MINNESOTA DEPARTMENT OF COMMERCE

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February 25, 2015

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/M-14-990

Dear Mr. Wolf:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Minnesota Power's Petition for Approval of Cost Recovery under Boswell Energy Center Unit 4 Emission Reduction Rider.

The petition was filed on November 26, 2014 by:

Lori Hoyum
Policy Manager
Minnesota Power
30 West Superior Street
Duluth, MN 55802-2093

The Department recommends **that MP file additional information in reply comments.** The Department will offer additional comments and recommendations in subsequent response comments after it has reviewed the additional information.

Sincerely,

/s/ SACHIN SHAH
Rates Analyst

SS/lt
Attachment

MINNESOTA DEPARTMENT OF COMMERCE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE MINNESOTA DEPARTMENT OF COMMERCE DIVISION OF ENERGY RESOURCES

DOCKET NO. E015/M-14-990

I. SUMMARY OF THE UTILITY'S PROPOSAL

On March 1, 2013, the Minnesota Pollution Control Agency ("MPCA") issued its Review of Minnesota Power's Boswell Unit 4 Environmental Improvement Plan. The MPCA stated in that document that Minnesota Power's ("MP" or "the Company") proposed Boswell Energy Center Unit 4 Emissions Reduction Plan ("BEC4 Project") met the requirements of Minn. Stat. §216B.6851.

On November 5, 2013, the Minnesota Public Utilities Commission ("Commission") in its *Order Approving Boswell Energy Center Unit 4 Retrofit Project and Authorizing Rider Recovery* (*12-920 Order*) approved an Emissions Reduction Rider cost recovery mechanism for the BEC4 Project in Docket No. E015/M-12-920 (12-920 Docket).

On November 25, 2013, a request for reconsideration was filed by the Izaak Walton league of America-Midwest Office, Fresh Energy, Sierra Club, and Minnesota Center for Environmental Advocacy (MCEA) in the 12-920 Docket.

On December 20, 2013, MP filed a Petition with the Commission in Docket No. E015/M-13-1166 (13-1166 Docket) requesting approval of its proposed rates for the Emission Reductions Rider associated with BEC4 Project. It also included information filed in compliance with the Commission's *12-920 Order*.

On January 17, 2014, the Commission issued its *Order Denying Reconsideration* in Docket No. E015/M-12-920.

On February 14, 2014, the Minnesota Center for Environmental Advocacy filed in the 12-920 Docket a copy of its *Petition for Writ of Certiorari* with the Minnesota Court of Appeals regarding the Commission's November 5, 2013 and January 17, 2014 decisions in the 12-920 Docket.[1]

On July 2, 2014, the Commission issued its *Order* in Docket No. E015/M-13-1166 (*13-1166 Order*), approving MP's proposed 2014 rate adjustment factors for recovery under the Company's 2014 Emission Reductions Rider associated with the BEC4 Project.

On November 26, 2014, MP filed the instant Petition seeking approval of its proposed rates for the Emission Reductions Rider associated with BEC4 Project. It also included information filed in compliance with the Commission's *12-920 Order*.

According to the Petition, Minn. Stat. §§216B.683, 216B.1692, 216B.6851, 216B.686 and 216B.16 are the controlling statutes for processing this filing.

II. SUMMARY OF FILING

MP proposed to amend, effective June 1, 2015, its BEC4 Rider Adjustment Factors to recover projected 2015 total revenue requirements and the projected 2014 year-end tracker balance.

The Company proposed to collect through its proposed 2015 BEC4 Rider Adjustment Factors its 2014 tracker balance and 2015 estimated annual revenue requirements for investments made on the BEC4 emissions control systems and on Phase I of the Boswell 4 ash pond. A summary of the proposed projects, annual revenue requirements and tracker balance is included in Table 1 below.

Table 1: Summary of Proposed Revenue Requirements

Project Description	Estimated Revenue Requirements MN Jurisdiction
2014 Estimated Year-End Tracker Balance	$5,667,325
2015 BEC 4 Environmental	$17,442,083
2015 BEC 4 Base Rate Revenue Credit	($574,115)
2015 Boswell Ash Pond Phase 1	$158,481
2015 Revenue Requirements	$17,026,449
2015 Total Factor Revenue Requirements	$22,693,774

The BEC4 Rider is applicable to electric service under all of MP's Retail Rate Schedules including its Large Power Interruptible and Large Power Incremental Production customers except Competitive Rate Schedules 73 and 79. MP proposed to allocate the retail revenue

[1] The Department notes that on November 3, 2014, the Minnesota Court of Appeals filed an unpublished opinion affirming the Commission's decisions.

requirement to the Large Power customer class based on its portion of the Peak and Average class allocation factors from the Company's most recent general rate case. Within the Large Power class, MP proposed to incorporate both a demand and energy rate adder by splitting the Large Power customers' retail revenue requirement between demand and energy rate components based on the demand and energy revenue split (approximately 60% demand and 40% energy) used in MP's most recent rate case in Docket No. E015/GR-09-1151.

For the remaining non-Large Power customer classes, MP proposed an average energy-only rate adder. The Company proposed to use its budgeted 2015 sales forecast as the basis for the billing determinants used to develop the rates. The proposed rates are shown in Table 2.

Table 2: Summary of Existing and Proposed BEC4 Rider Rates

Billing Factor	Unit	Current Rate	Proposed Rate
Large Power	$/kw – month	0.60	0.99
	¢/kWh	0.057	0.094
All Other Retail Classes	¢/kWh	0.156	0.262

The estimated average rate impact per month by customer class is provided in Table 3 below.[2]

Table 3: Summary of Average Rate Impact by Class

Class	Average Bill Impact ($/Mo.)	Percentage Change (%)
Residential	$0.86	1.06%
General Service	$2.95	1.06%
Large Light & Power	$241.64	1.31%
Large Power	$46,554	1.61%
Municipal Pumping	$11.43	1.16%
Lighting	$0.39	0.68%

III. DEPARTMENT ANALYSIS

A. STATUTORY REQUIREMENTS

The statutory requirements that pertain to this filing are numerous. Minn. Stat. §216B.1692 lists the statutory requirements a utility needs to fulfill to have an emissions-reduction project approved and to implement an emissions-reduction rider. Minn. Stat. §216B.68 through 216B.688 contain the additional requirements associated with receiving approval and implementing an emissions-reduction rider classified as being mercury-related. Because the Commission has approved MP's BEC4 Rider as a mechanism to recover the costs associated with the BEC4 Project, the balance of our analysis focuses on the Company's efforts to comply with the statutory requirements associated with the

[2] See Petition at page 18, Table 2.

development of the allowed revenue requirement and the development of the class-specific rates as well as any Commission-mandated compliance requirements.

Minn. Stat. §216B.1692, subd. 5(b) states that:

> (b) The commission may approve a rider that:
> (1) allows the utility to recover costs of qualifying emissions-reduction projects net of revenues attributable to the project;
> (2) allows an appropriate return on investment associated with qualifying emissions-reduction projects at the level established in the public utility's last general rate case;
> (3) allocates project costs appropriately between wholesale and retail customers;
> (4) provides a mechanism for recovery above cost, if necessary to improve the overall economics of the qualifying projects to ensure implementation;
> (5) recovers costs from retail customer classes in proportion to class energy consumption; and
> (6) terminates recovery once the costs of qualifying projects have been fully recovered.

The Commission stated in its *12-920 Order*, on page 7 that the Company had fulfilled the requirements contained in Minn. Stat. §216B.1692, subd. 5(b). Thus, the Department's analysis focuses only on the mercury-related emissions- reduction legislation and the Commission's compliance requirements in the *12-920 Order*.
Minn. Stat. §216B.683, subd. 1(b) addresses this issue. It states:

> A public utility required to file a mercury emissions-reduction plan under sections 216B.68 to 216B.688 may also file for approval of emissions-reduction rate riders pursuant to section 216B.1692, subdivision 3, for its mercury control and other environmental improvement initiatives under sections 216B.68 to 216B.688.
>
> (b) In addition to the cost recovery provided by section 216B.1692, subdivision 3, the emissions-reduction rate riders may include recovery of costs associated with (1) the purchase and installation of continuous mercury emission-monitoring systems, (2) costs associated with the purchase and installation of emissions-reduction equipment, (3) <u>construction work in progress,</u> (4) <u>ongoing operations and maintenance costs associated with the utility's emission-control initiatives, including, but not limited to, the cost of any sorbent or emission-control reagent injected into the unit</u>, (5) any project costs incurred before the plan approval that are demonstrated to the commission's satisfaction to be part of the plan, and (6)

> any studies undertaken by the utility in support of the emissions-reduction plan. [Emphasis added]

The tracker balance MP proposed to recover beginning June 1, 2015 consists of Construction-Work-in-Progress (CWIP), November and December plant depreciation and operations and maintenance expenses that expect to be incurred as the plant undergoes testing in advance of the expected December 31, 2015 in-service date. The Department concludes that these expenses are recoverable under the statute.

B. PRUDENCY REVIEW

Capital Costs

The MPCA provided an initial review as to the prudency of the BEC4 Project cost estimates MP provided as part of the 12-920 Docket. In that proceeding the MPCA stated in its *Review of Minnesota Power's Boswell 4 Unit Improvement Plan*, "Construction (and operating) cost estimates for the Boswell Unit 4 project prepared by Minnesota Power and their consultant appear to be reasonable estimates for this project." The MPCA also noted MP's capital cost estimate of $431 million in the report. MP's share of that total would be approximately $350 million assuming 82 percent of those costs are jurisdictionalized as Minnesota retail.[3]

In the current filing MP has estimated its capital costs to be $260 million, a reduction of $90 million from its earlier estimate (provided in the aforementioned docket) of $350 million.

MP is seeking recovery of CWIP for a capital investment that increases from $60.7 million in January 2014 to $218.4 million in November 2015 and dropping down to $2.3 million in December 2015, when the plant is expected to be operational.[4]

Allowance for Funds Used During Construction (AFUDC) and CWIP Calculations

MP described its method for calculating AFUDC and CWIP in the BEC4 Tracker in its *Petition* in the 12-920 Docket. The Department also reviewed this calculation at length in Docket No. E015/M-13-410 (Docket 13-410), (MP's 2013 Rate Adjustment Factor filing for its Renewable Energy Rider), and in Docket 13-1166, (MP's 2014 Rate Adjustment Factor filing for its Boswell Energy Center Unit 4 Retrofit). In the Commission's *December 3, 2013 Order* in Docket No. 13-410, the Commission, "Directed the Company for all future Renewable Resources Rider and other rider recovery filings, to remove capitalized internal costs when calculating the amount of AFUDC included in the rate base for rider recovery purposes, consistent with the terms of its prior rider filings." Appropriately, the Company removed capitalized internal costs in its AFUDC calculation in the instant *Petition*.

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[3] Boswell Unit 4 (BEC4) is jointly owned by Minnesota Power and WPPI Energy. As a co-owner, MP's share of ownership of BEC4 is 80 percent and WPPI's ownership is 20 percent. See *Petition* at page 10.
[4] See Petition Exhibit B-2.

The Department compared the information in this filing, contained in Exhibit B, and the information contained in Docket 13-1166 and concludes that those methodologies are consistent. As a result, the Department concludes that MP's calculation of CWIP is appropriate.

Other Cost Categories

MP proposed to recover operations and maintenance (O&M) and depreciation expenses through its proposed BEC4 Adjustment Factor. The estimated O&M expenses begin around November 2015 just before the plant is expected to be operational (December 2015).[5] These estimated expenses appear to be reasonable.

Regarding depreciation expense, MP indicated that, beginning in October 2015, the Company will provide a revenue credit to the tracker to offset costs associated with existing emissions-control equipment at BEC4 that will no longer be in service but whose costs are currently being recovered through base rates. In Docket No. 13-1166, MP had similarly mentioned the adjustment by stating the following in its *Initial Petition* of December 20, 2013 at page 10:

> Equipment with Original Installed Cost ("OIC") of approximately $40 million will be retired from BEC4 prior to the BEC4 Project being placed into service. When this occurs, Minnesota Power will deduct the estimated jurisdictional revenue requirements associated with this equipment that is currently in base rates from the BEC4 rider jurisdictional revenue requirements. This credit will include a return on average rate base, depreciation expense and associated O&M (operations & maintenance) expenses. It is anticipated that this credit will begin with Minnesota Power's next BEC4 Rider Adjustment and continue until the BEC4 Project is rolled into base rates in Minnesota Power's subsequent rate case.

The Department, in its *February 27, 2014 Comments* in Docket 13-1166, stated the following at page 5:

> The Company also introduced new information in this filing regarding the calculation of the BEC4 Rider, stating that it will provide a revenue credit to the tracker to offset costs associated with existing emissions-control equipment at BEC4 whose costs are currently being recovered through base rates. The Department asked the Company for a sample calculation for the future credit in Information Request 8. MP provided a reply which the Department has included as Attachment A. In

[5] See Petition Exhibits B-1, and B-2.

> theory, the Department agrees with MP's proposal and will examine the reasonableness of this proposed calculation when MP makes its specific rate proposal. The response to the information request is included as a starting point for ongoing review of this aspect of MP's BEC4 Rider.

In the instant *Petition*, MP stated the following[6]:

> Equipment with Original Installed Cost ("OIC") of approximately $40 million will be retired from BEC4 prior to the BEC4 Project being placed into service. When this occurs, Minnesota Power will deduct the estimated revenue requirements associated with this equipment that is currently in base rates from the BEC4 rider revenue requirements. This credit includes a return on average rate base, depreciation expense and associated O&M (operations & maintenance) expenses. This credit is applied beginning in October 2015 in this Petition and will continue until the BEC4 Project is rolled into base rates in Minnesota Power's subsequent rate case. Refer to Exhibit B-1, page 5 of 5, row E5 for the application of this expected credit, and to Exhibit B-2, page 11 of 11, for the calculation of this credit.

The Department in its review of the Company's proposed calculations observes the following:

- The 2010 base rate amount for the operation and maintenance expense associated with the Plant to be retired in Attachment A (MP's response to Department Information Request 8) of the Department's *February 27, 2014 Comments* in Docket 13-1166 had a figure of $650,000; whereas
- The 2010 base rate amount for the operation and maintenance expense associated with the Plant to be retired in the instant Petition, Exhibit B-2, page 11 of 11 shows an amount of $640,000; and
- The Company proposed to provide a monthly revenue requirement credit beginning in October 2015 whereas BEC4 Project construction began in October 2013.

Thus, the Department recommends that MP in its *Reply Comments* provide a detailed explanation, reconciliation, and clarification on the above differing 2010 base rate amounts referenced above. In addition, the Department requests that the Company fully justify the proposed October 2015 date for beginning the monthly revenue requirement credit for retired equipment, including clarification as to what point the equipment that is currently in base rates will, or has, become no longer used and useful.

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[6] Petition at page 14.

C. ALLOCATIONS, REVENUE APPORTIONMENT, AND RATE DESIGN

The Company used the MN Jurisdictional Power Supply Allocator (D-01) from its last rate case to allocate the BEC4 Project revenue requirements. The Department understands that MP's jurisdictional allocators account for the split between wholesale operations (MP's municipal and cooperative customers) and retail operations. The customer class allocators were normalized to appropriately allocate the MN jurisdictional retail amounts (82 percent of the total costs). See the *Petition's Exhibit B-5* for more details. The Commission approved this revenue apportionment methodology in its *12-920 Order*. The Company used the Commission-approved methodology in this filing. The Department concludes that this approach complies with the Commission's Order.

The proposed rate design for the Large Power (LP) class in this filing is identical to the one the Commission approved in its *12-920 Order*. MP proposed a slight change in the methodology for calculating the energy-based adder that would be recovered from the non-LP classes. In the 12-920 Docket, the Company proposed to develop class-specific energy-based adders to recover the revenue requirement apportioned to the non-LP classes by customer class. Its current proposal is to calculate an average rate per kWh for all non-LP classes and charge this one rate to all those same customer classes. This proposal represents a minor change from the rate design the Commission approved in the aforementioned *12-920 Order*. It is however consistent with the rate design for the non-LP classes the Commission approved in its Order dated December 3, 2013 in the 13-410 Docket. The Department agrees that this proposed change in methodology is reasonable given that the Department recommended this change in the 13-410 Docket, and the Commission approved the method in that same docket.

D. TRUE-UP AND TRACKER BALANCES

As shown on Exhibit B-1, Page 3 of 5 of its *Petition*, MP proposed to increase its 2015 BEC 4 Rider revenue requirement by $5,667,325 (2014 tracker balance) to reflect prior under-recoveries from 2013 and 2014.

The Department reviewed MP's true-up and tracker balance calculations. The Department notes that MP's calculations are consistent with past rider filings. However, the Department notes that the clarifications[7] requested of MP as described above and below, may impact the true-up and tracker balances. Therefore, the Department will provide further comment on MP's tracker balances after reviewing MP's *Reply Comments*.

E. ANALYSIS OF BILL IMPACTS

MP included "Table 2 – Estimated Customer Impact" in its filing. The information in that table appears to be consistent with the information it provided in the 12-920 Docket.

[7] The Department requests clarification regarding the timing of the base rate revenue monthly credit and discrepancy described in Section B, further information on the Basin Electric Power sales agreement as noted in Section F. III, and allocation factor adjustments due to the loss of a greater-than-10-MW customer in 2014 as discussed in Section F.IV.

The Department concludes that this component appears to comply with Commission requirements.

F. MISCELLANEOUS ISSUES

In the 12-920 Docket the Commission approved a variance to Minn. R. 7825.3600 to allow the Company to provide tariff pages with final rates in a later compliance filing. MP provided that information in this filing.

In addition, the Commission included a reporting requirement in its *12-920 Order*. Specifically, the Commission ordered: "Minnesota Power shall file biennial reports on the status of the project, with the first report being due January 1, 2014." The Department concludes that the Company complied with this requirement.

I. TRADE SECRET DESIGNATION

Regarding the designation of trade secret data, the Department notes that in MP's November 26, 2014 trade secret and public filings or the instant *Petition*, the trade secret data is not identified in a manner that satisfies the Commission's requirements. Specifically, the Company did not provide justification for its trade secret designation of information in its Exhibit B-2 pages 9 and 10 of 11, pursuant to Minn. Stat. §13.37. In addition, the Company did not identify the trade secret and other non-public information pursuant to Minn. Rule 7829.0500. The <u>entire</u> Exhibit B in the trade secret filing was labeled – "NON-PUBLIC DOCUMENT CONTAINS TRADE SECRET DATA" and the public version was labeled "PUBLIC DOCUMENT TRADE SECRET DATA EXCISED." Minn. Rule 7829.0500 requires only the pages on which protected information appears to be marked in addition to the cover page. The Department cautions MP about the erroneous designation of trade secret data and lack of justification for seeking such designation. The Department recommends that for all future filings, MP should take additional care in its designation and justification of trade secret data in its petitions' and/or attachments.

II. NOTICE OF VIOLATION UPDATE

The Commission included the following reporting requirement in its *12-920 Order*:

> The Company shall include in its annual rate factor adjustment filing an update on its discussions with the EPA to resolve the notice of violation and shall identify and explain any costs related to the notice of violation included in its rate factor adjustment filings or other rate proceeding.

MP's filing states:

> On July 16, 2014, Minnesota Power reached a settlement agreement with the EPA and the MPCA related to alleged violations of the New Source Review requirements of the Clean Air Act at the Boswell Energy Center. The settlement is compatible with Minnesota Power's long term Energy*Forward* strategy to reduce emissions, diversify its energy mix and advance renewables; however, it does not include any admission of wrongdoing on the part of the company. The settlement agreement was approved by the U.S. District Court for the District of Minnesota and became effective September 29, 2014.
>
> The BEC4 Project, as approved by the Commission in an Order dated November 5, 2013, will comply with the terms of the settlement, including the permissible level of SO_2 emissions at the completion of the BEC4 Project. The equipment requirements to meet the SO_2 emission limits specified in the settlement are the same as those required to meet the SO_2 emission limits under MATS and other enacted or pending federal and state air regulations; therefore, there are no incremental capital costs associated with settlement compliance. Minnesota Power will need to increase the amount of lime used in order to achieve compliance with the settlement terms for SO_2 emissions. Based on current engineering estimates, the projected cost differential for the additional lime usage is estimated to be less than $150,000 annually. The cost differential is based on the pre-project baseline emission reduction level identified in the BEC4 Plan Petition. The small additional cost each year to reduce SO_2 emission to a level lower than what is required under other enacted or pending federal and state air regulations delivers further environmental value to Minnesota Power customers and other residents in northeastern Minnesota. These operating costs will not be incurred until the facility becomes operational. There are no costs related to the settlement of the notice of violation included in this Petition.[8]

The Department concludes that MP met the requirement to update the Commission on the EPA's notice of violation. It is the Department's understanding that MP is not requesting recovery of any of the costs related to the settlement, including the expected additional $150,000 lime costs. The Department supports MP's current approach.

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[8] Petition at page 13.

III. BASIN ELECTRIC POWER COOPERATIVE

The Company has made another adjustment regarding the calculation of the BEC4 Rider stating that it will provide a revenue credit, associated with a power sales agreement to Basin Electric Power Cooperative (Basin or BEPC), to the tracker to offset costs associated with new emissions-control equipment at BEC4. MP stated the following:

> As part of a power sales agreement to Basin Electric Power Cooperative ("Basin"), Minnesota Power is allowed to collect costs associated with new emission control additions to BEC4 over a specified period from Basin. Minnesota Power is passing the benefits of this agreement directly to customers through crediting the revenue requirements by Basin's specified share of the costs for a portion of the contract. Refer to Exhibit B-1, page 5, row E4 for Basin's total 2015 share.

The Department observes the following with regard to BEPC:

- In the instant *Petition*, MP has not provided sufficient details on the power sales agreement. For example, MP has not indicated under what tariff BEPC takes power (wholesale, large power or some other MP tariff);

- MP has not indicated what type of power BEPC acquires from MP (energy and/or capacity) ;

- It is unclear whether MP needs Commission approval for such an agreement or whether MP has sought and obtained approval; and

- MP has not indicated the magnitude of the load and whether it is above the 10 MW threshold as further discussed below.

The Department recommends that Minnesota Power provide detailed explanations and all of the relevant information, including but not limited to the items above related to BEPC, in *Reply Comments*.

IV. THRESHOLD FOR ALLOCATION FACTORS AND LOAD CHANGES

The Commission's *12-920 Order* set a 10 MW threshold for triggering an adjustment to the retail allocation factors. At page 7 of the *12-920 Order*, the Commission stated the following:

> Finally, the Commission will require Minnesota Power to make annual rate factor adjustment filings, including adjusted retail allocation factors <u>if any large power or wholesale customer's</u>

> load changes by 10 megawatts or more, as agreed to by the parties.

MP's filing stated:

> Order Point 4 of the November 5, 2013 Order requires Minnesota Power to make annual rate factor adjustment filings, including adjusted retail allocation factors if any Large Power or wholesale customer's load changes by 10 megawatts ("MW") or more. In the present filing no adjustment has been made to the allocation factors, although it is anticipated this will be required in the 2016 Factor Filing if expected large load changes actually occur. Minnesota Power's [sic] anticipates a new retail Large Power customer with a demand of approximately 20 MW in 2015. While the additional billing units for this expected new customer are included in the billing units used to calculate the proposed Large Power Billing Factors, the allocation factors will be adjusted in the 2016 Factor Filing. In the 2016 Factor Filing, Minnesota Power will also incorporate the 2014 loss of a firm Wholesale customer with an average 2013 load of approximately 19 MW. Assuming all else equal, these two load changes are anticipated to slightly increase the allocation to the Minnesota retail jurisdiction and to the Large Power class. There are no other known or anticipated current load changes of 10 MW or more associated with any retail Large Power or firm wholesale customer.[9]

It is clear from the Commission's *12-920 Order* that the threshold for triggering the rate adjustment filings is 10 MW. Further, the Commission contemplated these filings would occur whenever any large power or wholesale customer's load changed by 10 megawatts or more. Thus, it is unclear why MP did not comply with the Commission's *12-920 Order* in this regard when it states that it lost "firm Wholesale customer with an average 2013 load of approximately 19 MW" in 2014.

In its *Reply Comments*, MP should provide additional details on the loss of the wholesale customer in 2014. MP should adjust the annual rate factor adjustment filing in the instant *Petition* to reflect the loss of the wholesale customer referenced above in order to comply with the *12-920 Order*. In the event the load in 2015 materializes as MP anticipates above, MP should make an additional filing to adjust the annual rate factor adjustment filing at that time, in order to comply with the *12-920 Order*.

[9] Petition at pages 15-16.

V. RECOMMENDATIONS

The Department recommends that Minnesota Power provide in its *Reply Comments* the details, clarification, confirmation, explanation, and identification of:

- The differing 2010 base rate amounts for the operations and maintenance expense referenced herein;

- Justification of the proposed October 2015 date for beginning the monthly revenue requirement credit for retired equipment, including clarification as to what point the equipment that is currently in base rates will, or has, become no longer used and useful;

- The relevant information related to BEPC as requested herein; and

- The annual rate factor adjustment due to loss of a wholesale customer in 2014.

The Department recommends that MP adjust the annual rate factor adjustment filing in the instant *Petition* to reflect the loss of the wholesale customer in 2014 referenced above. If, as a result of all of the above details, clarification, confirmation, explanation and identification, the annual rate factor adjustment filing requires amendment, the Department recommends that MP file the resulting annual rate factor filing in both a red-lined and clean version and to concurrently provide all of the associated exhibits in Microsoft Excel electronic format. In all other aspects, the Department's review indicates that the Company's filing complies with the statutory requirements, with the exception of the Trade Secret designation as discussed herein. Minnesota Power's proposed changes included in this filing are consistent with changes approved by the Commission in a similar filing in 13-410 Docket. The Department will offer additional comments and recommendations in subsequent response comments after it has reviewed the additional information provided by MP in *Reply Comments.*

/lt

CERTIFICATE OF SERVICE

I, Linda Chavez, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

MINNESOTA DEPARTMENT OF COMMERCE – COMMENTS

Docket Nos. **E015/M-14-990**

Dated this **25th** day of **February, 2015**.

/s/Linda Chavez
____

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