minnesota power
AN ALLETE COMPANY

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December 11, 2025

VIA E-FILING
Sasha Bergman
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: In the Matter of Minnesota Power's Petition for Approval of a Transmission Cost Recovery Rider under Minn. Stat. § 216B.16, subd. 7b
Docket No. E015/M-24-382
REPLY COMMENTS

Dear Ms. Bergman:

Minnesota Power (or the "Company") submits to the Minnesota Public Utilities Commission ("Commission") its Reply Comments in the above-referenced Docket. On August 19, 2025, the Company's submitted its Petition seeking Commission approval of its 2025 rate adjustment mechanism under its Commission-approved Rider for Transmission Cost Recovery. On November 17, 2025, and December 1, 2025, respectively, the Department of Commerce, Division of Energy Resources and Large Power Intervenors filed Initial Comments following review of the Company's Petition.

Please contact me at lhoyum@mnpower.com if you have any questions regarding this filing.

Yours truly,

Lori Hoyum

Lori Hoyum
Rates Compliance Administrator

LMH:ah
Attach.

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of Minnesota Power's Petition for the 2025 Approval of a Transmission Cost Recovery Rider under Minn. Stat. 216B.16, subd. 7b	Docket No. E015/M-24-382 **REPLY COMMENTS**

I. INTRODUCTION

Minnesota Power (or the "Company") submits to the Minnesota Public Utilities Commission ("Commission") its Reply Comments in the above-referenced Docket. On August 19, 2025, the Company's submitted its Petition ("Petition") seeking Commission approval of its 2025 rate adjustment mechanism under its Commission-approved Rider for Transmission Cost Recovery ("TCR Rider"). On November 17, 2025, and December 1, 2025, respectively, the Department of Commerce, Division of Energy Resources ("Department") and Large Power Intervenors ("LPI") filed Initial Comments following review of the Company's Petition. The Department requested that in Reply Comment, Minnesota Power:

- Confirm if its proposed "all out" method is comparative to the Otter Tail Power ("OTP") Method and identify if there are any differences.
- Confirm if operations and maintenance ("O&M") expenses are tracked by each transmission line.
- Confirm that the O&M expenses allocated to Northland Reliability Project ("NRP") and the Alexandria-Big Oaks Project will be excluded in future rate cases and any applicable riders.
- Explain and identify any related expenses both direct and allocated for the NRP and the Alexandria-Big Oaks Project that would not be excluded in future rate cases and riders and explain why that is reasonable.
- Provide any net credits that it received from the Midcontinent Independent Transmission System Operator ("MISO") for other utilities use of the Duluth Loop and HVDC Modernization projects in 2025.

In addition to the above-referenced docket, LPI filed its Initial Comments in Minnesota Power's 2026 Renewable Resources Rider ("RRR")[1] and its 2025 Integrated Resource Plan ("IRP")[2] dockets. LPI requests that the Company's Reply Comments include certain updated docket-specific cost information due to perceived inconsistencies between the cost impact for Large Power customers in the IRP and the 2025 TCR and 2026 RRR dockets. The Company appreciates the thorough review by the Department and LPI, and responds to the requests in the following section.

II. REPLY COMMENTS

A. Response to Department Requests

The Department requested that Minnesota Power confirm if its proposed "all out" method is comparative to the OTP Method and identify if there are any differences. *Yes, the Company's proposed "all out" method is comparative to the OTP Method*.

The Department requested that Minnesota Power confirm if operations and maintenance ("O&M") expenses are tracked by each transmission line. *Minnesota Power does track O&M expenses to site specific transmission lines.*

The Department requested that Minnesota Power confirm that the O&M expenses allocated to NRP and the Alexandria-Big Oaks Project will be excluded in future rate cases and any applicable riders. *Yes, all O&M expenses for NRP and Alexandria-Big Oaks Project will be excluded in future rate cases and future TCR Riders.*

The Department requested that Minnesota Power explain and identify any related expenses both direct and allocated for the NRP and the Alexandria-Big Oaks Project that would not be excluded in future rate cases and riders, and explain why that is reasonable. *All direct and indirect (allocated) expenses related to the NRP and the Alexandria-Big Oaks Project will be excluded from the Minnesota jurisdiction in future rate cases and all direct expenses will be excluded from future TCR Riders*.

[1] Docket No. E015/M-25-373.
[2] Docket No. E015/RP-25-127.

Lastly, the Department requested that Minnesota Power provide any net credits that it received from the MISO for other utilities use of the Duluth Loop and HVDC Modernization projects in 2025. *The Duluth Loop Project is located entirely within the Minnesota Power local balancing authority area and it is a baseline reliability project that does not qualify for cost allocation under the MISO Tariff. Therefore, the Company has not received any direct net credits from MISO for other utilities use of the Duluth Loop project facilities. The HVDC Modernization Project is not projected to be in service until late 2028, at the earliest; therefore, no net credits have been received.*

B. Response to LPI Requests

In Initial Comments LPI expressed concern that there were inconsistencies in the cost impact projections between the IRP, the RRR, and the TCR, as to the current and forecasted average cost of electric energy. The Company addresses LPI's concerns below and explains why the current and forecasted cost projections in these three dockets have been calculated appropriately.

Current average cost of electric energy

Contrary to LPI's claims, there are no inconsistencies or discrepancies across the three dockets in the Company's calculations of current average cost of energy. The rate impact calculations follow the same consistent approach the Company has used for years in its TCR and RRR riders and IRP filings. As the Company has explained in each of its dockets over the years, the average current rates used in the rate impact calculations are updated with the latest available rider rates at the time the filing is being prepared. This provides customers with most up-to-date information available to understand rate impacts of proposed bill factors or projections. Therefore, it is expected that average current rates will be different for filings that are filed at different times.

The average current rates in both the 2025 IRP and 2025 TCR are based on the same data. Both were prepared using current rider rates from the fall of 2024 when the filings were being prepared. The only difference between the two is the way the General Service and Large Light & Power current average rates are displayed. For these classes the 2025

TCR showed separate rates for Exempt and Non-Exempt customers. In the 2025 IRP, blended or weighted rates were used for these classes to simplify the presentation for the IRP. The rates were blended as follows using the same exempt and non-exempt current average rates as in the 2025 TCR.

Figure 1: IRP weighted rates for General Service and Large Light & Power

	General Service			
	kWh	Weighting %	Weighted c/kWh	Weighted Rate
Total	669,891,000			
Exempt	3,260,904	0.005	14.899	0.07
Non-Exempt	666,630,096	0.995	15.005	14.93
				15.005
	Large Light & Power			
	kWh	Weighting %	Weighted c/kWh	Weighted Rate
Total	1,268,993,000			
Exempt	15,885,848	0.013	11.434	0.143
Non-Exempt	1,253,107,152	0.987	11.586	11.441
				11.584

As LPI correctly notes the average current rate for Large Power customers is the same at 8.937 cents/kWh in the IRP and TCR Petition, as would be expected using the same data from the fall of 2024. Asserting an inconsistency, LPI points out the Large Power average current rate in the subsequent 2026 RRR is 8.970 cents/kWh. This is a difference of 0.033 cents/kWh, or about 0.37 percent. The difference is attributable to the fact that the 2026 RRR was prepared in the summer of 2025 and used recently updated rider rates. The rider rates that were updated included the RRR Solar Factor (March 2025), Fuel and Purchased Energy Charge with True-Up (March 2025), Capacity Expenses and Revenue Adjustment (June 2025), and, although not applicable to Large Power, the Conservation Program Adjustment (March 2025).

Similarly, LPI expressed concern when comparing the average current rates including riders in the 2025 TCR, 2026 RRR and the 2025 IRP, with the average rates with riders in the Company's Compliance Filing in its 2023 rate case. Because rider rates are not typically updated in rate case exhibits and E-Schedules during the course of a rate case, the rider rates included in LPI's rate comparison from the Company's Compliance Filing are no longer current and not comparable to the more recently updated rider rates in the three other dockets.

Forecasted cost of electric energy

LPI also expressed concern that Minnesota Power provided inconsistent cost impact estimates in the three dockets and indicated that the Company appears to be understating the rate projections in the IRP. LPI compares the estimated 1.80 percent increase in the Large Power class for 2026 in the IRP projections with the 1.53 percent increase in the 2025 TCR and the 5.60 percent increase in the 2026 RRR. As with the average current rates above, LPI is making comparisons that are not valid. The estimated increases in the three dockets are mutually exclusive and are for different purposes.

The IRP rate impact from Appendix L is based on incremental power supply costs associated with anticipated future resources that will be required to meet Minnesota Power's power supply needs. The incremental costs are defined relative to the base year and represent the additional expenditure required to implement the 2025 IRP Base Plan. By definition, this rate impact is not comparable to the rate impacts in the cost recovery riders.

Importantly, the incremental power supply costs include costs for generic projects approved in prior IRPs, when a specific project has not yet been identified. For example, the 2025 IRP included the cost for a generic wind farm that represented projects approved in the prior IRP. After the IRP was filed, Minnesota Power identified a specific project to meet that need (i.e. 200 MW Longspur wind farm); ultimately those updated costs will be captured in a more granular cost recovery filing. Conversely, the TCR and RRR are granular cost-recovery filings that look ahead just one year, include prior tracker balances, a current return on CWIP, and in-service revenue requirements.

Minnesota Power has appropriately calculated the current average rates and rate projections in the 2025 IRP, 2025 TCR and 2026 RRR. Therefore, there is no need to provide the updates requested by the LPI in this Docket.

III. Conclusion

Minnesota Power appreciates the opportunity to provide the additional requested information. The 2025 TCR Factor appropriately recovers the costs associated with new transmission facilities and expenses for the NRP and the Alexandria-Big Oaks Project are being treated appropriately. The Company looks forward to the Department's final recommendations and a subsequent hearing for this Docket.

Dated: December 11, 2025

Yours truly,

Lori Hoyum

Lori Hoyum
Rates Compliance Administrator

STATE OF MINNESOTA	)	AFFIDAVIT OF SERVICE VIA
	)ss	ELECTRONIC FILING
COUNTY OF ST. LOUIS	)	

I, Amy M. Honkala of the City of Duluth, County of St. Louis, State of Minnesota, hereby certify that on the 11th day of December, 2025, I electronically filed a true and correct copy of Minnesota Power's **Reply Comments in Docket No. E015/ M-24-382** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The persons on eDocket's Official Service List for this Docket were served as requested.

Amy M. Honkala

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Amy M. Honkala