

September 29, 2016

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/M-16-648

Dear Mr. Wolf:

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

Minnesota Power's Petition for Approval of Deferred Accounting Treatment of Costs
Related to the 2016 Storm Response and Recovery

The petition was filed on August 1, 2016 by:

David R. Moeller
Senior Attorney
Minnesota Power
30 West Superior Street
Duluth, MN 55802

As more fully explained in the attached comments, the DOC concludes that based on our review of the criteria that have been considered in past deferred accounting requests in assessing the need for a regulatory asset; MP's request does not meet the necessary criteria and therefore should be denied.

The DOC is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ NANCY A. CAMPBELL
Financial Analyst

NAC/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET No. E015/M-16-648

I. SUMMARY OF PROPOSAL

On August 1, 2016, Minnesota Power (MP or the Company) submitted to the Minnesota Public Utilities Commission (Commission) a petition (Petition) for authorization to defer the retail portion of incremental non-fuel operating and maintenance (O&M) costs roughly estimated to be between \$4 million to \$6 million (including overtime internal labor) incurred due to the 2016 storm response and recovery throughout the Company's service territory. According to MP, the deferral period would be until interim rates take effect in the Company's next general rate case.

II. BACKGROUND

According to the Company on page 5 of its filing, during the early morning hours of Thursday, July 21, 2016, a severe storm (2016 Storm) impacted northern Minnesota, knocking down thousands of trees and power lines, and leaving over 46,000 Minnesota Power customers without power. The Company noted that this was the worst storm to affect the Company's electrical system in the Duluth area for at least 15 years. The Company indicated that because both Otter Tail Power and Xcel Energy were dealing with their own recent storm cleanup events, Minnesota Power requested mutual aid from as far away as Missouri (Ameren) as well as local electric and tree contractors. MP noted that these workers put in 16-hour days and required housing and food. MP estimated that roughly 300 power poles were damaged and needed to be replaced and many power lines were down.

The Company noted that by Friday morning, July 22, about 28,000 customers were without power. The Company indicated that with the assistance of mutual aid from utilities and contractors, Minnesota Power was able to fully restore power to all but a few hundred customers by Wednesday, July 27, 2016. Minnesota Power indicated that they plan to provide further details on the response and restoration efforts in a supplemental filing when time allows for additional input by the distribution and operation personnel directly involved and the hundreds of other employees throughout the Company that have assisted in the

recovery efforts. Minnesota Power attached to its comments as Exhibit A, an article in the *Duluth News Tribune* regarding Minnesota Power's storm response.

III. DOC ANALYSIS

In this section, the DOC discusses the following areas:

- applicable Minnesota Statutes and Minnesota Rules;
- Minnesota Power's accounting treatment;
- Minnesota Power's overall proposal for deferred accounting; and
- Commission decisions on prior deferred accounting requests.

A. APPLICABLE MINNESOTA STATUTES AND MINNESOTA RULES

The Company noted on page 4 of its filing that its Petition was made in accordance with Minn. Stat. 216B.10, which grants the Commission jurisdiction over the accounting practices of public utilities. This statute does not prescribe a statutorily-imposed time frame for a Commission decision. However, Minnesota Power's Petition falls within the definition of a Miscellaneous Tariff Filing under Minn. Rules 7829.0100, subp. 11 and 7829.1400, subps. 1 and 4, which permits comments in response to a miscellaneous filing to be filed within 30 days, and reply comments to be filed no later than 10 days thereafter.

On pages 6 to 10 of its Petition, the Company provided information to support their deferred accounting request for storm damage costs. The DOC discusses below whether Minnesota Power has shown good cause supporting an exception to the provision of the system of accounts that would be needed in order to grant the Company's deferred accounting request.

B. DOC ANALYSIS OF MINNESOTA POWER'S ACCOUNTING TREATMENT INCLUDING CARRYING COSTS

Minnesota Power stated the following on page 8 of its filing:

At this time no amounts have been accrued for book (Security and Exchange Commission, "SEC") purposes related to the 2016 Storm. However, the Company will be required to recognize expenses, for book (SEC) purposes, net of insurance recovery. In short, the Company is attempting to carefully time the filing of this request, so that the request is early enough to predate any book (SEC) purposes, yet late enough to provide an indication that extraordinary, substantial and unforeseen expenses are likely. These expenditures were not contemplated in establishing current retail rates, and without deferral would significantly distort 2016 income. The use of deferred accounting may avoid the need to "write-off" (expense), for

book (SEC) purposes, additional liabilities when they become known. The Company requests that, upon Commission approval, the incremental expenses associated with the 2016 Storm be accumulated in FERC Account Number 186, Miscellaneous Deferred Debits. The Company proposes to begin amortizing these expenses concurrent with interim rates in its next rate case. An amortization period accepted by the Commission in that rate proceeding would be used.

On page 4 of its filing, the Company requested deferral of its incremental costs, including carrying costs, at the Company's pre-tax weighted cost of capital and net of any insurance recoveries.

The Department notes that the accounting for 2016 storm expenses would normally be expensed as a normal business expense; however, MP requested a deferred accounting treatment which has been approved in Minnesota in a few limited dockets. Below, the Department discusses, 1) certain details of MP's proposal, 2) the criteria used to determine whether a regulatory asset is reasonable, and 3) various Minnesota dockets that have dealt with regulatory assets.

1. Appropriate FERC Account

Regarding the actual accounting classification, the Department believes the correct Federal Energy Regulatory Commission (FERC) account is 182.3, Other Regulatory Assets, not FERC Account 186, Miscellaneous Deferred Debits, noted by the Company. The use of Account 182.3 instead of Account 186 is simply a minor reclassification. FERC Account 182.3 provides the following description and instructions for this account:

- A. This account shall include the amounts of regulatory-created assets, not includible in other accounts, resulting from the ratemaking actions of regulatory agencies.
- B. The amounts included in this account are to be established by those charges which would have been included in net income, or accumulated other comprehensive income, determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility service. When specific identification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, rate moderation plans, or rate levelization plans, account 407.4 regulatory credits, shall be credited. The amounts recorded in this account are generally to be charged, concurrently with the recovery of the amount in rates, to the same account that would have been charged if included in income when incurred, except all regulatory assets established through the use of account 407.4 shall be charged to account 407.3 regulatory debits, concurrent with the recovery in rates.
- C. If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount shall be charged to Account 426.5, Other Deductions, or Account 435, Extraordinary Deductions, in the year of the disallowance.

- D. The records supporting the entries to this account shall be kept so that the utility can furnish full information as to the nature and amount of each regulatory asset included in this account, including justification for inclusion of such amounts in this account.

Based on our review of the accounting and the FERC instructions provided above, the Department recommends the use of FERC Account 182.3, Other Regulatory Assets, instead of the Company's proposed use of FERC Account 186, Miscellaneous Deferred Debits.

2. *Carrying Costs*

The Department asked the Company three information requests (DOC Information Request Nos. 3, 5 and 6)¹ regarding carrying costs. The Department asked the Company if any of the deferred accounting requests referenced by MP in footnote 2 of the Petition support allowance of carrying costs on the deferred accounting request. Additionally, the Department asked the Company for support and calculations and how the pre-tax weighted cost of capital would be applied. The Company provided the following same response for all three DOC information requests:

Minnesota Power waves any request related to allowing a carrying cost on the 2016 Storm deferred accounting request.

3. *Deferral Period*

In DOC Information Request No. 2, the Department asked the Company about their deferral period. Specifically, DOC asked the Company, "Assuming a November 1, 2016 rate case filing by MP, would the deferral period be July 21, 2016 to December 31, 2016? Please explain your response." The Company provided the following response:

Minnesota Power has not decided the exact date for the rate case filing but the deferral period would be July 21, 2016 to December 31, 2016 consistent with a 2017 test year.

The Company requested amortization of the regulatory asset once interim rates begin. The Department notes that in the three dockets cited in footnote 2 of MP's petition, it appears that the Commission did not approve rate recovery for the regulatory asset in interim rates; however, we defer this issue to Commission Staff who are the experts regarding interim rates.

¹ The Department has attached MP's responses to DOC Information Request Nos. 1 to 14 and Office of the Attorney General – Residential Utilities and Antitrust Division's Information Request Nos. 5 and 6 in DOC Attachment A.

4. *Conclusions*

Based on our review, the Department recommends the use of FERC Account 182.3, Other Regulatory Assets, instead of the Company's proposed use of FERC Account 186, Miscellaneous Deferred Debits.

The Department believes that the Commission has not approved a carrying cost on a regulatory asset, and additionally Minnesota Power appears to have waived its request for carrying costs on the 2016 Storm deferred accounting request.

The Department notes that the deferral period is proposed to be July 21, 2016 to December 31, 2016, although the Department would expect that the majority of charges would have been incurred in the July and August timeframe. The Company indicated that it would begin amortizing the regulatory asset once interim rates begin; the Department defers further development of this issue to Commission Staff who are the experts regarding interim rates.

C. *DOC ANALYSIS OF MINNESOTA POWER'S OVERALL PROPOSAL FOR DEFERRED ACCOUNTING*

Minnesota Power referenced criteria for evaluating deferred accounting requests as listed in Commission Staff briefing papers in past dockets. The criteria listed indicated that the costs should be:

- related to utility operations for which ratepayer have incurred costs or received benefits;
- significant in amount;
- unusual or extraordinary items; and,
- subject to review for reasonableness and prudence.

1. *Related to Utility Operations for which Customers Have Incurred Costs or Received Benefits*

The Company indicated on page 9 of its Petition that this criterion is clearly met given that all the costs are directly related to Minnesota Power's obligation to "furnish safe, adequate efficient and reasonable services" to its customers within its service territory. The Company noted that the incremental costs from the 2016 Storm pertain to utility operations through which customers receive benefits and should share costs.

The Department agrees with the Company that these 2016 storm costs are clearly related to utility operations.

2. *Unusual or extraordinary items*

The Company stated on page 9 of its Petition that the 2016 Storm with gale force winds and significant weather-related damage were sudden and caused by forces beyond the

Company's control. The Company noted that while vegetation management and ongoing maintenance occurs, as more fully described in Minnesota Power's annual Safety, Reliability, and Service Quality filings, the severity of the weather and the magnitude of the resultant damage are certainly outside the Company's reasonable foresight. The Company indicated that the 2016 Storm is the worst the Duluth area has seen in over 15 years, and that the severe weather resulted in difficult tree removals which the Company considers highly unusual and infrequent events.

The Department does not consider storm damage costs to be unusual or extraordinary items. Instead, storm damage costs are part of operating and maintenance (O&M) expenses included in utilities' rate cases. While this 2016 Storm appears to be more severe than past years, there are years where storms are very minor or do not occur.

3. *Subject to Review for Reasonableness and Prudence*

The Company noted that its Petition enables the Commission and other stakeholders to thoroughly examine the 2016 Storm recovery expenses for reasonableness and prudence. The Company indicated that it will supplement this recovery as more details are available and provide annual reports until the next rate case filing on any 2016 Storm-related costs incurred and any insurance payments received and any other information that may be requested by the Commission. The Company noted that in past Commission deferred accounting orders, "under standard ratemaking principles deferred costs are not guaranteed rate recovery; they are merely deferred for later consideration as potentially recoverable." The Company noted that they still bear the burden of proving that the deferred costs are reasonable, prudent, and otherwise eligible for recovery from ratepayers. If deferral is approved by the Commission, Minnesota Power's incremental costs will be subject to review in its general rate case.

The Department has four concerns with evaluating the Company's claimed incremental costs and the amount allowed for a regulatory asset, including:

- calculating which costs are actual incremental costs (in other words costs that are not already embedded in the Company's current rates via the level of O&M set in the Company's last rate case);
- limiting the regulatory asset to expense, since capital costs can be recovered in the Company's upcoming November 2016 rate case;
- capturing reductions for any insurance proceeds; and
- using an allocator to ensure only a reasonable amount of costs are assigned to Minnesota retail customers, since some distribution costs are assigned to other customers including wholesale municipal customers.

a) *Limiting to Incremental Costs*

The Department asked the Company in DOC Information Request No. 7 to provide all support and calculations used in determining the \$4 million to \$6 million estimate of incremental costs. The Company provided the following response:

See attached spreadsheet for breakdown in the incremental costs. Some invoices have not been received so the accruals are estimates and final accounting is not complete. Also, the capital/expense allocations will not happen until the as built work order estimate is complete and accepted. The spreadsheet is the total (capital + expense). At this time Minnesota Power expects that the capital/expense allocation will be approximately 30/70 which would equate to: (.7) * \$5.751M = \$4.025M O&M expense.

MP's attached spreadsheet shows various categories of costs such as: Salary & Wages, Lost Time, Paid Overtime, Business Meals, Refreshments, Miscellaneous Employee Expense, Lodging, Mileage and Transportation, Materials, various overhead, employee benefits and taxes. The Department's concern with many of these types of costs is that they are costs that are included in the Company's base rates. In order to determine whether any of the costs are incremental costs, there needs to be a determination of what 2016 Storm costs are above the O&M and benefit levels of expense included in the last rate case. Because determination of what is truly incremental is difficult, the Department has recommended (and the Commission has approved) limiting regulatory assets to outside consultant costs or contractor/professional services (which are still included in rate cases at some level). For instance, the Commission allowed deferred accounting treatment for costs incurred in developing Xcel Energy's time-of-use pilot project, but limited the deferral to those costs associated with "consulting fees, hardware and software purchases, contract labor, and non-labor related employee expenses."² MP indicated that its Contractor/Professional services costs are \$2.741 million of the \$5.751 million for damages due to the 2016 Storm. See also the Office of the Attorney General – Residential Utilities and Antitrust Division's (OAG) Information Request Nos. 5 and 6 for further inquiries and responses regarding identification of incremental costs.

The Department asked the Company in DOC Information Request No. 4, "In the deferred accounting request dockets referenced by MP in footnote 2, did any of the Commission's Order in these docket allow for internal labor costs recovery as part of the deferred accounting request? If yes, please provide page citation to support your response." The Company provided the following response:

Xcel Energy's Petition for Approval of Deferred Accounting for Costs Incurred for the Web Tool and Time-of-Use Pilot Project on pages 5-6 in Docket No. E002/M-03-1462 included a request for \$14,192 as otherwise recoverable expense that included labor and labor-related expenses for employees. The Commission's February 25, 2005 Order approving deferred accounting appeared to grant Xcel's full request that included this amount.

² See the Commission's February 25, 2005 Order and page 6 of Xcel's petition in Docket No. E002/M-03-1462.

The Department does not agree with the Company that the Commission allowed internal labor cost recovery in Xcel's deferred accounting request. The Department noted on page 10 of its July 27, 2004 Comments on Supplemental Information that Xcel Energy had reduced its deferred accounting request to \$2,469,247 to reflect the fact that Xcel Energy was no longer seeking recovery of internal labor costs and SchlumbergerSema (meter data services provider) costs. Ordering Point 1 of the Commission's February 25, 2005 Order in Docket No. E002/M-03-1462 confirms that \$2,469,247 was the deferred accounting amount approved. Pages 4 and 5 of the same Order noted that the deferred accounting costs were for the Deloitte Consulting costs. On page 6 of its Order, the Commission noted that Xcel Energy should not be penalized for complying with Commission's order to develop a time-of-use pilot program and that the facts for that case were unique.

The Department asked MP in DOC Information Request No. 12 if the Company tracks storm damage costs separately, and if costs are tracked separately, to provide storm damage costs approved in the Company's last rate case and the storm damage costs incurred by year from 2010 to date. The Company provided the following response:

Minnesota Power does not separately budget for storm response and recovery costs in its revenue requirements. Minnesota Power's expense and capital budget include dollars for outage response and associated overtime, but do not include costs associated with storms that require mutual aid assistance.

The Department concludes that the Commission has consistently limited deferred accounting approvals to incremental costs and has excluded internal costs that may already be included in base rates. MP's incremental costs related to the 2016 Storm may be difficult to identify given that the Company does not track storm damage costs separately.

b) Limiting to O&M costs by excluding capital costs

MP's spreadsheet shows estimated costs for the 2016 Storm of \$5.751 million; however, only 70 percent of this amount is considered expense, with the other 30% being capitalized costs that could be recovered in MP's upcoming rate case. In response to DOC Information Request No. 9, MP stated that the Company is not requesting to include capital costs in its deferred accounting request and that recovery of any capital costs will be included in future rate cases. This means that the deferred accounting request for O&M expense has now been reduced to approximately \$4.025 million which is 70 percent of the \$5.751 million. As a result, the range of rate recovery for a possible regulatory asset is between \$2.741 million, by limiting the deferral to Contractor/Professional services, and \$4.025 million, by limiting the deferral to O&M expense costs and excluding capital costs.

c) *Reductions for insurance proceeds*

In response to DOC Information Request Nos. 10 and 11, the Company stated that after submitting its Petition, Minnesota Power reviewed this issue with its insurance carrier and was informed that there is no recovery available for these expenses. As a result, the DOC concludes that insurance proceeds do not appear to be an issue for determining 2016 storm damage costs included in a potential regulatory asset.

d) *Use of Jurisdictional allocator*

Regarding the jurisdictional allocator, in response to DOC Information Request No. 1, which asked the Company to provide all calculations and support for all retail and wholesale allocators that would be used to determine the retail portion of the incremental O&M costs for the 2016 storm costs, MP provided the following response:

Minnesota Power is only requesting deferred accounting for retail costs to restore distribution level service for retail customers. Minnesota Power incurred minimal (approximately \$60,000) costs to restore transmission level service at the beginning of the storm response, but will not be including these costs in any final accounting for this deferred accounting request.

The Department notes that MP did not provide a jurisdictional allocator as requested by the Department and instead indicated that all the costs (except \$60,000 for transmission) were distribution level costs for retail customers. However, in response to DOC Information Request No. 13, MP provided the following O&M costs for transmission and distribution approved in the Company's last rate case on a total-company and Minnesota-jurisdictional basis:

	<u>Total Company</u>	<u>Minnesota Jurisdiction</u>	<u>Effective</u>
<u>Allocation</u>			
Transmission O&M	\$33.449 million	\$26.009 million	77.755%
Distribution O&M	\$22.187 million	\$21.423 million	96.555%

Based on our review, the Department recommends that the 96.555 percent allocator be used in determining the Minnesota-jurisdictional amount assigned to retail customers, rather than assuming that 100 percent of distribution-related costs be recovered from MP's retail customers as suggested by the Company. If you apply the 96.555% to the \$2.741 million (based on limiting to Contractor/Professional services) the amount potentially eligible for deferral is now \$2.467 million. Additionally, if the 96.555% is applied to the \$4.025 million (based on limiting to only O&M expense and excluding capital costs) the amount would be \$3.886 million. As discussed further below, the Department does not consider these amounts to be significant in nature, and as discussed above the Department does not consider storm damage costs to be unusual or extraordinary. Therefore, the Department recommends that deferred accounting for a regulatory asset not be approved by the

Commission. If the Commission does not agree with the Department, we recommend that the regulatory asset be limited to \$2.467 million based on limiting the deferral to the Contractor/Professional services costs and applying the Minnesota-jurisdictional allocator of 96.555 percent.

4. *Significant in Amount*

The Company stated on page 9 of the Petition that the total expenses associated with the 2016 Storm are not yet known. According to the Company, what is known is that the Company has already incurred significant incremental expenses beyond its normal distribution budget from both internal resources as well as mutual aid assistance. Minnesota Power believes that it expended at least \$0.75 million daily in the first week alone in storm restoration costs, including non-fuel O&M (including incremental overtime internal labor). In total, Minnesota Power estimated the total incremental costs could be approximately \$4 million to \$6 million, which they noted is a significant adverse impact to the Company.

As noted above, the Company indicated that \$21.423 million was the amount of distribution O&M for Minnesota retail approved in MP's last rate case. In response to DOC Information Request No. 14, the Company provided the actual O&M distribution costs on a Minnesota-jurisdictional basis for 2010 through 2015, which range from \$21.4 million to \$23.9 million, and through 7/31/2016 which totaled \$12.6 million. The Department notes that by annualizing MP's costs for 2016 ($\$12.6 \text{ million} / 7 \text{ months} * 12 \text{ months}$) the distribution O&M for 2016 on a Minnesota-jurisdictional basis is \$21.6 million, which is close to the \$21.423 million approved in rates. However, should the 2016 Storm damage costs considered for deferral be limited to Contractor/Professional services and the Minnesota-jurisdictional allocator be applied, adding the \$2.467 million potential deferral to the \$21.6 million in estimated annual distribution O&M costs for 2016 totals \$24.067 million, which is not much higher than the \$23.9 million at the high end of the range experienced in 2010 through 2015. These comparisons further support a finding that the incremental expenses associated with the 2016 Storm are not particularly significant in amount.

It is important to consider some of the reasons regulatory assets are very limited and only given under unique circumstances. First, a deferral request is a request to change normal accounting principles that require storm costs to be expensed in the period they were incurred, and instead defer booking the expense into a future year (in this case, the 2017 test year) and amortize the total amount over some amortization period. Second, creating a regulatory asset raises concerns about single-issue ratemaking, where the focus is only on one cost, in this case 2016 Storm damage costs, rather than considering that there may be other possibly lower costs or higher revenues that are not considered or reviewed as they would be in a comprehensive rate case.

The DOC notes that the deferred accounting request for the incremental 2016 Storm damage costs of \$2.467 million (based on limiting deferred costs to Contractor/Professional services and applying a Minnesota-jurisdictional allocator), or \$3.886 million (based on limiting deferred costs to O&M expenses and applying a Minnesota-jurisdictional allocator) is only 0.37 to 0.59 percent of Minnesota Power's Minnesota-jurisdictional total revenue requirement of approximately \$661.768 million.³ The DOC notes that this is the comparison that was used in Xcel's property tax deferred accounting request.⁴ The DOC also notes that the incremental 2016 Storm damage costs of \$2.467 million and \$3.886 million are only 0.58 to 0.91 percent, respectively, of MP's total O&M expenses for the Minnesota Jurisdiction as provided in their last rate case of \$426.444 million. As a result, the Department concludes that the incremental 2016 Storm damage costs, estimated at \$2.467 million (based on limiting to Contractor/Professional service and applying the Minnesota-jurisdictional allocator) or at a minimum of \$3.886 million (based on limiting to O&M expenses and applying a Minnesota-jurisdictional allocator) are not significant and are less than one percent of Minnesota Power's Minnesota-jurisdictional revenue requirements for total O&M expense.

Based on the Department's review of Minnesota Power's request in light of the four criteria that have been considered in past deferred accounting requests to assess whether there is a need for a regulatory asset, the Department concludes that MP's request does not meet the necessary criteria, and therefore should be denied.

D. DOC ANALYSIS OF OTHER DEFERRED ACCOUNTING REQUESTS

In footnote two of MP's Petition, the Company addressed three dockets where the Commission has granted deferred accounting treatment. The Department will briefly summarize the circumstances in these dockets, noting the differences between those dockets and MP's request in its Petition. Additionally, the DOC lists several dockets where the Commission has denied deferred accounting treatment.

In Docket No. E,G001/M-08-728, Interstate Power and Light (IPL) Company was granted deferred accounting treatment of costs related to a 2008 flood. The Commission's April 23, 2009 Order noted that the Iowa floods of 2008 are the sort of rare and unforeseen events that are recognized through deferred accounting. The Commission established a four-year amortization period beginning January 1, 2009⁵ and required costs to be limited to non-fuel O&M and offset by any revenues such as insurance proceeds.

In Docket No. E002/M-03-1462 Xcel Energy was granted deferred accounting treatment for certain costs associated with a time-of-use pilot project. The Commission's February 25, 2005 Order noted that costs incurred by Xcel Energy were due to the Commission's directive that the Company develop a time-of-use pilot project within a short period of time. The Commission limited the recovery to outside consulting costs and did not allow internal labor

³ See MP's Section III of its compliance filing in Docket No. E015/GR-09-1151.

⁴ See Xcel's *Petition for Deferred Accounting for Property Tax Costs* in Docket No. E002/M-11-1263, which was denied by the Commission.

⁵ Interim rates in IPL's 2009 rate case in Docket No. E001/GR-08-728 began July 6, 2010.

costs. Additionally, the Commission did not allow carrying charges and required the amortization period to be determined in Xcel's next electric rate case.

Xcel Energy was granted deferred accounting treatment of two proposed energy innovation corridor projects in Docket No. E002/M-09-1488. As noted in the Commission's December 27, 2010 Order, Xcel was initially planning to recover these costs through a rider, however, the Commission considered Xcel's upcoming rate case a better vehicle for examining accuracy, prudence, reasonableness, and rate recoverability of these costs. As a result, the Commission granted deferred accounting because costs were significantly large and unforeseen and of sufficient public-policy import to warrant deferral for consideration in a later rate-setting proceeding (Xcel's then-current rate case).

The following are deferred accounting requests that have been denied by the Commission:

- *Xcel's Petition for Deferred Accounting for Property Tax Costs* concerning a \$28 million increase in property taxes was denied by the Commission's July 16, 2012 Order in Docket No. E002/M-11-1263.
- *IPL's Petition for Approval of Deferred Accounting Treatment of Costs Related to the Cancelled Sutherland Generating Station Unit 4* concerning \$2.8 million (Minnesota Jurisdiction) of the \$47.3 million in preliminary survey and investigation costs was denied by the Commission's December 18, 2009 Order in Docket No. E002/M-09-336.

IV. CONCLUSIONS AND RECOMMENDATIONS

Based on the Department's review of Minnesota Power's request in light of the four criteria that have been considered in past deferred accounting requests in assessing whether there is a need for a regulatory asset, the Department concludes that:

- The incremental 2016 Storm costs are clearly related to utility operations.
- There are concerns regarding if MP's 2016 Storm costs are truly incremental since they are a part of operating and maintenance expenses, and therefore should not be granted deferred accounting. At a minimum, exclusions of capital costs, reduction for the Minnesota Jurisdictional allocator, and limiting to Contractor/Professional services may be appropriate.
- The incremental 2016 Storm costs are not considered to be unusual or extraordinary items and are part of operating and maintenance (O&M) expense included in utilities rate cases; while this 2016 Storm appears to be more severe than storms occurring in recent years, there are years in which storms are very minor.
- The incremental 2016 Storm costs are not significant since they are less than one percent of Minnesota Power's Minnesota-jurisdictional revenue requirements or total O&M expense.

The Department concludes that MP's request does not meet all of the necessary criteria to support the need for deferred accounting via a regulatory asset; therefore, the Department recommends that the Commission deny the Petition.

Should the Commission disagree, and grant MP's request, the Department recommends that the Commission:

- Require the use of FERC Account 182.3, Other Regulatory Assets instead of the Company's proposed use of FERC Account 186, Miscellaneous Deferred Debits;
- Deny carrying charges on the regulatory asset;⁶
- Apply a Minnesota-jurisdictional allocator of 96.555 percent to the incremental 2016 Storm costs;
- Limit the deferred incremental 2016 Storm costs to \$2.741 million based on limiting to Contractor/Professional services (\$2.467 million after applying the 96.555 percent Minnesota-jurisdictional allocator); or
- Limit the deferred incremental 2016 Storm costs to \$4.025 million based on limiting to O&M expenses (\$3.886 million after applying the 96.555 percent Minnesota-jurisdictional allocator);
- Require Minnesota Power to address the 2016 Storm incremental cost issue and amortization period in its upcoming rate case.

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⁶ The Department understands that MP has waived its request for carrying costs on the 2016 Storm deferred accounting request.

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic

Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 8/31/2016

Requested From: Minnesota Power

Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: [X]... Financial []... Rate of Return []... Rate Design
[]... Engineering []... Forecasting []... Conservation
[]... Cost of Service []... CIP []... Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
1	<p>Reference: Summary of Filing</p> <p>Subject: Jurisdictional Allocators</p> <p>Please provide all calculations and support for all retail and all wholesale allocators that would be used to determine the retail portion of the incremental O&M costs (including overtime internal labor) for the 2016 storm response and recovery.</p>

RESPONSE: Minnesota Power is only requesting deferred accounting for retail costs to restore distribution level service for retail customers. Minnesota Power incurred minimal (approximately \$60,000) costs to restore transmission level service at the beginning of the storm response, but will not be including those costs in any final accounting for this deferred accounting request.

Response by: David R. Moeller
Title: Senior Attorney
Department: Legal Services
Telephone: 218-723-3963

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic

Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 8/31/2016

Requested From: Minnesota Power

Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
2	Reference: Summary of Filing and page 1 of the above referenced docket Subject: Deferral Period Assuming a November 1, 2016 rate case filing by MP, would the deferral period be July 21, 2016 to December 31, 2016? Please explain your response.

RESPONSE: Minnesota Power has not decided the exact date for the rate case filing but the deferral period would be July 21, 2016 to December 31, 2016 consistent with a 2017 test year.

Response by: David R. Moeller
Title: Senior Attorney
Department: Legal Services
Telephone: 218-723-3963

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic

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If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
3	Reference: Footnote 2 of the above referenced docket Subject: Deferred Accounting Dockets in Minnesota In the deferred accounting request dockets referenced by MP in footnote 2, did any of the Commission's Orders in these dockets allow for a carrying cost on the deferred accounting request? If yes, please provide page citation to support your response.

RESPONSE: Minnesota Power waves any request related to allowing a carrying cost on the 2016 Storm deferred accounting request.

Response by: David R. Moeller
Title: Senior Attorney
Department: Legal Services
Telephone: 218-723-3963

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic

Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 8/31/2016

Requested From: Minnesota Power

Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
4	Reference: Footnote 2 of the above referenced docket Subject: Deferred Accounting Dockets in Minnesota In the deferred accounting request dockets referenced by MP in footnote 2, did any of the Commission's Orders in these dockets allow for internal labor costs recovery as part of the deferred accounting request? If yes, please provide page citation to support your response.

RESPONSE:

Xcel Energy's Petition for Approval of Deferred Accounting for Costs Incurred for the Web Tool and Time-of-Use Pilot Project on pages 5-6 in Docket No. E002/M-03-1462 included a request for \$14,192 as otherwise recoverable expenses that included labor and labor-related expenses for employees. The Commission's February 25, 2005 Order approving deferred accounting appeared to grant Xcel's full request that included this amount.

Response by: David R. Moeller
Title: Senior Attorney
Department: Legal Services
Telephone: 218-723-3963

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic

Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 8/31/2016

Requested From: Minnesota Power

Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
5	Reference: Page 2 of the above referenced docket Subject: Pre-Tax Weighted Cost of Capital Please provide all support and calculations for the pre-tax weighted cost of capital the Company plans to use for purposes of calculating the carrying cost.

RESPONSE: Minnesota Power waves any request related to allowing a carrying cost on the 2016 Storm deferred accounting request.

Response by: David R. Moeller
Title: Senior Attorney
Department: Legal Services
Telephone: 218-723-3963

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic

Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 8/31/2016

Requested From: Minnesota Power

Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
6	Reference: Page 2 of the above referenced docket Subject: Pre-Tax Weighted Cost of Capital Please provide an example calculation for how the carrying cost would be calculated using the pre-tax weighted cost of capital.

RESPONSE: Minnesota Power waves any request related to allowing a carrying cost on the 2016 Storm deferred accounting request.

Response by: David R. Moeller
Title: Senior Attorney
Department: Legal Services
Telephone: 218-723-3963

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic

Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 8/31/2016

Requested From: Minnesota Power

Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
7	Reference: Page 6 and footnote 1 of the above referenced docket Subject: \$4 to \$6 million estimate of incremental O&M costs Please provide all support and calculations used in determining the \$4 to \$6 million estimate of incremental O&M costs.

RESPONSE: See attached spreadsheet for breakdown of the incremental costs. Some invoices have not been received so the accruals are estimates and final accounting is not complete. Also, the capital/expense allocations will not happen until the as built work order estimate is complete and accepted. The spreadsheet is the total (capital + expense). At this time Minnesota Power expects that the capital/expense allocation will be approximately 30/70 which would equate to: $(.7) \times \$5.751M = \$4.025M$ O/M expense.

Response by: David R. Moeller
Title: Senior Attorney
Department: Legal Services
Telephone: 218-723-3963

List sources of information:

September 9, 2016

Duluth July Storm Cost Reporting Summary to Date

Project 109089, Workorder 2092222, Total for capital and expense

Cost Type	Cost
1100 Salaries & Wages - Labor Only	300,651.49
1200 Lost Time	43,858.95
1400 Paid Overtime	802,926.53
1510 Business Meals	54,708.53
1560 Refreshments	13,358.69
1569 Refreshments Exec Compliance	18.92
1570 Overtime Meals	5,145.45
1820 Misc. Employee Expenses	2,137.93
2110 Lodging Business	121,763.26
2210 Personal Mileage - Business	12,834.17
2240 Pers Mileage - Cust or Comm	514.62
2310 Rental Car, Taxi - Business	1,376.7
2600 Vehicle Use-Fleet Alloc Only	219,842.86
4100 Contractor/Prof Services	2,741,448.13 *
4200 Materials-Purchased	74,206.59
4320 Rental Expense	6,762.01
4410 Office Supplies	2,198
4420 Postage, UPS	108.5
4600 Materials-STORES ISSUES ONLY	231,413.28
4650 Admin & General OH	122,185.55
4690 Material Handling Overhead	29,735.3
4900 Miscellaneous Expenses	2,581.07
9100 Employee Pensions & Benefits	79,104.38
9200 Payroll Taxes	97,344.22
9850 Injuries and Damages	4,101.69
	4,970,327.1
Commitments for Holiday Inn, B&B, Intren, Mellin, MP Tech, Securities, EMT Paramedics	780,847
Total	\$ 5,751,174.10

* (Including Invoice Accruals for Northern Clearing, Ameren, and Xcel Energy)

State of Minnesota
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DIVISION OF ENERGY RESOURCES

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Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
8	Reference: Page 6 and footnote 1 of the above referenced docket Subject: \$4 to \$6 million estimate of incremental O&M costs Does the \$4 to \$6 million estimate of incremental O&M costs represent the total Company amount or the retail portion? Please support your response.

RESPONSE: The \$4 to \$6 million of incremental O&M costs represents both the total Company amount and the retail portion. Minnesota Power is only requesting deferred accounting for retail costs to restore distribution level service for retail customers. Minnesota Power incurred minimal (approximately \$20,000) costs to restore transmission level service at the beginning of the storm response, but will not be including those costs in any final accounting for this deferred accounting request.

Response by: David R. Moeller
Title: Senior Attorney
Department: Legal Services
Telephone: 218-723-3963

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic

Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 8/31/2016

Requested From: Minnesota Power

Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
9	<p>Reference: Page 6 and footnote 1 of the above referenced docket</p> <p>Subject: \$4 to \$6 million estimate of incremental O&M costs</p> <p>In footnote 1 MP stated that, "Some of the costs will include capital but the exact percentages and amounts are not yet available." Please explain why it reasonable for MP to include capital costs in its \$4 to \$6 million estimate of incremental O&M costs, especially when MP plans to file a rate case later this year.</p>

RESPONSE: Minnesota Power is not requesting to include capital costs in its deferred accounting request and recovery of any capital costs will be included in future rate cases.

Response by: David R. Moeller
Title: Senior Attorney
Department: Legal Services
Telephone: 218-723-3963

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic

Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 8/31/2016

Requested From: Minnesota Power

Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
10	Reference: Page 2 of the above referenced docket Subject: Insurance Estimate In the \$4 to \$6 million estimate of incremental O&M costs, did the Company include the reduction/credit for insurance proceeds? If no, please explain why not.

RESPONSE: No, after submitting the Petition, Minnesota Power reviewed this issue with its insurance carrier and was informed there is no recovery available for these expenses

Response by: David R. Moeller
Title: Senior Attorney
Department: Legal Services
Telephone: 218-723-3963

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic

Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 8/31/2016

Requested From: Minnesota Power

Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
11	Reference: Page 2 of the above referenced docket Subject: Insurance Estimate Please provide all support and calculations for estimated insurance proceeds.

RESPONSE: After submitting the Petition, Minnesota Power reviewed this issue with its insurance carrier and was informed there is no recovery available for these expenses.

Response by: David R. Moeller
Title: Senior Attorney
Department: Legal Services
Telephone: 218-723-3963

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic

Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 8/31/2016

Requested From: Minnesota Power

Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
12	Reference: N/A Subject: Storm Damage Costs Does the Company track storm damage costs separately? If yes, please provide the storm damage costs approved in the Company's last rate case and the storm damages incurred by year for 2010 through 2016 to date.

RESPONSE: Minnesota Power does not separately budget for storm response and recovery costs in its revenue requirements. Minnesota Power's expense and capital budgets include dollars for outage response and associated overtime, but do not include costs associated with storms that require mutual aid assistance.

Response by: David R. Moeller
Title: Senior Attorney
Department: Legal Services
Telephone: 218-723-3963

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic

Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 8/31/2016

Requested From: Minnesota Power

Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: [X]..... Financial []..... Rate of Return []..... Rate Design
 []..... Engineering []..... Forecasting []..... Conservation
 []..... Cost of Service []..... CIP []..... Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
13	<p>Reference: N/A</p> <p>Subject: O&M costs for transmission and distribution</p> <p>Please provide the O&M costs for transmission and the O&M costs for distribution approved in the Company's last rate case. Please include total Company and the retail portion with support for the allocator used.</p>

RESPONSE:

The requested amounts are provided below. Attached as DoC IR 13.1 Attachment.pdf is an excerpt from Minnesota Power's March 7, 2011 Compliance Filing in the Company's last rate case (Docket No. E-015/GR-09-1151). The total transmission O&M is allocated on two allocators on lines 13 and 14 and total distribution O&M is allocated on three allocators on line 16, 17 and 18 as shown in DoC IR 13.1 Attachment.pdf. The effective percentage allocations are shown below.

	Total	MN	Effective
	Company \$	Jurisdiction \$	Allocation
Transmission O&M	33,449,279	26,008,617	77.755%
Distribution O&M	22,186,889	21,422,500	96.555%

Response by: Stewart Shimmin
 Title: Supervisor, Revenue Requirements
 Department: Rates
 Telephone: 218-355-3562

List sources of information:

RETAIL 2010 COSS Final Rates Compliance.xls
 1/28/2011 12:43 PM

MINNESOTA POWER
 ELECTRIC COST OF SERVICE STUDY
 CALENDAR 2010 GENERAL RATES

SUMMARY

	ALLOC	TOTAL COMPANY (1)	MINNESOTA JURISDICTION (3)
OPERATING EXPENSES-10			
OPERATION & MAINTENANCE EXPENSE			
STEAM PRODUCTION			
1	DPROD	56,864,089	46,638,220
2	EPROD	18,663,920	15,653,803
3	TOTAL STEAM	75,528,009	62,292,023
HYDRO PRODUCTION			
4	DPROD	4,785,397	3,924,839
5	EPROD	980,640	822,482
6	TOTAL HYDRO	5,766,037	4,747,321
7	WIND PRODUCTION	1,111,330	911,480
OTHER POWER SUPPLY			
8	PRODUCTION DEMAND	3,579,866	2,936,099
PURCHASED POWER			
9	DPROD	44,648,904	36,619,692
10	EPROD	120,580,037	101,132,889
11	TOTAL PURCHASED POWER	165,228,941	137,752,580
12	FUEL	166,631,695	139,757,335
13	TRANSMISSION	33,406,208	25,975,207
14	REGIONAL TRANS AND MARKET DISTRIBUTION	43,071	33,410
15	METERS	1,770,672	1,744,716
16	BULK DELIVERY	2,347,865	1,679,761
17	OTHER DISTRIBUTION	18,068,352	17,998,023
18	TOTAL DISTRIBUTION	22,186,889	21,422,500
19	CACCTS	7,279,426	7,081,349
20	CUSTOMER ACCOUNTING	4,266,923	3,963,328
21	CUSTOMER SERVICE & INFORMATION	4,624,108	4,624,108
22	CONSERV IMPROVE PROG - ENERGY SALES	40,482	40,482
23	ADMINISTRATIVE & GENERAL	5,319,449	4,476,014
24	PROPERTY INSURANCE	476,210	400,704
25	REGULATORY EXPENSES - MISC	480,348	372,606
26	REGULATORY EXPENSES - MIS0	15,000	12,925
27	ADVERTISING	1,117,000	1,117,000
28	FRANCHISE REQUIREMENTS	133,560	0
29	RATE CASE EXPENSE (FERC)	1,996,894	1,996,894
30	RATE CASE EXPENSE (RETAIL)	7,322,068	6,309,224
31	GENERAL PLANT	40,928,449	35,266,913
32	OTHER ADMIN & GENERAL	57,788,978	49,952,279
33	TOTAL ADMINISTRATIVE & GENERAL	18,000	18,000
34	CUSTOMER DEPOSITS	515,265	443,990
35	DONATIONS	572,000	492,877
36	INTEREST ON LP BILLS & INTERIM RATE	548,587,228	462,444,367
37	TOTAL OPERATION & MAINTENANCE EXP		

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

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 Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 8/31/2016

Requested From: Minnesota Power

Response Due: 9/12/2016

Analysts Requesting Information: Nancy Campbell/Angela Byrne

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
14	<p>Reference: N/A</p> <p>Subject: O&M costs for transmission and distribution</p> <p>Please provide the actual O&M costs for transmission and O&M costs for distribution for 2010 through 2016 to date. Please include total Company and the retail portion with support for the allocator used.</p>

RESPONSE:

The requested Total Company amounts are provided below. The 2016 amounts do not include any of the storm related costs. The approximate Minnesota jurisdictional amounts shown below were determined using the 2010 test year allocators provided in DoC IR 13 Response.

Response by: Stewart Shimmin
 Title: Supervisor, Revenue Requirements
 Department: Rates
 Telephone: 218-355-3562

List sources of information:

	2010	2011	2012	2013	2014	2015	1/1/2016 to 7/31/2016
Total Company \$							
Transmission O&M	44,260,171	39,745,291	49,440,503	52,191,956	64,818,347	73,534,048	49,119,469
Distribution O&M	22,528,184	23,736,704	24,787,841	22,180,505	24,611,732	24,186,895	13,078,313
MN Jurisdiction \$							
Transmission O&M	34,414,496	30,903,951	38,442,463	40,581,855	50,399,506	57,176,399	38,192,843
Distribution O&M	21,752,088	22,918,975	23,933,900	21,416,387	23,763,858	23,353,656	12,627,765

Response by: Stewart Shimmin
 Title: Supervisor, Revenue Requirements
 Department: Rates
 Telephone: 218-355-3562

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic
Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 9/16/2016

Requested From: David Moeller, Minnesota Power

Response Due: 9/28/2016

Analyst Requesting Information: Office of the Attorney General, Joseph C. Meyer

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Financial

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
005	<p><i>For all responses show amounts for Total Company and the Minnesota jurisdictional retail unless indicated otherwise. Total Company is meant to include costs incurred for both regulated and non-regulated operations.</i></p> <p>Reference: IR 7 Attachment, MP's Response to DOC IR #7.</p> <p>Did the costs identified in the attachment as "1100 Salaries & Wages – Labor Only", "2600 Vehicle Use-Fleet Alloc Only", "4650 Admin & General OH", "9100 Employee Pensions & Benefits", and "9200 Payroll taxes" result in any money spent by Minnesota Power that would not have been spent had the July 21, 2016 weather event not occurred? If not, are these costs that would have been incurred regardless of the weather event, but are being allocated to the weather event for accounting purposes?</p> <p>List any other cost types included on the referenced attachment that would have been incurred by Minnesota Power in the absence of the July 21, 2016 weather event. If, for any cost type on the attachment, some of the cost would have been incurred regardless of the weather event, but some was incurred only as a result of the weather event, explain and quantify.</p>

Response by: Julie Fender
 Title: Supervisor - Accounting
Department: Accounting-General Accounting & Accounts Payable
Telephone: 218-355-2558

List sources of information:

Response:

Costs identified as “1100 Salaries & Wages – Labor Only”, “1200 Lost Time”, “9100 Employee Pensions & Benefits”, and “9850 Injuries and Damages” would have been incurred in absence of the July 21, 2016 weather event. “9100 Employee Pensions & Benefits” and “9850 Injuries and Damages” are overheads applied only to straight time labor (ie – not overtime labor).

A portion of costs identified as “2600 Vehicle Use – Fleet Alloc Only” and “9200 Payroll Taxes” would have been incurred in absence of the weather event. These costs should be allocated based on the ratio of costs in “1100 Salaries & Wages” to costs in “1400 Paid Overtime”, as they are overheads applied to both straight time and overtime labor.

Costs identified as “4650 Admin & General OH” would have been incurred in absence of the weather event. However, this overhead is allocated to only capital expenditures, which is not included in the deferral request.

All other costs are incremental and would not have been incurred but for the weather event.

Response by: Julie Fender
Title: Supervisor - Accounting
Department: Accounting-General Accounting & Accounts Payable
Telephone: 218-355-2558

List sources of information:

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Nonpublic
Public

Utility Information Request

Docket Number: E015/M-16-648

Date of Request: 9/16/2016

Requested From: David Moeller, Minnesota Power

Response Due: 9/28/2016

Analyst Requesting Information: Office of the Attorney General, Joseph C. Meyer

Type of Inquiry: []..... Financial []..... Rate of Return []..... Rate Design
 []..... Engineering []..... Forecasting []..... Conservation
 []..... Cost of Service []..... CIP []..... Financial

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
006	<p><i>For all responses show amounts for Total Company and the Minnesota jurisdictional retail unless indicated otherwise. Total Company is meant to include costs incurred for both regulated and non-regulated operations.</i></p> <p>Reference: IR 7 Attachment, MP's Response to DOC IR #7.</p> <p>Explain what is meant by "Lost Time" and how those costs are attributable to the July 21, 2016 weather event.</p>

Response:

Minnesota Power defines "Lost time" as Vacation, Personal (Floating) Holiday, Employee Illness, Sick Dependent Child, Occupational Illness and Other Time Off. These costs would have been incurred/charged elsewhere if not for the storm. Lost time is spread to all work orders that include labor costs each month and the time allocation is treated as an overhead.

Response by: Jenna Warmuth
Title: Senior Public Policy Advisor
Department: Regulatory Affairs
Telephone: 218-355-3448

List sources of information:

CERTIFICATE OF SERVICE

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

**Minnesota Department of Commerce
Comments**

Docket No. E015/M-16-648

Dated this 29th day of September 2016

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	Yes	OFF_SL_16-648_M-16-648
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_16-648_M-16-648
Emma	Fazio	emma.fazio@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-648_M-16-648
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_16-648_M-16-648
Margaret	Hodnik	mhodnik@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_16-648_M-16-648
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_16-648_M-16-648
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-648_M-16-648
Nathan N	LaCoursiere	nlacoursiere@duluthmn.gov	City of Duluth	411 W 1st St Rm 410 Duluth, MN 55802	Electronic Service	No	OFF_SL_16-648_M-16-648
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_16-648_M-16-648
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-648_M-16-648
John	Lindell	john.lindell@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_16-648_M-16-648

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Susan	Ludwig	sludwig@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_16-648_M-16-648
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_16-648_M-16-648
Herbert	Minke	hminke@allete.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_16-648_M-16-648
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_16-648_M-16-648
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-648_M-16-648
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_16-648_M-16-648
Susan	Romans	sromans@allete.com	Minnesota Power	30 West Superior Street Legal Dept Duluth, MN 55802	Electronic Service	No	OFF_SL_16-648_M-16-648
Thomas	Scharff	thomas.scharff@versoco.com	Verso Corp	600 High Street Wisconsin Rapids, WI 54495	Electronic Service	No	OFF_SL_16-648_M-16-648
Ron	Spangler, Jr.	rlspangler@otpc.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_16-648_M-16-648
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_16-648_M-16-648

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_16-648_M-16-648