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January 12, 2017

VIA ELECTRONIC FILING

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

Re: Minnesota Power's 2016 Boswell 4 Emission Reduction Rider Factor
Docket No. E015/M-15-876

Dear Mr. Wolf:

In an Order dated December 21, 2016, the Minnesota Public Utilities Commission ("Commission") approved Minnesota Power's ("the Company's") Petition for Approval of its 2016 Boswell Energy Unit 4 (BEC4) Emission Reduction Rider Factor ("2016 BEC4 Factor"). After considering various issues described below and the potential impacts on customers, the Company has decided to not implement the 2016 BEC4 Factor at this time.

The 2016 BEC4 Factor petition was filed in September 2015 and was still outstanding before the Commission when the Company filed its general rate case on November 2, 2016 in Docket No. E015/GR-16-664. All but two of the projects included in the 2016 BEC4 Factor will be moved to base rates in the general rate case. The Boswell Ash Management and the Basin revenue credit will continue in the BEC4 Rider at the conclusion of the rate case. Given these facts, the Company is proposing that it not implement the 2016 BEC4 Factor for two reasons.

First, the 2016 BEC4 Factor was developed to cover revenue requirements for 2016. However, if these approved billing factors were applied in 2017, the result would likely be a net over collection from the customers under this rider in 2017. The current approved and in place billing factors would more closely match the needs of the forecast revenue requirements under the rider for 2017.

Second, the current general rate case was developed assuming the existing billing factors for the BEC4 Rider, since the 2016 BEC4 Rider was not yet approved at that time. In Supplemental Direct Testimony being filed coincident with this letter, Herbert G. Minke, III describes Minnesota Power's proposal to implement updated BEC4 billing factors at the conclusion of the general rate case. By not implementing the 2016 BEC4 Factor at the present

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time, the assumptions used to develop revenue requirements in the general rate case will be more closely aligned with the actual costs customers will pay with the BEC4 Factor as the rate case is underway. For these reasons, Minnesota Power has decided not to implement the 2016 BEC4 Factor.

Please contact me at the number above if you have any questions related to this matter.

Yours truly,

A handwritten signature in black ink, appearing to read "Susan Ludwig", written in a cursive style.

Susan Ludwig

SL:sr