MINNESOTA DEPARTMENT OF COMMERCE

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October 28, 2016

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/M-15-876

Dear Mr. Wolf:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Minnesota Power's Petition for Approval of its 2016 Boswell Energy Center Unit 4 Emission Reduction Rider Factor.

The *Petition* was filed on September 30, 2015 by:

Lori Hoyum
Policy Manager
Minnesota Power
30 West Superior Street
Duluth, MN 55802-2093

The Department recommends that the Minnesota Public Utilities Commission (Commission) approve Minnesota Power's *Petition*. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ SACHIN SHAH
Rates Analyst

SS/lt
Attachment

Minnesota Department of
Commerce

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E015/M-15-876

I. SUMMARY OF THE UTILITY'S PROPOSAL

On March 1, 2013, the Minnesota Pollution Control Agency (MPCA) issued its *Review of Minnesota Power's Boswell Unit 4 Environmental Improvement Plan*. The MPCA stated in that document that Minnesota Power's (MP or the Company) proposed Boswell Energy Center Unit 4 Emissions Reduction Plan (BEC4 Project) met the requirements of Minn. Stat. §216B.6851.

On November 5, 2013, the Minnesota Public Utilities Commission ("Commission") in its *Order Approving Boswell Energy Center Unit 4 Retrofit Project and Authorizing Rider Recovery* (*12-920 Order*) approved an Emissions Reduction Rider cost recovery mechanism for the BEC4 Project in Docket No. E015/M-12-920 (12-920 Docket).

On November 25, 2013, a request for reconsideration was filed by the Izaak Walton League of America-Midwest Office, Fresh Energy, Sierra Club, and Minnesota Center for Environmental Advocacy (MCEA) in the 12-920 Docket.

On December 20, 2013, MP filed a Petition with the Commission in Docket No. E015/M-13-1166 (13-1166 Docket) requesting approval of its proposed rates for the Emission Reduction Rider associated with BEC4 Project. It also included information filed in compliance with the Commission's *12-920 Order*.

On January 17, 2014, the Commission issued its *Order Denying Reconsideration* in Docket No. E015/M-12-920.

On February 14, 2014, the Minnesota Center for Environmental Advocacy filed in the 12-920 Docket a copy of its *Petition for Writ of Certiorari* with the Minnesota Court of Appeals regarding the Commission's November 5, 2013 and January 17, 2014 decisions in the 12-920 Docket.[1]

On July 2, 2014, the Commission issued its *Order* in Docket No. E015/M-13-1166 (*13-1166 Order*), approving MP's proposed 2014 rate adjustment factors for recovery under the Company's 2014 Emission Reduction Rider associated with the BEC4 Project.

On November 26, 2014, MP filed a Petition with the Commission in Docket No. E015/M-14-990 (14-990 Docket) requesting approval of its proposed rates for the Emission Reduction Rider associated with BEC4 Project. It also included information filed in compliance with the Commission's *12-920 Order*.

On August 24, 2015, the Commission issued its *Order* in Docket No. E015/M-14-990 (*14-990 Order*), approving MP's proposed 2015 rate adjustment factors for recovery under the Company's 2015 Emission Reduction Rider associated with the BEC4 Project.

On September 30, 2015, MP filed the instant Petition seeking approval of its proposed rates for the Emission Reduction Rider associated with BEC4 Project. It also included information filed in compliance with the Commission's *12-920 Order*.

On April 28, 2016, the Department filed a request with the Commission for an extended time extension to file initial *Comments* in the instant *Petition* on October 28, 2016. The Commission issued its *Notice of Extended Comment Period* on May 2, 2016. Thus, the Department files its initial *Comments* on the instant *Petition*.

According to the *Petition*, Minn. Stat. §§216B.683, 216B.1692, 216B.6851, 216B.686 and 216B.16 are the controlling statutes for processing this filing.

II. SUMMARY OF FILING

MP proposed to amend, effective April 1, 2016, its BEC4 Rider Adjustment Factors to recover projected 2016 total revenue requirements and the projected 2015 year-end tracker balance.

The Company proposed to collect through its proposed 2016 BEC4 Rider Adjustment Factors its 2015 tracker balance and 2016 estimated annual revenue requirements for investments made on the BEC4 emissions control systems, storm water project, ash haul route improvement and equipment, and on Phase I of the Boswell 4 ash pond. A summary of the proposed projects, annual revenue requirements and tracker balance is included in Table 1 below.

[1] The Department notes that on November 3, 2014, the Minnesota Court of Appeals filed an unpublished opinion affirming the Commission's decisions.

Table 1: Summary of Proposed Revenue Requirements

Project Description	Estimated Revenue Requirements MN Jurisdiction
2015 Estimated Year-End Tracker Balance	$6,393,991
2016 BEC 4 Environmental	$27,511,588
2016 BEC 4 Base Rate Revenue Credit	($2,306,461)
2016 Boswell Storm Water Project	$269,686
2016 Boswell Ash Haul Route Improvement & Equipment	$286,537
2016 Boswell Ash Pond Phase 1	$682,129
2016 Revenue Requirements	$26,443,479
2016 Total Factor Revenue Requirements	$32,837,470

The BEC4 Rider is applicable to electric service under all of MP's Retail Rate Schedules including its Large Power Interruptible and Large Power Incremental Production customers except Competitive Rate Schedules 73 and 79. MP proposed to allocate the retail revenue requirement to the Large Power customer class based on its portion of the Peak and Average class allocation factors from the Company's most recent general rate case. Within the Large Power class, MP proposed to incorporate both a demand and energy rate adder by splitting the Large Power customers' retail revenue requirement between demand and energy rate components based on the demand and energy revenue split (approximately 60% demand and 40% energy) used in MP's most recent rate case in Docket No. E015/GR-09-1151.

For the remaining non-Large Power customer classes, MP proposed an average energy-only rate adder. The Company proposed to use its budgeted 2016 sales forecast as the basis for the billing determinants used to develop the rates. The proposed rates are shown in Table 2.

Table 2: Summary of Existing and Proposed BEC4 Rider Rates

Billing Factor	Unit	Current Rate	Proposed Rate
Large Power – Demand	$/kw – month	1.00	1.52
Large Power – Energy	¢/kWh	0.095	0.144
All Other Retail Classes	¢/kWh	0.265	0.388

The estimated average rate impact per month by customer class is provided in Table 3 below.[2]

[2] See *Petition* at page 16, Table 2.

Table 3: Summary of Average Rate Impact by Class

Class	Average Bill Impact ($/Mo.)	Percentage Change (%)
Residential	$0.99	1.15%
General Service	$3.43	1.15%
Large Light & Power	$284.70	1.40%
Large Power	$64,168	1.93%
Municipal Pumping	$7.88	1.25%
Lighting	$0.45	0.75%

III. DEPARTMENT ANALYSIS

A. STATUTORY REQUIREMENTS

The statutory requirements that pertain to this filing are numerous. Minn. Stat. §216B.1692 lists the statutory requirements a utility needs to fulfill to have an emissions-reduction project approved and to implement an emissions-reduction rider. Minn. Stat. §216B.68 through 216B.688 contain the additional requirements associated with receiving approval and implementing an emissions-reduction rider classified as being mercury-related. Because the Commission has approved MP's BEC4 Rider as a mechanism to recover the costs associated with the BEC4 Project, the balance of our analysis focuses on the Company's efforts to comply with the statutory requirements associated with the development of the allowed revenue requirement and the development of the class-specific rates as well as any Commission-mandated compliance requirements.

Minn. Stat. §216B.1692, subd. 5(b) states that:

> (b) The commission may approve a rider that:
> (1) allows the utility to recover costs of qualifying emissions-reduction projects net of revenues attributable to the project;
> (2) allows an appropriate return on investment associated with qualifying emissions-reduction projects at the level established in the public utility's last general rate case;
> (3) allocates project costs appropriately between wholesale and retail customers;
> (4) provides a mechanism for recovery above cost, if necessary to improve the overall economics of the qualifying projects to ensure implementation;
> (5) recovers costs from retail customer classes in proportion to class energy consumption; and
> (6) terminates recovery once the costs of qualifying projects have been fully recovered.

The Commission stated in its *12-920 Order*, on page 7 that the Company had fulfilled the requirements contained in Minn. Stat. §216B.1692, subd. 5(b). Thus, the Department's analysis focuses only on the mercury-related emissions-reduction legislation and the Commission's compliance requirements in the *12-920 Order*.

Minn. Stat. §216B.683, subd. 1(b) addresses this issue. It states:

> A public utility required to file a mercury emissions-reduction plan under sections 216B.68 to 216B.688 may also file for approval of emissions-reduction rate riders pursuant to section 216B.1692, subdivision 3, for its mercury control and other environmental improvement initiatives under sections 216B.68 to 216B.688.
>
> (b) In addition to the cost recovery provided by section 216B.1692, subdivision 3, the emissions-reduction rate riders may include recovery of costs associated with (1) the purchase and installation of continuous mercury emission-monitoring systems, (2) costs associated with the purchase and installation of emissions-reduction equipment, (3) <u>construction work in progress,</u> (4) <u>ongoing operations and maintenance costs associated with the utility's emission-control initiatives, including, but not limited to, the cost of any sorbent or emission-control reagent injected into the unit</u>, (5) any project costs incurred before the plan approval that are demonstrated to the commission's satisfaction to be part of the plan, and (6) any studies undertaken by the utility in support of the emissions-reduction plan. [<u>Emphasis added</u>]

In its last Petition, MP had stated that it expected a December 31, 2015 in-service date. Thus, the tracker balance MP proposed to recover beginning April 1, 2016 consists of Construction-Work-in-Progress (CWIP), Total Return on Average Rate Base, 2016 plant depreciation, and 2016 operations and maintenance expenses. The Department concludes that these expenses are recoverable under the statute.

B. PRUDENCY REVIEW

<u>Capital Costs</u>

The MPCA provided an initial review as to the prudency of the BEC4 Project cost estimates MP provided as part of the 12-920 Docket. In that proceeding the MPCA stated in its *Review of Minnesota Power's Boswell 4 Unit Improvement Plan* that, "Construction (and operating) cost estimates for the Boswell Unit 4 project prepared by Minnesota Power and their consultant appear to be reasonable estimates for this project." The MPCA also noted MP's capital cost estimate of $431 million in the report. MP's share of that total would be approximately $350 million assuming 82 percent of those costs are jurisdictionalized as Minnesota retail.[3]

In the current *Petition* MP's estimated capital costs did not change from the $260 million estimated in its last Petition (14-990 Docket). The current estimate is $90 million less than its original estimate in the 12-920 Docket of $350 million.[4]

MP is seeking recovery of CWIP for a capital investment that increases from $60.7 million in January 2014 to $214.2 million in November 2015 and that drops down to $543 thousand in December 2015, when the plant was expected to be operational.[5]

Allowance for Funds Used During Construction (AFUDC) and CWIP Calculations

MP described its method for calculating AFUDC and CWIP in the BEC4 Tracker in its petition in the 12-920 Docket. The Department also reviewed this calculation at length in Docket No. E015/M-13-410 (Docket 13-410), MP's 2013 Rate Adjustment Factor filing for its Renewable Energy Rider, and in Docket 13-1166, (MP's 2014 Rate Adjustment Factor filing for its Boswell Energy Center Unit 4 Retrofit). In the Commission's *December 3, 2013 Order* in Docket No. 13-410, the Commission, "Directed the Company for all future Renewable Resources Rider and other rider recovery filings, to remove capitalized internal costs when calculating the amount of AFUDC included in the rate base for rider recovery purposes, consistent with the terms of its prior rider filings." Appropriately, the Company removed capitalized internal costs in its AFUDC calculation in the instant *Petition*.

The Department compared the information in the *Petition*'s Exhibit B, and the information contained in Docket 13-1166 and concludes that those methodologies are consistent. As a result, the Department concludes that MP's calculation of CWIP is appropriate.

Other Cost Categories

MP proposed to recover operations and maintenance (O&M) and depreciation expenses through its proposed BEC4 Adjustment Factor. The estimated O&M expenses begin around November 2015 just before the plant was expected to be operational (December 2015).[6] These estimated expenses appear to be reasonable.

Regarding depreciation expense, MP indicated that, beginning in August 2015, the Company will provide a revenue credit to the tracker to offset costs associated with existing emissions-control equipment at BEC4 that will no longer be in service but whose costs are currently being recovered through base rates. In Docket No. 13-1166, MP had similarly mentioned

[3] Boswell Unit 4 (BEC4) is jointly owned by Minnesota Power and WPPI Energy. As a co-owner, MP's share of ownership of BEC4 is 80 percent and WPPI's ownership is 20 percent. See *Petition* at page 10.
[4] Please see the following link: http://www.mnpower.com/Environment/ReducingEmissions MP states that the Project was completed in December 2015 and further stated the following, "The $240 million project took three years to complete". The final costs will be addressed in MP's next rate case when the project is rolled into base rates as mentioned further in the Comments.
[5] See Petition Exhibit B-2.
[6] See Petition Exhibits B-1, and B-2.

the adjustment by stating the following in its initial Petition of December 20, 2013 at page 10:

> Equipment with Original Installed Cost ("OIC") of approximately $40 million will be retired from BEC4 prior to the BEC4 Project being placed into service. When this occurs, Minnesota Power will deduct the estimated jurisdictional revenue requirements associated with this equipment that is currently in base rates from the BEC4 rider jurisdictional revenue requirements. This credit will include a return on average rate base, depreciation expense and associated O&M (operations & maintenance) expenses. It is anticipated that this credit will begin with Minnesota Power's next BEC4 Rider Adjustment and continue until the BEC4 Project is rolled into base rates in Minnesota Power's subsequent rate case.

The Department, in its February 27, 2014 Comments in Docket 13-1166, stated the following at page 5:

> The Company also introduced new information in this filing regarding the calculation of the BEC4 Rider, stating that it will provide a revenue credit to the tracker to offset costs associated with existing emissions-control equipment at BEC4 whose costs are currently being recovered through base rates. The Department asked the Company for a sample calculation for the future credit in Information Request 8. MP provided a reply which the Department has included as Attachment A. In theory, the Department agrees with MP's proposal and will examine the reasonableness of this proposed calculation when MP makes its specific rate proposal. The response to the information request is included as a starting point for ongoing review of this aspect of MP's BEC4 Rider.

The Department, in its May 13, 2015 Response Comments in Docket 14-990, stated the following at pages 2-3:

> With regards to the second request, the Department had observed in its Comments that MP proposed to provide a monthly revenue requirement credit beginning in October 2015 whereas BEC4 Project construction began in October 2013. In its Comments, the Department requested that MP justify the proposed October 2015 date for beginning the monthly revenue requirement credit for retired equipment, including clarification

as to at what point the equipment that is currently in base rates will, or has, become no longer used and useful.

In its *Reply Comments*, MP stated the following:

> Based on the most current schedule information, Minnesota Power plans to begin the outage to tie in the duct work to the NID system on August 15, 2015. At that time, the BEC4 equipment that is currently in rate base will be taken out of service and retired. Therefore, Minnesota Power has updated the start date of the base rate revenue credit from October 2015 to August 15, 2015. Refer to Exhibit B-1, page 5 of 5, row E5.
>
> The energy and capacity provided from BEC4, the largest generating resource in Minnesota Power's fleet, is an essential component of Minnesota Power's customers' supply. BEC4 generates a very large quantity of reliable energy at a reasonable cost 24 hours a day, 7 days a week, and is a baseload resource for the region's energy intensive requirements. For this reason, the Company strategically scheduled the required outage(s) for the BEC4 Project at the optimal time for customers in order to minimize its expected replacement energy costs and associated O&M costs. BEC4 has been, and will continue regular operations until final tie-in of the duct work to the new CDS (circulating dry scrubber) technology, referred to as the NID system, occurs during a single scheduled outage. Once BEC4 is started up after the outage, it will be operating on the NID system and tuning will begin.

The Department appreciates MP's clarification regarding the equipment that will no longer be used and useful and the associated change in the monthly revenue requirement credit for the retired equipment. As a result, the Department agrees with MP's proposed start date of August 15, 2015 for the credit.

In the instant *Petition*, MP stated the following:[7]

> Equipment with Original Installed Cost ("OIC") of approximately $40 million will be retired from BEC4 prior to the BEC4 Project being placed into service. Beginning August 15, 2015 with the outage of BEC4, Minnesota Power began deducting the

[7] Petition at page 13.

> estimated revenue requirements associated with this equipment that is currently in base rates from the BEC4 rider revenue requirements. This credit includes a return on average rate base, depreciation expense and associated O&M (operations & maintenance) expenses. This credit is applied beginning in August 2015 in this Petition and will continue until the BEC4 Project is rolled into base rates in Minnesota Power's subsequent rate case. Refer to Exhibit B-1, page 6 of 8, row E5 for the application of this credit, and to Exhibit B-2, page 22 of 22, for the calculation of this credit.

As previously mentioned, the Department agrees with MP's proposed revenue credit to the tracker to offset costs associated with existing emissions-control equipment at BEC4 that is no longer be in service but whose costs are currently being recovered through base rates.

C. ALLOCATIONS, REVENUE APPORTIONMENT, AND RATE DESIGN

The Company used the MN Jurisdictional Power Supply Allocator (D-01) from its last rate case to allocate the BEC4 Project revenue requirements. The Department understands that MP's jurisdictional allocators account for the split between wholesale operations (MP's municipal and cooperative customers) and retail operations. The customer class allocators were normalized to appropriately allocate the MN jurisdictional retail amounts (82 percent of the total costs). See the *Petition's* Exhibit B-5 for more details. The Commission approved this revenue apportionment methodology in its *12-920 Order*. The Company used the Commission-approved methodology in this filing. The Department concludes that this approach complies with the Commission's Order.

The proposed rate design for the Large Power (LP) class in this filing is identical to the one the Commission approved in its *12-920 Order*. MP proposed a slight change in the methodology for calculating the energy-based adder that would be recovered from the non-LP classes. In the 12-920 Docket, the Company proposed to develop class-specific energy-based adders to recover the revenue requirement apportioned to the non-LP classes by customer class. Its current proposal is to calculate an average rate per kWh for all non-LP classes and charge this one rate to all those same customer classes. This proposal represents a minor change from the rate design the Commission approved in the aforementioned *12-920 Order*. It is however consistent with the rate design for the non-LP classes the Commission approved in its Order dated December 3, 2013 in the 13-410 Docket relating to MP's Renewable Energy Rider, and in the Commission's *14-990 Order*. The Department agrees that this proposed change in methodology is reasonable and is consistent with past Commission Orders.

D. TRUE-UP AND TRACKER BALANCES

As shown on Exhibit B-1, Page 2 of 8 of its *Petition*, MP proposed to increase its 2016 BEC 4 Rider revenue requirement by $6,393,991 (2015 tracker balance) to reflect prior under-recoveries from 2013, 2014 and 2015.

The Department reviewed MP's true-up and tracker balance calculations. The Department notes that MP's calculations are consistent with past rider filings.

E. ANALYSIS OF BILL IMPACTS

MP included "Table 2 – Estimated Customer Impact" on page 16 of the *Petition*. The information in that table appears to be consistent with the information the Company provided in the 12-920 Docket.

The Department observes that the estimated customer impacts are less than two percent for all of the customer classes identified on page 16 of the *Petition.*

F. MISCELLANEOUS ISSUES

The Commission included the following reporting requirement in its November 5, 2013 *12-920 Order*: "Minnesota Power shall file biennial reports on the status of the project, with the first report being due January 1, 2014." On page 9 of the *Petition*, MP provided information in a table detailing the updates to the status of the project. The Company has included an update in its annual rider factor adjustment filings. Thus, the Department concludes that the Company has complied with this requirement.

IV. NOTICE OF VIOLATION UPDATE

The Commission included the following reporting requirement in its *12-920 Order*:

> The Company shall include in its annual rate factor adjustment filing an update on its discussions with the EPA to resolve the notice of violation and shall identify and explain any costs related to the notice of violation included in its rate factor adjustment filings or other rate proceeding.

MP's *Petition* states:

> On July 16, 2014, Minnesota Power reached a settlement agreement with the EPA and the MPCA related to alleged violations of the New Source Review requirements of the Clean Air Act at the Boswell Energy Center. The settlement is compatible with Minnesota Power's long term Energy***Forward*** strategy to reduce emissions, diversify its energy mix and advance renewables; however, it does not include any admission of wrongdoing on the part of the company. The settlement agreement was approved by the U.S. District Court for the District of Minnesota and became effective September 29, 2014.

> The BEC4 Project, as approved by the Commission in an Order dated November 5, 2013, will comply with the terms of the settlement, including the permissible level of SO_2 emissions at the completion of the BEC4 Project. The equipment requirements to meet the SO_2 emission limits specified in the settlement are the same as those required to meet the SO_2 emission limits under MATS and other enacted or pending federal and state air regulations; therefore, there are no incremental capital costs associated with settlement compliance. Minnesota Power will need to increase the amount of lime used in order to achieve compliance with the settlement terms for SO_2 emissions. Based on current engineering estimates, the projected cost differential for the additional lime usage is estimated to be less than $150,000 annually. The cost differential is based on the pre-project baseline emission reduction level identified in the BEC4 Plan Petition. The small additional cost each year to reduce SO_2 emission to a level lower than what is required under other enacted or pending federal and state air regulations delivers further environmental value to Minnesota Power customers and other residents in northeastern Minnesota. These operating costs will begin in 2016 after the Project is complete and the facility becomes operational.[8]

The Department concludes that MP met the requirement to update the Commission on the EPA's notice of violation. It is the Department's understanding that MP is thus requesting recovery of the costs related to the settlement - the expected additional $150,000 lime costs – as additional O&M costs. The Department observes that the additional lime usage that MP is requesting to recover in the instant *Petition* amounts to approximately 0.46 percent of the total 2016 total factor revenue requirements of $32,837,470. Thus, the additional operating costs of the lime appear to be reasonable.

V. BASIN ELECTRIC POWER COOPERATIVE

The Company made another adjustment regarding the calculation of the BEC4 Rider to provide a revenue credit, associated with a power sales agreement to Basin Electric Power Cooperative (Basin or BEPC), to the tracker to offset costs associated with new emissions-control equipment at BEC4. MP stated the following:

[8] *Petition* at page 12.

> As part of a power sales agreement to Basin Electric Power Cooperative ("Basin"), Minnesota Power is allowed to collect costs associated with new emission control additions to BEC4 over a specified period from Basin. Minnesota Power is passing the benefits of this agreement directly to customers through crediting the revenue requirements by Basin's specified share of the costs for a portion of the contract. Refer to Exhibit B-1, pages 6 and 8, row E4 for Basin's 2015 and 2016 share.

The Commission's *14-990 Order* reflects the Department's conclusion in that docket that the Company's adjustments with regards to BEPC were reasonable. The Department reviewed the BEPC adjustments identified in Exhibit B-2 of the *Petition*, and concludes that they are reasonable.

VI. THRESHOLD FOR ALLOCATION FACTORS AND LOAD CHANGES

The Commission's *12-920 Order* set a 10-MW threshold for triggering an adjustment to the retail allocation factors. At page 7 of the *12-920 Order*, the Commission stated the following:

> Finally, the Commission will require Minnesota Power to make annual rate factor adjustment filings, including adjusted retail allocation factors <u>if any large power or wholesale customer's load changes by 10 megawatts or more</u>, as agreed to by the parties.

MP's *Petition* at page 14 states:

> Order Point 4 of the November 5, 2013 Order requires Minnesota Power to make annual rate factor adjustment filings, including adjusted retail allocation factors if any Large Power or wholesale customer's load changes by 10 megawatts or more. Consistent with the Commission's August 24, 2015 Order approving the 2015 Boswell 4 Plan Adjustment Factors, the Company has included the revised jurisdictional allocation factors to reflect the loss of a wholesale customer, Dahlberg Light & Power, effective January 1, 2014. See Exhibit B-5 for further detail on these allocators.

Thus, the Department concludes that MP complied with the Commission's *12-920 Order* in this regard.

VII. MP'S NEXT GENERAL RATE CASE IN DOCKET NO. E015/GR-16-664.

Regarding credits to the revenue requirements associated with retired equipment, MP's *Petition* at page 13 states, in part, the following:

> This credit is applied beginning in August 2015 in this Petition and will continue until the BEC4 Project is rolled into base rates in Minnesota Power's subsequent rate case.

Given that MP will soon be filing its next general rate case, the Department requests that if MP does indeed roll the BEC4 Project into base rates, that MP's next BEC4 Rider filing should request recovery of the 2016 year-end projected tracker balance in order to zero it out.

VIII. RECOMMENDATIONS

The Department recommends that that the Commission approve MP's *Petition*, including the following BEC4 Rider factors:

Billing Factor	Unit	Proposed Rate *Reply Comments*
Large Power	$/kw – month	1.52
	¢/kWh	0.144
All Other Retail Classes	¢/kWh	0.388

The Department also recommends that, should MP propose to include the BEC4 Project in base rates in its upcoming general rate case, that the Company's next BEC4 Rider filing be used to recover the 2016 year-end projected tracker balance in order to zero it out.

/lt