

## Staff Briefing Papers

Meeting Date	May 13, 2021	Agenda Item 6*
Company	Minnesota Power	
Docket No.	<b>E-015/M-21-60</b> <b>In the Matter of Minnesota Power’s Compliance Report on Rate Design for Large Light and Power Customers</b>  <b>E-015/M-21-61</b> <b>In the Matter of Minnesota Power’s Compliance Report on Rate Design for Large Power Customers</b>	
Issues	<ol style="list-style-type: none"> <li>1. Should the Commission accept Minnesota Power’s compliance filings?</li> <li>2. Are there any actions the Commission should take in response to the compliance filings?</li> </ol>	
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### Relevant Documents

#### **Docket Nos. 19-442 & 20-429**

*Initial Order Approving Petition and Resolving Rate Case with Conditions* (Dockets 19-442 and 20-429) June 30, 2020

Minnesota Power Compliance Filing re: Large Light & Power (Dockets 19-442 and 20-429) December 22, 2020

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

 **Relevant Documents**

**Date**

**Docket 21-60**

Comments of the MN Department of Commerce	February 12, 2021
Comments of the Large Power Intervenors	February 16, 2021
Reply Comments of Minnesota Power	February 26, 2021

**Docket 21-61**

Comments of the MN Department of Commerce	February 12, 2021
Comments of the Large Power Intervenors	February 16, 2021
Reply Comments of Minnesota Power	February 26, 2021

## I. Statement of the Issues

1. Should the Commission accept Minnesota Power's compliance filings?
2. Are there any actions the Commission should take in response to the compliance filings?

## II. Background

**On April 23, 2020**, Minnesota Power (MP) filed a petition and proposal to resolve and ultimately withdraw the 2019 Rate Case (Dockets 19-442 and 20-429).

**On June 30, 2020**, the Commission approved MP's petition, with conditions, and ordered MP to work with its Large Light and Power (LLP) and Large Power (LP) customers "on rate design alternatives and file a report on those discussions within six months."<sup>1</sup>

**On December 22, 2020**, MP filed two reports addressing rate design discussions, one report for LLP Customers, the other for LP customers (Dockets 19-442 and 20-429).

**Between February 12 and 16, 2021**, comments were filed by the Large Power Intervenors (LPI) and the Department of Commerce (Dockets 21-60 and 21-61).

**On February 26, 2021**, Minnesota Power filed reply comments.

## III. Large Light and Power (LLP) Report

### A. Summary of the LLP Report

By way of introduction, MP states that it has approximately 400 LLP customers, which include a diverse group of businesses and organizations that often choose to use optional services:

They include ... colleges, food processors, metal foundries, hotels and resorts, hospitals and other healthcare facilities, manufacturers, pipelines, restaurants, retail stores, schools, and many others. ...

In addition to the standard LLP tariff, customers may also choose from optional services including Commercial/Industrial Dual Fuel Interruptible Electric Service; Commercial/Industrial Controlled Access Electric Service; the Rider for General Service/Large Light and Power Interruptible Service; Rider for Voluntary Energy Buyback; Rider for Voluntary Renewable Energy; General Service/Large Light and Power Area Development Rider; Rider for Foundry, Forging and Melting Customers; Pilot Rider for Large Light and Power Time-of-Use Service; Rider for Backup Generation Service; and most recently the Rider for Business Development

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<sup>1</sup> Order in Dockets 19-442 and 20-429, June 30, 2020, p. 3, Ordering Paragraphs 2.B. and 2.C. Note that this order was characterized as an "Initial Order" and it was followed by an order on August 7, 2020, with a more detailed discussion of the Commission's decision.

Incentive ... .<sup>2</sup>

On November 11, 2020, MP hosted a virtual meeting with interested LLP customers addressing renewable energy, demand response (DR), time-of-use (TOU) rates and other rate options. Customers that registered for this meeting included:

Anderson Processing	Hom Furniture
College of St. Scholastica	Involta
Enbridge	ISD 2165
Essentia Health	Upsala K-12
Falls Fabricating	Mann Lake LTD
Flint Hills Resources – Minnesota Pipeline	Wabash National L.P.
Gerdau	Team Industries
City of Little Falls	Ferche Millwork
Little Falls K-12	West Central Telephone Association <sup>3</sup>
Polymet Mining	

MP also conducted individual customer discussions and conducted a brief online survey. MP summarized its LLP customers' responses, stating that electric service safety, reliability, and cost are their top priorities:

Additionally, while some customers indicated interest in additional renewable energy offerings ... other customers do not have interest in additional renewable energy and have other energy priorities. In the meeting, some customers voiced strong interest in DR and TOU options; however, this interest was not replicated in survey responses. Customers who are interested in DR and TOU indicated they are willing to modify their energy usage (to varying degrees) in order to lower their energy costs.<sup>4</sup>

MP stated that it: (1) continues to evaluate renewable energy programs; (2) continues to explore demand response in more flexible and long-term projects; and (3) continues to research best practices for time-of-use rates.<sup>5</sup>

## B. Large Power Intervenors (LPI)<sup>6</sup> Comments

LPI urges the Commission to accept the Report but goes on to note that their members have been affected financially by the COVID-19 pandemic, while still having to compete globally.

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<sup>2</sup> LLP Report, p. 2.

<sup>3</sup> LLP Report, p. 3. A copy of the slides used at the November 11<sup>th</sup> meeting can be found in Attachment 2 of MP's LLP Report.

<sup>4</sup> LLP Report, p. 4.

<sup>5</sup> LLP Report, pp. 4-11.

<sup>6</sup> LPI is an *ad hoc* consortium of industrial Large Power and Large Light and Power customers of Minnesota Power consisting for purposes of this filing of Blandin Paper Company; Boise Paper, a Packaging Corporation of America company, formerly known as Boise, Inc.; Cleveland-Cliffs Minorca

Therefore, MP's rate increases are unsustainable for them. They say that dialogue and stakeholder meetings are no longer helpful. Instead, they suggest the following in MP's next rate case filing:

... LPI requests that the Commission order Minnesota Power to include specific rate-mitigation measures for both LLP and LP customers with an eye toward compliance with the statutory goal articulated in Minn. Stat. § 216C.05, subd. 2(4).<sup>7</sup>

Section 216C.05 states that it "is the energy policy of the state of Minnesota that ... retail electricity rates for each customer class be at least five percent below the national average."

LPI argues that LP customers' estimated average delivered cost of energy has increased approximately 17 percent in two years, and about 90 percent since 2005, and that LLP customers' average delivered cost of energy has increased approximately 14 percent in two years.<sup>8</sup>

### C. Department of Commerce Comments

The Department recommends the Commission accept MP's LLP Report, and further states:

Given that MP has stated it intends to file a general rate case later in 2021, the Department does not recommend any further action be taken as MP will have the opportunity to address LL&P customer feedback with proposed revisions or new offerings at the time of its rate case.<sup>9</sup>

### D. Minnesota Power Reply Comments

MP agrees with the Department that its rate case later this year is the appropriate venue to incorporate suggestions from customers:

However, Minnesota Power does not support LPI's suggestion for the Commission to require the Company to pursue specific rate mitigation measures in advance of the rate case filing. This is more appropriately determined as part of the rate case process, where it can be balanced with other factors and impacts on the Company and all customers holistically. LPI's suggestion would inappropriately single out one class for predetermination of rate design before the rate case is even filed.<sup>10</sup>

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Mine Inc.; Enbridge Energy Limited Partnership; Gerdau Ameristeel US Inc.; Hibbing Taconite Company; Northern Foundry, LLC; Sappi Cloquet, LLC; USG Interiors, Inc.; United States Steel Corporation (Keetac and Minntac Mines); and United Taconite, LLC. See LPI Comments, p. 1, italics in original.

<sup>7</sup> LPI Comments, p. 5.

<sup>8</sup> LPI Comments, pp. 4-5.

<sup>9</sup> Department Comments, p. 1.

<sup>10</sup> MP Reply Comments, p. 3.

## IV. Large Power (LP) Report

### A. Summary of the LP Report

MP reports that: (1) it held a kick-off virtual meeting with its LP customers on October 28, 2020; (2) it scheduled individual meetings with customers during November; and (3) in a virtual meeting on November 30, 2020, it presented its collected feedback to its customers. The slide decks of the October and November virtual meetings are provided as Attachments 1 and 2 of MP's LP Report.

During November 2020, MP met individually with the following customers:

ArcelorMittal USA (Hibtac & Minnorca)	PolyMet
Cleveland-Cliffs (Northshore & United Taconite)	Sappi – Cloquet
Packaging Corporation of America (Boise -I Falls)	UPM Blandin
United States Steel (Minntac & Keetac)	

As a general observation, MP noted that its LP customers are consistent in their concern for the competitiveness of their operations and product sales in global markets. MP points out that the LP customers wish to “make sure Minnesota Power and external stakeholders all understood the need for a sense of urgency in consideration, prioritizing, evaluation, review, and implementation of any rate design alternatives.”<sup>11</sup>

MP grouped its customers' discussions into several categories:

- Existing Tariffs and Riders
  - Rate class structures, riders and specialized contracts
  - Discounts for term commitment or volume use
  - Fixed-cost flexibility
  - Increased access to market-priced electricity
- Sustainability
- Grid-Reliability Products/Incentives
  - Time of use
  - Demand response
- Industrial Scale Electrification
- New Technology Partnerships
- Other Rate Designs
  - Combined contracts
  - Unbundling

MP noted that its Large Power customers have diverse and specialized needs as a result of specialized production processes. MP will assess and analyze the customer feedback in developing future rate designs and new products.

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<sup>11</sup> LP Report, p. 3.

## **B. Large Power Intervenors (LPI) Comments**

LPI filed a single document in both the LLP Docket (21-60) and the LP Docket (21-61). LPI recommends the Commission accept the LP report but, as stated above in Section III.B., LPI is concerned about increasing energy costs, competitive rates, and global competition, and LPI expresses an urgency in requesting “that the Commission order Minnesota Power to include [in its next rate case filing] specific rate-mitigation measures for both LLP and LP customers ... .”<sup>12</sup>

## **C. Department of Commerce Comments**

The Department recommends the Commission accept MP’s LP Report, stating further:

... MP stated it would be filing a petition for approval of additional demand response product offerings in the near future [subsequently filed on January 6, 2021 in Docket 21-28]. Given the proposed demand response filing, and that MP has stated it intends to file a general rate case later in 2021, the Department does not recommend any further action be taken as MP will have the opportunity to address LP customer feedback with proposed revisions or new offerings at the time of its rate case.<sup>13</sup>

## **D. Minnesota Power Reply Comments**

As mentioned in Section III.D. above, MP agrees with the Department that its rate case later this year is the appropriate venue to incorporate suggestions from customers, however, it does not support LPI’s suggestion for the Commission to require the Company to pursue specific rate mitigation measures in advance of the rate case filing.

## **V. Staff Analysis**

In response to the Commission’s order of June 30, 2020 (Dockets 19-442 and 20-429), MP filed reports on its rate-design discussions with its Large Light and Power customers and Large Power customers. The Department recommends the Commission accept both reports but take no action given that MP is expected to file a rate case in November. LPI also recommends the Commission accept both reports, but it asks the Commission to require MP to include specific rate-mitigation measures in its next rate case filing. LPI does not propose any specific measures, presumably seeking today only that the Commission expressly articulate that rate mitigation is one of the goals that MP must address in its next rate case.

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<sup>12</sup> LPI Comments, p. 5.

<sup>13</sup> Department Comments, pp. 1-2 footnote omitted.

## VI. Decision Options

### Compliance Filings

1. Accept Minnesota Power's compliance filing on rate design for Large Light & Power customers.
2. Accept Minnesota Power's compliance filing on rate design for Large Power customers.

### Compliance Filings with Conditions

3. Accept Minnesota Power's compliance filing on rate design for Large Light & Power customers, and order Minnesota Power to include, in its next rate case filing, specific rate-mitigation measures for those customers.
4. Accept Minnesota Power's compliance filing on rate design for Large Power customers, and order Minnesota Power to include, in its next rate case filing, specific rate-mitigation measures for those customers.

### Additional Options

5. Take no action on Minnesota Power's compliance filing on rate design for Large Light & Power customers.
6. Take no action on Minnesota Power's compliance filing on rate design for Large Power customers.
7. Take other action.