



Minnesota Energy Resources Corporation
Suite 200
1995 Rahnclyff Court
Eagan, MN 55122
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March 15, 2017

VIA ELECTRONIC FILING

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

Re: In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval to Add Additional Customer Classes to the Ely Lake New Area Surcharge Project, Petition to Add Additional Customer Classes Docket Nos. G011/M-15-776 and G011/M-17-____

Dear Mr. Wolf:

Enclosed, please find Minnesota Energy Resources Corporation's ("MERC" or the "Company") petition for approval to add additional customer classes to the Ely Lake New Area Surcharge ("NAS") project.

On September 5, 2014, in Docket No. G011/M-14-524, the Minnesota Public Utilities Commission ("Commission") approved an NAS for the Ely Lake project, authorizing MERC to apply the surcharge rate to Residential and existing Small Commercial/Industrial ("C&I") customers. In its Order Approving New Area Surcharge and Proposed Tariff Modifications, the Commission stated that

[i]n the event any other small commercial customers or customers from other customer classes seek to take natural gas service in the Ely Lake project area, the Company must first refile its request with [the] Commission to examine the full impact of the addition of such customer(s) so as to determine the appropriate surcharge level for all customer classes.¹

¹ *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Project*, Docket No. G011/M-14-524, ORDER APPROVING NEW AREA SURCHARGE AND PROPOSED TARIFF MODIFICATION at 3 (Sept. 5, 2014).

On October 16, 2015, in Docket No. G011/M-15-776, the Commission issued an Order approving modifications to the Ely Lake NAS factors,² based on revisions to MERC's NAS model in Docket No. G011/M-15-441.³

In accordance with the Commission's September 5, 2014, Order, the Company submits this petition to add surcharges for the Large C&I, Small Volume Interruptible ("SVI"), and Large Volume Interruptible ("LVI") customer classes to allow customers in these additional classes to participate in the Ely Lake NAS project and receive natural gas service. The Company also requests approval to allow additional Small C&I customers to participate in the Ely Lake project.

Attachment 1 to this filing is revised clean and redline tariff sheets reflecting the proposed additional surcharges for the Ely Lake project. Attachment 2 to this filing is a proposed customer notice reflecting the proposed surcharges. Attachment 3 to this filing (e-filed separately) is a revised surcharge model, which the Company is filing for informational purposes in compliance with the Commission's July 28, 2015, Order in Docket No. G011/M-15-441,⁴ as explained further in the accompanying petition. The nonpublic version of Attachment 3 contains trade secret information. Specifically, the cost of plant additions, estimated customer sign-ups, and estimated customer usage 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 nonpublic. Accordingly, the nonpublic version of Attachment 3, filed separately as an excel file, contains data that qualifies as "Trade Secret Data" pursuant to Minn. Stat. §13.37, subd. 1(b).

MERC has served a copy of this petition on the Department of Commerce, Division of Energy Resources and the Office of the Attorney General – Residential Utilities and Antitrust Division. A summary of this filing has been served on all parties on the Company's attached service list.

² *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Project*, Docket No. G011/M-15-776, ORDER at 1 (Oct. 16, 2015).

³ *In the Matter of a Petition by Minn. Energy Res. Corp. for Approval of a New Area Surcharge for the Detroit Lakes—Long Lake Project*, Docket No. G011/M-15-441, ORDER APPROVING NEW AREA SURCHARGE AND REQUIRING COMPLIANCE FILING at 2 (July 28, 2015).

⁴ *Id.*

Mr. Daniel Wolf
March 15, 2017
Page 3

Please contact me at (651) 322-8965 if you have any questions regarding the information in this petition. Thank you for your attention to this matter.

Sincerely yours,

/s/ Amber S. Lee

Amber S. Lee

Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation

Enclosures
cc: Service List

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange
Dan Lipschultz
Matt Schuerger
Katie Sieben
John Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

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. G011/M-15-776

Docket No G011/M-17-____

In the Matter of the Petition of Minnesota
Energy Resources Corporation for
Approval to Add Additional Customer
Classes to the Ely Lake New Area
Surcharge Project

**PETITION TO ADD ADDITIONAL NEW AREA SURCHARGES
FOR THE ELY LAKE PROJECT**

Pursuant to Minn. R. 7829.1300, Minnesota Energy Resources Corporation (“MERC” or the “Company”) respectfully submits this miscellaneous tariff filing to the Minnesota Public Utilities Commission (“Commission”) for approval to add surcharges for the Large Commercial/Industrial (“C&I”), Small Volume Interruptible (“SVI”), and Large Volume Interruptible (“LVI”) customer classes in order to allow customers in these additional classes to participate in the Ely Lake NAS project and receive natural gas service. Additionally, the Company requests approval to allow additional Small C&I customers to participate in the Ely Lake NAS project.

This filing includes the following:

- A one-paragraph summary of the filing in accordance with Minn. R. 7829.1300, subp. 1;
- Petition to Add Additional New Area Surcharges for the Ely Lake Project;
- Attachment 1: Clean and Redline Proposed Tariff Sheet No. 9.17;
- Attachment 2: Proposed Notice to New Customers; and

- Attachment 3: Revised Surcharge Model (not used to calculate proposed surcharges but filed for informational purposes).

To date, MERC has received approval from the Commission for five NAS projects. Over time, the Company, the Department of Commerce, Division of Energy Resources (“Department”), and Commission staff have proposed refinements to the NAS model and approach for setting NAS charges and MERC continues to refine its approach to ensure the projects are successful and the surcharges are fair and reasonable.

With MERC’s first NAS project, the Ely Lake project, the Company proposed to apply the same surcharge as calculated for the Residential customer class across all customer classes.⁵ The Commission, acknowledging that “in the past, the Commission has required that surcharge rates for customer classes reflect existing rate design,” rejected that approach, ultimately only approving a surcharge for Residential and existing Small C&I customers.⁶ Since that first approval, MERC has refined its approach to calculating NAS charges. In the recently-approved Esko and Balaton NAS projects, MERC calculated the proposed surcharges based on the customer charge allocation and received approval of surcharges for all customer classes.⁷ Based on the experience the Company has gained, calculation of NAS charges based on the current customer charge allocations are fair and reflect existing rate design. Additionally, the Company has discovered that approval for all customer classes prior to the commencement of a project is essential because circumstances frequently change and new customer participation benefits all participants in an NAS project.

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 Department of Commerce, Division of Energy Resources and the Office of the

⁵ See *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Project*, Docket No. G011/M-14-524, PETITION FOR APPROVAL TO MODIFY THE NEW AREA SURCHARGE TARIFF AND TO ESTABLISH A NEW AREA SURCHARGE FOR THE ELY LAKE PROJECT at 3 (June 20, 2014).

⁶ *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Project*, Docket No. G011/M-14-524, ORDER APPROVING NEW AREA SURCHARGE AND PROPOSED TARIFF MODIFICATION at 3 (Sept. 5, 2014).

⁷ See *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval for Recovery of Nat. Gas Extension Project Costs through a Rider and for Approval of a New Area Surcharge for the Balaton Project*, Docket No. G011/M-16-654, PETITION FOR APPROVAL OF NATURAL GAS EXTENSION PROJECT RIDER AND NEW AREA SURCHARGE at 11 (Aug. 2, 2016); *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval for Recovery of Nat. Gas Extension Project Costs through a Rider and for Approval of a New Area Surcharge for the Esko Project*, Docket No. G011/M-16-655, PETITION FOR APPROVAL OF NATURAL GAS EXTENSION PROJECT RIDER AND NEW AREA SURCHARGE at 11 (Aug. 2, 2016).

Attorney General – Residential Utilities and Antitrust 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 Filing Party

Minnesota Energy Resources Corporation
1995 Rahncliff Court, Suite 200
Eagan, MN 55122
(651) 322-8965

B. Name, Address, Electronic Address, and Telephone Number of Attorney for Filing Party

Kristin M. Stastny
Briggs and Morgan, P.A.
80 South Eighth Street
Minneapolis, MN 55402
kstastny@briggs.com
(612) 977-8656

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

Date of Filing: March 15, 2017
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, Electronic Address, and Title of Utility Employee Responsible for the Filing



Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation
1995 Rahncliff Court, Suite 200

Eagan, MN 55122
ASLee@minnesotaenergyresources.com
(651) 322-8965

IV. DESCRIPTION AND PURPOSE OF FILING

Pursuant to Minn. R. 7829.1300 and in conformity with the Commission's September 5, 2014, Order in Docket No. G011/M-14-524, MERC is requesting approval to add surcharges for the Large C&I, SVI, and LVI customer classes in order to allow customers in these classes to participate in the project and receive natural gas service. To date, the Commission has only approved two NAS for the Ely Lake project – for Residential and then-existing Small C&I customers. Since the Ely Lake NAS project was initially approved in 2014, one Large C&I customer has requested to receive natural gas service in the project area. Additionally, it is likely that other Large C&I, Small C&I, SVI, or LVI customers may wish to participate in the project in the future, or that customers currently in the Small C&I class would qualify for another class. To accommodate the Large C&I customer in the project area, as well as others that may seek service in the project area in the future, MERC is requesting to add surcharges for the Large C&I, SVI, and LVI customer classes as discussed in greater detail in the following petition and the clean and redline proposed tariff sheets provided in Attachment 1.

MERC is not proposing to modify the previously-approved NAS for the Residential and Small C&I customer classes. Rather, those classes will benefit from additional customers joining the Large C&I, SVI, or LVI customer classes because the total project costs will be paid off more quickly, resulting in a shorter NAS term. Further, with respect to Small C&I customers, while the Ely Lake NAS was originally approved for only then-existing Small C&I customers, MERC requests approval to apply that surcharge to all Small C&I customers who wish to participate in the Ely Lake NAS project. Approval to offer that rate to all Small C&I customers will ensure consistent application of the NAS for all members of the Small C&I class that currently and may in the future receive natural gas service in the project area.

V. 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:

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation
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Eagan, MN 55122
(651) 322-8965
ASLee@minnesotaenergyresources.com

Kristin M. Stastny

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Minneapolis, MN 55402
kstastny@briggs.com
(612) 977-8656

If additional information is required, please contact Amber S. Lee at (651) 322-8965 or Kristin M. Stastny at (612) 977-8656.

Dated: March 15, 2017

Respectfully submitted,

BRIGGS AND MORGAN, P.A.

By: /s/ Kristin M. Stastny
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Attorney for Minnesota Energy
Resources Corporation

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange
Dan Lipschultz
Matt Schuerger
Katie Sieben
John Tuma

Chair
Commissioner
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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. G011/M-15-776

In the Matter of the Petition of Minnesota
Energy Resources Corporation for
Approval to Add Additional Customer
Classes to the Ely Lake New Area
Surcharge Project

Docket No G011/M-17-____

SUMMARY OF FILING

Please take notice that on March 15, 2017, Minnesota Energy Resources Corporation (“MERC”) filed with the Minnesota Public Utilities Commission a petition for approval of additional surcharges for the Ely Lake New Area Surcharge (“NAS”) project to add surcharges for the Large Commercial/Industrial, Small Volume Interruptible, and Large Volume Interruptible customer classes. Additionally, MERC seeks approval to apply the surcharge approved for Small Commercial/Industrial customers to all Small Commercial/Industrial customers who wish to participate in the Ely Lake NAS project.

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange
Dan Lipschultz
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Chair
Commissioner
Commissioner
Commissioner
Commissioner

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. G011/M-15-776

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval to Add Additional Customer Classes to the Ely Lake New Area Surcharge Project

Docket No G011/M-17-____

PETITION TO ADD ADDITIONAL NEW AREA SURCHARGES FOR THE ELY LAKE PROJECT

I. INTRODUCTION

Minnesota Energy Resources Corporation (“MERC” or the “Company”) submits for Minnesota Public Utilities Commission (“Commission”) approval this petition to add additional surcharges for the Ely Lake New Area Surcharge (“NAS”) project, approved by Order dated September 5, 2014, in Docket No. G011/M-14-524⁸ and later modified by Order dated October 16, 2015, in Docket No. G011/M-15-776.⁹ In its September 5, 2014, Order Approving New Area Surcharge and Proposed Tariff Modification, the Commission stated:

In light of the Company’s representations in its filing and at the hearing, the Commission will for the present authorize the Company to apply the surcharge rate of \$33.50¹⁰ to

⁸ *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Project*, Docket No. G011/M-14-524, ORDER APPROVING NEW AREA SURCHARGE AND PROPOSED TARIFF MODIFICATION (Sept. 5, 2014).

⁹ *In the Matter of the Petition of Minn. Energy Res. Corp. (MERC) for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Petition to Modify Previously Approved New Area Surcharge*, Docket No. G011/M-15-776, ORDER (Oct. 16, 2015).

¹⁰ In Docket No. G011/M-15-776, the Commission approved a modified NAS of \$25.45 for the Ely Lake project.

residential and existing small commercial customers, noting that at present it does not expect customers for any other customer class to request service. In the event any other small commercial customers or customers from other customer classes seek to take natural gas service in the Ely Lake project area, the Company must first refile its request with [the] Commission to examine the full impact of the addition of such customer(s) so as to determine the appropriate surcharge level for all customer classes.¹¹

In accordance with the Commission’s September 5, 2014, Order, the Company is now seeking Commission approval to add surcharges for the Large C&I (“C&I”), Small Volume Interruptible (“SVI”), and Large Volume Interruptible (“LVI”) customer classes in order to allow customers in these additional classes to participate in the Ely Lake project and receive natural gas service. To support its proposed new customer class surcharges, the Company has attached proposed clean and redline tariff sheet revisions as Attachment 1.

The Company further requests approval to apply the Small C&I NAS to new Small C&I customers who wish to participate in the Ely Lake NAS project.

II. ADDITIONAL NEW AREA SURCHARGE FOR THE ELY LAKE PROJECT

The Commission’s approval of MERC’s Ely Lake project NAS was initially limited to Residential and existing Small C&I customers. Since the original NAS was approved, one Large C&I customer has requested to receive natural gas service in the project area. Additionally, while MERC is not currently projecting any customers taking service within the SVI or LVI classes, economic conditions could drive a customer to switch from firm C&I service to Interruptible and/or from SVI to LVI service in the future. To accommodate the Large C&I customer in the project area, as well as others that may seek service in the project area in the future, MERC is requesting to add surcharges for the Large C&I, SVI, and LVI customer classes. Specifically, MERC proposes the following surcharges:

Table 1: Proposed New Area Surcharges

Ely Lake Project Modified New Area Surcharges	
Residential	\$25.45
Small Commercial and Industrial	\$25.45
Large Commercial and Industrial	\$120.55
Small Volume Interruptible	\$442.03
Large Volume Interruptible	\$495.61

¹¹ *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Project*, Docket No. G011/M-14-524, ORDER APPROVING NEW AREA SURCHARGE AND PROPOSED TARIFF MODIFICATION at 3 (Sept. 5, 2014).

MERC is not proposing to modify the previously-approved Residential and Small C&I customer surcharges. Rather, the Company proposes to maintain the Residential and Small C&I NAS while adding surcharges for the customer classes that currently have no associated NAS for the Ely Lake project. By maintaining the previously-approved surcharges for Residential and Small C&I customer classes, which the Commission previously determined were just and reasonable, MERC is able to minimize the administrative burden and any customer confusion that could result from a modification of the previously-approved NAS for the Residential and Small C&I classes. Existing Residential and Small C&I customers also benefit from participation of larger customers in the project because the total project cost will be paid down more quickly, resulting in termination of the NAS at an earlier date.

The Company also requests that the previously-approved NAS for existing Small C&I customers be applicable to future Small C&I customers. Maintaining the current Small C&I surcharge for both existing and possible future Small C&I customers in the project area lessens the possibility of any confusion that could result if differing surcharges were applied to the same class. New Small C&I customers should be permitted to remain on the existing NAS rate to ensure that all members of the same customer class are being treated equitably and consistently.

MERC's proposed surcharges for the Large C&I, SVI, and LVI customer classes were calculated based on currently-approved customer charges, utilizing the Commission-approved Residential rates to calculate proportional charges for the new customer classes relative to their currently approved monthly customer charges.¹² This approach is consistent with the surcharges the Commission has approved for other NAS projects and MERC believes that this approach results in the most fair and reasonable surcharges across all customer classes.¹³ As previously approved, the surcharges will be in effect for a period not to exceed the original twenty (20) year term (ending 2034).

The proposed new surcharges for the Large C&I, SVI, and LVI customer classes are in the public interest. Adding the additional classes will allow additional customers to

¹² For example, because the previously-approved Residential NAS for this project is \$25.45, MERC is proposing a Large C&I NAS of \$120.55, calculated by taking the Commission-approved Large C&I customer class charge of \$45.00, divided by the Residential customer charge of \$9.50 and multiplying that total by the currently-approved Residential NAS of \$25.45 [$\$45.00/\$9.50 * \$25.45 = \120.55]. The Company, throughout this Petition, describes this approach to determining the NAS for additional customer classes as the "customer charge allocation" methodology. This approach ensures the proposed NAS charges are based on the currently-approved rate design reflected in the monthly customer charges for each class.

¹³ MERC utilized the same customer charge allocation methodology to develop the approved NAS charges for the Esko and Balaton projects. See *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval for Recovery of Nat. Gas Extension Project Costs through a Rider and for Approval of a New Area Surcharge for the Balaton Project*, Docket No. G011/M-16-654, PETITION FOR APPROVAL OF NATURAL GAS EXTENSION PROJECT RIDER AND NEW AREA SURCHARGE at 11 (Aug. 2, 2016); *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval for Recovery of Nat. Gas Extension Project Costs through a Rider and for Approval of a New Area Surcharge for the Esko Project*, Docket No. G011/M-16-655, PETITION FOR APPROVAL OF NATURAL GAS EXTENSION PROJECT RIDER AND NEW AREA SURCHARGE at 11 (Aug. 2, 2016).

receive natural gas service and will lower the overall cost to other customers in the project area due to the likely resulting shorter NAS term, benefitting the existing Residential and Small C&I customers. MERC's proposed surcharges for the additional customer classes will ensure the Company's customers receiving service through the NAS are treated fairly and consistently and will allow for customer growth in the project area.

With respect to the proposed SVI and LVI customer charges, MERC acknowledges that in its past NAS petitions, the Commission has only approved NAS factors for those customer classes for which MERC projects customers. Here, however, while MERC is not projecting any customers taking service in the SVI and LVI classes, the Company believes it prudent and resourceful to include surcharges in MERC's tariff in the event these customer classes require natural gas service in the Ely Lake project area in the near future. In the event an SVI or LVI customer requires service in the project area, all participants will benefit as the total project costs financed through the NAS are paid more quickly, resulting in the possibility of the NAS terminating before the end of the 20-year term. Accordingly, the Company respectfully requests that the Commission approve the proposed surcharges for the SVI and LVI customer classes, as well as the proposed Large C&I surcharge.

In support of the requested modifications, MERC submits the following:

- Attachment 1: Clean and Redline Proposed Tariff Sheets
- Attachment 2: Proposed Notice to New Customers
- Attachment 3: Revised Surcharge Model

III. CONCLUSION

MERC respectfully requests that the Commission approve MERC's request to modify the previously-approved NAS for the Ely Lake project to add the Large C&I, LVI, and SVI customer classes and to expand the Small C&I NAS to Small C&I customers who did not exist when the Commission's September 5, 2014, Order was issued

If additional information is required, please contact Amber S. Lee at (651) 322-8965 or Kristin M. Stastny at (612) 977-8656.

DATED: March 15, 2017

Respectfully submitted,

BRIGGS AND MORGAN, P.A.

By: /s/ Kristin M. Stastny

Kristin M. Stastny

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Attorney for Minnesota Energy
Resources Corporation

Attachment 1
Clean Tariff Sheets

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
Small Commercial/Industrial	\$25.45
Large Commercial/Industrial	\$120.55
Small Volume Interruptible	\$4442.03
Large Volume Interruptible	\$495.61

Detroit Lakes—Long Lake Project 15 Year New Area Surcharge Expires 2030	
Residential	\$19.16
Small Commercial/Industrial	\$36.30
Large Commercial/Industrial	\$90.76
Small Volume Interruptible	\$332.78
Large Volume Interruptible	\$373.12

Issued By: Theodore Eidukas
VP – Regulatory Affairs

Submittal Date: March 15, 2017

*Effective with bills issued on and after this date.

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

EXTENSION OF NATURAL GAS SERVICE

3. NEW AREA SURCHARGE RIDER (Continued)Surcharge Rider Rates (continued):

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

**Fayal Township—Long Lake Project
20 Year New Area Surcharge
Expires 2036**

Residential	\$21.16
Small Commercial/Industrial	\$40.09
Large Commercial/Industrial	\$100.23
Small Volume Interruptible	\$367.49
Large Volume Interruptible	\$412.04

**Esko Project 25 Year New Area Surcharge
Expires 2042**

Residential	\$24.18
Small Commercial/Industrial	\$45.81
Large Commercial/Industrial	\$114.53
Small Volume Interruptible	\$419.95
Large Volume Interruptible	\$470.85

**Balaton Project 25 Year New Area Surcharge
Expires 2042**

Residential	\$24.14
Small Commercial/Industrial	\$45.75
Large Commercial/Industrial	\$114.37
Small Volume Interruptible	\$419.34
Large Volume Interruptible	\$470.17

Issued By: Theodore Eidukas
VP – Regulatory Affairs

Submittal Date: March 15, 2017

*Effective with bills issued on and after this date.

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

Attachment 1
Redline Tariff Sheets

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/ <u>Industrial</u>	\$25.45
<u>Large Commercial/Industrial</u>	<u>\$120.55</u>
<u>Small Volume Interruptible</u>	<u>\$442.03</u>
<u>Large Volume Interruptible</u>	<u>\$495.61</u>

Detroit Lakes—Long Lake Project 15 Year New Area Surcharge Expires 2030	
Residential	\$19.16
Small Commercial/Industrial	\$36.30
<u>Large Commercial/Industrial</u>	<u>\$90.76</u>
<u>Small Volume Interruptible</u>	<u>\$332.78</u>
<u>Large Volume Interruptible</u>	<u>\$373.12</u>

Fayal Township—Long Lake Project 20 Year New Area Surcharge Expires 2036	
<u>Residential</u>	<u>\$21.16</u>
<u>Small Commercial/Industrial</u>	<u>\$40.09</u>

Esko Project 25 Year New Area Surcharge Expires 2042	
<u>Residential</u>	<u>\$24.18</u>

Small Commercial/Industrial	\$45.81
Large Commercial/Industrial	\$114.53
Small Volume Interruptible	\$419.95
Large Volume Interruptible	\$470.85

Issued By: Theodore Eidukas
VP – Regulatory Affairs

*Effective Date: ~~February 22, 2017~~Upon Commission Approval
Proposed Effective Date: Upon Commission Approval~~February 22, 2017~~

Submittal Date: ~~February 22, 2017~~March 15, 2017

*Effective with bills issued on and after this date.

EXTENSION OF NATURAL GAS SERVICE

3. NEW AREA SURCHARGE RIDER (Continued)Surcharge Rider Rates (continued):

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

Fayal Township—Long Lake Project
20 Year New Area Surcharge
Expires 2036

<u>Residential</u>	<u>\$21.16</u>
<u>Small Commercial/Industrial</u>	<u>\$40.09</u>
<u>Large Commercial/Industrial</u>	<u>\$100.23</u>
<u>Small Volume Interruptible</u>	<u>\$367.49</u>
<u>Large Volume Interruptible</u>	<u>\$412.04</u>

Esko Project 25 Year New Area Surcharge
Expires 2042

<u>Residential</u>	<u>\$24.18</u>
<u>Small Commercial/Industrial</u>	<u>\$45.81</u>
<u>Large Commercial/Industrial</u>	<u>\$114.53</u>
<u>Small Volume Interruptible</u>	<u>\$419.95</u>
<u>Large Volume Interruptible</u>	<u>\$470.85</u>

Balaton Project 25 Year New Area Surcharge
Expires 2042

<u>Residential</u>	<u>\$24.14</u>
<u>Small Commercial/Industrial</u>	<u>\$45.75</u>
<u>Large Commercial/Industrial</u>	<u>\$114.37</u>
<u>Small Volume Interruptible</u>	<u>\$419.34</u>
<u>Large Volume Interruptible</u>	<u>\$470.17</u>

Issued By: Theodore Eidukas
 VP – Regulatory Affairs

*Effective Date: ~~February 22, 2017~~ Upon Commission Approval

Proposed Effective Date: Upon Commission Approval ~~February 22, 2017~~

Submittal Date: ~~February 22, 2017~~ March 15, 2017

*Effective with bills issued on and after this date.

IMPORTANT INFORMATION ABOUT YOUR NATURAL GAS RATES

For Large Commercial/Industrial, Small Volume Interruptible, and Large Volume Interruptible Customers Served in the Ely Lake Project Area

An Explanation of Your Natural Gas Rates

On [DATE], the Minnesota Public Utilities Commission (MPUC) approved New Area Surcharges for Minnesota Energy Resources Corporation (MERC) Large Commercial/Industrial, Small Volume Interruptible, and Large Volume Interruptible customers served in the Ely Lake Project Area.

In addition to the previously approved New Area Surcharges for Residential and Small Commercial/Industrial customers, monthly New Area Surcharges have been approved by the Commission as follows:

Detroit Lakes—Long Lake Project New Area Surcharges	
Large Commercial and Industrial	\$120.55
Small Volume Interruptible	\$442.03
Large Volume Interruptible	\$495.61

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 large commercial/industrial, small volume interruptible, and large volume interruptible customer usage, 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 (ending 2034), whichever occurs first. 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 as follows:

Large Commercial and Industrial	\$1,446.60
Small Volume Interruptible	\$5,304.36
Large Volume Interruptible	\$5,947.32

Minnesota Energy Resources Corporation
Docket Nos. G-011/M-15-776
G-011/M-17-____
Attachment 2
Proposed Customer Notices for Additional Classes
Ely Lake Project

The total over the 20-year term of the surcharge is as follows:

Large Commercial and Industrial	\$28,932
Small Volume Interruptible	\$106,087.20
Large Volume Interruptible	\$118,946.40

We thank you for your interest in becoming our customer and utilizing natural gas. We look forward to providing you safe and reliable natural gas service. If you have questions, comments or would like more information, you are invited to contact customer service at 1-800-889-9508.

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. G011/M-15-776

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval to Add Additional Customer Classes to the Ely Lake New Area Surcharge Project

Docket No G011/M-17-____

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 15th of March, 2017, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Initial Filing 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 15th day of March, 2017.

/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_15-776_M-15-775
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_15-776_M-15-775
Seth	DeMerritt	ssdemerritt@integrysgroup.com	MERC (Holding)	700 North Adams P.O. Box 19001 Green Bay, WI 543079001	Electronic Service	No	OFF_SL_15-776_M-15-775
Emma	Fazio	emma.fazio@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-776_M-15-775
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_15-776_M-15-775
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John	Lindell	john.lindell@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_15-776_M-15-775
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-776_M-15-775

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Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_15-776_M-15-775
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_15-776_M-15-775

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	GEN_SL_Minnesota Energy Resources Corporation_General Service List
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	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Seth	DeMerritt	ssdemerritt@integrysgroup.com	MERC (Holding)	700 North Adams P.O. Box 19001 Green Bay, WI 543079001	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St Chicago, IL 60661	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
John	Lindell	john.lindell@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
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Colleen	Sipiorski	ctsipiorski@integrysgroup.com	Minnesota Energy Resources Corporation	700 North Adams Street Green Bay, WI 54307	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kristin	Stastny	kstastny@briggs.com	Briggs and Morgan, P.A.	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service 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	GEN_SL_Minnesota Energy Resources Corporation_General Service List

NONPUBLIC DOCUMENT--CONTAINS TRADE SECRET DATA

Minnesota Energy Resources New Area Surcharge Analysis
ELY LAKE EXPANSION

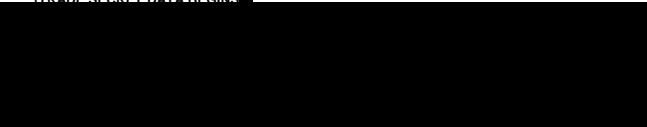
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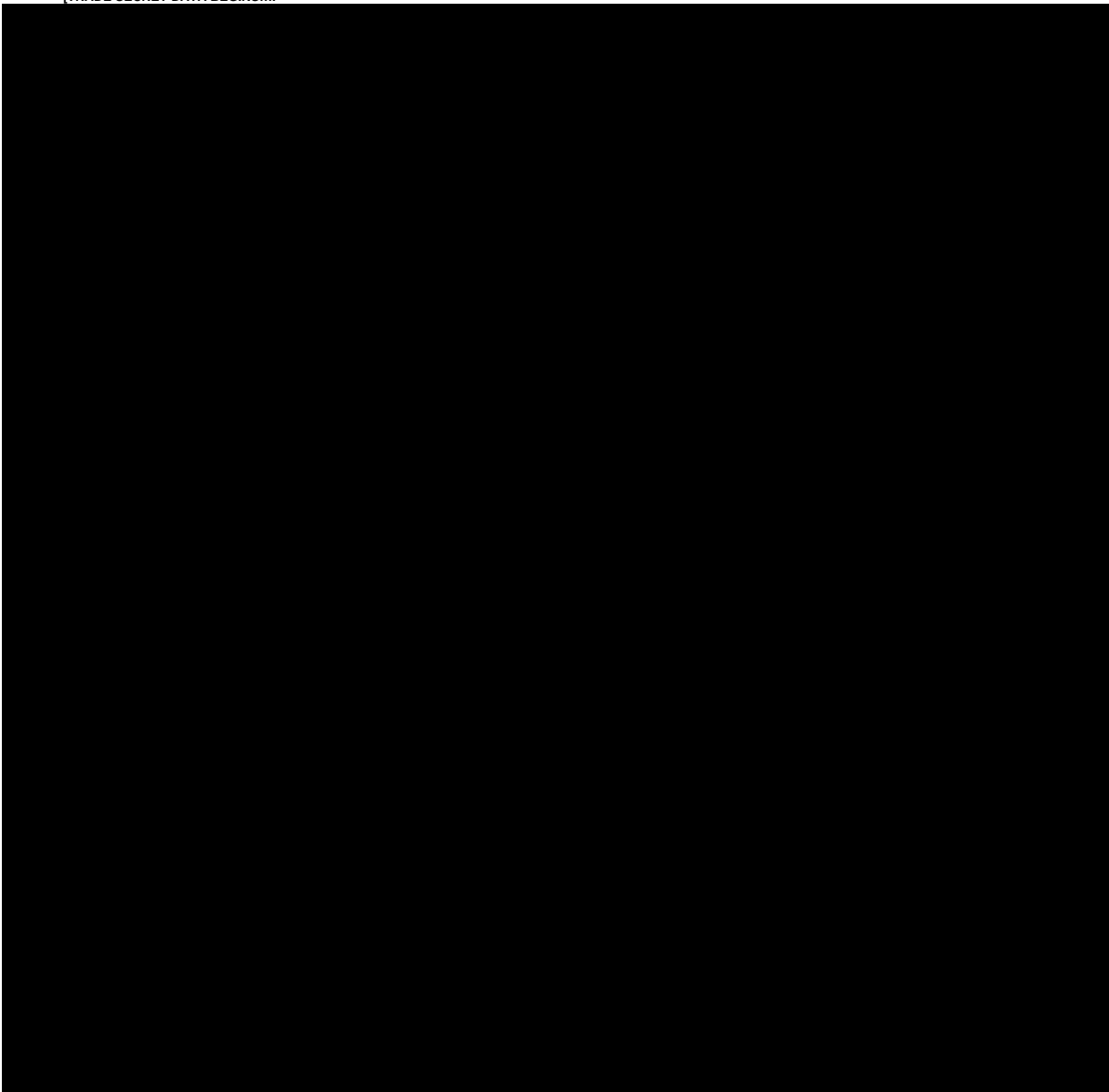
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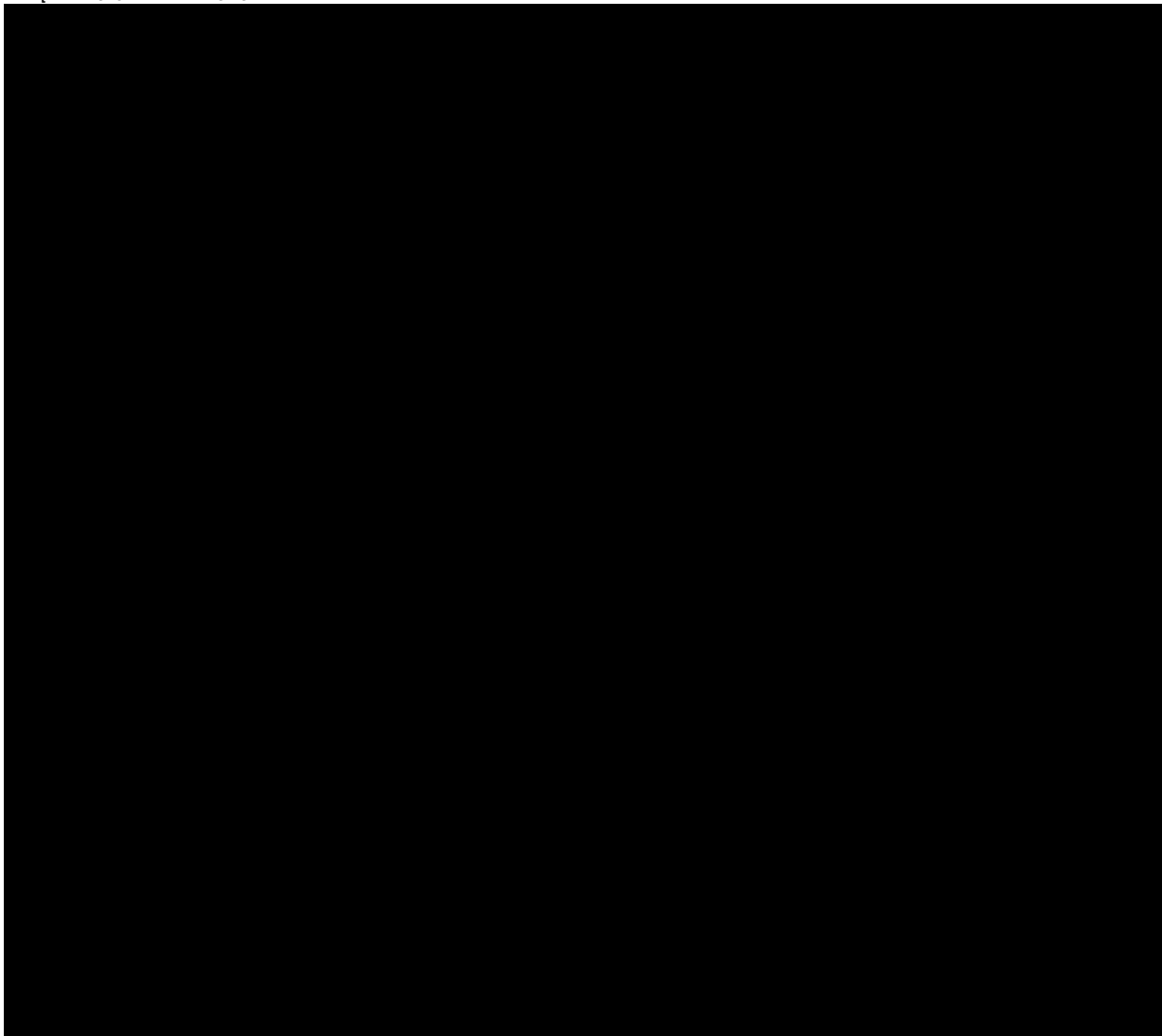
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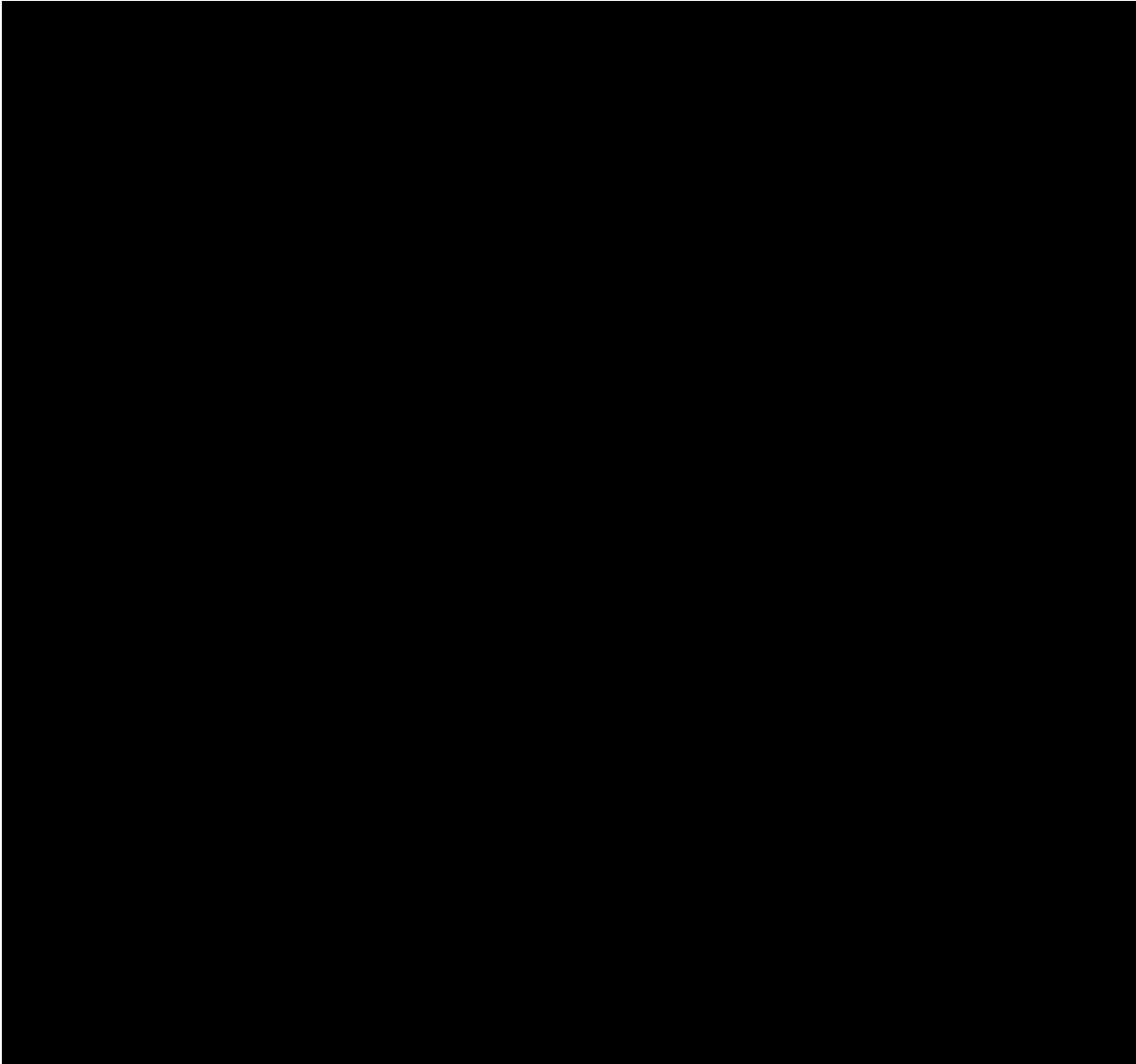
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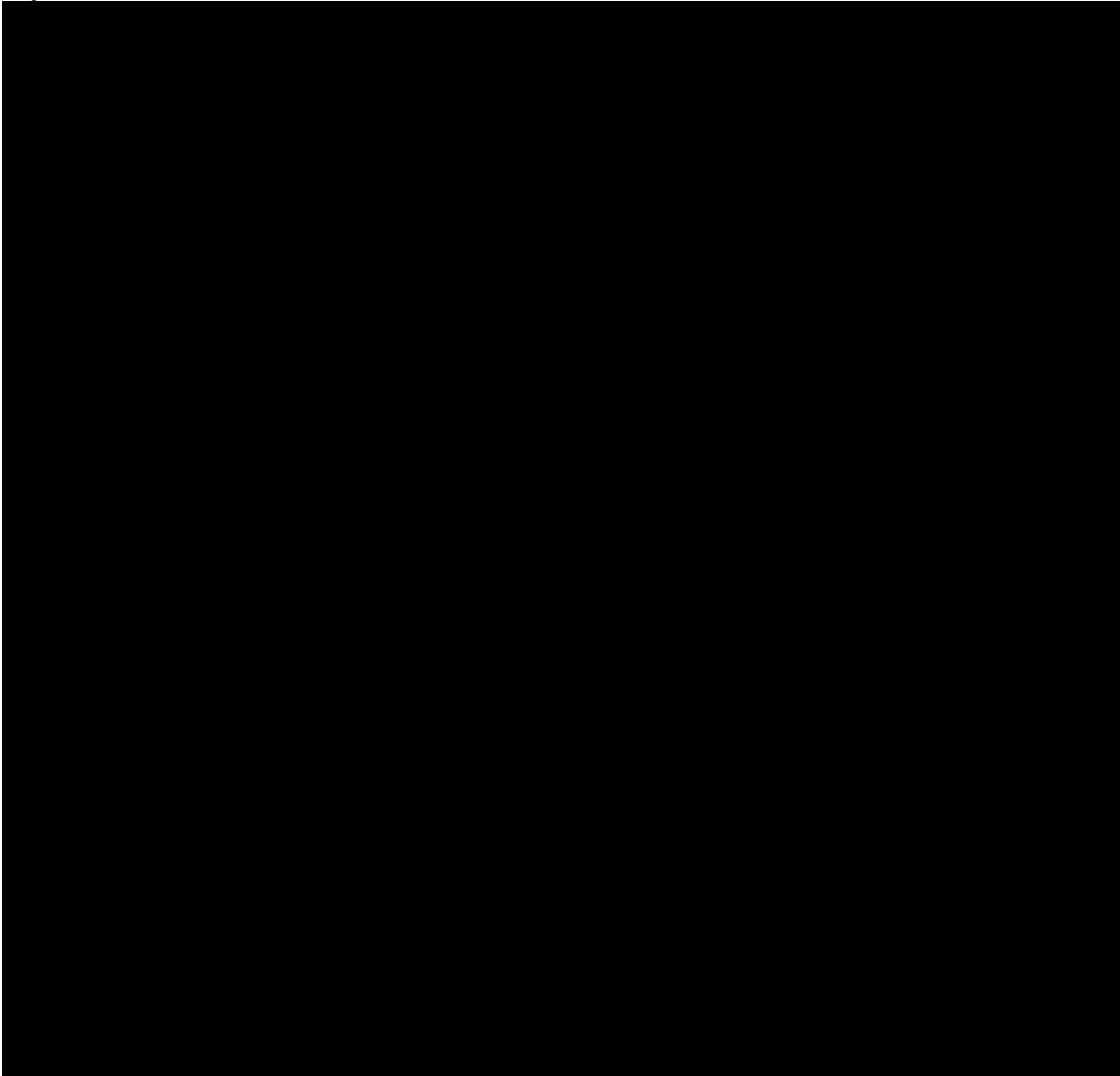
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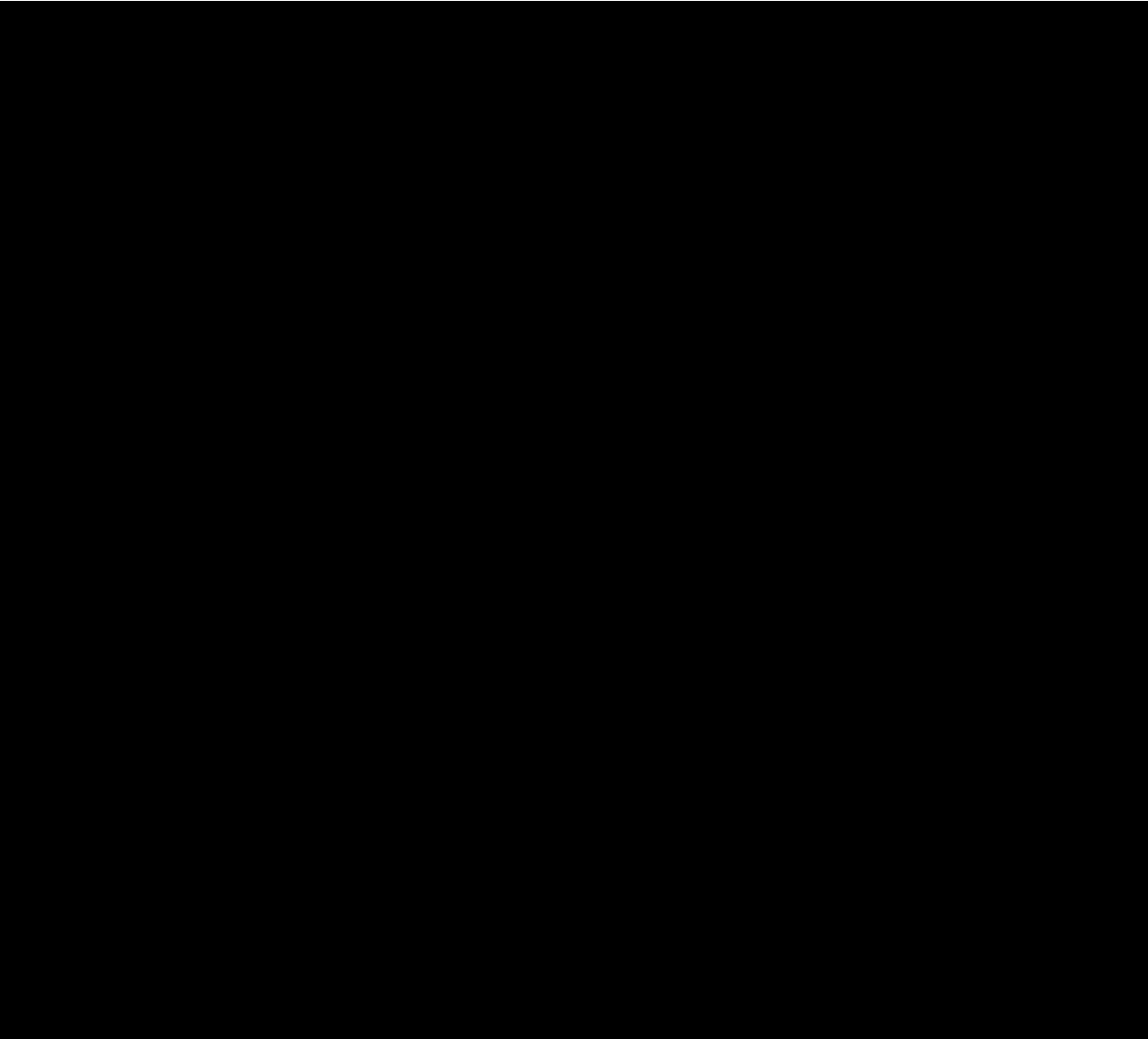
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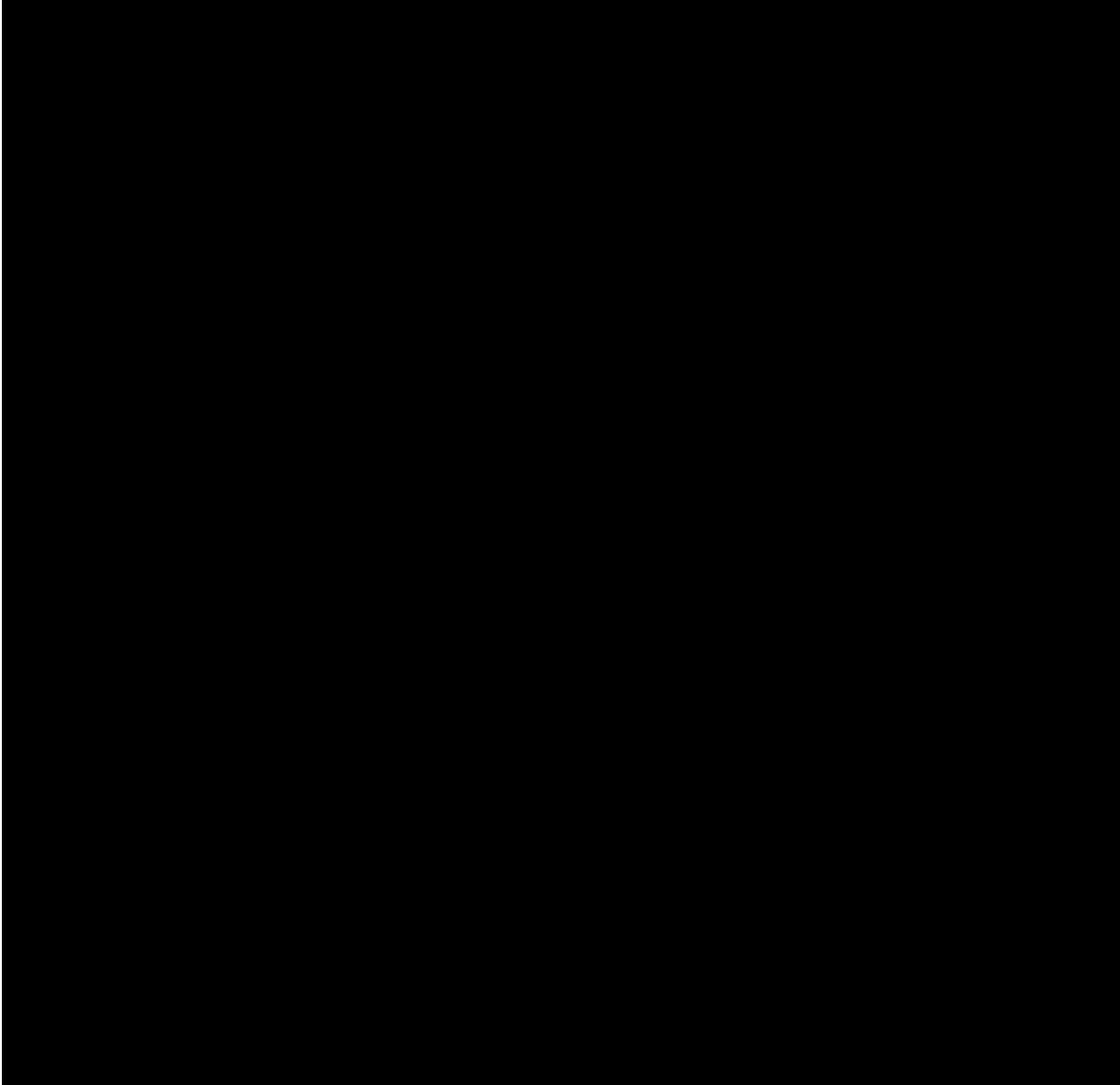
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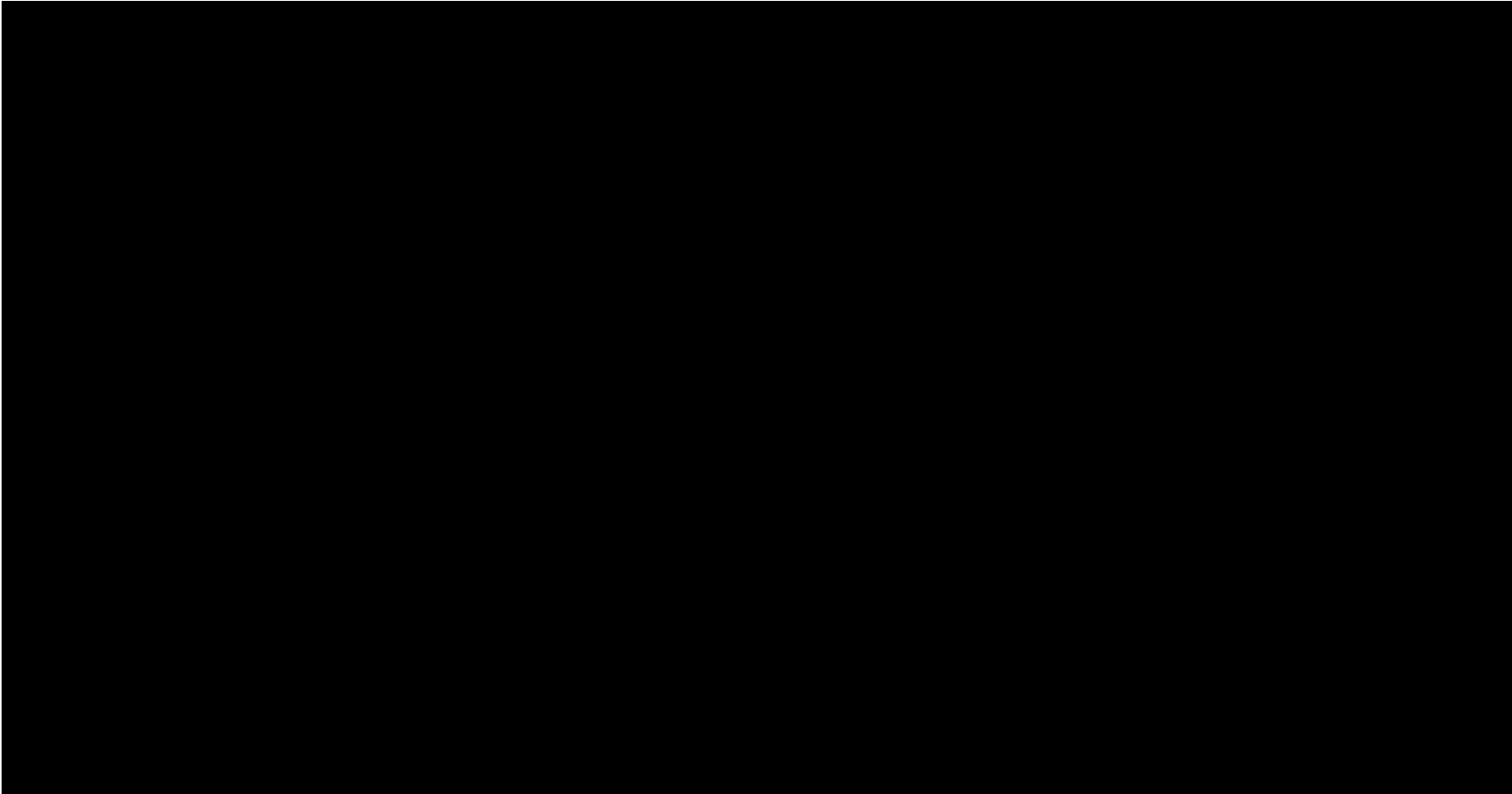
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Retail Sales and Surcharge



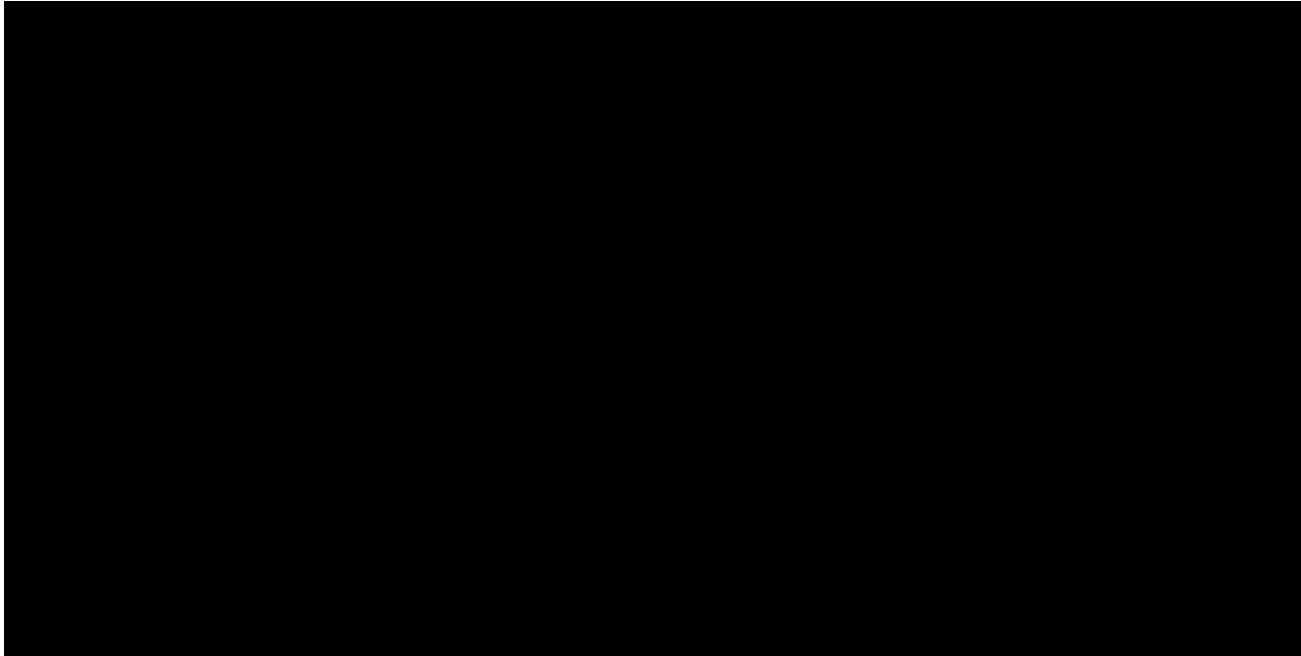
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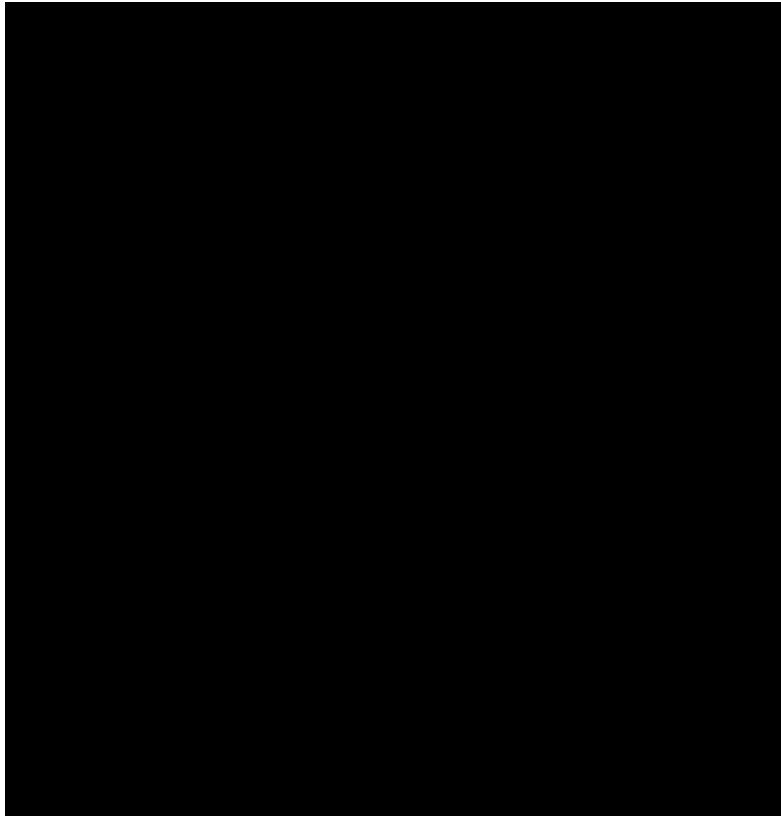
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