

October 26, 2020

**PUBLIC DOCUMENT**

Will 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-20-405

Dear Mr. Seuffert:

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

In the Matter of the Petition of Minnesota Energy Resources Corporation [MERC] for Approval of the 2019 Gas Utility Infrastructure Cost [GUIC] Rider True-Up Report, 2021 GUIC Rider Revenue Requirements and Revised Surcharge Factors.

The Application was filed on April 21, 2020 by:

Joylyn Hoffman Malueg  
Project Specialist 3  
231 W. Michigan Street  
Milwaukee, WI 53203

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve MERC's 2021 GUIC Rider and 2019 GUIC Rider True-Up Report, both with modifications.** The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ DOROTHY MORRISSEY  
Financial Analyst

DM/ar  
Attachments

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## Before the Minnesota Public Utilities Commission

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

Docket No. G011/M-20-405

#### I. INTRODUCTION

In 2005, the Gas Utility Infrastructure Cost (GUIC) Recovery mechanism was established under Minn. Stat. § 216B.1635, which was later amended in 2013. The GUIC mechanism allows natural gas utilities to commence rate recovery of certain qualifying projects between general rate cases. Eligible projects can constitute either replacement or modification of existing natural gas facilities, and also can include non-capital expenses such as surveys and assessments. However, to be eligible for recovery through a GUIC Rider, project expenses must meet the following requirements:

- Project costs must be incremental to costs already recovered in base rates;
- Projects cannot serve to increase revenues by connecting new customers to the system; and
- Projects cannot constitute a “betterment” to the system, unless that betterment is required by a political subdivision or federal or state agency.

On April 21, 2020, Minnesota Energy Resources Corporation (MERC or the Company) requested approval from the Minnesota Public Utilities Commission (Commission), effective January 1, 2021, to recover its estimated \$6.65 million revenue requirement for the 2021 test year through a GUIC rider, pursuant to Minn. Stat. § 216B.1635. The \$6.65 million estimate includes recovery of:

- forecasted capital costs,
- forecasted operations and maintenance (O&M) expenses, and
- an under recovery of its 2019 GUIC Rider.<sup>1</sup>

This instant filing is MERC’s third GUIC petition since its last filed general rate case, Docket No. G011/GR-17-563 (17-563 Rate Case), in which final base rates were implemented July 1, 2019.<sup>2</sup> This petition also includes MERC’s first GUIC rider true-up report.

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<sup>1</sup> Petition, p. 1 and Summary of Filing, p. 1.

<sup>2</sup> In MERC’s 17-563 Rate Case, which used a 2018 test year, the Commission’s [Order](#), issued December 26, 2018 approved an approximate \$3.1 million increase in base rate revenues.

MERC's GUIC Project plan for 2021 is focused on its Distribution Integrity Management Program (DIMP)<sup>3</sup>, which involves both capital infrastructure replacement and operating and maintenance projects.<sup>4</sup> Table 1 lists MERC's 2021 GUIC projects, which consist of continuation of previously approved multi-year projects and the introduction of one new project.<sup>5</sup>

Table 1	
MERC 2021 GUIC Projects	Estimated Expenditure \$-millions
<b>Capital projects</b>	<b>\$11.04</b>
Replacement of Obsolete Materials (ongoing)	\$4.70
Right of Way Relocation (ongoing)	\$6.34
<b>Operating and Maintenance Projects</b>	<b>\$3.10</b>
Meter Set Surveys (ongoing)	\$1.0
Sewer Cross Bore Surveys (ongoing)	\$1.0
Excess Flow Valve Costs (ongoing)	\$0.1
Service Line Mapping ( <i>new</i> )	\$1.0
<b>Total Expenditures</b>	<b>\$14.14</b>

## II. BACKGROUND

On February 5, 2019, in Docket No. G011/GR-18-281 (18-281 GUIC or 2019 GUIC), the Commission issued its Order that approved MERC's request to establish a GUIC Rider. On April 25, 2019, the Commission approved MERC's 18-281 GUIC Rider compliance filing. MERC began charging its customers the approved 18-281 GUIC Rider rate on May 1, 2019.

Shortly after implementing the GUIC Rider, on June 28, 2019, MERC filed an emergency request, in its 18-281 GUIC petition, to suspend charging its approved GUIC Rider to certain large-volume Direct Connect customers and to consider whether to transfer recovery from those customers to all other MERC customers through a future true-up filing.<sup>6</sup> On August 26, 2019, the Commission issued an order suspending GUIC Rider surcharge for direct connect customers and directed MERC to address any potential refunds or surcharges in future GUIC filings.

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<sup>3</sup> 49 C.F.R. 192 subpart P, *Gas Distribution Pipeline Integrity Management*, requires establishment of an integrity management plan for distribution pipelines.

<sup>4</sup> Petition, Exhibit G.

<sup>5</sup> Petition, Table 1, p. 12.

<sup>6</sup> Within this emergency request, MERC also sought suspension of its Natural Gas Expansion Project (NGEP) rider charge to its direct connect customers, which the Commission denied (Docket No. G011/M-18-182).

In MERC's second GUIC petition, Docket No. G011/GR-19-282 (19-282 GUIC or 2020 GUIC), the Commission issued its Order on June 18, 2020, approving recovery of projected 2020 test-year GUIC eligible costs. One notable change in this petition was that the rider rate design shifted from a uniform rate design to a rate design built upon the apportionment of revenue approved in MERC's last rate case.

While, herein, the Company has filed its third GUIC petition, MERC indicated that it continues to evaluate the need to file a 2021 test year general rate case.<sup>7</sup> Procedurally, if the Company files a 2021 test-year general rate case, MERC stated that it would update this instant docket and make a proposal to (1) roll all planned capital investments and O&M projects presented here into base rates, and (2) zero out the existing GUIC rider.<sup>8</sup> Effectively, a 2021 test-year general rate case filing would supersede this petition. However, the Department notes that since the filing of this petition, the MERC's 19-282 GUIC petition was decided; and therein, the decision was to allow the existing 2020 GUIC rider rate to be effective through December 31, 2021, to enable MERC to recover the GUIC revenue requirements for prior period (pre-2021) operating years.<sup>9</sup> Thus, the primary focus of these comments is on GUIC cost recovery for 2021, absent a general rate case filing.

### III. SUMMARY OF PROPOSAL

#### A. OVERVIEW

MERC summarized that, in general, its planned GUIC expenditures are to assess the integrity of MERC's system and to proactively repair and replace problematic equipment and materials.<sup>10</sup> MERC concluded that the GUIC Rider promotes the public interest by allowing the utility to pursue work required by state and federal requirements.<sup>11</sup>

The Commission may approve a GUIC Rider if the costs proposed for recovery through the rider are prudently incurred and achieve gas facility improvements at the lowest reasonable and prudent cost to ratepayers, without any double-recovery of costs, which would result in unreasonable rates.<sup>12</sup>

In this Petition, MERC proposed to charge its ratepayers a 2021 annual revenue requirement of approximately \$6.65 million through a GUIC Rider rate effective January 1, 2021. Per statute, the GUIC recovery rider is for projects that are in-service, or are planned to be in service, during

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<sup>7</sup> Petition, p. 74.

<sup>8</sup> Petition, p. 74.

<sup>9</sup> Docket No. G011/M-19-282, *Order Authorizing Rider Recovery and Setting Reporting Requirements*, June 18, 2020, Ordering Point 20.

<sup>10</sup> Petition, p. 5-6 (Summary of Filing)

<sup>11</sup> Petition, p. 5 (Summary of Filing)

<sup>12</sup> Minn. Stat. §§ 216B.1635, subd. 5 and 216B.03.

the period covered by the filing, but were not included in the utility's most recent general rate case.<sup>13</sup>

*B. GUIC PROJECT SUMMARY*

MERC projected that its 2021 expenditures for GUIC eligible activity will total \$14.14 million. Of that total spend, MERC estimated \$11.04 million will be capitalized GUIC project work to be placed in service in 2021, specifically, \$6.34 million for required right-of-way work and \$4.7 million for obsolete materials replacement. MERC also projected a total of \$3.1 million in operating expense spending on GUIC activity. A more detailed distribution of MERC's 2021 projected expenditures across its GUIC projects is summarized in Table 2, below.

The Department discusses below the following categories of costs:

- 1) Right of Way Projects - \$6.34 million in capital
- 2) DIMP - \$4.7 million in capital; \$3.1 in O&M
  - i. Obsolete Materials Replacement Project
  - ii. DIMP Operation and Maintenance (non-capitalized) Projects
    - a. Meter Set Survey (a/k/a Stop Valve Survey)
    - b. Sewer Cross Bore Survey
    - c. Geographic Information System (GIS) Service Line Mapping
    - d. Excess Flow Valve Costs.

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<sup>13</sup> Minn. Stat. § 216B.1635, subd. 1(b)(2).

Table 2

Summary of MERC Estimated Total Expenditures in 2021: (\$ - in Millions)				Capital \$11.04	O&M \$3.10	Total \$14.14
GUIC Project Name				Cost Estimate		
				Units	Capital	O&M
						Project Total
<b>Right-of-Way (ROW) Projects</b>				87	\$6.34	\$6.34
<b>DIMP</b>					\$4.70	\$3.10
						\$7.80
DIMP Project Breakdown				(\$ - in Millions)		
<b>Obsolete Materials Replacement:</b>						
<b>Aldyl-A Mains</b>						
Total Known Main Miles (as of 2020 YE):				375.9		
# of Miles to be Replaced in 2021:				8.1	\$2.15	
<b>Aldyl-A Services</b>						
# of Services to be Replaced in 2021:				605	\$1.43	
<b>X-Trube Services</b>						
Total # Known Services (as of 2020 YE):				923		
# of Services to be Replaced in 2021:				225	\$0.53	
<b>Copper/bare steel services</b>						
Total Known Services (inventory):				n/a		
# of Services to be Replaced in 2021:				35	\$0.09	
<b>Faulty Meter Set valves/equipment</b>				n/a	\$0.50	
# of valves to be Replaced in 2021:				625		
<b>System Risk Assessments:</b>						
<b>Meter Set Survey</b>						\$1.00
<b>Sewer Lateral Survey</b>						\$1.00
<b>GIS Mapping of Service Lines</b>						\$1.00
<b>Excess Flow Valve Customer Outreach (Dkt G999/CI-18-41)</b>						\$0.10
					\$4.70	\$3.10

Source: Petition, Tables 1, 4, and 5

### 1) Right of Way (ROW) Projects

MERC described that Right of Way (ROW) Projects relocate or adjust existing natural gas facilities, at the request of various government jurisdictions, to accommodate public works projects, such as road or sewer work. For its 2021 GUIC Rider cost estimate, MERC proposed to use its actual ROW spend incurred in 2019. MERC's actual 2019 ROW project expenditure of \$6.34 million is just slightly lower than its recent 3-year (2017-2019) average cost experience of \$6.40 million for ROW work.<sup>14</sup> The Company reasoned that because the requested ROW work

<sup>14</sup> Petition, p. 14, Table 2, shows 3-year average of \$6,395,733.

is not controlled by MERC, much of ROW work it will undertake next year is not known in advance of its GUIC petition filings. Therefore, MERC has relied on its historical years' spend as a baseline to project ROW expenditures in the upcoming year.

*2) Distribution Integrity Management Program (DIMP)*

*i. Obsolete Materials Replacement Project*

For 2021 activity, as part of its DIMP, MERC estimated total capital expenditures to be \$4.7 million for the Obsolete Materials Replacement project.<sup>15, 16</sup>

MERC stated that this is a multi-year project, and the majority of this capital spend (\$4.2 million) targets the removal and replacement of pipeline infrastructure made from materials posing known risks; in particular Aldyl-A, copper, and X-Trube pipes.<sup>17</sup> As for bare steel pipelines, MERC stated that it has replaced all known bare steel pipelines on its system; however, if additional bare steel pipe is discovered, the pipe would be immediately scheduled for replacement and costs to do so would be recorded as part of this DIMP Project.<sup>18</sup>

As part of its Obsolete Materials capital work, MERC plans to begin a multi-year replacement of the meter set valves known to fail, and estimated spending \$0.5 million in 2021.<sup>19</sup> Through its ongoing Meter Set Survey activity, MERC thus far has identified 22,067 affected sets in the Rosemount and Rochester service area regions. MERC has estimated an \$800 cost per valve and targets to replace 625 valves in 2021.

MERC's total \$4.7 million capital cost projection for its Obsolete Materials Replacements is based on identified, planned projects to be placed in service in 2021.<sup>20</sup> Table 2, above, includes a summary of this planned 2021 DIMP work, providing both number of units and total cost amounts. For instance, in 2021, MERC plans to replace about 8.1 miles of Aldyl-A mains at an estimated cost of \$2.15 million.<sup>21</sup>

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<sup>15</sup> Petition, p. 21, Table 4.

<sup>16</sup> The federal Pipeline and Hazardous Materials Safety Administration (PHMSA) published rules, 49 C.F.R. Part 192, subpart P that require all system operators to adopt written distribution integrity management plans for distribution pipelines.

<sup>17</sup> Petition, p. 21, Table 4 and Exhibit L.

<sup>18</sup> Petition, Footnote 54 and p. 21.

<sup>19</sup> Petition, p. 29, Rockford Eclipse and Mueller Luboseal valves.

<sup>20</sup> Petition, p. 11.

<sup>21</sup> Aldyl-A pipe was installed in MERC's system from 1960 – 1983. MERC stated that some installed Aldyl-A was classified generically as polyethylene (PE) pipe. See Petition, Footnote 60.

*ii. DIMP Operation and Maintenance (non-capitalized) Projects*

MERC estimated and included a total of \$3.1 million in incremental operating and maintenance (O&M) expense in 2021 for DIMP project work. Table 2, above, lists MERC's four proposed O&M projects and their estimated 2021 costs. Each project is briefly described next.

*a. Meter Set Survey (a/k/a Stop Valve Survey)*

In 2019, MERC began a multi-year initiative to survey all meter sets to assess their valve failure risks; in particular, two types of valves are known to fail, the Rockford Eclipse and Mueller Luboseal valves. MERC anticipates this survey project will be completed in 2021 and included a \$1.0 million expenditure in its revenue request.

*b. Sewer Cross Bore Survey*

In 2014, MERC developed and implemented a Sewer Cross Bore safety plan to address the possible system threat of its gas lines inadvertently being cross-bored through other facilities, such as sewer lines. MERC expanded these efforts beginning in 2019, spending an additional \$1 million over and above the approved amount included in MERC's 2018 base rates test year. MERC proposed to continue this multi-year program effort in 2021, similarly expecting to spend \$1 million over and above the approved base rates level, engaging a third-party contractor to conduct an additional 6,500 surveys at an approximate cost of \$150 per survey. The Commission approved recovery of this additional spending in MERC's prior two GUIC petitions.

*c. Geographic Information System (GIS) Service Line Mapping*

MERC proposed to include \$1.0 million in its 2021 GUIC rider for recovery of a GIS Service Line Mapping project. MERC described this activity as the "next step in the Company's mapping project."<sup>22</sup> MERC stated that its GIS service line mapping project is a multi-year project intended to compile available information and allow the Company to identify additional information necessary to understand and address risks on the Company's system. MERC stated that its approved base rates established from its two most recent rate cases include cost recovery for the earlier phases of this project.<sup>23</sup> The Department notes that those costs continue to be charged in base rates. For the "next step" in the GIS mapping, MERC intends to use a third-party contractor to validate the location of the presumed lines. MERC believes the proposed service line mapping project qualifies as a "gas utility project" under the GUIC Statute, as this work is "necessary to determine the need for replacement or modification of existing infrastructure that is required by federal or state agency."<sup>24</sup>

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<sup>22</sup> Petition, p 34.

<sup>23</sup> Petition, pp. 35-36. Docket No. G011/GR-15-736 included \$400,000 for the service line documentation phase and Docket No. G011/GR-17-563 included \$178,563 recovery to compile information into a database.

<sup>24</sup> Petition, p. 36.



*d. Excess Flow Valve Costs*

In 2016, PHMSA revised regulations to require that natural gas utilities install EFVs if a customer requests one.<sup>25</sup> In Docket G999/CI-18-41, the Commission required gas utilities to conduct outreach, assessments, and installation of EFVs and natural gas service line shut off valves; the Commission also determined that costs arising from this activity are recoverable through the GUIC rider mechanism.<sup>26</sup> MERC initially proposed to include an annual expense of \$101,384 to conduct this outreach over a 5-year period. This instant petition predated the close of MERC's prior GUIC docket, Docket No. G011/M-19-282, in which the Commission approved an annual recovery amount of \$95,049. MERC will update its 2021 GUIC rider revenue requirements accordingly in its Reply Comments.

*C. 2021 REVENUE REQUIREMENTS*

MERC stated that the \$6.65 million proposed revenue requirement, inclusive of the 2019 true-up, to be recovered under the 2021 GUIC Rider is related to costs for two overarching categories of projects, (1) Right of Way, and (2) DIMP- Obsolete Materials. MERC stated that these projects are consistent with the eligibility requirements set forth in Minn. Stat. § 216B.1635 (GUIC Statute), subd. 1(c); that is, these projects are undertaken to comply with:

- 1) federal, state, and local governmental relocation requests of natural gas facilities located in the public right-of-way, and,
- 2) federal and state regulations that require natural gas utilities to implement integrity management programs to assess and improve safety, reliability, and integrity of its natural gas infrastructure.<sup>27</sup>

These two project categories and their proposed costs build upon MERC's prior years' GUIC spending approved by the Commission in its two prior GUIC petitions (Docket No. G011/M-18-281 and M-19-282).<sup>28</sup> MERC stated that the cost recovery sought in its 2021 GUIC Rider filing reflects only incremental costs, return on and of GUIC-eligible capital projects, as well as O&M expenses, over and above costs included in base rates.<sup>29</sup> MERC stated that it will separately track facilities replaced and removed in 2021 and will include an adjustment related to the associated depreciation expense in the true-up to be submitted in 2022 to fully account for that expense.<sup>30</sup>

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<sup>25</sup> 49 C.F.R. Section 192.383.

<sup>26</sup> The Commission specified the customer categories served by each utility that must be met with in-person: K-12 public district (and non-public) school buildings, public and private universities/colleges, hospitals, and multi-unit residential and nursing facilities. Docket No. G999/CI-18-41 Commission Orders issued [August 20, 2018](#) and [July 31, 2019](#).

<sup>27</sup> Petition, p. 1.

<sup>28</sup> Petition, p. 5 (Section F).

<sup>29</sup> Petition, Letter at 2, Summary of Filing at 2.

<sup>30</sup> Petition, p. 40.

In the Petition, Exhibit D, page 1, summarizes that MERC's 2021 proposed \$6.65 million total revenue requirement is recovery for the following:

**Table 3**

<b>MERC 2021 Revenue Requirement Recovery for: \$-millions</b>	
Capitalized Expenditures	\$3.01
O&M	\$3.00
2019 True-up Under-recovery	\$0.64
<b>Total</b>	<b>\$6.65</b>

*D. SALES FORECAST*

MERC stated that it used the same methodology and approach to develop its 2021 sales forecast as it used for the sales forecasts submitted in its most recent general rate case, Docket No. G011/GR-17-563.<sup>31</sup> MERC did not provide a review of that process, nor indicate whether it was accepted by the Commission for use in its GUIC rider. MERC stated that, consistent with prior GUIC filing, Docket No. G011/M-19-282, both Michigan sales and Direct Connect customer sales will be excluded when determining the GUIC rider rates.

*E. MAGNITUDE OF REQUEST, PROPOSED FACTORS, AND RATEPAYER IMPACT*

MERC's last general rate case, Docket No. G011/GR-17-563, used a forecasted 2018 test year, and the Commission-approved revenue increase was \$3.10 million. Thus, MERC proposes to charge its customers in this rider 115% of the amount approved in the Company's most recent rate case; the Department discusses this issue further below. MERC's \$6.65 million GUIC Rider revenue requirement request is a 6.02% increase over the general rate case's total approved margin revenues of \$110.51 million.<sup>32</sup> Further, the Company's 2021 GUIC forecasted \$11.04 million capital expenditure equates to approximately 16% of MERC's actual \$68.62 million capital spend in 2018.<sup>33</sup>

MERC implemented its DIMP in 2011.<sup>34</sup> Figure 1 below is a visual of MERC's approved (and currently requested) revenue requirement increases, since its implementation of a DIMP, through base rate cases and GUIC petition filings.

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<sup>31</sup> Petition, p. 66.

<sup>32</sup> Petition, Exhibit H.

<sup>33</sup> Petition, Exhibit H.

<sup>34</sup> Petition, Footnote 13.

Figure 1<sup>35</sup>

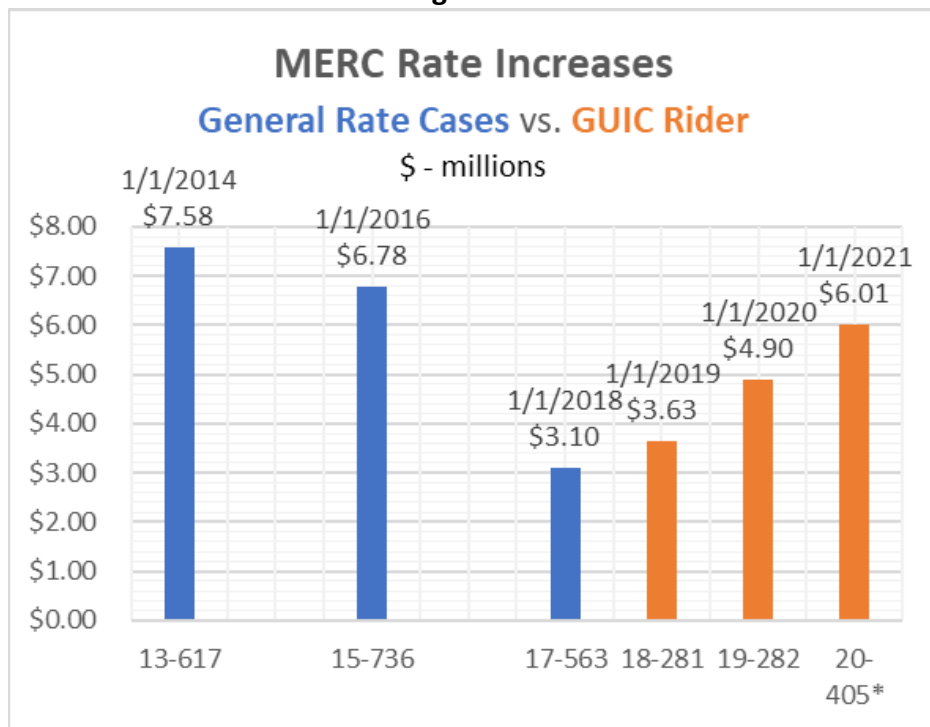


Figure 1 illustrates that the scale of MERC’s 2021 GUIC Rider’s annual revenue requirement is commensurate to MERC’s prior general rate case approved revenue increases.<sup>36</sup>

The GUIC Rider surcharge is a usage-based billed amount. MERC’s proposed apportionment of revenue responsibility across customer groups and its rider rate design is consistent to what was approved in MERC’s prior GUIC riders. From a ratepayer bill perspective, Table 4, below, provides an “as filed” customer impact summary of the revenue requirement request, by customer class, using an average use/throughput per customer.<sup>37</sup> Table 4 also provides, in

<sup>35</sup> The Department’s Figure 1 presents MERC’s 2021 request “as filed”. However, several errors with petition schedules have been uncovered since MERC’s initial filing,

<sup>36</sup> A note on the case-to-case data shown in Figure 1. For the general (base) rate cases, the revenue recovery increases illustrated are revenue changes “over and above” the prior base rate revenue requirement approved amounts. That is, the revenue requirements of each general rate case may be aggregated. Thus, since 2014, the approved base rate changes have collectively increased the annual revenue recovery from ratepayers by \$17.46 million ( $7.58 + 6.78 + 3.10$ ). Whereas for the GUIC rider, the successive year revenue requirement essentially encapsulates/updates the prior years’ GUIC approved revenue recovery; that is, the \$4.90 million approval for 2020 adjusts the rider rate to produce only \$1.27 million ( $\$4.90 - \$3.63$ ) additional revenue over the prior GUIC revenue requirement of \$3.63 million. Nonetheless, the statement above is true - MERC’s 2021 GUIC Rider’s annual revenue requirement is commensurate to MERC’s prior general rate case approved revenue increases.

<sup>37</sup> “As filed” notated because several errors with petition schedules have been uncovered since MERC’s initial filing, which will modify these table results.

percentage terms, how the proposed 2021 GUIC rate compares to current GUIC rider rates as well as to each classes' volumetric base rate.

**Table 4**  
**2021 Proposed Rider Rate Customer Impact, As Filed**

Customer Class	2020 GUIC Rate 1/	2021 GUIC Rate Proposed 2/	2021 Avg. Annual Bill Impact 3/	% Change in Rider Rate (From 2020 to 2021)	Rider Rate Relative to (% of) Volumetric Base Rate 4/
Residential	\$0.01611	\$0.02148	\$19	33.3%	8.7%
Class 1 & 2 Firm (sales & transport)	\$0.00805	\$0.01143	\$57	42.0%	5.1% - 8.2%
Class 1 & 2 Interruptible (sales & transport); Electric Gen. Cls. 1; Class 1-2 Ag. Dry	\$0.00805	\$0.01143	\$459	42.0%	5.9% - 22.0%
Class 3 & 4 Firm (sales & transport)	\$0.00349	\$0.00397	\$762	13.8%	3.2% - 19.2%
Class 3 & 4 Interruptible (sales & transport); Class 3 Ag. Dry	\$0.00349	\$0.00397	\$7,471	13.8%	4.2% - 21.2%
Class 5, Flex, Transport for Resale, Electric Gen. Cls. 2	\$0.00124	\$0.00166	\$1,195	33.9%	4.8% - 37.1%
Direct Connect	\$0.00000	\$0.00000	\$0	0.0%	0.0%
<a href="#">1/ Docket No. G011/M-19-292, Compliance filing (July 22, 2020)</a>					
2/ Petition, Table 17					
3/ Petition, Tables 17 and 21					
4/ See DOC Attachment 1					

The Department discusses bill impact awareness in Section IV.H discussion on magnitude.

#### *F. CUSTOMER NOTIFICATION*

To notify its customers of the update to its GUIC Rider rates, MERC proposed to provide a customer bill message like the notification approved in its prior GUIC filing.<sup>38</sup>

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<sup>38</sup> Petition, p. 3.

### *G. 2019 GUIC TRUE-UP*

This instant filing includes MERC's first GUIC rider true-up report. MERC stated that it spent nearly \$13 million (\$12,967,547) on its GUIC projects in 2019. MERC's Table 9, on page 45 of the petition, summarizes by GUIC project the Company's 2019 actual expenditures.

In Exhibit I, MERC calculated that its actual 2019 GUIC revenue requirement totaled \$2.1 million (\$2,137,457); however, the Company stated that it recovered only \$1.5 million (\$1,497,598), thus under-recovered its calculated requirement by \$0.6 million (\$639,859).<sup>39</sup> MERC included the under-recovery amount in its proposed 2021 GUIC rider revenue requirement request of \$6.65 million. As stated earlier, shortly after MERC implemented its 2019 GUIC Rider charge, the Company sought and was granted approval to suspend charging this rider to its Direct Connect customers;<sup>40</sup> despite this mid-year change, MERC confirmed that the GUIC revenues collected from the direct connect customers prior to the effective date of suspension, remain credited to the 2019 tracker account.<sup>41</sup>

MERC detailed its actual 2019 ROW and Obsolete Material Replacement projects' capitalized costs in Petition Exhibits E and J, respectively. MERC also included actual O&M expense for sewer cross bore surveys and requested to include 2019 O&M expensed ROW work in its 2019 actual revenue requirement calculations and true-up.

### *H. PROPOSED RIDER TERMINATION DATE*

MERC indicated that, should the Company file a general rate case with a 2021 test-year, doing so would supersede this 2021 GUIC Rider recovery request. Procedurally, besides rolling the proposed 2021 GUIC costs into a general rate case, the Company proposed to zero out the rider rate and proposed to include any unrecovered GUIC revenue requirement within its rate case filing, thus eliminating the need for a 2020 GUIC true-up filing. MERC committed to provide supplemental testimony address any true-up recovery through base rates.

MERC acknowledged that the GUIC statute is set to expire June 30, 2023, and as this termination period nears, tariff language and test period term would need to be modified accordingly.

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<sup>39</sup> Petition, p. 45, Table 10.

<sup>40</sup> Commission Order *Suspending GUIC Rider Surcharge for Direct Connect Customers, and Declining to Reopen NGE Cost Rider Docket*, issued August 26, 2019, in Docket No. G011/M-18-281.

<sup>41</sup> DOC Attachment 2 includes MERC response to DOC IR No. 29.

#### IV. DEPARTMENT ANALYSIS

##### A. GENERAL

The Department's review of this petition prompted the discovery of several errors within MERC's filed schedules.<sup>42</sup> Because there were numerous errors, the Department increased its scrutiny of the filing. Even with the corrections to errors we were able to identify, the expanse of errors reduced our level of confidence in the quality of the Company's information.

Minnesota Statute §216B.03 states in relevant part: **"Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable."** Further, the statute provides guidance to the Commission when there is doubt as to whether any rate is reasonable: "Any doubt as to reasonableness should be resolved in favor of the consumer."

To ensure that MERC's filings comply with this fundamental rate-making statute, the Department requests the Commission's support to put the Company on notice that:

- 1) future problematic filings may be rejected upfront, and
- 2) flawed filing such as this one may result in suspension of GUIC rider charge to all customers, as a consumer protection measure, until a clean filing is achieved and the Commission authorizes the GUIC rider to resume.

Notice of this potential interruption may provide the guidance that MERC needs to devote sufficient resources upfront to improve accuracy of future filings.

The following comments of the Department identify issues and our recommended modifications to the Company's request. The absence of a topic among those discussed next, does not prevent a concern to be raised in future petition filings. Finally, the Department notes an issue on magnitude for discussion.

##### B. INTERNAL CAPITALIZED COSTS

MERC included internal costs in its 2019 GUIC true-up and its 2021 GUIC recovery rider.<sup>43</sup>

The Commission has applied a long standing requirement of utilities to exclude internal costs from rider recovery mechanisms.<sup>44</sup> Allowing recovery of internal costs in a rider amounts to

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<sup>42</sup> DOC Attachment 3 includes DOC IR Nos. 12.C, 12.D, 14.C, 14.D, 23, and 24.

<sup>43</sup> DOC Attachment 4 includes DOC IR Nos. 26 and 17.B; and DOC Attachment 5 includes DOC IR No. 32.C.

<sup>44</sup> For example, the Commission denied recovery of internal costs in a rider outside of a rate case in:

- Docket No. E017/M-09-1484. In the Matter of Otter Tail Power Company's Request for Approval of its 2010 Renewable Resource Cost Recovery Adjustment Factor; specifically, DOC comments dated March 17, 2010 and July 9, 2010. In its Order dated August 27, 2010, the Commission denied Otter Tail Power Company's request

double-recovery of costs, first by charging ratepayers a representative amount of costs in base rates and then charging them again for such costs in the rider. Of these numerous Commission decisions, more recent and comparable to this filing is the Commission's decisions in Xcel Gas's GUIC petitions requiring Xcel Gas to remove its internal capitalized costs, inclusive of labor, overheads, transportation and other costs from the GUIC rider.<sup>45</sup> Since MERC is already recovering a representative amount of these costs in base rates, the Department likewise recommends that the Commission require MERC to remove all internal capitalized costs from both its 2019 reported true-up costs and its 2021 proposed revenue requirement.

As the Commission explained in one of its orders:

When Xcel employees are involved in the construction of new facilities, the Company treats their salaries as a capital cost rather than an operation and maintenance (O&M) expense. Xcel included approximately \$1.5 million of capitalized internal labor costs for recovery in its proposed 2012 TCR rider.

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to include capitalized labor and internal costs, subject to future true-up if the Commission determined in Otter Tail's then-pending rate case, Docket No. E-017/GR-10-239, that the amount should be included.

- Docket No. E002/M-09-1488. In the Matter of Xcel Energy's Petition for Approval of Two Proposed Energy Innovation Corridor Projects in the Central Corridor Utility Zone and Deferred Accounting Treatment for Costs Incurred After January 1, 2010; specifically the Commission decided not to determine cost recovery in the rider, sending those issues to Xcel's then-pending rate case, Docket, No. E002/GR-10-971.
- Docket No. E015/M-10-799. In the Matter of Minnesota Power's Petition for Approval of its Transmission Cost Recovery Rider; the Commission's May 11, 2011 Order required Minnesota Power to exclude internal costs from the rider.
- Docket No. E015/M-11-695. In the Matter of Minnesota Power's Petition for Approval of its 2011 Transmission Cost Recovery Rider Factor; the Commission's May 11, 2011 Order required Minnesota Power to exclude internal costs from the rider. The Commission's November 12, 2013 Order required Minnesota Power to "continue to exclude internal capitalized costs" from riders.
- Docket No. E002/M-12-50. In the Matter of Xcel Energy's Petition for Approval of 2012 Transmission Cost Recovery (TCR), Project Eligibility, TCR Rate Factors, and 2011 True-up; the Commission's February 7, 2014 Order required Xcel to removed capitalized costs from the rider.
- Docket No. E017/M-13-103. In the Matter of Otter Tail Power Company's Request for Approval of a Transmission Cost Recovery Rider Including the Proposed Transmission Factor for the Recovery Period from May 2, 2013 to April 30, 2014; the Commission's March 10, 2014 Order required Otter Tail Power to exclude internal costs.
- Docket No. G002/M-17-787. In the Matter of Northern States Power Company d/b/a Xcel Energy's Request for Approval of a Gas Utility Infrastructure Cost Rider True-up Report for 2017, the Forecasted 2018 Revenue Requirements, and Revised Adjustment; the Commission's August 12, 2019 Order required Xcel Gas to exclude internal costs, inclusive of capitalized overhead, transportation and other internal costs.
- Docket No. G002/M-18-692. In the Matter of Northern States Power Company d/b/a Xcel Energy's Request for Approval of a Gas Utility Infrastructure Cost Rider True-up Report for 2018, the Forecasted 2019 Revenue Requirements, and Revised Adjustment; the Commission's January 9, 2020 Order required Xcel Gas to exclude internal costs, inclusive of capitalized overhead, transportation and other internal costs.

<sup>45</sup> Ibid. Xcel Gas removed capitalized labor costs upfront; however, the Commission also ordered other identified internal capitalized costs to be removed.

The Department recommends that the Commission exclude these costs from rider recovery because representative amounts are already being recovered from ratepayers through base rates. Xcel argues that none of the capitalized costs being requested for recovery in the 2012 rider were recovered in the base rates established in the Company's 2011 rate case. The Department agrees that the specific costs of projects completed after 2011 were not included in the 2011 test year but maintains that a representative amount of capitalized internal labor costs were included in 2012 base rates.

Xcel has not shown that capitalized labor costs are not being recovered through base rates.<sup>46</sup>

In other words, a primary concern is that a utility could expense its employee internal labor in a rate case, then later capitalize that same labor in a rider, thus charging ratepayers for those same internal labor costs twice. Specifically, in base rates, the utility would charge its ratepayers for this labor as an operating expense, which is reasonable; however, failure to remove the internal costs in the rider would, *in addition*, result in the utility charging its ratepayers for a return on equity and depreciation on this same labor via its rate base. The same concern would be true of other internal costs. Thus, the Commission correctly disallowed double-recovery of those costs.

In the Order for Otter Tail's Transmission Cost Recovery (TCR) Rider, the Commission twice made the argument that any rider proceeding is an inappropriate place for approving capitalized internal labor costs:

And the Department is also correct that this docket, like any rider update docket, is not an appropriate vehicle for making the exacting factual distinctions necessary to identify any internal labor costs not already included in base rates.<sup>47</sup>

Nor does this, or any other rider proceeding, provide the comprehensive evidentiary development required to permit the Commission to make the factual determinations required to

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<sup>46</sup> Docket No. E002/M-12-50, Commission's February 7, 2014 *Order Approving 2012 TCR Project Eligibility and Rider, Capping Costs, and Modifying 2011 Tracker Report*, page 5. Footnotes omitted.

<sup>47</sup> Docket No. E017/M-13-103. *In the Matter of Otter Tail Power Company's Request for Approval of a Transmission Cost Recovery Rider Including the Proposed Transmission Factor for the Recovery Period from May 2, 2013 to April 30, 2014*. Commission Order dated March 10, 2014, Page 6.



classify individual labor-cost accounts as subject to capitalization or expensing.<sup>48</sup>

The Department likewise concludes that, in this proceeding, MERC should not be allowed to recover through the GUIC Rider costs for which a representative amount is already recovered in base rates. Therefore, the Department recommends that labor, labor burden costs, overhead, and other internal costs not be recovered in the GUIC Rider, since the Company is already recovering representative amounts for these costs in base rates. Consistent with Commission decisions in other rider petitions, the Department recommends that the Commission direct MERC to remove all internal costs from both its 2019 true-up and its 2021 revenue requirements requests.

### *C. OTHER BASE RATE RECOVERY ITEMS*

#### *1. GIS MAPPING PROJECT*

For its 2021 GUIC rider recovery, MERC proposed to include \$1.0 million in annual expense recovery for its GIS Mapping Project. As described by MERC,

MERC's Mapping Project is a comprehensive effort to understand and map MERC's systems and data, and ultimately link the data to the Geographic Information System ("GIS"). The Mapping Project consists of two phases. The first phase relates to developing the mapping systems and data that MERC's field personnel utilize to locate lines, manage outages, determine flow modeling, and undertake other critical infrastructure tasks. To improve the quality and utilization of the mapping systems, the Mapping Project involves verifying as-built drawings and field data. This information will allow MERC to verify age of pipe, materials, fittings, and similar system components, and will support required Department of Transportation reporting. The second phase of the Mapping Project, which began in 2016, involves compiling service line documentation and information into a comprehensive database. This step is the necessary prerequisite to enable future mapping and linkage to MERC's GIS.<sup>49</sup>

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<sup>48</sup> Docket No. E017/M-13-103. *In the Matter of Otter Tail Power Company's Request for Approval of a Transmission Cost Recovery Rider Including the Proposed Transmission Factor for the Recovery Period from May 2, 2013 to April 30, 2014*. Commission Order dated March 10, 2014, Page 6.

<sup>49</sup> Docket No. G011/GR-17-563, *In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, [MERC's Proposed Finding Of Fact](#), Conclusions, and Recommendation, August 7, 2018, Paragraph 191.

MERC's base rates include an annual expense recovery allowance of \$178,563 for its mapping project.<sup>50</sup> The Department recommends that the Commission require MERC to reflect the \$178,563 as an offset to its 2021 GUIC rider revenue requirement to recognize the level of mapping project cost recovery already being charged to ratepayers through its base rates. This reduction is necessary to ensure that just and reasonable rates are charged to ratepayers by charging only for incremental costs and mitigating double recovery from ratepayers.

## 2. ROW WORK TREATED AS EXPENSE

While MERC classified most expenditures for ROW project work as capitalized costs, the Company classified costs for some ROW project work, such as elevation adjustments of existing infrastructure, as O&M expense. MERC indicated that it incurred approximately \$18,000 as "incremental" ROW O&M expensed work in 2019 and requests to include this amount as an eligible recoverable cost in its 2019 true-up.<sup>51</sup>

In response to questions from the Department to disclose the amount of ROW O&M expense included in its base rates, the Company responded,

MERC cannot isolate the requested amount of expenses that were included in the 2018 test year as-filed or in the 2018 test year as-approved that would have been directly attributable to right-of-way relocations.<sup>52</sup>

The Department concludes that, because MERC cannot determine the amount of recovery for ROW O&M expense already being charged to ratepayers through its base rates, MERC cannot support that the \$18,000 ROW work expense incurred in 2019 was incremental. Therefore, the Department recommends that the Commission deny inclusion of any ROW expense work in MERC's GUIC rider recovery, both its 2019 true-up and in its projected 2021 GUIC revenue requirement calculations, as necessary to ensure that just and reasonable rates are charged to ratepayers.

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<sup>50</sup> Docket No. G011/GR-17-563, OAH Docket No. 8-2500-34864, *In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Office of Administrative Law Judge filed Findings of Fact, Summary of Public Testimony, Conclusion of Law, and Recommendation (September 21, 2018), paragraphs 220 – 226, adopted by the Commission in its Findings of Fact, Conclusions and Order issued December 26, 2018.

<sup>51</sup> Petition, p. 52.

<sup>52</sup> DOC Attachment 5 includes response to DOC IR No. 32, Part A.

*D. OVERSTATED COSTS – DOUBLE/TRIPLE COUNTED INVOICED COSTS*

*1. REPORTED ROW SERVICE LINES COSTS*

The Company reported its total actual 2019 capitalized costs for ROW GUIC services work as \$1,513,298.<sup>53</sup>

The Department sampled and tested several invoices for 2019 ROW services work activity listed as GUIC project work.<sup>54</sup> Of the 25 invoiced work requests sampled, the Department found that MERC double/triple counted the same invoiced costs in two out of the twenty-five sampled work requests, and thus overstated its actual 2019 GUIC costs, and consequently, its true-up recovery request.<sup>55</sup> The remaining sampled invoiced amounts matched their reported amounts in the petition. However, the experienced sample error rate of 8% ( $2/25 = 0.08$ ) is material. The Commission may wish to consider conducting a full audit of MERC, at the utility's expense, to examine the Company's systems and its processes in more depth.

Meanwhile, the Department recommends that the Commission, at a minimum, require MERC to reduce its 2019 ROW Services work plant (capital) costs by \$72,000 as a reasonable extrapolation of the monetary error related to MERC's double/triple counting same invoiced costs. The following paragraph explains how this recommended adjustment was calculated.

Regarding the monetary error of the two work requests at issue, as shown in MERC's Exhibit E, MERC reported a total cost for Work Request No. 2884973 as \$6,490 (rounded), though its actual cost was \$2,912, and reported Work Request No. 2900907 cost as \$3,609 (rounded), though its actual cost was \$1,934. Together, the reported costs overstate actual costs by \$5,253. The twenty-five-record sample has a combined reported total cost of \$110,945. Applying the overstated amount against the sample's reported total indicates that the petition schedules have overstated ROW services work requests by 4.73% ( $\$5,253 \div \$110,945 = 0.0473$ ). The ROW Service work cost reported in Exhibit E, page 2, sums to \$1,513,298. Therefore, the Department recommends that MERC remove from its 2019 GUIC true-up, plant-in-service, a total of \$72,000 ( $\$1,513,298 \times 4.73\%$ , rounded). The adjustment should be reflected in the 2021 GUIC rider revenue requirement calculation as well.

Upon the discovery of overstated costs, the Department asked MERC about these errors in DOC IR No. 45, Part I, which follows; however, MERC's response only committed to correct its request by the amount for the two identified, sampled invoices, though the double/triple count reporting problem likely extends beyond these two invoices.

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<sup>53</sup> Petition, Exhibit E, p. 2.

<sup>54</sup> The Department tested 25 of the 683 work request records for ROW services work, with reported costs ranging from \$1,053 to \$8,035.

<sup>55</sup> DOC Attachment 6 includes public response to DOC IR No. 8, Part I and Part O; and DOC Attachment 7 includes response to DOC IR No. 45, part I.

The Department asked in DOC IR No. 45, Part I:

For the following work requests, WR# 2884973 and WR # 2900907, please:

- (1) explain the inconsistency between the total invoiced cost provided as Attachments to DOC IR 8 and the amount reported in Exhibit E for each work request; and explain why this discrepancy occurred;
- (2) - <blank, not used>
- (3) explain the internal processes MERC currently has in place that are relevant to this noted discrepancy;
- (4) discuss what steps are necessary to mitigate recurrence of the reasoned problem; and
- (5) discuss what verification/search MERC can execute at this time that would identify the Work Requests included in Exhibit E that have similar invoicing characteristics, which could have resulted in inaccurate reported cost totals.

MERC's response to DOC IR No. 45, Part I, follows:

- (1) The inconsistency of the total invoiced cost to the amount reported in Exhibit E is the result of the total cost in Exhibit E inadvertently including a cancelled invoice. The correct costs for WR 2884973 are \$2,911.92 and the correct costs for WR 2900907 are \$1,934.15. MERC will provide an update on the 2019 true-up and 2021 revenue requirement with Reply Comments reflecting the actual corrected costs associated with this project.
- (2) <n/a>
- (3) MERC's internal process for compiling service line charges is a manual process. Each service line has a specific work request that is identified with the work being completed: GUIC DIMP or GUIC ROW. As work is completed by our contractor, a monthly report is sent from Contractor Management showing material and labor cost by each WR and the sequence of the invoice (-001, -002, etc). The report does not show the status of the invoice (i.e. if it was cancelled) and we are verifying the programming criteria for this report.
- (4) The necessary steps to mitigate recurrence would be to verify the report criteria sent from Contractor Management. Due to the large number of service replacements completed, the costs for service lines were not reviewed individually. A review of any charges over our normal average will need to be reviewed for

accuracy and, as noted in response to part (3) above, MERC is verifying the programming criteria for the report that is used.

- (5) A new report from Contractor Management can be executed to verify the correct criteria of the service line invoices. Each line item that is approved can be matched to items in the accounting system, SAP. The amount that is charged to the plant account resides in SAP, which also includes applicable taxes on materials purchased from NPL. As noted in MERC's response to Department IR No. 8, taxes are calculated through MERC's accounting system and were not included in Exhibit E for service line projects.

It appears that MERC relied on its "Contractor Management" system for its other reported GUIC projects costs (ROW mains, Obsolete Materials, etc.) in its petition. The Department's recommended adjustment of \$72,000 pertains only to the ROW Services work. However, as discussed next, the Department discovered that MERC's reported costs for its other GUIC projects are also affected by this systematic problem.

## *2. REPORTED OBSOLETE MATERIALS SERVICE LINE COSTS*

The Company reported that its actual 2019 capitalized costs for Obsolete Materials GUIC services work totaled \$1,729,621.<sup>56</sup>

The Department sampled and tested several invoices for 2019 Obsolete Materials services work activity listed as GUIC project work.<sup>57</sup> Of the nine invoiced work requests sampled, the Department discovered that MERC double/triple counted the same invoiced costs in one of the nine records sampled, thus overstating its actual 2019 GUIC costs, and consequently, its true-up recovery request.<sup>58</sup> The remaining sampled invoiced amounts matched their reported amounts in the petition. However, in the Department's opinion the experienced sample error rate of 11% ( $1/9 = 0.11$ ) is material. Again, the Commission may wish to consider conducting a full audit of MERC, at the utility's expense, to examine the Company's systems and its processes.

Meanwhile, the Department recommends that the Commission, at a minimum, require MERC to reduce its 2019 Obsolete Services work plant costs by \$130,000 as a reasonable extrapolation of the monetary error related to MERC's double/triple counting same invoiced costs. The following paragraph explains how this recommended adjustment was calculated.

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<sup>56</sup> Petition, Exhibit J, p. 2.

<sup>57</sup> The Department tested 9 of the 727 work request records for Obsolete Materials services work, with reported costs ranging from \$2,172 to \$6,633.

<sup>58</sup> DOC Attachment 8 includes public response to DOC IR No. 15, Part E; and DOC Attachment 9 includes response to DOC IR No. 48, Part A.

Regarding the monetary error of the record, as shown in MERC's Exhibit J, MERC reported a total cost for Work Request No. 2854592 as \$3,946 (rounded), though actual cost was \$1,181. The reported costs overstate actual costs by \$2,765. The nine-record sample has a combined reported total cost of \$36,737. Applying the overstated amount against the sample's reported total indicates the petition has overstated these work requests by 7.53% ( $\$2,765 \div \$36,737 = 0.0753$ ). The Obsolete Materials Service work cost reported in Exhibit J, page 2, sums to \$1,729,621.

Therefore, the Department recommends that the Commission direct MERC to remove from its 2019 GUIC true-up, plant-in-service, a total of \$130,000 ( $\$1,729,621 \times 7.53\%$ , rounded). The adjustment should be reflected in the 2021 GUIC rider revenue requirement calculation as well.

Upon discovery of this overstatement, the Department asked MERC about this error in DOC IR No. 48, Part A. However, MERC's response only committed to correct for the identified invoice alone in its reply comments, though the reporting problem has been shown to extend beyond this single invoice. Information request DOC IR No. 48, Part A, reads:

Reference WR # 2854592/2775065. Exhibit [J] reports total cost of \$3,496, but the invoices provided in response totals \$1,181. Please explain this variance and provide support for the total cost included in recovery request.

MERC response to DOC IR No. 48, Part A, reads:

The inconsistency of the total invoiced cost to the amount reported in Exhibit [J] is the result of the total cost in Exhibit [J] inadvertently including a cancelled invoice. The correct costs for WR #2854592 is \$1,180.97. MERC will provide an update on the 2019 true-up and 2021 revenue requirement with Reply Comments reflecting the actual corrected costs associated with this project.

The Department's recommended adjustment of \$130,000 pertains only to the Obsolete Materials Services work.

Table 5, below, provides an informational summary of MERC's reported installation costs for mains and services under its two GUIC projects, ROW and Obsolete Materials:

**Table 5**

<b>GUIC Project/Exhibit</b>	<b>Type of Work</b>	<b>Reported Cost Amount</b>
ROW – Exhibit E	Services Installation	\$1,513,298
ROW – Exhibit E	Mains Installation	\$4,433,187
Obsolete Materials – Exhibit J	Services Installation	\$1,729,621
Obsolete Materials – Exhibit J	Mains Installations	\$2,762,399

The Department recommends two adjustments (\$72,000 + \$130,000 = \$202,000) related to MERC's reported services installation costs. MERC's reported main installation costs could have similar overstatement errors, however, the small sample of main installation projects tested by the Department reasonably reflected the reported amounts for the selected work requests. Therefore, the Department does not offer an inaccurate cost reporting adjustment related to main installations at this time. Even so, if MERC is subjected to a Commission required audit, the Company's main installation activity should be included in the audit scope.

*E. BETTERMENT*

The Department recommends that the Commission require MERC to remove **[TRADE SECRET HAS DATA HAS BEEN EXCISED]** of plant from its 2019 true-up and future GUIC recovery rider rates, as a reasonable measurement of costs incurred as a betterment to its system. Per Minn. Stat. § 216B.1635, subd. 1(b)(3),

(b) "Gas utility infrastructure costs" or "GUIC" means costs incurred in gas utility projects that:

(3) do not constitute a betterment, unless the betterment is based on requirements by a political subdivision or a federal or state agency, as evidenced by specific documentation, an order, or other similar requirement from the government entity requiring the replacement or modification of infrastructure.

MERC included and presented as a 2019 ROW-driven project designated as "Q-4605-000919", in connection with a Minnesota Department of Transportation, Rochester County Road 9 project, totaling \$492,085.<sup>59</sup> The GUIC statute qualifies as eligible for rider recovery those costs incurred to replaced facilities located in the public ROW as required by road construction projects.

However, for this Rochester project, invoices show that MERC replaced the existing 3-inch pipeline main in the ROW with a 6-inch pipeline main. The Department does not oppose the action of the Company to seize an opportunity to upgrade its system if it must relocate pipeline due to road construction projects. However, Minnesota Statutes are clear that the cost differential for this betterment does not qualify for recovery through the GUIC mechanism.

The Department requested the Company to provide the cost differential. MERC provided the replacement cost differential between a 4-inch and 6-inch diameter pipe. MERC stated that "3-inch steel is no longer a common or standard pipe size" and that "due to changes in the Rochester system, system modelling indicated a 6-inch steel main would be necessary."<sup>60</sup> This

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<sup>59</sup> Petition, Exhibit E.

<sup>60</sup> Public and Non-public responses to DOC IR Nos. 9 and 47 are provided in Public and Trade Secret DOC Attachment 10, respectively.

Company-provided cost differential serves as the basis for the Department's recommended adjustment amount.

Based on the analysis above, the Department concludes that the downward adjustment to MERC's plant is required to comply with the statute. MERC may seek to recover the cost differential in its next rate case, on a going-forward basis.

*F. INCLUSION OF COSTS FOR WORK DONE IN CONJUNCTION WITH GUIC PROJECT*

*1. Reported ROW Services Costs*

As noted above, the Company reported its actual 2019 capitalized costs for ROW GUIC services work totaled \$1,513,298.<sup>61</sup> As further noted above, the Department sampled and tested several invoices for 2019 ROW services work activity listed as GUIC project work.<sup>62</sup> In this section of the comments, we discuss the issue of "betterment."

Of the 25 invoiced work requests sampled, the Department discovered that 13 of these work orders appear to include the cost of new meters and their installation costs (i.e., invoiced items coded #T120152\*, M101, etc.).<sup>63</sup> Thus, MERC has not appropriately removed non-GUIC eligible costs for work done in conjunction with its ROW-related activity and an adjustment is necessary.

The Department questioned the Company about the inclusion of meter replacement costs in DOC IR No. 45, Parts E, F, G and H, as follows.<sup>64</sup>

- E. Please explain why meter replacement was incurred for these ROW-based replacement projects.
- F. Please explain why these meter replacement costs incurred under the ROW program are included in GUIC recovery.
- G. Please identify the total cost for meter replacement (plant and labor) included in the 2019 ROW project costs.
- H. Please explain the frequency that the MERC's DIMP programs' service line replacements will include meter replacement installations.

The Company responded, essentially stating that costs for new meters would not be included in GUIC. Specifically, the Company responses read as follows (emphasis added):

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<sup>61</sup> Petition, Exhibit E, p. 2.

<sup>62</sup> The Department tested 25 of the 683 work request records for ROW services work, with reported costs ranging from \$1,053 to \$8,035.

<sup>63</sup> DOC Attachment 6 includes public response to DOC IR No. 8, Parts A, F, G, H, I, J, K, N, Q, R, S, T, V.

<sup>64</sup> DOC Attachment 7 includes DOC IR No. 45, parts E, F, G and H.



- E. Any time a service line is replaced, the connected meter is also checked to ensure compliance. The charges included on the referenced invoices are for associated meter repair work that occurs as part of the service line replacement. The meter bar is the most common item replaced to allow for refreshed threads for the meter, which leads to less leak potential in the future. Completing this meter work as part of the service line replacement avoids an additional service shut down to the customer in the future, and is necessary to ensure the meter sets along replacement projects are in compliance with current regulations.
- F. **If a new meter were installed, the materials cost of such new meter would not be included in GUIC recovery costs for these right-of-way replacement projects.** As discussed in MERC's response to part E) above, labor and meter repair work that occurs as part of the service line replacement is included as the meter set is reviewed for compliance as part of the service line replacement, which is GUIC recoverable.
- G. As noted in Part F), **if a new meter were installed as the result of a service line replacement, the material cost of the new meter would not be accounted for as part of the service line project and would not be included in the GUIC Rider.** With respect to the material and labor costs for meter-related work that is undertaken as part of the right-of-way service line replacements and is included in MERC's GUIC recovery, MERC would need to review all line items for every service line replacement to determine an exact amount associated with the 2019 ROW project costs, which would be a significant effort. MERC notes that the meter-related labor and materials costs included are minimal in the overall costs of the service line.
- H. The frequency of meter set replacements as part of DIMP service line replacement projects would be determined based on the current meter set condition and age. Currently, MERC does not track this information and would need to create new reporting queries containing data that would be able to provide a frequency of meter set changes, which would be a significant effort. As noted in Part F), if a new meter were installed as the result of a service line replacement, the material cost of the new meter would not be accounted for as part of the service line project and would not be included in the GUIC Rider.

Thus, the Department recommends that the Commission require MERC to reduce its 2019 ROW Services work plant costs by **[TRADE SECRET DATA HAS BEEN EXCISED]** as a reasonable extrapolation of the adjustment necessary to remove ineligible costs for new meter sets and installation that MERC included in the GUIC rider. The following paragraph explains how this recommended adjustment was calculated.

The Department reviewed the affected invoices and added the cost of the meter set, accessory materials and labor costs, which totaled approximately **[TRADE SECRET DATA HAS BEEN EXCISED]** per work request. About one half of the sampled work requests included costs for new meters and their installation. Applying the new meter and its installation cost amount to one-half of the 683 service work requests incurred in 2019, calculated to the recommended adjustment amount.

The Department recommends that MERC remove from its 2019 GUIC true-up, plant-in-service, this extrapolated cost. The impact of this adjustment should be reflected in the 2021 GUIC rider revenue requirement calculation as well.

## *2. Reported Obsolete Materials Services Costs*

As noted above, the Company reported its actual 2019 capitalized costs for Obsolete Materials GUIC services work totaled \$1,729,621.<sup>65</sup> The Department sampled and tested several invoices for 2019 Obsolete Materials services work activity listed as GUIC project work.<sup>66</sup> Of the nine invoiced work requests sampled, the Department found that six included the cost of new meters and their installation costs (i.e., items coded #T120152\*, M101, etc.).<sup>67</sup>

Because MERC has not appropriately removed non-GUIC eligible costs for work done in conjunction with its ROW-related activity, an adjustment is necessary.

The Department questioned the Company about the inclusion of meter replacement costs in DOC IR No. 48, Parts D, E, and F, as follows.<sup>68</sup>

- D. Please explain why meter replacement was incurred with these Obsolete Materials-based replacement projects.
- E. Please explain why these meter replacement costs incurred under the Obsolete Materials-based program are included in GUIC recovery.
- F. Please identify the total cost for meter replacement (plant and labor) included in the 2019 Obsolete materials project costs.

The Company responded, again essentially stating costs for new meters would not be included in GUIC. Specifically, the Company responses read as follows (emphasis added):

- D. Any time a service line is replaced, the connected meter is also checked to ensure compliance. The charges included on the referenced invoices are for associated meter repair work that occurs as part of the service line

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<sup>65</sup> Petition, Exhibit J, p. 2.

<sup>66</sup> The Department tested 9 of the 727 work request records for Obsolete Materials services work, with reported costs ranging from \$2,172 to \$6,633.

<sup>67</sup> DOC Attachment 8 includes public response to DOC IR No. 15, Parts A, C, D, F, H, and I.

<sup>68</sup> DOC Attachment 9 includes DOC IR No. 48, parts D, E and F.

replacement. The meter bar is the most common item replaced to allow for refreshed threads for the meter, which leads to less leak potential in the future. Completing this meter work as part of the obsolete materials service line replacement is consistent with DIMP regulations and involves the identification and mitigation of known risks. This work is necessary to ensure the meter sets along replacement projects are in compliance with current regulations.

- E. **If a new meter were installed, the materials cost of such new meter would not be included in GUIC recovery costs for these obsolete materials replacement projects.** See response to Part D) above regarding meter-related labor and materials costs included for GUIC rider recovery. These costs qualify as Gas Utility Projects eligible for GUIC rider recovery because they are for the assessment and modification of existing natural gas facilities in accordance with PHMSA's DIMP regulations
- F. Please see MERC's response to DOC IR 45, Part G.

The Department recommends that the Commission require MERC to reduce its 2019 Obsolete Materials plant costs by **[TRADE SECRET DATA HAS BEEN EXCISED]** as a reasonable extrapolation of the adjustment necessary to remove ineligible costs for new meter sets and installation that MERC included in the GUIC rider. The following paragraph explains how this recommended adjustment was calculated.

As noted above, the Department reviewed the affected invoices and added the cost of the meter, accessory materials and labor costs which total approximately **[TRADE SECRET DATA HAS BEEN EXCISED]** per work request. About two-thirds of the sampled work requests included costs for new meters and their installation. Applying the new meter and its installation cost amount to two-thirds of the 727 service work requests incurred in 2019, calculated to the recommended adjustment amount.

The Department recommends that MERC remove from its 2019 GUIC true-up, plant-in-service, this extrapolated cost. The impact of this adjustment should be reflected in the 2021 GUIC rider revenue requirement calculation as well.

#### *G. OTHER ISSUES*

##### *1. 2021 ROW Project Cost Estimate*

In MERC's prior GUIC petition, the Commission allowed MERC to use a 3-year average of actual ROW project costs as the basis for its forecasted GUIC rider. In this petition, MERC proposed to use its actual costs incurred in 2019, which are slightly lower than the 3-year average (2017-2019). MERC proposed use of the lower amount (actual 2019 costs) because (1) it is based on most recent experience, (2) the 2019 costs were down slightly from 2018, and (3) this amount

will be trued up.<sup>69</sup> The Commission has not approved the use of a single historical year in MERC's prior GUIC rider petitions, rather has approved use of a three-year average; however, the Commission could modify its approach slightly by permitting MERC to use the lower of either the most recent year's actual experience or the 3-year average thus resolve in favor of the consumer any doubt as to reasonableness (Minn. Stat. § 216B.03).<sup>70</sup>

## *2. Prorated ADIT in 2019 GUIC Rider True-up*

For true-ups, the Commission approved MERC's proposal regarding Accumulated Deferred Income Tax (ADIT): MERC proposed to adjust the prorated ADIT used for setting 2019 rider rates with the 13-month average of the differences between its forecasted 2019 non-prorated ADIT balances and its actual 2019 non-prorated ADIT balances. However, MERC did not carry out its proposal in its 2019 true-up. In response to Department discovery, MERC committed to correct this error in its Reply Comments.<sup>71</sup>

## *3. Prorated ADIT in 2021 GUIC Rider*

Prorating ADIT is necessary for only the forecasted months of the test period upon which the tariff rate applies. MERC requested an effective date of January 1, 2021 for its 2021 GUIC Rider. However, should the 2021 GUIC Rider rate go into effect later than requested, the Department points out that proration of ADIT would not be required for those months in 2021 preceding the implementation of the 2021 GUIC rate. The Department appreciates MERC's cooperation to limit proration of ADIT to only the months following the effective date of its GUIC rider.

## *4. Sales Forecast*

In MERC's most recent GUIC docket, the Commission ordered MERC to use its most recent year's actual weather normalized sales for its forecasted GUIC rider. The Department recommends that MERC apply this Commission decision to its 2021 GUIC rider as well. Doing so would maintain consistency between MERC's petitions and alleviate potential disagreements between parties regarding forecasting techniques.

The Department requests that MERC provide this information in its reply comments, both on a total Minnesota jurisdictional basis and this same total net of sales to Direct Connect customers. The Department also requests that MERC's Reply include a recalculating of GUIC Rider rates using its most recent year's actual weather normalized sales.

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<sup>69</sup> Petition, pp. 13-14.

<sup>70</sup> In prior MERC GUIC rider petitions, the Department explained its opposition to the basis used by MERC for the ROW forecast because the estimate is not based on specific, identifiable planned utility projects. Docket No. G011/M-19-282, [Department Comments](#), pp. 12-14 (August 23, 2019); Docket No. G011/M-18-281, [Department Comments](#), pp. 3-4 (July 25, 2018).

<sup>71</sup> DOC Attachment 3, pp. 7-9 includes response to DOC IR No. 24.

#### *H. OVERALL LEVEL OF COSTS RECOVERED IN MERC'S RIDERS*

Finally, the Department notes the following for overall discussion, particularly in light of the numerous errors discussed above. The information presented above shows that the magnitude of the proposed revenue requirements for the GUIC rider is commensurate to MERC's recent rate cases, which is unlikely to have been understood at the time the statute was passed. Further, unlike a general rate case, there is little-to-no ratepayer awareness of this pending GUIC rider petition rate change because it is not subject to the same publicity requirements associated with general rate cases.

While the GUIC Statute does not quantify limitations of permissible customer rate increases through this rider mechanism, given the errors and shortcomings discussed above, the Department believes that the Commission could entertain consideration of a measurable rider-recovery limit, potentially as a public interest safeguard.

If any such limitation were instituted at some point, there may be more general rate case filings, which would provide various stakeholders the opportunity to review MERC's collective operations holistically, as well as engage ratepayers through the required, transparent communications.

Thus, the consequence of periodic general rate case filings may not be entirely negative. In fact, installing a rider limit may be well justified, because as pointed out by MERC, the Company anticipates increased DIMP spending in future years.<sup>72</sup> In sum, MERC's anticipated expenditure trend indicates that the GUIC Rider revenue requirement amount will continue to grow beyond this request that already is equivalent to – and in some cases higher than – a general rate case request.

In this petition, besides expected spend increases for existing multi-year GUIC projects, MERC also mentions the possible inclusion of additional project recovery (i.e., farm tap). However, MERC does not offer any quantification, relative or ballpark, on either the upcoming years' recovery needs or timing of additional projects and their recovery needs. Therefore, the Department concludes that MERC's petition has not adequately satisfied the statutory requirement to "file sufficient information to satisfy the commission...includ[ing]...the magnitude and timing of any known future gas utility projects that the utility may seek to recover under this section" [Minn. Stat. § 216B.1635, subd. 4(2)(vi)] in this petition.

The Department requests that MERC provide in its reply comments a more informative quantification of the revenue requirements outlook for the future near-term years, including the proximate onset of new projects and their projected recovery needs, to better fulfill the statutory requirement.

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<sup>72</sup> Petition, Exhibit H.

## V. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

The Department concludes that modifications to MERC's request are necessary and in the public interest in order to establish a just and reasonable rider rate.

The Department requests that the Company provide the following information in its Reply Comments:

- Informative quantification of the revenue requirements outlook for the future near-term years, including the proximate onset of new projects and their projected recovery needs, to better fulfill the statutory requirement Minn. Stat. § 216B.1635, subd. 4(2)(vi);
- Apply the Company proposed true-up method for accumulated deferred income in its 2019 true-up; and
- Most recent year's actual weather normalized sales, both on a total Minnesota jurisdictional basis and this same total net of sales to Direct Connect customers. The Department also requests that MERC's Reply include a recalculating of GUIC Rider rates using its most recent year's actual weather normalized sales.

The Department recommends that the Commission:

- Direct MERC to remove all internal costs from both its 2019 true-up and its 2021 revenue requirements requests. The adjustment should also be reflected in the future GUIC petition true-ups and forecasts;
- Require MERC to reflect \$178,563 as an offset to its 2021 GUIC rider revenue requirement in order to recognize the level of GIS mapping project cost recovery included in its base rates;
- Deny inclusion of any ROW expensed work in MERC's GUIC rider recovery, both its 2019 true-up and in its projected 2021 GUIC revenue requirement calculations;
- At a minimum, require MERC to reduce its 2019 ROW Services work plant (capital) costs by \$72,000 as a reasonable extrapolation of the monetary error related to MERC's double/triple counting same invoiced costs. The adjustment should also be reflected in the 2021 GUIC rider revenue requirement calculation;
- Direct MERC to remove from its 2019 GUIC true-up, plant-in-service, a total of \$130,000 (\$1,729,621 x 7.53%, rounded). The adjustment should also be reflected in the 2021 GUIC rider revenue requirement calculation;
- Require MERC to remove **[TRADE SECRET DATA HAS BEEN EXCISED]** of plant from its 2019 true-up and future GUIC recovery rider rates, as a reasonable measurement of Rochester County Road 9 ROW costs incurred as a

betterment to its system. The adjustment should also be reflected in the 2021 GUIC rider revenue requirement calculation;

- Require MERC to reduce its 2019 ROW Services work plant costs by **[TRADE SECRET DATA HAS BEEN EXCISED]** as a reasonable extrapolation of the adjustment necessary to remove ineligible costs for new meter sets and installation that MERC included in the GUIC rider. The adjustment should also be reflected in the 2021 GUIC rider revenue requirement calculation;
- Require MERC to reduce its 2019 Obsolete Materials plant costs by **[TRADE SECRET DATA HAS BEEN EXCISED]** as a reasonable extrapolation of the adjustment necessary to remove ineligible costs for new meter sets and installation that MERC included in the GUIC rider. The adjustment should also be reflected in the 2021 GUIC rider revenue requirement calculation;
- Require MERC to limit proration of ADIT to only the forecasted months following the effective date of its GUIC rider in this and in all subsequent GUIC rider petitions; and
- Require MERC to use its most recent year's actual weather normalized sales for its forecasted GUIC rider.

The Department raises for Commission consideration the following:

- Modify the Commission's previously approved use of 3-year historical average for basis of ROW costs forecast and instead, permit MERC to use the lower of either the most recent year's actual experience or the most recent years' 3-year average as the baseline for MERC's test-year ROW cost;
- Engage auditors, at the utility's expense, to examine the Company's systems and its processes identifying GUIC work, recoverable costs and GUIC petition requests, in more depth; and
- Establish a measurable rider-recovery limit, potentially as a public interest safeguard.

/ar

Base Rates (volumetric) from Tariff

Sales								Transportation									
	GUIC rate/Base Vol. rate		GUIC rate/Base Vol. rate	Interruptible - CIP	GUIC rate/Base Vol. rate	Interruptible - No CIP	GUIC rate/Base Vol. rate				GUIC rate/Base Vol. rate	Interruptible - CIP	GUIC rate/Base Vol. rate	Interruptible - No CIP	GUIC rate/Base Vol. rate		
Firm		Firm - No CIP						Firm - CIP		Firm - No CIP							
\$	0.24686	8.7%															
\$	0.22251	5.1%		\$	0.15847	7.2%	\$	0.12894	8.9%	\$	0.22251	5.1%	\$	0.19298	5.9%		
\$	0.16857	6.8%		\$	0.10453	10.9%	\$	0.07500	15.2%	\$	0.16857	6.8%	\$	0.13904	8.2%		
\$	0.12453	3.2%		\$	0.09453	4.2%	\$	0.06500	6.1%	\$	0.12453	3.2%	\$	0.09500	4.2%		
\$	0.05016	7.9%		\$	0.04823	8.2%	\$	0.01870	21.2%	\$	0.05016	7.9%	\$	0.02063	19.2%		
\$	0.03486	4.8%	\$	0.00533	31.1%	\$	0.03401	4.9%	\$	0.00448	37.1%	\$	0.03486	4.8%	\$	0.00533	31.1%
\$	0.16357	7.0%		\$	0.09953	11.5%		\$	0.16357	7.0%	\$	0.13404	8.5%	\$	0.09953	11.5%	
\$	0.03486	4.8%	\$	0.00533	31.1%	\$	0.03401	4.9%	\$	0.00448	37.1%	\$	0.03486	4.8%	\$	0.00533	31.1%
\$	0.19357	5.9%		\$	0.12953	8.8%		\$	0.19357	5.9%	\$	0.16404	7.0%	\$	0.12953	8.8%	
\$	0.14554	7.9%		\$	0.08150	14.0%		\$	0.14554	7.9%	\$	0.11601	9.9%	\$	0.08150	14.0%	
\$	0.08860	4.5%		\$	0.05860	6.8%		\$	0.08860	4.5%	\$	0.05907	6.7%	\$	0.05860	6.8%	

**Proposed 2021 GUIC Rates**

Residential	\$	0.02148
Class 1-2 Firm		
(sales/trans)	\$	0.01143
Class 3-4 Firm		
(sales/trans)	\$	0.00397
Class 1-2 Intrp		
(sales/trans), Class 1-2		
Ag Dry, Elec Gen Class 1	\$	0.01143
Class 3-4 Intrp		
(sales/trans), Class 3 Ag		
Dry	\$	0.00397
Class 5, FLEX,		
Trans4Resale, Class 2		
Elect Gen	\$	0.00166





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

**Docket Number:** G011/M-20-405

**Requested From:** Minnesota Energy Resources Corporation

**Type of Inquiry:** General

☐ Nonpublic ☒ Public

Date of Request: 9/25/2020

Response Due: 10/07/2020

**SEND RESPONSE VIA EMAIL TO:** [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

**Phone Number(s):** 651-539-1797

**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.

---

<b>Request Number:</b>	<b>29</b>
Topic:	2019 GUIC charges to Direct Connect customers
Reference(s):	n/a

---

- A. Please provide the total 2019 GUIC Rider revenues billed to Direct Connect customers, from May 1, 2019 until the surcharge was suspended.
- B. Please explain whether MERC has refunded any of the 2019 GUIC rider revenues initially billed to Direct Connect customers, from May 1, 2019 through August 2019, until the surcharge was suspended.
- C. Please explain whether MERC plans to refund any of the 2019 GUIC rider revenues initially billed to Direct Connect customers, from May 1, 2019 through August 2019, until the surcharge was suspended.
- D. Please explain whether the GUIC tracker includes GUIC rider revenues initially billed to Direct Connect customers, from May 1, 2019 through August 2019, until the surcharge was suspended.
- E. Please explain whether MERC has included recovery of any 2019 GUIC rider revenues initially billed to Direct Connect customers, from May 1, 2019 through August 2019 until the surcharge was suspended, through the 2019 GUIC true-up or in any other schedule or mechanism.

**MERC Response:**

- A. \$62,696
- B. MERC has not refunded any of the 2019 GUIC rider revenues initially billed to Direct Connect customers.

---

To be completed by responder

Response Date: October 7, 2020  
Response by: Joylyn Hoffman Malueg  
Email Address: [Joylyn.HoffmanMalueg@wecenergygroup.com](mailto:Joylyn.HoffmanMalueg@wecenergygroup.com)  
Phone Number: 414-221-4208



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---

<b>Request Number:</b>	<b>29</b>
<b>Topic:</b>	2019 GUIC charges to Direct Connect customers
<b>Reference(s):</b>	n/a

---

- C. MERC does not plan to refund any of the 2019 GUIC rider revenues initially billed to Direct Connect Revenues.
- D. The GUIC tracker includes GUIC rider revenues initially billed to Direct Connect customers from May 1, 2019 until the surcharge was suspended.
- E. Please see response to D) above. The 2019 GUIC Rider Revenue Collected, as shown on Exhibit I, Page 1, Line 13 ties to Total Billed Revenue in the GUIC Tracker, as shown on Exhibit I, Page 12. The GUIC rider revenues initially billed to Direct Connect customers from May 1, 2019 until the surcharge was suspended are included within the 2019 GUIC True-up calculation, as shown on Exhibit I, Page 1.

---

To be completed by responder

**Response Date:** October 7, 2020  
**Response by:** Joylyn Hoffman Malueg  
**Email Address:** [Joylyn.HoffmanMalueg@wecenergygroup.com](mailto:Joylyn.HoffmanMalueg@wecenergygroup.com)  
**Phone Number:** 414-221-4208



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Information Request

**Docket Number:** G011/M-20-405

**Requested From:** Minnesota Energy Resources Corporation

**Type of Inquiry:** General

☐ Nonpublic ☒ Public

**Date of Request:** 9/16/20

**Response Due:** 9/28/20

**SEND RESPONSE VIA EMAIL TO:** [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** dorothea.morrissey@state.mn.us

**Phone Number(s):** 651-539-1797

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---

**Request Number:** 12

**Topic:** ROW Project summary and detail information comparisons

**Reference(s):** Exhibit E, pp. 14-20

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**Request:**

Reference Exhibit E, pp. 14-20.

- A. Please confirm whether the type/function of lines being installed and retired on these report pages are service lines.
- B. Please provide the sum total of footage retired (page 20).
- C. Please explain the discrepancy between the sum total reported cost of \$1,520,807, on page 20 and the Exhibit E, page 3 service installed total cost of \$1,513,298.
- D. Please explain the discrepancy between the sum total install footage reported as 56,097, on page 20 and the Exhibit E, page 3 service footage installed total of 55,663.

**MERC Response:**

- A. Yes, Exhibit E, pp 14-20 is reporting on Service Line details.
- B. The sum of Total Footage Retired from page 20 of Exhibit E is 55,457. MERC apologizes for the oversight of not including this total in the exhibit.
- C. MERC has found that four records in the Detailed Services portion of Exhibit J were titled incorrectly, which resulted in those projects being incorrectly categorized as obsolete materials replacement projects when they are in fact right-of-way relocation projects. Additionally, MERC identified seven records in the Detailed Services portion of Exhibit E that were titled incorrectly, resulting in them being incorrectly categorized as right-of-way relocation projects when in fact they are obsolete materials replacement

---

To be completed by responder

**Response Date:** September 28, 2020

**Response by:** Sara Sloan

**Email Address:** [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)

**Phone Number:** 651-322-8920



Minnesota Department of Commerce  
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**Date of Request:** 9/16/20

**Response Due:** 9/28/20

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**Phone Number(s):** 651-539-1797

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---

projects.. The Total Installed Service Cost of \$1,513,298 displayed on page 3 of Exhibit E is correct, and Attachment IR 11\_Exhibit E & J\_Corrections and Updates to MERC's response to DOC IR 11 shows the corrected Detailed Services portion of Exhibit E. Please see Attachment IR 11\_Exhibit E & J\_Corrections and Updates to MERC's response to DOC IR 11.

- D. Please see response to part C). The Total Installed Service Footage of 55,663 displayed on page 3 is correct, and Attachment IR 11\_Exhibit E & J\_Corrections and Updates to MERC's response to DOC IR 11 shows the corrected Detailed Services portion of Exhibit E.

---

To be completed by responder

**Response Date:** September 28, 2020

**Response by:** Sara Sloan

**Email Address:** [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)

**Phone Number:** 651-322-8920



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**Response Due:** 9/28/20

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**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** dorothea.morrissey@state.mn.us

**Phone Number(s):** 651-539-1797

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**Request Number:** 14

**Topic:** Obsolete Materials Project summary and detail information comparisons

**Reference(s):** Exhibit J, pages 14-21

---

**Request:**

Reference Exhibit J, pp. 14-21.

- A. Please confirm whether the type/function of lines being installed and retired on these report pages are service lines.
- B. Please provide the sum total of footage retired (page 21).
- C. Please explain the discrepancy between the sum total reported cost of \$1,722,112, on page 21 and the Exhibit J, page 2 service installed total cost of \$1,729,621.
- D. Please explain the discrepancy between the sum total installed footage reported as 52,837, on page 21 and the Exhibit J, page 2 service footage installed total of 53,271.

**MERC Response:**

- A. Yes, Exhibit J, pp 14-21 is reporting on Service Line details.
- B. The sum of Total Footage Retired from page 21 of Exhibit J is 56,666. MERC apologizes for the oversight of not including this total in the exhibit.
- C. MERC has found that four records in the Detailed Services portion of Exhibit J were titled incorrectly, which resulted in those projects being incorrectly categorized as obsolete materials replacement projects when they are in fact right-of-way relocation projects. Additionally, MERC identified seven records in the Detailed Services portion of Exhibit E that were titled incorrectly, resulting in them being incorrectly categorized as right-of-way relocation projects when in fact they are obsolete materials replacement

---

To be completed by responder

**Response Date:** September 28, 2020

**Response by:** Sara Sloan

**Email Address:** [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)

**Phone Number:** 651-322-8920



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**Type of Inquiry:** General

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**Date of Request:** 9/16/20

**Response Due:** 9/28/20

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**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

**Phone Number(s):** 651-539-1797

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projects. The Total Installed Service Cost of ~~\$1,722,112~~ displayed on page 2 is correct. Please see Attachment IR 11\_Exhibit E & J\_Corrections and Updates to MERC's response to DOC IR 11. for the corrected Detailed Services portion of Exhibits E and J.

- D. Please see response to part C). The Total Installed Service Footage of 53,271 displayed on page 2 is correct. Please see Attachment IR 11\_Exhibit E & J\_Corrections and Updates to MERC's response to DOC IR 11. for the corrected Detailed Services portion of Exhibit J.

---

To be completed by responder

**Response Date:** September 28, 2020

**Response by:** Sara Sloan

**Email Address:** [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)

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**Docket Number:** G011/M-20-405

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**Type of Inquiry:** General

☐ Nonpublic ☒ Public

**Date of Request:** 9/18/2020

**Response Due:** 9/28/2020

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**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** dorothea.morrissey@state.mn.us

**Phone Number(s):** 651-539-1797

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---

**Request Number:** 23  
**Topic:** Revenue Requirement Calculation  
**Reference(s):** Exhibit D, page 1

---

**Request:**

- A. Please verify the accuracy of the "Total Revenue Requirement" (Line 12) formula in this Revenue Requirements schedule, specifically evaluating whether Line 3 amount should or should not be included in the resulting total revenue requirement sum.
- B. Please update Excess Flow Valve recovery amount (Line 3) with the \$95,049 Commission approved amount as decided in Docket G011/M-19-282.

**MERC Response:**

- A. The formula on Line 12 of Exhibit D, page 1, was erroneously excluding the EFV O&M Expense. Please see the attached file Attachment DOC IR 23\_\_GUIC Rev Req 2021\_Corrected.xlsx which corrects this error.

Please also see MERC's responses to DOC IR 17, DOC IR 24, and DOC IR 26, which reference corrections to the 2019 GUIC True-up. The corrections to the 2019 GUIC True-up have changed the 2019 True-up amount, which has been incorporated into Attachment DOC IR 23\_\_GUIC Rev Req 2021\_Corrected.xlsx on the Summary tab, which is representative of Exhibit D, page 1; the 2019 GUIC True-up amount is shown on Line 14.

---

To be completed by responder

**Response Date:** September 28, 2020

**Response by:** Joylyn Hoffman Malueg

**Email Address:** [Joylyn.HoffmanMalueg@wecenergygroup.com](mailto:Joylyn.HoffmanMalueg@wecenergygroup.com)

**Phone Number:** 414-221-4208



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Information Request

**Docket Number:** G011/M-20-405

**Requested From:** Minnesota Energy Resources Corporation

**Type of Inquiry:** General

☐ Nonpublic ☒ Public

**Date of Request:** 9/18/2020

**Response Due:** 9/28/2020

**SEND RESPONSE VIA EMAIL TO:** [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

**Phone Number(s):** 651-539-1797

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---

Additionally, **MERC has found an error on Exhibit D, page 2** when displaying Customer Counts for the Rate Classes of: "Class 3-4 Interruptible (Sales & Transport) and Class 3 Ag Grain Dryer", "Class 5, FLEX, Transport for Resale, and Class 2 Electric Gen", "Direct Connect", and "Michigan Taconites". The correction to these customer counts has been incorporated into the attached file DOC IR 23\_\_GUIC Rev Req 2021\_Corrected.xlsx.

- B. Please see the attached file Attachment DOC IR 23\_\_GUIC Rev Req 2021\_Corrected.xlsx, which incorporates an update to EFV O&M Expense on Line 3 to reflect \$95,049.

---

To be completed by responder

**Response Date:** September 28, 2020

**Response by:** Joylyn Hoffman Malueg

**Email Address:** [Joylyn.HoffmanMalueg@wecenergygroup.com](mailto:Joylyn.HoffmanMalueg@wecenergygroup.com)

**Phone Number:** 414-221-4208





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

Docket Number: G011/M-20-405

Requested From: Minnesota Energy Resources Corporation

Type of Inquiry: General

☐ Nonpublic ☒ Public

Date of Request: 9/18/2020

Response Due: 9/28/2020

SEND RESPONSE VIA EMAIL TO: [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

Assigned Analyst(s): Dorothy Morrissey

Email Address(es): [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

Phone Number(s): 651-539-1797

**ADDITIONAL INSTRUCTIONS:**

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**Request Number:** 24  
**Topic:** True Up procedure for ADIT  
**Reference(s):** Exhibit I and Dkt G011/M-19-282

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**Request:**

In MERC's GUIC filing docket 19-282, the Company stated

The rate base computations compute rate base on a 13-month average of all components, including ADIT. In the forecast period, the 13-month average federal ADIT is replaced with the prorated federal ADIT. This forecasted 13-month average/prorated difference cannot be reversed in the true-up, because such reversal would be "economically equivalent to not applying the proration formula in the first place." **For the true-up, the forecasted ADIT in rate base will be adjusted by the 13-month average of the difference between the actual and forecasted, un-prorated ADIT balances.** The same result can be achieved by reducing the actual 13-month average balance by the difference between the forecasted prorated federal ADIT and the forecasted 13-month federal ADIT. Either computation will preserve the original federal ADIT proration, as prescribed in the federal regulations. [emphasis added]

Please point to where in this petition the above described ADIT adjustment procedure is detailed for the 2019 true up and provide a breakdown of the application of this particular true-up adjustment included in the petition's schedules.

---

To be completed by responder

Response Date: September 28, 2020

Response by: Todd Nelson

Email Address: [Todd.Nelson@wecenergygroup.com](mailto:Todd.Nelson@wecenergygroup.com)

Phone Number: 920-433-1795



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

**Docket Number:** G011/M-20-405

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**Email Address(es):** dorothea.morrissey@state.mn.us

**Phone Number(s):** 651-539-1797

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**Response:**

MERC has found two errors in Exhibit I, which is the 2019 GUIC True-up. First, the deferred income tax proration true-up adjustment was not properly computed in Exhibit I, the GUIC 2019 True-up (i.e. the same formula utilized in the forecast revenue requirement model was used in the actual revenue requirement model). Second, \$0 were applied in the GUIC Rider true-up revenue requirements calculation.

Please see the attached file Attachment DOC IR 24\_\_GUIC Rev Req 2019\_True-up\_Corrected.xlsx. The ADIT proration true-up computation has been updated to properly compute the adjustment of \$5,204 (i.e. the original adjustment of \$2,623, plus the true-up of \$2,581), per the language in our GUIC filing in Docket G011/M-19-282. This computation can be found on the tab labeled "ADIT Proration True-up". Additionally, to alleviate any confusion, the proration computations shown on the tabs labeled "ADIT Mains", "ADIT Services", and "ADIT Stations" in the attachment have been noted as being "valid for forecasts only."

In addition, while reviewing this information request, it was discovered that actual book asset activity included more than additions and book depreciation, which were the assumption in the forecast. Actual book asset activity included additions, retirements, depreciation expense, and cost of removal. For tax purposes, the initial calculation treated the book cost and book reserve activity as additions and depreciation expense, which is not correct tax treatment. The revised computation correctly accounts for the tax treatment of the book activity. Tax cost additions equal book cost additions and tax depreciation is calculated on the correct basis. Tax retirements are zero (assumed to be fully depreciated). Book removal expenditures are properly treated as a current tax deduction. The impacting result is a change in the 13-month average deferred tax liability, and an increase in rate base before deferred income tax proration.

Please also see MERC's responses to DOC IR 17 and DOC IR 26, which reference additional corrections to

---

To be completed by responder

**Response Date:** September 28, 2020

**Response by:** Todd Nelson

**Email Address:** [Todd.Nelson@wecenergygroup.com](mailto:Todd.Nelson@wecenergygroup.com)

**Phone Number:** 920-433-1795



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---

the 2019 GUIC True-up that are incorporated into the attached file Attachment DOC IR 24\_\_GUIC Rev Req 2019\_True-up\_Corrected.xlsx

---

To be completed by responder

**Response Date:** September 28, 2020

**Response by:** Todd Nelson

**Email Address:** [Todd.Nelson@wecenergygroup.com](mailto:Todd.Nelson@wecenergygroup.com)

**Phone Number:** 920-433-1795



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---

**Request Number:** 26  
**Topic:** Internal Costs  
**Reference(s):** n/a

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**Request:**

- A. Please identify all internal costs and their amounts included in the requested GUIC rider O&M recovery for the 2021 test year.
- B. For each placed-in-service year, please identify all internal costs and their amounts included in the requested GUIC rider capital cost recovery for the 2021 test year.
- C. Please identify all internal costs and their amounts included as O&M expense in the stated 2019 GUIC rider actual revenue requirement.
- D. Please identify all internal costs and their amounts included as capital cost recovery in the stated 2019 GUIC rider actual revenue requirement.

**MERC Response:**

- A. MERC did not include any internal costs associated with the GUIC rider O&M recovery filed for 2021.
- B. Internal costs included in the 2021 GUIC capital project forecast are forecasted at \$993,600. This forecasted amount is based on 2019 actual internal costs, with a 3% increase for inflation. These costs

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To be completed by responder

**Response Date:** September 28, 2020  
**Response by:** Lindsay Lyle  
**Email Address:** lindsay.lyle@minnesotaenergyresources.com  
**Phone Number:** 651-322-8909



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

**Docket Number:** G011/M-20-405

**Requested From:** Minnesota Energy Resources Corporation

**Type of Inquiry:** General

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**Date of Request:** 9/18/2020

**Response Due:** 9/28/2020

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**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** dorothea.morrissey@state.mn.us

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are inclusive of direct labor related to project design, project management, etc.; indirect labor such as benefits and payroll taxes attributable to the direct labor charged to GUIC projects; fleet overhead costs for the use of vehicles in GUIC projects; real estate overhead charges, which account for where an employee's work location resides, and corporate overhead costs related to property accounting costs.

- C. O&M expense stated in the 2019 GUIC rider actual revenue requirement is due 100% to external labor. Any internal labor charged for this O&M portion was accounted for separately and not included in the Company's GUIC rider recovery request.
- D. Internal costs included in the capital costs from 2019 GUIC rider were \$713,950.64. This is inclusive of direct labor, indirect labor, and associated loaders, as discussed in response to (B) above.

Please also note that while completing this Information Request, MERC has realized its oversight of not including GUIC related Internal Labor costs of \$346,129 for Services for 2019 in Exhibit D. Note that Internal Labor costs for services are not assigned to individual service projects, and therefore are not able to be included in the information provided in Exhibit E and Exhibit J. Please refer to MERC's response to DOC IR 17, which provides the amount of Internal Labor for Services for 2019 by ROW and Obsolete. Please refer to MERC's response to DOC IR 23, and DOC IR 24, which provides corrected 2019 capital data for Services being inclusive of these associated Internal Labor costs.

---

To be completed by responder

**Response Date:** September 28, 2020

**Response by:** Lindsay Lyle

**Email Address:** lindsay.lyle@minnesotaenergyresources.com

**Phone Number:** 651-322-8909



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

**Docket Number:** G011/M-20-405

**Requested From:** Minnesota Energy Resources Corporation

**Type of Inquiry:** General

☐ Nonpublic ☒ Public

**Date of Request:** 9/16/20

**Response Due:** 9/28/20

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**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** dorothea.morrissey@state.mn.us

**Phone Number(s):** 651-539-1797

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---

**Request Number:** 17

**Topic:** Project Summary totals compared to Year End totals

**Reference(s):** Exhibit E, page 2; Exhibit J, page 2; and Exhibit D, pages 2 and 7

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**Request:**

Reference Exhibit E, page 2, Exhibit J, page 2 and Exhibit D, pages 2 and 7.

- A. Please explain and illustrate how the total combined DIMP projects' cost for main replacement/relocation work from Exhibits E and J reconciles to the 2019 year-end main plant total of \$6,806,800 reported in Exhibit D, page 4.
- B. Please explain and illustrate how the total combined DIMP projects' cost for service line replacement/relocation work from Exhibits E and J reconciles to the 2019 year-end service line plant total of \$2,820,453 reported in Exhibit D, page 7

**MERC Response:**

- A. Exhibit D, page 4 shows Additions of \$6,806,800. This amount is already net of Retirements. Plant Additions are \$7,565,052, and when netted with Retirements of \$758,252, arrives at Net Plant of \$6,806,800.

The Totals shown in Exhibit E, page 2 and 3, and Exhibit J, page 2, do not include retirements, but it does include removal costs. Note that removal costs are accounted for in Accumulated Depreciation in the Rate Base of Exhibit D, therefore only the Main Installation Cost and Main Internal Labor Costs shown in Exhibits E & J would be an accurate comparison to the Plant total on Exhibit D. Please see the reconciliation below.

---

To be completed by responder

**Response Date:** September 28, 2020

**Response by:** Joylyn Hoffman Malueg

**Email Address:** [Joylyn.HoffmanMalueg@wecenergygroup.com](mailto: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-20-405

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**Type of Inquiry:** General

☐ Nonpublic ☒ Public

**Date of Request:** 9/16/20

**Response Due:** 9/28/20

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**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** dorothea.morrissey@state.mn.us

**Phone Number(s):** 651-539-1797

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			Main Installation Cost	Main Internal Labor Cost	Sub-Total
2019	ROW	Exhibit E, page 2/3	\$ 4,433,187	\$ 158,457	\$ 4,591,644
2019	Obsolete	Exhibit J, page 2	\$ 2,762,399	\$ 209,364	\$ 2,971,763
			<b>\$ 7,195,585</b>	<b>\$ 367,822</b>	<b>\$ 7,563,407</b>
				Plant in Service Additions	<b>\$ 7,565,052</b>
				Difference	<b>\$ (1,645)</b>

The \$1,645 difference is attributable to minor discrepancies and rounding.

- B. Exhibit D, page 7 shows Additions of \$2,820,453. This amount is already net of Retirements. Plant Additions are \$3,361,606, and when netted with Retirements of \$541,154, arrives at Net Plant of \$2,820,453.

The Totals shown Exhibit E, page 2, and Exhibit J, page 2, show total Additions of \$3,242,917. The Totals shown in Exhibits E & J do not include retirements.

Please see the reconciliation below. The difference is attributable to Non-GUIC projects that were erroneously included in 2019 values shown in Exhibit D. Please see also see MERC's responses to DOC IR 23, DOC IR 24, and DOC IR 26. The corrected 2019 GUIC True-up amount has been incorporated into Attachment DOC IR 23\_\_GUIC Rev Req 2021\_Corrected.xlsx to DOC IR 23, and also accounts for the correction of 2019 values shown in Exhibit D to exclude the Non-GUIC projects, along with additional corrections discussed in those responses. Note that MERC's response to DOC IR 26 explains MERC's oversight of not including GUIC related Internal Labor costs for Services for 2019 in Exhibit D. Those Service Internal Labor costs are referenced below.

To be completed by responder

**Response Date:** September 28, 2020

**Response by:** Joylyn Hoffman Malueg

**Email Address:** [Joylyn.HoffmanMalueg@wecenergygroup.com](mailto:Joylyn.HoffmanMalueg@wecenergygroup.com)

**Phone Number:** 414-221-4208



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			Service Installation Cost		Service Internal Labor Cost	Sub-Total
2019	ROW	Exhibit E, page 2	\$ 1,513,297		\$ 167,991	\$ 1,681,288
2019	Obsolete	Exhibit J, page 2	\$ 1,729,620		\$ 178,138	\$ 1,907,758
			\$ 3,242,917		\$ 346,129	\$ 3,589,046
		Plant in Service Additions	\$ 3,361,607			
		Difference	\$ (118,690)			

To be completed by responder

**Response Date:** September 28, 2020

**Response by:** Joylyn Hoffman Malueg

**Email Address:** [Joylyn.HoffmanMalueg@wecenergygroup.com](mailto:Joylyn.HoffmanMalueg@wecenergygroup.com)

**Phone Number:** 414-221-4208





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**Docket Number:** G011/M-20-405

**Requested From:** Minnesota Energy Resources Corporation

**Type of Inquiry:** General

☐ Nonpublic ☒ Public

Date of Request: 9/25/2020

Response Due: 10/07/2020

**SEND RESPONSE VIA EMAIL TO:** [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

**Phone Number(s):** 651-539-1797

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**Request Number:** 32  
**Topic:** ROW Project Costs  
**Reference(s):** G011/GR-17-563, 2018 and 2019

---

**Request:**

- A. Please provide the total expensed amount for right-of-way relocation work included in the initially filed 2018 test year in Docket G011/GR-17-563.
- B. Please provide the total expensed amount for right-of-way relocation work included in the Commission-approved 2018 test year in Docket G011/GR-17-563.
- C. For each of the years, 2018 - 2019, please provide the actual total amount expensed for right-of-way relocation work.
- D. In 2019, for all the right-of-way relocation work that was treated as an expense, please provide a list of all work orders and their ROW expense amount.

**MERC Response:**

- A. In general, MERC utilized actual cost data from 2016 to develop its 2018 test year rate case as-filed and the Commission used actual cost data from 2017 in the development of the 2018 test year rates. O&M expenses incurred in 2016 and 2017 related to right-of-way relocations were not flagged as right-of-way relocation costs, they were simply charged to general O&M categories. Only the capitalized components of those projects were tracked as related to right-of-way relocation work. Thus, MERC cannot isolate the requested amount of expenses that were included in the 2018 test year as-filed or in the 2018 test year as-approved that would have been directly attributable to right-of-way relocations.

---

To be completed by responder

Response Date: October 7, 2020

Response by: Mary Wolter

Email Address: [mary.wolter@wecenergygroup.com](mailto:mary.wolter@wecenergygroup.com)

Phone Number: 414-221-2374



**Minnesota Department of Commerce**  
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**Date of Request:** 9/25/2020

**Response Due:** 10/07/2020

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**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

**Phone Number(s):** 651-539-1797

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Once MERC received approval for GUIC treatment of right-of-way relocations in 2019, MERC began flagging all costs related to these projects and indicating which costs were capital and which costs were expense. The majority of the right-of-way relocation costs included in the reconciliation for 2019 GUIC-recovery are capital. In 2019, four of MERC's completed road project relocations totaled \$17,954.91 in contractor labor, which was assigned to O&M in the 2019 GUIC-recovery (see MERC's filing petition at pages 50-51). Note that there was also an internal labor expense of \$1,404.46 attributable to these four projects, which MERC ensured was excluded from the 2019 GUIC filing for recovery, as these costs would be accounted for in the Company's base rates.

In completing this Information Request, MERC identified the omission of the \$17,954.91 from the 2019 GUIC true-up recovery calculation. MERC will incorporate this additional O&M in the updated 2019 GUIC true-up model and 2021 revenue requirement model the Company is planning to provide with Reply Comments. MERC has provided justification for inclusion of this O&M in the Initial petition, but had inadvertently omitted it from the 2019 GUIC revenue requirements model.

- B. Please see the response to (A) above.
- C. In 2019, MERC completed four road project relocations that totaled \$17,954.91 in contractor labor. MERC also attributes an internal labor expense of \$1,404.46 to these projects, which was not included in the filing for recovery as such costs are accounted for in the Company's base rates.
- D. In 2019, MERC completed four road project relocations that were determined to be O&M. These projects were discussed in MERC's filing petition at pages 50-51. In all four cases, the Company's construction contractor was able to avoid conflict with the road project by modifying the existing piping (via lowering). Additional information on these projects is provided in the table below.

---

To be completed by responder

**Response Date:** October 7, 2020

**Response by:** Mary Wolter

**Email Address:** [mary.wolter@wecenergygroup.com](mailto:mary.wolter@wecenergygroup.com)

**Phone Number:** 414-221-2374



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**Email Address(es):** [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

**Phone Number(s):** 651-539-1797

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WBS Element	WR #	Project Name	External Services Construction Cost
Q-4605-000903	2891484	CL-GUIC FLOODWOOD HWY 73 ROAD PROJECT	\$ 2,247.48
Q-4605-000989	2921513	RO-GUIC RD PROJECT-WOODLAND ESTATES	\$ 3,143.20
Q-4605-001065	2943210	WO-GUIC-ORTONVILE ROAD PROJECT PHASE 2	\$ 10,914.68
Q-4605-001076	2948393	BM-GUIC WARNAKE RD AND RANDOLPH RD PROJE	\$ 1,649.55

---

To be completed by responder

Response Date: October 7, 2020

Response by: Mary Wolter

Email Address: [mary.wolter@wecenergygroup.com](mailto:mary.wolter@wecenergygroup.com)

Phone Number: 414-221-2374

PUBLIC DOCUMENT—TRADE SECRET DATA HAS BEEN EXCISED



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Phone Number(s): 651-539-1797

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---

**Request Number:** 8  
**Topic:** ROW Project Work orders and invoices  
**Reference(s):** Exhibit E, pages 7 - 20

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**Request:**

Reference Exhibit E, pages 7 - 20. For each of the listed work orders (i.e., WR #), please provide the following, (1) description and scope of the work order; (2) identify the entity requesting this work; and (3) copies of all invoices for the listed job site/location work:

WR# / Related WR #
--------------------

A. 2768891/2693363	N. 2854944/2843073
B. 2762052/2693363	O. 2900907/2893325
C. 2905858/2693363	P. 2915381/2892699
D. 2888717/2693363	Q. 2886120/2858315
E. 2880170/2693363	R. 2886119/2858315
F. 2886304/2873941	S. 2885205/2858315
G. 2885198/2873941	T. 2914917/2906367
H. 2885004/2873941	U. 2922597/2906367
I. 2884973/2873941	V. 2917619/2902309
J. 2894924/2844610	W. 2889175/2866336
K. 2860615/2854727	X. 2877253/2865956
L. 2901774/2759897	Y. 2889801/2845221
M. 2900865/2898628	

---

To be completed by responder

Response Date: September 30, 2020

Response by: Sara Sloan

Email Address: [sara.sloan@minnesotaenergyresources.com](mailto:sara.sloan@minnesotaenergyresources.com)

Phone Number: (651) 322-8920

**PUBLIC DOCUMENT—TRADE SECRET DATA HAS BEEN EXCISED**

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

**Docket Number:** G011/M-20-405**Requested From:** Minnesota Energy Resources Corporation**Type of Inquiry:** General☐ Nonpublic ☒ Public**Date of Request:** 9/16/20**Response Due:** 9/28/20**SEND RESPONSE VIA EMAIL TO:** [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).**Assigned Analyst(s):** Dorothy Morrissey**Email Address(es):** dorothea.morrissey@state.mn.us**Phone Number(s):** 651-539-1797**ADDITIONAL INSTRUCTIONS:**

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**MERC Response:**

See Exhibit E, the attachments to this response, and information below for a description and scope of each identified work order. See Exhibit E Column labeled Governmental Entity (refer to related WR #) and information below for an identification of each governmental entity requesting the work.

- A. 2768891/2693363
  - 1. Scope: Full service replacement due to conflict with 202nd Street W. (County Road 50) reconstruction project in Lakeville. Main switch sides of road.
  - 2. Governmental Entity: Dakota County
- B. 2762052/2693363
  - 1. Scope: Full service replacement due to conflict with Lexington and Lone Oak road project in Lakeville.
  - 2. Governmental Entity: Dakota County
- C. 2905858/2693363
  - 1. Scope: Full service replacement due to conflict with alley relocation due to new hotel in Rochester.
  - 2. Governmental Entity: City of Rochester
- D. 2888717/2693363
  - 1. Scope: Full service replacement due to conflict with Highway 10 state project (S.P. # 8001-40) in Wadena.
  - 2. Governmental Entity: MNDOT
- E. 2880170/2693363

To be completed by responder

**Response Date:** September 30, 2020**Response by:** Sara Sloan**Email Address:** sara.sloan@minnesotaenergyresources.com**Phone Number:** (651) 322-8920



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

**Docket Number:** G011/M-20-405

**Requested From:** Minnesota Energy Resources Corporation

**Type of Inquiry:** General

☐ Nonpublic ☒ Public

**Date of Request:** 9/16/20

**Response Due:** 9/28/20

**SEND RESPONSE VIA EMAIL TO:** [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** dorothea.morrissey@state.mn.us

**Phone Number(s):** 651-539-1797

**ADDITIONAL INSTRUCTIONS:**

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- 
- 1. Scope: Full service replacement due to conflict with Winnebago Ave city road project in Fairmont.
  - 2. Governmental Entity: City of Fairmont
  - F. 2886304/2873941
    - 1. Scope: Partial service replacement due to conflict with Willow St and West Ave Street and Utility Improvement project in Detroit Lakes. Main switched sides of road.
    - 2. Governmental Entity: City of Detroit Lakes
  - G. 2885198/2873941
    - 1. Scope: Full service replacement due to conflict with Willow St and West Ave Street and Utility Improvement project in Detroit Lakes. Main switched sides of road.
    - 2. Governmental Entity: City of Detroit Lakes
  - H. 2885004/2873941
    - 1. Scope: Full service replacement due to conflict with Willow St and West Ave Street and Utility Improvement project in Detroit Lakes. Main switched sides of road.
    - 2. Governmental Entity: City of Detroit Lakes
  - I. 2884973/2873941
    - 1. Scope: Full service replacement due to conflict with Willow St and West Ave Street and Utility Improvement project in Detroit Lakes. Main switched sides of road.
    - 2. Governmental Entity: City of Detroit Lakes
  - J. 2894924/2844610 [Sample Invoice Attached \(PUBLIC\) - "SET" materials and installation](#)
    - 1. Scope: Full AA service replacement related to the RO-GUIC AA REPLACEMENT-WHALEN VALLEY RD main project in Chatfield.
    - 2. Governmental Entity: DIMP/PHMSA

Note: This project was misnamed and labelled in our original filing. This project has been moved to Exhibit J. Please see Attachment IR 11\_Exhibit E & J\_Corrections and Updates to MERC's response to DOC IR 11.

---

To be completed by responder

**Response Date:** September 30, 2020

**Response by:** Sara Sloan

**Email Address:** sara.sloan@minnesotaenergyresources.com

**Phone Number:** (651) 322-8920

**PUBLIC DOCUMENT—TRADE SECRET DATA HAS BEEN EXCISED**

**Minnesota Department of Commerce  
85 7th Place East | Suite 280 | St. Paul, MN 55101  
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**Docket Number:** G011/M-20-405**Requested From:** Minnesota Energy Resources Corporation**Type of Inquiry:** General☐ Nonpublic ☒ Public

Date of Request: 9/16/20

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**K. 2860615/2854727**

1. Scope: Full service replacement due to conflict with Empire Township 2019 Street Improvements project in Empire Township/Farmington.
2. Governmental Entity: Empire Township

**L. 2901774/2759897**

1. Scope: Full service replacement due to conflict with TH-71 state project (S.P. # 2904-15) in Park Rapids.
2. Governmental Entity: MNDOT

**M. 2900865/2898628**

1. Scope: Full service replacement due to conflict with 13th St NW and 5th Ave NW city water and sewer project.
2. Governmental Entity: City of Chisholm

**N. 2854944/2843073**

1. Scope: Full service replacement due to conflict with NW City and Water Improvements – Phase II – Stables Area project in Albert Lea.
2. Governmental Entity: City of Albert Lea

**O. 2900907/2893325** [Sample Invoice attached \(PUBLIC\) - total invoiced cost much less than reported amount.](#)

1. Scope: Full service replacement due to conflict with city alley project between Pokegama Ave and W 3rd Ave in Grand Rapids.
2. Governmental Entity: City of Grand Rapids

**P. 2915381/2892699**

1. Scope: Full service replacement due to conflict with SE Utility and Street Improvement project in Calumet. Service was retired in alley and new service installed from street side.
2. Governmental Entity: City of Calumet

**Q. 2886120/2858315**


---

 To be completed by responder

Response Date: September 30, 2020

Response by: Sara Sloan

Email Address: [sara.sloan@minnesotaenergyresources.com](mailto:sara.sloan@minnesotaenergyresources.com)

Phone Number: (651) 322-8920



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Minnesota Department of Commerce  
85 7th Place East | Suite 280 | St. Paul, MN 55101  
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- 
- 1. Scope: Full service replacement due to conflict with TH-52 state project in Chatfield (S.P. # 5507-64).
  - 2. Governmental Entity: MNDOT
  - R. 2886119/2858315
    - 1. Scope: Full service replacement due to conflict with TH-52 state project in Chatfield (S.P. # 5507-64).
    - 2. Governmental Entity: MNDOT
  - S. 2885205/2858315
    - 1. Scope: Full service replacement due to conflict with TH-52 state project in Chatfield (S.P. # 5507-64).
    - 2. Governmental Entity: MNDOT
  - T. 2914917/2906367
    - 1. Scope: Full service replacement due to conflict with 2019 Street Improvements project in Pine City.
    - 2. Governmental Entity: City of Pine City
  - U. 2922597/2906367
    - 1. Scope: Full service replacement due to conflict with 2019 Street Improvements project in Pine City.
    - 2. Governmental Entity: City of Pine City
  - V. 2917619/2902309
    - 1. Scope: Full service replacement due to conflict with 2019 Street Improvements project in Zumbrota.
    - 2. Governmental Entity: City of Zumbrota
  - W. 2889175/2866336

---

To be completed by responder

Response Date: September 30, 2020

Response by: Sara Sloan

Email Address: [sara.sloan@minnesotaenergyresources.com](mailto:sara.sloan@minnesotaenergyresources.com)

Phone Number: (651) 322-8920





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

**Docket Number:** G011/M-20-405

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- 
1. Scope: Full service replacement due to conflict with Highway 10 state project (S.P. # 8001-40) in Wadena.
  2. Governmental Entity: MNDOT
  - X. 2877253/2865956
    1. Scope: Full service replacement due to conflict with Winnebago Ave city road project in Fairmont.
    2. Governmental Entity: City of Fairmont
  - Y. 2889801/2845221
    1. Scope: Full service replacement due to conflict with Farmington Westview project.
    2. Governmental Entity: City of Farmington

The attachments identified in the table below are copies of invoices for each identified work request/related work request, labeled by WR#. Taxes for materials are not included on the attached invoices but are calculated and paid through MERC's accounting system. The attached invoices are only for construction-related materials and labor for the referenced projects. Each attachment includes a summary followed by detailed invoices that roll-up to the summary.

WR# / Related WR #	Attachment
2768891/2693363	Attach DOC IR 8_Invoice_2768891_PUBLIC
2762052/2693363	Attach DOC IR 8_Invoice 2762052_PUBLIC
2905858/2693363	Attach DOC IR 8_Invoice_2905858_PUBLIC
2888717/2693363	Attach DOC IR 8_Invoice_2888717_PUBLIC

---

To be completed by responder

**Response Date:** September 30, 2020

**Response by:** Sara Sloan

**Email Address:** sara.sloan@minnesotaenergyresources.com

**Phone Number:** (651) 322-8920



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WR# / Related WR #	Attachment
2880170/2693363	Attach DOC IR 8_Invoice_2880170_PUBLIC
2886304/2873941	Attach DOC IR 8_Invoice_2886304_PUBLIC
2885198/2873941	Attach DOC IR 8_Invoice_2885198_PUBLIC
2885004/2873941	Attach DOC IR 8_Invoice_2885004_PUBLIC
2884973/2873941	Attach DOC IR 8_Invoice_2884973_PUBLIC
2894924/2844610	Attach DOC IR 8_Invoice_2894924_PUBLIC
2860615/2854727	Attach DOC IR 8_Invoice_2860615_PUBLIC
2901774/2759897	Attach DOC IR 8_Invoice_2901774_PUBLIC
2900865/2898628	Attach DOC IR 8_Invoice_2900865_PUBLIC
2854944/2843073	Attach DOC IR 8_Invoice_2854944_PUBLIC
2900907/2893325	Attach DOC IR 8_Invoice_2900907_PUBLIC
2915381/2892699	Attach DOC IR 8_Invoice_2915381_PUBLIC
2886120/2858315	Attach DOC IR 8_Invoice_2886120_PUBLIC
2886119/2858315	Attach DOC IR 8_Invoice_2886119_PUBLIC
2885205/2858315	Attach DOC IR 8_Invoice_2885205_PUBLIC
2914917/2906367	Attach DOC IR 8_Invoice_2914917_PUBLIC
2922597/2906367	Attach DOC IR 8_Invoice_2922597_PUBLIC
2917619/2902309	Attach DOC IR 8_Invoice_2917619_PUBLIC
2889175/2866336	Attach DOC IR 8_Invoice_2889175_PUBLIC
2877253/2865956	Attach DOC IR 8_Invoice_2877253_PUBLIC
2889801/2845221	Attach DOC IR 8_Invoice_2889801_PUBLIC

---

To be completed by responder

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**Email Address:** sara.sloan@minnesotaenergyresources.com

**Phone Number:** (651) 322-8920

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---

The nonpublic versions of the attachments to the response include trade secret information. Specifically, the invoice attachments include project cost information and project design information that is maintained by MERC as trade secret data. This information is not generally known to, and not readily ascertainable by, vendors and competitors of MERC who could obtain economic value from its disclosure and use. This information qualifies as "Trade Secret Data" pursuant to Minnesota Statutes Section 13.37, subdivision 1(b).

---

To be completed by responder

**Response Date:** September 30, 2020

**Response by:** Sara Sloan

**Email Address:** sara.sloan@minnesotaenergyresources.com

**Phone Number:** (651) 322-8920

From DOC IR No. 4 (Public Exhibit E Details)

WR #'s Sampled in DOC IR No. 8

Type	WR #	Related WR	Op District	Const Complete Date	Month	Size Installed	Total Footage Installed	Size & Type Retired	Total Footage Retired	Service Installation Cost
Road Project	2768891	2693363	93	4/16/2019	4	1" and smaller	158	1/2" Plastic	61	\$ 3,343.23
Road Project	2886304	2873941	97	4/30/2019	4	1" and smaller	52	1/2" Plastic	-	\$ 1,746.10
Road Project	2889801	2845221	93	5/1/2019	5	1" and smaller	82	1/2" Plastic	51	\$ 1,464.28
Road Project	2885198	2873941	97	5/8/2019	5	1" and smaller	114	3/4" Steel	83	\$ 4,490.77
Road Project	2885004	2873941	97	5/9/2019	5	1" and smaller	102	3/4" Steel	54	\$ 2,937.56
Road Project	2894924	2844610	95	5/13/2019	5	1" and smaller	253	1/2" Plastic	621	\$ 4,978.13
Road Project	2860615	2854727	93	5/14/2019	5	1" and smaller	105	1/2" Plastic	108	\$ 2,893.32
Road Project	2884973	2873941	97	5/15/2019	5	1" and smaller	208	3/4" Steel	57	\$ 6,489.64
Road Project	2901774	2759897	89	5/20/2019	5	1" and smaller	133	1" Plastic	522	\$ 2,338.00
Road Project	2900865	2898628	96	6/5/2019	6	1" and smaller	131	1/2" Plastic	92	\$ 2,062.36
Road Project	2854944	2843073	94	6/5/2019	6	1" and smaller	47	3/4" Steel	50	\$ 1,052.84
Road Project	2900907	2893325	96	6/5/2019	6	1" and smaller	72	None	-	\$ 3,608.93
Road Project	2915381	2892699	96	6/26/2019	6	1" and smaller	141	1/2" Plastic	89	\$ 6,226.92
Road Project	2886119	2858315	95	6/27/2019	6	1" and smaller	395	1/2" Plastic	30	\$ 6,887.75
Road Project	2886120	2858315	95	6/28/2019	6	1" and smaller	285	1/2" Plastic	68	\$ 6,166.26
Road Project	2914917	2906367	98	6/28/2019	6	1" and smaller	49	3/4" Steel	57	\$ 1,751.82
Road Project	2905858	2693363	95	7/1/2019	7	2" plastic	50	1" Plastic	50	\$ 3,119.71
Road Project	2917619	2902309	95	8/1/2019	8	1" and smaller	97	None	-	\$ 5,905.03
Road Project	2885205	2858315	95	8/7/2019	8	1" and smaller	310	1/2" Plastic	51	\$ 6,614.80
Road Project	2888717	2693363	89	9/5/2019	9	1" and smaller	514	1/2" Plastic	79	\$ 7,147.18
Road Project	2889175	2866336	89	9/6/2019	9	1" and smaller	271	1" Plastic	38	\$ 4,618.25
Road Project	2880170	2693363	94	9/18/2019	9	1" and smaller	171	3/4" Steel	17	\$ 5,081.00
Road Project	2922597	2906367	98	9/30/2019	9	1" and smaller	482	1" Plastic	455	\$ 8,034.65
Road Project	2877253	2865956	94	10/16/2019	10	1" and smaller	380	1" Plastic	136	\$ 6,106.90
Road Project	2762052	2693363	93	11/18/2019	11	2" plastic	238	None	-	\$ 5,879.84
<b>Total</b>							<b>4,840</b>			<b>\$ 110,945.27</b>



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

**Docket Number:** G011/M-20-405

**Requested From:** Minnesota Energy Resources Corporation

**Type of Inquiry:** General

☐ Nonpublic ☒ Public

**Date of Request:** 10/2/2020

**Response Due:** 10/12/2020

**SEND RESPONSE VIA EMAIL TO:** [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

**Phone Number(s):** 651-539-1797

**ADDITIONAL INSTRUCTIONS:**

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---

**Request Number:** 45

**Topic:** 2019 ROW Services Installation costs

**Reference(s):** Response to DOC IR No. 8, Exhibit E, pp 7-20

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**Request:**

- A. Please explain whether the attachments included to DOC IR No. 8 are copies of the actual invoices issued to MERC by the contractor, or if they are forms/reports generated from/by MERC's internal system.
- B. Please provide copies of the actual invoices issued by the contractor to MERC for the following work orders: 2885205 and 2915381.
- C. Many of these invoices indicate sewer inspection activity. Please explain if any aspect of this sewer inspection activity is included in MERC's sewer cross bore project quantifications (count, costs, etc.).
- D. Many of these invoices indicate meter replacement activity. Please explain whether the invoiced activity is broken down and recorded to relevant plant accounts (meters, services, etc.); if so, explain how common invoice costs are assigned to the distinct plant accounts; if invoiced work is not broken down and mapped to separate plant accounts, explain why not.
- E. Please explain why meter replacement was incurred for these ROW-based replacement projects.
- F. Please explain why these meter replacement costs incurred under the ROW program are included in GUIC recovery.
- G. Please identify the total cost for meter replacement (plant and labor) included in the 2019 ROW project costs.

*(Continued on next page)*

---

To be completed by responder

**Response Date:** October 12, 2020

**Response by:** Lindsay Lyle

**Email Address:** [lindsay.lyle@minnesotaenergyresources.com](mailto:lindsay.lyle@minnesotaenergyresources.com)

**Phone Number:** 651-322-8909



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- 
- H. Please explain the frequency that the MERC's DIMP programs' service line replacements will include meter replacement installations.
- I. For the following work requests, WR# 2884973 and WR # 2900907, please
- (1) explain the inconsistency between the total invoiced cost provided as Attachments to DOC IR 8 and the amount reported in Exhibit E for each work request; and explain why this discrepancy occurred;
  - (3) explain the internal processes MERC currently has in place that are relevant to this noted discrepancy;
  - (4) discuss what steps are necessary to mitigate recurrence of the reasoned problem; and
  - (5) discuss what verification/search MERC can execute at this time that would identify the Work Requests included in Exhibit E that have similar invoicing characteristics, which could have resulted in inaccurate reported cost totals.
- J. Part C of response, WR # 2905858, describes activity as "relocation due to new hotel in Rochester."
- (1) Please explain whether the new hotel construction was charged any cost responsibility for this utility relocation. (a) Explain why or why not; (b) Identify the amount and how it was determined, and (c) explain how any such payment offset is reflected in this petition.
  - (2) Please explain how the private industry build-out reason for these gas facilities being moved would qualify pipeline relocation work as GUIC.

**MERC Response:**

---

To be completed by responder

**Response Date:** October 12, 2020

**Response by:** Lindsay Lyle

**Email Address:** [lindsay.lyle@minnesotaenergyresources.com](mailto:lindsay.lyle@minnesotaenergyresources.com)

**Phone Number:** 651-322-8909



Minnesota Department of Commerce  
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- 
- A. Invoicing for MERC's contractor NPL Construction is conducted within MERC's Contractor Management database, which the contractor uses to bill MERC. The attachments included in DOC IR No. 8 were invoices generated from the Contractor Management system.
  - B. Please see MERC's response to part A above.
  - C. This work is outside the Sewer Cross Bore program, where MERC is targeting past installations to verify no cross bores occurred. The sewer inspection activity identified in the referenced invoices is related to ensuring the service line being installed will be clear of the existing sewer lateral. Based on the method used (camera, vacuum excavation, relative elevation, etc.) the contractor may bill different line items. No aspect of this sewer inspection activity is included in MERC's sewer cross bore project quantifications.
  - D. Yes, invoiced activity is recorded to relevant plant accounts (meters, services, etc.). MERC purchases meter sets directly from the vendor and that cost is assigned to the appropriate plant account. The labor to set the meter and any materials for the meter set purchased by our contractor will be invoiced under the service line work request. Such charges for the meter work and materials will hit the service line blanket with a specific coding that is reviewed monthly. After review, a journal entry is completed to move those meter-related costs from the service line account to the meter account.
  - E. Any time a service line is replaced, the connected meter is also checked to ensure compliance. The charges included on the referenced invoices are for associated meter repair work that occurs as part of the service line replacement. The meter bar is the most common item replaced to allow for refreshed threads for the meter, which leads to less leak potential in the future. Completing this meter work as part of the service line replacement avoids an additional service shut down to the customer in the future, and

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To be completed by responder

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**Response by:** Lindsay Lyle

**Email Address:** [lindsay.lyle@minnesotaenergyresources.com](mailto:lindsay.lyle@minnesotaenergyresources.com)

**Phone Number:** 651-322-8909



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**Information Request**

**Docket Number:** G011/M-20-405

**Requested From:** Minnesota Energy Resources Corporation

**Type of Inquiry:** General

☐ Nonpublic ☒ Public

**Date of Request:** 10/2/2020

**Response Due:** 10/12/2020

**SEND RESPONSE VIA EMAIL TO:** [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** dorothea.morrissey@state.mn.us

**Phone Number(s):** 651-539-1797

**ADDITIONAL INSTRUCTIONS:**

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is necessary to ensure the meter sets along replacement projects are in compliance with current regulations.

- F. If a new meter were installed, the materials cost of such new meter would not be included in GUIC recovery costs for these right-of-way replacement projects. As discussed in MERC's response to part E) above, labor and meter repair work that occurs as part of the service line replacement is included as the meter set is reviewed for compliance as part of the service line replacement, which is GUIC recoverable.
- G. As noted in Part F), if a new meter were installed as the result of a service line replacement, the material cost of the new meter would not be accounted for as part of the service line project and would not be included in the GUIC Rider. With respect to the material and labor costs for meter-related work that is undertaken as part of the right-of-way service line replacements and is included in MERC's GUIC recovery, MERC would need to review all line items for every service line replacement to determine an exact amount associated with the 2019 ROW project costs, which would be a significant effort. MERC notes that the meter-related labor and materials costs included are minimal in the overall costs of the service line.
- H. The frequency of meter set replacements as part of DIMP service line replacement projects would be determined based on the current meter set condition and age. Currently, MERC does not track this information and would need to create new reporting queries containing data that would be able to provide a frequency of meter set changes, which would be a significant effort. As noted in Part F), if a new meter were installed as the result of a service line replacement, the material cost of the new meter would not be accounted for as part of the service line project and would not be included in the GUIC Rider.
- I. WR 2884973/WR 2900907

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To be completed by responder

**Response Date:** October 12, 2020

**Response by:** Lindsay Lyle

**Email Address:** [lindsay.lyle@minnesotaenergyresources.com](mailto:lindsay.lyle@minnesotaenergyresources.com)

**Phone Number:** 651-322-8909





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

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- 
- (1) The inconsistency of the total invoiced cost to the amount reported in Exhibit E is the result of the total cost in Exhibit E inadvertently including a cancelled invoice. The correct costs for WR 2884973 are \$2,911.92 and the correct costs for WR 2900907 are \$1,934.15. MERC will provide an update on the 2019 true-up and 2021 revenue requirement with Reply Comments reflecting the actual corrected costs associated with this project.
  - (3) MERC's internal process for compiling service line charges is a manual process. Each service line has a specific work request that is identified with the work being completed: GUIC DIMP or GUIC ROW. As work is completed by our contractor, a monthly report is sent from Contractor Management showing material and labor cost by each WR and the sequence of the invoice (-001, -002, etc). The report does not show the status of the invoice (i.e. if it was cancelled) and we are verifying the programming criteria for this report.
  - (4) The necessary steps to mitigate recurrence would be to verify the report criteria sent from Contractor Management. Due to the large number of service replacements completed, the costs for service lines were not reviewed individually. A review of any charges over our normal average will need to be reviewed for accuracy and, as noted in response to part (3) above, MERC is verifying the programming criteria for the report that is used.
  - (5) A new report from Contractor Management can be executed to verify the correct criteria of the service line invoices. Each line item that is approved can be matched to items in the accounting system, SAP. The amount that is charged to the plant account resides in SAP, which also includes applicable taxes on materials purchased from NPL. As noted in MERC's response to Department IR No. 8, taxes are calculated through MERC's accounting system and were not included in Exhibit E for service line projects.

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To be completed by responder

**Response Date:** October 12, 2020

**Response by:** Lindsay Lyle

**Email Address:** [lindsay.lyle@minnesotaenergyresources.com](mailto:lindsay.lyle@minnesotaenergyresources.com)

**Phone Number:** 651-322-8909



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- 
- J. The relocation due to a new hotel in Rochester was the result of the City of Rochester vacating of the alley easement. MERC facilities located in this alley were installed under permit giving no easement for MERC. Pipe was relocated out of the alley per city request.
- (1) The proposed hotel was not charged for any of this relocation.
    - a. The request to vacate was made by the City of Rochester, a government entity. The additional main and services to serve the hotel would be under a separate work request and project.
    - b. If the relocation was due to new construction, the relocation of the main and installation of new gas service to the commercial customer would be included in our Customer Extension Model per our tariff, with the customer charged any contribution in aid of construction determined to be necessary. Additional main installation for this customer was completed under a different WR at a later time, and was included in the CEM.
  - (2) If this relocation was requested by a private industry where MERC has gas located in an easement, the private industry would pay for relocation. For this project, MERC's facilities were located in City right of way per permit, and is not eligible for reimbursement from the City of Rochester for this request.

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To be completed by responder

**Response Date:** October 12, 2020

**Response by:** Lindsay Lyle

**Email Address:** [lindsay.lyle@minnesotaenergyresources.com](mailto:lindsay.lyle@minnesotaenergyresources.com)

**Phone Number:** 651-322-8909

PUBLIC DOCUMENT—TRADE SECRET DATA HAS BEEN EXCISED



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

Docket Number: G011/M-20-405

Requested From: Minnesota Energy Resources Corporation

Type of Inquiry: General

☐ Nonpublic ☒ Public

Date of Request: 9/16/20

Response Due: 9/28/20

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**Request Number:** 15  
**Topic:** Obsolete Materials Project work orders and invoices  
**Reference(s):** Exhibit J, pages 14 - 21

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**Request:**

Reference Exhibit J, pages 14 - 21. For each of the listed work orders (i.e., WR #), please provide the following, (1) description and scope of the work order; (2) identify the entity requesting this work; and (3) copies of all invoices for the listed job site/location work:

WR# / Related WR #

- A. 2883822 /2844834
- B. 2880861 /2846033
- C. 2884119 /2844877
- D. 2886491 /2868816
- E. 2854592 /2775065 Sample invoice attached (PUBLIC) - actual invoice amount much less than petition reported amount.
- F. 2893313 /2845757
- G. 2933703 /2845757
- H. 2893257 /2845757 Sample invoice attached (PUBLIC) - include cost for "SET ETE " and its installation.
- I. 2926199 /2877997

---

To be completed by responder

Response Date: September 30, 2020

Response by: Sara Sloan

Email Address: [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)

Phone Number: 651-322-8920



Minnesota Department of Commerce  
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**MERC Response:**

See Exhibit J, the attachments to this response, and information below for a description and scope of each identified work order. See Exhibit J Column labeled Governmental Entity (refer to related WR #) and information below for an identification of the governmental entity requiring the work. As discussed in the Company's Petition, regarding MERC's DIMP projects, MERC must comply with federal and state regulations that require natural gas utilities to implement integrity management programs to assess and improve the safety, reliability, and integrity of its natural gas infrastructure. Pursuant to the federal Pipeline Inspection, Protection, Enforcement and Safety Act and Pipeline and Hazardous Materials Safety Administration ("PHMSA") rules, all system operators must know the make-up of their distribution system and adopt written distribution integrity management plans for distribution pipelines. The law requires distribution system operators to continually identify and assess risks on their distribution systems to remediate conditions that present a potential threat to the integrity of their pipeline system. The Commission has recognized that MERC's "efforts to comply with federal DIMP regulations, or with state guidance pursuant to federal safety regulations, meets the definition of a 'gas utility project' under the statute."

- A. 2883822 /2844834
  - 1. Scope: Full service replacement of an existing AA service coinciding with the RO-GUIC AA REPLACEMENT-CLIFF CIRCLE main project in Chatfield.
  - 2. Governmental Entity: PHMSA; this work was conducted based on the Company's DIMP plan.
- B. 2880861 /2846033
  - 1. Scope: Full service replacement of an existing AA service coinciding with the RO-GUIC AA REPLACEMENT-WOODLAKE DR SE main project in Rochester.
  - 2. Governmental Entity: PHMSA; this work was conducted based on the Company's DIMP plan.
- C. 2884119 /2844877

---

To be completed by responder

Response Date: September 30, 2020

Response by: Sara Sloan

Email Address: [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)

Phone Number: 651-322-8920

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- 
- 1. Scope: Full service replacement of an existing AA service coinciding with the RO-GUIC AA REPLACEMENT-CLIFF ST main project in Chatfield.
  - 2. Governmental Entity: PHMSA; this work was conducted based on the Company's DIMP plan.
  - D. 2886491 /2868816
    - 1. Scope: Full service replacement on an existing X-trube service coinciding with the RO-GUIC - XTRUBE (SPRING GROVE) main project in Spring Grove. The existing service/main was located in the back of the property. The new main was relocated to the front of the property along road ROW.
    - 2. Governmental Entity: PHMSA; this work was conducted based on the Company's DIMP plan.
  - E. 2854592 /2775065
    - 1. Scope: Full service replacement of an existing AA service coinciding with the FM-GUIC AA REPLACEMENT (ELLENDAL) main project in Ellendale.
    - 2. Governmental Entity: This work was conducted based on the Company's DIMP plan.
  - F. 2893313 /2845757
    - 1. Scope: Full service replacement of an existing AA service coinciding with the RO-GUIC AA REPLACEMENT-ST. MARY'S HILLS main project in Rochester. The existing service/main was located on the side of the property. The new main was relocated to the front of the property along road ROW.
    - 2. Governmental Entity: PHMSA; this work was conducted based on the Company's DIMP plan.
  - G. 2933703 /2845757
    - 1. Scope: Full service replacement of an existing AA service coinciding with the RO-GUIC AA REPLACEMENT-ST. MARY'S HILLS main project in Rochester. The existing service/main was located in the back of the property. The new main was relocated to the front of the property along road ROW.
    - 2. Governmental Entity: PHMSA; this work was conducted based on the Company's DIMP plan.

---

 To be completed by responder
**Response Date:** September 30, 2020**Response by:** Sara Sloan**Email Address:** [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)**Phone Number:** 651-322-8920

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**H. 2893257 /2845757**

1. Scope: Full service replacement of an existing AA service coinciding with the RO-GUIC AA REPLACEMENT-ST. MARY'S HILLS main project in Rochester. The existing service/main was located in the back of the property. The new main was relocated to the front of the property along road ROW.
2. Governmental Entity: PHMSA; this work was conducted based on the Company's DIMP plan.

**I. 2926199 /2877997**

1. Scope: Full service replacement of an existing AA service coinciding with the PC-GUIC-RUSH CITY AA REPLACE 4 IN main project in Rush City. Main switch sides of road.
2. Governmental Entity: PHMSA; this work was conducted based on the Company's DIMP plan.

The attachments identified in the table below are copies of invoices for each identified work request/related work request, labeled by WR#. Taxes for materials are not included on the attached invoices but are calculated and paid through MERC's accounting system. The attached invoices are only for construction-related materials and labor for the referenced projects. Each attachment includes a summary followed by detailed invoices that roll-up to the summary.

WR# / Related WR #	Attachment
2883822 /2844834	Attach DOC IR 15_Invoice_2883822_PUBLIC
2880861 /2846033	Attach DOC IR 15_Invoice_2880861_PUBLIC
2884119 /2844877	Attach DOC IR 15_Invoice_2884119_PUBLIC
2886491 /2868816	Attach DOC IR 15_Invoice_2886491_PUBLIC
2854592 /2775065	Attach DOC IR 15_Invoice_2854592_PUBLIC
2893313 /2845757	Attach DOC IR 15_Invoice_2893313_PUBLIC

To be completed by responder

Response Date: September 30, 2020

Response by: Sara Sloan

Email Address: [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)

Phone Number: 651-322-8920



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WR# / Related WR #	Attachment
2933703 /2845757	Attach DOC IR 15_Invoice_2933703_PUBLIC
2893257 /2845757	Attach DOC IR 15_Invoice_2893257_PUBLIC
2926199 /2877997	Attach DOC IR 15_Invoice_2926199_PUBLIC

The nonpublic versions of the attachments to the response include trade secret information. Specifically, the invoice attachments include project cost information and project design information that is maintained by MERC as trade secret data. This information is not generally known to, and not readily ascertainable by, vendors and competitors of MERC who could obtain economic value from its disclosure and use. This information qualifies as "Trade Secret Data" pursuant to Minnesota Statutes Section 13.37, subdivision 1(b).

---

To be completed by responder

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Response by: Sara Sloan

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Phone Number: 651-322-8920

From DOC IR No. 4 (Public Exhibit J Details)

WR #'s Sampled in DOC IR No. 15

Type	WR #	Related WR	Op District	Const Complete Date	Month	Size Installed	Total Footage Installed	Size & Type Retired	Total Footage Retired	Service Installation Cost
Aldyl-A	2883822	2844834	95	4/24/2019	4	1" and sma	94	1/2" Plasti	10	\$ 2,349.08
Aldyl-A	2880861	2846033	95	5/3/2019	5	1" and sma	150	1/2" Plasti	87	\$ 2,653.38
Aldyl-A	2884119	2844877	95	5/21/2019	5	1" and sma	85	1/2" Plasti	201	\$ 2,171.76
Aldyl-A	2886491	2868816	95	6/17/2019	6	1" and sma	46	1/2" Plasti	85	\$ 6,633.37
Aldyl-A	2854592	2775065	94	6/24/2019	6	Tie over	1	1/2" Plasti	52	\$ 3,946.25
Aldyl-A	2893313	2845757	95	7/15/2019	7	1" and sma	255	1/2" Plasti	241	\$ 5,810.88
Aldyl-A	2933703	2845757	95	8/28/2019	8	1" and sma	313	3/4" Steel	690	\$ 2,556.16
Aldyl-A	2893257	2845757	95	8/29/2019	8	1" and sma	170	1" Plastic	500	\$ 4,427.47
Aldyl-A	2926199	2877997	98	9/6/2019	9	1" and sma	294	1/2" Plasti	170	\$ 6,188.22
<b>Total</b>							<b>1,408</b>			<b>\$ 36,736.57</b>





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**Request Number:** 48

**Topic:** 2019 Obsolete Material project cost support

**Reference(s):** Response to DOC IR No. 15, Exhibit E

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**Request:**

- A. Reference WR # 2854592/2775065. Exhibit E reports total cost of \$3,496, but the invoices provided in response totals \$1,181. Please explain this variance and provide support for the total cost included in recovery request.
- B. Some of these invoices indicate sewer inspection activity. Please explain if any aspect of this sewer inspection activity is included in MERC's sewer cross bore project quantifications (count, costs, etc.).
- C. Some of these invoices indicate meter set activity. Please explain whether the invoiced activity is broken down and recorded to relevant plant accounts (meters, services, etc.); if so, explain how common invoice costs are assigned to the distinct plant accounts; if the invoiced work is not broken down and mapped to separate plant accounts, explain why not.
- D. Please explain why meter replacement was incurred with these Obsolete Materials-based replacement projects.
- E. Please explain why these meter replacement costs incurred under the Obsolete Materials-based program are included in GUIC recovery.
- F. Please identify the total cost for meter replacement (plant and labor) included in the 2019 Obsolete materials project costs.

---

To be completed by responder

**Response Date:** October 12, 2020

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**Phone Number:** 651-322-8920



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**MERC Response:**

A. The inconsistency of the total invoiced cost to the amount reported in Exhibit E is the result of the total cost in Exhibit E inadvertently including a cancelled invoice. The correct costs for WR #2854592 is \$1,180.97. MERC will provide an update on the 2019 true-up and 2021 revenue requirement with Reply Comments reflecting the actual corrected costs associated with this project.

B. Please see MERC's response to DOC IR 45, Part C.

C. Please see MERC's response to DOC IR 45, Part D.

D. Any time a service line is replaced, the connected meter is also checked to ensure compliance. The charges included on the referenced invoices are for associated meter repair work that occurs as part of the service line replacement. The meter bar is the most common item replaced to allow for refreshed threads for the meter, which mitigates the risk of future leaks. Completing this meter work as part of the obsolete materials service line replacement is consistent with DIMP regulations and involves the identification and mitigation of known risks. This work is necessary to ensure the meter sets along replacement projects are in compliance with current regulations.

E. If a new meter were installed, the materials cost of such new meter would not be included in GUIC recovery costs for these obsolete materials replacement projects. See response to Part D) above regarding meter-related labor and materials costs included for GUIC rider recovery. These costs qualify as Gas Utility Projects eligible for GUIC rider recovery because they are for the assessment and modification of existing natural gas facilities in accordance with PHMSA's DIMP regulations.

---

To be completed by responder

**Response Date:** October 12, 2020

**Response by:** Sara Sloan

**Email Address:** [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)

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F. Please see MERC's response to DOC IR 45, Part G.

---

To be completed by responder

**Response Date:** October 12, 2020

**Response by:** Sara Sloan

**Email Address:** [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)

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SEND RESPONSE VIA EMAIL TO: [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

Assigned Analyst(s): Dorothy Morrissey

Email Address(es): [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

Phone Number(s): 651-539-1797

**ADDITIONAL INSTRUCTIONS:**

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

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**Request Number:** 9  
**Topic:** ROW Project Element/invoices  
**Reference(s):** Exhibit E, page 2

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**Request:**

Reference Exhibit E, page 2. For each listed WBS Element, please provide the following, (1) description and summary of the project; (2) copies of invoices for the project expenditures; and (3) copy of entity's request for this work:

- A. WBS Element Q-4605-000881 WR # 2883559
- B. WBS Element Q-4605-000919 WR # 2899053

**MERC Response:**

- A. WBS Element Q-4605-000881 WR # 2883559
  - 1. Project Name: BM-GUIC WILLOW ST AND ROOSEVELT RD DL  
Description: Relocation due to road work along Willow St in Detroit Lakes  
Summary: Replacement of existing 4" and 6" steel main (with 2", 6", and 8" plastic main) in conflict with Willow St and West Avenue Street & Utility Improvement city project. Relocations occurred along Willow St in Detroit Lakes.
  - 2. Invoices for construction activity are attached. Please see Attachment DOC IR 9\_\_WR2883559\_invoices\_PUBLIC.
  - 3. Entity request: City of Detroit Lakes. Please see Attachment DOC IR 9\_\_WR2883559\_Request notice.

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To be completed by responder

Response Date: September 30, 2020

Response by: Lindsay Lyle

Email Address: [lindsay.lyle@minnesotaenergyresources.com](mailto:lindsay.lyle@minnesotaenergyresources.com)

Phone Number: 651-322-8909



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

Docket Number: G011/M-20-405

Requested From: Minnesota Energy Resources Corporation

Type of Inquiry: General

☐ Nonpublic ☒ Public

Date of Request: 9/16/20

Response Due: 9/28/20

SEND RESPONSE VIA EMAIL TO: [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

Assigned Analyst(s): Dorothy Morrissey

Email Address(es): [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

Phone Number(s): 651-539-1797

**ADDITIONAL INSTRUCTIONS:**

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B. WBS Element Q-4605-000919 WR # 2899053

1. Project Name: CSAH 9 RELOCATIONS

Description: Relocations due to road work along CSAH 9 in Rochester. (SP 055-609-019)

Summary: Replacement of 3" steel main in conflict with CSAH 9 Reconstruction project. Due to changes in the Rochester system, system modelling indicated 6" steel main would be necessary.

Relocations occurred along CSAH 9 in Rochester.

2. Invoices for construction activity are attached. Please see Attachment DOC IR 9\_\_WR2899053\_invoices\_PUBLIC.

3. Entity request: Olmsted County/Minnesota Department of Transportation. Please see Attachment DOC IR 9\_\_WR2899053\_plan page.

Taxes for materials are not included on the attached invoices but are calculated and paid through MERC's accounting system.

Attachment DOC IR 9\_\_WR2883559\_invoices\_NONPUBLIC and, Attachment DOC IR 9\_\_WR2899053\_invoices\_NONPUBLIC include trade secret information. Specifically, these invoice attachments include project cost information and project design information that is maintained by MERC as trade secret data. This information is not generally known to, and not readily ascertainable by, vendors and competitors of MERC who could obtain economic value from its disclosure and use. This information qualifies as "Trade Secret Data" pursuant to Minnesota Statutes Section 13.37, subdivision 1(b).

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To be completed by responder

Response Date: September 30, 2020

Response by: Lindsay Lyle

Email Address: [lindsay.lyle@minnesotaenergyresources.com](mailto:lindsay.lyle@minnesotaenergyresources.com)

Phone Number: 651-322-8909



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

**Docket Number:** G011/M-20-405

**Requested From:** Minnesota Energy Resources Corporation

**Type of Inquiry:** General

☐ Nonpublic ☒ Public

**Date of Request:** 10/2/2020

**Response Due:** 10/12/2020

**SEND RESPONSE VIA EMAIL TO:** [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

**Phone Number(s):** 651-539-1797

**ADDITIONAL INSTRUCTIONS:**

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**Request Number:** 47  
**Topic:** 2019 ROW project cost support  
**Reference(s):** Part B Response to DOC IR No. 9, Exhibit E

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**Request:**

Please refer to Exhibit E (page 2) and the response and invoice attachment to DOC IR No. 9, Part B. Exhibit E, page 2 reports for Work Element Q-4605-000919, WR# 2899053, the following costs (rounded):

Main Installation	\$469,123
Internal Labor	\$ 22,962

DOC IR No. 9, Part B response provided invoice attachment totaling \$459,777.

- A. Please explain and support Exhibit E's reported main installation cost of \$469,123.
- B. Please provide an estimated project cost differential, had a 3" steel pipe been installed, rather than a 6" steel pipe, to replace the existing 3" steel pipeline (i.e., cost differential for materials (pipe, valve, etc.) and labor installation (welding, boring, etc.) for 3" pipe steel pipe versus a 6" pipe) given the linear foot of work conducted.)

**MERC Response:**

- A. The invoices provided for this project are all charges received from our construction contractor to complete this job. Those invoices include both materials purchased by our contractor as well as labor

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To be completed by responder

**Response Date:** October 12, 2020

**Response by:** Sara Sloan

**Email Address:** [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)

**Phone Number:** 651-322-8920



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

Docket Number: G011/M-20-405

Requested From: Minnesota Energy Resources Corporation

Type of Inquiry: General

☐ Nonpublic ☒ Public

Date of Request: 10/2/2020

Response Due: 10/12/2020

SEND RESPONSE VIA EMAIL TO: [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

Assigned Analyst(s): Dorothy Morrissey

Email Address(es): [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

Phone Number(s): 651-539-1797

**ADDITIONAL INSTRUCTIONS:**

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charges. It should be noted that taxes for materials are not included on the contractor's invoices but are calculated and paid through MERC's accounting system, SAP. On this project, some materials were purchased by a Company employee rather than through the contractor, which was not included in the invoices provided.

- B. 3" steel is no longer a common or standard pipe size. The most comparable size readily available today would be 4" steel. For this project, MERC's system modelling indicated that 4" steel main would not be sufficient to meet existing customer load and it was determined that 6" steel main would be necessary. MERC designs all of its integrity management capital replacement projects, including DIMP replacement projects and right-of-way relocation projects, based on flow modeling and engineering standards and best practices to safely and reliably meet customer demand. The projects proposed for inclusion in MERC's GUIC Rider, including this project, do not serve to increase revenues by connecting new customers to MERC's distribution system. Rather, any change in the size of pipe installed to replace existing natural gas facilities is necessary and appropriate in accordance with standards for safety, reliability, and engineering practices and is not designed to serve additional load.

With respect to the estimated project cost differential, had a 4" steel pipe been installed, rather than a 6" steel pipe, MERC notes that steel pipe prices are extremely volatile. However, the Company estimates the price of the steel pipe for 6" versus 4" to be approximately [TRADE SECRET DATA BEGINS...

...TRADE SECRET DATA ENDS]

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To be completed by responder

Response Date: October 12, 2020

Response by: Sara Sloan

Email Address: [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)

Phone Number: 651-322-8920



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

**Docket Number:** G011/M-20-405

**Requested From:** Minnesota Energy Resources Corporation

**Type of Inquiry:** General

☐ Nonpublic ☒ Public

**Date of Request:** 10/2/2020

**Response Due:** 10/12/2020

**SEND RESPONSE VIA EMAIL TO:** [Utility.Discovery@state.mn.us](mailto:Utility.Discovery@state.mn.us) as well as the assigned analyst(s).

**Assigned Analyst(s):** Dorothy Morrissey

**Email Address(es):** [dorothy.morrissey@state.mn.us](mailto:dorothy.morrissey@state.mn.us)

**Phone Number(s):** 651-539-1797

**ADDITIONAL INSTRUCTIONS:**

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

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The nonpublic version of this response contains trade secret information, in particular, project cost information and project design information that is maintained by MERC as trade secret data. This information is not generally known to, and not readily ascertainable by, vendors and competitors of MERC who could obtain economic value from its disclosure and use. This information qualifies as "Trade Secret Data" pursuant to Minnesota Statutes Section 13.37, subdivision 1(b).

---

To be completed by responder

**Response Date:** October 12, 2020

**Response by:** Sara Sloan

**Email Address:** [Sara.Sloan@minnesotaenergyresources.com](mailto:Sara.Sloan@minnesotaenergyresources.com)

**Phone Number:** 651-322-8920



## **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-20-405**

Dated this **26<sup>th</sup>** day of **October 2020**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500  Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_20-405_M-20-405
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_20-405_M-20-405
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_20-405_M-20-405
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St  Chicago, IL 60661	Electronic Service	No	OFF_SL_20-405_M-20-405
Joylyn C	Hoffman Malueg	Joylyn.hoffmanmalueg@wecenergygroup.com	Minnesota Energy Resources	2685 145th St W  Rosemount, MN 55068	Electronic Service	Yes	OFF_SL_20-405_M-20-405
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-405_M-20-405
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-405_M-20-405
Catherine	Phillips	Catherine.Phillips@wecenergygroup.com	Minnesota Energy Resources	231 West Michigan St  Milwaukee, WI 53203	Electronic Service	Yes	OFF_SL_20-405_M-20-405
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_20-405_M-20-405
Elizabeth	Schmiesing	eschmiesing@winthrop.com	Winthrop & Weinstine, P.A.	225 South Sixth Street Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-405_M-20-405

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 PI E Ste 350  Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-405_M-20-405
Colleen	Sipiorski	Colleen.Sipiorski@wecenergygroup.com	Minnesota Energy Resources Corporation	700 North Adams St  Green Bay, WI 54307	Electronic Service	Yes	OFF_SL_20-405_M-20-405
Kristin	Stastny	kstastny@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 South 8th St Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_20-405_M-20-405
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_20-405_M-20-405
Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St  Milwaukee, WI 53203	Electronic Service	Yes	OFF_SL_20-405_M-20-405
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_20-405_M-20-405