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Jennifer J. Peterson
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January 14, 2015

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 Minnesota Power's Renewable Resources
Rider and 2014 Renewable Factor
Docket No. E015/M-14-349

Dear Mr. Wolf:

Minnesota Power hereby submits the attached Supplemental Comments, in reply to the Minnesota Department of Commerce's Response Comments, in the 2014 Renewable Factor Docket.

Minnesota Power looks forward to the Minnesota Public Utilities Commission hearing this matter. Please contact me at 218-355-3202 with any questions related to this matter.

Respectfully,

Jennifer J. Peterson

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

In the Matter of Minnesota Power’s Renewable
Resources Rider and 2014 Renewable Factor

Docket No. E015/M-14-349

**MINNESOTA POWER’S
SUPPLEMENTAL
COMMENTS**

On April 29, 2014, Minnesota Power (“the Company”) submitted its Petition for Approval of the 2014 Renewable Factor to the Minnesota Public Utilities Commission (“Commission”). Initial Comments on the compliance filing were submitted by the Minnesota Department of Commerce (“Department”) on September 3, 2014. Minnesota Power filed Reply Comments in response to the Department’s Comments on September 16, 2014. On September 12 and October 13, 2014, Commission Staff sent information requests to the Company regarding Minnesota Power’s proposed treatment of ALLETE’s North Dakota Investment Tax Credits (“ITC”). The Department then issued Response Comments on December 17, 2014, with revised recommendations in this Docket. Minnesota Power submits these Supplemental Comments to the Department, specifically addressing the Department’s revised recommendations on Bison 4 project costs, extended recovery of the tracker balance, and North Dakota tax credits.

Bison 4 Wind Project Costs

In its Initial Comments, which Minnesota Power disagreed with, the Department concluded that the Company’s investments and expenditures in its Bison 4 Wind Project (the “Project”) exceeded the cap set in Bison 4’s cost eligibility filing by \$1.2 million. In Response Comments, the Department maintained its position in recommending a cost cap on the Project, but decreased the amount of the proposed cap to \$337.7 million. This new proposed project cap is \$200,000 less than the capital expenditures filed in the 2014 Renewable Resources Rider (“RRR”) Factor Filing. As the Department noted in its

Response Comments, the \$200,000 difference will have no effect on the Company's proposed rates.

In the Bison 4 cost eligibility filing, Minnesota Power stated the estimated project cost of the Bison 4 project was \$345 million, well above the Department's proposed \$337.7 million cost cap. Although the number in the initial filing includes internal costs and AFUDC, it is consistent with the numbers that have been provided as the project costs in each of the previous three Bison project dockets. The Department acknowledged the inconsistency of using the project estimate listed in the text of the cost eligibility filings for Bison 1, 2 and 3 while then taking data from a financial model to determine a revised cost cap for the Bison 4 project.

Minnesota Power employs multiple steps to help ensure the lowest costs to customers on the Bison Projects and is proud that the Bison 4 Wind Project is currently within budget with only a few months remaining in the project schedule. Based on current projections, Minnesota Power anticipates that Bison 4, like each of the previous Bison projects, will be delivered under budget. So while the Company disagrees with the Department's interpretation of the cost cap being any number other than the total project cost as stated in the initial eligibility filing, the issue is irrelevant for this particular Project as the disparity between the Company and the Department's analysis has no impacts on rates, and Bison 4 is anticipated to be under budget when completed.

Proposed Extended Recovery Period

Minnesota Power thanks the Department for reiterating its position that the Company's RRR Rider rates are appropriately calculated and reasonable. Minnesota Power is also appreciative of the Department's recognition of financial harm to the Company as it proposed an extended recovery of the RRR tracker balance in Initial Comments. As mentioned in Reply Comments, the Company is currently expending more capital on renewable and environmental retrofit projects than ever before in its history (to include the Bison 4 Wind Energy Center, the Boswell 4 Environmental Retrofit and the Thomson Hydroelectric Center restoration project), and project planning for these large investments was based upon the expectation of timely current cost recovery.

Minnesota Power requests that the Commission allow recovery of the tracker balance, which includes revenue requirements associated with expenditures made in connection with the Bison projects, over a one-year time period as proposed in its 2014 RRR Factor Filing. If the Commission determines that Minnesota Power should extend its cost recovery period, the Company would request the Commission consider approving the Company's authorized rate of return from its last general rate case in 2009 (8.18 percent) to offset the additional costs that will be incurred as a result of delayed recovery.

North Dakota Investment Tax Credits

Minnesota Power disagrees with the Department's recommendation that the Company be required to credit ratepayers for all North Dakota ITCs used by Minnesota Power's affiliates via ALLETE's consolidated North Dakota tax return. The Commission has clearly stated that stand-alone tax treatment should be applied to Minnesota public utilities as stated in Xcel Energy's Docket No. E002/GR-05-1428. However, the Company does agree with the Department's recommendation to consider this issue in Minnesota Power's 2015 Renewable Resources Rider Petition¹. Neither Minnesota Power, nor any ALLETE subsidiary, utilized any North Dakota ITCs in the period covered by this filing. Additionally, ALLETE is not expected to be able to utilize any North Dakota ITCs until approximately 2018. Therefore, any decision made on the utilization of North Dakota ITCs would have no impact on this current Docket.

¹ Docket No. E015/M-14-962.

CONCLUSION

Minnesota Power appreciates the Department's Response Comments. Because ALLETE has not utilized any North Dakota ITCs in the time period covered in this docket, Minnesota Power agrees with the Department's recommendation for the Commission to instead consider North Dakota ITC utilization in the 2015 Renewable Resources Rider docket. If the Commission chooses to consider an extended recovery of the 2014 RRR tracker, Minnesota Power would request an appropriate rate of return on the tracker balance. Finally, while the Company disagrees with the Department's position on the cost cap of the Bison 4 project, Bison 4 is anticipated to be delivered under budget and the Department's proposed cap would have no impact on customer rates. Minnesota Power respectfully requests a hearing before the Commission in the very near future to ensure timely cost recovery on its approved renewable energy investments.

Dated: January 14, 2015

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jennifer J. Peterson", with a long horizontal flourish extending to the right.

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Dawn M. LaPointe of the City of Hermantown, County of St. Louis, State of Minnesota, says that on the 14th day of January, 2015, she served Minnesota Power’s Supplemental Comments related to the Renewable Resources Rider and 2014 Renewable Factor to the Minnesota Public Utilities Commission and the Department of Commerce via electronic filing. The remaining parties on the attached service list were served as so indicated on the list.

/s/ Dawn M. LaPointe

Subscribed and sworn to before
me this 14th day of January, 2015.

/s/ Jodi Nash

Notary Public - Minnesota
My Commission Expires Jan. 31, 2020

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