



Minnesota Energy Resources Corporation

Suite 200
1995 Rahncliff Court
Eagan, MN 55122

www.minnesotaenergyresources.com

September 29, 2015

VIA ELECTRONIC FILING

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

Re: Supplemental Reply Comments, Rate Refund Compliance Filing
In the Matter of the Application of Minnesota Energy Resources Corporation
for Authority to Increase Rates for Natural Gas Service in Minnesota; Docket
No. G011/GR-13-617

Dear Mr. Wolf:

On July 31, 2015, the Department of Commerce, Division of Energy Resources ("Department") filed a letter in the above-referenced docket raising concerns with Minnesota Energy Resources Corporation's ("MERC") interim rate refund. The Department requested MERC submit reply comments to provide additional information. On August 10, 2015, MERC submitted reply comments stating that it had identified an error in implementation of the interim refund, which resulted in the large unclaimed balance. MERC indicated it would make a subsequent filing to document resolution of the discrepancy and to make a proposal for the treatment of un-refunded amounts.

MERC submits these supplemental comments to explain the correction that was made to MERC's initial interim rate refund and to respond to the Department's specific questions regarding un-refunded amounts.

Additional Refunds Issued

Upon review, MERC realized the initial refund included an error in the refund rate for our transportation customers that resulted in an under-refund for that class. MERC has recalculated the refund due these customers and is in the process of issuing additional refunds. All of the remaining refunds will be complete by month-end.

In total, MERC will refund \$4,669,588, including \$115,253 in interest. The \$115,253 of interest includes \$1,317 added as a result of the rate error. The total un-refunded amount is \$10,853. The following table shows the breakout of the initial and final interim refund amounts.

Initial and Final Interim Refunds Issued	
Initial Refund	\$4,496,854 (includes \$110,772 of interest)
Additional Interest Attributable to Bill Cycle 1-5 Refunds Issued in July	\$3,161
Additional Refund Issued in July, August and September Due to Cancel/Re-Bills	\$5,680
Additional Interest Attributable to Rate Error	\$1,317
Additional Refunds Issued in September to Rectify Rate Error	\$162,576
Total Refund Issued	\$4,669,588 (includes \$4,481 of additional interest due to billing errors)
Total Refund Obligation	\$4,675,954
Amount Un-Refunded	\$10,853*

* Difference due to rounding in the refund program and subsequent rate classification.

After correcting for the refund error, MERC has an un-refunded amount of \$10,853. This amount consists of two categories of refunds:

- (1) refunds of less than \$2.00 due to customers who have left MERC's system; and
- (2) refunds of more than \$2.00 due to customers who left MERC's system but did not provide forwarding addresses.

This amount does not include un-cashed refund checks, which MERC will treat as abandoned property in accordance with the provisions of Minnesota Statute Ch. 345, as discussed in greater detail below. MERC proposes to donate the \$10,853 to the Salvation Army, Northern Division, for distribution to clients under the Minnesota HeatShare Program.

Response to Department of Commerce

MERC responds to the Department's specific questions from its July 31, 2015 Letter below. For clarification, MERC discusses "un-refunded" amounts rather than unclaimed amounts.

- 1. What does "unclaimed amounts" include and what are the amounts for each category (e.g., less than \$2.00, unclaimed checks, etc.)?**

As mentioned above, MERC's calculation of total un-refunded amounts of \$10,853 includes (1) amounts where the customer refund was less than \$2.00 and the customer is no longer

a customer of MERC and (2) amounts where the customer could not be located because no forwarding address was provided upon termination of service.

In some instances, a refund check is sent to the former customer, but that check is never cashed. MERC considers those amounts to be “unclaimed” and treats them in accordance with the requirements of Minn. Stat. Ch. 345. Those amounts are not included in the calculation of the overall un-refunded amount of \$10,853 because a check is actually issued for the refund to the last known address of those customers.

2. What are the unclaimed amounts by customer class?

The total un-refunded amount of \$10,853 is attributable to the following customer classes:

Customer Class	Amount of Un-refunded Amount	% of Un-refunded Amount
Residential	\$8,894.43	74.8%
GS-Small Commercial and Industrial	\$2,044.58	17.2%
GS-Large Commercial and Industrial	\$1,883.89	15.8%
Small Volume Interruptible	\$(426.97)	-3.6%
Large Volume Interruptible	\$(117.22)	-1.0%
Transportation	\$(392.68)	-3.3%
Total	\$11,886.03*	

* Difference due to rounding in the refund program and subsequent rate classification.

3. What does MERC do to locate customers who are owed a refund?

When a customer terminates natural gas service with MERC, we request a forwarding address as part of that termination. Many customers, however, decline to provide a forwarding address upon termination of service or do not update their forwarding address if they move again.

4. How long does MERC intend to search for customers who are owed a refund?

As noted above, when a customer terminates natural gas service with MERC because they are moving outside of the MERC service area, MERC requests that the customer provide a

forwarding address. If a forwarding address is provided, MERC will mail a check to that address for former customers who are owed a refund. If a customer declines to provide a forwarding address, MERC does not take any additional steps to attempt to locate that customer.

5. How does MERC's proposal comport with Minn. Stat. Ch. 345?

Minn. Stat. § 345.34 provides that “[a]ny deposit held or owing by any utility made by a subscriber to secure payment for, or any sum paid in advance for, utility services . . . that has remained unclaimed . . . for more than one year after the termination of the services . . . is presumed abandoned.” Consistent with this provision, MERC plans to treat uncashed refund checks as abandoned property.

MERC does not propose to treat the aggregate of un-refunded money to customers owed less than \$2.00 as abandoned property. This treatment is consistent with Minn. Stat. § 345.34. If the Commission approves this \$2.00 threshold, these customers are not entitled to these funds. Requiring MERC to comply with Chapter 345 for customers owed refunds of less than \$2.00 would defeat the purpose of the \$2.00 threshold, i.e., to reduce administrative expense. MERC also does not propose to treat the un-refunded amount attributable to customers that MERC is unable to locate as abandoned property under Minn. Stat. § 345.34. This treatment is consistent with MERC's overall plan. Because the customers cannot be located, these customers have no opportunity to abandon the property. This fact distinguishes customers who cannot be located from customers who, whether due to neglect or conscience abandonment, fail to deposit refund checks.

6. How does MERC's proposal comport with prior Commission Orders?

In the past, the Commission has approved the same approach as proposed here for addressing un-refunded amounts. In MERC's 2008 rate case proceeding, Docket No. G007,011/GR-08-835, and MERC's 2010 rate case proceeding, Docket No. G007,011/GR-10-977, the Commission approved a refund proposal pursuant to which MERC treated uncashed checks as abandoned property under Minn. Stat. Ch. 345 and donated to Minnesota HeatShare the amounts that were not refunded because they did not meet the \$2.00 threshold or MERC was unable to locate the customer. MERC has not treated the un-refunded amounts as abandoned property because the customers did not have an opportunity to abandon the property.

In both MERC's 2008 and 2010 Rate Cases, its interim rate plan included a portion that required compliance with Minn. Stat. § 345.34. The inclusion of requirements related to Chapter 345 suggests that parties were at least aware of the interplay between Minn. Stat. § 345.34 and MERC's interim rate refund plan when the plan was considered and approved.

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

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 29th day of September, 2015, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed 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 29th day of September, 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	Auger	mauger@usenergyservices.com	U S Energy Services, Inc.	Suite 1200 605 Highway 169 N Minneapolis, MN 554416531	Electronic Service	No	OFF_SL_13-617_Official List
Darcy	Fabrizius	N/A	Constellation Energy	N21 W23340 Ridgeview Pkwy Waukesha, WI 53188	Paper Service	No	OFF_SL_13-617_Official List
Emma	Fazio	emma.fazio@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-617_Official List
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_13-617_Official List
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	OFF_SL_13-617_Official List
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	No	OFF_SL_13-617_Official List
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-617_Official List
Barbara	Nick	banick@integrysgroup.com	Minnesota Energy Resources Corporation	2665 145th Street PO Box 455 Rosemount, MN 55068-0455	Electronic Service	No	OFF_SL_13-617_Official List
Casey	Whelan		U.S. Energy Services, Inc.	Suite 1200 605 Highway 169 North Minneapolis, MN 554416531	Paper Service	No	OFF_SL_13-617_Official List
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	No	OFF_SL_13-617_Official List