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July 25, 2017

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

VIA ELECTRONIC FILING

Re: In the Matter of the Request of Minnesota Energy Resources Corporation for Modification of the WEC Energy Group Affiliated Interest Agreement, Docket No. G011/AI-17-136

Minnesota Energy Resources Corporation's Additional Reply Comments Responding to July 24, 2017, Comments of the Department of Commerce, Division of Energy Resources

Dear Mr. Wolf:

On July 24, 2017, the Department of Commerce, Division of Energy Resources ("Department") filed Supplemental Response Comments responding to Minnesota Energy Resources Corporation's ("MERC's" or the "Company's") June 15, 2017, Additional Reply Comments in the above-referenced matter. In its Comments, the Department recommended that the Minnesota Public Utilities Commission ("Commission") approve the proposed revisions to the WEC Energy Group Affiliated Interest Agreement ("WEC Energy AIA") in conjunction with the addendum to the agreement as suggested by MERC and modified by the Department.

In particular, the Department recommended the following language for the proposed MERC-specific addendum to treat Bluewater Gas Storage, LLC ("Bluewater") as a Non-Regulated Party under the WEC Energy AIA only with respect to transactions with MERC:

Notwithstanding the provisions of the WEC Energy Affiliated Interest Agreement ("Agreement") by and among WEC Energy Group, Inc. ("WEC Energy"), the Regulated Parties listed on Appendix A of the Agreement, and the Non-Regulated Parties listed on Appendix B of the Agreement, Bluewater Gas Storage, LLC ("Bluewater") shall be deemed to be a Non-Regulated Party for the limited purposes of (1) any

transactions Bluewater may have with Minnesota Energy Resources Corporation (“MERC”) and all rights and obligations of MERC with respect to any transactions with a Non-Regulated Party shall apply fully to any transactions between MERC and Bluewater; and (2) determining the costs allocated to MERC from WEC Business Services LLC (“WBS”), the centralized service company, that result from services provided by Bluewater to WBS (per Articles III.1.d and III.3).

MERC understands this new recommendation to mean that in the event Bluewater provides service to WBS and Bluewater’s service costs are allocated, directly or indirectly, to MERC via WBS, the cost passed on to MERC should be MERC’s relevant share of the lesser of cost or fair market value. Though MERC does not anticipate Bluewater providing services to WBS under the AIA, MERC does not object to the Department’s recommended modifications to the proposed MERC-specific addendum.

Additionally, the Department recommends that the Commission require MERC to file the Commission-approved revised WEC Energy AIA as a compliance filing no later than 10 days after the Commission’s order. MERC does not object to that recommendation.

In summary, MERC and the Department have now reached agreement with respect to all issues in this proceeding. Consistent with the Department’s recommendations, MERC respectfully requests that the Commission:

- Approve the addition of Upper Michigan Energy Resources Corporation (“UMERC”) to Appendix A – “Regulated Parties” to the Agreement;
- Approve the revision to Article VIII.1, to modify the effective date provision from “first day of the fiscal quarter” to “first day of the month” following approval of waivers of the Commissions;
- Approve the proposed addendum to the WEC Energy AIA as proposed by MERC and modified by the Department addressing the treatment of Bluewater with respect to MERC; and
- Require MERC to file the final approved modified WEC Energy AIA and addendum as a compliance filing within 10 days of the Commission’s order.

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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

cc: Service List