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September 22, 2015

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket Nos. G011/M-14-524 and G011/M-15-776

Dear Mr. Wolf:

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

Petition by Minnesota Energy Resources Corporation (MERC or the Company) for the Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Project
Petition to Modify Previously Approved New Area Surcharge

The Petition was filed on August 25, 2015. The petitioner on behalf of MERC is:

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

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve** MERC's petition. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ MICHAEL N. ZAJICEK
Rates Analyst

MNZ/ja
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET Nos. G011/M-14-524 and G011/M-15-776

I. BACKGROUND

On July 9, 2015, the Minnesota Public Utilities Commission (Commission) considered Minnesota Energy Resources Corporation's (MERC or the Company) *Petition for Approval of a New Area Surcharge for the Detroit Lakes – Long Lake Project* in Docket No. G011/M-15-441. As a result of this consideration, on July 28, 2015, the Commission issued an Order approving MERC's proposed new area surcharge (NAS) tariffs with the following changes to the marginal distribution revenue stream calculation in the model:

- exclude the Conservation Cost Recovery Charge (CCRC), and
- incorporate the 75-foot service extension allowance the Company currently provides for residential service installations.

On August 21, 2015, MERC filed a compliance filing revising its NAS tariff sheets to conform to the Commission's Order.

Further the Commission requested that MERC file a petition to modify its previously approved NAS for Ely Lake to incorporate the approved changes to MERC's NAS model in order to provide Ely Lake customers the benefit of those changes. The Ely Lake NAS was originally approved by the Commission on September 5, 2014 in Docket No. G011/M-14-524.

As requested by the Commission, on August 25, 2015 MERC filed a *Petition* with the Commission to modify its previously approved new area surcharge for the Ely Lake Project and adjust the Company's tariff accordingly. MERC proposed to lower the Ely Lake Project NAS from \$33.50 to \$25.45 for both residential and existing small commercial customers, a decrease of approximately 24.03 percent.

II. DEPARTMENT ANALYSIS

The Minnesota Department of Commerce (Department) reviewed MERC's filing to ensure that the Company accurately calculated the NAS for Ely Lake as modified due to the Commission Order in Docket No. G011/M-15-441. The Company's filing included an adjusted version of the spreadsheet used to calculate the original Ely Lake NAS. After reviewing the Company's calculations the Department concludes that MERC removed the CCRC from the calculation and incorporated the existing 75-foot service extension allowance for residential service installation. These shifts resulted in a substantially lower required contribution in aid of construction (CIAC) than was required in the original project. Overall the required CIAC decreased from \$714,688 to \$539,982, which resulted in a decrease of the NAS from \$33.50 to \$25.45 in order to recover the CIAC using projected customer sign-ups during the 20-year recovery period. MERC stated that if project costs are recovered before the end of the approved 20-year term that the Company will stop collection of the surcharge at that time.

The Department concludes that the Company accurately recalculated the NAS for the Ely Lake Project.

III. DEPARTMENT RECOMMENDATIONS

The Department recommends that the Commission **approve** MERC's petition to adjust the Ely Lake NAS.

/ja

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
Comments**

Docket No. G011/M-14-524 and G011/M-15-776

Dated this 22nd day of September 2015

/s/Sharon Ferguson

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