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July 31, 2020

VIA ELECTRONIC FILING

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, MN 55101

Re: *Annual Automatic Adjustment of Charges Report-Electric*
Docket No. E999/AA-20-171

Dear Mr. Seuffert:

Minnesota Power wishes to briefly respond to the additional comments of the Minnesota Department of Commerce, Division of Energy Resources (“Department”) filed on July 24, 2020, in the above-referenced docket. In its July 1, 2020 comments, the Company explained in detail its overall maintenance and inspection programs that are designed to minimize and mitigate unplanned outages. The Company also explained in detail that all three failures at the Boswell Energy Center leading to the forced outages at issue were due to extraordinary circumstances that were neither anticipated by industry expectations, nor caused by any imprudent action or inaction of the Company. The Company believes that it has adequately shown the prudence of its maintenance and inspection programs and actions required to resolve the forced outages. Minnesota Power also takes seriously its responsibility to manage costs on behalf of customers.¹

The Company remains concerned, however, about the Department’s circumstantial views about engineering best practices, including generalized discussion about the length of time to inspect welds, the length of time to resolve a hydrogen leak, and when, in its view, is the appropriate time to replace phase bushings. In contrast, the Company explained that its maintenance and inspection practices appropriately address each year’s particular requirements for facilities Minnesota Power works with directly each day.

Further, the Department’s claim that the Company “significantly underspent” on its maintenance and inspection programs, based primarily on O&M levels set in the Company’s prior

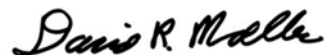
¹ As a further example of this, please see Minnesota Power’s July 31, 2020 Reply Comments in Docket Nos. E015/AA-19-302 and E015/AA-20-463, in which the Company reduced its 2020 fuel adjustment clause forecast by \$12.2 million for the benefit of customers.

case, remains arbitrary – especially given the significant changes to Minnesota Power’s fleet since its last rate case. A finding of prudence should not be based solely on a level of spending, the mere fact of forced outages, and speculation about inspection cycles. The evaluation of past levels of O&M spend is meant to be a point of data only, as prudence evaluations based solely or primarily on this comparison lack examination of causation and the specific needs of Minnesota Power’s generation units. It might be different if there was evidence of actual imprudence, but there is no basis for such claims here. As such, the evaluation of the appropriateness of the Company’s overall maintenance and inspection programs and cycles, as necessary to determine whether its overall generation O&M spend level is prudent, has not occurred here and in fact is more appropriate for a rate case where the Department and other stakeholders can review, critique, and provide views on opportunities for improvement.

Finally, the Department’s claims that it is proposing a disallowance solely of outage costs, albeit on the grounds the Company did not spend sufficient O&M dollars, not only invokes broader cost recovery issues, but also produces an illogical result: It would be arbitrary and counter-productive to reduce the Company’s recovery of costs related to managing its generation facilities (the forced outage costs at issue here) in response to the claimed problem that the Company should have spent more dollars managing all facilities. The better solution, if one were needed, would be to assess and enhance maintenance and inspection investments and programs.

If you have any questions regarding this filing, please contact me at (218) 723-3963 or dmoeller@allete.com.

Sincerely,

A handwritten signature in black ink that reads "David R. Moeller". The script is cursive and fluid, with the first name "David" and last name "Moeller" clearly legible.

David R. Moeller
*Senior Attorney and
Director of Regulatory Compliance*

CERTIFICATE OF SERVICE

ANNUAL AUTOMATIC ADJUSTMENT OF
CHARGES REPORT-ELECTRIC

MPUC DOCKET NUMBER: E999/AA-20-171

Jill N. Yeaman certifies that on the 31st day of July, 2020, she efiled a true and correct copy of Minnesota Power's **LETTER** by posting the same on www.edockets.state.mn.us. Said document is also served via U.S. Mail or email as designated on the attached Service List on file with the Minnesota Public Utilities Commission in the above-referenced docket.

/s/ Jill N. Yeaman

Jill N. Yeaman

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