

June 7, 2021

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

RE: Comments of the Minnesota Commerce Department, Division of Energy Resources
Docket No. G011/D-20-515

Dear Mr. Seuffert:

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

The Petition of Minnesota Energy Resources Corporation for its Annual Review of Depreciation Rates for 2020

The Petition was filed on June 1, 2020 by:

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

The Department recommends that the Minnesota Public Utilities Commission (Commission) approve the Petition, and is available to answer any questions the Commission may have in this matter.

Sincerely,

/s/ CRAIG ADDONIZIO
Financial Analyst

CA/ar
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Commerce Department Division of Energy Resources

Docket No. G011/D-20-515

I. INTRODUCTION

On June 1, 2020, Minnesota Energy Resources Corporation (MERC or the Company) filed a petition (Petition) with the Minnesota Public Utilities Commission (Commission) requesting approval of its proposed depreciation rates effective January 1, 2020. MERC's Petition is an update to its most recent comprehensive five-year depreciation study, filed in Docket No. G011/D-17-442 (the 2017 Depreciation Docket). For all property accounts except account 390, Structures and Improvements, the average service lives and salvage rates proposed in the Petition are unchanged from those approved in the 2017 Depreciation Docket, and remaining lives have been updated to reflect the passage of time and plant activity (i.e. additions, retirements, transfers, etc.). The depreciation parameters and rates for account 390 reflect changes ordered by the Commission in MERC's prior depreciation docket, Docket No. G011/D-19-377 (the 2019 Depreciation Docket), as described in greater detail below.

As indicated in Attachment 1 to MERC's Petition, the application of the proposed depreciation rates to plant and reserve balances as of December 31, 2019 would result in estimated annual depreciation expense of \$13.9 million, or \$0.1 million higher than depreciation expense would be under current depreciation rates. The proposed depreciation parameters would yield a total utility depreciation accrual rate of 2.37 percent, or two basis points higher than the total utility accrual rate yielded by the currently approved depreciation parameters (2.35 percent).

In addition, in April of this year, MERC informally proposed to the Minnesota Department of Commerce, Division of Energy Resources (Department) that, due to the amount of time that has elapsed since the Company filed its Petition, it be allowed to skip its annual depreciation filing for 2021, and file a five-year study in 2022, as required by the Commission's January 8, 2020 Order (January Order) in the 2019 Depreciation Docket. The Department discusses the Company's proposal in greater detail below.

II. DEPARTMENT ANALYSIS

The Department examined MERC's Petition for compliance with filing requirements and previous Commission Orders, as well as for the reasonableness of the proposed remaining lives, salvage rates, and depreciation rates.

A. COMPLIANCE WITH FILING REQUIREMENTS AND PRIOR COMMISSION ORDERS

1. Compliance with Minnesota Rules

Minnesota Rules, parts 7825.0500-7825.0900 require public utilities to seek Commission certification of their depreciation rates and methods. Utilities must use straight-line depreciation unless the utility can justify a different method. Additionally, utilities must review their depreciation rates annually to determine if they are generally appropriate and must file depreciation studies at least once every five years. Once certified by order, depreciation rates remain in effect until the next certification.

MERC employs a straight-line depreciation method and files annual depreciation studies with the Commission, and thus complies with those requirements. Additionally, in 2019, MERC appears to have used the depreciation rates from the 2019 Depreciation Docket to calculate depreciation expense for most plant accounts. However, during its review, the Department noted that the depreciation rates implied by the 2019 depreciation accruals and plant balances for accounts 381 and 383 differed from those approved in the 2019 Depreciation Docket.¹

In its response to Department Information Request (IR) No. 2, MERC provided a schedule that recreates its actual monthly depreciation accruals for accounts 381 and 383.² The schedule shows that MERC effectively calculates two separate depreciation rates for its plant accounts. The first depreciation rate specifically accounts for the portion of depreciation expense associated with the original cost of the plant in the account. MERC refers to this rate as the “life depreciation rate.” The second depreciation rate reflects the cost of removal component of depreciation expense. MERC refers to this rate as the “cost of removal rate.” The sum of the life and cost of removal rates equals the depreciation rate approved by the Commission for each account in the 2019 Depreciation Docket. MERC applies the two depreciation rates to each accounts’ monthly plant balances to derive total monthly depreciation expense. However, for accounts 381 and 383, in each month, after applying the life and cost of removal rates, MERC includes an additional adjustment to depreciation expense that exactly offsets the cost of removal component of depreciation expense, leaving only the life depreciation expense.³ As a result, the final monthly depreciation accruals for the two accounts do not reflect the depreciation rates approved in the 2019 Depreciation Docket.

MERC explained via email that in its depreciation petitions, it calculates a single depreciation rate for each plant account that reflects both life depreciation and cost of removal. In its actual monthly depreciation calculations, however, it separates life depreciation from cost of removal, and calculates

¹ During its review, the Department also noted that the depreciation rates reported in the Petition as being applied during 2019 to the subaccounts of Plant Account 390, Structures and Improvements, differed significantly from the depreciation rates approved in the 2019 Depreciation Docket. However, the Company explained the differences between the approved and actual depreciation rates in its response to Department IR No. 3. Based on the Company’s explanation, the Department concludes that MERC’s 2019 depreciation accruals for Plant Account 390 were reasonable. See Department Attachment 1.

² See Department Attachment 2.

³ See column K of the schedule MERC provided in its response to Department IR 2, included with these comments as Department Attachment 2.

separate depreciation rates and accrues separate reserve balances for each component of depreciation expense. MERC further explained that for accounts 381 and 383, the cost of removal reserve requirement has been met. In other words, with respect to the cost of removal component, the accounts are fully depreciated. As a result, in its actual monthly depreciation calculations, MERC made the adjustments referenced above intentionally to zero out the cost of removal component of depreciation expense.

The Department has concerns with this apparent mismatch between the Company's depreciation rate calculations as presented in its depreciation petitions, and the calculations MERC uses to calculate and accrue its actual depreciation expense. As is the case here, the difference resulted in MERC not applying approved depreciation rates for accounts 381 and 383 in 2019. In 2019, the impact on depreciation expense was small (approximately \$30,000 total across both accounts), but in the right circumstances, this mismatch could have more significant impacts.

Due to the small dollar amounts involved in 2019, the likelihood that any impacts in 2020 and 2021 will be similarly small, and MERC's confirmation that accounts 381 and 383 were the only accounts in which this issue occurred, the Department concludes that no correction or specific action by the Commission is necessary at this time. However, the Department recommends that the Commission require MERC, in its next depreciation filing, to provide a discussion of the difference between the way it calculates depreciation rates in its depreciation petitions and how it applies those rates in calculating its actual depreciation expense, and whether these practices result in reasonable and correct depreciation accruals.

2. Compliance with Prior Commission Orders

The Commission's January 8, 2020 Order (January Order) in Docket No. G011/D-19-377 (the 2019 Depreciation Docket) required MERC to file its next annual depreciation petition by June 1, 2020, and its next five-year study by June 1, 2022. MERC's Petition was filed on June 1, 2020, and therefore complied with this requirement.

The Commission's January Order also required the Company to depreciate its Rosemount, Rochester, Cloquet, and Albert Lea Service Centers individually within account 390, and depreciate the other 18 buildings in account 390 as members of the minor buildings subaccount, using the depreciation parameters set forth in the 2019 Depreciation Docket. The Department reviewed MERC's Petition and concludes that the Company complied with this requirement.

In addition, the Commission's January Order required the Company, in future depreciation filings, to identify new or existing buildings that exceed a threshold total book value so that those buildings can be considered for individual depreciation, rather than being included in the Minor buildings group subaccount of Plant Account 390. In its Petition, the Company stated that it did not identify any buildings that meet this requirement. Therefore, the Department concludes that the Company complied with this requirement.

B. REASONABLENESS OF PROPOSED REMAINING LIVES, SALVAGE RATES, AND IMPACT ON RESULTING DEPRECIATION RATES

1. Proposed Lives and Salvage Rates for all Property Accounts Except Account 390, Structures and Improvements

The average service lives, survivor curves, and salvage rates MERC used in its Petition to develop its proposed depreciation rates were established in the 2017 Depreciation Docket (for all property accounts other than account 390) or in the 2019 Depreciation Docket (for account 390). The Department concludes that those depreciation parameters continue to be reasonable.

Generally, a plant account's remaining life is a function of its average service life, assumed survivor curve, and the age of property in the account, which is tracked by vintage. Thus, even when an account's assumed average service life does not change, plant additions can lengthen the account's remaining life, as the new property will be expected to survive longer than older property in the account. Similarly, retirements of older property in an account can also lengthen the account's remaining life, as the weighted average age of the property in the account would decrease. Barring a change in the age-makeup of property in an account, its remaining life would be expected to decrease by approximately one year from one depreciation study to the next if the account's average service life does not change.⁴

In its Petition, MERC proposed updated remaining lives that reflect the passage of time as well as plant activity (additions and retirements) in its accounts. The Department reviewed MERC's proposed remaining lives and concludes for all property accounts other than Account 390 that they are reasonable. The Department also concludes that MERC's proposed depreciation rates, which are in part a function of the accounts' remaining lives, are also reasonable.

C. PROPOSAL TO SKIP 2021 DEPRECIATION STUDY

As noted above, MERC informally proposed to the Department that the Company be allowed to skip its planned 2021 depreciation filing and have its next five-year study, currently due by June 1, 2022, be its next depreciation filing.⁵ The Company stated that due to the amount of time that has elapsed since it filed its Petition, and the limited amount of time between the date of the Commission's order in this Docket and the due date of its 2022 depreciation study, a 2021 depreciation filing will have limited value.

The Department notes that if MERC were to make a depreciation filing this year, the average service lives and salvage rates of its plant accounts would almost certainly be unchanged from those included in the Petition. As described above, due to the passage of time and plant activity, the remaining lives of the accounts are likely to change, and as a result the accounts' depreciation rates are likely to change. However, absent significant additions or retirements, any such changes to depreciation rates are likely to be small. While the Department strongly prefers that depreciation rates determined using

⁴ Due to the probabilistic nature of the remaining life calculation, the remaining life of an account that has had no additions, retirements, transfers, etc., would actually be expected to decline by slightly less than one year.

⁵ See Order Point 2 of the Commission's January Order.

a remaining life methodology be updated every year, the Department agrees that given passage of time in this instance, it would be reasonable for MERC to skip its 2021 depreciation filing as long there was no plant activity in 2020 that would be expected to result in changes in depreciation rates, and that failure to implement those rates may negatively impact ratepayers.

In its response to Department IR No. 1, MERC provided updated schedules showing its plant and reserve activity during 2020, similar to schedules 1A and 1B of its Petition.⁶ As shown in those schedules, MERC's 2020 beginning total gas plant balance \$614.0 million, and the Company recorded plant additions totaling \$95.8 million during the year, and retirements of \$3.8 million. While the additions are significant in amount relative to the beginning plant balance, the Department notes that these additions would lengthen the remaining lives of the affected accounts, which would in turn lower the depreciation rates for the accounts. Lower depreciation rates would result in lower depreciation expense. Therefore, the Department concludes that if the Commission were to allow MERC to skip its 2021 filing, MERC's 2021 depreciation expense is likely to be higher than it otherwise would have been, and ratepayers would not be harmed. Because of this, the Department recommends that the Commission approve MERC's request to skip its 2021 depreciation filing, and instead let the Company's next five-year study, due by June 1, 2022, be its next depreciation filing.

III. CONCLUSION AND RECOMMENDATIONS

After review, the Department recommends that the Commission:

1. Approve the depreciation parameters and rates proposed in MERC's Petition, effective January 1, 2020;
2. Allow MERC to use the depreciation rates proposed in its Petition for 2020 in 2020 and 2021; and
3. Require MERC to its next five-year depreciation study by June 1, 2022.
4. Require MERC, in its next depreciation filing, to provide a discussion of the difference between the way it calculates depreciation rates in its depreciation petitions and how it applies those rates in calculating its actual depreciation expense, and whether these practices result in reasonable and correct depreciation accruals.

/ar

⁶ See Department Attachment No. 3.



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

Docket Number: G011/D-20-515

Requested From: Joylyn Hoffman Malueg

Minnesota Energy Resources Corporation

☒ Nonpublic ☒ Public

Date of Request: 5/3/21

Response Due: 5/13/21

Type of Inquiry: Financial

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

Assigned Analyst(s): Craig Addonizio

Email Address(es): craig.addonizio@state.mn.us

Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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

Request Number: 3

Topic: 2019 accruals for account 390

Reference(s): Sept. 15 Petition, Attachment A; Oct. 30 Reply Comments, Attachment B

Request:

- a. In Docket No. G011/D-19-377, in response to Department Information Request No. 2, MERC provided a manual recalculation of monthly depreciation expense during 2018 for all of its plant accounts. Please provide the same calculations for 2019 depreciation expense for each of the subaccounts within plant account 39000, as shown in the table below.

	2019 Ending Plant Balance	2019 Accrual	2019 Implied Accrual Rate	Approved Accrual Rate	
Account 39000 Subaccount	(Stmt. 1C, Col. D)	(Stmt. 1C, Col. J)	Rate	(Stmt. 1C, Col. K)	Difference
	A	B	C = B / A	D	E = D - A
Minor	6,609,175.96	435,863.03	6.59%	2.74%	3.85%
Albert Lea	1,345,133.86	2,360.60	0.18%	2.15%	-1.97%
Cloquet	3,174,517.11	78,754.47	2.48%	4.46%	-1.98%
Rochester	3,405,757.82	11,269.88	0.33%	2.32%	-1.99%
Rosemount	7,302,605.66	12,131.45	0.17%	2.15%	-1.98%

(continued on next page)

To be completed by responder

Response Date: May 13, 2021

Response by: Tina Wuyts

Email Address: tina.wuyts@wecenergygroup.com

Phone Number: 920-433-4951



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
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-
- b. Please explain why the 2019 implied accrual rates (shown in column C of the table above) do not match the approved accrual rates, as shown in column D (which match the accrual rates shown in the Table on page 5 of the Department's October 4, 2019 Response Comments in Docket No. G011/D-19-377).
 - c. Given the differences between the approved and implied accrual rates shown in column E in the table above, please explain why MERC's 2019 depreciation accruals were reasonable for Account 39000 as a whole, as well as each of its subaccounts.

MERC Response:

- a. Please refer to the attached file for the 2019 actual depreciation expense calculations for plant account 39000. MERC uses the company's capital asset management system to calculate monthly depreciation expense. However, the file provided includes a manual recalculation of the 2019 depreciation expense. MERC notes that the December 2019 depreciation expense includes adjustments for new depreciation rates approved in Docket No. G-011/D-19-377, which had a retroactive effective date of January 2019.
- b. In Docket No. G-011/D-19-377, the Commission ordered MERC to depreciate the Rosemount, Rochester, Cloquet, and Albert Lea Service Centers individually. As these buildings were historically grouped together, asset and reserve transfers were completed in MERC's asset management system to maintain these buildings in separate depreciation groups. The assets were transferred to the new depreciation groups in November 2019. The depreciation reserve amount transferred in that transaction included the January through October 2019 depreciation expense, which was initially incurred at the minor building depreciation group. The amounts in the chart below represent the January through October 2019 depreciation expense that was incurred at the minor depreciation group and subsequently moved to the

To be completed by responder

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individual depreciation groups via a reserve transfer. These amounts are part of the 2019 Transfers & Adjustments on Statement 1B, Column I. The depreciation reserves at the end of December 2019 appropriately reflect the reserves for each of the building depreciation groups.

	2019 Accrual (Stmt. 1C, Col. J)	2019 Accrual Adjustment (Part of T&A on Stmt. 1B, Col I)	2019 Adjusted Accrual
Minor	435,863.03	(290,030.50)	145,832.53
Albert Lea	2,360.60	26,494.88	28,855.48
Cloquet	78,754.47	62,546.71	141,301.18
Rochester	11,269.88	64,019.95	75,289.83
Rosemount	12,131.45	136,968.95	149,100.40

- c. Please see MERC's response to part b. above.

To be completed by responder

Response Date: May 13, 2021

Response by: Tina Wuyts

Email Address: tina.wuyts@wecenergygroup.com

Phone Number: 920-433-4951

Minnesota Department of Commerce Information Request No. 003(a) 2019 Actual Depreciation Calculation of Plant Account 39000															

Notes:

- Columns F and I represent the monthly depreciation expense amounts calculated by the capital asset management system.
- Columns G and J represent manually inputted depreciation expense adjustments including the recalculation of retroactive approval date of new depreciation rates.
- Columns H and K represent system calculated expense adjustments.



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Date of Request: 5/3/21

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Request Number: 2

Topic: 2019 accruals for plant accounts 38100, 38300, and 39216

Reference(s): Petition, Attachments 1B and 1C

Request:

In Docket No. G011/D-19-377, in response to Department Information Request No. 2, MERC provided a manual recalculation of monthly depreciation expense during 2018 for all of its plant accounts. Please provide the same calculations for 2019 depreciation expense for plant accounts 38100, 38300, and 39216.

MERC Response:

Please refer to the attached file for the 2019 actual depreciation expense calculations for plant accounts 38100, 38300, and 39216. MERC uses the company's capital asset management system to calculate monthly depreciation expense. However, the file provided includes a manual recalculation of the 2019 depreciation expense. MERC notes that the December 2019 depreciation expense includes adjustments for new depreciation rates approved in Docket No. G-011/D-19-377, which had a retroactive effective date of January 2019.

To be completed by responder

Response Date: May 13, 2021

Response by: Tina Wuyts

Email Address: tina.wuyts@wecenergygroup.com

Phone Number: 920-433-4951

Minnesota Department of Commerce Information Request No. 002																	
2019 Actual Depreciation Calculation for Plant Accounts 38100, 38300, and 39216																	
Notes:																	
1. Columns E and I represent the monthly depreciation expense amounts calculated by the capital asset management system.																	
2. Columns G and J represent manual depreciation expense adjustments.																	
3. Columns H and K represent system calculated expense adjustments including reversing the monthly depreciation expense for groups that are fully depreciated and the recalculation of retroactive approval date of new depreciation rates.																	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)* (J/L)	(N) = (M) Difference	(O) = (F)/(J)	(P) = (O) Difference	Comments	
Dep. Group ID	Gr Post Mo Yr	Life Depreciation Rate	Cost Of Removal (C)	Beginning Plant Balance	Life Dep Exp Adjust	Life Dep Exp	Life Dep Exp Alloc Adj	COR Depr Expense	COR Depr Exp Adjust	COR Depr Exp Alloc Adjust	Total Depreciation Expense	Manual Recalc of Life Depr Expense	Manual Recalc of Life Depr Expense Difference	Manual Recalc of COR Depr Expense	Difference		
MERC-38100-Meters	Jan-19	2.50%	0.03%	\$48,247,843.89	\$100,516.34	\$0.00	\$0.00	\$1,206.20	\$0.00	\$0.00	\$1,206.20	\$100,516.34	\$0.00	\$1,206.20	\$0.00		
MERC-38100-Meters	Feb-19	2.50%	0.03%	\$48,247,843.89	\$100,516.34	\$0.00	\$0.00	\$1,206.20	\$0.00	\$0.00	\$1,206.20	\$100,516.34	\$0.00	\$1,206.20	\$0.00		
MERC-38100-Meters	Mar-19	2.50%	0.03%	\$48,247,843.89	\$100,516.34	\$0.00	\$0.00	\$1,206.20	\$0.00	\$0.00	\$1,206.20	\$100,516.34	\$0.00	\$1,206.20	\$0.00		
MERC-38100-Meters	Apr-19	2.50%	0.03%	\$48,339,024.41	\$101,122.97	\$0.00	\$0.00	\$1,213.48	\$0.00	\$0.00	\$1,213.48	\$101,122.97	\$0.00	\$1,213.48	\$0.00		
MERC-38100-Meters	May-19	2.50%	0.03%	\$49,157,820.03	\$102,412.13	\$0.00	\$0.00	\$1,228.95	\$0.00	\$0.00	\$1,228.95	\$102,412.13	\$0.00	\$1,228.95	\$0.00		
MERC-38100-Meters	Jun-19	2.50%	0.03%	\$50,356,400.15	\$104,909.17	\$0.00	\$0.00	\$1,258.95	\$0.00	\$0.00	\$1,258.95	\$104,909.17	\$0.00	\$1,258.95	\$0.00		
MERC-38100-Meters	Jul-19	2.50%	0.03%	\$51,323,456.32	\$106,923.87	\$0.00	\$0.00	\$1,283.09	\$0.00	\$0.00	\$1,283.09	\$106,923.87	\$0.00	\$1,283.09	\$0.00		
MERC-38100-Meters	Aug-19	2.50%	0.03%	\$52,323,456.32	\$108,923.87	\$0.00	\$0.00	\$1,308.09	\$0.00	\$0.00	\$1,308.09	\$108,923.87	\$0.00	\$1,308.09	\$0.00		
MERC-38100-Meters	Sep-19	2.50%	0.03%	\$52,801,068.89	\$110,002.29	\$0.00	\$0.00	\$1,320.03	\$0.00	\$0.00	\$1,320.03	\$110,002.29	\$0.00	\$1,320.03	\$0.00		
MERC-38100-Meters	Oct-19	2.50%	0.03%	\$53,157,403.28	\$110,744.59	\$0.00	\$0.00	\$1,328.94	\$0.00	\$0.00	\$1,328.94	\$110,744.59	\$0.00	\$1,328.94	\$0.00		
MERC-38100-Meters	Nov-19	2.50%	0.03%	\$52,316,345.93	\$108,992.39	\$0.00	\$0.00	\$1,307.91	\$0.00	\$0.00	\$1,307.91	\$108,992.39	\$0.00	\$1,307.91	\$0.00		
MERC-38100-Meters	Dec-19	2.66%	0.03%	\$52,981,651.17	\$117,447.66	\$0.00	\$717,956.62	\$1,324.54	\$0.00	\$0.00	\$1,324.54	\$91,238.28	\$117,447.66	\$0.00	\$1,324.54	\$0.00	Difference indicates system configuration for an asset unmet/retirement
MERC-38100-House Regulators	Jan-19	1.41%	0.09%	\$19,975,368.35	\$23,471.06	\$0.00	\$0.00	\$1,468.15	\$0.00	\$0.00	\$1,468.15	\$23,471.06	\$0.00	\$1,468.15	\$0.00		
MERC-38100-House Regulators	Feb-19	1.41%	0.09%	\$19,949,208.90	\$23,440.32	\$0.00	\$0.00	\$1,496.19	\$0.00	\$0.00	\$1,496.19	\$23,440.32	\$0.00	\$1,496.19	\$0.00		
MERC-38100-House Regulators	Mar-19	1.41%	0.09%	\$19,954,485.71	\$23,446.52	\$0.00	\$0.00	\$1,496.59	\$0.00	\$0.00	\$1,496.59	\$23,446.52	\$0.00	\$1,496.59	\$0.00		
MERC-38100-House Regulators	Apr-19	1.41%	0.09%	\$19,961,648.39	\$23,454.94	\$0.00	\$0.00	\$1,497.12	\$0.00	\$0.00	\$1,497.12	\$23,454.94	\$0.00	\$1,497.12	\$0.00		
MERC-38100-House Regulators	May-19	1.41%	0.09%	\$19,968,648.39	\$23,463.16	\$0.00	\$0.00	\$1,497.65	\$0.00	\$0.00	\$1,497.65	\$23,463.16	\$0.00	\$1,497.65	\$0.00		
MERC-38100-House Regulators	Jun-19	1.41%	0.09%	\$20,002,686.85	\$23,503.16	\$0.00	\$0.00	\$1,509.20	\$0.00	\$0.00	\$1,509.20	\$23,503.16	\$0.00	\$1,509.20	\$0.00		
MERC-38300-House Regulators	Aug-19	1.41%	0.09%	\$20,016,272.57	\$23,519.12	\$0.00	\$0.00	\$1,501.22	\$0.00	\$0.00	\$1,501.22	\$23,519.12	\$0.00	\$1,501.22	\$0.00		
MERC-38300-House Regulators	Sep-19	1.41%	0.09%	\$20,022,860.14	\$23,526.86	\$0.00	\$0.00	\$1,501.71	\$0.00	\$0.00	\$1,501.71	\$23,526.86	\$0.00	\$1,501.71	\$0.00		
MERC-38300-House Regulators	Oct-19	1.41%	0.09%	\$20,017,519.06	\$23,520.58	\$0.00	\$0.00	\$1,501.31	\$0.00	\$0.00	\$1,501.31	\$23,520.58	\$0.00	\$1,501.31	\$0.00		
MERC-38300-House Regulators	Nov-19	1.41%	0.09%	\$20,014,790.99	\$23,517.38	\$0.00	\$0.00	\$1,501.11	\$0.00	\$0.00	\$1,501.11	\$23,517.38	\$0.00	\$1,501.11	\$0.00		
MERC-38300-House Regulators	Dec-19	1.41%	0.09%	\$20,014,790.99	\$23,517.38	\$0.00	\$1,699,956.62	\$1,501.11	\$0.00	\$0.00	\$1,501.11	\$23,517.38	\$0.00	\$1,501.11	\$0.00		
MERC-39216-Vehicles	Jan-19	12.07%	0.00%	\$6,843,278.88	\$68,831.98	\$0.00	\$0.00	\$68,831.98	\$0.00	\$0.00	\$68,831.98	\$68,831.98	\$0.00	\$68,831.98	\$0.00		
MERC-39216-Vehicles	Feb-19	12.07%	0.00%	\$6,844,169.22	\$68,840.94	\$0.00	\$0.00	\$68,840.94	\$0.00	\$0.00	\$68,840.94	\$68,840.94	\$0.00	\$68,840.94	\$0.00		
MERC-39216-Vehicles	Mar-19	12.07%	0.00%	\$6,885,943.98	\$69,261.12	\$0.00	\$0.00	\$69,261.12	\$0.00	\$0.00	\$69,261.12	\$69,261.12	\$0.00	\$69,261.12	\$0.00		
MERC-39216-Vehicles	Apr-19	12.07%	0.00%	\$6,432,193.29	\$64,697.14	\$0.00	\$0.00	\$64,697.14	\$0.00	\$0.00	\$64,697.14	\$64,697.14	\$0.00	\$64,697.14	\$0.00		
MERC-39216-Vehicles	May-19	12.07%	0.00%	\$6,432,193.29	\$64,697.14	\$0.00	\$0.00	\$64,697.14	\$0.00	\$0.00	\$64,697.14	\$64,697.14	\$0.00	\$64,697.14	\$0.00		
MERC-39216-Vehicles	Jun-19	12.07%	0.00%	\$6,187,789.65	\$62,238.85	\$0.00	\$0.00	\$62,238.85	\$0.00	\$0.00	\$62,238.85	\$62,238.85	\$0.00	\$62,238.85	\$0.00		
MERC-39216-Vehicles	Jul-19	12.07%	0.00%	\$6,185,715.10	\$62,217.98	\$0.00	\$0.00	\$62,217.98	\$0.00	\$0.00	\$62,217.98	\$62,217.98	\$0.00	\$62,217.98	\$0.00		
MERC-39216-Vehicles	Aug-19	12.07%	0.00%	\$6,151,380.92	\$61,872.64	\$0.00	\$0.00	\$61,872.64	\$0.00	\$0.00	\$61,872.64	\$61,872.64	\$0.00	\$61,872.64	\$0.00		
MERC-39216-Vehicles	Sep-19	12.07%	0.00%	\$6,151,380.92	\$61,872.64	\$0.00	\$0.00	\$61,872.64	\$0.00	\$0.00	\$61,872.64	\$61,872.64	\$0.00	\$61,872.64	\$0.00		
MERC-39216-Vehicles	Oct-19	12.07%	0.00%	\$6,151,380.92	\$61,872.64	\$0.00	\$0.00	\$61,872.64	\$0.00	\$0.00	\$61,872.64	\$61,872.64	\$0.00	\$61,872.64	\$0.00		
MERC-39216-Vehicles	Nov-19	12.07%	0.00%	\$6,462,438.41	\$65,001.36	\$0.00	\$0.00	\$65,001.36	\$0.00	\$0.00	\$65,001.36	\$65,001.36	\$0.00	\$65,001.36	\$0.00		
MERC-39216-Vehicles	Dec-19	10.72%	0.00%	\$6,482,458.31	\$57,909.96	\$0.00	\$679,293.87	\$57,909.96	\$0.00	\$0.00	\$57,909.96	\$57,909.96	\$0.00	\$57,909.96	\$0.00		



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

Docket Number: G011/D-20-515

Requested From: Joylyn Hoffman Malueg

Minnesota Energy Resources Corporation

☒ Nonpublic ☒ Public

Date of Request: 5/3/21

Response Due: 5/13/21

Type of Inquiry: Financial

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

Assigned Analyst(s): Craig Addonizio

Email Address(es): craig.addonizio@state.mn.us

Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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

Request Number:	1
Topic:	Dec. 31, 2020 Plant and Reserve Activity
Reference(s):	Petition, Attachments 1A and 1B

Request:

Please provide updated versions of Attachments 1A and 1B showing plant and depreciation reserve activity during 2020.

MERC Response:

Please refer to the attached file for the 2020 plant and depreciation reserve activity. Please also see MERC's June 1, 2020 Initial Filing petition at page 4, which provides a narrative on any major future additions or retirements to plant that may have a material effect on the current certification results.

To be completed by responder

Response Date: May 13, 2021

Response by: Tina Wuyts

Email Address: tina.wuyts@wecenergygroup.com

Phone Number: 920-433-4951

MINNESOTA ENERGY RESOURCES CORPORATION
Plant Activity for 2020
STATEMENT 1A

Functional Class	Utility Account	Account Description	Beginning Balance (January 1, 2020)	Additions	Retirements	Adjustments	Transfers	Ending Balance (December 31, 2020)
A	B	C	D	E	F	G	H	I
Transmission Plant								
	36700	Mains	\$ 8,062,675.51	\$ -	\$ -	\$ -	\$ -	\$ 8,062,675.51
	36900	Measuring & Regulating Station Equipment	\$ 981,504.33	\$ -	\$ (55,908.66)	\$ -	\$ -	\$ 925,595.67
		Total Transmission Plant	\$ 9,044,179.84	\$ -	\$ (55,908.66)	\$ -	\$ -	\$ 8,988,271.18
Distribution Plant								
	37403	Easements	\$ 596,817.87	\$ -	\$ -	\$ -	\$ -	\$ 596,817.87
	37506	Structures & Improvements	\$ 145,075.92	\$ -	\$ (28,628.85)	\$ -	\$ (116,447.07)	\$ -
	37600	Mains	\$ 281,696,188.96	\$ 39,588,325.90	\$ (847,054.81)	\$ -	\$ -	\$ 300,437,460.05
	37800	Measuring & Regulating Station Equipment	\$ 15,240,710.18	\$ 545,500.59	\$ -	\$ -	\$ 102,219.90	\$ 15,888,430.67
	37900	City Gate Stations	\$ 21,199,317.81	\$ 1,382,766.29	\$ -	\$ -	\$ 14,227.17	\$ 22,596,311.27
	38000	Services	\$ 171,792,345.64	\$ 13,560,933.03	\$ (1,279,076.88)	\$ -	\$ -	\$ 184,074,201.79
	38100	Meters	\$ 56,156,831.96	\$ 4,545,377.33	\$ (477,512.52)	\$ -	\$ -	\$ 60,224,696.77
	38101	AMI Devices	\$ 381,440.31	\$ 24,285,170.89	\$ -	\$ -	\$ -	\$ 24,666,611.20
	38300	House Regulators	\$ 20,003,226.39	\$ 196,919.93	\$ (134,456.98)	\$ -	\$ -	\$ 20,065,689.34
	38500	Industrial Measuring & Regulating Equipment	\$ 2,918,387.25	\$ 3,053.92	\$ -	\$ -	\$ -	\$ 2,921,441.17
		Total Distribution Plant	\$ 550,130,342.29	\$ 84,105,047.88	\$ (2,766,730.04)	\$ -	\$ (0.00)	\$ 631,471,660.13
General Plant								
	39000	Structures & Improvements - Minor	\$ 6,609,175.96	\$ 656,074.63	\$ (111,599.53)	\$ -	\$ -	\$ 7,153,651.06
	39000	Structures & Improvements - Albert Lea	\$ 1,345,133.86	\$ 112,208.07	\$ -	\$ -	\$ -	\$ 1,457,341.93
	39000	Structures & Improvements - Cloquet	\$ 3,174,517.11	\$ 151,100.28	\$ -	\$ -	\$ -	\$ 3,325,617.39
	39000	Structures & Improvements - Rochester	\$ 3,405,757.82	\$ 56,491.44	\$ -	\$ -	\$ -	\$ 3,462,249.26
	39000	Structures & Improvements - Rosemount	\$ 7,302,605.66	\$ 15,946.83	\$ -	\$ -	\$ -	\$ 7,318,552.49
	39216	Autos & Light Duty Trucks	\$ 6,715,636.85	\$ 1,252,681.23	\$ (525,033.38)	\$ -	\$ -	\$ 7,443,284.70
	39289	Trailers & Trailer Mounted Equipment	\$ 91,575.26	\$ 14,061.31	\$ -	\$ -	\$ -	\$ 105,636.57
	39618	Power Operated Equipment	\$ 399,027.44	\$ 25,773.37	\$ (6,338.81)	\$ -	\$ -	\$ 418,462.00
		Total General Plant	\$ 29,043,429.96	\$ 2,284,337.16	\$ (642,971.72)	\$ -	\$ -	\$ 30,684,795.40
Total Depreciable Gas Plant								
			\$ 588,217,952.09	\$ 86,392,385.04	\$ (3,465,610.42)	\$ -	\$ (0.00)	\$ 671,144,726.71
Non-Depreciable & Other Plant								
	30200	Franchises & Consents	\$ 3,946,750.19	\$ -	\$ -	\$ -	\$ -	\$ 3,946,750.19
	30300	Misc Intangible Plant	\$ 20,117,823.96	\$ 9,401,909.02	\$ (320,177.14)	\$ -	\$ -	\$ 29,199,555.84
	36501	Land Rights - Transmission	\$ 8,600.00	\$ -	\$ -	\$ -	\$ -	\$ 8,600.00
	37401	Land Rights - Distribution	\$ 393,479.22	\$ 126.88	\$ -	\$ -	\$ -	\$ 393,606.10
	38901	Land in Fee - General	\$ 1,331,522.75	\$ -	\$ (10,446.29)	\$ -	\$ -	\$ 1,321,076.46
		Total Non-Depreciable & Other Plant	\$ 25,798,176.12	\$ 9,402,035.90	\$ (330,623.43)	\$ -	\$ -	\$ 34,869,588.59
Total Gas Plant								
			\$ 614,016,128.21	\$ 95,794,420.94	\$ (3,796,233.85)	\$ -	\$ (0.00)	\$ 706,014,315.30

MINNESOTA ENERGY RESOURCES CORPORATION
Analysis of Depreciation Reserve for 2020
STATEMENT 1B

Functional Class	Utility Account	Account Description	Beginning Balance (January 1, 2020)	Accruals	Salvage and Other Credits	Retirements	Cost Of Removal	Transfers and Adjustments	Ending Balance (December 31, 2020)
A	B	C	D	E	F	G	H	I	J
Transmission Plant									
	36700	Mains	\$ 3,712,197.29	\$ 142,709.28	\$ -	\$ -	\$ -	\$ -	\$ 3,854,906.57
	36900	Measuring & Regulating Station Equipment	\$ 156,869.83	\$ 70,289.40	\$ -	\$ (55,908.66)	\$ -	\$ -	\$ 171,270.57
		Total Transmission Plant	\$ 3,869,067.12	\$ 212,998.68	\$ -	\$ (55,908.66)	\$ -	\$ -	\$ 4,026,177.14
Distribution Plant									
	37403	Easements	\$ 316,417.99	\$ 24,350.16	\$ -	\$ -	\$ -	\$ -	\$ 340,768.15
	37506	Structures & Improvements	\$ 131,600.65	\$ 3,790.05	\$ -	\$ (28,628.85)	\$ -	\$ (106,761.85)	\$ -
	37600	Mains	\$ 81,097,402.66	\$ 5,032,443.02	\$ -	\$ (847,054.81)	\$ (184,744.95)	\$ -	\$ 85,098,045.92
	37800	Measuring & Regulating Station Equipment	\$ 3,082,799.83	\$ 583,283.38	\$ -	\$ -	\$ -	\$ 93,773.07	\$ 3,759,856.28
	37900	City Gate Stations	\$ 2,729,288.06	\$ 962,643.68	\$ -	\$ -	\$ (897.24)	\$ 12,988.78	\$ 3,704,920.52
	38000	Services	\$ 77,296,174.16	\$ 4,241,252.78	\$ -	\$ (1,279,076.88)	\$ (17,993.57)	\$ -	\$ 80,257,452.82
	38100	Meters	\$ 13,109,493.26	\$ 1,447,733.89	\$ 6,343.23	\$ (477,512.52)	\$ -	\$ -	\$ 14,088,064.29
	38101	AMI Devices	\$ 174,177.61	\$ 927,774.50	\$ -	\$ -	\$ -	\$ -	\$ 1,101,952.11
	38300	House Regulators	\$ 10,812,802.66	\$ 294,665.35	\$ -	\$ (134,456.98)	\$ (2,754.03)	\$ -	\$ 10,970,257.00
	38500	Industrial Measuring & Regulating Equipment	\$ 949,214.77	\$ 78,566.25	\$ -	\$ -	\$ -	\$ 1,027,781.02	\$ -
		Total Distribution Plant	\$ 189,699,371.65	\$ 13,596,503.06	\$ 6,343.23	\$ (2,766,730.04)	\$ (206,389.79)	\$ 0.00	\$ 200,329,098.11
General Plant									
	39000	Structures & Improvements - Minor	\$ 897,080.83	\$ 185,360.09	\$ -	\$ (111,599.53)	\$ -	\$ -	\$ 970,841.39
	39000	Structures & Improvements - Albert Lea	\$ 55,565.48	\$ 29,302.35	\$ -	\$ -	\$ -	\$ -	\$ 84,867.83
	39000	Structures & Improvements - Cloquet	\$ 1,356,617.18	\$ 142,516.57	\$ -	\$ -	\$ -	\$ -	\$ 1,499,133.75
	39000	Structures & Improvements - Rochester	\$ 521,880.83	\$ 80,117.75	\$ -	\$ -	\$ -	\$ -	\$ 601,998.58
	39000	Structures & Improvements - Rosemount	\$ 287,522.40	\$ 157,125.48	\$ -	\$ -	\$ -	\$ -	\$ 444,647.88
	39216	Autos & Light Duty Trucks	\$ 2,241,062.72	\$ 720,936.35	\$ 88,907.60	\$ (525,033.38)	\$ (115.94)	\$ -	\$ 2,525,757.35
	39269	Trailers & Trailer Mounted Equipment	\$ 58,182.57	\$ 1,848.24	\$ -	\$ -	\$ -	\$ -	\$ 60,030.81
	39618	Power Operated Equipment	\$ 189,115.29	\$ 14,987.57	\$ -	\$ (6,338.81)	\$ -	\$ -	\$ 197,764.05
		Total General Plant	\$ 5,607,027.30	\$ 1,332,194.40	\$ 88,907.60	\$ (642,971.72)	\$ (115.94)	\$ -	\$ 6,385,041.64
		Total Depreciable Gas Plant	\$ 199,175,486.07	\$ 15,141,696.14	\$ 95,250.83	\$ (3,465,610.42)	\$ (206,505.73)	\$ 0.00	\$ 210,740,316.89
Non-Depreciable & Other Plant									
	30200	Franchises & Consents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	30300	Misc Intangible Plant	\$ 3,929,545.96	\$ 4,488.06	\$ -	\$ (320,177.14)	\$ -	\$ -	\$ 3,934,034.02
	36501	Land Rights - Transmission	\$ 4,493,744.96	\$ 2,404,993.19	\$ -	\$ -	\$ -	\$ -	\$ 6,578,561.01
	37401	Land Rights - Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	38901	Land in Fee - General	\$ -	\$ -	\$ -	\$ (10,446.29)	\$ -	\$ 10,446.29	\$ -
		Total Non-Depreciable & Other Plant	\$ 8,423,290.92	\$ 2,409,481.25	\$ -	\$ (330,623.43)	\$ -	\$ 10,446.29	\$ 10,512,595.03
		Total Gas Plant	\$ 207,598,776.99	\$ 17,551,177.39	\$ 95,250.83	\$ (3,796,233.85)	\$ (206,505.73)	\$ 10,446.29	\$ 221,252,911.92

CERTIFICATE OF SERVICE

I, Marcella Emeott, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, 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 – COMMENTS

Docket No. G011/D-20-515

Dated this 7th day of June 2021

/s/Marcella Emeott

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_20-515_D-20-515
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_20-515_D-20-515
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_20-515_D-20-515
Daryll	Fuentes	energy@usg.com	USG Corporation	550 W Adams St Chicago, IL 60661	Electronic Service	No	OFF_SL_20-515_D-20-515
Joylyn C	Hoffman Malueg	Joylyn.hoffmanmalueg@wecenergygroup.com	Minnesota Energy Resources	2685 145th St W Rosemount, MN 55068	Electronic Service	Yes	OFF_SL_20-515_D-20-515
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-515_D-20-515
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-515_D-20-515
Catherine	Phillips	Catherine.Phillips@wecenergygroup.com	Minnesota Energy Resources	231 West Michigan St Milwaukee, WI 53203	Electronic Service	Yes	OFF_SL_20-515_D-20-515
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_20-515_D-20-515
Elizabeth	Schmiesing	eschmiesing@winthrop.com	Winthrop & Weinstine, P.A.	225 South Sixth Street Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-515_D-20-515

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_20-515_D-20-515
Colleen	Sipiorski	Colleen.Sipiorski@wecenergygroup.com	Minnesota Energy Resources Corporation	700 North Adams St Green Bay, WI 54307	Electronic Service	Yes	OFF_SL_20-515_D-20-515
Richard	Stasik	richard.stasik@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St - P321 Milwaukee, WI 53203	Electronic Service	Yes	OFF_SL_20-515_D-20-515
Kristin	Stastny	kstastny@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 South 8th St Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_20-515_D-20-515
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_20-515_D-20-515
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_20-515_D-20-515