

Permissible Ex Parte Communication Report

To: Public Ex Parte
Communication File

Date: November 26, 2014

Case Name: Minnesota Power's Petition for Approval of a Transmission Cost
Recovery Rider

Docket No: E-015/M-14-337

From: Sundra Bender
Commission Staff

RE: Permissible Ex Parte Communications Pursuant to Minn. Rules, Part 7845.7400.

1. Type of communication: (Oral or Written)
If written, attach the document. See Attached.
If oral, Date: N/A
Time: N/A
2. Maker of the Communication: Jennifer Peterson, Minnesota Power
3. Recipient of the Communication: Sundra Bender and Ann Schwieger, PUC Staff
4. For communications involving the setting of interim rates or the review of
compliance filings, the topic was: N/A
5. For all other permissible communications that are prohibited for the Commissioners
under Minn. Rules, part 7845.7200, the substance of the communication was:
Answers to staff questions regarding Auction Revenue Rights revenues and rate
calculations.
6. For oral permissible ex parte communications, has a copy of this memo been sent to
the assigned Administrative Law Judge? N/A


Sundra Bender

Commission Staff

From: [Jennifer Peterson \(MP\)](#)
To: [Bender, Sundra \(PUC\)](#); [Johnson, Mark \(COMM\)](#); [Shaw, Christopher \(COMM\)](#); [Schwieger, Ann \(PUC\)](#)
Cc: [Herbert Minke III \(MP\)](#); [David Moeller \(ALLETE\)](#)
Subject: FW: Questions on 14-337 --MP's 2014 TCR Petition
Date: Tuesday, November 25, 2014 5:03:55 PM
Attachments: [MP Response to MPUC Question 2A - Docket 14-337.pdf](#)
[MP Response to MPUC Question 2C - Docket 14-337.pdf](#)
[MP Response to MPUC Question 2D - Docket 14-337.pdf](#)

Good Evening Ms. Bender,

Please find the answers to your questions in blue, below, as well as the attached documents for reference. Please feel free to contact me if you have any additional questions or would like to discuss anything further.

Have a wonderful holiday,

Jennifer

Jennifer J. Peterson | Policy Manager – Regulatory Affairs
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From: "Bender, Sundra (PUC)" <sundra.bender@state.mn.us>
Date: November 20, 2014 at 3:19:59 PM CST
To: "Herbert Minke III (MP)" <hminke@allte.com>
Cc: "David Moeller (ALLETE)" <dmoeller@allte.com>, "Marcia Podratz (MP)" <mpodratz@mnpower.com>, "Shaw, Christopher (COMM)" <chris.shaw@state.mn.us>, "Johnson, Mark (COMM)" <mark.a.johnson@state.mn.us>, "Schwieger, Ann (PUC)" <Ann.Schwieger@state.mn.us>
Subject: Questions on 14-337 --MP's 2014 TCR Petition

[ALERT – External Email – Handle Accordingly]

Dear Mr. Minke,

Below are some questions related to Minnesota Power's 2014 Transmission Cost Recovery Rider Petition in Docket No. E015/M-14-337. Please copy your response to the Minnesota Department of Commerce.

Thank you for your attention to this matter.

Sincerely,
Sundra Bender

Sundra.bender@state.mn.us

Financial Analyst

Minnesota Public Utilities Commission

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651/201-2247

Questions:

1. In its September 8, 2014 Reply Comments, Minnesota Power states that, beginning in June 2014, five MVP projects that Minnesota Power does not own, but is paying a portion of, went into service.
 - A. Does Minnesota Power's 2014 Transmission Factor Filing include costs/expenses related to these five MVP projects?
 - Yes, Minnesota Power incurred costs related to the five MVP projects referenced above. The costs were included in the 2014 Transmission Factor Filing as part of Minnesota Power's Schedule 26A expenses.
 - B. Does Minnesota Power receive MVP Auction Revenue Rights (ARR) revenues related to MVP Projects included in its 2014 TCR Rider, including those projects owned by other utilities that Minnesota Power is paying for under its share of MISO Schedule 26A expenses?
 - Yes, Minnesota Power has been receiving ARR revenue on MVP projects since July 2014.
 - C. If so, please provide the amount of such revenue received, by month, through October 31, 2014. Also provide an estimate of the amount to be received for November and December 2014.
 - The ARR revenue received on the MVP projects listed above is as follows: July - \$8,319; August - \$8,890; September - \$8,436; October - \$8,175; November - \$8,500 (estimate); December - \$8,500 (estimate). The total 2014 estimated ARR revenue is \$50,828. Of that, the total estimated 2014 Minnesota Power jurisdictional MVP ARR credit is \$39,428.
 - D. Were any of these revenues included in the 2014 TCR Transmission Factor filing?
 - No, since the revenue listed in 1C was incurred in July 2014, after the 2014 Transmission Factor Filing was submitted in April 2014, it was not included in the petition. However, revenues will be credited to

ratepayers in future Transmission Factor Filings.

2. A. Please provide 2014 TCR Rider rate calculations that exclude the NERC Alert project revenue requirements from the calculation.
 - The rate calculations excluding the NERC Alert project revenue requirements are shown in the attachment titled *"MP Response to MPUC Question 2A – Docket 14-337"*.
- C. If the answer to 1 (A) above was yes, please provide 2014 TCR Rider rate calculations that include the actual (through October 2014) and estimated (November and December) MVP ARR revenues related to these projects, if any, in the factor calculation.
 - The rate calculations including the 2014 MVP ARR revenues are shown in the attachment titled *"MP Response to MPUC Question 2C – Docket 14-337"*. Please note that the inclusion of the MVP ARR revenues does not change the proposed TCR factors because the ARR revenues are minimal in comparison to the total TCR revenue requirements.
- D. Please provide 2014 TCR Rider rate calculations that exclude the NERC Alert Project revenue requirements and include the actual and estimated 2014 MVP ARR revenues (related to included projects) in the calculation.
 - The rate calculations including the 2014 MVP ARR revenues and excluding the NERC Alert project revenue requirements are shown in *"MP Response to MPUC Question 2D – Docket 14-337"*. Please note that the inclusion of the MVP ARR revenues does not change the proposed factors from the factors provided in the response to question 2A because the ARR revenues are minimal in comparison to the total TCR revenue requirements.

Minnesota Power
Transmission Cost Recovery Rider: 2013 / 2014 Factor Filing
Summary: 2014 Revenue Requirements and Class Allocations

<u>Minnesota Jurisdictional Revenue Requirements (\$)</u>		<u>2014</u>
ID# 102853 Peqout Lakes 115/34 kV Sub		136,624
ID #103752 115kV Pine Rv to Peq Lks		301,613
ID #103862 Badoura - Peq Lks 142L/147L Fiber		85,379
ID #103434 CAPX: 345kV Fargo to St. Cloud Phase 3		2,742,420
ID #105019 CAPX: 345kV Fargo to St. Cloud Phase 1		1,346,011
ID #103319 CAPX: 230kV Boswell to Bemidji		794,049
ID #105147 CAPX: 345kV Fargo to St. Cloud Phase 2		3,312,974
ID #106233 CAPX: 345kV Fargo to St. Cloud - ND Portion		1,311,286
ID #104975 CAPX: Boswell 230kV Sub - Add 230kV Exit		35,174
ID #104959: Savanna 115/15kV Sub		444,839
ID #105148 Savanna 115/15 Sub, Cloquet-Blackberry Line 9 tap		15,266
ID #105149 115kV Floodwood-Savanna Line #151		14,771
Subtotal:		10,540,407
Net Schedule 26 RECB Revenue & Expenses		5,086,218
NERC Alert Project Revenue Requirements		-
Total MN Juris Revenue Requirements		15,626,624
<u>Allocation to Class</u>	Alloc /1	
Total MN Juris Revenue Requirements	1.0000	15,626,624
Large Power	0.6251	9,768,201
All Other Classes	0.3749	5,858,423

1/ Allocators from MP's 2009 MPUC rate case Docket No. E-015/GR-09-1151.
Refer to Exhibit B-8.

Minnesota Power
Transmission Cost Recovery Rider
Summary: Revenue Requirements, Cost Allocation and Rate Design

<u>2010 -2013 Tracker Balance (\$)</u>	<u>Total</u>
MN Jurisdiction	2,786,200
Large Power	1,491,985
All Other Classes	1,294,215

<u>2014 Revenue Requirements (\$)</u>	
MN Jurisdiction	15,626,624
Large Power	9,768,201
All Other Classes	5,858,423

<u>Total 2013/2014 Factor Revenue Requirements (\$)</u>	
MN Jurisdiction	18,412,824
Large Power	11,260,187
All Other Classes	7,152,638

<u>Billing Units 1/</u>		
Large Power	kW - month	715,217
	kWh	5,998,692,000
All Other Classes	kWh	3,310,820,000

<u>Billing Factors 2/</u>		<u>Proposed 8/1/2014</u>
Large Power	\$/kW - month	0.79
	¢/kWh	0.075
All Other Classes	¢/kWh	0.216

		<u>Current Rate</u>	<u>Proposed</u>	<u>Increase</u>
Large Power	(\$/kW - mo.)	0.13	0.79	0.66
	(¢/kWh)	0.013	0.075	0.062
All Other Classes	(¢/kWh)	0.033	0.216	0.183

Notes:

1/ 2014 Budget.

2/ The LP rate design is a demand rate adder (\$/kW-month) and an energy adder (¢/kWh). The LP allocated costs are to be split between demand and energy on the 2010 base rate demand and energy revenue split of approximately 60% demand and 40% energy per results of MP's most recent MPUC rate case (Docket No. E015/GR-09-1151). All other retail classes will have an energy adder (¢/kWh).

MINNESOTA POWER
Transmission Cost Recovery Rider
Estimated Average Rate Impacts
2013 / 2014 Factor Filing

Rate Class Impacts /1

Residential (average current rate, cents/kWh)	10.032
Increase (cents/kWh) /2	0.183
Increase (%)	1.82%
Average Impact (\$ / month)	\$1.49
General Service (average current rate, cents/kWh)	10.027
Increase (cents/kWh) /2	0.183
Increase (%)	1.83%
Average Impact (\$ / month)	\$5.08
Large Light & Power (average current rate, cents/kWh)	8.109
Increase (cents/kWh) /2	0.183
Increase (%)	2.26%
Average Impact (\$ / month)	\$417.10
Large Power (average current rate, cents/kWh)	5.716
Increase (Demand & Energy Combined) (cents/kWh) /2	0.156
Increase (%)	2.74%
Average Impact (\$ / month)	\$86,886
Municipal Pumping (average current rate, cents/kWh)	9.174
Increase (cents/kWh) /2	0.183
Increase (%)	1.99%
Average Impact (\$ / month)	\$22.19
Lighting (average current rate, cents/kWh)	15.653
Increase (cents/kWh) /2	0.183
Increase (%)	1.17%
Average Impact (\$ / month)	\$0.27

Notes:

1/ Average current rates are 2014 estimated rates based on Final 2010 TY General Rates in 2009 Rate Case without riders (E-015/GR-09-1151) adjusted to include current rider rates. Current rider rates included Renewable Resources Rider rates, Transmission Cost Recovery Rider rates, current 2014 CPA rate and estimated 2014 FPE. Average \$/month impact based on 2014 budgeted billing units.

2/ Increase shown is the incremental increase due to the new factor being implemented (new factor minus old factor).

Minnesota Power
Transmission Cost Recovery Rider: 2013 / 2014 Factor Filing
Summary: 2014 Revenue Requirements and Class Allocations

<u>Minnesota Jurisdictional Revenue Requirements (\$)</u>	<u>2014</u>
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ID #104975 CAPX: Boswell 230kV Sub - Add 230kV Exit	35,174
ID #104959: Savanna 115/15kV Sub	444,839
ID #105148 Savanna 115/15 Sub, Cloquet-Blackberry Line 9 tap	15,266
ID #105149 115kV Floodwood-Savanna Line #151	14,771
Subtotal:	10,540,407
Net Schedule 26 RECB Revenue & Expenses	5,086,218
MVP ARR Revenue Credit	(39,428)
NERC Alert Project Revenue Requirements	4,147,849
Total MN Juris Revenue Requirements	19,735,046
<u>Allocation to Class</u>	Alloc /1
Total MN Juris Revenue Requirements	1.0000
Large Power	0.6251
All Other Classes	0.3749
	19,735,046
	12,336,375
	7,398,671

1/ Allocators from MP's 2009 MPUC rate case Docket No. E-015/GR-09-1151.
Refer to Exhibit B-8.

Minnesota Power
Transmission Cost Recovery Rider
Summary: Revenue Requirements, Cost Allocation and Rate Design

<u>2010 -2013 Tracker Balance (\$)</u>	<u>Total</u>
MN Jurisdiction	2,786,200
Large Power	1,491,985
All Other Classes	1,294,215

<u>2014 Revenue Requirements (\$)</u>	
MN Jurisdiction	19,735,046
Large Power	12,336,375
All Other Classes	7,398,671

<u>Total 2013/2014 Factor Revenue Requirements (\$)</u>	
MN Jurisdiction	22,521,246
Large Power	13,828,361
All Other Classes	8,692,886

<u>Billing Units 1/</u>		
Large Power	kW - month	715,217
	kWh	5,998,692,000
All Other Classes	kWh	3,310,820,000

<u>Billing Factors 2/</u>		<u>Proposed 8/1/2014</u>
Large Power	\$/kW - month	0.97
	¢/kWh	0.092
All Other Classes	¢/kWh	0.263

		<u>Current Rate</u>	<u>Proposed</u>	<u>Increase</u>
Large Power	(\$/kW - mo.)	0.13	0.97	0.84
	(¢/kWh)	0.013	0.092	0.079
All Other Classes	(¢/kWh)	0.033	0.263	0.230

Notes:

1/ 2014 Budget.

2/ The LP rate design is a demand rate adder (\$/kW-month) and an energy adder (¢/kWh). The LP allocated costs are to be split between demand and energy on the 2010 base rate demand and energy revenue split of approximately 60% demand and 40% energy per results of MP's most recent MPUC rate case (Docket No. E015/GR-09-1151). All other retail classes will have an energy adder (¢/kWh).

MINNESOTA POWER
Transmission Cost Recovery Rider
Estimated Average Rate Impacts
2013 / 2014 Factor Filing

Rate Class Impacts /1

Residential (average current rate, cents/kWh)	10.032
Increase (cents/kWh) /2	0.230
Increase (%)	2.29%
Average Impact (\$ / month)	\$1.87

General Service (average current rate, cents/kWh)	10.027
Increase (cents/kWh) /2	0.230
Increase (%)	2.29%
Average Impact (\$ / month)	\$6.38

Large Light & Power (average current rate, cents/kWh)	8.109
Increase (cents/kWh) /2	0.230
Increase (%)	2.84%
Average Impact (\$ / month)	\$524.22

Large Power (average current rate, cents/kWh)	5.716
Increase (Demand & Energy Combined) (cents/kWh) /2	0.199
Increase (%)	3.48%
Average Impact (\$ / month)	\$110,633

Municipal Pumping (average current rate, cents/kWh)	9.174
Increase (cents/kWh) /2	0.230
Increase (%)	2.51%
Average Impact (\$ / month)	\$27.89

Lighting (average current rate, cents/kWh)	15.653
Increase (cents/kWh) /2	0.230
Increase (%)	1.47%
Average Impact (\$ / month)	\$0.34

Notes:

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2/ Increase shown is the incremental increase due to the new factor being implemented (new factor minus old factor).

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Subtotal:	10,540,407
Net Schedule 26 RECB Revenue & Expenses	5,086,218
MVP ARR Revenue Credit	(39,428)
NERC Alert Project Revenue Requirements	-
Total MN Juris Revenue Requirements	15,587,197
<u>Allocation to Class</u>	Alloc /1
Total MN Juris Revenue Requirements	1.0000
Large Power	0.6251
All Other Classes	0.3749
	15,587,197
	9,743,555
	5,843,641

1/ Allocators from MP's 2009 MPUC rate case Docket No. E-015/GR-09-1151.
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<u>2014 Revenue Requirements (\$)</u>	
MN Jurisdiction	15,587,197
Large Power	9,743,555
All Other Classes	5,843,641

<u>Total 2013/2014 Factor Revenue Requirements (\$)</u>	
MN Jurisdiction	18,373,397
Large Power	11,235,540
All Other Classes	7,137,856

<u>Billing Units 1/</u>		
Large Power	kW - month	715,217
	kWh	5,998,692,000
All Other Classes	kWh	3,310,820,000

<u>Billing Factors 2/</u>		<u>Proposed 8/1/2014</u>
Large Power	\$/kW - month	0.79
	¢/kWh	0.075
All Other Classes	¢/kWh	0.216

		<u>Current Rate</u>	<u>Proposed</u>	<u>Increase</u>
Large Power	(\$/kW - mo.)	0.13	0.79	0.66
	(¢/kWh)	0.013	0.075	0.062
All Other Classes	(¢/kWh)	0.033	0.216	0.183

Notes:

1/ 2014 Budget.

2/ The LP rate design is a demand rate adder (\$/kW-month) and an energy adder (¢/kWh). The LP allocated costs are to be split between demand and energy on the 2010 base rate demand and energy revenue split of approximately 60% demand and 40% energy per results of MP's most recent MPUC rate case (Docket No. E015/GR-09-1151). All other retail classes will have an energy adder (¢/kWh).

MINNESOTA POWER
Transmission Cost Recovery Rider
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2013 / 2014 Factor Filing

Rate Class Impacts /1

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Increase (cents/kWh) /2	0.183
Increase (%)	1.83%
Average Impact (\$ / month)	\$5.08
Large Light & Power (average current rate, cents/kWh)	8.109
Increase (cents/kWh) /2	0.183
Increase (%)	2.26%
Average Impact (\$ / month)	\$417.10
Large Power (average current rate, cents/kWh)	5.716
Increase (Demand & Energy Combined) (cents/kWh) /2	0.156
Increase (%)	2.74%
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