



Minnesota Energy Resources

An Integrys Energy Group Company

1995 Rahnclyff Court, Suite 200

Eagan, MN 55122

www.minnesotaenergyresources.com

June 19, 2015

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
Metro Square – Suite 350
212 7th Place East
St. Paul, MN 55101-2147

**PUBLIC DOCUMENT--TRADE SECRET DATA
HAS BEEN EXCISED**

**Re: In the Matter of the Petition of Minnesota Energy Resources Corporation for
Approval of a New Area Surcharge for the Detroit Lakes – Long Lake Project**

Docket No. G-011/M-15-441

Dear Mr. Wolf:

On May 11, 2015, Minnesota Energy Resources Corporation (MERC or the Company) filed a Petition for Approval of a New Area Surcharge for the Detroit Lakes – Long Lake Project, requesting Commission approval of a new area surcharge (NAS) for a fifteen year period.

On June 10, 2015, the Minnesota Department of Commerce, Division of Energy Resources (the Department) submitted comments in the above referenced docket recommending that the Minnesota Public Utilities Commission (the Commission) approve Minnesota Energy Resources Corporation's (MERC) petition for approval of a New Area Surcharge (NAS) for the Detroit Lakes – Long Lake project with the following proposed modifications:

- Adjust the surcharge from 15 years to 20 years; and
- Adjust the surcharge rates to \$23.31 per month for residential customers and \$44.17 per month for all other customer classes.

MERC thanks the Department for its review and submits these Reply Comments responding to the Department's recommendations.

We first note that the NAS model that was filed with MERC's initial petition included the Conservation Cost Recovery Charge (CCRC) in the distribution rate for the NAS calculation. This charge should not be included in the distribution margin and MERC has re-run the model to exclude the CCRC rate. See Attachments A (15-year term) and B (20-year term).¹ Based on the revised model, the surcharge over a 15-year term would be \$30.90 for residential customers and \$58.55 for

¹ The nonpublic version of the revised models contains trade secret information. Specifically, the cost of plant additions, estimated customer sign-ups, estimated customer usage, and project map contained in Exhibits B and C of the filing 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 trade secret. Accordingly, the nonpublic version of the New Area Surcharge filing contains data which qualifies as "Trade Secret Data" pursuant to Minnesota Statutes Section 13.37, Subdivision 1(b).



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all other customer classes; the surcharge over a 20-year term would be \$25.33 for residential and \$47.99 for all other customer classes.

MERC agrees with the Department's recommendation to use a 20-year surcharge term, but proposes that the surcharge amount be approved based on the revised model calculation submitted in Attachment B. Specifically, we propose a surcharge of \$25.35 for residential customers based on a 20-year surcharge term.

MERC would propose to file amended tariff sheets and customer notices reflecting the Commission's decision on compliance filing following approval of the proposed NAS.

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

Sincerely,

/s/ Amber S. Lee

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

Enclosures
cc: Service List

Attachment A

PUBLIC DOCUMENT--TRADE SECRET DATA HAS BEEN EXCISED

**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					Retail Revenue	Revenue Excess (Deficit)	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.			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
0	2015														
1	2016														
2	2017														
3	2018														
4	2019														
5	2020														
6	2021														
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46	2061														
47	2062														
48	2063														

MERC New Area Surcharge Analysis
Detroit Lakes Long Lake Expansion
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TRADE SECRET DATA BEGINS...
Total Gross Plant Investment
Total Net Investment

Deprec. Tax
Deprec. Book

Book Depreciation Rate
Tax Rate

	Net Plant		ADIT - Property				ADIT - Surcharge Revenues			Total ADIT					
	Gross Plant	Depreciation	Accum. Res.	Net Plant	Avg Net Plant	Tax Rates	Tax Deprac.	Cum Tax Deprac.	Book Tax Deprac.		Acc. Def. Tax	Avg ADIT	Annual Surcharge Revenue	Cum Tax	Avg ADIT
0	2015														
1	2016														
2	2017														
3	2018														
4	2019														
5	2020														
6	2021														
7	2022														
8	2023														
9	2024														
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11	2026														
12	2027														
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14	2029														
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46	2061														
47	2062														
48	2063														

Total Surcharge Revenue
=CIAC

MERC New Area Surcharge Analysis
 Detroit Lakes Long Lake Expansion
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[TRADE SECRET DATA BEGINS...
 Yr. 1 Gross Plant Investment
 CIAC
 Depreciable Book Basis
 Book Depreciation Rate
 Depreciable Tax Basis
 Tax Rate
 Property Tax Rate
 First Year of Analysis

[REDACTED]

/ Gross Plant
 2015

Year	Gross Plant		Net Plant		Net Plant		Tax Rates		ADIT - Property	
	Plant	Res.	Plant	Res.	Depreciation	Acum. Res.	Tax	Deprec.	Cum. Tax	Deprec.
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									

MERC New Area Surcharge Analysis
 Detroit Lakes Long Lake Expansion
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TRADE SECRET DATA BEGINS...
 Yr 2 Gross Plant Investment
 Yr 2 Surcharge
 Yr 2 Net Investment

Deprec Tax
 Deprec. Book

Book Depreciation Rate
 Tax Rate

Year	Gross Plant		Net Plant		Net Plant		Tax Rates		ADIT - Prop.	
	Plant	Accum. Res.	Plant	Avg Net Plant	Plant	Net Plant	Deprec.	Tax Rates	Cum Tax	Deprec.
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									
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14	2029									
15	2030									
16	2031									
17	2032									
18	2033									
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21	2036									
22	2037									
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29	2044									
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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
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TRADE SECRET DATA BEGINS...
 Yr. 3 Gross Plant Investment
 Yr. 3 Surcharge
 Yr. 3 Net Investment

Deprec. Tax
 Deprec. Book

Book Depreciation Rate

Tax Rate

Year	Gross Plant		Net Plant		Avg Net Plant	Tax Rates		ADIT - Prop. Cum Tax	
	Plant	Depreciation	Accum. Res.	Plant		Deprec.	Deprec.	Deprec.	
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								
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45	2060								
46	2061								
47	2062								
48	2063								

Minnesota Energy Resources Corp. New Area Surcharge Analysis

PUBLIC DOCUMENT—TRADE SECRET DATA HAS BEEN EXCISED

MERC New Area Surcharge Analysis
 Detroit Lakes Long Lake Expansion
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 [TRADE SECRET DATA BEGINS...]
 Yr. 4 Gross Plant Investment
 Yr 4 Surcharge
 Yr 4 Net Investment
 Book Depreciation Rate
 Tax Rate

Deprec. Tax
 Deprec. Book

Year	Gross Plant			Net Plant		Tax		ADIT - Prop Cum Tax Deprec.
	Gross Plant	Depreciation	Accum. Res.	Net Plant	Avg Net Plant	Tax Rates	Tax Deprec.	
0								
1								686
2								2,032
3								3,269
4								4,413
5								5,472
6								6,451
7								7,356
8								8,194
9								9,020
10								9,847
11								10,673
12								11,500
13								12,326
14								13,153
15								13,979
16								14,806
17								15,632
18								16,459
19								17,285
20								18,112
21								18,938
22								19,765
23								20,591
24								21,418
25								22,244
26								23,071
27								23,897
28								24,724
29								25,550
30								26,377
31								27,203
32								28,030
33								28,856
34								29,683
35								30,509
36								31,336
37								32,162
38								32,989
39								33,815
40								34,642
41								35,468
42								36,295
43								37,121
44								37,948
45								38,774
46								39,601
47								40,427
48								41,254

...TRADE SECRET DATA ENDS]

MERC New Area Surcharge Analysis
 Detroit Lakes Long Lake Expansion
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[TRADE SECRET DATA BEGINS...]

Yr. 5 Gross Plant Investment

Yr 5 Surcharge

Yr 5 Net Investment

Book Depreciation Rate

Tax Rate

Deprec. Book

Year	Gross Plant		Net Plant		Net Plant		Tax		ADIT - Prop	
	Plant	Accum. Res.	Plant	Accum. Res.	Net Plant	Avg Net Plant	Rates	Deprac.	Cum Tax Deprac.	Deprac.
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									
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37	2052									
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42	2057									
43	2058									
44	2059									
45	2060									
46	2061									
47	2062									
48	2063									

MERC New Area Surcharge Analysis
 Detroit Lakes Long Lake Expansion
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Deprec. Tax
 Deprec. Book

Book Depreciation Rate
 Tax Rate

Year	Gross Plant		Net Plant		Net Plant		Tax		ADIT - Prod	
	Plant	Accum. Res.	Plant	Avg Net Plant	Rates	Deprec.	Cum Tax	Deprec.		
0	2015									695
1	2016									2,032
2	2017									3,269
3	2018									4,413
4	2019									5,472
5	2020									6,451
6	2021									7,356
7	2022									8,194
8	2023									9,020
9	2024									9,847
10	2025									10,673
11	2026									11,500
12	2027									12,326
13	2028									13,153
14	2029									13,979
15	2030									14,806
16	2031									15,632
17	2032									16,459
18	2033									17,285
19	2034									18,112
20	2035									18,939
21	2036									19,765
22	2037									20,592
23	2038									21,418
24	2039									22,245
25	2040									23,071
26	2041									23,898
27	2042									24,724
28	2043									25,551
29	2044									26,377
30	2045									27,204
31	2046									28,030
32	2047									28,857
33	2048									29,683
34	2049									30,510
35	2050									31,336
36	2051									32,163
37	2052									32,989
38	2053									33,816
39	2054									34,642
40	2055									35,469
41	2056									36,295
42	2057									37,122
43	2058									37,948
44	2059									38,775
45	2060									39,601
46	2061									40,428
47	2062									41,254
48	2063									42,081

...TRADE SECRET DATA ENDS

Minnesota Energy Resources Corp. New Area Surcharge Analysis

PUBLIC DOCUMENT—TRADE SECRET DATA HAS BEEN EXCISED

Detroit Lakes Long Lake Expansion

TRADE SECRET DATA BEGINS...

Retail Sales and Surcharge

Year	Residential				Commercial-Small				Surcharge Info			
	Average Customers	Annual Throughput	Annual Base Charge/Cu stomer	Annual Retail Revenue	Average Customers	Annual Throughput	Annual Base Charge /Customer	Annual Retail Revenue	Total Surcharge Recover	Tax G-Up on Surcharge Recover	Total Surcharge Recover	Avg Cum Surcharge Recover
0	2015	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
1	2016	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
2	2017	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
3	2018	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
4	2019	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
5	2020	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
6	2021	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
7	2022	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
8	2023	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
9	2024	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
10	2025	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
11	2026	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
12	2027	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
13	2028	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
14	2029	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
15	2030	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
16	2031	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
17	2032	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
18	2033	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
19	2034	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
20	2035	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
21	2036	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
22	2037	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
23	2038	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
24	2039	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
25	2040	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
26	2041	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
27	2042	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
28	2043	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
29	2044	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
30	2045	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
31	2046	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
32	2047	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
33	2048	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
34	2049	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
35	2050	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
36	2051	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
37	2052	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
38	2053	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
39	2054	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
40	2055	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
41	2056	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
42	2057	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
43	2058	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
44	2059	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
45	2060	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
46	2061	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
47	2062	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555
48	2063	114,000	30,900	3,504,000	216,000	216,000	216,000	58,555	216,000	216,000	216,000	58,555

Total Surcharge Rev
 PV = equals CIAC
 CIAC

...TRADE SECRET DATA ENDS]

PUBLIC DOCUMENT--TRADE SECRET DATA HAS BEEN EXCISED Attachment A
Minnesota Energy Resources Corporation

Reply Comments
Docket No. G-011/M-15-441
June 19, 2015

MERC New Area Surcharge Analysis
Detroit Lakes Long Lake Expansion

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[TRADE SECRET

DATA BEGINS...

Income Tax Rate

MPUC Factor

Capital Structure:

	Ratios	Cost	Weighted Cost	Tax Factor	Overall Factor
Long Term Debt					
STD					
Common Equity					
Total					

Income Tax Rate

ROR

Actual Discrt Rate

Disc Rate per MPUC

... TRADE
SECRET
DATA
ENDS]

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

Discount Rate



	Surcharge	PV	Interest
1			
2			
3			
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20			

...TRADE SECRET DATA ENDS]

**PUBLIC DOCUMENT--
TRADE SECRET DATA HAS BEEN EXCISED**

Detroit Lakes Long Lake Expansion
[TRADE SECRET DATA BEGINS...
Assumptions

Construction Costs
CIAC

Costs for Service Line
Customer's Sign-Up

Year 1 - 2014

Year 2 - 2015

Year 3 - 2016

Year 4 - 2017

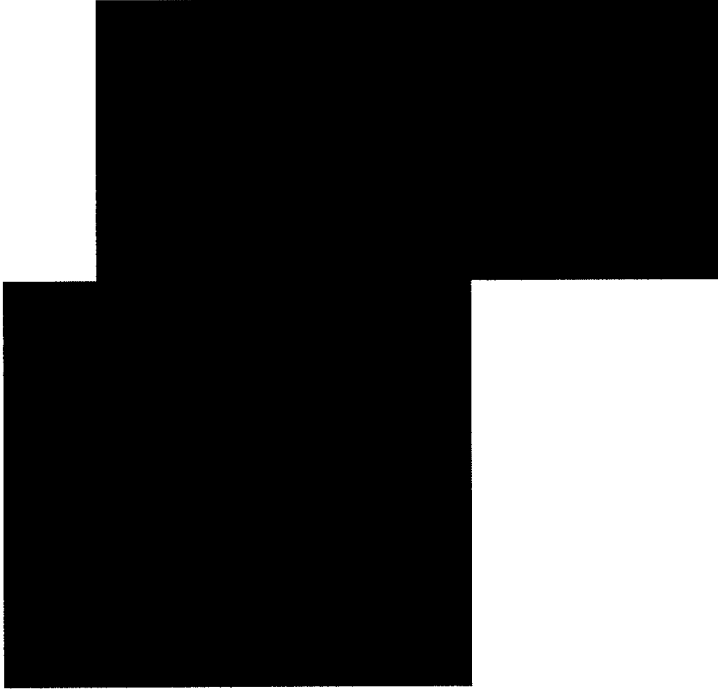
Year 5 - 2019

Year 6 - 15 - 2020 through 2029

Total Customer Connects

Percentage of Total Connects Available

Total Project



Attachment A
Minnesota Energy Resources Corporation
Reply Comments
Docket No. G-011/M-15-441
June 19, 2015

....TRADE SECRET DATA ENDS]

Attachment B

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 (Deficit)	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)
0	2015														
1	2016														
2	2017														
3	2018														
4	2019														
5	2020														
6	2021														
7	2022														
8	2023														
9	2024														
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46	2061														
47	2062														
48	2063														

Reference

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...TRADE SECRET DATA ENDS]

MERC New Area Surcharge Analysis
Detroit Lakes Long Lake Expansion
Page E-2

TRADE SECRET DATA BEGINS...
Total Gross Plant Investment 842,415 Deprec. Tax
Total CIAC (578,009)
Total Net Investment 264,406 Deprec. Book

\$1,450,570.04

Book Depreciation Rate 2.1200%
Tax Rate 41.45%

	Net Plant		ADIT - Property				ADIT - Surcharge Revenues				Total ADIT				
	Gross Plant Depreciation	Accum. Res.	Net Plant	Avg Net Plant	Tax Rates	Tax Deprec.	Cum Tax Deprec.	Acc. Def. Tax	Avg. ADIT	Annual Surcharge Revenue		CIAC	Tax	Cum Tax	Avg. ADIT
0	2015														
1	2016														
2	2017														
3	2018														
4	2019														
5	2020														
6	2021														
7	2022														
8	2023														
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46	2061														
47	2062														
48	2063														

Total Surcharge Revenue
←=CIAC

... TRADE SECRET DATA ENDS]

MERC New Area Surcharge Analysis
Detroit Lakes Long Lake Expansion

Page E-3

[TRADE SECRET DATA BEGINS...]

Yr. 1 Gross Plant Investment 718,915
CIAC (578,009)
Depreciable Book Basis 140,906

Book Depreciation Rate 2.1200%

Depreciable Tax Basis 718,915

Tax Rate 41.45%

Property Tax Rate 3.50% / Gross Plant

First Year of Analysis 2015

Year	Gross Plant		Net Plant		Tax		ADIT - Property	
	Plant	Depreciation	Accum. Res.	Net Plant	Rates	Tax Deprac.	Cum. Tax Deprac.	
0	2015							
1	2016							
2	2017							
3	2018							
4	2019							
5	2020							
6	2021							
7	2022							
8	2023							
9	2024							
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46	2061							
47	2062							
48	2063							

...TRADE SECRET DATA ENDS]

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

TRADE SECRET DATA BEGINS...

Yr 2 Gross Plant Investment 43,225 Deprec Tax
Yr 2 Surcharge -
Yr 2 Net Investment 43,225 Deprec. Book

Book Depreciation Rate 2.120%

Tax Rate 41.45%

Year	Net Plant			Tax Rates	Tax Deprec.	ADIT - Prop Cum Tax Deprec.
	Gross Plant	Depreciation Accum. Res.	Net Plant			
0						
1						
2						
3						
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...TRADE SECRET DATA ENDS

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

TRADE SECRET DATA BEGINS...

Yr. 3 Gross Plant Investment 30,875 Deprec Tax
Yr. 3 Surcharge --
Yr. 3 Net Investment 30,875 Deprec. Book

Book Depreciation Rate 2.120%
Tax Rate 41.45%

Year	Gross Plant	Depreciation	Accum. Res.	Net Plant	Net Plant	Avg Net Plant	Tax Rates	Tax Deprec.	ADIT-Prop Cum Tax Deprec.
0	2015								
1	2016								
2	2017								
3	2018								
4	2019								
5	2020								
6	2021								
7	2022								
8	2023								
9	2024								
10	2025								
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47	2062								
48	2063								

...TRADE SECRET DATA ENDS

MERC New Area Surcharge Analysis
 Detroit Lakes Long Lake Expansion
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[TRADE SECRET DATA BEGINS...]

Yr. 4 Gross Plant Investment 18,525 Deprec. Tax
 Yr. 4 Surcharge 18,525 Deprec. Book
 Yr. 4 Net Investment

Book Depreciation Rate 2.120%

Tax Rate 41.45%

Year	Gross Plant	Depreciation	Accum. Res.	Net Plant	Avg Net Plant	Tax Rates	Tax Deprec.	ADIT - Prop Cum Tax Deprec.
0								
1								
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10								
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...TRADE SECRET DATA ENDS]

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

Yr. 5 Gross Plant Investment 12,350

Yr. 5 Surcharge -

Yr. 5 Net Investment 12,350 Deprec. Book

Book Depreciation Rate 2.1200%

Tax Rate 41.45%

Year	Gross Plant	Net Plant		Tax Rates	Tax Deprec.	ADIT - Prop Cum Tax Deprec.
		Depreciation	Accum. Res.			
0						
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...TRADE SECRET DATA ENDS]

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

Yr. 6-15 Gross Plant Investment 18,525 Deprec. Tax
Yr. 6-15 Surcharge -
Yr. 6-15 Net Investment 18,525 Deprec. Book

Book Depreciation Rate 2.1200%

Tax Rate 41.45%

Year	Gross Plant		Net Plant		Tax Rates		ADIT - Prop	
	Plant	Depreciation	Accum. Res.	Net Plant	Avg Net Plant	Tax Rates	Tax Deprec.	Cum Tax Deprec.
0	2015							
1	2016							
2	2017							
3	2018							
4	2019							
5	2020							
6	2021							
7	2022							
8	2023							
9	2024							
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21	2036							
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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

Year	Residential				Commercial-Small				Surcharge Info				
	Average Customers	Annual Throughput Customer	Annual Base Charge/Cu stomer	Annual Retail Revenue	Monthly Surcharge Per Customer	Annual Base Charge /Customer	Annual Throughput Volumetric Margin/Unit	Annual Retail Revenue	Monthly Surcharge Per Customer	Total Surcharge Recover	Total Retail Revenue	Total Surcharge Recover	Avg Cum Surcharge Recovery
0	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
1	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
2	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
3	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
4	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
5	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
6	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
7	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
8	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
9	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
10	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
11	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
12	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
13	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
14	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
15	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
16	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
17	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
18	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
19	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
20	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
21	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
22	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
23	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
24	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
25	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
26	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
27	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
28	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
29	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
30	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
31	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
32	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
33	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
34	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
35	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
36	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
37	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
38	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
39	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
40	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
41	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
42	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
43	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
44	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
45	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
46	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
47	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	
48	114.00	25.33	114.00	25.33	25.33	216.00	216.00	216.00	47.99	216.00	216.00	216.00	

Total Surcharge Rev
 PV = equals CIAC
 CIAC

PUBLIC DOCUMENT--TRADE SECRET DATA HAS BEEN EXCISED

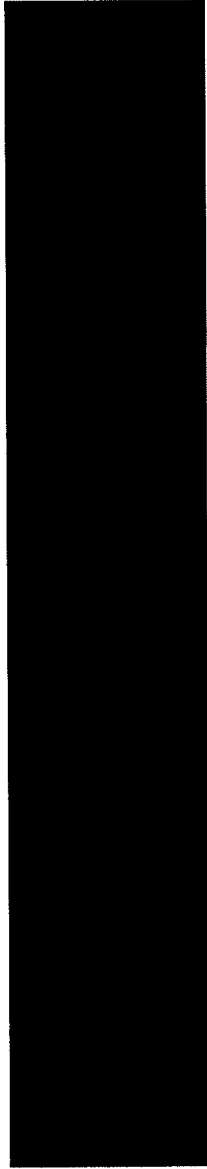
MERC New Area Surcharge Analysis
Detroit Lakes Long Lake Expansion
Page E-10

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

Income Tax Rate
MPUC Factor



Capital Structure:



Income Tax Rate



ROR

Actual Disc Rate

Disc Rate per MPUC

...TRADE
SECRET
DATA ENDS]

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

Discount Rate

	Surcharge	PV	Interest
1			
2			
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...TRADE SECRET DATA ENDS]

PUBLIC DOCUMENT--TRADE SECRET DATA HAS BEEN EXCISED

Attachment B
Minnesota Energy Resources Corporation
Reply Comments
Docket No. G-011/M-15-441
June 19, 2015

Detroit Lakes Long Lake Expansion
[TRADE SECRET DATA BEGINS...

Assumptions

Construction Costs

CIAC

Costs for Service Line

Customer's Sign-Up

Year 1 - 2014

Year 2 - 2015

Year 3 - 2016

Year 4 - 2017

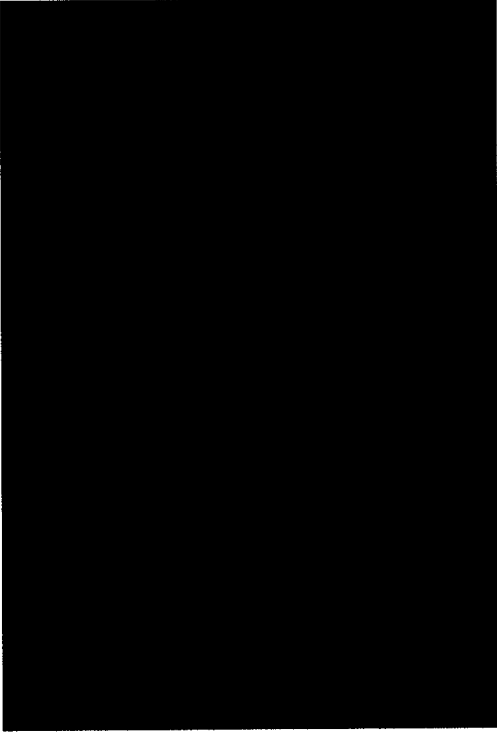
Year 5 - 2019

Year 6 - 15 - 2020 through 2029

Total Customer Connects

Percentage of Total Connects Available

Total Project



...TRADE SECRET DATA ENDS]

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

Kristin M. Stastny, being first duly sworn, deposes and says that on June 19, 2015, on behalf of Minnesota Energy Resources Corporation (MERC) she electronically filed a true and correct copy of the attached Reply Comments on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

/s/ Kristin M. Stastny
Kristin M. Stastny

Subscribed and sworn to before me
This 19th Day of June, 2015.

/s/ Alice Jaworski
Notary Public, State of Minnesota
My Commission Expires: January 31, 2020

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