**LARGE POWER INTERVENORS**

Utility Information Request

**SUPPLEMENTAL**

Docket Number: E015/CN-12-1163 Date of Request: May 19, 2014

Requested From: Large Power Intervenors Response Requested: May 30, 2014

By: Large Power Intervenors (Andrew Moratzka, Chad T. Marriott , Lane Kollen and Phil Hayet)

Request

No.

003 Please provide a detailed description of the scheduling fee arrangement that the Company claims will reduce the cost to customers from the 51.0% proposed MP ownership to 33.3% of the cost. Provide a copy of all documents, draft or otherwise, that were relied on for the concept and/or that will be used to implement the arrangement.

004 Please provide the Company's quantification of the effects of the project on customer rates, including, but not limited to, the derivation of the revenue requirement, all of the relevant class billing determinants, and the effects of the scheduling fee arrangement. Provide all assumptions, data, and computations, including electronic spreadsheets with formulas intact, e.g., revenue requirements model, class cost of service model, etc.

**Supplemental Response**:

Minnesota Power and Manitoba Hydro (MH) recently completed negotiation on several agreements which among other items outlines the financial responsibility for the construction and operation of the Great Northern Transmission Line (Project). The Renewable Optimization Agreements (ROA) have been executed by both companies. The MISO Facilities Construction Agreement (FCA) has been submitted to MISO for their review. Once MISO has completed their review the FCA will be executed and submitted to FERC for approval. FERC approval is expected within 60 days of submittal. The paragraphs below summaries the business structure detailed in those agreements. For ease of review, references to Manitoba Hydro also encompass its subsidiary, 6690271 Manitoba Ltd.

As agreed to in the FAC, Minnesota Power will own 51% of the Project, while MH will own the 49% balance as tenants in common. However, MH does not intend to be an owner of the Project past mid-year 2016. MH is reviewing ownership options with another Minnesota MISO Transmission Owner however if that option does not materialize, Minnesota Power will assume 100% of the Project as of mid-year 2016. MH or its Assignee will be financial responsible for 49% of all ongoing Operation and Maintenance expense associated with the Project.

While Minnesota Power is a 51% owner of the Project, Minnesota Power has only a 46% funding obligation for construction cost. MH will provide the balance (54%) of construction funds either through Contribution in Aid of Construction (CIAC) payments (if Minnesota Power becomes the 100% owner), or a 5% CIAC payment and the assignment of 49% to another Minnesota MISO Transmission Owner.

Please refer to the table below which has been prepared using the estimates included in Appendix A of the FCA.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Funding Option | Total Project Cost | MP Responsibility | MH-CIAC | MH-Assignment |
| 100% MP Ownership | $ 676,242,900 | $ 311,071,700 | $ $365,171,200 |  |
| Assignment | $ 676,242,900 | $ 311,071,700 | $ $33,812,100 | $ 331,359,100 |
|  |  |  |  |  |

The Minnesota Power funding obligation percentage is a product of Minnesota Powers requested capacity of the Project (383 MW) over the total requested capacity of the Project (883 MW). The Minnesota Power requested capacity consists of two capacity requests to MISO. Minnesota Power requested 250 MW of capacity to provide a transmission path for the 250 MW PPA between Minnesota Power and Manitoba Hydro (previously approved by the Commission) and a 133 MW request to provide a transmission path for the ROA.

The Minnesota Power funding obligation can be broken down as shown in the following table:

|  |  |  |
| --- | --- | --- |
| Capacity Request | Percentage of Total  | Pro Rata Share |
|  |  |  |
| 250 MW PPA | 28.3% | $ 191,376,700 |
| 133 MW ROA | 17.7% | $ 119,695,000 |
| **Total Minnesota Power** | **46.0%** | **$ 311,071,700** |

Minnesota Power plans to include all cost associated with our funding obligation in a future Transmission Cost Recovery Rider for retails rates and through our MISO Attachment O process for wholesale customers. Under the terms of the Renewable Optimization Agreements, Manitoba Hydro will provide a “Must Take Fee” which will be in excess of the pro rata revenue requirements associated with the 133 MW capacity request. This “Must Take Fee” credit will be included as an offset to revenue requirements in both the Transmission Cost Recovery Rider and the MISO Attachment O.

Details on when the applicable filings will be made has not yet been determined.

Response by: David Moeller\_\_\_\_\_\_\_\_\_\_\_\_ List Sources of Information:

Title: Senior Attorney\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Department: Corporate Legal Services\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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