

The Commission met on **Thursday, December 15, 2016**, with Chair Heydinger, and Commissioners Lange, Lipschultz, Schuerger, and Tuma present.

The following matters were taken up by the Commission:

ENERGY AGENDA

E-015/M-15-876

In the Matter of Minnesota Power’s Petition for Approval of its 2016 Boswell Energy Center Unit 4 Emission Reduction Rider Factor

Commissioner Lipschultz moved the following:

1. Approve Minnesota Power’s petition, including the following BECA Rider Factors:

	Unit	Proposed Rate
Large Power	\$/kW-month	1.52
	c/kW	0.144
All Other Classes	c/kV	0.388

2. Should Minnesota Power propose to include the BEC4 Project in base rate in its upcoming general rate case, the Company’s next BEC4 Rider filing will be used to recover the 2016 year-end balance in order to zero it out.

The motion passed, 5–0.

E-015/M-16-836

In the Matter of a Petition for Approval of an Amended and Restated Electric Service Agreement between United States Steel Corporation and Minnesota Power

Commissioner Schuerger moved to take the following actions:

1. Approve the proposed Electric Service Agreement with the exception of the Trade Secret provision.
2. Close this docket, and refer this matter to Minnesota Power’s rate case proceeding in Docket No. E-015/GR-16-664.
3. Require Minnesota Power to provide supplemental testimony in the rate case proceeding no later than January 13, 2017, addressing the specifics of the minimum firm demand (take-or-pay) provisions in the Electric Service Agreement contract and the associated benefits and cost recovery.

The motion passed, 5–0.

E-015/M-16-648

In the Matter of a Petition for Approval of Deferred Accounting Treatment of Costs Related to the 2016 Storm

Commissioner Lipschultz moved to deny Minnesota Power's request for deferred accounting.

The motion passed 4-1 (with Commissioner Lange voting no).

E-015/GR-16-664

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

Chair Heydinger moved that the Commission:

1. Accept this filing as being in proper form and substantially complete as of November 2, 2016.
2. Find it has insufficient time to make a final determination within a 10- month period because of the need to make a final determination in other pending cases involving changes in general rates. Find that the rates in this case should be suspended for an additional ninety days and, based on the Company's commitment to suspend operation of the proposed rate schedule an additional two months, that the suspension period will end on February 1, 2018.
3. Accept Minnesota Power's offer to waive the statutory deadline and allow an additional two months to the statutory deadline (until Feb. 1, 2018) to address the new test year forecast.
4. Request the ALJ's report at least three months before the extended deadline for the Commission's decision.
5. Identify issues requiring development of a complete record in this case, including
 - a. The standard rate case issues:
 - i. Is the test year revenue increase sought by the Company reasonable or will it result in unreasonable and excessive earnings by the Company?
 - ii. Is the rate design proposed by the Company reasonable? and
 - iii. Are the Company's proposed capital structure and return on equity reasonable?
 - b. the effect on expected revenue from industrial customers of standard tariffs, electric service agreements (ESAs), and the EITE credit
6. Require Minnesota Power to file supplemental testimony reflecting the updated forecast, including a new interim rate calculation, by February 13.
7. Require Minnesota Power to include as part of its supplemental testimony, a new base case.

8. Require Minnesota Power to file by January 13, 2017, supplemental testimony to thoroughly discuss whether MP intends to conduct a review, upon conclusion of this rate proceeding, of the BEC4, TCR and RRR rider revenues and costs that MP designated as part of base rates. The supplemental testimony should also address: whether MP proposes to true-up the projected and actual base-rate-factors' results and/or, whether MP proposes to incorporate the GR-16-664 Commission decisions on factors relevant to riders, i.e., cost of capital, allocators, etc., as well as discuss any impact, if any, on ongoing rider cost recovery factors in pending or subsequent rider petition filings. The supplemental testimony should include the reasoning and basis for the Company's proposals.
9. Authorize Minnesota Power to implement interim rates for service rendered on and after January 1, 2017 (sixty days after Minnesota Power's November 2, 2016 filing date).
10. Approve Minnesota Power's new proposed interim rate revenue deficiency of \$34,732,113, or 5.6 percent, reflecting new information. This rate may be changed if the supplemental information provided on February 13, 2017 indicates that interim rates were set too high.
11. Approve Minnesota Power's proposed interim cost of capital for setting interim rates.
12. Approve Minnesota Power's request to collect the approved interim rate increase as proposed.
13. In the Notice and Order for Hearing, require the following:
 - a. This Order will be served on the Company, which shall mail copies of the Order to all municipalities, counties, and local governing bodies in its Minnesota service area;
 - b. Public Hearings shall be held in this matter at locations within the service area of the Company;
 - c. The Company shall give the following notices of the evidentiary and public hearings:
 - i. Individual written notice to each customer, which may be in the form of a bill insert, and shall be served at least ten days before the first day of hearings;
 - ii. Written notice to the governing bodies of all municipalities, counties, and local governing bodies in the area affected and to all parties in the Company's last two rate cases. These notices shall be mailed at least ten days before the first day of hearings.
 - iii. Display advertisements in legal newspapers of affected counties and other newspapers of general circulation within the Company's Minnesota service area. These advertisements shall appear at least ten days before the first day of hearings. They shall include the heading **RATE INCREASE NOTICE**, which shall appear in bold face type no smaller than 30 points.

- iv. The Company shall submit proposed notices for Commission approval prior to publication or service.

14. In the Order Setting Interim Rate, require the following:

- a. Order the Company to file with the Commission and the Department of Commerce-Division of Energy Resources interim rate tariff sheets and supporting documentation reflecting the decisions herein. The Company's filing should also include the notice to customers, approved by the Executive Secretary, regarding the rate change under the interim rate schedule;
- b. Order the Company to keep such records of sales and collections under interim rates as would be necessary to compute a potential refund. Any refund should be made within 120 days of the effective date of the Commission's final order in a manner approved by the Commission;
- c. Order the Company to include with each customer's first bill under the interim rate schedule a notice of the rate change, approved by the Executive Secretary. Upon completion of this task, the Company shall certify this fact to the Commission;
- d. Require Minnesota Power to maintain records of Conservation Improvement Program ("CIP") costs and collection through the interim period so that it can be ascertained that recoveries dedicated to CIP are properly recorded as CIP

15. Delegate authority to approve notices, bill inserts, and bill format to the Commission's Executive Secretary for the duration of this proceeding.

16. Require Minnesota Power to produce a customer notice that reflects and explains changes resulting from interim rates as well as changes to riders.

The motion passed, 5-0.

E-015/MR-16-709

In the Matter of the Petition of Minnesota Power for Approval of a New Base Cost of Fuel and Purchased Energy

Commissioner Tuma moved that the Commission take the following actions:

- 1. Approve MP's proposal to continue the existing base cost of energy rate of \$0.01018 per kWh with the implementation of interim rates;
- 2. Clarify that approval of the proposed revised base cost of energy does not preclude any party from disputing the assumptions used in MP's Petition and MP's general rate case filing, or the Commission from adopting different assumptions than those used in this Petition and MP's general rate case filing, when reviewing and determining final rates in the corresponding general rate case, or in any other relevant proceeding; and

3. Clarify that upon implementation of final rates in the corresponding general rate case, Docket E-015/GR-16-664, a revised base cost of energy will be established using updated class and cost information adopted in that case, subject to the terms of the Commission's final Orders in the corresponding general rate case, and any other relevant docket.

The motion passed, 5–0.

E-015/M-16-776

In the Matter of Minnesota Power's Renewable Resources Rider and 2017 Renewable Factor

Commissioner Lange moved that the Commission adopt the Department recommendation to approve MP's request to implement its 2017 Renewable Factors on a provisional basis, beginning on January 1, 2017.

The motion passed, 5–0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: March 1, 2017



Daniel P. Wolf, Executive Secretary