



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

May 6, 2019

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: 2017-2018 Annual Automatic Adjustment Reports
Docket No. E999/AA-18-373

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:jn
Enc.

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

In the Matter of Minnesota Power's
2017-2018 Annual Automatic
Adjustment Reports

Docket No. E999/AA-18-373

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 2017-2018 Annual Adjustment Reports (“FYE18 AAA” dated April 26, 2019, in the above-referenced Docket.

This Reply follows the format of the Department’s FYE18 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.*

The Department notes that MP's FYE18 filing was made on September 1, 2018, before the Department's October 19, 2018 Comments in Docket 17-492. As with the previous Auditor Report, MP's FYE18 Auditor Report does not explicitly indicate that it contains all the information required to comply with Ordering Paragraph 7. The Department requests that MP provide this information in reply comments, or confirm that the auditor's scope of work included all of the information in Ordering Paragraph 7. The Department will make its recommendation regarding MP's FYE18 Auditor Report after it reviews MP's reply comments..

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-18-373 does not specifically call out that these new areas were included, the Auditor's scope of work covered all relevant areas from Order Point 7.

II. COMPLIANCES

G. MAINTENANCE EXPENSES OF GENERATION PLANTS (IN THE MATTER OF THE REVIEW OF THE 2005 ANNUAL AUTOMATIC ADJUSTMENT OF CHARGES FOR ALL ELECTRIC AND GAS UTILITIES, DOCKET NO. E999/AA-06-1208)

In its February 6, 2008 Order in Docket No. E999/AA-06-1208 (the 06-1208 Order), the Commission required all electric utilities subject to automatic adjustment filing requirements, with the exception of Dakota Electric, to include in future annual automatic adjustment filings the actual expenses pertaining to maintenance of generation plants, with a comparison to the generation maintenance budget from the utility's most recent rate case.

Due to delays to the filing of the Department's FYE17 analysis, the Department updated that report with actual data for 2017. At the time the utilities filed their annual AAA filings, 2018 actuals were not yet available, and thus there is no additional data included in the FYE18 filings.

The Department requests that Xcel, OTP, and MP provide the actual versus budgeted data for generation maintenance expense for 2018 in reply comments.

Company Response:

Minnesota Power provided initial 2018 actual generation maintenance expenses in response to DOC IR 24 dated March 25, 2019. However, Minnesota Power included a footnote stating "2018 actuals are based on preliminary numbers that are subject to further review, adjustment, and audit. Minnesota Power's 2018 FERC Form 1 is scheduled to be filed April 1, 2019."

Minnesota Power supplies Attachment 1 Maintenance Expenses with 2018 actuals based on Minnesota Power's FERC Form 1, pages 320-321 in response to the Department's request.

III. COMPLIANCES

N. 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:

- 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 FYE18 AAA Report. Similar to Xcel Electric, the Department noted in its October 19, 2018 Comments in 17-492 that MP did not provide their policy for transformer maintenance. Similarly, MP's FYE18 filing does not include information regarding MP's transformer maintenance policy. The Department recommends that MP provide this information in reply comments. The Department will provide its recommendation regarding MP's FYE18 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: May 6, 2019

Respectfully submitted,



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

			Final Rates Test	
	FERC	2018 Actual	Year 2017	
<u>Steam Power Generation</u>	<u>Acct</u>	<u>Expenses [1]</u>	<u>E015/GR-16-664</u>	<u>Variance</u>
Maintenance Supervision and Engineering	510	3,357,688	4,913,827	(1,556,139)
Maintenance of Structures	511	1,018,541	582,993	435,548
Maintenance of Boiler Plant	512	9,613,150	16,051,910	(6,438,760)
Maintenance of Electric Plant	513	2,713,305	2,143,926	569,379
Maintenance of Misc. Steam Plant	514	3,867,090	5,109,261	(1,242,171)
		20,569,774	28,801,917	(8,232,143)
 <u>Hydraulic Power Generation</u>				
Maintenance Supervision and Engineering	541	384,193	514,969	(130,776)
Maintenance of Structures	542	76,957	73,962	2,995
Maintenance of Reservoirs, Dams and Waterways	543	1,317,590	604,374	713,216
Maintenance of Electric Plant	544	1,002,687	1,581,601	(578,914)
Maintenance of Misc. Hydraulic Plant	545	1,242,398	1,058,911	183,487
		4,023,825	3,833,817	190,008
 <u>Other Power Generation - Wind</u>				
Maintenance Supervision and Engineering	551	18,976	19,855	(879)
Maintenance of Structures	552	2,964	15,000	(12,036)
Maintenance of Generating and Electric Plant	553	9,234,251	9,116,984	117,267
Maintenance of Misc. Other Pwr Generation Plt.	554	2,201,046	211,331	1,989,715
		11,457,237	9,363,170	2,094,067
Total Generation Maintenance		36,050,836	41,998,904	(5,948,068)

[1] 2018 actuals are based FERC Form 1, pages 320-321.

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Jodi Nash, of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 6th day of May, 2019, she served Minnesota Power's Reply Comments in Docket No. E999/AA-18-373 via electronic filing on the Minnesota Public Utilities Commission and the Office of Energy Security. The persons on E-Docket's Official Service List for this Docket were served as requested.



Jodi Nash

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	No	OFF_SL_18-373_AA-18-373
Derek	Bertsch	derek.bertsch@mrenergy.com	Missouri River Energy Services	3724 West Avera Drive PO Box 88920 Sioux Falls, SD 57109-8920	Electronic Service	No	OFF_SL_18-373_AA-18-373
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_18-373_AA-18-373
Seth	DeMerritt	Seth.DeMerritt@wecenergygroup.com	MERC (Holding)	700 North Adams PO Box 19001 Green Bay, WI 543079001	Electronic Service	No	OFF_SL_18-373_AA-18-373
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_18-373_AA-18-373
Marie	Doyle	marie.doyle@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall P O Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_18-373_AA-18-373
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_18-373_AA-18-373
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_18-373_AA-18-373
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_18-373_AA-18-373
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_18-373_AA-18-373

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Leann	Oehlerking Boes	lboes@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_18-373_AA-18-373
Randy	Olson	rolson@dakotaelectric.com	Dakota Electric Association	4300 220th Street W. Farmington, MN 55024-9583	Electronic Service	No	OFF_SL_18-373_AA-18-373
Catherine	Phillips	catherine.phillips@we-energies.com	We Energies	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_18-373_AA-18-373
Lynnette	Sweet	Regulatory.records@xcele nergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_18-373_AA-18-373
Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_18-373_AA-18-373
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE Cedar Rapids, IA 52401	Electronic Service	No	OFF_SL_18-373_AA-18-373
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_18-373_AA-18-373
Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_18-373_AA-18-373