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November 16, 2016

**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 Update

In the Matter of the Petition of Minnesota Energy Resources Corporation-Consolidated for Approval of a Change in Demand Entitlement, Docket No. G011/M-16-651

Dear Mr. Wolf:

On November 1, 2016, Minnesota Energy Resources Corporation (“MERC”) submitted an update to its Consolidated Demand Entitlement filing regarding its contracted demand entitlements and updated reserve margin. In that update filing, MERC noted

Additional capacity is not available on Viking Gas Transmission for the 2016-17 winter season and, as a result, MERC will purchase city-gate delivered supplies. The total MERC Consolidated reserve margin is negative 1.13%, down from a 4.47% margin in the 2015-16 winter season.

MERC will purchase 1,000 dth/day of city-gate delivered supply on Viking for the December 2016 - February 2017 term. MERC anticipates completing this purchase in November 2016 and will provide notice in this docket once the purchase has been completed.<sup>1</sup> A city-gate purchase means that the commodity supplier is responsible for delivering gas, on Viking, from its supply

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<sup>1</sup> MERC notes that the purchase of city-gate delivered supply will not impact MERC’s demand entitlements or PGA demand costs.

point to MERC's city-gate. There is not a physical lack of capacity on the Viking pipeline to deliver gas to MERC, but instead a contractual lack of available capacity for the upcoming winter. Moving forward, MERC will look into the most cost-effective option for meeting this capacity need for a longer term. The proposed commodity purchase will provide certainty that MERC can meet the forecast peak day for the upcoming winter season. With the planned city-gate purchase, the MERC Consolidated reserve margin moves from negative 1.13% to positive 0.67%.

MERC has now completed the purchase of 1,000 Dth/day of city-gate delivered supply on Viking for the December 2016 – February 2017 period. This purchase does not impact MERC's contracted demand entitlements but will ensure MERC is able to meet its peak day requirements.

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

Enclosure

cc: Service List

In the Matter of the Petition of Minnesota  
Energy Resources Corporation for Approval of  
a Change in Demand Entitlement for its  
Consolidated System

Docket No. G011/M-16-651

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 16th day of November, 2016, on behalf of Minnesota Energy Resources Corporation (MERC) I electronically filed a true and correct copy of the attached Letter on [www.edockets.state.mn.us](http://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 16th day of November, 2016.

/s/ Kristin M. Stastny  
Kristin M. Stastny

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