Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: **December 15, 2016 .... Agenda Item #3****

Company: Minnesota Power

Docket No. E-015/M-16-648
In the Matter of a Petition for Approval of Deferred Accounting Treatment of Costs Related to the 2016 Storm Response and Recovery

Issue: Should the Commission approve Minnesota Power's request for deferred accounting for costs related to the 2016 Storm?

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Relevant Documents

Minnesota Power - Initial Filing .... August 1, 2016
Department of Commerce - Comments .... September 29, 2016
Office of Attorney General (RUD) - Comments .... September 30, 2016
Minnesota Power - Reply Comments .... October 17, 2016
Department of Commerce – Response to Reply Comments .... November 4, 2016

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Statement of the Issue

Should the Commission approve Minnesota Power's request for deferred accounting?

Background

Pursuant to Minnesota Statutes § 216B.10 and 216B.11 and Minnesota Rules 7825.0300, subp. 4, on August 1, 2016, Minnesota Power Company (MP, the Company) filed a request seeking to defer the retail portion of incremental non-fuel, distribution operating and maintenance (O&M) costs (including overtime internal labor) incurred due to the 2016 storm response and recovery throughout the Company's service territory. The deferral period would be until interim rates take effect in MP's next general rate case[1].

Introduction

Minnesota Power explained that severe storms across many parts of northern Minnesota created an emergency situation for the Company which created MP's need to defer, effective July 21, 2016, the retail portion of incremental non-fuel operating and maintenance (O&M) costs (including incremental overtime internal labor) that were necessary in order to restore electric service to the Company's retail customers.

Minnesota Power Petition

Minnesota Power indicated that, during early morning hours of July 21, 2016, the worst storm (2016 Storm) to affect MP's electrical system in the Duluth area in at least 15 years knocked down thousands of trees and power lines, and left over 46,000 of the Company's customers without power.

Since both Otter Tail Power and Xcel Energy were dealing with their own storm cleanups events at the time, Minnesota Power requested mutual aid from as far away as Missouri (Ameren) as well as local electric and tree contractors. These workers put in 16 hour days and required housing and food. Damage assessment revealed that, in addition to the many downed power lines, 300 power poles were damaged and needed to be replaced. Initial estimates were that full power restoration would take three to four days; however, but for a few hundred customers, power was not fully restored until July 27, 2016, or six days later.

Minnesota Power added that, although service has been fully restored, the extent of the damage was still not fully known and that Company's restoration efforts were ongoing. MP noted that, during the first week of restoration, it was expending $0.75 million on a daily basis and that preliminary estimates of total incremental costs ranged between $4 million and $6 million.

In requesting deferred accounting for the incremental costs associated with the 2016 Storm, Minnesota Power referenced previous instances where the Commission has granted deferred

[1] MP has since filed a rate case in Docket E-015/GR-16-664.

accounting and specifically quoted the Order on docket 08-728 (IPL's 2008 flood docket) which stated "Traditionally, deferred accounting has been reserved for costs that are unusual, unforeseeable, and large enough to have a significant impact on the utility's financial condition. Deferred accounting has also sometimes been permitted when utilities have incurred sizable expenses to meet important public policy mandates."[2] MP also highlighted that Staff Briefing Papers in that docket pointed out that: "The Commission has articulated considerations by which it has judged requests for deferred accounting in a number of prior dockets. The costs should be:

1. Related to utility operations for which ratepayer have incurred costs or received benefits;
2. Significant in amount;
3. Unusual or extraordinary items;
4. Subject to review for reasonableness and prudence."

MP believes the 2016 Storm satisfies all four requirements:

1. All 2016 Storm costs are directly related to Minnesota Power's obligation to "furnish safe, adequate efficient and reasonable service".
2. MP's $4 million to $6 million incremental costs are significant and would have significant adverse impacts to Minnesota Power.
3. The 2016 Storm with gale force winds and significant weather-related damage were sudden and caused by forces beyond the Company's control. It was also the worst storm to hit the Duluth area in over 15 years.
4. The Company offered this Petition to enable the Commission and other stakeholders to thoroughly examine the 2016 Storm recovery expenses for reasonableness and prudence.

The Company requested that expenses associated with the 2016 Storm be accumulated in FERC Account Number 186, Miscellaneous Deferred Debits and proposed to begin amortizing these expenses, including carrying charges, concurrent with interim rates in its next rate case.

Department of Commerce Comments

Appropriate FERC Account

[2] Interstate Power and Light Company's Petition for Approval of Deferred Accounting Treatment of Costs Related to the 2008 Flood, Order Authorizing Deferred Accounting Treatment Subject to Certain Conditions, Docket No. E,G-001/M-08-728 (April 23, 2009). See also, Xcel Energy's Petition for Approval of Deferred Accounting for Costs Incurred for the Web Tool and Time-of-Use Pilot Project, Order Approving Deferred Accounting, Docket No. E002/M-03-1462 (February 25, 2005); Xcel Energy's Petition for Approval of Deferred Accounting Treatment of Costs Related to the Mercury Emissions Reduction Act of 2006 Order Approving Deferred Accounting of Certain Costs Attributed to Mercury Emission Reduction, Docket No. E002/M-06-1315 (January 31, 2007); Xcel Energy's Petition for Approval of Two Proposed Energy Innovation Corridor Projects in the Central Corridor Utility Zone and Deferred Accounting Treatment for Costs Incurred After January 1, 2010, Order Accepting Withdrawal, Granting Deferred Accounting, and Setting Filing Requirements, Docket No. E002/M-09-1488 (December 27, 2010).

The Department questioned whether FERC 186 should be the correct account to record the deferred costs. The DOC suggested that, based on its description and instructions, using FERC 182.3 may be more appropriate:

A. This account shall include the amounts of regulatory-created assets, not includible in other accounts, resulting from the ratemaking actions of regulatory agencies.

B. The amounts included in this account are to be established by those charges which would have been included in net income, or accumulated other comprehensive income, determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility service. When specific identification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, rate moderation plans, or rate levelization plans, account 407.4 regulatory credits, shall be credited. The amounts recorded in this account are generally to be charged, concurrently with the recovery of the amount in rates, to the same account that would have been charged if included in income when incurred, except all regulatory assets established through the use of account 407.4 shall be charged to account 407.3 regulatory debits, concurrent with the recovery in rates.

C. If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount shall be charged to Account 426.5, Other Deductions, or Account 435, Extraordinary Deductions, in the year of the disallowance.

D. The records supporting the entries to this account shall be kept so that the utility can furnish full information as to the nature and amount of each regulatory asset included in this account, including justification for inclusion of such amounts in this account.

Based on its review, the DOC recommended that, should the Commission approve MP's request, FERC Account 182.3 be used.

Carrying Costs

The Department issued three information requests regarding carrying costs and, on all three, the Company replied by saying "Minnesota Power waves any request related to allowing a carrying cost on the 2016 Storm deferred accounting request."[3] Since the DOC believes that the Company has waived its carrying costs request, then, should the Commission approve deferred accounting, the Department recommended that no carrying costs be included.

[3] DOC Comments, Attachment A, Minnesota Power Response to DOC IRs #3, 5 and 6.

Deferral Period

In response to the Department's Information Request #2, the Company stated that the deferral period would be July 21, 2016 to December 31, 2016. The Department noted that, although the proposed deferral period runs through December 31, the majority of the costs would have been incurred in the July and August timeframe.

Amortization Period

Since the Department does not handle interim rates, the DOC deferred discussion of whether recovery should begin with interim rates to Commission Staff.

Analysis of the Proposal

As mentioned in page 2 of these briefing papers, the Commission has articulated four criteria that it used to judge requests for deferred accounting. The Department addressed each one individually.

Related to Utility Operations for which Customers Have Incurred Costs or Received Benefits

The Department agreed with the Company that the 2016 storm costs are related to utility operations.

Unusual or extraordinary items

Regarding Minnesota Power's assertions that 2016 Storm was the worst that the Duluth area has seen in over 15 years and that the severity of the weather and the magnitude of the resultant damage were outside the Company's reasonable foresight, the Department commented that it does not consider storm damage costs to be unusual or extraordinary. The DOC also pointed out that, while this 2016 Storm appears to be more severe than past years, there are years where storms are very minor or do not occur.

Subject to Review for Reasonableness and Prudence

The Department expressed four concerns with evaluating the Company's claimed incremental costs and the amount allowed for a regulatory asset, including:

- Calculating which costs are actual incremental costs (in other words costs that are not already embedded in the Company's current rates via the level of O&M set in the Company's last rate case);

- Limiting the regulatory asset to expenses, since capital costs can be recovered in the Company's upcoming November 2016 rate case;

- Capturing reductions for any insurance proceeds; and

- Using an allocator to ensure only a reasonable amount of costs are assigned to Minnesota retail customers, since some distribution costs are assigned to other customers including wholesale municipal customers.

In order to address incremental O&M costs the Department issued IR #7 requesting that Minnesota Power provide support for their $4-$6 million estimate. The Company's response provided total costs, both capital and expense, of $5.751 million in various categories such as Salary & Wages, Lost Time, Paid Overtime, Business Meals, Refreshments, Miscellaneous Employee Expense, Lodging, Mileage and Transportation, Materials, various overhead, employee benefits and taxes. Since many of the identified costs are included in base rates, the Department expressed concern about their ability to determine what portion is truly incremental. Due to this difficulty the Department, in the past, has recommended limiting regulatory assets to outside consultant costs or contractor/professional services which, according to MP, total $2.741 million in this case. For illustration, the Department pointed out that the Commission allowed deferred accounting treatment for costs incurred in developing Xcel Energy's time-of-use pilot project, but limited the deferral to those costs associated with "consulting fees, hardware and software purchases, contract labor, and non-labor related employee expenses."[4] In the Xcel case, the Commission noted that Xcel Energy should not be penalized for complying with Commission's order to develop a time-of-use pilot program and that the facts for that case were unique.

In a further effort to identify incremental costs, the Department's IR #12 asked if Minnesota Power tracks storm damage costs separately. The Company replied that it did not.

Based on this information, the Department concluded that the Commission has consistently limited deferred accounting approvals to incremental costs and has excluded internal costs that may already be included in base rates and, given that the Company does not track storm damage costs separately, that MP's incremental costs are difficult to identify.

In its response to IR #7, MP also disclosed that it expected to classify approximately 30% of the $5.751 million as capital costs. In its response to IR #9, Minnesota Power confirmed that, since any capital costs will be included in future rate cases, it was not requesting to include those costs as part of the deferred accounting. Based on this information, the Department determined that, by limiting the deferral to Contractor/Professional services and excluding capital costs, the possible range is between $2.741 million and $4.025 million[5]. The DOC recommended that, should the Commission grant deferred accounting, the request be limited to the Contractor/Professional services only, or the $2.741 million.

In its response to IR #10 and IR #11, Minnesota Power stated that, after reviewing this issue with its insurance carrier, MP was informed that there is no insurance recovery available. As a result,

[4] Commission February 25, 2005 Order, Docket 03-1462.
[5] $5.751 million x 70% = $4.025 million.

the DOC concluded that insurance proceeds do not appear to be an issue for determining net 2016 storm damage costs.

In its response to IR #1, Minnesota Power stated that it is only requesting deferred accounting for retail costs to restore distribution level service for retail customers; however, MP did not provide a jurisdictional allocator, as requested. Based on its review, the Department recommended that, if deferral is approved, the 96.555% Minnesota jurisdictional allocator, for Distribution O&M costs, approved in the Company's last rate case be applied to the deferred amount.

Significant in Amount

Minnesota Power indicated that, in its last rate case, approved distribution O&M costs were $21.423 million (Minnesota retail). Additionally, in its response to IR #14, the Company stated that actual 2010-2015 O&M distribution costs (Minnesota jurisdiction) ranged between $21.4 million and $23.9 million. For 2016 the total through July 31 was $12.6 million. The Department noted that annualizing MP's 2016 costs would amount to $21.6 million[6], which is close to the $21.423 million approved in rates. Furthermore, if deferral were limited to Contractor/Professional services and the Minnesota-jurisdictional allocator was applied and that amount were added to the $21.6 million, then revised 2016 expense would be $24.1 million, or slightly more than the high end of the 2010-2015 range. The DOC noted that, if the request were approved and the jurisdictional allocator was applied, the Department's recommended amount would represent 0.37% of the approved revenue requirement and 0.58% of the total O&M expenses that were approved in MP's last rate case. If the Commission approved the Company's requested amount then the percentages would be 0.59% and 0.91%, respectively. The Department stated that a similar analysis was done in the Xcel case.[7]

The Department highlighted that it is important to consider some of the reasons regulatory assets are very limited and only authorized under unique circumstances. First, a deferral request is a request to change normal accounting principles that require storm costs to be expensed in the period they were incurred, and instead defer booking the expense into a future year (in this case, the 2017 test year) and amortize the total amount over some amortization period. Second, creating a regulatory asset raises concerns about single-issue ratemaking, where the focus is only on one cost, in this case 2016 Storm damage costs, rather than considering that there may be other possibly lower costs or higher revenues that are not considered or reviewed as they would be in a comprehensive rate case.

In light of the four criteria that have been considered in past deferred accounting requests to assess whether there is a need for a regulatory asset, the Department concluded that MP's request does not meet the necessary criteria and; therefore, should be denied.

The Department also provided more detail regarding other approved deferred accounting requests referenced by MP (see footnote 1):

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[6] ($12.6 million/7 months) x 12 months.
[7] Docket 03-1462

- The Order in IPL's 2008 Flood docket #08-728 noted that the Iowa floods of 2008 are the sort of rare and unforeseen events that are recognized through deferred accounting. The Commission established a four-year amortization period beginning January 1, 2009 and required costs to be limited to non-fuel O&M and offset by any revenues such as insurance proceeds.

- As previously mentioned, the Commission rationale in granting Xcel's request in docket #03-1462 was that costs were due to a Commission directive. Xcel's recovery was limited to outside consulting costs and did not include any internal labor or carrying costs.

- Xcel Energy request regarding two proposed energy innovation corridor projects in Docket #09-1488 was granted. In granting the request, the Commission's Order noted that Xcel was initially planning to recover costs through a rider, however, the Commission considered Xcel's upcoming rate case a better vehicle for examining accuracy, prudency, reasonableness, and rate recoverability of these costs.

The Department also provided instances where the Commission has denied deferred accounting requests:

- Xcel's Petition for Deferred Accounting for Property Tax Costs in Docket #11-1263, and

- IPL's Petition for Approval of Deferred Accounting Treatment of Costs Related to the Cancelled Sutherland Generating Station Unit 4 in Docket #09-336.

Finally, the Department recommended that the Commission require Minnesota Power to address the 2016 Storm incremental cost issue and amortization period in its upcoming rate case.

Office of Attorney General Comments

In discussing deferred accounting's legal standard, the OAG pointed out that because the use of deferred accounting is an exception to normal utility ratemaking concepts and general business accounting principles, it should be used with caution[8] and added that deferred accounting in not used "to remedy ordinary fluctuations in costs between rate cases."[9] The OAG surmised that, in this case, the Commission must decide whether or not it believes that the 2016 Storm is unforeseen and unusual enough to justify departing from normal utility ratemaking concepts.

The OAG stated that, if the Commission determines that MP should be granted deferred accounting, the deferral should only include incremental costs which would not have been incurred had the July 21 storm not taken place. Although the OAG understood Minnesota Power's petition to be in agreement on this issue, MP's response to OAG IRs #5 and #7 revealed inclusion of several items, such as "Salaries & Wages" (which were separate from "Paid Overtime") and "Payroll Taxes", which did not appear to be incremental costs. Furthermore, MP

[8] Staff Briefing Papers, Docket #08-728.
[9] Commission Order, page 2, Docket #11-1263.

confirmed that two of the cost types were incremental only in part, in the same proportion as paid overtime to salaries and wages.

Based on this information, the OAG calculated that $636,314, or 11.1%[10], of MP's estimated costs were not incremental. Since costs were only estimates, the OAG requested that, should deferred accounting be granted, the following be excluded from the deferral amount: salaries and wages (labor only), lost time, administrative and general overhead, employee pensions and benefits, and injuries and damages. The OAG also requested that deferral for vehicle use and payroll taxes be limited to the proportion of paid overtime to salaries and wages.

Minnesota Power Reply Comments

Minnesota Power further discussed the magnitude of the 2016 Storm by pointing out that, on October 4, 2016, Governor Mark Dayton authorized up to $3.3 million from the State Disaster Assistance Contingency Account for northern Minnesota counties and tribes for the significant damage caused by July's storms. MP also provided newspaper articles detailing the 2016 Storm's magnitude.[11] The Company, in response to OAG IR #2,[12] listed several instances where other Commissions have granted storm-related accounting deferrals and highlighted a 2016 New York decision approving a $5.3 million deferral.[13] MP added that, unlike other utilities such as Xcel, it does not maintain a storm reserve.

Minnesota Power contended that the standard for deferred accounting should not be set so high that it is not feasible to attain. MP pointed out that Edison Electric Institute's ("EEI") 2005 AFTER THE DISASTER: Utility Restoration Cost Recovery report states that "Almost all utilities distinguish between "normal" storms and "major" storms.[14]

Minnesota Power disagreed with the Department's incremental costs analysis, conclusions and recommendations. Particularly, MP took exception to the Department's portrayal of the incremental O&M impact. The Company noted that over 60% of its O&M expenses are fuel, purchased power, and conservation improvement program expenses; therefore, MP questioned the fundamental premise and validity of the DOC's analysis. The Company took exception to the implication that it has the discretionary ability to either absorb or essentially redirect O&M funds to "offset" the incremental storm expense and provided a table detailing 2010-2017 actual and budget Distribution O&M Expenses.

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[10] $636,314/$5,751,174 = 11.1%.
[11] Minnesota Power, Reply Comments, Attachment A
[12] Id., Attachment B
[13] Id., Attachment C
[14] Id., Attachment D

Table 1 - Distribution O&M Expense 2010-2017, in millions

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget	2017 Budget
Internal Labor	$8.90	$8.90	$9.32	$9.23	$10.58	$9.39	$9.81	$10.30
Contract Services	$5.90	$6.00	$4.33	$5.96	$5.84	$6.67	$6.60	$6.70
Fleet	$2.70	$3.10	$2.92	$3.19	$3.50	$2.48	$3.26	$3.01
Materials	$1.60	$1.80	$1.88	$1.43	$1.63	$1.36	$1.47	$1.36
Other	$0.50	$0.40	$0.05	-$1.14	-$0.67	-$0.02	-$0.39	-$0.40
Total	$19.60	$20.20	$18.50	$18.67	$20.88	$19.88	$20.75	$20.97

Minnesota Power stated that the table illustrates that there is very little to no discretionary O&M dollars available to utilize in order to offset the magnitude of the incremental 2016 Storm event expense. MP explained that the net $6.21 million[15] in Contract Services and Other Expense are the only two areas that could provide any offsets; however, Vegetation Management accounts for $4.25 million thus leaving $1.96 million as possible offset sources. Based on this information, MP indicated that its revised costs of $2.929 million represents a [sic] 149% increase in the remaining portion of Distribution O&M expenses vs. the Department's stated 0.59% impact.

MP continued to propose that the 2016 Storm's O&M impact be evaluated against the Distribution O&M budget.

Minnesota Power agreed with the DOC's recommendation to use FERC Account 182.3 and confirmed that it is not requesting recovery of carrying charges. MP also agreed with the OAG's assertions that that costs related to lost time, administrative and general overhead, employee pensions and benefits, and injuries and damages, vehicle use and payroll taxes should not be included in the requested 2016 Storm incremental costs and adjusted its estimates accordingly.

Department of Commerce Response to Reply Comments

The Department reaffirmed their position that the 2016 storm did not meet the definition of unusual or extraordinary and that, while the 2016 storms were more significant than past storms, there are years where MP experiences no storms or very small storms resulting in lower Company costs.

The Department noted that MP lowered its request to $2.9 million in its reply comments, and disagreed with MP's position that the request should be analyzed by comparing the incremental 2016 storm costs to MP's distribution O&M budget in isolation. The Department posed that the 2016 Storm costs' significance or materiality should be made in the context of the Company's total O&M expense or total revenue requirements. Incremental storm costs are approximately 0.5% of total O&M expense and less than 0.5% of MP's total revenue requirements.

Regarding MP's assertion that Xcel maintains a separate storm reserve account, the Department noted that the existence of a storm reserve account simply means that Xcel Energy has more

[15] $6.60 million minus $0.39 million = $6.21 million.

detailed tracking of storm costs than MP and explained that, for budgeting purposes both Xcel Energy and MP would consider past O&M costs, which include storm damage costs, in determining future O&M budgets for setting rates. As a result, the Department did not consider MP to be at a disadvantage for overall rate recovery of storm damages due to its lack of a storm reserve account.

The Department also expressed concern that both of MP's deferred accounting requests[16] are included in the Company's rate case[17] forecasted 2017 test year. The Department noted that this incorrect blending of forecasted and historical costs results in 2016 and 2017 costs being included in a single test-year and results in overstated rates.

The Department continued to recommend denial of MP's request; however, if the Commission were to approve deferred accounting, the Commission should limit the deferred amount to the costs related to Contractor/Professional Service of $1,981,509[18] (which is likely the incremental costs tied to the Mutual Aid request by MP) and apply the 96.555% Minnesota Jurisdictional allocator.

Staff Comments

Staff finds the Department's reasoning for denying Minnesota Power's request to be convincing. Should the Commission approve the Company's request, Staff also agrees with the Department's analysis that recovery should be limited to the $1,981,509 in Account 4100 Contractor/Professional Services and that usage of the 96.555% jurisdictional allocator for Distribution O&M is appropriate for the following reasons:

- Staff does not consider a larger storm to be an unusual event. Furthermore, Staff considers the time between large storms in the area to be the more unusual fact. Based on that, one could conclude that the Company has benefited from lower costs during that time.

- Staff agrees with the Department's analysis that the $1,981,509 would be representative of possible incremental costs. Staff considers labor costs, vehicle expenses, etc. to be sunken costs and; therefore, not subject to preferential accounting treatment.

- Staff's review of Table 1 above shows that Minnesota Power's actual 2010-2015 total Distribution O&M expenses ranged from a low of $18.50 million to a high of $20.88 – a difference of $2.38 million. Based on that information, Staff concludes that, since the $1,981,509 falls inside the range, the incremental costs should not be considered extraordinary and; therefore, not subject to preferential accounting treatment.

In the Department's initial reply comments, the DOC deferred the issue of recovery in interim rates to Commission Staff. On November 2, 2016, Minnesota Power filed its rate case; however,

[16] The instant proceeding and Docket 16-876 pertaining to the Sappi-Cloquet Generator No. 5.
[17] Docket 16-664.
[18] Minnesota Power, Reply Comments, Attachment E, Account 4100 Contractor/Professional Services.

the Company excluded recovery of 2016 Storm costs from its request interim rates. Based on that information, Staff will not comment on this issue.

The following are comments are all prefaced by the statement "if the Commission grants approval":

1. Since the requested deferral period has not concluded, the Commission may want to defer determination of final costs to the rate case.

2. No party addressed how long Minnesota Power's amortization period should be; therefore, if the Commission wants to make a determination in this docket, Staff recommends that the amortization period be set to match the rate case amortization period that ultimately gets approved in the Company's current rate case.[19] Alternatively, as recommended by the DOC, the Commission could defer final determination on this issue to the rate case.

3. To address the Department's concerns regarding "the blending of forecasted and historical costs results in 2016 and 2017 costs included in a single test-year" possibly resulting in overstated costs and rates, the Commission may want to order that a tracker account be established with a sunset provision that will entitle ratepayers to a refund of all recoveries that exceed the *approved* deferred amount. If the Commission approves the tracker account and the sunset provision, then the Commission may want to order Minnesota Power to discuss the tracker account's status in the initial filing of its next rate case.

Decision Alternatives

<u>Minnesota Power's Request</u>

1. Approve Minnesota Power's request for deferred accounting. (MP)

2. Deny Minnesota Power's request for deferred accounting. (DOC)

If the Commission approves Minnesota Power's request for deferred accounting, then it should consider the following:

<u>Deferral Amount</u>

3. Approve a deferral amount of $4.025 million. (MP initial request)

4. Approve a deferral amount of $2.741 million. (DOC initial recommendation)

[19] In the rate case Docket 16-664, MP proposed a four-year amortization period for the 2016 storm costs, and a three-year amortization of the rate case expense credit. See Docket 16-664, Vol. 5, General Only Adjustments Schedule ADJ-IS-35 and Vol. 3 witness Podratz Direct Schedule 2.

5. Approve a deferral amount of $2.929 million. (MP updated request)

6. Approve a deferral amount of $1,981,509. (DOC revised recommendation)

7. Defer approval of actual, final amount until the conclusion of the current rate case. (Staff)

<u>Jurisdictional Allocator</u>

8. Order that no jurisdictional allocator should be applied to the deferred amount. (MP)

9. Order that a 96.555% Distribution O&M jurisdictional allocator be applied to the deferred amount. (DOC)

<u>FERC Account</u>

10. Order Minnesota Power to record deferred cost in FERC account 186. (MP initial position)

11. Order Minnesota Power to record deferred cost in FERC account 182.3 (DOC, MP agreed)

<u>Carrying Costs</u>

12. Approve Minnesota Power's request to add carrying costs to the deferred 2016 Storm Costs. (MP initial position)

13. Deny Minnesota Power's request to add carrying costs to the deferred 2016 Storm Costs. (DOC, MP waived)

<u>Deferral Period</u>

14. Approve a July 21, 2016 to December 31, 2016 deferral period. (MP, DOC)

<u>Cost Recovery</u>

15. Order Minnesota Power to address the 2016 Storm incremental cost issue and amortization period in its upcoming rate case. (DOC, OAG), <u>or</u>

If the Commission grants MP's request for deferred accounting and intends to authorize some level of cost recovery for the deferred storm costs, then the Commission may also want to consider the following:

<u>Amortization Starting Date</u>

16. Approve Minnesota Power's request to begin amortization on January 1, 2017. (MP)

17. Order Minnesota Power to begin amortization on a different date the Commission may deem to be more appropriate.

<u>Amortization Period</u>

18. Order that Minnesota Power's amortization period match the rate case expense amortization period that is approved in the Company's current rate case. (Staff)

19. Order Minnesota Power to use some other length of time for the amortization period.

<u>Tracker Account</u>

20. Order Minnesota Power to track recoveries of the deferred costs and determine that ratepayers will be entitled to a refund of all recoveries that exceed the *approved* deferred amount. (Staff)

21. Order Minnesota Power to provide, in the initial filing of its next rate case, an updated balance in the tracker account and how it will handle any possible ratepayers' refund. (Staff)