

December 12, 2014

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

RE: Supplemental Comments
Docket No. E015/M-14-577

Dear Dr. Haar:

The Minnesota Department of Commerce (Department) submits these brief supplemental comments to respond to the reply comments of Minnesota Power (MP or the Company) filed on November 24, 2014. In its reply, the Company requested that the Minnesota Public Utilities Commission (Commission) determine that the Thomson reconstruction project is eligible for cost recovery as of the November 13, 2014 in-service date of the repaired facility. As discussed below, the Department concludes that this request is inconsistent with Commission determinations in past dockets.

In Docket No. E002/M-12-50, the Commission approved a request by Xcel Energy (Xcel) to recover costs under Minn. Stat. § 216B.1645 associated with rebuilding a transmission line on the Buffalo Ridge that was necessary for wind outlet. While the Commission's February 7, 2014 allowed recovery for the Buffalo Ridge Restoration project beginning in January 1, 2012, it did not allow recovery dating back to the in-service date of the project in December, 2011. As the 2011 rates had been set previously in a separate docket and Xcel had not previously requested approval, the Commission concluded that "[i]ncluding these projects' 2011 revenue requirements in the tracker true-up would result in retroactive ratemaking." Therefore, the Commission disallowed the 2011 revenue requirements for the Buffalo Ridge Restoration project as well as for two other projects.

Further, the Department notes that, for projects that are still under construction, the date of the Commission's Order has been used to determine when cost recovery can begin. For example, the Commission determined that MP's Bison 4 project was eligible for rider recovery on January 17, 2014 in Docket No. E015/M-13-907. Thus, MP's 2014 renewable rider filing¹ includes a return on Construction Work in Progress (CWIP) beginning in February 2014.²

¹ Docket No. E015/M-14-349

² Prior to February 2014, AFUDC is accrued.

Finally, the Department notes that MP has filed petitions for approval of renewable rider factors in Docket Nos. E015/M-14-349 and E015/M-14-962 for 2014 and 2015, respectively. If the Commission finds that the Thomson project is eligible for cost recovery through the renewable rider, the Commission could allow MP to amend its filing in Docket No. E015/M-14-962³ to include recovery of the revenue requirements for the Thomson project beginning on January 1, 2015, or, alternatively, the Commission could determine that recovery should begin at the date of the Commission's Order in this proceeding.

The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ CHRISTOPHER SHAW
Rates Analyst

CS/ja

³The 2015 renewable rider factor filing was filed on November 10, 2014 and has not yet been analyzed.

CERTIFICATE OF SERVICE

I Marcella Emeott, 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
Supplemental Comments**

Docket No. E015/M-14-577

Dated this 12th day of December 2014

/s/Marcella Emeott

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