



85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
mn.gov/commerce/
651.539.1500 FAX 651.539.1547
An equal opportunity employer

April 18, 2014

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

RE: Minnesota Power's 2013 Remaining Life Depreciation Petition
Docket No. E015/D-13-275

Dear Dr. Haar:

The Minnesota Department of Commerce, Division of Energy Resources (Department) submits this letter to Minnesota Public Utilities Commission (Commission) to supplement the record in the above-referenced Docket, Minnesota Power's (MP or the Company) 2013 Remaining Life Depreciation Petition.

On April 17, 2014, Commission Staff filed Briefing Papers which, on page nine, state:

The Commission may also want to clarify with the Company and the Department what assumptions were made in the 2011 Decommissioning Study. The Department stated, "The estimates from the 2011 study do not reflect costs Minnesota Power expects to incur pursuant to future regulations which are not currently in effect." The Company stated that it purposely did not incorporate the 2011 Decommissioning Study in its 2013 Remaining Life Petition because the study included all *potential* EPA regulations as required to comply with the [Baseload Diversification Study] Order.

The Department's conclusion that the 2011 Decommission Study does not reflect costs the Company expects to incur pursuant to future regulations is based on MP's response to Department Information Request (IR) No. 10, which is not yet part of the official record in this Docket. In IR No. 10, the Department asked MP to identify the specific assumptions in the 2011 Decommissioning Study that relate to *potential* environmental regulations. In its response, the Company stated that:

Burl W. Haar
April 18, 2014
Page Two

The 2011 Decommissioning Study does include the normal list of assumptions in a decommissioning study related to actual assets in place, along with actual regulations. The 2011 Decommissioning Study itself does not include *potential* environmental regulations -- instead the review of potential regulations was included in the Integrated Resource Plan in a scenario analysis of potential but not probable regulations (and therefore not recordable for accounting purposes) in the decommissioning process.¹

Based on this response, the Department concluded that the estimates from the 2011 Decommissioning Study reflect only costs Minnesota Power expects to incur based on regulations in place at the time the study was completed.

Sincerely,

/s/ CRAIG ADDONIZIO
Financial Analyst

CA/sm
Attachment

¹ See Department Attachment No. 1.

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Docket No. E015/D-13-275
DOC Attachment 1
Page 1 of 2

Utility Information Request

Docket Number: E015/D-13-275

Date of Request: August 8, 2013

Requested From: Debra A. Davey

Response Due: August 20, 2013

Analyst Requesting Information: Craig Addonizio

Type of Inquiry: ...Financial ...Rate of Return ...Rate Design
...Engineering ...Forecasting ...Conservation
...Cost of Service ...CIP ...Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
10	<p>Reference: Response to Department Information Request No. 1</p> <p>In its response to Department Information Request No. 1, Minnesota Power stated:</p> <p style="padding-left: 40px;">As this 2011 Decommissioning Study included all <i>potential</i> EPA regulations as required to comply with the Baseload Diversification Study Order, Minnesota Power intentionally did not incorporate that study into the 2013 Remaining Life Petition filing.</p> <p>a) The 2011 Decommissioning Study lists a number of assumptions used in developing the estimates of decommissioning costs. Some of the assumptions are general and apply to all sites, other assumptions are site-specific. Please identify the specific assumptions, either general or site-specific, that relate to <i>potential</i> environmental regulations.</p> <p>b) For each of the assumptions identified in response to part (a), please describe qualitatively and quantitatively, if possible, how the resulting decommissioning cost estimates may change if the potential regulations referenced in the quote above are not implemented.</p> <p><i>Continued on next page</i></p>

Response by: _____	List sources of information: _____
Title: _____	_____
Department: _____	_____
Telephone: _____	_____

- c) Do any of the estimates of decommissioning costs produced in the 2011 Decommissioning Study include expenses related to the dismantling and removal of pollution controls which have not yet been installed, but *will* (with certainty) be installed pursuant to new environmental regulations?
- d) Do any of the estimates of decommissioning costs produced in the 2011 Decommissioning Study include expenses related to the dismantling and removal of pollution controls which have not yet been installed, but *may* be installed pursuant to *potential* environmental regulations?

RESPONSE:

10 a) The 2011 Decommissioning Study does include the normal list of assumptions in a decommissioning study related to actual assets in place, along with actual regulations. The 2011 Decommissioning Study itself does not include *potential* environmental regulations -- instead the review of potential regulations was included in the Integrated Resource Plan in a scenario analysis of potential but not probable regulations (and therefore not recordable for accounting purposes) in the decommissioning process.

In Minnesota Power's response to Department Information Request No. 1, paragraph 2, the last sentence, the statement "a range of probable EPA regulations" should have said "actual EPA regulations in place at the time the study is completed".

Accordingly, and as Minnesota Power has proposed in its 2013 Remaining Life Depreciation Petition, this petition was prepared based on the latest approved IRP (2010) and that the Commission's decision on the 2013 IRP will be the basis for preparing the 2014 Remaining Life Depreciation Petition, including an updated decommissioning study. That study will be prepared based on the outcome of the 2013 IRP utilizing the final approved plan and regulations in place at the time the study is completed. Further, as we stated in our response to IR 1c., it is the Company's opinion that the outcome of the 2013 IRP will play an equally large role in determining the estimates of decommissioning costs of the Company's generating units.

10 b) N/A

10 c) No

10 d) No

Response by: _____

List sources of information:

Title: _____

Department: _____

Telephone: _____

CERTIFICATE OF SERVICE

I, Jan Mottaz, 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.

Letter from the Minnesota Department of Commerce, Division of Energy Resources

Docket No. E015/D-13-275

Dated this 18th day of April 2014

/s/Jan Mottaz

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_13-275_Official
Debra A	Davey	ddavey@allete.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_13-275_Official
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_13-275_Official
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-275_Official
John	Lindell	agorud.ecf@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_13-275_Official
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_13-275_Official