GUIC docket, the Commission ordered MERC to use is most recent year's actual weather normalized sales for its forecasted GUIC rider, which is similar to the Commission's directive in the Company's 2020 NGEP Rider. The Department recommended that MERC apply this Commission decision to its 2021 GUIC rider to maintain consistency between MERC's petitions and alleviate potential disagreements between parties regarding forecasting techniques.

The Department recommends a similar treatment of sales in this proceeding and that sales be based on the most recent actual weather normalized sales data available. Since calendar year 2020 just concluded, the Department's calculations in Section IV.I below are based on weather-normalized actual 2019 sales. The Department requests that MERC provide this information for 2020 on a total Minnesota jurisdictional basis in its reply comments. The Department also requests that MERC include in its reply a recalculation of NGEP Rider rates using 2020 actual weather normalized sales.

I. DEPARTMENT ALTERNATE PROPOSAL

Based on its analysis, the Department concludes that MERC's proposed rider surcharges and rate design are unreasonable. First, the Company did not show that its Direct Connect customers are a legitimate threat to bypass the system. The Commission has affirmed in two previous Orders that current NGEP rates are not likely to result in bypass and the full NGEP Rider surcharge should be assessed to these customers. Furthermore, the Department included additional analysis in Section IV.B above which continues to show that a bypass threat likely does not exist for these customers. Second, MERC inappropriately included outside legal fees in its calculation of the revenue requirement for 2021. As discussed in Section IV.C above, these costs are not incremental and a representative amount is already included in base rates; as such, these costs should not be included in the NGEP Rider surcharge. Third, the Company's true-up factor calculation includes unreasonable assumptions (*i.e.,* outside legal fees, no adjustment for 2018 actual rate base expenses) resulting in calculations that negatively impact ratepayers. Fourth, the Department observed potential issues with MERC's methodology and calculation of offsetting sales revenues. Additionally, the Department has concerns related to MERC's proposed use of forecasted 2021 sales to calculate the rider surcharges, rather than weather normalized actual sales from the most recent year for which data is available.

Given these concerns, the Department recommends that the Commission approve an NGEP Rider surcharge that is based on the Company's proposed rate design and apportionment of revenue responsibility, modified to assign full cost to Direct Connect customers. This is the same rate design and apportionment of revenue responsibility ultimately approved by the Commission in the 2020 NGEP

[64] September 21 Order, Ordering Point No. 2.
[65] Docket No. G011/M-20-405, October 26, 2020 Department Comments.

filing. The Department also presents two potential surcharge amounts based on different offsetting revenue assumptions: 1) including a true-up of 2018 sales revenue, and 2) no 2018 sales revenue true up. The Department presents these total NGEP Rider surcharges, inclusive of a true-up factor, that incorporate the adjustments discussed in Sections IV.B, IV.C, IV.E, and IV.G above.

MERC provided NGEP Rider surcharge rates based on the Commission's September 21 Order in its response to Department Information Request No. 1.[66] The results of these updates are summarized in Table 3 below.

Table 3: MERC Surcharge Calculations Based on September 21 Order[67]

Customer Class	Apportionment of Revenue Responsibility	Therm Sales Weather-Normalized Actual 2019	Rate per Therm	2021 Customer Count	$/Customer
Residential	$740,580	191,313,373	$0.00387	218,327	$3.39
Class 1-2 Firm	$227,372	117,522,457	$0.00193	23,482	$9.66
Class 3-4 Firm	$1,473	4,764,220	$0.00031	26	$56.80
Class 1-2 Interruptible, Grain Dryer, and Class 1 Generation	$51,086	26,404,942	$0.00193	513	$99.34
Class 3-4 Interruptible and Grain Dryer	$44,200	142,912,053	0.00031	211	$209.97
Class 5, Transport for Resale, and Class 2 Generation	$43,648	141,124,573	$0.00031	26	$1,682.64
Direct Connect	$76,569	247,567,358	$0.000031	8	$9,593.24
Total	$1,184,928	871,608,976		242,593	

[66] Department Attachment 2.
[67] *Id*.

The Department uses this information as the starting point for its NGEP Rider surcharge scenario calculations presented below. The Department incorporated the various adjustments discussed earlier in Section IV into these revised calculations to arrive at its true-up factor calculations for 2021. As discussed further in Section IV.C above, the Department's rate base adjustment for the 2018 base values results in a decrease in the amount of under-recovery from ratepayers. The impact of this adjustment relative to the Company's initial Petition is summarized in Table 4 below.

Table 4: Adjustments to True-Up Factor [Over/(Under)]

MERC Original Filing	MERC True-Up Calculations Reflecting Commission Order	Department Calculated	Difference (MERC Original vs MERC Updated)	Difference (MERC Original vs Department)
$(227,236)	$(205,542)	$(119,303)	$21,694	$107,933

After incorporating these adjustments to the true-up factor, the Department calculates two separate NGEP Rider surcharges. The first surcharge amount includes an updated offsetting revenues calculation incorporating a true-up of 2018 revenues, and the second surcharge presentation does not include a true-up of 2018 revenues. The Department's proposed NGEP Rider surcharge rate scenarios and customer impacts are summarized in Tables 5 and 6 below.

Table 5: Department NGEP Surcharge and Revenue Apportionment and Bill Impact, Inclusive of 2018 Sales Revenue True Up[68]

Customer Class	Apportionment of Revenue Responsibility	Therm Sales 2019	Rate per Therm	Customer Count	$/Customer
Residential	$513,507	191,313,373	$0.00268	218,327	$2.35
Class 1-2 Firm	$157,656	117,522,457	$0.00134	23,482	$6.71
Class 3-4 Firm	$1,022	4,764,220	$0.00021	26	$38.48
Class 1-2 Interruptible, Grain Dryer, and Class 1 Generation	$35,422	26,404,942	$0.00134	513	$68.97
Class 3-4 Interruptible and Grain Dryer	$30,648	142,912,053	$0.00021	211	$142.23
Class 5, Transport for Resale, and Class 2 Generation	$30,265	141,124,573	$0.00021	26	$1,139.85
Direct Connect	$53,091	247,567,358	$0.00021	8	$6,498.64
Total	$821,611	871,608,976		235,340	

[68] Department Attachment 8.

Table 6: Department NGEP Surcharge and Revenue Apportionment and Bill Impact, Not Inclusive of 2018 Sales Revenue True Up[69]

Customer Class	Apportionment of Revenue Responsibility	Therm Sales 2019	Rate per Therm	Customer Count	$/Customer
Residential	$678,300	191,313,373	$0.00355	218,327	$3.11
Class 1-2 Firm	$208,251	117,522,457	$0.00177	23,482	$8.86
Class 3-4 Firm	$1,350	4,764,220	$0.00028	26	$51.31
Class 1-2 Interruptible, Grain Dryer, and Class 1 Generation	$46,790	26,404,942	$0.00177	513	$91.10
Class 3-4 Interruptible and Grain Dryer	$40,483	142,912,053	$0.00028	211	$189.65
Class 5, Transport for Resale, and Class 2 Generation	$39,977	141,124,573	$0.00028	26	$1,519.80
Direct Connect	$70,129	247,567,358	$0.00028	8	$8,664.86
Total	$1,085,280	871,608,976		235,340	

The Department reserves any final recommendation regarding the overall NGEP Rider surcharge until the Company provides additional information in reply comments. The Department does recommend, regardless of the NGEP surcharge amount approved, that its proposed NGEP surcharges rates become effective for service rendered beginning with the first billing month after the Commission's final order in this proceeding. Any under- or over-recovered revenues will be included in the true-up balance applied in future NGEP Rider petitions.

[69] Department Attachment 9.

V. CONCLUSIONS AND RECOMMENDATIONS

Based on its investigation to date, the Department recommends that the Commission allow MERC to implement an NGEP rider surcharge effective for service rendered beginning with the first billing month after the Commission's final order in this proceeding for NGEP-related costs to be incurred in calendar year 2021, with the adjustments described above for legal fees and the true-up factor. The Department intends to indicate whether any further adjustments are needed after reviewing MERC's reply comments.

The Department requests that MERC provide the following information in its reply comments:

- actual Rochester Project property tax information in accordance with the Commission September 21 Order;
- a full discussion addressing the Company's use of 15-year normal weather in its 2020 NGEP Rider filing and what impact this had on the calculation of offsetting revenues and the sales forecast used in the 2020 NGEP Rider filing;
- a full discussion detailing all changes in methodology between the 2020 and 2021 NGEP Rider filings that impacted offsetting sales revenues;
- a full discussion noting what regression results it used to weather normalize sales in this docket including all supporting information; and
- provide its proposed NGEP Rider rates based on weather-normalized actual 2019 sales or the most recent weather normalized calendar year data available.

Further, the Department recommends that the Commission require MERC to file a compliance filing subsequent to the Commission's Order in this proceeding, adjusting the revenue requirement so that ADIT is not prorated for any of the months in 2020 that precede the month when the NGEP Rider is implemented. This adjustment can be reflected in MERC's tracker.

/ar

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

Docket Number: G011/M-20-420 ☐Nonpublic ☒Public
Requested From: Minnesota Energy Resources
Date of Request: 10/23/2020
Response Due: 11/2/2020

Type of Inquiry: General

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).
Assigned Analyst(s): Adam Heinen
Email Address(es): adam.heinen@state.mn.us
Phone Number(s): 651-539-1825

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:	**3**
Topic:	NGEP Rate Calculations
Reference(s):	Petition, Exhibit C

Request:

Please provide the above reference, as originally filed, in Microsoft Excel format with all links and formulae intact.

If this information has already been provided in initial petition or in response to an earlier Department-DER information request, please identify the specific cite(s) or Department-DER information request number(s).

MERC Response:

Please see the attached file Attachment DOC IR 003_NGEP Rev Req 2019 True Up_FILED.

To be completed by responder

Response Date: October 30, 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-20-420
Requested From: Minnesota Energy Resources

☐Nonpublic ☒Public
Date of Request: 10/12/20
Response Due: 10/22/20

Type of Inquiry: General

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).
Assigned Analyst(s): Adam Heinen
Email Address(es): adam.heinen@state.mn.us
Phone Number(s): 651-539-1825

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:	NGEP Rate Calculations
Reference(s):	September 21, 2020 Commission Order, Docket No. G011/M-19-608

Request:

Please provide updated data and NGEP rider surcharge rate calculation in the current docket based on the Commission's Order in Docket No. G011/M-19-608.

Please provide any supporting information in Microsoft Excel format with all links and formulae intact.

If this information has already been provided in initial petition or in response to an earlier Department-DER information request, please identify the specific cite(s) or Department-DER information request number(s).

MERC Response:
Please see Attachment DOC IR 001_NGEP Rev Req 2019 True Up_Adjusted and Attachment DOC IR 001_NGEP Rev Req 2021_Adjusted.

Note that the following adjustments were made to the NGEP 2021 Revenue Requirement model based upon the Commission's Order in Docket No. G011/M-19-608:

- A rate base reduction equal to approximately 80 percent of the incremental amount of property tax between 2018 and 2021 to recognize the timing of property tax payments;
- Revenue apportionment based on MERC's approved method of revenue apportionment and rate design but including Direct Connect customers;

To be completed by responder

Response Date:	October 22, 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-20-420 ☐Nonpublic ☒Public
Requested From: Minnesota Energy Resources Date of Request: 10/12/20
Response Due: 10/22/20

Type of Inquiry: General

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).
Assigned Analyst(s): Adam Heinen
Email Address(es): adam.heinen@state.mn.us
Phone Number(s): 651-539-1825

ADDITIONAL INSTRUCTIONS:
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- Revenue apportionment based upon actual 2019 Weather Normalized sales. While MERC believes updating to use actual 2020 Weather Normalized sales for the 2021 NGEP (assuming such actual sales are available before implementation) would be consistent with the Commission's decision in Docket No. G011M-19-608 to use 2019 actual weather-normalized sales for the 2020 NGEP, 2020 Weather Normalized sales are not available at this time. MERC will provide 2020 Weather Normalized sales when available.

The Commission's Order in Docket No. G011/M-19-608 also adjusted the revenue requirement so that ADIT is not prorated for any of the months in 2020 that precede the month when the NGEP Rider is implemented. Because MERC has proposed implementation of the 2021 NGEP Rider surcharge rates effective January 1, 2021, no adjustment to remove ADIT proration from months in 2021 that proceed the month of implementation have been included in this response.

Note that no adjustment has been made to the NGEP 2021 model to adjust for 2020 depreciation rates, as MERC has not received an Order from the Commission approving MERC's proposed 2020 depreciation rates in Docket No. G011/D-20-515. Consistent with the Commission's Order in Docket No. G011/M-19-608, MERC will update the 2020 depreciation rates with its 2020 true-up.

Note that no adjustment was made to the NGEP 2021 model to adjust 2021 estimated property tax, as MERC is conducting the calculation of estimated property tax based upon NGEP property estimated to be placed in service for the forecast year.

Note that the following adjustment was made to the NGEP 2019 True-up model based upon the Commission's Order in Docket No. G011/M-19-608:

- Based upon conversations MERC had with the Department in April 2020, MERC has calculated a revised estimate of project area specific property tax for 2019.

To be completed by responder

Response Date: October 22, 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-20-420 ☐Nonpublic ☒Public
Requested From: Minnesota Energy Resources Date of Request: 10/12/20
Response Due: 10/22/20

Type of Inquiry: General

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).
Assigned Analyst(s): Adam Heinen
Email Address(es): adam.heinen@state.mn.us
Phone Number(s): 651-539-1825

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.

Note that no adjustments were needed to the NGEP 2019 True-up model based upon the Commission's Order in Docket No. G011/M-19-608, for the following items:

- a Cash Working Capital rate base reduction is not necessary because the 2019 true-up reflects actual rate base additions and estimated actual project-specific property expense, therefore the situation of lead-lag does not exist in the true-up
- the ADIT proration value is zero in the true-up model, therefore adjusting ADIT such that it is not prorated for any month that precedes the month the NGEP rider is implemented is not necessary
- an update to reflect 2019 actual depreciation rates approved for use in the 2019 calendar year because MERC already applied approved 2019 depreciation rates as discussed in its Petition at 32-33.

To be completed by responder

Response Date: October 22, 2020
Response by: Joylyn Hoffman Malueg
Email Address: Joylyn.HoffmanMalueg@wecenergygroup.com
Phone Number: 414-221-4208

NGEP Rider 2019 True-up
Revenue Requirement on NGEP

Line	Description	Reference	2018 Rate Case	2019 Forecast	Forecasted NGEP 2019	2018 Rate Case	2019 Actual	Actual NGEP 2019 ** Adjusted DOC IR 001**
1	Depreciation Expense		$ 109,441	$ 371,221	$ 261,780	$ 109,441	$ 282,365	$ 172,924
2	2018 True Up Depreciation Expense Adjustment						$ 4,468	$ 4,468
3	Property Tax Expense		$ 14,000	$ 345,000	$ 331,000	$ 14,000	$ 129,522	$ 115,522
4	2018 True Up Property Tax Expense Adjustment						$ 56,574	$ 56,574
5	Incremental O&M Expense		$ -	$ -	$ -	$ -	$ 40,632	$ 40,632
6	Rate Base	Note (1)	$ 11,382,768	$ 20,913,764	$ 9,530,996	$ 11,382,768	$ 18,428,862	$ 7,046,094
7	ADIT Proration Adjustment		$ -	$ -	$ -	$ -	$ -	$ -
8	Adjusted Rate Base	Note (1)	$ 11,382,768	$ 20,913,764	$ 9,530,996	$ 11,382,768	$ 18,428,862	$ 7,046,094
9	Rate of Return	Note (2)			6.8842%	6.8842%	6.6971%	6.6971%
10	Earnings on Rate Base	Line 8 x Line 9			$ 656,133	$ 783,613	$ 1,234,199	$ 471,884
11	Gross Revenue Conversion Factor	Note (3)			1.402	1.402	1.402	1.402
12	Return on Rate Base	Line 10 x Line 11			$ 919,898	$ 1,098,625	$ 1,730,347	$ 661,581
13								
14	**Total Revenue Requirement**	**Sum(Line 1 through Line 6) + Line 13**			**$ 1,512,679**			**$ 1,051,702**
15								
16	Offsetting Project Revenue	Note (4)			$ 297,561			$ -
17								
18	**Project Revenue Deficiency**	**Line 14 less line 16**			**$ 1,215,118**			**$ 1,051,702**
19								
20	**33 percent of project revenue deficiency**				**$ 400,989**			**$ 347,062**
21								
22	2019 Rider Revenue Collected							$ 141,520
23								
24	**** Total Adjustment: Over/(Under) Collection - to be collected within the 2021 NGEP Rider**							**$ (205,542)**

Notes

1 13-Month Average Net Plant value
2 Commission Authorized 2018 Rate Case
3 2018 Rate Case Adjusted for Tax Reform
4 Represents incremental customers and sales growth related specifically to the Rochester project at approved rates from the 2018 rate case

Assumptions

1 Assumes no AFUDC, but a return on CWIP in Rate Base
2 Does not assume any Destination Medical Center CIAC
3 Removes contingency per Commission Order Approving NGEP Rider Surcharge with Modifications

NGEP Rider 2021 Forecast
Revenue Requirement on NGEP

Line	Description	Reference	2018 Rate Case	2021 Forecast	2021 NGEP ** Adjusted DOC IR 001**
1	Depreciation Expense		$ 109,441	$ 1,031,470	$ 922,029
2	Property Tax Expense		$ 14,000	$ 768,000	$ 754,000
3	O&M Expense		$ -	$ 40,632	$ 40,632
4	Rate Base	Note (1)	$ 11,382,768	$ 33,938,730	$ 22,555,962
4	Advanced Paid Property Tax Offset	Note (5)	$ -	$ -	$ (597,394)
5	ADIT Proration Adjustment		$ -	$ 13,732	$ 13,732
6	Adjusted Rate Base	Note (1)	$ 11,382,768	$ 33,952,462	$ 21,972,300
7	Rate of Return	Note (2)			6.6971%
8	Earnings on Rate Base	Line 6 x Line 7			$ 1,471,507
9	Gross Revenue Conversion Factor	Note (3)			1.402
10	Return on Rate Base	Line 8 x Line 9			$ 2,063,053
11					
12	**Total Revenue Requirement**	**Sum(Line 1 through Line 3) + Line 10**			**$ 3,779,714**
13					
14	Offsetting Project Revenue	Note (4)			$ 811,877
15					
16	**2021 Annual Revenue Deficiency**	**Line 12 less line 14**			**$ 2,967,836**
17					
18	**33% of Annual Revenue Deficiency**				**$ 979,386**
19					
20	2019 NGEP True-up: Over/(Under) Recovery	Note (6)			$ (205,542)
21					
22	**Total 2021 Revenue Deficiency, including 2019 True-up**				**$ 1,184,928**
23					
24	**Total Therms**	Note (7)			**871,608,976**
25					
26					

Line	Class	Rate/Therm	Annual $/Customer
27			
28	**Residential**	$ 0.00387	$ 3.39
29	**Class 1-2 Firm (Sales and Transport)**	$ 0.00193	$ 9.66
30	**Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Electric Gen**	$ 0.00193	$ 99.34
31	**Class 3-4 Firm (Sales and Transport)**	$ 0.00031	$ 56.80
32	**Class 3-4 Interruptible (Sales and Transport) and Class 3 Ag Grain Dryer**	$ 0.00031	$ 209.97
33	**Class 5, FLEX, Transport for Resale, and Class 2 Electric Gen**	$ 0.00031	$ 1,682.64
34	**Direct Connect**	$ 0.00031	$ 9,593.24

Notes
1 13-Month Average Net Plant value
2 Commission Authorized 2018 Rate Case
3 2018 Rate Case Adjusted for Tax Reform
4 Represents incremental customers and sales growth related specifically to the Rochester project at approved rates from the 2018 rate case
5 Docket No. G011/M-19-608, Order Point 1, Cash Working Capital adjustment for incremental Property Tax rate base between 2018 and 2021
6 Adjusted based on MERC's Response to DOC IR 001
7 Weather normalized 2019 sales

Assumptions
1 Assumes no AFUDC, but a return on CWIP in Rate Base
2 Does not assume any Destination Medical Center CIAC
3 Removes contingency per Commission Order Approving NGEP Rider Surcharge with Modifications

2021 NGEP RIDER RATE DESIGN

2021 NGEP Revenue Requirement $ **1,184,928**

	Therm Sales 2019 WN Actual	Customer Count 2021 Fcst	Rate Case Apportionment 1: Revenue Apportionment	Initial Apportionment	Rate/Therm	$/Customer
Residential	191,313,373	218,327	62.5%	$ 740,580	**$ 0.00387**	**$ 3.39**
Firm Sales	122,286,677	23,508	23.5%	$ 278,458	**$ 0.00228**	**$ 11.85**
Interruptible Sales	40,490,539	527	3.5%	$ 41,472	**$ 0.00102**	**$ 78.70**
Transport	122,436,407	200		$ 29,435	**$ 0.00024**	
Class 5, FLEX, Trans for Resale	147,514,622	23	10.5%	$ 35,464	**$ 0.00024**	**$ 538.60**
Direct Connect	247,567,358	8		$ 59,518	**$ 0.00024**	
Michigan Mines	n/a	n/a		n/a	n/a	
	871,608,976	242,593		**$ 1,184,928**		

	Therm Sales 2019 WN Actual	Customer Count 2021 Fcst	Rate Case Apportionment 2: Revenue Apportionment	Initial Apportionment	Rate/Therm	$/Customer
Residential	191,313,373	218,327	62.5%	$ 740,580	**$ 0.00387**	**$ 3.39**
Class 1-2 Firm (Sales and Transport)	117,522,457	23,482	23.5%	$ 267,609	**$ 0.00228**	**$ 11.41**
Class 3-4 Firm (Sales and Transport)	4,764,220	26		$ 10,849	**$ 0.00228**	**$ 417.79**
Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Power Gen	26,404,942	513		$ 7,850	**$ 0.00030**	**$ 15.44**
Class 3-4 Interruptible (Sales and Transport) and Class 3-4 Ag Grain Dryer	142,912,053	211	14.0%	$ 42,486	**$ 0.00030**	**$ 203.19**
Class 5, FLEX, Transport for Resale, and Class 2 Power Gen	141,124,573	26		$ 41,955	**$ 0.00030**	**$ 1,628.36**
Direct Connect	247,567,358	8		$ 73,599	**$ 0.00030**	**$ 9,283.78**
Michigan Mines	n/a	n/a		n/a	n/a	
	871,608,976	242,593		**$ 1,184,928**		

	Option 1: Redistribute	Apportionment	Rate/Therm	$/Customer	Option 2: Redistribute	Apportionment	Rate/Therm	$/Customer
Residential		$ 740,580	**$ 0.00387**	**$ 3.39**		$ 740,580	**$ 0.00387**	**$ 3.39**
Class 1-2 Firm (Sales and Transport)		$ 267,609	**$ 0.00228**	**$ 11.41**		$ 227,372	**$ 0.00193**	**$ 9.66**
Class 3-4 Firm (Sales and Transport)		$ 10,849	**$ 0.00228**	**$ 417.79**		$ 1,473.50	**$ 0.00031**	**$ 56.80**
Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Power Gen		$ 13,899.37	**$ 0.00053**	**$ 27.28**		$ 51,086	**$ 0.00193**	**$ 99.34**
Class 3-4 Interruptible (Sales and Transport) and Class 3-4 Ag Grain Dryer		$ 75,227.89	**$ 0.00053**	**$ 358.97**		$ 44,200.36	**$ 0.00031**	**$ 209.97**
Class 5, FLEX, Transport for Resale, and Class 2 Power Gen		$ 74,287	**$ 0.00053**	**$ 2,876.77**		$ 43,647.52	**$ 0.00031**	**$ 1,682.64**
Direct Connect		$ 2,476	**$ 0.00001**	**$ 309.46**		$ 76,568.54	**$ 0.00031**	**$ 9,593.24**
Michigan Mines	n/a	n/a	n/a		n/a	n/a	n/a	
	$ -	**$ 1,184,928**			$ -	**$ 1,184,928**		

Proposed:

Customer Class	Proposed 2021 NGEP Rider Surcharge	Average Annual Cost	Total $	% of 2021 NGEP revenue requirement
Residential, including Farm Tap	$ 0.00387	$ 3.39	$ 740,580	62.5%
Class 1-2 Firm (Sales and Transport), including Farm Tap	$ 0.00193	$ 9.66	$ 227,372	19.2%
Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Power Gen	$ 0.00193	$ 99.34	$ 51,086	4.3%
Class 3-4 Firm (Sales and Transport), including Farm Tap	$ 0.00031	$ 56.80	$ 1,473	0.1%
Class 3-4 Interruptible (Sales and Transport) and Class 3-4 Ag Grain Dryer	$ 0.00031	$ 209.97	$ 44,200	3.7%
Class 5 (including Farm Tap), FLEX, Transport for Resale, and Class 2 Power Gen	$ 0.00031	$ 1,682.64	$ 43,648	3.7%
Direct Connect	$ 0.00031	$ 9,593.24	$ 76,569	6.5%
Total			**$ 1,184,928**	100%

COMMERCE DEPARTMENT

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

Docket Number: Docket No. G011/M-19-608
Requested From: Minnesota Energy Resources Corporation
Type of Inquiry: General

☐Nonpublic ☒Public
Date of Request: 10/30/2019
Response Due: 11/12/2019

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).
Assigned Analyst(s): Adam Heinen
Email Address(es): adam.heinen@state.mn.us
Phone Number(s): 651-539-1825

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:	**2**
Topic:	Direct Connect Customers
Reference(s):	

Request:

Please provide a detailed bypass analysis for each Direct Connect customer on MERC's system. As part of this analysis, please provide the cost to bypass on a per therm basis to the fifth decimal point and the total per therm rate, inclusive of CIP and other charges if applicable, charged by MERC to each customer.

If this information has already been provided in the record or in response to an earlier Department-DER information request, please identify the specific cite(s) or Department-DER information request number(s).

Response:

Please see the attached workbook. The per therm costs to Bypass, ongoing and up front, can be found in Columns [J] and [P], respectively. The per therm rate, excluding gas costs, charged by MERC to each customer can be found in Column [S].

Corrected Response (January 3, 2020):

MERC identified a formula error in the attachment that was provided on November 12, 2019. Please see the attachment to this corrected response for corrected calculations. This attachment contains nonpublic information, including MERC's estimate of the costs for direct connect customers to bypass, including ongoing and upfront costs. This information derives independent economic value from not being generally known to, and not being readily ascertainable by proper means by, vendors and competitors of MERC, who could obtain economic value from its disclosure or use.

Response Date: November 12, 2019; January 3, 2020 (corrected)
Response by: Mary Wolter
Email Address: mary.wolter@wecenergygroup.com
Phone Number: (414) 221-2374

Minnesota Energy Resources
M-19-608 - Response to DOC-2 - Attachment
Corrected Response (January 3, 2020)

PUBLIC DOCUMENT— TRADE SECRET DATA HAS BEEN EXCISED

[TRADE SECRET DATA BEGINS...

[redacted]

... TRADE SECRET DATA ENDS]

Customer	Therms	Rate	NGEP Rate	Effective Rate	Estimated Annual Cost With Rider
TRADE SECRET DATA BEGINS					

Customer	Upfront Odorizer	Upfront Fill	Total Upfront Cost	Upfront Costs	Annual Per Therm
					TRADE SECRET DATA ENDS

	Therms	Rate	NGEP Rate	Effective Rate	Estimated Annual Cost With Rider		Upfront Odorizer	Upfront Fill	Total Upfront Cost	Upfront Costs	Annual Per Therm

TRADE SECRET DATA BEGINS

TRADE SECRET DATA ENDS

NGEP Rider 2019 True-up
Revenue Requirement on NGEP

Line	Description	Reference	2018 Rate Case	2019 Forecast	Forecasted NGEP 2019	2018 Rate Case	2019 Actual	Actual NGEP 2019 ** Adjusted DOC IR 001**	Actual NGEP 2019 ** As Filed ** M-20-420
1	Depreciation Expense		$ 109,441	$ 371,221	$ 261,780	$ 109,441	$ 282,365	$ 172,924	$ 172,924
2	2018 True Up Depreciation Expense Adjustment						$ 4,468	$ 4,468	$ 4,468
3	Property Tax Expense		$ 14,000	$ 345,000	$ 331,000	$ 14,000	$ 129,522	$ 115,522	$ 181,262
4	2018 True Up Property Tax Expense Adjustment						$ 56,574	$ 56,574	$ 56,574
5	Incremental O&M Expense		$ -	$ -	$ -	$ -	$ 40,632	$ -	$ 40,632
6	Rate Base	Note (1)	$ 11,382,768	$ 20,913,764	$ 9,530,996	$ 11,382,768	$ 18,428,862	$ 7,046,094	$ 7,046,094
	Rate Base Adjustment (2018 Actual vs Forecast)							$ (2,350,510)	
7	ADIT Proration Adjustment		$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	Adjusted Rate Base	Note (1)	$ 11,382,768	$ 20,913,764	$ 9,530,996	$ 11,382,768	$ 18,428,862	$ 4,695,584	$ 7,046,094
9	Rate of Return	Note (2)			6.8842%	6.8842%	6.6971%	6.6971%	6.6971%
10	Earnings on Rate Base	Line 8 x Line 9			$ 656,133	$ 783,613	$ 1,234,199	$ 314,468	$ 471,884
11	Gross Revenue Conversion Factor	Note (3)			1.402	1.402	1.402	1.402	1.402
12	Return on Rate Base	Line 10 x Line 11			$ 919,898	$ 1,098,625	$ 1,730,347	$ 440,884	$ 661,581
13									
14	**Total Revenue Requirement**	**Sum(Line 1 through Line 6) + Line 13**			**$ 1,512,679**			**$ 790,373**	**$ 1,117,442**
15									
16	Offsetting Project Revenue	Note (4)			$ 297,561			$ -	$ -
17									
18	**Project Revenue Deficiency**	**Line 14 less line 16**			**$ 1,215,118**			**$ 790,373**	**$ 1,117,442**
19									
20	**33 percent of project revenue deficiency**				**$ 400,989**			**$ 260,823**	**$ 368,756**
21									
22	2019 Rider Revenue Collected							$ 141,520	$ 141,520
23									
24	**** Total Adjustment: Over/(Under) Collection - to be collected within the 2021 NGEP Rider**							**$ (119,303)**	**$ (227,236)**

Notes

1 13-Month Average Net Plant value
2 Commission Authorized 2018 Rate Case
3 2018 Rate Case Adjusted for Tax Reform
4 Represents incremental customers and sales growth related specifically to the Rochester project at approved rates from the 2018 rate case

Assumptions

1 Assumes no AFUDC, but a return on CWIP in Rate Base
2 Does not assume any Destination Medical Center CIAC
3 Removes contingency per Commission Order Approving NGEP Rider Surcharge with Modifications

NGEP Rider 2021 Forecast
Revenue Requirement on NGEP

Line	Description	Reference	2018 Rate Case	2021 Forecast	2021 NGEP ** Adjusted DOC IR 001**	2021 NGEP ** As Filed ** M-20-420
1	Depreciation Expense		$ 109,441	$ 1,031,470	$ 922,029	$ 922,029
2	Property Tax Expense		$ 14,000	$ 768,000	$ 754,000	$ 754,000
3	O&M Expense		$ -	$ 40,632	$ 40,632	$ 40,632
4	Rate Base	Note (1)	$ 11,382,768	$ 33,938,730	$ 22,555,962	$ 22,555,962
4	Advanced Paid Property Tax Offset	Note (5)	$ -	$ -	$ (597,394)	
5	ADIT Proration Adjustment		$ -	$ 13,732	$ 13,732	$ 13,732
6	Adjusted Rate Base	Note (1)	$ 11,382,768	$ 33,952,462	$ 21,972,300	$ 22,569,694
7	Rate of Return	Note (2)			6.6971%	6.6971%
8	Earnings on Rate Base	Line 6 x Line 7			$ 1,471,507	$ 1,511,515
9	Gross Revenue Conversion Factor	Note (3)			1.402	1.402
10	Return on Rate Base	Line 8 x Line 9			$ 2,063,053	$ 2,119,144
11						
12	**Total Revenue Requirement**	**Sum(Line 1 through Line 3) + Line 10**			**$ 3,779,714**	**$ 3,835,805**
13						
14	Offsetting Project Revenue	Note (4)			$ 811,877	$ 811,877
15						
16	**2021 Annual Revenue Deficiency**	**Line 12 less line 14**			**$ 2,967,836**	**$ 3,023,928**
17						
18	**33% of Annual Revenue Deficiency**				**$ 979,386**	**$ 997,896**
19						
20	2019 NGEP True-up: Over/(Under) Recovery	Note (6			$ (205,542)	$ (119,303)
21						
22	**Total 2021 Revenue Deficiency, including 2019 True-up**				**$ 1,184,928**	**$ 1,117,199**
23						
24	**Total Therms**	Note (7)			**871,608,976**	**876,307,816**
25						
26						

Line		Rate/Therm	Annual $/Customer	Rate/Therm	Annual $/Customer
28	**Residential**	$ 0.00387	$ 3.39	$ 0.00416	$ 3.69
29	**Class 1-2 Firm (Sales and Transport)**	$ 0.00193	$ 9.66	$ 0.00221	$ 10.92
30	**Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Electric Gen**	$ 0.00193	$ 99.34	$ 0.00221	$ 88.70
31	**Class 3-4 Firm (Sales and Transport)**	$ 0.00031	$ 56.80	$ 0.00035	$ 67.15
32	**Class 3-4 Interruptible (Sales and Transport) and Class 3 Ag Grain Dryer**	$ 0.00031	$ 209.97	$ 0.00035	$ 312.09
33	**Class 5, FLEX, Transport for Resale, and Class 2 Electric Gen**	$ 0.00031	$ 1,682.64	$ 0.00035	$ 1,330.59
34	**Direct Connect**	$ 0.00031	$ 9,593.24	$ 0.00001	$ 317.88

Notes

1 13-Month Average Net Plant value
2 Commission Authorized 2018 Rate Case
3 2018 Rate Case Adjusted for Tax Reform
4 Represents incremental customers and sales growth related specifically to the Rochester project at approved rates from the 2018 rate case
5 Docket No. G011/M-19-608, Order Point 1, Cash Working Capital adjustment for incremental Property Tax rate base between 2018 and 2021
6 Adjusted based on MERC's Response to DOC IR 001
7 Weather normalized 2019 sales

Assumptions

1 Assumes no AFUDC, but a return on CWIP in Rate Base
2 Does not assume any Destination Medical Center CIAC
3 Removes contingency per Commission Order Approving NGEP Rider Surcharge with Modifications

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

Docket Number: G011/M-20-420 ☐Nonpublic ☒Public
Requested From: Minnesota Energy Resources Date of Request: 10/26/20
Response Due: 11/5/20

Type of Inquiry: General

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).
Assigned Analyst(s): Adam Heinen
Email Address(es): adam.heinen@state.mn.us
Phone Number(s): 651-539-1825

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:	Offsetting Revenues
Reference(s):	MERC Response to Department Information Request No. 1, Attachment DOC IR 001_NGEP Rev Req 2019 True Up_Adjusted.xls, Off Revs-WN tab

Request:

In the above reference, MERC provides its offsetting revenue calculations for the NGEP Rider and the NGEP Rider true up. Please provide the following:

a) Actual sales and revenue for calendar year 2018;
b) Discuss whether the data for years others than 2018 is actual or weather normalized; and
c) If the data in Part b) are weather normalized, provide a detailed discussion and explanation of why these data are weather normalized.

Please provide any supporting information in Microsoft Excel format with all links and formulae intact.

If this information has already been provided in initial petition or in response to an earlier Department-DER information request, please identify the specific cite(s) or Department-DER information request number(s).

MERC Response:

Note that based on discussion with the Assigned Analyst on Friday, October 30th, MERC will be providing a Supplemental Response to this Information Request containing an attachment that computes Offsetting Revenues in a similar display format that was provided in Docket No. G011/M-19-608, MERC's

To be completed by responder

Response Date: November 5, 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

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2020 NGEP Rider, in response to Department Information Request No. 1 in that docket. In the meantime, MERC initially provides the response below.

a) Please see the attached file Attachment DOC IR 005_Off Revs_2018 WN Act. Therm Sales and Customer Counts for year 2018 are 2018 weather normalized actuals, and compute the associated offsetting revenues.

b) Please refer to MERC's response to DOC IR 001, the file named Attachment DOC IR 001_NGEP Rev Req 2019 True Up_Adjusted.xls, the tab labeled *Off Revs-WN*.

   As stated at the top of the tab *Off Revs-WN*, the data for years 2016, 2017, and 2019 represent weather normalized actuals.

   Data for 2020 and 2021 represents weather normalized forecast data from Docket No. G011/M-15-895, MERC's Rochester Natural Gas Extension Project docket.

   Data for 2018 represents "baseline" weather normalized forecasted sales data presented in Docket No. G011/M-15-895, MERC's Rochester Expansion docket for the year 2018. Revenues attributable to sales and customer counts above the 2018 "baseline" are deemed to be additional revenues above the level of Rochester project revenues already reflected in MERC's base rates in Docket No. G011/GR-17-563. Therefore these additional revenues above the 2018 "baseline" are incorporated as an "offset" to the NGEP revenue requirement calculation, hence the term "offsetting revenues." This is why MERC utilized the 2018 "baseline" in its computation of Offsetting Revenues, and not 2018 actuals.

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c) In Docket No. G011/M-19-608, which was MERC's 2020 NGEP Rider, MERC provided a response to DOC IR 001, which included an update to Offsetting Revenues. The data provided by MERC in that response calculated Offsetting Revenues upon the basis of:
- weather normalized actuals for 2017,
- the 2018 "baseline" weather normalized forecast sales from Docket No. G011/M-15-895,
- weather normalized actuals to-date (as of the time of the response to the information request) for 2019, which was January through September 2019, and then utilized forecast values for the remaining months of 2019, with the forecast values from Docket No. G011/M-15-895, and
- forecasted weather normalized values for 2020 from Docket No. G011/M-15-895.

The computed Offsetting Revenues of $626,362 from MERC's response to DOC IR 001 in Docket No. G011/M-19-608 was incorporated into the 2020 NGEP Rider revenue deficiency that was accepted by the Commission in its September 21, 2020 Order Approving NGEP Rider Surcharge with Modifications in Docket G011/M-19-608.

The Commission accepted the Offsetting Revenues calculation in Docket No. G011/M-19-608, therefore MERC continued to utilize the data below for Offsetting Revenues in the 2021 NGEP Rider petition by utilizing:
- weather normalized actuals for 2017,
- the 2018 "baseline" weather normalized forecast sales from Docket No. G011/M-15-895,
- weather normalized actuals for 2019, and
- forecasted weather normalized values for 2020 and 2021 from Docket No. G011/M-15-895.

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In order to isolate the offsetting revenues that are over-and-above those revenues already accounted for in MERC's last rate case through current base rates, the comparison would need to be made utilizing weather normalized sales to remain on an apples-to-apples basis. If MERC were to compare actual calendar sales against the level of weather normalized sales reflected in base rates, the comparison wouldn't accurately reflect the incremental 2019 sales growth.

MERC Supplemental Response, November 10, 2020:

MERC provides this Supplemental Response based on discussions with the Assigned Analyst. This supplement includes an attachment that computes Offsetting Revenues in a similar display format that was provided in Docket No. G011/M-19-608, MERC's 2020 NGEP Rider, in response to Department Information Request No. 1 in that docket.

Please see the attached file Attachment DOC IR 005_Supplemental_Off Revs_old display. This file contains the following tabs:

- ***Off Revs – WN – AS FILED***. This tab presents Offsetting Revenue, as filed in MERC's initial petition in this Docket.
- ***Subp.3B-Csm Cust Update WN*** and ***Off Revs-AS FILED-old display***. Both of these tabs present data in a similar format as to how Offsetting Revenues were provided by MERC in Docket No. G011/M-19-608, MERC's 2020 NGEP Rider, in response to Department Information Request No. 1 in that docket.

From the tab ***Off Revs-AS FILED-old display***, Cell M227 shows calculated Offsetting Revenues for 2019 of ($171,462) under the old display methodology. This amount does not reconcile to MERC's calculated

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Information Request

Docket Number: G011/M-20-420 ☐Nonpublic ☒Public
Requested From: Minnesota Energy Resources Date of Request: 10/26/20
Response Due: 11/5/20

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2019 Offsetting Revenues[1], as filed in the initial petition, and also shown on the tab ***Off Revs – WN – AS FILED***, Cell R196, of ($318,548). Ultimately, however, because MERC has included offsetting revenues equal to $0 for the 2019 true-up, the true-up calculation does not change regardless of whether the old display methodology is applied. Nevertheless, as discussed below, the as-filed methodology most accurately reflects actual 2019 offsetting revenues related to the Rochester area.

The calculated offsetting revenues in the old display format does not reconcile to MERC's calculated 2019 offsetting revenues of ($318,548) because the old display format utilizes year-end customer counts when computing offsetting revenues, and thereby makes the assumption that each month's customer counts by customer class are identical to the year-end customer count. While this would be a reasonable assumption for most years, due to the significant rate schedule changes implemented effective in July 2019, this is not a reasonable assumption when computing offsetting revenues for 2019.

For example, with the implementation of MERC's new rate schedules in July 2019, a total of 12 customers were reclassified to Firm Class 3. Prior to July 2019, there had been zero customers because the Firm Class 3 rate schedule did not exist. While 2019 year-end customer count for Firm Class 3 is 12, those customers and the associated revenues were only present during July – Dec 2019. As a result, it is inaccurate to utilize the old display format, which assumes each month's customer counts are identical to the year-end customer counts. In this example, using the old display format assumes 12 Firm Class 3 customers for each month during 2019, when in fact, those customers were only charged Firm Class 3 rates for 6 months of 2019. The result of assuming year-end customer counts throughout 2019 is an over-estimation of offsetting revenues. In order to accurately reflect the revenues realized as a result of 2019 customer sales, MERC utilized the new display method, which uses Total Annual Customer Counts

[1] Note that while MERC computed negative offsetting revenues, the Company included a value of $0 in the 2019 True-up. Please see MERC's Initial Petition at 37-38.

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for each respective year, and thereby ensuring accurate monthly customer counts by class and accurately reflecting 2019 revenues.

From the tab ***Off Revs-AS FILED-old display***, Cell M229 shows calculated Offsetting Revenues for 2021 of $811,877. This amount reconciles to MERC's calculated 2021 Offsetting Revenues, as filed in the initial petition, and also shown on the tab ***Off Revs – WN – AS FILED***, Cell R199, of $811,877. MERC notes that because both years in the computation of 2021 offsetting revenues (i.e. 2018 forecast baseline and 2021 forecast) are forecast values, the assumption that each month's customer counts are identical to year-end customer counts is reasonable. As shown in the calculation of the 2021 offsetting revenues, the new display method and old display method are computationally the same.

To address the Assigned Analyst's question regarding a difference in actual data presented in Docket No. G011/M-19-608, MERC's 2020 NGEP Rider, in response to Department Information Request No. 1 in comparison to the actual data presented in the Initial Response to this Information Request above:
The weather normalized actual data presented by MERC in Docket No. G011/M-19-608, MERC's 2020 NGEP Rider, in response to Department Information Request No. 1 was based on an assumption of a 15-year weather normalization average period. When conducting the offsetting revenues calculation for the 2021 NGEP Rider, this assumption was updated to utilize a 20-year weather normalization average period. Doing so provides an apples-to-apples assessment of the weather normalized actual data to the weather normalized forecasted data within the offsetting revenues calculation, as the 2018 baseline weather normalized forecasted data, and the 2020 and 2021 weather normalized forecasted data, comes from the sales forecast approved in Docket No. G011/M-15-895, which used a 20-year weather normalization assumption. Because of this change, the 2017 and 2018 weather normalized actuals presented by MERC in Docket No. G011/M-19-608, MERC's 2020 NGEP Rider, in response to Department Information Request No. 1 will not be identical to the 2017 and 2018 weather normalized actuals presented by MERC in its initial response to this information request. As explained in MERC's

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initial response to this information request above, the 2019 weather normalized data presented by MERC in Docket No. G011/M-19-608, MERC's 2020 NGEP Rider, in response to Department Information Request No. 1 consisted of nine months of actual data (which was all that was available at that point in time), and 3 months of forecast data, and will not be identical to the 2019 weather normalized actuals presented by MERC in its initial response to this information request, which consists of 12 months of actuals. Note that the difference in 15-year vs. 20-year weather normalization assumption would apply to the 2019 actual data presented as well.

Thus, while MERC is providing Attachment DOC IR 005_Supplemental_Off Revs_old display to be responsive to the Department's request, the Company continues to advocate that the Offsetting Revenues calculation as provided in MERC Response to Department Information Request No. 1, Attachment DOC IR 001_NGEP Rev Req 2019 True Up_Adjusted.xls, Off Revs-WN tab, in this docket, represents the most reasonable and accurate calculation of actual 2019 offsetting revenues. Ultimately, however, because MERC has included offsetting revenues equal to $0 for the 2019 true-up, the true-up calculation does not change regardless of whether the old display methodology is applied.

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Assumptions: *Weather normalized*
All data for 2016 - 2019 represents actuals, except 2018, which represents the baseline from the 2018 Rate Case, which is the 2018 sales from the Rochester Filing
Data for 2020 - 2021 represents forecast for 2020 and 2021 from the Rochester Filing, translated to new rate schedules based on proration of 2019 (last 6 mos) WN actuals
Rates for 2016, 2017 represent authorized rates for those time periods
Rates for 2018 and after represent final authorized rates from 17-563 (2018 Rate Case)
Transportation Customer Charges include Transport Admin Fee

Residential

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)	2018 Offset True Up
2016	30,645,171	$ 0.21349	$ 6,542,438			467,515	$ 9.50	$ 4,441,393						
2017	35,829,721	$ 0.21349	$ 7,649,287	$ 1,106,849	$ 1,106,849	512,884	$ 9.50	$ 4,872,395	$ 431,002	$ 431,002	$ 1,537,852			
2018	38,499,170	$ 0.21733	$ 8,367,025	$ 717,738	$ 1,824,587	514,944	$ 9.50	$ 4,891,968	$ 19,573	$ 450,575	$ 2,275,162	18 vs 17	$ 737,310	
2018 Actual	41,143,210	$ 0.21733	$ 8,941,654	$ 1,292,367	$ 2,399,216	528,315	$ 9.50	$ 5,018,993	$ 146,597	$ 577,600	$ 2,976,816		$ 1,438,964	$ 701,654
2019	37,063,585	$ 0.21733	$ 8,055,029	$ (311,996)	$ 1,512,591	531,160	$ 9.50	$ 5,046,021	$ 154,053	$ 604,628	$ 2,117,219	19 vs 18	$ (157,943)	
2019	-	$ 0.21733	$ -				$ 9.50	$ -						
2020	39,986,080	$ 0.21733	$ 8,690,175	$ 635,146	$ 2,147,737	534,948	$ 9.50	$ 5,082,006	$ 35,985	$ 640,613	$ 2,788,350			
2021	40,822,380	$ 0.21733	$ 8,871,928	$ 181,753	$ 2,329,490	546,180	$ 9.50	$ 5,188,710	$ 106,704	$ 747,317	$ 3,076,807	21 vs 18	$ 801,645	

Firm Class 1 (Historically Small C&I)

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)	
2016	726,677	$ 0.19298	$ 140,234			11,389	$ 18.00	$ 205,006						
2017	940,984	$ 0.19298	$ 181,591	$ 41,357	$ 41,357	12,108	$ 18.00	$ 217,937	$ 12,931	$ 12,931	$ 54,288			
2018	1,867,810	$ 0.19298	$ 360,450	$ 178,859	$ 220,216	17,916	$ 18.00	$ 322,488	$ 104,551	$ 117,482	$ 337,698	18 vs 17	$ 283,410	
2018 Actual	1,106,264	$ 0.19298	$ 213,487	$ 31,896	$ 73,253	14,056	$ 18.00	$ 253,005	$ 35,068	$ 47,999	$ 121,252		$ 66,964	$ (216,446)
2019	945,372	$ 0.19298	$ 182,438	$ (178,012)	$ 42,204	13,132	$ 18.00	$ 236,382	$ (86,106)	$ 31,376	$ 73,580	19 vs 18	$ (264,119)	
2019	-	$ 0.19298	$ -				$ 18.00	$ -						
2020	841,625	$ 0.19298	$ 162,417	$ (20,021)	$ 22,183	13,782	$ 18.00	$ 248,077	$ 11,696	$ 43,071	$ 65,254			
2021	849,041	$ 0.19298	$ 163,848	$ 1,431	$ 23,614	14,013	$ 18.00	$ 252,232	$ 4,155	$ 47,226	$ 70,840	21 vs 18	$ (266,858)	

Firm Class 2 (Historically Large C&I)

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)	
2016	14,943,606	$ 0.14118	$ 2,109,738			21,813	$ 45.00	$ 981,568						
2017	17,781,501	$ 0.14118	$ 2,510,392	$ 400,654	$ 400,654	24,081	$ 45.00	$ 1,083,637	$ 102,069	$ 102,069	$ 502,723			
2018	19,052,320	$ 0.13904	$ 2,649,035	$ 138,642	$ 539,296	20,220	$ 45.00	$ 909,900	$ (173,737)	$ (71,668)	$ 467,628	18 vs 17	$ (35,095)	
2018 Actual	20,591,727	$ 0.13904	$ 2,863,074	$ 352,681	$ 753,336	22,776	$ 45.00	$ 1,024,931	$ (58,706)	$ 43,362	$ 796,698		$ 293,975	$ 329,070
2019	18,704,600	$ 0.13904	$ 2,600,688	$ (48,347)	$ 490,949	23,785	$ 45.00	$ 1,070,308	$ 160,408	$ 88,740	$ 579,689	19 vs 18	$ 112,061	
		$ 0.13904	$ -				$ 45.00	$ -						
2020	19,256,385	$ 0.13904	$ 2,677,408	$ 76,720	$ 567,670	25,470	$ 45.00	$ 1,146,164	$ 75,856	$ 164,595	$ 732,265			
2021	19,426,071	$ 0.13904	$ 2,701,001	$ 23,593	$ 591,263	25,897	$ 45.00	$ 1,165,359	$ 19,196	$ 183,791	$ 775,054	21 vs 18	$ 307,426	

Firm Class 3

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)
2016	-	$ 0.09518	$ -			-	$ 165.00	$ -					
2017	-	$ 0.09518	$ -	$ -	$ -	-	$ 165.00	$ -	$ -	$ -	$ -		
2018	-	$ 0.09500	$ -	$ -	$ -	-	$ 165.00	$ -	$ -	$ -	$ -	18 vs 17	$ -
2018 Actuals													
2019	387,179	$ 0.09500	$ 36,782	$ 36,782	$ 36,782	57	$ 165.00	$ 9,466	$ 9,466	$ 9,466	$ 46,248	19 vs 18	$ 46,248
		$ 0.09500	$ -				$ 165.00	$ -					
2020	1,192,410	$ 0.09500	$ 113,279	$ 76,497	$ 113,279	156	$ 165.00	$ 25,679	$ 16,213	$ 25,679	$ 138,958		
2021	1,202,918	$ 0.09500	$ 114,277	$ 998	$ 114,277	158	$ 165.00	$ 26,109	$ 430	$ 26,109	$ 140,386	21 vs 18	$ 140,386

Interruptible Class 1

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)	
2016	-	$ -	$ -			-	$ -	$ -						
2017	-	$ -				-	$ -	$ -	$ -	$ -	$ -			
2018	-	$ -				-	$ -	$ -	$ -	$ -	$ -	18 vs 17	$ -	
2018 Actuals														
2019	-	$ -				-	$ -	$ -	$ -	$ -	$ -	19 vs 18	$ -	
2019	-		$ -			-	$ -	$ -						
2020	-	$ -	$ -	$ -	$ -	-	$ -	$ -	$ -	$ -	$ -			
2021	-	$ -	$ -	$ -	$ -	-	$ -	$ -	$ -	$ -	$ -	21 vs 18	$ -	

Interruptible Class 2 (Historically Small Volume)

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)	
2016	1,381,941	$ 0.06973	$ 96,363			185	$ 165.00	$ 30,530						
2017	1,375,916	$ 0.06973	$ 95,943	$ (420)	$ (420)	182	$ 165.00	$ 30,056	$ (474)	$ (474)	$ (894)			
2018	1,668,049	$ 0.07500	$ 125,104	$ 29,161	$ 28,741	193	$ 45.00	$ 8,681	$ (21,375)	$ (21,849)	$ 6,892	18 vs 17	$ 7,786	
2018 Actuals	1,361,953	$ 0.07500	$ 102,147	$ 6,204	$ 5,784	168	$ 45.00	$ 7,560	$ (22,496)	$ (22,970)	$ (17,186)		$ (16,292)	$ (24,078)
2019	1,046,926	$ 0.07500	$ 78,519	$ (46,584)	$ (17,843)	130	$ 45.00	$ 5,853	$ (2,828)	$ (24,677)	$ (42,520)	19 vs 18	$ (49,412)	
2019	-	$ 0.07500	$ -				$ 45.00	$ -						
2020	1,044,921	$ 0.07500	$ 78,369	$ (150)	$ (17,994)	160	$ 45.00	$ 7,200	$ 1,347	$ (23,330)	$ (41,324)			
2021	1,048,678	$ 0.07500	$ 78,651	$ 282	$ (17,712)	160	$ 45.00	$ 7,200	$ -	$ (23,330)	$ (41,042)	21 vs 18	$ (47,934)	

Interruptible Class 3 (Historically Large Volume)

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)	
2016	256,197	$ 0.02562	$ 6,564			28	$ 185.00	$ 5,180						
2017	337,651	$ 0.02562	$ 8,651	$ 2,087	$ 2,087	41	$ 185.00	$ 7,665	$ 2,485	$ 2,485	$ 4,571			
2018	409,341	$ 0.06500	$ 26,607	$ 17,957	$ 20,043	83	$ 165.00	$ 13,710	$ 6,045	$ 8,530	$ 28,573	18 vs 17	$ 24,002	
2018 Actuals	599,105	$ 0.06500	$ 38,942	$ 30,291	$ 32,378	36	$ 165.00	$ 5,940	$ (1,725)	$ 760	$ 33,138		$ 28,567	$ 4,565
2019	455,178	$ 0.06500	$ 29,587	$ 2,979	$ 23,023	52	$ 165.00	$ 8,547	$ (5,163)	$ 3,367	$ 26,390	19 vs 18	$ (2,183)	
2019	-	$ 0.06500	$ -				$ 165.00	$ -						
2020	1,066,239	$ 0.06500	$ 69,306	$ 39,719	$ 62,742	128	$ 165.00	$ 21,120	$ 12,573	$ 15,940	$ 78,682			
2021	1,070,072	$ 0.06500	$ 69,555	$ 249	$ 62,991	128	$ 165.00	$ 21,120	$ -	$ 15,940	$ 78,931	21 vs 18	$ 50,358	

Transport Class 2 (Historically Transport Small Volume)

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)	
2016	1,176,318	$ 0.06973	$ 82,025			135	$ 280.00	$ 37,800						
2017	1,873,477	$ 0.06973	$ 130,638	$ 48,613	$ 48,613	181	$ 280.00	$ 50,680	$ 12,880	$ 12,880	$ 61,493			
2018	1,993,369	$ 0.07500	$ 149,503	$ 18,865	$ 67,478	148	$ 195.00	$ 28,921	$ (21,759)	$ (8,879)	$ 58,599	18 vs 17	$ (2,894)	
2018 Actuals	2,530,970	$ 0.07500	$ 189,823	$ 59,185	$ 107,798	204	$ 195.00	$ 39,780	$ (10,900)	$ 1,980	$ 109,778		$ 48,285	$ 51,180
2019	3,263,782	$ 0.07500	$ 244,784	$ 95,281	$ 162,759	159	$ 195.00	$ 31,011	$ 2,090	$ (6,789)	$ 155,970	19 vs 18	$ 97,371	
2019	-	$ 0.07500	$ -				$ 195.00	$ -						
2020	1,956,544	$ 0.07500	$ 146,741	$ (98,043)	$ 64,716	73	$ 195.00	$ 14,182	$ (16,829)	$ (23,618)	$ 41,098			
2021	1,989,912	$ 0.07500	$ 149,243	$ 2,503	$ 67,219	76	$ 195.00	$ 14,749	$ 567	$ (23,051)	$ 44,168	21 vs 18	$ (14,431)	

Transport Class 3 (Historically Transport Large Volume)

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)	
2016	11,327,439	$ 0.02562	$ 290,209			123	$ 300.00	$ 36,900						
2017	11,458,129	$ 0.02562	$ 293,557	$ 3,348	$ 3,348	130	$ 300.00	$ 39,060	$ 2,160	$ 2,160	$ 5,508			
2018	12,191,380	$ 0.06500	$ 792,440	$ 498,882	$ 502,231	103	$ 315.00	$ 32,323	$ (6,737)	$ (4,577)	$ 497,654	18 vs 17	$ 492,145	
2018 Actuals	16,017,292	$ 0.06500	$ 1,041,124	$ 747,567	$ 750,915	132	$ 315.00	$ 41,580	$ 2,520	$ 4,680	$ 755,595		$ 750,087	$ 257,941
2019	9,269,963	$ 0.06500	$ 602,548	$ (189,892)	$ 312,339	148	$ 315.00	$ 46,633	$ 14,310	$ 9,733	$ 322,071	19 vs 18	$ (175,582)	
2019	-	$ 0.06500	$ -				$ 315.00	$ -						
2020	7,964,991	$ 0.06500	$ 517,724	$ (84,823)	$ 227,515	136	$ 315.00	$ 42,955	$ (3,678)	$ 6,055	$ 233,570			
2021	8,100,831	$ 0.06500	$ 526,554	$ 8,830	$ 236,345	142	$ 315.00	$ 44,673	$ 1,718	$ 7,773	$ 244,118	21 vs 18	$ (253,536)	

Transport Class 4

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)
2016	-	$ 0.01888	$ -			-	$ 185.00	$ -					
2017	-	$ 0.01888	$ -	$ -	$ -	-	$ 185.00	$ -	$ -	$ -	$ -		
2018	-	$ 0.01870	$ -	$ -	$ -	-	$ 335.00	$ -	$ -	$ -	$ -	18 vs 17	$ -
2018 Actuals													
2019	1,743,801	$ 0.01870	$ 32,609	$ 32,609	$ 32,609	15	$ 335.00	$ 5,025	$ 5,025	$ 5,025	$ 37,634	19 vs 18	$ 37,634
2019	-	$ 0.01870	$ -				$ 335.00	$ -					
2020	2,999,661	$ 0.01870	$ 56,094	$ 23,485	$ 56,094	27	$ 335.00	$ 9,136	$ 4,111	$ 9,136	$ 65,230		
2021	3,050,819	$ 0.01870	$ 57,050	$ 957	$ 57,050	28	$ 335.00	$ 9,502	$ 365	$ 9,502	$ 66,552	21 vs 18	$ 66,552

Transport Class 5 (Historically Transport Super Large Volume)

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)	
2016	25,972,810	$ 0.00448	$ 116,358			36	$ 470.00	$ 16,920						
2017	21,001,546	$ 0.00448	$ 94,087	$ (22,271)	$ (22,271)	22	$ 470.00	$ 10,340	$ (6,580)	$ (6,580)	$ (28,851)			
2018	22,345,517	$ 0.00448	$ 100,108	$ 6,021	$ (16,250)	19	$ 510.00	$ 9,455	$ (885)	$ (7,465)	$ (23,715)	18 vs 17	$ 5,136	
2018 Actuals	23,497,547	$ 0.00448	$ 105,269	$ 11,182	$ (11,089)	36	$ 510.00	$ 18,360	$ 8,020	$ 1,440	$ (9,649)		$ 19,202	$ 14,066
2019	30,945,613	$ 0.00448	$ 138,636	$ 38,528	$ 22,278	50	$ 510.00	$ 25,500	$ 16,045	$ 8,580	$ 30,858	19 vs 18	$ 54,574	
2019	-	$ 0.00448	$ -				$ 510.00	$ -						
2020	28,489,591	$ 0.00448	$ 127,633	$ (11,003)	$ 11,275	45	$ 510.00	$ 23,182	$ (2,318)	$ 6,262	$ 17,537			
2021	28,975,471	$ 0.00448	$ 129,810	$ 2,177	$ 13,452	47	$ 510.00	$ 24,109	$ 927	$ 7,189	$ 20,641	21 vs 18	$ 44,357	

Power Gen Class 1

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)
2016	-	$ 0.00448	$ -			-	$ 360.00	$ -					
2017	-	$ 0.00448	$ -	$ -	$ -	-	$ 360.00	$ -	$ -	$ -	$ -		
2018	-	$ 0.07000	$ -	$ -	$ -	-	$ 195.00	$ -	$ -	$ -	$ -	18 vs 17	$ -
2018 Actuals													
2019	3,469	$ 0.07000	$ 243	$ 243	$ 243	4	$ 195.00	$ 864	$ 864	$ 864	$ 1,107	19 vs 18	$ 1,107
2019	-	$ 0.07000	$ -				$ 195.00	$ -					
2020	5,967	$ 0.07000	$ 418	$ 175	$ 418	9	$ 195.00	$ 1,773	$ 909	$ 1,773	$ 2,190		
2021	6,069	$ 0.07000	$ 425	$ 7	$ 425	9	$ 195.00	$ 1,844	$ 71	$ 1,844	$ 2,268	21 vs 18	$ 2,268

Power Gen Class 2 (Historically Transport Super Large Volume)

Time Period	Total Time Period Therm Sales	Distribution Charge less CCRC	Yearly Revenues	Annual Margin Revenues from Sales Growth	Cumulative Margin Revenues	Total Time Period Customer Counts	Customer Charge	Yearly Revenues	Annual Margin Revenues from Customer Growth	Cumulative Margin Revenues	Total Cumulative Margin Revenues		Increase / (Decrease)	
2016	9,310,689	$ 0.00448	$ 41,712			10	$ 470.00	$ 4,700						
2017	9,037,697	$ 0.00448	$ 40,489	$ (1,223)	$ (1,223)	24	$ 470.00	$ 11,280	$ 6,580	$ 6,580	$ 5,357			
2018	9,616,055	$ 0.00448	$ 43,080	$ 2,591	$ 1,368	19	$ 510.00	$ 9,455	$ (1,825)	$ 4,755	$ 6,123	18 vs 17	$ 766	
2018 Actuals	8,903,859	$ 0.00448	$ 39,889	$ (600)	$ (1,823)	24	$ 510.00	$ 12,240	$ 960	$ 7,540	$ 5,717		$ 360	$ (405)
2019	5,477,848	$ 0.00448	$ 24,541	$ (18,539)	$ (17,171)	19	$ 510.00	$ 9,690	$ 235	$ 4,990	$ (12,181)	19 vs 18	$ (18,304)	
2019	-	$ 0.00448	$ -				$ 510.00	$ -						
2020	6,442,936	$ 0.00448	$ 28,864	$ 4,324	$ (12,848)	9	$ 510.00	$ 4,636	$ (5,054)	$ (64)	$ (12,911)			
2021	6,552,818	$ 0.00448	$ 29,357	$ 492	$ (12,355)	9	$ 510.00	$ 4,822	$ 185	$ 122	$ (12,233)	21 vs 18	$ (18,356)	

2018	107,643,010	2,018	553,644
2018 Actuals	115,751,928	2018 Actual	565,747
2019	109,307,317	2,019	568,712

	Total NGEP Cumulative Margin Revenues		Increase / (Decrease)		
2017	$ 2,142,047				
2018	$ 3,654,613	18 vs 17	$ 1,512,565		
2018 Actuals	$ 4,772,159		$ 2,630,112	$ 1,117,546	$ 1,117,546
2019	$ 3,336,064	19 vs 18	$ (318,548)		$ 798,998
2020	$ 4,108,899		$ 454,287		
2021	$ 4,466,490	21 vs 18	$ 811,877		

Sales (MCF) Rochester weather (20 year)

Year	Res	Firm			Interruptible			Transport						
	Residential	Class 1	Class 2	Class 3	Class 1	Class 2	Class 3	Class 2	Class 3	Class 4	Class 5	PG Class 1	PG Class 2	
		Firm Class 1	Firm Class 2	Firm Class 3	Interruptible Class 1	Interruptible Class 2	Interruptible Class 3	Transport Class 2	Transport Class 3	Transport Class 4	Transport Class 5	Power Gen Class 1	Power Gen Class 2	TOTAL
2016 WN Act	3,064,517	72,668	1,494,361	-	-	138,194	25,620	117,632	1,132,744	-	2,597,281	-	931,069	9,574,085
2017 WN Act	3,582,972	94,098	1,778,150	-	-	137,592	33,765	187,348	1,145,813	-	2,100,155	-	903,770	9,963,662
2018 - Orig Fcst	3,849,917	186,781	1,905,232	0	0	166,805	40,934	199,337	1,219,138	0	2,234,552	0	961,605	10,764,301
2018 WN Act	4,114,321	110,626	2,059,173	-	-	136,195	59,910	253,097	1,601,729	-	2,349,755	-	890,386	11,575,193
2019 WN Act	3,706,358	94,537	1,870,460	38,718	-	104,693	45,518	326,378	926,996	174,380	3,094,561	347	547,785	10,930,732
2020 - Orig Fcst	3,998,608	84,162	1,925,638	119,241	0	104,492	106,624	195,654	796,499	299,966	2,848,959	597	644,294	11,124,735
2021 - Orig Fcst	4,082,238	84,904	1,942,607	120,292	0	104,868	107,007	198,991	810,083	305,082	2,897,547	607	655,282	11,309,508
2019 Last 6 mo	1,212,117	27,328	625,261	38,718	-	35,770	36,500	113,740	463,031	174,380	1,656,193	347	374,549	4,757,933

Original forecast per the Rochester filing; assumed to be equivalent to the 2018 rate case forecast

Updated with weather-normalized ("WN") actuals / fixed charge counts

Customer Counts (At Year-End)

Year	Res Residential	Firm Class 1 Firm Class 1	Firm Class 2 Firm Class 2	Firm Class 3 Firm Class 3	Interruptible Class 1 Interruptible Class 1	Interruptible Class 2 Interruptible Class 2	Interruptible Class 3 Interruptible Class 3	Transport Class 2 Transport Class 2	Transport Class 3 Transport Class 3	Transport Class 4 Transport Class 4	Transport Class 5 Transport Class 5	Transport PG Class 1 Power Gen Class 1	Transport PG Class 2 Power Gen Class 2
2016	42,286	1,019	1,979	-	-	15	2	15	13	-	4	-	2
2017	43,149	1,014	2,010	-	-	14	6	16	11	-	2	-	2
2018 - Orig Fcst	42,912	1,493	1,685	0	0	16	7	12	9	0	2	0	2
2018	44,026	1,171	1,898	-	-	14	3	17	11	-	3	-	2
2019	45,117	1,098	2,029	12	-	7	6	8	15	3	5	1	1
2020	44,579	1,149	2,123	13	0	13	11	6	11	2	4	1	1
2021	45,515	1,168	2,158	13	0	13	11	6	12	2	4	1	1
2019 Last 6 mo	45,117	1,098	2,029	12	-	7	6	8	15	3	5	1	1

NGEP Rider 2021 Forecast
Revenue Requirement on NGEP

Line	Description	Reference	2018 Rate Case	2021 Forecast	2021 NGEP ** Adjusted DOC IR 001**
1	Depreciation Expense		$ 109,441	$ 1,031,470	$ 922,029
2	Property Tax Expense		$ 14,000	$ 768,000	$ 754,000
3	O&M Expense		$ -	$ -	$ -
4	Rate Base	Note (1)	$ 11,382,768	$ 33,938,730	$ 22,555,962
4	Advanced Paid Property Tax Offset	Note (5)	$ -	$ -	$ (597,394)
5	ADIT Proration Adjustment		$ -	$ 13,732	$ 13,732
6	Adjusted Rate Base	Note (1)	$ 11,382,768	$ 33,952,462	$ 21,972,300
7	Rate of Return	Note (2)			6.6971%
8	Earnings on Rate Base	Line 6 x Line 7			$ 1,471,507
9	Gross Revenue Conversion Factor	Note (3)			1.402
10	Return on Rate Base	Line 8 x Line 9			$ 2,063,053
11					
12	**Total Revenue Requirement**	**Sum(Line 1 through Line 3) + Line 10**			**$ 3,739,082**
13					
14	Offsetting Project Revenue	Note (4)			$ 811,877
	Offsetting Revenue 2018 True Up				$ 1,117,546
	Offsetting Revenue 2019 True Up				$ (318,548)
15					
16	**2021 Annual Revenue Deficiency**	**Line 12 less line 14**			**$ 2,128,206**
17					
18	**33% of Annual Revenue Deficiency**				**$ 702,308**
19					
20	2019 NGEP True-up: Over/(Under) Recovery	Note (6)			$ (119,303)
21					
22	**Total 2021 Revenue Deficiency, including 2019 True-up**				**$ 821,611**
23					
24	**Total Therms**	Note (7)			**871,608,976**
25					
26					

Line	Class	Rate/Therm	Annual $/Customer
27			
28	**Residential**	$ 0.00268	$ 2.35
29	**Class 1-2 Firm (Sales and Transport)**	$ 0.00134	$ 6.71
30	**Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Electric Gen**	$ 0.00134	$ 68.97
31	**Class 3-4 Firm (Sales and Transport)**	$ 0.00021	$ 38.48
32	**Class 3-4 Interruptible (Sales and Transport) and Class 3 Ag Grain Dryer**	$ 0.00021	$ 142.23
33	**Class 5, FLEX, Transport for Resale, and Class 2 Electric Gen**	$ 0.00021	$ 1,139.85
34	**Direct Connect**	$ 0.00021	$ 6,498.64

Notes
1 13-Month Average Net Plant value
2 Commission Authorized 2018 Rate Case
3 2018 Rate Case Adjusted for Tax Reform
4 Represents incremental customers and sales growth related specifically to the Rochester project at approved rates from the 2018 rate case
5 Docket No. G011/M-19-608, Order Point 1, Cash Working Capital adjustment for incremental Property Tax rate base between 2018 and 2021
6 Adjusted based on MERC's Response to DOC IR 001
7 Weather normalized 2019 sales

Assumptions
1 Assumes no AFUDC, but a return on CWIP in Rate Base
2 Does not assume any Destination Medical Center CIAC
3 Removes contingency per Commission Order Approving NGEP Rider Surcharge with Modifications

2021 NGEP RIDER RATE DESIGN

2021 NGEP Revenue Requirement $ 821,611

			Rate Case Apportionment 1			
	Therm Sales 2019 WN Actual	**Customer Count 2021 Fcst**	**Revenue Apportionment**	**Initial Apportionment**	**Rate/Therm**	**$/Customer**
Residential	191,313,373	218,327	62.5%	$ 513,507	**$ 0.00268**	**$ 2.35**
Firm Sales	122,286,677	23,508	23.5%	$ 193,079	**$ 0.00158**	**$ 8.21**
Interruptible Sales	40,490,539	527	3.5%	$ 28,756	**$ 0.00071**	**$ 54.57**
Transport	122,436,407	200		$ 20,410	**$ 0.00017**	
Class 5, FLEX, Trans for Resale	147,514,622	23	10.5%	$ 24,590	**$ 0.00017**	**$ 373.46**
Direct Connect	247,567,358	8		$ 41,269	**$ 0.00017**	
Michigan Mines	n/a	n/a		n/a	n/a	
	871,608,976	242,593		**$ 821,611**		

			Rate Case Apportionment 2				Option 1				Option 2			
	Therm Sales 2019 WN Actual	**Customer Count 2021 Fcst**	**Revenue Apportionment**	**Initial Apportionment**	**Rate/Therm**	**$/Customer**	**Redistribute**	**Apportionment**	**Rate/Therm**	**$/Customer**	**Redistribute**	**Apportionment**	**Rate/Therm**	**$/Customer**
Residential	191,313,373	218,327	62.5%	$ 513,507	**$ 0.00268**	**$ 2.35**		$ 513,507	**$ 0.00268**	**$ 2.35**		$ 513,507	**$ 0.00268**	**$ 2.35**
Class 1-2 Firm (Sales and Transport)	117,522,457	23,482	23.5%	$ 185,556	**$ 0.00158**	**$ 7.91**		$ 185,556	**$ 0.00158**	**$ 7.91**		$ 157,656	**$ 0.00134**	**$ 6.71**
Class 3-4 Firm (Sales and Transport)	4,764,220	26		$ 7,522	**$ 0.00158**	**$ 289.52**		$ 7,522	**$ 0.00158**	**$ 289.52**		$ 1,021.70	**$ 0.00021**	**$ 38.48**
Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Power Gen	26,404,942	513		$ 5,443	**$ 0.00021**	**$ 10.81**		$ 9,573.05	**$ 0.00036**	**$ 18.53**		$ 35,422	**$ 0.00134**	**$ 68.97**
Class 3-4 Interruptible (Sales and Transport) and Class 3-4 Ag Grain Dryer	142,912,053	211	14.0%	$ 29,459	**$ 0.00021**	**$ 142.23**		$ 51,812.43	**$ 0.00036**	**$ 243.83**		$ 30,647.86	**$ 0.00021**	**$ 142.23**
Class 5, FLEX, Transport for Resale, and Class 2 Power Gen	141,124,573	26		$ 29,091	**$ 0.00021**	**$ 1,139.85**		$ 51,164	**$ 0.00036**	**$ 1,954.03**		$ 30,264.53	**$ 0.00021**	**$ 1,139.85**
Direct Connect	247,567,358	8		$ 51,032	**$ 0.00021**	**$ 6,498.64**		$ 2,476	**$ 0.00001**	**$ 309.46**		$ 53,091.46	**$ 0.00021**	**$ 6,498.64**
Michigan Mines	n/a	n/a		n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a	
	871,608,976	242,593		**$ 821,611**			$ -	**$ 821,611**			$ -	**$ 821,611**		

Proposed:

Customer Class	**Proposed 2021 NGEP Rider Surcharge**	**Average Annual Cost**	**Total $**	**% of 2021 NGEP revenue requirement**
Residential, including Farm Tap	$ 0.00268	$ 2.35	$ 513,507	62.5%
Class 1-2 Firm (Sales and Transport), including Farm Tap	$ 0.00134	$ 6.71	$ 157,656	19.2%
Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Power Gen	$ 0.00134	$ 68.97	$ 35,422	4.3%
Class 3-4 Firm (Sales and Transport), including Farm Tap	$ 0.00021	$ 38.48	$ 1,022	0.1%
Class 3-4 Interruptible (Sales and Transport) and Class 3-4 Ag Grain Dryer	$ 0.00021	$ 142.23	$ 30,648	3.7%
Class 5 (including Farm Tap), FLEX, Transport for Resale, and Class 2 Power Gen	$ 0.00021	$ 1,139.85	$ 30,265	3.7%
Direct Connect	$ 0.00021	$ 6,498.64	$ 53,091	6.5%
Total			**$ 821,611**	100%

NGEP Rider 2021 Forecast
Revenue Requirement on NGEP

Line	Description	Reference	2018 Rate Case	2021 Forecast	2021 NGEP ** Adjusted DOC IR 001**
1	Depreciation Expense		$ 109,441	$ 1,031,470	$ 922,029
2	Property Tax Expense		$ 14,000	$ 768,000	$ 754,000
3	O&M Expense		$ -	$ -	$ -
4	Rate Base	Note (1)	$ 11,382,768	$ 33,938,730	$ 22,555,962
4	Advanced Paid Property Tax Offset	Note (5)	$ -	$ -	$ (597,394)
5	ADIT Proration Adjustment		$ -	$ 13,732	$ 13,732
6	Adjusted Rate Base	Note (1)	$ 11,382,768	$ 33,952,462	$ 21,972,300
7	Rate of Return	Note (2)			6.6971%
8	Earnings on Rate Base	Line 6 x Line 7			$ 1,471,507
9	Gross Revenue Conversion Factor	Note (3)			1.402
10	Return on Rate Base	Line 8 x Line 9			$ 2,063,053
11					
12	**Total Revenue Requirement**	**Sum(Line 1 through Line 3) + Line 10**			**$ 3,739,082**
13					
14	Offsetting Project Revenue	Note (4)			$ 811,877
	Offsetting Revenue 2018 True Up				
	Offsetting Revenue 2019 True Up				
15					
16	**2021 Annual Revenue Deficiency**	**Line 12 less line 14**			**$ 2,927,204**
17					
18	**33% of Annual Revenue Deficiency**				**$ 965,977**
19					
20	2019 NGEP True-up: Over/(Under) Recovery	Note (6)			$ (119,303)
21					
22	**Total 2021 Revenue Deficiency, including 2019 True-up**				**$ 1,085,280**
23					
24	**Total Therms**	Note (7)			**871,608,976**
25					
26					

Line	Class	Rate/Therm	Annual $/Customer
27		Rate/Therm	Annual $/Customer
28	**Residential**	$ 0.00355	$ 3.11
29	**Class 1-2 Firm (Sales and Transport)**	$ 0.00177	$ 8.86
30	**Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Electric Gen**	$ 0.00177	$ 91.10
31	**Class 3-4 Firm (Sales and Transport)**	$ 0.00028	$ 51.31
32	**Class 3-4 Interruptible (Sales and Transport) and Class 3 Ag Grain Dryer**	$ 0.00028	$ 189.65
33	**Class 5, FLEX, Transport for Resale, and Class 2 Electric Gen**	$ 0.00028	$ 1,519.80
34	**Direct Connect**	$ 0.00028	$ 8,664.86

Notes

1 13-Month Average Net Plant value
2 Commission Authorized 2018 Rate Case
3 2018 Rate Case Adjusted for Tax Reform
4 Represents incremental customers and sales growth related specifically to the Rochester project at approved rates from the 2018 rate case
5 Docket No. G011/M-19-608, Order Point 1, Cash Working Capital adjustment for incremental Property Tax rate base between 2018 and 2021
6 Adjusted based on MERC's Response to DOC IR 001
7 Weather normalized 2019 sales

Assumptions

1 Assumes no AFUDC, but a return on CWIP in Rate Base
2 Does not assume any Destination Medical Center CIAC
3 Removes contingency per Commission Order Approving NGEP Rider Surcharge with Modifications

2021 NGEP RIDER RATE DESIGN

2021 NGEP Revenue Requirement $ 1,085,280

			Rate Case Apportionment 1			
	Therm Sales 2019 WN Actual	Customer Count 2021 Fcst	Revenue Apportionment	Initial Apportionment	Rate/Therm	$/Customer
Residential	191,313,373	218,327	62.5%	$ 678,300	$ 0.00355	$ 3.11
Firm Sales	122,286,677	23,508	23.5%	$ 255,041	$ 0.00209	$ 10.85
Interruptible Sales	40,490,539	527	3.5%	$ 37,985	$ 0.00094	$ 72.08
Transport	122,436,407	200		$ 26,960	$ 0.00022	
Class 5, FLEX, Trans for Resale	147,514,622	23	10.5%	$ 32,482	$ 0.00022	$ 493.31
Direct Connect	247,567,358	8		$ 54,513	$ 0.00022	
Michigan Mines	n/a	n/a		n/a	n/a	
	871,608,976	242,593		$ 1,085,280		

			Rate Case Apportionment 2				Option 1				Option 2			
	Therm Sales 2019 WN Actual	Customer Count 2021 Fcst	Revenue Apportionment	Initial Apportionment	Rate/Therm	$/Customer	Redistribute	Apportionment	Rate/Therm	$/Customer	Redistribute	Apportionment	Rate/Therm	$/Customer
Residential	191,313,373	218,327	62.5%	$ 678,300	$ 0.00355	$ 3.11		$ 678,300	$ 0.00355	$ 3.11		$ 678,300	$ 0.00355	$ 3.11
Class 1-2 Firm (Sales and Transport)	117,522,457	23,482	23.5%	$ 245,105	$ 0.00209	$ 10.46		$ 245,105	$ 0.00209	$ 10.46		$ 208,251	$ 0.00177	$ 8.86
Class 3-4 Firm (Sales and Transport)	4,764,220	26		$ 9,936	$ 0.00209	$ 382.97		$ 9,936	$ 0.00209	$ 382.97		$ 1,349.58	$ 0.00028	$ 51.31
Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Power Gen	26,404,942	513		$ 7,190	$ 0.00027	$ 13.90		$ 12,712.79	$ 0.00048	$ 24.71		$ 46,790	$ 0.00177	$ 91.10
Class 3-4 Interruptible (Sales and Transport) and Class 3-4 Ag Grain Dryer	142,912,053	211	14.0%	$ 38,913	$ 0.00027	$ 182.87		$ 68,805.69	$ 0.00048	$ 325.11		$ 40,483.29	$ 0.00028	$ 189.65
Class 5, FLEX, Transport for Resale, and Class 2 Power Gen	141,124,573	26		$ 38,427	$ 0.00027	$ 1,465.52		$ 67,945	$ 0.00048	$ 2,605.38		$ 39,976.95	$ 0.00028	$ 1,519.80
Direct Connect	247,567,358	8		$ 67,410	$ 0.00027	$ 8,355.40		$ 2,476	$ 0.00001	$ 309.46		$ 70,129.44	$ 0.00028	$ 8,664.86
Michigan Mines	n/a	n/a		n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a	
	871,608,976	242,593		$ 1,085,280			$ -	$ 1,085,280			$ -	$ 1,085,280		

Proposed:

Customer Class	Proposed 2021 NGEP Rider Surcharge	Average Annual Cost	Total $	% of 2021 NGEP revenue requirement
Residential, including Farm Tap	$ 0.00355	$ 3.11	$ 678,300	62.5%
Class 1-2 Firm (Sales and Transport), including Farm Tap	$ 0.00177	$ 8.86	$ 208,251	19.2%
Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Power Gen	$ 0.00177	$ 91.10	$ 46,790	4.3%
Class 3-4 Firm (Sales and Transport), including Farm Tap	$ 0.00028	$ 51.31	$ 1,350	0.1%
Class 3-4 Interruptible (Sales and Transport) and Class 3-4 Ag Grain Dryer	$ 0.00028	$ 189.65	$ 40,483	3.7%
Class 5 (including Farm Tap), FLEX, Transport for Resale, and Class 2 Power Gen	$ 0.00028	$ 1,519.80	$ 39,977	3.7%
Direct Connect	$ 0.00028	$ 8,664.86	$ 70,129	6.5%
Total			$ 1,085,280	100%

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
Public Comments

Docket No. G011/M-20-420

Dated this **8th** day of **January 2021**

/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_20-420_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
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St Chicago, IL 60661	Electronic Service	No	OFF_SL_20-420_M-20-420
Joylyn C	Hoffman Malueg	Joylyn.hoffmanmalueg@wecenergygroup.com	Minnesota Energy Resources	2685 145th St W Rosemount, MN 55068	Electronic Service	Yes	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
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-420_M-20-420
Catherine	Phillips	Catherine.Phillips@wecenergygroup.com	Minnesota Energy Resources	231 West Michigan St Milwaukee, WI 53203	Electronic Service	Yes	OFF_SL_20-420_M-20-420
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
Elizabeth	Schmiesing	eschmiesing@winthrop.com	Winthrop & Weinstine, P.A.	225 South Sixth Street Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-420_M-20-420

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_20-420_M-20-420
Colleen	Sipiorski	Colleen.Sipiorski@wecenergygroup.com	Minnesota Energy Resources Corporation	700 North Adams St Green Bay, WI 54307	Electronic Service	Yes	OFF_SL_20-420_M-20-420
Richard	Stasik	richard.stasik@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St - P321 Milwaukee, WI 53203	Electronic Service	Yes	OFF_SL_20-420_M-20-420
Kristin	Stastny	kstastny@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 South 8th St Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_20-420_M-20-420
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_20-420_M-20-420
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_20-420_M-20-420