MINNESOTA DEPARTMENT OF COMMERCE

85 7TH PLACE EAST, SUITE 500
SAINT PAUL, MINNESOTA 55101-2198
MN.GOV/COMMERCE
651.539.1500 FAX: 651.539.1547
AN EQUAL OPPORTUNITY EMPLOYER

December 17, 2014

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

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/M-14-349

Dear Dr. Haar,

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

Minnesota Power's Renewable Resources Rider and 2014 Renewable Factor.

The Department revises its recommendations from its September 3, 2014 Comments as described herein, and is available to answer any questions the Commission may have.

Sincerely

/s/ CRAIG ADDONIZIO
Financial Analyst

CA/ja
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

RESPONSE COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET NO. E015/M-14-349

I. INTRODUCTION

On April 29, 2014, Minnesota Power (MP or the Company) filed a petition (Petition) with the Minnesota Public Utilities Commission (Commission) requesting recovery of the Minnesota jurisdictional costs of several renewable energy projects via the Company's Renewable Resources Rider (RRR).

On September 3, 2014, the Department filed Comments on MP's petition and concluded that the Company's proposal was reasonable, but presented an alternative for the Commission to consider. Specifically, the Department suggested that the Commission consider requiring MP to stretch the recovery of its tracker balance over a period of two years as a way to mitigate the proposed rate increase. Additionally, the Department noted that MP's investments and expenditures in Bison 4 slightly exceeded the cap established in Bison 4's cost eligibility filing (Docket No. E015/M-13-907), and recommended that the Commission limit MP's recovery to that cap. However, due to the small amount by which MP's costs exceeded the cap, this recommendation had no impact on MP's proposed rates.

On September 16, 2014, MP filed Reply Comments in which it argued against stretching the recovery of its tracker balance, unless the Company is allowed to earn a return on its tracker balance to offset the financing costs it will incur. Additionally, MP disagreed with the Department's assertion that the Company's investments and expenditures in Bison 4 exceeded the cost cap set in Bison 4's cost eligibility filing.

On September 12, 2014 and October 13, 2014, Commission Staff sent information requests to MP regarding MP's proposed treatment of its North Dakota Investment Tax Credits.

The Department addresses the arguments in MP's Reply Comments and its responses to Commission Staff's IRs below.

II. DEPARTMENT ANALYSIS

A. TOTAL PROJECT COSTS AND COST CAPS

As noted above, the Department, in its Comments, concluded that MP's investments and expenditures in its Bison 4 Wind project exceeded the cap set in Bison 4's cost eligibility filing by $1.2 million, and recommended that the Commission limit MP's cost recovery to that cost cap. Table 1 below is a reproduction of Table 3 from the Department's Comments, which served as the basis for the Department's recommendation.

Table 1
Reproduction of Table 3 from the Department's Comments
Summary of Capital Expenditures Estimates
($ Millions)

	Capital Expenditures		
	Cost Eligibility Filings	2013 RRR Filing	2014 RRR Filing
	1/	2/	3/
Bison 1	177.6	172.7	173.2
Bison 2	157.0	144.6	147.7
Bison 3	157.0	146.3	148.7
Bison 4	339.7	n/a	340.9

1/ Cost Eligibility Filings:
Bison 1 - Docket No. E015/M-09-285
Bison 2 - Docket No. E015/M-11-234
Bison 3 - Docket No. E015/M-11-626
Bison 4 - Docket No. E015/M-13-907 - The Department notes that the capital expenditure figure for Bison 4 in the table is not in the official record in the Bison 4 cost eligibility Docket. The reported $339.7 million was taken from the financial model used to calculate the annual revenue requirements included in Attachment 2 to the Department's November 12, 2013 Comments in that Docket.
2/ Docket No. E015/M-13-410
3/ Petition, Exhibit B-3

As shown, actual capital expenditures on Bison 4 ($340.9 million) exceeded projected capital expenditures from Bison 4's cost eligibility filing ($339.7 million), a difference of $1.2 million. In its Comments, the Department also noted that limiting MP's capital expenditures to $339.7 million had no effect on the proposed rates.

In Reply Comments, the Company disagreed with the Department's estimates of the Bison projects' actual costs, as well as the Department's estimate of Bison 4's cost cap.

1. Estimates of Actual Cost

With respect to actual costs, the Company noted in Reply Comments that the figures in columns 2 and 3 of Table 1 include capital expenditures and internal costs, and exclude MP's allowance for funds used during construction (AFUDC). In its Reply Comments, MP stated that, because internal costs are not eligible for rider recovery, those costs should be removed from the total amount of costs to be considered for rider recovery. Similarly, because AFUDC is eligible for recovery, MP stated that AFUDC should be added. Because internal costs are greater than AFUDC, the net effect of these two adjustments is a decrease in the estimate of each project's actual cost. Table 2 summarizes these calculations for Bison 4.

Table 2
Revised Estimate of Bison 4's
Actual Costs
($)

Line No.		2014 RRR Filing
		a
1	Capital Expenditures	340,933,908
2	Internal Cost	(4,266,310)
3	AFUDC	1,242,807
4	Total for Cost Recovery	337,910,405

a - Petition, Exhibit B-3

As discussed below, the Department agrees with MP that it is necessary to have an apples-to-apples comparison of proposed and actual costs, so the appropriate figure to compare to the cost cap for Bison 4 is the actual total for cost recovery of $337.9 million figure in Table 2 above. The Department provides revised estimates of the actual costs of Bison's 1, 2, and 3 in Table 5 below.

2. Cost Caps

With respect to the appropriate cost cap, in its Comments, the Department stated that the appropriate cost cap was $339.7 million, which is the amount of capital expenditures, including internal labor costs and excluding AFUDC costs, that were assumed in the financial model used to estimate Bison 4's levelized cost of energy in its cost eligibility filing. Based on MP's reply comments regarding actual costs, the Department now concludes that the cost cap in terms of rider recovery for Bison 4, excluding internal costs and including AFUDC, is $337.7 million. The derivation of this cost cap for recovery of construction costs in the rider is shown in column (a) in Table 3 below.

Table 3
Comparison of Department's Revised Cost Cap and Actual Cost Estimates
($)

Line No.		Cost Eligibility Filing	2014 RRR Filing	Difference
		a	b	c
1	Capital Expenditures	339,664,512	340,933,908	(1,269,396)
2	Internal Cost	(4,911,968)	(4,266,310)	(645,658)
3	AFUDC	2,928,799	1,242,807	1,685,992
4	Total for Cost Recovery	337,681,343	337,910,405	(229,062)

a - Docket No. E015/M-13-907 - The Department notes that this data is not in the official record in the Bison 4 cost eligibility Docket. It is taken from the financial model used to calculate the annual revenue requirements included in Attachment 2 to the Department's November 12, 2013 Comments in that Docket.
b - Petition, Exhibit B-3

As shown in Table 3, based on the Department's revised estimates, Bison 4 actual costs exceed its cost cap by approximately $0.2 million.

In its Reply Comments, however, MP stated that the appropriate cost cap for Bison 4 is $345.0 million, which is the total project cost reported in the text of Bison 4's cost eligibility filing.[1] The Department disagrees.

[1] See MP's Petition in Docket No. E015/13-907, pages 9 and 21.

MP's proposed cost cap suffers from two flaws. First, MP's proposed cost cap of $345.0 million includes internal costs, which are not eligible for rider recovery.[2] That is, MP is proposing to compare a cost cap which includes internal costs to a measure of actual costs which does not. By doing so, MP is inappropriately proposing to give itself a margin of error equal to its internal costs on its actual costs.

Second, while MP's proposed cap of $345.0 million is included in the text of Bison 4's cost eligibility filing, it is not consistent with the cost estimate MP used to demonstrate that Bison 4 was cost effective in the same filing. Table 4 below compares the two different cost estimates from Bison 4's cost eligibility filing, one from the text of MP's Petition, and one from the financial model used to calculate Bison 4's levelized cost of energy. As noted above, the cost estimate from the text of MP's Petition ($345.0 million) includes internal costs. Because MP's Petition did not include any further detail regarding the components of this cost estimate, the Department is unable to remove internal costs from it. Therefore, Table 4 does not remove internal costs from the estimate from MP's financial model.

Table 4
Comparison of Cost Estimates from
Bison 4's Cost Eligibility Filing
($)

		Cost Estimates from Cost Eligibility Filing		
Line No.		Text of Filing	Financial Model	Difference
		a	b	c = a - b
1	Capital Expenditures		339,664,512	
2	AFUDC		2,928,799	
3	Total Including Internal Cost	345,000,000	342,593,311	2,406,689

a - MP's Petition in Docket No. E015-13-907, page 9

b - Docket No. E015/M-13-907 - The Department notes that this data is not in the official record in the Bison 4 cost eligibility Docket. It is taken from the financial model used to calculate the annual revenue requirements included in Attachment 2 to the Department's November 12, 2013 Comments in that Docket.

[2] Although no breakdown of MP's proposed cost cap of $345 million into capital expenditures, internal cost and AFUDC is available, a representative of MP confirmed in an email that internal costs were not removed from this figure.

To the extent that the $2.4 million difference calculated in Table 4 is not attributable to internal costs, it represents an additional margin of error, above and beyond the margin created by internal costs described above.

In Bison 4's cost eligibility filing, Bison 4 was selected over more than 30 competing projects, and the primary point of comparison for the projects was the levelized cost of energy of each project. The Department concludes that Bison 4's cost cap should be set with the cost estimates used to compare the project to competing alternatives. The figures from column a in Table 2 are taken from the financial model used to estimate Bison 4's levelized cost of energy, which the Department and the Commission relied on to compare Bison 4 to the other projects in the cost eligibility filing. Based on this fact, the Department concludes that, in terms of rider recovery, the appropriate cost cap for Bison 4 is $337.7 million.

In its Reply Comments, MP also correctly pointed out that the Department used a different standard for the cost cap for Bison 4 compared to earlier Bison wind projects. Specifically, MP noted that the Department used the project costs listed in the text of the cost eligibility filings for Bison's 1, 2, and 3 as the cost caps for those projects, but used data from a financial model as Bison 4's cost cap. The Department acknowledges that it is possible that the cost caps for Bison's 1, 2, and 3 suffer from the same flaw as MP's proposed cap for Bison 4 – that is, those caps may include internal costs and be based on cost estimates that are different than the cost estimates used to develop the projects' levelized costs of energy.

While the Department did not have immediate access to the data associated with those prior proceedings to assess whether this flaw may exist, the Department does not recommend that RRR recovery for Bison 1, 2, and 3 be revised at this time, particularly since the actual costs of Bison's 1, 2, and 3 are between $6.0 million and $11.1 million below their cost caps, as shown in Table 5 below. Additionally, given that Bison's 1, 2, and 3 are now complete and operating, major cost overruns are unlikely. Bison 4, however, is still under construction; therefore, cost overruns are still a possibility. Therefore, it is important to set an appropriate cost cap for RRR recovery of Bison 4.

Table 5 summarizes the Department's revised estimates of the actual costs of each of the four Bison projects, and compares those estimates to each project's cost cap.

Table 5
Comparison of
Revised Estimates of
Actual Costs and Cost Caps

	Cost Eligibility Filings	2014 RRR Filing	Difference
	1/	2/	
Bison 1	177.6	171.6	6.0
Bison 2	157.0	145.9	11.1
Bison 3	157.0	147.5	9.5
Bison 4	337.7	337.9	(0.2)

1/ Cost Eligibility Filings:
Bison 1 - Docket No. E015/M-09-285
Bison 2 - Docket No. E015/M-11-234
Bison 3 - Docket No. E015/M-11-626
Bison 4 - Docket No. E015/M-13-907 - The Department notes that the capital expenditure figure for Bison 4 in the table is not in the official record in the Bison 4 cost eligibility Docket. The reported $337.7 million was taken from the financial model used to calculate the annual revenue requirements included in Attachment 2 to the Department's November 12, 2013 Comments in that Docket.
2/ Petition, Exhibit B-3

The Department notes that capping Bison 4's costs at $337.7 million has no effect on MP's proposed RRR rates.

B. EXTENDED RECOVERY OF TRACKER BALANCE

In its Comments, the Department discussed its concerns regarding the impact MP's proposed RRR rate increase will have on the Company's ratepayers. Table 4 below is a reproduction of Table 6 from the Department's Comments, and demonstrates that the increase, as proposed, would raise RRR rates by approximately 100 percent for the Large Power Class, and nearly 80 percent for all other retail classes.

Table 4
Reproduction of Table 6 from the Department's Comments
Effects of Stretching
Tracker Balance Recovery Over Two Years

Class	Charge Type	Current RRR Rate	As Proposed RRR Rate	As Proposed Increase	With 2-Yr. Stretch RRR Rate	With 2-Yr. Stretch Increase
Large Power	Demand (¢/kW - month)	1.70	3.45	103%	2.85	68%
	Energy (¢/kWh)	0.163	0.329	102%	0.272	67%
All Other Retail Classes	Energy (¢/kWh)	0.614	1.102	79%	0.844	37%

Sources: Current and Proposed RRR Rates from Petition, Exhibit B-1, page 1 of 7
RRR Rate with 2-Yr. Stretch from Department Attachment 7.

Table 1 of MP's Petition indicates that the proposed increase is expected to raise customers' overall rates (including base rates and other current riders) by approximately five to seven percent, depending on customer class. This increase comes on top of similarly-sized rate increases that took effect late last year pursuant to MP's 2013 RRR Petition (Docket No. E015/M-13-410). Additionally, the Department noted in its Comments that a large portion of the proposed increase, the portion attributable to the tracker balance (which represents nearly 40 percent of total 2014 costs), is expected to be short-lived. Once the tracker balance is paid off, which is likely to happen in the next few years, a large portion of the total costs flowing through the RRR will be eliminated, and rates will decrease nearly as quickly as they are currently increasing.

For these reasons, the Department suggested that the Commission consider stretching the recovery of the tracker balance over a period of two years as a way to mitigate the proposed increase and smooth out some of the expected volatility expected in MP's RRR rates over the next few years. The effect of this proposal on MP's proposed RRR rates is shown in Table 4.

The Department also noted, however, that MP does not earn a return on its tracker balance, and thus could be seen to be financially harmed by a decision to stretch the recovery of its tracker balance. Therefore, the Department recommended that if the Commission does not stretch the recovery of the tracker balance, and approves the rates proposed in MP's Petition, that the Commission require MP to file a new RRR petition by the end of 2015, or make a compliance filing in this Docket demonstrating that the approved rates are still reasonable. The Department notes that on November 10, 2014, MP filed a new RRR petition (Docket No. E015/M-14-962); thus, this requirement is no longer needed.

In its Reply Comments, MP stated that it currently projects total capital expenditures and contributions during the period 2014-2018 to be $1.6 billion, and that the Company's planning for these projects was based upon the expectation of current cost recovery. MP also stated that delayed cost recovery could lower its credit rating, which would harm ratepayers by raising the Company's cost of capital. If the Commission approves an extended recovery period for the Company's tracker balance, MP requested permission to earn a rate of return on the tracker balance to offset the additional costs that the Company will incur as a result of delayed recovery.

The Department continues to conclude that the RRR Rider rates proposed by MP are appropriately calculated (as modified to incorporate the appropriate cost cap for Bison 4, which does not alter the rates) and therefore recommends that the Commission approve them. Alternatively, should the Commission wish to mitigate the resulting rate increase, the Department would support spreading the tracker balance recovery over two years. In response to MP's request for the application of carrying charges should the Commission allow an extended recovery period, the Department offers the following discussion on the appropriate level of any carrying charge that may be applied.

The decision to extend the recovery of MP's tracker balance is essentially a decision to force ratepayers to accept a loan from MP, with an interest rate equal to the carrying charge. If the interest rate on that loan (i.e. the carrying charge) is too high, ratepayers will be harmed. If it is too low, MP will be harmed. While it is difficult to know what the threshold carrying charges for ratepayers and utilities are, prior Commission orders offer some guidance with respect to the carrying charge required to fairly compensate MP if its tracker balance recovery period is extended.

The Commission has found in prior dockets that due to the advantages rate riders offer utilities (i.e. prompt cost recovery – including the recovery of the authorized rate of return - outside of the normal test year framework, and before those costs have been fully scrutinized in a rate case), which arguably reduce the risks utilities face, carrying charges are unnecessary to either ensure fairness or to act as incentive.[3] However, In its September 26, 2014 Order in Docket No. E016/M-14-201 (Otter Tail's 2014 CIP Docket), the Commission approved a Conservation Cost Recovery Adjustment (CCRA) designed to spread tracker-account recovery over two years instead of one, and granted Otter Tail a carrying charge in recognition of the additional financing costs Otter Tail will incur associated with the time-value of money as a result of extending the tracker recovery period.[4] In that Docket the Commission stated that a carrying charge at Otter Tail's authorized rate of return would be "excessive," and instead used Otter Tail's cost of short-term debt as way to balance advantages offered by rider treatment with the extra financing costs associated with the extended recovery period.

In the same Order, however, the Commission stated that granting or denying carrying charges on rate-rider tracker-account balances is "a decision that must be made case by case, based on the facts at hand." The Commission also drew a distinction between the

[3] See the Commission March 10, 2014 Order in Docket No. E015/M-13-103, page 9 regarding Otter Tail Power Company's Transmission Cost Recovery Rider.
[4] See the Commission's September 26, 2014 Order in Docket No. E017/M-14-201, page 7.

types of costs that make up the tracker balances in different riders, stating that "out of pocket costs" (as opposed to CIP financial incentives) are the kind of costs "for which a rate-of-return treatment can be most readily justified."

In light of the Commission's decision in Otter Tail's 2014 CIP Docket, it seems that the added financing costs associated with an extended tracker balance recovery period would warrant some carrying charge to compensate the utility for the additional financing costs it will incur. Similar to Otter Tail, even with the extended recovery period, MP would still enjoy the benefits of a rate rider (cost recovery outside of the normal rate case framework, etc.), and thus a carrying charge that is less than MP's full authorized rate of return (e.g. MP's cost of short-term or long-term debt) would be appropriate in recognition of the reduced risk rider treatment offers.

However, the Department notes that assigning a particular type of financing (e.g. long-term debt or short-term debt) to a particular project or cost can be problematic, as in practice, financing is not assigned in this manner. Therefore, it may be more appropriate to view all of MP's individual financing needs as a single Company-wide need for funds. Taking this view, MP's authorized rate of return would be the appropriate carrying charge, as it represents MP's weighted average cost of capital.

In determining the fair carrying charge to protect MP from financial harm, the Commission should consider whether it is better for MP's ratepayers to take a loan from MP at an interest rate equal to the carrying charge in order to mitigate the proposed rate increase, or to simply endure the higher RRR rates. While it is difficult to know what the threshold carrying charge for ratepayers is, it is likely that this threshold rate is lower than MP's authorized rate of return (8.18 percent); in other words an average ratepayer experiencing difficulties in paying the higher RRR rate would theoretically be better off borrowing at a lower rate from a different lender to pay the higher RRR Rider rate to MP.

The Department notes that the rate of return and cost of long-term debt approved in MP's most recent rate case, Docket No. E015/GR-09-1151, are 8.18 percent, and 5.56 percent, respectively. MP did not have any short-term debt at the time of its last rate case, and thus no cost of short-term debt was established. If the Commission determines that MP's cost of short-term debt is the appropriate carrying charge, the Department recommends that the Commission rely on MP's most recent capital structure filing, Docket No. E015/S-14-145. As described in the Department's March 17, 2014 Comments in that Docket, MP has a multi-year credit agreement under which it can borrow at an interest rate equal to the Eurodollar rate plus a margin of 90 to 147.5 basis points, depending on its credit rating at the time. MP's current credit rating is A-, meaning it can borrow at the Eurodollar rate plus 107.5 basis points. The Eurodollar rates are the London Interbank Offered Rate (LIBOR). For reference, Table 6 calculates MP's short-term borrowing costs using LIBOR rates as of September 22, 2014.

Table 6
MP's Effective Short-Term Rates
(%)

Term	LIBOR Rates on Sept. 22, 2014	Margin	MP's Effective Short-Term Rate
3-Month	0.2356	1.0750	1.3106
6-Month	0.3304	1.0750	1.4054
12-Month	0.5817	1.0750	1.6567

III. NORTH DAKOTA INVESTMENT TAX CREDITS

MP's investments in the Bison wind projects generate North Dakota Investment Tax Credits (ND ITCs). In its response to Commission Staff Information Request 1 (Staff IR 1), MP stated that it expects to generate a total of approximately $113 million in ND ITCs as a result of these projects.[5] However, MP is not projected to have enough taxable income in North Dakota to be able to use all of the tax credits it expects to generate. The Company projects that it will be able to use only $10.7 million of the expected total of $113 million of ND ITCs. In its Petition, Exhibit B-2, footnote 6, MP stated that all ND ITCs used by the Company will be credited to ratepayers as they are used, which will lower MP's overall revenue requirements. The Company also explained in its response to Staff IR 1 that it has been unable to find ways to monetize its excess ND ITCs for the benefit of ratepayers, for example by selling its excess ND ITCs to third parties with taxable income in North Dakota.

The Department notes that MP is an operating division of ALLETE, Inc. (ALLETE). The Company stated in its response to Staff IR 1:

> Please note that for tax purposes, ALLETE is not equivalent to Minnesota Power. ALLETE, Inc. includes several disregarded entities that are considered business units for income tax purposes, although not for legal purposes, and therefore are included in the corporate level (ALLETE) tax return.

In its response to Commission Staff IR 2, MP clarified that ALLETE as a whole (including MP and various affiliates) is expected to use approximately $22 million of the ND ITCs generated by MP's investments in the Bison wind projects.[6] The Company stated:

[5] See Department Attachment 1.
[6] See Department Attachment 2.

> The difference between the $22 million of estimated consolidated ND ITC use and the MN jurisdictional estimated ND ITC use of $10.7 million, or $11.3 million, is attributable to the apportionment and income impacts of affiliated companies included in the ALLETE Inc. and subsidiaries consolidated group.

Based on MP's responses to Staff IRs 1 and 2, the Department's understanding of the Company's treatment of ND ITCs is that MP plans to consume the amount of ND ITCs necessary to reduce MP's North Dakota taxable income to zero, credit MP's ratepayers for those tax savings, and then give all remaining ND ITCs to MP's affiliates to use for the benefit of ALLETE's shareholders. The Department considers this treatment to be unreasonable.

As demonstrated in Schedule 7 of MP's 2013 North Dakota Tax Return, provided as an attachment to the Company's response to Staff IR 1, all of the ND ITCs available to MP and ALLETE are the result of MP's investments in the Bison wind projects, which are funded largely by MP's ratepayers. Therefore, the consumption of ND ITCs by affiliates of MP would represent a benefit to shareholders paid for by ratepayers, for which ratepayers would receive no compensation.

Despite MP's claim that it has been unable to find a way to monetize excess ND ITCs for the benefit of ratepayers, MP has a way to monetize $11.3 million of them – via affiliates included in ALLETE's consolidated North Dakota tax return – but has chosen not to pass these benefits on to ratepayers. Rather, MP has proposed to monetize these credits for the benefit of shareholders. While it is true that these excess ND ITCs cannot be used directly by MP due to a lack of taxable income in North Dakota, they are not worthless to MP's ratepayers, and therefore should not be simply given away to ALLETE's shareholders. Because MP's ratepayers are funding the capital investments which are generating the ND ITCs that MP's affiliates will consume (for the benefit of shareholders), the Department recommends that the Commission require MP to credit to revenue requirements all ND ITC tax credits used in ALLETE's consolidated North Dakota tax returns, not just the credits consumed by MP on a stand-alone basis.

Lastly, the Department notes that, as discussed above, MP plans to pass its ND ITCs on to ratepayers as they are used in future. Due to its accumulated net operating losses, MP projects that it will not begin to use its ND ITCs until 2018, and therefore the Commission's decision on this issue will not have an impact on the rates approved in this Docket. Additionally, because MP filed a new Renewable Resources Rider Petition on November 10, 2014 (Docket No. E015/M-14-962), it may be most efficient for the Commission to address the timing of when ND ITCs would be returned to ratepayers in Docket No. E015/M-14-962.

IV. CONCLUSION AND RECOMMENDATIONS

After review, the Department has revised its estimates of the actual costs of the projects included in MP's RRR Rider as well as its estimates of the cost caps for each of the projects. The Department concludes that all of the costs for which MP requested recovery via its RRR are reasonable with the exception of the Bison 4 costs, which should be capped at $337.7 million. Limiting Bison 4's costs in this manner has no impact on MP's proposed rates, which the Department recommends be approved.

The Department also recommends that MP be required to credit ratepayers for all ND ITCs used by MP and any of its affiliates via ALLETE's consolidated North Dakota tax return. However, because the Commission's decision on this issue will have no impact on the rates approved in this Docket, the Commission could wait until it issues an order on MP's next Renewable Resources Rider Petition in Docket No. E015/M-14-962.

/ja

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
Response Comments

Docket No. **E015/M-14-349**

Dated this 17th day of December 2014

/s/Sharon Ferguson

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_14-349_M-14-349
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	Yes	OFF_SL_14-349_M-14-349
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_14-349_M-14-349
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_14-349_M-14-349
Margaret	Hodnik	mhodnik@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_14-349_M-14-349
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_14-349_M-14-349
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_14-349_M-14-349
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_14-349_M-14-349
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-349_M-14-349
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_14-349_M-14-349
Susan	Ludwig	sludwig@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_14-349_M-14-349

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_14-349_M-14-349
Herbert	Minke	hminke@allete.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_14-349_M-14-349
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_14-349_M-14-349
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-349_M-14-349
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_14-349_M-14-349
Thomas	Scharff	thomas.scharff@newpagecorp.com	New Page Corporation	P.O. Box 8050 610 High Street Wisconsin Rapids, WI 544958050	Electronic Service	No	OFF_SL_14-349_M-14-349
Ron	Spangler, Jr.	rlspangler@otpco.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_14-349_M-14-349
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_14-349_M-14-349
Karen	Turnboom	karen.turnboom@newpagecorp.com	NewPage Corporation	100 Central Avenue Duluth, MN 55807	Electronic Service	No	OFF_SL_14-349_M-14-349