



David R. Moeller, Attorney – Legal Services

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**PUBLIC DOCUMENT
TRADE SECRET DATA
HAS BEEN EXCISED**

November 9, 2009

VIA E-MAIL

Mr. Alexius Hofschulte
MN Office of Energy Security
85 7th Place East
Suite 500
St. Paul, MN 55101-2198

Re: Docket No. E015/S-09-1233
OES Information Requests No. 2 and 3

Dear Mr. Hofschulte:

Attached please find Minnesota Power's response to Office of Energy Security Information Requests No. 2 and 3 in the above-referenced Docket. Because Minnesota Power's response contains Trade Secret Data, I am also including a public version of the response for IR #3.

Please call me at the number below if you have any questions.

Sincerely,

David R. Moeller

DRM:sr
Enc.
cc: Eilon Amit (via e-mail)

State of Minnesota
OFFICE OF ENERGY SECURITY

Utility Information Request

Docket Number: E015/S-09-1233

Date of Request: October 27, 2009

Requested From: Minnesota Power

Response Due: November 6, 2009

Analyst Requesting Information: Eilon Amit

Type of Inquiry: ...Financial ...Rate of Return ...Rate Design
 ...Engineering ...Forecasting ...Conservation
 ...Cost of Service ...CIP ...Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
2	<p>Reference: Table 1, page 4 and Exhibit K.</p> <p>Table 1 shows \$599 million of long-term debt on 12/31/2008 and \$640 million of long-term debt on 6/30/2009. Exhibit K shows that the only long-term security issuance since MP's last approved capital structure (Docket No. E015/S-08-1342) was common equity issuance of \$12,023,740 on 03/18/2008. Please explain the incremental long-term debt of \$41 million (\$640 million - \$599 million) between 12/31/2008 and 06/30/2009.</p>

RESPONSE:

Exhibit K includes securities issued from February 2, 2009 (date of latest MPUC Capital Structure Order) to October 22, 2009 (date of 2010 Capital Structure Petition filing). On January 15, 2009 ALLETE issued \$42 million of First Mortgage Bonds in the private placement market. These bonds mature on January 15, 2019 and carry an interest rate of 8.17%.

Response by: David R. Moeller
Title: Attorney
Department: Legal Services
Telephone: 218-723-3963

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Request No.	
3	<p>Reference: MP's capital structure filings, Docket E015/S-08-1342 and Docket E015/S-09-1233</p> <p>In its capital structure filing, Docket E015/S-08-1342, MP projected new issuances of common equity and long-term debt at the amount of \$330 million, respectively, over the period for which MP's 2009 capital structure has been approved. (February 3, 2009 through the period ending with Commission's approval of a new capital structure for MP). However, as shown in Exhibit K, Docket E015/S-09-1233 (MP's instant capital structure filing), Allete only issued \$12,028,740 of common equity and no new long-term debt up to date.</p> <p>a. Please explain the significant discrepancy between the projected securities issuances and the actual securities issuances.</p> <p>RESPONSE:</p> <p>a. ALLETE's November 2008 capital structure filing references the projected amount of securities issuances needed to fund capital requirements over the 19 month period that extends from October 1, 2008 through April 30, 2010. The Common Equity issuance identified in Exhibit K in the Company's October 2009 filing, is the Company's only non-recurring securities issuance since the February 2009 order. Exhibit K, however, does not list securities issued prior to February 2009, periodic issuances to date, and prospective issuances through April 2010.</p>

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During the period to date (from October 1, 2008 through June 30, 2009) ALLETE has issued \$90 million of long-term debt and \$78 million of common stock. The Company completed its most recent bond issuance in January 2009. Equity issuances to date have been executed largely through a periodic issuance program that allows the Company to issue, on an ongoing basis, a limited number of "at the market" shares per day. The Company expects to execute sizeable securities issuances in the third and fourth quarters of 2009 and in 2010.

Very importantly, the Company now expects securities issuances during the authorization period to be less than previously anticipated. In response to the global financial crisis that accelerated in the fourth quarter of 2008, the Company has delayed, slowed, or postponed virtually all capital projects that had a discretionary component. A list of the largest projects that were reduced, delayed, or postponed is provided in 3.b.

As of June 30, 2009, ALLETE's consolidated capital structure includes a 57.79% equity ratio. This equity ratio is 0.55% greater than the 57.24% equity ratio projected in the November 2008 petition.

- b. Please identify the regulatory and non-regulatory projects that were supposed to be financed by the \$330 million of equity issuances and the \$330 millions of long-term debt issuances. Please identify which of the above projects were not implemented and explain why.

RESPONSE:

- b. Shown in the table below are the Company's projected capital expenditures for the period October 1, 2008 through April 30, 2010.

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As stated above, the Company has delayed, slowed, or postponed virtually all capital projects that had a discretionary component in response to the acceleration of the global financial crisis in the fourth quarter of 2008. The largest reduced, delayed, or postponed project investments include: Bison I wind generation (reduced/delayed), Hibbard biomass (delayed), Boswell 4 environmental/turbine projects (delayed), a gas combustion turbine (postponed).

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