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October 17, 2013

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

RE: **Compliance Filing**
In the Matter of a Request by Minnesota Power for a
Modification to its Service Extension Tariff
Docket No. E-015/M-12-1359
Docket No. E-015/M-95-1441

Dear Dr. Haar:

Minnesota Power hereby submits this Compliance Filing pursuant to the Minnesota Public Utilities Commission's October 7, 2013 Order in the above-referenced Dockets.

Yours truly,

Christopher D. Anderson

CDA:sr
Attachment
c: Official Service Lists



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

In the Matter of a Request
By Minnesota Power for a
Modification to its Service Extension Tariff

Docket No. E-015/M-12-1359
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COMPLIANCE FILING

I. INTRODUCTION AND BACKGROUND

The Minnesota Public Utilities Commission (“Commission”) October 7, 2013 Order in the above-reference Docket requires Minnesota Power (“Company”) to:

1. Revise the service-extension allowance for Residential customers to \$615 and for Large Light and Power customers to \$30,000.
2. Develop a single service-extension allowance to apply to both the General Service and Municipal Pumping customer classes based on cost studies using combined average service-extension cost data from both classes, and explain the development of the new service-extension allowance.
3. Revise the service-extension tariff sheet to clarify how the service-extension charges to be paid by individual customers requesting service to new points of delivery are determined.

This document contains the required information listed above. Additional compliance items that are required annually or in Minnesota Power’s next rate case filing will be addressed at those later dates.

II. COMBINED SERVICE-EXTENSION ALLOWANCE FOR GENERAL SERVICE AND MUNICIPAL PUMPING

To calculate a single service-extension allowance for General Service and Municipal Pumping customers, the Company used the information provided in its average embedded line extension cost calculation originally provided as Exhibit 3 in its December 26, 2012 compliance filing. The revised version of Exhibit 3, provided here as Attachment A, shows the calculation¹ of a single service-extension allowance for General Service and Municipal Pumping customers, as follows:

- 1) Add General Service and Municipal Pumping distribution system costs [v], and General Service and Municipal Pumping service costs [w]; and
- 2) Divide by the sum of General Service and Municipal Pumping number of customers [x].

The result is an average embedded cost per customer of \$1,545 [y], which is shown on Attachment A, page 2 of 4, in the box in the middle of the page.

III. DETERMINATION OF SERVICE-EXTENSION CHARGES FOR INDIVIDUAL CUSTOMERS

Customers who request extension of electric service are provided with cost estimates in advance. These cost estimates are used for the Extension Cost in application of Company's Extension Rules.

The costs for all single phase service extensions of 1,000 feet or less are currently calculated at \$12.00 per foot. The current rate of \$12.00 is derived as follows: each year the Company takes a random sampling of completed single phase work orders, determines the cost per foot for each work order, and calculates the average cost for the sample of work orders. The Company then compares its calculated average cost to the per-foot rate of neighboring utilities to ensure reasonableness in comparison to the other area utilities.

¹ See calculation footnotes [v], [w], [x] and [y] in Attachment A, page 2 of 4.

The costs for all single phase service extensions over 1,000 feet are calculated using the Company's Compatible Unit Estimator (CUE) program. The CUE is an add-on application to Maximo, the Company's Asset Management System. The CUE consists of Compatible Units Identifications (CU IDs), which contain descriptions and costs of service-extension components such as distribution materials, labor, and vehicle usage. The service-extension designer chooses the necessary CU IDs needed for the line extension. A total job cost is estimated using the CUE based on data for the applicable CU IDs. The distribution material cost is the actual cost of items listed in the Company's inventory data base, based on actual purchase prices. The labor cost is based on one lead lineman and two linemen, the typical crew used to install a new service-extension. The vehicle use cost is based on a percentage of labor based on prior year actual labor overheads.

The costs of three phase service-extensions are estimated in a similar manner using the Company's CUE.

IV. REVISED TARIFF SHEETS

The revised Extension Rules tariff sheets are provided as Attachment B (redline version) and Attachment C (clean version). They include service-extension allowances of \$615 for Residential customers, \$1,545 for General Service and Municipal Pumping, and \$30,000 for Large Light and Power, and clarification of how the service-extension costs to be paid by individual customers requesting service to new points of delivery are estimated.

Dated: October 17, 2013

Respectfully submitted,



Christopher D. Anderson
Associate General Counsel
Minnesota Power
30 West Superior Street
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218-723-3961

FERC Account	Item	Gross Plant	Depreciation Reserve	CIAC	Net Plant Net of CIAC	Allocator	Residential	General Service	Large Light & Power	Large Power	Municipal Pumping	Lighting
364	Poles, Towers and Fixtures	\$ 87,853,037 [a]	\$ 46,008,919 [h]	\$ 3,785,859 [o]	\$ 38,058,259							
365	Overhead Conductors	80,485,792 [b]	42,491,438 [i]	2,602,234 [p]	35,392,119							
369	Services	6,251,820 [f]	3,995,801 [j]	289,536 [q]	1,966,483							
	Net Overhead Lines				<u>\$ 75,416,862</u>							
	Allocated to:											
	Primary											
	Demand				\$ 35,313,581	D05	\$ 10,138,872	\$ 9,317,575	\$ 14,541,187	\$ -	\$ 998,965	\$ 316,982
	Customer				15,962,128	C01	13,608,106	2,181,851	69,430	122	30,139	72,480
	Secondary											
	Demand				\$ 12,333,551	D06	8,100,053	3,023,099	1,032,684	-	74,487	103,228
	Customer				9,841,118	C02	8,403,149	1,345,214	14,978	-	14,229	63,548
	Services											
	Demand				583,456	D14	386,418	144,219	49,265	-	3,553	-
	Customer				1,383,028	C10	1,180,942	189,051	2,105	-	2,000	8,931
366	Underground Conduit	\$ 9,147,587 [c]	\$ 3,446,108 [k]	\$ 399,995 [r]	\$ 5,301,483							
367	Underground Conductors	76,804,347 [d]	25,730,341 [l]	7,311,995 [s]	43,762,012							
369	Services	11,564,709 [g]	5,404,375 [m]	356,987 [t]	5,803,347							
	Net Underground Lines				<u>\$ 54,866,842</u>							
	Allocated to:											
	Primary											
	Demand				\$ 32,089,495	D07	\$ 9,213,206	\$ 8,466,892	\$ 13,213,594	\$ -	\$ 907,761	\$ 288,042
	Customer				11,856,677	C03	10,108,109	1,620,680	51,572	91	22,387	53,838
	Secondary											
	Demand				4,434,160	D08	1,978,738	738,484	1,682,407	-	34,531	-
	Customer				683,163	C04	581,325	93,059	6,910	-	1,869	-
	Services											
	Demand				2,135,632	D15	953,019	355,678	810,303	-	16,631	-
	Customer				3,667,715	C11	3,120,974	499,610	37,099	-	10,032	-
373	Street Lighting	\$ 2,691,657 [e]	\$ 2,275,426 [n]	\$ 95,878 [u]	\$ 320,352	DIRECT						320,352

[SEE NEXT PAGE FOR TOTALS]

FERC Account	Item	Gross Plant	Depreciation Reserve	CIAC	Net Plant Net of CIAC	Allocator	Residential	General Service	Large Light & Power	Large Power	Municipal Pumping	Lighting	Total Res, GS, LLP & Muni Pump Average Embedded Cost	
													All Phase	Three-Phase
[SEE PREVIOUS PAGE FOR DETAILS]														
Rate Class Totals (\$)					130,283,703		67,772,911	27,975,412	31,511,534	213	2,116,584	1,227,402		
Distribution System							62,131,557	26,786,854	30,612,763	213	2,084,367	1,218,471	121,615,541	59,483,984
Services							5,641,354	1,188,557	898,772	-	32,216	8,931	7,760,899	2,119,545
Total Plant Net of CIAC					130,604,055									
Number of Customers					140,107		110,469	19,241	471	10	232	9,694	130,413	19,944
Average Embedded Cost (\$/customer)							\$ 614	1,454	66,903		9,123		992	3,089
Distribution System							562	1,392	64,995		8,984		946	
Services							51	62	1,908	-	139	1	850	
				GS = General Service			Average Distribution System Cost for GS, LL&P & Muni Pump					77,481	142	
				LL&P = Large Light & Power			Average Number of Customers for GS, LL&P & Muni Pump					19,944	17%	
				Muni Pump = Municipal Pumping			Average Cost per Customer for GS, LL&P & Muni Pump					3.885		

Source:

Gross Plant, Accumulated Depreciation and CIAC amounts are 2011 actual (Property Accounting)
Allocation factors from 2009 Retail Rate Case, Docket No. E-015/GR-09-1151
Number of Customers are 2011 Actual from '2011 FERC Yearly Summary Report'

General Service & Municipal Pumping	
Distribution System	28,871,222 [v]
Services	1,220,773 [w]
Number of Customers	19,473 [x]
Average Embedded Cost (\$/cust)	1,545 [y]

- [a] 2011 FERC Form 1, Page 207, L 64, Col g
- [b] 2011 FERC Form 1, Page 207, L 65, Col g
- [c] 2011 FERC Form 1, Page 207, L 66, Col g
- [d] 2011 FERC Form 1, Page 207, L 67; Col g
- [e] 2011 FERC Form 1, Page 207, L 73; Col g
- [f] Net Value Report by Utility Account: (note for Property Acc: Filter Functional Class= Distribution Electric) Accum Cost, Account 3691
- [g] Net Value Report by Utility Account: (note for Property Acc: Filter Functional Class= Distribution Electric) Accum Cost, Account 3692
- [h] Net Value Report by Utility Account: (note for Property Acc: Filter Functional Class= Distribution Electric) Alloc Reserve, Account 3640
- [i] Net Value Report by Utility Account: (note for Property Acc: Filter Functional Class= Distribution Electric) Alloc Reserve, Account 3650 & 3651
- [j] Net Value Report by Utility Account: (note for Property Acc: Filter Functional Class= Distribution Electric) Alloc Reserve, Account 3691
- [k] Net Value Report by Utility Account: (note for Property Acc: Filter Functional Class= Distribution Electric) Alloc Reserve, Account 3660
- [l] Net Value Report by Utility Account: (note for Property Acc: Filter Functional Class= Distribution Electric) Alloc Reserve, Account 3670
- [m] Net Value Report by Utility Account: (note for Property Acc: Filter Functional Class= Distribution Electric) Alloc Reserve, Account 3692
- [n] Net Value Report by Utility Account: (note for Property Acc: Filter Functional Class= Distribution Electric) Alloc Reserve, Account 3730
- [o] CIAC report from Property Accounting: (note for Property Accounting: PA WO# In Ser CIAC) Account 3640
- [p] CIAC report from Property Accounting: (note for Property Accounting: PA WO# In Ser CIAC) Account 3650 & 3651
- [q] CIAC report from Property Accounting: (note for Property Accounting: PA WO# In Ser CIAC) Account 3691
- [r] CIAC report from Property Accounting: (note for Property Accounting: PA WO# In Ser CIAC) Account 3660
- [s] CIAC report from Property Accounting: (note for Property Accounting: PA WO# In Ser CIAC) Account 3670
- [t] CIAC report from Property Accounting: (note for Property Accounting: PA WO# In Ser CIAC) Account 3692
- [u] CIAC report from Property Accounting: (note for Property Accounting: PA WO# In Ser CIAC) Account 3730
- [v] Sum of General Service and Municipal Pumping Distribution System costs shown above
- [w] Sum of General Service and Municipal Pumping Services costs shown above
- [x] Sum of General Service and Municipal Pumping Number of Customers shown above
- [y] Single Average Embedded Cost per customer for the General Service and Municipal Pumping Classes (([v]+[w])/[x])

Minnesota Power
Docket No. E-015/M-12-1359
Docket No. E-015/M-95-1441 Compliance Filing
2012 Embedded Line Extension Cost Calculation
Customer Count

Rate Schedule		
Title	Number	Customers
Residential	10 & 12	-
Residential	20 & 22	107,035
Residential	30 & 32	-
Residential Seasonal Service	13/23/33	3,434
Sub Total		110,469
General Service	15	-
General Service	25	19,241
General Service	35	-
Sub Total		19,241
Large Light & Power	55	-
Large Light & Power	75	471
Large Light & Power	72	-
Sub Total		471
Large Power	54	-
Large Power	74	9
Large Power	CA	1
Sub Total		10
Municipal Pumping	66	-
Municipal Pumping	67	-
Municipal Pumping	87	232
Sub Total		232
Outdoor Lighting	56	-
Area Lighting	57	-
Highway Lighting	60	-
Overhead Lighting	61	-
Ornamental Lighting	62	-
Overhead Lighting	64	-
Outdoor Lighting	76	31
Area Lighting	77	4,457
Highway Lighting	80	106
Overhead Lighting	83	4,552
Ornamental Lighting	84	528
International Falls Lighting	85	20
Sub Total		9,694
Grand Total		140,117

FERC Form 1 Total

148,891

Source:

2011 FERC Form 1, page 304-304.2, col d

Minnesota Power
Docket No. E-015/M-12-1359
Docket No. E-015/M-95-1441 Compliance Filing
2012 Embedded Line Extension Cost Calculation
Rate Class Allocation

Line	Allocation Factor	Total Company	Wholesale	Total Retail	Residential	General Service	Large Light & Power	Large Power	Municipal Pumping	Lighting
1	D01 Production Power Supply	100,000	17,983	82,017	11,259	6,213	12,471	51,269	568	237
2	D02 Transmission	100,000	22,430	77,570	10,649	5,876	11,795	48,489	537	224
3	D03 Sub-Transmission	854,107	243,043	611,064	173,934	159,963	249,454	5,138	17,137	5,438
4	D04 Distribution Substations	603,813		603,813	173,361	159,318	248,633		17,081	5,420
5	D05 Primary Overhead Lines	580,980		580,980	166,805	153,293	239,232		16,435	5,215
6	D06 Secondary Overhead Lines	608,506		608,506	399,636	149,152	50,950		3,675	5,093
7	D07 Primary Underground Lines	580,980		580,980	166,805	153,293	239,232		16,435	5,215
8	D08 Secondary Underground Lines	375,990		375,990	167,785	62,619	142,658		2,928	-
9	D14 Overhead Services	603,413		603,413	399,636	149,152	50,950		3,675	-
10	D15 Underground Services	375,989		375,989	167,784	62,619	142,658		2,928	-
11	E01 Power Supply Production Energy E8760	100,000	16,128	83,872	11,801	6,550	12,254	52,529	570	168
12	C01 Primary Overhead Lines	130,815		130,815	111,523	17,881	569	1	247	594
13	C02 Secondary Overhead Lines	91,987		91,987	78,546	12,574	140		133	594
14	C03 Primary Underground Lines	130,815		130,815	111,523	17,881	569	1	247	594
15	C04 Secondary Underground Lines	38,754		38,754	32,977	5,279	392		106	-
16	C10 Overhead Services	91,987		91,987	78,546	12,574	140		133	594
17	C11 Underground Services	38,754		38,754	32,977	5,279	392		106	-
18	C12 Customers Meters	39,146,118	573,836	38,572,282	28,771,422	7,361,121	851,861	1,394,052	193,826	
19	C14 Leased Property	1,671,448		1,671,448						1,671,448
20	C15 Customer Accounts	7,279,426	198,077	7,081,349	5,134,851	869,104	314,926	308,868	209,006	244,594
21	C16 Customer Sales	100,000		100,000	82,409	13,161	4,430	-	-	-

Source:

Line 1-11: Retail Rate Case E-015/GR-09-1151 Demand & Energy Allocation Factors Summary Test Year 2010; Rebuttal Testimony and Schedules, Stewart J. Shimmin, MP Exhibit __ (SJS), Rebuttal Schedule 3, Page 1 of 15

Line 12-21: Retail Rate Case E-015/GR-09-1151, Initial Filing Vol IV Workpapers, Part 2, Summary - Customer Related Allocation Factors Test Year 2010 page AF-4-121

EXTENSION RULES

I. GENERAL

The following rules shall govern the extension of Company's electric transmission/distribution lines and service connections in all areas served by Company to all classes of retail Customers requiring Company's standard single or three phase electric transmission/distribution service.

The standard type of extension shall be the most feasible and economical as determined by the Company and shall be constructed in accordance with Company's Engineering Standards. When conditions require extensions from or connections to lines of voltages other than the standard voltage or where line construction other than Company's standard construction is required including alternate feeders, Company reserves the right to make adjustments to these rules for such non-standard extensions.

Except when meter pedestals for underground service have been installed, all facilities installed by Company on either side of the point of delivery and not expressly sold and conveyed to Customers by written agreement shall at all times remain the sole property of Company, irregardless of any Contributions in Aid of Construction paid by Customers. When meter pedestals have been installed by Company, Customer shall be responsible for installing and will remain the sole property owner of all facilities on Customer's side of the meter. In case of cancellation of Customer's service agreement for any cause, Company shall have the right to remove all facilities installed for serving Customer.

Service will be supplied in accordance with Company's schedules for the respective classes of service in the respective rate areas, Company's Electric Service Regulations and the provisions of these Extension Rules.

II. EXTENSION COST

The "Extension Cost" is the estimated cost of extending lines and the addition or relocation of facilities to serve new Customers or new loads. This shall be the total cost of extending the line, including all branch or lateral lines, but excluding the cost of transformer, meter and any system betterments. The Extension Cost shall include the customer's choice of either an overhead or underground service drop and projections of special condition costs anticipated.

III. EXTENSION COST CALCULATION

The Extension Cost shall be calculated by Company as follows:

1. All single phase line extensions of 1,000 feet or less shall be calculated using a unit cost of \$12 per foot.

2. All single phase line extensions over 1,000 feet and three phase line extensions shall be estimated based on Company's Compatible Unit Estimator (CUE), a software package that contains actual costs of materials and labor typically used to install service extensions.

Filing Date May 2, 2008 October 17, 2013 MPUC Docket No. E015/GR-08-415M-12-1359

Effective Date October 1, 2009 Order Date August 10, 2009 October 7, 2013

Approved by: Marcia A. Podratz

Marcia A. Podratz
Director - Rates

EXTENSION RULES

IV. CONTRIBUTIONS

The "Contribution in Aid of Construction," hereafter referred to as Contribution, is the additional amount required to support the Company's Extension Cost. Where a line extension other than Company's standard type extension is required, including alternate feeders, a Contribution shall be required to support any additional cost of such non-standard extension.

Any customer may pay all or part of a Contribution required of another Customer with such other Customer's authorization, and subject to acceptance by Company.

IV. BASIS FOR MAKING EXTENSIONS FOR PERMANENT SERVICE WHERE EXTENSION COSTS ARE \$30,000 OR LESS

If the ~~Extension Cost does not exceed \$850 and~~ Company's standard type construction is used in making the extension, Customer shall not be required to make payment to Company for the Extension Cost if:-

~~If the~~ Extension Cost ~~exceeds \$850, and~~ is for a Residential customer and does not exceed \$615;

The Extension Cost is for a General Service or Municipal Pumping customer and does not exceed \$1,545; or

The Extension Cost is for a Large and Light Power customer and does not exceed \$30,000.

~~single phase service, customer must pay Company in advance a Contribution for the Extension Cost in excess of \$850.~~

If the Extension cost exceeds ~~\$850~~ the respective rate class service-extension allowance specified above and is for non-single phase service, Customer has the following options:

1. Pay Company in advance a Contribution for the Extension Cost in excess of ~~\$850~~ the rate class service-extension allowance, or
2. No advance contribution for extension costs will be required, if the customer enters into a five year Electric Service Agreement where the Company's costs relating to the entire extension are equal to or less than three times the Customer's guaranteed annual revenues, or
3. If the Customer enters into a ~~five-~~year Electric Service Agreement where the Company's costs relating to the entire extension are greater than three times the Customer's guaranteed annual revenues, the Customer will be required to pay the Company in advance a Contribution for the balance of the Extension Cost not supported by guaranteed annual revenues.

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Approved by: Marcia A. Podratz
Marcia A. Podratz
 Director - Rates

ATTACHMENT B

MINNESOTA POWER
ELECTRIC RATE BOOK - VOLUME I

SECTION VI PAGE NO. 4.2
REVISION 119

EXTENSION RULES

The annual revenues used in the Electric Service Agreement shall be estimated by Company and determined under the existing rate schedule for providing service to the Customer.

Developers of Residential Housing Sites

A Developer of residential housing sites requiring electric service must make a Contribution equal to the Extension Cost, but excluding the cost of service drops. As customers are connected Developer is entitled to receive a refund for each customer connected of \$~~850~~615 less the estimated cost of the service drop for that customer. However, in no event will the total refund exceed the Contribution. After Developer has received the maximum allowable refund or after the initial five years, whichever occurs first, customers requesting service to additional lots for which the extension was made shall make appropriate arrangements directly with Company in order to satisfy additional extension costs related to the respective service connections.

VI. BASIS FOR MAKING EXTENSIONS FOR TEMPORARY SERVICE

“Temporary Service,” for purposes of these Extension Rules, is service to a Customer whose use of that service, in the Company’s judgment, may be of less than five years duration, or is service to a Customer who is unwilling to enter into an Electric Service Agreement having a minimum term of five years.

Customers expected to take service for less than one year duration shall be required to take such service in accordance with Company’s Temporary Service Rider to the applicable General Service Schedules.

Customers expected to take Temporary Service for more than one year but less than five years will be served under the Company’s standard rate schedules. Such customers with requirements of 500 kW or more shall enter into a contract for a minimum term of one year.

Prior to installation Temporary Service Customers shall pay a Contribution equal to the estimated cost of installation and removal, less salvage, of the facilities required to render Temporary Service. Where the actual cost is different from the estimated costs upon which the advance payment was based, as determined upon termination of Temporary Service, Company will refund any excess payment made by Customer or render a bill for any additional amounts due.

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ATTACHMENT B

MINNESOTA POWER
ELECTRIC RATE BOOK - VOLUME I

SECTION VI PAGE NO. 4.3
REVISION 119

EXTENSION RULES

A connection to a permanent service for power used during construction is not considered to be Temporary Service under these rules.

VII. REAPPORTIONMENT AND REFUNDS

When the Extension Cost is \$30,000 or less and additional Customer(s) are connected to a line extension during the initial five year period of any Customer on the extension, the Extension Cost(s) of all previously connected Customer(s) on the extension will be reapportioned among all Customers served from the combined line extension, including the Customer(s) who are being added to the extension. The reapportionment shall be calculated such that each individual customer on the line extension shall be responsible for:

1. The cost of that portion of the extension which services only that individual Customer; plus
2. The cost of that portion of the line extension which that individual Customer shares with other Customers on the line extension divided by the total number of Customers who share such portion of the line extension.

After reapportionment it will be determined whether the previously connected Customer(s) are entitled to a refund and/or reduction of Guaranteed Annual Revenue. If a refund is due, the amount to be refunded shall be the difference between the previous and reapportioned Extension Costs, provided that such refunds will not:

1. Exceed the actual Contribution paid by the respective Customer.
2. Be made to any Customer after the expiration of the initial five year period of that Customer.
3. Be made after Customer terminates service.

When a Customer who has paid a Contribution terminates service within the initial five year period and another Customer immediately commences taking service at the same premises, such Customer may transfer his right to future refunds, if any, to the new Customer, provided an agreement covering such transfer is executed by the Customers and accepted by the Company at the time the new Customer applies for service. If the Customer terminating service had entered into an Electric Service Agreement, such transfer of rights will be acceptable to the Company when the new Customer has entered into an Electric Service Agreement guaranteeing annual revenues equal to the amount specified in the current agreement.

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Director - Rates

ATTACHMENT B

MINNESOTA POWER
ELECTRIC RATE BOOK - VOLUME I

SECTION VI PAGE NO. 4.4
REVISION 119

EXTENSION RULES

Following the initial five year period of the most recently connected Customer(s) on the extension, any line extension necessary to serve additional Customers will be considered as a separate extension not affecting Customers connected previously.

Following the expiration of Customer's five year Electric Service Agreement, the annual revenue guarantee will be discontinued for purposes of supporting the line extension and Customer will continue to be served under the provisions of the applicable rate schedule.

When the Extension Cost is \$30,000 or less and the Customer has entered into an Electric Service Agreement and paid a Contribution, the Company will, at the end of the first two years of the Electric Service Agreement, determine the Customer's average annual revenue for the first two years and, if it differs from the minimum annual revenue which Customer elected to guarantee, the Company will, at the election of the Customer:

1. Refund to the Customer all or a portion of the Contribution but not to exceed an amount equal to the difference between the extension cost supported by the average annual revenue for the first two years and the extension cost supported by the minimum annual revenue the Customer elected to guarantee, and increase the minimum annual guarantee for the remaining years of the agreement to correspond with the new contribution, if any; or
2. Collect an additional contribution from the Customer not to exceed an amount equal to the difference between the extension cost supported by the average revenue for the first two years and the extension cost supported by the minimum annual revenue the Customer elected to guarantee, and decrease the minimum annual guarantee for the remaining years of the agreement to correspond with the new contribution; or
3. Continue the minimum guaranteed annual revenues set forth in the existing Electric Service Agreement.

In no event will the increased minimum annual guarantee in 1 above be greater than the amount necessary to satisfy the Extension Cost. If there is a substantial change in Customer's annual revenues as compared to the guaranteed annual revenues, the Electric Service Agreement and Contribution, if applicable, may be re-examined and changed at the end of any year of the Electric Service Agreement.

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Director - Rates

ATTACHMENT B

MINNESOTA POWER
ELECTRIC RATE BOOK - VOLUME I

SECTION VI PAGE NO. 4.5
REVISION 119

EXTENSION RULES

VIII. SPECIAL CONDITIONS

Construction of an extension will commence when the following conditions have been met.

1. Agreements, when required, shall have been executed by each Customer and accepted by Company specifying initial contract period, guaranteed annual revenue, and any Contribution.
2. Each Customer has paid to Company his share of any Contribution.
3. Satisfactory right-of-way necessary for the construction, operation and maintenance of the extension (including any tree trimming rights) both for the purpose of providing access to the extension on Customers' premises and for continuing the extension to other Customers, has been furnished without expense to the Company.
4. Each Customer has made satisfactory credit arrangements with the Company. In the case of tenants, the Company may require owner to guarantee payment.
5. The extension cost will include excess installation costs incurred by the Company because of special conditions that impede the installation of distribution facilities. Such special conditions include, but are not limited to ground frost, surface or subsurface impediments and submarine installations. Surface or subsurface impediments may include, but are not limited to: rock, bedrock, sub-surface structures and wetlands.

VIII. BASIS FOR MAKING DISTRIBUTION EXTENSIONS FOR PERMANENT SERVICE WHERE EXTENSION COSTS EXCEED \$30,000

The above rules shall be applicable except where specifically stated otherwise and except that the Extension Cost will be the actual cost determined upon completion of the extension. The amount of Extension Costs relating to the extension which will be recovered by the Company through application of its rate schedule will be determined on an individual customer basis. Electric Service Agreements will be required and will be for sufficient duration and at sufficient revenue levels to support extension and other costs required to provide service.

Filing Date	<u>May 2, 2008</u> <u>October 17, 2013</u>	MPUC Docket No.	<u>E015/GR-08-415M-12-1359</u>
Effective Date	<u>October 1, 2009</u>	Order Date	<u>August 10, 2009</u> <u>October 7, 2013</u>

Approved by: Marcia A. Podratz
Marcia A. Podratz
Director - Rates

ATTACHMENT B

MINNESOTA POWER
ELECTRIC RATE BOOK - VOLUME I

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EXTENSION RULES

If the Extension Cost exceeds the Extension Cost Credit as determined by the Company, the Customer(s) shall pay the Company a Contribution equal to the amount of the Extension Cost that exceeds the Extension Cost Credit. Where more than one Customer is served from the extension, the Contribution will be apportioned in the ratio of each Customer's Contract Demand to total Contract Demand for all Customers initially served from the extension. If there are circumstances unique to an extension in which application of the above rules would not be appropriate or would not properly recover costs, the Company will make necessary adjustments in the application of the rules such that adequate revenues are provided to fund Extension Costs through a combination of Extension Cost Credits and/or Contributions. Similarly, any refund which may be due, as a result of increased Customer Contract Demand during the initial ten year period, or as a result of additional Customers being served subsequently but during the initial ten year period, will be determined by the Company based upon all relevant dates such that revenue recovery is adequate to fund the Extension Costs through a combination of Extension Cost Credits and/or Contributions.

IX. BASIS FOR MAKING TRANSMISSION EXTENSIONS FOR PERMANENT SERVICE

"Transmission" service for purposes of these Extension Rules, is service to a Customer taken at 115 kV or higher. Customer connections involving loads served at transmission voltage will be considered on an individual customer basis. Electric Service Agreements will be required and will be of sufficient duration and at sufficient revenue levels to support extension and other costs required to provide service.

Filing Date May 2, 2008October 17, 2013 MPUC Docket No. E015/GR-08-415M-12-1359
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Approved by: Marcia A. Podratz
Marcia A. Podratz
Director - Rates

EXTENSION RULES

I. GENERAL

The following rules shall govern the extension of Company's electric transmission/distribution lines and service connections in all areas served by Company to all classes of retail Customers requiring Company's standard single or three phase electric transmission/distribution service.

The standard type of extension shall be the most feasible and economical as determined by the Company and shall be constructed in accordance with Company's Engineering Standards. When conditions require extensions from or connections to lines of voltages other than the standard voltage or where line construction other than Company's standard construction is required including alternate feeders, Company reserves the right to make adjustments to these rules for such non-standard extensions.

Except when meter pedestals for underground service have been installed, all facilities installed by Company on either side of the point of delivery and not expressly sold and conveyed to Customers by written agreement shall at all times remain the sole property of Company, irregardless of any Contributions in Aid of Construction paid by Customers. When meter pedestals have been installed by Company, Customer shall be responsible for installing and will remain the sole property owner of all facilities on Customer's side of the meter. In case of cancellation of Customer's service agreement for any cause, Company shall have the right to remove all facilities installed for serving Customer.

Service will be supplied in accordance with Company's schedules for the respective classes of service in the respective rate areas, Company's Electric Service Regulations and the provisions of these Extension Rules.

II. EXTENSION COST

The "Extension Cost" is the estimated cost of extending lines and the addition or relocation of facilities to serve new Customers or new loads. This shall be the total cost of extending the line, including all branch or lateral lines, but excluding the cost of transformer, meter and any system betterments. The Extension Cost shall include the customer's choice of either an overhead or underground service drop and projections of special condition costs anticipated.

III. EXTENSION COST CALCULATION

The Extension Cost shall be calculated by Company as follows:

1. All single phase line extensions of 1,000 feet or less shall be calculated using a unit cost of \$12 per foot.
2. All single phase line extensions over 1,000 feet and three phase line extensions shall be estimated based on Company's Compatible Unit Estimator (CUE), a software package that contains actual costs of materials and labor typically used to install service extensions.

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Marcia A. Podratz
Director - Rates

EXTENSION RULES

IV. CONTRIBUTIONS

The "Contribution in Aid of Construction," hereafter referred to as Contribution, is the additional amount required to support the Company's Extension Cost. Where a line extension other than Company's standard type extension is required, including alternate feeders, a Contribution shall be required to support any additional cost of such non-standard extension.

Any customer may pay all or part of a Contribution required of another Customer with such other Customer's authorization, and subject to acceptance by Company.

V. BASIS FOR MAKING EXTENSIONS FOR PERMANENT SERVICE WHERE EXTENSION COSTS ARE \$30,000 OR LESS

If the Company's standard type construction is used in making the extension, Customer shall not be required to make payment to Company for the Extension Cost if:

The Extension Cost is for a Residential customer and does not exceed \$615;

The Extension Cost is for a General Service or Municipal Pumping customer and does not exceed \$1,545; or

The Extension Cost is for a Large and Light Power customer and does not exceed \$30,000.

If the Extension cost exceeds the respective rate class service-extension allowance specified above and is for non-single phase service, Customer has the following options:

1. Pay Company in advance a Contribution for the Extension Cost in excess of the rate class service-extension allowance, or
2. No advance contribution for extension costs will be required, if the customer enters into a five year Electric Service Agreement where the Company's costs relating to the entire extension are equal to or less than three times the Customer's guaranteed annual revenues, or
3. If the Customer enters into a five-year Electric Service Agreement where the Company's costs relating to the entire extension are greater than three times the Customer's guaranteed annual revenues, the Customer will be required to pay the Company in advance a Contribution for the balance of the Extension Cost not supported by guaranteed annual revenues.

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Director - Rates

ATTACHMENT C

EXTENSION RULES

The annual revenues used in the Electric Service Agreement shall be estimated by Company and determined under the existing rate schedule for providing service to the Customer.

Developers of Residential Housing Sites

A Developer of residential housing sites requiring electric service must make a Contribution equal to the Extension Cost, but excluding the cost of service drops. As customers are connected Developer is entitled to receive a refund for each customer connected of \$615 less the estimated cost of the service drop for that customer. However, in no event will the total refund exceed the Contribution. After Developer has received the maximum allowable refund or after the initial five years, whichever occurs first, customers requesting service to additional lots for which the extension was made shall make appropriate arrangements directly with Company in order to satisfy additional extension costs related to the respective service connections.

VI. BASIS FOR MAKING EXTENSIONS FOR TEMPORARY SERVICE

“Temporary Service,” for purposes of these Extension Rules, is service to a Customer whose use of that service, in the Company’s judgment, may be of less than five years duration, or is service to a Customer who is unwilling to enter into an Electric Service Agreement having a minimum term of five years.

Customers expected to take service for less than one year duration shall be required to take such service in accordance with Company’s Temporary Service Rider to the applicable General Service Schedules.

Customers expected to take Temporary Service for more than one year but less than five years will be served under the Company’s standard rate schedules. Such customers with requirements of 500 kW or more shall enter into a contract for a minimum term of one year.

Prior to installation Temporary Service Customers shall pay a Contribution equal to the estimated cost of installation and removal, less salvage, of the facilities required to render Temporary Service. Where the actual cost is different from the estimated costs upon which the advance payment was based, as determined upon termination of Temporary Service, Company will refund any excess payment made by Customer or render a bill for any additional amounts due.

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Director - Rates

ATTACHMENT C

EXTENSION RULES

A connection to a permanent service for power used during construction is not considered to be Temporary Service under these rules.

VII. REAPPORTIONMENT AND REFUNDS

When the Extension Cost is \$30,000 or less and additional Customer(s) are connected to a line extension during the initial five year period of any Customer on the extension, the Extension Cost(s) of all previously connected Customer(s) on the extension will be reapportioned among all Customers served from the combined line extension, including the Customer(s) who are being added to the extension. The reapportionment shall be calculated such that each individual customer on the line extension shall be responsible for:

1. The cost of that portion of the extension which services only that individual Customer; plus
2. The cost of that portion of the line extension which that individual Customer shares with other Customers on the line extension divided by the total number of Customers who share such portion of the line extension.

After reapportionment it will be determined whether the previously connected Customer(s) are entitled to a refund and/or reduction of Guaranteed Annual Revenue. If a refund is due, the amount to be refunded shall be the difference between the previous and reapportioned Extension Costs, provided that such refunds will not:

1. Exceed the actual Contribution paid by the respective Customer.
2. Be made to any Customer after the expiration of the initial five year period of that Customer.
3. Be made after Customer terminates service.

When a Customer who has paid a Contribution terminates service within the initial five year period and another Customer immediately commences taking service at the same premises, such Customer may transfer his right to future refunds, if any, to the new Customer, provided an agreement covering such transfer is executed by the Customers and accepted by the Company at the time the new Customer applies for service. If the Customer terminating service had entered into an Electric Service Agreement, such transfer of rights will be acceptable to the Company when the new Customer has entered into an Electric Service Agreement guaranteeing annual revenues equal to the amount specified in the current agreement.

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Marcia A. Podratz
Director - Rates

ATTACHMENT C

MINNESOTA POWER
ELECTRIC RATE BOOK - VOLUME I

SECTION VI PAGE NO. 4.4
REVISION 11

EXTENSION RULES

Following the initial five year period of the most recently connected Customer(s) on the extension, any line extension necessary to serve additional Customers will be considered as a separate extension not affecting Customers connected previously.

Following the expiration of Customer's five year Electric Service Agreement, the annual revenue guarantee will be discontinued for purposes of supporting the line extension and Customer will continue to be served under the provisions of the applicable rate schedule.

When the Extension Cost is \$30,000 or less and the Customer has entered into an Electric Service Agreement and paid a Contribution, the Company will, at the end of the first two years of the Electric Service Agreement, determine the Customer's average annual revenue for the first two years and, if it differs from the minimum annual revenue which Customer elected to guarantee, the Company will, at the election of the Customer:

1. Refund to the Customer all or a portion of the Contribution but not to exceed an amount equal to the difference between the extension cost supported by the average annual revenue for the first two years and the extension cost supported by the minimum annual revenue the Customer elected to guarantee, and increase the minimum annual guarantee for the remaining years of the agreement to correspond with the new contribution, if any; or
2. Collect an additional contribution from the Customer not to exceed an amount equal to the difference between the extension cost supported by the average revenue for the first two years and the extension cost supported by the minimum annual revenue the Customer elected to guarantee, and decrease the minimum annual guarantee for the remaining years of the agreement to correspond with the new contribution; or
3. Continue the minimum guaranteed annual revenues set forth in the existing Electric Service Agreement.

In no event will the increased minimum annual guarantee in 1 above be greater than the amount necessary to satisfy the Extension Cost. If there is a substantial change in Customer's annual revenues as compared to the guaranteed annual revenues, the Electric Service Agreement and Contribution, if applicable, may be re-examined and changed at the end of any year of the Electric Service Agreement.

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Director - Rates

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EXTENSION RULES

VIII. SPECIAL CONDITIONS

Construction of an extension will commence when the following conditions have been met.

1. Agreements, when required, shall have been executed by each Customer and accepted by Company specifying initial contract period, guaranteed annual revenue, and any Contribution.
2. Each Customer has paid to Company his share of any Contribution.
3. Satisfactory right-of-way necessary for the construction, operation and maintenance of the extension (including any tree trimming rights) both for the purpose of providing access to the extension on Customers' premises and for continuing the extension to other Customers, has been furnished without expense to the Company.
4. Each Customer has made satisfactory credit arrangements with the Company. In the case of tenants, the Company may require owner to guarantee payment.
5. The extension cost will include excess installation costs incurred by the Company because of special conditions that impede the installation of distribution facilities. Such special conditions include, but are not limited to ground frost, surface or subsurface impediments and submarine installations. Surface or subsurface impediments may include, but are not limited to: rock, bedrock, sub-surface structures and wetlands.

IX. BASIS FOR MAKING DISTRIBUTION EXTENSIONS FOR PERMANENT SERVICE WHERE EXTENSION COSTS EXCEED \$30,000

The above rules shall be applicable except where specifically stated otherwise and except that the Extension Cost will be the actual cost determined upon completion of the extension. The amount of Extension Costs relating to the extension which will be recovered by the Company through application of its rate schedule will be determined on an individual customer basis. Electric Service Agreements will be required and will be for sufficient duration and at sufficient revenue levels to support extension and other costs required to provide service.

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Marcia A. Podratz
Director - Rates

ATTACHMENT C

**MINNESOTA POWER
ELECTRIC RATE BOOK - VOLUME I**

SECTION VI **PAGE NO.** 4.6
REVISION 11

EXTENSION RULES

If the Extension Cost exceeds the Extension Cost Credit as determined by the Company, the Customer(s) shall pay the Company a Contribution equal to the amount of the Extension Cost that exceeds the Extension Cost Credit. Where more than one Customer is served from the extension, the Contribution will be apportioned in the ratio of each Customer's Contract Demand to total Contract Demand for all Customers initially served from the extension. If there are circumstances unique to an extension in which application of the above rules would not be appropriate or would not properly recover costs, the Company will make necessary adjustments in the application of the rules such that adequate revenues are provided to fund Extension Costs through a combination of Extension Cost Credits and/or Contributions. Similarly, any refund which may be due, as a result of increased Customer Contract Demand during the initial ten year period, or as a result of additional Customers being served subsequently but during the initial ten year period, will be determined by the Company based upon all relevant dates such that revenue recovery is adequate to fund the Extension Costs through a combination of Extension Cost Credits and/or Contributions.

X. BASIS FOR MAKING TRANSMISSION EXTENSIONS FOR PERMANENT SERVICE

"Transmission" service for purposes of these Extension Rules is service to a Customer taken at 115 kV or higher. Customer connections involving loads served at transmission voltage will be considered on an individual customer basis. Electric Service Agreements will be required and will be of sufficient duration and at sufficient revenue levels to support extension and other costs required to provide service.

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Marcia A. Podratz
Director - Rates

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Susan Romans of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 17th day of October, 2013, she served Minnesota Power's Compliance Filing in Docket Nos. E015/M-12-1359 and E015/M-95-1441 to the Minnesota Public Utilities Commission via electronic filing.

/s/ Susan Romans
Susan Romans

Subscribed and sworn to before
me this 17th day of October, 2013.

/s/ Jodi Nash
Jodi Nash, Notary Public
Commission Expires on Jan 31, 2015

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