



November 14, 2019

VIA E-FILING

Daniel P. Wolf
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 2019 Remaining Life Depreciation Petition
Docket No. E015/D-19-534
Reply Comments**

Dear Mr. Wolf:

Minnesota Power (or the "Company") provides these brief Reply Comments to the Initial Comments submitted by the Department of Commerce, Division of Energy Resources ("Department") on October 22, 2019. Minnesota Power addresses both the accounting treatment and that Rapids Energy Center is a non-regulated asset that is not subject to affiliate requirements under Minn. Stat. § 216B.48.

The Department recommends that Minnesota Power be required to (1) establish a regulatory liability for the amount of depreciation expense charged to ratepayers for the transferred Laskin Energy Center assets from the time of the unauthorized transfer up until the Company files its next rate case and (2) address the resulting regulatory liability in its next rate case. Minnesota Power can accept this recommendation to record a regulatory liability so long as the Company is allowed to use the same calculation that was ordered by the Minnesota Public Utilities Commission ("Commission") to record the regulatory liability for the sale of the Aurora and Chisolm service centers in Docket Nos. E015/PA-17-457 and E015/PA-17-459. Minnesota Power would also propose to offset the recommended regulatory liability with the regulatory asset that would result from the transfer of a dozer from Rapids Energy Center (non-regulated) to Taconite Harbor Energy Center (regulated). Both of these transfers occurred in August 2018. Please see the attached file "Transfer of dozers-rev requirements in 2017 rate case" for the calculations. Minnesota Power would make an entry for the 17 months from August 2018 (when the transfers occurred) through December 2019. Minnesota Power will stop recording the liability in December 2019 because the Company filed a rate case November 1, 2019, which includes these 2018 transfers, and as of January 1, 2020, interim rates are anticipated to go into effect. The entry for the 17 months from August 2018 through December 2019 would result in a regulator liability of \$7,395.

Minnesota Power discussed with the Department the statements regarding Rapids Energy Center and affiliate issues. As part of the conversation, Minnesota Power agreed to provide in these reply comments the justification for why the transfer to Rapids Energy Center is not covered by the Minn. Stat. § 216B.48 and also Minn. Stat. § 216B.50. A transfer from Laskin Energy Center to Rapids Energy Center is not an affiliate transfer because both facilities are owned by Minnesota Power and therefore no contract or other arrangement was done between the public utility (Minnesota Power) and an affiliated interest as defined under Minn. Stat. § 216B.48, subd. 1. In late 2012 Minnesota Power sought Commission approval under Minn. Stat. § 216B.10 to transfer Rapids Energy Center from non-regulated to regulated operations with rate based treatment; however, based in part on the Department's recommendation to deny the petition, the Commission declined to approve the transfer and Rapids Energy Center remains a non-regulated asset. See Docket No. E015/M-12-1349, Order dated October 9, 2013. This denial did not change the ownership of Rapids Energy Center, which remained with Minnesota Power, just maintained the existing rate and accounting treatment.

The Department also requested that Minnesota Power address whether Minn. Stat. § 216B.50 is applicable to any transfers. Because Minnesota Power was doing a transfer between its own utility facilities, the restrictions on property transfers under Minn. Stat. § 216B.50 is not applicable. The statute applies when public utilities "sell, acquire, lease, or rent any plant as an operating unit or system". That did not occur in this instance since Rapids Energy Center is owned and operated by Minnesota Power, the public utility.

Please contact me at (218) 355-3455 or hcreurer@allete.com if you have any questions regarding this compliance filing.

Yours truly,



Hillary A. Creurer
Regulatory Compliance Administrator

HAC:sr
Attach.

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 **14th** day of **November, 2019**, she served Minnesota Power's Reply Comments in **Docket No. E015/D-19-534** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. Parties for the above-mentioned Docket's E-Dockets Official Service List were served as noted.



Susan Romans