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Susan Ludwig  
Policy Manager  
218-355-3586  
[sludwig@allete.com](mailto:sludwig@allete.com)

December 19, 2014

**VIA ELECTRONIC FILING**

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

Re: Supplemental Reply Comments on Thomson Project  
Docket No. E015/M-14-577

Dear Dr. Haar:

Minnesota Power (the “Company”) provides these brief supplemental comments in response to the comments filed by the Department of Commerce (“Department”) on December 12, 2014, and to provide information requested by the Minnesota Public Utilities Commission (“Commission”) Staff related to the Thomson Project.

The Department’s December 12, 2014 Comments concluded that Minnesota Power’s request for an effective date of November 13, 2014, concurrent with the in-service date of the Thomson Project, is inconsistent with Commission determinations in past dockets, citing Xcel Energy’s Docket No. E002/M-12-50 (“12-50 Docket”) and request for an eligibility determination and cost recovery for the Buffalo Ridge Restoration. Minnesota Power believes that on the effective date issue, the 12-50 Docket is different. Xcel Energy had recorded in its 2011 tracker account revenue requirements for the Buffalo Ridge Restoration project prior to even seeking in 2012 Commission approval that these costs were eligible for current cost recovery under Minn. Stat. § 216B.1645. As the Department noted, the Commission concluded that including these “2011 revenue requirements in the tracker true-up would result in retroactive ratemaking” and disallowed recovery of just the 2011 revenue requirements for the Buffalo Ridge Restoration. By contrast, Minnesota Power will not record any revenue requirements in its Renewable Resources Rider tracker balance until Commission approval. Furthermore, the Department’s recommendation would necessitate the Company foregoing future revenue requirements just because the July 3, 2014 Petition has not been acted upon prior to the time Minnesota Power’s customers began realizing the energy and renewable benefits of having Thomson back in-service after a lengthy FERC approval process. Regardless of the Commission’s determination on what should be the effective date, Minnesota Power does believe Commission clarification would be beneficial for future dockets.

Minnesota Power does recognize the value provided by the Department’s concluding comments that, after an eligibility determination is made, the Commission could allow Minnesota Power to amend its recently filed 2015 Renewable Resources Rider factor filing in

Docket No. E-015/M-14-962 to include the Thomson Project. Minnesota Power would support the inclusion of the Thomson Project in Docket No. E-015/M-14-962. If the Commission does not approve the November 13, 2014 effective date, then at a minimum, recovery should begin as of January 1, 2015 as noted by the Department.

Finally, Commission Staff had requested additional information related to renewable energy standard ("RES") compliance in relationship to the Thomson Project and expected renewable energy credits ("RECs") retirements in future years. That information is attached to this filing.

Minnesota Power appreciates the time and work of the Department and Commission staff members in the regulatory review process and looks forward to a Commission hearing on this Docket.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Susan Ludwig". The signature is fluid and cursive, with the first name "Susan" written in a larger, more prominent script than the last name "Ludwig".

Susan Ludwig

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

AFFIDAVIT OF SERVICE VIA  
E-FILING AND  
FIRST CLASS MAIL

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Susan Romans, of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 19th day of December, 2014, she e-filed Minnesota Power's Supplemental Reply Comments in Docket No. E015/M-14-577 on Burl Haar and Sharon Ferguson. The remaining parties on the attached Service List were served as indicated.



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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_14-577_M-14-577
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_14-577_M-14-577
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_14-577_M-14-577
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_14-577_M-14-577
Margaret	Hodnik	mhodnik@mnpower.com	Minnesota Power	30 West Superior Street  Duluth, MN 55802	Electronic Service	No	OFF_SL_14-577_M-14-577
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street  Duluth, MN 55802	Electronic Service	No	OFF_SL_14-577_M-14-577
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_14-577_M-14-577
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-577_M-14-577
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W  Farmington, MN 55024	Electronic Service	No	OFF_SL_14-577_M-14-577
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_14-577_M-14-577
Susan	Ludwig	sludwig@mnpower.com	Minnesota Power	30 West Superior Street  Duluth, MN 55802	Electronic Service	No	OFF_SL_14-577_M-14-577

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_14-577_M-14-577
Herbert	Minke	hminke@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 55802	Electronic Service	No	OFF_SL_14-577_M-14-577
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_14-577_M-14-577
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-577_M-14-577
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street  Duluth, MN 55802	Electronic Service	No	OFF_SL_14-577_M-14-577
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_14-577_M-14-577
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_14-577_M-14-577
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_14-577_M-14-577
Karen	Turnboom	karen.turnboom@newpagecorp.com	NewPage Corporation	100 Central Avenue  Duluth, MN 55807	Electronic Service	No	OFF_SL_14-577_M-14-577