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November 13, 2015

**VIA ELECTRONIC FILING**

Mr. Daniel P. Wolf, Executive Secretary  
MN Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101-2147

**RE: Minnesota Power's Petition for Approval of Credit to Customers**  
**Docket No: E015/M-15-875**

Dear Mr. Wolf:

Attached for filing with the Minnesota Public Utilities Commission is Minnesota Power's Reply Comments (Public Version).

Yours truly,

Christopher D. Anderson

Attachment

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

AFFIDAVIT OF SERVICE VIA  
ELECTRONIC FILING

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Jodi Nash, of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 13<sup>th</sup> day of November, 2015, she served Minnesota Power's Reply Comments in Docket No. E015/M-15-875 on the Minnesota Public Utilities Commission via electronic filing. The remaining parties on the attached service list were served as requested.



Jodi Nash

Last Name	First Name	Email	Company Name	Delivery Method	View Trade Secret
Anderson	Julia	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	Electronic Service	Yes
Anderson	Christopher	canderson@allete.com	Minnesota Power	Electronic Service	No
Ferguson	Sharon	sharon.ferguson@state.mn.us	Department of Commerce	Electronic Service	No
Hodnik	Margaret	mhodnik@mnpower.com	Minnesota Power	Electronic Service	No
Hoyum	Lori	lhoyum@mnpower.com	Minnesota Power	Electronic Service	No
Krikava	Michael	mkrikava@briggs.com	Briggs And Morgan, P.A.	Electronic Service	No
Larson	Douglas	dlarson@dakotaelectric.com	Dakota Electric Association	Electronic Service	No
Larson	James D.	james.larson@avantenergy.com	Avant Energy Services	Electronic Service	No
Lindell	John	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	Electronic Service	Yes
Ludwig	Susan	sludwig@mnpower.com	Minnesota Power	Electronic Service	No
Marshall	Pam	pam@energycents.org	Energy CENTS Coalition	Electronic Service	No
Minke	Herbert	hminke@allete.com	Minnesota Power	Electronic Service	No
Moeller	David	dmoeller@allete.com	Minnesota Power	Electronic Service	Yes
Moratzka	Andrew	apmoratzka@stoel.com	Stoel Rives LLP	Electronic Service	No
Oehlerking Boes	Leann	lboes@mnpower.com	Minnesota Power	Electronic Service	No
Peterson	Jennifer	jjpeterson@mnpower.com	Minnesota Power	Electronic Service	No
Romans	Susan	sromans@allete.com	Minnesota Power	Electronic Service	No
Scharff	Thomas	thomas.scharff@newpagecorp.com	New Page Corporation	Electronic Service	No
Spangler, Jr.	Ron	rlspangler@otpc.com	Otter Tail Power Company	Electronic Service	No
Swanson	Eric	eswanson@winthrop.com	Winthrop Weinstine	Electronic Service	No
Turnboom	Karen	karen.turnboom@newpagecorp.com	NewPage Corporation	Electronic Service	No
Wolf	Daniel P	dan.wolf@state.mn.us	Public Utilities Commission	Electronic Service	Yes

Last Name	First Name	Company Name	Address	Delivery Method	View Trade Secret
Anderson	Julia	Office of the Attorney General-DOC	1800 BRM Tower, 445 Minnesota St, St. Paul, MN - 551012134	Electronic Service	Yes
Lindell	John	Office of the Attorney General-RUD	1400 BRM Tower, 445 Minnesota St, St. Paul, MN - 551012130	Electronic Service	Yes
Moeller	David	Minnesota Power	30 W Superior St, Duluth, MN - 558022093	Electronic Service	Yes
Wolf	Daniel P	Public Utilities Commission	121 7th Place East, Suite 350, St. Paul, MN - 551012147	Electronic Service	Yes

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

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In the Matter of Minnesota Power's  
Petition for Approval of Credit  
to Customers

Docket No. E-015/M-15-875

**MINNESOTA POWER'S REPLY  
COMMENTS**

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Minnesota Power supplies the following information in response to the Department of Commerce Initial Comments in the above-referenced Docket. In addition, Minnesota Power is supplying responses related to Department Information Requests 1 – 7 for which an extension of time to respond had previously been filed. In phone conversations with Department staff, it was agreed that due to the extension to file responses, Minnesota Power's responses to said Information Requests would not arrive in time for Department staff to review prior to their deadline for filing Initial Comments, that Minnesota Power would not separately submit its responses to the Information Requests, but rather use and submit that information and data with our Reply Comments.

The Department comments center around three distinct areas: the amount of the [TRADE SECRET DATA EXCISED]; the allocation to WPPI; and the allocation between Minnesota Power's rate classes. We will address each of these areas below.

**[TRADE SECRET DATA EXCISED] Agreement**

[TRADE SECRET DATA EXCISED] Minnesota Power references Docket AA-15-611 Attachment No. 1 – Fuel and Energy Source Procurement, under the Minnesota Power's Coal & Transportation Procurement Strategy section.

**WPPI Energy's Portion of the [TRADE SECRET DATA EXCISED]**

Minnesota Power previously submitted the information titled IR Attachments 1 and 2, for IR 26 related to the 2013-2014 AAA filing – Docket AA-14-579 along with information related

to the calculation methodologies. WPPI utilized the same methodology to determine their replacement energy costs. Attachment 1 shows the calculation of the allocation between Minnesota Power and WPPI. Total replacement energy costs related to the events were totaled. The corresponding percentage of the total costs incurred by each party was then calculated. The resulting percentage was then applied to the [TRADE SECRET DATA EXCISED] to determine each party's share. Upon further review of the allocation calculation, a slight error was noted. The new split between Minnesota Power and WPPI is shown in Attachment 1 along with the resulting change in the allocation amount.

**Wholesale, Large Power and Other Retail Customers'**  
**Portions of the Credit Amount**

Minnesota Power does not object to a revision to the allocation methodology between customer classes.

In answer to the Department's question related to the difference between "firm kWh" and the "Retail kWh Sales Subject to Fuel Clause", Minnesota Power provides the following response. Under normal circumstances, and without any corrections to billing units after the AAA filings are made, these two definitions are the same. In the event that billing corrections need to be made after the AAA filing is submitted, differences can occur.

Attachment 2 reconciles the monthly kWh sales as shown in the AAA filings to the firm kWh used in Minnesota Power's allocation methodology as originally filed in this docket.

Since the kWh originally shown in the AAA filings are not the kWh that the customers ultimately paid fuel costs on, Minnesota Power recommends the usage of the adjusted kWh as the basis for the allocation of the Credit Amount between customer classes.

Attachment 3 shows the utilization of the reconciled kWh as discussed above to allocate the Credit Amount between customer classes.

**Department Recommendations**

Minnesota Power respectfully submits Attachment 3 as a compromise allocation methodology between the originally filed methodology and the myriad of methods presented by the Department.

Dated: November 13, 2015

Respectfully submitted,



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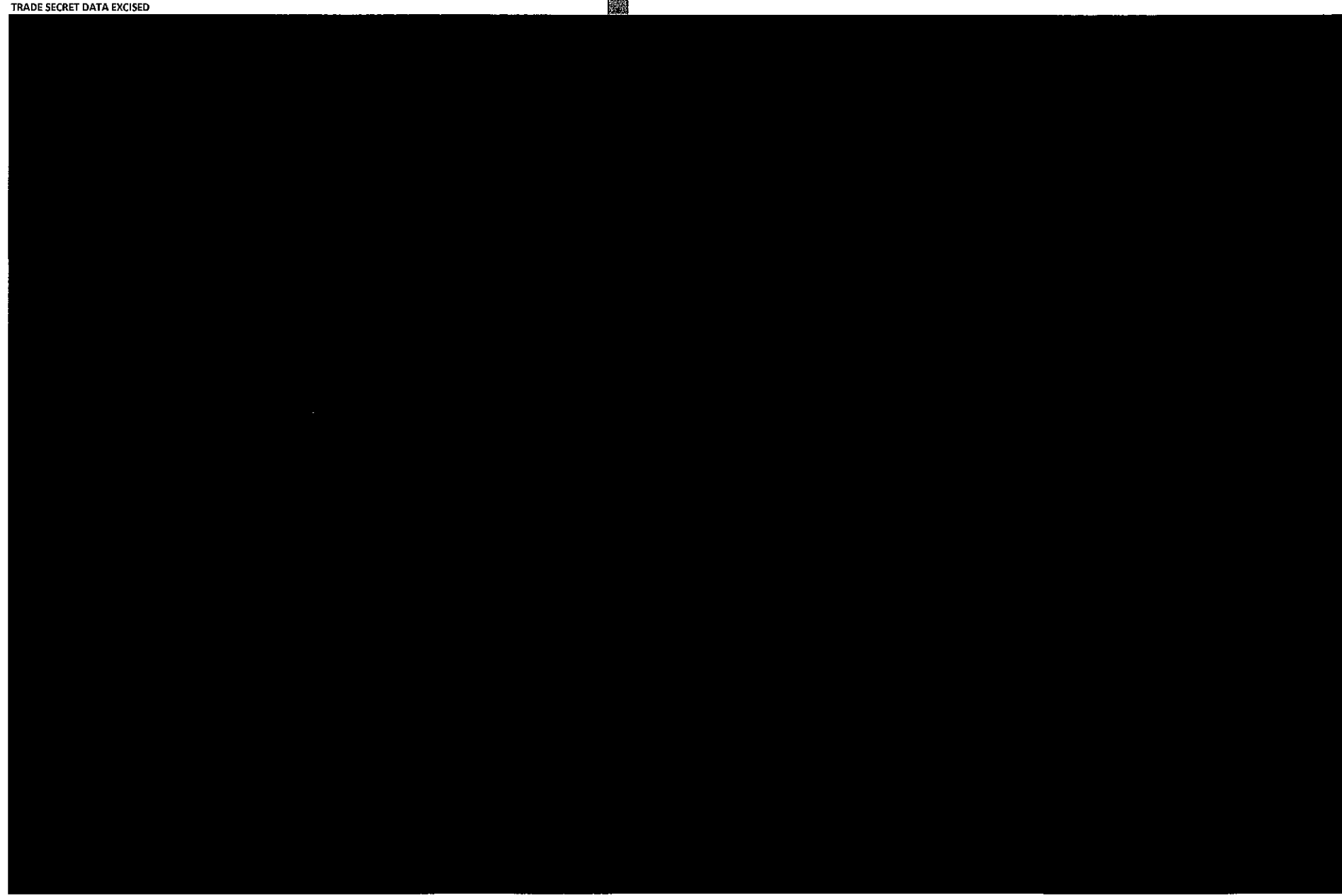
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**Cost allocation between Minnesota Power and WPPI**

Dates of delivery issues	MP	WPPI	Total
	<b>TRADE SECRET DATA EXCISED</b>		
10/13 - 2/14			
7/14 - 11/14			
total			
% share			
share of payment			
original			
difference			



usage - AAA filing AAA Attachment 3	muni only Oct-13	muni only Nov-13	Dec-13	Jan-14	Feb-14	no muni Mar-14	no muni Apr-14	muni only Jul-14	muni only Aug-14	Sep-14	Oct-14	Nov-14	no muni Dec-14	no muni Jan-15	totals for credit calc w/o adjust	totals for credit calc w/o adjust
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Total Monthly kWh sales line 2 page 2

Municipal sales calculation

Retail kWh subject to FAC line 4 page 2

Residential line 13 page 2

General Service line 20 page 2

Large Light & Power line 27 page 3

Large Power line 34 page 3

Municipal Pumping line 41 page 3

Lighting line 48 page 4

difference

kWh as shown in credit refund filing

Large Power

Municipal sales

difference between AAA filing and credit refund filing

Large Power  
explanation for difference

Municipal sales  
explanation for difference

reconciliation of differences

Blandin usage was understated as shown in credit refund filing.  
Actual-26,588,874, Originally filed-26,588,824

Mesabi Nugget - reported under Large Power at the time the AAA was filed - When EMSS rate approved it was retroactive to 1-1-14 therefore they were refunded FAC costs paid - we are removing them from the Large Power usage for purposes of the credit calculation

UTAC was shown on the credit refund filing as 44,713,000 and should have been 44,417,380

Sappi was shown on the credit refund filing as 7,342,958 and should have been 7,188,876

A new meter had been put in at a sub-station that was not picked up in the original bills - they were charged for the fuel costs related to the missed meter in August 2014 - in the credit refund filing we are showing the corrected usage for each month

remaining difference

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1. Divide the **TRADE SECRET DATA EXCISED** target amount based on the allocation method shown below.

Target: **TRADE SECRET DATA EXCISED**

Allocation Factors	→	
Residential	0.1237	Large Power
General Service	0.0694	Other Retail
Large Light & Power	0.1337	Wholesale
Large Power	0.5115	
Municipal Pumping	0.0025	
Lighting	0.0018	
Wholesale Jurisdiction	0.1574	

51.15%  
33.11%  
15.74%  
100.00%

**TRADE SECRET DATA EXCISED**

Target Credit:  
Large Power  
Other Retail  
Wholesale

Allocation based on kWh usage during the affected months

usage	percentage E8760 allocator	since this is over 100% need to adjust factors	
Municipal	1,419,528,682	0.1577	0.1577
Residential	1,041,143,014	0.1157	0.1239
General Service	579,281,274	0.0644	0.0695
Large Light & Power	1,199,941,491	0.1333	0.1339
Large Power	4,715,869,093	0.5240	0.5123
Municipal Pumping	23,049,605	0.0026	0.0025
Lighting	21,537,274	0.0024	0.0018
total	9,000,350,433	1.0000	1.0015

2. Allocate **TRADE SECRET DATA EXCISED** to LP customers based on firm kWh for the Dec 2013 - April 2014, and Sept 2014 - Jan 2015 time period.

Customer	TRADE SECRET DATA EXCISED					Firm kWh 1/					Total [A]	
	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15		
US Steel	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
UTAC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
HIBTAC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Arcelor-Mittal	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mesabi Nugget	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Blandin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Boise	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
New Page	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sappi	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Magnetation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[A]tot

LP total kWh [A]tot  
 LP target credit (\$) [B]tot  
 LP Rate (\$/kWh) [C] = [B]tot/[A]tot

Allocated Credit

US Steel	[REDACTED]
UTAC	[REDACTED]
HIBTAC	[REDACTED]
Arcelor-Mittal	[REDACTED]
Mesabi Nugget	[REDACTED]
Blandin	[REDACTED]
Boise	[REDACTED]
New Page	[REDACTED]
Sappi	[REDACTED]
Magnetation	[REDACTED]
Total	[B]tot

1/ Large Power customers firm kWh taken from Minnesota Power's Customer Information System.



4. Determine a rate to use to credit non-Large Power retail customers **TRADE SECRET DATA EXCISED**.

Customer Class	Projected Firm kWh 1/						Total [A]
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	
<b>TRADE SECRET DATA EXCISED</b>							
Total kWh impacted	[A] <sub>tot</sub>						[A] <sub>tot</sub>
Target Credit	[B] <sub>tot</sub>						[B] <sub>tot</sub>
Generic Rate (\$/kWh)	[C] = [B] <sub>tot</sub> /[A] <sub>tot</sub>						
E8760 Factors 2/							
[D]	[E] = [A]*[D]						
Residential	1.07076						
General Service	1.07093						
Large Light & Power	1.00424						
Municipal Pumping	0.98103						
Lighting	0.74029						
E8760 Factors 3/							
[D]	[F] = [E] <sub>tot</sub> /[A] <sub>tot</sub>						
Residential	1.07076						
General Service	1.07093						
Large Light & Power	1.00424						
Municipal Pumping	0.98103						
Lighting	0.74029						
E8760 Factors 4/							
[G]	[G] = [C]*[D]/[F]						
Residential	1.07076						
General Service	1.07093						
Large Light & Power	1.00424						
Municipal Pumping	0.98103						
Lighting	0.74029						
Calculated Credit							
[B]	[B] = [A]*[G]						
Residential	1.07076						
General Service	1.07093						
Large Light & Power	1.00424						
Municipal Pumping	0.98103						
Lighting	0.74029						

1/ 2016 Firm kWh taken from MP's 2016 budget.  
 2/ E8760 allocation factors from MP's 2009 MPUC rate case Docket No. E-015/GR-09-1151.  
 3/ It is necessary to normalize the E8760 Factors using the cross product of the factors and the projected kWh in order to avoid over- or under-crediting customers.  
 4/ Calculated amount that each customer class bill factor will be reduced by for the six month period from January 2015 through June 2016.