

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 7th Place East, Suite 250

St. Paul, MN 55101-2147

In the Matter of an Investigation into the
Appropriateness of Continuing to Permit
Electric Energy Cost Adjustments

PUC Docket No. E-999/CI-03-802

REPLY COMMENT

I. INTRODUCTION

The Minnesota Large Industrial Group¹ (“MLIG”) is grateful for the opportunity to provide a reply comment in response to the Minnesota Public Utilities Commission’s (the “Commission”) Notice of Comment dated May 17, 2018. The Notice of Comment requests feedback on whether (a) Xcel Energy (“Xcel”), Otter Tail Power, and Minnesota Power’s April 30, 2018 compliance filings comply with the Commission’s December 19, 2017 Order and (b) should the methodology approved in the Commission’s December 19, 2017 Order be modified.

MLIG appreciates the Department of Commerce Energy Resources Division’s (the “Department”) and other stakeholders’ continued efforts to work together on fuel clause adjustment (“FCA”) reform. MLIG is filing this reply comment in support of the Department’s June 29, 2018 comment as well as comments submitted by the Office of the Attorney General-Residential Utilities and Antitrust Division (“OAG”) and the Minnesota Chamber of Commerce (the “Chamber”).

¹ MLIG is a continuing ad hoc consortium of large industrial end-users of electricity in Minnesota spanning multiple utilities and functioning to represent large industrial interests before regulatory and legislative bodies. MLIG is comprised of the following companies: ArcelorMittal USA (Minorca Mine); Blandin Paper Company; Boise Paper (Boise), a Packaging Corporation of America company, formerly known as Boise, Inc.; Enbridge Energy, Limited Partnership; Gerdau Ameristeel US Inc.; Hibbing Taconite Company; Mesabi Nugget Delaware, LLC; PolyMet Mining, Inc.; Sappi Cloquet, LLC; United States Steel Corporation (Keetac and Minntac Mines); United Taconite, LLC; USG Interiors, LLC (Cloquet and Red Wing facilities); and Verso Corporation.

II. ANALYSIS

A. Utilities' Compliance Filings and Petitions for Reconsideration

MLIG agrees with the Department that “the utilities have the burden of proof in providing sufficient information to justify the forecasted fuel costs, and in enough detail in its initial forecasted fuel costs to later support any true-ups to their forecasted fuel costs.”² Ensuring that the burden of proof remains with the utilities has been among MLIG’s top priorities in reforming the fuel clause adjustment (“FCA”) mechanism. Thus, while MLIG supports efforts by the utilities to work with stakeholders to reach a common understanding about how the new FCA mechanism will work and the information needed to support their filings, MLIG shares the Department and the Chamber’s view that being too prescriptive about the information needed upfront risks inappropriately shifting the burden of proof to regulators and customers.

Further, like the Department³, the OAG⁴, and the Chamber⁵, MLIG also opposes Xcel’s second request for reconsideration as to incorporating an incentive. While an incentive mechanism may be appropriate to consider in the future, that option has already been fully considered and rejected by the Commission for this stage of the FCA reform process. MLIG agrees with the Department, OAG and the Chamber that Xcel’s request is inconsistent with the Commission’s December 19, 2017 order and therefore that issue should not be reconsidered now.

Additionally, MLIG joins the Department and the Chamber in opposing Xcel’s proposal to make modifications to its monthly rates without prior review. Allowing utilities to make adjustments without review would essentially maintain the least effective aspect of the current FCA process. And, as the Chamber pointed out, this proposal would undermine one of the anticipated benefits of FCA reform larger customers, which is the ability to budget and plan for fuel costs published in advance.⁶

² Comments from the Minnesota Department of Commerce, Division of Energy Resources at 4 (June 29, 2018) (eDocket No. 20186-144368-01).

³ *Id.* at 5.

⁴ Office of the Attorney General Letter (June 29, 2018) (eDocket No. 20186-144394-01).

⁵ Minnesota Chamber of Commerce Comments at 2 (June 29, 2018) (eDocket No. 20186-144365-02).

⁶ *Id.*

Lastly, MLIG agrees with the Department and the Chamber in that the utilities' proposal to use provisional rates when a utility believes a rate change is needed is not appropriate. While MLIG agrees that parties should work together to design an efficient process that avoids unnecessary regulatory lag, provisional rates are not necessary and would undermine the main purposes of FCA reform – keeping the burden on the utilities to demonstrate that rates are reasonable and reducing cost certainty.

B. Changes to FCA Methodology and Implementation Timeline

MLIG supports the Department's summary of the agreed-upon methodology and timetable adjustments (as described in its June 29, 2018 comment and the clarification filed on July 2, 2018). Further, MLIG confirms that it is comfortable with delaying ultimate implementation of FCA reform by six months based on concerns expressed by the utilities about meeting the original timeline set out in the Commission's order. While delay is not ideal, MLIG believes it is important to give the reform process the best chance of success.

III. CONCLUSION

For the reasons outlined in this reply comment, MLIG respectfully requests that the Commission follow the recommendations outlined by the Department in its June 29, 2018 comment.

Date: July 9, 2018

Respectfully submitted,

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