



Minnesota Energy Resources Corporation

Suite 200
1995 Rahncliff Court
Eagan, MN 55122

www.minnesotaenergyresources.com

February 28, 2017

VIA ELECTRONIC FILING

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

Re: Minnesota Energy Resources Corporation Additional Reply Comments

In the Matter of Minnesota Energy Resources Corporation's Petition for Approval of a Variance to the Purchased Gas Adjustment Rules to Allow Recovery through the PGA of Amounts Paid for Kansas Gas Storage Taxes Associated with Contracts Acquired from Interstate Power and Light Company

Docket No. G011/M-16-87

Dear Mr. Wolf:

On February 23, 2017, the Department of Commerce, Division of Energy Resources (the "Department") submitted Response Comments in the above-referenced docket, recommending that the Minnesota Public Utilities Commission ("Commission") approve Minnesota Energy Resources Corporation's ("MERC") Petition for Approval of a Variance to the Purchased Gas Adjustment ("PGA") Rules to Allow Recovery through the PGA of Amounts Paid for Kansas Gas Storage Taxes Associated with Contracts Acquired from Interstate Power and Light Company ("IPL"), as modified by MERC's December 8, 2016 Reply Comments. In particular, in Reply Comments, MERC proposed to:

- 1) Withdraw its request for a variance to recover ongoing Kansas ad valorem taxes attributable to the former IPL customers;
- 2) Recover the lump sum of \$145,147 for Kansas ad valorem taxes paid from 2009 through 2014 for IPL gas storage contracts through the MERC-NNG-Albert Lea PGA effective February, 1, 2017 through July 1, 2017; and
- 3) List the Kansas tax expense on the monthly PGA as a separate line item, track the amount of recovery on a monthly basis relative to the total expense of \$145,147, and roll any over- or under-recovered amount into the MERC-NNG PGA with the 2017 AAA and True-up filings effective September 1, 2017.

MERC thanks the Department for its review and provides these limited Additional Reply Comments to address the issue of the timing of recovery of the 2009-2014 IPL Kansas ad valorem tax expense.

While MERC proposed in its December 8, 2016 Reply Comments to implement recovery through the MERC-NNG-Albert Lea PGA effective February 1, 2017, that timeline is no longer feasible as March billing has already been set. The earliest MERC could implement recovery at this time, assuming Commission approval, is April 1, 2017.

Table 1 below shows the total and monthly rate impact if the \$145,147 is recovered from the Albert Lea PGA during the period April 1, 2017 – June 30, 2017 (over three months). Table 1 also shows the monthly average bill impact for final rates approved in Docket No. G011/GR-15-736, which will be implemented effective March 1, 2017. The final column shows the total combined monthly bill impact related to both the Kansas tax recovery and final rate implementation.

Table 1. Rate Impact of Recovery of Past Kansas Tax Costs From Albert Lea PGA (April-June 2017)

Customer Class	Average Monthly Therm Usage	Total Average Impact of KS Recovery	Monthly Average Bill Impact – KS Tax Costs	Monthly Average Bill Impact – Docket No G011/GR-15-736 Rate Increase¹	Total Average Monthly Bill Impact (KS and Final Rate Implementation)
Residential (MERC-Albert Lea)	57.7	\$11.08	\$3.69	\$3.58	\$7.27
Small C&I (MERC-Albert Lea)	39	\$7.49	\$2.50	\$8.04	\$10.54
Large C&I (MERC-	442.7	\$85.06	\$28.35	\$21.35	\$49.70

¹ MERC's December 8, 2016, Reply Comment filing incorrectly calculated the final rates bill impact based on February-June sales divided by 12 months instead of five months. Table 1 provides a corrected calculation of the monthly average final rate impact for the period April-June.

Albert Lea)					
Small Volume Interruptible (MERC- Albert Lea)	6017.7	\$1,156.29	\$385.43	\$150.72	\$536.15
Large Volume Interruptible (MERC- Albert Lea)	25359.3	\$4,872.80	\$1,624.27	\$282.29	\$1,906.56

MERC believes recovery of the historic 2009-2014 costs from the Albert-Lea PGA prior to consolidation would be appropriate and that the rate impacts would be reasonable. MERC acknowledges that under its proposal it would begin collecting the Kansas ad valorem tax shortly after final rates are implemented. MERC believes the overall bill increase is reasonable and that the expense should be recovered from the former IPL customers who benefitted from the storage from 2009 through 2014.

MERC thanks the Department for its review and respectfully requests that the Commission approve the proposed recovery in advance of April 1, 2017, to allow MERC time to implement the rate adjustment effective with April 1 Albert Lea customer bills.

Please contact me at (651) 322-8965 if you have any questions.

Sincerely yours,

/s/ Amber S. Lee

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation

Enclosure

cc: Service List

In the Matter of the Petition of Minnesota
Energy Resources Corporation for
Approval of a Rule Variance to Allow
Recovery of Kansas Storage Tax in the
Purchased Gas Adjustment

Docket No. G011/M-16-87

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 28th day of February, 2017, 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 28th day of February, 2017.

/s/ Kristin M. Stastny
Kristin M. Stastny

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_16-87_M-16-87
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_16-87_M-16-87
Koby	Bailey	kabailey@integrysgroup.com	Minnesota Energy Resources Corporation (HOLDING)	200 East Randolph, Suite 2300 Chicago, Illinois 60601	Electronic Service	No	OFF_SL_16-87_M-16-87
Seth	DeMerritt	ssdemerritt@integrysgroup.com	MERC (Holding)	700 North Adams P.O. Box 19001 Green Bay, WI 543079001	Electronic Service	No	OFF_SL_16-87_M-16-87
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_16-87_M-16-87
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St Chicago, IL 60661	Electronic Service	No	OFF_SL_16-87_M-16-87
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_16-87_M-16-87
John	Lindell	john.lindell@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_16-87_M-16-87
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-87_M-16-87
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-87_M-16-87

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Colleen	Sipiorski	ctsiorski@integrysgroup.com	Minnesota Energy Resources Corporation	700 North Adams Street Green Bay, WI 54307	Electronic Service	No	OFF_SL_16-87_M-16-87
Kristin	Stastny	kstastny@briggs.com	Briggs and Morgan, P.A.	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-87_M-16-87
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_16-87_M-16-87
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_16-87_M-16-87