



Minnesota Energy Resources Corporation
Suite 200
1995 Rahncliff Court
Eagan, MN 55122
www.minnesotaenergyresources.com

August 25, 2015

VIA ELECTRONIC FILING

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

Re: In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Project
Petition to Modify Previously Approved New Area Surcharge

Docket No. G-011/M-14-524

Dear Mr. Wolf:

On July 9, 2015, the Commission considered Minnesota Energy Resources Corporation's (MERC) Petition for Approval of a New Area Surcharge for the Detroit Lakes – Long Lake Project in Docket No. G-011/M-15-441. On July 28, 2015, the Commission issued an Order requiring MERC to revise its new area surcharge (NAS) tariffs to exclude the Conservation Cost Recovery Charge (CCRC) from the marginal distribution revenue stream calculation in the model and to incorporate the Company's existing 75-foot service extension allowance for residential service installation. On August 21, 2015, MERC filed a compliance filing revising its NAS tariff sheets to conform to the Commission's

During deliberations, the Commission requested that MERC commit to file a petition to modify its previously approved NAS for Ely Lake to incorporate the approved changes to MERC's NAS model in order to provide the Ely Lake customers the benefit of those changes. In accordance with MERC's commitments during the July 9, 2015 Commission meeting, MERC submits this Petition for approval to modify the previously approved Ely Lake New Area Surcharge. Under this Petition, MERC proposes to reduce the surcharge amount from \$33.50 to \$25.45. We will begin assessing the new surcharge to customers in the Ely Lake Project Area in the month following Commission approval of this Petition. The surcharges collected to date will be credited against the calculated contribution in aid of construction for the Project. If the Project costs are recovered before the end of the approved 20-year term, we will stop collection of the surcharge at that time.

Attachment 1 to this filing is revised clean and redline tariff sheets reflecting the proposed revised surcharge for the Ely Lake Project. Attachment 2 to this filing is a proposed customer notice reflecting the proposed revised new area surcharge. Filed separately as Attachment 3 to this filing is a revised New Area Surcharge model for the Ely Lake Project. The nonpublic version of Attachment 3 contains trade secret information. Specifically, Attachment 3 contains pricing information that is not generally known to, and

not readily ascertainable by competitors of MERC, who could obtain economic value from its disclosure. MERC maintains this information as trade secret. The nonpublic version of Attachment 3 contains data that qualifies as "Trade Secret Data" pursuant to Minnesota Statutes Section 13.37 Subdivision 1(b).

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

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
John Tuma
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of Minnesota
Energy Resources Corporation for to Modify
the New Area Surcharge for the Ely Lake
Project

Docket No. G-011/M-14-524

PETITION FOR APPROVAL TO MODIFY ELY LAKE NEW AREA SURCHARGE

Pursuant to Minnesota Rules Part 7829.1300, Minnesota Energy Resources Corporation (“MERC”) submits this miscellaneous rate change and tariff filing to the Minnesota Public Utilities Commission (“Commission”) for approval to modify the New Area Surcharge for the previously approved Ely Lake project.

This filing includes the following:

- One paragraph summary of the filing in accordance with Minn. R. 7829.1300, subp. 1.
- Petition for Approval to Modify the New Area Surcharge for the Ely Lake Project.
- Attachment 1: Clean and redlined proposed Tariff Sheet No. 9.17;
- Attachment 2: Proposed Customer Notice; and
- Attachment 3: Proposed Surcharge Calculation.

I. Summary of Filing

Pursuant to Minn. R. 7829.1300, subp. 1, a one-paragraph summary of the filing is attached.

II. Service

Pursuant to Minn. R. 7829.1300, subp. 2, MERC has served a copy of this petition on the Office of the Attorney General – Antitrust and Utilities Division. The summary of the filing has been served on all parties on the attached service list.

III. General Filing Information

Pursuant to Minn. R. 7829.1300, subp.3, the following information is provided:

A. Name, Address, and Telephone Number of the Utility

Minnesota Energy Resources Corporation
1995 Rahnclyff Court, Suite 200
Eagan, MN 55122
(651) 322-8901

B. Name, Address, and Telephone Number of Attorney for the Utility

Michael J. Ahern
Dorsey & Whitney LLP
50 S. Sixth Street, Suite 1500
Minneapolis, MN 55402-1498
(612) 340-2881

C. Date of the Filing and Date Proposed Agreement Will Take Effect

Date of Filing: August 25, 2015

Proposed Effective Date: Upon Commission Approval

D. Statute Controlling Schedule for Processing the Filing

Under Minn. R. 7829.0100, subp. 11, this petition is a “miscellaneous” filing because no determination of MERC’s general revenue requirement is necessary. Comments on a miscellaneous filing are due within 30 days of filing, with replies due 10 days thereafter. Minn. R. 7829.1400, subp. 1, 4.

E. Signature and Title of Utility Employee Responsible for the Filing

A handwritten signature in black ink, appearing to be 'M. Ahern', is written over a light gray rectangular background.

Amber S. Lee
Regulatory and Legislative Affairs Manager
1995 Rahncliff Court, Suite 200
Eagan, MN 55122
(651) 322-8965

IV. Miscellaneous Information

Pursuant to Minnesota Rule 7829.0700, MERC requests that the following persons be placed on the Commission's official service list for this matter:

Seth DeMerritt
Rate Case Consultant
Integrus Business Support
700 North Adams Street
Green Bay, WI 54301
(920) 433-2926
SSDemerritt@integrysgroup.com

If additional information is required, please contact Amber Lee at (651) 322-8965.

DATED: August 25, 2015

Respectfully Submitted,

MINNESOTA ENERGY
RESOURCES CORPORATION

By: /s/ Amber S. Lee
Amber S. Lee
1995 Rahncliff Court, Suite 200
Eagan, MN 55122
Telephone: (651) 322-8965

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
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In the Matter of the Petition of Minnesota
Energy Resources Corporation for to Modify
the New Area Surcharge for the Ely Lake
Project

Docket No. G-011/M-14-524

SUMMARY OF FILING

Pursuant to Minnesota Rules Part 7829.1300, Minnesota Energy Resources Corporation (“MERC”) submits to the Minnesota Public Utilities Commission (“Commission”) this Petition for approval to modify the New Area Surcharge for the previously approved Ely Lake Project.

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
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In the Matter of the Petition of Minnesota
Energy Resources Corporation for to Modify
the New Area Surcharge for the Ely Lake
Project

Docket No. G-011/M-14-524

**PETITION FOR APPROVAL TO MODIFY NEW AREA SURCHARGE FOR THE ELY
LAKE PROJECT**

I. INTRODUCTION

Minnesota Energy Resources Corporation (“MERC” or the “Company”) submits for Commission approval to modify the previously approved New Area Surcharge (“NAS”) for the Ely Lake Project, which was approved by Order dated September 5, 2014 in Docket No. G-011/M-14-524 at a rate of \$33.50 per month for residential and existing small business class customers for a period of 20 years.

On July 9, 2015, the Commission considered MERC’s Petition for Approval of a New Area Surcharge for the Detroit Lakes – Long Lake Project in Docket No. G-011/M-15-441. On July 28, 2015, the Commission issued an Order requiring MERC to revise its new area surcharge (NAS) tariffs to exclude the Conservation Cost Recovery Charge (“CCRC”) from the marginal distribution revenue stream calculation in the model and to incorporate the Company’s existing 75-foot service extension allowance for each new service installation. During deliberations, as a result of these changes to the NAS model, the Commission requested that MERC commit to file a petition to modify its previously approved NAS for Ely Lake to incorporate the approved changes to MERC’s NAS model in order to provide the Ely Lake customers the benefit of those changes.

II. MODIFIED NEW AREA SURCHARGE FOR THE ELY LAKE PROJECT

Based on the revisions to MERC’s NAS model as approved by the Commission in Docket No. G-011/M-15-441, the following modified class surcharges are proposed for the Ely Lake Project. Because customers have already begun paying the previously approved

surcharge amount, MERC will terminate the surcharge earlier if the revised Contribution in Aid of Construction has been paid.

Ely Lake Project Modified New Area Surcharge	
Residential	\$ 25.45
Existing Small Commercial	\$ 25.45

MERC's calculation of the modified proposed surcharge is reasonably designed to recover the portion of the cost of service attributable to uneconomic service extensions.

As previously approved, the surcharges will be in effect for a period not to exceed twenty (20) years. As noted above, MERC will terminate the surcharge when the projected revenue deficiency is satisfied or at the end of twenty (20) years, whichever occurs first.

The proposed modified New Area Surcharge is in the public interest. This modification to the previously approved New Area Surcharge will ensure MERC's customers who are receiving service through a NAS are treated equally. In support of the requested modification, MERC submits the following:

Attachment 1: Clean and Redline Proposed Tariff Sheets

Attachment 2: Proposed Notice to Customers of Modified Surcharge

Attachment 3: Proposed Revised Surcharge Calculation/Model

III. CONCLUSION

MERC respectfully requests that the Commission approve MERC's request to modify the previously approved New Area Surcharge for customers located in the Ely Lakes project.

If additional information is required, please contact Amber Lee at (651) 322-8965.

DATED: August 25, 2015

Respectfully Submitted,

MINNESOTA ENERGY
RESOURCES CORPORATION

By: /s/ Amber S. Lee

Amber S. Lee

1995 Rahncliff Court, Suite 200

Eagan, MN 55122

Telephone: (651) 322-8965

Attachment 1

Clean and Redline Proposed Tariffs

Redline Tariff

EXTENSION OF NATURAL GAS SERVICE

3. NEW AREA SURCHARGE RIDER (Continued)

15) Revenue Excess or (Deficiency): Revenue excess or deficiency is the difference between the Total Revenue Requirement (Column 13) and the amount of Retail Revenue (Column 14). Excess occurs when the Total Revenue Requirement in a given year is less than the total Retail Revenue generated. Deficiency occurs when the Total Revenue Requirement in a given year is more than the total Retail Revenue generated.

16) Present Value of Cash Flows: The cash flows that produce either revenue excesses or deficiencies (Column 15) are discounted to a present value using a discount rate equal to the cost of long-term debt established in the most recent general rate proceeding.

If the sum of the present value calculations over the life of the project is zero, or as close to zero as possible, the model demonstrates that the project is “self supporting.” That is, the customer CIAC surcharge is the proper amount of customer contributed capital necessary to support the project at the projected (or actual) level of retail revenues.

Surcharge Rider Rates:

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

Ely Lake Project <u>20 Year New Area Surcharge</u> <u>Expires 2034</u>	
Residential	<u>\$25.4533.50</u>
Existing Small Commercial	<u>\$25.4533.50</u>

Detroit Lakes—Long Lake Project 15 Year New Area Surcharge <u>Expires 2030</u>	
Residential	\$19.16
Small Commercial/Interruptible	\$36.30

Issued By: DM Derricks

*Effective Date: ~~July 28, 2015~~ Upon Commission Approval

Asst. Vice President, Regulatory Services Proposed Effective Date: Upon Commission Approval ~~July 28, 2015~~

Submittal Date: August 25, 2015

*Effective with bills issued on and after this date.

Clean Tariff

EXTENSION OF NATURAL GAS SERVICE

3. NEW AREA SURCHARGE RIDER (Continued)

15) Revenue Excess or (Deficiency): Revenue excess or deficiency is the difference between the Total Revenue Requirement (Column 13) and the amount of Retail Revenue (Column 14). Excess occurs when the Total Revenue Requirement in a given year is less than the total Retail Revenue generated. Deficiency occurs when the Total Revenue Requirement in a given year is more than the total Retail Revenue generated.

16) Present Value of Cash Flows: The cash flows that produce either revenue excesses or deficiencies (Column 15) are discounted to a present value using a discount rate equal to the cost of long-term debt established in the most recent general rate proceeding.

If the sum of the present value calculations over the life of the project is zero, or as close to zero as possible, the model demonstrates that the project is “self supporting.” That is, the customer CIAC surcharge is the proper amount of customer contributed capital necessary to support the project at the projected (or actual) level of retail revenues.

Surcharge Rider Rates:

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

Ely Lake Project 20 Year New Area Surcharge Expires 2034	
Residential	\$25.45
Existing Small Commercial	\$25.45

Detroit Lakes—Long Lake Project 15 Year New Area Surcharge Expires 2030	
Residential	\$19.16
Small Commercial/Interruptible	\$36.30

Issued By: DM Derricks
Asst. Vice President, Regulatory Services

Submittal Date: August 25, 2015

*Effective with bills issued on and after this date.

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

Attachment 2

Proposed Notice to Customers

IMPORTANT INFORMATION

About your natural gas rates

NEW NATURAL GAS RATES BEGIN WITH THIS BILL

For Customers Served in the Ely Lake Project Area

An Explanation of Your Natural Gas Rates

On September 5, 2014, the Minnesota Public Utilities Commission (MPUC) approved a New Area Surcharge for Minnesota Energy Resources Corporation (MERC) customers served in the Ely Lake Project Area at a rate of \$33.50 per month for residential and existing small commercial customers for a period of 20 years. Subsequently, on XXXX, The MPUC approved a modification to the New Area Surcharge for the Ely Lake Project Area which reduces the monthly surcharge as follows:

Ely Lake Project Modified New Area Surcharge	
Residential	\$ 25.45
Existing Small Commercial	\$ 25.45

MERC is required to recover the cost of extending new gas service from the new customers who will be served by it. The revised New Area Surcharge for residential and existing small commercial customers has been approved by the Commission at \$25.45 per month, which is the surcharge amount needed to recover the cost of the extension within 20 years. The surcharge will appear as a line item on your monthly bill and is charged in addition to the regular monthly bill for gas service. Attached for reference are sample bills for the month of January based on average residential and average small commercial customer usage in the Ely Lake area, showing the new area surcharge as a separate line item.

The surcharge will be in effect until the cost to bring natural gas service to your area has been recovered or a maximum of 20 years, whichever occurs first. The 20 year term will expire in 2034. You will be notified of any change to the New Area Surcharge, including termination of the New Area Surcharge.

The annual cost of the surcharge is \$305.40. The total cost over the 20-year term of the surcharge is \$6,108.

If you have questions, comments or would like more information, you are invited to contact customer service at 1-800-889-9508.

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 25th day of August, 2015, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Petition 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 25th day of August, 2015.

/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_14-524_M-14-524
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_14-524_M-14-524
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	150 S. 5th Street, #1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-524_M-14-524
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_14-524_M-14-524
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St Chicago, IL 60661	Electronic Service	No	OFF_SL_14-524_M-14-524
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_14-524_M-14-524
John	Lindell	agorud.ecf@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_14-524_M-14-524
Brian	Meloy	brian.meloy@stinsonleonard.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-524_M-14-524
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-524_M-14-524
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_14-524_M-14-524
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_14-524_M-14-524