

December 9, 2015

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G011/M-15-722

Dear Mr. Wolf:

On July 31, 2015, Minnesota Energy Resources Corporation (MERC or the Company) filed a change in demand entitlement petition (Petition) for its customers served off of the Consolidated Purchased Gas Adjustment System.

In its October 15, 2015 Comments, the Minnesota Department of Commerce (Department or DOC) stated that “[s]ince MERC had anticipated its purchases/reductions at the time of the filing, the Department requested that in the Company’s November 2, 2015 updated filing, MERC provide its actual capacity purchases/reductions on the Centra, Great Lakes, and Viking pipelines.”<sup>1</sup> Contingent upon this information, the Department recommended that the Commission:

- accept MERC-Consolidated’s peak-day analysis; and
- approve MERC-Consolidated’s proposed level of demand entitlement and proposed recovery of associated demand costs effective November 1, 2015.

In its Comments, the Department identified a number of errors in MERC’s attachments and requested that in its future demand entitlement filings, MERC consolidate all of its attachments that show similar information to avoid errors as well as reduce the number of attachments in its demand entitlement filings.

On October 26, 2015, MERC filed Reply Comments to:<sup>2</sup>

address the Department’s concern regarding errors in the attachment filings that were submitted with the July 31, 2015 Demand entitlement filing. MERC will address any errors or inconsistencies in its updated Demand Entitlement filing to be submitted on or before November 2, 2015. Additionally, MERC will work with the Department to consolidate the attachments to be submitted with future Demand Entitlement filings.

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<sup>1</sup> DOC’s October 15, 2015 Cover Letter and Comments, page 9.

<sup>2</sup> MERC’s Reply Comments, page 1.

On November 2, 2015, MERC filed its update. The Company made no mention of whether any changes were made to its anticipated purchases/reductions since the time of its initial filing. From the Department's review of the filing, it appears that the Company simply copied its lengthy July 31, 2015 petition and corrected errors. In its future demand entitlement filing updates, the Department requests that MERC at least explain whether changes are made in the update and provide a red-line version so that changes can readily be seen.

Based on the Department's review, it appears that no changes were made to the proposed capacity or the design day requirements.<sup>3</sup> Further, the effect of the corrected figures and updated usage compared to the October 2015 PGA in MERC's Attachment 4<sup>4</sup> show the Company's demand entitlement proposal would result in the following annual demand cost impacts:

- Annual bill increase of \$0.33 related to demand costs, or approximately 0.06 percent, for the average General Service-Residential customer consuming 87 Dkt annually;
- Annual bill increase of \$3.04 related to demand costs, or approximately 0.07 percent, for the average Large General Service customer consuming 800 Dkt annually;
- no demand cost impacts related to MERC-Consolidated's interruptible rate classes.

The Department continues to recommend that the Commission:

- accept MERC-Consolidated's peak-day analysis; and
- approve MERC-Consolidated's proposed level of demand entitlement and proposed recovery of associated demand costs effective November 1, 2015.

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

Sincerely,

/s/ SACHIN SHAH  
Rates Analyst

/s/ MICHELLE ST. PIERRE  
Financial Analyst

SS/MS/lt

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<sup>3</sup> On page 2 of its Comments, the Department noted that MERC's AECO/Emerson Swap increased from 940,428 Dth to 947,779 Dth. MERC's updated Attachment 6, shows that the swap was increased to 955,255 Dth.

<sup>4</sup> The Department's revised Attachment 3 is attached.

**DOC Attachment 3**  
**MERC -Consolidated**  
**November 1, 2015 Revised Rate Impacts**  
**G011/M-15-722**

	Base Cost of Gas Change MR13-732	Last Demand Change Nov. 2014	Most Recent PGA July. 2015	Nov. 1, 2015 w/ Proposed Demand Changes	% Change From Last Rate Case	% Change From Last Demand Filing	% Change From Last PGA	\$ Change From Last PGA
<b>General Service-Residential</b>								
Commodity Cost	\$4.4363	\$4.9191	\$3.2644	\$3.2644	-26.42%	-33.64%	0.00%	\$0.0000
Demand Cost	\$0.8077	\$0.8147	\$0.7968	\$0.8006	-0.88%	-1.73%	0.48%	\$0.0038
Margin	\$2.1806	\$2.2290	\$2.1806	\$2.1806	0.00%	-2.17%	0.00%	\$0.0000
Total Cost of Gas	\$7.4246	\$7.9628	\$6.2418	\$6.2456	-15.88%	-21.57%	0.06%	\$0.0038
Average Annual Use	87	87	87	87				
Average Annual Cost of Gas*	\$645.94	\$692.76	\$543.04	\$543.37	-15.88%	-21.57%	0.06%	\$0.33

	Base Cost of Gas Change MR13-732	Last Demand Change Nov. 2014	Most Recent PGA July. 2015	Nov. 1, 2015 w/ Proposed Demand Changes	% Change From Last Rate Case <sup>AA</sup>	% Change From Last Demand Filing	% Change From Last PGA	\$ Change From Last PGA
<b>Large General Service</b>								
Commodity Cost	\$4.4363	\$4.9191	\$3.2644	\$3.2644	-26.42%	-33.64%	0.00%	\$0.0000
Demand Cost	\$0.8077	\$0.8147	\$0.7968	\$0.8006	-0.88%	-1.73%	0.48%	\$0.0038
Margin	\$1.6579	\$1.9034	\$1.6579	\$1.6579	0.00%	-12.90%	0.00%	\$0.0000
Total Cost of Gas	\$6.9019	\$7.6372	\$5.7191	\$5.7229	-17.08%	-25.07%	0.07%	\$0.0038
Average Annual Use	800	800	800	800				
Average Annual Cost of Gas*	\$5,521.52	\$6,109.76	\$4,575.28	\$4,578.32	-17.08%	-25.07%	0.07%	\$3.04

	Base Cost of Gas Change MR13-732	Last Demand Change Nov. 2014	Most Recent PGA July. 2015	Nov. 1, 2015 w/ Proposed Demand Changes	% Change From Last Rate Case <sup>AA</sup>	% Change From Last Demand Filing	% Change From Last PGA	\$ Change From Last PGA
<b>SV Interruptible Service</b>								
Commodity Cost	\$4.4363	\$4.9191	\$3.2644	\$3.2644	-26.42%	-33.64%	0.00%	\$0.0000
Commodity Margin	\$0.8490	\$1.2014	\$0.8490	\$0.8490	0.00%	-29.33%	0.00%	\$0.0000
Total Cost of Gas	\$5.2853	\$6.1205	\$4.1134	\$4.1134	-22.17%	-32.79%	0.00%	\$0.0000
Average Annual Use	5,914	5,914	5,914	5,914				
Average Annual Cost of Gas*	\$31,257.26	\$36,196.64	\$24,326.65	\$24,326.65	-22.17%	-32.79%	0.00%	\$0.00

	Base Cost of Gas Change MR13-732	Last Demand Change Nov. 2014	Most Recent PGA July. 2015	Nov. 1, 2015 w/ Proposed Demand Changes	% Change From Last Rate Case <sup>AA</sup>	% Change From Last Demand Filing	% Change From Last PGA	\$ Change From Last PGA
<b>LV Interruptible Service</b>								
Commodity Cost	\$4.4363	\$4.9191	\$3.2644	\$3.2644	-26.42%	-33.64%	0.00%	\$0.0000
Commodity Margin	\$0.4553	\$0.4026	\$0.4553	\$0.4553	0.00%	13.09%	0.00%	\$0.0000
Total Cost of Gas	\$4.8916	\$5.3217	\$3.7197	\$3.7197	-23.96%	-30.10%	0.00%	\$0.0000
Average Annual Use	70,770	70,770	70,770	70,770				
Average Annual Cost of Gas*	\$346,178.53	\$376,616.71	\$263,243.17	\$263,243.17	-23.96%	-30.10%	0.00%	\$0.00

Change Summary	Commodity Change \$/Mcf	Demand Change \$/Mcf	Demand Change %	Total Monthly Change \$/Mcf	Total Monthly Change %	Average Annual Change
General Service	\$0.0000	\$0.0038	0.48%	\$0.0038	0.06%	\$0.33
Large General Service	\$0.0000	\$0.0038	0.48%	\$0.0038	0.07%	\$3.04
SV Interruptible Service	\$0.0000	\$0.0000	0.00%	\$0.0000	0.00%	\$0.00
LV Interruptible Service	\$0.0000	\$0.0000	0.00%	\$0.0000	0.00%	\$0.00

\* Average Annual Bill amount does not include customer charges.

## **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  
Response to Reply Comments**

**Docket No. G011/M-15-722**

**Dated this 9<sup>th</sup> day of December 2015**

**/s/Sharon Ferguson**

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