

June 20, 2014

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
Metro Square – Suite 350
212 7th Place East
St. Paul, MN 55101-2147

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

**Re: In the Matter of the Petition of Minnesota Energy Resources Corporation
for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake
Project**

Docket No. G-011/M-14-____

Dear Dr. Haar

Minnesota Energy Resources Corporation (“MERC”) submits this miscellaneous rate change and tariff filing to the Minnesota Public Utilities Commission (“Commission”) for approval to modify its 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 to establish a New Area Surcharge for customers located near Ely Lake in the cities of Eveleth and Gilbert in northern Minnesota.

The nonpublic version of the filing contains trade secret information. Specifically, Exhibit C to this Petition contains pricing information that 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 secret. Accordingly the attached document contains data which qualifies as “Trade Secret Data” pursuant to Minnesota Statutes Section 13.37 Subdivision 1(b).

A copy of this miscellaneous tariff filing has been served on the Office of Attorney General – Antitrust and Utilities Division. A summary of the filing has been served on all parties on MERC’s general service list.

Please contact me at 612-340-2881 if you have any questions regarding this matter.

Sincerely yours,

/s/ Michael J. Ahern

Michael J. Ahern

Enclosures

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BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
David C. Boyd
Nancy Lange
Dan Lipschultz
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of Minnesota
Energy Resources Corporation for Approval of
a Tariff Revision and a New Area Surcharge
for the Ely Lake Project

Docket No. G-011/M-14-_____

**FILING OF PETITION FOR APPROVAL TO MODIFY THE NEW AREA SURCHARGE TARIFF
AND TO ESTABLISH A NEW AREA SURCHARGE**

Pursuant to Minnesota Rules Part 7829.1300, Minnesota Energy Resources Corporation (“MERC”) submits this miscellaneous rate change and tariff filing to the Minnesota Public Utilities Commission (“Commission”) for approval to:

- 1) Modify its 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
- 2) Establish a New Area Surcharge for customers located near Ely Lake in the cities of Eveleth and Gilbert in northern Minnesota.

This filing includes the following:

- One paragraph summary of the filing in accordance with Minn. R. 7829.1300, subp. 1.
- Petition for Approval to Modify MERC’s New Area Surcharge Tariff and to Establish a New Area Surcharge for the Ely Lake Project.
- Exhibit A Clean and redlined proposed Tariff Sheet Nos. 9.14-9.17;
- Exhibit B Map of the Ely Lake Project Area;
- Exhibit C Proposed Surcharge Workpapers and Assumptions;
- Exhibit D Proposed Customer Notice.

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I. Summary of Filing

Pursuant to Minn. R. 7829.1300, subp. 1, a one-paragraph summary of the filing is attached.

II. Service

Pursuant to Minn. R. 7829.1300, subp. 2, MERC has served a copy of this petition on the Office of the Attorney General – Antitrust and Utilities Division. The summary of the filing has been served on all parties on the attached service list.

III. General Filing Information

Pursuant to Minn. R. 7829.1300, subp.3, the following information is provided:

A. Name, Address, and Telephone Number of the Utility

Minnesota Energy Resources Corporation
2665 145th Street West
Rosemount, MN 55068
(651) 322-8901

B. Name, Address, and Telephone Number of Attorney for the Utility

Michael J. Ahern
Dorsey & Whitney LLP
50 S. Sixth Street, Suite 1500
Minneapolis, MN 55402-1498
(612) 340-2881

C. Date of the Filing and Date Proposed Agreement Will Take Effect

Date of Filing: June 20, 2014

Proposed Effective Date: Upon Commission Approval

MERC respectfully requests that the Commission rule on this filing within sixty (60) days of filing so that construction of a service extension for the Ely Lake Project may begin promptly. We estimate construction can be completed in approximately two months. The intent is to have gas service available to the customers in the Ely Lake Project by November 1, 2014. However, in order to maintain the projected construction costs, construction must begin no later than September 1, 2014.

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D. Statute Controlling Schedule for Processing the Filing

Under Minn. R. 7829.0100, subp. 11, this petition is a “miscellaneous” filing because no determination of MERC’s general revenue requirement is necessary. Comments on a miscellaneous filing are due within 30 days of filing, with replies due 10 days thereafter. Minn. R. 7829.1400, subp. 1, 4.

E. Signature and Title of Utility Employee Responsible for the Filing



Amber S. Lee
2665 145th Street West
Rosemount, MN 55068
(651) 322-8965

IV. Miscellaneous Information

Pursuant to Minnesota Rule 7829.0700, MERC requests that the following persons be placed on the Commission’s official service list for this matter:

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation
2665 145th Street West
Rosemount, MN 55068
(651) 322-8965
ASLee@minnesotaenergyresources.com

If additional information is required, please contact Michael J. Ahern at (612) 340-2881.

DATED: June 20, 2014

Respectfully Submitted,

DORSEY & WHITNEY LLP

By /s/ Michael J. Ahern

Michael J. Ahern
Suite 1500, 50 South Sixth Street
Minneapolis, MN 55402-1498
Telephone: (612) 340-2600

Attorney for Minnesota Energy
Resources Corporation

PUBLIC DOCUMENT – TRADE SECRET DATA HAS BEEN EXCISED

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
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In the Matter of the Petition of Minnesota
Energy Resources Corporation for Approval of
a Tariff Revision and a New Area Surcharge
for the Ely Lake Project

Docket No. G-011/M-14-_____

SUMMARY OF FILING

Pursuant to Minnesota Rules Part 7829.1300, Minnesota Energy Resources Corporation (“MERC”) submits to the Minnesota Public Utilities Commission (“Commission”) this Petition for approval to modify its 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.

PUBLIC DOCUMENT – TRADE SECRET DATA HAS BEEN EXCISED

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
David C. Boyd
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Chair
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In the Matter of the Petition of Minnesota
Energy Resources Corporation for Approval of
a Tariff Revision and a New Area Surcharge
for the Ely Lake Project

Docket No. G-011/M-14-_____

**PETITION FOR APPROVAL TO MODIFY THE NEW AREA SURCHARGE TARIFF
AND TO ESTABLISH A NEW AREA SURCHARGE FOR THE ELY LAKE PROJECT**

I. INTRODUCTION

Minnesota Energy Resources Corporation (“MERC” or the “Company”) submits for Commission approval a miscellaneous rate change filing to modify its New Area Surcharge tariff to allow a New Area Surcharge to remain in effect for a term not to exceed thirty (30) years and to add a New Area Surcharge for customers located near Ely Lake in the cities of Eveleth and Gilbert in Fayal Township, Minnesota (“Ely Lake Project” or “Project”). A map of the area to be served is included as Exhibit B.

MERC submits this Petition in order to modify its 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 to establish a New Area Surcharge for customers located near Ely Lake in the cities of Eveleth and Gilbert in northern Minnesota. The modification to MERC’s New Area Surcharge tariff will provide opportunity for MERC to make extensions more affordable by extending the surcharge period and thereby lowering the monthly surcharge amount. The New Area Surcharge Rider Rate enables natural gas service to be extended to an area where the revenues would have been insufficient under the Company’s current rates and service extension policy. This is accomplished by setting a surcharge at a level which will bring the Net Present Value of the project to approximately \$0 over the life of the project. The proposed surcharges for the Ely Lake Project were calculated according to the model described in MERC’s New Area Surcharge Rider approved by the Commission, except that the proposed surcharge rates were calculated over a 20-year term rather than a 15-year term.

II. NEW AREA SURCHARGE TARIFF CHANGE

In Docket No G-007,011/M-11-1045 the Commission approved MERC's New Area Surcharge analytical methodology. Under the New Area Surcharge model, the term of service varies from area to area, depending on the service extension project. Under no circumstances, however, can the surcharge applicable to any project remain in effect for a term to exceed fifteen (15) years. MERC requests approval to modify its New Area Surcharge model to allow a New Area Surcharge to remain in effect for up to thirty (30) years.

In reviewing MERC's Extension and New Area Surcharge policies in our most recent rate case the Department of Commerce, Division of Energy Resources (Department) recommended the Company modify its New Area Surcharge to allow a longer surcharge term.¹ The Department noted that the state of Minnesota experienced extremely cold weather in 2013-2014, and propane suppliers had significant difficulty in meeting the needs of their customers.² In response, the Governor declared a propane emergency and took highly unusual steps to provide additional resources for Minnesotans who relied on propane to heat their homes.³ The Department recommended that MERC extend the New Area Surcharge term to reduce the number of customers affected by propane shortages in the future. Specifically, the Department stated that to make it easier for new areas to obtain natural gas service, rather than depend on propane service that may be unreliable, it might be reasonable for MERC's tariff to be revised to allow a period longer than fifteen (15) years when determining whether an extension is feasible.⁴

The extension of the surcharge term to thirty (30) years will result in lower surcharges, which will in turn increase customer participation in the Ely Lake Project. MERC requests permission to revise its tariff sheet to extend a New Area Surcharge for a term not to exceed thirty (30) years. Approving this modification to MERC's New Area Surcharge will allow MERC to make extensions more affordable by lowering the monthly surcharge amount.

III. PROPOSED NEW AREA SURCHARGE FOR THE ELY LAKE PROJECT

In Docket No G-007,011/M-11-1045 the Commission approved MERC's New Area Surcharge analytical methodology and required the Company to submit a miscellaneous rate

¹ *In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G011/GR-13-617, Direct Testimony and Attachments of Michael N. Zajicek at 11-13 (March 24, 2014).

² *Id.* at 11-12.

³ *Id.* at 12.

⁴ *Id.* at 12-13.

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change and receive Commission approval prior to implementing any such surcharges. This filing for the Ely Lake Project is MERC's first filing under the New Area Surcharge methodology approved by the Commission. The New Area Surcharge enables natural gas service to be extended to an area that would generate insufficient revenues under the Company's present rates and service extension policy. This is accomplished by setting a surcharge at a level that will bring the Net Present Value of the project to approximately \$0 over the life of the Project.

The following class surcharges are proposed for the Ely Lakes Project. Although no customers are expected to take interruptible or transport service, a surcharge is proposed to comply with the Commission's requirements and to prevent a duplicate filing in the event customers request these services in the future.

Ely Lake Project New Area Surcharges	
Residential	\$34.10
Small Commercial	\$34.10
Large Commercial	\$34.10
Small Volume Interruptible	\$34.10
Large Volume Interruptible	\$34.10
Small Volume Joint	\$34.10
Large Volume Joint	\$34.10
Small Volume Transport	\$34.10
Large Volume Transport	\$34.10

MERC's calculation of the proposed surcharge is reasonably designed to recover the portion of the cost of service attributable to uneconomic service extensions. The New Area Surcharge rates are set at a reasonable level that will ensure, to the extent possible, that the Ely Lake project is load and cost justified and that existing customers will not subsidize new area customers over the life of the project.

MERC proposes that the surcharges be in effect for a period not to exceed twenty (20) years. We anticipate that the gas service to the Ely Lake area will commence on approximately November 1, 2014, so the surcharge is proposed to expire on November 1, 2034. MERC will terminate the surcharge when the projected revenue deficiency is satisfied or at the end of twenty (20) years, whichever occurs first.

The proposed New Area Surcharge is in the public interest. Because natural gas costs less than alternative fuels, customers will benefit from the additional fuel choice. 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 Ely Lake area, MERC's existing

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customers will not be subsidizing this project given that the project is both load and cost justified over the life of the project, and no demand entitlement changes are required because the demand needs of the Ely Lake project customers will be served off existing supply contracts.

The proposed tariff change will not affect the current level of MERC revenues. New Area Surcharge billings are not considered Operating Revenues. New Area Surcharge billings to customers will be recorded as balance sheet credits to an account receivable when the surcharge is approved. The portion of the New Area Surcharge billing related to interest will be credited to a non-operating income account.

In its Order Approving New Area Surcharge, the Commission required MERC to submit a miscellaneous rate change request prior to implementing a New Area Surcharge. The Commission required that any such request include the information contained in the following exhibits:

- Exhibit A An updated surcharge tariff sheet and its related spreadsheets with and without the proposed surcharge for each new surcharge area;
- Exhibit B Map of the Ely Lake Project Area (not required by Commission order, but provided as an exhibit)
- Exhibit C Workpapers showing all underlying assumptions concerning interest rates, costs, depreciation, demographics, rate structure, etc.;
- Exhibit D The Company's proposed customer notice; and

In addition to the information contained in the above exhibits, the Commission required that a request include two items not included as exhibits, but with descriptions below:

- A surcharge rate for each customer class, even if no customers are anticipated for the class: this information is provided in the body of the petition and in the proposed tariff changes.
- All pertinent contract demand entitlement change requests as soon as the required information is ascertained: MERC anticipates no demand entitlement changes.

IV. CONCLUSION

MERC respectfully requests to modify its New Area Surcharge tariff to allow a New Area Surcharge to remain in effect for a term not to exceed thirty (30) years and to add a New Area Surcharge for customers located in the Ely Lake Project Area.

If additional information is required, please contact Michael J. Ahern at (612) 340-2881.

DATED: June 20, 2014

Respectfully Submitted,

DORSEY & WHITNEY LLP

By /s/ Michael J. Ahern
Michael J. Ahern
Suite 1500, 50 South Sixth Street
Minneapolis, MN 55402-1498
Telephone: (612) 340-2600

Attorney for Minnesota Energy
Resources Corporation

Exhibit A

Clean and Redline Proposed Tariff Sheet Nos. 9.14-9.17

Clean Tariff Sheets

EXTENSION OF NATURAL GAS SERVICE

3. NEW AREA SURCHARGE RIDERAvailability:

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 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 overall rate of return 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.

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 ModelDefinitions:

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. 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) 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 overall rate of return 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	
Residential	\$34.10
Small Commercial	\$34.10
Large Commercial	\$34.10
Small Volume Interruptible	\$34.10
Large Volume Interruptible	\$34.10
Small Volume Joint	\$34.10
Large Volume Joint	\$34.10
Small Volume Transport	\$34.10
Large Volume Transport	\$34.10

Issued By: Jim Schott
Vice President, Regulatory Services
Submittal Date: June 20, 2014

*Effective Date: Upon Commission Approval
Proposed Effective Date: Upon Commission Approval

*Effective with bills issued on and after this date.

Redline Tariff Sheets

EXTENSION OF NATURAL GAS SERVICE

3. NEW AREA SURCHARGE RIDERAvailability:

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 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 overall rate of return 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 By: Jim Schott

*Effective Date: Upon Commission Approval December 1, 2012

Vice President, Regulatory Services Proposed Effective Date: Upon Commission Approval December 1, 2012

Submittal Date: June 20, 2014

*Effective with bills issued on and after this date.

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 ~~thirtyfive~~ (3015) 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 ~~thirtyfive~~ (3015) years, whichever occurs first.

Revenue Requirements ModelDefinitions:

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. 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.

Issued By: Jim Schott

*Effective Date: Upon Commission Approval ~~December 1, 2012~~

Vice President, Regulatory Services Proposed Effective Date: Upon Commission Approval ~~December 1, 2012~~

Submittal Date: June 20, 2014

*Effective with bills issued on and after this date.

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) 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.

Issued By: Jim Schott

*Effective Date: Upon Commission Approval December 1, 2012

Vice President, Regulatory Services Proposed Effective Date: Upon Commission Approval December 1, 2012

Submittal Date: June 20, 2014

*Effective with bills issued on and after this date.

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 overall rate of return 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	
Residential	\$34.10
Small Commercial	\$34.10
Large Commercial	\$34.10
Small Volume Interruptible	\$34.10
Large Volume Interruptible	\$34.10
Small Volume Joint	\$34.10
Large Volume Joint	\$34.10
Small Volume Transport	\$34.10
Large Volume Transport	\$34.10

Issued By: Jim Schott

*Effective Date: Upon Commission Approval ~~December 1, 2012~~

Vice President, Regulatory Services Proposed Effective Date: Upon Commission Approval ~~December 1, 2012~~

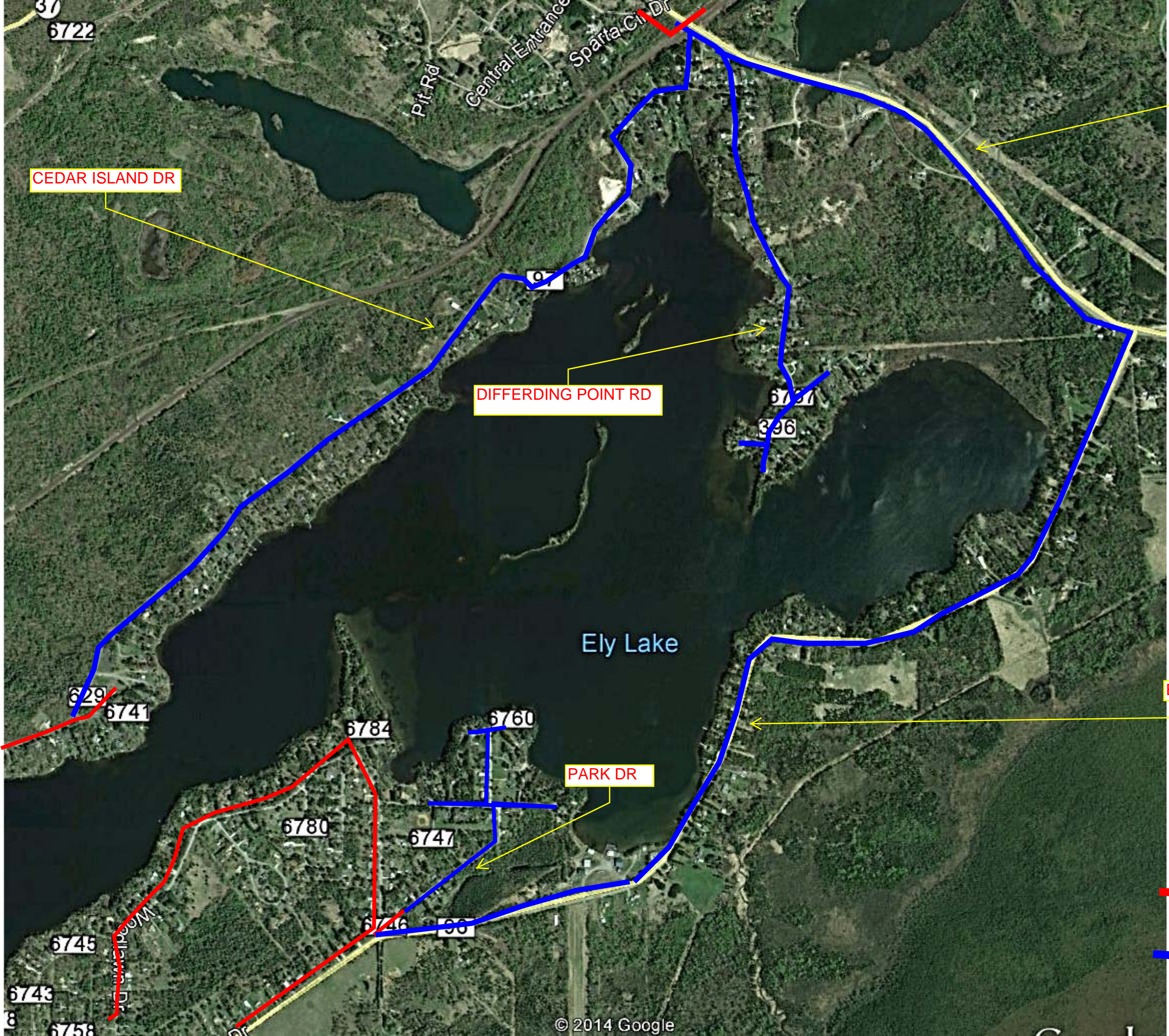
Submittal Date: June 20, 2014

*Effective with bills issued on and after this date.

Exhibit B

Map of the Ely Lake Project Area

Exhibit B



HWY 97

CEDAR ISLAND DR

DIFFERDING POINT RD

6737

6796

Ely Lake

ELY LAKE DR

6729

6741

6784

6760

PARK DR

6780

6747

6745

6743

6751

6746

6790

EXISTING 2" PE MAIN

PROPOSED 2" PE MAIN

Exhibit C

Proposed Surcharge Workpapers and Assumptions

PUBLIC DOCUMENT - TRADE SECRET DATA HAS BEEN EXCISED

Minnesota Energy Resources Corp. New Area Surcharge Analysis

Exhibit C

**Minnesota Energy Resources New Area Surcharge Analysis
ELY LAKE EXPANSION**

Time Period	Year	Net Plant				ADIT		Traditional Reveune Requirements					Retail Revenue	Revenue Excess (Deficy.)	PV of Cash Flows
		Gross Plant Investment	Accumulated Depreciation Reserve	Net Plant In Service	Average Net Plant	Average ADIT	Average Rate Base	Allowed Return	Book Deprec.	O&M Expense	Property Tax	Total Rev. Requir.			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
		[Trade Secret Data Begins...													
0															
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
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22															
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24															
25															
26															
27															
28															
29															
30															
Reference		Page E-2	Page E-2	Page E-2	Page E-2	Page E-2	Calculation	Page E-10	Page E-2	Page E-9 x Rate per Customer	Page E-2	Calculation	Page E-9	...Trade Secret Data Ends] Calculation	Calculation

PUBLIC DOCUMENT - TRADE SECRET DATA HAS BEEN EXCISED

Minnesota Energy Resources Corp. New Area Surcharge Analysis

Exhibit C

MERC New Area Surcharge Analysis
 ELY LAKE EXPANSION
 Page E-2

[Trade Secret Data Begins...

Total Gross Plant Investment Deprec. Tax
 Total CIAC
 Total Net Investment Deprec. Book

Book Depreciaton Rate

Tax Rate

...Trade Secret Data Ends]

		Net Plant		ADIT - Property					ADIT - Surcharge Revenues					Total ADIT				
		Gross Plant	Depreciation	Accum. Res.	Net Plant	Avg Net Plant	Tax Rates	Tax Deprec.	Cum Tax Deprec.	Book-Tax Deprec.	Acc. Def. Tax	Avg. ADIT	Annual Surcharge Revenue	CIAC	Tax	Cum Tax	Avg ADIT	Property Taxes
	[Trade Secret Data Begins...																	
0	2014																	
1	2015																	
2	2016																	
3	2017																	
4	2018																	
5	2019																	
6	2020																	
7	2021																	
8	2022																	
9	2023																	
10	2024																	
11	2025																	
12	2026																	
13	2027																	
14	2028																	
15	2029																	
16	2030																	
17	2031																	
18	2032																	
19	2033																	
20	2034																	
21	2035																	
22	2036																	
23	2037																	
24	2038																	
25	2039																	
26	2040																	
27	2041																	
28	2042																	
29	2043																	
30	2044																	

0 Total Surcharge Revenue
 0 <=CIAC

...Trade Secret Data Ends]

PUBLIC DOCUMENT - TRADE SECRET DATA HAS BEEN EXCISED

Minnesota Energy Resources Corp. New Area Surcharge Analysis

Exhibit C

MERC New Area Surcharge Analysis
 ELY LAKE EXPANSION
 Page E-3

[Trade Secret Data Begins...

Yr. 1 Gross Plant Investment
 CIAC
 Depreciable Book Basis

Book Depreciation Rate

Depreciable Tax Basis

Tax Rate

Property Tax Rate / Gross Plant

First Year of Analysis 2014

...Trade Secret Data Ends]

Year	Net Plant					ADIT - Property		
	Gross Plant	Depreciation	Acum. Res.	Net Plant	Avg Net Plant	Tax Rates	Tax Deprec.	Cum. Tax Deprec.
0	2014							
1	2015							
2	2016							
3	2017							
4	2018							
5	2019							
6	2020							
7	2021							
8	2022							
9	2023							
10	2024							
11	2025							
12	2026							
13	2027							
14	2028							
15	2029							
16	2030							
17	2031							
18	2032							
19	2033							
20	2034							
21	2035							
22	2036							
23	2037							
24	2038							
25	2039							
26	2040							
27	2041							
28	2042							
29	2043							
30	2044							

[Trade Secret Data Begins...

...Trade Secret Data Ends]

PUBLIC DOCUMENT - TRADE SECRET DATA HAS BEEN EXCISED

Minnesota Energy Resources Corp. New Area Surcharge Analysis

Exhibit C

MERC New Area Surcharge Analysis
 ELY LAKE EXPANSION
 Page E-4

[Trade Secret Data Begins...

Yr 2 Gross Plant Investment Deprec Tax
 Yr 2 Surcharge
 Yr 2 Net Investment Deprec. Book

Book Depreciation Rate

Tax Rate

...Trade Secret Data Ends]

Year	Net Plant					Tax Rates	Tax Deprec.	ADIT - Prop Cum Tax Deprec.
	Gross Plant	Depreciation	Accum. Res.	Net Plant	Avg Net Plant			
[Trade Secret Data Begins...								
0	2014							
1	2015							
2	2016							
3	2017							
4	2018							
5	2019							
6	2020							
7	2021							
8	2022							
9	2023							
10	2024							
11	2025							
12	2026							
13	2027							
14	2028							
15	2029							
16	2030							
17	2031							
18	2032							
19	2033							
20	2034							
21	2035							
22	2036							
23	2037							
24	2038							
25	2039							
26	2040							
27	2041							
28	2042							
29	2043							
30	2044							

...Trade Secret Data Ends]

PUBLIC DOCUMENT - TRADE SECRET DATA HAS BEEN EXCISED

Minnesota Energy Resources Corp. New Area Surcharge Analysis

Exhibit C

MERC New Area Surcharge Analysis
 ELY LAKE EXPANSION
 Page E-5

[Trade Secret Data Begins . . .

Yr. 3 Gross Plant Investment Deprec Tax
 Yr 3 Surcharge
 Yr 3 Net Investment Deprec. Book

Book Depreciation Rate

Tax Rate

...Trade Secret Data Ends]

Year	Net Plant			Avg Net Plant	Tax Rates	Tax Deprec.	ADIT - Prop Cum Tax Deprec.
	Gross Plant	Depreciation	Accum. Res.				
	[Trade Secret Data Begins...						
0	2014						
1	2015						
2	2016						
3	2017						
4	2018						
5	2019						
6	2020						
7	2021						
8	2022						
9	2023						
10	2024						
11	2025						
12	2026						
13	2027						
14	2028						
15	2029						
16	2030						
17	2031						
18	2032						
19	2033						
20	2034						
21	2035						
22	2036						
23	2037						
24	2038						
25	2039						
26	2040						
27	2041						
28	2042						
29	2043						
30	2044						

- **...Trade Secret Data Ends]**

PUBLIC DOCUMENT - TRADE SECRET DATA HAS BEEN EXCISED

Minnesota Energy Resources Corp. New Area Surcharge Analysis

Exhibit C

MERC New Area Surcharge Analysis
 ELY LAKE EXPANSION
 Page E-6

[Trade Secret Data Begins...

Yr. 4 Gross Plant Investment Deprec. Tax
 Yr 4 Surcharge
 Yr 4 Net Investment Deprec. Book

Book Depreciation Rate

Tax Rate

...Trade Secret Data Ends]

Year	Net Plant			Avg Net Plant	Tax Rates	Tax Deprec.	ADIT - Prop Cum Tax Deprec.
	Gross Plant	Depreciation	Accum. Res.				
0	2014	[Trade Secret Data Begins...					
1	2015						
2	2016						
3	2017						
4	2018						
5	2019						
6	2020						
7	2021						
8	2022						
9	2023						
10	2024						
11	2025						
12	2026						
13	2027						
14	2028						
15	2029						
16	2030						
17	2031						
18	2032						
19	2033						
20	2034						
21	2035						
22	2036						
23	2037						
24	2038						
25	2039						
26	2040						
27	2041						
28	2042						
29	2043						
30	2044						

- **...Trade Secret Data Ends]**

PUBLIC DOCUMENT - TRADE SECRET DATA HAS BEEN EXCISED

Minnesota Energy Resources Corp. New Area Surcharge Analysis

Exhibit C

MERC New Area Surcharge Analysis
 ELY LAKE EXPANSION
 Page E-7

[Trade Secret Data Begins...

Yr. 5 Gross Plant Investment
 Yr 5 Surcharge
 Yr 5 Net Investment

Deprec. Book

Book Depreciation Rate

Tax Rate

...Trade Secret Data Ends]

Year	Net Plant			Avg Net Plant	Tax Rates	Tax Deprec.	ADIT - Prop Cum Tax Deprec.
	Gross Plant	Depreciation	Accum. Res.				
0	2014						
1	2015						
2	2016						
3	2017						
4	2018						
5	2019						
6	2020						
7	2021						
8	2022						
9	2023						
10	2024						
11	2025						
12	2026						
13	2027						
14	2028						
15	2029						
16	2030						
17	2031						
18	2032						
19	2033						
20	2034						
21	2035						
22	2036						
23	2037						
24	2038						
25	2039						
26	2040						
27	2041						
28	2042						
29	2043						
30	2044						

[Trade Secret Data Begins...

...Trade Secret Data Ends]

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Minnesota Energy Resources Corp. New Area Surcharge Analysis

Exhibit C

MERC New Area Surcharge Analysis
 ELY LAKE EXPANSION
 Page E-8

[Trade Secret Data Begins...

Yr. 6-15 Gross Plant Investment Deprec. Tax
 Yr 6-15 Surcharge
 Yr 6-15 Net Investment Deprec. Book

Book Depreciation Rate

Tax Rate

...Trade Secret Data Ends]

Year	Net Plant			Avg Net Plant	Tax Rates	Tax Deprec.	ADIT - Prop Cum Tax Deprec.
	Gross Plant	Depreciation	Accum. Res.				
	[Trade Secret Data Begins...						
0	2014						
1	2015						
2	2016						
3	2017						
4	2018						
5	2019						
6	2020						
7	2021						
8	2022						
9	2023						
10	2024						
11	2025						
12	2026						
13	2027						
14	2028						
15	2029						
16	2030						
17	2031						
18	2032						
19	2033						
20	2034						
21	2035						
22	2036						
23	2037						
24	2038						
25	2039						
26	2040						
27	2041						
28	2042						
29	2043						
30	2044						

...Trade Secret Data Ends]

PUBLIC DOCUMENT - TRADE SECRET DATA HAS BEEN EXCISED

Minnesota Energy Resources Corp. New Area Surcharge Analysis

Exhibit C

Retail Sales and Surcharge

Year	Average Customers	Annual Throughput Customer	Volumetric Margin/Unit	Annual Base Charge/Customer	Annual Retail Revenue	Monthly Surcharge Per Customer	Surcharge Recovery
0	2014						
1	2015						
2	2016						
3	2017						
4	2018						
5	2019						
6	2020						
7	2021						
8	2022						
9	2023						
10	2024						
11	2025						
12	2026						
13	2027						
14	2028						
15	2029						
16	2030						
17	2031						
18	2032						
19	2033						
20	2034						
21	2035						
22	2036						
23	2037						
24	2038						
25	2039						
26	2040						
27	2041						
28	2042						
29	2043						
30	2044						

[Trade Secret Data Begins...]

Commercial							Surcharge Info					
Average Customers	Annual Throughput /Customer	Volumetric Margin/Unit	Annual Base Charge /Customer	Annual Retail Revenue	Monthly Surcharge Per Customer	Surcharge Recovery	Total Customers	Total Retail Revenue	Total Surcharge Recover	Tax G-Up on Surcharge	Cumm. Total Surcharge Recovery	Avg Cum Surcharge Recovery

Total Cost to Cust.
Savings over
15 Years

Total Surcharge Rev

PV = equals CIAC

CIAC

...Trade Secret Data Ends]

PUBLIC DOCUMENT - TRADE SECRET DATA HAS BEEN EXCISED

Minnesota Energy Resources Corp. New Area Surcharge Analysis

Exhibit C

MERC New Area Surcharge Analysis
ELY LAKE EXPANSION
Page E-10

[Trade Secret Data Begins...

Income Tax Rate
MPUC Factor

Capital Structure:

...Trade Secret Data Ends]

[Trade Secret Data Begins...

	Ratios	Cost	Weighted Cost	Tax Factor	Overall Factor
Long Term Debt					
STD					
Common Equity					
Total					

Income Tax Rate

ROR
Actual Disct Rate

Disc Rate per MPUC

...Trade Secret Data Ends]

MERC New Area Surcharge Analysis
ELY LAKE EXPANSION

[Trade Secret Data Begins...

Discount Rate

	Surcharge	PV	Interest
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

...Trade Secret Data Ends]

Assumptions

[Trade Secret Data Begins...

Construction Costs

CIAC

Costs for Service Line

Customer's Sign-Up

Year 1 - 2014

Year 2 - 2015

Year 3 - 2016

Year 4 - 2017

Year 5 - 2019

Year 6 - 15 - 2020 through 2029

Total Customer Connects

Percentage of Total Connects Available

Total Project

...Trade Secret Data Ends]

Model Version 0797.A, Rev 1/04/13

MERC -- Project Feasibility - 2014 Interim Rates

INPUT SCREEN

Project Name **Fayal Township - Test Base Case for O&M Impact**

Note: Inputs @ >>> (yellow)

Year 1 Year 2 Year 3 Year 4 Year 5 Year 6 Year 7 Year 8 Year 9 Year 10

<u>Residential Customer/Usage</u>	[Trade Secret Data Begins...]
Projected # of Incremental Customers >>>	[Redacted]
Total Resid Customers Per Project	[Redacted]
Per Avg Customer MCF/Kwh Usage >>>	[Redacted]
Margin per MCF/Kwh >>>	[Redacted]
Monthly Customer Charge >>>	[Redacted]

<u>Commercial Customer/Usage</u>	[Redacted]
Projected # of Incremental Customers >>>	[Redacted]
Total Coml Customers Accumulated	[Redacted]
Per Avg Customer MCF/Kwh Usage >>>	[Redacted]
Margin per MCF/Kwh >>>	[Redacted]
Monthly Customer Charge >>>	[Redacted]

<u>Capital Investment</u>	[Redacted]
From Customer Estimate Form	[Redacted]
OR Enter Below	[Redacted]
Infrastructure Cost -- Mains, Other >>>	[Redacted]
Cost per Resid Cust -- Services >>>	[Redacted]
Cost per Coml Cust -- Services >>>	[Redacted]
Customer Contribution (if required, from page 2)	[Redacted]

<u>Other Costs</u>	[Redacted]
Cost per Resid Customer (e.g. Incentives) >>>	[Redacted]
Cost per Coml Customer (e.g. Incentives) >>>	[Redacted]
Cust Acquisition Costs-Direct "Fixed" >>>	[Redacted]

... Trade Secret Data Ends]

Model Version 0797.A, Rev 1/04/13

MERC -- Project Feasibility - 2014 Interim Rates

Output Screen

Project Name Fayal Township - Test Base Case for O&M Impact

Calculations from Input Screen (User Input) & Support Screen (Static Formulas Provided)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
<u>CASH IN</u>	[Trade Secret Data Begins...									
Projected Margins from Residential										
Projected Margins from Commercial										
Total Margins From Project										
<u>CASH OUT</u>										
Total Incremental Investment by Year										
Total Net Project Investment										
Total Other Costs Incurred (Var&Fixed)										
	...Trade Secret Data Ends]									

PROFITABILITY CHECKS	calculated	TOTAL PROJECT
		[Trade Secret Data Begins...
NO (A) NPV @ 10 Yrs with Residual		Must be Greater than Zero
NPV @ 10 Yrs w/o Residual	=====	\$ - Var Reference Only
NPV @ 20 Yrs w/o Residual	=====	\$ - Var Reference Only
NO (B) Average ROE @ 5 Yrs		Must be Greater than
Avg Return on Equity @ 10 Yrs	=====	Reference Only

Required Customer Contribution to Meet ROE Feasibility for First 5 Years Average

Go to Cell H67; Use Goal Seek under Tools (set h67 to Zero by changing e69) (approximate value on first run, if negative then ROE > Target)

Contribution must be at least \$1 less than Cur Yr Investment, else ERROR will show

Amounts from this line transferred to Input Screen	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Multiple Years will require more reruns of Goal Seek	Year 1	Year 2	Year 4	Year 5	

>>> Project Margins Allocated Applied to Embedded System/Infrastructure Cost

>>> Contract Length

... Trade Secret Data Ends]

Model Version 0797.A, Rev 1/04/13

MERC -- Project Feasibility - 2014 Interim Rates

Support Screen

[Trade Secret Data Begins...

Project Name Fayal Township - Test Base Case for O&M Impact

Targeted MERC Discount Rate
 Effective Income Tax Rate
 Statutory Income Tax Rate
 Selected Deprec Rate, by default or contract
 Property Tax/Insur Rate
 Equity as a Percent of Capital
 LongTerm Debt as a Percent of Capital
 Weighted Cost of LTDebt @ 6.28%
 Cash Car Chg (Ptax-IncTx-(Dep*IncTx))

Accumulated # Resid Customers from pg 1
 Accumulated Resid Usage Volumes from pg 1
 Accumulated # Coml Customers from pg 1
 Accumulated Coml Usage Volumes from pg 1

Calculated from Pages 1&2 and Support

Cash FLOW

Less Contribution to System Cust 0%

Less Inc Tax on Net Margins

CASH IN COMING Sum +pg 2

Less Inc Tax on Cust Acq Costs

Add Net Cash Carrying Charges

CASH OUT GOING Sum +pg 2

Cash NET of Project (w/residual value in yr 10)

Cash NET of Project (w/o residual value)

Book Checks

Projected Running Gross Plant In Service

Projected Running Net Plant in Service

Projected Avg Common Equity Balance

first 5 yrs >>

Operating Book Income

Less Depreciation Expense

Less Carrying Costs (Interest & P-Tax)

Less Statutory Income Tax

NET Income Available for Shareholders

first 5 yrs >>

RETURN ON EQUITY

APPROVAL	CIAC Amount \$ -	Approved By: _____	Date: _____
COMMENTS	Please describe all special or unusual situations connected to this project, the calculation of the feasibility or the collection of the required CIAC. Also include any information used to determine the customer connection projection if different than the developer provided.		
...Trade Secret Data Ends]			

Rates

<u>MERC Rates-effective January 2013</u>			
[Trade Secret Data Begins...			
Customer Class of Service	Customer Charge	Margin per Mcf	Demand Charge per Mcf
Residential			
Commercial Firm:			
Annual Usage <150 Mcf			
Annual Usage >150 Mcf			
...Trade Secret Data Ends]			

Commercial Load Addition

Area

District

New Construction - New Meter

Conversion to Gas - Present Customer

District Code

Conversion to Gas - New Meter

Add Use - Present Customer

Customer Name Address Town State Zip

Account Number Type of Business SIC Code

Normal Business Hours: Hrs/Day Day/Wk Day/Yr

Natural Gas Load Added on This Report: **A** = Add on Load **C** = Conversion to Gas **N** = New Gas Equipment

Heating (Circle)			No. of Units	Input BTUH	Total BTUH Installed	Total Input 1,000,000	X	10 H/D	X	Heat Factor	=	MCF/YR
A	C	N					X	10	X	120	=	
A	C	N					X	10	X		=	
A	C	N					X	10	X		=	
A	C	N					X	10	X		=	
A	C	N					X	10	X		=	
Total												0

Water Heating (Circle)			No. of Units	Input BTUH	Total BTUH Installed	Total Input 1,000,000	X	Hr/Day 2	X	D/Yr	=	MCF/YR
A	C	N					X		X		=	
A	C	N					X		X		=	
A	C	N					X		X		=	
Total												0

Cooking (Circle)			Type of Equip.	No. of Units	Input BTUH	Total BTUH Installed	Total Input 1,000,000	X	Hr/Day 2	X	D/Yr	=	MCF/YR
A	C	N					X		X		=		
A	C	N					X		X		=		
A	C	N					X		X		=		
A	C	N					X		X		=		
A	C	N					X		X		=		
A	C	N					X		X		=		
Total													0

Clothes Drying (Circle)			No. of Units	Input BTUH	Total BTUH Installed	Total Input 1,000,000	X	Hr/Day 4	X	D/Yr	=	MCF/YR
A	C	N					X		X		=	
A	C	N					X		X		=	
Total												0

Grain Drying (Circle)			No. of Units	Input BTUH	Total BTUH Installed	Total Input 1,000,000	X	10 H/D	X	14 D/Yr Factor	=	MCF/YR
A	C	N					X		X		=	
A	C	N					X		X		=	
Total												0

Other (Circle)			Type of Equip.	No. of Units	Input BTUH	Total BTUH Installed	Total Input 1,000,000	X	Hr/Day	X	D/Yr	=	MCF/YR
A	C	N					X		X		=		
A	C	N					X		X		=		
Total													0

Grand Total **0**

Comments:

Reported By Date

Exhibit D

Proposed Customer Notice

IMPORTANT INFORMATION

About your natural gas rates

NEW NATURAL GAS RATES BEGIN WITH THIS BILL

For Customers Served in the Ely Lake Project Area

An Explanation of Your Natural Gas Rates

On DATE, the Minnesota Public Utilities Commission (MPUC) approved a New Area Surcharge for Minnesota Energy Resources Corporation (MERC) customers served in the Ely Lake Project Area.

MERC is required to recover the cost of extending new gas service from the new customers who will be served by it. The New Area Surcharge for all customers has been approved by the Commission at \$34.10 per month, which is the surcharge amount needed to recover the cost of the extension within 20 years. The surcharge will appear as a line item on your monthly bill. The surcharge will be in effect until the cost to bring natural gas service to your area has been recovered or a maximum of 20 years, whichever occurs first. You will be notified of any change to the New Area Surcharge, including termination of the New Area Surcharge.

We thank you for your interest in becoming our customer and utilizing natural gas. We look forward to providing you safe and reliable natural gas service. If you have questions, comments or would like more information, you are invited to contact customer service at 1-800-889-9508.

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

Kristin M. Stastny hereby certifies that on the 20th day of June, 2014, on behalf of Minnesota Energy Resources Corporation (MERC) she electronically filed a true and correct copy of the enclosed Petition for Approval of a Tariff Revision and a New Area Surcharge 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.

/s/ Kristin M. Stastny
Kristin M. Stastny

Subscribed and sworn to before me
This 20th day of June, 2014.

/s/ Alice Jaworski
Notary Public, State of Minnesota

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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