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September 22, 2014

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

**RE: Recommendations of the Minnesota Department of Commerce in the Matter of the
Application by Minnesota Energy Resources Corporation for Authority to Increase Rates for
Gas Service in Minnesota**
Docket No. G011/GR-13-617

Dear Dr. Haar:

Please accept the attached revised copy of the Decision Options recommended by the Minnesota Department of Commerce, Division of Energy Resources (Department) in the matter noted above.

The Department incorporates revisions to a few decision options (*i.e.*, option 54 was corrected, options 77 and 90 were clarified, and option 93 was added) based on discussions during oral arguments; it was our intention to reflect any suggested changes to items where the Department took a position, so if any suggestions were missed, we apologize for that oversight. We had hoped to file this information by the end of the day on Friday, September 19, 2014, but were unable to do so. We provided a courtesy copy to Commission Staff and are filing this letter on Monday morning.

The Department is available to answer any questions.

Sincerely,

/s/ MICHELLE ST. PIERRE
Financial Analyst

MS/ja
Attachment

Issue	DOC Preferred Decision Alternative(s)
ALJ Report	2
Property Tax Expense	3, 5 a-d
Rate Case Expense	6, 7, 8, 11
Regulatory Assets and Liabilities and Related Deferred Taxes ¹	12, 14
Non-Fuel O&M Expense/Inflation	No position
System Mapping Project	19
Travel, Entertainment, and Related Employee Expenses	20, 22, 23
Taxes for Net Operating Losses (NOL) Carryforward	No position
Integrus Business Services (IBS) Customer Relations	No position
Depreciation and Return Cross Charges from IBS	No position
Employee Benefit Costs	36, 37, 39a-c, 40 or 44, 42b, 45a, 47
Uncollectible Expense	54 agreed to \$300,559,125 revenue plus revenue deficiency
Charitable Contributions	55
Gate Station Monitoring Project	56
Sewer Lateral Legacy Pilot Program	57
Test Year Depreciation Expense	58
Customer Service (Line) Extensions	60a-b
New Area Surcharge	61
Winter Construction Charges	62a-b
Farm Tap Safety Inspection Program	64a-c
Cost Allocations	65-66
Interest Synchronization	67
Cash Working Capital	68-70
Other Gas Revenue – Miscellaneous Service Receipts	71-72
Incentive Pay	73-76
Conservation Improvement Program	77a-c (as clarified in MERC's Attachment A), 81, 82, 84, 85, 86, 87-89, 90*-97

**Minnesota Energy Resources Corporation Preferred Decision Alternatives
Attachment A
Additional and Clarified Decision Alternatives**

	<p>*Note: DOC position is that the <u>method for recovering</u> CIP costs (rate case costs reflected in CCRC and additional costs after rate case reflected in CCRA) should not change at this time from past practice.</p> <p>Regarding, the level of CIP costs and revenues in the rate case, these levels should reflect the most current costs (over \$9 million). Likewise, in final rates, the level of CIP revenue in the rate case should be set at the same level as CIP costs.</p>
Cost of Gas	102, 104
Cost of Capital/Rate of Return	106, 108, 110, 112, 114, 116, 120, 123, 127, 130, 133, 134a-c, 137, 144
Sales Forecast	147, 149a-e
Class Cost of Service Study	152, 154, 157, 159, 163, 168, 171, 174
Class Revenue Apportionment	184
Basic Monthly Service Charges	187, 189
Joint Rate Service	191
Curtailement Rules and Practices	No position
General Housekeeping & Compliance Issues	No position

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
Revised Copy of the Decision Options**

Docket No. G011/GR-13-617

Dated this 22nd day of **September 2014**

/s/Sharon Ferguson

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