

STATE OF MINNESOTA  
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

David Boyd  
J. Dennis O'Brien  
Phyllis Reha  
Thomas Pugh  
Betsy Wergin

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Application of )  
Minnesota Energy Resources Corporation ) Docket No. G007,011/GR-10-977  
for Authority to Increase Rates for Natural )  
Gas Service in Minnesota ) **NOTICE OF CHANGE IN RATES**

**A. Introduction.**

Minnesota Energy Resources Corporation (“MERC” or the “Company”), seeks authority from the Minnesota Public Utilities Commission (the “Commission”) to increase the rates for natural gas service provided to retail customers in Minnesota by its operating divisions MERC-PNG and MERC-NMU. Pursuant to Minn. Stat. § 216B.16, subd. 1, MERC requests a rate increase of \$11,783,427 or 5.07% for MERC-PNG and \$3,381,882 or 5.60% for MERC-NMU, and a combined increase of \$15,165,309 or 5.18% effective February 1, 2011 without suspension. MERC has determined that it will incur an interim revenue deficiency of \$5,716,422 or 2.46% for MERC-PNG, \$1,896,914 or 3.14% for MERC-NMU, and \$7,613,336 or 2.60% for MERC’s natural gas utility operations as a whole. If the Commission elects to suspend the proposed rate increase under Minn. Stat. § 216B.16, subd. 2, the Company requests, pursuant to Minn. Stat. § 216B.16, subd. 3, that an interim rate increase of \$5,628,322 or 2.42% for MERC-PNG and \$1,896,914 or 3.14% for MERC-NMU, and a combined increase of \$7,525,236 or 2.57% be effective on February 1, 2011, with final rates becoming effective within 10 months of the date of the Application.

This Application includes the following information in accordance with Minnesota Statutes and the Commission’s rules:

**B. Notice and Proposal Regarding General Rate Change  
(Minn. R. 7825.3200A(1) and 7825.3500)**

**1. Name, address and telephone number of utility.**

Minnesota Energy Resources Corporation  
2665 145th Street West  
Box 455  
Rosemount, MN 55068-0455  
(651) 322-8901

**2. Name, address and telephone number of attorneys for the utility.**

Michael J. Ahern  
Ann M. Seha  
Sarah J. Sorenson  
Dorsey & Whitney LLP  
50 South Sixth Street, Suite 1500  
Minneapolis, MN 55402-1498  
(612) 340-2600

**3. Date of filing and date modified rates are to be effective.**

The date of this filing is November 30, 2010. Pursuant to Minn. Stat. § 216B.16, subd. 1, MERC proposes and requests that the requested natural gas rates become effective February 1, 2011, sixty-three dates after filing, without suspension.<sup>1</sup> A schedule of rates and tariffs, reflecting the revenue increase requested and the proposed rate design described in the attached documents is included with the Application.

If the Commission suspends the proposed natural gas rates pursuant to Minn. Stat. § 216B.16, subd. 2, then, pursuant to Minn. Stat. § 216B.16, subd. 3, the Company requests that the Commission approve the interim natural gas rates proposed in the Petition for Interim Rates, which is filed as part of this Application, effective February 1, 2011, with final rates effective within 10 months of the date of this Application.

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<sup>1</sup> Although Minn. Stat. § 216B.16, subd. 3 requires the Commission to approve interim rates no later than 60 days after the initial filing date, MERC waives its right, under the statute to have interim rates in effect not later than 60 days after the initial filing. MERC's customers would not be harmed by granting the Company's request. *See In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, ORDER SETTING INTERIM RATES, Docket No. G007,011/GR-08-835 (Sept. 25, 2008).

#### **4. Description and purpose of the change in rates requested.**

The Application for a change in rates applies to all of MERC's retail natural gas customers in the State of Minnesota, and the proposed rates are designed to produce additional revenues sufficient to meet the Company's cost of service for the test year ending December 31, 2011. This filing complies with the provisions of Minn. Stat. § 216B.16 and the Commission's rules governing rate changes.

#### **5. Effect of the change in rates.**

The effect on the proposed natural gas rate increase will be an increase in gross revenues for the test year of \$11,783,427, or an approximate increase of 5.07% above the test year gross revenues for MERC-PNG, \$3,381,882, or an approximate increase of 5.60% above the test year gross revenues for MERC-NMU, and \$15,165,309, or an approximate increase of 5.18% above the test year gross revenues for MERC as a whole. The typical MERC-PNG residential gas customer served off of the Northern Natural Gas Pipeline uses 904 therms per year. On average, the proposed rate change would increase the bill for a typical residential gas customer by \$5.27 per month or \$63.20 annually for a MERC-PNG customer served off of the Northern Natural Gas Pipeline. The typical MERC-PNG residential gas customer served off of the Great Lakes Pipeline uses 836 therms per year. On average, the proposed rate change would increase the bill for a typical residential gas customer by \$5.04 per month or \$60.47 annually for a MERC-PNG customer served off of the Great Lakes Pipeline. The typical MERC-PNG residential gas customer served off of the Viking Pipeline uses 781 therms per year. On average, the proposed rate change would increase the bill for a typical residential gas customer by \$4.86 per month or \$58.27 annually for a MERC-PNG customer served off of the Viking Pipeline. The typical MERC-NMU residential gas customer uses 829 therms per year. On average, the proposed rate change would increase the bill for a typical residential gas customer by \$2.24 per month or \$26.91 annually for a MERC-NMU customer.

If the requested rates are suspended, the interim rates would increase the bill for a typical residential gas customer as outlined below. On average, the proposed rate change would increase the bill for a typical residential gas customer by \$1.94 per month or \$23.23 annually for a MERC-PNG customer served off of the Northern Natural Gas Pipeline, by \$1.85 per month or

\$22.17 annually for a MERC-PNG customer served off of the Great Lakes Pipeline, by \$1.77 per month or \$21.25 annually for a MERC-PNG customer served off of the Viking Pipeline, and by \$2.49 per month or \$29.86 annually for a MERC-NMU customer.

**6. Signature and title of utility officer authorizing the proposal.**

The Application is signed on behalf of MERC by Charles A. Cloninger, President of Minnesota Energy Resources Corporation.

**C. Modified rates.  
(Minn. R. 7825.3200A(2) and 7825.3600)**

Included in this Application are rate schedules containing the proposed changed rates and tariffs. These schedules and tariffs are supported by the pre-filed Direct Testimony of Gregory J. Walters, and are included in Volume 2 of this Application.

**D. Expert opinions and supporting documents.  
(Minn. R. 7825.3200A(3) and 7825.3700)**

Included in this Application are statements of fact, expert opinions, substantiating documents and exhibits supporting the change in retail natural gas rates. Pursuant to Minn. R. 7825.3700, Charles A. Cloninger provides Direct Testimony as the Company's designated official in support of the Application. A list of the Company's other witnesses is provided in Mr. Cloninger's Direct Testimony.

**E. Information requirements.  
(Minn. R. 7825.3200A(4) and 7825.3800 – 7825.4400)**

Included in this Application in Volume 2 are the Direct Testimony of the Company's witnesses and proposed tariffs, which along with Volumes 3 and 4, represents the Company's supporting documentation and contains the information in support of a general rate increase required by Minn. R. 7825.3800 through Minn. R. 7825.4400.

Data is provided for the 2009 historical year, the 2010 projected year, and the proposed test year ending December 31, 2011.

**F. Methods and procedures for refunding.**  
**(Minn. R. 7825.3200A(5) and 7825.3300)**

Included with this Application is an “Agreement and Undertaking” signed and verified by Charles A. Cloninger, President of Minnesota Energy Resources Corporation.

**G. Notice to municipalities and counties.**  
**(Minn. Stat. § 216B.16, subd. 1)**

Pursuant to Minn. Stat. § 216B.16, subd. 1, MERC proposes to mail the Proposed Notice to Counties and Municipalities included with the Application to all municipalities and counties in MERC’s natural gas service territory. This notice includes a discussion of the proposed interim rates, as well as information regarding the general natural gas rate case filing. The representation of present, interim and proposed rates on this notice reflects the approach described in our response to Part B.5 above. The Company requests Commission approval of the notice so it may be mailed in a timely fashion.

**H. Customer notice.**  
**(Minn. R. 7829.2400, subp. 3)**

MERC will notify customers through a bill insert of its Application to increase retail natural gas rates and explain the proposed general rate increase. If MERC’s requested retail natural gas rate increase is suspended, the Company also will explain the impact of MERC’s interim rates on customer bills in the same bill insert.

Included in this Application is an example of the Company’s proposed notice of its rate increase. The Company requests approval of the customer notice so it can be included prior to or with the first bills issued with interim rates.

**I. Filing requiring determination of gross revenue requirement.**  
**(Minn. R. 7829.2400)**

Pursuant to Minn. R. 7829.2400, MERC is submitting the following information in addition to that required by Minn. R. 7825.3100 – 7825.4600.

**1. Summary.**

A summary of the Application is attached to this Notice.

**2. Service; proof of service.**

MERC has served copies of this Application on the Department of Commerce – Office of Energy Security and the Office of the Attorney General – Residential Utilities Division. MERC will serve a copy of the Summary of Filing on the other parties on the general service list for MERC natural gas filings and on the service list in the Company’s last natural gas rate case proceeding (Docket No. G007,011/GR-08-835) and the Company’s most recent financial incentive proceedings (Docket Nos. G011/M-10-407 and G007/M-10-409). The combined service list for these proceedings and a certificate of service are attached.

**3. Notice to public and governing bodies.**

*See* Sections G. and H., above. In addition, MERC will publish a notice of the proposed change in newspapers of general circulation in all county seats in MERC’s Minnesota natural gas service territory.

**4. Notice of hearing.**

MERC will notify ratepayers of hearings held in connection with this Application as directed by the Commission. MERC will also publish notice of the hearings in newspapers of general circulation in all county seats in MERC’s natural gas service area, as directed by the Commission.

**J. Service list.**

Pursuant to Minn. R. 7829.0700, the Company requests the following persons representing MERC be placed on the Commission's official service list for this proceeding:

Michael J. Ahern  
Ann M. Seha  
Sarah J. Sorenson  
Dorsey & Whitney LLP  
50 South Sixth Street, Suite 1500  
Minneapolis, MN 55402-1498  
(612) 340-2600

Charles A. Cloninger  
Minnesota Energy Resources Corporation  
2665 145<sup>th</sup> Street West  
P.O. Box 455  
Rosemount, MN 55068-0455

Greg J. Walters  
Minnesota Energy Resources Corporation  
3460 Technology Drive NW  
Rochester, MN 55901

Seth S. DeMerritt  
Integrays Business Support, LLC  
700 North Adams  
P.O. Box 19001  
Green Bay, WI 54307-9001

**K. Conclusion.**

The Company respectfully requests consideration and acceptance of its Application.

Dated: November 30, 2010

Respectfully submitted,



Charles A. Cloninger  
President  
Minnesota Energy Resources Corporation

2665 145<sup>th</sup> Street West  
P.O. Box 455  
Rosemount, MN 55068-0455

Subscribed and sworn to before me  
this 30th day of November, 2010.



Notary Public, State of Wisconsin

