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February 14, 2019

VIA ELECTRONIC FILING

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: Minnesota Power's 2017 Federal Tax Act Compliance
Docket No. E, G-999/CI-17-895

Dear Mr. Wolf:

Minnesota Power respectfully submits this letter in response to the Minnesota Public Utilities Commission's ("Commission") Order in the above-referenced Docket dated December 5, 2018 ("December 5 Order") and in response to comments submitted by the Minnesota Department of Commerce, Division of Energy Resources ("the Department") on February 4, 2019. In its comments, the Department concluded that, except for the Company's one-month delay in implementing its rate reduction rider, Minnesota Power had complied with Order Point 5A, as well as Order Points 5B, 12A, 12B, and 13A. The Department also recommended that the Company confirm that it will make compliance filings by March 1 of each year, in accordance with Order Point 6 of the Commission's December 5 Order.

Order Point 6 simply states "Minnesota Power shall make compliance filings by March 1 of each year." While there is little discussion in the December 5 Order about what should be included in the compliance filings, the Company interprets Order Point 6 to mean reporting the amount of excess accumulated deferred income taxes ("Excess ADIT") returned to customers in the previous year through the new tax rider.

Minnesota Power confirms that it will make compliance filings by March 1 of each year, until the Commission decides the annual compliance filings are no longer required. The Company intends to incorporate the benefit of the Excess ADIT balances in base rates in the next rate case and will request at that time to suspend future compliance requirements in the current docket.

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As described in its December 21, 2019 Compliance Filing in the current docket, Minnesota Power agreed to implement a new tax rider to return Excess ADIT to customers. The Compliance Filing also explained that the soonest the Company could implement the new tax rider following the Commission's December 5 Order was January 1, 2019. Therefore, in compliance of the requirements for March 1, 2019, the Company reports that no amount of Excess ADIT was returned to customers in 2018.

For the 2018 amount of Excess ADIT already accrued (which was not included in the calculation of the new tax rider), Minnesota Power proposed to issue a one-time refund to customers in the March 2019 billing cycle, so long as the timing of interim rates did not fall within the same billing cycle. Since interim refunds will not be made in March, the Company confirms that it will proceed to issue a one-time refund of Excess ADIT in the March 2019 billing cycle.

Please contact me at the number above if you have any questions about this filing.

Yours truly,



Susan Ludwig

SL:sr

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 **14th** day of **February, 2019**, she served Minnesota Power's Compliance Filing in **Docket No. E,G-999/CI-17-895** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The persons on E-Docket's Official Service List for this Docket were served as requested.



Susan Romans