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June 10, 2016

VIA ELECTRONIC FILING

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

Re: Reply Comments of Minnesota Energy Resources Corporation, 2015
Annual Decoupling Evaluation Report

Docket No. G011/GR-10-977

Dear Mr. Wolf:

On June 1, 2016, the Minnesota Department of Commerce, Division of Energy Resources ("Department") submitted comments in the above-referenced docket regarding Minnesota Energy Resources Corporation's ("MERC's") Decoupling Evaluation Report for calendar year 2015, recommending that the Minnesota Public Utilities Commission ("Commission") approve MERC's annual decoupling adjustment and requesting that MERC submit additional information in Reply Comments. MERC submits these Reply Comments to respond to the additional requests and the recommendations of the Department.

The Department noted in its Comments that MERC did not report Small Commercial and Industrial ("C&I") energy savings separately in its 2015 Report and requested that in Reply Comments, MERC indicate whether the Company could provide this information for its 2016 Report.

Currently, the C&I sector is not broken out between small and large customer classes so MERC does not report separately on Small C&I CIP achievements. For purposes of the Decoupling Evaluation Report, MERC has calculated estimated CIP savings based on sales usage for Small C&I and Large C&I. MERC would be able to separately report Small C&I energy savings in its 2016 Decoupling Evaluation Report but would not be able to breakout historical data on CIP energy savings between the Small and Large C&I classes.

Additionally, the Department concluded that the Commission should approve the annual decoupling adjustments for MERC's Residential and Small C&I classes but requested that in Reply Comments, MERC provide estimates of the impact of the \$3,283,235 surcharge on MERC's residential customer rates (i.e., the surcharge per Dth) and on the average annual residential bill. Additionally, for Small C&I, the Department requested that MERC provide estimates of the impact of the \$59,395 surcharge on MERC's Small C&I customer rates (i.e., the surcharge per Dth) and on the average annual Small C&I bill.

MERC submitted its Revenue Decoupling Mechanism Adjustment Calculation on March 1, 2016, showing the calculation of projected surcharge/refund for Residential and Small C&I customers. In accordance with MERC's approved RDM, in addition to the 2015 surcharge amounts identified by the Department (\$3,283,235.08 for Residential and \$59,397.78 for Small C&I customers), MERC's calculations included a "reconciliation adjustment," which is the dollar amounts due the Company or customers arising from RDM adjustments that were under-billed or over-billed during the previous RDM period.

MERC March 1, 2016 - February 28, 2017 RDM Rate Calculation

	Residential	Small C&I
2015 RDM Surcharge/(refund)	\$ 3,283,235.08	\$ 59,397.78
2013 Reconciliation Adjustment	\$ 145,449.15	\$ 71,636.17
Total Surcharge/(refund)	<u>\$ 3,428,684.23</u>	<u>\$ 131,033.95</u>
Forecasted Sales	169,606,110	10,622,007
Surcharge/(Refund) Rate	<u><u>\$ 0.02022</u></u>	<u><u>\$ 0.01234</u></u>

Attachment A to these Reply Comments provides a calculation of the surcharge (i.e., the surcharge per Dth) for Residential and Small C&I Customers and the average annual bill impact on Residential and Small C&I customers related to this surcharge. MERC requests the Commission approve this annual RDM calculation, including the 2013 reconciliation adjustment, effective March 1, 2016.

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

cc: Service List

**Total Surcharge and Average Annual Bill Impact
(2015 RDM Surcharge and 2013 Reconciliation Adjustment)**

	Average Use Per Customer Approved in Current Decoupling Model	2015 Decoupling Surcharge	Average Annual Impact Per Customer	Average Monthly Impact Per Customer
Residential	881	\$ 0.02022	\$ 17.81	\$ 1.48
GS-Small C&I	969	\$ 0.01234	\$ 11.96	\$ 1.00

Minnesota Energy Resources Corporation
2015 Decoupling Annual Evaluation
Report

Docket No. G011/GR-10-977

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 10th day of June, 2016, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Reply Comments 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 10th day of May, 2016.

/s/ Kristin M. Stastny
Kristin M. Stastny

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