



Debbra A. Davey Supervisor, Accounting

September 8, 2014

VIA ELECTRONIC FILING

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

Re: In the Matter of Minnesota Power's 2014 Remaining Life Depreciation
Petition and Production Plant Depreciation Study
Docket No. E015/D-14-318

Dear Dr. Haar:

Minnesota Power hereby electronically submits its Reply Comments in the above-referenced Docket.

Please contact me at 218-355-3714 if you have any questions regarding this filing.

Sincerely,

/s/ Debbra A. Davey

Debbra A. Davey

DAD:sr

c: Service List

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

In the Matter of Minnesota Power's
2014 Remaining Life Depreciation
Petition and Production Plant Depreciation
Study

Docket No. E015/D-14-318
REPLY COMMENTS

Minnesota Power files these Reply Comments regarding its 2014 Remaining Life Depreciation Petition and Production Plant Depreciation Study ("Petition") in response to Comments filed by the Minnesota Department of Commerce, Division of Energy Resources ("Department") dated August 15, 2014. Minnesota Power appreciates the Department's thorough review of this Petition.

Minnesota Power agrees with the Department's Recommendations 1, and 3 through 7.

For Recommendation 2, Minnesota Power requests approval of the remaining life of seventeen years for the Laskin Energy Facility ("Laskin") proposed in the Petition. The Department recommends that the Commission require that Minnesota Power use a remaining life of 11 years for Laskin, which reflects a reduction of one year from Laskin's most recently approved remaining life to account for the passage of time. However, that position should not be adopted. Laskin's proposed life extension through 2030 is based on Minnesota Power's plans to convert Laskin Units 1 and 2 to gas peaking generation facilities by the end of 2015. Minnesota Power asserts a gas peaking generation facility has a fifteen year life based on internal engineering judgment that this is the estimated life of that equipment.

Minnesota Power is proposing to extend the life of Laskin now rather than waiting until next year for several reasons. First, in Minnesota Power's 2013 Integrated Resource Plan (IRP) (Docket No. E015/RP-13-53), Minnesota Power proposed to refuel

Laskin Units 1 and 2 to operate on natural gas by 2015. The Commission found that proposal reasonable and specifically approved that action as part of the 2013 IRP (Docket Number E-015/RP-13-53 dated November 12, 2013). As a result, Minnesota Power proceeded with its plan to convert Laskin to natural gas. Second, Minnesota Power obtained a gas pipeline route permit from the Commission (Docket No. E015/GP-13-978) that will be utilized to fire Laskin with natural gas. After fulfilling the requirements of the pipeline route permit, Minnesota Power began construction on August 26, 2014 and expects to have the pipeline constructed before the end of 2014. Overall, Minnesota Power has year-to-date spent approximately \$4 million on the conversion of Laskin. Third, in the past Minnesota Power has requested life extensions, which have been approved by the Commission, prior to when the additions were actually made. For example, in Minnesota Power's 2007 Remaining Life Depreciation Petition a request was made, and approved by the Commission, to extend the life of Boswell Unit 3 until 2034, based on the Boswell 3 Environmental Improvement Plan filed with the Commission on October 27, 2006, (Docket No. E015/M-06-1501) under the Minnesota Mercury Act. The 2007 Remaining Life Depreciation Petition was approved by the Commission on June 25, 2007 which extended the life of Boswell Unit 3. This approval was prior to Commission approval of the Boswell 3 Environmental Improvement Plan. The additions related to this improvement plan were placed in-service November 2, 2009, but facts were present several years earlier indicating a longer remaining life. Finally, Minnesota Power believes that the change in the service life of Laskin is a change in accounting estimate under Generally Accepted Accounting Principal, which should be reflected commencing in the period that change becomes known.

The FASB Accounting Standard Codification section 250-10-20 defines a change in accounting estimate as follows:

A change that has the effect of adjusting the carrying amount of an existing asset or liability or altering the subsequent accounting for existing or future assets or liabilities. A change in accounting estimate is a necessary consequence of the assessment, in conjunction with the periodic presentation of financial statements, of the present status and expected future benefits and obligations associated with assets and liabilities. Changes in accounting estimates result from new information. Examples of items for which estimates are necessary are

uncollectible receivables, inventory obsolescence, service lives and salvage values of depreciable assets, and warranty obligations. A change in accounting estimate shall be accounted for in the period of change if the change affects that period only or in the period of change and future periods if the change affects both. A change in accounting estimate shall not be accounted for by restating or retrospectively adjusting amounts reported in financial statements of prior periods or by reporting pro forma amounts for prior periods. (Emphasis added).

Accordingly, Minnesota Power believes it is appropriate to extend the life of Laskin now to its new estimated remaining life through December 2030, as Minnesota Power is moving forward with this plan, this has been an approved approach in the past, facts are present now indicating a longer remaining life for Laskin, and under Generally Accepted Accounting Principal this is considered a change in accounting estimate which should be reflected in the period that the change becomes known.

In conclusion, Minnesota Power requests approval of the remaining life of seventeen years for Laskin proposed in the Petition.

Date: September 8, 2014

Respectfully submitted,

/s/ Debra A. Davey

Debra A. Davey
Supervisor, Accounting
Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 355-3714
ddavey@allete.com

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

AFFIDAVIT OF SERVICE VIA
E-FILING AND
FIRST CLASS MAIL

Susan Romans, of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 8th day of September, 2014, she e-filed Minnesota Power's Reply Comments in Docket No. E015/D-14-318 on the Minnesota Public Utilities Commission and the Minnesota Department of Commerce via electronic filing. The remaining parties on the attached Official Service List were served as indicated.



Susan Romans

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	Yes	OFF_SL_14-318_D-14-318
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_14-318_D-14-318
Debra A	Davey	ddavey@allete.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_14-318_D-14-318
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_14-318_D-14-318
Elizabeth	Goodpaster	bgoodpaster@mncenter.org	MN Center for Environmental Advocacy	Suite 206 26 East Exchange Street St. Paul, MN 551011667	Electronic Service	No	OFF_SL_14-318_D-14-318
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_14-318_D-14-318
Margaret	Hodnik	mhodnik@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_14-318_D-14-318
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_14-318_D-14-318
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-318_D-14-318
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_14-318_D-14-318
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-318_D-14-318

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_14-318_D-14-318
Susan	Ludwig	sludwig@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_14-318_D-14-318
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_14-318_D-14-318
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_14-318_D-14-318
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-318_D-14-318
Thomas	Scharff	thomas.scharff@newpagecorp.com	New Page Corporation	P.O. Box 8050 610 High Street Wisconsin Rapids, WI 544958050	Electronic Service	No	OFF_SL_14-318_D-14-318
Ron	Spangler, Jr.	rlspangler@otpc.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_14-318_D-14-318
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_14-318_D-14-318
Karen	Turnboom	karen.turnboom@newpagecorp.com	NewPage Corporation	100 Central Avenue Duluth, MN 55807	Electronic Service	No	OFF_SL_14-318_D-14-318