



Susan Ludwig
Policy Manager
218-355-3586
sludwig@mnpower.com

April 30, 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: In the Matter of an Investigation into the Appropriateness
of Continuing to Permit Electric Energy Cost Adjustments
Docket No. E999/CI-03-802

Dear Mr. Wolf:

Minnesota Power respectfully submits its Compliance Filing to the Minnesota Public Utilities Commission (“Commission”) in response to the Commission’s December 19, 2017 Order in the above-referenced Docket. Please contact me at the number above if you have any questions about this filing.

Yours truly,

Susan Ludwig

SL:sr
Enc.

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of an Investigation into
the Appropriateness of Continuing to
Permit Electric Energy Cost Adjustments

Docket No. E999/CI-03-802
**MINNESOTA POWER'S
COMPLIANCE FILING**

I. INTRODUCTION

Minnesota Power (the “Company”) submits this Compliance Filing to the Minnesota Public Utilities Commission (“Commission”) in compliance with the Commission’s December 19, 2017 Order (“December 19 Order”) in this Docket. The December 19 Order approved new annual fuel clause adjustment (“FCA”) requirements as proposed by the Department of Commerce, Division of Energy Resources (“Department”) and required a compliance filing addressing implementation of the Commission’s decision at Order Point 4.

On February 7, 2018, the Department convened a meeting with the affected utilities, the Minnesota Office of Attorney General – Residential Utilities and Antitrust Division, Commission Staff, and other interested intervenors. The primary purpose of the meeting was to discuss questions the utilities and others had about implementation. In advance of the meeting, Minnesota Power supplied a list of questions related to implementation of the Commission’s decision to Commission Staff and the other parties (included to this filing as Attachment 1). Some of the questions were discussed at the February 7 meeting, but many remained unanswered. This Compliance Filing includes Minnesota Power’s proposals to address several of the unanswered questions. Also, in an effort to help provide clarity, the Company includes definitions of some of the terms included in this Compliance Filing in Attachment 2.

Minnesota Power believes that FCA reform, as detailed in the December 19 Order, should not change the fundamental way the Company does business. FCA reform does change when forecasted fuel and purchased energy costs need to be determined, the timing of when actual cost data is filed and when actual costs are refunded or recovered from the customers. Minnesota Power addresses the specifics of implementation considerations below, beginning with an overview of the FCA pilot, then addressing timing, review, administrative processes, data inclusion, and a true-up mechanism. Finally, as the Company views FCA reform as an opportunity to clean up some

information currently included in its monthly and annual FCA filings, Minnesota Power proposes modifications to these filings in an attempt to streamline information, which should benefit all parties who review the data. Some of the proposed modifications will require a variance of Minnesota Rules 7825.2800 – 7825.2830.

II. MINNESOTA POWER'S RESPONSE

A. FCA Pilot Overview

Minnesota Power appreciates the opportunity to work with the Department and other utilities to implement a FCA pilot mechanism in support of the Company's commitment to provide affordable and reliable energy services to all customers. As parties determine the specific implementation details of a forward-looking FCA methodology, it is important to consider the impact on customers and ensure the process can address unanticipated outcomes. For example, when determining a true-up mechanism, it is important that the process consider that refunds be appropriately distributed to the customers who prepaid the funds, or conversely, that customers who underpaid costs be charged appropriately in the true-up process. This can be addressed by shortening the time between forecasting and calculating the true-up. Likewise, it is important to consider potential impacts to the utilities. For example, if utilities experience significant differences between forecasts and actuals which bring about financial harm, the process should be refined to address this.

One way to monitor unanticipated outcomes is through the lessons-learned reports as ordered by the Commission. Minnesota Power supports the Commission's directive for each utility to file a lessons-learned report at the end of three years to assess the new FCA process. The Company routinely develops lessons-learned reports when it embarks on major projects and has found it to be an effective way of improving processes and developing best practices. The new FCA processes are bound to involve some unanticipated outcomes and the Company is committed to working with stakeholders to make improvements so that the FCA reform is a success. Minnesota Power is also open to filing a lessons-learned report earlier in the process, particularly if there are significant impacts on customers or utilities. These reports could help parties implement new methodologies or processes that reduce the time it takes for the Department or

Commission to review the forecasted FCA and to reconcile differences between forecast and actuals. Minnesota Power looks forward to working with the Department and Commission on identifying changes to the process that can make the FCA a success for both customers and the Company.

B. Timing of initial forecast filing

Order Point 1 of the December 19 Order notes that the Commission will set recovery of the fuel and purchased energy costs – fuel rates – in a rate case or an annual fuel clause adjustment filing. Minnesota Power initially interpreted this to mean that for the rates to be implemented on July 1, 2019 (per Order Point 5), a forecast for the period of July 1, 2019 through June 30, 2020 would be submitted with the Annual Automatic Adjustment (“AAA”) filing due on August 31, 2018. However, a second option was discussed at the February 7 meeting, of possibly filing the forecast for July 1, 2019 through June 30, 2020 on or around January 1, 2019.

Both options provide their own unique challenges. Under normal business operations, the Company would complete its calendar year budget for 2019 during the summer of 2018, and its calendar year budget for 2020 during the summer of 2019. Completing a forecast for July 1, 2019 through June 30, 2020 would be out of the normal timing of Minnesota Power’s budgeting process. That being said, it could be accomplished if necessary. Submitting the forecast on January 1 would give the Company more time to complete the budgeting process and bring the forecast timeframe closer to actuals, but would also shorten the time that the Department and Commission would have to review and approve the fuel rates prior to implementation.

Another option to consider would be to file an initial forecast for the period of July 1, 2019 through December 31, 2019; then move the FCA year from the current fiscal year process to a calendar year process. Moving the FCA year to a calendar year would align the forecast required with the Company’s current budgeting process; thus providing for a more current forecast. Minnesota Power prefers this option and incorporates it into the timelines for filing requirements in Section D below.

C. Data to include with the forecast filing

Order Point 2 of the December 19 Order notes that the filing for proposed fuel rates should include complete documentation supporting the proposed fuel rates, including power purchase

agreement (“PPA”) costs, costs for each fuel type, proportion of each fuel type, complete descriptions of models used, and a fully documented sales forecast.

Minnesota Power envisions filing forecast data in a format similar to a Base Cost of Fuel filing (see Docket No. E015/MR-16-709). The filing should include enough detail for the Department and Commission to be comfortable with the calculation of the proposed fuel rates and to be able to decide on the prudence of the filed forecast.

Under the Company’s preferred option, the initial forecast would cover the period of July 1, 2019 through December 31, 2019. The next forecast period would cover January 1, 2020 through December 31, 2020. Each subsequent forecast period would cover a calendar year, consistent with the Company’s current budgeting process.

D. Timing of review of forecast

The review timeline from the submission of the initial forecast to the implementation of the proposed fuel rates is highly dependent on when the initial forecast is filed. If the initial forecast is filed with the 2017-2018 AAA filing, the Company envisions the timeline to be similar to the timeline in Table 1.

Table 1. Review timeline if forecast is submitted with the AAA filing on August 31, 2018

August 31, 2018	Submit forecast with the 2017-2018 AAA filing	
January 1, 2019	Initial Department review completed and initial report filed	4 months
February 1, 2019	Utility comments on initial report	1 month
March 1, 2019	Department and Utility reply comments	1 month
April 1, 2019	Commission hearing	1 month
May 1, 2019	Commission written order	1 month
June 1, 2019	Publication of forecasted fuel rates	1 month
July 1, 2019	Implementation of forecasted fuel rates	1 month

However, Minnesota Power prefers the initial forecast to be filed on or around January 1. In this case, the Company envisions the timeline to be similar to the timeline in Table 2.

Table 2. Review timeline if forecast is submitted on January 1, 2019

January 1, 2019	Submit forecast	
February 1, 2019	Initial Department review completed and initial report filed	1 month
February 15, 2019	Utility comments on initial report	2 weeks
March 1, 2019	Department and Utility reply comments	2 weeks
April 1, 2019	Commission hearing	1 month
May 1, 2019	Commission written order	1 month
June 1, 2019	Publication of forecasted fuel rates	1 month
July 1, 2019	Implementation of forecasted fuel rates	1 month

Under either forecast submission date, the Company believes that a Commission order needs to be received by May 1 and the forecasted fuel rates published no later than June 1, in order for implementation to occur on July 1. Under both scenarios, the utilities would need to be able to provisionally implement the proposed fuel rates should a written Commission order not be received by May 1. In addition, once the written order is received, the Company suggests that the approved fuel rates be implemented on the first of the month following a 30-day publishing period. The 30-day publishing period should give customers time to review the fuel rates and make any business or operational changes they deem necessary.

Each year thereafter, when the calendar year forecast is provided, the following timeline would be implemented.

Table 3: Review timeline in subsequent year

August 31, 2019	Submit forecast for 2020 calendar year	
October 1, 2019	Department initial comments	1 month
October 15, 2019	Utility reply comments	2 weeks
November 1, 2019	Commission hearing	2 weeks
December 1, 2019	Commission written order	1 month
December 1, 2019	Publication of forecasted fuel rates	Simultaneous with order
January 1, 2020	Implementation of forecasted fuel rates	1 month

E. Process for forecasted rates

Publication of forecasted rates

As required by Order Point 1.b., the monthly fuel rates would be published for the upcoming FCA year. For the initial period, if a written order is received on or before May 1, the approved fuel rates would be published on the Company's website. If a written order is not received on or before May 1, the proposed fuel rates would still be published on the Company's website until a written order is received. If the approved fuel rates in the written order differ from what was previously published, the approved fuel rates would be published as soon as practicable on Minnesota Power's website.

In years subsequent to the initial period, if a written order is received on or before December 1, the approved fuel rates would be published on the Company's website. If a written order is not received on or before December 1, the proposed fuel rates would be published on the website until a written order is received. If the approved fuel rates in the written order differed from what was previously published, the approved fuel rates would be published as soon as practicable on the website.

The approved or forecasted fuel rates would be adjusted for the most currently approved E8760 allocators prior to being published.

Base cost of fuel impacts on published rates

During Minnesota Power's most recent rate case,¹ the base cost of fuel was approved at \$21.21 per MWh. This amount is included in customers' base rates. The Company does not propose to change customers' base rates and as such will publish the differential between the approved (or forecasted) fuel rates and the base cost of fuel approved in the last rate case. This means that if the approved (or forecasted) fuel rate for a month is \$22.21 per MWh, the published rate would be \$1.00 per MWh. Also, if the approved (or forecasted) fuel rate was \$20.21 per MWh, the published rate would be -\$1.00 per MWh. The Company would add information related to the amount of fuel and purchased energy that is included in the customers' base rates. As noted above, these rates would be adjusted for the most currently approved E8760 allocators.

¹ See Docket No. E015/GR-16-664 March 12, 2018 Order at pages 46-47.

Implementation of forecasted fuel rates

As noted, the Commission ordered implementation date is July 1, 2019. If a written order is not received by May 1, the Company proposes to publish the forecasted fuel rates and to provisionally implement the forecasted fuel rates on July 1 as per the order. Once a written order is received, Minnesota Power proposes that the approved fuel rates be implemented on the first of the month following a 30-day fuel rate publishing period.

Each subsequent year, as noted in table 3 above, the forecasted fuel rates would be published on December 1 for implementation on January 1.

F. Timing of submission and review of actuals

Order Point 1.e., notes that each utility will report actual \$/MWh fuel costs in each month by fuel type, including PPA costs, and compare the annual revenue based on the approved fuel rates with the annual revenues based on actual costs for the year.

The Order is silent as to when the actual fuel and purchased energy costs need to be filed by the utilities. Minnesota Power proposes to file actual fuel and purchased energy costs following the timeline set out in Table 4 below. Submitting the actuals in February of each year allows the company to utilize data that has been subjected to the company's annual financial audit.

Table 4. Timeline for submitting actuals

February 28, 2020	Submit actuals	
March 1, 2020	Department initial comments	1 month
March 15, 2020	Utility reply comments	2 weeks
April 1, 2020	Commission hearing	2 weeks
May 1, 2020	Commission written order	1 month
May 1, 2020	Publication of true-up rates	Simultaneous with order
June 1, 2020	Implementation of true-up rates	1 month

Submission of actuals for each year thereafter could follow the same timeline.

G. Data to include with actuals

Minnesota Power intends to provide actual cost data in the same format as the proposed fuel rates, as previously noted. The Company will include enough supporting information related to deviations from the forecast to enable the Department and Commission to conclude on the prudence of any over- or under-collection of fuel and purchased energy costs.

H. Calculation of the true-up amount and rate

Per Order Point 1.f, each utility will refund any over-collection and show prudence of costs before being allowed recovery of under-collections. The order further notes that if the annual revenues collected are higher than total actual costs, the utility must refund the over-collection. If the annual revenues collected are lower than total actuals costs, the utility must show prudence and why it is reasonable to charge the higher costs.

There are several items in play for these calculations. First, the approved fuel rate and total approved forecasted fuel and purchased energy costs. Second, is the actual fuel and purchased energy costs. Third is the actual amount collected from the customers; i.e. the forecasted fuel rate times the actual customer usage.

Based on the Company's understanding of the Department's comments at the February 7 meeting, the first review would be based on approved fuel rates on a per MWh basis compared to actual fuel rates on a per MWh basis.

The true-up amount would be determined by comparing the amount collected (forecasted fuel rates times actual usage) to the actual fuel and purchased energy costs incurred. The proposed true-up rate would be the true-up amount divided by the forecasted sales for the next calendar year to get a proposed true-up rate per MWh to be applied to the customer bills. The E8760 allocator would apply.

Regardless of whether the true-up amount is a credit or charge to the customers, the Company suggests that the same prudence review should occur. In addition, the proposed true-up rate would be implemented as noted in the timeline above in Table 3 for review of actual fuel and purchased energy costs with an implementation date of January 1.

Implementation of true-up rate – either credit or charge to customer

Similar to the process proposed for forecasted fuel rates, Minnesota Power proposes to publish the true-up rates on the Company's website. If a written Commission order is not received by May 1, Minnesota Power would publish the proposed true-up rate, and provisionally implement the true-up rate on June 1. Once a written Commission order is received, the Company would publish the approved true-up rate and then implement the approved true-up rate on the first of the month following a 30-day publishing period.

True-up and tracker mechanism

Since the true-up amount would be calculated on a per MWh basis based on forecasted sales for the upcoming year and applied to the actual usage each month, there can be an over- or under-recovery of the true-up amount. This is similar to what can happen with any other rider. The amount of the over- or under-recovery of the true-up amount would need to be tracked and Minnesota Power proposes that this amount would be added to or subtracted from the next year's true-up amount.

Minnesota Power proposes to implement a tracker mechanism to account for the true-up, similar to mechanisms used in the Company's other riders. Any over- or under-collection would be calculated on a monthly basis and accounted for in FERC Account 182.3, Other Regulatory Assets. This account would serve as a tracker account which could reflect a negative or positive balance, depending on the cumulative true-up amount, and would change as over- or under-collected amounts are recovered through billings to customers.

I. Process and data needed for “significant” changes to forecast

Order Point 1.a., of the December 19 Order states: “the Commission will set recovery of the utility's fuel, power purchase agreements, and other related costs (fuel rates) in a rate case or an annual fuel clause adjustment filing unless a utility can show a significant unforeseen impact.” However, the definition of a “significant” unforeseen impact was not established. Minnesota Power proposes that “significant” be defined as a +/- 5% deviation from approved forecasted fuel rates and be based on a total fuel rate and not on an individual cost type.

Once it has been determined a significant change has happened, or is expected to happen, additional supporting data would need to be filed with the Department and Commission. The

Company proposes that detailed information relevant to and supporting the change, along with the impact on the approved forecasted fuel rates be filed in the same format as the original forecast data.

The Company further proposes that on the first of the month following a 30-day publishing period, the new proposed fuel rates would be provisionally implemented. In the event that the Commission determines that the new fuel rates are not supported, the Company would revert back to the previously published approved fuel rates. The incremental amount collected during the provisional period would be included in the calculation of any over- or under-recovery of fuel and purchased energy costs.

J. Potential modifications to the monthly Automatic Adjustment (“AA”) filings

The Monthly AA filing is required under Minnesota Rule 7825.2900, subp. 1., and includes additional information as required by various dockets. Minnesota Power proposes the following changes or modifications to the items currently included in the monthly AA filings to be made with the implementation of FCA reform:

1. Submittal Letter
2. Calculation of the retail fuel and purchased energy adjustment
 - For Item 2, the Company notes that the current format would need to be changed. Since the fuel and purchased energy rate would no longer be based on the first two of the previous three months, the current format is no longer valid. Instead, the Company proposes that this item be changed to show the calculation of the approved forecasted fuel rate for the month, the actual fuel costs and rate for the month using one month’s costs and the variance by cost type.
3. Calculation of the kWh subject to the retail fuel and purchased energy adjustment
 - Item 3 could be modified as well to show the kWh sales used for the approved forecasted fuel rates and the actual kWh sales for the applicable month.
4. Estimated Midcontinent Independent System Operator (“MISO”) charges for the month
 - Item 4 could be modified to show only the MISO costs utilized in the approved forecasted fuel rates compared to the actual MISO costs for the applicable month. Minnesota Power believes this

would provide insight for the Department and Commission into MISO costs on a timelier basis. In addition, there have been very few instances where the allocation between the sales classes have come into question during either the AA or AAA process.

5. Monthly fuel and purchased energy forecast vs actuals comparison
 - Item 5 would not have to be modified unless including more cost categories would be helpful.
6. Unit outage information including (per Docket AA-06-1208)
 - i. Comparison of forecasted vs actual outages
 - ii. Impact of outages on energy costs
 - For Item 6, the Company proposes to include a comparison of the actual cost of replacement outage power to the forecasted cost of replacement outage power.
7. Explanation of fuel and purchased energy cost deviations from forecast
 - Item 7 could be moved to follow Item 5 to provide a better flow of information for the reader.
8. FPL wind power purchase information as required by Docket M-05-975
 - Item 8 could be removed with a Commission order. There have been few, if any, inquiries related to this data.
9. Bison curtailments due to use of the AC transmission system (as required by Dockets M-11-234 and M-11-626)
 - Item 9 could be removed with a Commission order. There have been few, if any, inquiries related to this data.

K. Potential modifications to the AAA filings

The current AAA filing is required under Minnesota Rules 7825.2800 – 7825.2840 and includes 21 attachments. The attachments to the AAA filing are listed below (as copied from and filed with the 2016-2017 AAA filing in Docket AA-17-492), along with Minnesota Power’s proposed changes or modifications to be made with the implementation of FCA reform. In addition, the timing of the AAA filings would have to be modified to coincide with the filing of actual data – i.e. February 28.

Attachment No. 1 Minnesota Power's Fuel and Energy Source Procurement and Energy Dispatching Policies Annual Report (MN Rule 7825.2800). (Docket No. E015/M-05-277) In addition, Minnesota Power's additional information regarding its plans with respect to acquiring fuel and purchased energy as required in Docket No. E015/M-05-277 dated December 20, 2006. Please note this document contains Trade Secret Data.

- Attachment 1 provides Minnesota Power's fuel and energy source procurement and energy dispatching policies. The Company envisions this attachment would remain unchanged as the information included in the attachment is relevant to determining the prudence of actual fuel and purchased energy costs incurred for the applicable period.

Attachment No. 2 Independent Auditor's Report on Minnesota Power's Accounting for Automatic Adjustments during the period July 2016 through June 2017 (MN Rule 7825.2820).

- Attachment 2 provides the report of the independent auditor based on agreed upon procedures. Changes were made to the procedures to be performed and reported on by the independent auditors in Docket AA-15-611 which the Company incorporated into its latest AAA filing. The Company envisions that this attachment would remain unchanged as the information included in the attachment is relevant to determining the prudence of actual fuel and purchased energy costs incurred for the applicable period.

Attachment No. 3 Minnesota Power's Annual Report of Automatic Adjustment Charges for the period July 2016 through June 2017 (MN Rule 7825.2810). Included is a breakdown by energy type as required in Docket No. E,G999/AA-04-1279 dated December 7, 2005.

- Attachment 3 includes a breakdown of energy by type as required in Docket EG999/AA-04-1279. The Company proposes to slightly change the format with FCA reform, as the first two of the previous three month costs methodology for calculating the FCA will no longer be valid.

Attachment No. 4 Minnesota Power's Annual Five-Year Projection of Fuel Costs (MN Rule 7825.2830). Please note this document contains Trade Secret Data.

- Attachment 4 includes Minnesota Power's five-year projection of fuel and purchased energy costs along with a discussion of sources of power and major assumptions used in the projections. The Company envisions this attachment would remain unchanged.

Attachment No. 5 Minnesota Power's Notice of Reports Availability (MN Rule 7825.2840), Certificate of Service and Service Lists.

- Attachment 5 contains the certificate of service and service lists. This attachment would need to be updated to remove any attachments the Commission no longer deemed necessary to include in the AAA filing.

Attachment No. 6 Minnesota Power's Compliance Report on MISO Operations and Cost Impacts to Minnesota Power (Docket No. E015/PA-01-539).

- Attachment 6 contains information on MISO operations and cost impacts to the Company. The referenced Docket dates back to 2001 when the Company petitioned to give operating control of certain facilities to MISO. The Company proposes the requirement for this attachment could be removed with a Commission order. There have been few, if any, inquiries related to this data. In addition, if any item included in the current format of the attachment were to impact the Company's fuel and purchased energy costs, that information would be included in the documentation of deviations between forecasted and actual costs as is required to be provided under the current Docket.

Attachment No. 7 Minnesota Power's List of Network Resources Designated to Serve Native Load (Docket No. E015/M-05-277 dated December 20, 2006).

- Attachment 7 contains information related to network resources designated to serve native load. There have been few, if any, inquiries related to this data. The Company believes that this attachment could be removed with a Commission order as the information has little to no relevance to fuel and purchased energy costs; however, if the Commission still wishes to receive this information, the Company asks that it be removed from the AAA filing and included in a separate miscellaneous filing. Including the data in a separate filing would "unclutter" the AAA filing.

Attachment No. 8 Minnesota Power's additional reporting requirements. MISO Day 2 Cost Order Reporting Matrix (Docket No. E015/M-05-277 and Docket No. E015/M-08-528) and Listing of Dockets (Docket No. E999/AA-15-611).

- Attachment 8 enumerates the accounting treatment and reporting requirements for MISO Day 2 and ASM costs and includes a complete listing of all Dockets which impact the FCA. While this attachment provides detailed information related to the requirements to be included in the AAA filings, under FCA reform, the necessity of the data and the outcome of Commission decisions on this compliance filing may change these requirements significantly. This attachment may have lost its

relevance and thus the Company recommends this attachment be removed with a Commission order.

Attachment No. 9 Minnesota Power's monthly MISO Day 2 charges and allocation (Docket No. E999/AA-07-1130).

- Attachment 9 contains monthly MISO costs and allocations to various proscribed sales types. The Company believes this attachment should be modified as noted above under potential modifications to the monthly AA filings Item 4. Since this same information is provided in the monthly AA filings, consideration could be given to eliminating this attachment for the AAA filing. In addition, justification for changes in MISO costs between the forecast and actuals would be provided in the data required for review of the prudence of the Company's actual fuel and purchased energy costs.

Attachment No. 10 Minnesota Power's Annual and Daily Ancillary Services Market ("ASM") charges and summary (Docket No. E015/M-08-528 dated August 23, 2010).

- Attachment 10 contains cost/benefit information related to the ASM market. This information includes daily information related to the ASM settlements the Company receives or pays to MISO along with details on any contingency reserve deployment events. There have been few, if any, inquiries related to this data. In addition, if any item included in the current format of the attachment were to impact the Company's fuel and purchased energy costs, that information could be included in the documentation of deviations between forecasted and actual costs as is required to be provided under this Docket (03-802). The Company recommends this attachment could be removed with a Commission order.

Attachment No. 11 Minnesota Power's ARR process and information. (Docket No. E015/M-05-277). Please note this document contains Trade Secret Data.

- Attachment 11 contains information relating to the Company's treatment of Auction Revenue Rights ("ARRs"), ARRs assigned, Financial Transmission Rights ("FTRs") purchased, and costs or credits received from MISO under the FTR/ARR charge types. The Company believes this information could be included as part of the documentation supporting its forecasted and actual fuel and purchased energy costs and no longer needs to be provided in a separate attachment to the AAA. Therefore, the Company recommends this attachment be removed with a Commission order.

Attachment No. 12 Minnesota Power's generation facilities maintenance expenses (Docket No. E999/AA-06-1208 dated February 6, 2008).

- Attachment 12 contains information related to the Company's generation facilities maintenance expense. Generation facilities maintenance costs are set in a rate case and reviewed for prudence in that proceeding. While the Department has indicated there is a correlation between the level of maintenance costs and the level of forced or unplanned outages, under this Docket (03-802), the Department will be reviewing the level of forced and unplanned outages and the prudence of the cost of replacement outage energy. The Company believes this attachment would no longer be necessary and could be removed with a Commission order.

Attachment No. 13 Minnesota Power's transmission transformer inventory by size for 100 kV defined by low side transmission kV (Docket No. E999/AA-07-1130 dated August 31, 2009). Please note this document contains Trade Secret Data.

- Attachment 13 contains the company's transformer emergency replacement guide and an inventory of transmission level transformers. There have been few, if any, inquiries related to this data. The Company believes this attachment could be removed with a Commission order as the information has little to no relevance to fuel and purchased energy costs; however, if the Commission still wishes to receive this information, the Company asks it be removed from the AAA filing and included in a separate miscellaneous filing. Including the data in a separate filing would "unclutter" the AAA filing.

Attachment No. 14 Minnesota Power's Report Addressing the Purchase Power Agreement with Manitoba Hydro (Docket No. E015/M-10-961; dated March 11, 2011). Please note this document contains Trade Secret Data.

- Attachment 14 contains information related to the Manitoba Hydro PPA. Information filed in this attachment deals with the offering of products B and C, as defined in the PPA, to Minnesota Power and whether these products were of benefit to the Company's customers when compared to other alternatives. Minnesota Power believes this information could be included as part of the documentation supporting its forecasted and actual fuel and purchased energy costs and no longer needs to be provided in a separate attachment to the AAA. The Company recommends this attachment be removed with a Commission order.

Attachment No. 15 Minnesota Power's Offsetting Revenues and/or Compensation Received by Investor-Owned Utilities (IOUs) (Docket No. E999/AA-10-884 dated April 6, 2012). Please note this document contains Trade Secret Data.

- Attachment 15 contains information related to offsetting revenues received by the utility from the sale of energy purchased from others, not including MISO. The Company believes this information could be included as part of the documentation supporting its forecasted and actual fuel and purchased energy costs and no longer needs to be provided in a separate attachment to the AAA. Minnesota Power recommends this attachment be removed with a Commission order.

Attachment No. 16 Handling of forced outages; the lessons learned, information sharing and a simple identification of forced outages with discussion on how such outages could have been avoided or alleviated. (Docket No. E999/AA-10-884 dated April 6, 2012).

- Attachment 16 contains information related to the Company's forced outages, lessons learned and mechanisms for information sharing. While the majority of this information is supplied in the monthly AA filings as item 6 above, Minnesota Power is not opposed to continuing to report this level of detail in the AAA filing. This information is important for the review of the prudence of replacement outage costs incurred by the company.

Attachment No. 17 A comparison and reconciliation of the MISO accredited value of their generators using MISO accredited UCAP values and integrated resource plan capacity ratings (Docket No. E999/AA-10-884 dated April 6, 2012 and Docket No. E999/AA-09-961 dated August 31, 2009). Please note this document contains Trade Secret Data.

- Attachment 17 contains information related to the UCAP (unforced capacity) values and reconciling these values to the MISO accredited values for the company's generators. There have been few, if any, inquiries related to this data. The Company believes this attachment could be removed with a Commission order as the information has little to no relevance to fuel and purchased energy costs; however, if the Commission still wishes to receive this information, the Company asks it be removed from the AAA filing and included in a separate miscellaneous filing. Including the data in a separate filing would "unclutter" the AAA filing.

Attachment No. 18 Congestion Cost Analysis (Docket No. E999/AA-11-792 dated August 16, 2013). Please note the access database is considered Trade Secret Data in its entirety and will be provided on cd separate from this filing.

- Attachment 18 contains hourly data related to congestion costs between Minnesota Power's generating units and load as well as FTR revenues/costs related to those same paths. The Company believes this information could be included as part of the documentation supporting its forecasted and actual fuel and purchased energy costs and no longer needs to be provided in a separate attachment to the AAA. Therefore, the Company recommends this attachment be removed with a Commission order.

Attachment No. 19 Plant Outages Contingency Plans (Docket No. E999/AA-08-995 dated March 15, 2010).

- Attachment 19 contains information specific to outage delays and lack of performance by contractors. Minnesota Power believes with FCA reform, this information can be presented as part of the documentation supporting its forecasted and actual fuel and purchased energy costs and no longer needs to be provided in a separate attachment to the AAA. The Company recommends this attachment be removed with a Commission order.

Attachment No. 20 Wind Curtailment Report for Oliver I and Oliver II (Docket No. E015/M-05-975 Dated December 20, 2005). Please note this document contains Trade Secret Data.

- Attachment 20 contains information similar to item 8 in the monthly AA filing. There have been few, if any, inquiries related to this data. The Company believes this attachment could be removed with a Commission order. Any excessive payments to the counterparty for curtailments would come to light in the prudency review of actual fuel and purchased energy costs.

Attachment No. 21 Wind Curtailment Report for Bison (Docket No. E015/M-11-234; Dated September 8, 2011 and Docket No. E015/M-11-626; Dated November 2, 2011). Please note this document contains Trade Secret Data.

- Attachment 21 contains information similar to item 9 in the AA filing above. There have been few, if any, inquiries related to this data. The Company believes this attachment could be removed with a Commission order. Any excessive curtailments would come to light in the prudency review of actual fuel and purchased energy costs.

Table 5 summarizes Minnesota Power's proposed changes to its current AAA filings as part of FCA reform.

Table 5. Summary of Minnesota Power’s proposals for future AAA filings

Attachment	Recommendation	Comment
Attachment 1	No change	
Attachment 2	No change	
Attachment 3	Slight formatting change	Reflect updated methodology
Attachment 4	No change	
Attachment 5	Modify	Reflect attachments Commission deems necessary
Attachment 6	Remove	
Attachment 7	Remove	If not removed, should file in a separate miscellaneous filing
Attachment 8	Remove	
Attachment 9	Modify	Show only MISO costs utilized in the approved forecasted fuel rates compared to the actual MISO costs
Attachment 10	Remove	Information can be included in documentation
Attachment 11	Remove	Information can be included in documentation
Attachment 12	Remove	
Attachment 13	Remove	If not removed, should file in a separate miscellaneous filing
Attachment 14	Remove	Information can be included in documentation
Attachment 15	Remove	Information can be included in documentation
Attachment 16	No change	
Attachment 17	Remove	If not removed, should file in a separate miscellaneous filing
Attachment 18	Remove	Information can be included in documentation
Attachment 19	Remove	Information can be included in documentation
Attachment 20	Remove	
Attachment 21	Remove	

Variance to Minn. Rules

A change to the timing of the AAA filings will require a variance to Minn. Rules 7825.2800 – 7825.2830, which require utilities to file annually on September 1 of each year. Minnesota Power proposes that the Commission grant a variance in order to align the timing of AAA filings with the timing established in FCA reform for the duration of the FCA pilot. The Commission Rules provide a three-part test for variances under Minn. Rules 7829.3200. Minnesota Power asserts that this test provides and is satisfied as follows:

1. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule.

If the timing of the AAA filings are not aligned with the timing set out in the FCA pilot, it would result in duplicative administrative processes which would impose an excessive burden on utilities and stakeholders alike.

2. Granting the variance would not adversely affect the public interest.

Changing the timing of the AAA filings will not have an effect on the public interest. Further, the streamlining of relevant information as set out in the FCA pilot will make review of the information simpler, which will provide a benefit to the public.

3. Granting the variance would not conflict with standards imposed by law.

This variance would not conflict with law and is consistent with the Commission's December 19 Order in the FCA reform docket. Further, the variance may be necessary in order to effectively implement the Commission's directives in this proceeding. Aligning the timing of submission of FCA information avoids duplicative administrative processes and the granting of this variance offers the most direct and consistent way of addressing this issue.

III. CONCLUSION

Minnesota Power believes that FCA reform, as detailed in the December 19 Order, should not change the fundamental way the Company does business. The Company recommends transitioning the FCA from a fiscal year (June 30 – July 31) to a calendar year (January 1 – December 31) basis. This transition to a calendar year FCA period would better align with current budgeting practices, provide a more current forecast, and streamline the number of updates to cost projections.

In addition, the Company recommends other implementation details, including timing, review, administrative processes, data inclusion, and a true-up mechanism. The Company also proposes modifications to the monthly AA and annual AAA filings to ensure information reported properly aligns with the FCA. Modifications to the AAA filing will require a variance to Minn. Rules 7825.2800 – 7825.2830. Minnesota Power is committed to working with the Department and Commission on identifying improvements to the process in order to make the forward-looking FCA a success for customers and the Company.

Dated: April 30, 2018

Respectfully submitted,



Susan Ludwig
Policy Manager
Minnesota Power
30 West Superior Street
Duluth, Minnesota 55802
(218) 355-3586
sludwig@mnpower.com

Possible questions / areas to discuss with DOC on February 7

Compliance Filing

- Clarification on timing of the compliance filing – what is the due date in light of the Petition for Clarification/Modification?
- What does the department envision to be supplied?
 - How much detail does the department/commission expect?

Implementation timing

- Forecast documentation to be supplied with the 2018 AAA filing for FYE 2019-2020?
- For implementation on July 1, 2019, is there enough time to go through the regulatory review and approval process to implement forecasted FCA on July 1?
- If not, what does the department envision the process to look like?
 - Can we implement forecast subject to true-up or change?

True up timing

- When can the true-up be published and applied to customers' bills? With the next FYE forecast or sooner?
- Is this a flat dollar amount or a \$/kwh calculation? Can the true up be added to the next FYE forecast amount?

Forecast documentation

- Do PPA's that have previously been supplied to/reviewed/approved by the department and commission need to be supplied again?
- How much detail does the department want related to our forecasts and models?

Prudency review

- What time line for review of actuals to forecast – linked to the true up timing?
- For total costs or by cost category?
- Levels of wind production that has no fuel costs impacts the level of purchases needed from the market or requires changes in thermal generation, how will this be handled during the prudency review stage?
- Beyond what is already filed monthly and annually, what additional information would the department like to see related to planned and forced outages?

Cost categories

- PPA, generation, market purchase, MISO/RTO costs, other?
- Does the department want replacement outage costs broken out of the above?
- What about distributed generation purchases, or excess generation from our customers with behind the meter generation?
- Level of sales also impacts the FCA calculation – what information would the department like supplied related to over/under on sales forecasts?
- Costs only on a per mwh basis or in total? Or based on what was allocated to FCA sales?
- What about number of mwh purchased? Or generated?

Base cost of fuel impact

- Keep in base rates or move all fuel costs to the FCA?
 - If keep some in the base rates, then what amount should be published?
 - If move all to FCA, what process to reduce base rates for customers?

Unforeseen changes – updates to forecast

- What does the department want to see filed in these cases?
 - Market price increases
 - New PPAs
 - Unforeseen extended outage at a plant? i.e. catastrophic event?
 - Etc?
- What timing and when could the changes – plus or minus – be applied to the customers' bills?
- What would the timing of the publication of these changes be?

Lessons learned at end of pilot

- Can this filing and its requirements be addressed at a later date?

Miscellaneous

- Does the E8760 allocator still apply?

Minnesota Power Term Definitions for FCA Reform

Initial forecast period	July 1, 2019 to December 31, 2019
Forecasted fuel rates	The forecasted cost per MWh of fuel and purchased energy for the forecast period as submitted for Department and Commission review and approval
Approved fuel rates	The fuel and purchased energy costs approved by the Commission for inclusion on the customer bills based on the forecast information filed
True-up amount	The difference between approved fuel and purchased energy costs submitted and the actual fuel and purchase energy costs collected from the customers during the applicable period
Proposed true-up rate	The calculated true up amount divided by the forecasted MWh sales for the period over which the rate will be applied
Approved true-up rate	The true up rate approved by the Department and Commission for inclusion on the customer bills
