



AN ALLETE COMPANY

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September 25, 2017

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

Re: Minnesota Power's Petition for Approval of Transmission Assets and Substation Access  
Agreement Between United Taconite LLC and Minnesota Power  
**Docket No. E015/PA-17-400**

Dear Mr. Wolf:

Enclosed for filing with the Commission please find Minnesota Power's Reply Comments in the above-referenced Docket.

If you have any questions regarding this letter, please do not hesitate to contact me at the number above.

Yours truly,

A handwritten signature in black ink that reads "David R. Moeller". The signature is written in a cursive, flowing style.

David R. Moeller

DRM:sr  
Attach.

**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

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In the Matter of the Petition of Minnesota  
Power for Approval of Transmission  
Assets and Substation Access Agreement  
Between United Taconite LLC and  
Minnesota Power

Docket No. E015/PA-17-400

**REPLY COMMENTS**

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Minnesota Power has reviewed the Comments filed by the Department of Commerce (“Department”) on September 18, 2017 and provides these brief Reply Comments. First, Minnesota Power appreciates the Department’s analysis and agrees with the Department’s overall recommendations that the Transmission Asset and Substation Access Agreement (“Transmission Agreement”) is in the public interest and should be approved by the Minnesota Public Utilities Commission (“Commission”). Minnesota Power responds to three issues the Department raised below.

**1) Variance for Minnesota Rules 7825.1800**

Minnesota Power agrees with the Department that Minnesota Power provided the information required under Minn. Rules 7825.1800, subparts B, C and D. Minnesota Power requested a variance since the information under Minn. Rules 7825.1800, subp. A is not applicable to this Petition since it applies to mergers or consolidations. However, the Company is fine withdrawing its request for a variance to providing the information under Minn. Rules 7825.1800 subject to the understanding subpart A is not applicable and there is not a completeness issue.

**2) Additional Support for Accumulated Depreciation Amount**

The Department requested Minnesota Power provide additional support for the net book value of the transmission assets being purchased and specifically support for the accumulated depreciation amount. Department Comments at 6-7. Attached to these comments is a spreadsheet with the requested information. See Attachment A. As shown in Attachment A, the \$422,921 transaction value and corresponding \$24,981 of accumulated depreciation in the Transmission Agreement was based on several recently-installed (or replaced) assets within

United Taconite's substation, with original assets installed in 1965 assumed to have \$0 value and being fully depreciated. The oldest asset for which a value was actually in the Transmission Agreement was 2013, therefore, only a few years' worth of depreciation has accumulated and is the reason why the is low compared to the purchase price. In addition, Minnesota Power will submit final journal entries within 60 days after the completion of the sale.

**3) Revenue Requirement Impact in Current Rate Case**

The Department requested Minnesota Power address in these Reply Comments the revenue requirement in the current rate case (Docket No. E015/GR-16-664) and why it is reasonable, as a result of the purchase of United Taconite's transmission assets. Department Comments at 7. Minnesota Power can confirm that the purchase amount is not plant in the rate case's 2017 Test Year. An estimated price of the transaction was included in 2016 year-end Construction Work In Progress ("CWIP") amount, but since Minnesota Power does not receive a return on CWIP in the rate case, the 2017 Test Year would not include any related revenue requirements.

Minnesota Power recommends that the Commission approve the Petition under Minn. Stat. § 216B.50.

Dated: September 25, 2017

Respectfully submitted,



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**ATTACHMENT A**

<b>Equipment</b>	<b>Information from Cliffs (March due diligence)</b>	<b>Age</b>	<b>Original Installed Cost</b>	<b>Replacement Cost</b>	<b>Net Value</b>	<b>Accumulated Depreciation</b>	<b>Comments</b>
18L breaker:	\$154,000 Total install cost, Breaker by itself \$59,663	2013	\$154,000	N/A	\$142,450	\$11,550	Recent OIC, depreciated
18L1 switch:	\$27,674 for materials, \$9,945 to install, Replaced 2014	2014	\$37,619	N/A	\$35,738	\$1,881	Recent OIC, depreciated
18L2 switch:	Original 1965	1965	unknown	N/A	\$0	unknown	Fully depreciated
16L breaker:	\$154,000 Total install cost, Breaker by itself \$59,663	2013	\$154,000	N/A	\$142,450	\$11,550	Recent OIC, depreciated
16L1 switch:	Original 1965	1965	unknown	N/A	\$0	unknown	Fully depreciated
16L2 switch (NEW):	N/A	2016	\$8,491	\$8,491	\$8,491	\$0	Equipment not installed yet. Replacement cost = vendor quote per 9/29/2016 email from Derek Clark at Cliffs. MP will install in January 2017 at our expense.
115MW1 tie switch:	Original 1965, New Switch cost \$27,674 + \$9,945 to install = \$37,619	1965	unknown	\$37,619	\$0	unknown	Fully depreciated (replacement cost irrelevant)
115MWX1 tie switch:	Original 1965, New Switch cost \$27,674 + \$9,945 to install = \$37,619	1965	unknown	\$37,619	\$0	unknown	Fully depreciated (replacement cost irrelevant)
115kV bus differential relay panel:	N/A	2016	\$13,660	\$13,660	\$13,660	\$0	Cliffs' estimated value from selinc.com, per 9/29/2016 email from Derek Clark at Cliffs
1590 ACSR conductor bus replacement (NEW):	N/A	2016	\$80,132	N/A	\$80,132	\$0	Per 9/29/2016 email from Derek Clark at Cliffs
Common assets (foundations, steel, etc.):	N/A	1965-1975	unknown	N/A	\$0	unknown	Per 9/29/2016 email from Derek Clark at Cliffs
			<b>\$447,902</b>		<b>\$422,921</b>	<b>\$24,981</b>	

STATE OF MINNESOTA     )  
  ) ss  
COUNTY OF ST. LOUIS     )

AFFIDAVIT OF SERVICE VIA  
ELECTRONIC FILING

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SUSAN ROMANS of the City of Duluth, County of St. Louis, State of Minnesota, says that on the **25<sup>th</sup>** day of **September, 2017**, she served Minnesota Power’s Reply Comments in Docket No. E015/PA-17-400 on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. Parties requested paper copies were served as requested.



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Susan Romans

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