

April 15, 2024

PUBLIC DOCUMENT

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

RE: **PUBLIC Comments of the Minnesota Department of Commerce**
Docket No. E015/AA-22-216

Dear Mr. Seuffert:

Attached are the **PUBLIC** comments of the Minnesota Department of Commerce (Department) in the following matter:

Minnesota Power's Petition for Approval of the Annual Automatic Adjustment True-Up Report of the Forecasted Fuel and Purchased Energy Rates for the Calendar Year 2023.

Minnesota Power filed the Petition on March 1, 2024.

The Department recommends the Minnesota Public Utilities Commission (Commission) **approve Minnesota Power's petition, with modifications**. The Department is available to answer any questions the Commission may have in this matter.

Sincerely,

/s/ SYDNIE LIEB
Assistant Commissioner of Regulatory Analysis

SL/ad
Attachment



Before the Minnesota Public Utilities Commission

PUBLIC Comments of the Minnesota Department of Commerce

Docket No. E015/AA-22-216

I. INTRODUCTION

On March 1, 2024, Minnesota Power (MP or the Company) filed its Annual Automatic Adjustment 2023 True-Up Report (Petition) of the Company's Fuel and Purchased Energy (FPE) rates for calendar year 2023 with the Minnesota Public Utilities Commission (Commission). The Company submitted its [Petition](#)¹ pursuant to the Commission's [Order](#)² and the applicable reporting requirements provided for in Minn. R. 7825.2800 to 7825.2840. MP requests the Commission approve the 2023 true-up for the Company's Forecasted Fuel and Purchased Energy rates and find the Company's filing complies with the applicable reporting requirements.

On December 8, 2022, the Commission authorized MP to implement its 2023 Fuel Clause Adjustment (FCA) forecast based on forecasted sales 8,815,444 MWh and forecasted fuel costs of \$294,446,791.³

On August 30, 2023, the Company submitted a [proposal](#) to decrease the approved monthly fuel cost rates for October through December 2023 by \$17,824,151 million to account for overcollection of fuel costs from January through June 2023. The Company stated the main driver of the over-collection was "lower than forecasted market prices and the associated impacts on congestion costs between generation and load."⁴ Following a 30-day notice without objection, MP decreased its monthly fuel costs rates for this time period by the \$17.8 million it had over-collected, resulting in adjusted forecasted fuel costs of \$276,622,640.

In the instant Petition, the Company's actual 2023 sales were 9,129,265 (3.56% greater than initially forecasted) and actual fuel costs were \$271,380,438 (1.9% less than the Company's adjusted forecast).⁵ MP proposes a net true-up credit of \$10.5 million to be refunded over a 12-month period beginning the first of the month following Commission approval.⁶

II. DEPARTMENT ANALYSIS

The Minnesota Department of Commerce (Department) reviewed the Company's Petition to determine (1) whether the Company's actual 2023 energy costs were reasonable and prudent, (2) whether the Company correctly calculated the 2023 true-up for its FPE rates, and (3) whether the Petition complies with the reporting requirements set forth in the applicable Minnesota Rules and Commission Orders. MP's FPE and FCA refer to essentially the same cost recovery mechanism and are used interchangeably throughout the instant comments.

¹ Link to Public version of Petition.

² Commission [Order](#) (June 12, 2019) in Docket No. E999/CI-03-802.

³ Commission [Order](#) (December 8, 2022) in Docket No. E015/AA-22-216.

⁴ Petition, Page 6.

⁵ Ibid.

⁶ Petition, Page 2.

A. *SUMMARY OF RECENT FUEL CLAUSE ADJUSTMENT REFORM*

[Minnesota Statutes § 216B.16](#), subd. 7 authorizes the Commission to allow a public utility to automatically adjust charges for the cost of fuel. Prior to 2020, utilities would (1) adjust their FCA rates monthly to reflect, on a per kWh basis, deviations from the base cost of energy established in the utility's most recent general rate case and (2) file monthly and annual reports to be reviewed for accuracy and prudence.

In 2003, the Commission initiated an investigation to explore possible changes to the FCA and invited stakeholders to comment on the purpose, structure, rationale, and relevance of the FCA. The Commission's [Order](#) approved certain reforms to the FCA mechanism.⁷ Specifically, Order Point 1 of the *Order* approved the Department's FCA reform proposals as follows:

- a. The Commission will set recovery of the electric utility's fuel, power purchase agreement, and other related costs (fuel rates) in a rate case or an annual fuel clause adjustment filing unless a utility can show a significant unforeseen impact.
- b. Each electric utility will publish the monthly fuel rates in advance of each year to give customers notice of the next year's monthly electric fuel rates.
- c. The monthly fuel clause adjustment will not operate – each electric utility will charge an approved monthly rate.
- d. Each electric utility will be allowed to track any changes in \$/MWh fuel clause costs that occur over the year and there will be no carrying charge on the tracker.
- e. Annually, each electric utility will report actual \$/MWh fuel costs in each month by fuel type (including identification of costs from specific power purchase agreements) and compare the annual revenue based on the fuel rates set by the Commission with annual revenues based on actual costs for the year. The emphasis is on the overall average actual \$/MWh even if actual monthly costs vary from expected monthly costs.
- f. Each electric utility will refund any over-collections and show the prudence of costs before recovering under-collections. If annual revenues collected are higher than total actual costs, the utility must refund the over-collection through a true-up mechanism. If annual revenues collected are lower than total actual costs, the utility must show why it is reasonable to charge the higher costs (under collections) to ratepayers through a true-up mechanism.

⁷ Commission [Order](#) (December 19, 2017) in Docket No. E999/CI-03-802.

The Commission's December 12, 2018 [Order](#) modified the FCA reform previously approved in the Commission's December 19, 2017 *Order* in the same docket. In particular, the December 12, 2018 *Order*:

- Established a January 1, 2020 implementation date for the FCA reform.
- Required the utilities, following the implementation of the FCA reform, to file an annual true-up by March 1 of each year following the relevant calendar year.
- Discontinued the requirement for utilities to submit monthly automatic adjustment filings.
- Granted the relevant utilities a variance to Minnesota Rule 7825.2600, subpart 3, which requires the FCA be applied to base recovery of fuel costs on a monthly basis. Under the new FCA process, the monthly FCA would be irrelevant, because, instead, the Commission would use an annual forecast of fuel costs to adjust base rates annually.

The Commission's June 12, 2019 [Order](#) in Docket No. E999/CI-03-802 provided additional details to finalize the FCA reform. Specifically, the June 12, 2019 *Order* approved, among other things:

- Variances to Minnesota Rules 7825.2800 through 7825.2840 to accommodate the new FCA process by modifying the filing deadlines contained in these Rules.
- A procedural schedule, as shown in Appendix A of the *Order*.
- A threshold of plus or minus 5 percent of all FCA costs and revenues to determine whether an event qualifies as a significant, unforeseen impact that may justify an adjustment to the approved fuel rates. Utilities are permitted to implement revised rates following a 30-day notice period, subject to a full refund, if no party objects to the revised rates.
- Tracking under or over-recovered FCA costs as regulatory assets or liabilities, respectively, using FERC Account 182.3.
- Information requirements for the annual forecast and true-up filings for all electric utilities, including the reporting requirement changes outlined in Attachments 1, 2, and 3 of the March 1, 2019 [joint comments](#)⁸ in Docket No. E999/CI-03-802 and the requirement that the annual true-up filings include a complete analysis and discussion of the consequences of self-commitment and self-scheduling of their generators, including the annual difference between production costs and corresponding prevailing market prices.
- Tariff changes reflected in Attachments 4, 5, and 6 of the March 1, 2019 [joint comments](#)⁹ in Docket No. E999/CI-03-802.

⁸ In the March 1, 2019 joint comments, Attachment 1 corresponds to MP.

⁹ In the March 1, 2019 joint comments, Attachment 4 corresponds to MP and reflects the Company's current FPE Rate Schedule as approved by the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802.

The instant Petition provides the true-up between the Company's actual fuel/purchased power cost recovery through its FPE and the actual corresponding fuel/purchased power costs incurred by MP for the period of January 1 through December 31, 2023.

B. PURPOSE OF MINNESOTA POWER'S PETITION

In its Petition, MP: (1) demonstrated the Company's fuel/purchased power costs for 2023 were reasonable and prudent,¹⁰ (2) requested Commission approval to credit in a true-up the over-collected \$10.5 million in fuel costs over a 12-month period beginning the first month after Commission approval,¹¹ and (3) requested Commission approval of the FCA true-up compliance reporting required by Minn. R. 7825.2800 – 7825.2840 and applicable Commission orders.¹² The Department discusses each of these three areas in the following sections.

C. PRUDENCY AND REASONABLENESS OF MINNESOTA POWER'S ACTUAL 2023 FUEL/PURCHASED POWER COSTS

Minnesota Power stated the primary driver impacting 2023 fuel costs and the over collection was lower than forecasted market pricing and the associated impacts on congestion costs between generation and load.¹³

As noted in its petition, MP's total actual 2023 fuel clause sales were 3.56% over forecast, mainly due to increased Large Power Taconite sales and reduced MISO market sales.¹⁴ Large Power Taconite sales were 9.1% higher than forecast, which the Company explained was "due to a return to pre-COVID demand levels in the iron and steel industries."¹⁵ Inter System sales were 21.47% lower than forecast due to significantly lower-than-forecasted MISO Market prices, though these are removed from fuel adjustment clause total sales of electricity since they are non-FAC MWhs.¹⁶

The Company saw significantly lower generation costs of \$120.8 million than its adjusted forecast of \$160 million, a 24.53% decrease. MP provided several reasons for this, primarily lower fuel costs reducing the costs of generation at the Laskin facility, as well as lower market prices reducing generation activity at the Company's Boswell and Hibbard facilities.¹⁷

¹⁰ Petition, Pages 6-12.

¹¹ Petition, Page 2.

¹² Petition, Page 5.

¹³ Petition, Page 6

¹⁴ Petition, Pages 6-7.

¹⁵ Petition Attachment 2, Page 6.

¹⁶ Petition, Page 7.

¹⁷ Petition Attachment 2, Page 10.

MP's market purchase costs of \$46.74 million were 78.8% higher than its forecasted \$26.14 million¹⁸ because it purchased more energy from the market with prices low to cover load from decreased generation.¹⁹ Overall power market purchase costs were \$45.3 million above forecast due to these \$20.6 million above-forecast market purchases, as well as counter party purchases totaling \$25.74 million from MacQuarie Energy, Minnkota Power, AEP Energy Partners, Shell Energy North America, NextEra Energy, The Energy Authority, and "Other Purchases" – all of which were not included in MP's forecast. MP said it made these purchases to cover load, which "can happen when generation is lower than expected, load is high, market prices are lower than expected, or MP has generating units off for outage."²⁰

MISO charges for were significantly lower than forecast at \$24.24 million, nearly \$60 million below MP's adjusted 2023 forecast.²¹ Charges related to congestion and loss were down most significantly among various charges.²²

The Company expects to see reduced congestion in the medium term, partly resulting from FERC Order 881 compliance, which takes effect in July 2025 and requires transmission providers to use Ambient Adjusted Ratings, which use actual ambient temperatures (rather than default seasonal temperature assumptions) to evaluate near-term transmission service.²³ In the longer term, MP also expects reduced congestion due to in-servicing of transmission projects such as the Long Range Transmission Plan and Northland Reliability Project currently underway, though level of congestion and related costs are difficult to predict.²⁴

¹⁸ Petition Attachment 2, Page 11.

¹⁹ Petition Attachment 2, Page 17.

²⁰ Ibid.

²¹ Petition, Page 6.

²² Petition Attachment 3, Page 16.

²³ Petition, Page 11.

²⁴ Petition, Page 12.

The following table summarizes and compares select energy sales and cost data relevant to MP's 2023 FCA true-up:

**Table 1: Comparison of Select Forecasted to Actual Data for
MP's 2023 Fuel Clause Adjustment True-up²⁵**

Data Description	2023 Adjusted Forecast (A)	2023 Actual (B)	Dollar Difference (B-A)	Percentage Difference (B-A)/A
MWh Sales Subject to FPE	8,815,444	9,129,265	313,821	3.56%
Total Cost of Fuel/Purchased Power	\$276,622,640	\$271,380,438	\$(5,242,202)	-1.9%
Average Fuel/Purchased Power Cost per MWh	\$31.38	\$29.73	\$(1.65)	-5.26%

Table 1 shows MP's relevant 2023 MWh sales were approximately 3.5 percent greater than forecasted and the Company's total system actual fuel/purchased power costs recoverable through the FPE for 2023 were about 2 percent less than the adjusted 2023 forecast costs. Table 1 also shows the average fuel and purchase power costs were about 5.3 percent lower than forecasted on a per MWh basis.

The cost and offsetting credit/revenue components of the Company's actual and forecasted 2023 fuel/purchased power costs recoverable through the FPE can be broken into several major categories, as summarized in the following table:

²⁵ Data in Table 1 retrieved from Tables 1 and 2 on Pages 6-7 of Petition.

Table 2: MP's Forecasted and Actual 2023 Fuel/Purchased Power Costs and Offsetting Credits/Revenues by Major Category²⁶

Fuel/Purchased Power Cost, Credit, or Revenue Category	2023 Adj. Forecast (A)	2023 Actual (B)	Dollar Difference (B-A)	Percentage Difference (B-A)/A
Plant Generation Costs	160,055,752	120,798,378	(39,257,374)	-24.53%
Plus: Purchased Power Costs	212,741,108	255,150,291	42,409,183	19.93%
Plus: MISO Charges	84,170,517	24,240,451	(59,930,066)	-71.20%
Less: MISO Schedule 16, 17, & 24	(261,937)	(434,364)	(172,427)	65.83%
Less: Fuel Cost Recovered through Inter System Sales	161,604,379	129,080,438	(32,523,941)	-20.13%
Less: Costs Related to Solar	2,522,315	1,354,052	(1,168,263)	-46.32%
Plus: Time of Generation and Solar Energy Adjustment	1,344,170	1,191,444	(152,726)	-11.36%
Initial Forecasted Cost of Fuel ²⁷	294,446,791	-	-	N/A
Significant Events Filing ²⁸	(17,824,151)	-	-	N/A
Total Cost of Fuel	276,622,639	271,380,438	(5,242,201)	-1.90%
Total FPE or FCA Sales (MWh)	8,815,444	9,129,265	313,821	3.56%
Average Cost of Fuel	\$31.38	\$29.73	\$(1.65)	-5.26%

Table 2 shows MP's actual 2023 plant generation and purchased power costs, the two largest components of the total net fuel/purchased costs, were significantly lower for plant generation costs and significantly higher for purchased power costs than forecasted. The Company provided data in its Petition showing the average MISO market price was **[TRADE SECRET DATA HAS BEEN EXCISED]** than forecasted.²⁹ With lower market prices, MP purchased more energy from the market to cover load from a decrease in generation.³⁰ Due to lower market prices, Boswell units were cleared by MISO less often, and Hibbard was called on less by MISO.³¹

Table 2 also shows MISO charges were significantly lower than forecasted at \$24.24 million actual compared to \$84.17 million forecasted, or 71.2 percent lower.

²⁶ Data in Table 2 retrieved from Table 1 on Page 6 of Petition.

²⁷ Approved in Commission [Order](#) (December 8, 2022) in Docket No. E015/AA-22-216.

²⁸ Rate decrease from October through December 2023.

²⁹ Petition, Table 4 on Page 9.

³⁰ Petition Attachment 2, Page 17.

³¹ Petition Attachment 2, Page 10.

MP explained that customer sales increased by approximately 313,821 MWhs, or 3.56 percent, over forecasted sales mainly due to increased Large Power Taconite sales.³² Inter System sales, meanwhile, decreased by 710,998 MWhs, or 16.38 percent, from forecasted sales mainly due to decreased MISO market sales. However, inter system sales and related costs are removed from the Total Sales of Electricity as they are non-FCA MWhs.

**Table 3: MP Sales Reconciliation Difference
between Forecasted and Actual 2023 Sales³³**

2023 Sales (MWh)	Forecasted Sales (A)	Actual Sales (B)	Difference (B-A)	% Difference (B-A)/A
Total Sales of Electricity	13,212,639	12,796,580	(416,059)	-3.15%
Residential	1,043,077	1,013,751	(29,326)	-2.81%
Commercial	1,232,760	1,179,547	(53,213)	-4.32%
Large Power Taconite	4,042,289	4,410,110	367,821	9.10%
Large Power Paper and Pulp	600,104	533,667	(66,437)	-11.07%
Large Power Pipeline	309,481	336,125	26,644	8.61%
Other Miscellaneous	333,726	355,881	22,155	6.64%
Municipals	1,311,330	1,338,625	27,295	2.08%
Inter System Sales	4,339,872	3,628,874	(710,998)	-16.38%
Customer intersystem Sales	755,606	809,093	53,487	7.08%
Market Sales	3,581,792	2,812,719	(769,073)	-21.47%
Station Service	2,473	7,063	4,590	185.60%
Sales due to Retail and Resale Loss of Load	-	-	-	N/A
Less: Solar Generation & Purchases	57,323	38,441	(18,882)	-32.94%
Total Fuel Clause Sales	8,815,444	9,129,265	313,821	3.56%

The Company experienced higher sales than forecasted, but also lower MISO Charges, lower plant generation costs, and higher purchased power costs in 2023. Total cost of fuel was nearly 2 percent lower than forecasted in 2023.³⁴ Based on MP's actual experience in 2023, the Department concludes it is reasonable the Company's actual 2023 fuel/purchased costs recoverable through the FCA were lower than those forecasted. The Department recommends the Commission find MP's actual 2023 fuel/purchased power costs recoverable through the FCA were reasonable.

D. MP'S 2022 FUEL CLAUSE ADJUSTMENT TRUE-UP

In its Petition, MP requests a true-up credit of \$10,457,072 in FCA over collections attributed to lower than forecasted 2023 market prices and related congestions costs, to be refunded over a 12-month

³² Petition, Page 6.

³³ Data in Table 3 retrieved from Table 2, on Page 7 of Petition.

³⁴ Instant comments, Table 2.

period effective the first of the month following Commission approval.³⁵ The true-up credit reflects total over-collection of \$13,258,927,³⁶ plus \$2,217,073 overcollection from its 2021 True-Up recovery in 2022 and 2023, less \$5,019,698 in lost revenue deficiency from Hibbing Public Utilities. See Table 4 below for a summary of the Company's calculation:

Table 4: Over/(Under) Collection Calculation³⁷

2023 Actual Collections from Customers	\$245,953,179
Less: Actual Costs and Actual Sales	\$232,694,252
Plus: 2021 True Up Recovery Overcollection (2022) ³⁸	\$894,348
Plus: 2021 True-Up Recovery Overcollection (2023) ³⁹	\$1,322,725
Less: Hibbing Public Utilities Lost Revenue (2022) ⁴⁰	\$1,258,651
Less: Hibbing Public Utilities Lost Revenue (2023)	\$3,761,047
Plus: Small cancel rebill adjustments in General Ledger	\$770
Remaining Over Collection = Net 2023 FCA True-Up Amount	\$10,457,072

The Department finds MP correctly calculated its 2023 FCA/FPE Rider over collection, apart from its inclusion of approximately \$5 million in lost revenue deficiency from Hibbing Public Utilities. In the Commission's Order in MP's Petition for Approval to Recover Impacts of the Bilateral Contract with Hibbing Public Utilities in the FPE Rider (Docket No. E015/M-22-501), Order Point 1 allows recovery of only "\$4.4 million (Total Company) or \$3.2 million (Minnesota Jurisdictional) annual deficiency through the FCA filing until Minnesota Power's next rate case."⁴¹ The Company's inclusion of \$3,761,047 in lost 2023 revenue, which MP included as an under-collection,⁴² is above the amount approved by the Commission in Docket No. E015/M-22-501. The claimed 2023 lost revenue amount is \$561,047 above the \$3.2 million approved by the Commission.⁴³ As such, the corrected Net 2023 FCA True-Up Amount should be \$11,018,119.⁴⁴

The Department recommends capping 2023 Hibbing Public Utilities Lost Revenue amount at \$3.2 million as approved by the Commission, resulting in a modified Net 2023 FCA True-Up Amount of \$11,018,119 (\$10,457,072 plus \$561,047). The Department otherwise considers the Company's proposal to refund to customers effective over the 12-month period beginning the first month following Commission approval to be reasonable

³⁵ Petition, Page 4.

³⁶ \$245,953,179 - \$232,694,252 = \$13,258,927.

³⁷ Data retrieved from Petition, Attachment No. 2, Page 4.

³⁸ Docket No. E015/AA-20-463

³⁹ Ibid

⁴⁰ Commission's [Order](#) (May 16, 2023) in Docket No. E015/M-22-501, ordering paragraph 1.

⁴¹ Ibid.

⁴² Petition, Page 2.

⁴³ \$3,761,047 - \$3,200,000 = \$561,047

⁴⁴ \$561,047 + \$10,457,072 = \$11,018,119

E. COMPLIANCE WITH REPORTING REQUIREMENTS

The Department verified the instant Petition included the information required per the following:

- Minn. R. 7825.2800 – 7825.2840, as revised on pages 3 – 4 and approved in Point 1 of the Commission’s [Order](#).⁴⁵
 - MP filed its Petition on March 1, 2024.
- Annual FCA true-up general reporting guidelines, as outlined on page 7 and approved in Point 5 of the Commission’s [Order](#).⁴⁶
 - MP’s filing included a submittal letter.
 - MP’s filing included comparison of 2023 forecast and 2023 actual, including variances by month⁴⁷ of the following:
 - retail fuel and purchased energy adjustment
 - sales for 2023
 - MISO costs
 - unit outage information
 - MP’s filing included an explanation of why the forecasted rate differed from actual costs and why it is reasonable to credit ratepayers the difference.⁴⁸
- Annual FCA true-up reporting compliance matrix specific to MP as shown in Attachment 1 of the March 1, 2019 [joint comments](#) and approved in Point 7 of the Commission’s *Order*.⁴⁹
 - MP’s filing included:
 - Fuel & Energy Source Procurement and Energy Dispatching Policies, Attachment No. 10.
 - Independent Auditor’s Report, Attachment No. 1.
 - Annual Report of Automatic Adjustment Charges, Attachment No. 2.
 - Notice of Reports Availability, Attachment No. 11.
 - Monthly MISO Day 2 Charges and Allocation, Attachment No. 3.
 - Annual and Daily Ancillary Services Market Charges and Summary, Attachment No. 6.
 - Auction Revenue Rights (ARR) Process Information, Attachment No. 4.
 - Generation Facilities Maintenance Expenses, Attachment No. 9.
 - Offsetting Revenues and/or Compensation Received by Investor-Owned Utilities, Attachment No. 8.
 - Plant Outage Reporting, Attachment No. 5.
 - Wind Curtailment Reporting, Attachment No. 7.

⁴⁵ Commission’s [Order](#) (June 12, 2019) in Docket No. E999/CI-03-802.

⁴⁶ Commission’s [Order](#) (June 12, 2019) in Docket No. E999/CI-03-802.

⁴⁷ Petition, Attachment 2.

⁴⁸ Petition, pages 6-12.

⁴⁹ Commission’s [Order](#) (June 12, 2019) in Docket No. E999/CI-03-802.

The Department found the Company did not include its required Report Addressing the PPA with Manitoba Hydro. The Department request the Company submit this Report in its Reply Comments.

The Department's review of MP's Generation Maintenance Expenses and correlation to incremental forced outage costs compliance filing is discussed below.

1. *Maintenance Expenses of Generation Plants and Correlation to Incremental Forced Outage Costs (In the Matter of the Review of the 2005 AAA of Charges for all Electric Utilities, Docket No. E999/AA-06-1208)*

The Commission required all electric utilities subject to automatic adjustment filing requirements, except for Dakota Electric, to include in future annual automatic adjustment filings the actual expenses pertaining to maintenance of generation plants, with a comparison to the generation maintenance budget from the utility's most recent rate case.⁵⁰

This requirement stems from the drastic increase in investor-owned utilities (IOUs) outage costs during FYE06 and FYE07. When a plant experiences a forced outage, the utility must replace the megawatt hours the plant would have produced if it had been operating, usually through wholesale market purchases. The cost of those market purchases flows through the FCA directly to ratepayers. The high outage costs incurred by investor-owned utilities in fiscal years 2006 and 2007 raised questions as to whether the utilities were (1) maintaining plants appropriately to prevent forced outages, and (2) spending as much on plant maintenance as they were charging to their customers in base rates. The Commission agreed with the Department and the Large Power Intervenors that "utilities have a duty to minimize unplanned facility outages through adequate maintenance and to minimize the costs of scheduled outages through careful planning, prudent timing, and efficient completion of schedule work" (Order 06-1208, p. 5).

The Department reviewed the Company's approved and actual Minnesota jurisdiction generation maintenance expenses for 2023 and found them reasonable, since 2023 actual generation maintenance expenses exceeded amounts approved in rates. The Department will continue to monitor the Company's generation maintenance expenses in future filings, to ensure underspending on generation maintenance expenses does not result in increased outage costs passed on the ratepayers through the FPE.

The Department reviewed MP's incremental forced outage costs for 2023 as reported on MP's Attachment No. 5. The Company's incremental forced outage costs of \$6,777,889 were lower than their forecasted incremental forced outage costs of \$10,357,855, largely due to lower energy market prices. The Department reviewed MP's explanations for plant outages as provided in Attachment 5, Plant Outages, and found the Company's explanations to be reasonable. As a result, the Department will accept MP's forced outage costs for the 2023 true-up.

⁵⁰ Commission's [Order](#) (February 6, 2008) in Docket No. E999/AA-06-1208.

The Department concludes MP's Petition complies with the applicable reporting requirements, except for the Report addressing the PPA with Manitoba Hydro, which was not included in the Petition. The Department recommends the Commission approve the compliance reporting portions of the Company's Petition, subject to review of MP's Manitoba Hydro Report in the Company's Reply Comments.

III. CONCLUSIONS AND RECOMMENDATIONS

Based on our review, the Department concludes (1) MP's actual fuel/purchased power costs for 2023 were reasonable and prudent, (2) MP correctly calculated its 2023 FCA/FPE Rider over-collection of \$13,258,927, (3) MP undercalculated its Net 2023 FCA True-Up amount, which should be \$11,018,119 , and (4) MP's Petition complies with the applicable reporting requirements, subject to Department review of MP's Report addressing the PPA with Manitoba Hydro in the Company's Reply Comments. Therefore, the Department recommends the Commission take the following actions:

- Find MP's actual 2023 fuel/purchased power costs recoverable through the FCA/FPE rider were reasonable and prudent for 2023.
- Find MP correctly calculated its 2023 FCA/FPE Rider overcollection of \$13,258,927.
- Require MP to refund \$11,018,119 (\$10,457,072 plus \$561,047) for the Net FCA True-Up in the 12-month period following approval by the Commission, rather than the \$10,457,072 Net FCA True-Up (see Table 4 above) requested by the Company, to comply with the Commission Order regarding Hibbing Public Utilities lost revenue recovery in Docket No. E015/M-22-501.
- Approve the compliance reporting portions of MP's Petition, subject to Department review of MP's Report Addressing the PPA with Manitoba Hydro in the Company's Reply Comments.

The Department also requests MP provide the following in its Reply Comments:

- Report addressing the PPA with Manitoba Hydro.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Public Comments**

Docket No. E015/AA-22-216

Dated this 15th day of **April 2024**

/s/Sharon Ferguson

[illegible]

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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David	Cartella	David.Cartella@cliffsnr.com	Cliffs Natural Resources Inc.	200 Public Square Ste 3300 Cleveland, OH 44114-2315	Electronic Service	No	OFF_SL_22-216_Official
Greg	Chandler	greg.chandler@upm.com	UPM Blandin Paper	115 SW First St Grand Rapids, MN 55744	Electronic Service	No	OFF_SL_22-216_Official
Steve W.	Chriss	Stephen.chriss@walmart.com	Wal-Mart	2001 SE 10th St. Bentonville, AR 72716-5530	Electronic Service	No	OFF_SL_22-216_Official
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_22-216_Official
Sean	Copeland	seancopeland@fdlrez.com	Fond du Lac Band of Lake Superior Chippewa	1720 Big Lake Rd Cloquet, MN 55720	Electronic Service	No	OFF_SL_22-216_Official
Hillary	Creurer	hcreurer@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	Yes	OFF_SL_22-216_Official
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_22-216_Official
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