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May 31, 2017

VIA ELECTRONIC FILING

Daniel P. Wolf
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-
NNG for Approval of a Change in Demand Entitlement, Docket No. G011/M-
16-650

Modification of Storage Contracts Effective June 1, 2017

Dear Mr. Wolf:

Minnesota Energy Resources Corporation (“MERC” or the “Company”) submits this letter in compliance with Minn. R. 7825.2910¹ to notify the Minnesota Public Utilities Commission (the “Commission”) of a change in contract demand effective June 1, 2017, as a result of MERC renewing a storage capacity release at a greater volume than submitted in MERC’s November 1, 2017, Demand Entitlement update. Because this change is effective June 1, 2017, it does not affect MERC’s design day demand entitlements for 2016-2017. MERC will provide an updated design day analysis in its 2017-2018 Demand Entitlement filings to be submitted in August and November 2017.

¹ Minn. R. 7825.2910, subp. 2, requires that “[g]as utilities shall file for a change in demand to increase or decrease demand, to redistribute demand percentages among classes, or to exchange one form of demand for another. A filing must contain:

- A. a description of the factors contributing to the need for changing demand;
- B. the utility’s design-day demand by customer class and the change in design-day demand, if any, necessitating the demand revision;
- C. a summary of the levels of winter versus summer usage for all customer classes; and
- D. a description of design-day gas supply from all sources under the new level, allocation, or form of demand.”

As discussed in this filing, because the increase in storage capacity will be effective June 1, 2017, there will be no impact to MERC’s design-day demand and no revised design-day demand by customer class is being submitted with this filing. Additionally, MERC’s purchase of additional released storage capacity will not affect usage during the remainder of the current demand period because MERC only injects into storage, and does not withdraw during the summer months.

Mr. Daniel P. Wolf
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MERC has acquired released storage on the Northern Natural Gas (“NNG”) system over the past several years from LS Power to meet the full storage needs for MERC-NNG customers. This storage has consistently been acquired at maximum tariff rates, which reflect the market, through a pre-arranged release. MERC has traditionally accepted the full volume of storage that LS Power has released, and this volume varies slightly each time the release is completed as LS Power’s operational needs change.

In the 2016-2017 Demand Entitlement filing, MERC recognized two release contracts with a total volume of 1,200,000 dekatherms (“Dth”), Contract 130698 and Contract 130699. The new release contracts to be effective June 1, 2017, have a total volume of 1,500,000 Dth, resulting in an overall increase in NNG storage capacity of 300,000 Dth. These modifications are reflected in the attached updated Attachment 4. Contract 132112 will replace the previous Contract 130698 effective June 1, 2017, with a total monthly storage cycle capacity of 200,000 Dth, which reflects the increase of 60,000 Dth per month. This contract is for a one year term to expire May 31, 2018. Contract 132024 will replace the previous Contract 130699 effective June 1, 2017, with a total storage cycle capacity of 100,000 Dth, which does not reflect any change in the previous release contract. This contract is for a five year term to expire May 31, 2022.

The impact to customers in the context of the 2016-2017 Demand Entitlement filing will be an increase storage costs of \$214,031 on an annualized basis, as shown on the attached updated Attachment 4, page 2. This results in an increased commodity cost of \$0.00084 per therm for the period June 1, 2017 – October 31, 2017.

Please contact me at (651) 322-8965 if you have any questions regarding the information in this filing. 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

Enclosure

cc: Service List

MINNESOTA ENERGY RESOURCES - NNG
RATE IMPACT OF THE PROPOSED DEMAND CHANGE

NOVEMBER 1, 2016

NNG

IV. NORTHERN NATURAL GAS COMPANY'S RATES -- CURRENT COST OF GAS EFFECTIVE						01-Nov-16
	Tariff-Summer(7 mths)	Tariff-Winter(5 mths)	Wt. Annual	GRI	Total	
TF-12B	112495 \$	5.6830 \$	10.2300	\$7.5776	\$0.0000	\$7.5776
TF-12B Discount	112495 \$	5.6830 \$	10.0320	\$7.4951	\$0.0000	\$7.4951
TF-12V	112495 \$	5.6830 \$	13.8660	\$9.0926	\$0.0000	\$9.0926
TF-5	112495 \$	- \$	15.1530	\$15.1530	\$0.0000	\$15.1530
TFX	112486 \$	5.6830 \$	15.1530	\$9.6288	\$0.0000	\$9.6288
TFX-5	112486 \$	- \$	15.1530	\$15.1530	\$0.0000	\$15.1530
TFX-5 Discount	112486 \$	- \$	10.0320	\$10.0320	\$0.0000	\$10.0320
TFX - Discount	111866 \$	2.2192 \$	15.1392	\$7.6025	\$0.0000	\$7.6025
TFX - Discount	111866 \$	4.8640 \$	4.8640	\$4.8640	\$0.0000	\$4.8640
TFX - Discount	111866 \$	5.4720 \$	5.4720	\$5.4720	\$0.0000	\$5.4720
TFX-5	127852 \$	- \$	15.1530	\$15.1530	\$0.0000	\$15.1530
Gas Cost						\$2.2444 /Dth

V. ANNUAL SALES -- As approved in Docket No. G011/MR-15-748 253,351,745

VI. MERC-NNG'S CURRENT COST OF GAS EFFECTIVE:							01-Nov-16
		Contract #s)	Monthly Entitlements (Dth)	Months	Rate (\$/Dth)	Contract Costs	Rate/Therm
A. GS-NNG	TF12B (Max Rate) Winter	112495	39,826	5	\$ 10.2300	\$2,037,100	\$ 0.00905
	TF12B (Max Rate) Summer	112495	39,826	7	\$ 5.6830	\$1,584,318	\$ 0.00704
	TF12V (Max Rate)	112495	30,290	12	\$ 9.0926	\$3,304,978	\$ 0.01469
	TF5 (Max Rate)	112495	32,278	5	\$ 15.1530	\$2,445,543	\$ 0.01087
	TF12B (Discount-Winter)	112495	5,200	12	\$ 7.4951	\$467,694	\$ 0.00208
	TFX12 (Max Rate)	112486	10,822	12	\$ 9.6288	\$1,250,434	\$ 0.00556
	TFX Apr (Max Rate)	112486	2,000	1	\$ 5.6830	\$11,366	\$ 0.00005
	TFX Oct (Max Rate)	112486	2,000	1	\$ 5.6830	\$11,366	\$ 0.00005
	TFX5 (Max Rate)	112486	81,888	5	\$ 15.1530	\$6,204,244	\$ 0.02757
	TFX5 (Discount)	112486	1,800	5	\$ 10.0320	\$90,288	\$ 0.00040
	TFX12 (Discount)	111866	1,283	12	\$ 4.8640	\$74,886	\$ 0.00033
	TFX12 (Discount)	111866	8,271	12	\$ 5.4720	\$543,107	\$ 0.00241
	TFX12 (Discount)	111866	11,921	12	\$ 7.6025	\$1,087,553	\$ 0.00483
	TFX5 (Discount)	111866	379	5	\$ 4.8640	\$9,217	\$ 0.00004
	TFX5 (Discount)	111866	2,445	5	\$ 5.4720	\$66,895	\$ 0.00030
	TFX5 (Discount)	111866	22,189	5	\$ 15.1392	\$1,679,619	\$ 0.00746
	Windom	118657	2,500	12	\$ -	\$0	\$ -
	Northwestern Energy		1,035	12	\$ 8.3382	\$103,560	\$ 0.00046
	Total Demand Cost					\$20,972,168	\$ 0.09319
	As approved in Docket No. G011/MR-15-748					225,057,235	
	GS-1 Demand Current Cost of Gas/therm						\$ 0.09319
	GS-1 Commodity Current Cost of Gas/therm						\$ 0.30766
	Total GS-1 Current Cost of Gas/therm						\$ 0.40085

B. GS-NNG, SVI-NNG, LVI-NNG, SJ-NNG, LJ-NNG, SLV-Commodity							
		Monthly Entitlement (Dth)	Months	Rate (\$/Dth)	Contract Costs	Contract Costs	Rate (\$/therm)
FDD:	FDD - Reservation	118657	75,437	12	\$ 1.7140	\$1,551,588	\$ 0.00612
	FDD - Storage Cycle	118657	869,864	5	\$ 0.3567	\$1,551,402	\$ 0.00612
	FDD - Reservation	118657	5,550	12	\$ 3.3157	\$220,826	\$ 0.00087
	FDD - Storage Cycle	118657	64,000	5	\$ 0.6901	\$220,832	\$ 0.00087
	FDD - Reservation	132112	17,344	12	\$ 1.7140	\$356,737	\$ 0.00141
	FDD - Storage Cycle	132112	200,000	5	\$ 0.3567	\$356,700	\$ 0.00141
	FDD - Reservation	132024	8,672	12	\$ 1.7140	\$178,366	\$ 0.00070
	FDD - Storage Cycle	132024	100,000	5	\$ 0.3567	\$178,350	\$ 0.00070
	Firm Deferred Delivery Storage Contracts					\$4,614,801	\$ 0.01821

Per Docket No. G-007/M-07-1402-05 dated August 6, 2014, storage demand charges will be allocated through the commodity charge effective 11/1/2014.

		Monthly Entitlement (Dth)	Months	Rate (\$/Dth)	Contract Costs	Contract Costs	Rate (\$/therm)
Bison	FT0003	50,000	12	\$ 17.4896	=	\$10,493,750	\$ 0.04142
NBPL	T8673F	50,000	12	\$ 6.9958	=	\$4,197,500	\$ 0.01657
						\$14,691,250	\$ 0.05799

Per Doct No. G-007/M-10-1166 and G-011/M-10-1168 dated January 26, 2015, recover the costs associated with Bison contract through commodity effective

		Annual Sales (Dth)		Rate (\$/Dth)	Commodity Cost	Rate Case Sales (therm)	Rate (\$/therm)
CD-1 Commodity		25,335,175	x	\$2.2444	\$56,862,266	253,351,745	\$ 0.22444
SMS-Bal Service		272,160	x	\$2.1800	\$593,309	253,351,745	\$ 0.00234
Physical Forward Start Premium					\$175,451	253,351,745	\$ 0.00069
Call Option Premium					\$1,010,681	253,351,745	\$ 0.00399

GS-NNG, SVI-NNG, LVI-NNG, SJ-NNG, LJ-NNG, SLV Commodity Current Cost of Gas/therm				\$63,256,508	253,351,745	\$ 0.30766
	Original Filing			\$63,042,477	253,351,745	\$ 0.30682
	Difference			\$214,031		\$ 0.00084

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

Docket No. G011/M-16-650

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 31st day of May, 2017, on behalf of Minnesota Energy Resources Corporation (MERC) I electronically filed a true and correct copy of the enclosed Letter 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 31st day of May, 2017

/s/ Kristin M. Stastny
Kristin M. Stastny

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