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August 17, 2015

VIA ELECTRONIC FILING

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

RE: Minnesota Energy Resources Corporation's 2015 Evaluation of its Gas Affordability Program, Docket No. G-011/M-15-539
Supplemental Reply Comments of Minnesota Energy Resources Corporation

Dear Mr. Wolf:

On July 28, 2015, the Minnesota Department of Commerce, Division of Energy Resources ("Department") filed comments in the above-referenced docket recommending that the Minnesota Public Utilities Commission ("Commission") approve Minnesota Energy Resources Corporation's ("MERC" or the "Company") petition for approval of its Gas Affordability Program ("GAP") evaluation report with modifications. On August 10, 2015, MERC filed Reply Comments, responding to the Department's requests for additional information and recommendations. MERC submits these additional comments to correct its GAP tracker and to state its agreement to the Department's recommendation to set MERC's GAP surcharge at \$0.000 effective the month following the Commission's Order in this proceeding.

On December 29, 2011 the Commission issued an Order Accepting Report, Extending Program, and Increasing Gas Affordability Surcharge in Docket No. G-007,011/M-07-1131. Order Point 8 of that Order authorized MERC to recover the projected tracker balance as of December 31, 2011, amortized over a four-year period, plus the \$1 million proposed annual budget through a revised per therm surcharge. The Commission also authorized "a carrying charge on the consolidated gas affordability program tracker balance effective January 1, 2012, at MERC's currently authorized rate or return. MERC shall update the rate of return applied to this tracker account at the end of its pending rate case in Docket No. G-007,011/GR-10-977."

Based on the language of the Commission's December 29, 2011 Order, MERC established the under-collection as a regulatory asset to be amortized over four years and has applied carrying charges to that balance in the tracker. MERC did not include the regulatory asset in rate base. MERC believes the intent of the Commission's Order, however, was that MERC recover the under-collection through the tracker based on a surcharge calculated to allow for collection over four years, applying carrying charges to the

entire tracker balance beginning in 2012. Therefore, MERC has revised its tracker account back to 2012 to correct the carrying charge calculation. This correction results in additional benefit to ratepayers because the total tracker balance has been positive (over-collected) since 2013.

In addition to correcting the methodology for calculating carrying charges, MERC has revised the 2015 and 2016 projected trackers, as requested by the Department, to adjust the carrying charge to the cost of short-term debt and to adjust the GAP surcharge to \$0.000 effective on the first of the month following the Commission's Order. MERC has assumed those changes would go into effect October 1, 2015.

Based on the corrections to the carrying charge calculation, the Department's recommended change to the carrying charge, the reduction of the surcharge to \$0.000, and MERC's proposed reduction in GAP budget from \$1 million to \$750,000, MERC has projected that the tracker will continue to be over-collected through 2016. Therefore, MERC no longer requests that the Commission set the GAP surcharge at \$0.00158 and instead agrees with the Department's recommendation to set the surcharge at \$0.000.

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

Sincerely yours,

/s/ Amber S. Lee

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

Attachments

cc: Service List

**Minnesota Energy Resources - Total Company
Gas Affordability Program Tracker**

2012

Corrected 2012 GAP Tracker
17-Aug-15

	<u>Beginning Balance</u>	<u>Funding (from bills)</u>	<u>Dollars Paid for Affordability</u>	<u>Dollars Paid for Arrearage Forgiveness</u>	<u>Admin Fee to Salvation Army</u>	<u>Balance Subject to Carry Cost</u>	<u>Carry Cost</u>	<u>Cumulative Carry Cost</u>	<u>Balance</u>
Jan-12	(690,439.70)	153,230.97	55,751.08	488.61	-	(593,448.42)	(3,946.43)	(3,946.43)	(597,394.85)
Feb-12	(593,448.42)	182,479.25	55,485.13	415.75	-	(466,870.05)	(3,104.69)	(7,051.12)	(473,921.17)
Mar-12	(466,870.05)	147,507.89	54,868.40	345.22	-	(374,575.78)	(2,490.93)	(9,542.05)	(384,117.83)
Apr-12	(374,575.78)	77,209.78	54,628.73	321.53	12,500.00	(364,816.26)	(2,426.03)	(11,968.07)	(376,784.33)
May-12	(364,816.26)	60,953.92	51,791.80	318.23	-	(355,972.37)	(2,367.22)	(14,335.29)	(370,307.66)
Jun-12	(355,972.37)	35,150.32	53,709.66	374.65	-	(374,906.36)	(2,493.13)	(16,828.42)	(391,734.78)
Jul-12	(374,906.36)	22,307.05	53,181.10	364.65	-	(406,145.06)	(2,700.86)	(19,529.28)	(425,674.34)
Aug-12	(406,145.06)	24,257.71	52,500.42	405.52	12,500.00	(447,293.29)	(2,974.50)	(22,503.78)	(469,797.07)
Sep-12	(447,293.29)	29,137.55	52,409.12	356.52	-	(470,921.38)	(3,131.63)	(25,635.41)	(496,556.79)
Oct-12	(470,921.38)	42,855.39	52,739.31	364.50	12,500.00	(493,669.80)	(3,282.90)	(28,918.31)	(522,588.11)
Nov-12	(493,669.80)	82,849.77	52,734.25	377.84	-	(463,932.12)	(3,085.15)	(32,003.46)	(495,935.58)
Dec-12	(463,932.12)	124,516.40	52,588.32	363.97	12,500.00	(404,868.01)	(2,692.37)	(34,695.84)	(439,563.85)
		982,456.00	642,387.32	4,496.99	50,000.00	(404,868.01)	(34,695.84)		(439,563.85)

Minnesota Energy Resources - Total Company
Gas Affordability Program Tracker
2013

Corrected 2013 GAP Tracker
17-Aug-15

	RT 078 and 179	RT 825	RT 826	RT 044					
<u>Beginning Balance</u>									
<u>Subject to Carry</u>	<u>Funding (from</u>	<u>Dollars Paid for</u>	<u>Dollars Paid for</u>	<u>Admin Fee to</u>	<u>Balance Subject to</u>	<u>Carry Cost Beg</u>		<u>Cumulative Carry</u>	
<u>Cost</u>	<u>bills)</u>	<u>Affordability</u>	<u>Arrearage</u>	<u>Salvation Army</u>	<u>Carry Cost</u>	<u>Balance</u>	<u>Carry Cost</u>	<u>Cost</u>	<u>Balance</u>
Jan-13	(439,563.85)	209,972.33	52,273.11	378.05	-	(282,242.68)	(34,695.84)	(1,840.22)	(318,778.74)
Feb-13	(282,242.68)	217,956.08	51,825.00	403.77	-	(116,515.37)	(36,536.06)	(759.68)	(153,811.11)
Mar-13	(116,515.37)	177,052.75	51,660.85	361.18	-	8,515.35	(37,295.74)	55.52	(28,724.87)
Apr-13	8,515.35	150,713.29	51,440.25	397.85	12,500.00	94,890.54	(37,240.22)	618.69	58,269.01
May-13	94,890.54	112,825.93	50,902.72	360.99		156,452.76	(36,621.53)	1,020.07	120,851.30
Jun-13	156,452.76	50,468.82	50,273.22	406.48		156,241.88	(35,601.46)	1,018.70	121,659.12
Jul-13	156,241.88	40,132.92	49,792.94	260.21		146,321.65	(34,582.76)	954.02	112,692.90
Aug-13	146,321.65	23,187.84	49,544.13	514.70	12,500.00	106,950.66	(33,628.75)	697.32	74,019.23
Sep-13	106,950.66	31,555.45	49,277.57	267.40	-	88,961.14	(32,931.43)	580.03	56,609.74
Oct-13	88,961.14	37,429.85	48,652.05	371.69	12,500.00	64,867.25	(32,351.40)	422.93	32,938.78
Nov-13	64,867.25	95,167.12	48,466.36	354.38	-	111,213.63	(31,928.47)	725.11	80,010.28
Dec-13	111,213.63	183,043.32	48,041.03	362.25	12,500.00	233,353.67	(31,203.35)	1,521.47	203,671.78
		1,329,505.70	602,149.23	4,438.95	50,000.00			5,013.95	

Carry Cost charge set at Rate of Return of 7.98% as approved by the Commission in Docket No. G007,011/M-07-1131

Minnesota Energy Resources - Total Company
Gas Affordability Program Tracker
2014

242262

Corrected 2014 GAP Tracker
17-Aug-15

	<i>RT 078 and 179</i>	<i>RT 825</i>	<i>RT 826</i>	<i>RT 044</i>						
<u>Beginning Balance</u>										
<u>Subject to Carry</u>	<u>Funding (from</u>	<u>Dollars Paid for</u>	<u>Dollars Paid for</u>	<u>Admin Fee to</u>	<u>Balance Subject to</u>	<u>Cumulative Carry</u>		<u>Cumulative Carry</u>		
<u>Cost</u>	<u>bills)</u>	<u>Affordability</u>	<u>Arrearage</u>	<u>Salvation Army</u>	<u>Carry Costs</u>	<u>Cost Beg Bal</u>	<u>Carry Costs</u>	<u>Costs</u>	<u>Balance</u>	
			<u>Forgiveness</u>							
Jan-14	203,671.78	258,778.15	47,573.12	238.53	-	414,638.28	2,703.44	(26,978.45)	387,659.83	
Feb-14	414,638.28	258,519.96	46,821.11	277.40	-	626,059.73	4,081.91	(22,896.54)	603,163.19	
Mar-14	626,059.73	231,653.59	46,525.60	297.75		810,889.97	5,287.00	(17,609.53)	793,280.44	
Apr-14	810,889.97	153,886.85	46,444.55	171.74		918,160.53	5,986.41	(11,623.13)	906,537.40	
May-14	918,160.53	100,495.72	49,320.39	355.63		968,980.23	6,317.75	(5,305.38)	963,674.85	
Jun-14	968,980.23	53,921.13	51,753.93	820.42	25,000.00	945,327.01	6,163.53	858.16	946,185.17	
Jul-14	945,327.01	32,641.09	51,062.08	1,768.40		925,137.62	6,031.90	6,890.05	932,027.67	
Aug-14	925,137.62	22,778.68	51,275.55	2,098.22		894,542.53	5,832.42	12,722.47	907,265.00	
Sep-14	894,542.53	29,400.74	51,381.54	1,998.79		870,562.94	5,676.07	18,398.54	888,961.48	
Oct-14	870,562.94	39,198.47	58,429.48	2,008.07		849,323.86	5,537.59	23,936.13	873,259.99	
Nov-14	849,323.86	85,942.64	62,993.36	2,409.39		869,863.75	5,671.51	29,607.64	899,471.39	
Dec-14	869,863.75	189,849.39	64,421.75	2,617.98	25,000.00	967,673.41	6,309.23	35,916.87	1,003,590.28	
		1,457,066.41	628,002.46	15,062.32	50,000.00		65,598.76			

Carry Cost charge set at Rate of Return of 7.98% as approved by the Commission in Docket No. G007,011/M-07-1131

**Minnesota Energy Resources - Total Company
Gas Affordability Program Tracker**

242262

Forecasted balance at 12/31/15

Corrected 2015 GAP Tracker
17-Aug-15

RT 078 and 179 RT 825 RT 826 RT 044

	<u>Beginning Balance</u>			<u>Dollars Paid for</u>					<u>Cumulative Carry</u>		
	<u>Subject to Carry</u>	<u>Funding (from</u>	<u>Dollars Paid for</u>	<u>Arrearage</u>	<u>Admin Fee to</u>	<u>Under-Collected</u>	<u>Balance Subject to</u>	<u>Costs Beginning</u>		<u>Cumulative Carry</u>	
	<u>Cost-Over (Under)</u>	<u>bills)</u>	<u>Affordability</u>	<u>Forgiveness</u>	<u>Salvation Army</u>	<u>Balance from IPL</u>	<u>Carry Cost</u>	<u>Balance</u>	<u>Carry Cost</u>	<u>Costs</u>	<u>Balance</u>
Actual	Jan-15	\$ 1,003,590.28	\$ 213,971.20	\$ 63,564.44	\$ 2,421.21	\$ -	\$ 1,151,575.83	\$ 35,916.87	\$ 7,508.27	\$ 43,425.14	\$ 1,195,000.97
Actual	Feb-15	1,151,575.83	203,072.48	62,622.36	2,217.70	-	\$ 1,289,808.25	43,425.14	\$ 8,409.55	\$ 51,834.69	\$ 1,341,642.94
Actual	Mar-15	1,289,808.25	223,823.30	62,625.33	2,155.22	-	\$ 1,448,851.00	51,834.69	\$ 9,446.51	\$ 61,281.20	\$ 1,510,132.20
Actual	Apr-15	1,448,851.00	118,994.63	62,239.20	1,968.88	-	\$ 1,503,637.55	61,281.20	\$ 9,152.64	\$ 70,433.84	\$ 1,574,071.39
Actual	May-15	1,503,637.55	69,355.28	62,386.97	2,538.81	8,807.56	\$ 1,499,259.49	70,433.84	\$ 9,125.99	\$ 79,559.84	\$ 1,578,819.33
Actual	Jun-15	1,499,259.49	43,074.66	62,728.26	-	-	\$ 1,479,605.89	79,559.84	\$ 9,006.36	\$ 88,566.20	\$ 1,568,172.09
Actual	Jul-15	1,479,605.89	26,496.06	62,196.18	-	-	\$ 1,443,905.77	88,566.20	\$ 8,789.05	\$ 97,355.25	\$ 1,541,261.02
Fcst (2)	Aug-15	1,443,905.77	17,650.67	90,855.59	-	25,000.00	\$ 1,345,700.85	97,355.25	\$ 8,191.28	\$ 105,546.53	\$ 1,451,247.38
Fcst	Sep-15	1,345,700.85	32,795.74	90,855.59	-	-	\$ 1,287,641.00	105,546.53	\$ 7,837.87	\$ 113,384.40	\$ 1,401,025.40
Fcst	Oct-15	1,287,641.00	-	90,855.59	-	-	\$ 1,196,785.41	113,384.40	\$ 2,342.41	\$ 115,726.82	\$ 1,312,512.23
Fcst	Nov-15	1,196,785.41	-	90,855.59	-	-	\$ 1,105,929.82	115,726.82	\$ 2,164.58	\$ 117,891.40	\$ 1,223,821.22
Fcst	Dec-15	1,105,929.82	-	90,855.59	-	25,000.00	\$ 990,074.23	117,891.40	\$ 1,937.83	\$ 119,829.23	\$ 1,109,903.46
		<u>\$ 949,234.02</u>	<u>\$ 892,640.69</u>	<u>\$ 11,301.82</u>	<u>\$ 50,000.00</u>	<u>\$ 8,807.56</u>		<u>\$ 83,912.36</u>			

(1) March 2015 includes adjustments for the Emmons IA customers that should have charged for GAP. The funding from bills column includes a one time adjustment of \$253.18 and the carry cost column includes a one time adjustment of \$65.34.

(2) Forecasted funding from bills and dollars paid for affordability for forecasted months of Aug-Dec includes amounts related to acquired IPL customers.

Carry Cost charge set at Rate of Return of 7.3048% as of April 1, 2015 as approved by the Commission in Docket No. G011/GR-13-617

Carry Cost charge set at the Short Term debt rate of 2.3487% as of October 2015

GAP surcharge set to \$0.00 as of October 2015

**Minnesota Energy Resources - Total Company
Gas Affordability Program Tracker**

242262

Forecasted balance at 12/31/16

2016 Projected Trac
17-Aug-15

RT 078 and 179 RT 825 RT 826 RT 044

	<u>Beginning Balance</u>	<u>Funding (from</u>	<u>Dollars Paid for</u>	<u>Dollars Paid for</u>	<u>Admin Fee to</u>	<u>Balance Subject to</u>	<u>Cumulative Carry</u>		<u>Cumulative Carry</u>	<u>GAP Tracker</u>
	<u>Subject to Carry</u>	<u>bills)</u>	<u>Affordability</u>	<u>Arrearage</u>	<u>Salvation Army</u>	<u>Carry Cost</u>	<u>Costs Beginning</u>	<u>Carry Cost</u>	<u>Costs</u>	<u>Balance-</u>
	<u>Cost-Over (Under)</u>			<u>Forgiveness</u>			<u>Balance</u>			<u>Over(Under)</u>
Actual	Jan-15	\$ 1,109,093.46	\$ 57,391.51	\$ 2,421.21	\$ -	\$ 1,049,280.74	\$ 119,829.23	\$ 2,053.70	\$ 121,882.93	\$ 1,171,163.67
Actual	Feb-15	1,049,280.74	\$ 57,391.51	2,217.70	-	989,671.53	121,882.93	1,937.03	123,819.97	1,113,491.50
Actual	Mar-15	989,671.53	\$ 57,391.51	2,155.22	-	930,124.80	123,819.97	1,820.49	125,640.46	1,055,765.26
Actual	Apr-15	930,124.80	\$ 57,391.51	1,968.88		870,764.41	125,640.46	1,704.30	127,344.76	998,109.17
Actual	May-15	870,764.41	\$ 57,391.51	2,538.81		810,834.09	127,344.76	1,587.01	128,931.76	939,765.85
Actual	Jun-15	810,834.09	\$ 57,391.51	-	-	753,442.58	128,931.76	1,474.68	130,406.44	883,849.02
Actual	Jul-15	753,442.58	\$ 57,391.51	-		696,051.07	130,406.44	1,362.35	131,768.79	827,819.86
Fcst (2)	Aug-15	696,051.07	\$ 57,391.51	-	25,000.00	613,659.56	131,768.79	1,201.09	132,969.87	746,629.43
Fcst	Sep-15	613,659.56	\$ 57,391.51	-		556,268.05	132,969.87	1,088.76	134,058.63	690,326.68
Fcst	Oct-15	556,268.05	\$ 57,391.51	-		498,876.54	134,058.63	976.43	135,035.05	633,911.59
Fcst	Nov-15	498,876.54	\$ 57,391.51	-		441,485.03	135,035.05	864.10	135,899.15	577,384.18
Fcst	Dec-15	441,485.03	\$ 57,391.51	-	25,000.00	359,093.52	135,899.15	702.84	136,601.99	495,695.51
		\$ -	\$ 688,698.12	\$ 11,301.82	\$ 50,000.00			\$ 16,772.76		

Carry Cost charge set a the Short Term debt rate of 2.3487% as of October 2015

GAP surcharge set to \$0.00 as of October 2015

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 17th day of August, 2015, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Supplemental Reply Comments on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

Dated this 17th day of August, 2015.

/s/ Kristin M. Stastny
Kristin M. Stastny

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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_15-539_M-15-539