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November 11, 2014

VIA ELECTRONIC FILING

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: In the Matter of a Commission Inquiry into
Decommissioning Policies Related to Depreciation
Docket No, E,G-999/CI-13-626

Dear Dr. Haar:

Minnesota Power hereby electronically submits its Reply Comments in the above-referenced Docket.

Please contact me at the number above should you have any questions related to this matter.

Yours truly,

Christopher D. Anderson

CDA:sr
cc: Official Service List



**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of a Commission Inquiry into
Decommissioning Policies Related to
Depreciation

Docket No. E,G-999/CI-13-626
REPLY COMMENTS

Minnesota Power files these Reply Comments in response to Comments filed by the Minnesota Department of Commerce, Division of Energy Resources (“Department”) dated October 10, 2014.

As stated in Minnesota Power’s Comments to Docket No. E-G 999/CI-13-626, dated April 7, 2014, the decommissioning probability is the likelihood of actually decommissioning the unit at the end of its remaining life. Generally decommissioning probability increases along with a significant life extension as the longer Minnesota Power anticipates operating an asset, particularly a coal fired generating plant, the greater the likelihood exists that the asset will be decommissioned at the end of its currently estimated remaining life. A primary driver for why decommissioning is more likely to occur in (for example) 2035 versus 2020 is due to a greater likelihood of future emission controls and expected operating costs for large coal fired units. As stated in its Comments, Minnesota Power believes that the Department has previously supported decommissioning probabilities and believes the use of probabilities in decommissioning studies is still valid today. Minnesota Power also noted in its Comments that if it is determined that decommissioning probability should always be set to 100 percent in all cases, Minnesota Power proposes the impact of the additional depreciation expense as a result of this change be deferred until the Company’s next rate case.

The Department’s recommendation is that the Commission require utilities to cease using decommissioning probabilities on a going-forward basis. The Department also states that if the Commission agrees with this recommendation, it may wish to

consider the financial impact this change will have on MP in determining whether to require the utility to make this change before their next rate case. The Department notes that MP has provided estimates of the impact that elimination of decommissioning probabilities would have on its annual depreciation expense in recent depreciation filings. In Docket No. E015/D-14-318, MP estimated that it would increase depreciation expense by \$2.2 million, or roughly 3.5 percent.

In conclusion, if the Commission agrees with the Department's recommendation that the Commission require utilities to cease using decommissioning probabilities, on a going-forward basis, Minnesota Power requests the impact of the additional depreciation expense as a result of this change be deferred until the Company's next rate case or that the Department's recommendation be implemented in conjunction with the Company's next rate case.

Date: November 11, 2014

Respectfully submitted,



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

AFFIDAVIT OF SERVICE VIA
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Susan Romans of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 11th day of November, 2014, she served Minnesota Power's Reply Comments in Docket No. E,G-999/CI-13-626 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 indicated.

Susan Romans

Susan Romans

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