



July 9, 2020

VIA E-FILING

Will Seuffert
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 2020 Renewable Factor
Docket No. E015/M-19-523
Supplemental Comments on MPUC Notice**

Dear Dr. Seuffert:

Minnesota Power (or the “Company”) submits to the Minnesota Public Utilities Commission (“Commission”) its Supplemental Comments in response to the June 12, 2020 Notice of Supplement Comment Period (“Notice”) in the above-referenced Docket. Topics open for comment include: Minnesota Power’s proposed Renewable Resources Cost Recovery revenue requirement and rider rates; the impact, if any, of the Company’s resolution of its rate case (Docket Nos. E015/GR-19-442 and E015/M-20-429) on parties positions; and any other issues or concerns related to this matter.

On August 15, 2019, Minnesota Power submitted its Petition to the Commission for approval of its 2020 Renewable Resources Rider (“RRR”). Minnesota Power had already publically announced its intent to file its next general rate case in early November 2019 when it submitted its 2020 Renewable Resources Factor Filing on August 15, 2019. As a result, costs related to the two remaining projects of the Thomson Hydroelectric Restoration Project (“Thomson Project”);¹ and credits to ratepayers related to the transfer of a Large Generator Interconnection Agreement (“LGIA”), referred to as the Bison 6

¹ The Commission issued an order on March 5, 2015, finding that the Thomson Project qualifies as an eligible technology under Minn. Stat. § 216B.1691 and approved the related investments and expenditures (Docket No. E015/M-14-577).

LGIA, to Minnesota Power's affiliate ALLETE Clean Energy, Inc.;² were removed from the RRR Tracker effective January 1, 2020. With Commission approval, Minnesota Power planned to include the Thomson Project costs and Bison 6 LGIA credit to customers as part of base rates in its forthcoming general rate case.

Additionally, pursuant to Order Point No. 37 in Minnesota Power's 2016 retail rate case (the "2016 Rate Case") initial order, Docket No. E-015/GR-16-664 dated March 12, 2018, the Company implemented a true-up procedure to account for differences in Production Tax Credits ("PTC") generated by the Bison Wind Energy Center as compared to what has been included in base rates in Minnesota Power's most recent retail rate case during the 2017 test year. In anticipation of the forthcoming general rate case and that the new level of PTCs included in the 2020 test year would be the new standard to measure against, the Company did not include an expected PTC true up amount in the 2020 Renewable Resource Factor as the 2020 budgeted level of PTCs would be the new amount included in base rates, and the variance from the 2020 test year (2020 budget) would be entered into the tracker.

On November 1, 2019, Minnesota Power initiated a new general rate case (the "2019 Rate Case"). On April 23, 2020, the Company filed a petition and proposal to resolve and ultimately withdraw the 2019 Rate Case. On April 30, 2020, the Company filed a supplement to its petition, providing additional detail. On June 4, 2020, the Commission voted to approve Minnesota Power's April 23, 2020, petition and proposal—as supplemented on April 30, 2020—to resolve and withdraw the 2019 Rate Case with certain additional conditions. On June 30, 2020, the Commission issued its written order based on the June 4 hearing. The Supplemental Comment Period provides stakeholders an additional opportunity to engage in the regulatory review process of the 2020 Renewable Resources Factor after the Commission's decision in the 2019 Rate Case Docket.

² March 16, 2018 *Order Approving Sale of Bison 6 Interconnection Agreement* in Docket No. E015/AI-17-304.

Minnesota Power proposes the following treatment for the Thomson Project, Bison 6 LGIA, and PTCs.

Thomson Project

Most of the projects associated with the Thomson Project were completed by the time of the Company's 2016 Rate Case and were moved into base rates. Only two projects remained in the RRR – the Thomson Spill Capacity project and the Thomson Dam 6 refurbishment. Minnesota Power proposed to roll into base rates actual costs related to these two remaining projects as part of its 2019 Rate Case.³ With the resolution of the 2019 Rate Case, the Company now proposes to reestablish cost recovery for the two remaining projects of the Thomson Project through the 2020 RRR effective January 1, 2020, the start date used for the 2019 Rate Case test year. The adjustment to account for 2020 costs would be reflected in the required compliance filing to be submitted following issuance of the Commission's order in the above-referenced Docket.

Bison 6 LGIA

The Commission approved the Bison 6 LGIA transfer and crediting customers through the renewable resources rider in an Order dated March 16, 2018. On April 17, 2018 and May 7, 2018, the Company filed compliance filings with the Commission. In the 2019 Rate Case, the Company requested Commission approval to reimburse customers through base rates effective January 1, 2020. With the resolution of the 2019 Rate Case, the Company now proposes to continue to credit customers through the RRR effective January 1, 2020, the start date used for the 2019 Rate Case test year. The adjustment to account for the credits in 2020 would be reflected in the required compliance filing to be submitted following issuance of the Commission's order in the above-referenced Docket.

Production Tax Credits

As previously stated, in anticipation that the new level of PTCs included in the 2020 test year would be the new standard to measure against, the Company did not include an

³ Direct Testimony of Stewart J. Shimmin dated November 1, 2019, at page 35.

expected PTC true up amount in the 2020 Renewable Resource Factor as the 2020 budgeted level of PTCs would be the new amount included in base rates. The withdrawal of the 2019 Rate Case means that the 2020 test year levels will not be used to determine the amount of PTCs included in customer rates. As such, Minnesota Power proposes to revert to the 2017 test year amounts to determine the expected PTC true up amount for 2020. The adjustment to account for the 2020 PTC true up amount would be reflected in the required compliance filing to be submitted following issuance of the Commission's order in the above-referenced Docket.

Minnesota Power appreciates the opportunity to present the Company's proposed treatment of actual costs for the two remaining projects of the Thomson Project; reimbursement to customers related to the transfer of the Bison 6 LGIA; and true-up of the PTCs generated by the Bison Wind Energy Center.⁴

Please contact me at (218) 269-0712 or lhoyum@mnpower.com if you have any questions regarding this proposal.

Yours truly,



Lori Hoyum
Regulatory Compliance

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⁴ On June 30, 2020, Minnesota Power submitted its Petition to the Commission, pursuant to Minn. Stat. § 216B.1645, subd. 2a, Minn. Stat. § 216B.1691, subd. 2f(f), seeking approval to recover costs associated with qualifying solar energy projects under the 2020 Solar Renewable Factor within the Company's RRR. The 2020 Solar Renewable Factor is separate, and calculated independently, from the 2020 Renewable Resources Factor.

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 9th day of July, 2020, she served Minnesota Power's Supplemental Comments in **Docket No. E015/M-19-523** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The persons on E-Docket's Official Service List for this Docket were served as requested.



Tiana Heger