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AN ALLETE COMPANY

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December 1, 2014

VIA ELECTRONIC FILING AND U.S. MAIL

The Honorable Ann O'Reilly
Office of Administrative Hearings
PO Box 64620
St. Paul, MN 55164-0620

Re: *In the Matter of the Request by Minnesota Power for a Certificate of Need for the Great Northern Transmission Line Project*
FERC Order Supplemental Filing
MPUC Docket No. E015/CN-12-1163
OAH Docket No. 65-2500-31196

Dear Judge O'Reilly:

As discussed during the recent evidentiary hearing and in the Rebuttal Testimony of Michael H. Donahue, the Federal Energy Regulatory Commission ("FERC") was expected to issue a decision by November 25, 2014 on the Facilities Construction Agreement ("FCA") filed by Midcontinent Independent System Operator, Inc. ("MISO") and Minnesota Power in FERC Docket No. ER14-2950-000. On November 25, 2014, FERC issue an order accepting the FCA to become effective November 25, 2015, as requested by MISO and Minnesota Power. The FERC order is attached for inclusion in the record as Exhibit 64.

Minnesota Power has been informed by MISO that with this FERC approval of the FCA, the Great Northern Transmission Line will be included in the Appendix A of the annual MISO Transmission Expansion Plan ("MTEP14") that is scheduled to be approved by the MISO Board of Directors on December 11, 2014. Minnesota Power will provide a supplemental filing if MISO takes this action. This FERC order has been filed with the E-Docket system and served on the attached service list. Also enclosed is our Affidavit of Service.

Yours truly,

David R. Moeller
Senior Attorney
Minnesota Power

DRM:sr
Encl.

149 FERC ¶ 61,161
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;
Philip D. Moeller, Tony Clark,
and Norman C. Bay.

Midcontinent Independent
System Operator, Inc.

Docket No. ER14-2950-000

ORDER ON FACILITIES CONSTRUCTION AGREEMENT

(Issued November 25, 2014)

1. On September 26, 2014, Midcontinent Independent System Operator, Inc. (MISO) filed, pursuant to section 205 of the Federal Power Act (FPA), an executed Multi-Party Facilities Construction Agreement (Agreement) among MISO, Minnesota Power,¹ and 6690271 Manitoba Ltd. (Manitoba) (together, Parties) (September 26 Filing).² For the reasons discussed below, we will accept the Agreement to become effective November 25, 2014, as requested.

I. Background

2. MISO states that the Great Northern Transmission Line Project (Project) is being constructed for the sole purpose of satisfying transmission service requests submitted by ALLETE, Manitoba, and Wisconsin Public Service Corporation (Wisconsin PSC).³ The Agreement reflects the Parties' decision to "participant fund" the Project pursuant to Article III, Sections A.2.a and A.2.e of Attachment FF of the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff).⁴

¹ Minnesota Power is an operating division of ALLETE, Inc. (ALLETE).

² 16 U.S.C. § 824d (2012).

³ September 26 Filing, Transmittal at 3.

⁴ *Id.*

3. MISO states that the Agreement reflects the Parties' respective capital contributions and ownership interests based on the amount of transmission capacity on the Project necessary to satisfy the line's primary economic drivers, which are sales of hydroelectric power into the United States. The Agreement provides that ALLETE and Wisconsin PSC require 383 MW and 200 MW respectively of new transmission capacity for delivery of new power supply arrangements with Manitoba, and Manitoba requires 300 MW of transmission capacity on the Project in order to provide for potential future hydroelectric development and sales into the United States.⁵

4. The Agreement provides that the Parties have agreed that ALLETE will own 51 percent of the Project, and will be responsible for 46 percent of the Project's cost; Manitoba will own 49 percent of the Project and fund 54 percent of the Project's costs. MISO explains that Manitoba's financing will be through a 49 percent capital contribution as originally contemplated plus a five percent capital contribution to reflect the allocation of costs following an expansion of the Project's capacity as determined by MISO during the transmission service request studies. The Agreement further provides that Manitoba's five percent additional capital contribution will finance an unanticipated increase in the Project's transmission capacity from 750 MW to 883 MW.

5. MISO requests that the Agreement become effective November 25, 2014.⁶

II. Notice of Filing and Responsive Pleading

6. Notice of the September 26 Filing was published in the *Federal Register*, 79 Fed. Reg. 59,765 (2014), with interventions and protests due on or before October 17, 2014. Otter Tail Power Company filed a timely motion to intervene. Wisconsin PSC, Missouri River Energy Services (Missouri River), Manitoba, and Minnkota Power Cooperative, Inc. (Minnkota Power) filed timely motions to intervene and comments. On October 30, 2014, ALLETE filed an answer to Missouri River's comments. On November 3, 2014, Great River Energy filed a motion to intervene out-of-time.

7. Wisconsin PSC, Manitoba, and Minnkota Power filed comments supporting the September 26 Filing. Missouri River states that it does not oppose the September 26 Filing, but is concerned about the description of the Agreement and certain language about ALLETE's future intentions to recover the revenue requirement relative its share of the completed Project. Missouri River states that it is concerned that if Minnesota Power includes its Project investment costs in the Minnesota Power transmission rate base, then the zonal transmission gross plant, as well as the corresponding MISO Annual Transmission Revenue Requirement, will increase by more than 105 percent.

⁵ *Id.* at 4.

⁶ *Id.* at 8.

Missouri River also states that the benefits of this transmission upgrade will be enjoyed primarily, if not completely, by the Parties to the Agreement rather than the customers of the transmission system as a whole.⁷

8. Therefore, Missouri River requests the Commission state that its acceptance of the Agreement provides no precedent supporting any future attempt by Minnesota Power to recover its revenue requirement through Attachment N of the Tariff or any other means from transmission customers. Moreover, Missouri River requests that the Commission require ALLETE, when it attempts to include any part of its Project investment in its transmission rate base, to provide information supporting the justness and reasonableness of inclusion of only its portions of the Project.⁸

9. In its answer, ALLETE states that the concerns that Missouri River raises in its comments do not relate to the justness and reasonableness of the Agreement and are outside the scope of this proceeding and therefore should be rejected. ALLETE states that the September 26 Filing does not attempt to establish groundwork for ALLETE to seek recovery of Project-related costs at some future date.⁹ Therefore, ALLETE requests that the Commission reject Missouri River's comments as outside the scope of this proceeding and accept the Agreement for the reasons explained in the September 26 Filing.¹⁰

III. Discussion

A. Procedural Matters

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

11. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2014), the Commission will grant Great River Energy's late-filed motion to intervene given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

12. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2014), prohibits an answer to a protest unless otherwise ordered by the

⁷ Missouri River Comments at 4, 5.

⁸ *Id.* at 5, 6.

⁹ ALLETE Answer at 2.

¹⁰ *Id.* at 3.

decisional authority. We will accept the answer submitted by ALLETE because it has provided information that assisted us in our decision-making process.

B. Commission Determination

13. We will accept the Agreement for filing, to become effective November 25, 2014, as requested.

14. We find Missouri River's comments to be outside of the scope of this proceeding. Missouri River's comments do not concern the justness and reasonableness of the Agreement as filed with the Commission, but relate to ALLETE's and Minnesota Power's future intentions for Project-related cost recovery. In any event, Missouri River's assertion that ALLETE or Minnesota Power intend to seek recovery of their Project-related costs in their rate base is speculative and unsupported. Moreover, any such cost recovery through rate base would be subject to the Commission's review. Accordingly, we reject Missouri River's comments.

The Commission orders:

The September 26 Filing is hereby accepted, effective November 25, 2014, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Susan Romans of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 1st day of December, 2014, she served Minnesota Power's Supplemental Filing of the FERC Decision in Docket No. E015/CN-12-1163 to the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The remaining parties on the attached Official Service List were served as requested.

Susan Romans

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