

*In the Matter of the Application of Minnesota Power for
Authority to Increase Electric Service Rates in Minnesota*
Docket No. E015/GR-19-442

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STATEMENT REGARDING JUSTIFICATION FOR EXCISING TRADE SECRET INFORMATION

Pursuant to the Minnesota Public Utilities Commission's Revised Procedures for Handling Trade Secret and Privileged Data in furtherance of Minn. Stat. § 13.37 and Minn. Rule 7829.0500, Minnesota Power has designated portions of designated exhibits attached to the Application for Authority to Increase Rates for Electric Utility Service in Minnesota ("Application") as Trade Secret.

The Application consists of Minnesota Power's interim and general rate case filings contain confidential financial, personnel, contractual, and energy procurement information that is materially sensitive and commercially valuable to Minnesota Power. Minnesota Power follows strict internal procedures to maintain the secrecy of all of this information in order to capitalize on the economic value of the information. As a result of public availability, Minnesota Power and its customers would suffer severe competitive implications, including a detrimental effect on energy costs paid by Minnesota Power's customers.

Minnesota Power believes that this statement and the attached Index of Non-Public Information Contained in Filing provide the justification as to why the information excised from the Application should remain a trade secret under Minn. Stat. § 13.37. The information contained in this schedule constitutes information Minnesota Power considers to be trade secret, as defined by Minn. Stat. § 13.37, subd. 1(b). The attached Index of Non-Public Information Contained in Filing summarizes the portions of the Application that have been designated as non-public and/or trade secret and the justification for that designation. Minnesota Power respectfully requests the opportunity to provide additional justification in the event of a challenge to the trade secret designation provided herein.

Index of Non-Public/Trade Secret Information Contained in Filing

Item/Location	Justification
Volume 2, Direct Testimony and Supporting Schedules	
<p>Volume 2, Direct Testimony and Supporting Schedules, MP Exhibit ___ (Cutshall), Direct Schedules 2 and 3 – Moody’s Credit Report on ALLETE, Inc. (Feb. 22, 2018), Moody’s Credit Report on ALLETE, Inc. (Apr. 3, 2018).</p>	<p>Nature of the Material: Subscription-based credit opinions prepared by a third party.</p> <p>Author: Moody’s Investor Service</p> <p>General Import: These documents represent credit rating information for ALLETE, Inc. as generated by a third party, and which are received through a paid subscription. The data derives value from not being readily ascertainable by the public, and therefore is maintained as a trade secret.</p> <p>Date Prepared: February 22, 2018 and April 3, 2019</p>
<p>Volume 2, Direct Testimony and Supporting Schedules, MP Exhibit ___ (Cutshall), Direct Schedules 5 and 6 – S&P’s Credit Report on ALLETE, Inc. (Feb. 6, 2018), S&P’s Credit Report on ALLETE Inc. (May 13, 2019).</p>	<p>Nature of the Material: Subscription-based credit ratings prepared by a third party.</p> <p>Author: S&P Global</p> <p>General Import: These documents represent credit rating information for ALLETE, Inc. as generated by a third party, and which are received through a paid subscription. The data derives value from not being readily ascertainable by the public, and therefore is maintained as a trade secret.</p> <p>Date Prepared: February 6, 2018 and May 13, 2019</p>

Item/Location	Justification
<p>Volume 2, Direct Testimony and Supporting Schedules, MP Exhibit ___ (Cutshall), Direct Schedule 10 – EEI Member Companies, Per Company’s 2018 Annual Reports, Expected Return on Plan Assets.</p>	<p>Nature of the Material: Utility retirement plan data in the form of survey results gathered and prepared by a third party.</p> <p>Author: Edison Electric Institute (“EEI”)</p> <p>General Import: These documents represent the results of an EEI survey of member utilities’ retirement plan components and associated cost recovery. EEI makes this material available to members, including Minnesota Power, by request, but prepares this document independently, maintains this list as proprietary and confidential, and does not share it with the general public. The data derives value for EEI, participants in the survey, and EEI members from not being readily ascertainable by the public, and therefore is maintained as a trade secret.</p> <p>Date Prepared: 2018-2019</p>
<p>Volume 2, Direct Testimony and Supporting Schedules, Direct Testimony of Julie I. Pierce</p>	<p>This negotiated customer contracting information and customer data has important economic value to Minnesota Power as a result of this information remaining not public, and Minnesota Power has taken reasonable precautions to maintain its confidentiality.</p>
<p>Volume 2, Direct Testimony and Supporting Schedules, MP Exhibit ___ (Pierce), Direct Schedule 1– Asset-based wholesale sales from 2010 to 2018, 2019 projected year, and 2020 test year</p>	<p>This negotiated customer contracting information and customer data has important economic value to Minnesota Power as a result of this information remaining not public, and Minnesota Power has taken reasonable precautions to maintain its confidentiality.</p>

Item/Location	Justification
Volume 2, Direct Testimony and Supporting Schedules, MP Exhibit ___ (Pierce), Direct Schedule 2 – Large Market Contract	This negotiated customer contracting information and customer data has important economic value to Minnesota Power as a result of this information remaining not public, and Minnesota Power has taken reasonable precautions to maintain its confidentiality.
Volume 2, Direct Testimony and Supporting Schedules, MP Exhibit ___ (Pierce), Direct Schedule 3 – Large Market Contract Budget Adjustment	This information has important economic value to Minnesota Power as a result of this information remaining not public, and Minnesota Power has taken reasonable precautions to maintain its confidentiality.
Volume 2, Direct Testimony and Supporting Schedules, Direct Testimony and Schedules of Benjamin S. Levine	Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. As such, any unique information that can identify an individual customer or their usage information is maintained by the Company as not public data and protected from public disclosure.
Volume 2, Direct Testimony and Supporting Schedules, MP Exhibit ___ (Krollman), Schedule 3, Excerpt from the 2019 Towers Watson Energy Services BENVAL Study	<p>Nature of the Material: Third-party-prepared employer benefit value data</p> <p>Author: Towers Watson</p> <p>General Import: The information provides comparative economic data, was purchased from third party Towers Watson, and derives independent economic value from not being generally known to, or readily ascertainable by, others who could obtain economic advantage from its disclosure or use.</p> <p>Date Prepared: 2019</p>

Item/Location	Justification
Volume 2, Direct Testimony and Supporting Schedules, MP Exhibit ____ (Podratz), Schedule 6, Revenue Credits – Test Year 2020 Unadjusted	Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. As such, any unique information that can identify an individual customer is maintained by the Company as not public data and protected from public disclosure.
Volume 3, Required Filing Schedules	
Volume 3, Required Filing Schedules, Direct Schedule E-1, Rate Design, Sales, and Revenue – Summary	Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. In addition, unique information that can identify an individual customer or customer data is maintained by the Company as not public data and protected from public disclosure.
Volume 3, Required Filing Schedules, Direct Schedule E-2, Rate Design, Sales, and Revenue – Monthly	Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. In addition, unique information that can identify an individual customer or customer data is maintained by the Company as not public data and protected from public disclosure.

Item/Location	Justification
<p>Volume 3, Required Filing Schedules, Schedule H – 5A, Ten Highest Paid Officers and Employees’ Compensation (provided on disc)</p>	<p>Schedule H– 5A includes compensation information for the highest paid employees of the Company. Minn. Stat. § 216B.16, subdivision 17(c) allows for the salary of one or more of the ten highest paid officers and employees of Minnesota Power, other than the five highest paid, to be treated as private data on individuals. It also derives independent economic value from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.</p>
<p>Volume 3, Required Filing Schedules, Direct Schedule I-1, Calculation of Conservation Cost Recovery Charge</p>	<p>Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. In addition, unique information that can identify an individual customer or customer data is maintained by the Company as not public data and protected from public disclosure.</p>
<p>Volume 4, Workpapers</p>	
<p>Volume 4, Workpapers, ADJ-IS-16, CCRC Credit for Large Light & Power CIP Opt-Out Customers</p>	<p>Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. In addition, unique information that can identify an individual customer or customer data is maintained by the Company as not public data and protected from public disclosure.</p>

Item/Location	Justification
Volume 4, Workpapers, ADJ-IS-21, Incentive Compensation Adjustment	Minn. Stat. § 216B.16, subdivision 17(c) allows for the salary of one or more of the ten highest paid officers and employees of Minnesota Power, other than the five highest paid, to be treated as private data on individuals. Additionally, this data, if made public, could harm the Company’s ability to attract and retain employees. It derives independent economic value from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.
Volume 4, Workpapers, ADJ-IS-28, Revenue Budget Corrections	Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. In addition, unique information that can identify an individual customer or customer data is maintained by the Company as not public data and protected from public disclosure.
Volume 4, Workpapers, AF-4, 2020 Jurisdictional & Class Customer Allocation	Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. In addition, unique information that can identify an individual customer or customer data is maintained by the Company as not public data and protected from public disclosure.

Item/Location	Justification
Volume 4, Workpapers, AF-5, 2019 Jurisdictional & Class Customer Allocation	Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. In addition, unique information that can identify an individual customer or customer data is maintained by the Company as not public data and protected from public disclosure.
Volume 4, Workpapers, AF-6, 2018 Jurisdictional & Class Customer Allocation	Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. In addition, unique information that can identify an individual customer or customer data is maintained by the Company as not public data and protected from public disclosure.
Volume 4, Workpapers, O-3, Minnesota Power's 2018 Annual Electric Utility Forecast Report	Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. As such, any unique information that can identify an individual customer is maintained by the Company as not public data and protected from public disclosure.
Volume 4, Workpapers, O-4, Minnesota Power's 2019 Annual Electric Utility Forecast Report	Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. As such, any unique information that can identify an individual customer is maintained by the Company as not public data and protected from public disclosure.

Item/Location	Justification
Volume 4, Workpapers, IR-01, Comparison of Revenues – Present and Proposed Interim Rates	Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. As such, any unique information that can identify an individual customer or customer data is maintained by the Company as not public data and protected from public disclosure.
Volume 4, Workpapers, IR-02, Sales Forecast, Revenue, and Rate Design Data	Specific customer data (including the name, address or related usage) in this schedule consist of “private data on individuals” and “confidential customer data” as recognized under the Minnesota Data Practices Act. As such, any unique information that can identify an individual customer is maintained by the Company as not public data and protected from public disclosure.

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Docket No. E015/GR-19-442

Statement on Rounding

Due to rounding, numbers in testimony, schedules, and workpapers may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason. The Class Cost of Service Study, on which many of these supporting schedules are based, is calculated using factors which go out to additional decimal points beyond those listed in some testimony, schedules, and workpapers. For display purposes, testimony, schedules, and workpapers may be rounded to the nearest whole dollar and the subtotals and subsequent totals in the Class Cost of Service Study may be based on actual values. This may result in occasional minor differences between the subtotals and totals in the Class Cost of Service Study and those corresponding values in the supporting testimony, schedules, or workpapers.

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

**Katie J. Sieben
Dan Lipschultz
Valerie Means
Matthew Schuerger
John A. Tuma**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

In the Matter of the Application of
Minnesota Power for Authority to Increase
Rates for Electric Utility Service in Minnesota

Docket No. E015/GR-19-442

SUMMARY OF FILING

On November 1, 2019, Minnesota Power filed with the Minnesota Public Utilities Commission (“Commission”) an Application to Increase Rates for Electric Utility Service in Minnesota (“Application”). Pursuant to Minn. Stat. § 216B.16, subd. 1, Minnesota Power requests a rate increase of \$65.9 million, or approximately 10.59 percent, effective January 1, 2020, without suspension. If the Commission elects to suspend the proposed rate increase under Minn. Stat. § 216B.16, subd. 2, Minnesota Power requests, pursuant to Minn. Stat. § 216B.16, subd. 3, that an interim rate increase of \$47.9 million, or approximately 7.70 percent, be effective on January 1, 2020, with final rates becoming effective within ten months of the date of the Application.

The average monthly impact of the proposed rate increase for residential customers with an average usage of 713 kilowatt hours per month will be approximately \$11.66 per month or \$139.92 annually. If the requested rates are suspended, the interim rates will increase the bill for a typical residential customer with average usage by approximately \$5.95 per month or \$71.40 annually. The impact on individual customers will be higher or lower depending on each customer’s actual electric consumption. Minnesota Power also proposes changes to its rate design.

The proposed rate schedules and a comparison of present and proposed rates are available at <https://www.mnpower.com/CustomerService/RateReview> or at the Minnesota Department of Commerce, 85 Seventh Place East, Suite 500, St. Paul, Minnesota 55101. This filing is also available through the eDockets link on the website of the Commission at mn.gov/puc, under Docket Number E015/GR-19-442.

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

**Katie J. Sieben
Dan Lipschultz
Valerie Means
Matthew Schuerger
John A. Tuma**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

In the Matter of the Application of
Minnesota Power for Authority to Increase
Rates for Electric Utility Service in Minnesota

Docket No. E015/GR-19-442

NOTICE OF CHANGE IN RATES

A. Introduction

Minnesota Power seeks authority from the Minnesota Public Utilities Commission (“Commission”) to increase retail electric rates in Minnesota pursuant to Minn. Stat. § 216B.16 and Minn. R. 7825.3100-7825.4600 and 7829.2400. Minnesota Power requests a rate increase of \$65.9 million, or approximately 10.59 percent, effective January 1, 2020 without suspension. If the Commission elects to suspend the proposed rate increase under Minn. Stat. § 216B.16, subd. 2, Minnesota Power requests, pursuant to Minn. Stat. § 216B.16, subd. 3, that an interim rate increase of \$47.9 million, or approximately 7.70 percent, be effective on January 1, 2020, with final rates becoming effective within ten months of the date of the Application. Minnesota Power also proposes changes to its rate design and terms of service.

This Application includes the following information in accordance with Minnesota Statutes and the Commission’s rules:

B. Notice and Proposal Regarding General Rate Change

(Minn. R. 7825.3200(A)(1) and 7825.3500)

1. Name, address and telephone number of utility.

Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 722-2641

2. Name, address and telephone number of attorneys for the utility.

David R. Moeller
Senior Attorney and Director
of Regulatory Compliance
Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 723-3963

Elizabeth M. Brama
Valerie T. Herring
Kodi Jean Verhalen
Briggs and Morgan, P.A.
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
(612) 977-8400

3. Date of filing and date modified rates are to be effective.

The date of this filing is November 1, 2019. Pursuant to Minn. Stat. § 216B.16, subd. 1, Minnesota Power respectfully requests that the overall rate increase it proposes become effective January 1, 2020, sixty (60) days after filing, without suspension. A schedule of rates and tariffs reflecting the revenue increase requested and the proposed rate design described in the attached documents is included with the Application.

If the Commission suspends the proposed rate increase under Minn. Stat. § 216B.16, subd. 2, Minnesota Power respectfully requests, pursuant to Minn. Stat. § 216B.16, subd. 3, that the Commission approve the interim rate increase proposed in the Petition for Interim Rates, which is filed as part of this Application, effective January 1, 2020, with final rates effective within ten months of the date of this Application.

4. Description and purpose of the change in rates requested.

The Application for a change in rates applies to all Minnesota Power retail customers in the State of Minnesota. The overall purpose of the proposed rate change is to produce the additional revenue necessary to meet Minnesota Power's cost of service for the test year ending December 31, 2020. This filing complies with the provisions of Minn. Stat. § 216B.16 and the Commission's rules governing rate changes.

5. Effect of the change in rates.

The effect of the proposed rate increase will be an increase in gross revenues for the test year of \$65.9 million, or an approximate increase of 10.59 percent. The effect of the interim rates is a \$47.9 million, or approximately 7.70 percent, overall increase over gross present rate revenues.

6. Signature and title of utility officer authorizing the proposal.

The Application is signed on behalf of Minnesota Power by Patrick L. Cutshall, ALLETE Vice President & Corporate Treasurer.

C. Modified Rates (Minn. R. 7825.3200(A)(2) and 7825.3600)

Included in this Application are rate schedules containing the proposed changed rates and tariffs. General rate schedules and tariffs are included in Volume 3 of this Application and are supported by the Direct Testimony of Ms. Marcia A. Podratz, Director of Rates.

D. Expert Opinions and Supporting Documents (Minn. R. 7825.3200(A)(3) and 7825.3700)

The statements of fact, expert opinions, and substantiating documents and exhibits supporting Minnesota Power's proposed change in rates accompany this Application. Pursuant to Minn. R. 7825.3700, Patrick L. Cutshall, ALLETE Vice President & Corporate Treasurer, provides Direct Testimony as Minnesota Power's designated official in support of the Application. A list of Minnesota Power's other witnesses is provided in the Case Overview Direct Testimony of Company witness Mr. Frank L. Frederickson.

E. Information Requirements (Minn. R. 7825.3200(A)(4) and 7825.3800 to 7825.4400)

Included in this Application in Volume 2 are the Direct Testimonies of Minnesota Power's witnesses. Volumes 1 and 3 contain the Company's interim and proposed general rate tariffs and Volume 3 contains our Information Requirements. These volumes, along with Volume 4, Workpapers, represent Minnesota Power's supporting documentation and contain the information in support of the general rate increase required by Minn. R. 7825.3800 through Minn. R. 7825.4400.

Data are provided for the 2018 most recent fiscal year, the 2019 projected year, and the proposed test year ending December 31, 2020. Minn. Rule 7825.3100, Subp. 10 defines "Most recent fiscal year" as "the utility's prior fiscal year unless notice of a change in rates is filed with the commission within the last three months of the current fiscal year and at least nine months of historical data is available for presentation of current fiscal year financial information, in which case the most recent fiscal year is deemed to be the current year." (emphasis added). As discussed

in the Direct Testimony Ms. Podratz, ALLETE's 2019 Third Quarter financial results will be released on November 6, 2019, which is after the date of this filing. Therefore, 2018, the prior fiscal year, is the most recent fiscal year for which data is available as of the date of filing. Treatment of 2018 as the "most recent fiscal year" is consistent with both the plain language of Minn. R. 7825.3100, Subp. 10, and Minnesota Power's most recent rate case filings in Docket Nos. E015/GR-16-664 and E015/GR-09-1151. In the event the Commission concludes the Company requires a variance to treat 2018 as its most recent fiscal year, Minnesota Power meets each of the requirements for the Commission to grant a variance under Minn. R. 7829.3200. In particular: (1) enforcement of the rule would impose an excessive burden upon the Company as the necessary data for 2019 is not available as of the date of this filing; (2) granting the variance would not adversely affect the public interest, because Minnesota Power has used this approach in the past and it has result in just and reasonable rates; and (3) granting a variance would not conflict with standards imposed by law.

**F. Methods and Procedures for Refunding
(Minn. R. 7825.3200(A)(5) and 7825.3300)**

This Application is accompanied by an "Agreement and Undertaking" signed and verified by Patrick L. Cutshall, ALLETE Vice President & Corporate Treasurer, which commits Minnesota Power to make any refunds ordered by the Commission.

**G. Notice to Municipalities and Counties
(Minn. Stat. § 216B.16, subd. 1 and Minn. R. 7829.2400, Subp. 3)**

Pursuant to Minn. Stat. § 216B.16, subd. 1, Minnesota Power proposes to mail the Proposed Notice to Counties and Municipalities included with the Application to all municipalities and counties in Minnesota Power's Minnesota electric service territory. This notice includes a discussion of the proposed interim rates, as well as information regarding the general electric rate case filing. Minnesota Power respectfully requests Commission approval of the notice so it may be mailed in a timely fashion.

**H. Customer Notice
(Minn. R. 7829.2400, Subp. 3)**

Minnesota Power will send a rate change notice to retail customers as a bill insert that explains the proposed general rate increase. If Minnesota Power's requested retail electric rate

increase is suspended, Minnesota Power will also explain the impact of its interim rates on customer bills in the same bill insert. Included in this Application is a proposed customer notice of rate increase. Minnesota Power will work with Commission Staff to revise the notice as necessary so that Minnesota Power may insert the notices in the first bill a customer receives containing changed rates.

Minnesota Power will also publish public notice of the rate change in the newspapers of general circulation in all county seats in Minnesota Power's electric service territory. Included in this Application is an example of Minnesota Power's proposed newspaper notice. Minnesota Power will work with Commission Staff to revise the notice as necessary for prompt Commission approval. Minnesota Power will publish the newspaper notice as directed by the Commission.

I. Filings Requiring Determination of Gross Revenue Requirement (Minn. R. 7829.2400)

Pursuant to Minn. R. 7829.2400, Minnesota Power submits the following information in addition to that required by Minn. R. 7825.3100 – 7825.4600.

1. Summary (Minn. R. 7829.2400, Subp. 1)

A summary of the Application is attached to this Notice.

2. Service; Proof of service (Minn. R. 7829.2400, Subp. 2)

Minnesota Power has served copies of the Application on the Department of Commerce, Division of Energy Resources and the Office of the Attorney General – Residential Utilities and Antitrust Division. Minnesota Power will serve a copy of the Summary of Filing on all parties on Minnesota Power's general service list and on the parties to Minnesota Power's last rate case proceeding (Docket No. E015/GR-16-664). A certificate of service is attached.

3. Notice to public and governing bodies (Minn. R. 7829.2400, Subp. 3)

See Sections G and H above.

4. Notice of Hearing (Minn. R. 7829.2400, Subp. 7)

Minnesota Power will notify customers of hearings held in connection with this Application as directed by the Commission. Minnesota Power will also publish notice of the

hearings in newspapers of general circulation in all county seats in Minnesota Power's electric service area, as directed by the Commission. *See* Section H above.

J. Request for Protection of Non-Public Information

Minnesota Power recognizes and supports the need for transparency in the review of its Application. A limited number of schedules and workpapers include Protected Data designated as Trade Secret or Non-Public information according to Minn. Stat. § 13.37, subd. 1(b) and Minn. R. 7829.0500. Minnesota Power has taken reasonable efforts to maintain the secrecy of this Protected Data, which derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.

Minnesota Power provides an index of non-public information contained in this filing with its Statement Regarding Justification for Excising Trade Secret Information, summarizing the documents and exhibits that have been designated as non-public and/or trade secret and the justification for those designations. Minnesota Power is filing complete Public and Non-Public versions of the portions of this Application that contain trade secret or non-public information.

K. Service List

Pursuant to Minn. R. 7829.0700, Minnesota Power respectfully requests the following persons representing Minnesota Power be placed on the Commission's official service list for this proceeding:

David R. Moeller
Minnesota Power
30 West Superior Street
Duluth, MN 55802
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Marcia A. Podratz
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2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
kverhalen@briggs.com

L. Conclusion

Minnesota Power respectfully requests consideration and acceptance of its Application and the accompanying Notices to municipalities and counties, customers, and the public.

Dated: November 1, 2019

Respectfully submitted,



Patrick L. Cutshall
ALLETE Vice President & Corporate
Treasurer
30 West Superior Street
Duluth, MN 55802
218-722-2625

Subscribed to before me this 1st day
of November, 2019



Susan Romans, Notary Public



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

**Katie J. Sieben
Dan Lipschultz
Valerie Means
Matthew Schuerger
John A. Tuma**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

In the Matter of the Application of
Minnesota Power for Authority to Increase
Rates for Electric Utility Service in Minnesota

Docket No. E015/GR-19-442

**NOTICE AND PETITION
FOR INTERIM RATES**

A. Introduction

Minnesota Power hereby respectfully submits to the Minnesota Public Utilities Commission (“Commission”) this Petition for Interim Rates (“Petition”) pursuant to Minn. Stat. § 216B.16, subd. 3, the Commission’s Statement of Policy on Interim Rates dated April 14, 1982, and relevant Commission rules. Minnesota Power requests that the Commission authorize an interim rate increase of 7.70 percent, effective January 1, 2020, based on the Company’s interim revenue deficiency of approximately \$47.9 million.

B. Information Provided Pursuant to the Commission Statement of Policy on Interim Rates and Relevant Commission Rules

**1. Name, address, and telephone number of utility and attorneys
(Policy Statement, Item 1, page 2)**

Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 722-2625

David R. Moeller
Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 723-3963

Elizabeth M. Brama
Valerie T. Herring
Kodi J. Verhalen
Briggs and Morgan, P.A.
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
(612) 977-8400

**2. Date of filing and date proposed interim rates are requested to become effective
(Policy Statement, Item 2, page 2)**

The date of the submission of this Petition is November 1, 2019. This Petition is submitted as part of Minnesota Power's Application for a general electric rate increase ("Application"). Pursuant to Minn. Stat. § 216B.16, subd. 3, Minnesota Power requests that, if the Commission suspends the operation of the general rate schedules that accompany the Application pursuant to Minn. Stat. § 216B.16, subd. 2, that the proposed interim rates be made effective on January 1, 2020. The interim rates will be subject to refund, with interest, pending final Commission determination on the Application.

**3. Description and need for interim rates
(Policy Statement, Item 3, page 2)**

Minnesota Power requires interim rates due to changes in revenue and in its overall cost of providing reliable customer service, as set forth in the testimony of the Company's witnesses in this proceeding. These costs and changes in revenue are currently being incurred and will continue to be incurred throughout the test year and during the ten-month suspension period and beyond. Without interim rate relief, Minnesota Power would be unable to recover to recover its costs of providing electric service to its customers, and would not have a reasonable opportunity to earn its authorized rate of return.

Volume 1, Direct Schedules A (IR) through F (IR) and Volume 4, Workpapers accompanying this Petition set forth the calculation of the interim revenue deficiency of \$47.9 million, which represents a 7.70 percent increase over present rate revenue. Minnesota Power's interim revenue deficiency is determined using the 2020 test year revenue requirements, with the proposed adjustments set forth below consistent with Minnesota Statutes and Rules. Minnesota

Power calculated its proposed interim rates consistent with Commission requirements and precedent.

Minnesota Power requests that the proposed interim rate increase be applied to all classes of Minnesota Power's retail electric customers, but not to the following services, consistent with Commission application of interim rates in the Company's prior rate cases: Large Power Incremental Production Services ("IPS"), Economy/Non-firm Service, Replacement Firm Power Service ("RFPS"), and Pool-within-Pool Service. Generally, the price for these services fluctuates with Minnesota Power's hourly incremental energy costs or is otherwise specified in individual customer agreements, and so these revenues are not included in the Large Power class revenue in the cost-of-service studies.

Riders to Base Rates

For purposes of both interim rates and final rates, the Company proposes to incorporate approximately \$1.1 million (MN jurisdictional) that is currently being recovered under the Renewable Resources ("RRR") and Transmission Cost Recovery ("TCR") Riders. As detailed in the testimony of Company witness Mr. Stewart J. Shimmin and Ms. Marcia A. Podratz, these small amounts presently included in riders will simply be moved from riders into base rates. In addition, Minnesota Power proposes to move the excess Accumulated Deferred Income Taxes ("ADIT") resulting from the Tax Cuts and Jobs Act ("TCJA") from the Tax Cut Refund Rider to base rates effective with final rates in this proceeding. For projects and costs that will continue to be recovered in the applicable riders beyond the end of this rate case, Minnesota Power has adjusted those costs out of the test year rate base and income statement to ensure that no double recovery occurs.

Fuel and Purchased Energy

In Docket No. E-999/CI-03-802, the Commission established new procedures for managing Fuel Clause Adjustment processes, including, by an agenda meeting decision on October 17, 2019, approving Minnesota Power's proposals to (i) remove, or "zero out" the FPE costs included in the base cost of energy in the Company's next general rate case (including this filing), (ii) include all such energy costs in a new FPE Charge, (iii) continue to include the FPE Charge under the Resource Adjustment line on customer bills until final rates are implemented;

(iv) show the FPE charge as a separate line item on customer bills effective with final rates; and (v) forego filing a separate Base Cost of Energy filing in future general rate cases, including this one. The Commission also required Minnesota Power to demonstrate in its upcoming initial rate case filing that its proposed base rates do not include any amount of FPE costs.

Consistent with this Commission decision, Minnesota Power proposes to remove the entire amount of FPE costs from base rates, by subtracting the class-specific Base Cost of Energy from the energy charge in each individual rate effective with interim rates on January 1, 2020. This amount would then be recovered through the FPE Charge going forward, with customer bills changing to show the FPE charge as a separate line item beginning with final rate implementation. Exhibit ___ (Podratz), Direct Schedule 8, Test Year Cost of Fuel and Purchased Energy Excluded from Base Rates, illustrates the removal of the FPE cost from base rates for the interim and final rate revenue requirement, which in turn demonstrates that the Company's proposed base rates do not include any amount of FPE costs.

Interim Rate Adjustments from General Rate Request

The costs included in interim rates, including those discussed above, are appropriate for recovery in interim rates because they are "the same in nature and kind as those allowed" by the Commission Order in Minnesota Power's last electric rate proceeding. Minn. Stat. § 216B.16, subd. 3. To further comply with this statute, we propose the following adjustments to the 2020 final revenue requirement for purposes of calculating interim rates, which are described by Company witness Ms. Podratz in her Direct Testimony:

- ***Prepaid pension asset.*** As Minnesota Power has not previously received approval to recover the costs of its accumulated contributions in excess of net periodic benefit cost (or prepaid pension asset), this asset is not of the same nature and kind as those allowed by the currently-effective Commission Order and are not included in rate base in our interim rate request. Consistent with Order Point 7 of the Commission's March 12, 2018 Order in the Company's last rate case (Docket No. E015/GR-16-664) ("2016 Rate Case"), Minnesota Power has also removed the ADIT associated with this asset from interim rates.

- ***Pro Rata ADIT.*** Under Internal Revenue Service (“IRS”) normalization requirements, utilities who use forecast test years for determination of rates must calculate average ADIT using a pro rata method for interim rates, but not final rates. Thus the interim rate calculation, but not the general rate calculation, reflects the pro rata ADIT methodology.
- ***Rate of Return on Equity.*** Consistent with the requirements of Minn. Stat. § 216B.16, subd. 3(b), the return on equity included in interim rates is 9.25 percent, which is the return on equity (“ROE”) approved by the Commission in Minnesota Power’s 2016 Rate Case. This amount is reduced from the Company’s requested final rate ROE of 10.05 percent.
- ***Secondary Calculations.*** Cash working capital and interest synchronization are secondary calculations that need to be recalculated during the course of the proceeding to reflect changes to operations and maintenance (“O&M”) expenses, rate base, and capital structure. In addition, during the course of final reconciliations the Company determined that its cash working capital calculation inadvertently did not include certain FERC accounts. Minnesota Power has adjusted interim rates to ensure that customers receive the full benefit of the correct calculation, and will also update cash working capital in Rebuttal (as is necessary in each rate case to address changes that may occur after the initial filing).

These adjustments are set forth in Volume 1, Direct Schedules B-3 (IR) (Rate Base Adjustments), B-7 (IR) (Operating Income Adjustments), B-9 (IR) (Interest Synchronization Adjustment), B-10 (IR) (Summary of Revenue Requirements), and C-6 (IR) (Capital Structure and Rate of Return Calculations).

Large Market Wholesale Contract

As discussed in the Direct Testimony of Company witness Ms. Julie I. Pierce, Minnesota Power’s 10-year, 100 MW asset-based power market sales contract with Basin Electric Power Cooperative (the “Large Market Contract” or “LMC”) ends April 30, 2020. The LMC took effect on May 1, 2010, which was midway through the 2010 calendar test year in Minnesota Power’s

2009 rate case (Docket No. E015/GR-09-1151) (“2009 Rate Case”). During the course of the 2009 Rate Case, the Commission adjusted Minnesota Power’s 2010 test year to reflect 12 full months of asset-based wholesale margins from the LMC, although Minnesota Power only received eight months of LMC revenues in that test year.¹

The LMC will now expire during the 2020 test year (on April 30, 2020). As a result of the adjustment made in Minnesota Power’s 2009 Rate Case, customers will have received the full benefit of ten years of LMC asset-based wholesale margins by December 31, 2019. As such, the Company’s proposed 2020 test year reflects removal of four months of margins from both final and interim rates. This adjustment maintains symmetrical LMC revenues between the test years at the beginning and end of the contract, as well as consistency with the requirement of Minn. Stat. § 216B.16, subd. 3(b) that a utility’s interim rate schedule shall be calculated using the proposed test year cost of capital, rate base, and expenses.

The pro forma LMC adjustment to the 2020 test year includes reductions to budgeted FPE expense, wholesale off-system power sales revenues, and associated ADIT related to utilization of Production Tax Credits. In addition, because the changes to FPE expense affect the test year budgeted FPE Charge, IPS, RFPS, Economy, and Non-firm power supply costs, there are minor changes to these energy revenues for each retail customer class. The total LMC pro forma adjustment to operating income is approximately \$8.6 million Total Company (\$8.3 million Minnesota jurisdictional) and \$1.4 million Total Company (\$1.2 million Minnesota jurisdictional) for rate base. These adjustments are set forth in Volume 1, Direct Schedules B-3 (IR), B-4 (IR), B-7 (IR), and B-8 (IR).

4. Description and corresponding dollar amount of changes included in interim rates as compared with most current approved general rate case and with the most recent year for which audited data is available (Policy Statement, Item 4, page 2)

A comparison of the changes included in interim rates as compared with Minnesota Power’s 2016 Rate Case (Docket No. E015/GR-16-664) is contained along with this Petition in Volume 1, Direct Schedules C (IR) (Comparison of Proposed Interim Rates to Most Recent

¹ *In the Matter of Application of Minn. Power for Auth. To Increase Elec. Serv. Rates in Minn.*, Docket No. E015/GR-09-1151, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER at 6 (Nov. 2, 2010); *see also* Docket No. E015/GR-09-1151, Direct Testimony of Nancy A. Campbell (Mar. 31, 2010).

General Rate Case) and Schedules D (IR) (Comparison of Proposed Interim Rates to Most Recent Fiscal Year), attached to this Petition.

5. Effect of the interim rates expressed in gross revenue dollars and as a percentage of test year gross revenues (Policy Statement, Item 5, page 2)

The test year for Minnesota Power's general rate increase filing is the calendar year ending December 31, 2020. The cost of service study supporting the necessity for interim rate relief shows a deficiency in revenue of \$47.9 million under present rates (excluding riders and items noted above). Present rates, as referred to in this Petition, are the rates authorized by the Commission in its final order in Docket No. E015/GR-16-664. Minnesota Power is requesting an interim rate adjustment that will increase Minnesota Power's test year revenues by \$47.9 million, or approximately 7.70 percent above present rate components other than cost recovery riders that will remain on customer bills.

6. Certification by officer of the utility (Policy Statement, Item 6, page 2)

This Petition contains a Certification signed by Bethany M. Owen, President, ALLETE, Inc. d/b/a Minnesota Power, affirming that this Interim Rate Petition complies with Minnesota Statutes.

7. Methods and procedures for refunding

Pursuant to Minn. Stat. § 216B.16, subd. 3, this filing contains Minnesota Power's Agreement and Undertaking of Refund.

8. Signature and title of the utility officer authorizing the proposed interim rates (Policy Statement, Item 7, page 2)

This Petition is signed by Patrick L. Cutshall, ALLETE Vice President & Corporate Treasurer.

**9. Supporting schedules and workpapers
(Policy Statement, Items 1-4, page 3)**

The supporting schedules and workpapers described in the Commission's Policy Statement are included along with this Petition. These schedules include the rate base amounts, income statement amounts, revenue deficiencies, capital structures, and rates of return required for interim rates as compared to: (1) the same information for Minnesota Power's general rate increase Application (Schedules F (IR)); (2) the allowed amounts in Minnesota Power's 2016 Rate Case (Docket No. E015/GR-16-664) (Schedules C (IR)); and (3) the most recent actual year (Schedules D (IR)). The schedules and workpapers containing the jurisdictional cost of service study and supporting the interim rate data are included in the attached Schedules A (Interim Jurisdictional Financial Summary Schedules), and Schedules B (Proposed Interim Rate Schedules), and in Volume 4 Workpapers, Interim Rates and Volume 4, Workpapers, Cost of Service, COS-1 – Cost of Service Interim Rates.

**10. Interim rate schedules; Revenue rate comparisons
(Minn. R. 7825.3600)**

The rate schedules containing proposed interim rates are included along with this Petition in Volume 1, Interim Tariff Sheets – Redlined and Interim Tariff Sheets – Clean. As discussed above related to FPE costs, the interim rate tariff sheets reflect removing FPE costs included in the base cost of energy. Consistent with Minn. Stat. § 216B.16, subd. 3, no change has been made in the existing rate design. We are proposing to apply a uniform percentage increase of 7.70 percent to all present rate components other than cost recovery riders that will remain on customer bills, which would provide an additional \$47.9 million of base rate revenues on an annualized basis. Included with this Petition is a schedule of interim revenue impacts in the Comparison of Revenues – Present and Proposed Interim Rates, Volume 4 Workpapers, IR-1.

**11. Customer notice
(Minn. R. 7829.2400, Subp. 3; Minn. Stat. § 216B.16, subd. 1)**

Pursuant to Minn. R. 7829.2400, Subp. 3 and Minn. Stat. § 216B.16, subd. 1, Minnesota Power proposes to send a notice to the counties and municipalities it serves in Minnesota and a bill insert to its electric customers in the State of Minnesota. The proposed notice to counties and municipalities and a proposed customer notice pursuant to Minn. Stat. § 216B.16, subd. 1, are

included with this filing. Minnesota Power will work with Commission Staff immediately to revise the notices as necessary for prompt Commission approval so that Minnesota Power can include the customer notices with the first bills issued with the interim rates. In addition, Minnesota Power will publish a display advertisement in the newspapers of general circulation in all county seats in Minnesota Power's service territory as ordered by the Commission. The display advertisement will replicate the notice to the counties and municipalities, and will describe the rate schedules applicable to various customer classes. Minnesota Power's proposed customer notice, proposed notices to counties and municipalities, and proposed newspaper advertisement are included in this Volume 1.

12. Interim rate bills

The Commission's Policy Statement on Interim Rates suggests that changes in interim rates be shown on customer bills as a separate line item "if practical." The interim rate amount will be shown as a separate line item identified as "Interim Rate Adjustment" and will reflect the total amount of the interim charge applied to the bill.

C. Conclusion

Minnesota Power hereby respectfully submits this Notice and Petition for Interim Rates. If the Commission suspends the operation of the general rate schedules under Minn. Stat. § 216B.16, subd. 2, Minnesota Power respectfully requests that the Petition for Interim Rates be promptly considered and accepted by the Commission, and that the interim rate schedule be approved and made effective on January 1, 2020, pursuant to Minn. Stat. § 216B.16, subd. 3, subject to refund pending final Commission action on the general rate increase Application.

Dated: November 1, 2019

Respectfully submitted,



Patrick L. Cutshall
ALLETE Vice President & Corporate
Treasurer
30 West Superior Street
Duluth, MN 55802
(218) 722-2625

Subscribed to before me this 1st day
of November, 2019

Susan Romans

Notary Public



Volume 1 Index - Interim Rate Schedules

	Schedule Name
A. Interim Jurisdictional Financial Summary Schedules	
Revenues and Percent Increase	Direct Schedule A-1 (IR)
Summary of Revenue Requirements	Direct Schedule A-2 (IR)
Detailed Rate Base Components	Direct Schedule A-3 (IR)
Statement of Operating Income	Direct Schedule A-4 (IR)
B. Proposed Interim Rates Schedules	
Detailed Rate Base Components	Direct Schedule B-1 (IR)
Description of Adjustments to Rate Base	Direct Schedule B-2 (IR)
Rate Base Adjustments – Minnesota Jurisdiction	Direct Schedule B-3 (IR)
Rate Base Adjustments - Total Company	Direct Schedule B-4 (IR)
Statement of Operating Income	Direct Schedule B-5 (IR)
Description of Adjustments to Operating Income	Direct Schedule B-6 (IR)
Operating Income Adjustments - Minnesota Jurisdiction	Direct Schedule B-7 (IR)
Operating Income Adjustments - Total Company	Direct Schedule B-8 (IR)
Interest Synchronization Adjustment - Total Company	Direct Schedule B-9 (IR)
Summary of Revenue Requirements	Direct Schedule B-10 (IR)
C. Comparison of Proposed Interim Rates to Most Recent General Rate Case	
Detailed Rate Base Components	Direct Schedule C-1 (IR)
Description of Changes to Rate Base	Direct Schedule C-2 (IR)
Statement of Operating Income	Direct Schedule C-3 (IR)
Description of Changes to Operating Income	Direct Schedule C-4 (IR)
Summary of Revenue Requirements	Direct Schedule C-5 (IR)
Capital Structure and Rate of Return Calculations	Direct Schedule C-6 (IR)
Description of Changes to Capital Structure and Rate of Return	Direct Schedule C-7 (IR)
Summary Comparison of Revenues	Direct Schedule C-8 (IR)
D. Comparison of Proposed Interim Rates to Most Recent Fiscal Year	
Detailed Rate Base Components	Direct Schedule D-1 (IR)
Description of Changes to Rate Base	Direct Schedule D-2 (IR)
Statement of Operating Income	Direct Schedule D-3 (IR)
Description of Changes to Operating Income	Direct Schedule D-4 (IR)
Summary of Revenue Requirements	Direct Schedule D-5 (IR)
Capital Structure and Rate of Return Calculations	Direct Schedule D-6 (IR)
Description of Changes to Capital Structure and Rate of Return	Direct Schedule D-7 (IR)

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E. Comparison of Proposed Test Year to Most Recent General Rate Case

Detailed Rate Base Components	Direct Schedule E-1 (IR)
Description of Changes to Rate Base	Direct Schedule E-2 (IR)
Statement of Operating Income	Direct Schedule E-3 (IR)
Description of Changes to Operating Income	Direct Schedule E-4 (IR)
Summary of Revenue Requirements	Direct Schedule E-5 (IR)

F. Comparison of Proposed Interim Rates to Proposed Test Year

Detailed Rate Base Components	Direct Schedule F-1 (IR)
Description of Changes to Rate Base	Direct Schedule F-2 (IR)
Statement of Operating Income	Direct Schedule F-3 (IR)
Description of Changes to Operating Income	Direct Schedule F-4 (IR)
Summary of Revenue Requirements	Direct Schedule F-5 (IR)

Line No.	Description	Calculation Note	Proposed Interim Rates 2020
		(1)	(2)
1	Total Interim Retail Revenue		\$622,103,146
2	Interim Revenue Deficiency		\$47,905,847
3	Total Interim Revenue Percent Increase	Line 2 / Line 1	7.7006%

Line No.	Description	Calculation Note	Proposed Interim Rates 2020
		(1)	(2)
1	Average Rate Base		\$2,022,056,424
2	Operating Income Before AFUDC		\$106,439,495
3	AFUDC		\$1,841,234
4	Operating Income	Line 2 + Line 3	\$108,280,730
5	Rate of Return	Line 4 / Line 1	5.3550%
6	Required Rate of Return		7.0432%
7	Required Operating Income	Line 1 * Line 6	\$142,417,478
8	Operating Income Deficiency	Line 7 - Line 4	\$34,136,749
9	Gross Revenue Conversion Factor		1.40335
10	Revenue Deficiency	Line 8 * Line 9	\$47,905,847
11	Present Rates Revenue From Sales by Rate Class and Dual Fuel		\$622,103,146
12	Required Percent Increase	Line 10 / Line 11	7.7006%

Line No.	Description	Proposed Interim Rates 2020
		(1)
1	Plant In Service	
2	Steam	\$1,310,563,549
3	Hydro	\$183,124,115
4	Wind	\$694,109,216
5	Solar	
6	Transmission	\$703,425,516
7	Distribution	\$623,175,381
8	General Plant	\$200,856,034
9	Intangible Plant	\$71,224,245
10	Plant In Service	<u>\$3,786,478,055</u>
11		
12	Accumulated Depreciation and Amortization	
13	Steam	(\$608,635,217)
14	Hydro	(\$34,474,417)
15	Wind	(\$137,940,898)
16	Solar	(\$0)
17	Transmission	(\$230,453,747)
18	Distribution	(\$300,450,830)
19	General Plant	(\$107,973,100)
20	Intangible Plant	<u>(\$51,276,100)</u>
21	Total Accumulated Depreciation and Amortization	<u>(\$1,471,204,310)</u>
22		
23	Net Plant Before CWIP	
24	Steam	\$701,928,332
25	Hydro	\$148,649,699
26	Wind	\$556,168,318
27	Solar	(\$0)
28	Transmission	\$472,971,769
29	Distribution	\$322,724,551
30	General Plant	\$92,882,934
31	Intangible Plant	<u>\$19,948,145</u>
32	Total Net Plant Before CWIP	<u>\$2,315,273,746</u>
33	Construction Work in Progress	<u>\$30,589,173</u>
34	Utility Plant	<u>\$2,345,862,919</u>
35		
36	Working Capital	
37	Fuel Inventory	\$19,619,720
38	Materials and Supplies	\$23,299,084
39	Prepayments	\$26,399,835
40	Cash Working Capital	<u>(\$30,776,956)</u>
41	Total Working Capital	<u>\$38,541,683</u>
42		
43	Additions and Deductions	
44	Asset Retirement Obligation	
45	Workers Compensation Deposit	\$74,611
46	Unamortized WPPI Transmission Amortization	(\$1,155,831)
47	Unamortized UMWI Transaction Cost	\$1,206,723
48	Unamortized Boswell 1 and 2	\$3,507,792
49	Customer Advances	(\$2,261,874)
50	Customer Deposits	(\$131)
51	Other Deferred Credits - Hibbard	(\$295,801)
52	Wind Performance Deposit	(\$130,081)
53	Accumulated Deferred Income Taxes	<u>(\$363,293,586)</u>
54	Total Additions and Deductions	<u>(\$362,348,178)</u>
55		
56	Total Average Rate Base	<u><u>\$2,022,056,424</u></u>

Line No.	Description	Proposed Interim Rates 2020
		(1)
1	Operating Revenue	
2	Sales by Rate Class	\$611,687,813
3	Dual Fuel	\$10,415,332
4	Intersystem Sales	\$30,764,814
5	Sales for Resale	\$72,223,303
6	Total Revenue from Sales	<u>\$725,091,263</u>
7	Other Operating Revenue	<u>\$44,184,067</u>
8	Total Operating Revenue	<u>\$769,275,330</u>
9		
10	Operating Expenses Before AFUDC	
11	Operation and Maintenance Expenses	
12	Steam Production	(\$31,090,590)
13	Hydro Production	(\$4,756,511)
14	Wind Production	(\$14,843,089)
15	Other Power Supply	(\$1,784,915)
16	Purchased Power	(\$221,891,103)
17	Fuel	<u>(\$94,559,852)</u>
18	Total Production	(\$368,926,060)
19	Transmission	(\$51,784,667)
20	Distribution	(\$22,823,775)
21	Customer Accounting	(\$6,431,969)
22	Customer Credit Cards	(\$179,791)
23	Customer Service and Information	(\$1,088,581)
24	Conservation Improvement Program	(\$10,630,973)
25	Sales	\$3,507
26	Administrative and General	(\$56,516,965)
27	Charitable Contributions	(\$291,637)
28	Interest on Customer Deposits	<u>(\$1,836,000)</u>
29	Total Operation and Maintenance Expenses	(\$520,506,909)
30	Depreciation Expense	(\$126,748,745)
31	Amortization Expense	(\$11,222,217)
32	Taxes Other Than Income Taxes	(\$37,942,102)
33	Income Taxes	\$6,625,839
34	Deferred Income Taxes	\$26,497,085
35	Investment Tax Credit	<u>\$461,216</u>
36	Total Operating Expenses Before AFUDC	<u>(\$662,835,835)</u>
37		
38	Operating Income Before AFUDC	\$106,439,495
39	Allowance for Funds Used During Construction	<u>\$1,841,234</u>
40	Total Operating Income	<u>\$108,280,730</u>

Line No.	Description	Total Company			Minnesota Jurisdiction		
		Unadjusted Test Year 2020	Adjustments	Proposed Interim Rates 2020	Unadjusted Test Year 2020	Adjustments	Proposed Interim Rates 2020
		(1)	(2)	(3)	(4)	(5)	(6)
1	Plant In Service						
2	Steam	\$1,568,877,775	(\$65,933,241)	\$1,502,944,535	\$1,367,989,423	(\$57,425,875)	\$1,310,563,549
3	Hydro	\$210,566,238		\$210,566,238	\$183,124,115		\$183,124,115
4	Wind	\$811,521,475	(\$11,124,296)	\$800,397,179	\$703,798,144	(\$9,688,928)	\$694,109,216
5	Solar	\$203,277	(\$203,277)		\$177,048	(\$177,048)	
6	Transmission	\$995,277,280	(\$175,246,763)	\$820,030,517	\$854,231,882	(\$150,806,366)	\$703,425,516
7	Distribution	\$648,514,460	(\$1,054,630)	\$647,459,830	\$624,230,398	(\$1,055,017)	\$623,175,381
8	General Plant	\$227,495,994	(\$2,948,129)	\$224,547,865	\$203,516,868	(\$2,660,835)	\$200,856,034
9	Intangible Plant	\$80,228,977	(\$603,527)	\$79,625,450	\$71,772,473	(\$548,229)	\$71,224,245
10	Total Plant In Service	\$4,542,685,476	(\$257,113,863)	\$4,285,571,613	\$4,008,840,353	(\$222,362,297)	\$3,786,478,055
11							
12	Accumulated Depreciation and Amortization						
13	Steam	(\$680,136,873)	(\$18,514,974)	(\$698,651,847)	(\$592,509,230)	(\$16,125,987)	(\$608,635,217)
14	Hydro	(\$55,270,842)	\$15,644,125	(\$39,626,717)	(\$48,087,693)	\$13,613,276	(\$34,474,417)
15	Wind	(\$160,689,660)	\$1,665,537	(\$159,024,123)	(\$139,391,531)	\$1,450,633	(\$137,940,898)
16	Solar	(\$25,383)	\$25,383	(\$0)	(\$22,108)	\$22,108	(\$0)
17	Transmission	(\$258,183,277)	(\$11,107,729)	(\$269,291,006)	(\$220,955,097)	(\$9,498,651)	(\$230,453,747)
18	Distribution	(\$279,011,768)	(\$33,147,296)	(\$312,159,063)	(\$268,563,984)	(\$31,886,846)	(\$300,450,830)
19	General Plant	(\$122,693,237)	\$1,984,246	(\$120,708,991)	(\$109,760,806)	\$1,787,706	(\$107,973,100)
20	Intangible Plant	(\$57,575,006)	\$250,670	(\$57,324,336)	(\$51,506,335)	\$230,235	(\$51,276,100)
21	Total Accumulated Depreciation and Amortization	(\$1,613,586,046)	(\$43,200,038)	(\$1,656,786,085)	(\$1,430,796,783)	(\$40,407,526)	(\$1,471,204,310)
22							
23	Net Plant Before CWIP						
24	Steam	\$888,740,902	(\$84,448,215)	\$804,292,688	\$775,480,194	(\$73,551,861)	\$701,928,332
25	Hydro	\$155,295,396	\$15,644,125	\$170,939,521	\$135,036,423	\$13,613,276	\$148,649,699
26	Wind	\$650,831,814	(\$9,458,759)	\$641,373,055	\$564,406,613	(\$8,238,295)	\$556,168,318
27	Solar	\$177,894	(\$177,894)	(\$0)	\$154,940	(\$154,940)	(\$0)
28	Transmission	\$737,094,004	(\$186,354,492)	\$550,739,511	\$633,276,786	(\$160,305,017)	\$472,971,769
29	Distribution	\$369,502,692	(\$34,201,926)	\$335,300,766	\$355,666,414	(\$32,941,863)	\$322,724,551
30	General Plant	\$104,802,757	(\$963,883)	\$103,838,873	\$93,756,062	(\$873,129)	\$92,882,934
31	Intangible Plant	\$22,653,971	(\$352,857)	\$22,301,114	\$20,266,138	(\$317,994)	\$19,948,145
32	Total Net Plant Before CWIP	\$2,929,099,429	(\$300,313,901)	\$2,628,785,528	\$2,578,043,569	(\$262,769,823)	\$2,315,273,746
33	Construction Work in Progress	\$180,218,578	(\$145,447,740)	\$34,770,838	\$155,773,284	(\$125,184,111)	\$30,589,173
34	Utility Plant	\$3,109,318,007	(\$445,761,641)	\$2,663,556,366	\$2,733,816,853	(\$387,953,934)	\$2,345,862,919
35							
36	Working Capital						
37	Fuel Inventory	\$22,685,691		\$22,685,691	\$19,619,720		\$19,619,720
38	Materials and Supplies	\$25,945,673		\$25,945,673	\$23,299,189	(\$104)	\$23,299,084
39	Prepayments	\$118,165,681	(\$87,808,853)	\$30,356,829	\$104,944,978	(\$78,545,142)	\$26,399,835
40	Cash Working Capital	(\$32,963,718)	(\$1,299,314)	(\$34,263,031)	(\$29,310,440)	(\$1,466,517)	(\$30,776,956)
41	Total Working Capital	\$133,833,328	(\$89,108,166)	\$44,725,162	\$118,553,446	(\$80,011,763)	\$38,541,683
42							
43	Additions and Deductions						
44	Asset Retirement Obligation	(\$95,101,636)	\$95,101,636	\$0	(\$82,830,672)	\$82,830,672	
45	Workers Compensation Deposit	\$83,412		\$83,412	\$74,620	(\$9)	\$74,611
46	Unamortized WPPI Transmission Amortization	(\$1,350,806)		(\$1,350,806)	(\$1,155,831)		(\$1,155,831)
47	Unamortized UMWI Transaction Cost	\$1,410,283		\$1,410,283	\$1,206,723		\$1,206,723
48	Unamortized Boswell 1 and 2		\$4,099,516	\$4,099,516		\$3,507,792	\$3,507,792
49	Customer Advances	(\$2,261,874)		(\$2,261,874)	(\$2,261,874)	\$0	(\$2,261,874)
50	Customer Deposits	(\$131)		(\$131)	(\$131)	(\$0)	(\$131)
51	Other Deferred Credits - Hibbard	(\$339,222)		(\$339,222)	(\$295,786)	(\$15)	(\$295,801)
52	Wind Performance Deposit	(\$150,000)		(\$150,000)	(\$130,089)	\$8	(\$130,081)
53	Accumulated Deferred Income Taxes	(\$448,851,126)	\$38,481,530	(\$410,369,596)	(\$397,708,370)	\$34,414,784	(\$363,293,586)
54	Total Additions and Deductions	(\$546,561,100)	\$137,682,682	(\$408,878,418)	(\$483,101,409)	\$120,753,232	(\$362,348,178)
55							
56	Total Average Rate Base	\$2,696,590,235	(\$397,187,126)	\$2,299,403,110	\$2,369,268,890	(\$347,212,466)	\$2,022,056,424

The adjustments listed below are used to convert from the 2020 Unadjusted Test Year budget rate base to the rate base for Proposed Interim Rates. A bridge schedule from the 2020 Unadjusted Test Year budget rate base to the Proposed Interim Rates rate base is provided in Direct Schedule B-3(IR) for Minnesota Jurisdiction and B-4(IR) for Total Company.

B-3 (IR)

Column	Reference
(2) Aircraft Hangar	
Net plant balance of corporate aircraft hangar is removed from rate base because MP chose to forego rate recovery of any costs associated with the aircraft.	Podratz Direct, IV. C. 6.; Rostollan Direct, IV. E.; Vol. 3, Sched. H - 10; Vol. 4, Workpaper ADJ-RB- 1
(3) (4) (5) Asset Retirement Obligations (ARO), Cost to Retire, and Decommissioning	
Exclude ARO from plant and accumulated depreciation balances, as required in MP's 2008 rate case, Docket 08-415. Include related cost to retire and decommissioning adjustments to increase accumulated depreciation instead.	Podratz Direct, IV. C. 1.; Vol. 4, Workpaper ADJ-RB-2; Vol. 4, Workpaper ADJ-RB-3; Vol. 4, Workpaper ADJ-RB-4
(6) Basin Sale Pro Forma Rate Base ADIT	
Because the Basin sale pro forma expense and revenue adjustments affect the amount of Production Tax Credits the Company is able to use for tax purposes, there is a related ADIT adjustment to rate base.	Podratz Direct, IV. C. 9.; Podratz Direct Sched. 2, pg. 1; Vol. 4, Workpaper ADJ-RB-5
(7) Boswell Units 1&2 Regulatory Asset	
Regulatory asset and accumulated amortization included in rate base starting in 2018, per MP 2016 rate case decision (Docket 16-664), with balance amortized through 2022.	Podratz Direct, IV. C. 4.; Vol. 4, Workpaper ADJ-RB-6
(8) Boswell Unit 3 and Common 2017 Depreciation	
Removal of Boswell Unit 3 and Common depreciation reserve related to 2017, as ordered in MP's 2018 Remaining Life Depreciation Petition (Docket 18-544).	Podratz Direct, IV. C. 3.; Vol. 4, Workpaper ADJ-RB-7
(9) Boswell Unit 3 Environmental Project	
Reduce plant and accumulated depreciation balances as required in MP's 2009 rate case, Docket 09-1151.	Podratz Direct, IV. C. 2.; Vol. 4, Workpaper ADJ-RB-8
(10) Continuing Cost Recovery Riders	
Projects in the 2020 test year budget that will be included in cost recovery riders after this rate case are removed from rate base to avoid double recovery.	Podratz Direct, IV. C. 5.; Shimmin Direct, VI.; Vol. 4, Workpaper ADJ-RB-9
(11) Prepaid Other Post-Employment Benefits (OPEB)	
Prepaid OPEB is not included in working capital in the 2020 test year budget. However, an adjustment is required to remove budgeted ADIT associated with prepaid OPEB from rate base.	Podratz Direct, IV. C. 7.; Cutshall Direct, V. B. 2.; Vol. 4, Workpaper ADJ-RB-10
(12) (13) Prepaid Pension Asset and ADIT	
The prepaid pension asset is removed from budgeted rate base for Proposed Interim Rates. Along with this, the associated prepaid pension asset ADIT is also removed from rate base.	Podratz Direct, IV. C. 6.; Cutshall Direct Sched. 11; Vol. 4, Workpaper ADJ-RB-13
(14) Pro Rata Accumulated Deferred Income Tax (ADIT) Methodology	
Pro Rata ADIT methodology applies to Proposed Interim Rates, per Commission decision in MP 2016 rate case (Docket 16-664).	Podratz Direct, VI. A.; Vol. 4, Workpaper ADJ-RB-15
(15) UIPlanner Software Project	
Adjustment to reflect actual 2019 UIPlanner Software project capitalized cost less than budgeted.	Podratz Direct, IV. C. 10.; Shimmin Direct, II.; Vol. 4, Workpaper ADJ-RB-11
(16) Cash Working Capital	
Cash working capital is adjusted to reflect the impact of various O&M expense adjustments to the test year budget and tax impacts.	Podratz Direct, IV. C. 11; Vol. 4, Workpaper ADJ-RB-12
(17) Changes in Allocations Due to Adjustments (MN Jurisdictional)	
The adjustments made in the adjusted versions of class cost-of-service studies cause small changes in allocation factors that have to be accounted for when bridging from an unadjusted to an adjusted CCSS.	

Line No.	Description	Unadjusted Test Year 2020	Aircraft Hangar	Asset Retirement Obligation	Cost to Retire	Decommissioning	Basin Sale Pro Forma	Bos 1 and 2 Regulated Asset	Bos 3 and Common Depreciation	Boswell 3 Environmental Project	Cost Recovery Riders
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Plant In Service										
2	Steam	\$1,367,989,423		(\$44,159,767)						(\$13,266,108)	
3	Hydro	\$183,124,115									
4	Wind	\$703,798,144		(\$9,688,928)							
5	Solar	\$177,048									(\$177,048)
6	Transmission	\$854,231,882									(\$151,307,228)
7	Distribution	\$624,230,398									(\$1,055,020)
8	General Plant	\$203,516,868	(\$1,536,515)								(\$1,100,560)
9	Intangible Plant	\$71,772,473									
10	Total Plant In Service	\$4,008,840,353	(\$1,536,515)	(\$53,848,695)						(\$13,266,108)	(\$153,639,856)
11											
12	Accumulated Depreciation and Amortization										
13	Steam	(\$592,509,230)		\$28,895,062		(\$49,943,534)			(\$408,753)	\$5,331,238	
14	Hydro	(\$48,087,693)			\$13,613,276						
15	Wind	(\$139,391,531)		\$1,850,164		(\$399,531)					
16	Solar	(\$22,108)									\$22,108
17	Transmission	(\$220,955,097)			(\$11,503,879)						\$2,003,037
18	Distribution	(\$268,563,984)			(\$31,969,866)						\$65,835
19	General Plant	(\$109,760,806)	\$538,441		\$1,189,206						\$47,243
20	Intangible Plant	(\$51,506,335)									
21	Total Accumulated Depreciation and Amortization	(\$1,430,796,783)	\$538,441	\$30,745,226	(\$28,671,263)	(\$50,343,065)			(\$408,753)	\$5,331,238	\$2,138,223
22											
23	Net Plant Before CWIP										
24	Steam	\$775,480,194		(\$15,264,705)		(\$49,943,534)			(\$408,753)	(\$7,934,870)	
25	Hydro	\$135,036,423			\$13,613,276						
26	Wind	\$564,406,613		(\$7,838,764)		(\$399,531)					
27	Solar	\$154,940									(\$154,940)
28	Transmission	\$633,276,786			(\$11,503,879)						(\$149,304,191)
29	Distribution	\$355,666,414			(\$31,969,866)						(\$989,185)
30	General Plant	\$93,756,062	(\$998,074)		\$1,189,206						(\$1,053,317)
31	Intangible Plant	\$20,266,138									
32	Total Net Plant Before CWIP	\$2,578,043,569	(\$998,074)	(\$23,103,469)	(\$28,671,263)	(\$50,343,065)			(\$408,753)	(\$7,934,870)	(\$151,501,633)
33	Construction Work in Progress	\$155,773,284									(\$125,182,678)
34	Utility Plant	\$2,733,816,853	(\$998,074)	(\$23,103,469)	(\$28,671,263)	(\$50,343,065)			(\$408,753)	(\$7,934,870)	(\$276,684,311)
35											
36	Working Capital										
37	Fuel Inventory	\$19,619,720									
38	Materials and Supplies	\$23,299,189									
39	Prepayments	\$104,944,978									
40	Cash Working Capital	(\$29,310,440)									
41	Total Working Capital	\$118,553,446									
42											
43	Additions and Deductions										
44	Asset Retirement Obligation	(\$82,830,672)		\$82,830,672							
45	Workers Compensation Deposit	\$74,620									
46	Unamortized WPPI Transmission Amortization	(\$1,155,831)									
47	Unamortized UMWI Transaction Cost	\$1,206,723									
48	Unamortized Boswell 1 and 2							\$3,507,792			
49	Customer Advances	(\$2,261,874)									
50	Customer Deposits	(\$131)									
51	Other Deferred Credits - Hibbard	(\$295,786)									
52	Wind Performance Deposit	(\$130,089)									
53	Accumulated Deferred Income Taxes	(\$397,708,370)	(\$19,343)	\$3,050,133			\$1,182,181	(\$4,662,617)	\$117,623	\$1,964,223	\$2,095,321
54	Total Additions and Deductions	(\$483,101,409)	(\$19,343)	\$85,880,805			\$1,182,181	(\$1,154,825)	\$117,623	\$1,964,223	\$2,095,321
55											
56	Total Average Rate Base	\$2,369,268,890	(\$1,017,417)	\$62,777,336	(\$28,671,263)	(\$50,343,065)	\$1,182,181	(\$1,154,825)	(\$291,130)	(\$5,970,648)	(\$274,588,990)

Line No.	Description	OPEB (11)	Prepaid Pension ADIT (12)	Prepaid Pension Asset (13)	Pro Rata ADIT (14)	UIP Project Costs (15)	CWC O&M (16)	Changes in Allocations due to Adjustments (17)	Total Adjustments (18)	Proposed Interim Rates 2020 (19)
1	Plant In Service									
2	Steam								(\$57,425,875)	\$1,310,563,549
3	Hydro									\$183,124,115
4	Wind								(\$9,688,928)	\$694,109,216
5	Solar								(\$177,048)	
6	Transmission							\$500,862	(\$150,806,366)	\$703,425,516
7	Distribution							\$1	(\$1,055,018)	\$623,175,380
8	General Plant							(\$23,760)	(\$2,660,834)	\$200,856,034
9	Intangible Plant							(\$8,379)	(\$548,229)	\$71,224,245
10	Total Plant In Service					(\$539,849)		\$468,725	(\$222,362,298)	\$3,786,478,054
11										
12	Accumulated Depreciation and Amortization									
13	Steam								(\$16,125,987)	(\$608,635,217)
14	Hydro								\$13,613,276	(\$34,474,417)
15	Wind								\$1,450,633	(\$137,940,898)
16	Solar								\$22,108	(\$0)
17	Transmission							\$2,191	(\$9,498,651)	(\$230,453,748)
18	Distribution							\$17,185	(\$31,886,846)	(\$300,450,830)
19	General Plant							\$12,814	\$1,787,704	(\$107,973,102)
20	Intangible Plant							\$224,222	\$6,013	(\$51,276,100)
21	Total Accumulated Depreciation and Amortization					\$224,222		\$38,204	(\$40,407,528)	(\$1,471,204,311)
22										
23	Net Plant Before CWIP									
24	Steam								(\$73,551,862)	\$701,928,332
25	Hydro								\$13,613,276	\$148,649,699
26	Wind								(\$8,238,295)	\$556,168,318
27	Solar								(\$154,940)	(\$0)
28	Transmission							\$503,053	(\$160,305,017)	\$472,971,768
29	Distribution							\$17,187	(\$32,941,864)	\$322,724,550
30	General Plant							(\$10,946)	(\$873,130)	\$92,882,932
31	Intangible Plant					(\$315,628)		(\$2,366)	(\$317,994)	\$19,948,145
32	Total Net Plant Before CWIP					(\$315,628)		\$506,928	(\$262,769,827)	\$2,315,273,743
33	Construction Work in Progress							(\$1,432)	(\$125,184,111)	\$30,589,173
34	Utility Plant					(\$315,628)		\$505,496	(\$387,953,937)	\$2,345,862,916
35										
36	Working Capital									
37	Fuel Inventory									\$19,619,720
38	Materials and Supplies								(\$104)	\$23,299,084
39	Prepayments			(\$78,544,224)				(\$918)	(\$78,545,142)	\$26,399,835
40	Cash Working Capital						(\$1,187,195)	(\$279,324)	(\$1,466,519)	(\$30,776,959)
41	Total Working Capital			(\$78,544,224)			(\$1,187,195)	(\$280,346)	(\$80,011,766)	\$38,541,681
42										
43	Additions and Deductions									
44	Asset Retirement Obligation								\$82,830,672	\$0
45	Workers Compensation Deposit								(\$9)	\$74,611
46	Unamortized WPPPI Transmission Amortization									(\$1,155,831)
47	Unamortized UMWI Transaction Cost									\$1,206,723
48	Unamortized Boswell 1 and 2								\$3,507,792	\$3,507,792
49	Customer Advances									(\$2,261,874)
50	Customer Deposits									(\$131)
51	Other Deferred Credits - Hibbard							(\$15)	(\$15)	(\$295,801)
52	Wind Performance Deposit							\$8	\$8	(\$130,081)
53	Accumulated Deferred Income Taxes	\$1,214,932	\$29,573,094		(\$193,468)	\$40,808		\$51,900	\$34,414,787	(\$363,293,583)
54	Total Additions and Deductions	\$1,214,932	\$29,573,094		(\$193,468)	\$40,808		\$51,884	\$120,753,234	(\$362,348,175)
55										
56	Total Average Rate Base	\$1,214,932	\$29,573,094	(\$78,544,224)	(\$193,468)	(\$274,819)	(\$1,187,195)	\$277,034	(\$347,212,468)	\$2,022,056,422

Line No.	Description	Unadjusted Test Year 2020 (1)	Aircraft Hangar (2)	Asset Retirement Obligation (3)	Cost to Retire (4)	Decommissioning (5)	Basin Sale Pro Forma (6)	Bos 1 and 2 Regulated Asset (7)	Bos 3 and Common Depreciation (8)	Boswell 3 Environmental Project (9)
1	Plant In Service									
2	Steam	\$1,568,877,775		(\$50,701,823)						(\$15,231,418)
3	Hydro	\$210,566,238								
4	Wind	\$811,521,475		(\$11,124,296)						
5	Solar	\$203,277								
6	Transmission	\$995,277,280								
7	Distribution	\$648,514,460								
8	General Plant	\$227,495,994	(\$1,717,753)							
9	Intangible Plant	\$80,228,977								
10	Total Plant In Service	\$4,542,685,476	(\$1,717,753)	(\$61,826,119)						(\$15,231,418)
11										
12	Accumulated Depreciation and Amortization									
13	Steam	(\$680,136,873)		\$33,175,726		(\$57,342,427)			(\$469,308)	\$6,121,035
14	Hydro	(\$55,270,842)			\$15,644,125					
15	Wind	(\$160,689,660)		\$2,124,257		(\$458,720)				
16	Solar	(\$25,383)								
17	Transmission	(\$258,183,277)				(\$13,444,451)				
18	Distribution	(\$279,011,768)				(\$33,215,696)				
19	General Plant	(\$122,693,237)	\$601,952		\$1,329,478					
20	Intangible Plant	(\$57,575,006)								
21	Total Accumulated Depreciation and Amortization	(\$1,613,586,046)	\$601,952	\$35,299,983	(\$29,686,544)	(\$57,801,147)			(\$469,308)	\$6,121,035
22										
23	Net Plant Before CWIP									
24	Steam	\$888,740,902		(\$17,526,097)		(\$57,342,427)			(\$469,308)	(\$9,110,383)
25	Hydro	\$155,295,396			\$15,644,125					
26	Wind	\$650,831,814		(\$9,000,039)		(\$458,720)				
27	Solar	\$177,894								
28	Transmission	\$737,094,004				(\$13,444,451)				
29	Distribution	\$369,502,692				(\$33,215,696)				
30	General Plant	\$104,802,757	(\$1,115,801)		\$1,329,478					
31	Intangible Plant	\$22,653,971								
32	Total Net Plant Before CWIP	\$2,929,099,429	(\$1,115,801)	(\$26,526,136)	(\$29,686,544)	(\$57,801,147)			(\$469,308)	(\$9,110,383)
33	Construction Work in Progress	\$180,218,578								
34	Utility Plant	\$3,109,318,007	(\$1,115,801)	(\$26,526,136)	(\$29,686,544)	(\$57,801,147)			(\$469,308)	(\$9,110,383)
35										
36	Working Capital									
37	Fuel Inventory	\$22,685,691								
38	Materials and Supplies	\$25,945,673								
39	Prepayments	\$118,165,681								
40	Cash Working Capital	(\$32,963,718)								
41	Total Working Capital	\$133,833,328								
42										
43	Additions and Deductions									
44	Asset Retirement Obligation	(\$95,101,636)		\$95,101,636						
45	Workers Compensation Deposit	\$83,412								
46	Unamortized WPPI Transmission Amortization	(\$1,350,806)								
47	Unamortized UMWI Transaction Cost	\$1,410,283								
48	Unamortized Boswell 1 and 2						\$4,099,516			
49	Customer Advances	(\$2,261,874)								
50	Customer Deposits	(\$131)								
51	Other Deferred Credits - Hibbard	(\$339,222)								
52	Wind Performance Deposit	(\$150,000)								
53	Accumulated Deferred Income Taxes	(\$448,851,126)	(\$21,625)	\$3,453,302			\$1,355,539	(\$5,347,054)	\$134,889	\$2,252,556
54	Total Additions and Deductions	(\$546,561,100)	(\$21,625)	\$98,554,937			\$1,355,539	(\$1,247,538)	\$134,889	\$2,252,556
55										
56	Total Average Rate Base	\$2,696,590,235	(\$1,137,426)	\$72,028,801	(\$29,686,544)	(\$57,801,147)	\$1,355,539	(\$1,247,538)	(\$334,419)	(\$6,857,827)

Line No.	Description	Cost Recovery Riders	OPEB	Prepaid Pension ADIT	Prepaid Pension Asset	Pro Rata ADIT	UIP Project Costs	CWC O&M	Total Adjustments	Proposed Interim Rates 2020
		(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
1	Plant In Service									
2	Steam								(\$65,933,241)	\$1,502,944,535
3	Hydro									\$210,566,238
4	Wind								(\$11,124,296)	\$800,397,179
5	Solar	(\$203,277)							(\$203,277)	
6	Transmission	(\$175,246,763)							(\$175,246,763)	\$820,030,517
7	Distribution	(\$1,054,630)							(\$1,054,630)	\$647,459,830
8	General Plant	(\$1,230,376)							(\$2,948,129)	\$224,547,865
9	Intangible Plant						(\$603,527)		(\$603,527)	\$79,625,450
10	Total Plant In Service	(\$177,735,046)					(\$603,527)		(\$257,113,863)	\$4,285,571,613
11										
12	Accumulated Depreciation and Amortization									
13	Steam								(\$18,514,974)	(\$698,651,847)
14	Hydro								\$15,644,125	(\$39,626,717)
15	Wind								\$1,665,537	(\$159,024,123)
16	Solar	\$25,383							\$25,383	(\$0)
17	Transmission	\$2,336,722							(\$11,107,729)	(\$269,291,006)
18	Distribution	\$68,400							(\$33,147,296)	(\$312,159,063)
19	General Plant	\$52,816							\$1,984,246	(\$120,708,991)
20	Intangible Plant						\$250,670		\$250,670	(\$57,324,336)
21	Total Accumulated Depreciation and Amortization	\$2,483,321					\$250,670		(\$43,200,038)	(\$1,656,786,085)
22										
23	Net Plant Before CWIP									
24	Steam								(\$84,448,215)	\$804,292,688
25	Hydro								\$15,644,125	\$170,939,521
26	Wind								(\$9,458,759)	\$641,373,055
27	Solar	(\$177,894)							(\$177,894)	(\$0)
28	Transmission	(\$172,910,041)							(\$186,354,492)	\$550,739,511
29	Distribution	(\$986,230)							(\$34,201,926)	\$335,300,766
30	General Plant	(\$1,177,560)							(\$963,883)	\$103,838,873
31	Intangible Plant						(\$352,857)		(\$352,857)	\$22,301,114
32	Total Net Plant Before CWIP	(\$175,251,725)					(\$352,857)		(\$300,313,901)	\$2,628,785,528
33	Construction Work in Progress	(\$145,447,740)							(\$145,447,740)	\$34,770,838
34	Utility Plant	(\$320,699,465)					(\$352,857)		(\$445,761,641)	\$2,663,556,366
35										
36	Working Capital									
37	Fuel Inventory									\$22,685,691
38	Materials and Supplies									\$25,945,673
39	Prepayments					(\$87,808,853)			(\$87,808,853)	\$30,356,829
40	Cash Working Capital							(\$1,299,314)	(\$1,299,314)	(\$34,263,031)
41	Total Working Capital					(\$87,808,853)		(\$1,299,314)	(\$89,108,166)	\$44,725,162
42										
43	Additions and Deductions									
44	Asset Retirement Obligation								\$95,101,636	
45	Workers Compensation Deposit									\$83,412
46	Unamortized WPPI Transmission Amortization									(\$1,350,806)
47	Unamortized UMWI Transaction Cost									\$1,410,283
48	Unamortized Boswell 1 and 2								\$4,099,516	\$4,099,516
49	Customer Advances									(\$2,261,874)
50	Customer Deposits									(\$131)
51	Other Deferred Credits - Hibbard									(\$339,222)
52	Wind Performance Deposit									(\$150,000)
53	Accumulated Deferred Income Taxes	\$2,425,360	\$1,357,522	\$33,043,921		(\$218,502)	\$45,622		\$38,481,530	(\$410,369,596)
54	Total Additions and Deductions	\$2,425,360	\$1,357,522	\$33,043,921		(\$218,502)	\$45,622		\$137,682,682	(\$408,878,418)
55										
56	Total Average Rate Base	(\$318,274,105)	\$1,357,522	\$33,043,921	(\$87,808,853)	(\$218,502)	(\$307,235)	(\$1,299,314)	(\$397,187,126)	\$2,299,403,110

Line No.	Description	Total Company			Minnesota Jurisdiction		
		Unadjusted Test Year 2020	Adjustments	Proposed Interim Rates 2020	Unadjusted Test Year 2020	Adjustments	Proposed Interim Rates 2020
		(1)	(2)	(3)	(4)	(5)	(6)
1	Operating Revenue						
2	Sales by Rate Class	\$701,653,735	\$4,016,030	\$705,669,765	\$608,835,509	\$2,852,304	\$611,687,813
3	Dual Fuel	\$10,312,881	\$102,451	\$10,415,332	\$10,312,881	\$102,451	\$10,415,332
4	Intersystem Sales	\$35,603,834	(\$46,290)	\$35,557,545	\$30,804,864	(\$40,050)	\$30,764,814
5	Sales for Resale	\$102,215,752	(\$18,915,372)	\$83,300,380	\$88,608,565	(\$16,385,261)	\$72,223,303
6	Total Revenue from Sales	\$849,786,203	(\$14,843,181)	\$834,943,022	\$738,561,820	(\$13,470,557)	\$725,091,263
7	Other Operating Revenue	\$128,591,758	\$77,321,117	\$51,270,641	\$115,607,437	(\$71,423,370)	\$44,184,067
8	Total Operating Revenue	\$978,377,961	(\$92,164,298)	\$886,213,663	\$854,169,257	(\$84,893,927)	\$769,275,330
9							
10	Operating Expenses Before AFUDC						
11	Operation and Maintenance Expenses						
12	Steam Production	(\$35,820,450)		(\$35,820,450)	(\$31,090,590)		(\$31,090,590)
13	Hydro Production	(\$5,485,326)		(\$5,485,326)	(\$4,756,511)		(\$4,756,511)
14	Wind Production	(\$17,180,655)	\$138,634	(\$17,042,021)	(\$14,963,835)	\$120,746	(\$14,843,089)
15	Other Power Supply	(\$2,049,342)		(\$2,049,342)	(\$1,784,915)		(\$1,784,915)
16	Purchased Power	(\$262,159,615)	\$5,984,537	(\$256,175,078)	(\$227,074,727)	\$5,183,624	(\$221,891,103)
17	Fuel	(\$109,971,978)	\$635,270	(\$109,336,708)	(\$95,109,265)	\$549,413	(\$94,559,852)
18	Total Production	(\$432,667,366)	\$6,758,441	(\$425,908,925)	(\$374,779,843)	\$5,853,783	(\$368,926,060)
19	Transmission	(\$98,894,385)	\$38,525,510	(\$60,368,875)	(\$84,879,599)	\$33,094,932	(\$51,784,667)
20	Distribution	(\$23,777,924)		(\$23,777,924)	(\$22,825,524)	\$1,750	(\$22,823,775)
21	Customer Accounting	(\$6,468,216)		(\$6,468,216)	(\$6,431,969)	\$0	(\$6,431,969)
22	Customer Credit Cards	(\$256,051)	\$76,260	(\$179,791)	(\$256,051)	\$76,260	(\$179,791)
23	Customer Service and Information	(\$2,424,070)	\$945,095	(\$1,478,975)	(\$1,784,206)	\$695,625	(\$1,088,581)
24	Conservation Improvement Program	(\$6,676,881)	(\$3,954,092)	(\$10,630,973)	(\$6,676,881)	(\$3,954,092)	(\$10,630,973)
25	Sales	(\$137,324)	\$141,333	\$4,009	(\$120,159)	\$123,666	\$3,507
26	Administrative and General	(\$70,076,968)	\$6,696,583	(\$63,380,386)	(\$62,523,795)	\$6,006,831	(\$56,516,965)
27	Charitable Contributions	(\$801,742)	\$475,706	(\$326,036)	(\$717,235)	\$425,598	(\$291,637)
28	Interest on Customer Deposits	(\$1,836,000)		(\$1,836,000)	(\$1,836,000)	(\$0)	(\$1,836,000)
29	Total Operation and Maintenance Expenses	(\$644,016,927)	\$49,664,834	(\$594,352,093)	(\$562,831,262)	\$42,324,353	(\$520,506,909)
30	Depreciation Expense	(\$149,077,798)	\$5,836,498	(\$143,241,300)	(\$131,766,098)	\$5,017,353	(\$126,748,745)
31	Amortization Expense	(\$5,854,932)	(\$6,896,919)	(\$12,751,852)	(\$5,218,573)	(\$6,003,644)	(\$11,222,217)
32	Taxes Other Than Income Taxes	(\$51,722,564)	\$9,267,019	(\$42,455,545)	(\$45,899,003)	\$7,956,901	(\$37,942,102)
33	Income Taxes	(\$2,961,614)	\$7,498,261	\$4,536,646	(\$1,561,976)	\$8,187,815	\$6,625,839
34	Deferred Income Taxes	\$30,435,636	(\$0)	\$30,435,636	\$26,498,678	(\$1,593)	\$26,497,085
35	Investment Tax Credit	\$528,420		\$528,420	\$461,225	(\$9)	\$461,216
36	Total Operating Expenses Before AFUDC	(\$822,669,780)	\$65,369,693	(\$757,300,087)	(\$720,317,010)	\$57,481,176	(\$662,835,835)
37							
38	Operating Income Before AFUDC	\$155,708,180	(\$26,794,605)	\$128,913,576	\$133,852,246	(\$27,412,751)	\$106,439,495
39	Allowance for Funds Used During Construction	\$2,092,939		\$2,092,939	\$1,809,047	\$32,187	\$1,841,234
40	Total Operating Income	\$157,801,119	(\$26,794,605)	\$131,006,515	\$135,661,294	(\$27,380,564)	\$108,280,730

The adjustments listed below are used to convert from the 2020 Unadjusted Test Year budget operating income to the operating income for Proposed Interim Rates. A bridge schedule from the 2020 Unadjusted Test Year budget operating income to the Proposed Interim Rates operating income is provided in Direct Schedule B-7(IR) for Minnesota Jurisdiction and Direct Schedule B-8(IR) for Total Company.

B-7 (IR) Column	Reference
(2) Advertising Expense	
Consistent with Commission decision in MP's 2016 rate case, exclude portion of 2020 test year budgeted advertising expense that doesn't qualify for rate recovery based on Commission's Statement of Policy on Advertising.	Podratz Direct, V. A. 12.; Vol. 3, Sched. G-1; Vol. 4, Workpaper ADJ-IS-01
(3) Aircraft Hangar	
Remove depreciation expense for corporate aircraft hangar because MP chose to forego rate recovery of any costs associated with the aircraft.	Podratz Direct, V. A. 7.; Rostollan Direct, IV. E.; Vol. 4, Workpaper ADJ-IS-02
(4) (5) Asset Retirement Obligations (ARO) and Decommissioning	
Exclude ARO from depreciation expense as required in MP's 2008 rate case, Docket 08-415, and include decommissioning expense instead.	Podratz Direct, V. A. 1.; Vol. 4, Workpaper ADJ-IS-3
(6) Basin Sale Pro Forma	
Pro forma adjustment excludes budgeted sale revenues and associated fuel and purchased power expenses for wholesale power sale to Basin Electric for the first four months of the 2020 test year. This is a 10-year, 100 MW sale that ends 4/30/2020.	Podratz Direct, V. A. 18.; Podratz Direct Sched. 2, pg. 1; Pierce Direct, pg. 12
(7) Boswell Units 1&2 Regulated Asset	
Include amortization expense associated with Boswell Units 1 & 2 regulatory asset starting in 2018, per MP 2016 rate case decision (Docket 16-664), with balance amortized through 2022.	Podratz Direct, V. A. 4.; Vol. 4, Workpaper ADJ-IS-6
(8) Boswell Unit 3 and Common 2017 Depreciation	
Remove a portion of Boswell Unit 3 and Common depreciation expense related to 2017, as ordered in MP's 2018 Remaining Life Depreciation Petition (Docket 18-544).	Podratz Direct, V. A. 3.; Vol. 4, Workpaper ADJ-IS-7
(9) Boswell Unit 3 Environmental Project	
Reduce depreciation expense associated with Boswell Unit 3 environmental project as required in MP's 2009 rate case, Docket 09-1151.	Podratz Direct, V. A. 2.; Vol. 4, Workpaper ADJ-IS-8
(10) Customer Affordability of Residential Electricity (CARE) Rider	
CARE Rider discounts and surcharge collections are accumulated in a tracker and adjusted as necessary between rate cases in a separate docket. Therefore, the Residential class discount and the Affordability Surcharge revenue from all customer classes is removed from retail Sales by Rate Class for cost-of-service purposes.	Podratz Direct, V. B. 4.; Vol. 4, Workpaper ADJ-IS-9
(11) Charitable Contributions	
Exclude administrative costs related to charitable contributions. Also, reduce 2020 test year budgeted amount to reflect rate recovery for 50% of average actual expense for qualified charitable contributions in previous three years (2016-2018). This is consistent with Commission's Statement of Policy on Charitable Contributions and decision in MP's 2016 rate case.	Podratz Direct, V. A. 11.; Vol. 3, Sched. G-2; Vol. 4, Workpaper ADJ-IS-10
(12) Conservation Expense	
Conservation expense is adjusted to remove the amount in the 2020 budget and instead include projected 2020 expenditures based on MP's 2020 extension of its 2017-2019 Conservation Improvement Program (CIP) Triennial Plan, per 7/1/2019 filing in Docket No. E015/CIP-16-117.	Podratz Direct, V. A. 9.; Vol. 4, Workpaper ADJ-IS-11
(13) CIP Incentive	
Remove CIP incentive from rate case revenue because the CIP incentive is intended to provide an incentive to the Company for conservation program performance.	Podratz Direct, V. B. 2.; Vol. 4, Workpaper ADJ-IS-12
(14) CIP Carrying Charge	
Remove CIP tracker carrying charge from rate case revenue because the CIP tracker provides a return on outstanding tracker balances.	Podratz Direct, V. B. 2.; Vol. 4, Workpaper ADJ-IS-13

(15)	CPA/CIP Incentive Revenue Timing	
	Adjustments for timing of when CIP/CPA revenue is collected through customer billings vs. recorded as revenue on MP's books.	Podratz Direct, V. B. 3.; Vol. 4, Workpaper ADJ-IS-14
(16)	Total CPA	
	Total CPA revenue is removed from rate case because the CPA Rider will continue on customer bills outside of base rates.	Podratz Direct, V. B. 3.; Vol. 4, Workpaper ADJ-IS-15
(17)	Conservation Cost Recovery Charge (CCRC)	
	CCRC credit amount for four Large Light & Power and one General Service CIP-exempt customers included in the 2020 budget is removed from revenue because the CCRC credit amount is contained in the CIP tracker and corresponding rates are adjusted separately from base rates.	Podratz Direct, pg. 40; Vol. 4, Workpaper ADJ-IS-16
(18)	Continuing Cost Recovery Riders	
	O&M expenses, depreciation expense, and taxes associated with projects in the 2020 test year budget that will be included in cost recovery riders after this rate case are removed to avoid double recovery.	Podratz Direct, V. B. 5.; Shimmin Direct, VI.; Vol. 4, Workpaper ADJ-IS-17
(19)	Credit Card Processing Fees	
	Amortization of accumulated regulatory liability for over-collection of credit card processing fees approved in MP's 2016 rate case. Proposed to be amortized over two years for return to customers.	Podratz Direct, V. A. 24.; Podratz Direct Sched. 4, pg. 1; Vol. 4, Workpaper ADJ-IS-18
(20)	Economic Development Expense	
	Exclude 50% of 2020 test year Economic and Community Development expense, consistent with Commission decisions in MP's 2008, 2009, and 2016 rate cases.	Podratz Direct, V. A. 10.; Vol. 3, Sched. G-5; Vol. 4, Workpaper ADJ-IS-19
(21)	Employee, Board of Directors, and Lobbying Expenses	
	Excluded certain categories of travel and lodging, food and beverage, gift, social club dues, recreation, and entertainment expenses. Excluded lobbying-related expenses that were included in employee expense accounts, beyond the majority of lobbying expenses that are recorded in separate non-regulated expense accounts.	Podratz Direct, V. A. 15.; Rostollan Direct IV. B.; Vol. 3, Sched. H-1; Vol. 4, Workpaper ADJ-IS-20
(22)	Incentive Compensation	
	Excludes Annual Incentive Plan (AIP) greater than 20% of individual base pay, consistent with prior Commission orders. Also excludes Long-Term Incentive Plan (LTIP), Supplemental Executive Retirement Plan (SERP), Executive Deferral Plan, and Legacy Employment Agreements.	Podratz Direct, V. A. 8.; Krollman Direct, III. B.; Vol. 4, Workpaper ADJ-IS-21
(23)	Investor Relations Expenses	
	Excluded 50% of investor relations expense, consistent with recent Commission decisions.	Podratz Direct, V. A. 17.; Rostollan Direct, III. C.; Vol. 4, Workpaper ADJ-IS-22
(24)	Itasca Rail Project	
	Amortization expense for cancelled Itasca Rail Initiative project that provided leverage for BNSF rail contract negotiations. Proposed to be amortized over five years.	Podratz Direct, V. A. 22.; Skelton Direct, IV. A. 2.; Vol. 4, Workpaper ADJ-IS-23
(25)	Bison 6 Large Generator Interconnection Agreement (LGIA)	
	Include MP revenue from ALLETE Clean Energy (ACE) for Bison 6 wind LGIA. This offsets a portion of the Bison 6 LGIA O&M expense included in MP customer	Podratz Direct, V. A. 20.; Shimmin Direct, VI.; Vol. 4,
(26)	Organization Dues	
	Excluded non-allowable legislative lobbying dues, in compliance with Commission's Statement of Policy on Organization Dues and treatment in MP's 2016 rate case.	Podratz Direct, V. A. 13.; Vol. 3, Sched. G-3; Vol. 4, Workpaper ADJ-IS-25
(27)	Rate Case Expenses	
	Budgeted 2020 retail rate case expenses proposed to be amortized over two years.	Podratz Direct, V. A. 19.; Podratz Direct Sched. 3, pg. 1
(28)	Research Expense	
	Added Electric Power Research Institute (EPRI) research expense that was inadvertently left out of 2020 test year budget.	Podratz Direct, V. A. 14.; Vol. 3, Sched. G-4; Vol. 4, Workpaper ADJ-IS-27
(29)	Revenue Budget Corrections	

	This includes three small corrections to 2020 budgeted revenue: 1) Residential Electric Vehicle service on- and off-peak energy usage reversed; 2) Lighting Rate 80 service charge calculation multiplied by too many service agreements; and 3) Large Light and Power service voltage adjustment incorrectly applied to one customer's interruptible demand.	Podratz Direct, V. B. 7.; Vol. 4, Workpaper ADJ-IS-28
(30)	Rider-Related Internal Labor	
	Capitalized internal labor costs are excluded from collection through cost recovery riders, per Docket E015/M-10-799. For this rate case, such costs related to transmission rider projects are added to budgeted transmission expenses for 2020, consistent with what was approved in MP's 2016 rate case (Docket 16-664).	Podratz Direct, V. A. 6.; Shimmin Direct, VI.; Vol. 4, Workpaper ADJ-IS-29
(31)	Service Center Sales (Aurora and Chisholm)	
	Amortization of regulatory liability balances associated with sales of Aurora and Chisholm service centers for which revenue requirements were included in MP's 2016 rate case. Proposed to be amortized over two years for return to customers.	Podratz Direct, V. A. 23.; Vol. 4, Workpaper ADJ-IS-30
(32)	UIPlanner Software Project	
	Reduced 2020 test year amortization expense because project cost was less than budgeted when it went in-service in 2019.	Podratz Direct, V. A. 21.; Vol. 4, Workpaper ADJ-IS-31
(33)	Cash Working Capital (CWC) O&M	
	Calculates the CWC lead-lag and tax impact of the other O&M adjustments.	Podratz Direct, IV. C. 11.; Vol. 4, Workpaper ADJ-IS-32
(34)	Interest Synchronization	
	Adjustment for interest expense deduction for income tax purposes to equal the weighted cost of debt multiplied by average rate base. Updated whenever there is a change in rate base, weighted cost of debt, or operating income.	Podratz Direct, V. A. 25.; Direct Sched. C-11
(35)	Changes in Allocations Due to Adjustments (MN Jurisdictional)	
	The adjustments made in the adjusted versions of class cost-of-service studies cause small changes in allocation factors that have to be accounted for when bridging from an unadjusted to an adjusted CCOSS.	

Line No.	Description	Unadjusted Test Year 2020	Advertising Expense	Aircraft Hangar	Asset Retirement Obligation	Decommissioning	Basin Sale Pro Forma	Bos 1 and 2 Regulated Asset
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Operating Revenue							
2	Sales by Rate Class	\$608,835,509					(\$987,353)	
3	Dual Fuel	\$10,312,881					(\$28,958)	
4	Intersystem Sales	\$30,804,864					(\$40,050)	
5	Sales for Resale	\$88,608,565					(\$16,385,449)	
6	Total Revenue from Sales	\$738,561,820					(\$17,441,810)	
7	Other Operating Revenue	\$115,607,437					(\$17,571)	
8	Total Operating Revenue	\$854,169,257					(\$17,459,381)	
9								
10	Operating Expenses Before AFUDC							
11	Operation and Maintenance Expenses							
12	Steam Production	(\$31,090,590)						
13	Hydro Production	(\$4,756,511)						
14	Wind Production	(\$14,963,835)						
15	Other Power Supply	(\$1,784,915)						
16	Purchased Power	(\$227,074,727)					\$5,311,096	
17	Fuel	(\$95,109,265)					\$533,411	
18	Total Production	(\$374,779,843)					\$5,844,507	
19	Transmission	(\$84,879,599)						
20	Distribution	(\$22,825,524)						
21	Customer Accounting	(\$6,431,969)						
22	Customer Credit Cards	(\$256,051)						
23	Customer Service and Information	(\$1,784,206)						
24	Conservation Improvement Program	(\$6,676,881)						
25	Sales	(\$120,159)	\$120,157					
26	Administrative and General	(\$62,523,795)	\$91,718					
27	Charitable Contributions	(\$717,235)						
28	Interest on Customer Deposits	(\$1,836,000)						
29	Total Operation and Maintenance Expenses	(\$562,831,262)	\$211,875				\$5,844,507	
30	Depreciation Expense	(\$131,766,098)		\$21,500	\$271,199	(\$729,066)		
31	Amortization Expense	(\$5,218,573)			\$617,881			(\$6,374,602)
32	Taxes Other Than Income Taxes	(\$45,899,003)						
33	Income Taxes	(\$1,561,976)	(\$60,897)	(\$6,180)	(\$255,539)	\$209,548	\$3,338,347	\$1,832,188
34	Deferred Income Taxes	\$26,498,678						
35	Investment Tax Credit	\$461,225						
36	Total Operating Expenses Before AFUDC	(\$720,317,010)	\$150,978	\$15,320	\$633,541	(\$519,518)	\$9,182,854	(\$4,542,414)
37								
38	Operating Income Before AFUDC	\$133,852,246	\$150,978	\$15,320	\$633,541	(\$519,518)	(\$8,276,527)	(\$4,542,414)
39	Allowance for Funds Used During Construction	\$1,809,047						
40	Total Operating Income	\$135,661,294	\$150,978	\$15,320	\$633,541	(\$519,518)	(\$8,276,527)	(\$4,542,414)

Line No.	Description	Bos 3 and Common Depreciation	Boswell 3 Environmental Project	CARE	Charitable Contributions	Conservation Expense	CIP Incentive	CIP Carrying Charge
		(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	Operating Revenue							
2	Sales by Rate Class			\$0				
3	Dual Fuel							
4	Intersystem Sales							
5	Sales for Resale							
6	Total Revenue from Sales			\$0				
7	Other Operating Revenue						(\$1,591,832)	\$73,194
8	Total Operating Revenue			\$0			(\$1,591,832)	\$73,194
9								
10	Operating Expenses Before AFUDC							
11	Operation and Maintenance Expenses							
12	Steam Production							
13	Hydro Production							
14	Wind Production							
15	Other Power Supply							
16	Purchased Power							
17	Fuel							
18	Total Production							
19	Transmission							
20	Distribution							
21	Customer Accounting							
22	Customer Credit Cards							
23	Customer Service and Information							
24	Conservation Improvement Program					(\$3,841,888)		
25	Sales							
26	Administrative and General							
27	Charitable Contributions				\$413,440			
28	Interest on Customer Deposits							
29	Total Operation and Maintenance Expenses				\$413,440	(\$3,841,888)		
30	Depreciation Expense	\$817,506	\$513,311					
31	Amortization Expense							
32	Taxes Other Than Income Taxes							
33	Income Taxes	(\$234,968)	(\$147,536)	(\$0)	(\$118,831)	\$1,104,235	\$457,524	(\$21,037)
34	Deferred Income Taxes							
35	Investment Tax Credit							
36	Total Operating Expenses Before AFUDC	\$582,539	\$365,775	(\$0)	\$294,609	(\$2,737,653)	\$457,524	(\$21,037)
37								
38	Operating Income Before AFUDC	\$582,539	\$365,775	\$0	\$294,609	(\$2,737,653)	(\$1,134,308)	\$52,157
39	Allowance for Funds Used During Construction							
40	Total Operating Income	\$582,539	\$365,775	\$0	\$294,609	(\$2,737,653)	(\$1,134,308)	\$52,157

Line No.	Description	CPA Incentive	CPA	CCRC	Cost Recovery Riders	Credit Card Fees	Economic Development	Employee Expenses
		(15)	(16)	(17)	(18)	(19)	(20)	(21)
1	Operating Revenue							
2	Sales by Rate Class	\$2,257,772	(\$88,650)	\$1,262,387	\$316,455			
3	Dual Fuel	\$114,752	\$1,964		\$14,693			
4	Intersystem Sales							
5	Sales for Resale							
6	Total Revenue from Sales	\$2,372,524	(\$86,686)	\$1,262,387	\$331,147			
7	Other Operating Revenue				(\$70,176,365)			
8	Total Operating Revenue	\$2,372,524	(\$86,686)	\$1,262,387	(\$69,845,217)			
9								
10	Operating Expenses Before AFUDC							
11	Operation and Maintenance Expenses							
12	Steam Production							
13	Hydro Production							
14	Wind Production				\$117,320			
15	Other Power Supply							
16	Purchased Power				(\$51,970)			
17	Fuel							
18	Total Production				\$65,349			
19	Transmission				\$34,055,465			
20	Distribution							
21	Customer Accounting							
22	Customer Credit Cards					\$74,096		
23	Customer Service and Information				\$672,269		\$3,616	
24	Conservation Improvement Program							
25	Sales							
26	Administrative and General						\$319,951	\$390,897
27	Charitable Contributions							
28	Interest on Customer Deposits							
29	Total Operation and Maintenance Expenses				\$34,793,084	\$74,096	\$323,568	\$390,897
30	Depreciation Expense				\$4,120,511			
31	Amortization Expense							
32	Taxes Other Than Income Taxes				\$7,941,528		\$8,236	
33	Income Taxes	(\$681,911)	\$24,915	(\$362,835)	\$6,607,813	(\$21,297)	(\$95,367)	(\$112,352)
34	Deferred Income Taxes				(\$0)			
35	Investment Tax Credit							
36	Total Operating Expenses Before AFUDC	(\$681,911)	\$24,915	(\$362,835)	\$53,462,936	\$52,799	\$236,437	\$278,545
37								
38	Operating Income Before AFUDC	\$1,690,613	(\$61,771)	\$899,552	(\$16,382,281)	\$52,799	\$236,437	\$278,545
39	Allowance for Funds Used During Construction							
40	Total Operating Income	\$1,690,613	(\$61,771)	\$899,552	(\$16,382,281)	\$52,799	\$236,437	\$278,545

Line No.	Description	Incentive Comp	Investor Relations	Itasca Rail Project Amortization	LGIA Credit	Organizational Dues	Rate Case Expense	Research Expense
		(22)	(23)	(24)	(25)	(26)	(27)	(28)
1	Operating Revenue							
2	Sales by Rate Class							
3	Dual Fuel							
4	Intersystem Sales							
5	Sales for Resale							
6	Total Revenue from Sales							
7	Other Operating Revenue				\$102,345			
8	Total Operating Revenue				\$102,345			
9								
10	Operating Expenses Before AFUDC							
11	Operation and Maintenance Expenses							
12	Steam Production							
13	Hydro Production							
14	Wind Production							
15	Other Power Supply							
16	Purchased Power							
17	Fuel							
18	Total Production							
19	Transmission							
20	Distribution							
21	Customer Accounting							
22	Customer Credit Cards							
23	Customer Service and Information							
24	Conservation Improvement Program							
25	Sales							
26	Administrative and General	\$6,411,244	\$264,273			\$63,019	(\$1,576,283)	(\$125,229)
27	Charitable Contributions							
28	Interest on Customer Deposits							
29	Total Operation and Maintenance Expenses	\$6,411,244	\$264,273			\$63,019	(\$1,576,283)	(\$125,229)
30	Depreciation Expense							
31	Amortization Expense			(\$355,422)				
32	Taxes Other Than Income Taxes							
33	Income Taxes	(\$1,842,720)	(\$75,957)	\$102,156	(\$29,416)	(\$18,113)	\$453,055	\$35,993
34	Deferred Income Taxes							
35	Investment Tax Credit							
36	Total Operating Expenses Before AFUDC	\$4,568,524	\$188,316	(\$253,267)	(\$29,416)	\$44,906	(\$1,123,228)	(\$89,235)
37								
38	Operating Income Before AFUDC	\$4,568,524	\$188,316	(\$253,267)	\$72,929	\$44,906	(\$1,123,228)	(\$89,235)
39	Allowance for Funds Used During Construction							
40	Total Operating Income	\$4,568,524	\$188,316	(\$253,267)	\$72,929	\$44,906	(\$1,123,228)	(\$89,235)

Line No.	Description	Revenue Budget Corrections	Rider Internal Labor	Service Center Sales	UIP Project Costs	CWC O&M	Interest Synchronization	Changes in Allocations due to Adjustments
		(29)	(30)	(31)	(32)	(33)	(34)	(35)
1	Operating Revenue							
2	Sales by Rate Class	\$91,691						
3	Dual Fuel							
4	Intersystem Sales							
5	Sales for Resale							\$187
6	Total Revenue from Sales	\$91,691						\$187
7	Other Operating Revenue			\$186,952				(\$93)
8	Total Operating Revenue	\$91,691		\$186,952				\$94
9								
10	Operating Expenses Before AFUDC							
11	Operation and Maintenance Expenses							
12	Steam Production							
13	Hydro Production							
14	Wind Production					\$3,426		
15	Other Power Supply							
16	Purchased Power					(\$75,501)		
17	Fuel					\$16,002		
18	Total Production					(\$56,072)		
19	Transmission		(\$1,945,901)			\$937,775		\$47,593
20	Distribution							\$1,750
21	Customer Accounting							
22	Customer Credit Cards					\$2,164		
23	Customer Service and Information					\$19,740		
24	Conservation Improvement Program					(\$112,204)		
25	Sales					\$3,509		
26	Administrative and General					\$170,548		(\$3,308)
27	Charitable Contributions					\$12,075		\$84
28	Interest on Customer Deposits							
29	Total Operation and Maintenance Expenses		(\$1,945,901)			\$977,534		\$46,119
30	Depreciation Expense							\$2,391
31	Amortization Expense				\$107,972			\$527
32	Taxes Other Than Income Taxes							\$7,137
33	Income Taxes	(\$26,354)	\$559,291	(\$53,734)	(\$31,033)	(\$280,963)	(\$2,061,482)	\$1,270
34	Deferred Income Taxes							(\$1,593)
35	Investment Tax Credit							(\$9)
36	Total Operating Expenses Before AFUDC	(\$26,354)	(\$1,386,610)	(\$53,734)	\$76,939	\$696,571	(\$2,061,482)	\$55,841
37								
38	Operating Income Before AFUDC	\$65,337	(\$1,386,610)	\$133,218	\$76,939	\$696,571	(\$2,061,482)	\$55,935
39	Allowance for Funds Used During Construction							\$32,187
40	Total Operating Income	\$65,337	(\$1,386,610)	\$133,218	\$76,939	\$696,571	(\$2,061,482)	\$88,123

Line No.	Description	Total Adjustments	Proposed Interim Rates 2020
		(36)	(37)
1	Operating Revenue		
2	Sales by Rate Class	\$2,852,302	\$611,687,812
3	Dual Fuel	\$102,451	\$10,415,332
4	Intersystem Sales	(\$40,050)	\$30,764,814
5	Sales for Resale	(\$16,385,261)	\$72,223,303
6	Total Revenue from Sales	(\$13,470,559)	\$725,091,261
7	Other Operating Revenue	(\$71,423,370)	\$44,184,067
8	Total Operating Revenue	(\$84,893,928)	\$769,275,328
9			
10	Operating Expenses Before AFUDC		
11	Operation and Maintenance Expenses		
12	Steam Production		(\$31,090,590)
13	Hydro Production		(\$4,756,511)
14	Wind Production	\$120,746	(\$14,843,089)
15	Other Power Supply		(\$1,784,915)
16	Purchased Power	\$5,183,625	(\$221,891,102)
17	Fuel	\$549,413	(\$94,559,852)
18	Total Production	\$5,853,784	(\$368,926,059)
19	Transmission	\$33,094,933	(\$51,784,667)
20	Distribution	\$1,750	(\$22,823,775)
21	Customer Accounting		(\$6,431,969)
22	Customer Credit Cards	\$76,260	(\$179,791)
23	Customer Service and Information	\$695,625	(\$1,088,581)
24	Conservation Improvement Program	(\$3,954,092)	(\$10,630,973)
25	Sales	\$123,666	\$3,507
26	Administrative and General	\$6,006,830	(\$56,516,965)
27	Charitable Contributions	\$425,598	(\$291,637)
28	Interest on Customer Deposits		(\$1,836,000)
29	Total Operation and Maintenance Expenses	\$42,324,354	(\$520,506,909)
30	Depreciation Expense	\$5,017,354	(\$126,748,745)
31	Amortization Expense	(\$6,003,644)	(\$11,222,217)
32	Taxes Other Than Income Taxes	\$7,956,901	(\$37,942,102)
33	Income Taxes	\$8,187,815	\$6,625,839
34	Deferred Income Taxes	(\$1,593)	\$26,497,085
35	Investment Tax Credit	(\$9)	\$461,216
36	Total Operating Expenses Before AFUDC	\$57,481,177	(\$662,835,834)
37			
38	Operating Income Before AFUDC	(\$27,412,752)	\$106,439,495
39	Allowance for Funds Used During Construction	\$32,187	\$1,841,234
40	Total Operating Income	(\$27,380,565)	\$108,280,729

Line No.	Description	Unadjusted Test Year 2020	Advertising Expense	Aircraft Hangar	Asset Retirement Obligation	Decommissioning	Basin Sale Pro Forma	Bos 1 and 2 Regulated Asset
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Operating Revenue							
2	Sales by Rate Class	\$701,653,735					\$176,375	
3	Dual Fuel	\$10,312,881					(\$28,958)	
4	Intersystem Sales	\$35,603,834					(\$46,290)	
5	Sales for Resale	\$102,215,752					(\$18,915,372)	
6	Total Revenue from Sales	\$849,786,203					(\$18,814,245)	
7	Other Operating Revenue	\$128,591,758					(\$20,265)	
8	Total Operating Revenue	\$978,377,961					(\$18,834,510)	
9								
10	Operating Expenses Before AFUDC							
11	Operation and Maintenance Expenses							
12	Steam Production	(\$35,820,450)						
13	Hydro Production	(\$5,485,326)						
14	Wind Production	(\$17,180,655)						
15	Other Power Supply	(\$2,049,342)						
16	Purchased Power	(\$262,159,615)					\$6,131,703	
17	Fuel	(\$109,971,978)					\$616,767	
18	Total Production	(\$432,667,366)					\$6,748,470	
19	Transmission	(\$98,894,385)						
20	Distribution	(\$23,777,924)						
21	Customer Accounting	(\$6,468,216)						
22	Customer Credit Cards	(\$256,051)						
23	Customer Service and Information	(\$2,424,070)						
24	Conservation Improvement Program	(\$6,676,881)						
25	Sales	(\$137,324)	\$137,322					
26	Administrative and General	(\$70,076,968)	\$102,537					
27	Charitable Contributions	(\$801,742)						
28	Interest on Customer Deposits	(\$1,836,000)						
29	Total Operation and Maintenance Expenses	(\$644,016,927)	\$239,859				\$6,748,470	
30	Depreciation Expense	(\$149,077,798)		\$24,036	\$311,376	(\$837,073)		
31	Amortization Expense	(\$5,854,932)			\$709,417			(\$7,318,968)
32	Taxes Other Than Income Taxes	(\$51,722,564)						
33	Income Taxes	(\$2,961,614)	(\$68,940)	(\$6,908)	(\$293,396)	\$240,592	\$3,473,769	\$2,103,617
34	Deferred Income Taxes	\$30,435,636						
35	Investment Tax Credit	\$528,420						
36	Total Operating Expenses Before AFUDC	(\$822,669,780)	\$170,919	\$17,128	\$727,397	(\$596,482)	\$10,222,239	(\$5,215,351)
37								
38	Operating Income Before AFUDC	\$155,708,180	\$170,919	\$17,128	\$727,397	(\$596,482)	(\$8,612,271)	(\$5,215,351)
39	Allowance for Funds Used During Construction	\$2,092,939						
40	Total Operating Income	\$157,801,119	\$170,919	\$17,128	\$727,397	(\$596,482)	(\$8,612,271)	(\$5,215,351)

Line No.	Description	Bos 3 and Common Depreciation (8)	Boswell 3 Environmental Project (9)	CARE (10)	Charitable Contributions (11)	Conservation Expense (12)	CIP Incentive (13)	CIP Carrying Charge (14)
1	Operating Revenue							
2	Sales by Rate Class			\$0				
3	Dual Fuel							
4	Intersystem Sales							
5	Sales for Resale							
6	Total Revenue from Sales			\$0				
7	Other Operating Revenue						(\$1,591,832)	\$73,194
8	Total Operating Revenue			\$0			(\$1,591,832)	\$73,194
9								
10	Operating Expenses Before AFUDC							
11	Operation and Maintenance Expenses							
12	Steam Production							
13	Hydro Production							
14	Wind Production							
15	Other Power Supply							
16	Purchased Power							
17	Fuel							
18	Total Production							
19	Transmission							
20	Distribution							
21	Customer Accounting							
22	Customer Credit Cards							
23	Customer Service and Information							
24	Conservation Improvement Program					(\$3,841,888)		
25	Sales							
26	Administrative and General							
27	Charitable Contributions				\$462,207			
28	Interest on Customer Deposits							
29	Total Operation and Maintenance Expenses				\$462,207	(\$3,841,888)		
30	Depreciation Expense	\$938,616	\$589,356					
31	Amortization Expense							
32	Taxes Other Than Income Taxes							
33	Income Taxes	(\$269,777)	(\$169,393)	(\$0)	(\$132,847)	\$1,104,235	\$457,524	(\$21,037)
34	Deferred Income Taxes							
35	Investment Tax Credit							
36	Total Operating Expenses Before AFUDC	\$668,839	\$419,963	(\$0)	\$329,359	(\$2,737,653)	\$457,524	(\$21,037)
37								
38	Operating Income Before AFUDC	\$668,839	\$419,963	\$0	\$329,359	(\$2,737,653)	(\$1,134,308)	\$52,157
39	Allowance for Funds Used During Construction							
40	Total Operating Income	\$668,839	\$419,963	\$0	\$329,359	(\$2,737,653)	(\$1,134,308)	\$52,157

Line No.	Description	CPA Incentive (15)	CPA (16)	CCRC (17)	Cost Recovery Riders (18)	Credit Card Fees (19)	Economic Development (20)	Employee Expenses (21)
1	Operating Revenue							
2	Sales by Rate Class	\$2,257,772	(\$88,650)	\$1,262,387	\$316,455			
3	Dual Fuel	\$114,752	\$1,964		\$14,693			
4	Intersystem Sales							
5	Sales for Resale							
6	Total Revenue from Sales	\$2,372,524	(\$86,686)	\$1,262,387	\$331,147			
7	Other Operating Revenue				(\$76,110,827)			
8	Total Operating Revenue	\$2,372,524	(\$86,686)	\$1,262,387	(\$75,779,679)			
9								
10	Operating Expenses Before AFUDC							
11	Operation and Maintenance Expenses							
12	Steam Production							
13	Hydro Production							
14	Wind Production				\$134,700			
15	Other Power Supply							
16	Purchased Power				(\$60,000)			
17	Fuel							
18	Total Production				\$74,700			
19	Transmission				\$39,700,750			
20	Distribution							
21	Customer Accounting							
22	Customer Credit Cards					\$74,096		
23	Customer Service and Information				\$913,363		\$4,913	
24	Conservation Improvement Program							
25	Sales							
26	Administrative and General						\$357,691	\$437,005
27	Charitable Contributions							
28	Interest on Customer Deposits							
29	Total Operation and Maintenance Expenses				\$40,688,813	\$74,096	\$362,604	\$437,005
30	Depreciation Expense				\$4,810,188			
31	Amortization Expense							
32	Taxes Other Than Income Taxes				\$9,257,811		\$9,208	
33	Income Taxes	(\$681,911)	\$24,915	(\$362,835)	\$6,042,391	(\$21,297)	(\$106,866)	(\$125,604)
34	Deferred Income Taxes				(\$0)			
35	Investment Tax Credit							
36	Total Operating Expenses Before AFUDC	(\$681,911)	\$24,915	(\$362,835)	\$60,799,204	\$52,799	\$264,946	\$311,401
37								
38	Operating Income Before AFUDC	\$1,690,613	(\$61,771)	\$899,552	(\$14,980,476)	\$52,799	\$264,946	\$311,401
39	Allowance for Funds Used During Construction							
40	Total Operating Income	\$1,690,613	(\$61,771)	\$899,552	(\$14,980,476)	\$52,799	\$264,946	\$311,401

Line No.	Description	Incentive Comp (22)	Investor Relations (23)	Itasca Rail Project Amortization (24)	LGIA Credit (25)	Organizational Dues (26)	Rate Case Expense (27)	Research Expense (28)
1	Operating Revenue							
2	Sales by Rate Class							
3	Dual Fuel							
4	Intersystem Sales							
5	Sales for Resale							
6	Total Revenue from Sales							
7	Other Operating Revenue				\$119,609			
8	Total Operating Revenue				\$119,609			
9								
10	Operating Expenses Before AFUDC							
11	Operation and Maintenance Expenses							
12	Steam Production							
13	Hydro Production							
14	Wind Production							
15	Other Power Supply							
16	Purchased Power							
17	Fuel							
18	Total Production							
19	Transmission							
20	Distribution							
21	Customer Accounting							
22	Customer Credit Cards							
23	Customer Service and Information							
24	Conservation Improvement Program							
25	Sales							
26	Administrative and General	\$7,167,477	\$295,445			\$70,452	(\$1,784,052)	(\$140,000)
27	Charitable Contributions							
28	Interest on Customer Deposits							
29	Total Operation and Maintenance Expenses	\$7,167,477	\$295,445			\$70,452	(\$1,784,052)	(\$140,000)
30	Depreciation Expense							
31	Amortization Expense			(\$408,077)				
32	Taxes Other Than Income Taxes							
33	Income Taxes	(\$2,060,076)	(\$84,917)	\$117,289	(\$34,378)	(\$20,249)	\$512,772	\$40,239
34	Deferred Income Taxes							
35	Investment Tax Credit							
36	Total Operating Expenses Before AFUDC	\$5,107,402	\$210,528	(\$290,787)	(\$34,378)	\$50,203	(\$1,271,280)	(\$99,761)
37								
38	Operating Income Before AFUDC	\$5,107,402	\$210,528	(\$290,787)	\$85,231	\$50,203	(\$1,271,280)	(\$99,761)
39	Allowance for Funds Used During Construction							
40	Total Operating Income	\$5,107,402	\$210,528	(\$290,787)	\$85,231	\$50,203	(\$1,271,280)	(\$99,761)

Line No.	Description	Revenue Budget Corrections (29)	Rider Internal Labor (30)	Service Center Sales (31)	UIP Project Costs (32)	CWC O&M (33)	Interest Synchronization (34)	Total Adjustments (35)
1	Operating Revenue							
2	Sales by Rate Class	\$91,691						\$4,016,030
3	Dual Fuel							\$102,451
4	Intersystem Sales							(\$46,290)
5	Sales for Resale							(\$18,915,372)
6	Total Revenue from Sales	\$91,691						(\$14,843,181)
7	Other Operating Revenue			\$209,004				(\$77,321,117)
8	Total Operating Revenue	\$91,691		\$209,004				(\$92,164,298)
9								
10	Operating Expenses Before AFUDC							
11	Operation and Maintenance Expenses							
12	Steam Production							
13	Hydro Production							
14	Wind Production					\$3,934		\$138,634
15	Other Power Supply							
16	Purchased Power					(\$87,166)		\$5,984,537
17	Fuel					\$18,503		\$635,270
18	Total Production					(\$64,729)		\$6,758,441
19	Transmission		(\$2,268,468)			\$1,093,228		\$38,525,510
20	Distribution							
21	Customer Accounting							
22	Customer Credit Cards					\$2,164		\$76,260
23	Customer Service and Information					\$26,819		\$945,095
24	Conservation Improvement Program					(\$112,204)		(\$3,954,092)
25	Sales					\$4,011		\$141,333
26	Administrative and General					\$190,027		\$6,696,583
27	Charitable Contributions					\$13,499		\$475,706
28	Interest on Customer Deposits							
29	Total Operation and Maintenance Expenses		(\$2,268,468)			\$1,152,813		\$49,664,834
30	Depreciation Expense							\$5,836,498
31	Amortization Expense				\$120,708			(\$6,896,919)
32	Taxes Other Than Income Taxes							\$9,267,019
33	Income Taxes	(\$26,354)	\$652,003	(\$60,072)	(\$34,694)	(\$331,342)	(\$2,358,193)	\$7,498,261
34	Deferred Income Taxes							(\$0)
35	Investment Tax Credit							
36	Total Operating Expenses Before AFUDC	(\$26,354)	(\$1,616,465)	(\$60,072)	\$86,014	\$821,472	(\$2,358,193)	\$65,369,693
37								
38	Operating Income Before AFUDC	\$65,337	(\$1,616,465)	\$148,932	\$86,014	\$821,472	(\$2,358,193)	(\$26,794,605)
39	Allowance for Funds Used During Construction							
40	Total Operating Income	\$65,337	(\$1,616,465)	\$148,932	\$86,014	\$821,472	(\$2,358,193)	(\$26,794,605)

Line No.	Description	Proposed Interim Rates 2020
		(36)
1	Operating Revenue	
2	Sales by Rate Class	\$705,669,765
3	Dual Fuel	\$10,415,332
4	Intersystem Sales	\$35,557,545
5	Sales for Resale	\$83,300,380
6	Total Revenue from Sales	\$834,943,022
7	Other Operating Revenue	\$51,270,641
8	Total Operating Revenue	\$886,213,663
9		
10	Operating Expenses Before AFUDC	
11	Operation and Maintenance Expenses	
12	Steam Production	(\$35,820,450)
13	Hydro Production	(\$5,485,326)
14	Wind Production	(\$17,042,021)
15	Other Power Supply	(\$2,049,342)
16	Purchased Power	(\$256,175,078)
17	Fuel	(\$109,336,708)
18	Total Production	(\$425,908,925)
19	Transmission	(\$60,368,875)
20	Distribution	(\$23,777,924)
21	Customer Accounting	(\$6,468,216)
22	Customer Credit Cards	(\$179,791)
23	Customer Service and Information	(\$1,478,975)
24	Conservation Improvement Program	(\$10,630,973)
25	Sales	\$4,009
26	Administrative and General	(\$63,380,386)
27	Charitable Contributions	(\$326,036)
28	Interest on Customer Deposits	(\$1,836,000)
29	Total Operation and Maintenance Expenses	(\$594,352,093)
30	Depreciation Expense	(\$143,241,300)
31	Amortization Expense	(\$12,751,852)
32	Taxes Other Than Income Taxes	(\$42,455,545)
33	Income Taxes	\$4,536,646
34	Deferred Income Taxes	\$30,435,636
35	Investment Tax Credit	\$528,420
36	Total Operating Expenses Before AFUDC	(\$757,300,087)
37		
38	Operating Income Before AFUDC	\$128,913,576
39	Allowance for Funds Used During Construction	\$2,092,939
40	Total Operating Income	\$131,006,515

Line No.	Description	Calculation Note	Total Company	Minnesota Jurisdiction
			Proposed Interim Rates 2020	
		(1)	(2)	(3)
1	Average Rate Base		\$2,299,403,110	\$2,022,056,422
2	Request Weighted Cost of Debt		0.02066	0.02066
3	Interest	Line 1 * Line 2	\$47,498,770	\$41,769,620
4	Interest in Unadjusted Test Year		\$55,703,464	\$48,941,987
5	Interest Deduction Adjustment	Line 4 - Line 3	\$8,204,694	\$7,172,368
6				
7	Minnesota State Income Tax Rate		9.80%	9.80%
8	State Tax Interest Adjustment	Line 5 * Line 7 * - 1	(\$804,060)	(\$702,892)
9				
10	Effective Federal Income Tax Rate		18.94%	18.94%
11	Federal Tax Interest Adjustment	Line 5 * Line 10 * - 1	(\$1,554,133)	(\$1,358,590)
12				
13	Total Interest Synchronization Adjustment	Line 8 + Line 11	(\$2,358,193)	(\$2,061,482)

Line No.	Description	Calculation Note	Minnesota Jurisdiction	
			Unadjusted Test Year 2020	Proposed Interim Rates 2020
		(1)	(2)	(3)
1	Average Rate Base		\$2,369,268,904	\$2,022,056,423
2	Operating Income Before AFUDC		\$133,852,247	\$106,439,493
3	AFUDC		\$1,809,047	\$1,841,234
4	Operating Income	Line 2 + Line 3	\$135,661,294	\$108,280,727
5	Rate of Return	Line 4 / Line 1	5.7259%	5.3550%
6	Required Rate of Return		7.4737%	7.0432%
7	Required Operating Income	Line 1 * Line 6	\$177,072,050	\$142,417,478
8	Operating Income Deficiency	Line 7 - Line 4	\$41,410,756	\$34,136,751
9	Gross Revenue Conversion Factor		1.40335	1.40335
10	Revenue Deficiency	Line 8 * Line 9	\$58,113,834	\$47,905,850
11	Present Rates Revenue From Sales by Rate Class and Dual Fuel		\$619,148,394	\$622,103,144
12	Required Percent Increase	Line 10 / Line 11	9.3861%	7.7006%

Line No.	Description	Minnesota Jurisdiction		
		Results of Most Recent Rate Case (E015/GR-16-664)	Proposed Interim Rates 2020	Difference
		(1)	(2)	(3)
1	Plant In Service			
2	Steam	\$1,377,553,044	\$1,310,563,549	(\$66,989,495)
3	Hydro	\$161,747,996	\$183,124,115	\$21,376,119
4	Wind	\$682,699,561	\$694,109,216	\$11,409,655
5	Solar			
6	Transmission	\$606,702,164	\$703,425,516	\$96,723,352
7	Distribution	\$555,361,755	\$623,175,381	\$67,813,626
8	General Plant	\$173,233,680	\$200,856,034	\$27,622,354
9	Intangible Plant	\$67,006,652	\$71,224,245	\$4,217,593
10	Total Plant In Service	\$3,624,304,852	\$3,786,478,055	\$162,173,203
11				
12	Accumulated Depreciation and Amortization			
13	Steam	(\$583,396,685)	(\$608,635,217)	(\$25,238,532)
14	Hydro	(\$22,350,269)	(\$34,474,417)	(\$12,124,148)
15	Wind	(\$77,974,321)	(\$137,940,898)	(\$59,966,577)
16	Solar		(\$0)	(\$0)
17	Transmission	(\$197,328,141)	(\$230,453,747)	(\$33,125,606)
18	Distribution	(\$260,829,598)	(\$300,450,830)	(\$39,621,232)
19	General Plant	(\$85,720,751)	(\$107,973,100)	(\$22,252,349)
20	Intangible Plant	(\$43,727,842)	(\$51,276,100)	(\$7,548,258)
21	Total Accumulated Depreciation and Amortization	(\$1,271,327,607)	(\$1,471,204,310)	(\$199,876,703)
22				
23	Net Plant Before CWIP			
24	Steam	\$794,156,359	\$701,928,332	(\$92,228,027)
25	Hydro	\$139,397,727	\$148,649,699	\$9,251,972
26	Wind	\$604,725,240	\$556,168,318	(\$48,556,922)
27	Solar		(\$0)	(\$0)
28	Transmission	\$409,374,023	\$472,971,769	\$63,597,746
29	Distribution	\$294,532,157	\$322,724,551	\$28,192,394
30	General Plant	\$87,512,929	\$92,882,934	\$5,370,005
31	Intangible Plant	\$23,278,810	\$19,948,145	(\$3,330,665)
32	Total Net Plant Before CWIP	\$2,352,977,245	\$2,315,273,746	(\$37,703,499)
33	Construction Work in Progress	\$21,936,336	\$30,589,173	\$8,652,837
34	Utility Plant	\$2,374,913,581	\$2,345,862,919	(\$29,050,662)
35				
36	Working Capital			
37	Fuel Inventory	\$37,891,203	\$19,619,720	(\$18,271,483)
38	Materials and Supplies	\$25,410,468	\$23,299,084	(\$2,111,384)
39	Prepayments	\$30,396,543	\$26,399,835	(\$3,996,708)
40	Cash Working Capital	(\$26,950,177)	(\$30,776,956)	(\$3,826,779)
41	Total Working Capital	\$66,748,037	\$38,541,683	(\$28,206,354)
42				
43	Additions and Deductions			
44	Asset Retirement Obligation			
45	Workers Compensation Deposit	\$74,492	\$74,611	\$119
46	Unamortized WPPI Transmission Amortization	(\$2,150,893)	(\$1,155,831)	\$995,062
47	Unamortized UMWI Transaction Cost	\$1,425,067	\$1,206,723	(\$218,344)
48	Unamortized Boswell 1 and 2		\$3,507,792	\$3,507,792
49	Customer Advances	(\$1,790,064)	(\$2,261,874)	(\$471,810)
50	Customer Deposits	(\$240,131)	(\$131)	\$240,000
51	Other Deferred Credits - Hibbard	(\$286,114)	(\$295,801)	(\$9,687)
52	Wind Performance Deposit	(\$125,867)	(\$130,081)	(\$4,214)
53	Accumulated Deferred Income Taxes	(\$389,645,990)	(\$363,293,586)	\$26,352,404
54	Total Additions and Deductions	(\$392,739,500)	(\$362,348,178)	\$30,391,322
55				
56	Total Average Rate Base	\$2,048,922,118	\$2,022,056,424	(\$26,865,694)

Minnesota Power
Proposed Interim Rates
Description of Changes in Rate Base

General Description

The Company has identified those significant events affecting changes in the major categories of Rate Base since the last Order in Docket No. **E-015/GR-16-664**.

<u>Item</u>	<u>Description and Basis</u>
Steam Production Plant	The decrease is primarily due to retiring Boswell Units 1 and 2 in 2018 and transferring the plant balance to a regulated asset reflecting continued cost recovery through 2022. This decrease was partially offset by regularly-scheduled and necessary critical turbine repairs and replacement of worn parts on Boswell Units 3 and 4 and on-going capital investment and upgrades to steam generation units
Hydro Production Plant	The increase is primarily due to on-going capital investment and upgrades to hydro generation units.
Wind Production Plant	The increase is primarily due to on-going capital investment and upgrades to wind generation units.
Transmission Plant	The increase is primarily due to strategic capital investments related to the ongoing transition of the Company's baseload coal generation fleet as well as on-going capital investments and upgrades to improve reliability and power quality.
Distribution Plant	The increase is primarily due to on-going capital investments and upgrades to improve reliability and power quality.
General Plant	The increase is primarily due to on-going capital investment.
Intangible Plant	The increase is primarily due to on-going capital investment, primarily software.
Accumulated Depreciation and Amortization	Depreciation and Amortization reserves increased primarily due to the additions of tangible and intangible plant, partially offset by retiring Boswell Units 1 and 2 in 2018 and transferring the accumulated depreciation balance to a regulated asset reflecting continued cost recovery through 2022.
Construction Work In Progress	The increase is primarily due to changes in the level of capital investment from year to year.

Minnesota Power
Proposed Interim Rates
Description of Changes in Rate Base

General Description

The Company has identified those significant events affecting changes in the major categories of Rate Base since the last Order in Docket No. **E-015/GR-16-664**.

Item	Description and Basis
Working Capital	Fuel inventory decreases are primarily due to bringing fuel inventory back to a normal level and the reduction in coal burn as a result of the retirement of Boswell Units 1 and 2. The last rate case had a high fuel inventory level as a result of building up fuel inventory before rail delivery rates increased.
Unamortized Boswell 1 and 2	The increase is due to retiring Boswell Units 1 and 2 and transferring the plant balance and accumulated depreciation to a regulated asset in 2018 reflecting continued cost recovery through 2022.
Accumulated Deferred Income Taxes	The decrease is primarily due to book depreciation in excess of tax depreciation, and additional production tax credits earned.

Line No.	Description	Minnesota Jurisdiction		
		Results of Most Recent Rate Case (E015/GR-16-664)	Proposed Interim Rates 2020	Difference
		(1)	(2)	(3)
1	Operating Revenue			
2	Sales by Rate Class	\$644,599,005	\$611,687,813	(\$32,911,192)
3	Dual Fuel	\$10,538,568	\$10,415,332	(\$123,236)
4	Intersystem Sales	\$6,482,677	\$30,764,814	\$24,282,137
5	Sales for Resale	\$126,505,800	\$72,223,303	(\$54,282,497)
6	Total Revenue from Sales	\$788,126,050	\$725,091,263	(\$63,034,787)
7	Other Operating Revenue	\$41,952,810	\$44,184,067	\$2,231,257
8	Total Operating Revenue	\$830,078,860	\$769,275,330	(\$60,803,530)
9				
10	Operating Expenses Before AFUDC			
11	Operation and Maintenance Expenses			
12	Steam Production	(\$41,006,829)	(\$31,090,590)	\$9,916,239
13	Hydro Production	(\$5,716,958)	(\$4,756,511)	\$960,447
14	Wind Production	(\$13,766,390)	(\$14,843,089)	(\$1,076,699)
15	Other Power Supply	\$468,020	(\$1,784,915)	(\$2,252,935)
16	Purchased Power	(\$204,620,065)	(\$221,891,103)	(\$17,271,038)
17	Fuel	(\$122,233,712)	(\$94,559,852)	\$27,673,860
18	Total Production	(\$386,875,934)	(\$368,926,060)	\$17,949,874
19	Transmission	(\$47,345,228)	(\$51,784,667)	(\$4,439,439)
20	Distribution	(\$23,697,619)	(\$22,823,775)	\$873,844
21	Customer Accounting	(\$6,362,302)	(\$6,431,969)	(\$69,667)
22	Customer Credit Cards	(\$350,000)	(\$179,791)	\$170,209
23	Customer Service and Information	(\$2,746,697)	(\$1,088,581)	\$1,658,116
24	Conservation Improvement Program	(\$10,447,625)	(\$10,630,973)	(\$183,348)
25	Sales	(\$40,958)	\$3,507	\$44,465
26	Administrative and General	(\$48,386,941)	(\$56,516,965)	(\$8,130,024)
27	Charitable Contributions	(\$394,280)	(\$291,637)	\$102,643
28	Interest on Customer Deposits	(\$1,071,000)	(\$1,836,000)	(\$765,000)
29	Total Operation and Maintenance Expenses	(\$527,718,584)	(\$520,506,909)	\$7,211,675
30	Depreciation Expense	(\$123,591,686)	(\$126,748,745)	(\$3,157,059)
31	Amortization Expense	(\$4,217,942)	(\$11,222,217)	(\$7,004,275)
32	Taxes Other Than Income Taxes	(\$42,278,734)	(\$37,942,102)	\$4,336,632
33	Income Taxes	\$1,213,049	\$6,625,839	\$5,412,790
34	Deferred Income Taxes	\$8,516,506	\$26,497,085	\$17,980,579
35	Investment Tax Credit	\$364,441	\$461,216	\$96,775
36	Total Operating Expenses Before AFUDC	(\$687,712,950)	(\$662,835,835)	\$24,877,115
37				
38	Operating Income Before AFUDC	\$142,365,910	\$106,439,495	(\$35,926,415)
39	Allowance for Funds Used During Construction	\$2,367,898	\$1,841,234	(\$526,664)
40	Total Operating Income	\$144,733,808	\$108,280,730	(\$36,453,078)

General Description

Minnesota Power (“Company”) has identified those significant events affecting changes in the major categories of Operating Income since the last Order in Docket No. E015/GR-16-664

Item	Description and Basis
<u>Operating Revenue:</u>	The comparison of revenue by rate class is based on final rate revenue in Docket No. E015/GR-16-664 (2016 Rate Order) as compared to the interim rate revenue in the present docket (2020 test year).
Sales by Class	The decrease in revenue from the 2016 Rate Order to the 2020 test year reflects a decline in load of approximately 5 percent. The decrease in load reflects the impact of unfavorable market conditions that led to the closure or idling of businesses, including Blandin Paper Company’s Paper Machine #5 in 2017. Load loss due to energy efficiencies also reduced revenue.
Dual Fuel	No significant change.
Intersystem Sales	The increase in revenue from the 2016 Rate Order to the 2020 test year is primarily due to more sales to Silver Bay Power Corporation. In 2019, Silver Bay Power ceased self-generation.
Sales for Resale	The decrease in revenue from the 2016 Rate Order to the 2020 test year is primarily due to lower wholesale power sales as a 100 MW bilateral sale contract with Basin Electric Power Cooperative expires on April 30, 2020. Bilateral sales contracts with AEP Energy Partners, NextEra Energy Power Marketing and Oconto Electric Cooperative contribute to the \$10.0 million proposed asset-based wholesale sales margin (Minnesota Jurisdiction portion) in the 2020 test year.
Other Operating Revenue	Revenue increased from the 2016 Rate Order to the 2020 test year primarily due to the inclusion of clean coal revenue.

General Description

Minnesota Power (“Company”) has identified those significant events affecting changes in the major categories of Operating Income since the last Order in Docket No. E015/GR-16-664

Item	Description and Basis
<u>Operating Expenses:</u>	
Steam Production	Steam Production expense decreased primarily due to the retirement of Units 1 and 2 at the Boswell Energy Center in December 2018, and lower labor and related benefit expenses. These decreases were partially offset by an adjustment reducing Steam Production expense in the most recent general rate case.
Hydro Production	Hydro Production expense decreased primarily due to lower labor and related benefit expenses.
Wind Production	Wind Production expense increased primarily due to escalation factors in the long-term service agreements for the Bison Wind Energy Center.
Other Power Supply	Other Power Supply expense increased primarily due to an adjustment reducing Other Power Supply expense in the most recent general rate case.
Purchased Power	Purchased Power expense increased primarily due to higher prices on long-term firm purchases. Additional purchases are also necessary to meet load requirements following the retirement of Boswell Energy Center Unit 1 and 2 at the end of 2018.
Fuel	Fuel expense decreased primarily due to the retirement of Boswell Energy Center Units 1 and 2 at the end of 2018.
Transmission	Transmission expenses increased primarily due to higher expenses related to Minnesota Power’s high voltage direct current transmission line and other MISO-related expenses as well as additional transmission expense associated with commencement of a wholesale power sale to Oconto Electric Cooperative, which is offset in revenue.
Distribution	Distribution expenses decreased slightly primarily due to lower vegetation management costs, and lower labor and related benefit expenses.

General Description

Minnesota Power (“Company”) has identified those significant events affecting changes in the major categories of Operating Income since the last Order in Docket No. E015/GR-16-664

Item	Description and Basis
Customer Accounting / Credit Cards	Customer Accounting / Credit Card expenses decreased primarily due to lower fees related to processing credit card transactions including the impact of an adjustment in the 2020 test year to return over-collected credit card fees.
Customer Service and Information	Customer Service and Information expense decreased primarily due to an adjustment in the 2020 test year to remove SolarSense expenses that will remain in a continuing cost recovery rider, and lower labor and related benefit expenses.
Conservation Improvement Program	Conservation Improvement Program expenses increased due to higher spending on conservation programs. The 2020 test year expense is based on the proposed annual CIP budget filed with the Minnesota Department of Commerce.
Sales	No significant change.
Administrative and General	Administrative and General expenses increased primarily due to adjustments reducing Administrative and General expense in the most recent general rate case and higher benefit expenses. These increases were partially offset by lower labor expenses.
Charitable Contributions	No significant changes.
Interest on Customer Deposits	Primarily relates to weekly billings to Large Power customers which are reduced by an interest component that is included as a Company expense. Interest calculation is based on billings to customers which will vary from year to year.
Depreciation Expense	Depreciation Expense increased primarily due to higher plant in-service. This increase is partially offset by the reclassification of Units 1 and 2 at the Boswell Energy Center as regulatory assets in December 2018. See “Amortization Expense”.

General Description

Minnesota Power (“Company”) has identified those significant events affecting changes in the major categories of Operating Income since the last Order in Docket No. E015/GR-16-664

Item	Description and Basis
Amortization Expense	Amortization expense increased primarily due to the retirement of Units 1 and 2 at the Boswell Energy Center in December 2018, which are now classified as a regulatory asset with associated amortization. These units were included in depreciation expense in the most recent general rate case. See “Depreciation Expense”.
Taxes Other Than Income Taxes	Taxes Other Than Income Taxes decreased primarily due to an adjustment in the 2020 test year to remove taxes other than income taxes that will remain in a continuing cost recovery rider.
Income Taxes / Deferred Income Taxes	Income Taxes reflect lower pre-tax income in 2020 and the amortization of excess deferred income tax benefit in 2020 resulting from the Tax Cut and Jobs Act of 2017.
Investment Tax Credit	No significant changes.
Allowance for Funds Used During Construction	Allowance for Funds Used During Construction decreased primarily due to changes in the level of capital investment from year to year.

Line No.	Description	Calculation Note	Minnesota Jurisdiction		
			Results of Most Recent Rate Case (E015/GR-16-664)	Proposed Interim Rates 2020	Difference
		(1)	(2)	(3)	(4)
1	Average Rate Base		\$2,048,922,118	\$2,022,056,424	(\$26,865,694)
2	Operating Income Before AFUDC		\$142,365,910	\$106,439,495	(\$35,926,415)
3	AFUDC		\$2,367,898	\$1,841,234	(\$526,664)
4	Operating Income	Line 2 + Line 3	\$144,733,808	\$108,280,730	(\$36,453,078)
5	Rate of Return	Line 4 / Line 1	7.0639%	5.3550%	(1.7089%)
6	Required Rate of Return		7.0639%	7.0432%	(0.0207%)
7	Required Operating Income	Line 1 * Line 6	\$144,733,808	\$142,417,478	(\$2,316,330)
8	Operating Income Deficiency	Line 7 - Line 4		\$34,136,749	\$34,136,749
9	Gross Revenue Conversion Factor		1.40335	1.40335	
10	Revenue Deficiency	Line 8 * Line 9		\$47,905,847	
11	Present Rates Revenue From Sales by Rate Class and Dual Fuel		\$655,137,573	\$622,103,146	(\$33,034,427)
12	Required Percent Increase	Line 10 / Line 11		7.7006%	

Minnesota Power
Comparison of Most Recently Approved
Capital Structure and Rate of Return Calculations
Minnesota Jurisdiction
(Thousands of Dollars)

- I. Capital structure and rate of return calculation approved by the commission in Minnesota Power's most recent general rate case (Docket No. E-015/GR-16-664)

	<u>Amount</u>	<u>% of Total</u>	<u>Component Cost</u>	<u>Weighted Cost</u>
Long Term Debt	\$1,228,550	46.1892%	4.5170%	2.0864%
Common Equity	<u>\$1,431,272</u>	<u>53.8108%</u>	9.2500%	<u>4.9775%</u>
Total Capitalization	\$2,659,822	100.0000%		7.0639%

- II. Capital structure and rate of return calculation for proposed interim rates 2020

	<u>Projected Amount</u>	<u>Projected % of Total</u>	<u>Requested % of Total</u>	<u>Component Cost</u>	<u>Weighted Cost</u>
Long Term Debt	\$1,281,771	45.5400%	46.1892%	4.4723%	2.0657%
Common Equity	<u>\$1,532,832</u>	<u>54.4600%</u>	<u>53.8108%</u>	9.2500%	<u>4.9775%</u>
Total Capitalization	\$2,814,603	100.0000%	100.0000%		7.0432%

- III. Amount of changes between I and II

	<u>Most Recent General Rate Case Filing</u>	<u>Proposed Interim Filing</u>	<u>Change</u>
Long Term Debt	\$1,228,550	\$1,281,771	\$53,221
Common Equity	<u>\$1,431,272</u>	<u>\$1,532,832</u>	<u>\$101,560</u>
Total Capitalization	\$2,659,822	\$2,814,603	\$154,781

**Minnesota Power
Comparison of Most Recently Approved
Capital Structure and Rate of Return Calculations
Minnesota Jurisdiction**

- I. The long term debt portion of the capital structure proposed in this rate case increased by approximately \$53.2 million compared to the last rate case filing in Docket No. E-015/GR-16-664. The component cost of long term debt decreased from 4.5170% in the 2016 rate filing to 4.4723% in the current rate filing.

Common equity increased by \$101.6 million due to actual and projected issuances of common stock and increases in retained earnings.

Minnesota Power
Docket No. E015/GR-19-442

MINNESOTA POWER
COMPARISON OF OPERATING REVENUES
PRESENT VS. INTERIM RATES
TEST YEAR 2020

Rate Classes	Customers	MWh	Operating Revenues		Interim	Increase	
			Present	MWh		(\$)	(%)
1 Residential	112,654	948,850	\$103,025,631	948,850	\$110,958,604	\$7,932,974	7.70%
2 General Service	20,894	678,755	\$72,516,553	678,755	\$78,100,328	\$5,583,775	7.70%
3 Large Light & Power	446	1,324,161	\$107,097,891	1,324,161	\$115,344,428	\$8,246,537	7.70%
4 Large Power	9	5,288,437	\$325,538,419	5,288,437	\$350,604,877	\$25,066,458	7.70%
5 Municipal Pumping	-	-	-	-	-	\$0	0.00%
6 Lighting	5,045	20,418	\$3,509,312	20,418	\$3,779,522	\$270,210	7.70%
7 Subtotal (By Rate Class)	139,048	8,260,621	\$611,687,805	8,260,621	\$658,787,759	\$47,099,954	7.70%
Dual Fuel (Interruptible)							
8 Residential	7,676	97,889	\$8,201,260	97,889	\$8,832,757	\$631,497	7.70%
9 Commercial/Industrial	543	27,733	\$2,214,100	27,733	\$2,384,586	\$170,486	7.70%
10 Subtotal Dual Fuel	8,219	125,622	\$10,415,360	125,622	\$11,217,343	\$801,983	7.70%
11 TOTAL (Sales of Electricity Including Dual Fuel)		8,386,243	\$622,103,165	8,386,243	\$670,005,102	\$47,901,936	7.70%
12 Large Power (Other) 1/		848,471	\$35,557,558	848,471	\$35,557,558	\$0	0.00%
13 TOTAL	147,267	9,234,714	\$657,660,724	9,234,714	\$705,562,660	\$47,901,936	7.28%
<u>Adjustments to Revenue</u>							
14 Boswell 4 Environmental Adjustment			\$0		\$0	\$0	0.00%
15 Renewable Resource Adjustment			\$0		\$0	\$0	0.00%
16 Transmission Adjustment			\$0		\$0	\$0	0.00%
18 Solar Energy Adjustment			-\$463,731		-\$463,731	\$0	0.00%
19 Community Solar Garden		1,553	\$132,583		\$132,583	\$0	0.00%
20 Conservation Program Adjustment			\$86,687		\$86,687	\$0	0.00%
21 CCRC Credit for CIP-exempt			-\$1,262,387		-\$1,262,387	\$0	0.00%
23 CARE Surcharge			\$1,885,875		\$1,885,875	\$0	0.00%
24 Subtotal Revenue Adjustments		1,553	\$379,027		\$379,027	\$0	0.00%
25 Total E Schedule Revenue		9,236,266	\$658,039,751		\$705,941,687	\$47,901,936	7.28%

Notes:

1/ Large Power (Other) includes IPS for Present and General Rates.

Line No.	Description	Minnesota Jurisdiction		
		Most Recent Fiscal	Proposed Interim Rates	Difference
		Year 2018	2020	
		(1)	(2)	(3)
1	Plant In Service			
2	Steam	\$1,374,183,096	\$1,310,563,549	(\$63,619,547)
3	Hydro	\$172,580,241	\$183,124,115	\$10,543,874
4	Wind	\$688,487,279	\$694,109,216	\$5,621,937
5	Solar	\$173,137		(\$173,137)
6	Transmission	\$641,384,264	\$703,425,516	\$62,041,252
7	Distribution	\$577,263,384	\$623,175,381	\$45,911,998
8	General Plant	\$180,037,797	\$200,856,034	\$20,818,237
9	Intangible Plant	\$64,026,272	\$71,224,245	\$7,197,973
10	Total Plant In Service	\$3,698,135,470	\$3,786,478,055	\$88,342,586
11				
12	Accumulated Depreciation and Amortization			
13	Steam	(\$556,726,002)	(\$608,635,217)	(\$51,909,214)
14	Hydro	(\$40,383,191)	(\$34,474,417)	\$5,908,774
15	Wind	(\$97,887,162)	(\$137,940,898)	(\$40,053,736)
16	Solar	(\$7,470)	(\$0)	\$7,470
17	Transmission	(\$193,591,676)	(\$230,453,747)	(\$36,862,071)
18	Distribution	(\$238,318,176)	(\$300,450,830)	(\$62,132,654)
19	General Plant	(\$97,435,760)	(\$107,973,100)	(\$10,537,340)
20	Intangible Plant	(\$43,340,562)	(\$51,276,100)	(\$7,935,538)
21	Total Accumulated Depreciation and Amortization	(\$1,267,689,999)	(\$1,471,204,310)	(\$203,514,311)
22				
23	Net Plant Before CWIP			
24	Steam	\$817,457,094	\$701,928,332	(\$115,528,762)
25	Hydro	\$132,197,050	\$148,649,699	\$16,452,648
26	Wind	\$590,600,117	\$556,168,318	(\$34,431,799)
27	Solar	\$165,667	(\$0)	(\$165,667)
28	Transmission	\$447,792,588	\$472,971,769	\$25,179,180
29	Distribution	\$338,945,208	\$322,724,551	(\$16,220,657)
30	General Plant	\$82,602,037	\$92,882,934	\$10,280,896
31	Intangible Plant	\$20,685,710	\$19,948,145	(\$737,565)
32	Total Net Plant Before CWIP	\$2,430,445,471	\$2,315,273,746	(\$115,171,725)
33	Construction Work in Progress	\$141,725,494	\$30,589,173	(\$111,136,321)
34	Utility Plant	\$2,572,170,965	\$2,345,862,919	(\$226,308,046)
35				
36	Working Capital			
37	Fuel Inventory	\$25,690,391	\$19,619,720	(\$6,070,671)
38	Materials and Supplies	\$23,372,970	\$23,299,084	(\$73,885)
39	Prepayments	\$93,362,039	\$26,399,835	(\$66,962,203)
40	Cash Working Capital	(\$25,765,898)	(\$30,776,956)	(\$5,011,058)
41	Total Working Capital	\$116,659,502	\$38,541,683	(\$78,117,818)
42				
43	Additions and Deductions			
44	Asset Retirement Obligation	(\$63,346,983)		\$63,346,983
45	Workers Compensation Deposit	\$73,429	\$74,611	\$1,182
46	Unamortized WPPI Transmission Amortization	(\$1,824,379)	(\$1,155,831)	\$668,548
47	Unamortized UMWI Transaction Cost	\$1,352,229	\$1,206,723	(\$145,506)
48	Unamortized Boswell 1 and 2		\$3,507,792	\$3,507,792
49	Customer Advances	(\$2,259,402)	(\$2,261,874)	(\$2,472)
50	Customer Deposits	(\$131)	(\$131)	(\$0)
51	Other Deferred Credits - Hibbard	(\$289,156)	(\$295,801)	(\$6,644)
52	Wind Performance Deposit	(\$127,120)	(\$130,081)	(\$2,961)
53	Accumulated Deferred Income Taxes	(\$397,691,985)	(\$363,293,586)	\$34,398,399
54	Total Additions and Deductions	(\$464,113,499)	(\$362,348,178)	\$101,765,321
55				
56	Total Average Rate Base	\$2,224,716,968	\$2,022,056,424	(\$202,660,544)

Minnesota Power
Proposed Interim Rates
Description of Changes in Rate Base

General Description

The Company has identified those significant events affecting changes in the major categories of Rate Base since the most recent fiscal year 2018 (unadjusted).

<u>Item</u>	<u>Description and Basis</u>
Steam Production Plant	The decrease is primarily due to retiring Boswell Units 1 and 2 in 2018 and transferring the plant balance to a regulated asset reflecting continued cost recovery through 2022. In addition, there are adjustments in the 2020 test year for plant in-service. These decreases were partially offset by regularly-scheduled and necessary critical turbine repairs and replacement of worn parts on Boswell Units 3 and 4 and on-going capital investment and upgrades to steam generation units.
Hydro Production Plant	The increase is due primarily to on-going capital investment and upgrades to hydro generation units, partially offset by adjustments in the 2020 test year for plant in-service.
Wind Production Plant	The increase is due primarily to on-going capital investment and upgrades to wind generation units, partially offset by adjustments in the 2020 test year for plant in-service.
Transmission Plant	The increase is primarily due to strategic capital investments related to the ongoing transition of the Company's baseload coal generation fleet as well as on-going capital investments and upgrades to improve reliability and power quality. The increase is partially offset by adjustments in the 2020 test year for plant in-service.
Distribution Plant	The increase is primarily due to on-going capital investments and upgrades to improve reliability and power quality, partially offset by adjustments in the 2020 test year for plant in-service.
General Plant	The increase is primarily due to on-going capital investment, partially offset by adjustments in the 2020 test year for plant in-service.
Intangible Plant	The increase is primarily due to on-going capital investment, primarily software, partially offset by adjustments in the 2020 test year for plant in-service.

Minnesota Power
Proposed Interim Rates
Description of Changes in Rate Base

General Description

The Company has identified those significant events affecting changes in the major categories of Rate Base since the most recent fiscal year 2018 (unadjusted).

<u>Item</u>	<u>Description and Basis</u>
Accumulated Depreciation and Amortization	Depreciation and Amortization reserves increased primarily due to the additions of tangible and intangible plant, partially offset by retiring Boswell Units 1 and 2 in 2018 and transferring the accumulated depreciation balance to a regulated asset reflecting continued cost recovery through 2022. In addition, there are adjustments in the 2020 test year for accumulated depreciation and amortization.
Construction Work In Progress (CWIP)	The decrease is primarily due to changes in the level of capital investment from year to year and the adjustment for the removal of the Great Northern Transmission Line in the 2020 test year.
Working Capital	Fuel inventory decreases are primarily due to bringing fuel inventory back to a normal level and the reduction in coal burn as a result of the retirement of Boswell Units 1 and 2. Prepayments decreases are primarily due to an adjustment in the 2020 test year to remove prepaid pension.
Asset Retirement Obligations	There is an adjustment in the 2020 test year to remove asset retirement obligations.
Unamortized Boswell 1 and 2	The increase is due to retiring Boswell Units 1 and 2 and transferring the plant balance and accumulated depreciation to a regulated asset in 2018 reflecting continued cost recovery through 2022.
Accumulated Deferred Income Taxes	The decrease is primarily due to book depreciation in excess of tax depreciation, and additional production tax credits earned.

Line No.	Description	Minnesota Jurisdiction		
		Most Recent Fiscal Year 2018	Proposed Interim Rates 2020	Difference
		(1)	(2)	(3)
1	Operating Revenue			
2	Sales by Rate Class	\$615,711,852	\$611,687,813	(\$4,024,039)
3	Dual Fuel	\$10,426,594	\$10,415,332	(\$11,261)
4	Intersystem Sales	\$22,564,482	\$30,764,814	\$8,200,332
5	Sales for Resale	\$144,099,930	\$72,223,303	(\$71,876,627)
6	Total Revenue from Sales	\$792,802,858	\$725,091,263	(\$67,711,595)
7	Other Operating Revenue	\$80,025,885	\$44,184,067	(\$35,841,818)
8	Total Operating Revenue	\$872,828,743	\$769,275,330	(\$103,553,413)
9				
10	Operating Expenses Before AFUDC			
11	Operation and Maintenance Expenses			
12	Steam Production	(\$33,794,100)	(\$31,090,590)	\$2,703,511
13	Hydro Production	(\$4,869,316)	(\$4,756,511)	\$112,805
14	Wind Production	(\$14,160,470)	(\$14,843,089)	(\$682,619)
15	Other Power Supply	(\$1,403,755)	(\$1,784,915)	(\$381,160)
16	Purchased Power	(\$216,603,395)	(\$221,891,103)	(\$5,287,708)
17	Fuel	(\$125,186,531)	(\$94,559,852)	\$30,626,679
18	Total Production	(\$396,017,567)	(\$368,926,060)	\$27,091,507
19	Transmission	(\$75,314,658)	(\$51,784,667)	\$23,529,991
20	Distribution	(\$19,342,246)	(\$22,823,775)	(\$3,481,528)
21	Customer Accounting	(\$5,975,886)	(\$6,431,969)	(\$456,083)
22	Customer Credit Cards	(\$35,467)	(\$179,791)	(\$144,324)
23	Customer Service and Information	(\$2,201,731)	(\$1,088,581)	\$1,113,150
24	Conservation Improvement Program	(\$12,105,576)	(\$10,630,973)	\$1,474,603
25	Sales	(\$125,810)	\$3,507	\$129,317
26	Administrative and General	(\$59,866,055)	(\$56,516,965)	\$3,349,091
27	Charitable Contributions	(\$234,548)	(\$291,637)	(\$57,089)
28	Interest on Customer Deposits	(\$2,765,178)	(\$1,836,000)	\$929,178
29	Total Operation and Maintenance Expenses	(\$573,984,722)	(\$520,506,909)	\$53,477,813
30	Depreciation Expense	(\$126,549,330)	(\$126,748,745)	(\$199,416)
31	Amortization Expense	(\$4,974,486)	(\$11,222,217)	(\$6,247,732)
32	Taxes Other Than Income Taxes	(\$42,833,244)	(\$37,942,102)	\$4,891,143
33	Income Taxes	\$1,793,401	\$6,625,839	\$4,832,437
34	Deferred Income Taxes	\$16,686,947	\$26,497,085	\$9,810,137
35	Investment Tax Credit	\$518,346	\$461,216	(\$57,130)
36	Total Operating Expenses Before AFUDC	(\$729,343,087)	(\$662,835,835)	\$66,507,252
37				
38	Operating Income Before AFUDC	\$143,485,656	\$106,439,495	(\$37,046,160)
39	Allowance for Funds Used During Construction	\$1,197,566	\$1,841,234	\$643,668
40	Total Operating Income	\$144,683,222	\$108,280,730	(\$36,402,492)

General Description

Minnesota Power (“Company”) has identified those significant events affecting changes in the major categories of Operating Income since the most recent fiscal year 2018.

Item	Description and Basis
<u>Operating Revenue:</u>	The comparison of revenue by rate class is based on 2018 rate revenue as compared to the interim rate revenue in the present docket (2020 test year).
Sales by Class	The decrease in revenue from 2018 to the 2020 test year is due to a decline in load of approximately 1 percent, partially offset by recovery of higher fuel adjustment clause costs.
Dual Fuel	No significant change.
Intersystem Sales	The increase in revenue from 2018 to the 2020 test year is primarily due to more sales to Silver Bay Power Corporation. In 2019, Silver Bay Power ceased self-generation.
Sales for Resale	<p>The decrease in revenue from 2018 to the 2020 test year is primarily due to lower wholesale power sales as a 100 MW bilateral sale contract with Basin Electric Power Cooperative expires on April 30, 2020.</p> <p>Bilateral sales contracts with AEP Energy Partners, NextEra Energy Power Marketing and Oconto Electric Cooperative contribute to the \$10.0 million proposed asset-based wholesale sales margin (Minnesota Jurisdiction portion) in the 2020 test year.</p> <p>Bilateral sales also include the resale of approximately 28 percent of Minnesota Power's 50 percent output entitlement of Square Butte Electric Cooperative (Square Butte) to Minnkota Power Cooperative, Inc. (Minnkota Power), under a power sales agreement with Minnkota Power which commenced June 1, 2014. This sale is excluded from the \$10.0 million proposed asset-based wholesale sales margin in the 2020 test year (Minnesota Jurisdiction portion). See “Purchased Power”.</p>
Other Operating Revenue	Revenue decreased from 2018 to the 2020 test year primarily due to the exclusion of revenue related to the Transmission Cost Recovery, Renewable Resource and Boswell 4 Emissions Reduction riders, and the Solar Factor in the 2020 test year.

General Description

Minnesota Power (“Company”) has identified those significant events affecting changes in the major categories of Operating Income since the most recent fiscal year 2018.

Item	Description and Basis
<u>Operating Expenses:</u>	
Steam Production	Steam Production expense decreased primarily due to the retirement of Units 1 and 2 at the Boswell Energy Center in December 2018.
Hydro Production	No significant changes.
Wind Production	Wind Production expense increased primarily due to escalation factors in the long-term service agreements for the Bison Wind Energy Center.
Other Power Supply	Other Power Supply expense increased primarily due to higher system load and dispatch expenses, and other expenses.
Purchased Power	<p>Purchased Power expense increased primarily due to higher Minnesota jurisdiction allocators because of loss of FERC jurisdiction load. A contract with Brainerd Public Utilities Commission expired on June 30, 2019, and Husky Energy’s refinery in Superior, Wisconsin, has been temporarily closed following the April 26, 2018, explosion at the facility. Husky Energy is an industrial customer of the Company’s subsidiary, Superior Water, Light and Power Company.</p> <p>Minnesota Power is selling approximately 28 percent of its 50 percent output entitlement from Square Butte to Minnkota Power, under a power sales agreement with Minnkota Power which commenced June 1, 2014. Minnkota Power’s net entitlement increases and Minnesota Power’s net entitlement decreases until Minnesota Power’s share is eliminated at the end of 2025. See “Sales for Resale”.</p>
Fuel	Fuel expense decreased primarily due to the retirement of Boswell Energy Center Units 1 and 2 in December 2018.

General Description

Minnesota Power (“Company”) has identified those significant events affecting changes in the major categories of Operating Income since the most recent fiscal year 2018.

Item	Description and Basis
Transmission	Transmission expense decreased primarily due to an adjustment in the 2020 test year to remove expenses that will remain in a continuing cost recovery rider. This decrease is partially offset by removal of expenses related to Minnesota Power’s share of the MISO regional expansion plan.
Distribution	Distribution expenses increased primarily due to higher storm response and restoration costs as well as higher vegetation management costs.
Customer Accounting / Credit Cards	Customer Accounting / Credit Card expenses increased primarily due to higher fees related to processing credit card transactions.
Customer Service and Information	Customer Service and Information expense decreased primarily due to an adjustment in the 2020 test year to remove expenses that will remain in a continuing cost recovery rider.
Conservation Improvement Program	Conservation Improvement Program expenses decreased due to lower expected spending on conservation programs. The 2020 test year expense is based on the proposed annual CIP budget filed with the Minnesota Department of Commerce.
Sales	Sales expense decreased primarily due to an adjustment in the 2020 test year to remove advertising expenses that are not recoverable.
Administrative and General	Administrative and General expenses decreased primarily due to an adjustment in the 2020 test year to reduce incentive compensation based on prior practice and orders in previous rate cases and lower severance expense as a result of rescaling in 2018. These decreases are partially offset by higher insurance expense and benefit expenses.
Charitable Contributions	No significant changes.
Interest on Customer	Primarily relates to weekly billings to Large Power customers which are reduced by an interest component that is

General Description

Minnesota Power (“Company”) has identified those significant events affecting changes in the major categories of Operating Income since the most recent fiscal year 2018.

Item	Description and Basis
Deposits	included as a Company expense. Interest calculation is based on billings to customers which will vary from year to year.
Depreciation Expense	No significant changes. Higher plant in-service is offset by the reclassification of Units 1 and 2 at the Boswell Energy Center as regulatory assets in December 2018. See “Amortization expense”.
Amortization Expense	Amortization expense increased primarily due to the retirement of Units 1 and 2 at the Boswell Energy Center in December 2018, which are now classified as a regulatory asset with associated amortization. These units were included in depreciation expense in 2018. See “Depreciation Expense”.
Taxes Other Than Income Taxes	Taxes Other Than Income Taxes decreased primarily due to an adjustment in the 2020 test year to remove taxes other than income taxes that will remain in a continuing cost recovery rider.
Income Taxes / Deferred Income Taxes	Income Taxes reflect lower pre-tax income and higher production tax credits from the Bison Wind Energy Center in 2020.
Investment Tax Credit	No significant changes.
Allowance for Funds Used During Construction	Allowance for Funds Used During Construction increased primarily due to changes in the level of capital investment from year to year.

Line No.	Description	Calculation Note	Minnesota Jurisdiction		
			Most Recent Fiscal Year 2018	Proposed Interim Rates 2020	Difference
		(1)	(2)	(3)	(4)
1	Average Rate Base		\$2,224,716,968	\$2,022,056,424	(\$202,660,544)
2	Operating Income Before AFUDC		\$143,485,656	\$106,439,495	(\$37,046,160)
3	AFUDC		\$1,197,566	\$1,841,234	\$643,668
4	Operating Income	Line 2 + Line 3	\$144,683,222	\$108,280,730	(\$36,402,492)
5	Rate of Return	Line 4 / Line 1	6.5034%	5.3550%	(1.1485%)
6	Required Rate of Return		7.0468%	7.0432%	(0.0036%)
7	Required Operating Income	Line 1 * Line 6	\$156,771,355	\$142,417,478	(\$14,353,877)
8	Operating Income Deficiency	Line 7 - Line 4	\$12,088,134	\$34,136,749	\$22,048,615
9	Gross Revenue Conversion Factor		1.40335	1.40335	
10	Revenue Deficiency	Line 8 * Line 9	\$16,963,897	\$47,905,847	
11	Present Rates Revenue From Sales by Rate Class and Dual Fuel		\$626,138,446	\$622,103,146	(\$4,035,300)
12	Required Percent Increase	Line 10 / Line 11	2.7093%	7.7006%	

Minnesota Power
Comparison of Most Recent Fiscal Year
Capital Structure and Rate of Return Calculations
Minnesota Jurisdiction
(Thousands of Dollars)

I. Capital structure and rate of return calculation for most recent fiscal year 2018

	<u>Amount</u>	<u>% of Total</u>	<u>Component Cost</u>	<u>Weighted Cost</u>
Long Term Debt	\$1,214,784	47.2051%	4.5827%	2.1633%
Common Equity	<u>\$1,358,634</u>	<u>52.7949%</u>	8.2206%	<u>4.3401%</u>
Total Capitalization	\$2,573,418	100.0000%		6.5034%

II. Capital structure and rate of return calculation for proposed interim rates 2020

	<u>Projected Amount</u>	<u>Projected % of Total</u>	<u>Requested % of Total</u>	<u>Component Cost</u>	<u>Weighted Cost</u>
Long Term Debt	\$1,281,771	45.5400%	46.1892%	4.4723%	2.0657%
Common Equity	<u>\$1,532,832</u>	<u>54.4600%</u>	<u>53.8108%</u>	9.2500%	<u>4.9775%</u>
Total Capitalization	\$2,814,603	100.0000%	100.0000%		7.0432%

III. Amount of changes between I and II

	<u>Most Recent Fiscal Year</u>	<u>Proposed Interim Filing</u>	<u>Change</u>
Long Term Debt	\$1,214,784	\$1,281,771	\$66,987
Common Equity	<u>\$1,358,634</u>	<u>\$1,532,832</u>	<u>\$174,198</u>
Total Capitalization	\$2,573,418	\$2,814,603	\$241,185

**Minnesota Power
Comparison of Most Recent Fiscal Year
Capital Structure and Rate of Return Calculations
Minnesota Jurisdiction**

- I. The long term debt portion of the capital structure proposed in this rate case increased by approximately \$67.0 million compared to the most recent fiscal year (2018). The component cost of long term debt decreased from 4.5827% in the 2018 fiscal year to 4.4723% in the current rate filing.

Common equity increased by \$174.2 million due to actual and projected issuances of common stock and increases in retained earnings.

Line No.	Description	Minnesota Jurisdiction		
		Results of Most Recent Rate Case (E015/GR-16-664)	Proposed Test Year 2020	Difference
		(1)	(2)	(3)
1	Plant In Service			
2	Steam	\$1,377,553,044	\$1,310,563,549	(\$66,989,495)
3	Hydro	\$161,747,996	\$183,124,115	\$21,376,119
4	Wind	\$682,699,561	\$694,109,216	\$11,409,655
5	Solar			
6	Transmission	\$606,702,164	\$703,425,516	\$96,723,352
7	Distribution	\$555,361,755	\$623,175,381	\$67,813,626
8	General Plant	\$173,233,680	\$200,856,034	\$27,622,354
9	Intangible Plant	\$67,006,652	\$71,224,245	\$4,217,593
10	Total Plant In Service	\$3,624,304,852	\$3,786,478,055	\$162,173,203
11				
12	Accumulated Depreciation and Amortization			
13	Steam	(\$583,396,685)	(\$608,635,217)	(\$25,238,532)
14	Hydro	(\$22,350,269)	(\$34,474,417)	(\$12,124,148)
15	Wind	(\$77,974,321)	(\$137,940,898)	(\$59,966,577)
16	Solar		(\$0)	(\$0)
17	Transmission	(\$197,328,141)	(\$230,453,747)	(\$33,125,606)
18	Distribution	(\$260,829,598)	(\$300,450,830)	(\$39,621,232)
19	General Plant	(\$85,720,751)	(\$107,973,100)	(\$22,252,349)
20	Intangible Plant	(\$43,727,842)	(\$51,276,100)	(\$7,548,258)
21	Total Accumulated Depreciation and Amortization	(\$1,271,327,607)	(\$1,471,204,310)	(\$199,876,703)
22				
23	Net Plant Before CWIP			
24	Steam	\$794,156,359	\$701,928,332	(\$92,228,027)
25	Hydro	\$139,397,727	\$148,649,699	\$9,251,972
26	Wind	\$604,725,240	\$556,168,318	(\$48,556,922)
27	Solar		(\$0)	(\$0)
28	Transmission	\$409,374,023	\$472,971,769	\$63,597,746
29	Distribution	\$294,532,157	\$322,724,551	\$28,192,394
30	General Plant	\$87,512,929	\$92,882,934	\$5,370,005
31	Intangible Plant	\$23,278,810	\$19,948,145	(\$3,330,665)
32	Total Net Plant Before CWIP	\$2,352,977,245	\$2,315,273,746	(\$37,703,499)
33	Construction Work in Progress	\$21,936,336	\$30,589,173	\$8,652,837
34	Utility Plant	\$2,374,913,581	\$2,345,862,919	(\$29,050,662)
35				
36	Working Capital			
37	Fuel Inventory	\$37,891,203	\$19,619,720	(\$18,271,483)
38	Materials and Supplies	\$25,410,468	\$23,299,084	(\$2,111,384)
39	Prepayments	\$30,396,543	\$104,944,060	\$74,547,517
40	Cash Working Capital	(\$26,950,177)	(\$29,978,242)	(\$3,028,065)
41	Total Working Capital	\$66,748,037	\$117,884,622	\$51,136,585
42				
43	Additions and Deductions			
44	Asset Retirement Obligation			
45	Workers Compensation Deposit	\$74,492	\$74,611	\$119
46	Unamortized WPPI Transmission Amortization	(\$2,150,893)	(\$1,155,831)	\$995,062
47	Unamortized UMWI Transaction Cost	\$1,425,067	\$1,206,723	(\$218,344)
48	Unamortized Boswell 1 and 2		\$3,507,792	\$3,507,792
49	Customer Advances	(\$1,790,064)	(\$2,261,874)	(\$471,810)
50	Customer Deposits	(\$240,131)	(\$131)	\$240,000
51	Other Deferred Credits - Hibbard	(\$286,114)	(\$295,801)	(\$9,687)
52	Wind Performance Deposit	(\$125,867)	(\$130,081)	(\$4,214)
53	Accumulated Deferred Income Taxes	(\$389,645,990)	(\$392,673,211)	(\$3,027,221)
54	Total Additions and Deductions	(\$392,739,500)	(\$391,727,803)	\$1,011,697
55				
56	Total Average Rate Base	\$2,048,922,118	\$2,072,019,738	\$23,097,620

General Description

The Company has identified those significant events affecting changes in the major categories of Rate Base since the last Order in Docket No. E-015/GR-16-664 (2016 Rate Case). This summary explains changes shown in Direct Schedule E-1(IR).

<u>Item</u>	<u>Description and Basis</u>
Steam Production Plant	The decrease is primarily due to retiring Boswell Units 1 and 2 in 2018 and transferring the plant balance to a regulated asset reflecting continued cost recovery through 2022. This decrease was partially offset by regularly-scheduled and necessary critical turbine repairs and replacement of worn parts on Boswell Units 3 and 4 and on-going capital investment and upgrades to steam generation units
Hydro Production Plant	The increase is primarily due to on- going capital investment and upgrades to hydro generation units.
Wind Production Plant	The increase is primarily due to on-going capital investment and upgrades to wind generation units.
Transmission Plant	The increase is primarily due to strategic capital investments related to the ongoing transition of the Company's baseload coal generation fleet as well as on-going capital investments and upgrades to improve reliability and power quality.
Distribution Plant	The increase is primarily due to on-going capital investments and upgrades to improve reliability and power quality.
General Plant	The increase is primarily due to on-going capital investment.
Intangible Plant	The increase is primarily due to on-going capital investment, primarily software.
Accumulated Depreciation and Amortization	Depreciation and Amortization reserves increased primarily due to the additions of tangible and intangible plant, partially offset by retiring Boswell Units 1 and 2 in 2018 and transferring the accumulated depreciation balance to a regulated asset reflecting continued cost recovery through 2022.
Construction Work In Progress	The increase is primarily due to changes in the level of capital investment from year to year.

Item	Description and Basis
Working Capital	<p>Fuel Inventory decreases are primarily due to bringing fuel inventory back to a normal level and the reduction in coal burn as a result of the retirement of Boswell Units 1 and 2. The last rate case had a high fuel inventory level as a result of building up fuel inventory before rail delivery rates increased.</p> <p>The increase for Prepayments is primarily due to inclusion of the prepaid pension asset in rate base.</p>
Unamortized Boswell 1 and 2	<p>The increase is due to retiring Boswell Units 1 and 2 and transferring the plant balance and accumulated depreciation to a regulated asset in 2018 reflecting continued cost recovery through 2022.</p>
Accumulated Deferred Income Taxes	<p>The increase is primarily due to the inclusion of the accumulated deferred income taxes for the Prepaid Pension in rate base in the Proposed Test Year 2020, partially offset by book depreciation in excess of tax depreciation, and additional production tax credits earned.</p>

Line No.	Description	Minnesota Jurisdiction		
		Results of Most Recent Rate Case (E015/GR-16-664)	Proposed Test Year 2020	Difference
		(1)	(2)	(3)
1	Operating Revenue			
2	Sales by Rate Class	\$644,599,005	\$611,687,813	(\$32,911,192)
3	Dual Fuel	\$10,538,568	\$10,415,332	(\$123,236)
4	Intersystem Sales	\$6,482,677	\$30,764,814	\$24,282,137
5	Sales for Resale	\$126,505,800	\$72,223,303	(\$54,282,497)
6	Total Revenue from Sales	\$788,126,050	\$725,091,263	(\$63,034,787)
7	Other Operating Revenue	\$41,952,810	\$44,184,067	\$2,231,257
8	Total Operating Revenue	\$830,078,860	\$769,275,330	(\$60,803,530)
9				
10	Operating Expenses Before AFUDC			
11	Operation and Maintenance Expenses			
12	Steam Production	(\$41,006,829)	(\$31,090,590)	\$9,916,239
13	Hydro Production	(\$5,716,958)	(\$4,756,511)	\$960,447
14	Wind Production	(\$13,766,390)	(\$14,846,515)	(\$1,080,125)
15	Other Power Supply	\$468,020	(\$1,784,915)	(\$2,252,935)
16	Purchased Power	(\$204,620,065)	(\$221,815,602)	(\$17,195,537)
17	Fuel	(\$122,233,712)	(\$94,575,854)	\$27,657,858
18	Total Production	(\$386,875,934)	(\$368,869,988)	\$18,005,946
19	Transmission	(\$47,345,228)	(\$52,775,626)	(\$5,430,398)
20	Distribution	(\$23,697,619)	(\$22,823,775)	\$873,844
21	Customer Accounting	(\$6,362,302)	(\$6,431,969)	(\$69,667)
22	Customer Credit Cards	(\$350,000)	(\$179,791)	\$170,209
23	Customer Service and Information	(\$2,746,697)	(\$1,108,320)	\$1,638,377
24	Conservation Improvement Program	(\$10,447,625)	(\$10,630,973)	(\$183,348)
25	Sales	(\$40,958)	\$3,507	\$44,465
26	Administrative and General	(\$48,386,941)	(\$56,516,393)	(\$8,129,452)
27	Charitable Contributions	(\$394,280)	(\$291,637)	\$102,643
28	Interest on Customer Deposits	(\$1,071,000)	(\$1,836,000)	(\$765,000)
29	Total Operation and Maintenance Expenses	(\$527,718,584)	(\$521,460,964)	\$6,257,620
30	Depreciation Expense	(\$123,591,686)	(\$126,748,745)	(\$3,157,059)
31	Amortization Expense	(\$4,217,942)	(\$11,222,217)	(\$7,004,275)
32	Taxes Other Than Income Taxes	(\$42,278,734)	(\$37,942,102)	\$4,336,632
33	Income Taxes	\$1,213,049	\$7,196,584	\$5,983,535
34	Deferred Income Taxes	\$8,516,506	\$26,497,085	\$17,980,579
35	Investment Tax Credit	\$364,441	\$461,216	\$96,775
36	Total Operating Expenses Before AFUDC	(\$687,712,950)	(\$663,219,144)	\$24,493,806
37				
38	Operating Income Before AFUDC	\$142,365,910	\$106,056,185	(\$36,309,725)
39	Allowance for Funds Used During Construction	\$2,367,898	\$1,841,234	(\$526,664)
40	Total Operating Income	\$144,733,808	\$107,897,420	(\$36,836,388)

General Description

Minnesota Power (“Company”) has identified those significant events affecting changes in the major categories of Operating Income since the last Order in Docket No. E015/GR-16-664 (2016 Rate Case). This summary explains changes shown in Direct Schedule E-3(IR).

Item	Description and Basis
<u>Operating Revenue:</u>	The comparison of revenue by rate class is based on final rate revenue in Docket No. E015/GR-16-664 (2016 Rate Order) as compared to the interim rate revenue in the present docket (2020 test year).
Sales by Class	The decrease in revenue from the 2016 Rate Order to the 2020 test year reflects a decline in load of approximately five (5) percent. The decrease in load reflects the impact of unfavorable market conditions that led to the closure or idling of businesses, including Blandin Paper Company’s Paper Machine #5 in 2017. Load loss due to energy efficiencies also reduced revenue.
Dual Fuel	No significant change.
Intersystem Sales	The increase in revenue from the 2016 Rate Order to the 2020 test year is primarily due to more sales to Silver Bay Power Corporation. In 2019, Silver Bay Power ceased self-generation.
Sales for Resale	The decrease in revenue from the 2016 Rate Order to the 2020 test year is primarily due to lower wholesale power sales as a 100 MW bilateral sale contract with Basin Electric Power Cooperative expires on April 30, 2020. Bilateral sales contracts with AEP Energy Partners, NextEra Energy Power Marketing and Oconto Electric Cooperative contribute to the \$10.0 million proposed asset-based wholesale sales margin (Minnesota Jurisdiction portion) in the 2020 test year.
Other Operating Revenue	Revenue increased from the 2016 Rate Order to the 2020 test year primarily due to the inclusion of clean coal revenue.

General Description

Minnesota Power (“Company”) has identified those significant events affecting changes in the major categories of Operating Income since the last Order in Docket No. E015/GR-16-664 (2016 Rate Case). This summary explains changes shown in Direct Schedule E-3(IR).

Item	Description and Basis
<u>Operating Expenses:</u>	
Steam Production	Steam Production expense decreased primarily due to the retirement of Units 1 and 2 at the Boswell Energy Center in December 2018, and lower labor and related benefit expenses. These decreases were partially offset by an adjustment reducing Steam Production expense in the most recent general rate case.
Hydro Production	Hydro Production expense decreased primarily due to lower labor and related benefit expenses.
Wind Production	Wind Production expense increased primarily due to escalation factors in the long-term service agreements for the Bison Wind Energy Center.
Other Power Supply	Other Power Supply expense increased primarily due to an adjustment reducing Other Power Supply expense in the most recent general rate case.
Purchased Power	Purchased Power expense increased primarily due to higher prices on long-term firm purchases. Additional purchases are also necessary to meet load requirements following the retirement of Boswell Energy Center Unit 1 and 2 at the end of 2018.
Fuel	Fuel expense decreased primarily due to the retirement of Boswell Energy Center Units 1 and 2 at the end of 2018.
Transmission	Transmission expenses increased primarily due to higher expenses related to Minnesota Power’s high voltage direct current transmission line and other MISO-related expenses as well as additional transmission expense associated with commencement of a wholesale power sale to Oconto Electric Cooperative, which is offset in revenue.
Distribution	Distribution expenses decreased slightly primarily due to lower vegetation management costs, and lower labor and related benefit expenses.

General Description

Minnesota Power (“Company”) has identified those significant events affecting changes in the major categories of Operating Income since the last Order in Docket No. E015/GR-16-664 (2016 Rate Case). This summary explains changes shown in Direct Schedule E-3(IR).

Item	Description and Basis
Customer Accounting / Credit Cards	Customer Accounting / Credit Card expenses decreased primarily due to lower fees related to processing credit card transactions including the impact of an adjustment in the 2020 test year to return over-collected credit card fees.
Customer Service and Information	Customer Service and Information expense decreased primarily due to an adjustment in the 2020 test year to remove SolarSense expenses that will remain in a continuing cost recovery rider, and lower labor and related benefit expenses.
Conservation Improvement Program	Conservation Improvement Program expenses increased due to higher spending on conservation programs. The 2020 test year expense is based on the proposed annual CIP budget filed with the Minnesota Department of Commerce.
Sales	No significant change.
Administrative and General	Administrative and General expenses increased primarily due to adjustments reducing Administrative and General expense in the most recent general rate case and higher benefit expenses. These increases were partially offset by lower labor expenses.
Charitable Contributions	No significant changes.
Interest on Customer Deposits	Primarily relates to weekly billings to Large Power customers which are reduced by an interest component that is included as a Company expense. Interest calculation is based on billings to customers which will vary from year to year.
Depreciation Expense	Depreciation Expense increased primarily due to higher plant in-service. This increase is partially offset by the reclassification of Units 1 and 2 at the Boswell Energy Center as regulatory assets in December 2018. See “Amortization Expense”.

General Description

Minnesota Power (“Company”) has identified those significant events affecting changes in the major categories of Operating Income since the last Order in Docket No. E015/GR-16-664 (2016 Rate Case). This summary explains changes shown in Direct Schedule E-3(IR).

Item	Description and Basis
Amortization Expense	Amortization expense increased primarily due to the retirement of Units 1 and 2 at the Boswell Energy Center in December 2018, which are now classified as a regulatory asset with associated amortization. These units were included in depreciation expense in the most recent general rate case. See “Depreciation Expense”.
Taxes Other Than Income Taxes	Taxes Other Than Income Taxes decreased primarily due to an adjustment in the 2020 test year to remove taxes other than income taxes that will remain in a continuing cost recovery rider.
Income Taxes / Deferred Income Taxes	Income Taxes reflect lower pre-tax income in 2020 and the amortization of excess deferred income tax benefit in 2020 resulting from the Tax Cut and Jobs Act of 2017.
Investment Tax Credit	No significant changes.
Allowance for Funds Used During Construction	Allowance for Funds Used During Construction decreased primarily due to changes in the level of capital investment from year to year.

Line No.	Description	Calculation Note	Minnesota Jurisdiction		
			Results of Most Recent Rate Case (E015/GR-16-664)	Proposed Test Year 2020	Difference
		(1)	(2)	(3)	(4)
1	Average Rate Base		\$2,048,922,118	\$2,072,019,738	\$23,097,620
2	Operating Income Before AFUDC		\$142,365,910	\$106,056,185	(\$36,309,725)
3	AFUDC		\$2,367,898	\$1,841,234	(\$526,664)
4	Operating Income	Line 2 + Line 3	\$144,733,808	\$107,897,420	(\$36,836,388)
5	Rate of Return	Line 4 / Line 1	7.0639%	5.2074%	(1.8565%)
6	Required Rate of Return		7.0639%	7.4737%	0.4098%
7	Required Operating Income	Line 1 * Line 6	\$144,733,808	\$154,856,539	\$10,122,731
8	Operating Income Deficiency	Line 7 - Line 4		\$46,959,120	\$46,959,120
9	Gross Revenue Conversion Factor		1.40335	1.40335	
10	Revenue Deficiency	Line 8 * Line 9		\$65,900,137	
11	Present Rates Revenue From Sales by Rate Class and Dual Fuel		\$655,137,573	\$622,103,146	(\$33,034,427)
12	Required Percent Increase	Line 10 / Line 11		10.5931%	

Line No.	Description	Total Company			Minnesota Jurisdiction		
		Proposed Test Year 2020	Proposed Interim Rates 2020	Difference	Proposed Test Year 2020	Proposed Interim Rates 2020	Difference
		(1)	(2)	(3)	(4)	(5)	(6)
1	Plant In Service						
2	Steam	\$1,502,944,535	\$1,502,944,535		\$1,310,563,549	\$1,310,563,549	
3	Hydro	\$210,566,238	\$210,566,238		\$183,124,115	\$183,124,115	
4	Wind	\$800,397,179	\$800,397,179		\$694,109,216	\$694,109,216	
5	Solar						
6	Transmission	\$820,030,517	\$820,030,517		\$703,425,516	\$703,425,516	
7	Distribution	\$647,459,830	\$647,459,830		\$623,175,381	\$623,175,381	
8	General Plant	\$224,547,865	\$224,547,865		\$200,856,034	\$200,856,034	
9	Intangible Plant	\$79,625,450	\$79,625,450		\$71,224,245	\$71,224,245	
10	Total Plant In Service	\$4,285,571,613	\$4,285,571,613		\$3,786,478,055	\$3,786,478,055	
11							
12	Accumulated Depreciation and Amortization						
13	Steam	(\$698,651,847)	(\$698,651,847)		(\$608,635,217)	(\$608,635,217)	
14	Hydro	(\$39,626,717)	(\$39,626,717)		(\$34,474,417)	(\$34,474,417)	
15	Wind	(\$159,024,123)	(\$159,024,123)		(\$137,940,898)	(\$137,940,898)	
16	Solar	(\$0)	(\$0)		(\$0)	(\$0)	
17	Transmission	(\$269,291,006)	(\$269,291,006)		(\$230,453,747)	(\$230,453,747)	
18	Distribution	(\$312,159,063)	(\$312,159,063)		(\$300,450,830)	(\$300,450,830)	
19	General Plant	(\$120,708,991)	(\$120,708,991)		(\$107,973,100)	(\$107,973,100)	
20	Intangible Plant	(\$57,324,336)	(\$57,324,336)		(\$51,276,100)	(\$51,276,100)	
21	Total Accumulated Depreciation and Amortization	(\$1,656,786,085)	(\$1,656,786,085)		(\$1,471,204,310)	(\$1,471,204,310)	
22							
23	Net Plant Before CWIP						
24	Steam	\$804,292,688	\$804,292,688		\$701,928,332	\$701,928,332	
25	Hydro	\$170,939,521	\$170,939,521		\$148,649,699	\$148,649,699	
26	Wind	\$641,373,055	\$641,373,055		\$556,168,318	\$556,168,318	
27	Solar	(\$0)	(\$0)		(\$0)	(\$0)	
28	Transmission	\$550,739,511	\$550,739,511		\$472,971,769	\$472,971,769	
29	Distribution	\$335,300,766	\$335,300,766		\$322,724,551	\$322,724,551	
30	General Plant	\$103,838,873	\$103,838,873		\$92,882,934	\$92,882,934	
31	Intangible Plant	\$22,301,114	\$22,301,114		\$19,948,145	\$19,948,145	
32	Total Net Plant Before CWIP	\$2,628,785,528	\$2,628,785,528		\$2,315,273,746	\$2,315,273,746	
33	Construction Work in Progress	\$34,770,838	\$34,770,838		\$30,589,173	\$30,589,173	
34	Utility Plant	\$2,663,556,366	\$2,663,556,366		\$2,345,862,919	\$2,345,862,919	
35							
36	Working Capital						
37	Fuel Inventory	\$22,685,691	\$22,685,691		\$19,619,720	\$19,619,720	
38	Materials and Supplies	\$25,945,673	\$25,945,673		\$23,299,084	\$23,299,084	
39	Prepayments	\$118,165,681	\$30,356,829	(\$87,808,853)	\$104,944,060	\$26,399,835	(\$78,544,224)
40	Cash Working Capital	(\$33,327,186)	(\$34,263,031)	(\$935,845)	(\$29,978,242)	(\$30,776,956)	(\$798,715)
41	Total Working Capital	\$133,469,859	\$44,725,162	(\$88,744,697)	\$117,884,622	\$38,541,683	(\$79,342,939)
42							
43	Additions and Deductions						
44	Asset Retirement Obligation	\$0	\$0				
45	Workers Compensation Deposit	\$83,412	\$83,412		\$74,611	\$74,611	
46	Unamortized WPPI Transmission Amortization	(\$1,350,806)	(\$1,350,806)		(\$1,155,831)	(\$1,155,831)	
47	Unamortized UMWI Transaction Cost	\$1,410,283	\$1,410,283		\$1,206,723	\$1,206,723	
48	Unamortized Boswell 1 and 2	\$4,099,516	\$4,099,516		\$3,507,792	\$3,507,792	
49	Customer Advances	(\$2,261,874)	(\$2,261,874)		(\$2,261,874)	(\$2,261,874)	
50	Customer Deposits	(\$131)	(\$131)		(\$131)	(\$131)	
51	Other Deferred Credits - Hibbard	(\$339,222)	(\$339,222)		(\$295,801)	(\$295,801)	
52	Wind Performance Deposit	(\$150,000)	(\$150,000)		(\$130,081)	(\$130,081)	
53	Accumulated Deferred Income Taxes	(\$443,195,015)	(\$410,369,596)	\$32,825,419	(\$392,673,211)	(\$363,293,586)	\$29,379,625
54	Total Additions and Deductions	(\$441,703,837)	(\$408,878,418)	\$32,825,419	(\$391,727,803)	(\$362,348,178)	\$29,379,625
55							
56	Total Average Rate Base	\$2,355,322,388	\$2,299,403,110	(\$55,919,279)	\$2,072,019,738	\$2,022,056,424	(\$49,963,314)

General Description

The Company has identified those significant items affecting changes in the major categories of Rate Base for Proposed Interim Rates compared to Proposed Test Year 2020. This summary explains changes shown in Direct Schedule F-1(IR).

<u>Item</u>	<u>Description and Basis</u>
Prepayments	<p>The decrease in Prepayments for Proposed Interim Rates is primarily due to inclusion of the prepaid pension asset in rate base for the Proposed Test Year but not for Proposed Interim Rates.</p>
Cash Working Capital	<p>The decrease in Cash Working Capital (CWC) is associated with CWC O&M adjustments related to other operating income adjustments that were correctly included in the Proposed Interim Rates calculations but were inadvertently omitted in the Proposed Test Year. This is partially offset by the change for Prepayments described above that increases Cash Working Capital slightly.</p> <p>The CWC O&M adjustments are also shown on Direct Schedule B-4(IR), Page 2 of 2, column 16 (Total Company) and Direct Schedule B-3(IR), Page 2 of 2, column 16 (MN Jurisdiction). Volume 4, Workpaper ADJ-RB-12 CWC O-M includes the details of the Total Company CWC O&M adjustment calculations for rate base.</p> <p>Since CWC for the Proposed Test Year will be updated to reflect whatever adjustments occur in Rebuttal Testimony, the Company intends to correct the Proposed Test Year CWC O&M calculations at that time.</p>
Accumulated Deferred Income Taxes	<p>The increase in ADIT is associated with the change for Prepayments for the prepaid pension asset described above.</p>

Line No.	Description	Total Company			Minnesota Jurisdiction		
		Proposed Test Year	Proposed Interim Rates	Difference	Proposed Test Year	Proposed Interim Rates	Difference
		2020	2020		2020	2020	
(1)	(2)	(3)	(4)	(5)	(6)		
1	Operating Revenue						
2	Sales by Rate Class	\$705,669,765	\$705,669,765		\$611,687,813	\$611,687,813	
3	Dual Fuel	\$10,415,332	\$10,415,332		\$10,415,332	\$10,415,332	
4	Intersystem Sales	\$35,557,545	\$35,557,545		\$30,764,814	\$30,764,814	
5	Sales for Resale	\$83,300,380	\$83,300,380		\$72,223,303	\$72,223,303	
6	Total Revenue from Sales	\$834,943,022	\$834,943,022		\$725,091,263	\$725,091,263	
7	Other Operating Revenue	\$51,270,641	\$51,270,641		\$44,184,067	\$44,184,067	
8	Total Operating Revenue	\$886,213,663	\$886,213,663		\$769,275,330	\$769,275,330	
9							
10	Operating Expenses Before AFUDC						
11	Operation and Maintenance Expenses						
12	Steam Production	(\$35,820,450)	(\$35,820,450)		(\$31,090,590)	(\$31,090,590)	
13	Hydro Production	(\$5,485,326)	(\$5,485,326)		(\$4,756,511)	(\$4,756,511)	
14	Wind Production	(\$17,045,955)	(\$17,042,021)	\$3,934	(\$14,846,515)	(\$14,843,089)	\$3,426
15	Other Power Supply	(\$2,049,342)	(\$2,049,342)		(\$1,784,915)	(\$1,784,915)	
16	Purchased Power	(\$256,087,912)	(\$256,175,078)	(\$87,166)	(\$221,815,602)	(\$221,891,103)	(\$75,501)
17	Fuel	(\$109,355,211)	(\$109,336,708)	\$18,503	(\$94,575,854)	(\$94,559,852)	\$16,002
18	Total Production	(\$425,844,196)	(\$425,908,925)	(\$64,729)	(\$368,869,988)	(\$368,926,060)	(\$56,072)
19	Transmission	(\$61,524,103)	(\$60,368,875)	\$1,155,228	(\$52,775,626)	(\$51,784,667)	\$990,959
20	Distribution	(\$23,777,924)	(\$23,777,924)		(\$22,823,775)	(\$22,823,775)	
21	Customer Accounting	(\$6,468,216)	(\$6,468,216)		(\$6,431,969)	(\$6,431,969)	
22	Customer Credit Cards	(\$179,791)	(\$179,791)		(\$179,791)	(\$179,791)	
23	Customer Service and Information	(\$1,505,794)	(\$1,478,975)	\$26,819	(\$1,108,320)	(\$1,088,581)	\$19,740
24	Conservation Improvement Program	(\$10,630,973)	(\$10,630,973)		(\$10,630,973)	(\$10,630,973)	
25	Sales	\$4,009	\$4,009		\$3,507	\$3,507	
26	Administrative and General	(\$63,379,109)	(\$63,380,386)	(\$1,277)	(\$56,516,393)	(\$56,516,965)	(\$572)
27	Charitable Contributions	(\$326,036)	(\$326,036)		(\$291,637)	(\$291,637)	
28	Interest on Customer Deposits	(\$1,836,000)	(\$1,836,000)	(\$0)	(\$1,836,000)	(\$1,836,000)	(\$0)
29	Total Operation and Maintenance Expenses	(\$595,468,133)	(\$594,352,093)	\$1,116,040	(\$521,460,964)	(\$520,506,909)	\$954,055
30	Depreciation Expense	(\$143,241,300)	(\$143,241,300)		(\$126,748,745)	(\$126,748,745)	
31	Amortization Expense	(\$12,751,852)	(\$12,751,852)		(\$11,222,217)	(\$11,222,217)	
32	Taxes Other Than Income Taxes	(\$42,455,545)	(\$42,455,545)		(\$37,942,102)	(\$37,942,102)	
33	Income Taxes	\$5,189,425	\$4,536,646	(\$652,778)	\$7,196,584	\$6,625,839	(\$570,745)
34	Deferred Income Taxes	\$30,435,636	\$30,435,636		\$26,497,085	\$26,497,085	
35	Investment Tax Credit	\$528,420	\$528,420		\$461,216	\$461,216	
36	Total Operating Expenses Before AFUDC	(\$757,763,349)	(\$757,300,087)	\$463,262	(\$663,219,144)	(\$662,835,835)	\$383,310
37							
38	Operating Income Before AFUDC	\$128,450,314	\$128,913,576	\$463,262	\$106,056,185	\$106,439,495	\$383,310
39	Allowance for Funds Used During Construction	\$2,092,939	\$2,092,939		\$1,841,234	\$1,841,234	
40	Total Operating Income	\$130,543,253	\$131,006,515	\$463,262	\$107,897,420	\$108,280,730	\$383,310

General Description

The Company has identified those significant items affecting changes in the major categories of Operating Income for Proposed Interim Rates compared to Proposed Test Year 2020. This summary explains changes shown in Direct Schedule F-3(IR).

Item	Description and Basis
CWC O&M	<p>The differences for most of the line items in Direct Schedule F-3(IR), column 3 are related to Cash Working Capital (CWC) O&M adjustments. These adjustments are also shown on Direct Schedule B-8(IR), Page 5 of 6, column 33 (Total Company) and Direct Schedule B-7(IR), Page 5 of 6, column 33 (MN Jurisdiction). Volume 4, Workpaper ADJ-IS-32 CWC O-M includes the details of the Total Company CWC O&M adjustment calculations for operating income.</p>
	<p>These CWC O&M adjustments related to other operating income adjustments were correctly included in the Proposed Interim Rates calculations but were inadvertently omitted in the Proposed Test Year. Since CWC for the Proposed Test Year will be updated to reflect whatever adjustments occur in Rebuttal Testimony, the Company intends to correct this omission in the calculations at that time.</p>
Income Taxes	<p>The difference described above for CWC O&M also affects Income Taxes. In addition, a portion of the higher (less negative) Income Tax expense for Proposed Interim Rates is due to the interest synchronization adjustment associated with the lower rate base for Proposed Interim Rates. The lower rate base for Proposed Interim Rates is due to both the exclusion of the Company's prepaid pension asset from rate base and the decrease in rate base that resulted from the adjustment to CWC for Proposed Interim Rates but not for the Proposed Test Year 2020.</p>

Line No.	Description	Calculation Note	Minnesota Jurisdiction		Difference
			Proposed Test Year 2020	Proposed Interim Rates 2020	
		(1)	(2)	(3)	(4)
1	Average Rate Base		\$2,072,019,738	\$2,022,056,424	(\$49,963,314)
2	Operating Income Before AFUDC		\$106,056,185	\$106,439,495	\$383,310
3	AFUDC		\$1,841,234	\$1,841,234	
4	Operating Income	Line 2 + Line 3	\$107,897,420	\$108,280,730	\$383,310
5	Rate of Return	Line 4 / Line 1	5.2074%	5.3550%	0.1476%
6	Required Rate of Return		7.4737%	7.0432%	(0.4305%)
7	Required Operating Income	Line 1 * Line 6	\$154,856,539	\$142,417,478	(\$12,439,061)
8	Operating Income Deficiency	Line 7 - Line 4	\$46,959,120	\$34,136,749	(\$12,822,371)
9	Gross Revenue Conversion Factor		1.40335	1.40335	
10	Revenue Deficiency	Line 8 * Line 9	\$65,900,137	\$47,905,847	
11	Present Rates Revenue From Sales by Rate Class and Dual Fuel		\$622,103,146	\$622,103,146	
12	Required Percent Increase	Line 10 / Line 11	10.5931%	7.7006%	