BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 7th Place East, Suite 350
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In the Matter of the Emergency Petition of Minnesota Power for Approval to Move Asset-Based Wholesale Sales Credits to the Fuel Adjustment Clause and Resolve Rate Case	PUC Docket No. E-015/M-20-429
In the Matter of the Application of Minnesota Power for Authority to Increase Electric Service Rates in Minnesota	PUC Docket No. E-015/GR-19-442
In the Matter of Minnesota Power's Revised Petition for a Competitive Rate for Energy-Intensive Trade-Exposed (EITE) Customers and an EITE Cost Recovery Rider	PUC Docket No. E-015/M-16-564 **LPI REPLY COMMENT**

The following companies – an ad hoc consortium of large industrial customers of Minnesota Power ("Minnesota Power" or the "Company") known as the Large Power Intervenors ("LPI") – consisting of ArcelorMittal USA (Minorca Mine); Blandin Paper Company; Boise Paper, a Packaging Corporation of America company, formerly known as Boise, 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); United Taconite, LLC; and Verso Corporation[1] submit this comment in reply to the comment filed by the Minnesota Office of the Attorney General—Residential Utilities Division ("OAG")[2] pursuant to the Minnesota Public Utilities Commission's (the "Commission") Notice of Shortened Comment Period, regarding Minnesota Power's Petition for Approval to

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[1] LPI submits this reply comment in multiple dockets, including MPUC Docket No. E-015/M-16-564 (the "EITE Docket"). Because Minn. Stat. § 216B.1696 (the "EITE Statute") does not apply to all of the individual entities listed above, LPI notes that, consistent with the customer limitation imposed in the EITE Docket, the LPI-EITE members are: ArcelorMittal USA (Minorca Mine); Blandin Paper Company; Boise Paper, a Packaging Corporation of America company, formerly known as Boise, Inc.; Hibbing Taconite Company; Sappi Cloquet, LLC; United States Steel Corporation (Keetac and Minntac Mines); United Taconite, LLC; and Verso Corporation.

[2] Comment by the OAG (May 11, 2020) (eDocket No. 20205-163094-01) (the "OAG Initial Comment"). Also filed in *In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Utility Service in Minnesota*, MPUC Docket No. E-015/GR-19-442 (the "2019 Rate Case").

Move Asset-Based Wholesale Sales Credits to the Fuel Adjustment Clause and Resolve Rate Case.[3]

I. INTRODUCTION

In addition to LPI, a number of other parties filed comments in response to the Notice. LPI appreciates the ongoing dialogue between all parties in this docket to date and looks forward to additional productive discussions before the Commission. While reiterating its: (1) request for a second procedural extension of the EITE-Rate Schedule;[4] (2) suggestion that the Commission evaluate rate-design options (*e.g.*, Time of Use ("TOU")) for Large Light and Power ("LLP") customers facing significant near-term rate increases; and (3) emphasis on the dire economic conditions facing industrial customers,[5] LPI specifically responds to and clarifies EITE-specific assertions made by the OAG in the OAG Initial Comment.

II. ANALYSIS

A. A Second Procedural Extension of the EITE-Rate Schedule Will Provide Meaningful Rate Relief to Industrial Customers Who Are Suffering During the COVID-19 Pandemic

As described in initial comments, members of LPI are facing tremendous financial hardship as a result of the unprecedented market conditions precipitated by COVID-19.[6] In addition to the economic issues previously noted,[7] LPI also notes that USG's building products plant in Cloquet recently closed due to three employees testing positive for COVID-19;[8] COVID-19 is impacting industrials on both economic and operational levels. LPI emphasizes that these are unprecedented conditions, posing novel challenges to industrial customers.

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3 Notice of Shortened Comment Period (Apr. 28, 2020) (eDocket No. 20204-162537-01) (the "Notice").

4 The EITE-Rate Schedule refers to the Commission's 2016 approval of an EITE rate that provides specified customers a roughly 5 percent discount based upon each customer site's peak electric usage and total energy consumption. *See* Comment by LPI at 5 (May 11, 2020) (eDocket No. 20205-163098-05) ("LPI Initial Comment").

5 *Id*.

6 *Id.* at 8-10.

7 *Id.*; *see also In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota*, MPUC Docket No. E-015/GR-19-442, April 30, 2020 Hearing Staff Briefing Papers (Apr. 28, 2020) (eDocket No. 20204-162546-01) ("2019 Rate Case Staff Briefing Papers").

8 Brooks Johnson, *Cloquet plant closes after COVID-19 spreads to three employees: USG will deep clean the facility before reopening*, Star Tribune (May 7, 2020), https://www.startribune.com/cloquet-plant-closes-after-covid-19-spreads-to-three-employees/570272312/.

Given the ever-evolving challenges facing industrial customers, LPI urges the Commission to consider ways it can ease these significant burdens. Specifically, LPI hopes the Commission will grant a second procedural extension of the EITE-Rate Schedule until the end of Minnesota Power's next general rate case. Minn. Stat. § 216B.1696 does not contemplate a set term. To the contrary, "[i]t is the energy policy of the state of Minnesota to ensure competitive electric rates for energy-intensive trade-exposed customers;"[9] which is a policy that remains ongoing. Given the other rate increases contemplated by Minnesota Power in its Petition,[10] allowing the current EITE-Rate Schedule to sunset fails to accomplish that goal, and is in fact entirely inconsistent with state energy policy.[11]

If the general terms of the Petition are accepted without a second procedural extension of the EITE-Rate Schedule, the totality of the rate increases will constitute rate shock. As LPI noted in initial comments, Minnesota Power also has multiple expected rider increases coming in the near term.[12] In fact, between initial and reply comments in this docket, some of those increases have moved from pending to reality. At the Commission hearing on May 14, 2020, the Commission approved, over the objections of both LPI and the Minnesota Department of Commerce, Division of Energy Resources (the "Department"), the full relief sought in Minnesota Power's petition for approval of its Transmission Cost Recovery Rider ("TCRR").[13] Continuing rate increases are untenable for industrial customers at this time. To avoid or mitigate the rate shock for industrial customers, the Commission should consider extending the EITE-Rate Schedule, especially because it will not harm other classes. Therefore, LPI believes a second procedural extension of the EITE-Rate Schedule is warranted. LPI also encourages the

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9 Minn. Stat. § 216B.1696, subd. 2(a).

10 Minnesota Power Petition (Apr. 23, 2020) (eDocket No. 20204-162386-01) (the "Petition"); for additional details see LPI Initial Comment at 2-4.

11 *See* Minn. Stat. § 216B.1696.

12 LPI Initial Comment at 6-8.

13 *In the Matter of Minnesota Power's Petition for Approval of a Transmission Cost Recovery Rider under Minn. Stat. § 216B.16, subd. 7b*, MPUC Docket No. E-015/M-19-440, Minnesota Power Petition (July 9, 2019) ("TCRR Petition"). While LPI does not expect a written order prior to resolution of this docket, the increases resulting from the TCRR Petition are significant and extremely detrimental during the current economic downturn. *See* LPI Initial Comment at 7 (estimating a 3.70 percent increase for LP customers and a 1.61 percent increase for LLP customers; while these numbers may be adjusted slightly based on the Commission's written order and subsequent compliance filings by Minnesota Power, LPI has no reason to expect significant changes from the percentages it estimated in the LPI Initial Comment).

Commission to require Minnesota Power to explore other rate-shock-mitigating approaches such as rate-design options for the LLP customer class.

B. Minnesota Power's Proposed Method of Removing Margin Credits from Base Rates Is Appropriate and Administratively Efficient

In initial comments, the OAG takes issue with Minnesota Power's approach for moving energy and capacity asset-based wholesale margin credits (collectively, "Margin Credits") to the Fuel Adjustment Clause ("FAC").[14] The OAG complains that Minnesota Power is harming residential and small-business ratepayers by giving Large Power ("LP") customers an unfair smaller rate increase through two means: (1) Minnesota Power proposes adding the 5.75 percent increase to base rates based on present rate revenue, which includes the EITE discount; and (2) Minnesota Power proposes to allocate the Margin Credits based on an energy allocator.[15] Neither of these concerns are warranted.

Before addressing these specific allegations, LPI objects to the OAG's broad assertion that Minnesota Power is harming residential and small-business ratepayers and somehow catering to its LP customers.[16] Had LPI felt catered to, it would not have submitted a detailed comment laying out its concerns with the Petition, largely in the area of rate design.[17] Part of LPI's concern reflected the fact that the Petition only contains a commitment to work on rate design for the residential class (*i.e.*, the Petition is catering to the residential class on rate design, not members of LPI). Furthermore, LPI currently pays far more than its fair share of costs and believes that a litigated proceeding would have resulted in a better revenue apportionment for its members,[18] an apportionment more closely representing its cost of service. For these reasons, as well as those set forth below, it is difficult to understand the origin of or basis for the OAG's position.

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14 OAG Initial Comment at 16-19.

15 *Id.*

16 *Id.* at 18.

17 *See* LPI Initial Comment.

18 To be sure, the Department acknowledges that a withdrawal hinders parties' opportunities to mitigate rate increases. *See* Comment by the Department at 11 (May 11, 2020) (eDocket No. 20205-163083-02) ("Department Initial Comment") (noting that it "recognizes that expiration of the EITE Rate Discount would result in a rate increase for the Company's EITE customers, and Minnesota Power's withdrawal of its rate case prevents those customers from arguing for changes that may mitigate that increase").

With respect to apportioning the $38.5 million base-rate adjustment, LPI believes that present rate revenue is the most logical starting point. Although these revenues include the EITE-rate discount, that fact was not hidden from parties, as the OAG appears to imply.[19] Minnesota Power's direct testimony in the 2019 Rate Case specifically acknowledged that the EITE-rate discount was included in present rate revenues.[20] As such, a simple comparison between the E-1 Schedule in the 2019 Rate Case and Attachment B to the Petition reveals that Minnesota Power continued to include the EITE-rate discount in present rate revenues for calculations in the Petition. This approach makes sense for multiple reasons. First, Minnesota Power treated the present rate revenue in the same manner in calculating the interim-rate increase.[21] It is not clear whether deviating from that approach now, in setting base rates, would have unintended consequences in moving from the currently set interim rates to the proposal set forth in the Petition. Second, as Minnesota Power stated in its response to OAG Information Request No. 6004: "Removing the EITE credit from base-rate revenues would only affect the LP customer class, since other customer classes have not been contributing to the EITE credit. Therefore, increasing non-LP customer classes by 5.75 percent would result in the same revenues with or without the EITE credit."[22] Third, the approach reflects the current Commission-approved tariff in the EITE docket, which states that the EITE-Rate Schedule will continue until rates are finalized in Minnesota Power's current rate case. Finalizing rates in accordance with this Petition would therefore arguably end the EITE-Rate Schedule, absent further tariff revisions. Rather than revising the existing tariff language, Minnesota Power is presumably contemplating what is effectively a two-step process: the EITE credit is built into base rates on a temporary basis as a result of this Petition, and then a subsequent filing is required in February to sunset the EITE-Rate Schedule. LPI's proposed second procedural extension of the EITE-Rate Schedule until final rates are set in Minnesota Power's next rate case would simply remove the second step and therefore aid in administrative efficiency.

With respect to use of an energy allocator for the credit, the OAG appears to be asserting an entitlement to a one-sided benefit. Using an energy allocator, such as E8760, to allocate a

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19 OAG Initial Comment at 16.

20 *In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota*, MPUC Docket No. E-015/GR-19-442, Podratz Direct Testimony at 103:10-12 (Nov. 1, 2019).

21 Department Initial Comment, Attach. 1, OAG IR 6004.

22 *Id*. at 2-3.

credit, will undoubtedly result in customers that consume large quantities of energy, such as members of LPI, receiving a greater portion of any credit. But that also means that these same customers pay a greater portion of any costs. Again, in the interest of ease for administrative implementation, it makes sense to use consistent rate design in the FAC (*i.e.*, the E8760 allocator for costs and credits).

III. CONCLUSION

LPI is grateful for the opportunity to provide additional feedback and respond to the OAG's comments. LPI emphasizes that the current economic crisis precipitated by the COVID-19 pandemic is putting tremendous pressure on industrial customers. Therefore, to provide some form of relief to industrial customers, LPI urges the Commission to adopt a second procedural extension of the EITE-Rate Schedule and explore rate-design options for LLP customers.

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Respectfully submitted,

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