



AN ALLETE COMPANY

Christopher D. Anderson
Associate General Counsel
218-723-3961
e-mail canderson@allete.com

November 5, 2018

VIA E-FILING

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

Re: 2016-2017 Annual Automatic Adjustment Reports
Docket No. E999/AA-17-492

Dear Mr. Wolf:

Minnesota Power hereby submits its Reply Comments in the above-referenced Docket.

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

Yours truly,

Christopher D. Anderson

CDA:sr
Enc.

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

In the Matter of Minnesota Power's
2016-2017 Annual Automatic
Adjustment Reports

Docket No. E999/AA-17-492

REPLY COMMENTS

I. INTRODUCTION

Minnesota Power provides these Reply Comments in response to the Department of Commerce – Division of Energy Resources (“Department”) Review of the 2016-2017 Annual Adjustment Reports (“FYE17 AAA” dated October 19, 2018, in the above-referenced Docket.

This Reply follows the format of the Department’s FYE17 AAA by summarizing the issue and providing the Minnesota Power response.

II. FILING REQUIREMENTS

A. MINNESOTA RULES

All electric utilities submitted auditors’ reports in compliance with Minnesota Rule 7825.2820. The Commission’s July 21, 2017 Order in Docket No. E999/AA-15-611, regarding the review of the 2014-2015 Annual Automatic Adjustment Reports for all Electric Utilities, required the following in ordering paragraph 7:

7. In future AAA filings, Xcel, Minnesota Power, and Otter Tail must include in their independent auditors’ reports the following:

- a. comparison of the documentation in support of payments and invoices received from energy suppliers;*
- b. comparison of the base costs of power approved by the Commission to the bases used by the utility;*

- c. *recalculation of the billing adjustment charge (credit) per kWh charged to customers for purchased power for the entire applicable period by customer class;*
- d. *comparison of the accounting records for the revenues billed to customers for energy delivered for the relevant period to the total sales of electric energy;*
- e. *on a test basis, an examination of individual billings in each customer class by recalculating the automatic adjustment of charges and credits and tracing to individual customers' subsidiary records to ensure that the calculated credit or charge was correctly recorded;*
- f. *an examination of any corrections to FCA charges or other billing errors;*
- g. *a reconciliation of total revenue and cost of power in the utility's general ledger; and*
- h. *a recalculation of any true-up, and tracing of the related revenue and expense amounts to the utility's accounting records.*

Based on our review, Xcel provided the above information in Part F of its Auditor's Report; however, MP and OTP did not address Commission's ordering paragraph 7. As a result, the Department recommends that MP and OTP address in their reply comments the compliance requirement of the above-quoted ordering paragraph 7 regarding additional requirements for the independent auditor's report.

Company Response:

Minnesota Power reviewed the initial order point from Docket No. E999/AA-15-611 with both its Internal Auditors and Independent Auditors to ensure that the areas noted in Order Point 7 were incorporated into the scope of work performed by the auditors. Any areas not previously included were added to the scope. While the filing in Docket No. E999/AA-17-492 does not specifically call out that these new areas were included, the auditors scope of work covered all relevant areas from Order Point 7.

III. COMPLIANCES

H. TRANSFORMER REPORTING

In its August 16, 2013 Order in Docket No. E999/AA-11-792, the Commission required all utilities (except Dakota Electric Association) to include the following information regarding transformers in future AAA filings:²⁷

- a. use Xcel's reporting format for the table found in Part H, Sections 1 – 8, page 3 of 6, but with the incorporation of all transformers on a utility's system, and with status of each transformer identified as one of these four categories: in-service standalone, in-service duplicate, on-order, or storage.*
- b. provide information regarding policy on backup strategies for transformers like MP did in their Attachment 13.*
- c. provide their policy for transformer maintenance.*

MP provided its transformer reporting in Attachment 13 of its FYE17 AAA Report. The Department notes that MP did not provide their policy for transformer maintenance. The Department recommends that MP provide this information in reply comments. The Department will provide its recommendation regarding MP's transformer reporting after it has reviewed MP's reply comments.

Company Response:

The Company apologizes for inadvertently excluding its transformer maintenance policy previous filings. While the Company does not have a specific written Transformer Maintenance Policy, preventive maintenance is tracked in the Company's Maximo system. Oil samples are taken annually and electrical testing is performed every 5 years except on the HVDC transformers, which are tested every 3 years. These intervals follow the recommendations of the Company's insurance provider.

Dated: November 5, 2018

Respectfully submitted,



Christopher D. Anderson
Associate General Counsel
Minnesota Power
30 W. Superior Street
Duluth, MN 55802