

For Immediate Release  
September 24, 2014

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## **MINNESOTA PUBLIC UTILITIES COMMISSION ACTS ON MERC'S NATURAL GAS RATE CASE**

**St. Paul, Minnesota** - The Minnesota Public Utilities Commission ("Commission") today acted on the petition by Minnesota Energy Resources Corporation ("MERC") for a general increase in its natural gas rates. The Commission's decisions reduce the monthly basic service charge to residential customers as well as the overall amount of the rate increase from those initially requested by the company. At the same time, the Commission authorized recovery of the substantial increase in spending on conservation programs that is required of MERC.

MERC filed its rate case requesting an increase over existing rates of \$14.188 million, or 5.52 percent. The Administrative Law Judge ("ALJ") assigned to the case filed a report on August 12, 2014 containing findings and recommendations which reduced the rate increase to approximately \$5.43 million, or roughly 1.8%. As Commission staff processes the impact of the decisions made today, the Commission will be better able to calculate the total dollar amount approved.

A major factor affecting the final approved increase is the authorized return on equity. The rate approved by the Commission establishes an authorized return on equity of 9.35%. This is lower than the rate of 10.75% requested by the company as well as the rate of 9.79% recommended by the ALJ in his report. The Department of Commerce (the "Department") had recommended a rate of 9.29% and the Office of the Attorney General recommended a rate of 8.62%.

Though not a guaranteed return for MERC, setting a return on equity is needed in order to establish final rates. Whether the company actually earns that return depends on numerous operational and financial factors.

Another major factor affecting the final rate increase is the company's increased spending on conservation programs. Approximately \$3.6 million of the final increase, or over 40 percent, is due to increases on these programs.

On another major point, the basic residential monthly service charge was set at \$9.50. MERC had initially asked that this be increased to \$11.00 per month. The company and the Department subsequently agreed upon a charge of \$9.50 per month and this was recommended by the ALJ. The Office of the Attorney General recommended the charge remain at the current \$8.50 per month.

On November 27, 2013, the Commission authorized an interim rate increase of \$10.756 million, or 4.18%, that went into effect on January 1, 2014. Because the Commission's decisions

authorize final revenues less than those being collected by the interim rates, customers will receive a proportionate refund, with interest, once final rates go into effect.

MERC filed its petition in this rate case on September 30, 2013.

Final written orders formally documenting the Commission's decisions will be issued in several weeks. Those orders will be filed in docket G-011/GR-13-617, which is available on the Commission's website ([www.puc.state.mn.us](http://www.puc.state.mn.us)) via the Commission's e-Dockets system.