December 23, 2019

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/M-19-523

Dear Mr. Wolf:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

Minnesota Power's Renewable Resources Rider and 2020 Renewable Factor.

The Petition was filed on August 15, 2019 by:

Lori Hoyum
Regulatory Compliance Administrator
Minnesota Power
30 West Superior Street
Duluth, MN 55802

The Department requests that Minnesota Power provide additional information in reply comments, and is available to answer any questions that the Minnesota Public Utilities Commission may have in this matter.

Sincerely,

/s/ CRAIG ADDONIZIO
Financial Analyst

CA/ja
Attachment

COMMERCE DEPARTMENT

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. E015/M-19-523

I. INTRODUCTION

MP's Renewable Resources Rider (RRR) was first established in Docket No. E015/M-07-216 to allow for recovery of costs associated with renewable resource contracts, investments and expenditures, as allowed under Minn. Stat. §216B.1645, subd. 2. The Commission has since approved several updates to MP's RRR, and on August 15, 2019, Minnesota Power (MP or the Company) filed a petition (Petition) requesting that the Commission approve MP's proposed 2020 RRR factors.[1]

II. SUMMARY OF FILING

A. REVENUE REQUIREMENT AND TRACKER BALANCE

The current RRR factors, approved in Docket No. E015/M-18-375, include:

- projected 2018 revenue requirements associated with two small projects related to the Thomson Hydroelectric Restoration Project (Thomson Project);
- credits to ratepayers related to the transfer of a Large Generator Interconnection Agreement (LGIA) from the Company to its affiliate, ALLETE Clean Energy, Inc. (ACE);
- a true-up of actual production tax credits (PTCs) relative to the amount built into MP's base rates; and
- a tracker balance that trues-up actual costs and revenues to projected costs and revenues from prior periods.

In its Petition, MP proposed to remove the two Thomson projects and the LGIA credits from the RRR and roll them into base rates effective January 1, 2020 in the Company's recently filed rate case.[2] Additionally, the Company proposed to include a credit to ratepayers associated with the sale of renewable energy credits (RECs) to Oconto Electric Cooperative (Oconto) pursuant to a power sales agreement between Oconto and MP that became effective in January 2019.[3]

Table 1 below summarizes the total amount of revenue requirements that MP proposed to collect via the RRR in 2020.

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[1] See Docket Nos. E015/M-10-273, E015/M-11-274, E015/M-13-410, E015/M-14-349, E015/M-14-962, E015/M-16-776, and E015/M-18-375.
[2] See Docket No. E015/GR-19-442.
[3] Petition, page 13.

Table 1
Summary of Total 2020 Revenue Requirement
($ Millions)

	MN Jurisdiction Total	Large Power	All Other Retail Classes
2018 Year-End Tracker Balance	(7.8)	(10.1)	2.3
2019 Projected Net Revenue Requirements	1.3	0.8	0.5
2019 Projected Cash Collections	7.6	4.5	3.1
Projected 2019 Year-End Tracker Balance	1.1	(4.8)	5.9
2020 Net Revenue Requirements	(0.0)	(0.0)	(0.0)
Total 2020 RRR Factor Revenue Requirements	1.1	(4.8)	5.9

Petition, Exhibit B-1, pages 1-2.

The 2018 year-end tracker balance includes:

- uncollected revenue requirements from year-end 2017;
- a true-up of actual production tax credits (PTCs) earned during 2017 relative to the amount of PTCs included in MP's base rates in the Company's prior rate case (Docket No. E015/GR-16-664);
- a true-up of 2018 actual costs to projected costs for the two Thomson projects that remained in the RRR following the conclusion of MP's last rate case;
- a true-up of applicable 2018 Bison LGIA credits to correct for a mistake in MP's prior RRR filing;
- a true-up of 2018 PTCs; and
- a true-up of actual 2018 cash collections via the RRR, excluding cash collections associated with projects that were being rolled into base rates.

The 2019 projected net revenue requirements include:

- 2019 revenue requirements for the two Thomson projects that remained in the rider following the conclusion of MP's last rate case, reflecting actual costs through May 2019, and projected costs for the rest of 2019;
- Bison LGIA revenue credits;
- Thomson base rate revenue credits;
- an estimated 2019 PTC true-up amount; and
- the revenue credits associated with the Oconto REC sales.

The 2019 projected cash collections reflect actual cash collections through May 2019 and projected cash collections under currently approved rates for the rest of 2019.

The 2020 net revenue requirements reflect only the overall tracker balance of $1.1 million and about $15,000 in revenue credits associated with the Oconto REC sales, as all other projects are being rolled into base rates.

B. RATE DESIGN

The Company proposed to use the same rate design approved in its last RRR filing in the instant filing. MP proposed to implement demand and energy adders for its large power (LP) customer class, and a single energy adder applicable to all other retail classes using projected 2020 billing determinants. MP proposed to split the LP customer class's total revenue requirement between demand and energy components based on the approximate split in MP's concluded rate case (Docket No. E015/GR-16-664, or the 2016 Rate Case). Table 2 summarizes MP's current and proposed RRR rates.

Table 2
Summary of Current and Proposed RRR Factors

	Current	Proposed	Increase
Large Power			
Demand (cents/kW - month)	-33.0	-35.0	-2.0
Energy (cents/kWh)	-0.037	-0.040	-0.003
All Other Retail Classes			
Energy (cents/kWh)	-0.096	0.019	0.115

Source: Petition, Exhibit A-1

III. MINNESOTA DEPARTMENT OF COMMERCE ANALYSIS

A. STATUTORY REQUIREMENTS

Minn. Stat. § 216B.1645, subd. 2a states that:

> (a) A utility may petition the commission to approve a rate schedule that provides for the automatic adjustment of charges to recover prudently incurred investments, expenses, or costs associated with facilities constructed, owned, or operated by a utility to satisfy the requirements of section 216B.1691, provided those facilities were previously approved by the commission under section 216B.2422 or 216B.243, or were determined by the commission to be reasonable and prudent under section 216B.243, subdivision 9. For facilities not subject to review by the commission under section 216B.2422 or 216B.243, a utility shall petition the commission for eligibility for cost recovery under this section prior to requesting cost recovery for the

> facility. The commission may approve, or approve as modified, a rate schedule that:
>
> (1) allows a utility to recover directly from customers on a timely basis the costs of qualifying renewable energy projects, including:
> (i) return on investment;
> (ii) depreciation;
> (iii) ongoing operation and maintenance costs;
> (iv) taxes; and
> (v) costs of transmission and other ancillary expenses directly allocable to transmitting electricity generated from a project meeting the specifications of this paragraph;
> (2) provides a current return on construction work in progress, provided that recovery of these costs from Minnesota ratepayers is not sought through any other mechanism;
> (3) allows recovery of other expenses incurred that are directly related to a renewable energy project, including expenses for energy storage, provided that the utility demonstrates to the commission's satisfaction that the expenses improve project economics, ensure project implementation, advance research and understanding of how storage devices may improve renewable energy projects, or facilitate coordination with the development of transmission necessary to transport energy produced by the project to market;
> (4) allocates recoverable costs appropriately between wholesale and retail customers;
> (5) terminates recovery when costs have been fully recovered or have otherwise been reflected in a utility's rates.
>
> (b) A petition filed under this subdivision must include:
> (1) a description of the facilities for which costs are to be recovered;
> (2) an implementation schedule for the facilities;
> (3) the utility's costs for the facilities;
> (4) a description of the utility's efforts to ensure that costs of the facilities are reasonable and were prudently incurred; and
> (5) a description of the benefits of the project in promoting the development of renewable energy in a manner consistent with this chapter.

B. PROJECT ELIGIBILITY, TOTAL PROJECT COSTS, AND COST CAPS

As noted above, MP proposed to roll the last two projects that remain in the RRR into base rates, and because the Company is not proposing to include any new projects in the RRR, the 2020 net revenue requirements reflect only the overall tracker balance of $1.1 million and about $15,000 in REC sales to Oconto, which the Department discusses in detail below. Therefore, there are no project eligibility issues with respect to 2020 net revenue requirements.

The Department reviewed MP's 2019 year-end tracker balance calculations and confirmed that it reflects the actual costs of projects that have previously been included in the RRR, and therefore the Department concludes that all of the projects for which MP is seeking cost recovery are eligible for recovery in the RRR.

Additionally, MP's calculation of 2018 and 2019 revenue requirements for the two remaining Thomson projects use the same capital cost totals approved in MP's prior RRR Docket,[4] and therefore the Department concludes that the capital costs for which MP is seeking recovery do not exceed the cost caps established in the docket in which Thomson was determined to be eligible for cost recovery via the RRR.

C. 2018-2020 ANNUAL REVENUE REQUIREMENTS

As noted above, MP's proposed Total 2020 RRR Factor Revenue Requirements reflect actual and projected 2018 and 2019 revenue requirements for the two Thomson projects that remained in the RRR following the conclusion of MP's 2016 Rate Case. The Department reviewed the Company's revenue requirements calculations and discusses several aspects of those calculations below.

1. Allowance for Funds Used During Construction (AFUDC), Construction Work in Process (CWIP), and Internal Capitalized Costs

Generally, MP accrues an allowance for funds used during construction (AFUDC) on investments and expenditures related to each project sub-part until the Commission approves cost recovery in a cost eligibility filing. Once the Commission approves a project for cost recovery, MP ceases to accrue AFUDC and begins to earn a current return on construction work in progress (CWIP), as permitted by Minn. Stat. §216B.1645, subd. 2a(a)(2). MP calculates a full return on its CWIP balance at its cost of capital as determined in its most recently approved rate case.

The Commission's December 13, 2013 Order on MP's 2013 RRR Filing required MP to exclude internal capitalized costs from its calculation of AFUDC and return on CWIP, consistent with the terms of its prior rider filings. As shown in Exhibit B-3 of the Petition, the Company appropriately excluded internal capitalized costs and related AFUDC costs from its rate base and revenue requirements calculations.

The Department concludes that MP's proposed treatment of AFUDC and return on CWIP is reasonable.

2. Tax Depreciation, Deferred Income Taxes and Prorated Accumulated Deferred Income Tax Liabilities

On page 21 of its Petition, MP noted that because it is rolling all projects currently in the RRR into base rates effective January 1, 2020, there are no deferred taxes associated with the 2020 net revenue requirements, and therefore there is no need to prorate any associated accumulated deferred income tax liability (ADITL). The Department also notes that in calculating 2018 and 2019 revenue

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[4] Docket No. E015/M-18-375.

requirements for the two Thomson projects for true-up purposes, MP did not pro-rate its ADITL balances. The Department concludes that this treatment of deferred income taxes is reasonable.

However, during its review of MP's Petition, the Department noted that the Company included no tax depreciation in its revenue requirements calculations for one of its Thomson Projects (THM Replace/Refurbish Dam 6). In its response to DOC IR No. 1, MP confirmed that the revenue requirements should include tax depreciation, but noted that the impact of correcting this error will be quite small.[5] The Department agrees that the impact will be small. However, because the Department is also recommending other unrelated modifications, the Department recommends that the Commission require MP to update its revenue requirements calculation for the THM Replace/Refurbish Dam 6 project to include tax depreciation.

3. Production Tax Credits

In MP's 2016 Rate Case, the Company included a base level of production tax credits (PTCs) in its base rates. As a result, as noted above, the PTC amounts reflected in MP's proposed 2020 RRR Factors are true-ups to account for the difference between actual PTC production in 2018 and 2019 versus the level built into MP's base rates. MP did not include any expected 2020 PTC activity in its revenue requirements calculations because the Company's current rate case has a 2020 test year, and the total amount of expected 2020 PTCs will be accounted for in its rate case. The difference between 2020 forecasted PTCs and actuals will be trued-up in a future RRR filing.

The Department reviewed MP's PTC calculations and concludes that they are correct and reasonable.

4. Rate of Return and Class Allocators

In calculating the 2018 and 2019 revenue requirement for the two Thomson projects that remain in the RRR, the Thomson base revenue credit, and the Bison 6 LGIA Credit, MP applied the cost of capital approved in its 2016 Rate Case beginning April 1, 2018, the beginning of the first calendar month following the issuance of the Commission's Order in that case. For the three months prior to that date, MP applied the cost of capital approved in its rate case prior to the 2016 Rate Case, Docket No. E015/GR-09-1151 (the 2009 Rate Case). However, the cost of capital approved in MP's 2016 Rate Case became effective January 1, 2017, and thus should have been used for all of 2018 in MP's Petition. In its response to DOC IR No. 8, MP agreed to update its 2018 revenue requirements calculations in a compliance filing in this Docket to apply the correct cost of capital.[6]

The Department notes that MP also used the Large Power Class Allocator from the 2009 Rate Case to allocate costs to the large power class for the first three months of 2018. The Department recommends that the Commission require MP to update those calculations to reflect the class allocator established in the 2016 Rate Case for all of 2018.

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[5] See Attachment 1.
[6] See Attachment 2.

5. *Sale of RECs to Oconto*

In its Petition, MP noted that pursuant to a power sales agreement with Oconto Electric Cooperative (Oconto) that became effective January 1, 2019, the Company has begun selling RECs to Oconto. MP stated that it expects to sell approximately 6,500 RECs annually to Oconto, and included revenue credits of $17,786 and $15,470 in 2019 and 2020, respectively, to reimburse the Company's ratepayers for the sale of the RECs. In its Petition, MP explained that it expects to maintain compliance with Minnesota's Renewable Energy Standard (RES) through 2053, and thus has no concerns about the impact of the REC sales on its ability to comply with Minnesota's RES.

The Department generally agrees that it is reasonable for MP to sell the small number of RECs to Oconto that the Company has proposed to sell, and to credit MP's ratepayers with a reasonable share of the proceeds. However, MP's Petition reports only the revenue credit MP proposes apply to the total RRR revenue requirements, with no supporting detail. The Department requests that MP provide in reply comments:

- the price it will receive for the RECs its sells to Oconto, along with an explanation of how that price is determined;
- an explanation of how the number of RECs sold to Oconto each year will be determined;
- an explanation of whether and how the total amount of revenue received from Oconto for the sale of RECs will be allocated to MP's different jurisdictions; and
- supporting calculations showing how the proposed revenue credits for 2019 and 2020 in the RRR were estimated.

6. *Bison 6 LGIA Credit*

In Docket No. E015/AI-17-304 (the LGIA Docket), MP sought and received Commission approval to transfer a Large Generator Interconnection Agreement (the Bison 6 LGIA) from the Company to its affiliate, ALLETE Clean Energy, Inc. (ACE). In approving the transfer, the Commission required the Company, beginning February 4, 2018 to credit ratepayers with:[7]

- a lump sum of $121,179 to reflect legal and regulatory costs as well as the costs of system impact and facility studies related to the LGIA;[8]
- Bison 6's share of the capital costs and revenue requirements (using the inputs, such as return on equity, established in the 2016 Rate Case) for a transmission line and other plant related to the Bison 6 LGIA; and
- ongoing operating and maintenance expenses, including taxes other than income taxes.

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[7] See the Commission's March 16, 2018 Order in the LGIA Docket.
[8] In its April 17, 2018 Compliance Filing in the LGIA Docket, MP reported that these costs have since risen to $122,601. The Commission's March 16, 2018 Order Approving Sale of Bison 6 Interconnection Agreement stated that MP's ratepayers should be credited with the lump sum of $121,179 "or more" indicating that ratepayers should be credited for the full amount of the legal and regulatory costs.

MP's calculations of the credits for 2018 and 2019 required to comply with the Commission's Order in Docket No. E015/AI-17-304 are included in Exhibit B-2 of its Petition, on pages 6 and 7. During its review of MP's calculations, the Department noted that the Bison 6 LGIA's share of capital costs and revenue requirements for the related transmission line and other plant fell from 28.504 percent to 18.241 percent, which lowered the size of the credit to MP's ratepayers. After reviewing MP's calculations in its Petition and the related information from the LGIA Docket, the Department concluded that MP's initial calculation of the allocator from the LGIA Docket contained an error that the Company corrected in this Petition. In its response to DOC IR No. 9, MP confirmed the error and the correction.[9] The Department concludes that MP's calculation in this Petition is correct, and that 18.241 percent is the correct allocator to use to allocate the costs of the Bison 6 LGIA related property.

In its Petition, MP proposed to roll this credit into base rates effective January 1, 2020 in its current rate case. The Department agrees that it is reasonable to move this credit from the RRR to base rates, and will review the proposed treatment of the Bison 6 LGIA credits in the Company's current rate case.

However, the Department is concerned that the Company did not identify the error resulting in a 36 percent lower credit for ratepayers than the Company represented in Docket No. E015/AI-17-304. MP should have provided this information in both Docket No. E015/AI-17-304 and in its filing here. This error is particularly concerning since MP's proposal would benefit the Company's affiliate at MP's ratepayers' expense. Given these facts and the lack of transparency, the Department requests that MP discuss in reply comments why it is reasonable to decrease the credit for ratepayers that the Company represented in its petition for approval to sell this asset to its affiliate.

7. Thomson Base Rate Revenue Credit

As explained on page 16 of MP's Petition, a portion of the capital costs for the two Thomson projects that remain in the RRR relates to plant that effectively replaced approximately $121,000 of plant that was retired as part of the overall Thomson Project. That $121,000 is still included in base rates, and thus, as it has in past RRR Dockets, MP has included a credit for the revenue requirements associated with this retired plant, as required by the Commission. The Department reviewed MP's calculations and aside from the issue of using the incorrect rate of return inputs for the first three months of 2018, the Department concludes that they are reasonable.

Additionally, in its Petition, MP proposed to roll this credit into base rates in its current rate case, beginning January 1, 2020, along with the two Thomson projects currently in the RRR. The Department agrees that it is reasonable to reflect this credit in base rates as proposed.

D. TRUE-UPS AND TRACKER BALANCES

When utilities with active rate riders file general rate cases, they generally have two options for rolling costs currently included in riders into base rates: they can roll those costs into base rates at the beginning of the rate case with the implementation of interim rates, or they can roll those costs into

[9] See Attachment 3.

base rates at the end of the rate case with the implementation of final rates. If a utility chooses to roll its rider projects into base rates at the beginning of the rate case in interim rates, the full costs of the rider projects are included in the interim rate request and the rider rate gets set to zero on the date interim rates take effect (or at least as close to that date as possible). If a utility opts to roll its rider projects into base rates at the end of the rate case with the implementation of final rates, the costs of rider projects are removed from the interim rate request, and the rider rates continue to be in effect while interim rates are in effect. Rider rates are set to zero when final rates are implemented, and final rates reflect the costs of the rider projects. Costs and revenues included in the rider while interim rates are in effect are subject to true-up.

At the time it filed its 2016 Rate Case, MP was recovering costs for a number of Bison Wind Projects and Thomson Projects via its RRR, all but two of which MP proposed to roll into base rates. However, MP did not roll those costs into base rates in either of the two ways described above. Instead, MP applied a hybrid approach in which it continued to use the RRR to recover the costs of projects it planned to roll into final base rates while interim rates were in effect, but did not remove those costs from its interim rate request. Instead, MP offset those costs in its interim rate request with a revenue credit reflecting expected cash collections for those projects via the RRR.[10]

In the 2016 Rate Case, the Department had a number of concerns related to the complexity and mechanics of this hybrid method, and proposed an adjustment to the size of the revenue credit reflected in interim rates, subject to true-up when final rates were implemented.[11] In response, a witness for MP stated:

> **Q. Do you agree with the Department's concerns?**
> A. Yes and no. *I agree there needs to be some form of true-up for rider project collections. This is typical for all current cost recovery projects regardless of whether they remain in the rider or move to base rates.* However, I do not agree that this rate proceeding is the appropriate forum to adjust these differences. Consistent with normal rider true-ups, the reconciliation should occur in the tracker dockets.
>
> **Q. Why is it typical for all current cost recovery projects to need some form of true-up for rider project collections?**
> A. *This is because the revenue requirement calculation used to determine cash collections is based on projected costs and energy consumption by customers, as defined by the applicable rider statute or prior Minnesota Public Utilities Commission ("Commission") precedent. Actual collections will almost always differ from these revenue requirements, since customer energy usage (the billing unit applied to the billing factor) is almost always different from the*

[10] See the Direct and Supplemental Direct Testimony of MP Witness Herbert G. Minke, III in the 2016 Rate Case.
[11] See the Direct Testimony of Department Witness Nancy A. Campbell in the 2016 Rate Case, beginning at page 87.

projected data. Therefore, a true-up is calculated once actual data is known, based on the difference between the actual revenue requirement and the actual cash collections. This true-up, which may be positive or negative, is then incorporated into the calculation for determining future cash collections. The true-up is a normal part of rider management, and a true-up should occur here for rider projects moving into base rates.

Q. What is the normal process of trueing up rider cash collections as compared to the revenue requirements for these projects?

A. The most common true-up occurs for rider projects that remain in riders, where actual cash collections are reconciled annually. For each rider, the cash is collected and recorded in a Federal Energy Regulatory Commission ("FERC") regulatory asset account, more generically referred to as a tracker balance. Consistent with the ongoing need to true-up rider collections with actual amounts owed, the use of tracker balances has been the standard practice for recording and tracking these differences for many years in Minnesota. The differences between actual cash collections and revenue requirements – that is, the over- or under-collection of amounts collected – are refunded to or collected from customers in a subsequent period (typically annually).

Q. How do you propose to ensure rider collections are reconciled in this rate proceeding, so that customers are not permanently over- or under-charged for rider projects?

A. Essentially the same process should occur here, when the rider projects move to base rates. Collections on all cost recovery riders are currently being recorded in the FERC regulatory asset accounts referred to as tracker balances. Therefore, traditional cost recovery trackers are already in place and functioning for the purpose of reconciling estimated and actual amounts collected from customers. *For differences in rider collections resulting from projects moved to general rates from riders, I propose continuing to use these same trackers to track any differences between the collections related to these projects and the revenue requirements for these projects, and then trueing up the difference(s) through the rider line on bills just as we currently do.*

Q. Could you provide a high level example of how your proposal would be implemented?

A. Yes. For discussion purposes, let's assume Minnesota Power collected $100 in revenue requirements (cash collections) for

> projects associated with riders, bifurcated so that $90 was for projects that will be in general rates in the future and $10 for projects remaining in the riders. And assume that once actual data was available, it was determined that there was only $80 of actual revenue requirements for these rider projects. In that instance, the $20 difference between the cash collections of $100 and the actual revenue requirement of $80 would need to be returned to customers. This is the over-collection regardless of whether the projects are in base rates or in riders. This amount would then be recorded as a regulatory asset, as has been the procedure historically in cost recovery riders, and returned to customers as part of the annual reconciliation of riders.
>
> **Q. Why do you disagree with Ms. Campbell's proposal to include this true-up in the rate proceeding?**
>
> A. If a true-up were included in the rate proceeding, any over- or under-collection would recur annually, rather than as a one-time adjustment. Using the example above, if the $20 of over-collection was instead accounted for in base rates, that $20 would remain in base rates year after year – until the Company's next rate case filing – rather than being refunded to customers one time. This would result in multiple repeated years of returning $20 to customers, even though that amount represents only one year of over-collection. By using the Company's proposed method, any over- or under-collection would be accounted for once, as is appropriate. Additionally, any further allocation to rate classes would be managed using methods already prescribed by statute or Commission precedent and previously established in the Company's current cost recovery riders. In this way, the normal process for returning rider funds to customers would continue. (*emphasis added*)[12]

Based on this testimony, it seems clear that MP intended to true-up the projected costs and revenues for project included in the RRR with actual costs and revenues, and that this true-up was to apply to projects that were ultimately rolled into base rates as well as those that remained in the RRR.

As explained in both the Department's Initial Brief and MP's Exceptions and Requested Clarifications to the Findings of Fact, Conclusions of Law, and the Recommendations of the Administrative Law Judge, the Department and MP ultimately agreed that a true-up should occur, and that it should occur in a subsequent rider filing, rather than in the rate case. In its March 12, 2018 Findings of Fact, Conclusions, and Order, the Commission adopted the Department's and MP's agreement.[13]

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[12] See the Rebuttal Testimony of Herbert G. Minke in the 2016 Rate Case, beginning at page 2.
[13] See Order Point 47 of the Commission's March 12, 2008 Findings of Fact, Conclusions, and Order in the 2016 Rate Case.

In MP's 2018 RRR Docket, filed prior to the completion of the 2016 Rate Case, the Company also stated that it would true-up any under- or over-collection in a subsequent rider docket after the completion of the 2016 Rate Case.

This Petition is MP's first RRR filing since the conclusion of its 2016 Rate Case, but MP proposed to true-up only actual costs and revenues related to the two Thomson projects that remained in the RRR following the conclusion of the 2016 Rate Case. The Petition did not include any discussion of true-ups for actual costs and revenues collected for projects rolled into base rates via the RRR while interim rates were in effect during the 2016 Rate Case (January 1, 2017 through November 30, 2018).

Additionally, Ordering Point 6 of the Commission's November 8, 2017 Order in Docket No. E015/M-16-776 (the 2016 RRR Docket), required "MP to make a compliance filing at the conclusion of its 2016 rate case describing the final resolution of the true-up for RRR projects moved into base rates and the cash collections thereon." MP made the required Compliance Filing on December 9, 2019, and noted that its actual RRR cash collections for projects being rolled into base rates during the 23 months interim rates were in effect in the 2016 Rate Case, when annualized, were less than the amount assumed would be collected in interim rates ($62.2 million versus $64.6 million). Despite noting this revenue shortfall, however, MP did not propose to true-up either the revenues or costs related to projects rolled into base rates, as it had committed to do, and the Commission required it to do, in the 2016 Rate Case.

In its response to DOC IR No. 4, the Company attempted to explain why a true-up of those costs and revenues is unnecessary, and why it used its hybrid method of rolling rider project costs into base rates.[14] Using a simple example, MP demonstrated that for purposes of developing final rates at the conclusion of a rate case, it does not matter whether riders are rolled into base rates beginning with interim rates or beginning with final rates. The Company also noted that rider revenue during the period when interim rates were in effect was less than the amount assumed in the revenue credit included in interim rates, implying that MP had an under-collection.

The Department certainly agrees that at the conclusion of a rate case final base rates should be the same regardless of whether the utility rolled rider projects in beginning with interim rates or final rates. The Company's explanation, however, does not address the central issue here, which is the treatment of rider costs and revenues during the period that interim rates are in effect. If projects remain in the rider during the interim rate period, then the associated costs and revenues during that period are subject to true-up to actual costs and revenues during that time, via the rider rate mechanism. If projects are taken out of riders and rolled into interim rates, the related costs and revenues are not subject to true-up to actual costs during that time. Thus, while MP's rider revenue may have been less than the amount assumed in interim rates, that comparison is not relevant, since the rider mechanism requires a true-up to actual revenues and actual costs, not between estimated and actual revenues. MP's simple example ignores the possibility that actual costs were less than the amount assumed in interim rates.

[14] See Attachment 4.

While MP included the costs and revenues of projects that it planned to roll into final base rates in its interim rate request, it continued to collect those costs in riders until final rates were implemented. As noted above, those costs and revenues were still in the RRR during the interim rate period, and therefore those costs and revenues are subject to a true-up based on actual costs and revenues after the 2016 Rate Case concluded. Also as noted above, MP agreed that the costs and revenues should be trued-up to actuals after the rate case, and the Commission's Order required a true-up. Thus, the Department concludes that a true-up is still required.

However, MP's unusual approach of also including costs and the associated revenue credit in MP's 2016 Rate Case greatly complicates the calculation of any true-up to actuals. In a normal rider true-up calculation, actual revenues from the prior period are compared to a calculation of revenue requirements for the same period that has been updated to reflect actual costs. In this case, because the rider rates in effect during the interim rate period were calculated using the cost of capital established in MP's 2009 rate case, and the cost of capital was lowered from 8.180 percent to 7.064 percent during the 2016 Rate Case, this normal true-up calculation would show a significant over-recovery for 2017 and the first 11 months of 2018. However, because MP included a credit for revenues collected via the RRR in its calculation of interim rates as well as the interim rate refund, the over-recovery associated with the lower cost of capital was effectively refunded to ratepayers via the interim rate refund, and to refund that amount via the RRR would be to double-count it. Thus, it does not seem possible to apply normal rider true-up procedure in a meaningful way.

One possible alternative to the normal rider true-up procedure would be to develop separate revenue and cost true-up amounts for these periods. For example, in its response to DOC IR No. 6, MP reported that its actual base rate RRR cash collections during the 23-month interim rate period were $119,133,357.[15] The Company also noted that at the conclusion of its 2016 Rate Case, its final estimate for the RRR base rate revenue credit reflected in its interim rate refund calculations was $64,583,859 for the 12-month test year (2017). When grossed up to reflect the 23-month interim rate period, this amount yields a 23-month estimate of $123,785,730.[16] Thus, over the 23-month interim rate period, MP under-collected RRR base rate revenue by $4,652,373.

With respect to costs, as described above, MP has already effectively refunded the over-collection attributable to the lower cost of capital established in the 2016 Rate Case, and MP has already reflected the difference between actual PTCs earned versus projected PTCs in its PTC true-up. Thus, an estimate of any refund or surcharge amounts related to costs would have to isolate the impacts of differences in projected and actual rate base, as well as differences in projected and actual operating and maintenance (O&M) expenses. One way to achieve this would be for MP to use the projected rate base and O&M estimates for 2017 included in its petition in Docket No. E015/M-16-776 and calculate a simple estimate of revenue requirements using the cost of capital and tax rate approved in the 2016 Rate Case to develop an estimate of costs reflected in the rider that haven't already been trued-up in the interim rate refund calculation. MP could then update the actual rate base data, O&M expenses,

[15] See Attachment 5.
[16] $64,583,859 x (23/12) = $123,785,730

and the allocators (to reflect those approved in the 2016 Rate Case) to develop an estimate of actual costs, and the difference between the projected level of costs use to set the RRR factors and the actual level of costs could be credited or charged to ratepayers. Because the RRR factors based on projected 2017 costs were in effect during the entire interim rate period, the projected revenue requirements for that period could be used for both 2017 and the first 11 months of 2018. However, MP would have to develop separate actual revenue requirements for 2017 and 2018 to reflect the additional depreciation in 2018, as well as year-to-year changes in O&M.

The difference between projected costs and actual costs could then be netted against (or added to) the revenue shortfall to determine an approximate true-up amount that could be reflected in the 2020 RRR Factors.

The Department requests that MP respond to the Department's proposal in reply comments. Additionally, the Department requests that MP provide in reply comments actual 2017 and 2018 rate base and O&M costs associated with the Bison Projects and Thomson projects that were rolled into base rates in the 2016 Rate Case. The Department will compare that information to the rate base and O&M estimates reflected in the RRR factors that were in place during the interim rate period in the 2016 Rate Case to get a sense of whether actual costs were higher or lower than projected.

The Department notes that in DOC IR No. 5, it requested updated, actual 2017 and 2018 revenue requirements for all projects rolled into base rates in the 2016 rate case for purposes of calculating this true-up amount. In response, MP stated that it believed it had adequately addressed the issue in its response to DOC IR Nos. 4 and 6, and requested that the Department withdraw IR No. 5, as completing the response would be extremely labor- and time-intensive.[17] The Department understands that riders are often labor- and time-intensive, and that MP's unusual approach with this rider during its 2016 rate case made matters even more complex. However, it is important to ensure that ratepayers are not harmed. Nonetheless, given MP's resource constraints, the Department will wait until it reviews MP's reply comments to decide whether it is necessary for MP to respond to DOC IR No. 5.

E. ENERGY PRODUCTION AT THE BISON WIND FACILITIES

In past reviews of MP's RRR petitions, the Department has expressed concern about the low levels of energy production at the Bison wind projects, relative to the projected levels of production MP assumed in demonstrating that the projects were cost effective in their respective eligibility filings.

[17] See Attachments 4, 5, and 6.

Table 3
2014-2018 Wind Production at
The Bison Wind Projects

Project	Initial Production Estimate (MWh)	Actual Production 2014 (MWh)	2015 (MWh)	2016 (MWh)	2017 (MWh)	2018 (MWh)	2014-2018 Average (MWh)		2014-2018 Average (% of Est.)
Bison 1	300,000	266,640	239,519	263,376	271,815	228,732	254,016		84.7%
Bison 2	380,000	324,087	294,291	328,831	328,923	276,225	310,471		81.7%
Bison 3	365,000	326,727	293,757	326,999	333,816	278,525	311,965		85.5%
Bison 4	835,000	44,820	712,033	832,159	840,920	712,649	774,440	1/	92.7%
Total	1,880,000	962,274	1,539,600	1,751,365	1,775,474	1,496,131	1,650,893		87.8%

Source: MP Response to DOC IR 2. See Attachment 2.
1/ 2015-2018 average, as Bison 4 was placed into service in December 2014.

As shown in Table 3 above, production at the Bison wind projects continues to lag initial estimates by significant amounts, particularly at Bisons 1-3. The Company noted on page 24 of its Petition that 2018 production at Bison 4 was negatively impacted by a high number of inverter module failures, which prompted the turbine manufacturer to replace all Bison 4 inverter modules. In its response to DOC IR 3, MP explained that these module issues reduced Bison 4's availability by approximately 4 percent in 2018, and that the modules were replaced at no cost to the Company.[18]

On page 25 of its Petition, MP requested that the Commission discontinue the requirement to report on Bison Wind production in future RRR petitions. However, the Department remains concerned about the low levels of production at the Bison Wind projects relative to initial estimates, and therefore recommends that the Commission continue to require the Company to report on production so that the Department and the Commission can continue to monitor this issue. Additionally, the Department notes that Ordering Point 4 of the Commission's November 19, 2018 Order in Docket No. E015/M-18-375 required MP to provide in all future RRR filings the actual production for the Bison projects over the prior year and explain any underperformance compared to the 1,888,000 megawatt–hours assumed in the eligibility filings.

IV. CONCLUSION

As described above, the Department requests that MP provide in reply comments additional information related to its proposed sales of RECs to Oconto, the decreased revenue credit from its affiliate for the Bison 6 LGIA, and additional information related to potential true-ups for 2017 and 2018 revenue requirements and cash collections for projects that were rolled into base rates in the 2016 Rate Case. With respect to the REC sales to Oconto, the Department requests that MP provide:

[18] See Attachment 7.

- the price it will receive for the RECs its sells to Oconto, along with an explanation of how that price is determined;
- an explanation of how the number of RECs sold to Oconto each year will be determined;
- an explanation of whether and how the total amount of revenue received from Oconto for the sale of RECs will be allocated to MP's different jurisdictions; and
- supporting calculations showing how the proposed revenue credits for 2019 and 2020 in the RRR were estimated.

Regarding the proposed reduction of the credit from MP's affiliate, ALLETE Clean Energy, Inc. to MP's ratepayers for the Large Generator Interconnection Agreement, the Department requests that MP discuss in reply comments why it is reasonable to decrease the credit for ratepayers that the Company represented in its petition for approval to sell this asset to its affiliate.

With respect to true-ups for projects rolled into base rates in the 2016 rate case, the Department requests the MP provide:

- a response to the Departments proposal for estimating a true-up amount to include in the 2020 factors; and
- actual 2017 and 2018 rate base and O&M costs associated with the Bison Projects and Thomson projects that were rolled into base rates in the 2016 Rate Case.

/ja

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/M-19-523	☐Nonpublic ☒Public
Requested From:	Minnesota Power	Date of Request: 10/16/2019
Type of Inquiry:	Financial	Response Due: 10/28/2019

Requested by: Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

Request Number: **1**
Topic: THM Replace/Refurbish Dam 6 Tax Depreciation
Reference(s): Ex. B-2, page 2, Section B, Lines 7 and 10

Request:

Please explain why the revenue requirements for the above-referenced project reflect zero accumulated tax depreciation and tax depreciation.

RESPONSE:

Upon further review of the underlying calculations for the above-referenced project, we agree that this project should be reflecting tax depreciation and accumulated tax depreciation. This was an inadvertent error, and will be corrected and re-submitted as part of the compliance filing providing the updated tariff. Minnesota Power estimates the impact to the tracker to be less than $1,000.

To be completed by responder

Response Date: 11/15/2019
Response by: Anthony Niksich
Email Address: aniksich@allete.com
Phone Number: 218-355-3146

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/M-19-523	☐Nonpublic ☒Public
Requested From:	Minnesota Power	Date of Request: 10/16/2019
Type of Inquiry:	Financial	Response Due: 10/28/2019

Requested by: Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

Request Number: **8**
Topic: Effective Date of Cost of Capital and Allocators from Docket No. E015/GR-16-664
Reference(s): Petition, Exhibits B-4 and B-5

Request:

Exhibit B-4 and B-5 to MP's Petition state that the new cost of capital inputs and allocation factors determined in Docket No. E015/GR-16-664 (the 2016 Rate Case) were implemented in the rider revenue requirement calculations effective April 1, 2018, following the Commission's March 12, 2018 Order in the 2016 Rate Case. For purposes of calculating MP's final rates in the 2016 Rate Case, those cost of capital inputs and allocation factors became effective January 1, 2017. Please explain why MP did not use the same effective date in its rider.

RESPONSE:

Minnesota Power (or the "Company") agrees with the Department of Commerce, Division of Energy Resources that the capital inputs and allocation factors determined in the 2016 Rate Case (Docket No. E015/GR-16-664) were effective January 1, 2017, and should have been implemented in the rider revenue requirement calculations back to January 1, 2017. Minnesota Power used April 1, 2018, because it was the first day of the month following the Commission's March 12, 2018 Order in the 2016 Rate Case – the Company has no further explanation for why it did not use the same effective date in its rider. Minnesota Power will make the necessary adjustments and reflect the changes in the anticipated required compliance filing in this Docket following a Minnesota Public Utilities Commission order.

To be completed by responder

Response Date: December 9, 2019
Response by: David Moeller, Senior Attorney & Director of Regulatory Compliance
Email Address: dmoeller@allete.com
Phone Number: (218) 723-3963

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/M-19-523	☐Nonpublic ☒Public
Requested From:	Minnesota Power	Date of Request: 10/16/2019
Type of Inquiry:	Financial	Response Due: 10/28/2019

Requested by: Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

Request Number: **9**
Topic: Bison 6 LGIA Share of Allocated Plant Costs
Reference(s): MP's 4/17/2018 Compliance Filing in Docket No. E015/AI-17-304, Att. 3 & 4; Petition, Ex. B-2, pages 6 and 7

Request:

In MP's 4/17/2018 Compliance Filing in Docket No. E015/AI-17-304, Att. 3, MP calculated an allocator of 28.504 percent by dividing the LGIA's share of the transmission portion of Bison 6 LGIA related property ($8.1 million) by $28.6 million (labeled as OCLD which the Department assumes stands for original cost less depreciation).

In MP's Petition in this Docket, Ex. B-2, pg. 7, MP updated that calculation. The LGIA's share of transmission plant remained unchanged at $8.1 million, but the net book value (or OLCD) increased to $44.6 million, which appears to be equal to the total net book value of all LGIA related plant (i.e. including transmission and generation portions of the plant). As a result, the allocator decreased to 18.241 percent.

a. Please fully explain the reason for the change in the denominator of allocator calculation.

b. Was the initial calculation of the 28.504 percent allocator incorrect?

RESPONSE:

a. As shown in Attachment 1 from Minnesota Power's 4/17/2018 Compliance Filing in Docket No. E015/AI-17-304, the 28.504 percent is being applied to the return on rate base generated by

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To be completed by responder

Response Date: November 17, 2019
Response by: Michael Donahue, Costing & Pricing Analyst Senior
Email Address: madonahue@mnpower.com
Phone Number: (218) 355-3408

$44.6 million in net plant, as such the correct methodology would be to determine the percentage as $8.1 million out of $44.6 million.

Alternatively, the 28.504 percent number could have been used, but sections A and B in Attachment 1 would have had to been revised to reflect numbers associated with the $28.6 million in net plant so that 28.504 percent could have been applied to the return on rate base associated with the rate base generated by $28.6 million in net plant.

b. Yes, the initial calculation of the 28.504 percent was incorrect.

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/M-19-523	☐Nonpublic ☒Public
Requested From:	Minnesota Power	Date of Request: 10/16/2019
Type of Inquiry:	Financial	Response Due: 10/28/2019

Requested by: Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

Request Number: **4**
Topic: Docket No. E015/M-16-776 Compliance
Reference(s): 11/8/2017 Commission Order

Request:

Ordering Point 6 of the Commission's November 8, 2017 Order in Docket No. E015/M-16-776 required "MP to make a compliance filing at the conclusion of its 2016 rate case describing the final resolution of the true-up for RRR projects moved into base rates and the cash collections thereon." Please explain whether MP made this compliance filing. If so, please provide a copy of the filing. If not, please explain why not and whether MP intends to do so.

RESPONSE:

Minnesota Power (or the "Company") did not make the required compliance filing – it was an inadvertent oversight. The Company is typically diligent in documenting compliance items associated with the implementation of final rates and was aware there were compliance requirements associated with the sub-factors and the riders generally – the Company should have reviewed the 2017 Renewable Resource Rider ("RRR") order to confirm there were no additional requirements. Minnesota Power appreciates the Department of Commerce, Division of Energy Resources inquiring about the status of the compliance filing which has been submitted in Docket E015/M-16-776 concurrently with the submittal of this response. Please note that all of the projects moved out of the RRR into base rates had a rate of return, tax rates, and jurisdictional allocators applied that were consistent with the 2017 test year in Docket No. E015/GR-16-664.

Minnesota Power's approach to presenting the rider revenue in the 2016 rate case was to be as transparent as possible in what the Company was requesting to move into base rates, to remain in the RRR, and an accurate representation of the associated rate impact. The Company proposed the split

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To be completed by responder

Response Date: December 9, 2019
Response by: Mike Donahue, Costing & Pricing Analyst Senior
Email Address: madonahue@mnpower.com
Phone Number: (218) 355-3408

between "base" and "continuing rider" factors specifically because there was a significant amount of revenue being collected through riders. By establishing "base" and "continuing rider" factors, the Company effectively rolled those projects into base rates at the start of the 2016 rate case, and thus included all of those projects in rate case numbers. Had the Company rolled all rider revenue into the rate case deficiency (similar to Minnesota Power's recently filed rate case), it would have appeared as if the Company was asking for an increase of about 25-30 percent, and misleading customers to believe their bills would increase by that amount.

The simplified example below demonstrates how splitting the factors can be done in any arbitrary way and lead to the same result.

Simplified Example Assumptions:

1) 500 million base rate revenue
2) 100 million current rider revenue (in 1 rider for simplicity)

Method 1: Split 100 million into 80 million base/20 million continuing rider

- Base Rate Revenue = 500 + 80 = 580 million
- Revenue Requirements in initial filing = 630 million (based on all projects except continuing rider)
- Rate Case Ask = 50 million
- Interim Rates = 50 million (8.6%, 50 million relative to 580 million)
- Rate Case Decision = 590 million total (+10 million)

Method 2: Split 100 million arbitrarily with 50 million base/50 million continuing rider

- Base Rate Revenue = 500 + 50 = 550 million
- Revenue Requirements in initial filing = still 630 million (based on all the same projects)
- Rate Case Ask = 80 million
- Interim Rates = 80 million (14.5%, 80 million relative to 550 million)
- Rate Case Decision = 590 million (+40 million)

In both examples base rates would be designed for exactly $590 million at the conclusion of the rate case, the amount needed to satisfy the revenue requirements for the same suite of in-service projects, operating expenses, etc. Please note that when the allocation factors are split differently (Method 1: $80 million base / $20 million continuing rider; Method 2: $50 million base / $50 million continuing rider), the tracker in Method 2 would be over-collected (from a cash perspective) in comparison to Method 1. In the end this would not be an issue as any over-collection would be returned to customers because the "continuing rider" revenue requirements would be the same for Method 1 and Method 2. Therefore, even an arbitrary split would have the same rate case revenue outcome and result in the same total revenue (rate case + riders) for Minnesota Power.

To be completed by responder

Response Date: December 9, 2019
Response by: Mike Donahue, Costing & Pricing Analyst Senior
Email Address: madonahue@mnpower.com
Phone Number: (218) 355-3408

The Company was very intentional in determining its allocation factor split in an effort to avoid, to the extent possible, a large over- or under-collection with respect to the “continuing rider projects,” and achieve the desired goal of near-zero tracker balances - this includes avoiding presenting a distorted rate increase request (14.5% in Method 2 for example). For this reason, the base rate sub-factor does not necessarily perfectly represent revenue requirements of 2017 base projects, nor does it need to as shown in the above example. Although the Company had good intentions in using his approach in its 2016 rate case, it is aware of the unanticipated confusion it caused that may have outweighed any perceived benefits and, accordingly, has gone with a simpler method in its recently filed rate case.

[Transition word] All of the base projects were rolled into the rate case effective with interim rates on January 1, 2018 and updated based on the final order in May 2018 Additional, in light of the Company’s response to DOC IR 06 in this Docket, there should not be any concern that Minnesota Power over-collected “base” rider revenue due to actual billing units being significantly lower than the billing units used in the 2017 test year in the 2016 rate case.

To be completed by responder

Response Date: December 9, 2019
Response by: Mike Donahue, Costing & Pricing Analyst Senior
Email Address: madonahue@mnpower.com
Phone Number: (218) 355-3408

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number:	E015/M-19-523	☐Nonpublic ☒Public
Requested From:	Minnesota Power	Date of Request: 10/16/2019
Type of Inquiry:	Financial	Response Due: 10/28/2019

Requested by: Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

Request Number: **6**
Topic: Actual Revenues Collected During 2017 and 2018
Reference(s): n/a

Request:

Please provide, on a monthly basis, for all of 2017 and 2018:

- Actual billing determinants, including:
  - Large Power kW-month
  - Large Power kWh
  - All Other Retail Classes kWh
- The applicable demand and energy billing factors in each month, separated into base rate sub-factors and rider sub-factors where applicable
- Monthly total revenues attributable to base rate sub-factors and rider sub-factors
- Total revenue collected via the Renewable Resources Rider

RESPONSE:

Refer to DOC IR 06.1 Attach for the information requested. Please note that Minnesota Power's cyclical billing of the *All Other Customer Class* may lead to some confusion and limited value in the monthly data provided. The internally-generated report that provides rider revenue by class is based on accounting date (the month in which revenue is counted), rather than the billing month. For example, a residential customer bill with an accounting date of January 2017 will include calendar billing for both December 2016 and January 2017, so the bill will contain usage billed under December 2016 factors and usage billed out using January 2017 factors - all of that revenue is shown in January 2017 in DOC IR 06.1 Attach.

To be completed by responder

Response Date: December 9, 2019
Response by: Mike Donahue, Costing & Pricing Analyst Senior
Email Address: madonahue@mnpower.com
Phone Number: (218) 355-3408

Accounting Date	Billing Period Includes:
January 2017	December 2016 & January 2017

Similarly, a bill correction or cancelled bill that occurs in April 2017 will have usage from earlier periods. The rates in effect when the usage occurred are used to correct the bill, but the revenue, typically small, is counted in April 2017.

Bill Correction or Cancelation Date	Billing Period	Rate Applied	Accounting Date Revenue Recognized
April 2017	Prior to April 2017	Applicable rate when usage occurred	April 2017

The net result is that taking the billing units in DOC IR 06.1 Attach and multiplying by the rate in effect will not reflect the cash collected precisely (only approximately). Further, in months where a new rate goes into effect, billing units multiplied by the rate won't even approximate cash collected due to the lag associated with the implementation of a new rate. In contrast, the cash collected as part of "base" revenue was collected with a unique bill factor, and the amount shown in the table represents exactly what was billed as base revenue for the billing period of January 1, 2017 through November 30, 2018. Please note that December 2016 rates in effect are included for reference to explain the impact of the lag shown in January 2017.

To be completed by responder

Response Date: December 9, 2019
Response by: Mike Donahue, Costing & Pricing Analyst Senior
Email Address: madonahue@mnpower.com
Phone Number: (218) 355-3408

Minnesota Power
Interim Period Summary of Base Rate RRR Cash Collections

	2017 Total	2018 Total	Total Interim Period	Annualized (23 months) 1/	2017 Test Year 2/
Base Rates					
All Other Classes	19,645,074	20,466,330	40,111,404	20,927,689	22,636,947
Large Power	41,559,962	37,461,991	79,021,953	41,228,845	41,946,913
Total	61,205,036	57,928,321	119,133,357	62,156,534	64,583,859

1/ 23 months of collections of base rate RRR annualized by multiplying by (12/23)

2/ Per Minnesota Power's June 28, 2018 Compliance Schedule 11 (Schedule E-2) pages 71-73 in Docket E015/GR-16-664.

Minnesota Power
2017 RRR Cash Collections
(positive = cash collected, negative = refund)

	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	2017 Total
Base Rates														
All Other Classes		851,022	1,914,130	1,808,906	1,772,418	1,592,885	1,591,029	1,642,067	1,693,018	1,662,283	1,576,614	1,682,578	1,858,125	19,645,074
Large Power		3,210,065	3,279,653	3,519,569	3,401,435	3,458,613	3,461,300	3,504,946	3,541,786	3,496,210	3,511,039	3,572,344	3,603,001	41,559,962
Total		4,061,087	5,193,783	5,328,476	5,173,853	5,051,498	5,052,329	5,147,013	5,234,804	5,158,493	5,087,653	5,254,921	5,461,126	61,205,036
Rider/Continuing Rider														
All Other Classes		1,967,842	(174,303)	(235,534)	(229,052)	(204,951)	(207,977)	(214,366)	(223,759)	(217,315)	(206,463)	(220,053)	(243,132)	(409,063)
Large Power		1,536,434	1,569,482	1,684,638	1,628,036	1,655,491	1,656,603	1,677,608	1,695,263	1,673,347	1,680,513	1,709,890	1,724,617	19,891,924
Total		3,504,275	1,395,179	1,449,104	1,398,985	1,450,540	1,448,625	1,463,242	1,471,504	1,456,033	1,474,050	1,489,837	1,481,485	19,482,861
											shown in Docket E015/M-18-375, Exhbit B-1, page 2			
Total														
All Other Classes		2,818,864	1,739,827	1,573,372	1,543,366	1,387,934	1,383,051	1,427,701	1,469,259	1,444,968	1,370,151	1,462,525	1,614,993	19,236,011
Large Power		4,746,499	4,849,135	5,204,208	5,029,471	5,114,105	5,117,903	5,182,554	5,237,050	5,169,557	5,191,553	5,282,233	5,327,618	61,451,885
Total		7,565,363	6,588,963	6,777,580	6,572,838	6,502,038	6,500,954	6,610,255	6,706,309	6,614,526	6,561,703	6,744,758	6,942,611	80,687,897
Base Rider Rates in Effect														
All Other Classes Energy ($/kWh)		0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	
Large Power Energy ($/kWh)		0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	
Large Power Demand ($/kW)		3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	
Rider/Continuing Rider Rates in Effect 2/														
All Other Classes Energy ($/kWh)	0.01172	-0.0009	-0.0009	-0.0009	-0.0009	-0.0009	-0.0009	-0.0009	-0.0009	-0.0009	-0.0009	-0.0009	-0.0009	
Large Power Energy ($/kWh)	0.00404	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	
Large Power Demand ($/kW)	4.26	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	
Billing Units 3/														
All Other Classes Energy (kWh)		301,139,709	284,712,058	263,014,870	257,854,410	231,814,881	231,258,064	238,706,399	245,866,568	241,623,161	229,234,055	244,567,223	270,070,080	3,039,861,478
Large Power Energy (kWh)		417,050,578	394,561,885	465,304,919	442,835,338	460,928,511	439,968,333	459,672,695	467,177,829	448,851,171	459,122,415	471,251,256	481,819,254	5,408,544,184
Large Power Demand (kW)		622,510	666,726	674,619	658,797	659,420	680,704	675,494	679,989	683,238	677,983	685,814	685,343	8,050,637

Notes:
1/ Cash collected shown based on accounting month
2/ Rates in Effect based on calendar month
3/ Only Large Power rider applicable billing units included.

Minnesota Power
2018 RRR Cash Collections
(positive = cash collected, negative = refund)

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	2018 Total
Base Rates 1/													
All Other Classes	2,056,874	2,048,867	1,859,111	1,786,444	1,657,432	1,575,092	1,654,226	1,756,282	1,698,314	1,605,341	1,664,368	1,103,979	20,466,330
Large Power	3,487,901	3,363,713	3,519,710	3,310,599	3,381,833	3,385,417	3,451,234	3,364,445	3,324,340	3,416,064	3,456,736	-	37,461,991
Total	5,544,775	5,412,580	5,378,821	5,097,043	5,039,265	4,960,508	5,105,460	5,120,727	5,022,654	5,021,405	5,121,104	1,103,979	57,928,321
Rider/Continuing Rider 1/													
All Other Classes	(269,036)	(268,040)	(243,206)	(233,781)	(216,816)	(206,068)	(216,396)	(235,907)	(236,563)	(223,937)	(232,313)	(261,029)	(2,843,092)
Large Power	1,669,497	1,609,895	1,684,777	1,584,578	1,618,709	1,620,345	1,651,944	(359,207)	(380,775)	(383,530)	(388,082)	(387,321)	9,540,829
Total	1,400,461	1,341,855	1,441,570	1,350,797	1,401,892	1,414,277	1,435,548	(595,114)	(617,338)	(607,467)	(620,394)	(648,350)	6,697,737
											shown in current docket Exhbit B-1, page 2		
Total 1/													
All Other Classes	1,787,839	1,780,826	1,615,905	1,552,663	1,440,616	1,369,024	1,437,830	1,520,375	1,461,751	1,381,404	1,432,055	842,951	17,623,238
Large Power	5,157,398	4,973,608	5,204,487	4,895,177	5,000,541	5,005,762	5,103,178	3,005,237	2,943,565	3,032,534	3,068,654	(387,321)	47,002,820
Total	6,945,237	6,754,435	6,820,392	6,447,840	6,441,157	6,374,785	6,541,008	4,525,612	4,405,316	4,413,938	4,500,709	455,629	64,626,058
Base Rider Rates in Effect 2/													
All Other Classes Energy ($/kWh)	0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	0.00688	0	
Large Power Energy ($/kWh)	0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	0.00304	0	
Large Power Demand ($/kW)	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	0	
Rider/Continuing Rider Rates in Effect 2/													
All Other Classes Energy ($/kWh)	-0.00090	-0.00090	-0.00090	-0.00090	-0.00090	-0.00090	-0.00090	-0.00096	-0.00096	-0.00096	-0.00096	-0.00096	
Large Power Energy ($/kWh)	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	-0.00037	-0.00037	-0.00037	-0.00037	-0.00037	
Large Power Demand ($/kW)	1.49	1.49	1.49	1.49	1.49	1.49	1.49	-0.33	-0.33	-0.33	-0.33	-0.33	
Billing Units 3/													
All Other Classes Energy (kWh)	298,963,803	297,802,437	270,221,105	259,651,832	240,904,362	228,937,998	240,439,671	255,269,467	246,846,233	233,339,653	241,904,617	271,892,765	3,086,173,943
Large Power Energy (kWh)	463,199,948	427,308,928	474,020,570	433,203,197	446,870,984	437,707,739	457,983,391	444,731,978	438,317,337	458,414,470	463,569,609	466,769,106	5,412,097,257
Large Power Demand (kW)	666,594	661,761	666,246	638,994	638,508	648,585	659,906	635,019	642,767	648,232	656,245	650,353	7,813,210

Notes:
1/ Cash collected shown based on accounting month
2/ Rates in Effect based on calendar month
3/ Only Large Power rider applicable billing units included.

Addonizio, Craig (COMM)

From:	Susan Romans (ALLETE) <sromans@allete.com> on behalf of David Moeller (ALLETE) <dmoeller@allete.com>
Sent:	Monday, December 09, 2019 4:21 PM
To:	MN_COMM_Utility Discovery
Cc:	Addonizio, Craig (COMM); Lori Hoyum (MP); Hillary Creurer (MP)
Subject:	DOC IR Batch: E015/M-19-523 DOCs 1-12 to MP
Attachments:	DOC IR 04 (Final).pdf; DOC IR 06 (Final).pdf; DOC IR 08 (Final).pdf; 19-12-09 Compliance Filing.pdf

Re: In the Matter of Minnesota Power's Renewable Resources Rider and 2020 Renewable Factor
Docket No. E015/M-19-523

Good afternoon Craig;

Thank you for your flexibility in agreeing to extra time to submit the responses to your information requests (IR). Mike Donahue's (Rate Department) absence to care for his wife following surgery, the Thanksgiving holiday, multiple winter storms (including today), and an unanticipated FERC audit on our transmission revenue formula rates slowed down our progress in completing the responses.

Attached are Minnesota Power's response to IR Nos. 4, 6 and 8. Additionally, Minnesota Power is submitting the required compliance filing discussed in IR 04 into Docket No. E015/M-16-776 concurrently with submitting these IRs in Docket No. E015/M-19-523 (also attached to this email for your convenience). During a call with Lori Hoyum shortly after issuing the IRs, Lori advised that responding to IR 5 would be extremely labor- and time-intensive. At that time you shared in the absence of the compliance filing discussed in IR 4 it would be difficult for you to agree to forego the need for the Company to respond to IR 5. Since Minnesota Power has now submitted the compliance filing and provided similar information in our response to IR 6, the Company is respectfully requesting that you agree to withdraw IR 5.

Please let us know if you would like to discuss this request. FERC is at Minnesota Power this week, but we will make time available to discuss this important request.

As previously communicated with Department of Commerce staff, the remaining responses to DOC IRs 4-6 and 8 will be sent at a later date.

David R. Moeller
Senior Attorney and
Director of Regulatory Compliance
30 West Superior Street
Duluth, MN 55802
PH: 218-723-3963
EM: dmoeller@allete.com

minnesota power
AN ALLETE COMPANY

From: Susan Romans (ALLETE) **On Behalf Of** David Moeller (ALLETE)
Sent: Monday, November 18, 2019 11:48 AM
To: 'MN_COMM_Utility Discovery' <utility.discovery@state.mn.us>
Cc: 'craig.addonizio@state.mn.us' <craig.addonizio@state.mn.us>; Lori Hoyum (MP) <lhoyum@mnpower.com>; Hillary Creurer (MP) <hcreurer@mnpower.com>
Subject: DOC IR Batch: E015/M-19-523 DOCs 1-12 to MP

Re: In the Matter of Minnesota Power's Renewable
Resources Rider and 2020 Renewable Factor
Docket No. E015/M-19-523

Please find attached Minnesota Power's Response to the Department of Commerce's ("DOC") **Information Request 7** in the above-referenced Docket.

As previously communicated with Department of Commerce staff, the remaining responses to DOC IRs 4-6 and 8 will be sent at a later date.

David R. Moeller
Senior Attorney and
Director of Regulatory Compliance
30 West Superior Street
Duluth, MN 55802
PH: 218-723-3963
EM: dmoeller@allete.com

minnesota power
AN ALLETE COMPANY

From: Susan Romans (ALLETE) **On Behalf Of** David Moeller (ALLETE)
Sent: Friday, November 15, 2019 3:44 PM
To: 'MN_COMM_Utility Discovery'
Cc: 'craig.addonizio@state.mn.us' ; Lori Hoyum (MP) ; Hillary Creurer (MP)
Subject: DOC IR Batch: E015/M-19-523 DOCs 1-12 to MP

Re: In the Matter of Minnesota Power's Renewable
Resources Rider and 2020 Renewable Factor
Docket No. E015/M-19-523

Please find attached Minnesota Power's Responses to the Department of Commerce's ("DOC") **Information Requests 1** and **9** in the above-referenced Docket.

As communicated with Department of Commerce staff, the remaining responses to DOC IRs 4-8 will be sent at a later date.

David R. Moeller
Senior Attorney and

Director of Regulatory Compliance
30 West Superior Street
Duluth, MN 55802
PH: 218-723-3963
EM: dmoeller@allete.com

minnesota power
AN ALLETE COMPANY

From: Susan Romans (ALLETE) **On Behalf Of** David Moeller (ALLETE)
Sent: Thursday, October 24, 2019 11:08 AM
To: 'MN_COMM_Utility Discovery'
Cc: 'craig.addonizio@state.mn.us' ; Lori Hoyum (MP) ; Hillary Creurer (MP)
Subject: DOC IR Batch: E015/M-19-523 DOC 1-12 to MP

Re: In the Matter of Minnesota Power's Renewable
Resources Rider and 2020 Renewable Factor
Docket No. E015/M-19-523

Please find attached Minnesota Power's Responses to the Department of Commerce's ("DOC") **Information Requests 2, 3, 10, 11 and 12** in the above-referenced Docket.

As communicated with Department of Commerce staff, the responses to DOC IRs 1 and 4-9 will require additional time and will be sent at a later date.

David R. Moeller
Senior Attorney and
Director of Regulatory Compliance
30 West Superior Street
Duluth, MN 55802
PH: 218-723-3963
EM: dmoeller@allete.com

minnesota power
AN ALLETE COMPANY

From: MN_COMM_Utility Discovery [mailto:utility.discovery@state.mn.us]
Sent: Wednesday, October 16, 2019 11:19 AM
To: Residential Utilities Division, Generic Notice (OAG) ; Chris Anderson (ALLETE) ; Commerce Attorneys, Generic Notice (OAG) ; Conlin, Riley ; Hillary Creurer (MP) ; Ferguson, Sharon (COMM) ; Lori Hoyum (MP) ; Krikava, Michael ; Larson, Douglas ; Larson, James ; Susan Ludwig (MP) ; Marshall, Pam ; David Moeller (ALLETE) ; Moratzka, Andrew ; Jennifer Peterson (MP) ; Susan Romans (ALLETE) ; Swanson, Eric ; Wolf, Dan (PUC)
Cc: Addonizio, Craig (COMM)
Subject: DOC IR Batch: E015/M-19-523 DOC 1-12 to MP

Hello,

Attached is the full PDF of **E015/M-19-523 DOC 1-12 to MP**. In addition, a Word version of the questions page has been attached for your convenience.

Thank you,
Connor Boler

Connor Boler
Management Analyst
Minnesota Department of Commerce
85 7th Place East, Saint Paul, MN 55101

COMMERCE DEPARTMENT

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number: E015/M-19-523 ☐Nonpublic ☒Public
Requested From: Minnesota Power Date of Request: 10/16/2019
Type of Inquiry: Financial Response Due: 10/28/2019

Requested by: Craig Addonizio
Email Address(es): craig.addonizio@state.mn.us
Phone Number(s): 651-539-1818

Request Number: **2**
Topic: Bison Wind Production
Reference(s): MP's Aug. 16, 2018 Reply Comments in Docket No. E015/18-375, pg. 5, Table 2

Request:

Please provide an updated version of the above-reference table showing 2018 MWh production at each of the four Bison sites.

RESPONSE:

(MWh)	Estimated*	2014	2015	2016	2017	2018
Bison 1	300,000	266,640	239,519	263,376	271,815	228,732
Bison 2	380,000	324,087	294,291	328,831	328,923	276,225
Bison 3	365,000	326,727	293,757	326,999	333,816	278,525
Bison 4 **	835,000	44,820	712,033	832,159	840,920	712,649
Total	1,880,000	962,274	1,539,600	1,751,365	1,775,474	1,496,131

* *Bison 1 - Docket No. E015/M-09-285*
* *Bison 2 - Docket No. E015/M-11-234*
* *Bison 3 - Docket No. E015/M-11-626*
* *Bison 4 - Docket No. E015/M-13-907*
** *Bison 4 was placed in service December 2014*

To be completed by responder

Response Date: October 24, 2019
Response by: Barry Gartner, Project Development Leader
Email Address: bgartner@mnpower.com
Phone Number: (218) 355-3333

CERTIFICATE OF SERVICE

I Marcella Emeott, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. E015/M-19-523

Dated this **23**rd day of **December 2019**

/s/Marcella Emeott

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_19-523_M-19-523
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_19-523_M-19-523
Riley	Conlin	riley.conlin@stoel.com	Stoel Rives LLP	33 S. 6th Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-523_M-19-523
Hillary	Creurer	hcreurer@allete.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_19-523_M-19-523
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_19-523_M-19-523
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_19-523_M-19-523
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-523_M-19-523
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_19-523_M-19-523
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-523_M-19-523
Susan	Ludwig	sludwig@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_19-523_M-19-523

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_19-523_M-19-523
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_19-523_M-19-523
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-523_M-19-523
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_19-523_M-19-523
Generic Notice	Residential Utilities Division	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_19-523_M-19-523
Susan	Romans	sromans@allete.com	Minnesota Power	30 West Superior Street Legal Dept Duulth, MN 55802	Electronic Service	No	OFF_SL_19-523_M-19-523
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_19-523_M-19-523
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_19-523_M-19-523