



Minnesota Energy Resources Corporation
2685 145th Street West
Rosemount, MN 55068
www.minnesotaenergyresources.com

April 16, 2018

VIA ELECTRONIC FILING

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

Re: Update Regarding Destination Medical Center Development Corporation Funding

Docket Nos. G011/M-18-182, G999/AA-17-493, and G011/M-15-895

Dear Mr. Wolf:

Minnesota Energy Resources Corporation ("MERC" or the "Company") submits this letter to update the Minnesota Public Utilities Commission ("Commission") and other interested parties regarding the status of MERC's requests to the Destination Medical Center Corporation ("DMCC") for funding for projects undertaken in the Rochester Destination Medical Center development district boundaries.

In its Order Approving Rochester Project and Granting Rider Recovery with Conditions in Docket No. G011/M-15-895, the Commission required MERC to take the following actions to seek funding from the DMCC:

- a. If MERC undertakes projects within established Destination Medical Center development district boundaries, the Company shall petition the DMCC for funding.
- b. MERC shall, in its annual NGEF filing and in future AAA filings, provide a discussion and supporting data explaining all work performed within the Destination Medical Center development district boundaries, with the amount of DMCC funding applied for and received.

As stated in MERC's February 28, 2018 NGEF Rider filing in Docket No. G011/M-18-182, in December 2017, MERC sought funding from the DMC for projects within the DMC development districts. MERC met with representatives from the Destination Medical Center Corporation ("DMCC") and City of Rochester on February 7, 2018, during which the DMCC informed MERC that the projects for which it was seeking funding, while within the DMC development districts, would not qualify for DMC funding. At this meeting, MERC was advised that DMC funding is based upon priorities developed through a budgeting process that takes into account available funding and project approvals. At this time, funding is not available for general infrastructure development, particularly for projects that have not been specifically included in the DMC long-range plan. In addition, MERC was told that funding is

Mr. Daniel P. Wolf
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designed for development of new projects that promote the DMC's goals, such as real estate and medical construction projects that have been specifically approved. General infrastructure work, even if occurring within one of the DMC development districts, does not qualify for funding. Further, projects for the conversion of a property or more general expansion would not be eligible. Finally, MERC was advised that DMC funding is considered to be gap funding to support the extraordinary costs of creating and sustaining the overall vision of making Rochester a global medical destination. We understood from our meeting that DMC's policy is not to fund utility projects because there are generally other funding mechanisms available to pay for natural gas, electric, water and telecommunications infrastructure. DMC funding is not intended to be a substitute for other public or private funds that are available to pay for basic infrastructure development.

On March 15, 2018, the City of Rochester and Destination Medical Center Economic Development Agency sent MERC a formal letter regarding MERC's proposed requests for funding for projects completed within the DMC Development District boundaries. This letter confirms the DMC's view that MERC's projects are not contemplated in the DMC's multi-year plans and that MERC's projects do not qualify for the limited amount of funding available. A copy of that letter is attached as Attachment 1 to this filing. As stated in the letter, "DMC funding is based on priorities developed within a comprehensive planning process and multi-year capital improvement plan. At this point, the projects you described are not contemplated in those plans."

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

Sincerely,

/s/ Amber S. Lee

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

cc: Service Lists
Enclosure

MAR 16 2018



March 15, 2018

Amber Lee
Minnesota Energy Resources Corporation
2665 145th St W
Rosemount, MN 55068

Wade Wiken
Minnesota Energy Resources Corporation
3460 Technology Drive NW
Rochester, MN 55901

Michael C. Krikava
Briggs and Morgan
2200 IDS Center
Minneapolis, MN 55402

Re: Funding for Minnesota Energy Resources Corporation Infrastructure Work in Rochester

Dear Ms. Lee and Messrs. Wiken and Krikava:

On behalf of the City of Rochester (the "City") and the Destination Medical Center Economic Development Agency (the "DMC EDA"), we are writing in response to our meeting with you at the City's offices on February 7, 2018 and your expressed desire to obtain Destination Medical Center ("DMC") funding from the City and the Destination Medical Center Corporation ("DMCC") on behalf of Minnesota Energy Resource Corporation ("MERC") for infrastructure work in the City of Rochester.

Thank you for meeting with us to describe MERC's current projects and its long-term plans. We appreciated hearing about the projects within the DMC development district, including converting the Kahler Grand Hotel from steam heat to natural gas service, plans to expand natural gas service to the Flats on 4th apartment development, and the upgrade of an existing natural gas main along 1st Avenue to accommodate additional growth in the City.

In describing MERC's plans, you also noted that MERC is considering submitting formal applications for DMC funding for some portion of the cost of projects within the DMC development district. Of course, MERC is free to proceed with any applications it believes are appropriate, upon paying the \$10,000 filing fee.

As you may be aware, DMC funding is based on priorities developed within a comprehensive planning process and multi-year capital improvement plan. At this point, the projects you described are not contemplated in those plans.

Finally, we note that only a limited amount of funding has been realized to date to support the extraordinary costs of creating and sustaining Rochester as a global medical destination. We encourage MERC to continue its efforts to finance its projects conventionally and appreciate the investment you have made to date.

On behalf of the City and the DMC EDA, we thank you for taking the time to meet with us and discuss MERC's plans. We wish you success in your endeavors.



Steve Rymer
City Administrator
City of Rochester



Lisa Clarke
Executive Director
Destination Medical Center
Economic Development Agency

In the Matter of the Annual Automatic
Adjustment Report of Minnesota Energy
Resources Corporation, MERC-NNG,
MERC-Consolidated, and MERC-Albert
Lea

Docket No. G011/AA-17-493

In the Matter of the Petition of Minnesota
Energy Resources Corporation for
Approval of a Natural Gas Extension Project
Rider Surcharge

Docket No. G011/M-18-182

In the Matter of a Petition by Minnesota
Energy Resources Corporation for
Evaluation and Approval of Rider
Recovery for Its Rochester Natural Gas
Extension Project

Docket No. G011/M-15-895

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 16th day of April, 2018, on behalf of Minnesota Energy Resources Corporation ("MERC"), I electronically filed a true and correct copy of the enclosed Letter 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 16th day of April, 2018.

/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_18-182_M-18-182
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-182_M-18-182
Seth	DeMerritt	ssdemerritt@integrysgroup.com	MERC (Holding)	700 North Adams P.O. Box 19001 Green Bay, WI 543079001	Electronic Service	No	OFF_SL_18-182_M-18-182
Ian	Dobson	residential.utilities@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_18-182_M-18-182
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_18-182_M-18-182
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St Chicago, IL 60661	Electronic Service	No	OFF_SL_18-182_M-18-182
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_18-182_M-18-182
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-182_M-18-182
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-182_M-18-182
Colleen	Sipiorski	ctsipiorski@integrysgroup.com	Minnesota Energy Resources Corporation	700 North Adams Street Green Bay, WI 54307	Electronic Service	No	OFF_SL_18-182_M-18-182

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	OFF_SL_18-182_M-18-182
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_18-182_M-18-182
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_18-182_M-18-182

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tamie A.	Aberle	tamie.aberle@mdu.com	Great Plains Natural Gas Co.	400 North Fourth Street Bismarck, ND 585014092	Electronic Service	No	OFF_SL_17-493_AA-17-493
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.	202 S. Main Street Le Sueur, MN 56058	Electronic Service	No	OFF_SL_17-493_AA-17-493
Steven	Clay	Steven.Clay@CenterPointEnergy.com	CenterPoint Energy Minnesota Gas	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-493_AA-17-493
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_17-493_AA-17-493
Carl	Cronin	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_17-493_AA-17-493
Ian	Dobson	residential.utilities@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_17-493_AA-17-493
Marie	Doyle	marie.doyle@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall P O Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_17-493_AA-17-493
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_17-493_AA-17-493
Brian	Gardow	bgardow@greatermngas.com	Greater Minnesota Gas, Inc.	PO Box 68 Le Sueur, MN 56058	Electronic Service	No	OFF_SL_17-493_AA-17-493
Nicolle	Kupser	nkupser@greatermngas.com	Greater Minnesota Gas, Inc.	202 South Main Street P.O. Box 68 Le Sueur, MN 56058	Electronic Service	No	OFF_SL_17-493_AA-17-493

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_17-493_AA-17-493
steven	Lyons	steven.lyons@centerpointenergy.com	CenterPoint Energy Minnesota Gas	505 Nicollet Mall Minneapolis, MN 55459	Electronic Service	No	OFF_SL_17-493_AA-17-493
Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc.	PO Box 68 202 South Main Street Le Sueur, MN 56058	Electronic Service	No	OFF_SL_17-493_AA-17-493
Lisa	Peterson	lisa.r.peterson@xcelenergy.com		Xcel Energy 414 Nicollet Mall - 7th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_17-493_AA-17-493
Peggy	Sorum	peggy.sorum@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-493_AA-17-493
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_17-493_AA-17-493

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Mitchell	Abeln	N/A	Destination Medical Center - Economic Development Agency	195 W Broadway Rochester, MN 55902	Paper Service	No	OFF_SL_15-895_Official CC Service List
Terry L.	Adkins	tadkins@rochestermn.gov	City Of Rochester	Room 247 201 4th Street SE Rochester, MN 55904	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Ryan	Barlow	Ryan.Barlow@ag.state.mn.us	Office of the Attorney General-RUD	445 Minnesota Street Bremer Tower, Suite 1400 St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Sundra	Bender	sundra.bender@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 Saint Paul, MN 55101-2147	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Elizabeth	Brama	ebrama@briggs.com	Briggs and Morgan	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Ardell	Brede	abrede@rochestermn.gov	Rochester City Hall	201 Fourth St SE Room 281 Rochester, MN 55904	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Bob	Brill	bob.brill@state.mn.us	Public Utilities Commission	121 E. 7th Place, Suite 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Jeanne	Cochran	Jeanne.Cochran@state.mn.us	Office of Administrative Hearings	P.O. Box 64620 St. Paul, MN 55164-0620	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Joseph	Dammel	joseph.dammel@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St. Paul, MN 55101-2131	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Laura	Demman	laura.demman@nngco.com	Northern Natural Gas Company	1111 S. 103rd Street Omaha, NE 68125	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Ian	Dobson	residential.utilities@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_15-895_Official CC Service List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Brett	Gorden	gorden.brett@mayo.edu	Mayo Clinic	200 First St SW Rochester, MN 55905	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Kimberly	Hellwig	kimberly.hellwig@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Mark	Kotschevar	mkotschevar@rpu.org	Rochester Public Utilities	4000 East River Road NE Rochester, MN 55906	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List

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David G.	Kult	dgkult@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St. NW Rosemount, MN 55068	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Steven	Kvenvold	skvenvold@rochesterterm.gov	City of Rochester - Administrator	201 4th Street SE Rochester, MN 55904	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Catherine	Phillips	catherine.phillips@we-energies.com	We Energies	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Walter	Schlink	wschlink@rpu.org	Rochester Public Utilities	4000 East River Road NE Rochester, MN 559062813	Electronic Service	No	OFF_SL_15-895_Official CC Service List
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	7400 Lyndale Ave S Ste 190 Richfield, MN 55423	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Kristin	Stastny	kstastny@briggs.com	Briggs and Morgan, P.A.	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_15-895_Official CC Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	Yes	OFF_SL_15-895_Official CC 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	Yes	OFF_SL_15-895_Official CC Service List