



AN ALLETE COMPANY

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August 25, 2021

VIA E-FILING

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

**Re: In the Matter of Minnesota Power's Petition for
Approval of a Transmission Cost Recovery Rider
under Minn. Stat. § 216B.16, subd. 7b.
Docket No. E015/M-20-900
Supplemental Comments**

Dear Mr. Seuffert:

Minnesota Power (or the "Company") submits to the Minnesota Public Utilities Commission ("Commission") these Supplemental Comments in response to the Department of Commerce, Division of Energy Resources ("Department") Response Comments filed on August 6, 2021, in the above-referenced Docket. On June 18, 2021, the Department filed Initial Comments following review of the Company's December 28, 2020 Petition ("2021 TCR Petition") seeking Commission approval of its 2021 rate adjustment mechanism under its Rider for Transmission Cost Recovery ("TCR"). The Department recommended that Minnesota Power provide additional information on several items in its Reply Comments including an estimate of the Company's embedded cost of debt and capital structure for 2021.

On July 14, 2021, the Company submitted to the Commission its Reply Comments with the requested information. In these Supplemental Comments, Minnesota Power reiterates that for the past fourteen years,¹ only the capital structure and allowed rate of return from the most recently approved rate case has been used in its rate of return calculation in each of its filings submitted under all Commission-approved riders (TCR, Renewable Resources Rider, Solar Factor Adjustment under the Renewable Resources

¹ In the Matter of Minnesota Power's Petition for Approval of a Transmission Cost Recovery Rider under Minn. Stat. § 216B.16, subd. 7b approved by the Commission in an order dated December 7, 2007 (Docket No. E015/M-07-965).

Rider, Rider for Boswell Unit 4 Emission Reduction, etc.). Recent examples include the 2019 TCR Petition² approved by the Commission in an order dated December 3, 2020, and the 2020 Solar Renewable Factor Petition³ approved in an order dated April 20, 2021. The use of any other embedded cost of debt and capital structure in the rate of return calculation for the 2021 TCR would be a significant and unjustified deviation from prior rider filings. This would also be inconsistent with the transmission rider statute which: “allows a return on investment at the level approved in the utility's last general rate case, unless a different return is found to be consistent with the public interest”. Minn. Stat. § 216B.16, subd. 7b(b)(6). The Department has not provided any justification why Minnesota Power’s currently authorized cost of debt is inconsistent with the public interest. The determination of the embedded capital costs to be used in ratemaking is a detailed undertaking that is best evaluated in the thorough, rigorous process of a rate case.

Minnesota Power continues to oppose the Department’s recommendation that the Company be required to incorporate updated actual net RECB expenses before implementing an updated transmission factor. The following is an overview of the RECB expenses confirmation process:

- Minnesota Power compiles the RECB data for the specified time period and submits it to Midcontinent Independent System Operation (“MISO”) for review.
- MISO reviews the data and works with Minnesota Power to resolve any discrepancies.
- MISO “confirms” that the data is correct through a formal sign off process once all discrepancies, if any, are resolved.
- MISO is not bound to any specified timeframe to review the data. Historically, the confirmation process has, on average, taken two to four weeks to complete.

As part of the TCR revenue requirements development process, the Company requests confirmation of RECB expenses from MISO for the most updated information it has. For the 2021 TCR Petition that was filed on December 28, 2020, actual expenses through August 2020 were included. Order Point 7 of the Commission’s December 3, 2020 Order requires Minnesota Power to file its TCR Factor filing annually; therefore, the Company

² Docket No. E015/M-19-440 submitted on July 9, 2019.

³ Docket No. E015/M-20-557 submitted to the Commission on June 30, 2020.

will also be initiating the RECB expense confirmation process annually. Once confirmation is received, the TCR tracker will be updated with the actual RECB expenses.

The numbers submitted in each of Minnesota Power's initial filings included projections for RECB and capital projections for each of the rider projects. Requiring the Company to update one set of numbers part way through the docket, would only result in additional work by all parties: Minnesota Power and MISO in the confirmation process; the Company in preparing and submitting updated revenue requirements; and the Department and Commission Staff in reviewing the updated revenue requirements. The rate put in place would likely be very similar to the rate Minnesota Power is already asking to put in place, and would not lead to a significantly different recovery, providing little if any benefit and would unnecessarily delay implementation of the updated TCR Factor, especially when considering that the 2019 TCR Petition took approximately seventeen months to go through the regulatory review process, and the 2021 TCR Petition is in its eighth month of the regulatory review process. The delay in implementation of the factor is one of the primary reasons that Minnesota Power's tracker was under-recovered by more than \$30 million at the end of 2020. Adding additional unnecessary steps to the review process will likely only make this worse.

Minnesota Power appreciates the time and effort by the Department to review the Company's 2021 TCR Petition and Reply Comments. Minnesota Power respectfully requests that the Commission not accept the recommendations of the Department specific to the use of the capital structure and allowed rate of return from the most recently approved rate case in its rate of return calculation, and updating the actual net RECB expenses before implementing an updated transmission factor. The Company looks forward to a hearing on this matter.

Please contact me at (218) 355-3601 or lhoyum@mnpower.com with any questions related to this matter.

Yours truly,



Lori Hoyum
Regulatory Compliance Administrator

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 25th day of August, 2021, she served Minnesota Power's Supplemental Comments in **Docket No. E015/M-20-900** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The persons on E-Docket's Official Service List for this Docket were served as requested.



Tiana Heger