July 9, 2020 **PUBLIC DOCUMENT**

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

RE: **PUBLIC Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/M-19-523

Dear Mr. Seuffert:

Attached are the **PUBLIC** Response Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

Minnesota Power's Renewable Resources Rider and 2020 Renewable Factor.

The Department recommends **approval, with modifications** and is available to answer any questions that the Minnesota Public Utilities Commission may have in this matter.

Sincerely,

/s/ CRAIG ADDONIZIO
Financial Analyst

CA/ja
Attachment

COMMERCE DEPARTMENT

Before the Minnesota Public Utilities Commission

PUBLIC Response Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E015/M-19-523

I. INTRODUCTION

On August 15, 2019, Minnesota Power (or the Company) filed a Petition seeking approval from the Minnesota Public Utilities Commission (Commission) for the Company's proposed 2020 Renewable Resource Rider (RRR) factors.

On December 23, 2019, the Department filed Comments requesting that Minnesota Power provide in reply comments additional information related to:

- its sales of renewable energy credits (RECs) to Oconto Electric Cooperative (Oconto);
- the reduction of the credit to Minnesota Power's rates resulting from the Company's transfer of a Large Generator Interconnection Agreement (LGIA) to its affiliate, ALLETE Clean Energy, Inc. (ACE); and
- actual costs for projects that had been included in the Company's RRR, but were rolled into base rates at the conclusion of Minnesota Power's most recent completed rate case (Docket No. E015/GR-16-664, or the 2016 Rate Case).

On February 14, 2020, and March 5, 2020, Minnesota Power filed Reply Comments and related exhibits responsive to the Department's Comments.

On June 12, 2020, the Commission issued a Notice of Comment Period (Notice) in this Docket with the following topics open for comment:

- Minnesota Power's proposed Renewable Resources Cost Recovery revenue requirement.
- Minnesota Power's proposed Renewable Resources Cost Recovery Rider rates.
- Does Minnesota Power's resolution of its rate case (Docket Nos. E-015/GR-19-442 and E015/M-20-429) have any impact on parties positions and, if so, what effect?
- Are there other issues or concerns related to this matter?

II. DEPARTMENT ANALYSIS

A. SALE OF RECS TO OCONTO

In its Petition, Minnesota Power noted that it had included revenue credits of $17,786 and $15,470 in its 2019 and 2020 RRR revenue requirements, respectively, to reimburse the Company's ratepayers for the sale of the RECs to Oconto. In its Comments, the Department requested that Minnesota Power provide in reply comments:

- the price it will receive for the RECs its sells to Oconto, along with an explanation of how that price is determined;
- an explanation of how the number of RECs sold to Oconto each year will be determined;
- an explanation of whether and how the total amount of revenue received from Oconto for the sale of RECs will be allocated to MP's different jurisdictions; and
- supporting calculations showing how the proposed revenue credits for 2019 and 2020 in the RRR were estimated.

In its Reply Comments, Minnesota Power explained that under the terms of its power sales agreement with Oconto, the Company will provide Oconto with **[TRADE SECRET DATA HAS BEEN EXCISED]**. Rather than **[TRADE SECRET DATA HAS BEEN EXCISED]**. Thus, the total amount paid for RECs each year by Oconto is **[TRADE SECRET DATA HAS BEEN EXCISED]**.

For 2020, Minnesota Power estimated **[TRADE SECRET DATA HAS BEEN EXCISED]** a total revenue credit of $18,350. The Company expects **[TRADE SECRET DATA HAS BEEN EXCISED]**.

As requested by the Department, Table 2 of the Company's Reply Comments shows how Minnesota Power derived its estimates of total-company and Minnesota-jurisdictional revenue credits for 2019 and 2020.

While data on REC prices is somewhat scarce, the terms of Minnesota Power's power sales agreement with Oconto compare favorably to the REC prices reported by various Minnesota electric utilities in Docket No. E999/PR-18-12. Therefore the Department concludes that Minnesota Power's proposed treatment of revenues associated with REC sales to Oconto is reasonable.

B. BISON 6 LGIA CREDIT

As described in the Department's Comments, the Commission recently approved the transfer of a large generator interconnection agreement (the Bison 6 LGIA) from the Company to its affiliate, ALLETE Clean Energy, Inc. (ACE).[1] In approving the transfer, the Commission required the Company, beginning February 4, 2018 to credit ratepayers with:[2]

[1] See Docket No. E015/AI-17-304 (the LGIA Transfer Docket).
[2] See the Commission's March 16, 2018 Order in the LGIA Transfer Docket.

- a lump sum of $121,179 to reflect legal and regulatory costs as well as the costs of system impact and facility studies related to the LGIA;[3]
- ACE's share of the capital costs and revenue requirements (using the inputs, such as return on equity, established in the 2016 Rate Case) for a transmission line and other plant related to the LGIA; and
- ongoing operating and maintenance expenses, including taxes other than income taxes.

During its review of Minnesota Power's calculation of the Bison 6 LGIA credit reflected in its proposed 2020 RRR factor, the Department noted that the Bison 6 LGIA's share of capital costs and revenue requirements for the related transmission line and other plant fell from 28.504 percent to 18.241 percent, which lowered the size of the credit to Minnesota Power's ratepayers. In particular, the portion of the annual credit related to capital costs (i.e. depreciation, return on rate base, and income taxes) decreased by approximately $0.5 million, or one third.

In its Comments, the Department concluded that the updated calculations accurately reflected a correction to Minnesota Power's prior RRR filing, but expressed concern about Minnesota Power's lack of transparency regarding the correction of its apparent error, which will have a significant effect on ratepayers. Minnesota Power did not provide any information related to the change in the original docket in which the transfer was reviewed and approved by the Commission, the LGIA Transfer Docket. The Company also did not note the change in the text of its Petition in this Docket; it simply decreased the credit in the Petition's Exhibits without explanation.

In its Reply Comments, the Company stated that it will make a concerted effort to disseminate information in a more transparent way going forward. The Company also stated that the updated allocation percentage and resulting decrease to the credit reflected in the proposed 2020 RRR factor is reasonable because:

- the updated allocation percentage is the correct percentage;
- the change does not change what ACE paid for the Bison 6 LGIA, and does not affect the contracts with ACE in any way;
- the change partially offsets the significant ($1.67 million) benefit to ratepayers resulting from the Commission's decision to make the Bison 6 LGIA credits begin as of February 4, 2018, rather than December 2019, when ACE began using the facilities, which the Company stated was inconsistent with the effective date of other, similar agreements.

The Department strongly disagrees with and is troubled by the logic of the third reason Minnesota Power provided related to the effective date of credits to ratepayers, which amounts to a de facto request for reconsideration of the Commission's Order in the LGIA Transfer Docket. Nonetheless, the Department concludes that the Company's updated calculation of the annual Bison 6 LGIA credit is

[3] In its April 17, 2018 Compliance Filing in the LGIA Transfer Docket, MP reported that these costs have since risen to $122,601. The Commission's March 16, 2018 Order Approving Sale of Bison 6 Interconnection Agreement stated that MP's ratepayers should be credited with the lump sum of $121,179 "or more" indicating that ratepayers should be credited for the full amount of the legal and regulatory costs.

reasonable at least on a going-forward basis because it accurately corrects Minnesota Power's error in its prior RRR filing. Additionally, based on the Department's review of the record in the LGIA Transfer Docket, the Department considers it to be unlikely that the Commission's decision in that Docket would have been different even if Minnesota Power had provided the Commission with the correct allocation percentage at the time.

Additionally, the Department notes that in Minnesota Power's prior RRR filing, the Company included the larger, erroneous credit in its calculation of 2018 revenue requirements.[4] In its Petition in this Docket, Minnesota Power updated its 2018 Revenue Requirements to reflect the smaller credit, thus the revenue requirements calculated in this Petition are roughly $1.0 million higher than they otherwise would have been, as they reflect $0.5 million decreases in the LGIA Credit for both 2018 and 2019.

The Department supports a reduction in the LGIA Credit on a going-forward basis but opposes charging ratepayers higher rates in 2020 for the Company's error in calculating the LGIA credits for 2018 and 2019. The Department estimated that adjusting the Bison 6 LGIA credit in this way decreases the total 2018 and 2019 revenue requirements by $0.8 million.[5]

Lastly, the Department notes that in its Petition, Minnesota Power proposed to roll the Bison 6 LGIA credit into base rates in its recently withdrawn rate case in Docket No. E015/GR-19-442 (the 2019 Rate Case). Because the 2019 Rate Case has been withdrawn, and all interim rate revenue will be refunded (net of certain adjustments related to the treatment of energy and capacity asset-based wholesale margins), this credit will not be rolled into base rates and will instead remain in the RRR. The Department discusses this issue in greater detail below in its response to the Commission's Notice.

C. TRUE-UPS AND TRACKER BALANCES

As described in the Department's Comment's, prior to filing its 2016 Rate Case, MP was recovering costs associated with a number of renewable projects via its RRR. The Company planned to roll many of those projects into base rates in its 2016 Rate Case. However, rather than rolling the projects into base rates at the beginning of the 2016 Rate Case in interim rates, or at the end of the rate case when final rates were implemented, the Company adopted a hybrid approach in which it continued to recover the costs of those projects via the RRR while interim rates were in effect, but included both the costs of those projects and expected RRR revenues in its interim rate calculations.

During the course of the 2016 Rate Case, the Department and the Company agreed that because the costs of those projects being rolled into base rates remained in the RRR while interim rates were in effect, the costs and revenues associated with those projects while interim rates were in effect needed to be trued up to actuals. In its March 12, 2018 Findings of Fact, Conclusions, and Order, the

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[4] See Docket No. E015/M-18-375.
[5] See Department Attachment 1, page 2.

Commission adopted the Department's and MP's agreement.[6] In its Petition, however, MP proposed to true-up only the costs and revenues related to the two Thomson projects that remained in the RRR following the conclusion of the 2016 Rate Case. The Petition did not include any discussion of true-ups for actual costs and revenues collected via the RRR while interim rates were in effect during the 2016 Rate Case (January 1, 2017 through November 30, 2018) for projects that were rolled into base rates at the end of the rate case. Thus, the Department concluded in its Comments that a true-up was still required.

MP's unusual hybrid approach of including costs and the associated revenue credit in MP's 2016 Rate Case greatly complicates the calculation of true-ups to actuals. In a normal rider true-up calculation, actual revenues from the prior period are compared to a calculation of revenue requirements for the same period that has been updated to reflect actual costs. In this case, because the rider rates in effect during the interim rate period were calculated using the cost of capital established in MP's 2009 rate case, and the cost of capital was lowered from 8.180 percent to 7.064 percent during the 2016 Rate Case, this normal true-up calculation would show a significant over-recovery for 2017 and the first 11 months of 2018. However, because MP included a credit for revenues collected via the RRR in its calculation of interim rates as well as the interim rate refund, the over-recovery associated with the lower cost of capital was effectively refunded to ratepayers via the interim rate refund, and to refund that amount via the RRR would be to double-count it. Thus, it does not seem possible to apply normal rider true-up procedure in a meaningful way.

In its Comments, the Department suggested an alternative to the normal rider true-up procedure that accounted for the fact that the change in the cost of capital has already been reflected in the interim rate refund.[7] In short, the Department recommended estimating separate revenue and cost true-ups. The Department proposed that the revenue true-up be calculated simply as the difference between (a) actual revenues during the 23-month period that interim rates were in effect, and (b) the assumed amount of RRR revenue credited to ratepayers in MP's interim rate calculations in the 2016 Rate Case. As described in the Department's Comments, actual RRR revenue recovery while interim rates were in effect was[8] $119,133,357, and estimated RRR revenue recovery reflected in interim rates was $123,785,730.[9] Thus, over the 23-month interim rate period, MP under-collected RRR base rate revenue by $4,652,373.

With respect to costs, as described above, MP has already effectively refunded the over-collection attributable to the lower cost of capital established in the 2016 Rate Case, and MP has already reflected the difference between actual PTCs earned versus projected PTCs in its PTC true-up. Thus, an estimate of any refund or surcharge amounts related to costs would have to isolate the impacts of differences in projected and actual rate base, as well as differences in projected and actual operating and maintenance (O&M) expenses. In its Comments, the Department suggested that Minnesota Power could achieve this estimation of remaining costs by calculating simple estimates of projected

[6] See Order Point 47 of the Commission's March 12, 2008 Findings of Fact, Conclusions, and Order in the 2016 Rate Case.
[7] Comments, page 13-14.
[8] See page 13 of the Department's Comments.
[9] $64,583,859 x (23/12) = $123,785,730

revenue requirements for 2017 and 2018 by updating the projected 2017 revenue requirements presented in Docket No. E015/M-16-776 with the cost of capital and tax rate approved in the 2016 Rate Case to develop an estimate of costs reflected in the rider that haven't already been trued-up in the interim rate refund calculation. The Department suggested that MP could then update the calculations with actual rate base data, O&M expenses, and the allocators (to reflect those approved in the 2016 Rate Case) to develop an estimate of actual costs that had not been trued up in the interim rate refund. The difference between these projected and actual revenue requirements for 2017 and 2018 would be a rough estimate of Minnesota Power's under- or over-projection of costs that need to be included in a true-up.

Table 1
Alternative Cost True-up Methodology Suggested by the Department

		2017	2018
	Updated Projected Costs:	2017 Projected Revenue Requirements from Docket E015/M-16-776, updated with cost of capital approved in 2016 Rate Case	2017 Projected Revenue Requirements from Docket E015/M-16-776, updated with cost of capital approved in 2016 Rate Case and new corporate tax rate effective Jan. 1. 2018
less:	Actual Costs:	2017 Actual Revenue Requirements calculated with actual rate base data and cost of capital approved in 2016 Rate Case	2018 Actual Revenue Requirements calculated with actual 2018 rate base data and cost of capital approved in 2016 Rate Case and new corporate tax rate effective Jan. 1, 2018
equals:		2017 Cost True-up	2018 Cost True-up

The Department requested that Minnesota Power respond to the Department's proposal and provide the calculations suggested by the Department in its Reply Comments.

In its Reply Comments, the Company stated that it attempted to produce an estimate of the cost portion of the true-up reflecting its understanding of the Department's request. However, the Company did not say whether it agreed or disagreed that the Department's suggested process would produce a meaningful estimate of the required true-up for 2017 and 2018.

Exhibit B-6 of Minnesota Power's Reply Comments contain its attempt to produce an estimate of the cost portion of the true-up. The Company's calculations of the O&M portion of the cost true-up develop separate true-up amounts for 2017 and 2018 by calculating the difference between projected

O&M in the 2017 Test Year versus actuals in 2017 and 2018. This process matches the Department's suggested methodology.

However, the Company's calculations with respect to rate base and return on rate base do not match the Department's suggested methodology. Rather than calculating separate true-up amounts for 2017 and 2018 in the manner shown in Table 1 above, Minnesota Power appears to have calculated its proposed true-up amount difference between 2018 actuals and 2017 actuals. Thus, the Company did not calculate a true-up amount for 2017, and did not calculate a true-up amount for 2018 that reasonably reflects the difference between the costs assumed in rates and actual costs. Further, the Company's rate base calculations do not include deferred tax assets related to net operating losses (DTA-NOLs) and production tax credits (DTA-PTCs).

As shown in Exhibit B-1 of the Company's Petition in Docket E015/M-16-776, DTA-NOLs and DTA-PTCs were a significant portion of rate base. Additionally, as shown in Direct Schedules C-6 and C-7 of the Company's Required Filing Schedules in Docket No. E015/GR-19-442, the Company consumed a portion of its DTA's in 2018. The consumption of its DTA's lowers rate base relative to what Minnesota Power reported for 2018, decreasing the Company's undercollection (or increasing its overcollection).

The Department recommends that the Commission move forward without requiring the Company to true-up its costs and revenues for projects rolled from the RRR into base rates in the 2016 Rate Case. Because of the uncertainty surrounding the impact a proper accounting of DTAs will have on the final true-up estimate, the benefits of pursuing this issue further are questionable at best. The Company's calculations, though not a full accounting of costs, indicate a net undercollection of $2.0 million dollars during 2017 and the first 11 months of 2018. While it is possible that Minnesota Power's $2.0 million undercollection estimate will revert to an overcollection if the Company were to update its cost true-ups to reflect its consumption of DTAs, it is also likely that not requiring a true-up will resolve this issue in favor of ratepayers by not increasing rates to address a net undercollection. Lastly, the Department notes that Order Point 47 of the Commission's March 12, 2018 Order in the 2016 Rate Case states:

> The Commission adopts the agreement of the Company, the Large Power Intervenors, and the Department, making no modifications to the Base Rider Cash Collections in this case. In future rate cases, cost recovery for facilities shall be rolled in at the beginning of the rate case, and then no longer be recovered in riders, or facilities and rider collections shall be rolled into the rate case at the end of the rate case if Minnesota Power wants to continue rider recovery.

Thus, calculating true-ups for costs that are partially trued-up in interim rate refunds should not be an issue following any future rate cases.

D. OTHER ISSUES ADDRESSED IN MINNESOTA POWER'S REPLY COMMENTS

1. Tax Depreciation

In its Comments, the Department noted that Minnesota Power omitted tax depreciation from the calculation of revenue requirements for one of the two Thomson projects and recommended that Minnesota Power update its calculation in Reply Comments. The Company corrected its calculations, which reduced its revenue requirements by $714. The Department appreciates the Company's correction.

2. Rate of Return and Class Allocators

In its Comments, the Department noted that Minnesota Power applied the cost of capital and class allocators approved in the 2016 Rate Case beginning in April 2018, the month following the issuance of the Commission's final Order in that Docket. The Department requested that Minnesota Power update its calculation to implement those inputs effective January 1, 2017, the effective date determined in the 2016 Rate Case.

Minnesota Power updated its calculations in its Reply Comments, which reduced overall revenue requirements by $67,897. The Department concludes that this update is reasonable.

3. Bison Wind Production Reporting

In its Petition, the Company requested to discontinue its reporting related to the Bison Wind production in future RRR petitions.

In its Comments, the Department noted that it remains concerned about the low levels of production at the Bison Wind projects, relative to initial estimates. Additionally, the Department noted that Ordering Point 4 of the Commission's November 19, 2018 Order in Docket No. E015/M-18-375, the Company's prior RRR Docket, required Minnesota Power to provide in all future RRR filings the actual production for the Bison projects over the prior year and explain any underperformance compared to the 1,888,000 megawatt–hours assumed in the eligibility filings. Based on its continuing concern, and the fact that the Commission recently considered this issue and required the Company to continue reporting on Bison Wind Production, the Department recommended that the Commission continue to require this reporting.

In its Reply Comments, the Company provided additional discussion of its request to discontinue this reporting. The Company attributed underproduction at Bisons 1-3 to the immaturity of the wind industry at the time the project was developed, which resulted in less accurate production forecasts than are possible today. The Company also attributed the underproduction issues at Bisons 2 and 3 to the speed with which those projects were develop after Bison 1, which Minnesota Power stated did not allow for an analysis of lessons learned from its experience with Bison 1. The Company also noted that it did not propose Bison 3, but rather was pushed to develop it by the Department and the Commission in its 2011 Integrated Resource Plan Docket.[10] The Company stated:

> Had the Company implemented its short-term action plan as proposed and not accelerated the timing of its future wind development, it's possible that the Bison 3 Wind Project production would also be more in line with expectations, and the Bison 4 Wind project estimations refined to be even closer to expectations. Minnesota Power has shown the importance of applying lessons learned in the successful execution of significant projects over the past several years, including wind generation projects.

The Department is troubled by the Company's suggestion that regulatory determinations caused the Company to underestimate wind production. As the Company accurately noted in its Reply Comments, the Commission's Order stated:

> Minnesota Power shall give strong consideration to adding 100 MW of wind during the current production tax credit cycle beyond the Company's own expected timeline for wind additions recognizing the Company's announcement in Docket No. E-015/M-11-234 to add 105 MW of wind capacity by the end of 2012. The Commission will revisit the issue of further wind additions at the time it considers Docket No. E-015/M-11-234.

The Commission's Order required the Company to "give strong consideration" to adding 100 MW of wind; further, the Commission's September 8, 2011 Order in E015/M-11-234 did not require Minnesota Power to add more wind. Instead, that Order stated:

> The above entitled matter has been considered by the Commission and the following disposition made:
>
> 1. Determined that the Bison 2 Project is an eligible energy technology under Minn. Stat. §216B.1691.
> 2. Determined that the petition meets the requirements set forth in Minn. Stat. §216B.1645, subd. 1.
> 3. Approved the investment and expenditure for Bison 2 as set forth herein.
> 4. Limited Minnesota Power's Bison 2 Project costs recovery through the renewable rider to the amounts of the initial estimates in this petition. Clarified that the Company will have the opportunity to seek recovery of other costs on a prospective basis (no deferred accounting) in a subsequent rate case.

[10] Reply Comments, page 14.

5. Required MP to file with the Commission and the Department the following information:
    a. Receipts of all permits from the North Dakota Public Service Commission, needed to start construction of the plant.
    b. The dates on which Bison 2 becomes operational.
    c. The dates and amount of any curtailment due to use of the AC transmission system. MP should file this information as soon as practical after a curtailment event.

Thus, the Company's additional discussion notwithstanding, the Department maintains its recommendation from its Comments, that Minnesota Power be required to continue reporting on its Bison Wind production in future RRR Dockets. As noted above, the Commission considered this issue in the Company's prior RRR Docket and ordered the Company to continue reporting on Bison Wind production in future RRR Dockets. Given the recency of this decision and the additional information above, the Department sees no compelling reason to change course at this time.

E. TOPICS OPEN FOR COMMENT FROM THE COMMISSION'S NOTICE

The Commission's Notice of Comment Period listed the following topics open for comments:

- Minnesota Power's proposed Renewable Resources Cost Recovery revenue requirement.
- Minnesota Power's proposed Renewable Resources Cost Recovery Rider rates.
- Does Minnesota Power's resolution of its rate case (Docket Nos. E-015/GR-19-442 and E015/M-20-429) have any impact on parties positions and, if so, what effect?
- Are there other issues or concerns related to this matter?

The preceding sections of these Response Comments address the first two topics.

With respect to the third topic, Minnesota Power's resolution of its 2019 Rate Case does have an impact on the projects and costs included in the rider, but the impact on the final rider rates is small enough that the Department concludes that it would be reasonable to move forward without making further changes in this Docket.

In its Petition, Minnesota Power proposed to roll several components from the RRR into base rates in the 2019 Rate Case. Because the 2019 Rate Case is withdrawn, and the rates from the Company's prior rate case will be maintained (with an adjustment related to energy and capacity asset-based wholesale margins),[11] none of those projects or credits will be rolled into base rates, and thus will remain in the rider. However, as shown in Table 2 below, the costs and credits initially proposed to be rolled into base rates largely offset each other.

[11] See Docket No. E015/M-20-429.

Table 2
Components of RRR Initially Proposed to be Rolled Into Base Rates in the 2019 Rate Case

Component	2019 Revenue Requirement
Two remaining Thomson Projects	$730,963
Thomson Base Rate Revenue Credit	($2,339)
Bison 6 LGIA Credit:	($920,501)
Total	($191,877)

For context, the annual PTC true-up amount for 2018 was $6.1 million, significantly larger than the total of projects that the Company had been planning to roll into base rates. Because of their relatively small size, these costs and credits for 2020 can be reflected in a future true-up; thus the Department concludes that there is no need to update the analysis in this Docket to reflect 2020 revenue requirements.

The Department notes that the Direct Testimony of Minnesota Power witness Stewart J. Shimmin in the 2019 Rate Case, beginning on page 31, contains a summary of projects that were to be rolled from riders into base rates. As described in Mr. Shimmin's Direct Testimony, one project was to be rolled from the Transmission Cost Recovery Rider into base rates, and no projects from either the Boswell Energy Unit 4 Emission's Reduction Rider nor the Fuel and Purchased Energy Rider were to be rolled in.

Additionally, Minnesota Power had planned to rolled its Rider 2017 Federal Tax Cut Refund into base rates and cancel that rider. However that rider will now remain in place as a result of the Company's withdrawal of its 2019 Rate Case.

III. CONCLUSION

As described above, the Department concludes that the revenue requirements and updated RRR factors presented in Minnesota Power's Reply Comments are reasonable, with the exception of the Company's inclusion of its proposal to charge ratepayers for the Company's errors in 2018 and 2019 revenue requirements and its estimated true-up amount resulting from its undercollection of interim rates. The Department recommends that the Commission approve Minnesota Power's updated RRR factors, modified to exclude 1) the $0.5 million surcharge for 2018 and 2019 revenue requirements and 2) its estimated interim rate undercollection of $2.0 million. The Department attempted to calculate updated factors, which are shown in Attachment 1 to these Comments.

Additionally, the Department recommends that the Commission require Minnesota Power to continue reporting on production levels at the Bison Wind facilities, as required in the Commission's November 19, 2018 Order in Docket No. E015/M-18-375.

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Department Calculation of Updated RRR Factors

		Minnesota Power Petition	Minnesota Power Reply Comments	Department Response Comments 1/
<u>2018 Year-End Tracker Balance (Over)/Under Collection</u>				
MN Jurisdiction		$ (7,750,576)	$ (7,800,743)	$ (7,800,743)
Large Power		$ (10,050,083)	$ (10,084,535)	$ (10,084,535)
All Other Classes		$ 2,299,507	$ 2,283,792	$ 2,283,792
<u>2019 Projected Net Revenue Requirements</u>				
MN Jurisdictional & Class Revenue Requirements		$ 1,254,668	$ 1,236,225	$ 1,236,225
Large Power		$ 773,831	$ 762,456	$ 762,456
All Other Retail Classes		$ 480,837	$ 473,769	$ 473,769
<u>2019 Projected Rider Cash Collections</u>				
MN Jurisdiction		$ 7,634,559	$ 7,634,559	$ 7,634,559
Large Power		$ 4,525,087	$ 4,525,087	$ 4,525,087
All Other Classes		$ 3,109,472	$ 3,109,472	$ 3,109,472
<u>Interim Rate Undercollection</u>				
MN Jurisdiction		n/a	$ 1,984,093	n/a
Large Power		n/a	$ 1,223,712	n/a
All Other Classes		n/a	$ 760,381	n/a
<u>2019 Projected Year-End Tracker Balance (Over)/Under Collection</u>				
MN Jurisdiction		$ 1,138,651	$ 3,054,134	$ 1,070,041
Large Power		$ (4,751,165)	$ (3,573,280)	$ (4,796,992)
All Other Classes		$ 5,889,816	$ 6,627,414	$ 5,867,033
<u>2020 Net Revenue Requirements</u>				
MN Jurisdictional & Class Revenue Requirements		$ (15,470)	$ (15,470)	$ (15,470)
Large Power		$ (9,542)	$ (9,542)	$ (9,542)
All Other Retail Classes		$ (5,929)	$ (5,929)	$ (5,929)
<u>Adjustment to Bison 6 LGIA Credit (See page 2)</u>				
MN Jurisdictional & Class Revenue Requirements		n/a	n/a	$ (836,853)
Large Power		n/a	n/a	$ (516,138)
All Other Retail Classes		n/a	n/a	$ (320,716)
<u>Total 2020 RRR Factor Revenue Requirements</u>				
MN Jurisdictional & Class Revenue Requirements		$ 1,123,181	$ 3,038,664	$ 217,718
Large Power		$ (4,760,707)	$ (3,582,822)	$ (5,322,672)
All Other Retail Classes		$ 5,883,887	$ 6,621,485	$ 5,540,388
<u>Billing Units</u>				
Large Power	kW - month	630,521	630,521	630,521
	kWh	5,288,437,000	5,288,437,000	5,288,437,000
All Other Retail Classes	kWh	3,099,359,000	3,099,359,000	3,099,359,000
<u>Proposed Factors</u>				
Large Power	($/kW - month)	(0.35)	(0.27)	(0.39)
	(¢/kWh)	(0.040)	(0.030)	(0.044)
All Other Retail Classes	(¢/kWh)	0.190	0.214	0.179

1/ The Department's position reflects costs from Minnesota Power's Reply Comments, but omits the Interim Rate Undercollection.

Department Estimate of Bison 6 LGIA Credit Adjustment

	As Filed in Minnesota Power's Reply Comments 1/	Adjusted to Reflect Original, Erroneous Allocation of Minnesota Power's Share of Bison 6 Plant Costs 2/	Difference
Bison 6 Average Rate Base	36,681,510	36,681,510	
Return on Average Rate Base			
After Tax Return on Equity	1,825,815	1,825,815	
Income Tax Component	736,455	736,455	
Interest Expense Component	765,323	765,323	
Total Return on Average Rate Base	3,327,593	3,327,593	
Depreciation Expense	1,715,440	1,715,440	
Total Return on Average Rate Base and Depreciation Expense in Base Rates	5,043,033	5,043,033	
Bison 6 LGIA share of allocated plant costs	*18.241%*	*28.504%*	
Bison 6 LGIA allocated Return on Rate Base and Depreciation Expense	919,900	1,437,466	
Allocated Operation & Maintenance Expense associated with Bison 6 LGIA	159,148	159,148	
Annual Base Rate Revenue Credit	1,079,048	1,596,614	
MN Jurisdictional Allocator	0.84360	0.84360	
MN Jurisdictional Annual Base Rate Revenue Credit	910,285	1,346,904	436,619
Single Lump Sum Related to Transaction Costs	122,601	122,601	
Total Base Rate Revenue Credit for first 12 months	1,032,886	1,469,505	436,619
Monthly Credit Feb. 2018 - Jan. 2019	86,074	122,459	36,385
Monthly Credit Feb. 2019 - Dec. 2019	75,857	112,242	36,385
Impact on 2018 Rev. Req. (11 months of 1st monthly credit)	946,812	1,347,046	400,234
Impact on 2019 Rev. Req. (1 mos. of 1st monthly credit, 11 mos. of 2nd credit)	920,501	1,357,120	436,619
Total Adjustment			836,853
Large Power Class Allocation			0.61676
Large Power Class Adjustment			516,138
All Other Classes Adjustment			320,716

1/ Minnesota Power Reply Comments, Ex. B-2, pg. 6

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 Response Comments

Docket No. E015/M-19-523

Dated this **9th** day of **July 2020**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_19-523_M-19-523
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_19-523_M-19-523
Riley	Conlin	riley.conlin@stoel.com	Stoel Rives LLP	33 S. 6th Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-523_M-19-523
Hillary	Creurer	hcreurer@allete.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_19-523_M-19-523
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_19-523_M-19-523
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_19-523_M-19-523
Michael	Krikava	mkrikava@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-523_M-19-523
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-523_M-19-523
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_19-523_M-19-523
Susan	Ludwig	sludwig@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_19-523_M-19-523

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_19-523_M-19-523
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_19-523_M-19-523
Andrew	Moratzka	andrew.moratzka@stoel.co m	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-523_M-19-523
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_19-523_M-19-523
Generic Notice	Residential Utilities Division	residential.utilities@ag.stat e.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-523_M-19-523
Susan	Romans	sromans@allete.com	Minnesota Power	30 West Superior Street Legal Dept Duulth, MN 55802	Electronic Service	No	OFF_SL_19-523_M-19-523
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-523_M-19-523
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_19-523_M-19-523