

March 17, 2015

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: **Letter of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G011/GR-13-617

Dear Mr. Wolf:

On October 28, 2014, the Minnesota Public Utilities Commission (Commission) issued its *Findings of Fact, Conclusions, and Order* (Order) in the above-referenced docket. Order Point 4 states:

The Commission approves total test-year incentive-compensation costs of \$1,231,630. MERC shall refund any incentive-compensation costs included in the test-year revenue requirement that are not paid out in a particular year. Refunds shall be based on the incentive compensation and customer counts approved in this docket.

On March 4, 2015, Minnesota Energy Resources Corporation (MERC), filed an *Incentive Compensation Refund Mechanism Compliance Filing* in compliance with Order Point 4 and proposed to modify the refund method, as follows:<sup>1</sup>

Rather than refunding customers on a per-therm basis, MERC proposes to refund each customer at a flat rate of \$1.80. MERC also proposes to refund the entire amount in a single month rather than spreading the refund over 12 months. Given the small amount of the refund, this approach is the simplest and least costly way to administer the refund.

Assuming the Commission approves MERC's proposal at the Commission hearing on March 12, the Company proposes to refund customers with April billing and to list the refund on customer bills as "Miscellaneous Refund." Until refunded, the \$387,300 cumulative underpayment of incentive payout will be booked as a regulatory liability account to be refunded.

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<sup>1</sup> The Commission adopted the findings, conclusions and recommendations of the Administrative Law Judge on this matter who recommended that the Commission retain the per-therm refund method established in Docket No. G007,011/GR-10-977 for refunding unpaid incentive compensation amounts.

The Department concludes that it is reasonable to refund a flat rate of \$1.80 to each customer for this refund.<sup>2</sup> Therefore, the Department does not object to MERC's proposal.

The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ MICHELLE ST. PIERRE  
Financial Analyst

MS/lt

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<sup>2</sup> Future refunds of incentive compensation would be required to be paid on a per-therm basis unless MERC makes another proposal or the Commission modifies its Order in the general rate case.

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce  
Letter**

**Docket No. G011/GR-13-617**

Dated this 17<sup>th</sup> day of **March 2015**

**/s/Sharon Ferguson**

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