



March 5, 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 Petition for Approval of a Transmission Cost  
Recovery Rider under Minn. Stat. § 216B.16, subd. 7b.  
Docket No. E015/M-19-440  
Reply Comments to Notice**

Dear Mr. Seuffert:

Minnesota Power submits to the Minnesota Public Utilities Commission its Reply Comments in response to the February 19, 2021 Department of Commerce, Division of Energy Resources ("Department") Initial Comments in the above-referenced Docket. On December 21, 2020, the Commission issued a Notice of Comment Period for the Minnesota Power's 2019 Transmission Cost Recovery compliance filing submitted on December 10, 2020, and the Federal Energy Regulatory Commission's ("FERC") December 4, 2020 final public FERC Audit Report and Order from its recent audit of the Minnesota Power's wholesale transmission rates.

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

Yours truly,



Lori Hoyum  
*Regulatory Compliance Administrator*

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Attach.

**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

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In the Matter of Minnesota Power’s Petition for the  
2019 Approval of a Transmission Cost Recovery  
Rider under Minn. Stat. § 216B.16, subd. 7b

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Docket No. E015/M-19-440  
**REPLY COMMENTS**

**I. INTRODUCTION**

Minnesota Power (or the “Company”) submits to the Minnesota Public Utilities Commission (“Commission”) its Reply Comments in the above-referenced Docket. On December 21, 2020, the Commission issued a Notice of Comment Period (“Notice”) for the Minnesota Power’s 2019 Transmission Cost Recovery (“TCR”) compliance filing submitted on December 10, 2020 (“Compliance Filing”), and the Federal Energy Regulatory Commission’s (“FERC”) December 4, 2020 final public FERC Audit Report and Order<sup>1</sup> from the recent FERC audit of the Company’s wholesale transmission rates. The Commission approved Minnesota Power’s 2019 Transmission Factor in an order dated December 3, 2020. The approved factor was applied to customer bills on January 1, 2021.

On February 19, 2021, the Department of Commerce – Division of Energy Resources (“Department”) submitted Comments in response to the Notice. The Department stated in its February 19, 2021 Comments, “*The Department expects to recommend that the Commission accept Minnesota Power’s December 10, 2020 compliance filing, and we will provide our final recommendation after reviewing the information requested from the Company in the instant comments...*” Specifically, the Department requested Minnesota Power provide the additional information identified and responded to by the Company in Section II.

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<sup>1</sup> FERC Docket No. FA20-2-000.

## II. REQUESTED INFORMATION

The Department requested that Minnesota Power submit the following information into the above-referenced Docket. The Company’s responses are as follows.

- A clarification as to whether the Great Norther Transmission Line (“GNTL”) and Dog Lake credits shown in Minnesota Power’s Revised Exhibit B-2 represent the total credit amount for the whole year of 2019 or solely for the month of December.

*The GNTL and Dog Lake credits shown in Revised Exhibit B-2 represents the entire year, but since the year had ended, the Company dropped the entire amount into the last month of the year. This is consistent with the information presented in Table 2 and Table 3 (pages 11 and 12, respectively) of Minnesota Power’s February 24, 2020 Reply Comments in the above-referenced Docket.*

- Supporting calculations that demonstrate how the Company arrived at the GNTL and Dog Lake credit amounts shown in Minnesota Power’s Revised Exhibit B-2.

*Consistent with the information presented in Table 2 and Table 3 (pages 11 and 12, respectively) of Minnesota Power’s February 24, 2020 Reply Comments in the above-referenced Docket, the Company provides the requested supporting calculations.*

*Table 1 - Dog Lake Net Credits Supporting Calculations*

<b>MISO Mechanism</b>	<b>Amount</b>
Total net Attachment O revenue requirements	\$67,430,920
Dog Lake revenue requirements	\$356,433
Percent of Total	0.53%
Base transmission revenues collected from other utilities	\$2,943,407
Amount applicable to Dog Lake: \$2,943,407 x 0.53% =	\$15,559

Table 2 – GNTL Net Credits Supporting Calculations

MISO Mechanism	Amount
Total net Attachment O revenue requirements	\$67,430,920
GNTL revenue requirements	\$17,652,189
Percent of Total	26.18%
Base transmission revenues collected from other utilities	\$2,943,407
Amount applicable to GNTL: \$2,943,407 x 26.18%=	\$770,530

- An explanation and supporting information/calculations (including specific references to the TCR Rider and 2016 rate case) addressing whether and to what extent (in dollar terms) the FERC’s Finding 1 impacted the Company’s calculations of the TCR Rider and the Company’s 2017 test year in its 2016 rate case.

*The AFUDC included in the rider calculations is correct. The only AFUDC that has been included in the transmission rider is AFUDC prior to retail recovery, AFUDC on internal costs, and, if a project was capped in the transmission rider, then AFUDC after the project was capped.*

*The Company inadvertently included the AFUDC prior to wholesale recovery in Attachment O rate base while earning a return on CWIP, but should not have until the CWIP was placed into service. In addition, AFUDC on internal costs and after retail rider projects were capped was also included in Attachment O rate base. These should not have been because the total costs of all the projects including the internal costs and costs after retail rider projects were capped were included in Attachment O rate base.*

- An explanation and supporting information/calculations addressing whether and to what extent (in dollar terms) the FERC’s Finding 2 impacted the Company’s 2017 test year in its 2016 rate case. Please provide the amount of Account 930.2 - Miscellaneous General Expenses approved in the 2016 rate case, including a breakout of these expenses and identifying any amount of donation costs that were incorrectly included.

*The entire \$4.2 million of costs noted in Finding 2 were incurred in 2014, so there was no impact on the 2017 test year in Minnesota Power's 2016 rate case. The amount approved for Account 930.2 - Miscellaneous General Expenses in the 2016 rate case was \$1,542,320 as broken out below in Table 3. No donation costs were identified as being incorrectly included in these amounts.*

*Table 3- Account 930.2 – Miscellaneous General Expense in 2016 Rate Case*

Labor and Overheads	\$	229,966
Meals, Travel, and Lodging	\$	194,501
Board of Directors Compensation	\$	891,791
Contractors, Professional Services, and Materials	\$	528,871
Lease and Rental Expense	\$	111,453
Office Supplies and Postage	\$	54,790
Dues, Licenses, and Miscellaneous Expenses	\$	7,042
Test Year Adjustments	\$	(476,095)
Total 930.2 Expense (excludes impact of Deferred Fuel Adjustment Clause activity which was disallowed for recovery)		\$ 1,542,320

- An explanation and supporting information/calculations addressing whether and to what extent (in dollar terms) the FERC's Finding 4 impacted the Company's 2017 test year in its 2016 rate case. Please provide specific references to the 2016 rate case that show where the long-term debt instruments associated with ALLETE's Executive Investment Plan were included and why these amounts, if included, were appropriate for rate recovery purposes.

*Executive Investment Plan expenses were not allowed for recovery in the Company's 2016 rate case, so the expenses noted in Finding 4 had no impact on the 2017 test year in its 2016 rate case.*

*The associated long-term debt instruments were included in FERC account 186 (Minnesota Power Account 18640) and were not included in the Company's rate base.*

- An explanation and supporting information/calculations addressing whether and to what extent (in dollar terms) the lobbying expense misclassification described FERC's Finding 5 impacted the Company's 2017 test year in its 2016 rate case.

Please provide specific references to the 2016 rate case that show where lobbying expenses were included for rate recovery.

*The lobbying expense misclassification described in FERC's Finding 5 did not have an impact on the Company's 2017 test year in its 2016 rate case. The lobbying expense item was properly budgeted, and therefore included in the test year, to FERC account 426.4 as below the line expense. Additionally, as documented in rate case testimony and in Rebuttal and Surrebuttal schedules, adjustments to Operating Income were made to exclude all lobbying expenses found in the review of employee expenses.*

- An explanation and supporting information/calculations addressing whether and to what extent (in dollar terms) the improperly recorded depreciation expense associated with plant held for future use, as described in FERC Finding 6, impacted the Company's 2017 test year in its 2016 rate case. Please include specific references to the 2016 rate case and an explanation as to why ratepayers should pay for depreciation expense related to plant held for future use.

*The improperly recorded depreciation expense associated with plant held for future use, as described in FERC Finding 6, had no impact on the Company's 2017 test year in its 2016 rate case.*

*The Company excludes the held for future use depreciation expense that is in account 40300 (\$407.00 2017 expense) from the amount provided in the rate case for transmission depreciation and amortization expense. The company also excludes account 10500 plant held for future use (\$19,426.00 in 2017 plant) from the amounts provided in the rate case for transmission plant in-service.*

*The Company inadvertently included the held for future use depreciation expense that is in account 40300 in its Attachment O filing depreciation and amortization expense.*

### III. CONCLUSION

Minnesota Power appreciates the opportunity to provide additional information to give assurance to the Department that information contained in the Compliance Filing is accurate, and the findings from the FERC Audit did not reveal any issues with a negative impact to retail customers. The Company respectfully requests that the Commission accept Minnesota Power's Compliance Filing and thanks the Department for their time and effort in its review.

Dated: March 5, 2020

Yours truly,

A handwritten signature in cursive script, reading "Lori Hoyum", enclosed within a thin black rectangular border.

Lori Hoyum  
*Regulatory Compliance Administrator*

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

AFFIDAVIT OF SERVICE VIA  
ELECTRONIC FILING

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Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 5<sup>th</sup> day of March, 2021, she served Minnesota Power's Reply Comments in **Docket No. E015/M-19-440** 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.



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Tiana Heger