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September 18, 2012

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
350 Metro Square Building
121 7th Place East
St. Paul, Minnesota 55101-2147

RE: Additional Supplemental Response Comments of the Minnesota Department of Commerce,
Division of Energy Resources
Docket No. G007,011/AI-10-783

Dear Dr. Haar:

Attached are the Additional Supplemental Response Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Petition of Minnesota Energy Resources Corporation (MERC or the Company) for
Approval of an Affiliated Interest Agreement (Agreement).

The Department's Supplemental Response Comments are provided in response to Supplemental Reply Comments filed by MERC on September 10, 2012. MERC stated that it agreed to abide by Department-recommended modifications to the cost study regarding filing requirements for the annual internal audit, the cost study, and annual updates to the Agreement. However, MERC requested that the Minnesota Public Utilities Commission (Commission) include the recommendations in its Order in the docket rather than as modifications to the Agreement. The Company stated that amending the Agreement would require resubmitting the revised agreement to the Illinois Commerce Commission and the Public Service Commission of Wisconsin for their consideration, a process that could be lengthy.

The Department appreciates MERC's willingness to accept the filing requirements recommendations proposed by the Department. The Department agrees with the Company that submitting the proposed filing modifications as part of a revised Agreement could be time-consuming. Therefore, the Department concludes that MERC's suggestion to include the recommendations as points in an Order in the docket is a better method for achieving the goals of the recommendations.

The Department recommends that the Commission include the following items as Order points in this docket:

- Each year by May 1 MERC shall file with the Commission billing reports showing its charges, as a Providing Party, to any Receiving Party to which it provided Services under the Agreement during the preceding calendar year and billing reports showing its payments, as a Receiving Party, for Services received from Providing Parties under the Agreement during the preceding calendar year;
- MERC shall file the annual internal audit report in this docket with the Commission no later than July 1 of each audit year;
- MERC shall file the initial cost study pertaining to the period ending December 31, 2011, in this docket with the Commission within 30 days of the date of an Order approving the Agreement;
- MERC shall file the annual updates to the cost study in this docket with the Commission by May 1 of each applicable year;
- MERC shall file subsequent cost studies in this docket with the Commission by May 1 of each applicable year; and
- MERC shall file a study with the Commission three years from the effective date of the Agreement providing information sufficient to enable the Commission to determine whether the Agreement should continue, be modified, or be discontinued.

The Department recommends approval of the Agreement with these conditions. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ MARLON GRIFFING
Financial Analyst
651-297-3900

MG/jl

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
Additional Supplemental Response Comments**

Docket No. G007,011/AI-10-783

Dated this 18th of September, 2012

/s/Sharon Ferguson

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