

May 01, 2024

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 the Annual
Forecast of Automatic Adjustment Charges for the period of
January 2023 through December 2023
Docket No. E015/AA-22-216
REPLY COMMENTS**

Dear Mr. Seuffert:

Minnesota Power respectfully submits these Reply Comments in response to the Initial Comments submitted by the Minnesota Department of Commerce, Division of Energy Resources in the above referenced Docket.

Please contact me at (218) 355-3082 or cvatalaro@allete.com if you have any questions regarding this filing.

Kind Regards,

Claire Vatalaro

Claire Vatalaro
Regulatory Compliance Specialist

CMRV
Attach.

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

In the Matter of Minnesota Power's Petition for
Approval of the Annual Automatic Adjustment Charges
for the period of January 2023 through December 2023

Docket No. E015/AA-22-216
**MINNESOTA POWER'S
2023 FPE TRUE UP
REPLY COMMENTS**

I. INTRODUCTION

On April 15, 2024 the Minnesota Department of Commerce, Division of Energy Resources ("Department") submitted its Comments in the above-referenced Docket to the Minnesota Public Utilities Commission ("Commission"). Based on its review, the Department concluded that Minnesota Power's (the "Company") actual fuel/purchased power costs for 2023 were reasonable and prudent, and that the Company correctly calculated its 2023 FCA/FPE Rider over-collection of \$13,258,927. However, the Department noted that the Company undercalculated its Net 2023 FCA True-Up amount, requesting that the Company not include \$561,047 of 2023 Hibbing Public Utilities ("HPU") Lost Revenues, which would bring the total true up amount to \$11,018,119. Additionally, the Department stated that Minnesota Power's Petition complies with the applicable reporting requirements but asks that Minnesota Power address the Power Purchase Agreement ("PPA") with Manitoba Hydro in the Reply Comments. The Company addresses this, along with the NET 2023 FCA True-Up amount in the following Reply Comments.

II. RESPONSES TO REQUESTED INFORMATION

A. NET 2023 FCA True-Up Amount

The Department requested that Minnesota Power not include \$561,047 of 2023 Hibbing Public Utilities Lost Revenues in its Net 2023 FCA True-Up Amount, noting the \$3.7 million of 2023 HPU Lost Revenues based on actuals was above the \$3.2 million (Minnesota Jurisdictional) annual deficiency approved¹. The increase in the actual calculated HPU Lost Revenues of \$3.7 million in 2023 was due to an increase in retail

¹ Docket No. E015/M-22-501

customer sales compared to the forecasted retail customer sales that was used in the revised Class Cost of Service Study that was provided in response to Department Information Request No. 05 in Docket No. E015/M-22-501. With the increase in 2023 Retail customers sales, more of the \$4.4 Total Company HPU Lost Revenues was allocated to retail customers through the FCA than was allocated in the Class Cost of Service Study based on the MN Jurisdictional split.

Because Order Point 1 in Docket No. E015/M-22-501 states “Allow the Company to recover the \$4.4 million (Total Company) or \$3.2 (Minnesota Jurisdictional) annual deficiency through the FCA filing until Minnesota Power’s next rate case,” Minnesota Power agrees with the Department’s recommendation to lower the 2023 HPU Lost Revenues from \$3,761,047 to the approved \$3,200,000 resulting in an increase in the Net 2023 FCA True Up amount of \$561,047 from \$10,457,072 to \$11,018,119 to be refunded to customers.

B. Power Purchase Agreement with Manitoba Hydro

In its Comments, the Department requested that Minnesota Power submit with Reply Comments, “its required Report Addressing the PPA with Manitoba Hydro².” When the Company filed for approval of the PPA with Manitoba Hydro, which was later approved by the Commission on March 11, 2011, the agreement executed with Manitoba Hydro covered the period from May 1, 2011, through April 30, 2022. Minnesota Power supplied the required report as Attachment 7 in the 2022 Annual Automatic Adjustment True-Up³, which was through the end of the agreement.

Since the Manitoba Hydro contract noted above ended April 30, 2022, the Company removed the report in the 2023 Annual Automatic Adjustment True-Up. Minnesota Power’s current Power Purchase Agreements with Manitoba Hydro⁴ do not include Product B and C which was the subject of the required information in previous reports.

² Docket No. E015/M-10-961

³ Docket No. E015/AA-21-312

⁴ Docket Nos. E015/M-11-938 and E015/M-14-960

Because of this, Minnesota Power respectfully requests that the Commission remove the reporting requirements relating to the Manitoba Hydro in future reports.

III. CONCLUSION

Minnesota Power appreciates the Department's Comments and agrees with the calculation of the 2023 FCA True-Up amount of \$11,018,119 and requests the Commission approve a refund of this amount in the 12-month period following an order.

Dated: May 1, 2024

Respectfully submitted,

Claire Vatalaro

Claire Vatalaro
Regulatory Compliance Specialist
Minnesota Power
30 W. Superior Street
Duluth, MN 55802
(218) 355-3082
cvatalaro@allete.com

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 1st day of May, 2024, she served Minnesota Power's Reply Comments in **Docket No. E015/AA-22-216** 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