

September 29, 2017

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

RE: *Response Comments* of the Division of Energy Resources of the Minnesota Department of Commerce (Department) to Minnesota Power's (MP) *Reply Comments* in Docket No. E015/PA-17-400

Dear Mr. Wolf:

The Department requests that the Minnesota Public Utilities Commission (Commission) accept these *Response Comments*, which are intended to help complete the record in this matter. The Department recommends **approval** of the Transmission Assets and Substation Access Agreement (Agreement) between United Taconite and Minnesota Power; however, additional information is needed in order to clarify the impact of the Agreement on MP's current rate case (Docket No. E015/GR-16-664). Below, the Department responds to the three items raised by the Department in their September 18, 2017 initial comments (*Initial Comments*) and discussed by MP in their September 25, 2017 reply comments (*Reply Comments*).

First, the Department in its *Initial Comments* recommended that the Commission not grant MP a variance to Minnesota Rule 7825.1800 for the purposes of this petition, since the information under this requirement relates to petitions where property is being acquired, merged or transferred. MP in its *Reply Comments* offered to withdraw its request for a variance to Minnesota Rule 7825.1800 subject to the understanding that subpart A is not applicable and that there is not a completeness issue. The Department agrees with MP's clarification.

Second, the Department in its *Initial Comments* requested that MP provide additional support for the net book value of \$422,921 and, specifically support for the accumulated depreciation of only \$24,981. MP in its *Reply Comments* provided a narrative discussion and an Attachment A, which shows that the transmission assets being purchased are mostly newer assets with 2013 to 2016 in-service dates (with some old assets listed at \$0 value). The Department concludes that the relatively low accumulated depreciation amount is consistent with the relatively recent in-service dates of the assets (and the old assets that are valued at \$0) that are subject to the Agreement. Therefore, the Department considers the net book value of \$422,921 and accumulated depreciation of \$24,981 to be reasonable. MP also agreed to the Department's recommendation to submit final journal entries within 60 days after the completion of the sale.

Third, the Department in its *Initial Comments* requested that MP address in its *Reply Comments* the revenue requirement impact of the purchase of the United Taconite Transmission Assets on the current MP rate case and to support its reasonableness. MP in its *Reply Comments* provided that it confirmed that the purchase amount is not included in plant/rate base in the rate case's 2017 Test Year. MP noted that an estimated price of the transaction was included in 2016 year-end Construction Work in Progress (CWIP) amount, but since MP does not receive a return on CWIP in the rate case, the 2017 Test Year would not include any related revenue requirements. The Department does not agree with MP that its rate of return is not applied to CWIP in the rate case. As shown on MP's Rate Base Summary in Docket No. E015/GR-16-664, in Volume IV, Informational Requirements, on Direct Schedule A-5, line 26, Construction Work In Progress, MP does include CWIP in its average rate base calculation and therefore does propose to earn a return on CWIP. The Department also notes that since the transmission assets being purchased appear to be in-service during 2013 to 2016, it is not logical that these transmission assets would still be recorded in CWIP. As a result, the Department continues to request that MP provide the actual revenue requirement impact on the rate case of the purchase of the United Taconite Transmission Assets and explain why it is reasonable.

The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ NANCY A. CAMPBELL
Analyst Coordinator

NAC/ja

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 – RESPONSE COMMENTS

Docket Nos. **E015/PA-17-400**

Dated this **29th** day of **September, 2017**.

/s/Linda Chavez

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_17-400_PA-17-400
Greg	Chandler	greg.chandler@upm.com	UPM Blandin Paper	115 SW First St Grand Rapids, MN 55744	Electronic Service	No	OFF_SL_17-400_PA-17-400
David	Chura	dchura@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_17-400_PA-17-400
Paul	Ciesielski	Paul.Ciesielski@arcelormittal.com	ArcelorMittal	3300 Dickey Road East Chicago, IN 46312	Electronic Service	No	OFF_SL_17-400_PA-17-400
Jack	Croswell	Jack.croswell@cliffsnr.com	Hibbing Taconite	P O Box 589 Hibbing, MN 55746	Electronic Service	No	OFF_SL_17-400_PA-17-400
Ian	Dobson	Residential.Utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_17-400_PA-17-400
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_17-400_PA-17-400
Kimberly	Hellwig	kimberly.hellwig@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-400_PA-17-400
Shane	Henriksen	shane.henriksen@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	OFF_SL_17-400_PA-17-400
James	Jarvi	N/A	Minnesota Ore Operations - U S Steel	P O Box 417 Mountain Iron, MN 55768	Paper Service	No	OFF_SL_17-400_PA-17-400

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-400_PA-17-400
David	Langmo	david.langmo@sappi.com	Sappi North America	P O Box 511 2201 Avenue B Cloquet, MN 55720	Electronic Service	No	OFF_SL_17-400_PA-17-400
Patrick	Loupin	PatrickLoupin@Packaging Corp.com	Packaging Corporation of America	PO Box 990050 Boise, ID 83799-0050	Electronic Service	No	OFF_SL_17-400_PA-17-400
Sarah	Manchester	sarah.manchester@sappi.com	Sappi North American	255 State Street Floor 4 Boston, MA 02109-2617	Electronic Service	No	OFF_SL_17-400_PA-17-400
Keith	Matzdorf	keith.matzdorf@sappi.com	Sappi Fine Paper North America	PO Box 511 2201 Avenue B Cloquet, MN 55720	Electronic Service	No	OFF_SL_17-400_PA-17-400
Matthew	McClinicy	MMcClincy@usg.com	USG	35 Arch Street Clouquet, MN 55720	Electronic Service	No	OFF_SL_17-400_PA-17-400
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_17-400_PA-17-400
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-400_PA-17-400
Tolaver	Rapp	Tolaver.Rapp@cliffsnr.com	Cliffs Natural Resources	200 Public Square Suite 3400 Cleveland, OH 441142318	Electronic Service	No	OFF_SL_17-400_PA-17-400
Ralph	Riberich	rriberich@uss.com	United States Steel Corp	600 Grant St Ste 2028 Pittsburgh, PA 15219	Electronic Service	No	OFF_SL_17-400_PA-17-400

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Santi	Romani	N/A	United Taconite	P O Box 180 Eveleth, MN 55734	Paper Service	No	OFF_SL_17-400_PA-17-400
Susan	Romans	sromans@allete.com	Minnesota Power	30 West Superior Street Legal Dept Duluth, MN 55802	Electronic Service	No	OFF_SL_17-400_PA-17-400
Thomas	Scharff	thomas.scharff@versoco.com	Verso Corp	600 High Street Wisconsin Rapids, WI 54495	Electronic Service	No	OFF_SL_17-400_PA-17-400
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_17-400_PA-17-400
Jim	Tieberg	jtieberg@polymetmining.com	PolyMet Mining, Inc.	PO Box 475 County Highway 666 Hoyt Lakes, MN 55750	Electronic Service	No	OFF_SL_17-400_PA-17-400
Karen	Turnboom	karen.turnboom@versoco.com	Verso Corporation	100 Central Avenue Duluth, MN 55807	Electronic Service	No	OFF_SL_17-400_PA-17-400
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_17-400_PA-17-400