



AN ALLETE COMPANY

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June 29, 2018

VIA ELECTRONIC FILING

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

Re: Minnesota Power's Renewable Resources Rider and 2018 Renewable Factor
Docket No. E015/M-18-375

Dear Mr. Wolf:

On June 27, 2018, the Minnesota Department of Commerce – Division of Energy Resources (“Department”) submitted a letter in the above-referenced docket recommending the Minnesota Public Utilities Commission (“Commission”) approve provisional billing factors in Minnesota Power’s (the “Company’s”) 2018 Renewable Resources Rider filing. The Department also recommended the Commission approve Minnesota Power’s request for a waiver of the 90-day requirement under Minn. Rule 7825.3200.

While Minnesota Power (the “Company”) generally agrees with the Department’s comments and recommendations, there are two implementation details which the Company believes must be incorporated in the Commission’s decision in this matter.

1. Rider subfactors

As described in the Company’s Initial Filing and the Department’s June 27 letter, Minnesota Power’s current billing factors are split into two subfactors – a rider subfactor and a base rate subfactor. In its Initial Filing, Minnesota Power proposed zeroing out the rider subfactor for the Large Power (“LP”) class on a provisional basis and keeping the base rate subfactor as-is.

The Department’s recommendation differs in two ways. First, the recommendation considers both subfactors, rather than just the rider subfactor. Second, the recommendation is to provisionally implement the Company’s proposed *final* billing factors for all classes, rather than zeroing out the LP rider subfactor.

Minnesota Power does not object to the Department’s recommended billing factor in total. However, the Company believes that only the rider subfactors may be altered in the current docket, since the base rate subfactors are used for revenue purposes in the general rate case. Therefore, if

the Commission accepts the Department’s recommendation, this must be accomplished by altering only the rider subfactors. The current billing factors are shown below in Table 1.

Table 1. Authorized bill factors and current subfactors

		Current	RRR Sub-Factors	
		Bill Factors	Base Rates	Rider
Large Power	(\$/kW - month)	4.61	3.12	1.49
	(¢/kWh)	0.450	0.304	0.146
All Other Classes	(¢/kWh)	0.598	0.688	(0.090)

Table 2 shows the Department’s proposal with the resulting implied billing subfactors. Since only the rider subfactors may be altered in this docket, the Department’s proposal results in rider subfactors as highlighted in yellow. As shown, the Department’s recommendation would change the rider subfactors for all classes, not just the LP class as initially proposed by the Company.

Table 2. Department’s recommended bill factors and implied subfactors

		Provisional	RRR Sub-Factors	
		Bill Factors	Base Rates	Rider
Large Power	(\$/kW - month)	2.79	3.12	(0.33)
	(¢/kWh)	0.267	0.304	(0.037)
All Other Classes	(¢/kWh)	0.592	0.688	(0.096)

2. Effective date

The Department recommends that the Commission set provisional rate factors effective July 1, 2018, or as soon as the Commission issues an Order on the matter, whichever is the earliest. While Minnesota Power is eager to implement the rates as soon as possible, it is unable to do so without a Commission Order. Further, the Company requires a modicum of notice in order to update its billing system with the new tariffs. The Company proposes to update tariffs on the first day of the month following a Commission Order on the issue. The earliest foreseeable date for implementation would be August 1, 2018, subject to prior Commission approval.

Coincident with implementation of final rates in the rate case, the Company would then zero out the base rate sub-factors, and continue the rider rates as the 2018 bill factors, as shown in Table 3 on the following page and as shown as Exhibit A-1 in the Initial Filing.

Table 3. Final bill factors implemented with final rates

		Final Rider
		<u>Bill Factors</u>
Large Power	(\$/kW - month)	(0.33)
	(¢/kWh)	(0.037)
All Other Classes	(¢/kWh)	(0.096)

Conclusion

The Company generally agrees with the recommendations in the Department's June 27 letter, with the clarifications discussed above. Minnesota Power requests the Commission approve Minnesota Power's request for a waiver of the 90-day requirement under Minn. Rule 7825.3200, and grant approval of the modified provisional rate request, effective on the first day of the month following a Commission Order.

Please contact me at 218-355-3586 with any questions related to this matter.

Respectfully yours,



Susan Ludwig

SL:sr

STATE OF MINNESOTA)
) ss
COUNTY OF ST. LOUIS)

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

SUSAN ROMANS of the City of Duluth, County of St. Louis, State of Minnesota, says that on the **29th** day of **June, 2018**, she served Minnesota Power's Letter in **Docket No. E015/M-18-375** on the Minnesota Public Utilities Commission and the Minnesota Department of Commerce via electronic filing. Parties on Official Service List were served as requested.



Susan Romans

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