

January 15, 2021

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: Comments of the Minnesota Department of Commerce, Division of Energy Resources
Docket No. E015/PA-20-675

Dear Mr. Seuffert:

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

Petition for Approval of Minnesota Power Land Sales.

The Petition was filed on August 31, 2020 by:

Jennifer J. Peterson
Manager – Regulatory Strategy & Policy
Minnesota Power
30 West Superior Street
Duluth, MN 55802

The Department expects to recommend that the Minnesota Public Utilities Commission (Commission) approve the Petition, but first requests that Minnesota Power provide additional information in reply comments. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ CRAIG ADDONIZIO
Financial Analyst

CA/ar
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. E015/PA-20-675

I. INTRODUCTION

On August 31, 2020, Minnesota Power (or the Company) filed a petition (Petition) seeking approval from the Minnesota Public Utilities Commission (Commission) to sell property surrounding several reservoirs in its hydroelectric (HE) system, with an estimated value of approximately \$101 million. The Company proposed to credit ratepayers with the net proceeds from the sales in order to mitigate future rate increases.

II. DETAILS OF MINNESOTA POWER'S PROPOSAL

A. DESCRIPTION OF LAND

Minnesota Power's HE system includes 11 generating stations totaling more than 120 megawatts (MW), fed by 17 reservoirs.¹ The Company manages the land surrounding the reservoirs for public recreation, forest and wildlife stewardship, cultural and historical site protection, and environmental education. In addition, land around several the reservoirs has been divided into small lots, which the Company leases to residents for cabins, homes, and other recreational purposes. Residential lease lots within Minnesota Power's hydropower reservoir system include 21 lots on Fall and Garden Lake in Lake County, as well as approximately 1,000 lots within the Company's St. Louis River Project (SLRP), which includes five of Minnesota Power's 17 reservoirs. Of the lots on the SLRP reservoirs, the majority are on the Island, Fish, and Whiteface reservoirs.

Minnesota Power is proposing to sell a total of 927 of its lease lots.² Of these lots, 95 percent are leased to individuals for residential use (42 percent for seasonal use, and 53 percent for year-round use), and are fully developed with cabins or homes, and most have multiple accessory structures such as garages, sheds, boat houses, and saunas. Minnesota Power owns the land, and leaseholders own all structures built on the land. The residences are served by privately owned, individual sewage treatment systems and wells.

The remaining five percent of the 927 lots the Company is proposing to sell are either unissued vacant lots, non-buildable access leases, or lots issued to non-profit institutions such as the Boy Scouts.³

¹ Petition at 5.

² Department Attachment 1.

³ *Id.*

Leaseholders pay annual rent to Minnesota Power of 2.5 percent of Estimated Market Value (EMV) of the land, as determined by county tax assessors, and are also responsible for the property taxes.⁴

Hydropower projects such as the SLRP are licensed by the Federal Energy Regulatory Commission (FERC). A project's FERC license defines its Project Boundary, which designates "the geographic extent of the hydropower project that FERC determines a licensee must own or control on behalf of its licensed hydropower project. The project boundary must enclose only those lands necessary for operation and maintenance of the project and for other project purposes, such as recreation, shoreline control, or protection of environmental resources, as designated in the project license."⁵ The Project Boundary for the SLRP, as defined by its FERC license, includes the first 25 feet of each lot in from the shoreline of the reservoir on which the lot is located.⁶ The land within the Project Boundary is classified as utility property. In total, 25 percent of the total land area of lots the Company is proposing to sell falls within the FERC Project boundary, is classified as utility property, and is included in Minnesota Power's regulated rate base. Because 25 percent of the leased land is included in the Company's rate base, ratepayers are also allocated 25 percent of the revenues and expenses associated with the lease program.⁷

Thus, the land Minnesota Power is proposing to sell currently includes utility property. However, the Company recently reviewed the SLRP's Project Boundary and determined that it includes land that is not needed to operate and maintain its HE system, and does not serve any other project purpose.⁸ Therefore, prior to offering the lots for sale, Minnesota Power plans to submit a petition to FERC to revise the Project Boundary to include only the first 3 feet of land in from the shoreline, rather than the first 25 feet.⁹ The Company will retain ownership of the portion of the land that is within the project boundary (i.e. classified as utility property), and sell only the land that is outside of the boundary (i.e. classified as non-utility property). The Company would provide a riparian easement to allow the new landowners to access and use the lake.

In addition to proposing to remove portions of these lots from the SLRP Project Boundary in its upcoming FERC petition, the Company plans to propose to add other, undeveloped lands to the Project Boundary.¹⁰ If FERC approves all of the changes to the SLRP Project Boundary Minnesota expects to propose, it will increase the size of the Project Boundary by 423 acres, or a little less than 10 percent. The Company stated that if it adds this new land to rate base, its intent would be to add it at book value, or approximately \$0.5 million.¹¹

⁴ Petition at 6.

⁵ <https://www.ferc.gov/about/what-ferc/frequently-asked-questions-faqs/hydropower-frequently-asked-questions-faqs>

⁶ Petition at 6.

⁷ Department Attachments 2 and 3. See also the Supplemental Direct Testimony of R.D. Edwards, at 7, in Docket No. E015/GR-87-233.

⁸ Petition at 6.

⁹ Department Attachments 2, 3, and 4.

¹⁰ Department Attachment 5.

¹¹ Department Attachment 6.

In addition to this proposed revision to the project boundary, the Company explained in its Petition that the lots are “currently undergoing significant refinement,” including surveying and platting.¹² Licensed land surveyors will survey the land and have the lots identified on subdivision plat records in the St. Louis County Recorder’s Office.¹³ The Company stated that the intention of the surveying and platting process is partly to provide clarity regarding lot boundaries, but also to expand the lots “to the rear (away from the lake) whenever practical and appropriate to accommodate long-term viability and conformance with established zoning and subdivision standards.” The Company stated that these expansions to add additional backland acreage at the rear of the lots is likely to have negligible impacts on the lots’ values.¹⁴ In its Petition, the Company stated that the lots will not be made available for sale until after this process is complete.¹⁵

B. PROPOSED LAND SALES AND POTENTIAL CREDIT TO RATEPAYERS

Minnesota Power proposed to sell the majority of its residential lease lots over the next few years, and credit the difference between the book value of the land and the sale price to ratepayers.¹⁶ The Company proposed to rely on the assessed EMV, as determined by county assessors for tax purposes, as a reasonable estimate of the value of the lots to offer the lots for sale.¹⁷

For lots that are currently leased, the Company proposed to offer each lot to its current leaseholder using the lot’s current assessed EMV as the offer price. If a leaseholder initially chooses not to purchase the lot, Minnesota Power will fully honor the lease through its current term, and the leaseholder will have a second chance to purchase the lot when the lease expires. Leaseholders that choose not to purchase their lots by the end of their current lease will be required to sell the structures on their lots, and the purchasers of the structures will be required to also purchase the lot from Minnesota Power.¹⁸

For unoccupied lots, Minnesota Power proposed to use a standard, competitive bidding process. The Company will list the lots for sale using the EMV as the list price and will secure the best price possible for each lot.¹⁹

As noted above, Minnesota Power stated that the aggregate EMV of the lots it is proposing to sell is \$101 million²⁰ while the book value of the land is less than \$1 million.²¹ The Company stated in its Petition that it would “credit the difference between the book value and the sale price to Minnesota Power customers,” implying a potential credit to ratepayers of approximately \$100 million. As discussed in

¹² Petition at 5.

¹³ Department Attachment 7.

¹⁴ *Id.*

¹⁵ Petition at 7.

¹⁶ Petition at 9.

¹⁷ Petition at 6.

¹⁸ Petition at 7.

¹⁹ *Id.*

²⁰ Petition at 6.

²¹ Petition at 9.

greater detail below, however, Minnesota Power later clarified in discovery that transactions costs and fees associated with the sales, including taxes resulting from the gain in the value of the land since the Company purchased it, will also be deducted from the sales proceeds in order to determine the ultimate credit to ratepayers. The Company did not provide any estimates of the potential credit to ratepayers; however, the Department's understanding is that the credit could be tens of millions of dollars.

In its Petition, the Company specified neither the mechanism (e.g. base rates or a rider) through which the net proceeds will be credited to ratepayers, nor the method it will use to allocate the net proceeds to its various customer classes. Minnesota Power stated that the appropriate rate treatment can be determined at a later date, and that given the number of lots to be sold, the extended period of time over which the sales, and uncertainty about the timing of future rate cases, the best course of action is establish a tracker account to track the net proceeds of the transactions, and determine the best method of distributing the tracker balance to ratepayers at a later date.²²

III. DEPARTMENT ANALYSIS

A. APPLICABLE STATUTES

Minn. Stat. § 216B.50 states:

No public utility shall sell, acquire, lease, or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000, or merge or consolidate with another public utility or transmission company operating in this state, without first being authorized so to do by the commission. Upon the filing of an application for the approval and consent of the commission, the commission shall investigate, with or without public hearing. The commission shall hold a public hearing, upon such notice as the commission may require. If the commission finds that the proposed action is consistent with the public interest, it shall give its consent and approval by order in writing. In reaching its determination, the commission shall take into consideration the reasonable value of the property, plant, or securities to be acquired or disposed of, or merged and consolidated.

The Department concludes that the proposed land sales and ratepayer credits fall under the purview of the Commission, and the Commission should only approve the transactions if it finds that they are consistent with the public interest. The Department's analysis of whether Minnesota Power's proposal is consistent with the public interest is below.

²² *Id.*

B. FILING REQUIREMENTS AND REQUEST FOR VARIANCE

Minnesota Rule 7825.1800 contains the filing requirements for property acquisition petitions. Specifically, the rule states:

Petitions for approval to acquire property shall contain one original and three copies of the following information, either in the petition or as exhibits attached thereto:

A. Petitions for approval of a merger or of a consolidation shall be accompanied by the following: the petition signed by all parties; all information, for each public utility, as required in parts 7825.1400 and 7825.1500; the detailed reasons of the petitions and each party for entering into the proposed transaction, and all facts warranting the same; the full terms and conditions of the proposed merger or consolidation.

B. Petitions for approval of a transfer of property shall be accompanied by the following: all information as required in part 7825.1400, items A to J; the agreed upon purchase price and the terms for payment and other considerations.

C. A description of the property involved in the transaction including any franchises, permits, or operative rights, and the original cost of such property, individually or by class, the depreciation and amortization reserves applicable to such property, individually or by class. If the original cost is unknown, an estimate shall be made of such cost. A detailed description of the method and all supporting documents used in such estimate shall be submitted.

D. Other pertinent facts or additional information that the commission may require.

Subpart A above applies specifically to mergers and consolidations, and thus is not applicable to the Company's proposed land sale. With respect to Subpart B, Minnesota Power did not provide all the information required Minnesota Rule 7825.1400, items A to J. With respect to subpart C, Minnesota Power's Petition includes a description of the property, and an estimate of the original cost of the land. Because land does not depreciate, there are no applicable depreciation reserves. With respect to Subpart D, there was no other information required by the Commission.

The Department concludes that Minnesota Power's Petition satisfies all relevant reporting except for the requirements of Minnesota Rule 7825.1400.

Minnesota Power requested a variance to Minnesota Rules 7825.1400 and 7825.1800, stating that they have no relevance to ascertaining the reasonableness of property transfers such as the sale of the residential lease lots.²³ As described above, however, the Department concludes that Minnesota Power's Petition reasonably satisfies most of the requirements set forth in those two rules, and would only require a variance to Minnesota Rule 7825.1400.

The Commission has authority to grant rule variances under Minnesota Rule 7829.3200 when the following criteria are met:

- Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- Granting the variance would not adversely affect the public interest; and
- Granting the variance would not conflict with standards imposed by law.

The Department agrees that requiring Minnesota Power to provide the information required Minnesota Rule 7825.1400 would constitute an excessive burden on the Company, because this information relates to specific types of transactions (securities issuances) that are inapplicable to the transaction proposed in this docket. Further, the Department sees no reason why granting a variance to these filing requirements would adversely affect the public interest and is not aware of any laws that would be violated as a result of granting the variance. Therefore, the Department recommends that the Commission grant Minnesota Power a variance to Minnesota Rule 7825.1400.

C. REASONABLENESS OF PROPOSED LAND SALE

1. Divestiture of Land

In preparation of the proposed land sales, Minnesota Power reviewed the FERC Project Boundary of the SLRP to ensure that it could sell the lots without hindering its ability to comply with FERC's requirements for the land within the project boundary, or its ability to operate and maintain the reservoirs for downstream HE generation, as well as other SLRP uses such as recreation, cultural or environmental protection.²⁴ As a result of this review, the Company determined that it could adjust the FERC Project Boundary back to include only the first three feet of land in from the shoreline, rather than the first 25 feet, and still comply with FERC's requirements and operate and maintain its reservoirs.²⁵

The Company also stated that the sale of these lots would not expose it to any additional liability if there were a flood or some other event that affected the lots, and that there are no other potential legal, operational, or financial concerns related to the proposed sales.²⁶

²³ Petition at 10.

²⁴ Department Attachment 8.

²⁵ Petition at 6.

²⁶ Department Attachment 9.

Additionally, as noted above, as part of its review of the SLRP Project Boundary, Minnesota Power determined that certain tracts of lands it owns, but that are not currently included in the Project Boundary, should be added to the Project Boundary. The Company is planning to propose adding this land to the SLRP Project Boundary as part of its expected FERC application. As a result of adding this land to the Project Boundary, Minnesota Power expects to propose to include this additional land in regulated rate base in a future rate case.²⁷ The Company stated that it expects to add this land to rate base at its book value, which is based on its original purchase price, and thus will cause only a nominal increase in total rate base. The Company also stated that it knows of no significant potential future costs or investments related to the lands it expects to add to regulated rate base, beyond minimal (i.e. less than \$10,000 per year) monitoring and maintenance expense.²⁸

Because the land Minnesota Power is proposing to sell is not needed for operational purposes, and its sale will not expose the Company or its ratepayers to any additional financial or operational risks, the Department concludes that the Company's proposal to sell the land is reasonable as long as the price is reasonable.

2. Sale Price

As described above, for lots that are currently leased, Minnesota Power proposed to offer each lot to its leaseholder at a price equal to the lot's county-assessed EMV. The Department's understanding is that this initial offer to the current leaseholder will be presented as a take-it-or-leave-it offer, and that there will be no negotiating. The Department requests that the Company clarify this point in reply comments. For lots that are not currently leased, and for lots that current leaseholders opt not to purchase, the Company proposed to list each lot on the open real estate market, using each lot's EMV as the initial list price, and secure the best price available for each lot. In a survey of leaseholders, 90 percent expressed moderate or high interest in purchasing their lease lot.²⁹ Based on that survey result, it seems likely that the majority of lots will be sold to their current leaseholders, rather than via competitive, open-market listings. The Department has some concerns with Minnesota Power's proposal to rely on assessed EMVs as a substitute for competitive sales processes.

In its Petition, Minnesota Power defended the use of EMVs as a reasonable offer price for the lots, noting that by statute, EMVs are targeted to be between 90-105 percent of actual sale prices.³⁰ The Company also stated that EMVs are subjected to vetting and appeals processes, which afford them a level of credibility and acceptance not attainable via traditional one-off real estate appraisals. However, the Company did not conduct any analyses regarding the accuracy of EMVs in the counties in which the lease lots are located.³¹ The Company stated that it presumes the verification process used by the Minnesota Department of Revenue to be an accurate and justified comparison of actual sales versus EMVs.

²⁷ Department Attachment 6.

²⁸ *Id.*

²⁹ Petition at 6.

³⁰ *Id.*

³¹ Department Attachment 10.

The Minnesota Department of Revenue (MN DOR) publishes data and reports regarding the accuracy of assessed EMVs by tax jurisdiction in Minnesota. MN DOR relies on a metric called the sales ratio, which is the ratio of the EMV of a property at the time of a sale to the actual sale price, to assess the accuracy of assessed EMVs. In 2019, average sales ratios for waterfront properties sold in tax jurisdictions in St. Louis County, where most of the lots are located, ranged from 89 percent to 107 percent. The average sales ratio across all tax jurisdictions in the county was 96.1 percent.³² The Department notes that these sales ratios include a number of adjustments to sales prices to account for market trends or apparent anomalies, which may limit the reliability of this data.³³ However, as discussed below, given the difficulties associated with alternatives to using EMVs, the Department concludes that this data provides some support the use of county assessed EMVs as a substitute for a competitive sale process.

The Department's larger concern with the Company's proposed reliance on EMVs relates to attribution of total EMV of a lot to its land versus the structures and improvements on the land. In its response to Department Information Request No. 2, Minnesota Power provided recent assessment reports for a sample of the lots it is proposing to sell.³⁴ The reports provide a total EMV for each property, as well as separate EMVs for (1) the property's land, and (2) the structures and improvements (or buildings) on the land. The total EMV is equal to the sum of the EMVs of the land and buildings.

The sales ratios MN DOR uses compare total EMVs to actual sale prices, but provide little or no information regarding the accuracy of the separate land and building EMVs. Minnesota Power did not evaluate the accuracy of the land EMVs it is proposing to rely on.³⁵ Further, in its response to Department IR No. 24, Minnesota Power provided data regarding 40 recent sales of structures on its lots during the past two years, including the EMV of the land, the value of the structures and improvements, and the purchase price.³⁶ In each transaction, Minnesota Power retained ownership of the land, and the transaction involved only the structures on the lots. The Department compared the reported EMVs of the structures involved in each transaction to the purchase prices.

³² Department Attachment 11.

³³ See, e.g. MN DOR's 2019 Sales Ratio Criteria Report, issued October 2018, at 7 and 17, accessible at https://www.revenue.state.mn.us/sites/default/files/2019-08/crv_19_srcriteria.pdf.

³⁴ Department Attachment 12.

³⁵ Department Attachment 13.

³⁶ Department Attachment 14.

Table 1
Summary of Structures EMV/Purchase Price Ratios of
Recent Lot Transactions

Minimum Ratio	3.7%		
Average Ratio	44.1%		
Maximum Ratio	68.9%		
	No. of	Cumulative Transactions:	
Range	Transactions	No. of	Percentage
0% - 10%	1	1	2.5%
10% - 20%	2	3	7.5%
20% - 30%	3	6	15.0%
30% - 40%	8	14	35.0%
40% - 50%	9	23	57.5%
50% - 60%	12	35	87.5%
60% - 70%	5	40	100.0%

As shown in Table 1, the average ratio of structure EMV to purchase price in the 40 transactions for which Minnesota Power provided data was only 44.1 percent, and the highest ratio in any individual transaction was only 68.9 percent. Further, of the 40 transactions, 23 (or 57.5 percent) had ratios of less than 50 percent.

Based on these low ratios for structures, the Department is concerned that the land EMVs Minnesota Power has proposed to rely on, which will likely serve as the purchase price for many of the lots, are not accurate and likely underestimate the value of the lots. If so, selling the lots may result in an unreasonable transfer of wealth from the Company (and ultimately ratepayers) to the buyers. As a result of this concern, the Department asked the Company to explain whether it considered using competitive processes for more (or all) of its lots, or, alternatively, if it considered using methods of determining the offer price for each lot other than assessed EMV.

Minnesota Power stated that listing the lots for competitive sale on the real estate market was considered but dismissed as unviable. The Company stated that competitively bidding out land on which personal property exists would be highly detrimental to current leaseholders, and would likely increase the risks of damage claims and other issues that would slow, complicate, and/or increase the expenses of the proposed divestiture.³⁷ Additionally, the Company would not be able to list the lots for sale until the current leases expire, which would further delay the sale process. The Department

³⁷ Department Attachment 15.

notes that of the approximately 930 lots Minnesota Power is proposing to sell, more than 800 have leases that expire in 2036 or later.³⁸

The Company also considered having each lot appraised, and using the appraised value as the price offered to current leaseholders.³⁹ The Company stated however, that because the current land EMV is used to determine annual rent, using an alternative valuation at the time of sale may create confusion and dissuade some leaseholders from participating, in which case the lots could not be listed for sale until the current lease expires. Additionally, the Company was concerned that it would be obligated to perform multiple appraisals in many cases, and the resulting fees and time needed for the extra process would negatively impact the timing and net proceeds received.

Despite the Department's concerns regarding the Company's proposed reliance on EMVs as estimates of sale prices, because of the difficulties associated with the alternatives the Minnesota Power considered (i.e. competitive sales and appraisals for all of the lots), the Department concludes that Minnesota Power's proposal is reasonable. The Department also notes that because only 25 percent of the land Minnesota Power is proposing to sell is currently included in rate base, Minnesota Power could have reasonably taken the position that ratepayers should be credited with only 25 percent of the net proceeds from the sales. Instead, Minnesota Power is proposing to credit ratepayers with 100 percent of the net proceeds from the sales. Therefore, even if EMVs are only 50 percent of the true value of the land, ratepayers will be better off receiving 100 percent of EMV versus 25 percent of the true value. EMVs would have to be 25 percent or less of the true value of the lots for ratepayers to be better off if the Commission were to require a competitive process for the lot sales.

The Department notes that in the event FERC does not approve Minnesota Power's request to move the Project Boundary from 25 feet in from the shoreline to 3 feet in from the shoreline, Minnesota Power will not be able to sell the lots as contemplated in this Petition. The Company stated that if that were to happen, the main impact on its proposal to sell this land would be a re-evaluation of the value of the lease lots, as the EMV would no longer apply to the new lot.⁴⁰ Given the apparent difficulties associated with using any estimate other than EMV as the offer price for these lots, the Department expects that a rejection of the proposed Project Boundary changes will present a significant problem. Therefore, the Department recommends that if the Commission approves Minnesota Power's Petition, it require the Company to make a compliance filing in this Docket within 10 days after FERC issues its Order on the proposed Project Boundary changes describing FERC's decision as well as any impacts it may have on the proposed sales.

³⁸ Department Attachment 16. In its response to Department Information Request No. 18, Minnesota Power provided a spreadsheet with information on each individual lot it is proposing to sell, including the expiration date of the current lease. Due to its size, the Department did not include the spreadsheet in Attachment 16, however, the Department will provide the spreadsheet to the Commission upon request.

³⁹ Department Attachment 17.

⁴⁰ Department Attachment 8.

3. *Other Deductions from Sale Proceeds and Annual Reporting Requirements*

As noted above, in its Petition, Minnesota Power stated that it would credit ratepayers with the difference between the sale price of the lots and their book value, but clarified later via discovery that it would deduct other costs associated with the lot sales to determine the ultimate credit to ratepayers. In its response to Department IR No. 28, the Company provided a list of the expenses it proposes to deduct from the gross land sale proceeds, including:⁴¹

- prorated county taxes
- title charges and escrow/settlement charges
 - disbursement fee/courier fee
 - title exam – title company
 - document preparation – title company
 - closing fee – title company
- government recording and transfer charges
- deed registration tax
- project management

The Company described this list as a “representative example of costs expected to be incurred in conjunction with the sale of a lot,” and stated that “total costs cannot be predicted with certainty” and that the costs are subject to “variability.”⁴² Thus the Department understands that list of expenses may not be an exhaustive list of all types of costs the Company may wish to deduct from the gross proceeds of the lot sales, and that for the types of costs listed, the *amounts* are at best rough estimates.

The Department has a specific concern with the “project management” cost item the Company included in its list of costs to be deducted from gross sale proceeds. In its IR response, Minnesota Power estimated that project costs would be equal to 7.5 percent of the sale price of the lots, but provided no information related to the nature of the costs included in that 7.5 percent beyond stating that they will be “variable” and “commensurate with hours required to oversee tasks and transactions.” In a subsequent IR response, the Company stated that the cost of the surveying and platting process it is currently undertaking, expected to be approximately \$2 million, is included in this item. However, given that potential sale proceeds could be \$101 million, project management costs of 7.5 percent would equate to \$7.5 million, meaning Minnesota Power appears to be expecting to incur roughly \$5 million in additional expenses.

Minnesota Power stated that it expects that the project management costs will be internal to the Company where possible, meaning that it will be performed by Company employees.⁴³ As noted above, Minnesota Power’s base rates currently include costs, including labor expense, associated with the management of the lease program. Thus, base rates already include a representative level of

⁴¹ Department Attachment 18.

⁴² *Id.*

⁴³ Department Attachment 19.

expense, and deducting these expenses from the net proceeds of the land sales would amount to double recovery of these costs.

Moreover, Minnesota Power's initial attempt to describe the costs it expects to deduct from gross sale proceeds omitted income taxes attributable to the gains expected to be realized from the sale of the land. In its response to Department IR No. 41, Minnesota Power clarified that there will be an income tax impact from the gain on sale, and that the Company is proposing to deduct this tax expense from the gross sale proceeds.⁴⁴ The Company stated that the income tax gain on the land sales will be equal to the book gain (i.e. sale price less original cost of the land), and the Company will incur federal and state tax expense on that gain. In the example calculations provided in its IR response, the Company used its composite state and federal income tax rate of 28.742 percent to illustrate the tax expense expected to be triggered by the gain. The Department requests that Minnesota Power clarify in reply comments whether the gains will be taxed at federal and state corporate income tax rates, or at different capital gains tax rates.

Given the high level of uncertainty surrounding the types and amounts of costs expected to be deducted from the gross proceeds from the land sales, the Department recommends that the Commission require Minnesota Power to file detailed cost and revenue information on a regular basis until all of the lots are sold. On page 10 of its Petition, the Company stated it would provide annual updates on the number of sales, the purchase prices, and the amount in the tracker account. The Department agrees that annual compliance filings are reasonable, but the information described by the Company is insufficient. The Department recommends that the Commission require Minnesota Power to track and report on all additions to (i.e. sales revenue) and deductions from (i.e. expenses) from the tracker account at the most granular level possible. For example, costs that are attributable to individual sales, such as title and escrow/settlement fees, should be tracked at the level of individual lot sales. In annual compliance filings, the Company can report on these costs at the aggregate level, but should maintain the data at the sale level such that it can be provided to any party that requests it. Costs which are not directly attributable to individual lot sales, such as the expense associated with surveying and platting, should be tracked in sufficient detail for the Commission and the Department to determine whether they are internal costs that are included in base rates, or external costs.

For individual lot sales, the Department also recommends that the Commission require the Company to track:

- sale price;
- list price (if different from sale price);
- EMV of land at the time of the sale;
- EMV of buildings/structures at time of sale;
- all fees and expenses (e.g. title fees), itemized by type;
- whether the lot was sold to the current leaseholder.

⁴⁴ Department Attachment 20.

The Department also recommends that the Commission require the Company to report on:

- the number of offers to current leaseholders made to date as of the time of the compliance filing;
- the number of offers to current leaseholders accepted;
- the number of offers to current leaseholders rejected;
- the number of lots listed on the open real estate market;
- the number of lots sold via the open real estate market;

Lastly, the Department recommends that the Commission require Minnesota Power to provide in its annual compliance filings brief narrative descriptions describing the Company's general observations regarding the sales process (e.g. how the process is proceeding relative to prior expectations).

4. Proposed Accounting Treatment and Journal Entries

In its response to Department IR No. 42, the Company provided the journal entries it plans to use to record the land sales.⁴⁵ The Department requests that Minnesota Power address two issues related to the proposed journal entries in reply comments.

First, in its Petition, Minnesota Power proposed to "defer all the proceeds [from the land sales] into a regulatory liability that would be returned to customers in either a future rate case or the Renewable Resources Rider."⁴⁶ However, the proposed journal entries provided in the Company's response to Department IR 42 do not involve or create a regulatory liability. Rather, the journal entries record the gain on sale as income on Minnesota Power's income statement in FERC Account 421.1 Gain on Disposition of Property. The Department requests that Minnesota Power provide any additional or corrected journal entries that it expects to use to create the regulatory liability referenced in the Petition.

Second, the proposed journal entries include the following entry to record the tax impacts of the sale of assets by Minnesota Power:

Debit Account 409 Provision for Current Income Taxes
Debit Account 410.1 Provision for Deferred Income Taxes
Credit Account 190 Accumulated Deferred Income Taxes
Credit Account 236 Current Tax Payable

⁴⁵ Department Attachment 21.

⁴⁶ Petition, page 9.

The Department notes that this is the standard and expected journal entry to record the tax impacts of the sales. However, the Department requests the Minnesota Power explain in reply comments whether any of the tax liability generated by the sale of these lands will be used in any way to benefit the Company's nonregulated affiliates, for example by being used to consume nonregulated deferred tax assets or otherwise monetize tax benefits generated by ALLETE Inc.'s nonregulated lines of business.

5. Allocation of Net Proceeds from Proposed Land Sales to Ratepayers

As noted above, the Company did not specify the mechanism (e.g. base rates or a rate rider) it will use to pass the net proceeds on to ratepayers, nor did it specify how it would allocate the net proceeds across customer classes.

While the Department has some concerns with leaving the issue of the allocation of proceeds to ratepayers unresolved, given the uncertainty surrounding the timing and final amount of the net proceeds, the Department ultimately agrees that Minnesota Power's proposal to address the issue in the future is reasonable.

Relatedly, the Department notes that in the Summary of Petition on page one of the Petition, Minnesota Power stated that it submitted the Petition pursuant to Minn. Stats. § 216B.16, 216B.1696, and 216B.50. Minn. Stat. § 216B.1696 permits utilities to establish separate rates for energy-intensive, trade exposed (EITE) customers, as defined in the Statute. In its response to Department IR No. 21, the Company clarified that its reference to Minn. Stat. § 216B.1696 was inadvertent, and that it is not proposing to distribute the net proceeds only to EITE customers.⁴⁷ Rather, the Company stated that it will credit the net proceeds from the land sales to all customers, of which EITE-eligible customers are a significant percentage.

IV. CONCLUSION AND RECOMMENDATIONS

As discussed above, the Department concludes that many aspects of Minnesota Power's proposal are reasonable but requests that the Company provide additional information on four issues.

First, the Department requests that Minnesota Power explain whether it will consider counteroffers from current leaseholders after the Company offers to sell their lots at current EMV, or whether those offers will be non-negotiable.

Second, the Department requests that the Company provide additional information regarding its proposed journal entries to record the sale of these lots. As described above, the Company stated that it would defer all proceeds from the lot sales into a regulatory liability, but the proposed journal entries do not create or involve a regulatory liability.

⁴⁷ Department Attachment 22.

Third, the Department requests that Minnesota Power clarify whether the federal and state corporate income tax rates, or lower capital gains tax rates, will apply to these land sales.

Fourth, the Department requests that Minnesota Power explain in reply comments whether any of its non-regulated affiliates will receive any direct or indirect benefits from the tax liability generated by the proposed sale of the lots.

The Department will provide its final recommendations to the Commission after it reviews the information provided by the Company in reply comments.

/ar



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number:	1
Topic:	Structures and personal property on lease lots
Reference(s):	Petition, page 7

Request:

Please provide a brief, general overview the types and prevalence of structures and personal property on lease lots.

Response:

Of the 927 lots included in this petition, 95% are leased to individuals for seasonal (42%) or year-round (53%) residential use. They are fully developed with cabins or home and most have multiple accessory structures such as garages, sheds, boat houses, and saunas. These residences are served by privately owned, individual sewage treatment systems and wells.

The remaining 5% are either unissued vacant lots (19), non-buildable access leases (18), or lots issued to non-profit institutions such as the Boy Scouts (10).

Response Date: 10/22/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/2/2020
Response Due: 11/12/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

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Request Number: 29
Topic: Lease lots booked as utility property
Reference(s): Response to Information Request 13

Request:

R.D. Edwards’s Supplemental Direct Testimony at 7 in Docket No. E015/GR-87-233 clearly states that 25 percent of the leased land is booked as utility property:

The utility portion of land leases relates to the 25 feet of shoreline booked as utility property as required by the Federal Energy Regulatory Commission under Exhibit K of the hydro licensing requirements. The 25 feet of utility lake shore is equivalent to 25% of the recreational land being leased and is the appropriate percentage for charging both revenues and expenses to utility operations.

In response to IR 13, part a, the Company stated that the lots Minnesota Power is proposing to sell do not include any utility property.

Please clarify/reconcile these seemingly contradictory statements.

To be completed by responder

Response Date: 11/12/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
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Response Due: 11/12/2020

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Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

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Response:

Please see amended response to IR 13.

To be completed by responder

Response Date: 11/12/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119

**Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request**

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

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Request Number:	13
Topic:	Treatment of Utility Property after land sales
Reference(s):	Petition

Request:

- a. Do the lots Minnesota Power is proposing to sell include Utility Property (i.e. the first 25 or 3 feet beyond the shoreline)?

Response:

No

Amended Response:

Yes, if the new boundary is approved by FERC and other approvals are received, then Minnesota Power would only retain the first three feet of shoreline as utility property. The remainder of the lot would be sold and no longer be owned by Minnesota Power as utility property.

Response Date: 11/12/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

SEND RESPONSE VIA **EMAIL TO**: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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-
- b. If the answer to part a is yes, will the future landowners be considered owners of utility property?

Response:

N/A

Amended Response:

No, as noted in a. if the new boundary is approved by FERC and other approvals are received, the first 3 feet of shoreline would continue to be owned by Minnesota Power as utility property. The remainder of the lot would be sold, no longer be considered utility property, and would no longer be owned by Minnesota Power.

- c. If the answer to part b is yes, will the landowners' use of that land be limited or restricted by any state or federal rules or statutes as result of the land being considered utility property?

Response:

N/A

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

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Phone Number(s): 651-539-1818

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-
- d. If the answer to part b is yes, will the landowners face any type of requirements or obligations after the sale is closed related to the land that is utility property?

Response:

N/A

- e. If the answer to part a is yes, will Minnesota Power be required to obtain easements related to the land that is Utility Property, or have to maintain any other type of legal, contractual, or other type of relationship with the lot owners as a result of the land being considered Utility Property?

Response:

For the first three feet of shoreline, Minnesota Power intends to retain easements to access and manage the land as required by our FERC license.



Minnesota Department of Commerce
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Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/2/2020
Response Due: 11/12/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

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Request Number: 35
Topic: Land to be retained by Minnesota Power
Reference(s): Responses to Information Requests 9 and 10

Request:

If FERC approves the proposed revision of the Project Boundary to include only the first 3 feet of shoreline, will that first 3 feet of shoreline be included in the lots that get sold? Or will MP divide the lots into two pieces, and retain ownership of the piece that includes the first 3 feet of shoreline and sell the piece that includes all the other land in the lot?

Response:

The latter: Minnesota Power would retain fee ownership of the 3' strip and provide a riparian easement to the owner of the adjacent lot. The riparian easement would provide for traditional lakeshore uses and activities such as fishing, swimming, docking, etc. and would allow Minnesota Power access for management of the shoreland if needed.

To be completed by responder

Response Date: 11/12/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/2/2020
Response Due: 11/12/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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Request Number: 36- AMENDED
Topic: Change in Project Boundary
Reference(s): Response to Information Request 9

Request:

- a. The draft version of the FERC Non-capacity project boundary adjustment application indicates that the proposed change in project boundary will result in a net increase in the amount of land booked as utility property (see page 8 of the PDF DOC IR 009.01). Please explain what the expected dollar impact on MP’s rate base will be as a result of both the proposed changes in the project boundary and the proposed land sale.

Response:

The draft application only indicates that the amount of land within the FERC Project Boundary is anticipated to change if the proposed amendment is approved, not how much land will be booked as utility property. The proposed land sales is anticipated to reduce MP’s rate base by up to \$101M based on current estimated market values, depending on leaseholder participation.

- b. Please provide the total acreage of land currently included in the Project Boundary.

Response:

The existing hydroproject upland acres under Minnesota Power, public and private ownership around each reservoir is as follows:

To be completed by responder

Amended Response Date: 12/03/2020
Response by: Kurt Anderson
Email Address: kanderson@mnpower.com
Phone Number: 218-343-0178

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675

Requested From: Minnesota Power

Type of Inquiry: Financial

Nonpublic Public

Date of Request: 11/2/2020

Response Due: 11/12/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio

Email Address(es): craig.addonizio@state.mn.us

Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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-
- Island Lake Reservoir 2,109 current hydroproject acres.
 - Fish Lake Reservoir 1,452 current hydroproject acres.
 - Whiteface Reservoir 1,280 current hydroproject acres.

- c. Please provide the total acreage of land that will be included in the Project Boundary if FERC approves the proposed amendment.

Amended Response:

If the proposed hydroproject boundary is approved by FERC it will result in an acreage of 5264 acres at the three affected reservoirs:

- Island Lake Reservoir project boundary will increase by 305 acres.
- Fish Lake Reservoir project boundary will increase by 43 acres.
- Whiteface Reservoir project boundary will increase by 75 acres.

- d. Please provide the total acreage of land surrounding the reservoirs that MP currently owns that is *not* included in the Project Boundary.

Response:

Minnesota Power owns the following acreage surrounding the three affected reservoirs which is not currently included in the Project Boundary:

- Island Lake Reservoir has 3,587 adjacent acres that are not currently included in the project boundary.

To be completed by responder

Amended Response Date: 12/03/2020

Response by: Kurt Anderson

Email Address: kanderson@mnpower.com

Phone Number: 218-343-0178

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675

Requested From: Minnesota Power

Type of Inquiry: Financial

Nonpublic Public

Date of Request: 11/2/2020

Response Due: 11/12/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio

Email Address(es): craig.addonizio@state.mn.us

Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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-
- Fish Lake Reservoir has 1,211 adjacent acres that are not currently included in the project boundary.
 - Whiteface Reservoir has 2,188 adjacent acres that are not currently included in the project boundary.

Acreage calculations are based on the St. Louis County Land Explorer using 2020 land parcel data.

- e. Please provide the total acreage of land surrounding the reservoir that MP currently owns that will *not* be included in the Project Boundary if FERC approves the proposed amendment (prior to any lot sales).

Amended Response:

Minnesota Power owns the following acreage surrounding the three affected reservoirs which is not included in the proposed hydroproject boundary adjustment:

- Island Lake Reservoir has 3,282 adjacent acres that would not be included in the revised project boundary.
- Fish Lake Reservoir has 1,168 adjacent acres that would not be included in the revised project boundary.
- Whiteface Reservoir has 2,113 adjacent acres that would not be included in the revised project boundary.

The updated/refined Project Boundary (compared to the original Project Boundary) increases the acreage of MP owned lands outside of the Project Boundary (particularly on Fish Lake Reservoir). The proposed addition of natural character area lands to the new Project Boundary is partially (or

To be completed by responder

Amended Response Date: 12/03/2020

Response by: Kurt Anderson

Email Address: kanderson@mnpower.com

Phone Number: 218-343-0178



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/2/2020
Response Due: 11/12/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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completely in the case of Fish Lake Reservoir) offset by the proposed Project Boundary refinement.

To be completed by responder

Amended Response Date: 12/03/2020
Response by: Kurt Anderson
Email Address: kanderson@mnpower.com
Phone Number: 218-343-0178

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/23/2020
Response Due: 12/3/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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Request Number: 44
Topic: Potential Additions to Project Boundary
Reference(s): Responses to IRs 9 and 36

Request:

Minnesota Power's response to IR 36 states that if the proposed hydroproject boundary is approved by FERC, the acreage at each of the three affected reservoirs will increase by the following amounts:

- Island Lake Reservoir: 136 acres;
- Fish Lake Reservoir: 39 acres;
- Whiteface Reservoir: by 103 acres.

Please provide an estimate of the book value of these lands that may be added to the FERC project boundary.

Response: Please see amended IR 36 with correct acreages totaling 423 acres.

The total book value of all lands (not just the increased amount) are \$519,467.05, with approximate acreage of 4,841 acres in the FERC project boundary. This results in a per acre book value of \$107/acre. The total acreage of the lands to be increased is 423 acres, therefore, using a pro-rated approach, the approximate estimated book value of lands added to the FERC Project Boundary would be \$45,261.

- a. Please confirm that if these lands are ultimately added to Minnesota Power's regulated rate base, that they will be added at book value. If not, please explain why and what value they will be added to rate base at.

To be completed by responder

Response Date: 12/3/2020
Response by: Kurt Anderson
Email Address: kanderson@mnpower.com
Phone Number: 218-343-0178



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/23/2020
Response Due: 12/3/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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Response: Yes, it is MP's intent to add these lands at book value.

- b. Please describe any known or potential future investments or expenditures related to these lands that Minnesota Power is aware of.

Response: Once these lands are included in the FERC project boundary, some additional monitoring and maintenance may occasionally be required; however, these expenses are expected to be minimal in nature (i.e. <\$10,000/year). The monitoring and maintenance expenses would be incorporated into existing shoreland activities for all of MP's lands in the area.

To be completed by responder

Response Date: 12/3/2020
Response by: Kurt Anderson
Email Address: kanderson@mpower.com
Phone Number: 218-343-0178

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/23/2020
Response Due: 12/3/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

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Request Number: 43
Topic: Potential Additions to FERC Project Boundary
Reference(s): Petition at 5

Request:

Minnesota Power's Petition at 5 states that the lots are "currently undergoing significant refinement, including surveying, platting, and potential adjustment of the [FERC] project boundary."

- a. Please describe the surveying and platting processes the Company is currently undertaking related to the lots, including but not limited to:
 - the reasons why the Company is undertaking them;
 - the desired outcomes and goals of the processes;
 - any changes to the shapes/sizes of the lots that may result from the process that are not directly related to the potential adjustment of the FERC project boundary.

Response: Since about 1990, many leaseholders have invested in their leased lots at levels on par with privately owned lake lot owners. Most leased lots are now year-round residences and those that remain seasonal have been more fully developed. With more investment on the leased lots and the potential for divestiture, a permanently established method of lot boundary identification is needed to provide clarity to the leaseholder and the county and township. Therefore, the plan is to have the land surveyed by a licensed professional land surveyor and identified on subdivision plat records at the St. Louis County Recorder's Office. Lots will be extended to the rear (away from the lake) whenever practical and appropriate to accommodate long-term viability and conformance with established zoning and subdivision standards. Side lot

To be completed by responder

Response Date: 12/1/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675

Requested From: Minnesota Power

Type of Inquiry: Financial

Nonpublic Public

Date of Request: 11/23/2020

Response Due: 12/3/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio

Email Address(es): craig.addonizio@state.mn.us

Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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boundary lines will remain in their current position but extend further to accommodate the rearward expansion.

- b. Please explain whether any of the refinements to the lots will have any significant impacts on the value of the land such that the current estimated market value of each lot will no longer be reasonable proxy for the lot's value.

Response: Current county assessed values are based on fee title ownership, so there won't be any change attributable to selling the lots. Lot expansions to add additional backland acreage at the rear of the lots is likely to have negligible impacts on values.

- c. Please provide an overview of the costs of the surveying and platting processes.

Response: We predict the total cost of platting to be around \$2,000,000.00

- d. Are these costs included in the representative costs provided in response to information request No. 28?

Response: Yes, please see the Company response to OAG IR 002 part 1.

To be completed by responder

Response Date: 12/1/2020

Response by: Jim Atkinson

Email Address: jbatkinson@mnpower.com

Phone Number: 218-343-9119



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

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Request Number: 9
Topic: FERC non-capacity permit amendment application
Reference(s): Petition, page 6

Request:

- a. Please explain why Minnesota Power conducted the referenced review of the FERC Project Boundary that led the Company to determine the current 25 feet of land is not needed for hydropower operations or other project purposes such as recreational purposes.

Response:

The review was conducted to ensure that any potential lease lot divestitures would not affect our 1) FERC compliance obligation with regards to lands within the FERC Project Boundary, and 2) MP's ability to operate and maintain the reservoirs for downstream hydroelectric generation as well as other Project uses, such as recreation purposes or cultural or environmental protection. Under our FERC license, MP cannot divest any land within the Project Boundary without FERC approval or an adjustment of the Project Boundary.

- b. Please provide any internal memos or other materials Minnesota produced (or had produced on its behalf) that:
 1. fully explain the criteria relied on to make the determination that only 3 feet of land beyond the shoreline is necessary;
 2. fully explain Minnesota Power's analysis of its land with respect to the criteria;
 3. fully explain Minnesota Power's conclusions regarding the analysis of its land.

Response Date: 10/22/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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Response:

This information is captured in Minnesota Power's FERC Non-capacity Project Boundary adjustment application. A draft version of the application is attached, please see DOC IR 009.01 Attach. Minnesota Power will submit in this Docket the final version filed with FERC.

- c. Please fully explain how the proposed change to the FERC Project Boundary relates to the proposed land sale.

Response:

The FERC Project Boundary adjustment application, if approved, will allow Minnesota Power to sell all lands within the lease lots that are outside the FERC Project Boundary. This means the landowner would be able to purchase the majority of their lot, less the 3' back from the shoreline which will remain in Minnesota Power's ownership.

- d. If FERC rejects Minnesota Power's proposal to amend the Project Boundary and leaves the Project Boundary at 25 feet in from the shoreline, will Minnesota Power's plan to sell the lots be affected or altered in any way?

Response:

If FERC rejects Minnesota Power's proposal, the main impact would likely be a re-evaluation of the value of the lease lots, since the leaseholder/buyer would not own the same amount of land if the first 25' must be retained by Minnesota Power.



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number: 19
Topic: Other issues/aspects of land sales not discussed in Petition
Reference(s): n/a

Request:

- a. If Minnesota Power were to sell these lots, would its liability risks change if there were a flood or some other event related to the reservoirs that affected the lots (either physically or financially).

Response:

No. Minnesota Power would retain the same rights and liabilities from its FERC Hydro License and operating the reservoirs.

- b. Please describe any other potential legal, operational, or financial concerns related to the proposed transactions that the Company discussed internally but did not mention in the Petition.

Response: N/A

- c. Please provide copies of any internal documents the Company produced (or had produced on its behalf) describing the Company’s analyses and conclusions regarding these concerns discussed in parts a and b of this information request.

Response: N/A



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

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Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number: 22
Topic: Comparable Sales
Reference(s): n/a

Request:

- a. Please provide copies of any analyses Minnesota Power conducted regarding the accuracy of EMVs in Goodhue and St. Louis counties (e.g. comparisons of actual sales prices in recent transactions versus EMVs at the time of the transaction).

Response:

Minnesota Power has not analyzed the accuracy of the County Assessments. We presume the analysis and verification process for the assessment, as set forth in Minnesota Statute 273, to be an accurate and justified comparison of actual sales versus the County’s estimated market values. Moreover, routine monitoring of the county’s estimated market values by Minnesota Power staff with first-hand knowledge of all the individual lots, show that individual lot valuations appear to be proportionate to one another.

Minnesota Power engaged an appraiser to provide a market analysis for our vacant Fall Lake and Garden Lake lots in Lake County to determine value ranges derived from market data. This Market Study has been included for your reference.

Please see attached, DOC IR 022.01 Attach.

- b. Please provide data (i.e. sales prices and EMVs at the time of sale) regarding sales of lots with no structures on them that occurred in Goodhue and St. Louis counties the same counties as Minnesota Power’s lots in the last two years.

Response Date: 10/22/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Response:

Minnesota Power does not own lots or have any operations in Goodhue County; this petition involves sale of lease lots in St. Louis and Lake County. It is unclear whether the Department is referring to lease lot sales Minnesota Power has conducted on utility lands with no structures (there are none) or if the Department is referring to lot sales on the open market, which we do not track.

Response Date: 10/22/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119

State Board of Equalization Sales



Select study years, jurisdictions, and property types then click on the "View Report" button.

[Glossary](#)

				Study Year 2019							
County Code	City/Township Code	Jurisdiction	Property Type Code	Property Type	Mean Ratio	Median Ratio	Aggregate Ratio	COD	PRD	Sale Count	Trended Sale Count
69	St Louis 9999	County	91W	Residential/SRR - On Water	95.73%	94.54%	96.63%	10.12	1.01	285	0
69	St Louis 9999	County Without First Class	91W	Residential/SRR - On Water	95.69%	94.21%	93.92%	10.34	1.00	268	0
69	St Louis 0010	Beatty	91W	Residential/SRR - On Water	95.41%	92.98%	95.30%			16	0
69	St Louis 0012	Breitung	91W	Residential/SRR - On Water	94.34%	96.22%	85.55%			8	0
69	St Louis 0014	Canosia	91W	Residential/SRR - On Water	98.44%	99.49%	98.09%			6	0
69	St Louis 9000	Duluth	91W	Residential/SRR - On Water	96.31%	97.58%	108.19%			17	0
69	St Louis 0077	Eagles Nest	91W	Residential/SRR - On Water	95.07%	93.42%	94.82%			9	0
69	St Louis 0022	Ellsburg	91W	Residential/SRR - On Water	104.46%	100.50%	100.29%			7	0
69	St Louis 0026	Fayal	91W	Residential/SRR - On Water	98.89%	93.76%	93.26%			10	0
69	St Louis 0031	French	91W	Residential/SRR - On Water	94.08%	93.19%	93.64%			9	0
69	St Louis 0032	Gnesen	91W	Residential/SRR - On Water	91.31%	92.34%	91.80%			6	0
69	St Louis 0033	Grand Lake	91W	Residential/SRR - On Water	99.80%	92.72%	93.61%			9	0
69	St Louis 0074	Greenwood	91W	Residential/SRR - On Water	94.80%	93.45%	95.40%			22	0
69	St Louis 0005	Kabetogama	91W	Residential/SRR - On Water	100.48%	96.87%	99.55%			7	0
69	St Louis 0050	Morse	91W	Residential/SRR - On Water	91.57%	92.75%	89.99%			16	0
69	St Louis 0076	North Star	91W	Residential/SRR - On Water	92.44%	93.36%	92.50%			6	0
69	St Louis 0075	Pequaywan	91W	Residential/SRR - On Water	92.16%	90.63%	92.22%			10	0
69	St Louis 0089	Unorg. 04 - Whiteface	91W	Residential/SRR - On Water	107.24%	101.82%	104.11%			7	0
69	St Louis 0090	Unorg. 05 - Central Lakes	91W	Residential/SRR - On Water	88.98%	94.36%	89.71%			7	0
69	St Louis 0092	Unorg. 07 - B&B Island	91W	Residential/SRR - On Water	95.23%	90.83%	96.67%			8	0
69	St Louis 0093	Unorg. 08 - Mount Iron	91W	Residential/SRR - On Water	96.06%	96.22%	96.23%			7	0
69	St Louis 0094	Unorg. 09 - Balkan	91W	Residential/SRR - On Water	96.08%	93.10%	95.30%			7	0
69	St Louis 0095	Unorg. 10 - Lake Verm	91W	Residential/SRR - On Water	95.83%	92.73%	93.67%			10	0

Minimum 88.98%
 Average 96.10%
 Maximum 107.24%

Note: Data retrieved from <https://www.revenue.state.mn.us/sales-ratio-reports>



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number: 2
Topic: Property assessments
Reference(s): Petition

Request:

Please provide copies of the most recent property assessments from which EMV's will be sourced for a representative sample of 10-20 lots. To the extent possible, please provide assessments for some lots that are known to have structures or personal property on them, and assessments for some lots that are known to not have any structures or personal property.

Response:

Please see attached, DOC IR 002.01 Attach.

Response Date: 10/22/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119

PAGES OMITTED

Attachment "DOC IR 002.01 Attach" to Minnesota Power's Response to Department IR 2 was 72 pages long, and contained property assessments for 10-20 properties. The Department has included three assessments in this Attachment for illustrative purposes. The Department will provide the Commission with a complete copy of "DOC IR 002.01 Attach" on request.



PROPERTY DETAILS REPORT

St. Louis County, Minnesota

Docket No. E015/PA-20-675

Department Attachment

Page 3 of 4



Date of Report: 10/21/2020 2:38:56 PM

General Details							
Parcel ID:	300-6000-38720						
Document Department:	-						
Document Number:							
Document Date:	-						
Plat Name:	COLVIN						
Legal Description Details							
Plat Name:	COLVIN						
Section	Township		Range		Lot	Block	
25	56		15		-	-	
Description:	SW 1/4 OF NE 1/4 LEASE #03-05 MP 300-10-4030						
Taxpayer Details							
Taxpayer Name and Address:	BROWN ERIK T 31 W KENT RD DULUTH MN 55812						
Owner Details							
Owner Name and Address:	ALLETE INC 30 W SUPERIOR ST DULUTH MN 55802						
Payable 2020 Tax Summary							
2020 - Net Tax					\$1,276.00		
2020 - Special Assessments					\$70.00		
2020 - Total Tax & Special Assessments					\$1,346.00		
Current Tax Due (as of 10/20/2020)							
Due May 15th		Due October 15th			Total Due		
2020 - 1st Half Tax	\$673.00	2020 - 2nd Half Tax	\$673.00		2020 - 1st Half Tax Due	\$0.00	
2020 - 1st Half Paid	\$673.00	2020 - 2nd Half Paid	\$673.00		2020 - 2nd Half Tax Due	\$0.00	
2020 - 1st Half Due	\$0.00	2020 - 2nd Half Due	\$0.00		2020 - Total Due	\$0.00	
Parcel Details							
Property Address:	2630 ESKELI RD,						
School District:	2711						
Tax Increment District:	-						
Property/Homesteader:	-						
Assessment Details (2020 Payable 2021)							
Class Code (Legend)	Homestead Status	Land EMV	Bldg EMV	Total EMV	Def Land EMV	Def Bldg EMV	Net Tax Capacity
151	0 - Non Homestead	\$68,200	\$24,400	\$92,600	\$0	\$0	-
Total:		\$68,200	\$24,400	\$92,600	\$0	\$0	926



PROPERTY DETAILS REPORT

St. Louis County, Minnesota

Docket No. E015/PA-20-675

Department Attachment

Page 4 of 11



Date of Report: 10/21/2020 2:38:56 PM

Land Details	
Deeded Acres:	0.00
Waterfront:	WHITE FACE RESE
Water Front Feet:	210.00
Water Code & Desc:	-
Gas Code & Desc:	-
Sewer Code & Desc:	-
Lot Width:	0.00
Lot Depth:	200.00

The dimensions shown are not guaranteed to be survey quality. Additional lot information can be found at <https://apps.stlouiscountymn.gov/webPlatsIframe/frmPlatStatPopUp.aspx>. If there are any questions, please email PropertyTax@stlouiscountymn.gov.

Building 1 Details					
Building Type	Year Built	Main Floor Ft ²	Gross Area Ft ²	Basement Finish	Style Code & Desc.
HOUSE	1960	480	480	-	-
Segment	Story	Width	Length	Area	Foundation
BAS	1	20	24	480	POST ON GROUND
DK	0	10	34	340	POST ON GROUND
SP	0	8	20	160	POST ON GROUND
Bath Count	Bedroom Count	Room Count	Fireplace Count	HVAC	
0.0 BATHS	-	-	0	STOVE/SPCE, WOOD	

Building 2 Details					
Building Type	Year Built	Main Floor Ft ²	Gross Area Ft ²	Basement Finish	Style Code & Desc.
SAUNA	1960	96	96	-	-
Segment	Story	Width	Length	Area	Foundation
BAS	1	8	12	96	POST ON GROUND

Building 3 Details (PLASTIC ST)					
Building Type	Year Built	Main Floor Ft ²	Gross Area Ft ²	Basement Finish	Style Code & Desc.
STORAGE BUILDING	0	49	49	-	-
Segment	Story	Width	Length	Area	Foundation
BAS	1	7	7	49	POST ON GROUND

Sales Reported to the St. Louis County Auditor

No Sales information reported.

Assessment History							
Year	Class Code (Legend)	Land EMV	Bldg EMV	Total EMV	Def Land EMV	Def Bldg EMV	Net Tax Capacity
2020 Payable 2021	151	\$68,200	\$24,400	\$92,600	\$0	\$0	-
	Total	\$68,200	\$24,400	\$92,600	\$0	\$0	926.00
2019 Payable 2020	151	\$68,200	\$24,400	\$92,600	\$0	\$0	-
	Total	\$68,200	\$24,400	\$92,600	\$0	\$0	926.00
2018 Payable 2019	151	\$68,200	\$24,400	\$92,600	\$0	\$0	-
	Total	\$68,200	\$24,400	\$92,600	\$0	\$0	926.00
2017 Payable 2018	151	\$68,200	\$24,400	\$92,600	\$0	\$0	-
	Total	\$68,200	\$24,400	\$92,600	\$0	\$0	926.00



PROPERTY DETAILS REPORT

St. Louis County, Minnesota



Tax Detail History						
Tax Year	Tax	Special Assessments	Total Tax & Special Assessments	Taxable Land MV	Taxable Building MV	Total Taxable MV
2020	\$1,276.00	\$70.00	\$1,346.00	\$68,200	\$24,400	\$92,600
2019	\$1,296.00	\$60.00	\$1,356.00	\$68,200	\$24,400	\$92,600
2018	\$1,294.00	\$60.00	\$1,354.00	\$68,200	\$24,400	\$92,600

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PROPERTY DETAILS REPORT

St. Louis County, Minnesota

Docket No. E015/PA-20-675

Department Attachment

Page 6 of 11



Date of Report: 10/21/2020 2:14:51 PM

General Details							
Parcel ID:	300-6000-39200						
Document Department:	-						
Document Number:							
Document Date:	-						
Plat Name:	COLVIN						
Legal Description Details							
Plat Name:	COLVIN						
Section	Township		Range		Lot	Block	
25	56		15		-	-	
Description:	SE 1/4 OF NW 1/4 LEASE #08-01 MP 300-10-4060						
Taxpayer Details							
Taxpayer Name and Address:	BREHEIM MICHAEL G 2332 BUFFALO ST WHITE BEAR TOWNSHIP MN 55110						
Owner Details							
Owner Name and Address:	ALLETE INC 30 W SUPERIOR ST DULUTH MN 55802						
Payable 2020 Tax Summary							
2020 - Net Tax					\$1,549.00		
2020 - Special Assessments					\$25.00		
2020 - Total Tax & Special Assessments					\$1,574.00		
Current Tax Due (as of 10/20/2020)							
Due May 15th		Due October 15th			Total Due		
2020 - 1st Half Tax	\$787.00	2020 - 2nd Half Tax	\$787.00		2020 - 1st Half Tax Due	\$0.00	
2020 - 1st Half Paid	\$787.00	2020 - 2nd Half Paid	\$787.00		2020 - 2nd Half Tax Due	\$0.00	
2020 - 1st Half Due	\$0.00	2020 - 2nd Half Due	\$0.00		2020 - Total Due	\$0.00	
Parcel Details							
Property Address:	2596 ESKELI RD, MAKINEN MN						
School District:	2711						
Tax Increment District:	-						
Property/Homesteader:	-						
Assessment Details (2020 Payable 2021)							
Class Code (Legend)	Homestead Status	Land EMV	Bldg EMV	Total EMV	Def Land EMV	Def Bldg EMV	Net Tax Capacity
151	0 - Non Homestead	\$83,000	\$28,200	\$111,200	\$0	\$0	-
Total:		\$83,000	\$28,200	\$111,200	\$0	\$0	1112



PROPERTY DETAILS REPORT

St. Louis County, Minnesota

Docket No. E015/PA-20-675

Department Attachment

Page 7 of 11



Date of Report: 10/21/2020 2:14:51 PM

Land Details	
Deeded Acres:	0.00
Waterfront:	WHITE FACE RESE
Water Front Feet:	230.00
Water Code & Desc:	-
Gas Code & Desc:	-
Sewer Code & Desc:	-
Lot Width:	0.00
Lot Depth:	200.00

The dimensions shown are not guaranteed to be survey quality. Additional lot information can be found at <https://apps.stlouiscountymn.gov/webPlatsIframe/frmPlatStatPopUp.aspx>. If there are any questions, please email PropertyTax@stlouiscountymn.gov.

Building 1 Details					
Building Type	Year Built	Main Floor Ft ²	Gross Area Ft ²	Basement Finish	Style Code & Desc.
HOUSE	1970	480	480	-	-
Segment	Story	Width	Length	Area	Foundation
BAS	1	20	24	480	POST ON GROUND
DK	0	8	24	192	POST ON GROUND
SP	0	8	20	160	POST ON GROUND
Bath Count	Bedroom Count	Room Count		Fireplace Count	HVAC
0.0 BATHS	-	-		0	STOVE/SPCE, WOOD

Building 2 Details					
Building Type	Year Built	Main Floor Ft ²	Gross Area Ft ²	Basement Finish	Style Code & Desc.
SAUNA	0	96	96	-	-
Segment	Story	Width	Length	Area	Foundation
BAS	1	8	12	96	POST ON GROUND
CNX	1	14	22	308	POST ON GROUND

Building 3 Details (HOLD TANK)					
Building Type	Year Built	Main Floor Ft ²	Gross Area Ft ²	Basement Finish	Style Code & Desc.
	0	0	0	-	-
Segment	Story	Width	Length	Area	Foundation
BAS	0	0	0	0	-

Sales Reported to the St. Louis County Auditor

No Sales information reported.

Assessment History							
Year	Class Code (Legend)	Land EMV	Bldg EMV	Total EMV	Def Land EMV	Def Bldg EMV	Net Tax Capacity
2020 Payable 2021	151	\$83,000	\$28,200	\$111,200	\$0	\$0	-
	Total	\$83,000	\$28,200	\$111,200	\$0	\$0	1,112.00
2019 Payable 2020	151	\$83,000	\$28,200	\$111,200	\$0	\$0	-
	Total	\$83,000	\$28,200	\$111,200	\$0	\$0	1,112.00
2018 Payable 2019	151	\$83,000	\$28,200	\$111,200	\$0	\$0	-
	Total	\$83,000	\$28,200	\$111,200	\$0	\$0	1,112.00



PROPERTY DETAILS REPORT

St. Louis County, Minnesota

Docket No. E015/PA-20-675

Department Attachment

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Date of Report: 10/21/2020 2:14:51 PM

2017 Payable 2018	151	\$83,100	\$28,200	\$111,300	\$0	\$0	-
	Total	\$83,100	\$28,200	\$111,300	\$0	\$0	1,113.00
Tax Detail History							
Tax Year	Tax	Special Assessments	Total Tax & Special Assessments	Taxable Land MV	Taxable Building MV	Total Taxable MV	
2020	\$1,549.00	\$25.00	\$1,574.00	\$83,000	\$28,200	\$111,200	
2019	\$1,574.00	\$20.00	\$1,594.00	\$83,000	\$28,200	\$111,200	
2018	\$1,574.00	\$20.00	\$1,594.00	\$83,100	\$28,200	\$111,300	

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PROPERTY DETAILS REPORT

St. Louis County, Minnesota

Docket No. E015/PA-20-675

Department Attachment

Page 9 of 11



Date of Report: 10/21/2020 2:11:23 PM

General Details							
Parcel ID:	365-0041-00050						
Document Department:	Abstract						
Document Number:	1144426						
Document Date:	09/24/2010						
Plat Name:	FISH LAKES SUNSET RIDGE						
Legal Description Details							
Plat Name:	FISH LAKES SUNSET RIDGE						
Section	Township	Range	Lot	Block			
-	-	-	5	1			
Description:	LOT 5 BLOCK 1						
Taxpayer Details							
Taxpayer Name	DOBBS PETER J						
and Address:	6051 SUNSET RIDGE RD DULUTH MN 55803						
Owner Details							
Owner Name	ALLETE INC						
and Address:	30 W SUPERIOR ST DULUTH MN 55802						
Payable 2020 Tax Summary							
2020 - Net Tax			\$8,522.88				
2020 - Special Assessments			\$105.12				
2020 - Total Tax & Special Assessments			\$8,628.00				
Current Tax Due (as of 10/20/2020)							
Due May 15th		Due October 15th			Total Due		
2020 - 1st Half Tax	\$4,314.00	2020 - 2nd Half Tax	\$4,314.00	2020 - 1st Half Tax Due	\$0.00		
2020 - 1st Half Paid	\$4,314.00	2020 - 2nd Half Paid	\$4,314.00	2020 - 2nd Half Tax Due	\$0.00		
2020 - 1st Half Due	\$0.00	2020 - 2nd Half Due	\$0.00	2020 - Total Due	\$0.00		
Parcel Details							
Property Address:	6051 Sunset Ridge Rd S, DULUTH						
School District:	700						
Tax Increment District:	-						
Property/Homesteader:	DOBBS, PETER J & LINDA S						
Assessment Details (2020 Payable 2021)							
Class Code (Legend)	Homestead Status	Land EMV	Bldg EMV	Total EMV	Def Land EMV	Def Bldg EMV	Net Tax Capacity
201	1 - Owner Homestead (may be partial)	\$188,000	\$446,200	\$634,200	\$0	\$0	-
Total:		\$188,000	\$446,200	\$634,200	\$0	\$0	6678



PROPERTY DETAILS REPORT

St. Louis County, Minnesota

Docket No. E015/PA-20-675

Department Attachment

Page 10 of 11



Date of Report: 10/21/2020 2:11:23 PM

Land Details

Deeded Acres:	0.00
Waterfront:	FISH LAKE FLOWAGE
Water Front Feet:	1137.00
Water Code & Desc:	-
Gas Code & Desc:	-
Sewer Code & Desc:	-
Lot Width:	0.00
Lot Depth:	0.00

The dimensions shown are not guaranteed to be survey quality. Additional lot information can be found at <https://apps.stlouiscountymn.gov/webPlatsIframe/frmPlatStatPopUp.aspx>. If there are any questions, please email PropertyTax@stlouiscountymn.gov.

Building 1 Details (HOUSE)

Building Type	Year Built	Main Floor Ft ²	Gross Area Ft ²	Basement Finish	Style Code & Desc.
HOUSE	2006	1,973	2,086	U Quality / 657 Ft ²	2S - 2 STORY
Segment	Story	Width	Length	Area	Foundation
BAS	1	0	0	657	WALKOUT BASEMENT
BAS	1	24	36	864	BUILT IN GARAGE
BAS	1.2	0	0	452	WALKOUT BASEMENT
DK	1	0	0	44	POST ON GROUND
DK	1	0	0	64	POST ON GROUND
DK	1	0	0	200	POST ON GROUND
DK	1	0	0	314	POST ON GROUND
DK	1	0	0	382	POST ON GROUND
DK	1	3	24	72	CANTILEVER
OP	1	0	0	77	POST ON GROUND
OP	1	8	16	128	POST ON GROUND
SP	1	12	14	168	POST ON GROUND
Bath Count	Bedroom Count	Room Count	Fireplace Count	HVAC	
2.5 BATHS	3 BEDROOMS	-	1	C&AIR_EXCH, PROPANE	

Building 2 Details (W&S)

Building Type	Year Built	Main Floor Ft ²	Gross Area Ft ²	Basement Finish	Style Code & Desc.
	0	8,000	8,000	-	-
Segment	Story	Width	Length	Area	Foundation
BAS	0	0	0	8,000	-

Sales Reported to the St. Louis County Auditor

No Sales information reported.



PROPERTY DETAILS REPORT

St. Louis County, Minnesota

Docket No. E015/PA-20-675

Department Attachment 10215

Page 11 of 11



Date of Report: 10/21/2020 2:11:23 PM

Assessment History							
Year	Class Code (Legend)	Land EMV	Bldg EMV	Total EMV	Def Land EMV	Def Bldg EMV	Net Tax Capacity
2020 Payable 2021	201	\$188,000	\$446,200	\$634,200	\$0	\$0	-
	Total	\$188,000	\$446,200	\$634,200	\$0	\$0	6,678.00
2019 Payable 2020	201	\$188,000	\$446,200	\$634,200	\$0	\$0	-
	Total	\$188,000	\$446,200	\$634,200	\$0	\$0	6,678.00
2018 Payable 2019	201	\$188,000	\$446,200	\$634,200	\$0	\$0	-
	Total	\$188,000	\$446,200	\$634,200	\$0	\$0	6,678.00
2017 Payable 2018	201	\$162,800	\$400,200	\$563,000	\$0	\$0	-
	Total	\$162,800	\$400,200	\$563,000	\$0	\$0	5,788.00
Tax Detail History							
Tax Year	Tax	Special Assessments	Total Tax & Special Assessments	Taxable Land MV	Taxable Building MV	Total Taxable MV	
2020	\$8,522.88	\$105.12	\$8,628.00	\$188,000	\$446,200	\$634,200	
2019	\$8,442.88	\$105.12	\$8,548.00	\$188,000	\$446,200	\$634,200	
2018	\$7,457.00	\$25.00	\$7,482.00	\$162,800	\$400,200	\$563,000	

Disclaimer: St. Louis County makes no representation or warranties, express or implied, with respect to the use or reuse of data provided herewith, regardless of its format or the means of its transmission. THE DATA IS PROVIDED 'AS IS' WITH NO GUARANTEE OR REPRESENTATION ABOUT THE ACCURACY, CURRENCY, SUITABILITY, PERFORMANCE, MERCHANTABILITY, RELIABILITY OR FITNESS OF THIS DATA FOR ANY PARTICULAR PURPOSE. St. Louis County shall not be liable for any direct, indirect, special, incidental, compensatory or consequential damages or third party claims resulting from the use of these data, even if St. Louis County has been advised of the possibility of such potential loss or damage. These data may not be used in states that do not allow the exclusion or limitation of incidental or consequential damages.



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number: 23
Topic: EMV accuracy
Reference(s): Petition, page 7

Request:

- a. On page 7 of its Petition, Minnesota Power stated that by statute, the sales ratio for the EMV targeted range is 90–105 percent of sale price. Please explain whether this targeted range makes any distinctions between land EMV, structure EMV, and/or total EMV?

Response:

The statutes and rules do not make that distinction, however Minnesota Department of Revenue market studies do differentiate between land and structures which are reflected in subsequent orders to individual taxing jurisdictions. Moreover, local jurisdictions routinely make distinction between land and buildings and their respective contribution to total value.

- b. If no distinction is made between, land EMV, structure EMV, and/or total EMV, please explain whether Minnesota Power has evaluated the accuracy of land EMVs separate from structure or total EMVs.

Response:

N/A



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Request Number: 24
Topic: Transactions involving lots owned by ALLETE
Reference(s): n/a

Request:

- a. Please generally describe the process involved when a structure on a lot owned by Minnesota Power is sold, and explain what the Company’s involvement in such a transaction is.

Response:

Minnesota Power reviews and approves the signed purchase agreement, checking for legal description accuracy, compliance with local regulations, and ensuring the agreement only conveys the leasehold interest. MPUC. Minnesota Power then provides the lease transfer paperwork, which includes the transfer agreement form, new lease, and may provide an addendum to lease with a consent to assignment of lease if the buyer receives financing, to the closing company/attorney to complete at the closing.

- b. Please provide data, including sales price, then-current EMVs (including land EMV and structure EMV separately) on all transactions involving lots owned by Minnesota Power during the last two years.

Response:

Please see DOC IR 024.01 Attach.

Date of transfer	Parcel Number	Lot Number	Property Waterway	Site Address	EMV Land Value AT TIME OF SALE	Taxable Land Value AT TIME OF SALE	Structures & Improv. Value AT TIME OF SALE		Purchase Price	Lease Type
							AT TIME OF SALE	AT TIME OF SALE		
10/9/18	365-0140-00080	STLO05215230808	Island Lake Reservoir	5041 S BAY RD/DULUTH,MN	\$121,300.00	\$118,785.00	\$210,542.00	\$479,000.00	YEAR ROUND	
10/12/18	365-6000-02315	STLO05215022304	Island Lake Reservoir	5006 8TH AVE/DULUTH,MN	\$120,600.00	\$120,600.00	\$293,800.00	\$439,900.00	YEAR ROUND	
10/25/18	375-6000-04000	STLO05214030801	Island Lake Reservoir	4021 E VAN RD/DULUTH,MN	\$116,400.00	\$116,400.00	\$84,200.00	\$210,000.00	YEAR ROUND	
10/25/18	642-0080-00060	STLO05614330506	Whiteface Reservoir	2465 S BRANCH TRL/MAKINEN,MN	\$46,600.00	\$46,600.00	\$17,500.00	\$67,000.00	SEASONAL	
10/29/18	365-6000-01920	STLO05215020305	Island Lake Reservoir	6992 BEAR ISLAND RD/DULUTH,MN	\$105,800.00	\$105,800.00	\$27,300.00	\$240,000.00	SEASONAL	
10/31/18	375-6000-07110	STLO05214050703	Island Lake Reservoir	7001 W VAN RD/DULUTH,MN	\$109,600.00	\$109,600.00	\$63,100.00	\$180,000.00	SEASONAL	
11/2/18	375-6010-43215	STLO05314271604	Island Lake Reservoir	7298 TRACY RD/DULUTH,MN	\$107,700.00	\$107,700.00	\$119,200.00	\$340,000.00	YEAR ROUND	
12/27/18	365-6000-02400	STLO05215020801	Island Lake Reservoir	4994 8TH AVE/DULUTH,MN	\$98,900.00	\$98,900.00	\$162,300.00	\$397,500.00	SEASONAL	
1/28/19	365-6000-43510	STLO05215282003	Fish Lake Reservoir	6174 FOX POINT RD/DULUTH,MN	\$127,500.00	\$124,165.00	\$188,049.00	\$370,000.00	YEAR ROUND	
3/14/19	660-6000-41105	STLO05315261102	Island Lake Reservoir	5086 OTTER RIVER RD/DULUTH,MN	\$105,200.00	\$105,200.00	\$112,900.00	\$280,000.00	YEAR ROUND	
3/25/19	365-6000-05525	STLO05215040706	Island Lake Reservoir	5482 W ISLAND LAKE RD/DULUTH,MN	\$121,900.00	\$118,492.00	\$188,381.00	\$365,000.00	YEAR ROUND	
3/29/19	375-6000-07435	STLO05214051008	Island Lake Reservoir	6922 W VAN RD/DULUTH,MN	\$138,800.00	\$138,800.00	\$263,800.00	\$384,000.00	YEAR ROUND	
4/26/19	375-6000-07425	STLO05214051006	Island Lake Reservoir	6979 W VAN RD/DULUTH,MN	\$86,700.00	\$83,404.00	\$196,437.00	\$350,000.00	YEAR ROUND	
4/26/19	375-6000-09330	STLO05214061307	Island Lake Reservoir	6918 W VAN RD/DULUTH,MN	\$161,500.00	\$161,500.00	\$249,300.00	\$500,000.00	YEAR ROUND	
5/10/19	660-6000-52515	STLO05315331304	Island Lake Reservoir	5440 W ISLAND LAKE RD/DULUTH,MN	\$120,400.00	\$120,400.00	\$66,800.00	\$205,500.00	YEAR ROUND	
5/24/19	365-6000-52200	STLO05215331001	Fish Lake Reservoir	5520 DRIFTWOOD RD/DULUTH,MN	\$89,239.00	\$89,239.00	\$230,714.00	\$390,000.00	YEAR ROUND	
5/24/19	660-6000-53305	STLO05315340502	Island Lake Reservoir	5202 OTTER RIVER RD/DULUTH,MN	\$114,600.00	\$114,600.00	\$5,100.00	\$137,000.00	SEASONAL	
5/28/19	365-0140-00110	STLO05215230811	Island Lake Reservoir	5019 SOUTHBAY RD/DULUTH,MN	\$128,400.00	\$127,081.00	\$240,505.00	\$600,000.00	YEAR ROUND	
6/14/19	365-6000-02615	STLO05215022204	Island Lake Reservoir	6935 BEAR ISLAND RD/DULUTH,MN	\$101,000.00	\$96,555.00	\$169,116.00	\$495,000.00	YEAR ROUND	
6/14/19	660-6000-55510	STLO05315351103	Island Lake Reservoir	5077 BIRCH ISLE RD/DULUTH,MN	\$150,100.00	\$150,100.00	\$267,500.00	\$487,100.00	YEAR ROUND	
6/28/19	365-6000-15830	STLO05215101907	Island Lake Reservoir	5265 1ST AVE/DULUTH,MN	\$79,800.00	\$79,800.00	\$86,000.00	\$181,000.00	YEAR ROUND	
7/9/19	365-6000-00510	STLO05215012603	Island Lake Reservoir	4876 BREEZY POINT RD/DULUTH,MN	\$137,300.00	\$137,300.00	\$98,600.00	\$290,000.00	YEAR ROUND	
7/16/19	641-6000-08905	STLO05514060902	Whiteface Reservoir	4579 EAGLES NEST DR N/MAKINEN,MN	\$77,500.00	\$77,500.00	\$58,300.00	\$153,500.00	SEASONAL	
7/22/19	365-6000-21610	STLO05215140803	Island Lake Reservoir	5025 PARSONS POINT RD/DULUTH,MN	\$156,600.00	\$156,600.00	\$43,600.00	\$302,000.00	SEASONAL	
7/29/19	365-6000-15915	STLO05215102004	Island Lake Reservoir	5231 1ST AVE/DULUTH,MN	\$119,200.00	\$119,200.00	\$314,500.00	\$575,000.00	YEAR ROUND	
7/31/19	375-6000-05000	STLO05214041801	Island Lake Reservoir	4177 NE VAN RD/DULUTH,MN	\$103,900.00	\$103,900.00	\$48,900.00	\$216,000.00	SEASONAL	
8/23/19	660-6000-41115	STLO05315261104	Island Lake Reservoir	5094 OTTER RIVER RD/DULUTH,MN	\$96,300.00	\$91,342.00	\$158,306.00	\$290,000.00	YEAR ROUND	
8/30/19	660-6000-57345	STLO05315361310	Island Lake Reservoir	4753 BREEZY POINT RD/DULUTH,MN	\$122,100.00	\$122,100.00	\$110,700.00	\$322,000.00	SEASONAL	
9/13/19	365-6000-04600	STLO05215031401	Island Lake Reservoir	6937 5TH AVE/DULUTH,MN	\$147,800.00	\$147,241.00	\$248,358.00	\$489,900.00	YEAR ROUND	
9/20/19	365-0140-00020	STLO05215230702	Island Lake Reservoir	5081 SOUTH BAY RD/DULUTH,MN	\$142,700.00	\$142,700.00	\$424,800.00	\$670,000.00	YEAR ROUND	
9/27/19	665-6000-04410	STLO05215031203	Island Lake Reservoir	5223 PINE SHORE DR/DULUTH,MN	\$150,700.00	\$150,700.00	\$358,500.00	\$520,000.00	YEAR ROUND	
9/27/19	660-6000-57215	STLO05315361204	Island Lake Reservoir	4833 BREEZY POINT RD/DULUTH,MN	\$98,900.00	\$98,900.00	\$344,100.00	\$535,000.00	YEAR ROUND	
10/10/19	641-6000-09325	STLO05514061306	Whiteface Reservoir	2209 Harris Bay Rd/MAKINEN,MN	\$76,300.00	\$76,300.00	\$33,800.00	\$105,000.00	SEASONAL	
10/10/19	662-6000-02010	STLO05515020403	Whiteface Reservoir	2213 BLAIS RD/MAKINEN,MN	\$62,600.00	\$62,600.00	\$45,400.00	\$153,000.00	SEASONAL	
10/15/19	365-6000-21620	STLO05215140805	Island Lake Reservoir	5042 PARSONS POINT RD/DULUTH,MN	\$119,800.00	\$119,800.00	\$252,900.00	\$470,000.00	SEASONAL	
11/4/19	660-6000-57300	STLO05315361301	Island Lake Reservoir	4748 BREEZY POINT RD/DULUTH,MN	\$153,200.00	\$151,375.00	\$209,671.00	\$389,900.00	YEAR ROUND	
11/6/19	375-6010-49020	STLO05314311005	Island Lake Reservoir	4676 BREEZY POINT RD/DULUTH,MN	\$127,800.00	\$127,800.00	\$105,200.00	\$255,000.00	SEASONAL	
11/8/19	660-6000-57410	STLO05315361403	Island Lake Reservoir	4752 BOULDER DAM RD/DULUTH,MN	\$121,000.00	\$120,684.00	\$280,365.00	\$500,000.00	YEAR ROUND	
11/22/19	375-6000-05125	STLO05214040306	Island Lake Reservoir	4204 E VAN RD/DULUTH,MN	\$119,600.00	\$119,600.00	\$108,800.00	\$222,000.00	YEAR ROUND	
11/22/19	375-6000-07305	STLO05214050902	Island Lake Reservoir	6906 W VAN RD/DULUTH, MN 55803	\$81,400.00	\$81,400.00	\$372,900.00	\$643,000.00	YEAR ROUND	

1/8/20	375-6000-05135	STLO05214040308	Island Lake Reservoir	4123 E VAN RD/DULUTH,MN	\$104,500.00	\$104,500.00	\$324,500.00	\$474,000.00	YEAR ROUND
2/26/20	365-6000-02125	STLO05215020506	Island Lake Reservoir	5071 KNIFE ISLAND/DULUTH,MN	\$85,700.00	\$85,700.00	\$36,400.00	\$155,000	SEASONAL
3/19/20	365-6000-21605	STLO05215140802	Island Lake Reservoir	5031 PARSONS POINT RD/DULUTH,MN	\$149,600.00	\$149,600.00	\$675,900.00	\$875,000.00	YEAR ROUND
3/20/20	365-6000-45215	STLO05215291704	Fish Lake Reservoir	5532 FISH LAKE DAM RD/DULUTH,MN	\$132,400.00	\$132,400.00	\$291,400.00	\$530,000.00	YEAR ROUND
5/22/20	365-6000-45100	STLO05215290301	Fish Lake Reservoir	5566 FISH LAKE DAM RD/DULUTH,MN	\$124,600.00	\$124,600.00	\$101,300.00	\$153,000.00	YEAR ROUND
5/22/20	660-6000-55620	STLO05315351205	Island Lake Reservoir	5097 BIRCH ISLE RD/DULUTH,MN	\$136,000.00	\$136,000.00	\$61,400.00	\$178,000.00	SEASONAL
5/26/20	365-6000-04615	STLO05215031404	Island Lake Reservoir	6901 BEAR ISLAND RD/DULUTH,MN	\$131,900.00	\$131,900.00	\$327,900.00	\$549,000.00	YEAR ROUND
6/1/20	375-6000-09330	STLO05214061307	Island Lake Reservoir	6918 W VAN RD/DULUTH,MN	\$161,395.00	\$161,395.00	\$249,137.00	\$550,000.00	YEAR ROUND
6/5/20	365-0041-00160	STLO05215281210	Fish Lake Reservoir	6127 SUNSET RDG/DULUTH,MN	\$90,000.00	\$90,000.00	\$467,800.00	\$640,000.00	YEAR ROUND
6/18/20	300-6000-56000	STLO05615351601	Whiteface Reservoir	2309 E CABIN CIR/MAKINEN,MN	\$81,100.00	\$81,100.00	\$74,600.00	\$138,500.00	SEASONAL
6/26/20	365-6000-23710	STLO05215151303	Island Lake Reservoir	5118 PARSONS POINT RD/DULUTH,MN	\$93,300.00	\$93,300.00	\$523,300.00	\$650,000.00	YEAR ROUND
6/30/20	662-6000-01730	STLO05515021707	Whiteface Reservoir	2251 BLAIS RD/MAKINEN,MN	\$48,600.00	\$42,220.00	\$103,987.00	\$300,000.00	YEAR ROUND
6/30/20	365-6000-21810	STLO05215141003	Island Lake Reservoir	5094 PARSONS POINT RD/DULUTH,MN	\$124,200.00	\$124,200.00	\$342,400.00	\$625,000.00	YEAR ROUND
7/15/20	365-6000-42235	STLO05215270608	Fish Lake Reservoir	5285 BRUBAKER RD/DULUTH,MN	\$116,600.00	\$113,647.00	\$201,074.00	\$410,000.00	YEAR ROUND
7/15/20	660-6000-52720	STLO05315331505	Island Lake Reservoir	5456 W ISLAND LAKE RD/DULUTH,MN	\$119,100.00	\$119,100.00	\$104,300.00	\$290,000.00	YEAR ROUND
7/27/20	641-6000-08820	STLO05514060805	Whiteface Reservoir	2275 LOON POINT DR/MAKINEN,MN	\$45,800.00	\$45,800.00	\$37,900.00	\$65,000.00	SEASONAL
7/31/20	365-6000-04300	STLO05215031101	Island Lake Reservoir	5301 N DIKE RD/DULUTH,MN	\$127,500.00	\$127,500.00	\$101,000.00	\$365,000.00	SEASONAL
8/4/20	660-6000-41205	STLO05315261202	Island Lake Reservoir	7350 NE BIRCH ISLE RD/DULUTH,MN	\$111,500.00	\$103,851.00	\$114,841.00	\$330,000.00	YEAR ROUND
8/7/20	662-6000-02035	STLO05515020408	Whiteface Reservoir	2231 BLAIS RD/MAKINEN,MN	\$71,500.00	\$71,500.00	\$29,100.00	\$135,000.00	SEASONAL
8/24/20	375-6010-51410	STLO05314330203	Island Lake Reservoir	4185 WATERS EDGE DR/DULUTH,MN	\$47,800.00	\$47,800.00	\$111,700.00	\$163,000.00	YEAR ROUND
8/31/20	375-6010-55015	STLO05314350604	Island Lake Reservoir	7239 ISLAND LAKE FALLS RD/DULUTH,MN	\$88,600.00	\$84,506.00	\$176,260.00	\$479,000.00	YEAR ROUND
9/1/20	375-6000-07130	STLO05214050707	Island Lake Reservoir	6983 W VAN RD/DULUTH,MN	\$107,100.00	\$107,100.00	\$98,800.00	\$272,000.00	YEAR ROUND
9/3/20	365-6000-05525	STLO05215040706	Island Lake Reservoir	5482 W ISLAND LAKE RD/DULUTH,MN	\$121,900.00	\$118,492.00	\$188,381.00	\$490,000.00	YEAR ROUND
9/11/20	365-6000-21520	STLO05215140705	Island Lake Reservoir	5065 PARSONS POINT RD/DULUTH,MN	\$223,700.00	\$223,700.00	\$592,800.00	\$950,000.00	YEAR ROUND
9/21/20	365-6000-00530	STLO05215012607	Island Lake Reservoir	4860 BREEZY POINT RD/DULUTH,MN	\$148,000.00	\$141,343.00	\$122,148.00	\$395,000.00	YEAR ROUND
9/22/20	365-6000-15830	STLO05215101907	Island Lake Reservoir	5265 1ST AVE/DULUTH,MN	\$79,800.00	\$79,800.00	\$86,000.00	\$309,000.00	YEAR ROUND
9/25/20	365-6000-15915	STLO05215102004	Island Lake Reservoir	5231 1ST AVE/DULUTH,MN	\$119,200.00	\$119,200.00	\$314,500.00	\$644,500.00	YEAR ROUND
9/30/20	375-6010-41105	STLO05314261102	Island Lake Reservoir	3838 SUNSET BLVD/DULUTH,MN	\$119,100.00	\$119,100.00	\$134,900.00	\$340,000.00	YEAR ROUND



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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Request Number: 17
Topic: Competitive sales
Reference(s): Petition, pg. 9

Request:

Did Minnesota Power consider listing some or all the lots it is proposing to sell for sale so that they could be bid for in a competitive manner (i.e. similar to a "normal" residential property sale)?

If yes, please explain why the Company chose not to do so, and explain specifically the reasons why Minnesota Power expects that such a process would be worse or more difficult than its chose process of offering the lots to current lessees?

Response:

This potential was not considered to be a viable option. Competitively bidding out land on which personal property exists would be highly detrimental to existing leaseholders, who are also valued customers of Minnesota Power. It would create major transactional difficulties and would likely increase the risks of damage claims and other associated issues that would slow, complicate, and/or increase the expenses of the proposed divestiture. Additionally, under existing lease agreements, any such bidding would have to wait until lease expiration dates, which would further delay divestiture and be contrary to the goals of near term rate mitigation for our ratepayers.

Response Date: 10/22/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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Request Number: 18
Topic: Lease expiration dates
Reference(s): n/a

Request:

Please provide a spreadsheet with the following data items for each lot Minnesota Power is proposing to sell:

- a. Lot Number
- b. Tax District
- c. County
- d. Lease Type
- e. Lease Status
- f. Current lease expiration date
- g. Parcel No.
- h. Lot Value EMV
- i. Taxable Land
- j. Structures/Improvements EMV
- k. Taxes
- l. Billable Rent
- m. Acreage
- n. Property Waterway

Response:

Please see DOC IR 018.01 Attach.

Response Date: 10/22/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/9/20
Response Due: 11/19/20

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number: 40
Topic: Lot Prices
Reference(s): Minnesota Power's Response to Information Request 17

Request:

Did Minnesota Power consider any methods of determining prices for the lots it plans to sell, other than using tax-assessments and competitive sales. If so, please describe them and explain why Minnesota Power opted not to use them.

Response:

MP considered other options for determining prices for lots we plan to sell. This included the option of offering lots for auction and an appraisal process.

The auction approach was dismissed as a viable option. We feel such an option would be highly contentious, and would result in leaseholders potentially having to outbid external parties to retain the land on which their house, cabin, or other personal property is located. Not only would this create a highly contentious environmental around lease lot program and negatively affect MP's relationship with leaseholders, it would be anticipated to lengthen the process at which lease lot sales would happen, and subsequently when revenues might be received to help mitigate energy costs for our customers. This is because existing leases remain in effect (including leases that do not terminate until 2046) and because leaseholders would be highly unlikely to enter into an auction process for their lot unless forced to do so. Most leaseholders would be assumed to continue leasing if an auction option were pursued.

To be completed by responder

Response Date: 11/18/2020
Response by: Kurt Anderson
Email Address: kanderson@mnpower.com
Phone Number: 218-355-3322



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/9/20
Response Due: 11/19/20

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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The appraisal option was also considered. However, in MP's experience, this is contrary to historical valuation of the lots and unnecessarily introduces extra costs to the sales process. MP's leaseholders are accustomed to relying on the established methodology of property valuation used by the County, and this valuation is the basis for establishing lease lot taxes and rent. By altering the valuation process at the time of sale, it is anticipated that it would have the potential to dissuade some leaseholders from participating in the program, again delaying sales and subsequently revenues used for rate mitigation for our customers. We also anticipate that if an appraisal process were used, in many cases MP would be obligated to perform one or more appraisals in addition any appraisals paid for by the leaseholder. The resulting appraisal fees, and time needed for negotiating final purchase prices, would negatively impact both the timing of, and the net proceeds received for, customer rate mitigation purposes.

Given these factors, and because the EMV process is an established and relied-upon tool for property valuation, MP has determined this is the best process for establishing lot values.

To be completed by responder

Response Date: 11/18/2020
Response by: Kurt Anderson
Email Address: kanderson@mnpower.com
Phone Number: 218-355-3322

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/2/2020
Response Due: 11/12/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number: 28
Topic: Expenses attributable to lot sales
Reference(s): Response to IR 12

Request:

In its response to Information Request 12, Minnesota Power stated that it expects to incur incremental expenses associated specifically with the sale of the lots such those suggested in the information request ("fees associated with title transfers, title insurance, incremental labor expense for project management that is not currently included in base rates, etc.)."

- a. Please provide a detailed list of all types of expenses (including all relevant taxes) Minnesota Power expects to incur that will be netted against sale proceeds in determining the final credit to ratepayers.

Response:

Please see the below table for incremental expenses commonly paid by the seller associated specifically with the sale of the lots. Minnesota Power does not expect to incur any other costs as a requirement of selling the lots; however, if additional costs arise, they would also be included as a reduction to the net proceeds from the sale.

- b. For each type of expense listed in part a, please provide an estimate of the amount of expense Minnesota Power expects to incur.

To be completed by responder

Response Date: November 12, 2020
Response by: Kelly Blindauer, Supervisor of Operations Budget & Analytics
Email Address: kblindauer@mnpower.com
Phone Number: (218) 464-7459

Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/2/2020
Response Due: 11/12/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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Response:

The total costs cannot be predicted with certainty. If Minnesota Power receives approval to sell the lots, the sales remain dependent on the interest of the buyer, price of sale, and timing of the sale in addition to variability of each type of cost. Therefore, a representative example of costs expected to be incurred in conjunction with the sale of a lot at a sales price of \$100,000 is shown in the below table.

Description	Notes	Amount
Sales Price		\$100,000
Prorated County Taxes	dependent on timing of sale, unable to predict	
Title charges and Escrow/Settlement Charges	variable, dependent on Title Company rates	
Disbursement Fee/ Courier Fee		25
Title Exam - Title Company		250
Document Preparation - Title Company		150
Closing Fee - Title Company		250
Government Recording & Transfer Charges		
Deed Registration Tax	\$0.0033 per sales dollar	330
Project Management	variable, commensurate with hours required to oversee tasks and transactions	7,500

To be completed by responder

Response Date: November 12, 2020
Response by: Kelly Blindauer, Supervisor of Operations Budget & Analytics
Email Address: kblindauer@mnpower.com
Phone Number: (218) 464-7459



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/2/2020
Response Due: 11/12/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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Inspection		500
	Subtotal Costs	9,005
	Net Proceeds	\$ 90,995

To be completed by responder

Response Date: November 12, 2020
Response by: Kelly Blindauer, Supervisor of Operations Budget & Analytics
Email Address: kblindauer@mnpower.com
Phone Number: (218) 464-7459

State of Minnesota
Office of the Attorney General
Utility Information Request

In the Matter of the Petition for Approval of **MPUC Docket No.** E015/PA-20-675
Minnesota Power Land Sales

Requested from: Minnesota Power

By: Kristin Berkland **Date of Request:** November 10, 2020
Telephone: (651) 757-1236 **Due Date:** November 23, 2020

Reference: Petition at 9-10

1. List all costs and fees the Company expects to incur to prepare the land for sale, and all costs and fees it expects to incur in the event of a sale.
 - a. Provide the anticipated amount for each cost and fee.
 - b. Specify which of these costs and fees are internal costs and which are external costs.
2. Confirm whether these costs and fees would offset the purchase price.
3. Confirm whether the amounts in the tracker account would include an itemization of the costs and fees, as well as purchase price, and resulting proceeds from the sale. If the Company intends to include other amounts in the tracker account, provide a list and explanation of each amount the Company will include.

Response:

1. Please see the Company response to DOC IR 28 for a detailed listing of expected costs and the respective amounts. Project Management includes the efforts discussed on Page 5 of the Petition to ready the land for sale. Project Management will be internal when possible, but external when needed. The remaining costs are all external.
2. Please see the Company response to DOC IR 12.
3. Please see Page 10 of the Petition, which describes annual updates on sales and the tracker. The tracker will provide net proceed balances in total. Certain activities such as platting are performed at larger level than the individual land parcels.

Response by: Matt Hagelin
Title: Supervisor, Real Estate Services
Department: Environmental, Land & Real Estate Services
Telephone: (218) 355-3319



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/23/2020
Response Due: 12/3/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number: 41
Topic: Tax Impacts of land sales
Reference(s): Minnesota Power's Response to Information Request 37

Request:

Minnesota Power's response to IR 37, regarding the tax impacts of the proposed land sales, addressed only property taxes. The same response indicated that there would be no tax impacts from the proposed land sales on ALLETE's consolidated tax return.

As indicated in Minnesota Power's Petition, the land the Company is proposing to sell has a book value of less than \$1 million, and an estimated market value of \$101 million. Thus, if the Company sells all the lots it is proposing to sell, it will generate gains on sale worth tens of millions of dollars.

- a. Please explain why those gains will not have any tax implications for Minnesota Power or ALLETE. If those gains will, in fact, have implications for Minnesota Power, ALLETE, or both, please provide detailed descriptions and quantifications of those impacts.

Response:

We apologize for the confusion in the response to IR 37. The response to IR 37 was regarding property taxes, not income taxes. To clarify, there is an income tax impact from the land sales.

The income tax gain on the land sales will equal the book gain since both have the same cost basis and there are no depreciation differences on land. Similar to other business income, the

To be completed by responder

Response Date: 12/1/20
Response by: Tony Niksich
Email Address: aniksich@allete.com
Phone Number: 218-355-3146



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/23/2020
Response Due: 12/3/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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company will incur a federal and state tax expense on the gain. Therefore, at the time of the sale, the net after tax gain, grossed up for income taxes, will be refunded to customers.

For example, assuming a \$100 income tax gain on the land sales, the net income impact to Minnesota Power, after adjusting for customer refund, will be -0-. The \$71.26 after-tax gain on the sale nets with the \$71.26 customer refund impact.

Table with 5 columns: Description, Value 1, Value 2, Value 3, Value 4. Rows include Gain on sale (100.00), Tax rate (28.742%), Income tax expense (28.74), After-tax gain (71.26), Grossup for income taxes (1.40335), Customer revenue impact (100.00), Tax rate (28.742%), Taxes on customer revenue impact (28.74), and After-tax revenue impact (71.26).

- b. Please fully describe all other potential tax impacts that may result from the land sales, and how those impacts will be allocated between ratepayers and shareholders.

Response:

As it relates to property taxes, leaseholders are responsible for paying taxes on the leased lots, so the impact of property taxes is a net-zero. As it relates to income tax, please see the response to part a, which illustrates the mechanics of the income tax expense calculation and customer impacts.

To be completed by responder

Response Date: 12/1/20
Response by: Tony Niksich
Email Address: aniksich@allete.com
Phone Number: 218-355-3146



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 11/23/2020
Response Due: 12/3/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

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Request Number: 42
Topic: Journal entries to record land sales
Reference(s): n/a

Request:

Please provide an example of the journal entries Minnesota Power will use to record the lot sales.

Response:

Please see the example journal entries in file "Addonizio-IRs-PA-20-675_42 Attach01 Hydro Land Sale Entries".

To be completed by responder

Response Date: 12/03/2020
Response by: Debbra Davey
Email Address: DDavey@allete.com
Phone Number: 218 355 3714

Minnesota Power
 20-675 IR 01 Attach
 Sale of Hydro Land to Interested Parties
 Summary of Entries

Entry #1 - To record removal of the original installed cost for assets sold by Minnesota Power to Interested Parties

Debit Account 102 Electric Plant Purchased or Sold	-	
Credit Account 101 Electric Plant In-Service - Owned Account 3300		-

Entry #2 - To record the removal of the accumulated depreciation for assets sold by Minnesota Power to Interested Parties
No Depreciation on Land. Entry Not Needed.

Debit Account 108 Electric Depreciation Reserve Account 3300	-	
Credit Account 102 Electric Plant Purchased or Sold		-

Entry #3 - To record cash received for assets sold by Minnesota Power to Interested Parties

Debit Account 131 Cash	-	
Credit Account 102 Electric Plant Purchased or Sold		-

Entry #4 - To record estimated costs incurred by Minnesota Power related to assets sold by Minnesota Power to Interested Parties

Debit Account 102 Electric Plant Purchased or Sold	-	
Credit Account 131 Cash		-

Entry #5A - To record gain on sale of assets by Minnesota Power to Interested Parties
A gain will be recorded if the cash received is greater than the original installed cost + costs incurred

Debit Account 102 Electric Plant Purchased or Sold	-	
Credit Account 421.1 Gain on Disposition of Property		-

Entry #5B - To record loss on sale of assets by Minnesota Power to Interested Parties
A loss will be recorded if the cash received is less than the original installed cost + costs incurred

Debit Account 421.2 Loss on Disposition of Property	-	
Credit Account 102 Electric Plant Purchased or Sold		-

Entry #6 – To record the tax impacts on sale of assets by Minnesota Power to Interested Parties

Debit Account 409 Provision for Current Income Taxes	-	
Debit Account 410.1 Provision for Deferred Income Taxes	-	
Credit Account 190 Accumulated Deferred Income Taxes		-
Credit Account 236 Current Tax Payable		-



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: E015/PA-20-675
Requested From: Minnesota Power
Type of Inquiry: Financial

Nonpublic Public
Date of Request: 10/14/2020
Response Due: 10/26/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

ADDITIONAL INSTRUCTIONS:

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Request Number:	21
Topic:	Applicability of Minn. Stat. § 216B.1696
Reference(s):	Petition, Summary of Filing

Request:

In the Summary of Petition, Minnesota Power states that that it “submits this Petition to the Minnesota Public Utilities Commission (“Commission”) pursuant to Minn. Stat. §§ 216B.16, 216B.1696 and 216B.50.”

- a. Please explain how Minn. Stat. §§ 216B.1696 applies to the proposed land sale.
- b. Does Minnesota Power plan to credit the proceeds of these sales only to EITE eligible customers?

Response:

Minnesota Power inadvertently included Minn. Stat. § 216B.1696 in the list of applicable procedural statutes since this petition was coupled with a proposed extension of EITE. Minnesota Power proposes to credit the proceeds of these sales to all customers of which EITE eligible customers are a significant percentage.

Response Date: 10/22/2020
Response by: Jim Atkinson
Email Address: jbatkinson@mnpower.com
Phone Number: 218-343-9119

CERTIFICATE OF SERVICE

I, Linda Chavez, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, 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 Nos. **E015/PA-20-675**

Dated this **15th** day of **January, 2021**.

/s/Linda Chavez

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-675_PA-20-675
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_20-675_PA-20-675
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_20-675_PA-20-675
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_20-675_PA-20-675
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_20-675_PA-20-675
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-675_PA-20-675