October 22, 2019

Daniel P. Wolf
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/D-19-534

Dear Mr. Wolf:

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

Petition of Minnesota Power for Approval of the 2019 Remaining Life and Depreciation Update.

The Petition was filed on August 22, 2019 by:

Debbra A. Davey, Supervisor, Accounting
Minnesota Power
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Duluth, MN 55802
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The Department recommends that the Commission **approve Minnesota Power's Petition, with the additional recommendations discussed herein.** The Department is available to answer any questions that the Minnesota Public Utilities Commission may have.

Sincerely,

/s/GEMMA MILTICH
Financial Analyst, CPA

GM/ja
Attachment

COMMERCE DEPARTMENT

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. E015/D-19-534

I. INTRODUCTION

On August 22, 2019, Minnesota Power (the Company) filed its 2019 Remaining Life Depreciation Petition (Petition) with the Minnesota Public Utilities Commission (Commission). This update reflects the passage of one year and the 2018 plant activity impacting Minnesota Power's generation facilities and general plant Accounts 390.0 – *Structures & Improvements* (Account 390.0) and 392.8 – *Aircraft, Fixed Wing*. Minnesota Power requests Commission approval for the depreciation parameters proposed in its Petition. Specifically, the Company proposes to:

- Adjust the remaining lives of the Company's generation facilities and Federal Energy Regulatory Commission (FERC) Account 390.0 assets downward by one year, to reflect a one-year passage of time.
- Extend or reduce, by varying lengths, the remaining lives of all Account 390.0 assets for factors other than the passage of one year's time.
- Separate and independently depreciate twelve buildings included in Account 390.0, while continuing to apply a group depreciation methodology to the remaining assets in Account 390.0.
- Continue using the previously approved salvage rates for all assets included in the instant filing.

The Company seeks an effective date of January 1, 2019 for its proposed deprecation parameters. These proposals would result in an overall net decrease of approximately $64,000, or 0.006 percent, in Minnesota Power's annual depreciation expense.[1]

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[1] The Commission most recently approved depreciation and salvage rates in Docket No. E015/D-18-544; these rates were effective January 1, 2018. In Petition Appendix A-1, Minnesota Power provides a comparison of the total depreciation expense accrual that would result under the currently approved and proposed depreciation rates. For this comparison, Minnesota Power applied the current and proposed depreciation rates to the Company's plant balances as of December 31, 2018, which means that these depreciation expense accruals are theoretical estimates and do not reflect the actual depreciation expense that Minnesota Power will book. Calculation of 0.006 percent is as follows: ($99,114,886 depreciation expense using current rates - $99,050,843 depreciation expense using proposed rates) / ($99,114,886) = 0.0006.

II. DEPARTMENT ANALYSIS

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviewed Minnesota Power's Petition to (1) determine whether the Petition complies with applicable statutes, rules, and Commission orders, (2) evaluate the reasonableness of Minnesota Power's proposals, and (3) examine the 2018 depreciation expense accruals as well as the 2018 capital additions, retirements, transfers, and adjustments, as these factors impact the development of proposed depreciation parameters. The Department also contemplated how the Company's proposals could affect ratepayers. The following sections discuss the Department's review.

A. COMPLIANCE WITH DEPRECIATION STATUTES, RULES, AND FILING REQUIREMENTS

Minnesota Statutes, § 216B.11 and Minnesota Rules, parts 7825.0500-7825.0900, require public utilities to seek Commission approval of their depreciation rates and methods. Utilities must use Straight Line depreciation, unless the utility can justify a different method. Minnesota Power continues to use a Straight Line depreciation method, as it has done in the past.

When companies use the remaining life technique to determine the depreciable (useful) lives of their capital assets, depreciation rates must be updated annually to reflect the passage of time and the impact of plant activity, such as capital improvements or retirements, on remaining lives. A utility using a remaining life technique is required to file annual depreciation updates; these updates give the Commission an opportunity to approve changes in depreciation rates. Because Minnesota Power uses the remaining life technique to depreciate its generation assets as well as general plant Accounts 390.0 and 392.8, it follows that the Company must submit corresponding annual depreciation filings. The instant Petition provides the current year update as required.

Based on its review, the Department concludes that Minnesota Power's Petition complies with the applicable statutes and rules.

B. COMPLIANCE WITH PRIOR COMMISSION ORDERS

In compliance with the Commission's March 21, 2018 *Order* in Docket No. E015/D-17-118, Minnesota Power included in its Petition a comparison of the remaining depreciable lives proposed in its depreciation filing and the remaining operating lives approved in the Company's most recent integrated resource plan (IRP), with an explanation of any differences.[2] Aside from relatively minor differences for Boswell Energy Center (BEC) Common and Units 1, 2, and 3, the remaining lives proposed in Minnesota Power's Petition align with the operational lives approved in the Company's most recent IRP. The Department recommends that the Commission continue to require Minnesota Power to provide this comparison in the Company's future remaining life depreciation studies.

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[2] Petition pages 6 – 12.

As required by the Commission's January 14, 2019 *Order* in Docket No. E015/D-18-544, Minnesota Power provided in its Petition a proposal to separate and independently depreciate the largest structures in Account 390.0. In compliance with the relevant *Order*, the Company explained how it:

- Determined which structures should be removed from the group to be depreciated separately, and which should remain in the group.[3]
- Allocated the existing depreciation reserve among structures that should be removed from the larger group and those that remain in the group.[4]
- Determined the remaining lives for structures that should be removed from the group and the remaining life for the group.[5]

In response to a Department information request, Minnesota Power also confirmed that during 2018, the Company recorded supplemental depreciation under BEC Common and Unit 3, as ordered by the Commission in Docket No. E015/D-18-544. The Company recorded depreciation expense amounts of $671,889 and $266,702 in Account 3121 - *Boiler Plant Equipment, Pollution* for BEC Common and Unit 3, respectively. These depreciation expense amounts represent 12 months' worth of the $2.8 million supplemental depreciation required by the Commission to be distributed over a 36-month period.[6]

The Department concludes that Minnesota Power's Petition complies with prior Commission orders as required.

C. MINNESOTA POWER'S DEPRECIATION METHODOLOGY

As a capital asset is used in operations, it contributes, either directly or indirectly, to an entity's cash flows. Depreciation is a cost allocation method that allows an entity to approximately match the revenues generated by an asset with the cost of the asset over its useful life. It follows then that an asset's depreciable life should generally align with the time period in which the asset is used and useful.

Minnesota Power depreciates its generation facilities individually (rather than on a group basis), using a Straight Line, remaining life depreciation methodology. Under this methodology, the remaining lives of the Company's generation facilities are adjusted each year to reflect a one-year passage of time. A utility may also propose upwards or downwards adjustments to the remaining lives of these assets for factors other than the passage of time. Capital investments, policy changes that prompt earlier or later retirements, and economic or business circumstances are examples of other factors that could influence an asset's remaining life.

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[3] Petition Appendix B.
[4] Petition pages 2 and 3.
[5] Petition Appendix B.
[6] Department Attachment 9.

For assets included in Account 390.0, Minnesota Power has historically used a Straight Line, remaining life, *group* depreciation methodology.[7] Unlike the majority of the Company's general plant accounts subject to group depreciation, Minnesota Power does not assign a statistical retirement curve or average service life to Account 390.0, and the group remaining life of the account is generally adjusted downwards by exactly one year, each year.

In its Petition, the Company proposes to separate certain significant buildings from the Account 390.0 group and depreciation these buildings individually, using the same methodology that Minnesota Power applies to its generation facilities.

D. MINNESOTA POWER'S PROPOSED DEPRECIATION PARAMETERS

Minnesota Power proposes to adjust the remaining lives for the Company's generation facilities and Account 390.0 assets, as outlined in Petition Appendix A-1. The Company seeks an effective date of January 1, 2019 for the proposed depreciation parameters. Petition Appendix A-5 details the regulated asset amortization parameters associated with retired BEC Units 1 and 2. Minnesota Power did not request any changes to the currently approved net salvage rates.[8] The following Table 1 summarizes the net annual depreciation expense impact of Minnesota Power's proposals:

Table 1: Impact of Minnesota Power's Proposals on Theoretical Estimate of 2019 Depreciation Expense[9]

	Annual Depreciation Expense Increase/(Decrease)
Total Generation Assets	0
Total Account 390.0 Assets	(64,043)
Net Estimated Impact	(64,043)

Table 1 shows a theoretical estimate of the net dollar impact of Minnesota Power's proposals on the Company's annual depreciation expense. These theoretical computations can be seen in Petition Appendix A-1, in which Minnesota Power applied its current and proposed depreciation parameters to plant balances as of December 31, 2018. As documented in Petition Appendix A-1, these calculations result in theoretical depreciation estimates for 2019 of $99,114,886, using currently approved parameters, and $99,050,843, using proposed parameters. This annual depreciation expense comparison is theoretical, because neither depreciation accrual represents the amount that will actually be booked by the Company, nor does it represent how Minnesota Power actually calculates depreciation expense throughout the year. Rather, the approved depreciation rates will be applied to 2019 plant balances that are higher or lower than those at December 31, 2018, resulting in a correspondingly higher or lower booked depreciation expense. In addition, Minnesota Power calculates depreciation on a monthly basis throughout the year, instead of using a single, annual calculation.

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[7] In 2018, Minnesota Power retired the entire property balance in the Company's general plant FERC Account 398.2 – *Aircraft Fixed Wing*. Petition Appendix A-2.
[8] Petition page 6.
[9] Table 1 data retrieved from Petition Appendix A-1.

The Company proposes to adjust the remaining lives of its generation facilities and Account 390.0 assets downward by one year, to account for the passage of 2018.[10] Minnesota Power further proposes to (1) extend or reduce, by varying lengths, the remaining lives of all assets in Account 390.0, due to factors other than a one year passage of time and (2) separately depreciate 12 buildings that have capitalization amounts of $1 million or more, while continuing to apply a group depreciation methodology to the remaining, non-separated assets in Account 390.0. In response to a Department information request, Minnesota Power explained that to determine the proposed remaining lives of its buildings, the Company used structural condition information derived from walk-around building inspections as well as routine equipment, structural component, and maintenance inspections completed by contractors. According to Minnesota Power, these inspections and the resulting reports informed its determination of both the future capital improvements needed and the remaining lives for the Company's buildings.[11] The proposed remaining lives for Account 390.0 assets are summarized in the following Table 2:

Table 2: Minnesota Power's Proposed Remaining Lives for Account 390.0 – Structures & Improvements[12]

Building	*Current Remaining Life (Years)*	*Proposed Remaining Life (Years)*	*Proposed Total Depreciable Life (Years)*[13]
General Office Building	18	32	88
Rowe Energy Control Center	18	32	72
Little Falls Service Center/DC Line Material Storage Facility	18	32	72/39[14]
Herbert Service Center	18	22	62
Eveleth Service Center	18	22	56
Sandstone Service Center	18	22	52
Pine River Service Center	18	22	54
International Falls Service Center	18	12	50
Cloquet Service Center	18	12	48
Coleraine Service Center	18	7	43
Crosby Service Center	18	3	36
Park Rapids Service Center	18	3	35
Miscellaneous (Grouped Structures)	18	22	N/A[15]

Table 2 shows that Minnesota Power proposes relatively significant adjustments to the remaining lives of assets in Account 390.0. The first 12 buildings listed in Table 2 represent $59,882,678, or about 85

[10] Petition Appendix A-1 and Appendix B present Minnesota Power's proposed remaining asset lives.
[11] Department Attachment 10.
[12] Data in Table 2 was retrieved from Petition Appendix A-1, unless otherwise noted.
[13] The Department calculated the total proposed depreciable lives for each building as the proposed end of life (documented on Petition pages 12 and 13) less the year in which an initial capitalization was recorded for the building (documented in the Company-provided building schedule in Attachment 1 to the Department's November 5, 2018 Comments in Docket No. E015/D-18-544). The Department notes that Minnesota Power has made additional capital investments in many of its buildings over the course of their depreciable lives.
[14] Little Falls Service Center, 72 years; DC Line Material Storage Center, 39 years.
[15] Because the Miscellaneous building category contains multiple structures with initial capitalization that occurred at different points in time, a single total depreciable life cannot be assigned to this grouped category.

percent, of the depreciable balance in Account 390.0; these are the buildings Minnesota Power proposes to depreciate independently. In contrast, the Miscellaneous (Grouped Structures) category represents $10,862,193, or approximately 15 percent, of the depreciable balance in Account 390.0; the Company requests that it be permitted to continue to depreciate the assets in this category on a group basis.[16]

Minnesota Power noted in its Petition that the long-range plan for certain Account 390.0 buildings includes future investments and upgrades, some of which may be significant.[17] In response to a Department information request, Minnesota Power provided a schedule documenting the future estimated capital investments and retirements for those buildings that the Company anticipates upgrading as a part of its long-range plan. The following Table 3 presents the building investment and retirement data supplied by Minnesota Power:

Table 3: Minnesota Power's Estimated 2019 and 2020 Capital Investments and Retirements for Select Buildings in Account 390.0 – Structures & Improvements[18]

	2019 ($ in Millions)		**2020 ($ in Millions)**	
Building	*Capital Investment*	*Retirements*	*Capital Investment*	*Retirements*
General Office Building	1.3	(0.5)	6.0	(1.1)
Rowe Energy Control Center	1.0	(0.2)	0.2	0
Little Falls Service Center/DC Line Material Storage Facility	0.3	0	0	0
Herbert Service Center	0.5	(0.2)	1.3	(0.3)
Eveleth Service Center	0.3	0	0	0
Sandstone Service Center	0.1	(0.1)	0	0
Pine River Service Center	0	0	0.3	0
Miscellaneous Grouped Structures	0.7	(0.1)	0.7	(0.1)
Totals	4.2	(1.1)	8.5	(1.5)

Table 3 shows that Minnesota Power's anticipated capital investments will outweigh retirements for the listed buildings in by $3.1 million and $7 million in 2019 and 2020, respectively. These investments will increase the depreciable balance of the associated buildings, and therefore increase the future booked depreciation expense for these assets. The Department appreciates Minnesota Power's provision of these insights around the Company's long-range plan for these buildings.

[16] Dollar figures in this paragraph were retrieved from Petition Appendix A-1 under the column titled "Depreciable Balance."
[17] Petition pages 12 and 13.
[18] Data in Table 3 retrieved from Department Attachment 7.

The Department concludes that Minnesota Power's proposed depreciation parameters for the Company's generation facilities and Account 390.0 assets are reasonable and recommends that the Commission approve these proposals. The Department also recommends that the Commission approve the Company's proposed effective date of January 1, 2019.

1. Corrections to 2019 Theoretical Estimates of Depreciation Expense

In response to Department information requests, Minnesota Power corrected two minor mathematic errors and submitted a revised version of Petition Appendix A-1.[19] Adjusting for these errors results in 2019 theoretical depreciation estimates of $102,405,614, using currently approved parameters, and $102,341,571, using proposed parameters. Although these estimates are slightly higher than those presented in the original Petition A-1, the net annual depreciation expense decrease of $64,043 remains unchanged after correcting for these errors. The Department appreciates Minnesota Power's provision of the corrected computations and concludes that these mathematical errors have been resolved.

E. MAJOR FUTURE ADDITIONS AND RETIREMENTS

Minnesota Power reported that it "does not have any major future additions or retirements to plant accounts that would materially impact the 2019 depreciation accruals."[20] In response to a Department information request, Minnesota Power explained that it does not use specific criteria or thresholds to determine whether a future capital addition or retirement is major enough to report in the Company's annual depreciation filing. Minnesota Power further explained that the Company performs various reviews of its depreciation-relevant data and researches atypical changes in its depreciation expense as a part of the Company's process in determining major future additions and retirements.[21]

F. ANNUAL DEPRECIATION EXPENSE ACCRUALS

In Petition Appendix A-4, Minnesota Power reported a total annual depreciation expense accrual of $103,122,345 for 2018. The following Table 4 summarizes select plant-in-service activity and depreciation provisions for the Company between 2015 and 2018.

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[19] Minnesota Power confirmed that the original Petition Appendix A-1 contained formula errors that resulted in a miscalculation of the 2019 theoretical estimates of depreciation expense for THEC and Total Steam Generation (see Department Attachments 2 and 3). As a part of its response to the relevant Department information requests, the Company submitted a revised Petition Appendix A-1, with corrected formulas (see Excel workbook filed with the instant Comments and titled "DOC IR 02 3 4 Revised Appendices").

[20] Petition page 13.

[21] Department Attachment 8.

Table 4: Minnesota Power's Plant-In-Service and Depreciation Provision Summary for Years 2015-2018[22]

Year	*Plant-in-Service Balance at December 31 ($)*[23] *A*	*Change in Plant Balance ($) B*	*Annual Depreciation Expense Booked ($) C*	*Depreciation Reserve Balance at December 31 ($) D*	*Change in Depreciation Reserve Balance ($) E*	*Depreciation Reserve Ratio F = D/A*
2018	2,629,646,206	(104,528,187)	103,122,345	855,857,353	(5,321,912)	33%
2017	2,734,174,393	15,194,534	77,022,723	861,179,265	54,352,675	31%
2016	2,718,979,859	4,904,657	100,427,012	806,826,590	57,165,091	30%
2015	2,714,075,202	N/A	83,189,427	749,661,499	N/A	28%

Table 4 data shows that the Company's plant-in-service balances have remained relatively stable over the last four years, with the largest year-to-year change observable between 2017 and 2018. The reduction to plant-in-service balance that occurred in 2018 can be largely attributed to the retirement of BEC Units 1 and 2.[24] The fluctuations in Minnesota Power's booked depreciation expense are primarily due to a combination of the changes in plant-in-service balance and the previously approved extensions and reductions to the remaining lives of BEC Common and Units 3 and 4.[25]

1. *Department's Evaluation of Minnesota Power's 2018 Depreciation Expense Accruals by Facility and FERC Account*

The Department performed a high-level analysis of Minnesota Power's 2018 depreciation expense accruals[26] by facility and FERC account to determine whether the accruals align with the depreciation rates approved for 2018.[27] The Department approximated the Company's 2018 depreciation accruals by applying the approved depreciation parameters to the beginning, ending, and average plant balances for 2018. We then compared these approximations to the actual 2018 depreciation expense accruals reported by Minnesota Power and adjusted our expectations for known variables, such as the required supplemental depreciation recorded for the BEC.[28]

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[22] Figures documented in Table 4 were retrieved from Docket Nos. E015/D-19-534, E015/D-18-544, E015/D-17-118, and E015/D-16-797.
[23] Plant balances exclude non-depreciable land.
[24] Petition Appendix A-2.
[25] In its March 12, 2018 *Order* in Docket No. E015/GR-16-664, the Commission approved a remaining life extension through 2050 for BEC Common and Units 3 and 4, effective January 1, 2017; a combined depreciation expense of approximately $23.7 million was recorded for BEC Common and Units 3 and 4 in 2017. In its March 29, 2018 *Order* in Docket No. E015/GR-16-664, the Commission set a retirement date of 2035 for BEC Common and Units 3 and 4, effective January 1, 2018; a combined depreciation expense of approximately $49.8 million was recorded for Boswell Common and Units 3 and 4 in 2018.
[26] Petition Appendix A-4.
[27] The Commission approved depreciation rates effective January 1, 2018 in Docket No. E015/D-18-544.
[28] Commission's January 14, 2019 *Order* in Docket No. E015/D-18-544 required Minnesota Power to record $0.8 million and $2 million of supplemental depreciation for BEC Unit 3 and BEC Common, respectively. The Commission ordered that the Company distribute this supplemental depreciation over 36 months.

The Department concludes that the 2018 depreciation expense accruals reported by Minnesota Power in its Petition appear to be consistent with the depreciation rates approved for 2018.

G. 2018 CAPITAL ASSET ADDITIONS, RETIREMENTS, TRANSFERS, AND ADJUSTMENTS

The Department reviewed Minnesota Power's 2018 depreciation expense accruals as well as the 2018 capital additions, retirements, transfers, and adjustments, keeping in mind that these factors impact the development of the Company's proposed depreciation rates and estimated future depreciation expense accruals. The following Table 5 provides a summary of the 2018 plant activity in the Company's various plant categories.

Table 5: Changes in Minnesota Power's Plant Balances for 2018[29]

Plant Asset Categories	*Plant Balance 1/1/2018*	*Additions*	*Retirements*	*Transfers*	*Plant Balance 12/31/2018*
Generation Type					
Steam	1,639,411,311	7,254,069	(113,892,017)	(532,490)	1,532,240,873
Hydro	197,366,547	6,172,980	(133,796)	-	203,405,731
Wind	823,242,874	394,474	(585,894)	-	823,051,454
Solar	203,277	-	-	-	203,277
Total Generation	2,660,224,009	13,821,523	(114,611,707)	(532,490)	2,558,901,335
General FERC Account					
390.0 - Structures & Improvements	73,626,835	(26,760)[30]	(2,855,205)	-	70,744,870
392.8 - Aircraft, Fixed Wing	3,034,143	-	(3,034,143)	-	-
Total General Account	76,660,978	(26,760)	(5,889,348)	-	70,744,870

Table 5 shows that, with the exception of Hydro and Solar Generation, each of the Company's plant categories had a lower plant balance at the end than at the beginning of 2018, meaning that 2018 retirements and downward adjustments outweighed the corresponding capital additions and upward adjustments. In contrast, Minnesota Power reported higher or unchanged 2017 year-end plant balances (excluding non-depreciable land) in each category outlined in Table 5, except for Steam Generation. The following sections discuss select aspects of the Company's 2018 depreciation and plant activity in greater detail.

1. 2018 Negative Capital Additions

The Company documented a total of approximately $3.2 million negative, as opposed to positive, capital additions in Petition Appendix A-2 for the following facilities:

- Boswell Common

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[29] Data in Table 5 retrieved from Petition Appendix A-2. Plant balances exclude non-depreciable land, as land is not a depreciable asset.

[30] Minnesota Power's 2018 negative capital additions are discussed in the next section of the instant Comments.

- Bowell Unit 3
- Boswell Unit 4
- Fond du Lac HE STA Project 2360
- Thomson HE Station Project 2360
- General Office Building
- Cloquet Service Center
- Park Rapids Service Center
- Coleraine Service Center

Because capital additions are generally positive amounts, the Department requested that Minnesota Power provide the reasons behind the 2018 negative capital additions. The Company explained that for each of the relevant facilities, the negative additions were due to either (1) differences between the estimates and actuals for capital asset allocations among FERC accounts and (2) sales tax and other refunds received on projects placed into service in a prior year.[31] The Department appreciates Minnesota Power's provision of additional information and concludes that the Company's explanations for the 2018 negative capital additions are reasonable.

2. 2018 Capital Transfers Reducing Plant Balances

In Petition Appendix A-2, Minnesota Power documented various capital transfers that increased or reduced plant balances during 2018. For some of the transfers that reduced plant balances during 2018, the Department asked the Company to disclose whether the assets transferred were included in Minnesota Power's current rate base, and, if so, disclose (1) the actual assets transferred and (2) to which entity and account the assets were transferred. Through approved base rates, customers pay for depreciation expense associated with a utility's capital assets as well as the return earned by a utility on its rate base, which includes capital assets. Therefore, if a capital asset is built into the current rate base, the Department expects that the utility will not transfer that asset to a different business entity or non-regulated operations. As requested, the Company provided information on the approximately $2.8 million in negative transfers for the following facilities:

- Boswell Common
- Boswell Unit 1
- Boswell Unit2
- Laskin Energy Center
- Taconite Harbor Energy Center

Minnesota Power explained that while the majority of the 2018 transfers reducing plant balances remained in the Company's rate base, it did transfer $267,787 of assets from the Laskin Energy Center (regulated operations) to the Rapids Energy Center (non-regulated operations).[32] Minnesota Power also moved the associated Laskin Energy Center (Laskin) depreciation reserve of $128,170 to the Rapids Energy Center.

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[31] Department Attachment 4.
[32] Department Attachment 5.

Minnesota Power made this transfer without Commission approval, which is a violation of Minnesota Statute §216B. 48, subd. 3, which states in part:

> Subd. 3. Contract between utility and affiliated interest.
> **No contract or arrangement**, including any general or continuing arrangement, providing for the furnishing of management, supervisory, construction, engineering, accounting, legal, financial, or similar services, and no contract or arrangement for the purchase, sale, lease, or exchange of any property, right, or thing, or for the furnishing of any service, property, right, or thing, other than those above enumerated, made or entered into after January 1, 1975 between a public utility and any affiliated interest as defined in subdivision 1, clauses (1) to (8), or any arrangement between a public utility and an affiliated interest as defined in subdivision 1, clause (9), made or entered into after August 1, 1993, **is valid or effective unless and until the contract or arrangement has received the written approval of the commission**. (Emphasis added)

The practical effect of Minnesota Power's actions is that the Company is charging its ratepayers for the cost of assets that are no longer used and useful for regulated utility service. Because Minnesota Power's current rate base includes the transferred Laskin assets, ratepayers are now paying for property that the Company is using in non-regulatory operations at its affiliate, Rapids Energy Center. To remedy this issue, the Department recommends that the Commission require Minnesota Power to establish a regulatory liability for the amount of depreciation expense charged to ratepayers for the Laskin assets, from the time of the unauthorized transfer up until the Company files its next rate case. The Department further recommends that the Commission require Minnesota Power to address the resulting regulatory liability in its next rate case.

The Department appreciates the Company's provision of this information and concludes that, with the exception of the Laskin transfer, the transfers that reduced plant balances during 2018 did not inappropriately impact the Company's rate base.

3. Retirement of Boswell Energy Center Units 1 and 2

In December 2018, Minnesota Power retired Boswell Units 1 and 2 and transferred the units' remaining balances to regulated assets. The Company is amortizing these regulated assets through 2022,[33] with a corresponding amortization expense of $7,323,188 for 2019.[34] Through its review, the Department observed minor discrepancies between asset and depreciation reserve balances documented for Boswell Units 1 and 2 among the different Petition Appendices. Upon request, Minnesota Power provided a reconciliation for these discrepancies and explained that the Company recorded an additional $144,877 depreciation expense for Boswell Units 1 and 2 in December 2018, after discovering that its accounting software had erroneously recorded too little depreciation expense

[33] In its March 12, 2018 *Findings of Fact, Conclusions, and Order*, order point 3, Docket No. E015/GR-16-664, the Commission approved remaining accounting lives through 2022 for BEC Units 1 and 2.
[34] Petition Appendix A-5.

for these facilities. The additional depreciation expense recorded by the Company accounts for the discrepancies noted by the Department.[35]

Minnesota Power agreed to add the amortization impacts of Boswell Units 1 and 2 to the Company's Appendices A-1 through A-4 in future depreciation updates, including the regulated asset balance, accumulated amortization, and amortization expense.[36] The Department appreciates the Company's agreement to incorporate in its future depreciation filings the amortization information for Boswell Units 1 and 2 and recommends that the Commission make this agreement a part of its order in the current docket.

III. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

The Department recommends that the Commission:

- Require Minnesota Power to continue to provide in future depreciation filings a comparison of the remaining depreciable lives proposed in its depreciation filing and the remaining operating lives approved in the Company's most recent integrated resource plan, with an explanation of any differences.

- Approve Minnesota Power's proposed salvage rates for all assets included in the instant filing, as outlined in Petition Appendix A-1 and A-5.

- Approve Minnesota Power's proposal to adjust the remaining lives of the Company's generation facilities and the assets in Account 390.0 – *Structures & Improvements* downward by one year, to reflect a one-year passage of time.

- Approve Minnesota Power' proposals to extend or reduce, by varying lengths, the remaining lives of all Account 390.0 assets for factors other than the passage of one year's time, as outlined in Petition Appendix B.

- Approve Minnesota Power's proposal to separate and independently depreciate twelve buildings in Account 390.0, while continuing to apply a group depreciation methodology to the remaining assets in Account 390.0, as outlined in Petition Appendix B.

- Approve Minnesota Power's proposed effective date of January 1, 2019 for the Company's proposed depreciation parameters.

- Require Minnesota Power to (1) establish a regulatory liability for the amount of depreciation expense charged to ratepayers for the transferred Laskin Energy Center assets, from the time of

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[35] Department Attachment 6. The details of the reconciliation provided by Minnesota Power are contained in the Excel file submitted in response the relevant Department IR. The Company notes the provision of this Excel file to the Department in the response documented in Department Attachment 6.

[36] Department Attachment 1. In response to the relevant Department information request, Minnesota Power also submitted a revised version of Petition Appendices A-1 through A-4 that includes the amortization impacts of Boswell Units 1 and 2 (see Excel workbook filed with the instant Comments and titled "DOC IR 02 3 4 Revised Appendices").

the unauthorized transfer up until the Company files its next rate case and (2) address the resulting regulatory liability in its next rate case.

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Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public	
Requested From:	Minnesota Power	Date of Request:	9/11/2019
Type of Inquiry:	Financial	Response Due:	9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

Request Number: **2**
Topic: Boswell Units 1 & 2, proposed remaining lives and salvage rates
Reference(s): Page 6, Appendix A-1, and Appendix A-5 of initial filing.

Request:

1. Page 6 of the initial filing lists proposed remaining lives and salvage rates for the retired Boswell Units 1 and 2. However, Minnesota Power has not documented the corresponding proposals and depreciation expense impact for these units in Appendix A-1. Please confirm whether the 2019 depreciation expense impact of $7,323,187.57, documented in Appendix A-5, should be added to the grand total depreciation expense presented in Appendix A-1.

RESPONSE:

Yes, Minnesota Power will add an estimate of the 2019 depreciation expense impact of Boswell Units 1 & 2 to the grand total depreciation presented in Appendix A-1.

This is the first time Minnesota Power has retired a generating unit with a remaining life that goes beyond that retirement date. Minnesota Power removed Boswell Unit 1 and 2 from Appendix A-1 and balances were brought to zero on Appendices A-3 and A-4 since it has been moved to a regulated asset and is no longer in plant in-service and accumulated depreciation. Minnesota Power added Appendix A-5 to estimate what the amortization of the regulated asset will look like through the end of life of 2022 (as footnoted on Appendix A-1). Going forward Minnesota Power will add Boswell Unit 1 and 2 back to Appendices A-1 through A-4 in a separate section noting the regulated asset, accumulated amortization, and amortization expense.

See the attached Excel file labeled "DOC IRs 2,3&4.Attachment.Revised Appendix A1" for a revised Appendix A-1 reflecting this addition.

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public	
Requested From:	Minnesota Power	Date of Request:	9/11/2019
Type of Inquiry:	Financial	Response Due:	9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

The estimated 2019 depreciation expense in Appendix A-5 includes the actual cost of removal incurred in 2019 through July. The estimated 2019 depreciation expense on this revised Appendix A-1 does not include this cost of removal.

With the addition of the 2019 depreciation expense to Appendix A-1, Minnesota Power's proposed changes in the 2019 Remaining Life Depreciation Petition still result in an estimated decrease to 2019 annual depreciation expense of about $64,000 when compared to 2018 rates and lives.

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public	
Requested From:	Minnesota Power	Date of Request:	9/11/2019
Type of Inquiry:	Financial	Response Due:	9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

Request Number: **3**
Topic: Taconite Harbor Energy Center, 2019 annual depreciation expense
Reference(s): Appendix A-1 of initial filing.

Request:

1. The 2019 depreciation expense accrual for the Taconite Harbor Energy Center, documented in Appendix A-1, equals $10,044,887. In the calculation of this accrual amount, Minnesota Power used the depreciable plant balance of *both* the Ash Ponds and the Structure ($141,963,067.39 total), but used the depreciation reserve amount of the Structure only ($71,867,902.02).

   Please confirm whether this calculation is correct, and, if not, please provide the corrected calculation for the 2019 annual depreciation accrual for Taconite Harbor Energy Center. If the calculation is correct as documented in the initial filing, please explain why the plant balance of the Ash Ponds should be included, but the corresponding Ash Pond depreciation reserve should be excluded, from the depreciation accrual computation.

RESPONSE:

The formula incorrectly includes both the ash ponds and structures. See the attached Excel file "DOC IRs 2,3&4.Attachment.Revised Appendix A1" for a revised Appendix A-1 reflecting this correction.

With this correction, Minnesota Power's proposed changes in the 2019 Remaining Life Depreciation Petition still result in an estimated decrease to 2019 annual depreciation expense of about $64,000 when compared to 2018 rates and lives.

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public	
Requested From:	Minnesota Power	Date of Request:	9/11/2019
Type of Inquiry:	Financial	Response Due:	9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

Request Number: **4**
Topic: Total Steam Generation, 2019 annual depreciation accrual
Reference(s): Appendix A-1 of initial filing.

Request:

1. The 2019 depreciation expense accrual for Total Steam Generation, as documented in Appendix A-1, equals $69,203,774. The Department believes that this sum total includes the depreciation expense accrual for the Laskin Energy Center twice. It appears that the Laskin Energy Center accrual is added to the sum total from row 19 ($3,348,388) *and* row 24 ($3,348,388 + $10,044,887) of the Appendix A-1 spreadsheet.

   Please confirm whether this calculation is correct, and, if not, please provide the corrected calculation for the 2019 annual depreciation accrual for Total Steam Generation. If the calculation is correct as documented in the initial filing, please explain why the depreciation expense accrual for the Laskin Energy Center should be included twice in the Total Steam Generation Accrual.

RESPONSE:

The 2019 depreciation expense accrual for Total Stream Generation in Appendix A-1 inadvertently includes the depreciation expense accrual for the Laskin Energy Center twice. See the attached Excel file "DOC IRs 2,3&4.Attachment.Revised Appendix A1" for a revised Appendix A-1 correcting the formula.

With this correction Minnesota Power's proposed changes in the 2019 Remaining Life Depreciation Petition still result in an estimated decrease to 2019 annual depreciation expense of about $64,000 when compared to 2018 rates and lives.

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public	
Requested From:	Minnesota Power	Date of Request:	9/11/2019
Type of Inquiry:	Financial	Response Due:	9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

Request Number: **5**
Topic: 2018 negative capital additions – various accounts
Reference(s): Appendix A-2 of initial filing.

Request:

1. For *each* of the negative capital addition amounts recorded under the following facilities for 2018, please explain with specificity why these capital addition amounts are negative, as opposed to positive:

   - Boswell Common
   - Bowell Unit 3
   - Boswell Unit 4
   - Fond du Lac HE STA Project 2360
   - Thomson HE Station Project 2360
   - General Office Building
   - Cloquet Service Center
   - Park Rapids Service Center
   - Coleraine Service Center

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public	
Requested From:	Minnesota Power	Date of Request:	9/11/2019
Type of Inquiry:	Financial	Response Due:	9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

RESPONSE:

Negative capital addition amounts during 2018 were caused by one of the following two reasons identified below.

1) When assets are placed in-service estimates are used to determine the plant account for these assets. Later, engineers provide information for the total project costs by plant account for the assets to be added. At times, it is different than the estimate. The difference results in a negative addition on the original utility account, but is offset by positive additions to different accounts; netting to zero. The following locations had these differences between estimated and actual plant accounts:

   - Boswell Common
   - Bowell Unit 3
   - Boswell Unit 4
   - General Office Building*
   - Cloquet Service Center*

   * For the General Office Building and Cloquet Service Center the estimates were originally booked to account 3900 but the engineers later classified some of the dollars from account 3900 to accounts 3910, 3911, 3972, and 3980. The general plant accounts, other than account 3900, are in Minnesota Power's General Plant Depreciation Filing which is filed at least every five years. The last General Plant Depreciation Filing was in 2017 (Docket No. E015/D-17-114).

2) Sales tax and other refunds received on projects which were placed into service in a prior year result in negative additions in the current year. The following locations had these refunds:

   - Fond du Lac HE STA Project 2360
   - Thomson HE Station Project 2360
   - Park Rapids Service Center
   - Coleraine Service Center
   - Boswell Unit 3

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public	
Requested From:	Minnesota Power	Date of Request:	9/11/2019
Type of Inquiry:	Financial	Response Due:	9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

Request Number: **6**
Topic: 2018 transfers reducing plant balances – various accounts
Reference(s): Appendix A-2 of initial filing.

Request:

1. For the facilities bulleted below, please confirm whether the 2018 transfers that *reduced* plant balances (i.e. the *negative* transfer values) included assets that are built in to Minnesota Power's current rate base. If the assets transferred are included in Minnesota Power's current rate base, please disclose, as applicable, the (a) business entity, (b) account, and (c) generation facility to which the assets were transferred.

    - Boswell Common
    - Boswell Unit 1
    - Boswell Unit 2
    - Laskin
    - Taconite Harbor

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public	
Requested From:	Minnesota Power	Date of Request:	9/11/2019
Type of Inquiry:	Financial	Response Due:	9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

RESPONSE:

Boswell Common transfers totaled $2,029,318.20. $2,281,606.51 of this total was transfers to Boswell Common from Boswell 1 and 2 (see below). The remaining negative transfer of ($252,288.31) was transferred to account 3940. General plant account 3940 is in Minnesota Power's General Plant Depreciation Filing which is filed at least every five years. The last General Plant Depreciation Filing was in 2017 (Docket No. E015/D-17-114). The negative transfer was assets built in to Minnesota Power's current rate base and these assets were transferred to a general plant account that would still be in Minnesota Power's rate base.

Boswell 1 and 2 negative transfers of ($1,444,576.34) and ($837,030.17), respectively, for a total of ($2,281,606.51) were all transferred to Boswell Common (see above). The negative transfers were assets built in to Minnesota Power's current rate base and these assets were transferred to a location that would still be in Minnesota Power's rate base.

Laskin's negative transfer of ($267,786.70) was for an asset transferred to Rapids Energy Center. The negative transfers were assets built in to Minnesota Power's current rate base. These assets were transferred to a location that would no longer be in Minnesota Power's rate base. The loader that was transferred was no longer needed at Laskin after the facility was converted to gas.

Taconite Harbor's negative transfer of ($12,414.68) was transferred to Hibbard Renewable Energy Center and to account 3960. General plant account 3960 is in Minnesota Power's General Plant Depreciation Filing which is filed at least every five years. The last General Plant Depreciation Filing was in 2017 (Docket No. E015/D-17-114). The negative transfer was assets built in to Minnesota Power's current rate base and these assets were transferred to a general plant account still in Minnesota Power's rate base.

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public	
Requested From:	Minnesota Power	Date of Request:	9/11/2019
Type of Inquiry:	Financial	Response Due:	9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

Request Number: **9**
Topic: Retirement of Boswell Units 1 and 2.
Reference(s): Pages 9 and 10 and Appendix A-5 of initial filing.

Request:

1. Please provide the journal entries (including the relevant dollar amounts) recorded to account for the retirement of Boswell Units 1 and 2 in December 2018.

2. For the following "Beg Asset Dollars" and "Beg Reserve" figures documented for Boswell Units 1 and 2 in Appendix A-5, please (a) provide the calculations for these figures and (b) explain any discrepancies between these figures documented in Appendix A-5 and the corresponding Boswell plant and depreciation reserve balances documented in other appendices of the initial filing.

    - Boswell 1
        - Beg Asset Dollars = $ 43,835,769.30
        - Beg Reserve = $ 35,076,250.25

    - Boswell 2
        - Beg Asset Dollars = $ 39,585,261.22
        - Beg Reserve = $ 33,300,938.08

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public	
Requested From:	Minnesota Power	Date of Request:	9/11/2019
Type of Inquiry:	Financial	Response Due:	9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

RESPONSE:

1. Please see the attached file "DOC IR 9 - Attachment BEC 1&2" column FQ for the journal entries made in December 2018 for the retirement of Boswell Units 1 and 2.

2. Please see the attached file "DOC IR 9 - Attachment BEC 1&2" for the calculation of the plant and depreciation reserve balances documented in Appendix A-5 (starts at row 30) and reconciliations (see column FO) to the corresponding Boswell plant and depreciation reserve balances documented in other appendices of the initial filing.

   This is the first time Minnesota Power has retired a generating unit with a remaining life that goes beyond that retirement date. Minnesota Power removed Boswell Unit 1 and 2 from Appendix A-1 and balances were brought to zero on Appendices A-3 and A-4 since it has been moved to a regulated asset and is no longer in plant in-service and accumulated depreciation. Minnesota Power added Appendix A-5 to estimate what the amortization of the regulated asset will look like through the end of life of 2022 (as footnoted on Appendix A-1) and this is what Minnesota Power was planning on filing for Boswell 1 and 2 going forward. However based on DOC IR 02, going forward Minnesota Power will add Boswell Unit 1 and 2 back to Appendix A-1 and instead of providing an Appendix A-5, in future filings, will add Boswell Units 1 and 2 back to Appendices A-2 through A-4 in a separate section noting the regulated asset, accumulated amortization, and amortization expense.

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public	
Requested From:	Minnesota Power	Date of Request:	9/11/2019
Type of Inquiry:	Financial	Response Due:	9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

Request Number: **15**
Topic: Future capital investments for various building assets.
Reference(s): Page 12 and 13 of initial filing.

Request:

1. For each of the following facilities, please provide the estimated dollar amounts that Minnesota Power anticipates incurring and capitalizing for planned investments or upgrades during 2019 and 2020:

   - General Office Building
   - Rowe Energy Control Center
   - Little Falls Service Center & DC Line Material Storage Facility
   - Herbert Service Center
   - Eveleth Service Center
   - Sandstone Service Center
   - Pine River Service Center
   - Misc. Structures & Improvements

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number: E015/D-19-534 ☐Nonpublic ☒Public
Requested From: Minnesota Power Date of Request: 9/11/2019
Type of Inquiry: Financial Response Due: 9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

RESPONSE:

See below for estimated dollar amounts that Minnesota Power anticipates incurring and capitalizing for planned investments or upgrades during 2019 and 2020 for the locations requested.

(Amounts in Millions)	2019 Additions	2019 Retirements	2020 Additions	2020 Retirements
General Office Building	1.3	(0.5)	6.0	(1.1)
Rowe Energy Control Center	1.0	(0.2)	0.2	-
Little Falls Service Center & DC Line Material Storage Facility	0.3	-	-	-
Herbert Service Center	0.5	(0.2)	1.3	(0.3)
Eveleth Service Center	0.3	-	-	-
Sandstone Service Center	0.1	(0.1)	-	-
Pine River Service Center	-	-	0.3	-
Misc. Structures and Improvements	0.7	(0.1)	0.7	(0.1)
	4.2	**(1.1)**	**8.5**	**(1.5)**

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public
Requested From:	Minnesota Power	Date of Request: 9/11/2019
Type of Inquiry:	Financial	Response Due: 9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

Request Number: **16**
Topic: Major future additions and retirements
Reference(s): Page 13 and 14 of initial filing.

Request:

1. In general, what criteria or thresholds does Minnesota Power use to determine whether a future capital addition or retirement is "major" enough to report as a part of the annual depreciation filing?

RESPONSE:

Minnesota Power (or the "Company") has not identified specific criteria or a threshold that would trigger reporting as part of the annual Remaining Life Depreciation filing. The Company's process is to:

- Review the data used for its annual depreciation reporting;
- Research any change reflected in Appendix A-1 that is in excess of what would be typically expected for depreciation expense;
- Review asset-related actions that Minnesota Power included in past reporting to use as a guide for determining whether the addition or retirement should be documented; and
- Document any new additions or retirements that warrant reporting.

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public
Requested From:	Minnesota Power	Date of Request: 9/11/2019
Type of Inquiry:	Financial	Response Due: 9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

Request Number: **18**
Topic: Boswell Common and Unit 3, supplemental depreciation.
Reference(s): Appendix A-4 of initial filing.

Request:

1. Please disclose in which account(s) and in what dollar amount(s) supplemental depreciation was recorded in 2018 for each (a) Boswell Common and (b) Boswell Unit 3. Minnesota Power was required by the Commission to record supplemental depreciation for Boswell Common and Unit 3 (*Order* in Docket No. E015/D-18-544).

RESPONSE:

1. Supplemental depreciation of $938,590.89 was recorded in 2018.

    a. For Boswell Common $671,888.60 of additional depreciation expense was reflected on the 2018 schedules in account 3121.

    b. For Boswell Unit 3 $266,702.29 of additional depreciation expense was reflected on the 2018 schedules in account 3121.

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/D-19-534	☐Nonpublic ☒Public
Requested From:	Minnesota Power	Date of Request: 9/11/2019
Type of Inquiry:	Financial	Response Due: 9/23/2019

Requested by: Gemma Miltich
Email Address(es): gemma.miltich@state.mn.us
Phone Number(s): 651-539-1819

Request Number: **19**
Topic: Physical condition of buildings included in General Plant Account 3900 – Structures & Improvements.
Reference(s): Appendix B of initial filing.

Request:

1. In reference to the proposed remaining lives for the facilities included in Account 3900, Minnesota Power states in Appendix B that "The remaining life of these facilities is influenced directly by their physical condition." Please provide any specific physical condition criteria and/or physical condition inspection procedures that Minnesota Power used to determine the proposed remaining lives of these facilities.

RESPONSE:

Physical condition criteria and inspection procedures that Minnesota Power uses to determine the remaining life consist of informal annual walk around inspections of each facility and from information gathered from routine preventive maintenance inspections and equipment condition reports completed by contractors. Additional information to determine capital improvements needed to maintain the structural integrity and water tightness of the building's envelop and overall performance of the building, come from risk reports, roof inspection reports, etc. completed by contractors. The contractors provide recommendations to preserve and improve the integrity of the facilities in these reports. Examples of recommendations from these reports include but are not limited to installation of dry chemical suppression systems, fire sprinkler systems, and roof replacements.

Response Date: September 23, 2019
Response by: Debbra Davey
Email Address: ddavey@allete.com
Phone Number: 218-355-3714

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. E015/D-19-534

Dated this **22nd** day of **October 2019**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-534_D-19-534
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Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_19-534_D-19-534

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_19-534_D-19-534
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_19-534_D-19-534
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-534_D-19-534
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_19-534_D-19-534
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_19-534_D-19-534
Susan	Romans	sromans@allete.com	Minnesota Power	30 West Superior Street Legal Dept Duulth, MN 55802	Electronic Service	No	OFF_SL_19-534_D-19-534
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_19-534_D-19-534
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_19-534_D-19-534