

May 16, 2018

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-18-264

Dear Mr. Wolf:

On April 9, 2018, Minnesota Power (MP or the Company) filed a petition requesting that the Minnesota Public Utilities Commission (Commission) approve its updated 2018 Boswell Unit 4 Emissions Reduction Factor for recovery of investments and expenditures related to the Boswell Energy Center Unit 4 (BEC4) mercury emission reduction project.¹ On March 12, 2018, the Commission issued its *Findings of Fact, Conclusions, and Order* in MP's general rate case, Docket No. E015/GR-16-664 (Rate Case Order). As a result of the Rate Case Order, most of the BEC4 Project costs were rolled into base rates. Additionally the Company's BEC4 Rider was split into two sub-factors: a base rate sub-factor that offsets the BEC4 costs rolled into base rates,² and a rider sub-factor that allows recovery of continuing costs not rolled into base rates.

In its April 9, 2018 petition, the Company requested provisional approval to zero-out the rider sub-factor effective June 1, 2018 to prevent the over recovery of costs prior to the implementation of the Company's proposed updated rider rate. The Company indicated that it has collected the 2014 through 2017 rider revenue requirements and tracker balances, which means the rider is now over collecting. Further, a large credit to revenue requirements associated with Basin Electric Power Cooperative's share of BEC4 project costs result in a negative overall net revenue requirement from 2017 through April 2020 for the overall tracker; as such the overall BEC4 rider factor is projected to be negative during this time period. As such the current positive BEC4 Rider factor is over collecting costs that will have to be paid back to customers at a later date. Therefore, the Company proposes to zero-out the rider sub-factor so as to provide customers with a rate decrease and reduce the over-collection of revenue.

The Company recognized that in order to zero-out the rider sub-factor effective June 1, 2018, a variance to Minn. Rule 7825.3200, which requires that utilities serve notice to the Commission at least

¹ The Boswell Unit 4 Emission Reduction Rider (BEC4 Rider) was established in Docket No. E015/M-12-920.

² The base rate sub-factor will be in place only until implementation of final rates.

90 days prior to the proposed effective date of modified rates, is needed. Under Minn. Rule 7829.3200, the Commission shall grant a variance to its rules when it determines that the following requirements are met:

- 1) enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- 2) granting the variance would not adversely affect the public interest; and
- 3) granting the variance would not conflict with standards imposed by law.

The Department concludes that enforcement of the rule would impose an excessive burden on customers by forcing them to, in effect, make a temporary loan to the Company. The Department concludes that granting the variance would not adversely affect the public interest and the Department is not aware of any conflict with standards imposed by law.

Similar provisions have been granted in MP's 2017 Renewable Resource Rider (Docket No. E015/M-16-776) and Otter Tail Power Company's petition for approval of its environmental upgrades cost recovery rider (Docket No. E017/M-16-373) and transmission cost recovery rider annual adjustment (Docket No. E017/M-16-374). As in these cases the Department generally does not support the implementation of new rider rates on a provisional basis, however, given the overlap between riders and base rates, and the interconnection between this petition and MP's recent rate case, the Department **supports** MP's request to zero-out the rider sub-factor, effective June 1, 2018 or on the first day of the month following Commission approval, whichever is later, on a provisional basis prior to the Commission's final determination in the instant docket.

The Department will provide separate comments analyzing the remaining aspects of the Company's petition.

Sincerely,

/s/ MICHAEL N. ZAJICEK
Rates Analyst

MNZ/lt

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-18-264

Dated this 16th day of May 2018

/s/Sharon Ferguson

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