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March 12, 2014

VIA ELECTRONIC FILING

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

Re: In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota, Docket No. G-007,011/GR-10-977

Incentive Compensation Refund Mechanism Compliance Filing

Dear Dr. Haar:

On July 13, 2012, the Minnesota Public Utilities Commission (the Commission) issued its Findings of Fact, Conclusions and Order in the above referenced matter. The Commission's Order required that MERC shall refund any incentive compensation costs included in the test year revenue requirement that are not paid out in a particular year. MERC may track the annual amounts to be refunded and make the refunds only after they reach \$1.00 per customer. Order Point 9.B requires that MERC make an annual compliance filing within sixty days after the incentive compensation awards are or would have been paid. The Order requires that MERC include sufficient information to determine whether a refund is required and, if so, the amount of the refund.

MERC submits this filing in compliance with Order Point 9.B of the Commission's July 13, 2012 Order. Attached is MERC's 2013 Incentive Tracker. For 2013, the annual amount to be refunded did not exceed the \$1 per customer threshold and MERC, therefore, did not make a refund to its customers. The \$91,294.00 cumulative underpayment of incentive payout was booked as a regulatory liability account to be refunded when the \$1.00 per customer threshold is met.

Please feel free to contact me at (612) 340-2881 if you have any questions regarding this matter.

Sincerely yours,

/s/ Michael J. Ahern

Michael J. Ahern

cc: Service List

Line	Description	Reference	Amount
1	2011 Authorized incentive Payout Executive and Non-Executive	Docket No. G007,011/GR-10-977	\$ 1,308,121.00
2	Actual cumulative underpayment of Incentive Payout Year End Numbes with no netting of years with overpayment	General Ledger	\$ 91,294.00
3	Approved annual average customer count (all Minnesota customers)	Docket No. G007,011/GR-10-977	211,965
4	Annual refund to customers	Line 2 / Line 3	\$ 0.43

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

Kristin M. Stastny hereby certifies that on the 12th day of March, 2014, on behalf of Minnesota Energy Resources Corporation (MERC) she electronically filed a true and correct copy of the attached Compliance Filing 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 12th Day of March, 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
ASD	Advocacy	N/A	AARP	Suite 1200 30 E. Seventh Street St. Paul, MN 55101	Paper Service	No	OFF_SL_10-977_Official
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	Yes	OFF_SL_10-977_Official
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_10-977_Official
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Michael	Auger	mauger@usenergyservices.com	U S Energy Services, Inc.	Suite 1200 605 Highway 169 N Minneapolis, MN 554416531	Electronic Service	No	OFF_SL_10-977_Official
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