

OAG No. 029

State Of Minnesota
Office Of The Attorney General
Utility Information Request

In the Matter of Minnesota Power's **MPUC Docket No.** E-015/RP-21-33
Application for Approval of its 2021-2035
Integrated Resource Plan

Requested from: Minnesota Power

Requested By: Kristin Berkland **Date of Request:** September 30, 2021
Telephone: (651) 757-1236 **Due Date:** October 12, 2021

Reference: ALLETE, Inc. Press Release: *ALLETE announces third party in Nemadji Trail Energy Center Project (Sept. 28, 2021).*

The press release states that “ALLETE, Inc. . . . announced today that it is selling a portion of its ownership stake in the planned Nemadji Trail Energy Center (NTEC) to North Dakota-based Basin Electric Power Cooperative for approximately \$20 million.”

- a) Will any portion of the \$20 million payment from Basin be used to offset or defray the financial impacts of NTEC on Minnesota ratepayers and/or reduce the NTEC costs and/or expenses that Minnesota Power expects to seek to recover from Minnesota ratepayers?
- b) Complete the following table detailing the amount MP projects to collect from its retail customers related to NTEC in each year of the planning period under the amended NTEC agreements.

	2025	2026	...	2035
Revenue/Fixed O&M				
Variable O&M				
Fuel Costs				
Annual MWh				
Total Cost (\$)				
Total Cost (\$/MWh)				

The press releases states that “[NTEC] also represents significant economic benefits for the region in the form of construction jobs, permanent operations jobs and long-term tax base.”

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- c) Explain which of these economic benefits Minnesota ratepayers can expect to receive and a description of the “significant economic benefits” they will provide to Minnesota ratepayers.

RESPONSE:

- a) No. ALLETE shareholders, through its non-regulated Wisconsin subsidiary, South Shore Energy, have incurred all of the development costs and risks with NTEC since the project development began. MP customers have had no costs incurred.
- b) Please see the attached Trade Secret workbook “OAG IR 29 Attach TS.xlsx” for the revised projected annual revenue requirements for NTEC. The information provided in the attachment are projected revenue requirements based on an engineering estimate, which includes fuel, O&M, capital depreciation, taxes, interest, and return on rate base. The attached file adjust the revenue requirements provided in Minnesota Power’s response to OAG IR 7 from a 50% ownership to a 20% ownership. When MP files with the Commission an adjusted CDA the revenue requires will be updated at that time.

The change in Minnesota Power’s ownership does not change the overall scope and total cost of the NTEC project. The adjustment to the revenue requirement reflect Minnesota Power’s smaller ownership share of 20%, but the total cost of the project included in the IRP was unchanged.

Actual cost recovered from customers is dependent on Commission review and approval. The cost allowed to be recovered is defined in the CDA and will be passed through to customers once NTEC goes into service.

- c) As noted above, the change in Minnesota Power’s ownership share does not change the overall scope of the NTEC project. As such, the socioeconomic impacts of NTEC to the Twin Ports of Duluth, Minnesota and Superior, Wisconsin remain unchanged from the Company’s original petition. The socioeconomic analysis of the project was captured in Appendix O of the Petition for Approval of the *EnergyForward* Resource Package (MPUC Docket No. E015/AI-17-568, OAH Docket No. 68-2500-34672) filed on October 24, 2017.

As outlined in Appendix O, the Twin Ports of Duluth (where the majority of Minnesota Power’s 145,000 electric customers reside) and Superior would see many direct and indirect benefits related to the construction and operation of NTEC, which would be the largest private investment in Douglas County history. With its headquarters in Duluth, Minnesota Power is part of a regional economy that includes the entire Twin Ports, as well as the broader northeastern Minnesota service territory. Because of their proximity, the economies of the Twin Ports are inextricably linked – for example, many residents of Duluth work in Superior and many residents of Superior work in Duluth. Therefore, residents of Duluth (Minnesota Power customers) would share in the economic benefits of NTEC being sited across the bridge in Superior.

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Over 260 construction jobs and approximately 22 full time positions would be created in the Twin Ports as a direct result of the project. Additional secondary economic impacts for northeastern Minnesota and northwestern Wisconsin include: regional economic benefit estimated to be over \$1 billion during the first 20 years of plant operation (approximately \$52 million per year) and the creation of 130 permanent jobs. Additionally, Minnesota Power customers benefit from the attributes of the NTEC location, to include good natural gas access and availability, electric transmission infrastructure and a shovel-ready site. Finally, investment of this size in the region will provide significant economic benefits following the business closures during the COVID-19 pandemic in 2020, including closure of Verso's Duluth paper mill and airline maintenance center AAR in Duluth. Between the closure of just those two facilities - Verso's Duluth mill and AAR - Duluth lost more than 400 permanent jobs, making the investment of NTEC even more impactful to the region.

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