

September 21, 2020

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/M-20-557

Dear Mr. Seuffert:

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

In the Matter of Minnesota Power's 2020 Solar Renewable Factor within Its Renewable Resources Rider.

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve Minnesota Power's petition as modified**. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ SUE PEIRCE
Rates Analyst Coordinator

/s/ GEMMA MILTICH
Financial Analyst, CPA

SP/GM/ar
Attachment



Before the Minnesota Public Utilities Commission

Response Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. E015/M-20-557

I. INTRODUCTION

As a component of its existing Renewable Resource Rider (RRR),¹ on June 30, 2020, Minnesota Power (MP or the Company) submitted a filing (Petition) requesting that the Minnesota Public Utilities Commission (Commission) approve rate rider cost recovery from MP's retail customer classes for certain Company expenditures associated with three previously approved solar projects/programs.

In its Petition, MP proposes Solar Renewable Factor rates through which to recover actual and projected expenses and capital costs associated with the Company's Camp Ripley Solar Project, Community Solar Garden Pilot, and SolarSense Program. MP requests an effective date of January 1, 2021 for its proposed Solar Renewable Factor rates.

On August 31, 2020 the Minnesota Department of Commerce, Division of Energy Resources (Department) filed its initial Comments in this docket, requesting certain additional information from MP and recommending that the Commission approve the Company's Petition with some modifications.

MP submitted its Reply Comments on September 11, 2020, providing the additional information requested by the Department and commenting on the Department's recommended modifications to certain Company proposals.

II. DEPARTMENT ANALYSIS

The following sections addresses (1) the additional information requested by the Department and provided by MP through comments in the instant docket and (2) MP's response to the Department's recommended modifications to certain Company proposals.

A. SOLARSENSE PROGRAM 2020 BUDGET

In response to the Department's request, MP provided a breakdown of its SolarSense Program 2020 budget. According MP, it also updated the 2020 SolarSense Program budget amounts to reflect the Company's most current estimates.² The following table is the Department's original Table 8 shown on page 11 of our August 31, 2020 Comments:

¹ Minnesota Power filed its most recent RRR update in Docket No. E015/M-19-523.

² Minnesota Power's September 11, 2020 Reply Comments in Docket No. E015/M-20-557, page 2.

Table 8: SolarSense Program Revenue Requirement Summary for 2017 – 2020

SolarSense Program Revenue Requirement Item	Actual ³			Projected	Total Revenue Requirement
	2017	2018	2019	2020	
Low-Income Pilot	\$36,400	\$0	\$0		\$36,400
Research/Development	\$11,304	\$15,000	\$0		\$26,304
Customer Incentives	\$275,492	\$481,464	\$1,031,588		\$1,788,544
Program Development/Delivery	<u>\$66,396</u>	<u>\$79,281</u>	<u>\$76,302</u>		\$221,979
Totals Revenue Requirement Requested	<u>\$389,592</u>	<u>\$575,745</u>	<u>\$1,107,890</u>	<u>\$910,682</u> ⁴	<u>\$ 2,983,909</u>

To reflect the additional SolarSense budget information supplied by MP on page 2 of its Reply Comments, we provide the following updated version of the Department’s Table 8:

UPDATED Table 8: SolarSense Program Revenue Requirement Summary for 2017 – 2020

SolarSense Program Revenue Requirement Item	Actual			Projected	Total Revenue Requirement
	2017	2018	2019	2020	
Low-Income Pilot	\$36,400	\$0	\$0	\$183,600	\$220,000
Research/Development	\$11,304	\$15,000	\$0	\$0	\$26,304
Customer Incentives	\$275,492	\$481,464	\$1,031,588	\$701,395	\$2,489,939
Program Development/Delivery	<u>\$66,396</u>	<u>\$79,281</u>	<u>\$76,302</u>	<u>\$80,000</u>	<u>\$301,979</u>
Totals Revenue Requirement Requested	<u>\$389,592</u>	<u>\$575,745</u>	<u>\$1,107,890</u>	<u>\$964,995</u>	<u>\$ 3,038,222</u>

The Updated Table 8 shows that MP’s currently requested 2020 SolarSense Program revenue requirement is \$54,313 higher (\$964,995 - \$910,682) than what the Company originally proposed in its Petition. Importantly, the 2020 projected \$964,995 revenue requirement currently requested by MP is below the 2020 SolarSense budget of \$997,545 approved by the Commission in its December 20, 2019 *Order* in Docket No. E015/M-16-485. Also note that any differences between the Company’s projected and actual solar revenue requirements, including those for the SolarSense Program, will be trued up in a subsequent 2021 solar rider filing.

³ Actual 2017 – 2019 revenue requirement data in Table 8 retrieved from Petition Table 4.

⁴ The Commission approved the 2020 SolarSense Program budget in the December 20, 2019 *Order* in Docket No. E015/M-16-485. The budgeted figures are shown on page 2 of the September 19, 2019 Minnesota Power filing attached to the same *Order*, with a total approved 2020 budget amount of \$997,545. However, at \$910,682, MP’s current SolarSense 2020 budget proposal at is less than that previously approved. The Department derived the 2020 SolarSense budget amount of \$910,682 using the following calculation: \$2,983,909 total SolarSense revenue requirement per Petition Exhibit B-2 less (\$389,592 + \$575,745 + \$1,107,890) = \$910,682.

Since the amount for the 2020 SolarSense program that MP requests is below the amount the Commission approved, the Department recommends that the Commission approve the updated 2020 SolarSense revenue requirement of \$964,995, which results in a new total SolarSense Program revenue requirement of \$3,038,222 for the period of 2017 – 2020.

B. CAMP RIPLEY 2016 – 2020 REVENUE REQUIREMENT RECOVERY PERIOD

In its original Petition, MP proposed to recover five years' worth (2016 – 2020) of Camp Ripley solar facility revenue requirements over the course of a single year (2021) through the Solar Renewable Factor rates. Since MP's initially proposed \$7,150,343⁵ revenue requirement for Camp Ripley is more than half of the increase that the Commission authorized in the Company's 2016 rate case, the Department expressed concerns about the rate shock that MP's customers would experience if the Commission were to approve recovery of these revenue requirements over a period of just one year.⁶

To address these rate shock concerns, the Department recommended in its Comments that the Commission require Minnesota Power to recover the 2016 – 2020 Camp Ripley revenue requirements evenly over the next five years. This recommendation is similar to the types of amortizations that the Commission routinely approves in general rate cases to allocate the recovery of certain costs over time. In addition, consistent with the Commission's approach with other riders, to fully compensate the Company for the time value of money, the Department also recommended that the Commission allow MP to apply on going-forward basis a monthly carrying charge rate of 0.2917 percent⁷ to the solar rider tracker.⁸

In its Reply Comments, the Company provided adjusted Solar Renewable Factor rates that reflect the Department's recommendation to extend MP's requested recovery period of the 2016 – 2020 Camp Ripley revenue requirements from one year to five years.⁹ MP also suggested that a three-year, rather than five-year, recovery period could sufficiently mitigate rate shock concerns, and the Company provided the Solar Renewable Factor rates that would correspond to its suggested three-year recovery period for the requested 2016 – 2020 Camp Ripley revenue requirements. The following table summarizes the Camp Ripley revenue requirement recovery originally requested and the subsequently proposed adjustments:

⁵ Petition Exhibit B-2.

⁶ Department's August 31, 2020 Comments, pages 8 -9, Docket No. E015/M-20-557.

⁷ Commission's August 18, 2020 *Order* in Docket No. E015/M-20-428 (Minnesota Power's most recent Conservation Improvement Program filing).

⁸ See the full discussion of these recommendations in the Department's August 31, 2020 Comments, pages 8 -9, Docket No. E015/M-20-557.

⁹ Minnesota Power's September 11, 2020 Reply Comments, Updated Exhibit B-1, Docket No. E015/M-20-557.

Table 13: Portion of Camp Ripley 2016 – 2020 Revenue Requirements Included in 2021 Solar Renewable Factor Rates Over Different Recovery Periods

<i>Proposed Recovery Period</i>	<i>E015/M-20-557 Reference</i>	<i>Camp Ripley Revenue Requirement Included in the 2021 Solar Renewable Factor Rates¹⁰</i>
1 year	MP’s June 30, 2020 Petition	\$7,150,343
3 years	MP’s September 11, 2020 Reply Comments	\$2,383,448
5 years	Department’s August 31, 2020 Comments	\$1,430,069

The revenue requirement amounts shown in Table 13 above represent the portion of the 2016 – 2020 Camp Ripley revenue requirements to be incorporated into the 2021 Solar Renewable Factor rates. Importantly, both the three-year and five-year recovery period would allow MP to recover the total 2016 – 2020 Camp Ripley revenue requirements of \$7,150,343 – this total would simply be allocated over several years as opposed to a single year.

Taking into account the updated SolarSense Program revenue requirement of \$3,038,222, the potential modifications to the Camp Ripley revenue requirements, and the Community Solar Garden Pilot revenue requirement of \$16,984 (unchanged from MP’s initial Petition), MP provided the following Solar Renewable Factor Recovery rate proposals in its Reply Comments:

Table 14: Summary of Minnesota Power’s Updated Solar Renewable Factor Rate Proposals by Customer Class¹¹

<i>Customer Class</i>	1-Year Camp Ripley Recovery	3-Year Camp Ripley Recovery	5-Year Camp Ripley Recovery	1-Year Camp Ripley Recovery	3-Year Camp Ripley Recovery	5-Year Camp Ripley Recovery
	SES-Nonexempt Customers			SES-Exempt Customers		
	<i>Proposed Rate (cents/kWh)</i>			<i>Proposed Rate (cents/kWh)</i>		
Residential	0.302	0.166	0.139	N/A	N/A	N/A
General Service	0.280	0.155	0.130	N/A	N/A	N/A
Large Light & Power	0.325	0.178	0.148	0.014	0.005	0.003
Large Power	N/A	N/A	N/A	0.014	0.005	0.003
Lighting	0.351	0.187	0.154	N/A	N/A	N/A

¹⁰ Minnesota Power’s September 11, 2020 Reply Comments, Updated Exhibit B-2, Docket No. E015/M-20-557.

¹¹ Data in Table 14 retrieved from Updated Exhibit B-1 in Minnesota Power’s September 11, 2020 Reply Comments, Docket No. E015/M-20-557.

The various Solar Renewable Factor rate options outlined above correspond to differing rate increases and bill impacts for MP’s customers. These rate increases and bill impacts for the Company’s SES-Nonexempt customers are summarized in the following table:

Table 15: Rate Increases and Monthly Bill Impacts Resulting from MP’s Updated Solar Renewable Factor Proposals for SES-Nonexempt Customers¹²

<i>SES-Nonexempt Customer Class</i>	1-Year Camp Ripley Recovery	3-Year Camp Ripley Recovery	5-Year Camp Ripley Recovery	1-Year Camp Ripley Recovery	3-Year Camp Ripley Recovery	5-Year Camp Ripley Recovery
	<i>Average Monthly Bill Increase in Dollars</i>			<i>Rate Percentage Increase</i>		
Residential	\$2.19	\$1.20	\$1.01	2.81%	1.54%	1.29%
General Service	\$7.65	\$4.23	\$3.55	2.61%	1.45%	1.21%
Large Light & Power	\$798.15	\$437.14	\$363.47	3.98%	2.18%	1.81%
Lighting	\$1.18	\$0.63	\$0.52	2.19%	1.16%	0.96%

Table 15 shows that extending the 2016 – 2020 Camp Ripley revenue requirement recovery period to three or five years would, to varying degrees, mitigate the rate increase caused by the Solar Renewable Factor. For SES-Exempt customers (Large Light & Power and Large Power), which are not documented in Table 15, the rate impacts of the Solar Renewable Factor are relatively small under each proposed Camp Ripley recovery period. The Solar Renewable Factor would cause Large Light & Power and Large Power rates to increase between 0.04 and 0.17 percent and 0.05 and 0.22 percent, respectively¹³ – the longer the Camp Ripley 2016 – 2020 revenue requirement period, the less rates would increase due to the Solar Renewable Factor.

The Department continues to support our original recommendation that five years is a reasonable time period over which to recover five years’ worth (2016 – 2020) of this solar facility’s revenue requirements. While the Department does not have strong objections to a three-year recovery period, given the current economic conditions resulting from the COVID-19 pandemic, the additional rate mitigation resulting from a five-year recovery period is warranted. The Department’s recommendation would allow MP to include \$1,430,069 of the 2016 – 2020 Camp Ripley revenue requirements in the 2021 Solar Renewable Factor rates.

¹² Data in Table 15 retrieved from Updated Table 6 in Minnesota Power’s September 11, 2020 Reply Comments, Docket No. E015/M-20-557.

¹³ *Id.*

C. SOLAR CAPACITY BENEFIT CALCULATION FOR SES-EXEMPT CUSTOMERS

In its reply comments, MP noted that the amount of revenue requirements for the demand-billed SES-Exempt customers is relatively small, and that it chose to use an energy charge for the sake of simplicity.¹⁴ When spread over a five-year time period recommended by the Department, the annual revenue requirement to be recovered from the SES-Exempt customers is even smaller. The Department recommends approval of the Company's proposal to use an energy charge for recovery from its SES-Exempt customers.

D. PROPOSED EFFECTIVE DATE FOR SOLAR RENEWABLE FACTOR RATES

In its initial Petition, Minnesota Power requested that its proposed Solar Renewable Factor rates be effective on January 1, 2021, and the Department concluded that this proposed rate implementation date is reasonable.¹⁵ In its Reply Comments, MP modified its proposed implementation date, stating that the Company now requests "...an effective date of January 1, 2021, or the first billing cycle in the next full month that coincides with the final order date, with at least 30 days allowed for implementation, whichever is later."¹⁶ According to MP, this modified proposal would allow the Company to better coordinate the implementation of its Solar Renewable Factor rates with anticipated billing system upgrades. The Department does not object to MP's revised proposal and recommends that the Commission authorize an effective date of January 1, 2021 or the first billing cycle in the next full month that coincides with the final order date, with at least 30 days allowed for implementation, whichever is later.

E. LANGUAGE FOR NOTICE TO CUSTOMERS

At the Department's request, Minnesota Power provided in its Reply Comments a proposal for customer bill notification language, the purpose of which would be to advise ratepayers of the additional charge associated with MP's Solar Renewable Factor. The Company proposed the following language:

The Solar Renewable Rider has been approved by the MPUC per Docket No. E015/M-20-557 effective XX-XX-2021 and is reflected in your billing statement. The Solar Renewable Rider is X.XXX Cents per kilowatt-hour (kWh).¹⁷

The Department concludes that this language is clear and reasonable, and recommends that the Commission approve MP's proposed customer bill notification.

¹⁴ Minnesota Power's September 11, 2020 Reply Comments, page 4, Docket No. E015/M-20-557.

¹⁵ Department's August 31, 2020 Comments, pages 8 -9, Docket No. E015/M-20-557.

¹⁶ Minnesota Power's September 11, 2020 Reply Comments, page 5, Docket No. E015/M-20-557.

¹⁷ *Id.*

III. CONCLUSION AND RECOMMENDATIONS

Based on our review, the Department concludes that Minnesota Power’s proposals overall are reasonable, as modified to recover the requested 2016 – 2020 Camp Ripley revenue requirements over five years. The following reflects MP’s solar revenue requirements supported by the Department for recovery through the Company’s 2021 Solar Renewable Factor rates:

<u>Solar Project or Program</u>	<u>Revenue Requirement</u>
Camp Ripley Solar Project	\$1,430,069
Community Solar Garden Pilot	\$16,984
SolarSense Program	<u>\$3,038,222</u>
<i>Total to be Recovered in 2021</i>	<u>\$4,485,275</u>

We recommend that the Commission take the following actions:

- Approve MP’s requested 2016 - 2020 revenue requirements for the Camp Ripley solar facility (\$7,150,343), Community Solar Garden Pilot (\$16,984), and SolarSense Program (\$3,038,222), but require MP to recover the requested Camp Ripley revenue requirements over five years, with a carrying charge equal to 0.2917 percent. This five-year recovery period would allow MP to recover \$1,430,069 of the total approved 2016 – 2020 Camp Ripley revenue requirement through the 2021 Solar Renewable Factor rates.
- Approve MP’s adjusted Solar Renewable Factor rates, as shown in Updated Exhibit B-1 of the Company’s September 11, 2020 Reply Comments, using the five-year recovery period for Camp Ripley costs.
- Authorize an effective date of January 1, 2021 or the first billing cycle in the next full month that coincides with the final order date, with at least 30 days allowed for implementation, whichever is later.
- Require MP to file a Solar Renewable Factor true-up annually, following of the initial implementation of the authorized Solar Renewable Factor rates.
- Require the Company to submit, within 10 days of instant docket’s order, a compliance filing of the Solar Renewable Factor tariff sheets, showing the Solar Factor rates approved by the Commission.
- Approve MP’s proposed customer notification, as shown on page 5 of the Company’s September 11, 2020 Reply Comments.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, 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
Response Comments**

Docket No. E015/M-20-557

Dated this **21st** day of **September 2020**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-557_M-20-557
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_20-557_M-20-557
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_20-557_M-20-557
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_20-557_M-20-557
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_20-557_M-20-557
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-557_M-20-557