

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

Nancy Lange	Chair
Dan Lipschultz	Vice Chair
Matt Schuerger	Commissioner
Katie Sieben	Commissioner
John Tuma	Commissioner

In the Matter of Minnesota Power's 2017
Remaining Life Petition

DOCKET NO. E-015/D-17-118

**COMMENTS OF THE OFFICE OF THE
ATTORNEY GENERAL**

The Office of the Attorney General – Residential Utilities and Antitrust Division (“OAG”) respectfully submits these Comments regarding Minnesota Power’s 2017 Remaining Life Petition. These Comments respond only to the Company’s proposal to extend the remaining lives for the different investments that make up the Boswell Energy Center (“BEC”).

The BEC is made up of four coal fired generating facilities, BEC 1, BEC 2, BEC 3, and BEC 4, as well as investments related to common facilities that serve all four units, referred to as the BEC Common Facilities. Each investment currently has a separate remaining life, and the end of the remaining lives of the different investments range from the early 2020s to the mid 2030s. In this Petition, the Company has requested all of the BEC investments be consolidated into a single remaining life, and that the remaining life be significantly extended until 2050. Because the Company first raised this request in its pending rate case, Docket 16-664, and because of the factual and procedural complexity of the issue, the Commission should decline to make a decision on the remaining lives of the BEC investments in this proceeding, and instead reserve the issue for the rate case.

Minnesota Power has taken different positions on this issue several times in the last few years. The Company has asked for a large extension to the remaining lives of the BEC investments in both this petition and in its pending rate case, which was filed in November, 2016.¹ In addition, in Company's 2016 Remaining Life Petition—which is still outstanding—it did *not* request an extension to the remaining lives of BEC.² The Company currently has outstanding Petitions that ask the Commission to take contradictory actions regarding BEC remaining lives.

The Company's request also appears to be a significant departure from decisions the Commission made only recently. On July 18, 2016, the Commission issued an Order in the Company's Integrated Resource Plan requiring the Company to retire BEC 1 and 2 when “sufficient replacement energy and capacity are available, but no later than 2022,”³ and made no changes to future plans for BEC 3 or 4. And on September 19, 2016, the Commission approved remaining lives that ended in 2024 for BEC 1 and 2, 2034 for BEC 3, 2035 for BEC 4, and 2030 for the Common facilities.⁴ The Commission's most recent decision was made only a few weeks before the Company raised the issue in its rate case.

The issue of the remaining lives for Minnesota Power's BEC investments has involved many dockets over the last several years. It is currently raised in at least three open dockets—the 2016 Remaining Life Petition, this proceeding, and the Company's pending rate case—and the Company has taken different positions in these pending requests. The Company's request, in

¹ See Direct Testimony of Herbert G. Minke, III, *In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. E-015/GR-16-664, at 14–24 (Nov. 2, 2016).

² Minnesota Power 2016 Remaining Life Depreciation Petition, *In the Matter of Minnesota Power's 2016 Remaining Life Depreciation Petition*, Docket No. E-015/D-16-797 (Sept. 30, 2016).

³ Order Approving Resource Plan with Modifications, *In the Matter of Minnesota Power's 2016–2030 Integrated Resource Plan*, Docket No. E-015/RP-15-690, at 7 (July 18, 2016).

⁴ Minnesota Power 2015 Remaining Life Depreciation Petition, *In the Matter of Minnesota Power's 2015 Remaining Life Depreciation Petition*, Docket No. E-015/D-15-711 (July 30, 2015).

this docket, to extend the BEC remaining lives would also be a different direction than the one the Commission ordered only a few months ago, and could have significant impacts on depreciation expense rates, future retirement decisions, and the total return earned for shareholders over the life of the facilities.

In light of these factual and procedural complexities, and the fact that the Company alone is responsible for creating these complexities, the most reasonable action for the Commission to take is to consider the Company's request to extend the lives of the BEC investments in the rate case. The Company raised the issue in its rate case several months before the instant petition was filed, and parties to the rate case have received notice that the issue will be included in the rate case. The rate case would provide the added benefit of a contested case hearing presided over by an Administrative Law Judge who could assist the Commission in determining the facts and provide a recommendation. In a recent earnings call, the Company's Chief Financial Officer stated that the Company included the request in the rate case for purposes of efficiency.⁵ In the

⁵ Statements of Steve DeVinck, CFO, Archived Webcast of ALLETE's Conference Call Announcing Fourth Quarter Financial Results (Feb. 15, 2017), <http://investor.allete.com/events.cfm>. The relevant portion of the call begins at approximately 38:20:00.

interest of efficiency, the most reasonable action for the Commission to take is to consider the Company's proposal to extend the remaining lives of the BEC investments in the ongoing rate case proceeding.⁶

Dated: March 2, 2017

Respectfully submitted,

LORI SWANSON
Attorney General
State of Minnesota

s/ **Ryan P. Barlow**

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ATTORNEYS FOR OFFICE OF THE
ATTORNEY GENERAL – RESIDENTIAL
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⁶ Because the Company calculated its revenue requirement using an extended useful life for the BEC investments, potential parties to the rate case are already on notice that the matter is included in the rate case.



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March 2, 2017

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

Re: *In the Matter of Minnesota Power's 2017 Remaining Life Petition*
MPUC Docket No. E-015/D-17-118

Dear Mr. Wolf:

Enclosed and e-filed in the above-referenced matter please find Comments of the Minnesota Office of the Attorney General – Residential Utilities and Antitrust Division.

By copy of this letter all parties have been served. An Affidavit of Service is also enclosed.

Sincerely,

s/ Ryan P. Barlow

RYAN P. BARLOW
Assistant Attorney General

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Enclosure

AFFIDAVIT OF SERVICE

Re: *In the Matter of Minnesota Power's 2017 Remaining Life Petition*
MPUC Docket No. E-015/D-17-118

STATE OF MINNESOTA)
) ss.
COUNTY OF RAMSEY)

I hereby state that on 2nd day of March, 2017, I filed with eDockets *Comments of the Office of the Attorney General – Residential Utilities and Antitrust Division* and served the same upon all parties listed on the attached service list by email, and/or United States Mail with postage prepaid, and deposited the same in a U.S. Post Office mail receptacle in the City of St. Paul, Minnesota.

s/ Judy Sigal

Judy Sigal

Subscribed and sworn to before me
this 2nd day of March, 2017

s/ Patricia Jotblad

Notary Public

My Commission expires: January 31, 2020.

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