



AN ALLETE COMPANY

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VIA E-FILING

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: In the Matter of the Petition of Minnesota Power Under Minnesota Statutes
Section 216B.49 for Approval of its Capital Structure And Authorization to
Issue Securities
Docket No. E015/S-19-170

Dear: Mr. Wolf;

Minnesota Power (or “the Company”) is an operating division of ALLETE, Inc. (“ALLETE”). In addition to Minnesota Power, ALLETE owns several business that provide affordable, reliable energy services primarily in the Upper Midwest. Because of its ownership structure, each year Minnesota Power submits to the Minnesota Public Utilities Commission (“Commission”) for approval a consolidated capital structure inclusive of all businesses, regulated and unregulated, owned by ALLETE. On September 5, 2018, the Commission issued an order (“2018 Order”)¹ approving Minnesota Power’s 2018 Capital Structure and Authorization to Issue Securities. Included in the 2018 Order is approval of ALLETE’s equity ratio contingency of plus/minus 10 percent around its 2018 proposed equity ratio. Per the 2018 Order, equity ratios outside this range may not exceed a period of 60 days without Commission approval. On February 19, 2019, the Company filed a Petition with the Commission seeking approval for its 2019 Capital Structure and Authorization to Issue Securities, including approval of a total equity ratio of 56.40% with a contingency window of +/-10% (50.76% to 62.04%). Minnesota Power respectfully requests to modify the Company’s initial request seeking approval to set the contingency window of +/-10% (50.76% to 62.04%) for the total equity ratio. Rather, the Company now seeks Commission approval to set a threshold of 10 percent (-10% or 50.76%) below the total equity ratio of 56.40% and not set a maximum amount or cap for the total equity ratio.

¹ Docket No. E-015/S-18-155.

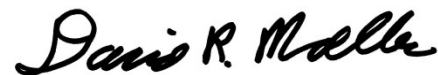
Minnesota Power has moved faster and farther than other utilities in the Midwest to deliver renewable energy to its customers. Just 15 years ago, the Company's energy mix was 95 percent coal. The Company has dramatically reduced coal on its system, having retired seven of its nine coal units while increasing its renewable mix to 30 percent through an innovative mix of wind, solar, hydro and biomass. Similar to Minnesota Power, the other ALLETE businesses are exploring and executing on innovative and creative opportunities as they work to proactively navigate this rapidly evolving energy industry. The non-regulated businesses at ALLETE in particular carry more equity in order to meet financial metric thresholds for rating agency expectations. As a result, the potential exists that ALLETE's equity ratio could increase by an amount greater than allowed by the +10% contingency window requested in the Company's February 19, 2019 Petition. Commission approval of the requested modification will have no financial impact to Minnesota Power customers. The request is specific to equity; Commission approval will not impact any parameters set by the Commission specific to Company debt or to the authorized capitalization amount. Additionally, the requested removal of the equity cap will not impact Minnesota Power's capital structure in its next general rate case filing as equity and debt at non-regulated businesses are carved out to determine the Company's regulated capital structure.

As described in recent capital structure petitions, Minnesota Power's has undertaken significant efforts to strategically and thoughtfully preserve the long-term financial health of Minnesota Power and the broader ALLETE organization. Removal of the equity cap is an important component of that strategy as it will allow more flexibility for ALLETE subsidiaries to invest in energy projects.

As part of this strategy, Minnesota Power is evaluating conversion to a holding company structure which, among other benefits, would address future concerns of exceeding an equity ratio contingency cap set at +10 percent. Under a holding company structure, financial actions taken by ALLETE for its non-regulated businesses would be more clearly separated from Minnesota Power's regulated business than it is under the current operating division structure. The Company would support reimplementing of an equity cap should ALLETE become a holding company.

Minnesota Power appreciates the Commission's consideration of this request. Please do not hesitate to contact me at the number above if you have any questions regarding this letter.

Yours truly,



David R. Moeller

DRM:sr

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

SUSAN ROMANS of the City of Duluth, County of St. Louis, State of Minnesota, says that on the **24th** day of **June, 2019**, she served Minnesota Power's Letter in **Docket No. E015/S-19-170** on the Minnesota Public Utilities Commission and the Office of Energy Security via electronic filing. The persons on E-Docket's Official Service List for this Docket were served as requested.



Susan Romans