MINNESOTA DEPARTMENT OF COMMERCE

85 7TH PLACE EAST, SUITE 280
SAINT PAUL, MINNESOTA 55101-2198
MN.GOV/COMMERCE
651.539.1600 FAX: 651.539.1574
AN EQUAL OPPORTUNITY EMPLOYER

May 9, 2017

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

RE: **Supplemental Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/S-17-142

Dear Mr. Wolf:

The Minnesota Department of Commerce, Division of Energy Resources (Department) files these brief comments to inform the Minnesota Public Utilities Commission (Commission) that Minnesota Power (MP or Company) reasonably addressed the Department's request for further information in this proceeding.

Specifically, in its March 17, 2017 comments in this proceeding, the Department observed that MP's:

> …actual expenditures in 2016 were about 48 percent of the projected capital expenditure. This difference is largely the result of lower-than-projected non-regulated capital expenditures. Regarding capital expenditures for ALLETE's regulated operations, the differences between actual and projected capital expenditures were also fairly significant for generation and transmission (actual expenditures were significantly lower than projected expenditures). The Department expects MP to provide, in its reply comments, an explanation for these significant differences as well as the differences between the expected and actual nonregulated expenditures.

In its March 28, 2017 reply comments, regarding spending for regulated assets, MP indicated several reasons for the reductions in actual capital costs, compared to budgeted amounts, including the following:

- Boswell 4 Environmental project costs were lower due to project costs being lower than anticipated as contracts were finalized, not needing to use contingencies in the budget,
- Boswell Units 1 and 2 (“BEC1&2”) do not need environmental upgrades since Minnesota Power will retire the units in 2018,
- development costs related to a future gas resource were lower than budgeted,
- benefits from sales tax credits in 2016
- costs of some transmission projects decreased due to changes in timing, use of more internal rather than external labor, and
- re-selling unused matting materials at construction sites.

Regarding unregulated budgets, MP indicated that the reduction was “primarily due to a deferral of initiatives, including business acquisitions. The projected amount included potential business acquisitions that did not occur.”

The Department concludes that MP reasonably addressed the Department’s request.

The Department made several recommendations for action by the Commission in approving MP’s proposed capital structure; the Department clarifies that the date in the twelfth item under “Recommendations regarding Securities Issuances and Capital Structure” should be March 1, 2018.

The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ EILON AMIT
Statistical Analyst

EA/lt