

August 3, 2018

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/M-18-375

Dear Mr. Wolf:

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

Petition of Minnesota Power for Approval of its Renewable Resources Rider and 2018 Renewable Factors.

The petition was filed on June 5, 2018 by:

Susan Ludwig
Policy Manager
Minnesota Power
30 West Superior Street
Duluth, MN 55802.

The Department recommends **approval with modifications** and is available to respond to any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ STEPHEN COLLINS
Rates Analyst

/s/ NANCY CAMPBELL
Analyst Coordinator

SC/ja
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E015/M-18-375

I. INTRODUCTION

On June 5, 2018, Minnesota Power (MP or the Company) filed a petition requesting that, pursuant to Minnesota Statutes section 216B.1645, subdivision 2a, the Minnesota Public Utilities Commission (Commission):

- Approve a rate reduction for MP's Renewable Resources Rider (RRR) effective with the implementation of final rates in the Company's ongoing general rate case (Docket No. E015/GR-16-664), which MP and the Minnesota Department of Commerce, Division of Energy Resources (Department) expect to occur on December 1, 2018, and
- Zero out the rider subfactor of the RRR rates for Large Power (LP) customers on a provisional basis effective July 1, 2018, with rates then determined on a final basis following a full comment period.

On June 26, 2018, the Department filed comments on the second and more urgent request to zero out the rider subfactor for LP customers on a provisional basis, recommending approval of a modified version of MP's request. On June 29, 2018, MP filed a letter generally agreeing to the Department's modifications, but requesting changes to the effective date and clarifying the manner of implementation. The Department filed a letter the same day supporting the additional changes and clarifications in MP's letter. On July 30, 2018, the Commission granted provisional approval of the Renewable Resource Rider billing factors as outlined in the Department's June 29, 2018 letter effective on the first day of the month following a Commission Order on the issue, or as soon as practical thereafter. Given that the Commission has now made a decision on provisional rates, these comments pertain to MP's request regarding final rates.

The details of MP's request regarding final rates are shown in the table below. The significant decrease is primarily due to MP rolling the costs of projects placed into service before 2017 into base rates, leaving only two restoration projects for the Company's 71-MW Thomson hydroelectric facility.

Table 1: MP's Requested Final RRR Rates

	<u>New Rate</u>	<u>Current Rate</u>
<u>Large Power</u>		
\$ per kW	-0.33	4.61
¢ per kWh	-0.037	0.450
<u>Other Customers</u>		
¢ per kWh	-0.096	0.598

II. BACKGROUND

As stated in the Department's June 26, 2018 comments, the RRR is a tariff containing a surcharge that, pursuant to Minnesota Statutes section 216B.1645, subdivision 2, recovers certain costs incurred to satisfy Minnesota's Renewable Energy Objectives under Minnesota Statutes section 216B.1691. MP currently uses the RRR to recover costs associated with the Company's 496.6-MW Bison wind facility (Bison) and 71-MW Thomson hydroelectric facility (Thomson) restoration projects. However, once MP implements final rates resulting from the Company's ongoing general rate case (which both the Company and the Department expect to occur around December 1, 2018) the Company will roll the costs of all facilities placed into service before 2017 into base rates, leaving only two Thomson restoration projects in the RRR. The Commission established the RRR in 2007,¹ and has approved updates to MP's RRR tariff every year or other year.²

III. DEPARTMENT ANALYSIS

The Department reviewed whether MP's request complies with Minnesota Statutes, particularly section 216B.1645, subdivision 2a, the statute under has MP requested cost recovery. The Department also reviewed whether MP's request complies with Minnesota Administrative Rules and applicable requirements in past Commission Orders.

A. MINNESOTA STATUTES SECTION 216B.1645, SUBDIVISION 2A, PARAGRAPH (B)

Paragraph (b) of Minnesota Statutes section 216B.1645, subdivision 2a specifies five filing requirements. The Department confirmed that MP has complied with each requirement, as shown in the table below.

¹ *In the Matter of a Petition for Approval of a Wind Energy Power Purchase Agreement with FPL Energy Oliver Wind II, LLC and to Implement a Renewable Resources Rider*, Docket No. E015/M-07-216, Order (May 11, 2007).

² See docket numbers E015/M-09-285, 10-273, 11-274, 13-410, 13-907, 14-349, and 14-962.

Table 2: Information Required by Section 216B.1645, Subdivision 2a, Paragraph (b)

Filing Requirement	Summary of Information Provided and Location in MP's Petition
A description of the facilities for which costs are to be recovered	Restoration and upgrade of 71-MW Thomson hydroelectric facility, specifically Thomson Spill Capacity Project and Thomson Dam 6 Project (pages 12-13)
An implementation schedule for the facilities	Thomson Spill Capacity Project was placed into service at the end of 2017; MP expects the Thomson Dam 6 project to be placed into service by the end of 2018 (pages 12-13)
The utility's costs for the facilities	MP estimated that the total costs of all Thomson project projects will be finalized at about \$95.7 of capital expenditures and allowance for funds used construction (AFUDC) net of insurance proceeds (page 13)
A description of the utility's efforts to ensure that costs of the facilities are reasonable and were prudently incurred	MP stated that the Company "utilized its standard purchasing procedures to obtain competitive quotations for most major purchases and awarded contracts to the lowest bidder(s), unless a better overall value could be obtained" but that "[i]n some cases, contracts were awarded on a single source basis to qualified contractors based on utilizing existing partnering agreements or based upon original equipment manufacturer considerations." (page 13)
A description of the benefits of the project in promoting the development of renewable energy in a manner consistent with this chapter	The projects are "key components" of MP's plan to satisfy Minnesota's Renewable Energy Standard

B. MINNESOTA ADMINISTRATIVE RULES PART 7829.1300

As MP's petition is a miscellaneous filing, it also must comply with the filing requirements in Minnesota Administrative Rules part 7829.1300, subparts 1 through 3, which state:

Subpart 1. Summary. A miscellaneous filing must include, on a separate page, a one-paragraph summary of the filing, sufficient to apprise potentially interested parties of its nature and general content.

Subp. 2. Service. The filing party shall serve copies of each miscellaneous filing on which commission action is required within 60 days of filing, on the persons on the applicable general service list, on the department, and on the Office of the Attorney General. For other filings, the filing party may serve the summary

described in subpart 1 on persons on the applicable general service list. The filing party shall serve with the filing or the summary a copy of its general service list for the filing.

Subp. 3. Content of filing. In addition to complying with specific requirements imposed by statute or rule, miscellaneous filings must contain at least the following information:

- A. the name, address, and telephone number of the filing party, without abbreviation;
- B. the name, address, electronic address, and telephone number of any attorney that represents the filing party in the matter, if so represented;
- C. the date of the filing and the date the proposed rate or service change, if any, will go into effect;
- D. the statute that the utility believes controls the time frame for processing the filing;
- E. the signature, electronic address, and title of the utility employee responsible for the filing; and
- F. if the contents of the filing are not established by statute or another commission rule, a description of the filing, its impact on rates and services, its impact on any affected person, and the reasons for the filing.

The Department confirmed that MP complied with the 7829.1300 requirements.

C. MINNESOTA STATUTES SECTION 216B.1645, SUBDIVISION 2A

Paragraph (a) of Minnesota Statutes section 216B.1645, subdivision 2a states as follows:

A utility may petition the commission to approve a rate schedule that provides for the automatic adjustment of charges to recover prudently incurred investments, expenses, or costs associated with facilities constructed, owned, or operated by a utility to satisfy the requirements of section 216B.1691, provided those facilities were previously approved by the commission under section 216B.2422 or 216B.243, or were determined by the commission to be reasonable and prudent under section 216B.243, subdivision 9. For facilities not subject to review by the commission under section 216B.2422 or 216B.243, a utility shall petition the commission for eligibility for cost recovery under this

section prior to requesting cost recovery for the facility. The commission may approve, or approve as modified, a rate schedule that:

(1) allows a utility to recover directly from customers on a timely basis the costs of qualifying renewable energy projects, including:

(i) return on investment;

(ii) depreciation;

(iii) ongoing operation and maintenance costs;

(iv) taxes; and

(v) costs of transmission and other ancillary expenses directly allocable to transmitting electricity generated from a project meeting the specifications of this paragraph;

(2) provides a current return on construction work in progress, provided that recovery of these costs from Minnesota ratepayers is not sought through any other mechanism;

(3) allows recovery of other expenses incurred that are directly related to a renewable energy project, including expenses for energy storage, provided that the utility demonstrates to the commission's satisfaction that the expenses improve project economics, ensure project implementation, advance research and understanding of how storage devices may improve renewable energy projects, or facilitate coordination with the development of transmission necessary to transport energy produced by the project to market;

(4) allocates recoverable costs appropriately between wholesale and retail customers;

(5) terminates recovery when costs have been fully recovered or have otherwise been reflected in a utility's rates.

The Department addresses compliance with these requirements below.

1. The investments, expenses, or costs for the projects must be prudently incurred

MP's petition states the following regarding this requirement:

Minnesota Power has employed multiple steps to help ensure the lowest costs to customers on projects recoverable through the Renewable Resources Rider. Minn. Stat. § 216B.1645, subd. 2a(b)(4). Minnesota Power utilized its standard purchasing procedures to obtain competitive quotations for most major purchases and awarded contracts to the lowest bidder(s), unless a better overall value could be obtained. In some cases, contracts were awarded on a single source basis to qualified contractors based on utilizing existing partnering agreements or based upon original equipment manufacturer considerations. Minnesota Power will provide any additional information deemed necessary, as part of notice and comment, for the Commission to conclude that “the utility’s efforts to ensure that costs of the facilities are reasonable and were prudently incurred.” Minn. Stat. § 216B.1645, subd. 2a(b)(4).

Given that the Commission has capped the amount MP can recover for the Thomson Restoration Project under the RRR, as discussed later in these comments, the Department concludes that in this instance the information provided by MP is sufficient to demonstrate that the investments, expenses or costs of the projects were prudently incurred. Therefore, MP has satisfied this requirement.

2. *The projects must be associated with facilities constructed, owned, or operated by a utility to satisfy the requirements of section 216B.1691*

On March 5, 2015, the Commission issued an Order in Docket No. E015/M-14-577 (14-577 Order) stating as follows:³

The Commission finds that the investments and expenditures for Minnesota Power’s Thomson Restoration Project have been entered into to satisfy the renewable energy standards set forth in Minn. Stat. § 216B.1691.

Therefore, the projects satisfy this requirement.

3. *The Commission has stated that the projects are eligible for cost recovery under Minnesota Statutes section 216B.1645*

The 14-577 Order also stated the following:

³ *In the Matter of the Petition of Minnesota Power for an Eligibility Determination Under Minn. Stat. § 216B.1645 for Investments and Expenditures for the Thomson Restoration Project, Docket No. E015/M-14-577, Order Finding Costs Eligible for Rider Recovery (March 5, 2015) (14-577 Order), Order Point 1.*

The Commission finds that investments and expenditures for Minnesota Power's Thomson Restoration Project meet the eligibility requirements under Minn. Stat.

§216B.1645, subdivision 1, allowing Minnesota Power to file a petition under Minn. Stat. §216B.1645, subdivision 2a, seeking recovery of specific costs associated with the Project.⁴

Therefore, the projects satisfy this requirement.

4. *MP's proposed rate schedule provides a current return on construction work in progress, provided that recovery of these costs from Minnesota ratepayers is not sought through any other mechanism*

MP's petition states the following regarding construction work in progress (CWIP):

Minnesota Power will record capital expenditures related to the Renewable Resources Rider in Federal Energy Regulatory Commission ("FERC") Account 107 – CWIP. Minnesota Power is requesting a current return on CWIP on the components that are not yet placed in-service beginning when cost recovery under the Rider is approved by the Commission. A return on CWIP will be the only component of revenue requirements recovered under the Rider until the components not yet in-service are placed in-service. Consistent with the terms of the 2011 Transmission Cost Recovery Factor Filing [footnote omitted] and subsequent filings, internal capitalized costs are excluded from the CWIP balances as shown in Exhibit B-3. In compliance with the terms of the 2013 Renewable Resources Factor Filing, [footnote omitted] allowance for funds used during construction ("AFUDC") on internal capitalized costs is excluded from CWIP balances as shown in Exhibits [sic] B-3.

... Revenue requirements during the construction phase of the projects will be based on the average monthly CWIP balance of the RRR projects. The Return on Investment – CWIP will be calculated on the average of the beginning and ending monthly CWIP balance until the projects are placed in-service. The components of the revenue requirement will include an after-tax return on equity component, current and deferred income taxes, and interest expense. The total annual revenue requirements are the sum of the monthly current return on CWIP calculations until the projects are placed in-service. At that time, the ending CWIP balance is transferred to plant in-service and Minnesota Power will begin to recover full revenue requirements. Internal capitalized costs and

⁴ 14-577 Order, Order Point 2.

AFUDC on internal costs are excluded from the CWIP balances as shown in Exhibits B-3.

Based on this information, the Department concludes that MP has satisfied this requirement.

5. *MP's proposed rate schedule allows a MP to recover directly from customers on a timely basis the costs of qualifying renewable energy projects, including (i) return on investment; (ii) depreciation; (iii) ongoing operation and maintenance costs; (iv) taxes; and (v) costs of transmission and other ancillary expenses directly allocable to transmitting electricity generated from a project meeting the specifications of this paragraph*

The Department reviewed each component of MP's proposed revenue requirement to ensure reasonableness and consistency with the above requirements, and identified the following issues.

a. Return on Investment

MP has proposed to calculate both the return on equity and return on debt (interest expense) components of the RRR revenue requirement using the capital structure and rate of return from the Company's 2009 rate case, Docket No. E015/GR-09-1151.

The Department concludes that it would be more appropriate to instead use the capital structure and rate of return recently approved in the March 12, 2018 Order in the Company's most recent rate case, Docket No. E015/GR-16-664. The rate of return and capital structure approved in MP's general rate case earlier this year are more recent and therefore more accurately reflect MP's cost of service. **Therefore, the Department recommends that the Commission require MP to use the rate of return and capital structure approved in the March 12, 2018 Order in Docket No. E015/GR-16-664 in calculating the Company's final RRR rates and refund customers for any resulting overcollection during the provisional RRR rate period. The Department also requests that MP show in its reply comments the effect of this adjustment.**

b. Impact of the Tax Cuts and Jobs Act of 2017

MP has proposed to incorporate the impacts of the Tax Cuts and Jobs Act of 2017 (TCJA) as follows:

The 2018 revenue requirements do not reflect any changes due to the 2017 Federal Tax Act. Once determinations have been made in the Commission's Investigation Regarding the Tax Cuts and Jobs Act of 2017, [Docket No. E,G999/CI-17-895] the Company will update the RRR tracker and incorporate the

impacts in the subsequent factor filing. The anticipated updates are the removal of 40 percent bonus tax depreciation on projects placed in service, and the reduction in the federal tax rate from 35 percent to 21 percent.

The Department concludes that it would be more appropriate to update the RRR revenue requirements to include the tax changes, since the tax changes are already in effect and therefore are more representative of the cost of service. **Therefore, the Department recommends that the Commission require MP to use current tax rates and treatment in calculating the Company's RRR rates, and refund customers for any resulting overcollection during the provisional RRR rate period. The Department also requests that MP show in its reply comments the effect of this adjustment.**

c. Accumulated Deferred Income Taxes

Regarding accumulated deferred income taxes (ADIT), MP has proposed to include "the prorata deferred tax calculation ... for one month, resulting in a minimal impact on the deferred tax liability." The Department concludes that this proposal is reasonable as long as MP true-up the ADIT figures to actual not prorated ADITs in their true-up calculation, as such treatment would negate any positive or negative impacts from MP's proposal. **The Department requests that MP confirm that it plans to true-up ADIT figures as such. If not, the Department recommends that the Commission require MP to do so. Alternatively, since MP's implementation date of December 1, 2018 results in only one month of forecasted costs, and therefore one month of prorated ADIT, the Commission could move the implementation date back one month to January 1, 2019 to eliminate forecasted costs and the need for proration.**

d. Application of Jurisdictional and Class Allocators

MP has proposed to defer use of the Company's most recently approved jurisdictional and class allocators (in Docket No. E015/GR-16-664) until December 1, 2018, since that is when the Company anticipates implementing final rates in Docket No. E015/GR-16-664. Since the Commission has already approved the updated jurisdictional and class allocators, the Department views the updated allocators as the most reflective of MP's cost characteristics. **Therefore, the Department recommends that the Commission require MP to use the most recently approved jurisdictional and class allocators in calculating the Company's RRR rates and refund customers for any resulting over- or under-collection during the provisional RRR rate period. The Department also requests that MP show in its reply comments the effect of this adjustment.**

6. *MP's proposed rate schedule allows recovery of other expenses incurred that are directly related to a renewable energy project, including expenses for energy storage, provided that MP satisfactorily demonstrates that the expenses improve project economics, ensure project implementation, advance research and understanding of how storage devices may improve renewable energy projects, or facilitate coordination with the development of transmission necessary to transport energy produced by the project to market*

MP did not appear to request recovery for other such expenses. Regardless, the Department believes this requirement is addressed through the cost cap for Thomson Hydro costs that MP must adhere to in the RRR, addressed later in these comments. Therefore, the Department concludes that MP's petition complies with this requirement.

7. *MP's proposed rate schedule allocates recoverable costs appropriately between wholesale and retail customers*

The Department discusses this issue above in its review of MP's proposed application of jurisdictional and class allocators.

8. *MP's proposed rate schedule terminates recovery when costs have been fully recovered or have otherwise been reflected in a utility's rates*

MP will not move the costs of the two Thomson projects into base rates when the Company implements final base rates as part of the ongoing rate case. Therefore, MP's proposed rate schedule satisfies this requirement.

D. MINNESOTA STATUTES SECTION 216B.03

Minnesota Statutes section 216B.03 requires that rates be just and reasonable. To ensure compliance with this statute, the Department reviewed MP's rate design proposal. The Department confirmed that MP's proposal is consistent with past RRR rate designs as approved by the Commission. The Department continues to conclude that this rate design is just and reasonable.

E. ORDER ISSUED MARCH 5, 2015 IN DOCKET NO. E015/M-14-577

On March 5, 2015, the Commission issued an Order in Docket No. E015/M-14-577 limiting cost recovery for the Thomson Restoration Project under the RRR as follows:⁵

⁵ 14-577 Order, Order Point 4.

Minnesota Power's cost recovery through the renewable rider shall be no more than the amount of Minnesota Power's cost estimates as detailed in Attachment C to the Department's November 17, 2014, comments in this matter. The Company will have the opportunity to seek recovery of other costs on a prospective basis.

Page 81 of 84 of the referenced Attachment C sets out estimated capital expenditures and allowance for funds used during construction (AFUDC) net of internal costs, AFUDC on internal costs, and insurance proceeds of \$84,057,574. Net of only insurance proceeds, the total estimated costs were \$90,202,309.

Minnesota Power's petition states the following regarding the referenced cost recovery requirements:

Currently the Company estimates the overall project costs will be finalized at about \$95.7 million, net of insurance proceeds. In order to remain within the maximum level of capital expenditures approved in the original Petition, capital expenditures, net of insurance proceeds, were capped in both the 2017 and current 2018 Renewable Resources Factors at \$90.4 million.

As shown above, to the Department's understanding, recovery of capital expenditures and AFUDC net of insurance proceeds was capped at \$90,202,309,⁶ not \$90,400,000 as MP stated. **Therefore, the Department recommends that Commission require MP to cap recovery of such costs at \$90,202,309 instead of MP's asserted \$90,400,000. The Department also requests that MP show in its reply comments the effect of this adjustment.**

F. ORDER ISSUED NOVEMBER 8, 2017 IN DOCKET NO. E015/M-16-776

The Commission's most recent RRR Order set forth the following requirement for future RRR filings:⁷

Required MP to return any amortized federal investment tax credits associated with Thomson Hydro to ratepayers through future RRR filings until they can be included in base rates in a subsequent rate case.

⁶ \$90,202,309 equals \$97,184,090 in capital expenditures plus \$3,838,219 in AFUDC minus \$10,820,000 in insurance proceeds. See page 81 of 84 of the Attachment C cited in the Commission's cost-recovery Order.

⁷ *In the Matter of Minnesota Power's 2017 Renewable Resources Rider Rate Factors*, Docket No. E015/M-16-776, Order (November 8, 2017).

MP has stated that the Company has not begun to amortize the investment tax credits because the credits haven't been utilized. Therefore, MP is in compliance with this requirement.

G. ORDER ISSUED MARCH 12, 2018 IN DOCKET NO. E015/GR-16-664

The 16-664 Order also set forth the following requirement regarding the RRR:⁸

Minnesota Power shall ... perform an annual true-up of actual production tax credits through the Renewable Resources Rider.

MP stated the following regarding this requirement:

The Commission's March 12, 2018 Order in the Company's rate case directed Minnesota Power to perform an annual true-up of actual production tax credits through the Renewable Resources Rider (see Order Point 37). Those amounts have been included in the calculation of the RRR factor as shown in Exhibit B-1, page 1, and are shown in detail in Exhibit B-2, page 8.

... The PTCs generated from the Bison wind projects were rolled into base rates starting January 1, 2017 in the Company's current rate case. As discussed previously, the 2018 RRR Factor includes a PTC true-up for the amount included in base rates compared to the 2017 amounts. This true-up is shown in Exhibit B-2, page 8.

Based on this information, the Department concludes that MP has complied with this requirement.

H. ORDER ISSUED MARCH 16, 2018 IN DOCKET NO. E015/AI-17-304

The Commission's March 16, 2018 Order in Docket No. E015/AI-17-304 states:

Using its Renewable Resource Rider, Minnesota Power shall reimburse its ratepayers as follows:

A. As the price of the Bison 6 LGIA [Large Generator Interconnection Agreement], the utility shall credit to ratepayers a lump sum equal to \$121,179, or more to the extent that the accumulated costs and fees related to this transaction exceed \$100,000. As part of its Renewable Resource Rider petition,

⁸ *In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. E015/GR-16-664, Findings of Fact, Conclusions, and Order (March 12, 2018), Order Point 37.

Minnesota Power shall provide an accounting of costs incurred—including all legal, state and federal regulatory costs—related to this matter.

B. The utility shall also credit to ratepayers a lump sum equal to Bison 6's share of the capital costs that Minnesota Power spent on the transmission line and related facilities supporting the Bison 6 LGIA. The utility shall also credit to ratepayers an amount equal to the revenue requirement—both return on equity and depreciation—arising in its current rate case [footnote omitted] from Bison 6's share of transmission costs that will be allocated to ACE as a result of this transaction.

C. The utility shall also credit to ratepayers an ongoing sum reflecting Bison 6's share of costs to operate and maintain the transmission facilities, including taxes other than income tax based on the utility's latest Transmission Schedule O.

D. Minnesota Power shall calculate the relevant sums as of February 4, 2018.

MP stated the following regarding the above requirements.

The Commission's March 16, 2018 Order in the The [sic] Company's Affiliate Interest Agreement petition between ALLETE, Inc. and ALLETE Clean Energy Inc. [Docket No. E015/AI-17-304] directed Minnesota Power to use the Renewable Resources Rider to reimburse its ratepayers for certain costs associated with the Bison 6 LGIA transfer. On April 17, 2018 and May 7, 2018, the Company filed Compliance Filings with the Commission which provided the detail of these cost amounts. The 2018 RRR calculations include reimbursements as documented in the Company's April 17 and May 7 Compliance Filings. Those amounts have been included in the calculation of the RRR factor as shown in Exhibit B-1, page 1, and are shown in detail in Exhibit B-2, page 7.

The Department reviewed Exhibit B-2, page 7, and concludes that MP has complied with the Order's requirements.

I. ENERGY PRODUCTION AT THE BISON PROJECTS

In past reviews of MP's RRR petitions, the Department has expressed concerns about the level of underproduction of the Bison projects relative to the production MP cited to demonstrate the projects were cost-effective in their respective eligibility filings. While these projects are now being rolled into base rates, the Department has committed to continue monitoring the performance of Bison projects in RRR dockets. **Therefore, the Department requests that MP provide the actual production for the Bison projects over the prior year and explain any**

underperformance compared to the 1,888,000 MWh assumed in the eligibility filings.⁹ The Department also recommends that the Commission require MP to continue providing this information in all future RRR filings.

IV. DEPARTMENT RECOMMENDATION

The Department recommends that the Commission approve MP's petition to implement final RRR rates, but modify the calculation of final RRR rates as follows and refund to customers any resulting overcollection during the provisional RRR rate period:

- use the rate of return, capital structure, jurisdictional allocators, and class allocators approved in the March 12, 2018 Order in Docket No. E015/GR-16-664;
- use current tax rates and treatment, as updated in the Tax Cuts and Jobs Act of 2017; and
- cap recovery of capital expenditures and AFUDC net of insurance proceeds at \$90,202,309 instead of MP's asserted \$90,400,000.

The Department requests that MP show the effect of the above adjustments in the Company's reply comments.

The Department requests that MP's reply comments also provide the actual production for the Bison projects over the prior year and explain any underperformance compared to the 1,888,000 MWh assumed in the eligibility filings. The Department also recommends that the Commission require MP to continue providing this information in all future RRR filings.

Lastly, the Department requests that MP confirm that the Company plans to true up ADIT figures to actual - not prorated - ADITs in their true-up calculation. If not, the Department recommends that the Commission require MP to do so. Alternatively, since MP's implementation date of December 1, 2018 results in only one month of forecasted costs, and therefore one month of prorated ADIT, the Commission could move the implementation date back one month to January 1, 2019 to eliminate forecasted costs and the need for proration.

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⁹ The eligibility dockets are as follows: Bison 1 – E015/M-09-285, Bison 2 – E015/M-11-234, Bison 3 – E015/M-11-626, and Bison 4 – E015/M-13-907.

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
Comments**

Docket No. E015/M-18-375

Dated this 3rd day of August 2018

/s/Sharon Ferguson

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