

**STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION**

Katie Sieben	Chair
Joseph K. Sullivan	Vice-Chair
Valerie Means	Commissioner
Matt Schuerger	Commissioner
John Tuma	Commissioner

In the Matter of the Petition for Approval of
Changes to Minnesota Power’s Residential
Rate Design

DOCKET NO. E015/M-12-233
DOCKET NO. E015/M-20-850

**REPLY COMMENTS OF THE OFFICE
OF THE ATTORNEY GENERAL**

INTRODUCTION

The Office of the Attorney General—Residential Utilities Division (“OAG”) respectfully submits the following Reply Comments in response to the Minnesota Public Utilities Commission’s (“Commission”) Notice of Comment Period issued on December 4, 2020, which solicits comments on Minnesota Power’s (“Company”) Petition for Approval of Changes to its Residential Rate Design, dated December 1, 2020 (“Petition”).

These Reply Comments address the Energy CENTS Coalition’s (“ECC”) Initial Comments, which highlight important benefits of Minnesota Power’s existing rate design and its proposed low-income customer discount. The OAG joins the ECC in its support for the Company’s low-income discount proposal, and the OAG’s improved TOU design will retain more of the benefits of Minnesota Power’s existing rate design than the Company’s proposed TOU design would.

ANALYSIS

I. THE ENERGY CENTS COALITION HIGHLIGHTS IMPORTANT BENEFITS OF INCREASING BLOCK RATES AND THE COMPANY’S PROPOSED LOW-INCOME CUSTOMER DISCOUNT.

The ECC’s Initial Comments highlight the virtues of the Company’s existing Increasing Block Rate (“IBR”) structure, as well as the Company’s proposed discount for usage-qualified low-

income customers. The OAG agrees that IBR has several advantages for ratepayers and the utility system that should be preserved, and the OAG's improved TOU design will retain more of these benefits than the Company's proposed design. The OAG also strongly supports the Company's low-income discount proposal, which would be a valuable customer protection.

The ECC emphasizes the benefits of IBR for low-use customers, who tend to contribute very little to system costs. IBR reduces bills for low-use customers, because a higher proportion of their electricity consumption is billed at the reduced rates of the initial IBR blocks. ECC notes that "it is well-established nationally and at the State and local levels, that low-income customers are overwhelmingly low-usage customers."¹ Thus, IBR provides a natural benefit for many low-income customers, which ECC notes is especially important because "[b]arriers exist for applying for [means-tested] programs and limited funding results in reaching only a fraction of income-eligible households."²

The OAG agrees with the ECC and deliberately designed its improved TOU rate to retain key features of IBR and to ease the transition for low-use customers. Specifically, the OAG's design recovers less revenue from fixed fees and more revenue from volumetric rates. Lower fixed fees produce similar bill effects to IBR: both reduce bills for customers with below-average usage and increase bills for customers with above-average usage. Therefore, all else equal, the lower fixed fees in the OAG's TOU design will reduce low-use customers' bills. Moreover, the higher price differentials in the OAG's design give customers greater ability to reduce the volumetric portions of their bills through conservation or shifting load. This approach not only promotes affordability, it is also more equitable, since it better aligns rates with underlying costs. It also empowers customers by giving them more control over their bills.

¹ Docket Nos. M-12-233 and M-20-850, Comments of the Energy CENTS Coalition at 1 (Feb. 16, 2021).

² *Id.*

The ECC also supports the Company’s strategy for increasing participation in the low-income discount. As the ECC notes, Minnesota Power plans “aggressive outreach efforts” and will make it easier for customers to enroll in the discount by allowing them to self-declare income-eligibility and by automatically enrolling usage-qualified Low-Income Home Energy Assistance Program (“LIHEAP”) participants.

The OAG strongly supports the Company’s proposed low-income discount proposal. As stated in the OAG’s Initial Comments, the discount is a valuable protection for low-use, low-income customers, and the development of a simple self-declaration process—which uses criteria beyond just LIHEAP participation—would be a positive development. The OAG’s improved TOU rate design includes the same 30 percent average reduction for low-income discount customers that is contained in the Company’s design, and it has the added benefit of a significantly lower fixed fee.

CONCLUSION AND RECOMMENDATIONS

The OAG appreciates the ECC’s comments. The ECC identifies important issues, such as the benefits of the existing IBR design for low-use customers and the merits of the Company’s proposed discount for low-use, low-income customers. The improved TOU design provided in the OAG’s Initial Comments would retain key benefits of IBR, while also providing more accurate price signals and empowering customers by giving them more control over their bills.

The OAG continues to recommend that the Commission:

- Reject Minnesota Power’s proposed TOU rate design;
- Adopt the OAG’s alternative TOU design;
- Direct the Company to begin Phase One of the TOU transition at the same time as Phase One of the IBR to flat rate transition; and

- Direct the Company to Combine Phases Two and Three of the TOU transition, and to begin this combined Phase Two at the same time as Phase Two of the IBR to flat rate transition.

Dated: March 2, 2021

Respectfully submitted,

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Attorney General
State of Minnesota

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OFFICE OF THE ATTORNEY GENERAL—
RESIDENTIAL UTILITIES DIVISION



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March 2, 2021

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

Re: *In the Matter of the Petition for Approval of Changes to Minnesota Power's Residential Rate Design*
Docket No. E015/M-20-850

Re: *In the Matter of Minnesota Power's Petition for Approval of a Temporary Rider for Residential Time-of-Day Rate for Participants of the Smart Grid Advanced Meter Infrastructure Pilot Project*
Docket No. E015/M-12-233

Dear Mr. Seuffert:

Enclosed and e-filed in the above-referenced matters please find Reply Comments of the Minnesota Office of the Attorney General—Residential Utilities Division.

By copy of this letter all parties have been served. Certificates of Service are also enclosed.

Sincerely,

/s/ **Kristin Berkland**

KRISTIN BERKLAND

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CERTIFICATE OF SERVICE

Re: *In the Matter of the Petition for Approval of Changes to Minnesota Power's Residential Rate Design*
Docket No. E015/M-20-850

Re: *In the Matter of Minnesota Power's Petition for Approval of a Temporary Rider for Residential Time-of-Day Rate for Participants of the Smart Grid Advanced Meter Infrastructure Pilot Project*
Docket No. E015/M-12-233

I, DEANNA DONNELLY, hereby certify that on the 2nd day of March, 2021, I e-filed with eDockets *Reply Comments of the Minnesota Office of the Attorney General—Residential Utilities Division* and served a true and correct copy of the same upon all parties listed on the attached service lists by e-mail, electronic submission, and/or United States Mail with postage prepaid, and deposited the same in a U.S. Post Office mail receptacle in the City of St. Paul, Minnesota.

/s/ Deanna Donnelly
DEANNA DONNELLY

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_20-850_Official Service List
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_20-850_Official Service List
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7 h St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_20-850_Official Service List
David	Moeller	dmoeller@allte.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_20-850_Official Service List
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_20-850_Official Service List
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Anne	Rittgers	arittgers@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_20-850_Official Service List
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7 h PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-850_Official Service List

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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_12-233_Official
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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_12-233_Official
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_12-233_Official
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7 h St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_12-233_Official
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_12-233_Official
Isabel	Ricker	ricker@fresh-energy.org	Fresh Energy	408 Saint Peter Street Suite 220 Saint Paul, MN 55102	Electronic Service	No	OFF_SL_12-233_Official
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7 h PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_12-233_Official