



AN ALLETE COMPANY

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October 6, 2017

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

Re: Minnesota Power's Petition for Approval of Transmission Assets and Substation Access
Agreement Between United Taconite LLC and Minnesota Power
Docket No. E015/PA-17-400

Dear Mr. Wolf:

Minnesota Power (MP) is in receipt of the Department's Response Comments dated September 29, 2017, in the above-referenced Docket.

The Department's remaining request is that MP provides the actual revenue requirement impact on the rate case (Docket No. E015/GR-16-664) of the purchase of the United Taconite Transmission Assets and explain why it is reasonable. MP acknowledges that instead of going to Construction Work In Progress (CWIP) the entry should have went to Account 10200 Utility Plant Purchased and Sold until the transaction was approved. However, the entry was made to CWIP until it was determined what assets were being purchased and their value. The revenue requirement impact in the rate case is \$26,621 calculated as follows:

Average CWIP balance \$250,000 x Proposed ROR 7.548% x Gross
revenue conversion factor 1.705611 x DTran Jurisdictional allocator
82.713% = \$26,621 revenue requirements.

The Department is correct that CWIP is included in rate base and earns a return. However, typically most projects in CWIP have AFUDC that is included as an offset to expense, which largely nets out the return on rate base. In Reply Comments the Company believed that the amount in CWIP would be offset by AFUDC, for no net revenue requirement impact. In preparing these Response Comments, however, the Company notes that there is no AFUDC offset associated with this CWIP

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estimate, and therefore the revenue requirement impact in the rate case is \$26,621 as shown above. It is not unreasonable to include this amount in the rate case as it is significantly lower than actual amount recently determined.

If you have any questions regarding this letter, please do not hesitate to contact me at the number above.

Yours truly,

A handwritten signature in black ink that reads "David R. Moeller". The signature is written in a cursive style with a large, prominent 'D' and 'M'.

David R. Moeller

DRM:sr

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

SUSAN ROMANS of the City of Duluth, County of St. Louis, State of Minnesota, says that on the **6th** day of **October, 2017**, she served Minnesota Power's Response to Reply Comments in **Docket No. E015/PA-17-400** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. Parties requested paper copies were served as requested.



Susan Romans

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