Minnesota Power

Attachment O Rate Formula

2017 Projected Net Revenue Requirement

1. **With respect to any change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate (“Accounting Change”):**
   1. **Identify any Accounting Changes, including**
      1. **The initial implementation of an accounting standard or policy;**

There is not an initial implementation of an accounting standard or policy.

* + 1. **the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;**

There is not an initial implementation of an accounting practice for unusual or unconventional items where FERC has not provided specific accounting direction.

* + 1. **correction of errors and prior period adjustments that impact the projected net revenue requirement calculation;**

There are no corrections of errors or prior period adjustments to the Company’s financial statements.

* + 1. **the implementation of new estimation methods or policies that change prior estimates; and**

The calculation of accumulated deferred income taxes in the 2017 annual projection are performed in accordance with IRS regulation Section 1.167(l)-1(h)(6). This regulation specifies that if a future period is used for determining a reserve to be excluded from rate base, the reserve is to be calculated based on the reserve balance at the beginning of the period, and a pro rata portion of the amount of any projected increase to be credited or decrease to be charged to the account during such period.

* + 1. **changes to income tax elections;**

There were no changes to income tax elections.

* 1. **Identify items included in the projected net revenue requirement at an amount other than on a historic cost basis;**

There are no items included in the projected net revenue requirement at an amount other than on a historic cost basis.

* 1. **Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the projected net revenue requirement;**

There is no reorganization or merger transaction anticipated in 2017 that affects the inputs to the projected net revenue requirement.

* 1. **Provide, for each item identified pursuant to items II.F.4.a-II.F.4.c of these protocols, a narrative explanation of the individual impact of such changes on the projected net revenue requirement.**

As for the item identified pursuant to item II.F.4.a.iv, the new estimation method results in a small decrease in the amount of the reserve that is to be excluded from rate base. Therefore, the result is an overall small increase to rate base.