

May 2, 2011

VIA ELECTRONIC FILING

Burl W. Haar
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–PNG
for Approval of a Change in Demand Entitlement for its Viking Gas Transmission
System;
Docket No. G011/M-10-1169

Dear Dr. Haar:

On November 1, 2010, Minnesota Energy Resources Corporation (“MERC” or “Company”) filed with the Minnesota Public Utilities Commission (“Commission”) a Petition for Approval of a Change in Demand Entitlement for its Viking Gas Transmission System. On April 22, 2011, the Department of Commerce, Division of Energy Resources (“Department”) filed Comments recommending that the Commission approve MERC’s proposal due to the significant reductions in costs for ratepayers.

In its Comments, the Department recommended that MERC explicitly state in future demand entitlement filings any concerns it has about its forecast and give an explanation for any adjustments to either its design-day forecast or its design-day capacity it makes in response. MERC agrees with this recommendation.

The Department also noted that it continues to recommend that MERC include FDD Storage contracts in the commodity portion of the PGA rather than the demand portion. MERC also agrees with this recommendation as noted in the Company’s March 7, 2008 Supplemental Filing in Docket No. G011/M-07-1403. The Commission has not yet issued a decision in Docket No. G011/M-07-1403 and has not yet approved MERC’s proposal to shift storage costs from the demand portion of rates to the commodity portion of rates. MERC has not implemented its proposal in the monthly PGA because the Company is awaiting Commission approval of this change. As noted by the Department, however, MERC has included attachments with its initial filing in this docket that calculate costs based on the inclusion of these costs in the commodity portion of rates.

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MERC agrees with the recommendations of the Department and respectfully requests that the Commission approve the Company's proposal. Please feel free to contact me at (612) 340-2881 if you have any questions regarding this matter.

Sincerely yours,

/s/ Michael J. Ahern

Michael J. Ahern

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