MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	**February 5, 2025**		**Agenda Item 3***
Company	Minnesota Energy Resources Corp.		
Docket No.	G-011/M-25-69		
	In the Matter of Minnesota Energy Resources Corp.'s Petition for Approval of a Change in Demand Entitlement for its Consolidated purchase gas adjustment		
Issues	Should the Commission approve Minnesota Energy Resources Corp.'s Petition for a Change in Demand Entitlement for its Consolidated System?		
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✓ **Relevant Documents**	**Date**
Minnesota Energy Resources Corp. – Compliance Filing	August 1, 2025
Department of Commerce – Comments	September 2, 2025
Minnesota Energy Resources Corp. – Reply Comments	September 12, 2025
Minnesota Energy Resources Corp. – Compliance Filing Update	October 31, 2025
Department of Commerce – Letter	December 16, 2025
Minnesota Energy Resources Corp – Response to Letter	December 23, 2025

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I. Background

On August 1, 2025, Minnesota Energy Resources Corp. (MERC or the Company), filed its Petition for approval of a Change in Demand Entitlement for its Consolidated Purchased Gas Adjustment (PGA) area.

On September 2, 2025, the Department of Commerce, Division of Energy Resources (Department) filed Comments, in which it recommended approval of the Company's Design-Day analysis; but withheld its final recommendations pending MERC's Reply Comments and updates about Great Lakes Gas Transmission's and ANR Pipeline's rate cases at the (Federal Energy Regulatory Commission (FERC).

On September 12, 2025, MERC filed Reply Comments in agreement with the Department's recommendation on the Design-Day analysis. The Company further agreed with the Department's recommendation to provide an update regarding Great Lakes Gas Transmission's (GLGT) and ANR Pipeline's rate cases at the FERC.

On October 31, 2025, MERC filed a compliance update per the Department's request in its September 2, 2025 Comments.

On December 16, 2025, the Department filed a letter with recommendation for approval of the Company's petition.

On December 23, 2025, MERC filed a response letter in agreement with the Department's recommendation for approval of its petition.

II. Discussion

A. MERC – Petition

1. Filing Upon Change in Demand

Pursuant to Minnesota Rule 7825.2910, subpart 2 (Filing Upon Change in Demand), Minnesota Energy Resources Corp. - Consolidated, a subsidiary of WEC Energy Group, petitioned the Commission for approval of changes in demand entitlements for MERC-Consolidated customers served off Centra Pipeline, Viking Gas Transmission, and Great Lakes Gas Transmission (collectively the "Consolidated" pipelines).[1] MERC requested the Commission approve the changes to be recovered in the Purchased Gas Adjustment (PGA) beginning November 1, 2025.

[1] MERC's Petition; at 1.

Through this filing, MERC addressed compliance with Ordering Paragraphs 9 and 10 from the Commission's February 17, 2023 Order in Docket Nos. G-999/CI-21-135 and G-011/CI-21-611.[2]

2. MERC's Consolidated Design-Day Requirements

Minnesota Rule 7825.2910, subpart 2(b) requires that a filing upon change in demand include the utility's Design-Day demand by customer class and the change in Design-Day demand, if any, necessitating the demand revision. MERC noted that the Consolidated Design-Day requirement has increased by 1,058 dekatherms (Dth) since November 1, 2024. This represents a 1.83% increase in Design-Day requirement over the 2024-2025 heating season.

For the Demand Entitlement filing effective November 1, 2025, the total Design-Day requirement for MERC – Consolidated is 58,794 Dth.[3] The difference between the total Design-Day requirement and total Design-Day capacity results in a 9.98% reserve margin.[4] As required by Ordering Paragraph 9 of the Commission's Order in Docket No. G-011/M-15-722, Attachment 3 of this Petition reflects separate summer and winter demand entitlements for MERC-Consolidated.

3. MERC's Proposed Consolidated System Demand-Related Changes

The first type of the two demand entitlement changes is Design-Day deliverability, which quantifies the amount of firm transportation and storage capacity available to MERC's Consolidated customers during winter peak periods. The second type does not affect Design-Day deliverability levels, but alters the capacity portfolio and the PGA costs recovered from customers.[5]

a. Design-Day Deliverability Changes

MERC noted that its MERC-Consolidated Design-Day deliverability marginally increased by 235 Dth/day as compared to 2024-2025, as shown in Attachment 3. This volume was all on the Centra Pipeline contract. Centra accepted MERC's request to increase the volume to 10,343 Dth/day to reflect the updated peak day estimate plus 5% reserve for the customers served by Centra Pipeline.

The Commission's February 17, 2023 Order in Docket Nos. G-999/CI-21-135 and G-011/CI-21-611, requires in Ordering Paragraph 9 that MERC discuss how changes to pipeline capacity

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[2] Order Point 9 requires discussion of how changes to pipeline capacity affects the Company's supply diversity, and if pipeline capacity comes at a cost premium but increases supply diversity, provide a meaningful cost/benefit discussion of the tradeoff, including a comparison with the least-cost capacity option. Order Point 10 requires MERC to include in its relevant, annual forward-looking gas planning or hedging filings: A) its expected supply mix across different load and weather conditions throughout each month of the upcoming winter season, B) the forecasted minimum, average, and maximum day load requirements, and C) the expected mix of baseload, storage, and spot supply on those days.

[3] MERC's Petition, Attachment 1.

[4] *Id*, Attachment 3.

[5] MERC's Petition; at 5.

affects the Company's supply diversity, and if pipeline capacity comes at a cost premium but increases supply diversity, provide a meaningful cost/benefit discussion of the tradeoff, including a comparison with the least-cost capacity option. MERC stated that the acquired incremental capacity discussed above did not impact its supply diversity, as the Company increased its capacity with supply to be sourced at the Spruce supply basin, which is the only supply option on Centra Pipeline.

b. Other Demand Entitlement Changes

MERC maintains its storage contracts with ANR Pipeline Storage, as detailed in previous demand entitlement filings and reflected in Attachments 4 (page 2 of 2), 7, and 8.[6] MERC extended both ANR Pipeline contracts through March 31, 2028. The Company noted that small changes to storage volumes and rates will occur to the ANR Storage contract each year due to annual fuel rate changes.[7]

Additionally, MERC noted that ANR Pipeline filed a Section 4 rate case in Docket No. RP25-806 and Great Lakes Gas Transmission filed a Section 4 rate case in Docket No. RP25-855, with FERC on April 1, 2025 and April 30, 2025, respectively. The two rate case petitions requested that rates go into effect on November 1, 2025. Given that the results of the petitions are unknown at the time of this filing, MERC has held rates at current levels for determining its demand rate in this proceeding. In accordance with Minn. R. 7825.2910, MERC will reflect actual rate increases in its monthly PGA filing when those rates go into effect.

4. Financial Option Units and Premiums

The Company noted that it has started its purchases of future contracts and call options for the 2025-2026 winter period. Financial hedge volumes and costs are shown in Attachments 5 and 11 (pages 1 and 3). The physical forward start and call option premium costs additionally flow through the spreadsheet in Attachment 4, pages 1 and 2, and in Attachment 8.

The Consolidated 2025-2026 Winter Portfolio Hedging Plans - Minnesota Energy Resources Corporation for Great Lakes Gas Transmission, Viking Gas Transmission, and Centra Pipeline gas supply purchases are shown on Attachment 6. MERC's hedging strategy covers 60% of normal winter volumes; 30% through physical storage; and 30% through financial instruments (10% futures and 20% options). The weighted average price of currently purchased futures contracts of natural gas for the 2025-2026 winter is $4.6172/Dth.[8]

MERC projected the ANR storage Weighted Average Cost of Gas (WACOG) to be $2.9649/Dth. While the Company continues with its strategy to purchase call options around a $0.10/Dth premium, the overall gas market volatility has pushed the strike price of the purchased call options up to an average of $11.0355/Dth. MERC noted that both the futures and option strike

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[6] MERC's Petition; at 5.

[7] *Id*; at pp. 5-6 (See Attachments 4 (page 2 of 2), 7, and 8).

[8] MERC's Petition; at 7.

prices are up from winter 2024-2025. Furthermore, if the NYMEX contract(s) settle above that price, the options are exercised, and MERC customer gas cost is capped at the average strike price. The remaining winter volumes are purchased at index or market prices. All numbers reflected are natural gas costs only and do not include any transportation, storage, hedge premium, or margin costs.[9]

The Commission's February 17, 2023 Order in Docket Nos. G-999/CI-21-135 and G-011/CI-21-611, requiring actions to mitigate impacts from future natural gas price spikes, setting filing requirements, and initiating a proceeding to establish gas resource planning requirements, requires in Ordering Paragraph 10 that MERC includes in its relevant, annual forward looking gas planning or hedging filings as follows:[10]

A) its expected supply mix across different load and weather conditions throughout each month of the upcoming winter season;
B) the forecasted minimum, average, and maximum day load requirements; and
C) the expected mix of baseload, storage, and spot supply on those days.

Attachment 6, page 3, provides this information for the November 2025 through March 2026 period. The Company pointed out that load estimates are based on the previous three years observed data, except for the December through February months, in which the Design-Day (i.e. Peak Day) was used to represent the maximum load. While three years of historical data provide a reasonable estimate, conditions can deviate and provide load requirements different from those in the past.

5. Impacts of Telemetry

The Company noted that throughout the year, a number of customers request to switch from interruptible to firm service. MERC evaluated these requests to determine the impact to its system and upstream entitlement levels. Prior to a customer switch, the system capability is evaluated. Consequently, the firm volumes associated with a customer switch fall within the Design-Day parameters and do not impact demand entitlement levels.

6. Conclusion

MERC requested that the Commission approve the requested changes to be recovered in the PGA beginning November 1, 2025.

B. Department of Commerce – Comments

On September 2, 2025, the Department provided its initial comments on the Demand Entitlement Filing (Petition) of Minnesota Energy Resources Corporation for its Consolidated System in Docket No. G-011/M-24-269.[11] The Department noted that it will provide its final

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[9] MERC's Petition; at 7.

[10] *Id*; at 8.

[11] MERC's Petition, August 1, 2025, (eDockets) 20258-221696-01, (hereinafter "Petition").

recommendations to the Minnesota Public Utilities Commission (Commission) after the Company files its Reply Comments and its November 3, 2025 Update. The Department provided its analysis of the Company's Petition in the following sections.

1. Summary of Proposed Changes

MERC proposed to increase its total design-day requirement by 1,058 dekatherms (Dth) to 58,794 Dth/day. The Company currently has design day capacity of 64,429 Dth/day on its MERC-Consolidated system. In terms of capacity, MERC proposed to increase its current design-day deliverability of 64,429 Dth/day approved for the last heating season, by 235 Dth to 64,664 Dth/day for the 2025-2026 heating season. This increase results in an estimated reserve margin of approximately 9.98%. MERC also proposed changes to its non-design-day deliverable contracts such as storage contracts.[12]

MERC's proposed entitlement changes result in an estimated increase in demand costs for residential customers of $0.0590 per Dth, 6.64 percent, or approximately $5.09 per year compared to the rates included in the Company's July 2025 PGA.[13]

2. Changes to Capacity and Non-capacity Items

a. Capacity Contracts

The Department confirmed that per Commission's Order Point 9[14] of its April 28, 2016 Order, MERC provided separate data on its summer and winter demand entitlements.[15]

As reflected in Table 1, the Company proposed changes to its overall entitlement level. MERC made changes to its Centra pipeline amounts by acquiring additional capacity in the amount of 235 Dth/day. Based on its reserve margin analyses in Section 4 below, the Department concluded that MERC's proposed level of demand entitlement is appropriate and likely sufficient to ensure firm reliability on a peak day.[16]

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[12] MERC's Petition, Attachment C at 5-6.

[13] Department's Comments; at 3.

[14] Ordering Paragraph 9 states, "Required MERC to separate its summer and winter demand entitlements as reflected in Attachment 4 of its petitions, rather than combining the data as reflected on Attachment 3 of its petitions." April 28, 2016 Order at 2.

[15] MERC's Petition Attachment 3.

[16] Department's Comments; at 3.

Table 1: MERC's Consolidated Total Entitlement Levels[17]

Filing	Previous Entitlement (Dth)	Proposed Entitlement (Dth)	Entitlement Changes (Dth)	Change From Previous Year (%)
August 1, 2025	64,429	64,664	235	0.36 %

b. Changes to Non-Capacity Items

The Company noted that both its ANR pipeline transportation service (ANRP) and its ANR Storage services (ANRS) contracts have been extended through March 31, 2028.[18] Additionally, MERC proposed to increase its storage from 1,003,600 Dth to 1,004,700 Dth, which is a change of 1,100 Dth, or 0.11 percent.[19] The Company noted further that small changes to storage volumes and rates will occur each year as a result of annual fuel rate changes.

3. Design-Day Requirements

Table 2 below shows MERC's consolidated design-day levels, which presents the Company's proposal to increase its total Design-Day in dekatherms as follow:[20]

Table 2: MERC-Consolidated Design-Day Levels

Filing	Previous Design Day (Dth)	Proposed Design Day (Dth)	Design Day Changes (Dth)	Change From Previous Year (%)
Centra	9,626	9,850	224	2.33%
Great Lakes	30,245	30,489	244	0.81%
Viking	17,865	18,455	590	3.30%
Total Consolidated	57,736	58,794	1,058	1.83%

MERC stated as follow:[21]

> The Consolidated Design-Day requirement has increased by 1,058 dekatherms (Dth) since November 1, 2024. This represents a 1.83% increase in Design-Day requirement over the 2024-2025 heating season.
>
> For the Demand Entitlement filing effective November 1, 2025, the total Design-Day requirement for MERC Consolidated is 58,794 Dth (Attachment 1). The

[17] Department's Comments; at 3.

[18] *Id*.

[19] *Id*.

[20] *Id*; at 4.

[21] Petition, Attachment C at 2-3.

difference between the total Design-Day requirement and total Design Day capacity results in a 9.98% reserve margin[22].

The Department noted that MERC uses a similar approach to last year's filing for its Design-Day analysis. As a result of its telemetry program, which makes it possible for all interruptible customers to have daily metered data, the Company no longer needs to estimate interruptible customers' peak-day impact for the customers served on the MERC-Consolidated system.

MERC's 2025-2026 Design-Day Regression analysis utilizes daily telemetry data for all the MERC-Consolidated customers. The Company obtained the daily large volume transportation, interruptible and joint interruptible customer's volumes by pipeline and weather station (Data A). Additionally, MERC obtained the daily small volume interruptible customer's volumes by pipeline and weather station (Data B). The Company calculated the daily firm volumes by subtracting both Data A and Data B from the total throughput volumes.[23]

The Department asserted that MERC made some adjustments to its data—for example the regression analysis for the MERC-Consolidated system. In its Petition, MERC stated the following:[24]

> Review daily total metered throughput, Data A, and Data B and identify missing or bad reads, and to the extent possible, fix missing or bad reads. To the extent that the data could not be fixed, it was not included in the regressions.

MERC stated the following in this Petition:[25]

> Identify the coldest Adjusted Heating Degree Day (AHDD) since January 1996 for each weather station. Note, this is a change in practice from prior analysis that used a rolling 20-year period. The change was included because many weather stations experienced historically cold weather in the January/February 1996 time period and without inclusion of that additional data from January/February 1996, AHDD were materially lower and not reflective of MERC's capacity needs.

The Department acknowledged that MERC's prior Design-Day analyses have relied on the coldest days from 1996. Furthermore, the Department agreed with MERC that it would not be acceptable to use a rolling 20-year weather period in the Design-Day calculations when planning for the Company's capacity needs in meeting the Design-Day. The 20-year weather period may not necessarily reflect the coldest days for which to plan.

MERC's Design-Day analysis, as described in the Petition, is similar to analysis used by the Company in recent demand entitlement filings. The Company's design-day analysis is based on

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22 MERC's Petition, Attachment 3.

23 Department's Comments; at 4.

24 Petition, Attachment 12 at page 3.

25 *Id*.

Ordinary Least Squares (OLS) regression and daily heating season (i.e., December, January, February) data over the period from December 2022 to February 2025.[26] Given that MERC's Consolidated PGA service area serves customers on three separate pipelines in separate parts of Minnesota, the Company conducted four separate regression models for the various parts of the Consolidated-PGA area. MERC used Adjusted Heating Degree Days (AHDD) and various other determinants (e.g., month, day of the week, holiday) to estimate daily heating season consumption for each weather station area. Based on its review of each of the Company's design-day regression models, the Department concluded that the signs of the determinant coefficients are appropriate and reasonable.

During the 2018-2019 heating season, MERC's service area, and the entire state of Minnesota experienced a cold weather outbreak in late January and early February. The Company included information and a discussion regarding this event in its Petition.[27] On an AHDD basis, the cold weather event during the 2018-2019 heating season was the coldest weather on record for all of MERC's Consolidated PGA system weather stations (Table 3).

Table 3: Coldest Weather Conditions[28]

Station	Date	Avg. Temp (F)	Avg. Wind Speed (mph)	HDD65	AHDD65	AHDD65-1
Bemidji*	1/29/2019	-32	14	97	110	84
Cloquet*	1/29/2019	-24	16	89	103	74
Fargo*	1/18/1996	-16	34	81	109	85
International Falls*	2/2/1996	-34	8	99	107	107
Minneapolis	1/29/2019	-20	17	85	100	71
Rochester	1/29/2019	-20	21	85	104	76
Worthington	1/29/2019	-20	21	85	103	81
Ortonville	1/29/2019	-23	14	88	101	77

* Consolidated PGA weather station.

The Department noted that in previous demand entitlement filings, the Company's planning objective was based on the coldest day, defined as the highest AHDD, for each of MERC's regional regression models. Beginning with the 2019 demand entitlement filing (covering the 2019-2020 heating season), the Company considered the day prior to the coldest day (AHDD65-1) when determining whether a specific date represents the planning objective for a weather station. MERC provided the following explanation in its Petition:[29]

> While the January 2019 cold weather outbreak was significant, it was not

[26] Department's Comments; at 5.

[27] MERC's Petition, Attachment 12 at pages 4-5.

[28] Department's Comments; at 6.

[29] *Id*.

considered to be as severe as the weather conditions experienced in 1996. With the exception of Worthington, the 1996 weather conditions overall were colder when considering both the current day and the prior day weather conditions.

Consequently, the following planning objective data for the various weather stations were used in the Company's design-day analysis.

Table 4: MERC Planning Objective Data

Station	Date	Avg. Temp (F)	Avg. Wind Speed (mph)	HDD65	AHDD65	AHDD65-1
Bemidji*	2/1/1996	-34	8	99	107	94
Cloquet*	2/2/1996	-31	7	96	103	100
Fargo*	1/18/1996	-16	34	81	109	85
International Falls*	2/2/1996	-34	8	99	107	107
Minneapolis	2/2/1996	-25	8	90	97	92
Rochester	2/2/1996	-27	10	92	101	94
Worthington	1/29/2019	-20	21	85	103	81
Ortonville	1/14/2009	-21	11	86	95	86

* Consolidated PGA weather station.

Based on Table 4, for each of the regression models, MERC's planning objective did not occur during the data period (2022 through 2025). Consequently, the Company adjusted the results to approximate usage at the planning objective. The Company's combined regression analyses resulted in a design-day estimate of 55,263 Dth/day. However, as explained in MERC's filing, the Company modified the analysis such that the ultimate design-day estimate was based on a higher throughput estimate that factors in a volume risk adjustment.[30] This adjustment resulted in a calculated design-day estimate of 58,794 Dth/day, which is 1,058 Dth/day greater than the design-day estimate in last year's demand entitlement filing.

MERC stated that volume risk adjustments were incorporated into the forecast to provide a confidence level that the daily metered load under design conditions would not exceed the daily metered regression estimate.[31] This post regression adjustment is similar to adjustments the Company used in previous demand entitlement filings. The Department reviewed MERC's analysis and would replicate the Company's results. Additionally, the Company tried to estimate firm peak day estimates for each of its gate stations. The Commission's April 28, 2016, Order in Docket Nos. G-011/M-15-722, G-011/M-15-723, and G-011/M-15-724, at Ordering Paragraph 10, stated in part the following:[32]

30 MERC's Petition, Attachment 12.

31 MERC's Petition, Attachment 12 at page 6.

32 Commission's April 28, 2016 Order; at 2.

> Required MERC to verify its regression analysis results in future demand entitlement filings to ensure the results are consistent with the underlying theory the analysis attempts to explain.

In the Petition, MERC stated as follows:[33]

> Order Point 10 of the Commission's April 28, 2016, Order in Docket No. G011/M-15-723 required that MERC verify its regression analysis results in future demand entitlement filings to ensure the results are consistent with the underlying theory the analysis attempts to explain. MERC has carefully reviewed the results of its regression analysis and verified that the results are consistent with the underlying theory the analysis attempts to explain. Please see MERC's May 31, 2016, compliance filing in Docket Nos. G011/M-15-722, G011/M-15 723, and G011/M-15-724 for further discussion of this issue.

Therefore, given the above description, the Department concluded that MERC complied with the Commission's April 28, 2016 Order.

The Department noted that MERC appropriately corrected its models for autocorrelation, as required by the Commission's February 4, 2015 Order, in which the Commission required that in its future demand entitlement filings, MERC should check the regression models it ultimately uses for autocorrelation and correct the model if autocorrelation is present.

Since MERC must plan for its design-day, the Department concluded that MERC's approach is not unreasonable. As a result, the Department recommended that the Commission approve the Company's peak-day analysis.[34]

4. Proposed Reserve Margin

Based on Department Attachment 1, the proposed reserve margin is 5,870 Dth, or 9.98%, as shown in Table 5.

Table 5: MERC-Consolidated Reserve Margin

Pipeline	Total Entitlement (Dth)	Design-day Estimate (Dth)	Difference (Dth)	Reserve Margin %	Percentage Point Change From Previous Year[35]
Centra	10,343	9,850	493	5.01%	0.00%
Great Lakes	33,530	30,489	3,041	9.97%	(0.89)%
Viking	20,791	18,455	2,336	12.66%	(3.72)%
Total Consolidated	64,664	58,794	5,870	9.98%	(1.61)%

The proposed reserved margin of 9.98% represents a decrease of 1.61 percentage points, as

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33 MERC's Petition, Attachment 12 at pages 10-11.

34 Department's Comments; at 8.

35 For the 2024-2025 heating season, the reserve margins were as follows: Centra – 5.01%; Great Lakes – 10.86%; Viking –16.38%; and Total – Consolidated – 11.59%.

compared to last year's reserve margin of 11.59%.[36] The Department stated that the decrease in the reserve margin is driven by an increase in capacity on the Centra pipeline, coupled with increases in design-day estimates for MERC-Consolidated customers located along all three pipeline areas.

Based on the Department's review of MERC's historic design-day data and regression results, the Department concluded that MERC's reserve margin is acceptable.

5. The Company's PGA Cost Recovery Proposal

The Department pointed out that in Attachment 4 of the Petition, MERC compared its July 2025 PGA to MERC's projected November 2025 PGA rates, to highlight the changes in demand costs. According to MERC's calculations, the Company's demand entitlement proposal would result in the following annual demand cost impacts:[37]

- Annual bill increase of $5.09 related to demand costs, or approximately 6.64 percent, for the average General Service customer consuming 86 dekatherms annually.
- Annual bill increase of $40.97 related to demand costs, or approximately 6.64 percent, for the average Large Commercial and Industrial customer consuming 694 dekatherms annually; and
- No demand cost impacts related to MERC's Consolidated interruptible rate classes.

The Department noted that the Company will provide updated costs in its November 2025 Update. The Department will provide its recommendations after the Company files its Update.

6. Commission Orders in Docket Nos. G999/CI-21-135 and G011/CI-21-611

Ordering Paragraphs 9 and 10 of the Commission's February 17, 2023 Order state as follows:[38]

> 9. In future contract demand entitlement filings, the gas utilities in this docket shall discuss how changes to their pipeline capacity affect their supply diversity and, if pipeline capacity comes at a cost premium but increases supply diversity, provide a meaningful cost/benefit discussion of the tradeoff, including a comparison with the least-cost capacity option.
>
> 10. Each gas utility in this docket shall include in its relevant annual, forward-looking gas planning or hedging filings:
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>   A. Its expected supply mixes across different load and weather

[36] MERC's Petition Attachment 3.

[37] Department's Comments; at 9.

[38] February 17, 2023 Order at 23.

conditions throughout each month of the upcoming winter season;

B. The forecasted minimum, average, and maximum day load requirements; and

C. The expected mix of baseload, storage, and spot supply on those days.

According to the Department, the Company provided the required information.[39] MERC stated:

> The acquired incremental capacity discussed above did not impact MERC's supply diversity, as the Company increased its capacity with supply to be sourced at the Spruce supply basin, which is the only supply option on Centra Pipeline.[40]

With regards to compliance with Ordering Paragraph 10, the Company stated that it provided the requested information in its Attachment 6, using the three prior years data. MERC stated as follows:

> Attachment 6, page 3, provides this information for the November 2025 through March 2026 period. All load estimates are based on the previous three years observed data, except for the December through February months, in which the Design Day (i.e. Peak Day) was used to represent the maximum load. While three years of historical data provide a reasonable estimate, conditions can deviate and provide load requirements different from those in the past.[41]

The Department concluded that MERC complied with the February 17, 2023 Order. Additionally, after reviewing the information provided by MERC, the Department concluded that MERC's explanations regarding its compliance with Ordering paragraphs 9 and 10 are acceptable. The Department however asserted that the prudency of the natural gas costs inferred above, and actions taken by MERC to minimize those costs will be evaluated in a future proceeding when MERC files its annual automatic adjustment report and true up filing on September 1, 2026.

7. ANRP and GLGT Rate Cases at Federal Energy Regulatory Commission

On April 1, 2025 ANRP filed a rate case with FERC in Docket No. RP25-806 and proposed increases in their rates.[42] On April 30, 2025 GLGT, also filed a rate case with FERC in Docket No. RP25-855 and proposed increases in their rates.[43] The rates for both pipelines are effective November 1, 2025, subject to refund.

The Department recommended that MERC provides an update regarding the above rate cases,

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[39] MERC's Petition; at. 5, 7-8, and Attachment 6 at 3.

[40] *Id*; at 5.

[41] *Id*; at 8.

[42] MERC's Petition; 10 and Attachment C at 6.

[43] *Id*.

including the projected impacts; for example, on demand costs and on its efforts in the FERC proceedings and the results of those efforts in its November update.

8. Department Recommendations

The Department recommended approval of the Company's Design-Day Analysis, but withheld its final recommendations for the remainder of the Company's Petition until after the Company files its Reply Comments and its update in November, 2025.

C. MERC – Reply Comments

On September 12, 2025, MERC filed its Reply Comments to the Department's September 2, 2025[44] Comments; in agreement with the Department's recommendations on the Design-Day analysis. Additionally, MERC concurred with the Department's recommendation to provide an update regarding GLGT's and ANR Pipeline's rate cases at the FERC in the Company's November 2025 update to the demand entitlement petition.

The Company stated that it would be available to address any questions the Department may have after review of MERC's November 2025 update to the demand entitlement petitions. The Company requested the Commission accept the Design-Day analysis for the Consolidated PGA areas.

D. MERC – November 1 Update to Petition

On October 31, 2025, MERC filed an update to its August 1, 2025 Petition, per Commission's April 28, 2016 Order in Docket Nos. G-011/M-15-722, G-011/M-15-723, and G-011/M-15-724; which required that "MERC explain changes made in its compliance petitions that are different from its original petitions, and provided a redline version of both petitions identifying changes." Accordingly, MERC provided redlined changes and highlighted changes in the affected schedules.

The Company noted that it has completed its purchases of future contracts and call options for the 2025-2026 winter period. The final financial hedge volumes and costs are shown in Attachments 5 and 11 (pages 1 and 3). The call option premium costs flow through the spreadsheet in Attachment 4, pages 1 and 2, and in Attachment 8.[45] Additionally, the rate comparisons in Attachment 4, page 1, have been updated to MERC's October 1, 2025 PGA rates,[46] and a minor correction to the Great Lakes Gas Transmission Off Peak design day requirement value shown on Attachment 1, page 2 was been made. This minor correction additionally flows through the spreadsheet in Attachment 3.

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[44] In MERC's Reply Comments, the date for the Department's Comments was mistakenly stated as October 3, 2024. MERC consented to this footnoted corrective reference.

[45] MERC's October 31, 2025 Updated Compliance Filing; at 1.

[46] MERC's October 31, 2025 Updated Compliance Filing; at 1.

E. Department of Commerce – Letter

The Department filed a letter on December 16, 2025, in which it acknowledged that MERC filed its update to the Petition. The Department stated that in the update, MERC provided an updated rate comparison, using its October 2025 PGA rates and a minor correction to its off peak GLGT design-day requirement.[47] Furthermore, the Department asserted that the correction is *de minimis* and does not impact the design day analysis for the heating season. Additionally, MERC did not provide the requested update to the ANRP and GLGT pending rate cases at FERC. The Department noted that the GLGT rate case is currently going through settlement discussions.[48]

After review of MERC's Reply Comments and its November Update, the Department recommended approval of the Company's proposed level of demand entitlement and to allow MERC to recover the associated demand costs through the monthly PGA effective November 1, 2025.

F. MERC – Response to Department's Letter

On December 23, 2025, MERC filed a response to the Department's December 16, 2025 letter. The Company agreed with the Department's recommendations for approval of its Design-Day analysis, proposed level of Demand Entitlement and to allow MERC to recover the associated demand cost through the monthly MERC-Consolidated PGA effective November 1, 2025. MERC noted that except the ANRP and GLGT pending rate cases at FERC are still going through settlement discussions and there are no new developments at this time. MERC does not anticipate that the pending ANR rate case will have any impacts on its ANR contract costs.

III. Staff Comments

Staff reviewed MERC's Petition and finds its Design-Day forecast, reserve margin and capacity portfolio for the 2025-2026 heating season to be reasonable and compliant with Minnesota Rules and prior Commission Orders. Additionally, staff notes that in its updated filing and subsequent reply, MERC provided all the information requested by the Department. Staff therefore concurs with the Department's recommendations for approval of MERC's Petition.

IV. Decision Options

1. Approve Minnesota Energy Resource Corp.'s Petition for approval of a Change in Demand Entitlement for its Consolidated System, and authorize the Company to recover the associated demand costs through the monthly PGA effective November 1, 2025.

Or

[47] Department's Letter, December 16, 2025; at 2.

[48] *Id*.

2. Deny Minnesota Energy Resource Corp.'s petition for approval of a Change in Demand Entitlement for its Consolidated System, and do not authorize the Company to recover the associated demand costs through the monthly PGA effective November 1, 2025.