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December 21, 2015

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VIA E-FILING

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place Street, Suite 350
St. Paul, MN 55101

**Re: In the Matter of a Petition to Ensure Competitive Electric Rates for Energy-
Intensive Trade-Exposed (“EITE”) Customers
Docket No. E-015/M-15-984**

Dear Mr. Wolf:

Attached for filing in connection with the above-mentioned docket, please find Comments filed on behalf of Large Power Intervenors. Also attached is a Certificate of Service.

Very truly yours,

Stoel Rives LLP

/s/ Andrew P. Moratzka

Andrew P. Moratzka

APM:kap
Attachment

cc: Service List

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 7th Place East, Suite 350
St. Paul, MN 55101-2147

In the Matter of Minnesota Power’s Petition to
Ensure Competitive Electric Rates for Energy-
Intensive Trade-Exposed Customers

PUC Docket No. E015/M-15-984

COMMENT

An *ad hoc* association of large industrial end users of electric energy that meet the definition of energy-intensive trade-exposed (“EITE”) customers under section 216B.1696 of the Minnesota Statutes (the “EITE Statute”), consisting of ArcelorMittal USA (Minorca Mine); Blandin Paper Company; Boise Paper, a Packaging Corporation of America company, formerly known as Boise, Inc.; Hibbing Taconite Company; Mesabi Nugget Delaware, LLC; Sappi Cloquet, LLC; United States Steel Corporation (Keetac and Minntac Mines); United Taconite, LLC; and Verso Corporation (collectively, “LPI-EITE”); submit this comment in response to the Minnesota Public Utilities Commission’s (the “Commission’s”) Notice of Comment Period on EITE Rate Schedule dated November 19, 2015 (the “Notice”), regarding Minnesota Power’s November 13, 2015, Petition to Ensure Competitive Electric Rates for EITE Customers (the “Petition”).

I. INTRODUCTION

The EITE Statute, enacted during the 2015 legislative session, sets forth a clear and unambiguous energy policy directive for the Commission to implement upon a utility’s request. Namely, competitive electric rate alternatives for EITE customers. Minnesota Power submitted the Petition pursuant to this policy directive, as well as the other terms and conditions set forth in the EITE Statute. Given the broad authority granted by the legislature to utilities to design an EITE rate schedule, and corresponding EITE rate, to achieve this important policy directive, there can be no doubt that the Petition (which includes the EITE rate schedule, rider, and cost recovery rider) fits squarely within the parameters set forth in the EITE Statute. The sole issue before the Commission is whether approval of the Petition would satisfy the low threshold of resulting in a net benefit to Minnesota Power or the State. For the reasons set forth below,

approval of the Petition would result in a net benefit to both Minnesota Power and the State. The Petition should therefore be approved, in its entirety, as soon as reasonably possible within the 90-day timeframe established under the EITE Statute.

II. ANALYSIS

A. **Statutory Overview and Procedural Posture**

The EITE Statute is clear and unambiguous in its direction and straightforward in its implementation. The legislature clearly stated that “It is the energy policy of the state of Minnesota to ensure competitive electric rates for energy-intensive trade-exposed customers.”¹ To achieve this objective, the legislature authorized certain investor-owned electric utilities (those with between 50,000 and 200,000 retail customers) to propose various EITE rate options, provided the utility proposing such an option also deposits \$10,000 into an account devoted to funding a low-income program.² The term “EITE rate” is defined as “the rate or rates offered by the investor-owned electric utility under an EITE rate schedule.”³ The term “EITE rate schedule” is defined as “a rate schedule under which an investor-owned utility may set terms of service to an individual or group of energy-intensive trade-exposed customers.”⁴ If an EITE rate schedule and corresponding EITE rate are proposed by an eligible utility, the Commission is bound to approve the proposal, provided the Commission finds a “net benefit to the utility or the state.”⁵ The Commission is obligated to make this determination within 90 days of when the utility files for approval of its proposal.⁶

There are thus four questions with respect to any proposal for an EITE rate schedule and corresponding EITE rate. First, whether the utility is eligible to submit the proposal. Second, whether the proposed recipients of the EITE rate schedule and corresponding EITE rate are energy-intensive trade-exposed customers. Third, whether the utility’s proposed EITE rate schedule and corresponding EITE rate fall within the broad parameters of the EITE Statute. And

¹ MINN. STAT. § 216B.1696 subd. 2(a) (emphasis added).

² MINN. STAT. § 216B.1696 subd. 3.

³ MINN. STAT. § 216B.1696 subd. 1(e).

⁴ MINN. STAT. § 216B.1696 subd. 1(d).

⁵ MINN. STAT. § 216B.1696 subd. 2(b) (emphasis added).

⁶ MINN. STAT. § 216B.1696 subd. 2(c). As set forth in its letter comment dated November 25, 2015, LPI-EITE respectfully disagrees with the legal interpretation set forth in the Notice that the 90-day review timeframe only applies to the EITE rate.

finally, whether the Commission should approve the EITE rate schedule and any corresponding rate.

It is undisputed that, with respect to the Petition, each answer to the first three questions is a resounding “yes.” Minnesota Power is an investor-owned electric utility that has approximately 144,000 customers.⁷ And consistent with the EITE Statute, the Petition notes that Minnesota Power will be depositing \$10,000 into the account of the Arrowhead Economic Opportunity Agency, Inc. (“AEOA”).⁸ It is therefore one of the Minnesota utilities authorized to “propose various EITE rate options within [its] service territory under an EITE rate schedule...”⁹ The nine members of LPI-EITE consist of iron ore mining operations and paper mills, which are specifically listed EITE customers eligible for an EITE rate.¹⁰ All of the LPI-EITE members executed letter agreements, which are attached as Exhibit E-2 to the Petition. Finally, the EITE rate option of an energy charge credit (“ECC”), which Minnesota Power proposes in the Petition, is within the broad parameters of the EITE Statute to help ensure competitive rates for EITE-eligible customers.¹¹

The only conceivable question before the Commission is whether the EITE rate schedule and corresponding EITE rate set forth in the Petition result in a net benefit to Minnesota Power or the State.¹² For the reasons set forth below, LPI-EITE respectfully requests the Commission to answer that question in the affirmative and to grant the relief sought in the Petition effective no later than February 11, 2016.

⁷ See, e.g., <http://www.mnpower.com/Company>.

⁸ On December 4, 2015, Minnesota Power submitted a filing in this docket confirming deposit of the \$10,000 in the account of AEOA and provided additional information regarding outreach.

⁹ MINN. STAT. § 216B.1696 subd. 2(a).

¹⁰ MINN. STAT. § 216B.1696 subd. 1(c)(1) and 1(c)(2). LPI-EITE also notes that the Commission approved Minnesota Power’s interpretations of (c)(1) and (c)(2) in docket number E-999/CI-13-542 on November 19, 2014, and December 1, 2015, respectively.

¹¹ MINN. STAT. § 216B.1696 subd. 2(a) (providing the utility with authority to “propose various EITE rate options within their service territory under an EITE rate schedule that include, but are not limited to, fixed-rates, market-based rates, and rates to encourage utilization of new clean energy technology.” (emphasis added)).

¹² In other words, having established that the answers to the first three questions is clearly “yes,” then the only remaining question under the EITE Statute is the net-benefits question, the resolution of which is independent of sections 216B.03, 216B.05, 216B.06, 216B.07, and 216B.16 of the Minnesota Statutes. MINN. STAT. § 216B.1696 subd. 2(b).

B. Commission Approval of the EITE Rate Schedule and Corresponding EITE Rate Will Result in a Net Benefit to Minnesota Power and the State

To be sure, LPI-EITE greatly appreciates Minnesota Power's efforts in designing the ECC and does not dismiss the impact that the proposed ECC could have on other Minnesota Power ratepayers. But like Minnesota Power, LPI-EITE believes this is a commendable first step in improving the competitiveness of electric rates for EITE industries. And LPI-EITE hopes more work will be done to move towards more competitive electric rates for EITE industries for the benefit of Minnesota Power's system. Before covering the specifics of Minnesota Power's proposal, this Comment will provide context for the need for an EITE rate by explaining the importance of the iron mining and forest industries to the State and the problem of increasingly uncompetitive electric rates.

1. LPI-EITE Operations are Critical to the Regional and State Economy

As the Commission is well aware, Minnesota Power's revenues are closely tied to the performance of its industrial customers, especially customers taking service under Minnesota Power's Large Power service schedule. Indeed, "approximately 63% of all retail sales for the Company come from the EITE customers covered by this rider."¹³ In other words, the economic viability of Minnesota Power's EITE customers is a critical component to the health of Minnesota Power and its other customers. The importance of this relationship therefore cannot be overstated.

Furthermore, and what may periodically be overlooked, is the importance of EITE industries to the Arrowhead Region and State as a whole. With respect to the region, the mining and forestry industries (which industries comprise LPI-EITE) make-up 40% of the Northeastern Minnesota Gross Regional Product, with tourism making up only 11%.¹⁴ With respect to the State, LPI-EITE members, as a group, contribute more than \$5 billion to the Minnesota economy and support, directly and indirectly, 15,000 jobs.¹⁵ In 2011, Minnesota's iron mines paid nearly

¹³ *The Petition*, at pg. 15 (citing ALLETE, Inc. 2014 Form 10-K, pg. 8).

¹⁴ THE ECONOMIC IMPACT OF FERROUS AND NON-FERROUS MINING, James Skurla, Director, UMD Labovitz School of Business and Economics, Bureau of Business and Economic Research; at page x, available at: <https://lsbe.d.umn.edu/uploads/FINAL%20Mining%202012%20Report.pdf>;

¹⁵ See e.g., *Id.* at page viii; and ECONOMIC CONTRIBUTION OF MINNESOTA'S FOREST PRODUCTS INDUSTRY, Donald Deckard, Ph.D., State Forest Economist, Minnesota Department of Natural Resources, and James, Skurla, Director, UMD Labovitz School of Business and Economics, Bureau of Business and Economic Research; at page 4,

\$152 million in production tax, occupation tax, sales and use tax, income tax, and various other taxes and royalties, of which over \$64 million was specifically in support of education.¹⁶ Direct and indirect taxes paid by companies in Minnesota’s forestry sector exceed \$350 million.¹⁷ It is in the State’s interest to provide these EITE industries with the necessary tools to succeed, including competitive electric rates, to avoid potential far-reaching negative impacts to ratepayers and the State. Both the Iron Mining Association (“IMA”) and Minnesota Forest Industries (“MFI”) are providing additional information on the economic contribution these important industries make to the Minnesota economy. It is a rare occasion that IMA and MFI submit comments to this Commission, which LPI-EITE believes underscores the importance and need for approving the Petition.

2. Minnesota Power’s Industrial Rates for LPI-EITE Are Currently Uncompetitive

Minnesota’s rank in terms of competitiveness for electric rates is diminishing, dropping precipitously since 1990, when Minnesota ranked 15th.¹⁸ The tables below, which were created from the US Energy Information Administration’s website,¹⁹ set forth the state industrial rates (expressed in cents/kWh) for the year 2014 and 2015 year-to-date, respectively.

available at: <http://files.dnr.state.mn.us/forestry/um/economiccontributionMNforestproductsindustry2011.pdf>.

¹⁶ See Skurla, THE ECONOMIC IMPACT OF FERROUS AND NON-FERROUS MINING, at pg. xi-xii.

¹⁷ See Deckard, ECONOMIC CONTRIBUTION OF MINNESOTA’S FOREST PRODUCTS INDUSTRY, at pg. 11.

¹⁸ <http://www.eia.gov/electricity/data.cfm> (XLS spreadsheet subset of Form EIA-861 for full-service providers).

¹⁹ <http://www.eia.gov/electricity/data.cfm>.

TABLE 1 - 2014 Industrial Electric Energy Rates by State.²⁰

RANK	Year	State	Industrial
1	2014	WA	4.32
2	2014	KY	5.68
3	2014	IA	5.71
4	2014	OK	5.85
5	2014	WV	5.87
6	2014	OR	5.93
7	2014	AR	6.02
8	2014	LA	6.05
9	2014	UT	6.08
10	2014	AL	6.15
11	2014	TX	6.16
12	2014	SC	6.29
13	2014	MO	6.36
14	2014	ID	6.40
15	2014	TN	6.40
16	2014	AZ	6.46
17	2014	NC	6.50
18	2014	MS	6.60
19	2014	NM	6.61
20	2014	WY	6.61
21	2014	GA	6.64
22	2014	MN	6.72
23	2014	VA	6.89
24	2014	IN	6.97
25	2014	IL	6.98
26	2014	SD	6.99
27	2014	MT	7.15
28	2014	OH	7.36
29	2014	NV	7.37
30	2014	NY	7.40
31	2014	CO	7.47
32	2014	NE	7.47
33	2014	WI	7.52
34	2014	ND	7.62
35	2014	KS	7.80
36	2014	FL	7.90
37	2014	MI	8.14
38	2014	NJ	9.18
39	2014	PA	9.25
40	2014	MD	9.65
41	2014	DE	9.97
42	2014	VT	10.23
43	2014	ME	10.43
44	2014	CT	11.88
45	2014	MA	12.79
46	2014	CA	12.81
47	2014	RI	14.86
48	2014	AK	15.66
49	2014	NH	19.80
50	2014	HI	30.22

²⁰ <http://www.eia.gov/electricity/data.cfm> (XLS spreadsheet subset of Form EIA-861 for full-service providers).

TABLE 2 - 2015 Year-to-Date Industrial Electric Energy Rates by State.²¹

Rank	Census Division and State	Industrial September 2015 YTD
1	Washington	4.43
2	Montana	5.31
3	Oklahoma	5.37
4	Kentucky	5.42
5	Louisiana	5.42
6	Texas	5.63
7	Georgia	5.91
8	South Carolina	6.05
9	Oregon	6.08
10	West Virginia	6.10
11	Iowa	6.16
12	Arkansas	6.21
13	Alabama	6.25
14	Utah	6.35
15	Missouri	6.36
16	Illinois	6.37
17	Tennessee	6.38
18	New Mexico	6.38
19	Arizona	6.46
20	New York	6.47
21	North Carolina	6.47
22	Indiana	6.69
23	Mississippi	6.74
24	Wyoming	6.76
25	Idaho	6.79
26	Ohio	6.88
27	Virginia	7.02
28	Colorado	7.12
29	Minnesota	7.16
30	Nevada	7.18
31	Michigan	7.24
32	Pennsylvania	7.29
33	South Dakota	7.33
34	Kansas	7.42
35	Nebraska	7.74
36	Wisconsin	7.86
37	Delaware	8.35
38	North Dakota	8.37
39	Florida	8.38
40	Maryland	8.80
41	Maine	9.20
42	Vermont	10.14
43	New Jersey	11.18
44	California	12.33
45	New Hampshire	12.71
46	Connecticut	13.06
47	Massachusetts	13.37
48	Rhode Island	14.02
49	Alaska	14.90
50	Hawaii	23.65

²¹ <http://www.eia.gov/electricity/data.cfm#sales> (XLS spreadsheet, latest month, by sector, by state, year to date).

Minnesota Power's ratepayers, especially those in the large power class, have not been immune to the increases other industrial ratepayers in Minnesota have experienced. Minnesota Power's electric rates for industrial customers have grown increasingly uncompetitive over the last decade. As conveyed in its 2007 petition for approval of its Boswell Unit 3 emissions reduction rider, Minnesota Power's average Large Power tariff rate was \$38.46/MWh.²² According to Table 3 in the Petition, Minnesota Power anticipates charging LPI-EITE customers approximately \$65.88/MWh in 2016.²³ This is an increase in electric rates of over 71% in less than 10 years. Looking forward, Minnesota Power predicts another 20% increase by 2019 over 2015 estimates.²⁴ LPI-EITE members cannot sustain these increases.

If Minnesota Power was the only utility in the State, then according to the information on Table 3 of the Petition, as compared to Tables 1 and 2 above, Minnesota Power's rates would be ranked, in terms of competitiveness, about 18th for the year 2014 and 22nd for 2015 year-to-date. In other words, Minnesota Power's existing rates would not make the top 35%, when compared to other states in the U.S. Alternatively stated, Minnesota Power's existing rates would receive a C grade, at best, under a norm-referenced A through F grading scale.

More important, however, is the impact of Minnesota Power's proposed ECC as a means of addressing its increasingly uncompetitive rates. According to Table 3 in the Petition, the outside boundary (*i.e.*, highest level) for the ECC discount is \$17,753,040, which would equate to a \$3.11/MWh discount.²⁵ Assuming the full production necessary to reach that outside boundary, the revised average rate for LPI-EITE for 2016 would therefore be \$62.77/MWh (\$65.88/MWh - \$3.11/MWh). This revised rate would place Minnesota Power's rates at 12th for the year 2014 and 14th for 2015 year-to-date (again, assuming Minnesota Power was the only utility in the State and comparing Minnesota Power's rates against other states in the U.S.). In other words, Minnesota Power's proposed rates, as compared to other state average industrial rates, would not even make the top 20%, taking into account the ECC. Alternatively stated,

²² *In re the Petition of Minnesota Power for Approval of the Boswell 3 Environmental Improvement Rider*, Docket No. E015/M-06-1501, INITIAL PETITION, pg. 16 (Jan. 26, 2007).

²³ *The Petition*, at pg. 14, Table 3 (\$376,177,904/5,709,638 MWh = \$65.88/MWh) (Note: Table 3 contains a typo the estimated consumption in Table 3 is expressed in MWh, not kWh).

²⁴ *In the Matter of Minnesota Power's Application for Approval of its 2015-2029 Resource Plan*, Docket No. E015/RP-15-690, INITIAL PETITION, Appendix L, pg. 4.

²⁵ *The Petition*, at 14, Table 3 (\$17,753,040/5,709,638 MWh = \$3.11/MWh).

Minnesota Power's proposed rates, when the ECC is applied and compared to average industrial rates in other states, would receive a B grade, at best, under a norm-referenced A through F grading scale. While the ECC does not completely remedy the situation of uncompetitive EITE rates, it is a good first step that provides a net benefit to Minnesota Power and the State under the standard described below.

3. The Net Benefits Standard is a Broad Test Which is Met Upon a Showing of Improvement from the Status Quo

Precedent from the Commission and Court of Appeals provide insight into the low threshold as to whether an action provides a net benefit to the utility or the State. The Commission recently determined that the risk of future rate increases absent Commission action is one factor it will consider as part of a net-benefits determination. In the docket involving the sale of Interstate Power & Light Co.'s Minnesota distribution system assets, the Commission stated:

The Commission agrees with the Department that, with appropriate conditions protecting IPL customers, the net benefits to IPL customers outweigh the costs of the transaction. IPL customers will benefit from lower costs of capital and from tax advantages inherent to electric cooperatives. These benefits exceed the costs, including the premium above book value that SMEC has agreed to pay and the anticipated increased power supply costs incurred by acquiring power at wholesale from IPL.

This conclusion is based in part on rate increases IPL customers could expect to face even if the transaction were not approved. Anticipating hypothetical future rates necessarily involves a degree of speculation, but the Commission concludes that the Department has demonstrated that its analysis is based on reasonable estimates and forecasts. It is reasonably likely that IPL ratepayers would otherwise experience rate increases over the next three years, the magnitude of which render this transaction a net benefit to them.²⁶

Thus, while acknowledging that the transaction could have some upfront costs, the Commission concluded that the project would ultimately provide a net benefit to customers by potentially avoiding future rate increases that may exceed the upfront costs.

²⁶ *In the Matter of a Request for the Approval of the Asset Purchase and Sale Agreement Between Interstate Power and Light Company and Southern Minnesota Energy Cooperative*, Docket No. E001/PA-14-322, ORDER APPROVING AGREEMENT SUBJECT TO CONDITIONS, at pg. 8 (June 8, 2015) (emphasis added).

The courts have taken an even broader view. For example, in *In re Valley Branch Watershed District*, the Court of Appeals determined that even if the Board of Water and Soil Resources could have developed a better watershed boundary, the boundary chosen still provided a “net benefit” to the public compared to the status quo because, under the proposed action, more would be accomplished in the area of watershed management. 781 N.W.2d 417, 424-25 (Minn. Ct. App. 2010). Read together, these precedents tell us that a proposed change provides a net benefit, even if it isn’t perfect, if the status quo could lead to a detrimental impact. This is a broad test and a low threshold. As will be explained further below, the ECC will not by itself fully address the problem of uncompetitive rates, but it is an important step to mitigate significant and very real risks to ratepayers and the State economy posed by the status quo.

4. The ECC is a Fair Tool to Use as a First Step in Improving the Competitiveness of Minnesota Power’s Industrial Rates, the Application of Which Will Result in a Net Benefit to Minnesota Power and the State

With respect to the Petition, the analysis above identifies the existing problem - uncompetitive industrial rates. Continued uncompetitive industrial rates will ultimately be a contributing factor in a detrimental impact to Minnesota Power and the State. Namely, continued reduced production and/or permanent load loss. This is so because of the fact that electric energy costs for EITE customers are approximately 25% of the overall cost of production. The question is therefore not if uncompetitive electric rates will change the dynamics of Minnesota Power’s system, the question is when that will occur. The Petition proposes to phase-in a partial resolution to this problem via application of the ECC, which is designed to incent full production by EITE customers, while at the same time attempting to protect jobs by avoiding the detrimental impact of a plant shut down. Under the broad standard set forth above, the result is a net benefit to both Minnesota Power and the State.

Before addressing the potential negative impacts of the status quo, LPI-EITE emphasizes the importance of the positive incentive. All customers who signed the letter agreements attached to the Petition agreed to a threshold minimum load in order to be eligible for the ECC. Similar to the DSM Shared Savings Incentive Plan, if EITE customers do not meet the threshold energy consumption, they do not receive the ECC, which creates an incentive to operate as close

to full load as possible.²⁷ Thus, the utility receives a net benefit in customers operating at a higher load (increased sales revenue and ability to spread fixed costs over a greater level of sales), and the State receives a net benefit in both a more productive EITE industry (jobs and continued tax revenue).

The potential negative ramifications of the status quo are threefold. Namely, increased electric rates for all other Minnesota Power customers, decreased jobs in Northern Minnesota, and decreased tax revenue for the State and local governments. Absent approval of the Petition, electric rates for all ratepayers (including EITE customers) could increase as a result of an EITE customer shifting production to a location outside of Minnesota or simply shutting down a facility in Minnesota. To understand the potential impact of such a scenario, LPI-EITE submitted an information request to Minnesota Power requesting information on reduced demand and energy margins for the following load losses: 100 MW, 200 MW, and 300 MW. The response to this information request is attached as Exhibit A.

As can be seen, the amount of demand and energy margins that would need to be spread to other customers at 100 MW of load is nearly \$26 million, and at 300 MW is nearly \$77 million. Assuming the loss of only 100 MW, some portion of the roughly \$26 million would be spread to all ratepayers including the large power class, which is particularly troubling because of the potential for a domino effect on the large power class. In other words, there is the potential for the resulting increases in rates to the large power class from 100 MW of lost load to trigger additional production shut-downs, thereby creating a death spiral of the large power class. Losing even a third or half of these customers (*i.e.* a third or half of over 60% of Minnesota Power's retail sales) would detrimentally impact Minnesota Power and significantly increase rates for customers remaining on Minnesota Power's system.

²⁷ As the Commission explained in its 2013 order, "In 2010, the Commission authorized a revised DSM Shared Savings Incentive Plan for energy conservation improvement which links the incentive to performance in achieving cost-effective conservation. The incentive awards a utility a percentage of net benefits created by a utility's energy conservation investments. If a utility's Conservation Improvement Program (CIP) is not cost-effective, there would be no net benefit, and therefore no incentive. The more cost-effective a utility's CIP, the greater the net benefit, and the larger the incentive." *In the Matter of a Request by Minnesota Energy Resources Corporation-NMU for Approval of the Company's 2010 CIP Tracker Account, 2010 DSM Financial Incentive, and CCRA*, Docket No. G-007/M-11-406, Order Approving 2010 - 2012 DSM Financial Incentives, 2012 CIP Tracker Account, and 2012 CCRA at pg. 2 (Dec. 13, 2013).

As equally concerning are the potential negative impacts on the small business community, many of whom support the mining and forest products industries. Again, mining and forest products make up 40% of the Northeastern Minnesota Gross Regional Product,²⁸ supporting a significant number of jobs,²⁹ and paying a substantial amount of taxes, much of which is used in education.³⁰ As explained in comments from the IMA and MFI, members of LPI-EITE are already facing significant pressure from anti-competitive practices. Losing what may have previously been a competitive edge in the form of cheaper electric energy rates could be a negative turning point for the LPI-EITE industries' operations in Minnesota, as well as the industries that support them. The result would detrimentally impact the State.

The ECC is not perfect - it is not the silver bullet to competitive pressures or to uncompetitive electric rates. But it doesn't have to be under the standard set forth in the EITE Statute. Instead, the ECC is part of a broader solution and a solid first step in moving towards more competitive electric rates and giving EITE customers an incentive to operate as close to full production as possible. Furthermore, the ECC is substantially similar to a credit that has been offered by Xcel Energy for decades.³¹ Adopting an existing and Commission-approved mechanism for rate relief that will play a role in reducing the likelihood of the detrimental impacts associated with the status quo is a net benefit to Minnesota Power and the State. LPI-EITE therefore respectfully requests the Commission to approve the Petition, in its entirety.

5. The Commission Should Approve the Petition in Entirety as Soon as Reasonably possible within the 90-Day Timeframe Established in the EITE Statute

It is obvious that the legislature intended for any EITE filings to be addressed by the Commission in an expeditious manner. The EITE Statute clearly and unambiguously requires the Commission to make a final determination on any proceeding commenced under the EITE

²⁸ THE ECONOMIC IMPACT OF FERROUS AND NON-FERROUS MINING, James Skurla, Director, UMD Labovitz School of Business and Economics, Bureau of Business and Economic Research; at page x, available at: <https://lsbe.d.umn.edu/uploads/FINAL%20Mining%202012%20Report.pdf>;

²⁹ See e.g., *Id.* at page viii; and ECONOMIC CONTRIBUTION OF MINNESOTA'S FOREST PRODUCTS INDUSTRY, Donald Deckard, Ph.D., State Forest Economist, Minnesota Department of Natural Resources, and James, Skurla, Director, UMD Labovitz School of Business and Economics, Bureau of Business and Economic Research; at page 4, available at: <http://files.dnr.state.mn.us/forestry/um/economiccontributionMNforestproductsindustry2011.pdf>.

³⁰ See Skurla, THE ECONOMIC IMPACT OF FERROUS AND NON-FERROUS MINING, at pg. xi-xii; and see Deckard, ECONOMIC CONTRIBUTION OF MINNESOTA'S FOREST PRODUCTS INDUSTRY, at pg. 11.

³¹ See *Xcel Energy Minnesota Electric Rate Book*, General Service, Section No. 5, 27th Revised Sheet No. 26.

Statute within 90 days of filing. As noted in our letter on behalf of LPI-EITE dated November 25, 2015, Minnesota Power and LPI-EITE relied upon this clear and unambiguous language in negotiating the letter agreements attached to Minnesota Power's EITE petition, each of which specifically condition effectiveness on Commission approval of both the EITE rate and EITE cost recovery rider.³² In addition, current economic conditions for the taconite and paper industries necessitate prompt attention from the Commission. As described in our previous letter, multiple recent news reports have chronicled decisions to idle operations and reduce production at Minnesota facilities.³³ LPI-EITE is disappointed that the Commission did not respond to the concerns raised by LPI-EITE and Minnesota Power regarding the Notice. In any event, LPI-EITE continues to urge prompt action by the Commission in compliance with the EITE Statute.

III. CONCLUSION

The EITE rate schedule and corresponding EITE rate set forth in the Petition are a necessary and reasonable first step in improving the competitiveness of Minnesota Power's large industrial rates. The ECC, a rate design tool intended to increase the competitiveness of Minnesota Power's large industrial rates, while at the same time encouraging full production from EITE industries, job retention, and electric rate stability, meets the broad net benefits test. LPI-EITE therefore respectfully requests that the Commission approve the Petition as soon as reasonably possible, effective February 11, 2015.

³² *The Petition*, at Exhibit E-2.

³³ *See, e.g.*, recent a Star Tribune report regarding difficulties for Verso Corporation's Duluth mill, <http://www.startribune.com/verso-s-duluth-paper-mill-may-get-caught-in-crossfire-of-company-s-struggles/352350601>; a Duluth News Tribune report indicating that Magnetation LLC intends to idle Plant 2 in Bovey, <http://www.duluthnewstribune.com/business/mining/3885457-magnetation-closing-another-iron-range-plant>; and a Duluth News Tribune report describing decisions by Cliff Natural Resources to idle operations at Northshore Mining Company in Sliver Bay and Babbitt, joining idled operations by United Taconite, U.S. Steel's Keetac plant, Mesabi Nugget, <http://www.duluthnewstribune.com/business/mining/3884500-cliffs-idle-northshore-mining-taconite-woes-worsen>.

Dated: December 21, 2015

Respectfully submitted,

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EXHIBIT A

80692571.4 0064591-00013

LARGE POWER INTERVENORS

Information Request

Docket Number: E-015/M-15-984

Date of Request: December 11, 2015

Requested From: Minnesota Power

Response Requested By: December 17, 2015

By: Large Power Intervenors (Andrew P. Moratzka, Emma Fazio)

Information Request No. 2:

Please calculate the potential reduced demand and energy margins Minnesota Power would need to spread to all remaining customers from a loss of the following loads: (1) 100 MW; (2) 200 MW; (3) 300 MW. Please produce the results, separately for each assumed loss of load, explain any assumptions, and include any relevant work papers in your response.

Response:

The requested information is provided below.

100 MW Lost Large Power Load

Lost kWh = $100\text{MW} * 85\%\text{LF} * 8760 * 1000$	744,600,000
Lost Demand Margin = $100\text{MW} * 1000 * \$19.85/\text{kW} * 12$	\$ 23,820,000
Lost Energy Margin = $\text{Lost kWh}/1000 * \text{LP Energy Margin } 1/$	\$ 1,764,702
Total Lost Margins	\$ 25,584,702

200 MW Lost Large Power Load

Lost kWh = $200\text{MW} * 85\%\text{LF} * 8760 * 1000$	1,489,200,000
Lost Demand Margin = $200\text{MW} * 1000 * \$19.85/\text{kW} * 12$	\$ 47,640,000
Lost Energy Margin = $\text{Lost kWh}/1000 * \text{LP Energy Margin } 1/$	\$ 3,529,404
Total Lost Margins	\$ 51,169,404

300 MW Lost Large Power Load

Lost kWh = $300\text{MW} * 85\%\text{LF} * 8760 * 1000$	2,233,800,000
Lost Demand Margin = $300\text{MW} * 1000 * \$19.85/\text{kW} * 12$	\$ 71,460,000
Lost Energy Margin = $\text{Lost kWh}/1000 * \text{LP Energy Margin } 1/$	\$ 5,294,106
Total Lost Margins	\$ 76,754,106

1/ LP Energy Margin = $\$12.32/\text{MWh Firm Energy} - \$9.95/\text{MWh E8760 Base Cost of Fuel} = \$2.37/\text{MWh}$

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