



Minnesota Energy Resources Corporation  
Suite 200  
1995 Rahnclyff Court  
Eagan, MN 55122  
[www.minnesotaenergyresources.com](http://www.minnesotaenergyresources.com)

March 15, 2017

**VIA ELECTRONIC FILING**

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

Re: In the Matter of a Petition by Minnesota Energy Resources Corporation for Approval of a New Area Surcharge for the Detroit Lakes—Long Lake Project, Petition to Add Additional Customer Classes  
Docket Nos. G011/M-15-441 and G011/M-17-\_\_\_\_

Dear Mr. Wolf:

Enclosed please find Minnesota Energy Resources Corporation's ("MERC" or the "Company") petition for approval to add additional customer classes to the Detroit Lakes—Long Lake New Area Surcharge ("NAS") project.

On July 28, 2015, the Minnesota Public Utilities Commission ("Commission") approved an NAS for the Detroit Lakes—Long Lake area. In its Order Approving New Area Surcharge and Requiring Compliance Filing, the Commission stated:

Since the Company does not expect to receive new-service applications from customers outside the residential and small commercial/industrial classes, the Company should submit new-area-surcharge tariffs for only those classes. If and when large commercial or large industrial customers seek service, the Company should file proposed tariffs for those customer classes, with documentation showing estimated costs and revenues, as well as the application of the new-area-surcharge model to those customer classes.<sup>1</sup>

In accordance with the Commission's July 28, 2015, Order, the Company submits this petition to add new area surcharges for the Large Commercial/Industrial ("C&I"), Small

---

<sup>1</sup> *In the Matter of a Petition by Minn. Energy Res. Corp. for Approval of a New Area Surcharge for the Detroit Lakes – Long Lake Project*, Docket No. G011/M-15-441, ORDER APPROVING NEW AREA SURCHARGE AND REQUIRING COMPLIANCE FILING at 2 (July 28, 2015).

Mr. Daniel Wolf  
March 15, 2017  
Page 2

Volume Interruptible (“SVI”), and Large Volume Interruptible (“LVI”) customer classes to allow customers in these additional classes to participate in the Detroit Lakes—Long Lake NAS project and receive natural gas service.

Attachment 1 to this filing is revised clean and redline tariff sheets reflecting the proposed additional surcharges for the Detroit Lakes—Long Lake project. Attachment 2 to this filing is a proposed customer notice reflecting the proposed surcharges. Attachment 3 to this filing (e-filed separately) is a revised surcharge model, which the Company is filing for informational purposes in compliance with the Commission’s July 28, 2015, Order, as explained further in the accompanying petition. The nonpublic version of Attachment 3 contains trade secret information. Specifically, the cost of plant additions, estimated customer sign-ups, and estimated customer usage are not generally known to and not readily ascertainable by vendors and competitors of MERC, who could obtain economic value from their disclosure. MERC maintains this information as nonpublic. Accordingly, the nonpublic version of Attachment 3, filed separately as an excel file, contains data that qualifies as “Trade Secret Data” pursuant to Minn. Stat. §13.37, subd. 1(b).

MERC has served a copy of this petition on the Department of Commerce, Division of Energy Resources and the Office of the Attorney General – Residential Utilities and Antitrust Division. A summary of this filing has been served on all parties on the Company’s attached service list.

Please contact me at (651) 322-8965 if you have any questions regarding the information in this petition. Thank you for your attention to this matter.

Sincerely yours,

/s/ Amber S. Lee

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

Enclosures  
cc: Service List

**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange  
Dan Lipschultz  
Matt Schuerger  
Katie Sieben  
John Tuma

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition by Minnesota  
Energy Resources Corporation for  
Approval of a New Area Surcharge for the  
Detroit Lakes—Long Lake Project

Docket No. G011/M-15-441

In the Matter of the Petition of Minnesota  
Energy Resources Corporation for  
Approval to Add Additional Customer  
Classes to the Detroit Lakes—Long Lake  
New Area Surcharge Project

Docket No G011/M-17-\_\_\_\_

**PETITION TO ADD ADDITIONAL NEW AREA SURCHARGES FOR THE  
DETROIT LAKES—LONG LAKE PROJECT**

Pursuant to Minn. R. 7829.1300, Minnesota Energy Resources Corporation (“MERC” or the “Company”) respectfully submits this miscellaneous tariff filing to the Minnesota Public Utilities Commission (“Commission”) for approval to add surcharges for the Large Commercial/Industrial (“C&I”), Small Volume Interruptible (“SVI”), and Large Volume Interruptible (“LVI”) customer classes in order to allow customers in these additional classes to participate in the Detroit Lakes—Long Lake NAS project and receive natural gas service.

This filing includes the following:

- One-paragraph summary of the filing in accordance with Minn. R. 7829.1300, subp. 1;
- Petition to Add Additional New Area Surcharges for the Detroit Lakes—Long Lake Project;
- Attachment 1: Clean and Redline Proposed Tariff Sheet No. 9.17;
- Attachment 2: Proposed Notice to New Customers; and

- Attachment 3: Revised Surcharge Model (not used to calculate proposed surcharges but filed for informational purposes).

To date, MERC has received approval from the Commission for five NAS projects. Over time, the Company, the Department of Commerce, Division of Energy Resources (“Department”), and Commission staff have proposed refinements to the NAS model and approach for setting NAS charges and MERC continues to refine its approach to ensure the projects are successful and the surcharges are fair and reasonable.

With MERC’s first NAS project, the Ely Lake project, the Company proposed to apply the same surcharge as calculated for the Residential customer class across all customer classes.<sup>2</sup> The Commission, acknowledging that “in the past, the Commission has required that surcharge rates for customer classes reflect existing rate design,” rejected that approach, ultimately only approving a surcharge for Residential and existing Small C&I customers.<sup>3</sup> Since that first approval, MERC has refined its approach to calculating NAS charges. In the recently approved Esko and Balaton NAS projects, MERC calculated the proposed surcharges based on the customer charge allocation and received approval of surcharges for all customer classes.<sup>4</sup> Based on the experience the Company has gained, calculation of NAS charges based on the current customer charge allocations are fair and reflect existing rate design. Additionally, the Company has discovered that approval for all customer classes prior to the commencement of a project is essential because circumstances frequently change and new customer participation benefits all participants in an NAS project.

## **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 Department and the Office of the Attorney General – Residential Utilities and

---

<sup>2</sup> See *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Project*, Docket No. G011/M-14-524, PETITION FOR APPROVAL TO MODIFY THE NEW AREA SURCHARGE TARIFF AND TO ESTABLISH A NEW AREA SURCHARGE FOR THE ELY LAKE PROJECT at 3 (June 20, 2014).

<sup>3</sup> *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Project*, Docket No. G011/M-14-524, ORDER APPROVING NEW AREA SURCHARGE AND PROPOSED TARIFF MODIFICATION at 3 (Sept. 5, 2014).

<sup>4</sup> See *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval for Recovery of Nat. Gas Extension Project Costs through a Rider and for Approval of a New Area Surcharge for the Balaton Project*, Docket No. G011/M-16-654, PETITION FOR APPROVAL OF NATURAL GAS EXTENSION PROJECT RIDER AND NEW AREA SURCHARGE at 11 (Aug. 2, 2016); *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval for Recovery of Nat. Gas Extension Project Costs through a Rider and for Approval of a New Area Surcharge for the Esko Project*, Docket No. G011/M-16-655, PETITION FOR APPROVAL OF NATURAL GAS EXTENSION PROJECT RIDER AND NEW AREA SURCHARGE at 11 (Aug. 2, 2016).

Antitrust 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 Filing Party**

Minnesota Energy Resources Corporation  
1995 Rahncliff Court, Suite 200  
Eagan, MN 55122  
(651) 322-8965

**B. Name, Address, Electronic Address, and Telephone Number of Attorney for Filing Party**

Kristin M. Stastny  
Briggs and Morgan, P.A.  
80 South Eighth Street  
Minneapolis, MN 55402  
kstastny@briggs.com  
(612) 977-8656

**C. Date of the Filing and Date Proposed Change Will Take Effect**

Date of Filing: March 15, 2017  
Proposed Effective Date: Upon Commission Approval

**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, Electronic Address, and Title of Utility Employee Responsible for the Filing**



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

Eagan, MN 55122  
ASLee@minnesotaenergyresources.com  
(651) 322-8965

#### **IV. DESCRIPTION AND PURPOSE OF FILING**

Pursuant to Minn. R. 7829.1300 and in conformity with the Commission's July 28, 2015, Order issued in this docket, MERC is requesting approval to add NAS for the Large C&I, SVI, and LVI customer classes in order to allow customers in these classes to participate in the project and receive natural gas service. To date, the Commission has only approved two NAS for the Detroit Lakes—Long Lake project – for Residential and Small C&I customers. Since the Detroit Lakes—Long Lake NAS project was initially approved in 2015, one Large C&I customer has requested to receive natural gas service in the project area. Additionally, it is likely that other Large C&I, SVI, or LVI customers may wish to participate in the project in the future, or that customers currently in the Small C&I class would qualify for another class. To accommodate the Large C&I customer in the project area, as well as others that may seek service in the project area in the future, MERC is requesting to add surcharges for the Large C&I, SVI, and LVI customer classes as discussed in greater detail in the following petition and the clean and redline proposed tariff sheets provided in Attachment 1.

MERC is not proposing to modify the previously-approved NAS charges for the Residential or Small C&I customer classes. Rather, those classes will benefit from additional customers joining the Large C&I, SVI, or LVI customer classes because the total project costs will be paid off more quickly, resulting in a shorter NAS term.

#### **V. 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  
1995 Rahncliff Court, Suite 200  
Eagan, MN 55122  
(651) 322-8965  
ASLee@minnesotaenergyresources.com

Kristin M. Stastny  
Briggs and Morgan, P.A.  
2200 IDS Center  
80 South Eighth Street  
Minneapolis, MN 55402  
kstastny@briggs.com  
(612) 977-8656

If additional information is required, please contact Amber S. Lee at (651) 322-8965 or Kristin M. Stastny at (612) 977-8656.

Dated: March 15, 2017

Respectfully submitted,

BRIGGS AND MORGAN, P.A.

By: /s/ Kristin M. Stastny

Kristin M. Stastny

2200 IDS Center

80 South Eighth Street

Minneapolis, MN 55402

(612) 977-8656

kstastny@briggs.com

Attorney for Minnesota Energy  
Resources Corporation

**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange  
Dan Lipschultz  
Matt Schuerger  
Katie Sieben  
John Tuma

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition by Minnesota  
Energy Resources Corporation for  
Approval of a New Area Surcharge for the  
Detroit Lakes—Long Lake Project

Docket No. G011/M-15-441

In the Matter of the Petition of Minnesota  
Energy Resources Corporation for  
Approval to Add Additional Customer  
Classes to the Detroit Lakes—Long Lake  
New Area Surcharge Project

Docket No G011/M-17-\_\_\_\_

**SUMMARY OF FILING**

Please take notice that on March 15, 2017 Minnesota Energy Resources Corporation (“MERC”) filed with the Minnesota Public Utilities Commission a petition for approval of additional surcharges for the Detroit Lakes—Long Lake New Area Surcharge project to add surcharges for the Large Commercial/Industrial, Small Volume Interruptible, and Large Volume Interruptible customer classes.



**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange  
Dan Lipschultz  
Matt Schuerger  
Katie Sieben  
John Tuma

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition by Minnesota  
Energy Resources Corporation for  
Approval of a New Area Surcharge for the  
Detroit Lakes—Long Lake Project

Docket No. G011/M-15-441

In the Matter of the Petition of Minnesota  
Energy Resources Corporation for  
Approval to Add Additional Customer  
Classes to the Detroit Lakes—Long Lake  
New Area Surcharge Project

Docket No G011/M-17-\_\_\_\_

**PETITION TO ADD ADDITIONAL NEW AREA SURCHARGES FOR THE DETROIT  
LAKES—LONG LAKE PROJECT**

**I. INTRODUCTION**

Minnesota Energy Resources Corporation (“MERC” or the “Company”) submits for Minnesota Public Utilities Commission (“Commission”) approval this petition to add additional surcharges for the Detroit Lakes—Long Lake New Area Surcharge (“NAS”) project, approved by Order dated July 28, 2015, in the above-referenced docket.<sup>5</sup> In the July 28, 2015, Order, the Commission stated:

Since the Company does not expect to receive new-service applications from customers outside the residential and small commercial/industrial classes, the Company should submit new-area-surcharge tariffs for only those classes. If and when large commercial or large industrial customers seek service, the Company should file proposed tariffs for those customer classes, with documentation showing

---

<sup>5</sup> *In the Matter of a Petition by Minn. Energy Res. Corp. for Approval of a New Area Surcharge for the Detroit Lakes – Long Lake Project*, Docket No. G011/M-15-441, ORDER APPROVING NEW AREA SURCHARGE AND REQUIRING COMPLIANCE FILING (July 28, 2015).

estimated costs and revenues, as well as the application of the new-area-surcharge model to those customer classes.<sup>6</sup>

In accordance with the Commission’s July 28, 2015, Order, the Company is now seeking Commission approval to add new surcharges for the Large Commercial/Industrial (“C&I”), Small Volume Interruptible (“SVI”), and Large Volume Interruptible (“LVI”) customer classes in order to allow customers in these additional classes to participate in the Detroit Lakes—Long Lake project and receive natural gas service. To support its proposed new customer class surcharges, the Company has attached proposed clean and redline tariff sheet revisions as Attachment 1.

**II. ADDITIONAL NEW AREA SURCHARGES FOR THE DETROIT LAKES—LONG LAKE PROJECT**

The Commission’s initial approval of MERC’s Detroit Lakes—Long Lake project NAS was limited to Residential and Small C&I customer classes. Since the original NAS was approved, one Large C&I customer has requested to receive natural gas service in the project area. Additionally, while MERC is not currently projecting any customers taking service within the SVI or LVI classes, economic conditions could drive a customer to switch from firm C&I service to Interruptible and/or from SVI to LVI service in the future. To accommodate the Large C&I customer in the project area, as well as others that may seek service in the project area in the future, MERC is requesting to add surcharges for the Large C&I, SVI, and LVI customer classes. Specifically, MERC proposes the following surcharges:

Table 1: Proposed New Area Surcharges

<b>Detroit Lakes—Long Lake Modified Project New Area Surcharges</b>	
Residential	\$19.16
Small Commercial and Industrial	\$36.30
Large Commercial and Industrial	\$90.76
Small Volume Interruptible	\$332.78
Large Volume Interruptible	\$373.12

MERC is not proposing to modify the previously-approved Residential and Small C&I customer NAS. Rather, the Company proposes to maintain the Residential and Small C&I NAS while adding surcharges for the customer classes that currently have no associated NAS for the Detroit Lakes—Long Lake project. By maintaining the previously-approved surcharges for Residential and Small C&I customer classes, which the Commission previously determined were just and reasonable, MERC is able to minimize the administrative burden and any customer confusion that could result from a modification of the previously-approved NAS for the Residential and Small C&I classes. Existing Residential and Small C&I customers also benefit from participation of larger customers in the project because the total project cost will be paid down more quickly, resulting in termination of the NAS at an earlier date.

---

<sup>6</sup> *Id.* at 2.

MERC's proposed surcharges for the Large C&I, SVI, and LVI customer classes were calculated based on currently-approved customer charges, utilizing the Commission-approved Residential rates to calculate proportional charges for the new customer classes relative to their currently-approved monthly customer charges.<sup>7</sup> This approach is consistent with the surcharges the Commission has approved for other NAS projects and MERC believes that this approach results in the most fair and reasonable surcharges across all customer classes.<sup>8</sup> As previously approved, the surcharges will be in effect for a period not to exceed the original fifteen (15) year term (ending 2030).

The proposed new surcharges for the Large C&I, SVI, and LVI customer classes are in the public interest. Adding the additional classes will allow additional customers to receive natural gas service and will lower the overall cost to other customers in the project area due to the likely resulting shorter NAS term, benefitting the existing Residential and Small C&I customers. MERC's proposed surcharges for the additional customer classes will ensure the Company's customers receiving service through the NAS are treated fairly and consistently and will allow for customer growth in the project area.

With respect to the proposed SVI and LVI customer charges, MERC acknowledges that in its past NAS petitions, the Commission has only approved NAS factors for those customer classes for which MERC projects customers. Here, however, while MERC is not projecting any customers taking service in the SVI and LVI classes, the Company believes it prudent and resourceful to include surcharges in MERC's tariff in the event these customer classes require natural gas service in the Detroit Lakes—Long Lake project area in the near future. In the event an SVI or LVI customer requires service in the project area, all participants will benefit as the total project costs financed through the NAS are paid more quickly, resulting in the possibility of the NAS terminating before the end of the 15-year term. Accordingly, the Company respectfully requests that the Commission approve the proposed surcharges for the SVI and LVI customer classes, as well as the proposed Large C&I surcharge.

---

<sup>7</sup> For example, because the previously-approved Residential NAS for this project is \$19.16, MERC is proposing a Large C&I NAS of \$90.76, calculated by taking the Commission-approved Large C&I customer class charge of \$45.00, divided by the Residential customer charge of \$9.50 and multiplying that total by the currently-approved Residential NAS of \$19.16 [ $\$45.00/\$9.50 * \$19.16 = \$90.76$ ]. The Company, throughout this Petition, describes this approach to determining the NAS for additional customer classes as a "customer charge allocation" methodology. This approach ensures the proposed NAS charges are based on the currently-approved rate design reflected in the monthly customer charges for each class.

<sup>8</sup> MERC utilized the same customer charge allocation methodology to develop the approved NAS charges for the Esko and Balaton projects. See *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval for Recovery of Nat. Gas Extension Project Costs through a Rider and for Approval of a New Area Surcharge for the Balaton Project*, Docket No. G011/M-16-654, PETITION FOR APPROVAL OF NATURAL GAS EXTENSION PROJECT RIDER AND NEW AREA SURCHARGE at 11 (Aug. 2, 2016); *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval for Recovery of Nat. Gas Extension Project Costs through a Rider and for Approval of a New Area Surcharge for the Esko Project*, Docket No. G011/M-16-655, PETITION FOR APPROVAL OF NATURAL GAS EXTENSION PROJECT RIDER AND NEW AREA SURCHARGE at 11 (Aug. 2, 2016).

In support of the requested modifications, MERC submits the following:

- Attachment 1: Clean and Redline Proposed Tariff Sheets
- Attachment 2: Proposed Notice to New Customers
- Attachment 3: Revised Surcharge Model

### III. **CONCLUSION**

MERC respectfully requests that the Commission approve the Company's request to modify the previously-approved NAS for the Detroit Lakes—Long Lake project to add the Large C&I, LVI, and SVI customer classes.

If additional information is required, please contact Amber S. Lee at (651) 322-8965 or Kristin M. Stastny at (612) 977-8656.

DATED: March 15, 2017

Respectfully submitted,

BRIGGS AND MORGAN, P.A.

By: /s/ Kristin M. Stastny  
Kristin M. Stastny  
2200 IDS Center  
80 South Eighth Street  
Minneapolis, MN 55402  
(612) 977-8656  
kstastny@briggs.com

Attorney for Minnesota Energy  
Resources Corporation

Attachment 1  
Clean Tariff Sheets

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 cost of long-term debt 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:

<b>Ely Lake Project 20 Year New Area Surcharge Expires 2034</b>	
Residential	\$25.45
Small Commercial/Industrial	\$25.45
Large Commercial/Industrial	\$120.55
Small Volume Interruptible	\$4442.03
Large Volume Interruptible	\$495.61

<b>Detroit Lakes—Long Lake Project 15 Year New Area Surcharge Expires 2030</b>	
Residential	\$19.16
Small Commercial/Industrial	\$36.30
Large Commercial/Industrial	\$90.76
Small Volume Interruptible	\$332.78
Large Volume Interruptible	\$373.12

## EXTENSION OF NATURAL GAS SERVICE

3. NEW AREA SURCHARGE RIDER (Continued)Surcharge Rider Rates (continued):

A surcharge as designated will be included in the monthly bills of the following Minnesota geographical areas:

**Fayal Township—Long Lake Project  
20 Year New Area Surcharge  
Expires 2036**

Residential	\$21.16
Small Commercial/Industrial	\$40.09
Large Commercial/Industrial	\$100.23
Small Volume Interruptible	\$367.49
Large Volume Interruptible	\$412.04

**Esko Project 25 Year New Area Surcharge  
Expires 2042**

Residential	\$24.18
Small Commercial/Industrial	\$45.81
Large Commercial/Industrial	\$114.53
Small Volume Interruptible	\$419.95
Large Volume Interruptible	\$470.85

**Balaton Project 25 Year New Area Surcharge  
Expires 2042**

Residential	\$24.14
Small Commercial/Industrial	\$45.75
Large Commercial/Industrial	\$114.37
Small Volume Interruptible	\$419.34
Large Volume Interruptible	\$470.17

Issued By: Theodore Eidukas  
VP – Regulatory Affairs

Submittal Date: March 15, 2017

\*Effective with bills issued on and after this date.

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

Attachment 1  
Redline Tariff Sheets



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 cost of long-term debt 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:

<b>Ely Lake Project 20 Year New Area Surcharge Expires 2034</b>	
Residential	\$25.45
<del>Existing</del> Small Commercial/ <u>Industrial</u>	\$25.45
<u>Large Commercial/Industrial</u>	<u>\$120.55</u>
<u>Small Volume Interruptible</u>	<u>\$442.03</u>
<u>Large Volume Interruptible</u>	<u>\$495.61</u>

<b>Detroit Lakes—Long Lake Project 15 Year New Area Surcharge Expires 2030</b>	
Residential	\$19.16
Small Commercial/Industrial	\$36.30
<u>Large Commercial/Industrial</u>	<u>\$90.76</u>
<u>Small Volume Interruptible</u>	<u>\$332.78</u>
<u>Large Volume Interruptible</u>	<u>\$373.12</u>

<b>Fayal Township—Long Lake Project 20 Year New Area Surcharge Expires 2036</b>	
<u>Residential</u>	<u>\$21.16</u>
<u>Small Commercial/Industrial</u>	<u>\$40.09</u>

<b>Esko Project 25 Year New Area Surcharge Expires 2042</b>	
<u>Residential</u>	<u>\$24.18</u>

<del>Small Commercial/Industrial</del>	<del>\$45.81</del>
<del>Large Commercial/Industrial</del>	<del>\$114.53</del>
<del>Small Volume Interruptible</del>	<del>\$419.95</del>
<del>Large Volume Interruptible</del>	<del>\$470.85</del>

Issued By: Theodore Eidukas

VP – Regulatory Affairs

Submittal Date: ~~February 22, 2017~~ March 15, 2017

\*Effective Date: ~~February 22, 2017~~ Upon Commission Approval

Proposed Effective Date: Upon Commission Approval ~~February 22, 2017~~

\*Effective with bills issued on and after this date.

## EXTENSION OF NATURAL GAS SERVICE

3. NEW AREA SURCHARGE RIDER (Continued)Surcharge Rider Rates (continued):

A surcharge as designated will be included in the monthly bills of the following Minnesota geographical areas:

**Fayal Township—Long Lake Project**  
**20 Year New Area Surcharge**  
**Expires 2036**

<u>Residential</u>	<u>\$21.16</u>
<u>Small Commercial/Industrial</u>	<u>\$40.09</u>
<u>Large Commercial/Industrial</u>	<u>\$100.23</u>
<u>Small Volume Interruptible</u>	<u>\$367.49</u>
<u>Large Volume Interruptible</u>	<u>\$412.04</u>

**Esko Project 25 Year New Area Surcharge**  
**Expires 2042**

<u>Residential</u>	<u>\$24.18</u>
<u>Small Commercial/Industrial</u>	<u>\$45.81</u>
<u>Large Commercial/Industrial</u>	<u>\$114.53</u>
<u>Small Volume Interruptible</u>	<u>\$419.95</u>
<u>Large Volume Interruptible</u>	<u>\$470.85</u>

**Balaton Project 25 Year New Area Surcharge**  
**Expires 2042**

<u>Residential</u>	<u>\$24.14</u>
<u>Small Commercial/Industrial</u>	<u>\$45.75</u>
<u>Large Commercial/Industrial</u>	<u>\$114.37</u>
<u>Small Volume Interruptible</u>	<u>\$419.34</u>
<u>Large Volume Interruptible</u>	<u>\$470.17</u>

Issued By: Theodore Eidukas  
 VP – Regulatory Affairs

\*Effective Date: ~~February 22, 2017~~ Upon Commission Approval

Proposed Effective Date: Upon Commission Approval ~~February 22, 2017~~

Submittal Date: ~~February 22, 2017~~ March 15, 2017

\*Effective with bills issued on and after this date.

## IMPORTANT INFORMATION ABOUT YOUR NATURAL GAS RATES

### For Large Commercial/Industrial, Small Volume Interruptible, and Large Volume Interruptible Customers Served in the Detroit Lakes—Long Lake Project Area

---

#### An Explanation of Your Natural Gas Rates

On [DATE], the Minnesota Public Utilities Commission (MPUC) approved New Area Surcharges for Minnesota Energy Resources Corporation (MERC) Large Commercial/Industrial, Small Volume Interruptible, and Large Volume Interruptible customers served in the Detroit Lakes—Long Lake Project Area.

In addition to the previously approved New Area Surcharges for Residential and Small Commercial/Industrial customers, monthly New Area Surcharges have been approved by the Commission as follows:

Detroit Lakes—Long Lake Project New Area Surcharges	
Large Commercial and Industrial	\$90.76
Small Volume Interruptible	\$332.78
Large Volume Interruptible	\$373.12

The surcharge will appear as a line item on your monthly bill and is charged in addition to the regular monthly bill for gas service. Attached for reference are sample bills for the month of January based on average large commercial/industrial, small volume interruptible, and large volume interruptible customer usage, showing the new area surcharge as a separate line item.

The surcharge will be in effect until the cost to bring natural gas service to your area has been recovered or a maximum of 15 years, whichever occurs first. You will be notified of any change to the New Area Surcharge, including termination of the New Area Surcharge.

The annual cost of the surcharge is as follows:

Large Commercial and Industrial	\$1,089.12
Small Volume Interruptible	\$3,993.36
Large Volume Interruptible	\$4,477.44

Minnesota Energy Resources Corporation  
Docket Nos. G-011/M-15-441  
G-011/M-17-\_\_\_\_  
Attachment 2  
Proposed Customer Notices for Additional Classes  
Detroit Lakes—Long Lake Project

The total over the 15-year term of the surcharge is as follows:

Large Commercial and Industrial	\$16,336.80
Small Volume Interruptible	\$59,990.40
Large Volume Interruptible	\$67,161.60

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.

In the Matter of a Petition by Minnesota Energy Resources Corporation for Approval of a New Area Surcharge for the Detroit Lakes—Long Lake Project

Docket No. G011/M-15-441

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval to Add Additional Customer Classes to the Detroit Lakes—Long Lake New Area Surcharge Project

Docket No G011/M-17-\_\_\_\_

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 15th of March, 2017, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Initial Filing on [www.edockets.state.mn.us](http://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 15th day of March, 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_15-441_M-15-441
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	No	OFF_SL_15-441_M-15-441
Seth	DeMerritt	ssdemerritt@integrysgroup.com	MERC (Holding)	700 North Adams P.O. Box 19001 Green Bay, WI 543079001	Electronic Service	No	OFF_SL_15-441_M-15-441
Emma	Fazio	emma.fazio@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-441_M-15-441
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_15-441_M-15-441
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St  Chicago, IL 60661	Electronic Service	No	OFF_SL_15-441_M-15-441
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-441_M-15-441
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W  Rosemount, MN 55068	Electronic Service	No	OFF_SL_15-441_M-15-441
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	No	OFF_SL_15-441_M-15-441
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-441_M-15-441

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-441_M-15-441
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_15-441_M-15-441
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	No	OFF_SL_15-441_M-15-441



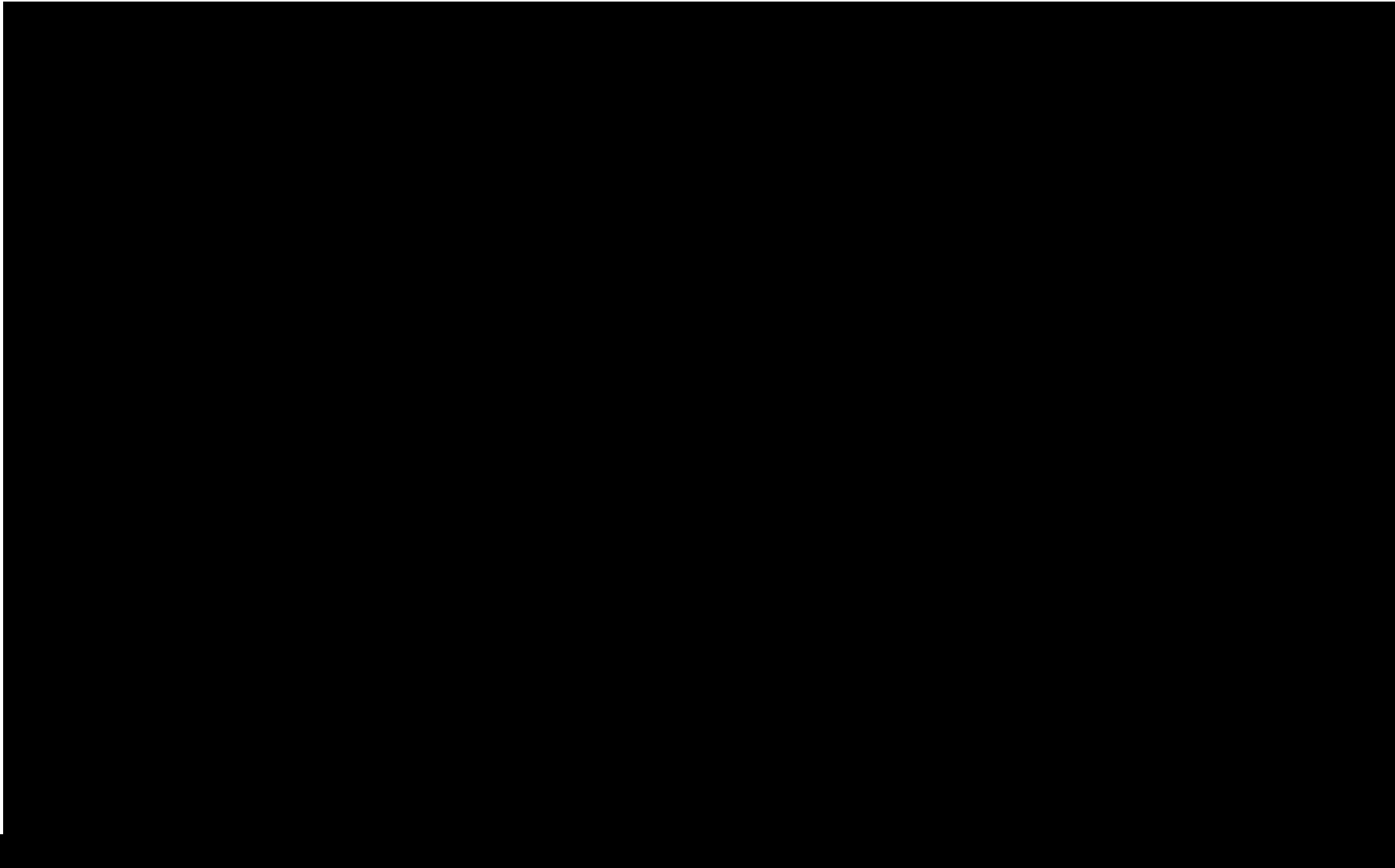
First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Julia	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	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Seth	DeMerritt	ssdemerritt@integrysgroup.com	MERC (Holding)	700 North Adams P.O. Box 19001 Green Bay, WI 543079001	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St  Chicago, IL 60661	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W  Rosemount, MN 55068	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
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	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300  Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200  Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Colleen	Sipiorski	ctsipiorski@integrysgroup.com	Minnesota Energy Resources Corporation	700 North Adams Street  Green Bay, WI 54307	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kristin	Stastny	kstastny@briggs.com	Briggs and Morgan, P.A.	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List

**Minnesota Energy Resources New Area Surcharge Analysis  
Detroit Lakes Long Lake Expansion**

[TRADE SECRET DATA BEGINS...

Time Period	Year	Net Plant				ADIT		Traditional Revenue Requirements							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.	Retail Revenue			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	



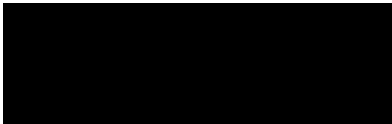
...TRADE SECRET DATA ENDS]

MERC New Area Surcharge Analysis

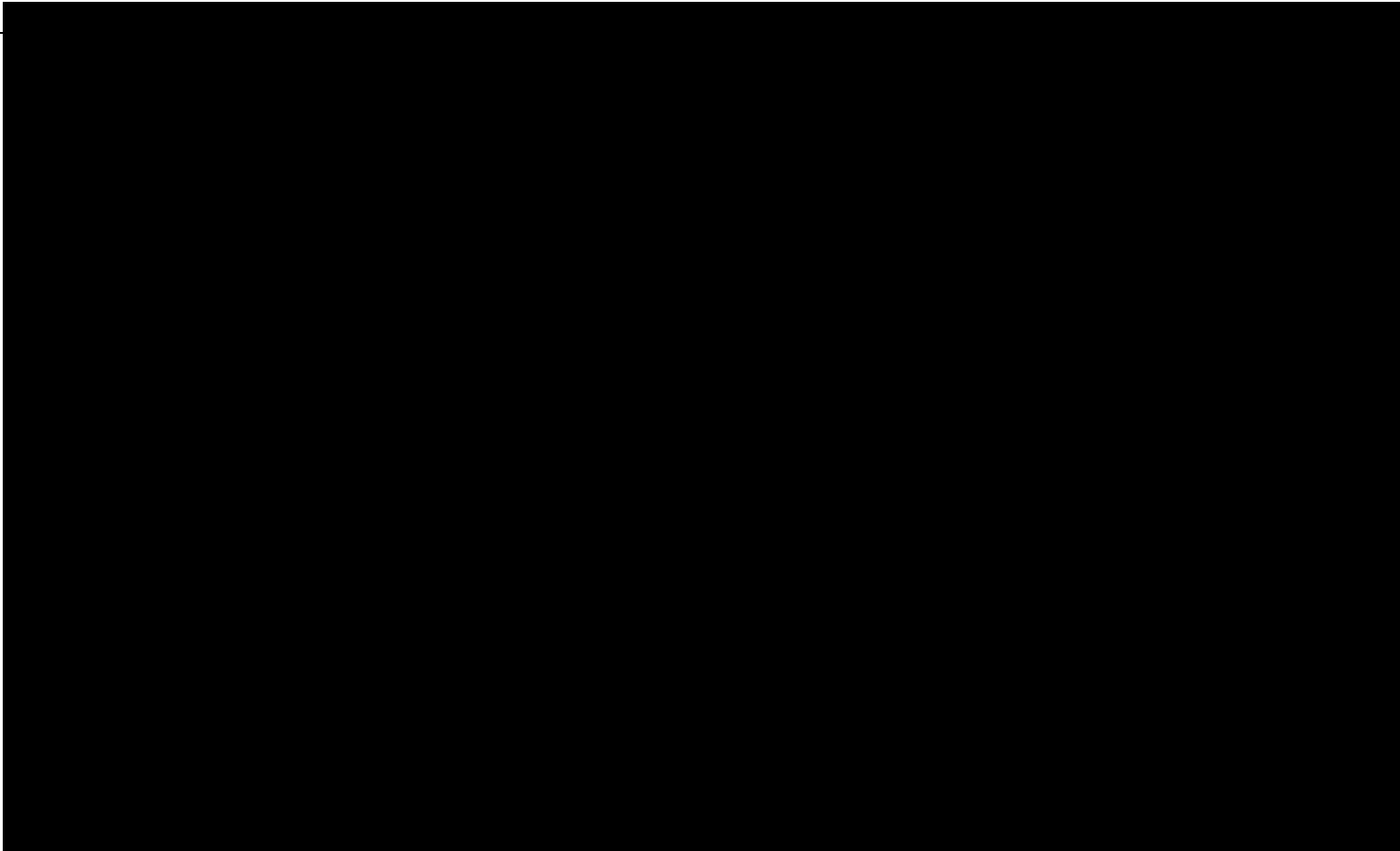
Detroit Lakes Long Lake Expansion

Page E-2

[TRADE SECRET DATA BEGINS...

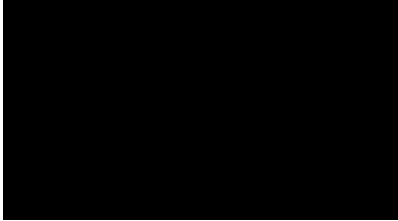


0 2015  
1 2016  
2 2017  
3 2018  
4 2019  
5 2020  
6 2021  
7 2022  
8 2023  
9 2024  
10 2025  
11 2026  
12 2027  
13 2028  
14 2029  
15 2030  
16 2031  
17 2032  
18 2033  
19 2034  
20 2035  
21 2036  
22 2037  
23 2038  
24 2039  
25 2040  
26 2041  
27 2042  
28 2043  
29 2044  
30 2045  
31 2046  
32 2047  
33 2048  
34 2049  
35 2050  
36 2051  
37 2052  
38 2053  
39 2054  
40 2055  
41 2056  
42 2057  
43 2058  
44 2059  
45 2060  
46 2061  
47 2062  
48 2063

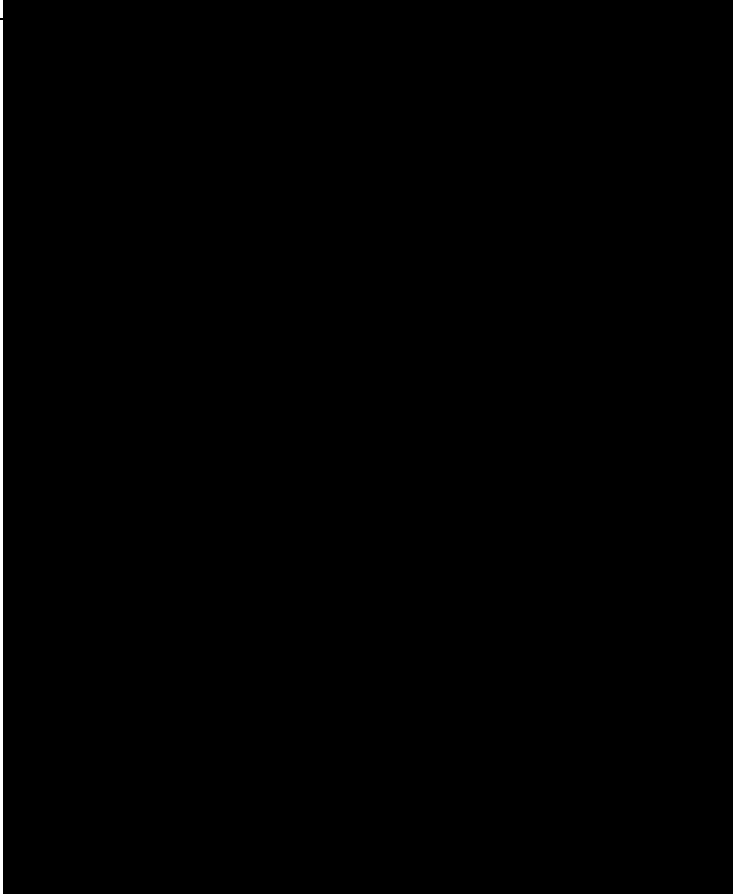


...TRADE SECRET DAT

MERC New Area Surcharge Analysis  
Detroit Lakes Long Lake Expansion  
Page E-3  
[TRADE SECRET DATA BEGINS...



	Year
0	2015
1	2016
2	2017
3	2018
4	2019
5	2020
6	2021
7	2022
8	2023
9	2024
10	2025
11	2026
12	2027
13	2028
14	2029
15	2030
16	2031
17	2032
18	2033
19	2034
20	2035
21	2036
22	2037
23	2038
24	2039
25	2040
26	2041
27	2042
28	2043
29	2044
30	2045
31	2046
32	2047
33	2048
34	2049
35	2050
36	2051
37	2052
38	2053
39	2054
40	2055
41	2056
42	2057
43	2058
44	2059
45	2060
46	2061
47	2062
48	2063



...TRADE SECRET DATA ENDS]

PUBLIC DOCUMENT-- TRADE SECRET DATA HAS BEEN EXCISED

MERC New Area Surcharge Analysis  
Detroit Lakes Long Lake Expansion  
Page E-4

[TRADE SECRET DATA BEGINS...



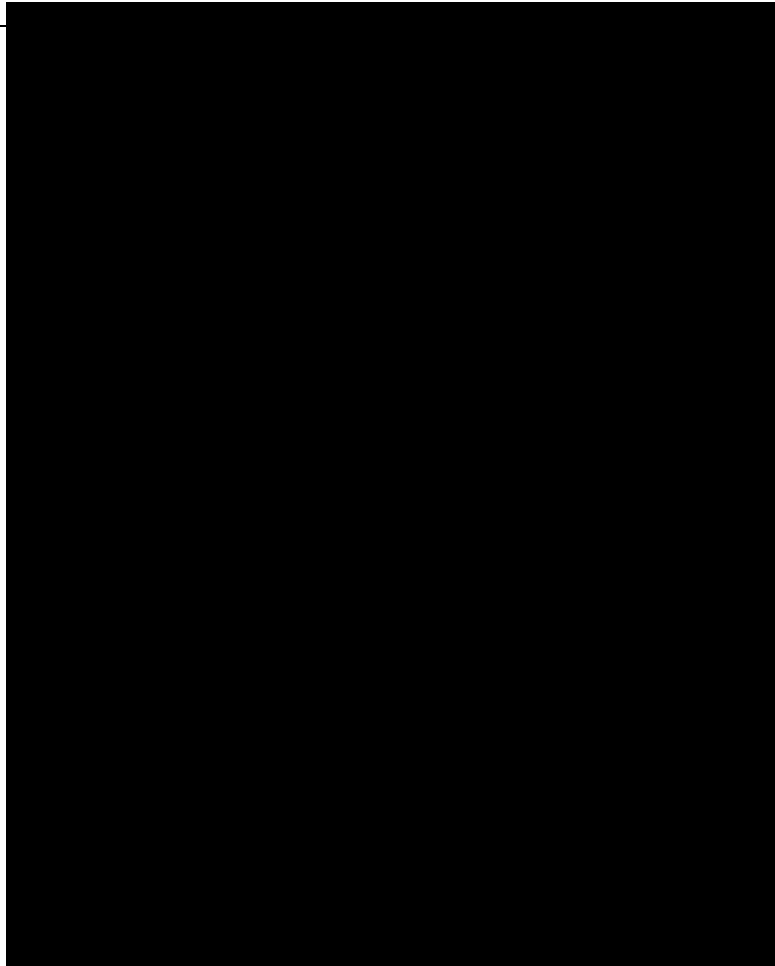
...TRADE  
SECRET  
DATA ENDS]

MERC New Area Surcharge Analysis  
Detroit Lakes Long Lake Expansion  
Page E-5

[TRADE SECRET DATA BEGINS...



	Year
0	2015
1	2016
2	2017
3	2018
4	2019
5	2020
6	2021
7	2022
8	2023
9	2024
10	2025
11	2026
12	2027
13	2028
14	2029
15	2030
16	2031
17	2032
18	2033
19	2034
20	2035
21	2036
22	2037
23	2038
24	2039
25	2040
26	2041
27	2042
28	2043
29	2044
30	2045
31	2046
32	2047
33	2048
34	2049
35	2050
36	2051
37	2052
38	2053
39	2054
40	2055
41	2056
42	2057
43	2058
44	2059
45	2060
46	2061
47	2062
48	2063

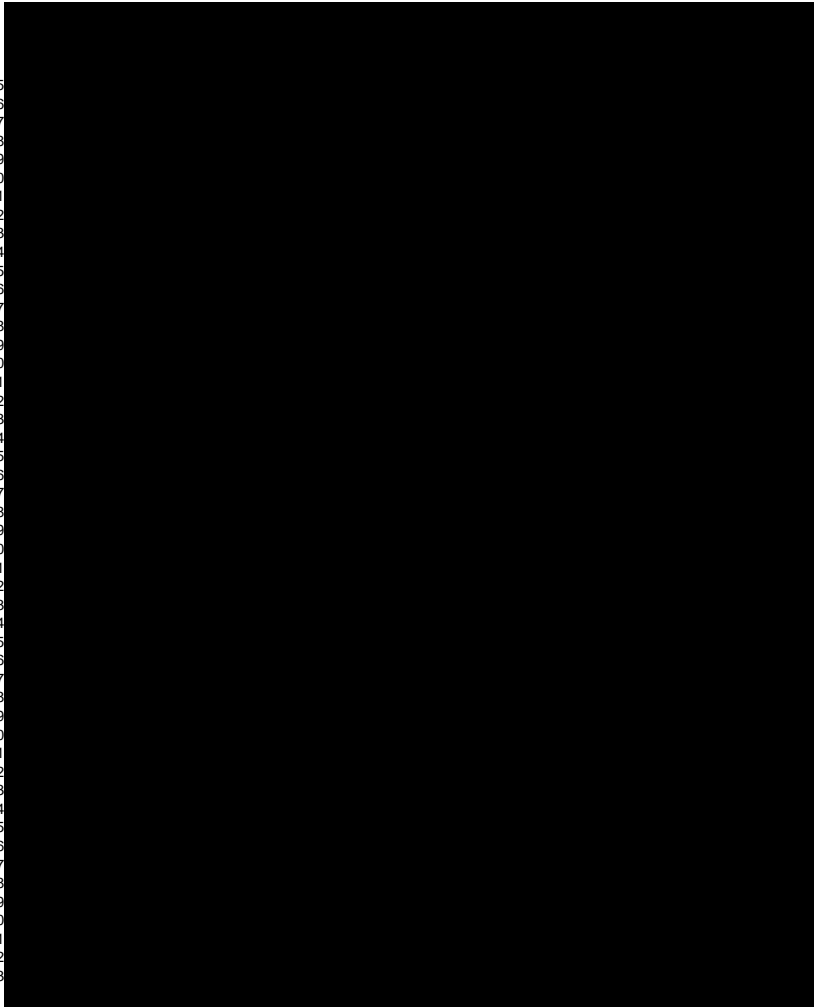


... TRADE  
SECRET  
DATA ENDS]

MERC New Area Surcharge Analysis  
Detroit Lakes Long Lake Expansion  
Page E-6  
[TRADE SECRET DATA BEGINS...



	Year
0	2015
1	2016
2	2017
3	2018
4	2019
5	2020
6	2021
7	2022
8	2023
9	2024
10	2025
11	2026
12	2027
13	2028
14	2029
15	2030
16	2031
17	2032
18	2033
19	2034
20	2035
21	2036
22	2037
23	2038
24	2039
25	2040
26	2041
27	2042
28	2043
29	2044
30	2045
31	2046
32	2047
33	2048
34	2049
35	2050
36	2051
37	2052
38	2053
39	2054
40	2055
41	2056
42	2057
43	2058
44	2059
45	2060
46	2061
47	2062
48	2063



...TRADE SECRET DATA ENDS]

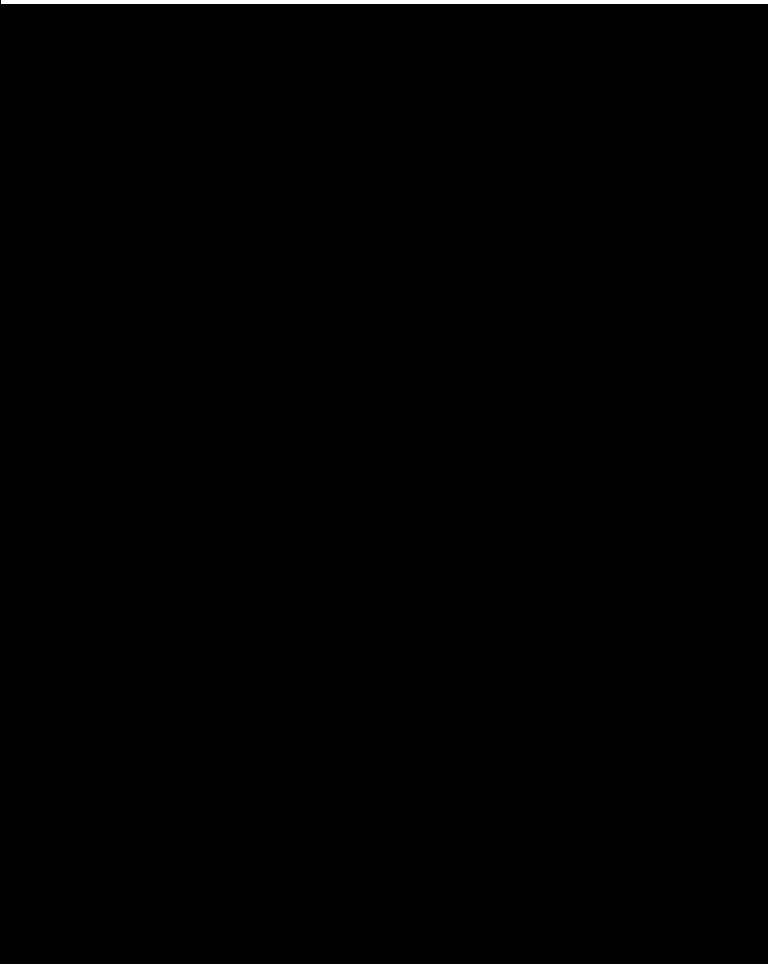


MERC New Area Surcharge Analysis  
Detroit Lakes Long Lake Expansion  
Page E-7

[TRADE SECRET DATA BEGINS...



	Year
0	2015
1	2016
2	2017
3	2018
4	2019
5	2020
6	2021
7	2022
8	2023
9	2024
10	2025
11	2026
12	2027
13	2028
14	2029
15	2030
16	2031
17	2032
18	2033
19	2034
20	2035
21	2036
22	2037
23	2038
24	2039
25	2040
26	2041
27	2042
28	2043
29	2044
30	2045
31	2046
32	2047
33	2048
34	2049
35	2050
36	2051
37	2052
38	2053
39	2054
40	2055
41	2056
42	2057
43	2058
44	2059
45	2060
46	2061
47	2062
48	2063

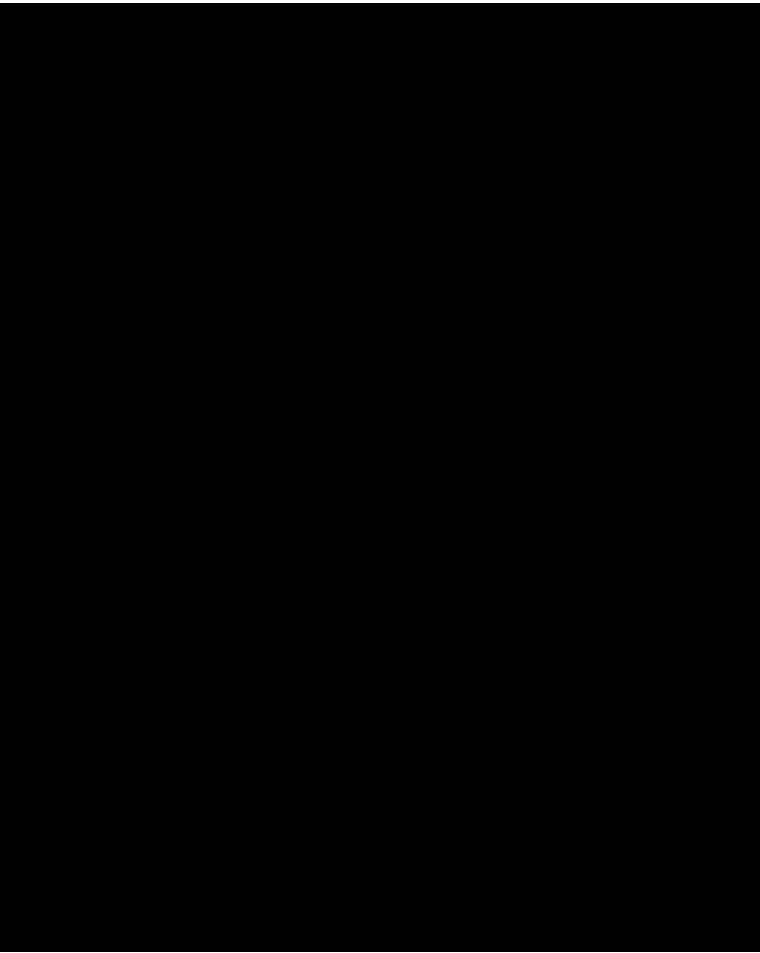


...TRADE  
SECRET  
DATA ENDS]

MERC New Area Surcharge Analysis  
Detroit Lakes Long Lake Expansion  
Page E-8  
[TRADE SECRET DATA BEGINS...



	Year
0	2015
1	2016
2	2017
3	2018
4	2019
5	2020
6	2021
7	2022
8	2023
9	2024
10	2025
11	2026
12	2027
13	2028
14	2029
15	2030
16	2031
17	2032
18	2033
19	2034
20	2035
21	2036
22	2037
23	2038
24	2039
25	2040
26	2041
27	2042
28	2043
29	2044
30	2045
31	2046
32	2047
33	2048
34	2049
35	2050
36	2051
37	2052
38	2053
39	2054
40	2055
41	2056
42	2057
43	2058
44	2059
45	2060
46	2061
47	2062
48	2063

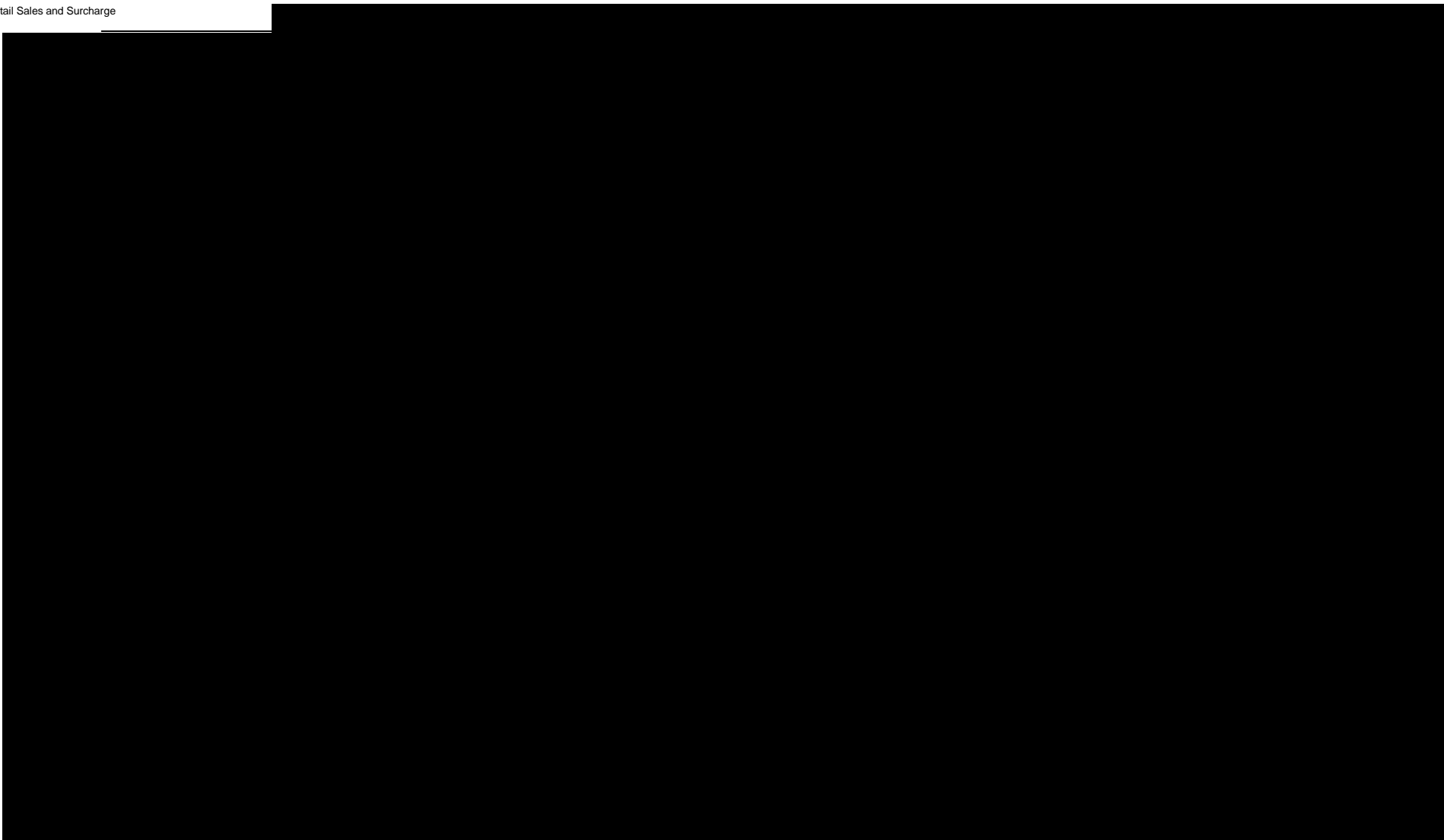


...TRADE  
SECRET  
DATA ENDS]

Detroit Lakes Long Lake Expansion

[TRADE SECRET DATA BEGINS...

Retail Sales and Surcharge



...TRADE SECRET DATA ENDS]

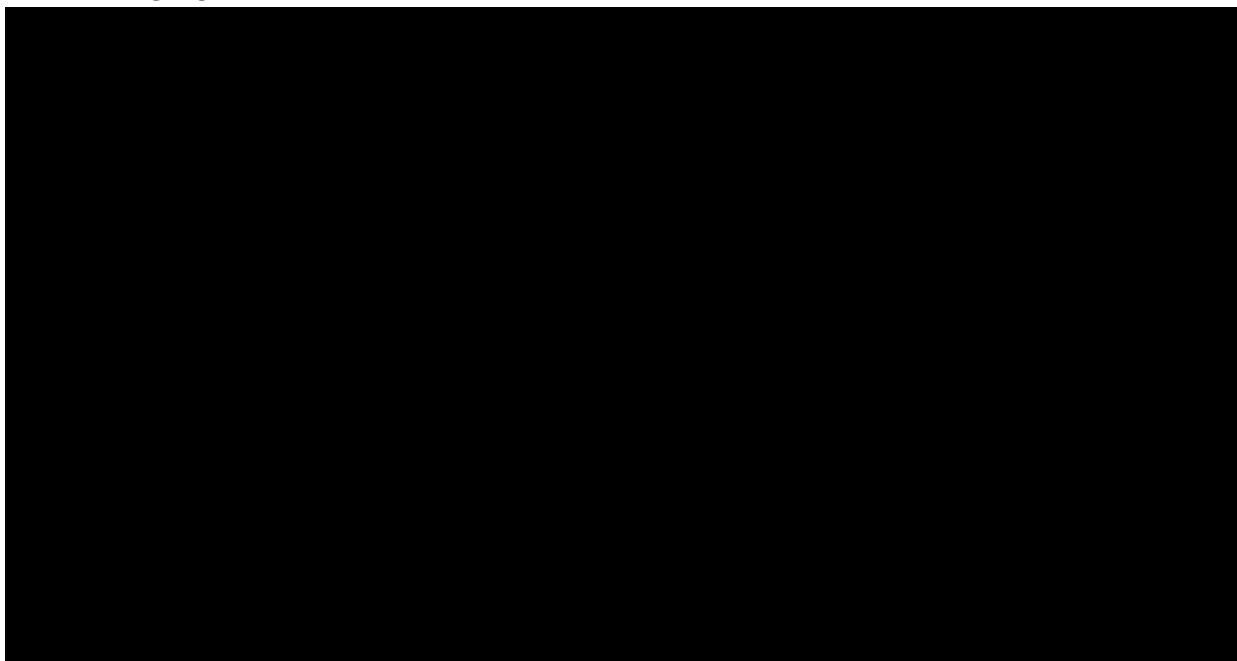
PUBLIC DOCUMENT-- TRADE SECRET DATA HAS BEEN EXCISED

MERC New Area Surcharge Analysis

Detroit Lakes Long Lake Expansion

Page E-10

**[TRADE SECRET  
DATA BEGINS...**



**...TRADE  
SECRET  
DATA ENDS]**

MERC New Area Surcharge Analysis

Detroit Lakes Long Lake Expansion

**[TRADE SECRET DATA BEGINS...**

Discount Rate

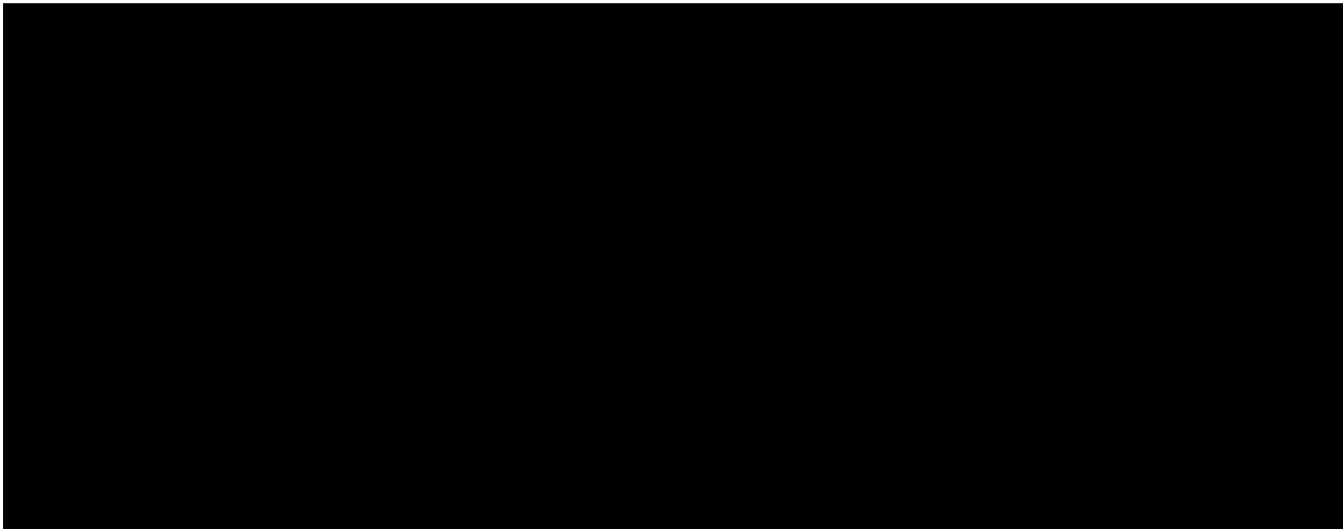


**...TRADE SECRET DATA ENDS]**

PUBLIC DOCUMENT-- TRADE SECRET DATA HAS BEEN EXCISED

Detroit Lakes Long Lake Expansion

**[TRADE SECRET DATA BEGINS...**



**...TRADE SECRET DATA ENDS]**