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April 20, 2017

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

VIA ELECTRONIC FILING

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

Re: In the Matter of the Petition of Minnesota Energy Resources Corporation-Consolidated for Approval of a Change in Demand Entitlement, Docket No. G011/M-16-651

Modification of Storage Contract Effective May 1, 2017

Dear Mr. Wolf:

Minnesota Energy Resources Corporation (“MERC” or the “Company”) submits this letter in compliance with Minn. R. 7825.2910¹ to notify the Minnesota Public Utilities Commission (the “Commission”) of a change in contract demand effective May 1, 2017, as a result of MERC assigning the remaining term of its natural gas storage contract with Niska Gas Storage at the AECO Hub in Alberta, Canada for the last

¹ Minn. R. 7825.2910, Subp. 2, requires that “Gas utilities shall file for a change in demand to increase or decrease demand, to redistribute demand percentages among classes, or to exchange one form of demand for another. A filing must contain:

- A. a description of the factors contributing to the need for changing demand;
- B. the utility's design-day demand by customer class and the change in design-day demand, if any, necessitating the demand revision;
- C. a summary of the levels of winter versus summer usage for all customer classes; and
- D. a description of design-day gas supply from all sources under the new level, allocation, or form of demand.”

Effective May 1, 2017, MERC will be terminating an existing storage contract. MERC will not be exchanging this contract with another during the current 2016-2017 demand entitlement period, however. As discussed in this filing, because the change will be effective May 1, 2017, there will be no impact to MERC's design-day demand and no revised design-day demand by customer class is being submitted with this filing. Additionally, the assignment of the Niska Storage Contract will not affect usage during the remainder of the current demand period because MERC only injected into Niska storage during the summer months.

year of the contract term May 1, 2017 – April 30, 2018. Because this change is effective May 1, 2017, it does not affect MERC's design day demand entitlements for 2016-2017. MERC will provide an updated design day analysis and replacement for the Niska Storage Contract and AECO/Emerson swap in its 2017-2018 Demand Entitlement filings to be submitted in August and November 2017.

MERC has contracted for natural gas storage from Niska Gas Storage at the AECO Hub in Alberta for the last several years under a contract that terminates April 30, 2018 (the "Niska Storage Contract"). Since the Company does not hold pipeline transport to move this gas to its customers, the Niska Storage Contract has provided the financial benefits of gas storage but not the operational benefits. In order to deliver the supply from the Niska Storage Contract to MERC's Consolidated customers, MERC had entered in an AECO/Emerson swap.² Under the swap, MERC sold gas at the storage point (AECO) to a supplier and purchased an equivalent volume at Emerson/Spruce to be transported to MERC's customers.

In addition to the operational challenges associated with the Niska Storage Contract, Alberta experienced a lack of natural gas pipeline capacity from August through October 2016 that resulted in MERC having difficulty filling its storage account. As a result of the cumulative effect of these issues, MERC sought parties to assign the Niska Storage Contract for the last year of the term from May 1, 2017 – April 30, 2018.

The value of natural gas storage is widely recognized as the difference between summer and winter prices. Using this principal, MERC determined that the Contract **[TRADE SECRET DATA BEGINS... [REDACTED] ...TRADE SECRET DATA ENDS]** over the May 1, 2017 – April 30, 2018 term. The Company received multiple bids, with the highest bid offering the Company a value of \$295,596 for assignment of the Contract, a net benefit to customers of **[TRADE SECRET DATA BEGINS... [REDACTED] ...TRADE SECRET DATA ENDS]**.

The impact to customers in the context of the 2016-2017 Demand Entitlement filing, will be a reduction of storage costs on Attachment 4, page 3 of approximately \$147,798 (for the period May 1, 2017 – October 31, 2017) or \$24,633 per month. This will be reflected in a reduced commodity cost of \$0.00520 per therm on an annualized basis for the period May 1, 2017 – October 31, 2017. These changes are highlighted in yellow on the revised Attachment 4, which is attached. The

² The current AECO/Emerson swap term was November 2016 – April 30, 2017 and therefore that agreement is not affected by the Niska Storage Contract assignment. MERC does not plan to enter into a new AECO/Emerson swap agreement for the November 2017-April 2018 period and will address that change in its August and November Demand Entitlement filings.

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change to the Consolidated PGA commodity cost will be reflected beginning with MERC's May purchased gas adjustment filing.

The nonpublic version of this filing contains trade secret cost information. Pursuant to the Commission's revised Procedures for Handling Trade Secret and Privileged Data, Minn. Stat. § 13.37, and Minn. Rule 7829.0500, MERC has designated portions of this filing as trade secret. The information designated as trade secret information is not generally known to and not readily ascertainable by vendors and competitors of MERC, who could obtain economic value from its disclosure. MERC maintains this information as nonpublic. Accordingly, the data so designated qualifies as "Trade Secret Data" pursuant to Minn. Stat. §13.37, subd. 1(b).

Please contact me at (651) 322-8965 if you have any questions regarding the information in this filing. Thank you for your attention to this matter.

Sincerely yours,

/s/ Amber S. Lee

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation

Enclosure
cc: Service List

MINNESOTA ENERGY RESOURCES - CONSOLIDATED
RATE IMPACT OF THE PROPOSED DEMAND CHANGE

PRESENT AVERAGE COST OF GAS COMMODITY

NOVEMBER 1, 2016

WACOG	Rate	Annual Dth	Call Option Premium	Physical Forward Start Premium	Balancing Service	Total Annual Cost	System Cost/therm	Storage Comm Rate	Total Comm Rate	REFERENCE	Effective
WACOG											
VGT	\$2.70290										
GAS COST	\$0.04088										
FUEL 1.49%	\$0.01160									Sub 16th Revised Sheet No. 5BApr. 1, 2006	
COMMODITY TRANSPORTATION	\$0.00000									Sub 16th Revised Sheet No. 5BApr. 1, 2006	
GRI	\$0.00130									Sub 16th Revised Sheet No. 5BApr. 1, 2006	
ACA	\$2.75668	2,145,731	\$86,440	\$23,783	\$89,580	\$6,114,898	\$0.10754				
VGT Commodity										VGT Commodity	
GLGT											
GAS COST	\$2.70290										
FUEL 1.383%	\$0.03789										
COMMODITY TRANSPORTATION	\$0.00394									5 Revised Sheet 4	Jun 1, 1997
GRI	\$0.00000									Contract	Jun. 1, 2004
ACA	\$0.00130									18th Revised Sheet No. 7	Oct. 1, 2005
GLGT Commodity	\$2.74603	2,216,718	\$89,299	\$28,313	\$0	\$6,204,786	\$0.10913			GLGT Commodity	
CENTRA											
CENTRA TRANSMISSION (\$Cdn/103M3)	1.062									Sheet 1 (N.E.B.)	
Conversion	\$0.02247										
Abandonment Toll	\$0.27803									N.E.B. MO-078-2014	Jan. 1, 2015
GAS COSTS	\$2.70290										
CUSTOMS FEE	\$0.00030										
CENTRA Commodity	\$3.00371	1,323,492	\$53,316	\$0	\$54,000	\$4,082,698	\$0.07180			Centra Commodity	
Consolidated WACOG w/Premium & Balancing		5,685,941	\$229,055	\$52,096	\$143,580	\$16,402,382	\$0.28847	\$0.00766			
		Total Annual Sales in therms	56,859,413								
										\$0.29613	Total Consolidated WACOG-\$/therm

Balancing Service		Season	Monthly Entitlement (Dth)	Months	Rate (\$/Dth)	Contract Costs
Pipeline	Description	Annual	7,465	12	\$1.0000	\$89,580
VGT	Balancing Agreement					
GLGT	---		0	0	\$0.0000	\$0
Centra	Union Balancing	Annual	10,000	12	\$0.4500	\$54,000

Storage Service		Season	Monthly Entitlement (Dth)	Months	Rate (\$/Dth)	Contract Costs	Annual Sales (therms)	Rate (\$/therm)
Niska Storage (AECO)	Annual	947,820	1	\$0.4676	\$443,205	56,859,413	\$0.00779	
Niska Storage Assignment	Annual	947,820	1	(\$0.3119)	-\$295,596	56,859,413	-\$0.00520	
AECO/Emerson Swap	Annual	758,254	1	\$ 0.38000	\$288,137	56,859,413	\$0.00507	
					\$435,745	56,859,413	\$0.00766	

Annualized Commodity Cost Reduction

Total Commodity Cost:

\$0.29613

* Per Docket No. G-007/M-07-1402-05 dated August 6th, 2014, storage demand charges will be allocated through the commodity charge effective 11/01/2014.

In the Matter of the Petition of Minnesota
Energy Resources Corporation for Approval of
a Change in Demand Entitlement for its
Consolidated System

Docket No. G011/M-16-651

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 20th day of April, 2017, on behalf of Minnesota Energy Resources Corporation (MERC) I electronically filed a true and correct copy of the attached Letter on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

Dated this 20th day of April, 2017.

/s/ Kristin M. Stastny
Kristin M. Stastny

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_16-651_M-16-651
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_16-651_M-16-651
Michael	Auger	mauger@usenergyservices.com	U S Energy Services, Inc.	Suite 1200 605 Highway 169 N Minneapolis, MN 554416531	Electronic Service	No	OFF_SL_16-651_M-16-651
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