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December 8, 2017

VIA ELECTRONIC FILING

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 Affiliated Interests Between
ALLETE, Inc. and ALLETE Clean Energy
Docket No: E015/AI-17-304

Dear Mr. Wolf;

Minnesota Power hereby submits Additional Comments in the above-referenced Docket. On November 1, 2017 the Minnesota Department of Commerce (“Department”) filed Response Comments recommending approving the transfer of Minnesota Power’s Bison 6 Large Generator Interconnection Agreement to ALLETE Clean Energy with modifications. Minnesota Power appreciates the Department’s overall recommendation and though not agreeing with all of the Department’s recommendations Minnesota Power provides further arguments on two primary disputes.

First, Minnesota Power disagrees with the Department’s continued recommendation that the Minnesota Public Utilities Commission (“Commission”) subject this Petition to Minn. Stat. § 216B.50. The Department’s argument in Response Comments relies upon a statute that is not applicable, but which references Minn. Stat. § 216B.50. Minn. Stat. § 216B.16, subd. 7c is for Minnesota public utilities to transfer transmission assets to Federal Energy Regulatory Commission (“FERC”) jurisdictional entities. The statute clearly states: “Public utility owners of transmission facilities may, subject to Public Utilities Commission approval, transfer operational control or ownership of those transmission assets to a transmission company subject to Federal Energy Regulatory Commission jurisdiction” Minn. Stat. § 216B.16, subd. 7c (a). See also Docket No. E001/PA-07-540, Order dated February 7, 2008 Approving Transfer of Transmission Assets of Interstate Power and Light Company to ITC. ALLETE Clean Energy is not a transmission company as defined under Minn. Stat. § 216B.02, subd. 10 nor are transmission assets being transferred as previously discussed in this Docket.

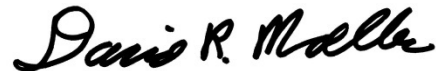
Second, the Department incorrectly recommends that both Generation and Transmission costs components of the Tri-County substation be allocated to ALLETE Clean Energy when only Transmission cost components should be applied to this transaction. Minnesota Power provides further justification on its cost allocation assumptions and why the previous allocation amounts from the initial Petition should be accepted by the Commission. When breaking down the costs between Transmission and Generation facilities at the Tri-County substation for the purpose of determining cost allocation with an external party the assumption was made that in the absence of a clear breakdown a 50/50 split would be used. As an example, six Air Break Switches were required for the substation. Five of the six switches (5/6 or 83.3%) were needed for transmission purposes while one (1/6 or 16.7%) was needed for generation purposes. However, for the costs associated with the fencing surrounding the site it is not easily definable how many feet should be divided between transmission and generation so a simple 50/50 percentage split was used. Other cost types were solely allocated to either Transmission or Generation. An example of this are the Power Transformer and PDC switch gear. These components exist solely to allow the power generated by the existing Minnesota Power Bison wind facilities to be connected to the transmission system and could not be utilized by another user. Other cost breakdowns are detailed in the table below.

Cost Group	% of project total	Transmission Allocation %	Generation Allocation %	Weighted % Trans	Weighted % Gen
Engineering	4.4%	25%	75%	1.1%	3.3%
Construction Parent	1.9%	50%	50%	0.9%	0.9%
Air Break Switch	1.8%	83%	17%	1.5%	0.3%
Buswork / Power Wiring	1.0%	83%	17%	0.8%	0.2%
Cable	1.8%	50%	50%	0.9%	0.9%
Circuit Breaker	1.7%	100%	0%	1.7%	0.0%
Communications Equipment	0.2%	100%	0%	0.2%	0.0%
Conduit, Manholes & Cable Trench	3.0%	50%	50%	1.5%	1.5%
EEE (Control House)	8.4%	100%	0%	8.4%	0.0%
Foundations	6.1%	50%	50%	3.1%	3.1%
Grounding	2.1%	50%	50%	1.1%	1.1%
Instrument Transformers	1.0%	50%	50%	0.5%	0.5%
PDC (Switchgear)	16.6%	0%	100%	0.0%	16.6%
Power Transformer	25.6%	0%	100%	0.0%	25.6%
Fencing	0.9%	50%	50%	0.4%	0.4%
Site Development	11.0%	100%	0%	11.0%	0.0%
Structural Steel	2.2%	90%	10%	2.0%	0.2%
Testing & Commissioning Total	2.5%	50%	50%	1.2%	1.2%
Project Support Total	0.4%	50%	50%	0.2%	0.2%
Total Overheads	7.4%	50%	50%	3.7%	3.7%
	100.0%			40.3%	59.7%

Finally, Minnesota Power emphasizes the need for a timely decision by the Commission. Under the current schedule, the Midcontinent Independent Transmission Organization ("MISO") requires the Bison 6 Large Generator Interconnection Agreement come out of suspension on or before February 4, 2018. If this does not occur the numerous benefits to Minnesota Power customers may be lost and the Bison 6 Large Generator Interconnection Agreement may expire. In addition, the Commission has approved in Docket No. E002/M-16-777 Xcel Energy's power purchase agreement with ALLETE Clean Energy that is dependent on the Bison 6 Large Generator Interconnection Agreement.

Thank you for your consideration of these additional comments and please contact me if you have any questions regarding this filing.

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

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Susan Romans of the City of Duluth, County of St. Louis, State of Minnesota, says that on the **8th** day of **December, 2017**, she served Minnesota Power's Addition Comments in **Docket No: E015/AI-17-304** on the Minnesota Public Utilities Commission and the Office of Energy Security via electronic filing. Persons on the attached Official Service List were served as requested.



Susan Romans

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	Yes	OFF_SL_17-304_AI-17-304
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_17-304_AI-17-304
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Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_17-304_AI-17-304