MINNESOTA DEPARTMENT OF COMMERCE

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October 3, 2016 **PUBLIC DOCUMENT**

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/M-16-655

Dear Mr. Wolf:

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

> Petition of Minnesota Energy Resources Corporation for Approval of Recovery of Natural Gas Extension Project Costs through a Rider and a New Area Surcharge for the Esko Project.

The *Petition* was filed on August 2, 2016 by:

> Amber S. Lee
> Regulatory and Legislative Affairs Manager
> Minnesota Energy Resources Corporation
> 1995 Rahncliff Court, Suite 200
> Eagan, Minnesota 55122

As discussed in greater detail in the attached *Comments*, the Department recommends that the Minnesota Public Utilities Commission (Commission) deny the *Petition*, in part, and approve, in part, with modification, as more fully discussed in the attached *Comments*.

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

Sincerely,

/s/ MICHAEL RYAN
Rates Analyst

MR/ja
Attachment

MINNESOTA DEPARTMENT OF COMMERCE

PUBLIC DOCUMENT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

PUBLIC COMMENTS OF THE MINNESOTA DEPARTMENT OF COMMERCE DIVISION OF ENERGY RESOURCES

DOCKET NO. G011/M-16-655

I. BACKGROUND

On July 26, 2012, the Minnesota Public Utilities Commission (Commission) approved Minnesota Energy Resources Corporation's (MERC or the Company) request to add a New Area Surcharge Rider to its tariff.[1] MERC's New Area Surcharge Rider enables the Company to extend service into a new area that would be uneconomic to serve at standard tariffed rates. MERC's original New Area Surcharge Rider allowed the term of service to vary from area to area, depending on the project; however, the maximum surcharge term was set at 15 years.

On January 30, 2014, Governor Mark Dayton issued Emergency Executive Order 14-02 and released a statement in response to the propane supply issues due to the polar vortex conditions that gripped the State.[2] This statement listed steps that had been taken to alleviate the propane issues within the State and steps being taken to prevent future propane shortages.

On March 24, 2014, the Minnesota Department of Commerce, Division of Energy Resources (Department) submitted testimony in MERC's 2013 general rate case (Docket No. G011/GR-13-617) recommending that MERC pursue, in a separate filing, a tariff revision to extend the maximum term of service for a New Area Surcharge (NAS) to some period such as the length of the expected lives of the new facilities or a period agreed to by customers in the new area. On June 20, 2014, MERC submitted a filing to the Commission in Docket No. G011/M-14-524 (14-524 Docket) to:

- Modify the Company's New Area Surcharge tariff sheet to allow a New Area Surcharge to remain in effect for a term not to exceed thirty (30) years; and

- Establish a New Area Surcharge for customers located near Ely Lake in the Cities of Eveleth and Gilbert in Northern Minnesota.

[1] Docket No. G007,011/M-11-1045.
[2] See DOC Attachment 1.

On September 5, 2014, the Commission approved the Company's request for approval of a revision to its New Area Surcharge tariff and a New Area Surcharge for the Ely Lake Project.

On July 28, 2015, the Commission approved the Company's request[3] for approval of a second New Area Surcharge for the Detroit Lakes-Long Lake Project in Docket No. G011/M-15-441. With the approval for this second NAS, the Commission also required MERC to revise its NAS tariffs and model to incorporate the Company's existing 75-foot service extension allowance for residential services installation.

Most recently, the Commission approved MERC's request for approval of the Fayal Township Long Lake NAS on June 10, 2016.[4] Along with the approval of the Fayal Township Long Lake NAS, the Commission approved annual reporting requirements on March 1 of each year.

The Natural Gas Extension Project (NGEP) Rider, Minn. Stat. § 216B.1638, was passed into law out of the 2015 special session.[5] MERC's application for rider recovery for the Rochester Natural Gas Extension (Docket No. G011/M-15-895) is the only other NGEP Rider that a regulated gas utility has requested to date. The Rochester Extension is currently ongoing as a contested case. It is important to note that there is no prior record of a NAS request coinciding with a NGEP Rider request as is proposed in this docket.

II. SUMMARY OF PETITION

On August 2, 2016, MERC submitted a filing (*Petition*) to the Commission to recover the cost to extend natural gas service to Esko, Minnesota via a Natural Gas Extension Rider and to establish a New Area Surcharge for the Esko Project. The *Petition* was filed concurrently with MERC's similar request for approval for the Balaton Project.[6]

A. NATURAL GAS EXTENSION PROJECT RIDER

MERC requested Commission approval of a miscellaneous rate change to recover **[TRADE SECRET DATA HAS BEEN EXCISED]** of the costs to extend natural gas service to customers in Esko, Minnesota through a Natural Gas Extension Project ("NGEP") Rider as defined in Minn. Stat. § 216B.1638.[7] As outlined by the Company, the NGEP Statute states that:

[3] In its June 19, 2015 Reply Comments, MERC revised its request by eliminating the Conservation Cost Recovery Charge from the model calculations. The Commission's approval incorporated this revision.
[4] Docket No. G011/M-16-221.
[5] See DOC Attachment 2.
[6] Docket No. G011/M-16-654.
[7] See DOC Attachment 2.

> …a public utility may petition the commission outside of a general rate case for a rider that shall include all of the utility's customers, including transport customers, to recover the revenue deficiency from a natural gas extension project.[8]

The NGEP Statute allows a utility to recover up to 33 percent of the natural gas extension project costs through an NGEP rider.[9]

The Esko Project will connect the community to the Northern Natural Gas (NNG) pipeline. In addition to MERC's costs, the proposed expansion will also require upgrades to the NNG system in order to serve the Project. Currently, the Township of Esko does not have natural gas service. The Company anticipates that there will be customers across multiple rate classes based on outreach and projections. Specifically, MERC projects **[TRADE SECRET DATA HAS BEEN EXCISED]** to sign up during the first year of the Project. During the 25-year Project life, MERC initially projected that approximately **[TRADE SECRET DATA HAS BEEN EXCISED]** will participate in the Project by converting to natural gas service.[10] The target timing for completion of the Project is by the start of the 2017-2018 heating season (approximately November 1, 2017).

The proposed NGEP Rider recovery amount was determined as follows:

> **[TRADE SECRET DATA HAS BEEN EXCISED].**[11]

Once the NGEP Rider recovery amount was calculated, the Company used the approved NAS model to calculate the contribution in aid of construction (CIAC). As described by MERC, the step-by-step calculation is as follows:

> Step 1: Determine percentage of total project costs (MERC construction costs and incremental O&M costs related to NNG upgrades) (up to 33 percent) to be recovered via a NGEP rider in order to make the NAS reasonably affordable. **[TRADE SECRET DATA HAS BEEN EXCISED]**
>
> Step 2: Run total project costs (MERC construction costs and incremental O&M costs related to NNG upgrades) less costs proposed for recovery through the NGEP rider through approved NAS model to determine the contribution in aid of construction (*i.e.,* the portion of remaining project costs which projected revenues from customers anticipated to receive natural gas service as a result of the Project will not cover).

[8] Minn. Stat. § 216B.1638, subd. 2 (a)
[9] Minn. Stat. § 216B.1638, subd. 3
[10] Company *Petition*, Section II.A., pg. 3
[11] Company *Petition*, Section II.C., pg. 5

> Step 3: The NAS model calculates the monthly new area surcharge amounts, by customer class, based on customer charge allocation in order to recover the calculated contribution in aid of construction over the proposed term of the NAS.
>
> Step 4: Calculate per-therm NGEP rider surcharge to be assessed to all MERC customers by dividing the proposed NGEP Rider Costs by the sales forecast approved in Docket No. G011/GR-13-617.[12]

Using the above calculation, the Company calculated a revenue deficiency **[TRADE SECRET DATA HAS BEEN EXCISED]**. The Company's Attachment C includes the trade secret calculation of the NGEP rider surcharge proposed to be imposed on all MERC customers of **[TRADE SECRET DATA HAS BEEN EXCISED]** for the term of one year.

MERC concluded that the Project would benefit existing customers through the sharing of overall cost of service among a larger number of customers. Also, MERC indicated that Esko is a growing community and that the project would create the potential for extensions into the surrounding communities.

B. NEW AREA SURCHARGE

The Commission's July 26, 2012 *Order* in Docket No. G007,011/M-11-1045 requires the Company to make a miscellaneous rate change filing for any specific New Area Surcharge project. MERC proposed that the New Area Surcharge for customers located in Esko be in effect for a period not to exceed twenty-five (25) years and commence in approximately October 2017. The proposed NAS monthly rates are listed in Table 1 below by customer class. MERC used the NAS model approved by the Commission, and incorporated into the Company's tariff book, to calculate NAS rates that will bring the net present value of the project to approximately $0 over the life of the project.[13] MERC indicated that it would

terminate the surcharge when the Project revenue deficiency is satisfied or at the end of 25 years, whichever occurs first.

Table 1: Esko Project New Area Surcharges

Esko Project New Area Surcharges	
Residential	$24.18
Small Commercial and Industrial	$45.81
Large Commercial and Industrial	$114.53
Small Volume Interruptible	$419.95
Large Volume Interruptible	$470.85

[12] Company *Petition*, Section II.C., pg. 5-6
[13] *Petition* Exhibit C. Spreadsheet Tab 'PV calc'

According to the *Petition*, MERC anticipates that the customer base will be Residential, Small Commercial and Industrial (C&I), Large C&I, and Small Volume Interruptible (SVI). No Large Volume Interruptible (LVI) customers were assumed in the calculation of net present value. The Company indicated that its proposed surcharge levels of $24.18, $45.81, $114.53, and $419.95 for Residential, Small C&I, Large C&I, and SVI customers, respectively, will bring the Net Present Value of the project to approximately $0 over the Project's life. MERC also requested that the Commission approve an NAS surcharge of $470.85 for LVI customers. Currently there are no customers in the area that would fall into the LVI rate class, but the Company stated that "economic conditions could drive a customer to switch from firm C&I services to Interruptible services and/or from SVI service to LVI service" and that the Company "is aware of potential customers who could potentially qualify for and move to LVI service in the future."[14] The Company also: "acknowledges that in its past NAS petitions the Commission has only approved NAS factors in the past for those customers classes for which MERC projects customers, the Esko Project is unique compared to MERC's previous NAS filings because it is an extension to a new town that includes commercial and industrial customers rather than being a primarily residential development."[15]

MERC proposed that the surcharge be in effect until the projected revenue deficiency is satisfied, but for no longer than 25 years. MERC stated that the proposed surcharge is reasonably designed so as to recover the portion of the cost of extension that would be uneconomical to serve at tariffed rates exclusive of the costs proposed to be recovered through the NGEP Rider discussed above.

MERC stated that the proposed New Area Surcharge is in the public interest due to the lower cost of natural gas as compared to alternative fuel sources and the flexibility that the availability of an additional fuel choice brings. MERC also stated that there will be no need for demand entitlement changes, as the new customers in these areas are anticipated to be served off of existing demand contracts.

MERC included an updated tariff sheet, the work papers the Company used to calculate the surcharge, and a proposed customer notice as part of its *Petition*. In addition, MERC included a map of the Esko Project. Further, the Company provided a surcharge amount for each

customer class that is anticipated, and for the LVI class, due to the potential of a commercial customer switching classes or a new customer eligible for LVI service moving into the area.

III. DEPARTMENT ANALYSIS

Minn. Stat. § 216B.1638 requires that a NGEP Rider *Petition* include the following:

- a description of the natural gas extension project, including the number and location of new customers to be served and the distance over which natural gas will be distributed to serve the unserved or inadequately served area;

[14] Company *Petition*, Section III.C., pg. 11
[15] Company *Petition*, Section III.C., pg. 11

- the project's construction schedule;
- the proposed project budget;
- the amount of any contributions in aid of construction (CIAC);
- a description of efforts made by the public utility to offset the revenue deficiency through contributions in aid to construction;
- the amount of the revenue deficiency, and how recovery of the revenue deficiency will be allocated among industrial, commercial, residential, and transport customers;
- the proposed method to be used to recover the revenue deficiency from each customer class, such as a flat fee, a volumetric charge, or another form of recovery;
- the proposed termination date of the rider to recover the revenue deficiency; and
- a description of benefits to the public utility's existing natural gas customers that will accrue from the natural gas extension project.

The Department reviewed the filing and determined that the Company provided all information required by Minn. Stat. § 216B.1638. The table below is meant to be a quick reference.

Table 2: Minn. Stat. § 216B.1638 Requirements

Category	Did MERC Address?	Page Number(s)[16]
Project Description	Yes	2-3
Construction Schedule	Yes	4
Budget	Yes	6-7
CIAC	Yes	4-6
Effort to Offset Revenue Deficiency	Yes	6-8
Allocation of Revenue Deficiency	Yes	6-8
Method of Revenue Deficiency Recovery	Yes	8
Termination Date	Yes	8-9
Benefits to Existing Customers	Yes	9

The NAS rider is governed by the Commission's July 26, 2012 *Order* in Docket No. G007,011/M-11-1045, the Company tariff book, and Minnesota Rules Part 7829.1300—Miscellaneous Tariff and Price List Filings.

Minnesota Rules Part 7829.1300 lays out filing content and service requirements for miscellaneous tariff filings, such as NAS petitions. The Department has reviewed the requirements under Minnesota Rules Part 7829.1300 and concludes that the Company complied with all requirements.

[16] Company *Petition.*

The Commission's July 26, 2012 *Order* in Docket No. G007,011/M-11-1045 requires that any filing for a miscellaneous rate change for a specific NAS project shall include at a minimum:

- an updated surcharge tariff sheet and its related spreadsheets with and without the proposed surcharge for each new surcharge area;
- the work papers showing all underlying assumptions concerning interest rates, costs, depreciation, demographics, rate structure, etc.;
- a surcharge rate for each customer class, even if no customers are anticipated for the class;
- the Company's proposed customer notice; and
- all pertinent contract demand entitlement change requests as soon as the required information is ascertained.

MERC provided the required information in its initial *Petition*. Specifically, MERC provided updated tariff sheets in Exhibit A, its workpapers in Exhibit C, surcharge rates for each class in the body of the *Petition*, a proposed customer notice in Exhibit D, and finally noted in the body of the petition that it expects no change to contract demand entitlements.

The New Area Surcharge Rider in MERC's tariff book describes the availability, rate, applicability, methodology, term, expiration, and model guidelines that the Company must follow in all NAS riders. The Department has reviewed MERC's proposal under these parameters, and concludes that the Esko project proposal complies with all parameters. The Company also indicated that its *Petition* incorporates the model changes from Docket No. G011/M-15-441, which required MERC to revise its NAS tariffs and model to incorporate the Company's existing 75-foot service extension allowance for residential services installation.

The Department concludes that MERC has provided all of the information required by statute, rule and order relating to NGEP and NAS Riders. Below, the Department discusses the following concerns:

- cost recovery of enhancements to NNG's pipeline system, and
- cost recovery of a single project through both the NAS Rider and the NGEP Rider.

A. RECOVERY OF ENHANCEMENTS TO NNG'S PIPELINE SYSTEM

The Department notes that the Balaton and Esko Projects are the first NAS Rider proposals to include charges for enhancements to NNG's pipeline system. The Petition does not address whether any of the NNG charges for the enhancements associated with the Esko Project will be assessed later through the Company's Purchased Gas Agreement (PGA), whether those costs would be assessed to the customers subject to the NAS, or a mix of those two recovery options. The Department requests that MERC provide, in its reply comments, complete information regarding the accounting and recovery of the NNG charges and a full description of the charges.

B. RECOVERY THROUGH BOTH THE NGEP AND NAS RIDERS

As noted above, the *Petition* is the first request to recover the costs of a service extension through both an NGEP and NAS Rider. To assess whether combining the riders would be appropriate, the Department turned to past Commission Orders and statute language for guidance.

The July 26, 2012 Commission *Order* outlined the intent of the NAS Rider.[17]

> A New Area Surcharge (NAS) is designed to permit a natural gas company to extend service into a new area it would be uneconomic to serve at tariffed rates, by permitting the company to collect a surcharge in addition to the tariffed rate. This makes natural gas available to communities previously not served by a natural gas utility without imposing the costs of expansion on existing ratepayers.

Also, in the Initial filing for Docket G011/M-16-221 (Fayal Township-Long Lake NAS, aka Long Lake Project), MERC stated that the Long Lake Project was in the public interest because:

> …lower energy bills free money for investment and purchases in the area, spurring economic development. While gas service is being extended to customers in the Fayal Township Long Lake area, MERC's existing customers will not be subsidizing this project because the New Area Surcharge is calculated to ensure the project is load and cost justified over the project life.[18]

In contrast to the above statement in the Long Lake project, in the current request for the Esko Project, the Company requested that all customers partially subsidize the Esko NAS project via the NGEP Rider. It appears to the Department that using both the NGEP Rider and an NAS Rider conflicts with the original goal of the NAS tariff, which is to not impose costs of an expansion on existing ratepayers.

As proposed, the NGEP Rider recovery acts to subsidize a NAS project that, as discussed above, was meant to stand alone. The subsidization by use of the NGEP Rider acts to mitigate risk for MERC through the collection **[TRADE SECRET DATA HAS BEEN EXCISED]** of the cost of the Project in the first year. This partial up-front recovery serves as an additional buffer against the protections provided by the NAS Rider to ensure that the Company does not build an uneconomic project. The NAS requires the Company and its shareholders to accept the monetary risk of an insufficient number of customers signing up during the term of the NAS (*i.e.,* insufficient customer sign-ups means the full revenue requirements of the project are not recovered).

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[17] *Commission Order*, Docket No. G007,011/M-11-1045, pg. 1.
[18] Initial Filing Docket G011/M-16-221 pg. 9.

Further, the definition of CIAC in the NGEP statute is different than the definition in MERC's NAS Rider. Minn. Stat. § 216B.1638 (NGEP Statute) defines the CIAC as:

> "Contribution in aid of construction" means a monetary contribution, paid by a developer or local unit of government to a utility providing natural gas service to a community receiving that service as the result of a natural gas extension project, that reduces or offsets the difference between the total revenue requirement of the project and the revenue generated from the customers served by the project.[19]

Minnesota Rules Part 7829.1300 for Miscellaneous Tariff does not define CIAC, but the Company's tariff book establishes CIAC as the following under the New Area Surcharge Rider definition of Rate:

> As authorized by the MPUC, the total billing rate for any customer class will be the approved rate for that customer class plus a fixed monthly new area surcharge. All customers in the same rate class will be billed the same surcharge. The net present value of the new area surcharge will be treated as a Contribution-in-Aid-of-Construction for accounting and ratemaking purposes. The new area surcharge calculation includes the full life of all plant additions.[20]

As described by the Department in Docket G011/M-11-1045, "The Department understands that the purpose of the model is to determine the CIAC amount necessary to reduce a new area project's capital costs so that the revenue requirements generated from new area customers (based on current rates) will recover the new area project's projected revenue requirements. The CIAC amount would then be recovered from new area customers through a new area surcharge."[21]

In its *Petition*, the Company's references to the term CIAC appear to define the term as defined for the NAS Rider or the present value of the NAS. But the definition of CIAC for the NGEP Rider in Minn. Stat. § 216B.1638 does not include any recovery, or contribution, from another rider, such as a NAS, nor does it include recovery from the customers in the new area, nor does CIAC include contributions from the remaining ratepayers. Instead, the CIAC as defined by Minn. Stat. § 216B.1638 consists of contributions from the developer or local government.

The Company also determined the amount of the recovery via the NGEP Rider and NAS by **[TRADE SECRET DATA HAS BEEN EXCISED].** The Department notes that MERC did not provide support for its assumed optimal range**.** In addition to the level of the NAS, the extent to which a set NAS will result in the new customers being added as expected depends

[19] See DOC Attachment 2, Minn. Stat. § 216B.1638, subd. 1 (b).
[20] DOC Attachment 3, pg. 15.
[21] DOC Comments, Docket G007,011/M-11-1045 pg. 4, dated February 28, 2012.

on other factors such as the cost of alternative fuels, the cost to convert to natural gas, and the cost of natural gas. Other than MERC's indications that its current residential NAS levels have been successful, the record does not show that an NAS level outside the current range will be unsuccessful.

Due to the concern regarding the appropriateness of combining the NGEP and NAS, the Department requested that MERC provide additional terms and surcharge options. Given that the 25-year term NAS with the recommended NGEP was already straddling the level of competitiveness, the Department only requested alternatives at or above the 25-year term. The alternatives requested were pricing assuming a 25-year NAS with no NGEP, 30-year NAS with no NGEP, and finally a 30-year NAS with the NGEP percentage recommended in the *Petition* of **[TRADE SECRET DATA HAS BEEN EXCISED]**. Thirty years is the maximum length for a NAS as outlined in Docket No. G011/M-14-524. The table below summarizes the cost of each option including the original MERC recommendation.

Table 3: Esko NAS & NGEP Alternative Pricing

	Original – 25 yr. NAS/Rider	25-yr. NAS/ No Rider	30 yr. NAS/ Rider	30-yr. NAS/ No Rider
Residential	$24.18	$32.38	$21.79	$29.21
Small C&I	$45.81	$61.35	$41.28	$55.35
Large C&I	$114.53	$153.38	$103.19	$138.38
SVI	$419.95	$562.39	$378.38	$507.39
LVI	$470.85	$630.56	$424.24	$568.90

The goal of requesting the additional pricing was to understand how much higher the NAS would be if the NGEP Rider was not used in addition to the NAS. As shown in Table 3 above, removing the NGEP Rider and maintaining the 25-year term causes the Residential NAS to increase by approximately $8 per month. However, the NAS only increases by approximately $5 per month if you increase the term to 30 years without the NGEP Rider, which results in a Residential Rate of $29.21 per month.

As stated by the Company, "MERC relied upon its past experience with other approved New Area Surcharges to determine a range of NAS that would be likely to encourage the highest level of participation by potential customers in the Project Area," which was estimated to be **[TRADE SECRET DATA HAS BEEN EXCISED]**. The issue with this assumption is that the Company relied upon prior experience rather than an analysis using all available cost data relevant to this specific Project, to establish a cost range.

In order to more fully understand the Company's assumptions, the Department requested that MERC provide additional analysis and propane pricing for the Esko area (DOC Attachment 4). Based on limited transparency of propane pricing, the Company provided the weekly price per gallon of propane in Minnesota reported by the U.S. Energy Information Administration (EIA) for the winter heating seasons 2006-2007 through 2015-2016.[22] The

[22] The EIA weekly Minnesota propane price is obtained from the Department of Commerce's Energy Assurance Division as part of the State Heating Oil & Propane Program (SHOPP). The Department obtains weekly residential market pricing for propane from 28 suppliers. The pricing excludes taxes, discounts, and specific

Department also requested historic monthly residential natural gas pricing for the Esko area inclusive of all Purchased Gas Agreement (PGA) commodity cost, distribution charges, and any other charges assessed (DOC Attachment 5). The goal of these requests was to obtain a comparison of delivered burner-tip residential cost between natural gas and propane. Table 4 below shows the comparison.

Table 4: Residential Natural Gas and Propane Comparison

Annual Cost (April-March)	Natural Gas Annual Residential Cost MERC PGA[23]	Natural Gas Annual Residential Cost including 30-yr. NAS[24]	Propane Annual Residential Cost[25]	Annual Savings with Natural Gas[26]
2011-2012	$766	$1,116	$1,974	$857
2012-2013	$727	$1,078	$1,499	$421
2013-2014	$849	$1,200	$2,279	$1,079
2014-2015	$870	$1,221	$1,732	$511
2015-2016	$678	$1,029	$1,220	$191
Total	**$3,890**	**$5,643**	**$8,703**	**$3,060**

As shown in Table 4 above, each of the five prior years would have resulted in a savings had Esko Residential customers had the option to be served natural gas even with the addition of the $29.21/month NAS. It is also important to note that the propane pricing above is a weekly Minnesota Residential average and does not include any specific delivery charges to Esko or fixed charges associated with the purchase of propane. The Department anticipates that savings with natural gas is actually underestimated in the above table due to more transparent propane pricing not being public information.

Given the above analysis, the Department concludes that use of both the NGEP Rider and NAS Rider for a single project is not appropriate.

IV. DEPARTMENT ALTERNATIVE RECOMMENDATION

The Department recommends that the Commission deny MERC's *Petition* to recover Esko Project costs through both an NGEP Rider and an NAS.

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charges to individual customers. The prices are also for residential customers only and do not include apartments, multiple family dwellings, businesses, or institutions.

[23] DOC Attachment 5.

[24] $29.21/ month was added to the total monthly cost in DOC Attachment 5.

[25] DOC Attachment 4.

[26] Please note propane pricing is a weekly Minnesota average from the EIA for the winter months that was annualized based on average equivalent natural gas usage multiplied by the simple average of each winter's pricing. The Department anticipates that the savings is actually higher due to any specific delivery charges to Esko or fixed charges associated with purchase of propane.

The Department instead recommends that a 30-year NAS be approved for the Esko Project with no recovery from a NGEP Rider. Specifically, the Department recommends that the Commission:

- Establish a New Area Surcharge for customers located near Esko as follows:

Rate Class	Estimated Cost Per Month
Residential	$29.21
Small C&I	$55.35
Large C&I	$138.38
SVI	$507.39
LVI	$568.90

- Allow the surcharge to be in effect until the projected revenue deficiency is satisfied, but for no longer than 30 years.

- Require MERC to submit, as a compliance filing within 10 days of the date of the *Order* in the present docket, the relevant tariff sheets that comply with the Commission's determination in this matter.

- Require MERC to report on all New Area Surcharge rider projects in one document on March 1 of each year and file them in each of the following dockets – Docket No. G-011/M-16-655 (Esko); Docket No. G-011/M-16-654 (Balaton); Docket No. G-011/M-16-221 (Fayal Township-Long Lake); Docket No. G-011/M-14-524 as revised in Docket No. 15-776 (Ely Lake); and Docket No. G-011/M-15-441 (Detroit Lake-Long Lake).

Finally, in reply comments, the Department requests that the Company address the accounting of NNG costs for the project. Specifically the Department requests that MERC provide a description of the NNG pipeline costs that will be included in the NAS Rider (or combination of NAS Rider and NGEP Rider) versus any ongoing costs that will be recovered through the Company's PGA.

Statement from Governor Dayton Regarding Propane Emergency

January 30, 2014

This afternoon, Governor Mark Dayton and several other Midwest Governors spoke with Texas Governor Rick Perry via telephone about the propane emergency in Minnesota. Last Thursday, January 23rd, Governor Perry waived trucking restrictions in the State of Texas, which increased the flow of propane to Minnesota and other states. That waiver was set to expire on Wednesday, February 5th.

Governor Dayton thanked Governor Perry today for his previous assistance, and asked him to extend that waiver when it expires next week.

Following the call, Governor Dayton said: **"I told Governor Perry how important his previous wavier had been to Minnesotans, who are suffering severely from this propane crisis. He very graciously agreed to extend the wavier when it expires next week."**

Steps Taken to Relieve the Propane Shortage

Propane Shortage Hotline – Today, the State of Minnesota established a toll-free hotline that Minnesotans affected by the propane shortage can use to ask questions or seek assistance in this time of emergency. Minnesotans with questions about the current propane situation or who are in danger of running out of heating fuel should call (800) 657-3504 in Greater Minnesota, or (651) 297-1304 in the Twin Cities. The hotline will operate Monday through Friday, from 9:00am to 4:30pm.

Emergency Executive Order – On Monday of this week, Governor Dayton issued Emergency Executive Order 14-02, declaring a Peacetime State of Emergency in Minnesota in response to a severe shortage of propane and home heating fuels statewide. The Governor has called an emergency meeting of the state's Executive Council on Friday to consider extending that state of emergency for up to 30 days.

Protecting Consumers from Price Gouging – The Governor has also directed the Commissioner of Commerce to use his consumer protection authority to help guard Minnesotans from potential price gouging activities. On Wednesday, January 29, Commissioner Mike Rothman sent a letter to the propane industry concerning skyrocketing prices. It stated that he will take all necessary steps to protect consumers from potential price gouging and unlawful market manipulation. Consumers who believe they may have been the victim of price gouging are encouraged to contact the Minnesota Department of Commerce's Consumer Help Line at (651) 539-1500 or toll-free at (800) 657-3602.

Additional Financial Assistance for Consumers – Consumers who need financial assistance to pay their heating bills may also qualify for help through the Low Income Heating Energy Assistance Program (LIHEAP). The Minnesota Department of Commerce recently announced that LIHEAP crisis payments would increase from $500 to $1,000 for applicants who heat their homes with propane and heating oil. Qualifying families must apply for assistance at the local service provider in their area; Minnesota has 32 local service providers. A list of local service

providers and information on applying for assistance is available on the Minnesota Department of Commerce website or by calling 1-800-657-3710.

Working to Increase Propane Supplies – This week, Governor Dayton met with propane industry officials to identify immediate steps that can be taken to help resolve the propane supply and price issues. The meeting included Agriculture Commissioner Dave Frederickson, Commerce Commissioner Mike Rothman, and state legislators. The Governor also joined Minnesota's Congressional Delegation in petitioning President Obama to knock down regulatory barriers, take additional steps to alleviate the shortage, and provide expanded relief to families and agriculture producers.

Other National and Federal Measures – The American Railway Association has asked its 175 members to prioritize propane delivery by making cars available and dropping propane shipments at necessary locations. Additionally, the U.S. Department of Transportation has established a regional emergency declaration suspending the regulatory provisions pertaining to hours of service for drivers of commercial motor vehicles transporting propane to affected Midwestern states.

216B.1638 RECOVERY OF NATURAL GAS EXTENSION PROJECT COSTS.

Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(b) "Contribution in aid of construction" means a monetary contribution, paid by a developer or local unit of government to a utility providing natural gas service to a community receiving that service as the result of a natural gas extension project, that reduces or offsets the difference between the total revenue requirement of the project and the revenue generated from the customers served by the project.

(c) "Developer" means a developer of the project or a person that owns or will own the property served by the project.

(d) "Local unit of government" means a city, county, township, commission, district, authority, or other political subdivision or instrumentality of this state.

(e) "Natural gas extension project" or "project" means the construction of new infrastructure or upgrades to existing natural gas facilities necessary to serve currently unserved or inadequately served areas.

(f) "Revenue deficiency" means the deficiency in funds that results when projected revenues from customers receiving natural gas service as the result of a natural gas extension project, plus any contributions in aid of construction paid by these customers, fall short of the total revenue requirement of the natural gas extension project.

(g) "Total revenue requirement" means the total cost of extending and maintaining natural gas service to a currently unserved or inadequately served area.

(h) "Transport customer" means a customer for whom a natural gas utility transports gas the customer has purchased from another natural gas supplier.

(i) "Unserved or inadequately served area" means an area in this state lacking adequate natural gas pipeline infrastructure to meet the demand of existing or potential end-use customers.

Subd. 2. **Filing.** (a) A public utility may petition the commission outside of a general rate case for a rider that shall include all of the utility's customers, including transport customers, to recover the revenue deficiency from a natural gas extension project.

(b) The petition shall include:

(1) a description of the natural gas extension project, including the number and location of new customers to be served and the distance over which natural gas will be distributed to serve the unserved or inadequately served area;

(2) the project's construction schedule;

(3) the proposed project budget;

(4) the amount of any contributions in aid of construction;

(5) a description of efforts made by the public utility to offset the revenue deficiency through contributions in aid to construction;

(6) the amount of the revenue deficiency, and how recovery of the revenue deficiency will be allocated among industrial, commercial, residential, and transport customers;

(7) the proposed method to be used to recover the revenue deficiency from each customer class, such as a flat fee, a volumetric charge, or another form of recovery;

(8) the proposed termination date of the rider to recover the revenue deficiency; and

(9) a description of benefits to the public utility's existing natural gas customers that will accrue from the natural gas extension project.

Subd. 3. **Review; approval.** (a) The commission shall allow opportunity for comment on the petition.

(b) The commission shall approve a public utility's petition for a rider to recover the costs of a natural gas extension project if it determines that:

(1) the project is designed to extend natural gas service to an unserved or inadequately served area; and

(2) project costs are reasonable and prudently incurred.

(c) The commission must not approve a rider under this section that allows a utility to recover more than 33 percent of the costs of a natural gas extension project.

(d) The revenue deficiency from a natural gas extension project recoverable through a rider under this section must include the currently authorized rate of return, incremental income taxes, incremental property taxes, incremental depreciation expenses, and any incremental operation and maintenance costs.

Subd. 4. **Commission authority; order.** The commission may issue orders necessary to implement and administer this section.

Subd. 5. **Implementation.** Nothing in this section commits a public utility to implement a project approved by the commission. The public utility seeking to provide natural gas service shall notify the commission whether it intends to proceed with the project as approved by the commission.

Subd. 6. **Evaluation and report.** By January 15, 2017, and every three years thereafter, the commission shall report to the chairs and ranking minority members of the senate and house of representatives committees having jurisdiction over energy policy:

(1) the number of public utilities and projects proposed and approved under this section;

(2) the total cost of each project;

(3) rate impacts of the cost recovery mechanism; and

(4) an assessment of the effectiveness of the cost recovery mechanism in realizing increased natural gas service to unserved or inadequately served areas from natural gas extension projects.

History: *1Sp2015 c 1 art 3 s 20*

Minnesota Energy Resources Corporation

MINNESOTA PUBLIC UTILITIES COMMISSION
2nd Revised Sheet No. 9.00

EXTENSION OF NATURAL GAS SERVICE

1. CUSTOMER CONNECTION PROCEDURES AND GUIDELINES

A. Applications and Permits

1. Applications for natural gas service are required for the services set forth hereunder. Connection of load subject to application without proper approval will be cause for disconnection or suspension of service pursuant to Designation 9.A.3 of these Rules and Regulations.

(a) New residential service except as exempted in A.2 below.

(b) Residential heating conversion from another fuel or expansion of peak heating requirements except as exempted in A.2 below.

(c) Commercial service, new and expanded requirements except as exempted in A.2 below.

(d) Industrial service - new and expanded requirements.

2. Applications for natural gas service are not required for:

(a) Additions to base load appliances for clothes drying, water heating and cooking.

(b) Additions of less than 50,000 BTU/hour in domestic heating loads over the heating load approved and connected to Company's distribution system as of May 10, 1977.

3. Applicants for service must agree to comply with all provisions of the main and service line extension policy described in Section IX.2 of this tariff.

4. All applications will be reviewed by Company's management and shall be processed in the following manner:

(a) Approved.

(b) Denied.

(c) Retained for future use, subject to cancellation by applicant.

5. Subject to the other requirements of the tariff, the Company reserves the right to suspend the issuance of permits for gas service on the basis of Company's sole judgment with respect to present and future connection factors and conditions.

Minnesota Energy Resources Corporation

MINNESOTA PUBLIC UTILITIES COMMISSION
2nd Revised Sheet No. 9.01

EXTENSION OF NATURAL GAS SERVICE

1. CUSTOMER CONNECTION PROCEDURES AND GUIDELINES (Continued)

B. Applications Which Will be Considered for Attachment

1. New Service:

(a) Residential Customers Based on the Following Conditions:

(i) Natural gas will be used for approved residential purposes in a single family and/or multifamily dwelling when individually metered, or master metered dwelling units where either a) or b) below prevent individual metering of service.

a) Gas is used in centralized heating, cooling, water heating or ventilation units.

b) Where individual metering is impractical, unreasonable, or uneconomical.

(ii) If an alternate form of energy other than solar is used for heating, it must provide 100% of peak day heating requirements.

(iii) Application approvals will be based on the date of pending applications, providing the above conditions are met and appropriate certifications are provided by owner.

(b) Firm Commercial and Industrial Service Based on the Following Conditions:

(i) Natural gas will be used for approved commercial and industrial purposes. This excludes gas used for irrigation, alfalfa dehydration and grain drying.

(ii) Customer's total requirement must be less than 200 dekatherms on a peak day.

(iii) If an alternate form of energy other than solar is used, it must provide 100% of peak day heating requirement.

(iv) Customer must comply with heat loss or insulation standards established by Federal or State mandate or as Company may establish in its tariff.

Issued By: DM Derricks
Asst. Vice President, Regulatory Services
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EXTENSION OF NATURAL GAS SERVICE

1. CUSTOMER CONNECTION PROCEDURES AND GUIDELINES (Continued)

B. Applications Which Will Be Considered for Attachment (Continued)

1. New Service: (Continued)

(c) Interruptible Service Based on the Following Conditions:

(i) Company determines that the anticipated revenue from the new load is sufficient to prevent undue burden on existing ratepayers and conditions justify such service.

(ii) Load to be connected must not be prohibited by the connection policy of the pipeline supplier or be in violation of any end use standards promulgated by State or Federal agencies.

(iii) Applicants for service must agree to comply with all provisions of the service line extension policy described in Section IX.2 of this tariff.

(d) Rural and Agricultural service to Right-of-Way Grantors in accordance with easement agreements executed with the supplier under the following conditions:

(i) Applications for service must refer to and be based upon an easement clause which grants a right to a tap on the pipeline constructed pursuant to the easement.

(ii) Applicant must be the Grantor of the easement, or his successor or assignee.

(iii) The pipeline tap must be on a part of the property described in the easement.

(iv) The right to the tap set forth in the easement may not have been previously exercised.

(v) The volume of gas to be delivered through the tap may not exceed the smaller of the capacity of the initially installed small volume meter or the limits established by the wholesale supplier for small volume users.

(vi) Supplier must obtain requisite regulatory authority to make the sale.

EXTENSION OF NATURAL GAS SERVICE

1. CUSTOMER CONNECTION PROCEDURES AND GUIDELINES (Continued)

B. Applications Which Will Be Considered for Attachment (Continued)

1. New Service: (Continued)

(vii) Gas delivered through the tap will not be resold to others by the Applicant or any of his successors.

(viii) Gas delivered will not be used for such commercial services as grain drying.

EXTENSION OF NATURAL GAS SERVICE

2. EXTENSIONS OF COMPANY MAINS AND SERVICES

A. Residential Stand-Alone Service Extensions

For residential services added in an existing service area where no main extension is required and no prior feasibility study or Customer Extension Model included the proposed service line, Company will, without requiring a contribution in aid of construction (CIAC), provide 75 feet of service line to a permanent structure using gas for primary space heating, as measured from the customer's property line and subject to Company operating standards. Service line extensions beyond 75 feet will require a CIAC, which shall be determined based on the incremental cost of the additional footage, not to exceed $5.00 per foot. The actual per-foot installation cost is renegotiated annually through a competitive bidding process. Commercial and industrial customers do not receive a service extension allowance.

For residential service extensions to a structure that does not use gas for primary space heating, the Company will complete a Customer Extension Model described in paragraph C to determine the amount of any required CIAC.

If abnormal conditions, such as rock, make it impractical in the Company's opinion to install a gas service line and at the same time satisfy all safety requirements, the Company may refuse to install a gas service line to the premises. Where such a situation exists and it is possible to install a gas service line by special design or extra construction and such gas service line can be installed safely, the Company will design and install the gas service line to suit the particular circumstances, provided the following conditions are met:

(a) The design, arrangement, and location of the gas service line are accepted and approved by the applicant; and

(b) The applicant agrees to pay the Company for all abnormal construction costs including the cost of casing, if required.

The Company will conduct a Customer Extension Model described in paragraph C to determine abnormal construction costs.

Once the Company waives any contribution by new customers for main and service extension costs, the Company cannot at any time recover these costs from existing ratepayers.

EXTENSION OF NATURAL GAS SERVICE

2. EXTENSIONS OF COMPANY MAINS AND SERVICES (Continued)

B. Main and Service Extensions

For residential customers where both a main and service extension is required and for all extensions to serve commercial and industrial customers, regardless of whether a main extension is involved, the Company will complete a Customer Extension Model as described in paragraph C to determine the amount of any required CIAC. At its option, the Company may recover the amount of the CIAC from the developer or directly from the customer. When longer than typical service lines are omitted from the Customer Extension Model for a particular development, the Company shall determine the CIAC for the individual, longer service lines based on the incremental cost of the additional footage in excess of the typical footage used in the study for that development and shall recover the CIAC from the individual customer served by the longer service line.

If abnormal conditions, such as rock, make it impractical in the Company's opinion to install a gas service line and at the same time satisfy all safety requirements, the Company may refuse to install a gas service line to the premises. Where such a situation exists and it is possible to install a gas service line by special design or extra construction and such gas service line can be installed safely, the Company will design and install the gas service line to suit the particular circumstances, provided the following conditions are met:

(a) The design, arrangement, and location of the gas service line are accepted and approved by the applicant; and

(b) The applicant agrees to pay the Company for all abnormal construction costs including the cost of casing, if required.

The Company will conduct a Customer Extension Model described in paragraph C to determine abnormal construction costs.

Once the Company waives any contribution by new customers for main and service extension costs, the Company cannot at any time recover these costs from existing ratepayers.

C. Customers Contribution in Aid of Construction (CIAC) Calculation for Mains and Services

In determining whether a customer owes a CIAC, the Company shall take into consideration the total cost of serving the applicant including, but not limited to, the total investment, including mains and service related investment, the annual volume of gas to be sold, operating and maintaining expenses, margin, the acceptable level of return on the required investment, and potential for additional sales through the new facility. The specific uniform factors used by the Company in completing a Customer Extension Model along with a description of the current Customer Extension Model are contained as an exhibit to the General Rules, Regulations, Terms and Conditions portion of this tariff. The Company will not use other uniform factors or change the Customer Extension Model without filing an amended exhibit. Company will apply the general principal that the rendering of service to the applicant shall not result in undue burden on the other customer. If a CIAC is required, it will be based on the results of the Customer Extension Model.

EXTENSION OF NATURAL GAS SERVICE

2. EXTENSIONS OF COMPANY MAINS AND SERVICES (Continued)

D. Winter Construction Charge

When the service or main is installed between December 1 and April 1, inclusive, because of failure of customer to meet all requirements of the Company by November 30 or because the customer's property, or the streets leading thereto, are not ready to receive the service pipe or gas main by such date, the anticipated winter construction charges will be included in determining the feasibility and any necessary CIAC. Such work will be subject to a base winter construction charge on all ditch footages, as an adder, and applies to any plowing, trenching, boring, or bell holes.

In addition to the base winter construction charge, a frost charge will be assessed by the Company for those portions of main or service lines where twelve or more inches of frost exists. The frost charge is not included on boring lengths but can apply to open trench and send or receive holes for bores. When twelve inches or more of frost exists outside the Winter Construction period, the frost charge may be applied as an expense due to abnormal conditions pursuant to Sheet No. 9.04 or Sheet No. 9.05. Included within the base winter construction charge and the frost charge are the use of any thawing devices or other equipment required to install as needed.

The winter construction charge shall be equal to costs in excess of normal summer construction costs. Winter construction will not be undertaken by the Company where prohibited by law or where it is not practical to install gas main or gas service pipe during the winter season. The Company may reduce winter construction charges only to the extent the Company incurs a corresponding reduction in costs to install facilities during the winter construction period. The same charge reductions will be offered to all similarly situated customers. The Company may not assess customers more than the tariffed winter construction charge(s). Current winter construction charges are as follows:

- Winter Construction Charge: $5.50 (7 County Metro), $4.96 (out-state) per lineal foot;
- Frost Charge: $6.05 (7 County Metro), $5.77 (out-state) per lineal foot.

Bell Holes: When it is necessary to use thawing devices in order to excavate the bell hole, or locate other utility crossings, there will be a one-time charge of $279.90 regardless of the number of thawing devices required.

E. Extension of Mains - Limitations

The Company reserves the right to refuse to install its facilities in or to any lot, tract or area if in the Company's judgment it is not economically feasible per the tariffed Customer Extension Model, is not safe for the Company's personnel, the customer, or the general public, or the lot, tract, or area is located remotely from the Company's other general service areas such that effective service, operations, or emergency response capabilities are impacted.

EXTENSION OF NATURAL GAS SERVICE

2. EXTENSIONS OF COMPANY MAINS AND SERVICES (Continued)

F. Title To Facilities

Title to all facilities herein provided for, together with all necessary right-of-way, permits and easements shall be and remain in the Company. As a condition of receiving service, the customer shall grant to the Company, without cost, all rights-of-way, easements, permits and privileges which are necessary for the rendering of gas service.

G. Exhibits

Method:
A standard Customer Extension Model will be used that is designated to calculate the total revenue requirement for each year of the average service life of the plant installed. The model will compare the total revenue requirements for each year with the retail revenues generated from customers served (actual and/or expected) by the project to determine if a revenue deficiency or revenue excess exists. The calculation of retail revenues generated shall not include the Conservation Cost Recovery Charge (CCRC). The calculation of the revenue requirement for residential customers shall exclude the cost of up to a 75 foot service line. The calculation of revenue requirement for commercial and industrial customers shall include the cost of required service line extension.

The Net Present Value (NPV) of the yearly revenue deficiencies or excesses will be calculated using a discount rate equal to the approved overall rate of return authorized in the most recent general rate proceeding. A total NPV of approximately zero ($0) will show a project is self-supporting.

Customer Extension Model

Definitions:

All terms describe contents and general operation of the Customer Extension Model used to determine whether a CIAC is required from a customer(s).

1) Time Period: Twelve (12) month calendar interval, which is one year of the project life. The year in which the project is constructed is designated as year 0.
2) Year.
3) Gross Plant Investment: Cumulative plant in service at the end of the year reduced by the net present value of the CIAC in year 0. Plant in service shall be all capitalized costs incurred to provide or capable of providing utility service to the consuming public. Capitalized costs will include items such as pipeline interconnects, pressure regulating facilities, measurement and instrumentation, lateral delivery lines, distribution mains, mapping, customer service lines, meters and regulators.
4) Accumulated Depreciation Reserve: Book depreciation for the current year plus all previous years.
5) Net Plant In Service: The difference between Gross Plant Investment and Accumulated Depreciation Reserve.
6) Average Net Plant.

EXTENSION OF NATURAL GAS SERVICE

2. EXTENSIONS OF COMPANY MAINS AND SERVICES (Continued)

G. Exhibits (Continued)

7) Average Accumulated Deferred Income Taxes: The average of the beginning and the end of the year accumulated deferred income tax. Accumulated deferred income tax (ADIT) consists of two components: accumulated deferred income taxes on depreciation and accumulated deferred income taxes on the CIAC. At the end of the service life of the plant installed the balance of ADIT will be zero.

8) Average Rate Base: Total of Average Net Plant plus Average Accumulated Deferred Income Taxes.

9) Allowed Return: Allowed Rate of Return as determined in the Company's most recent general rate proceeding.

The Allowed Rate of Return multiplied by the Average Rate Base equals the Allowed Return.

10) Book Depreciation: The straight line cost recovery of the life of the assets for Gross Plant Investment. The depreciation factor used is based on a weighted average of depreciation rates used in Company's most recent general rate proceeding.

11) O & M Expense: In any year shall be based on average incremental cost per customer. The cost per customer will include provisions for incremental distribution and customer accounting expenses. The calculation is average customers multiplied by incremental cost per customer.

12) Property Tax: In any year shall be a factor of the gross plant investment (after the CIAC). The factor is based on historical experiences of actual taxes paid as a percentage of gross plant.

13) Total Revenue Requirement: Total of Allowed Return, Book Depreciation, O & M Expenses, and Property Tax.

14) Retail Revenue: This amount represents the retail revenue generated by multiplying the various retail billing rates (basic charge and delivery charge) approved in the Company's most recent general rate case proceeding by the expected average annual number of customers connected to the project each year.

15) Revenue Excess or (Deficiency): Revenue excess or deficiency is the difference between the Total Revenue Requirement and the amount of Retail Revenue. Excess occurs when the Total Revenue Requirement in a given year is less than the total Retail Revenue generated. Deficiency occurs when the Total Revenue Requirement in a given year is more than the total Retail Revenue generated.

16) Present Value of Cash Flows: The cash flows that produce either revenue excesses or deficiencies are discounted to a present value using a discount rate equal to the approved overall rate of return established in the most recent general rate proceeding.

The model will determine what the CIAC would be for a customer in order for the sum of the present value calculations over the life of the project is zero, or as close to zero as possible, the model demonstrates that the project is "self-supporting." That is, the customer's CIAC is the proper amount of customer-contributed capital necessary to support the project at the projected level of retail revenues.

CANCELLED

CANCELLED

Issued By: DM Derricks
Asst. Vice President, Regulatory Services
Submittal Date: July29, 2015 , 2015
*Effective with bills issued on and after this date.

*Effective Date: July 28, 2015
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EXTENSION OF NATURAL GAS SERVICE

3. NEW AREA SURCHARGE RIDER

Availability:
Service under this rate schedule is available only to geographical areas that have not previously been served by the Company. This rate schedule will enable natural gas service to be extended to areas where the cost would otherwise have been prohibitive under the Company's present rate and service extension policy. Nothing in this rate schedule shall obligate the Company to extend natural gas service to any area. Rather, the New Area Surcharge will be used and implemented at the Company's discretion.

Applicability and Character of Service:
All customers on this rate shall receive service according to the terms and conditions of one of the Company's gas tariff services.

Rate:
As authorized by the MPUC, the total billing rate for any customer class will be the approved rate for that customer class plus a fixed monthly new area surcharge. All customers in the same rate class will be billed the same surcharge. The net present value of the new area surcharge will be treated as a Contribution-in-Aid-of-Construction for accounting and ratemaking purposes. The new area surcharge calculation includes the full life of all plant additions.

Method:
A standard model will be used that is designated to calculate the total revenue requirement for each year of the average service life of the plant installed. The model will compare the total revenue requirements for each year with the retail revenues generated from customers served (actual and/or expected) by the project to determine if a revenue deficiency or revenue excess exists.

The Net Present Value (NPV) of the yearly revenue deficiencies or excesses will be calculated using a discount rate equal to the cost of long-term debt authorized in the most recent general rate proceeding. Projected customer CIAC surcharge revenues are then introduced into the model and the resultant NPV calculation is made to decide if the project is self supporting. A total NPV of approximately zero ($0) will show a project is self supporting.

The model will be run each year after the initial construction phase of a project wherein actual amounts for certain variables will be substituted for projected values to track recovery of expansion costs and the potential to end the customer surcharge before the full term. The variables, which will be updated in the model, each year will be:

1. The actual capital costs and projected remaining capital costs for the project,
2. Number of customers used to calculate the surcharge revenue and the retail margin revenue, and
3. The actual surcharge and retail revenue received to date and the projected surcharge and retail revenue for the remaining term of the surcharge.

Issued

EXTENSION OF NATURAL GAS SERVICE

3. NEW AREA SURCHARGE RIDER (Continued)

Term:
The term of service under this rate schedule shall vary from area to area depending on the service extension project. However, under no circumstances shall the surcharge applicable to any project remain in effect for a term to exceed thirty (30) years. The Company assumes the risk for under recovery of expansion costs, if any, which may remain at the end of the maximum surcharge term.

Expiration:
The surcharge for all customers in an area subject to the New Area Surcharge Rider shall end on the date specified for the project tariff, on the date the approved revenue deficiency is retired, or at the end of thirty (30) years, whichever occurs first.

Revenue Requirements Model

Definitions:
All terms describe contents and general operation of the Revenue Requirements Model used to determine a New Area Surcharge Rider for a project.

Column/Description

1) Time Period: Twelve (12) month calendar interval, which is one year of the project life. The year in which the project is constructed is designated as year 0.

2) Year.

3) Gross Plant Investment: Cumulative plant in service at the end of the year reduced by the net present value of surcharge revenues in year 0. The discount rate used for this present value calculation is the cost of long-term debt from the Company's most recent rate case. Plant in service shall be all capitalized costs incurred to provide or capable of providing utility service to the consuming public, but excluding the cost of service lines. Capitalized costs will include items such as pipeline interconnects, pressure regulating facilities, measurement and instrumentation, lateral delivery lines, distribution mains, mapping, customer service lines, meters and regulators.

4) Accumulated Depreciation Reserve: Book depreciation for the current year plus all previous years.

5) Net Plant In Service: The difference between Gross Plant Investment (Column 3) and Accumulated Depreciation Reserve (Column 4).

6) Average Net Plant: Average of Column 5.

7) Average Accumulated Deferred Income Taxes: The average of the beginning and the end of the year accumulated deferred income tax. Accumulated deferred income tax (ADIT) consists of two components: accumulated deferred income taxes on depreciation and accumulated deferred income taxes on contribution in aid of construction. At the end of the service life of the plant installed the balance of ADIT will be zero.

EXTENSION OF NATURAL GAS SERVICE

3. NEW AREA SURCHARGE RIDER (Continued)

8) Average Rate Base: Total of Average Net Plant (Column 6) plus Average Accumulated Deferred Income Taxes (Column 7).

9) Allowed Return: Derived from the Company's most recent general rate proceeding:

Equity Ratio	X	Return on Equity	X	(1+Tax Rate)	=	Weighted Cost
Long Term Debt Ratio	X	Debt Cost	X		=	Weighted Cost
Short Term Debt Ratio	X	Debt Cost	X		=	Weighted Cost
						Allowed Rate of Return

The Allowed Rate of Return multiplied by the Average Rate Base (Column 8) equals the Allowed Return.

10) Book Depreciation: The straight line cost recovery of the life of the assets for Gross Plant Investment defined in Column (3). The depreciation factor used is based on a weighted average of depreciation rates used in Company's most recent general rate proceeding.

11) O & M Expense: In any year shall be based on average incremental cost per customer. The cost per customer will include provisions for incremental distribution and customer accounting expenses. The calculation is average customers multiplied by incremental cost per customer.

12) Property Tax: In any year shall be a factor of the gross plant investment (after contribution-in-aid-of-construction). The factor is based on historical experiences of actual taxes paid as a percentage of gross plant.

13) Total Revenue Requirement: Total of Allowed Return (Column 9), Book Depreciation (Column 10), O & M Expenses (Column 11), and Property Tax (Column 12).

14) Retail Revenue: This amount represents the retail revenue generated by multiplying the various retail billing rates (basic charge and delivery charge, excluding the Conservation Cost Recovery Charge) approved in the Company's most recent general rate case proceeding by the expected average annual number of customers connected to the project each year.

EXTENSION OF NATURAL GAS SERVICE

3. NEW AREA SURCHARGE RIDER (Continued)

15) Revenue Excess or (Deficiency): Revenue excess or deficiency is the difference between the Total Revenue Requirement (Column 13) and the amount of Retail Revenue (Column 14). Excess occurs when the Total Revenue Requirement in a given year is less than the total Retail Revenue generated. Deficiency occurs when the Total Revenue Requirement in a given year is more than the total Retail Revenue generated.

16) Present Value of Cash Flows: The cash flows that produce either revenue excesses or deficiencies (Column 15) are discounted to a present value using a discount rate equal to the cost of long-term debt established in the most recent general rate proceeding.

If the sum of the present value calculations over the life of the project is zero, or as close to zero as possible, the model demonstrates that the project is "self supporting." That is, the customer CIAC surcharge is the proper amount of customer contributed capital necessary to support the project at the projected (or actual) level of retail revenues.

Surcharge Rider Rates:
A surcharge as designated will be included in the monthly bills of the following Minnesota geographical areas:

Ely Lake Project 20 Year New Area Surcharge Expires 2034	
Residential	$25.45
Existing Small Commercial	$25.45

Detroit Lakes—Long Lake Project 15 Year New Area Surcharge Expires 2030	
Residential	$19.16
Small Commercial/Interruptible	$36.30

Issued By: DM Derricks
Director, Regulatory Services
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Proposed Effective Date: November 1, 2015

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic [ ]
Public [x]

Utility Information Request

Docket Number: G011/M-16-655 Date of Request: 8/18/2016

Requested From: Minnesota Energy Resources Corporation Response Due: 8/29/2016

Analyst Requesting Information: Michael Ryan

Type of Inquiry:

[ ] Financial	[ ] Rate of Return	[ ] Rate Design
[ ] Engineering	[ ] Forecasting	[ ] Conservation
[ ] Cost of Service	[ ] CIP	[ ] Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
2	Subject: Propane Pricing for Esko, MN Please provide an analysis of ten years of historic weekly propane pricing delivered to Esko, MN in Dollars per gallon and Dollars per Dekatherm (Dth) measurements. Please also cite the source(s) of the information and provide this analysis in Microsoft Excel format with all links and formulae intact. If this information has already been provided in written comments, please identify the specific cite(s). MERC Response: Supplier-specific pricing data for propane suppliers who serve Esko, MN is not publicly available. See the attached Weekly_Propane_Prices.xls for the weekly price per gallon of propane in Minnesota from the U.S. Energy Information Administration (Column B). Using a simple average of weekly heating season prices for the heating seasons of Oct. 2006-Mar. 2007 through Oct. 2015-Mar. 2016 (Column D) and applying that to 947 annual gallons used (equivalent to a customer using 867 therms), the annual price of propane is calculated for each heating season in Column G.

Response by: Amber S. Lee List sources of information:

Title: Regulatory and Legislative Affairs Manager

Department: Minnesota Energy Resources Corporation

Telephone: (651)322-8965

Workbook Contents

Weekly Minnesota Propane Residential Price (Dollars per Gallon)

Click worksheet name or tab at bottom for data

Worksheet Name	Description	# Of Series	Frequency	Latest Data for
Data 1	Weekly Minnesota Propane Residential Price (Dollars per Gallon)	1	Weekly	3/28/2016

Release Date:	3/30/2016
Next Release Date:	10/5/2016
Excel File Name:	w_epllpa_prs_smn_dpgw.xls
Available from Web Page:	http://tonto.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPLLPA_PRS_SMN_DPG&f=W
Source:	Energy Information Administration
For Help, Contact:	infoctr@eia.doe.gov
	(202) 586-8800

Back to Contents

Data 1: Weekly Minnesota Propane Residential Price (Dollars per Gal

Sourcekey	W_EPLLPA_PRS_SMN_DPG			
Date	Weekly Minnesota Propane Residential Price (Dollars per Gallon)	Winter Season Average as Calculated by MERC	Average Gallons of Propane used per Residential Customer Equivalent to 867 therms of Natural Gas	Annual Cost
Oct 01, 1990	0.992			
Oct 15, 1990	1.019			
Nov 05, 1990	0.968			
Nov 19, 1990	0.936			
Dec 03, 1990	0.944			
Dec 17, 1990	0.871			
Jan 07, 1991	0.865			
Jan 21, 1991	0.889			
Feb 04, 1991	0.822			
Feb 18, 1991	0.795			
Mar 04, 1991	0.753			
Mar 18, 1991	0.757			
Oct 07, 1991	0.715			
Oct 21, 1991	0.716			
Nov 04, 1991	0.732			
Nov 18, 1991	0.775			
Dec 02, 1991	0.785			
Dec 16, 1991	0.776			
Jan 06, 1992	0.752			
Jan 20, 1992	0.753			
Feb 03, 1992	0.738			
Feb 17, 1992	0.734			
Mar 02, 1992	0.729			
Mar 16, 1992	0.712			
Oct 05, 1992	0.718			
Oct 19, 1992	0.731			
Nov 02, 1992	0.731			
Nov 16, 1992	0.748			
Dec 07, 1992	0.77			
Dec 21, 1992	0.789			
Jan 04, 1993	0.834			
Jan 11, 1993	1.024			
Jan 18, 1993	1.007			
Jan 25, 1993	0.918			
Feb 01, 1993	0.884			
Feb 15, 1993	0.838			
Mar 01, 1993	0.886			
Mar 15, 1993	0.854			
Apr 05, 1993	0.83			
Apr 19, 1993	0.821			
Oct 04, 1993	0.758			
Oct 18, 1993	0.77			

Nov 01, 1993	0.771
Nov 15, 1993	0.772
Dec 06, 1993	0.776
Dec 20, 1993	0.766
Jan 03, 1994	0.773
Jan 17, 1994	0.779
Jan 31, 1994	0.789
Feb 07, 1994	0.793
Feb 14, 1994	0.792
Feb 21, 1994	0.784
Feb 28, 1994	0.782
Mar 07, 1994	0.77
Mar 21, 1994	0.756
Oct 03, 1994	0.703
Oct 17, 1994	0.71
Nov 07, 1994	0.73
Nov 21, 1994	0.734
Dec 05, 1994	0.743
Dec 19, 1994	0.757
Jan 02, 1995	0.758
Jan 16, 1995	0.77
Feb 06, 1995	0.772
Feb 20, 1995	0.771
Mar 06, 1995	0.771
Mar 20, 1995	0.768
Oct 02, 1995	0.741
Oct 16, 1995	0.755
Nov 06, 1995	0.753
Nov 20, 1995	0.757
Dec 04, 1995	0.766
Dec 18, 1995	0.803
Jan 01, 1996	0.848
Jan 15, 1996	0.857
Feb 05, 1996	0.885
Feb 19, 1996	0.902
Mar 04, 1996	0.893
Mar 18, 1996	0.887
Oct 07, 1996	0.882
Oct 21, 1996	0.901
Oct 28, 1996	0.903
Nov 04, 1996	0.918
Nov 11, 1996	0.933
Nov 18, 1996	0.972
Nov 25, 1996	1.132
Dec 02, 1996	1.169
Dec 09, 1996	1.289
Dec 16, 1996	1.301
Dec 23, 1996	1.338
Dec 30, 1996	1.299
Jan 06, 1997	1.247
Jan 13, 1997	1.29

Jan 20, 1997	1.248
Jan 27, 1997	1.152
Feb 03, 1997	1.122
Feb 17, 1997	1.015
Mar 03, 1997	0.986
Mar 17, 1997	0.941
Oct 06, 1997	0.767
Oct 20, 1997	0.764
Nov 03, 1997	0.772
Nov 17, 1997	0.779
Dec 01, 1997	0.785
Dec 15, 1997	0.783
Jan 05, 1998	0.787
Jan 19, 1998	0.788
Feb 02, 1998	0.775
Feb 16, 1998	0.773
Mar 02, 1998	0.769
Mar 16, 1998	0.77
Oct 05, 1998	0.668
Oct 19, 1998	0.67
Nov 02, 1998	0.672
Nov 16, 1998	0.676
Dec 07, 1998	0.686
Dec 21, 1998	0.692
Jan 04, 1999	0.691
Jan 18, 1999	0.703
Feb 01, 1999	0.702
Feb 15, 1999	0.698
Mar 01, 1999	0.702
Mar 15, 1999	0.701
Oct 04, 1999	0.808
Oct 18, 1999	0.822
Nov 01, 1999	0.827
Nov 15, 1999	0.829
Dec 06, 1999	0.832
Dec 20, 1999	0.832
Jan 03, 2000	0.833
Jan 17, 2000	0.839
Jan 24, 2000	0.902
Jan 31, 2000	0.918
Feb 07, 2000	0.938
Feb 14, 2000	0.964
Feb 21, 2000	0.994
Feb 28, 2000	0.996
Mar 06, 2000	1.006
Mar 13, 2000	1.006
Mar 20, 2000	0.997
Oct 02, 2000	1.134
Oct 09, 2000	1.138
Oct 16, 2000	1.148
Oct 23, 2000	1.14

Oct 30, 2000	1.135
Nov 06, 2000	1.129
Nov 13, 2000	1.122
Nov 20, 2000	1.147
Nov 27, 2000	1.147
Dec 04, 2000	1.146
Dec 11, 2000	1.221
Dec 18, 2000	1.275
Dec 25, 2000	1.414
Jan 01, 2001	1.458
Jan 08, 2001	1.451
Jan 15, 2001	1.517
Jan 22, 2001	1.485
Jan 29, 2001	1.476
Feb 05, 2001	1.437
Feb 12, 2001	1.428
Feb 19, 2001	1.419
Feb 26, 2001	1.388
Mar 05, 2001	1.332
Mar 12, 2001	1.317
Mar 19, 2001	1.285
Oct 01, 2001	0.984
Oct 08, 2001	0.974
Oct 15, 2001	0.984
Oct 22, 2001	0.985
Oct 29, 2001	0.979
Nov 05, 2001	0.979
Nov 12, 2001	0.977
Nov 19, 2001	0.97
Nov 26, 2001	0.958
Dec 03, 2001	0.952
Dec 10, 2001	0.95
Dec 17, 2001	0.956
Dec 24, 2001	0.949
Dec 31, 2001	0.949
Jan 07, 2002	0.952
Jan 14, 2002	0.952
Jan 21, 2002	0.939
Jan 28, 2002	0.951
Feb 04, 2002	0.954
Feb 11, 2002	0.952
Feb 18, 2002	0.95
Feb 25, 2002	0.95
Mar 04, 2002	0.95
Mar 11, 2002	0.95
Mar 18, 2002	0.972
Oct 07, 2002	0.92
Oct 14, 2002	0.926
Oct 21, 2002	0.928
Oct 28, 2002	0.937
Nov 04, 2002	0.965

Nov 11, 2002	0.981
Nov 18, 2002	0.981
Nov 25, 2002	0.986
Dec 02, 2002	0.99
Dec 09, 2002	0.996
Dec 16, 2002	1.01
Dec 23, 2002	1.032
Dec 30, 2002	1.046
Jan 06, 2003	1.051
Jan 13, 2003	1.06
Jan 20, 2003	1.11
Jan 27, 2003	1.125
Feb 03, 2003	1.178
Feb 10, 2003	1.247
Feb 17, 2003	1.271
Feb 24, 2003	1.271
Mar 03, 2003	1.507
Mar 10, 2003	1.403
Mar 17, 2003	1.335
Oct 06, 2003	1.097
Oct 13, 2003	1.132
Oct 20, 2003	1.165
Oct 27, 2003	1.155
Nov 03, 2003	1.155
Nov 10, 2003	1.14
Nov 17, 2003	1.137
Nov 24, 2003	1.144
Dec 01, 2003	1.159
Dec 08, 2003	1.187
Dec 15, 2003	1.2
Dec 22, 2003	1.203
Dec 29, 2003	1.2
Jan 05, 2004	1.211
Jan 12, 2004	1.254
Jan 19, 2004	1.281
Jan 26, 2004	1.288
Feb 02, 2004	1.275
Feb 09, 2004	1.283
Feb 16, 2004	1.287
Feb 23, 2004	1.281
Mar 01, 2004	1.281
Mar 08, 2004	1.271
Mar 15, 2004	1.247
Oct 04, 2004	1.365
Oct 11, 2004	1.376
Oct 18, 2004	1.403
Oct 25, 2004	1.474
Nov 01, 2004	1.475
Nov 08, 2004	1.472
Nov 15, 2004	1.482
Nov 22, 2004	1.479

Nov 29, 2004	1.495
Dec 06, 2004	1.511
Dec 13, 2004	1.494
Dec 20, 2004	1.516
Dec 27, 2004	1.512
Jan 03, 2005	1.529
Jan 10, 2005	1.52
Jan 17, 2005	1.519
Jan 24, 2005	1.517
Jan 31, 2005	1.516
Feb 07, 2005	1.513
Feb 14, 2005	1.505
Feb 21, 2005	1.512
Feb 28, 2005	1.496
Mar 07, 2005	1.485
Mar 14, 2005	1.489
Oct 03, 2005	1.69
Oct 10, 2005	1.705
Oct 17, 2005	1.701
Oct 24, 2005	1.719
Oct 31, 2005	1.72
Nov 07, 2005	1.717
Nov 14, 2005	1.707
Nov 21, 2005	1.7
Nov 28, 2005	1.693
Dec 05, 2005	1.7
Dec 12, 2005	1.725
Dec 19, 2005	1.779
Dec 26, 2005	1.779
Jan 02, 2006	1.776
Jan 09, 2006	1.762
Jan 16, 2006	1.759
Jan 23, 2006	1.764
Jan 30, 2006	1.747
Feb 06, 2006	1.732
Feb 13, 2006	1.73
Feb 20, 2006	1.739
Feb 27, 2006	1.736
Mar 06, 2006	1.734
Mar 13, 2006	1.728
Oct 02, 2006	1.664
Oct 09, 2006	1.669
Oct 16, 2006	1.663
Oct 23, 2006	1.682
Oct 30, 2006	1.686
Nov 06, 2006	1.691
Nov 13, 2006	1.686
Nov 20, 2006	1.682
Nov 27, 2006	1.696
Dec 04, 2006	1.705
Dec 11, 2006	1.709

Dec 18, 2006	1.722				
Dec 25, 2006	1.715				
Jan 01, 2007	1.718				
Jan 08, 2007	1.743				
Jan 15, 2007	1.734				
Jan 22, 2007	1.731				
Jan 29, 2007	1.731				
Feb 05, 2007	1.739				
Feb 12, 2007	1.742				
Feb 19, 2007	1.73				
Feb 26, 2007	1.73				
Mar 05, 2007	1.74				
Mar 12, 2007	1.757	$	1.71	947	$ 1,620.36
Oct 08, 2007	1.837				
Oct 15, 2007	1.861				
Oct 22, 2007	1.899				
Oct 29, 2007	1.931				
Nov 05, 2007	2.014				
Nov 12, 2007	2.047				
Nov 19, 2007	2.086				
Nov 26, 2007	2.088				
Dec 03, 2007	2.094				
Dec 10, 2007	2.101				
Dec 17, 2007	2.118				
Dec 24, 2007	2.127				
Dec 31, 2007	2.15				
Jan 07, 2008	2.173				
Jan 14, 2008	2.16				
Jan 21, 2008	2.161				
Jan 28, 2008	2.166				
Feb 04, 2008	2.174				
Feb 11, 2008	2.172				
Feb 18, 2008	2.165				
Feb 25, 2008	2.24				
Mar 03, 2008	2.279				
Mar 10, 2008	2.285				
Mar 17, 2008	2.27	$	2.11	947	$ 1,996.51
Oct 06, 2008	2.281				
Oct 13, 2008	2.237				
Oct 20, 2008	2.2				
Oct 27, 2008	2.138				
Nov 03, 2008	2.128				
Nov 10, 2008	2.086				
Nov 17, 2008	2.059				
Nov 24, 2008	2.034				
Dec 01, 2008	2.019				
Dec 08, 2008	1.987				
Dec 15, 2008	1.942				
Dec 22, 2008	1.921				
Dec 29, 2008	1.923				
Jan 05, 2009	1.916				

Jan 12, 2009	1.915				
Jan 19, 2009	1.922				
Jan 26, 2009	1.903				
Feb 02, 2009	1.908				
Feb 09, 2009	1.892				
Feb 16, 2009	1.869				
Feb 23, 2009	1.853				
Mar 02, 2009	1.849				
Mar 09, 2009	1.837				
Mar 16, 2009	1.805	$	1.98	947	$ 1,879.16
Oct 05, 2009	1.484				
Oct 12, 2009	1.518				
Oct 19, 2009	1.569				
Oct 26, 2009	1.645				
Nov 02, 2009	1.633				
Nov 09, 2009	1.697				
Nov 16, 2009	1.739				
Nov 23, 2009	1.823				
Nov 30, 2009	1.816				
Dec 07, 2009	1.858				
Dec 14, 2009	1.874				
Dec 21, 2009	1.89				
Dec 28, 2009	1.945				
Jan 04, 2010	1.994				
Jan 11, 2010	2.121				
Jan 18, 2010	2.061				
Jan 25, 2010	2.068				
Feb 01, 2010	2.065				
Feb 08, 2010	2.08				
Feb 15, 2010	2.083				
Feb 22, 2010	2.072				
Mar 01, 2010	2.059				
Mar 08, 2010	2.04				
Mar 15, 2010	2.015	$	1.88	947	$ 1,781.50
Oct 04, 2010	1.741				
Oct 11, 2010	1.78				
Oct 18, 2010	1.794				
Oct 25, 2010	1.796				
Nov 01, 2010	1.802				
Nov 08, 2010	1.814				
Nov 15, 2010	1.84				
Nov 22, 2010	1.843				
Nov 29, 2010	1.849				
Dec 06, 2010	1.882				
Dec 13, 2010	1.9				
Dec 20, 2010	1.932				
Dec 27, 2010	1.964				
Jan 03, 2011	1.983				
Jan 10, 2011	2				
Jan 17, 2011	2.026				
Jan 24, 2011	2.031				

Jan 31, 2011	2.034				
Feb 07, 2011	2.036				
Feb 14, 2011	2.041				
Feb 21, 2011	2.029				
Feb 28, 2011	2.092				
Mar 07, 2011	2.128				
Mar 14, 2011	2.117	$	1.94	947	$ 1,833.00
Oct 03, 2011	2.1				
Oct 10, 2011	2.102				
Oct 17, 2011	2.102				
Oct 24, 2011	2.093				
Oct 31, 2011	2.084				
Nov 07, 2011	2.085				
Nov 14, 2011	2.098				
Nov 21, 2011	2.106				
Nov 28, 2011	2.104				
Dec 05, 2011	2.11				
Dec 12, 2011	2.104				
Dec 19, 2011	2.102				
Dec 26, 2011	2.097				
Jan 02, 2012	2.091				
Jan 09, 2012	2.079				
Jan 16, 2012	2.063				
Jan 23, 2012	2.062				
Jan 30, 2012	2.064				
Feb 06, 2012	2.066				
Feb 13, 2012	2.07				
Feb 20, 2012	2.073				
Feb 27, 2012	2.067				
Mar 05, 2012	2.054				
Mar 12, 2012	2.063				
Mar 19, 2012	2.061	$	2.08	947	$ 1,973.55
Oct 01, 2012	1.5				
Oct 08, 2012	1.505				
Oct 15, 2012	1.533				
Oct 22, 2012	1.532				
Oct 29, 2012	1.547				
Nov 05, 2012	1.556				
Nov 12, 2012	1.556				
Nov 19, 2012	1.562				
Nov 26, 2012	1.568				
Dec 03, 2012	1.569				
Dec 10, 2012	1.572				
Dec 17, 2012	1.573				
Dec 24, 2012	1.581				
Dec 31, 2012	1.585				
Jan 07, 2013	1.592				
Jan 14, 2013	1.592				
Jan 21, 2013	1.607				
Jan 28, 2013	1.622				
Feb 04, 2013	1.624				

Feb 11, 2013	1.63				
Feb 18, 2013	1.634				
Feb 25, 2013	1.636				
Mar 04, 2013	1.635				
Mar 11, 2013	1.625				
Mar 18, 2013	1.628	$	1.58	947	$ 1,498.68
Oct 07, 2013	1.675				
Oct 14, 2013	1.671				
Oct 21, 2013	1.692				
Oct 28, 2013	1.774				
Nov 04, 2013	1.846				
Nov 11, 2013	1.894				
Nov 18, 2013	1.945				
Nov 25, 2013	1.973				
Dec 02, 2013	1.98				
Dec 09, 2013	2.001				
Dec 16, 2013	2.13				
Dec 23, 2013	2.191				
Dec 30, 2013	2.228				
Jan 06, 2014	2.322				
Jan 13, 2014	2.33				
Jan 20, 2014	2.439				
Jan 27, 2014	4.61				
Feb 03, 2014	3.967				
Feb 10, 2014	3.48				
Feb 17, 2014	3.264				
Feb 24, 2014	2.985				
Mar 03, 2014	2.658				
Mar 10, 2014	2.416				
Mar 17, 2014	2.284	$	2.41	947	$ 2,278.92
Oct 13, 2014	1.842				
Oct 20, 2014	1.85				
Oct 27, 2014	1.853				
Nov 03, 2014	1.853				
Nov 10, 2014	1.865				
Nov 17, 2014	1.853				
Nov 24, 2014	1.866				
Dec 01, 2014	1.87				
Dec 08, 2014	1.882				
Dec 15, 2014	1.874				
Dec 22, 2014	1.841				
Dec 29, 2014	1.841				
Jan 05, 2015	1.844				
Jan 12, 2015	1.839				
Jan 19, 2015	1.821				
Jan 26, 2015	1.818				
Feb 02, 2015	1.804				
Feb 09, 2015	1.804				
Feb 16, 2015	1.818				
Feb 23, 2015	1.812				
Mar 02, 2015	1.789				

Mar 09, 2015	1.785				
Mar 16, 2015	1.784				
Mar 23, 2015	1.77				
Mar 30, 2015	1.743	$	1.83	947	$ 1,731.91
Oct 05, 2015	1.239				
Oct 12, 2015	1.273				
Oct 19, 2015	1.277				
Oct 26, 2015	1.285				
Nov 02, 2015	1.293				
Nov 09, 2015	1.293				
Nov 16, 2015	1.289				
Nov 23, 2015	1.284				
Nov 30, 2015	1.303				
Dec 07, 2015	1.305				
Dec 14, 2015	1.309				
Dec 21, 2015	1.302				
Dec 28, 2015	1.299				
Jan 04, 2016	1.308				
Jan 11, 2016	1.315				
Jan 18, 2016	1.323				
Jan 25, 2016	1.323				
Feb 01, 2016	1.315				
Feb 08, 2016	1.316				
Feb 15, 2016	1.313				
Feb 22, 2016	1.27				
Feb 29, 2016	1.264				
Mar 07, 2016	1.253				
Mar 14, 2016	1.255				
Mar 21, 2016	1.25				
Mar 28, 2016	1.241	$	1.29	947	$ 1,220.06

Nonpublic [ ]
Public [x]

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: G011/M-16-655 Date of Request: 8/18/2016

Requested From: Minnesota Energy Resources Corporation Response Due: 8/29/2016

Analyst Requesting Information: Michael Ryan

Type of Inquiry:

[ ] Financial	[ ] Rate of Return	[ ] Rate Design
[ ] Engineering	[ ] Forecasting	[ ] Conservation
[ ] Cost of Service	[ ] CIP	[ ] Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
3	Subject: Historical MERC-NNG PGA Rates Please provide the total Residential MERC price per month, inclusive of all charges, for the prior 10 years for ratepayers in the Esko area. If the applicable PGA has not been the MERC-NNG PGA, please provide the rate applicable for the surrounding area (e.g. Cloquet, MN). If this information has already been provided in written comments, please identify the specific cite(s). MERC Response: Please see Attachment_DOC_3_Esko.xlsx.

Response by: Amber S. Lee List sources of information:

Title: Regulatory and Legislative Affairs Manager

Department: Minnesota Energy Resources Corporation

Telephone: (651)322-8965

Esko

Month	Gas Costs	Distribution Charge	Decoupling Factor	CCRA	GAP	Customer Charge	Monthly Therms	Total Cost
Jul-06	$ 0.62831	$ 0.19411				$ 5.50	3	$ 7.97
Aug-06	$ 0.73515	$ 0.19411				$ 5.50	3	$ 8.29
Sep-06	$ 0.72228	$ 0.19411				$ 5.50	20	$ 23.83
Oct-06	$ 0.50890	$ 0.19411				$ 5.50	59	$ 46.98
Nov-06	$ 0.83542	$ 0.19411				$ 5.50	104	$ 112.57
Dec-06	$ 0.89457	$ 0.19411				$ 5.50	152	$ 170.98
Jan-07	$ 0.78372	$ 0.19411				$ 5.50	167	$ 168.80
Feb-07	$ 0.82299	$ 0.19411				$ 5.50	142	$ 149.93
Mar-07	$ 0.87122	$ 0.19411				$ 5.50	115	$ 128.01
Apr-07	$ 0.78286	$ 0.19411				$ 5.50	65	$ 69.00
May-07	$ 0.84994	$ 0.19411				$ 5.50	31	$ 37.87
Jun-07	$ 0.83530	$ 0.19411				$ 5.50	7	$ 12.71
Jul-07	$ 0.76459	$ 0.19411				$ 5.50	2	$ 7.42
Aug-07	$ 0.68227	$ 0.19411				$ 5.50	3	$ 8.13
Sep-07	$ 0.62023	$ 0.19411				$ 5.50	20	$ 21.79
Oct-07	$ 0.71207	$ 0.19411				$ 5.50	59	$ 58.96
Nov-07	$ 0.80625	$ 0.19411				$ 5.50	104	$ 109.54
Dec-07	$ 0.80760	$ 0.19411				$ 5.50	152	$ 157.76
Jan-08	$ 0.82139	$ 0.19411				$ 5.50	167	$ 175.09
Feb-08	$ 0.86080	$ 0.19411				$ 5.50	142	$ 155.30
Mar-08	$ 0.91803	$ 0.19411				$ 5.50	115	$ 133.40
Apr-08	$ 0.96930	$ 0.19411			$ 0.00390	$ 5.50	65	$ 81.38
May-08	$ 1.17095	$ 0.19411			$ 0.00390	$ 5.50	31	$ 47.94
Jun-08	$ 1.22357	$ 0.19411			$ 0.00390	$ 5.50	7	$ 15.45
Jul-08	$ 1.36408	$ 0.19411			$ 0.00390	$ 5.50	2	$ 8.62
Aug-08	$ 0.97270	$ 0.19411			$ 0.00390	$ 5.50	3	$ 9.01
Sep-08	$ 0.85266	$ 0.19411			$ 0.00390	$ 5.50	20	$ 26.51
Oct-08	$ 0.74975	$ 0.23126			$ 0.00390	$ 6.55	59	$ 64.66
Nov-08	$ 0.83478	$ 0.23126			$ 0.00390	$ 6.55	104	$ 117.82
Dec-08	$ 0.88358	$ 0.23126			$ 0.00390	$ 6.55	152	$ 176.60
Jan-09	$ 0.86673	$ 0.23126			$ 0.00390	$ 6.55	167	$ 190.57
Feb-09	$ 0.79547	$ 0.23126			$ 0.00390	$ 6.55	142	$ 152.90
Mar-09	$ 0.84326	$ 0.23126			$ 0.00390	$ 6.55	115	$ 130.57
Apr-09	$ 0.52691	$ 0.23126			$ 0.00390	$ 6.55	65	$ 56.08
May-09	$ 0.41368	$ 0.23126			$ 0.00390	$ 6.55	31	$ 26.66
Jun-09	$ 0.42739	$ 0.23126			$ 0.00390	$ 6.55	7	$ 11.19
Jul-09	$ 0.45145	$ 0.23126			$ 0.00390	$ 6.55	2	$ 7.92
Aug-09	$ 0.42621	$ 0.23126			$ 0.00390	$ 6.55	3	$ 8.53
Sep-09	$ 0.36816	$ 0.23126			$ 0.00390	$ 6.55	20	$ 18.62
Oct-09	$ 0.43739	$ 0.23126			$ 0.00390	$ 6.55	59	$ 46.23
Nov-09	$ 0.52560	$ 0.23126			$ 0.00390	$ 6.55	104	$ 85.67
Dec-09	$ 0.52049	$ 0.23126			$ 0.00390	$ 6.55	152	$ 121.41
Jan-10	$ 0.62011	$ 0.21759			$ 0.00390	$ 7.25	167	$ 147.80
Feb-10	$ 0.53493	$ 0.21759			$ 0.00390	$ 7.25	142	$ 114.66
Mar-10	$ 0.52872	$ 0.21759			$ 0.00390	$ 7.25	115	$ 93.52
Apr-10	$ 0.44270	$ 0.21759			$ 0.00390	$ 7.25	65	$ 50.42
May-10	$ 0.48531	$ 0.21759			$ 0.00390	$ 7.25	31	$ 29.16
Jun-10	$ 0.45310	$ 0.21759			$ 0.00390	$ 7.25	7	$ 11.97
Jul-10	$ 0.47783	$ 0.21759			$ 0.00390	$ 7.25	2	$ 8.65

Aug-10	$ 0.47084	$ 0.21759			$ 0.00390	$ 7.25	3	$ 9.33
Sep-10	$ 0.45704	$ 0.21759			$ 0.00390	$ 7.25	20	$ 20.82
Oct-10	$ 0.49228	$ 0.21759			$ 0.00390	$ 7.25	59	$ 49.36
Nov-10	$ 0.51689	$ 0.21759		$ 0.02715	$ 0.00390	$ 7.25	104	$ 86.87
Dec-10	$ 0.57384	$ 0.21759		$ 0.02715	$ 0.00390	$ 7.25	152	$ 132.27
Jan-11	$ 0.56922	$ 0.21759		$ 0.02715	$ 0.00390	$ 7.25	167	$ 143.83
Feb-11	$ 0.57058	$ 0.24189		$ 0.02715	$ 0.00390	$ 8.06	142	$ 127.84
Mar-11	$ 0.55991	$ 0.24189		$ 0.02715	$ 0.00390	$ 8.06	115	$ 103.84
Apr-11	$ 0.56039	$ 0.24189		$ 0.02715	$ 0.00390	$ 8.06	65	$ 62.23
May-11	$ 0.56855	$ 0.24189		$ 0.02715	$ 0.00390	$ 8.06	31	$ 34.15
Jun-11	$ 0.56420	$ 0.24189		$ 0.02715	$ 0.00390	$ 8.06	7	$ 13.92
Jul-11	$ 0.56242	$ 0.24189		$ 0.02715	$ 0.00390	$ 8.06	2	$ 9.73
Aug-11	$ 0.56584	$ 0.24189		$ 0.02715	$ 0.00390	$ 8.06	3	$ 10.58
Sep-11	$ 0.50203	$ 0.24189		$ 0.02715	$ 0.00390	$ 8.06	20	$ 23.56
Oct-11	$ 0.48083	$ 0.24189		$ 0.02715	$ 0.00390	$ 8.06	59	$ 52.53
Nov-11	$ 0.52233	$ 0.24189		$ 0.02715	$ 0.00390	$ 8.06	104	$ 90.77
Dec-11	$ 0.50278	$ 0.24189		$ 0.02715	$ 0.00390	$ 8.06	152	$ 125.97
Jan-12	$ 0.49651	$ 0.24189		$ 0.02715	$ 0.00441	$ 8.06	167	$ 136.64
Feb-12	$ 0.46326	$ 0.24189		$ 0.02715	$ 0.00441	$ 8.06	142	$ 112.67
Mar-12	$ 0.46564	$ 0.24189		$ 0.02715	$ 0.00441	$ 8.06	115	$ 93.06
Apr-12	$ 0.42590	$ 0.24189		$ 0.02715	$ 0.00441	$ 8.06	65	$ 53.52
May-12	$ 0.35681	$ 0.24189		$ 0.02715	$ 0.00441	$ 8.06	31	$ 27.60
Jun-12	$ 0.37545	$ 0.24189		$ 0.02715	$ 0.00441	$ 8.06	7	$ 12.60
Jul-12	$ 0.39877	$ 0.24189		$ 0.02715	$ 0.00441	$ 8.06	2	$ 9.40
Aug-12	$ 0.43064	$ 0.24189		$ 0.02715	$ 0.00441	$ 8.06	3	$ 10.17
Sep-12	$ 0.41902	$ 0.24189		$ 0.02715	$ 0.00441	$ 8.06	20	$ 21.91
Oct-12	$ 0.45593	$ 0.24189		$ 0.02715	$ 0.00441	$ 8.06	59	$ 51.09
Nov-12	$ 0.48126	$ 0.24189		$ 0.02715	$ 0.00441	$ 8.06	104	$ 86.55
Dec-12	$ 0.48654	$ 0.24189		$ 0.02715	$ 0.00441	$ 8.06	152	$ 123.58
Jan-13	$ 0.48940	$ 0.19754		$ 0.02715	$ 0.00441	$ 8.50	167	$ 128.49
Feb-13	$ 0.48386	$ 0.19754		$ 0.02715	$ 0.00441	$ 8.50	142	$ 109.74
Mar-13	$ 0.50154	$ 0.19754		$ 0.02715	$ 0.00441	$ 8.50	115	$ 92.52
Apr-13	$ 0.53216	$ 0.19754		$ 0.02715	$ 0.00441	$ 8.50	65	$ 57.98
May-13	$ 0.58453	$ 0.19754		$ 0.02715	$ 0.00441	$ 8.50	31	$ 33.72
Jun-13	$ 0.58660	$ 0.19754		$ 0.02715	$ 0.00441	$ 8.50	7	$ 14.21
Jul-13	$ 0.55793	$ 0.19754		$ 0.02715	$ 0.00441	$ 8.50	2	$ 10.07
Aug-13	$ 0.55893	$ 0.19754		$ 0.02715	$ 0.00441	$ 8.50	3	$ 10.86
Sep-13	$ 0.54269	$ 0.19754		$ 0.02715	$ 0.00441	$ 8.50	20	$ 23.94
Oct-13	$ 0.54320	$ 0.19754		$ 0.02715	$ 0.00441	$ 8.50	59	$ 54.07
Nov-13	$ 0.57612	$ 0.19754		$ 0.02715	$ 0.00441	$ 8.50	104	$ 92.24
Dec-13	$ 0.57301	$ 0.19754		$ 0.02715	$ 0.00441	$ 8.50	152	$ 130.42
Jan-14	$ 0.64047	$ 0.22290		$ 0.00475	$ 0.00441	$ 9.59	167	$ 155.30
Feb-14	$ 0.69673	$ 0.22290		$ 0.00475	$ 0.00441	$ 9.59	142	$ 141.48
Mar-14	$ 0.76921	$ 0.22290		$ 0.00475	$ 0.00441	$ 9.59	115	$ 124.74
Apr-14	$ 0.67216	$ 0.22290	$ (0.01247)		$ 0.00441	$ 9.59	65	$ 67.25
May-14	$ 0.67007	$ 0.22290	$ (0.01247)		$ 0.00441	$ 9.59	31	$ 37.02
Jun-14	$ 0.65221	$ 0.22290	$ (0.01247)		$ 0.00441	$ 9.59	7	$ 15.66
Jul-14	$ 0.66050	$ 0.22290	$ (0.01247)		$ 0.00441	$ 9.59	2	$ 11.34
Aug-14	$ 0.58232	$ 0.22290	$ (0.01247)		$ 0.00441	$ 9.59	3	$ 11.98
Sep-14	$ 0.64579	$ 0.22290	$ (0.01247)		$ 0.00441	$ 9.59	20	$ 26.80
Oct-14	$ 0.64134	$ 0.22290	$ (0.01247)		$ 0.00441	$ 9.59	59	$ 60.10
Nov-14	$ 0.64747	$ 0.22290	$ (0.01247)		$ 0.00441	$ 9.59	104	$ 99.27
Dec-14	$ 0.72288	$ 0.22290	$ (0.01247)		$ 0.00441	$ 9.59	152	$ 152.12
Jan-15	$ 0.62236	$ 0.22290	$ (0.01247)	$ 0.00554	$ 0.00441	$ 9.59	167	$ 150.33

Feb-15	$ 0.62962	$ 0.22290	$ (0.01247)	$ 0.00554	$ 0.00441	$ 9.59	142	$ 130.29
Mar-15	$ 0.63408	$ 0.22290	$ (0.01247)	$ 0.00554	$ 0.00441	$ 9.59	115	$ 107.85
Apr-15	$ 0.56685	$ 0.21806	$ (0.01936)	$ 0.00554	$ 0.00441	$ 9.50	65	$ 59.91
May-15	$ 0.51476	$ 0.21806	$ (0.01936)	$ 0.00554	$ 0.00441	$ 9.50	31	$ 31.93
Jun-15	$ 0.51911	$ 0.21806	$ (0.01936)	$ 0.00554	$ 0.00441	$ 9.50	7	$ 14.59
Jul-15	$ 0.51081	$ 0.21806	$ (0.01936)	$ 0.00554	$ 0.00441	$ 9.50	2	$ 10.94
Aug-15	$ 0.51071	$ 0.21806	$ (0.01936)	$ 0.00554	$ 0.00441	$ 9.50	3	$ 11.66
Sep-15	$ 0.43438	$ 0.21806	$ (0.01936)	$ 0.00554	$ 0.00441	$ 9.50	20	$ 22.36
Oct-15	$ 0.43130	$ 0.21806	$ (0.01936)	$ 0.00554		$ 9.50	59	$ 47.00
Nov-15	$ 0.41179	$ 0.21806	$ (0.01936)	$ 0.00554		$ 9.50	104	$ 73.57
Dec-15	$ 0.41944	$ 0.21806	$ (0.01936)	$ 0.00554		$ 9.50	152	$ 104.30
Jan-16	$ 0.42182	$ 0.23980	$ (0.01936)	$ 0.00865		$ 10.45	167	$ 119.15
Feb-16	$ 0.41516	$ 0.23980	$ (0.01936)	$ 0.00865		$ 10.45	142	$ 101.93
Mar-16	$ 0.38339	$ 0.23980	$ (0.01936)	$ 0.00865		$ 10.45	115	$ 80.89
Apr-16	$ 0.36543	$ 0.23980	$ 0.02022	$ 0.00865		$ 10.45	65	$ 51.67
May-16	$ 0.42604	$ 0.23980	$ 0.02022	$ 0.00865		$ 10.45	31	$ 31.99
Jun-16	$ 0.29257	$ 0.23980	$ 0.02022	$ 0.00865		$ 10.45	7	$ 14.38
Jul-16	$ 0.36521	$ 0.23980	$ 0.02022	$ 0.00865		$ 10.45	2	$ 11.72
Aug-16	$ 0.37262	$ 0.23980	$ 0.02022	$ 0.00865		$ 10.45	3	$ 12.37

*Distribution and Customer charges show interim rates during the timeframe interim rates were in effect.

**The community of Esko would have historically been on the NMU PGA prior to July 2013, and the NNG PGA July 2013 and after.

Prior to 2013 Esko would have been in the NMU Operating division.

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-16-655

Dated this 3rd day of October 2016

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_16-655_M-16-655
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_16-655_M-16-655
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	Yes	OFF_SL_16-655_M-16-655
John	Lindell	john.lindell@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_16-655_M-16-655
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Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_16-655_M-16-655