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VIA E-FILING

Mr. Dan Wolf
Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

**Re: Reply Comments of the Minnesota Large Industrial Group
In the Matter of the Review of 2013-2014 Annual Automatic Adjustment Reports,
Docket No. E999/AA-14-579**

Dear Mr. Wolf:

The Minnesota Large Industrial Group (“MLIG”), which is a consortium of large industrial customers in the State of Minnesota spanning several utilities and consuming more than 6.5 billion kWh of electricity each year—about 10 percent of Minnesota’s total electric retail sales—appreciates the opportunity to submit this reply comment.

Between August 28, 2014 and September 2, 2014, Minnesota Power, Interstate Power and Light Company, Northern States Power d/b/a Xcel Energy, Otter Tail Power Company, and Dakota Electric Association (collectively, the “Utilities”), submitted their respective Annual Automatic Adjustment (“AAA”) reports. On May 19, 2015, the Minnesota Department of Commerce – Division of Energy Resources (the “Department”) submitted its review of the Utilities’ 2013-2014 AAA reports (the “DOC Report”). MLIG appreciates the Department’s diligent efforts to review Utilities’ AAA reports and supports the Department’s recommendations to obtain additional information from the Utilities on various matters in order to complete its review. MLIG reserves the right to provide further comment on specific matters based on such information.

With these Reply Comments, MLIG wishes to call attention to the discussions in other recent AAA dockets and among stakeholders regarding reforming the fuel clause adjustment mechanism (the “FCA”). The Department provided some context for these discussions in Attachment E16 of the DOC Report, including referencing key points from its December 31, 2014 response comments in Docket No. E999/AA-12-757, in which it proposed an incentive FCA and summarized the difficulties with the current operation of the current FCA.¹ In response

¹ See Response Comments of the Department to Electric Utilities’ Reply Comments, December 31, 2014, Docket No. E999/AA-12-757, at p. 8-16.



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to the Department's proposal for an incentive FCA in December, various parties, including MLIG,² submitted additional reply comments in February. The Commission has not yet taken action on these recommendations and comments.

More than \$1.3 billion was recovered by the Utilities in fuel costs during fiscal year 2014.³ Given the enormous amount of money that flows through the FCA, it is of enormous importance to ratepayers for utilities to have effective incentives to control these costs and for regulators to have the ability to effectively review them. As MLIG, the Department and others have argued in previous discussions, the current FCA does not provide utilities such incentives. And further, it practically puts the burden of proof on regulators and ratepayers to demonstrate when costs are not just and reasonable.⁴ Although the Department has made recommendations for ways to improve the type of information it receives to assist in its review of costs,⁵ better information will not improve the underlying problem, which is that utilities do not have "skin in the game" with respect to costs recoverable via the FCA.

These issues have been developed in more detail in the previous AAA proceedings, but MLIG believes that it is important to raise them again here because they underlie every AAA proceeding. The Department and other parties have raised serious concerns about the current FCA that need to be addressed. Ratepayers cannot be confident that costs recovered through the FCA are just and reasonable when regulators are not confident in their ability to effectively review those costs. These issues are well-developed in the 12-757 docket and are ready for Commission action to move the process along. For these reasons, MLIG urges the Commission to establish a process and a timeline for implementing FCA reform.

Very truly yours,

/s/ Sarah Johnson Phillips

Sarah Johnson Phillips

² See, e.g., Comments and Reply Comments of the Minnesota Large Industrial Group, dated September 20, 2013, December 31, 2014 and February 11, 2015, Docket No. E999/AA-12-757. In these comments, MLIG provided its analysis of the problems presented by the current FCA and potential options for reform. MLIG has also consistently urged the Commission to action

³ See Table 2 on page 29 of the DOC Report.

⁴ See e.g., Response Comments of the Department to Electric Utilities' Reply Comments, December 31, 2014, Docket No. E999/AA-12-757, at p. 11-12.

⁵ See DOC Report at Attachment E16; Department Response Comments, December 31, 2014, Docket No. E999/AA-13-599.

CERTIFICATE OF SERVICE

I, Sharla Backer, hereby certify that I have this day, served a true and correct copy of the following documents to all persons at the addresses indicated below or on the attached list by electronic filing, electronic mail, courier, interoffice mail or by depositing the same enveloped with postage paid in the United States Mail at Minneapolis, Minnesota.

MINNESOTA LARGE INDUSTRIAL GROUP'S REPLY COMMENTS

In the Matter of the Review of 2013-2014 Annual Automatic Adjustment Reports
Docket No. E999/AA-14-579

Dated this 19th day of June, 2015.

/s/ Sharla Backer
Sharla Backer

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