

Staff Briefing Paper

Meeting Date August 19, 2021 Agenda Item 2*

Company Minnesota Power

Docket No. **E-015/M-20-830**

In the Matter of Minnesota Power's Proposed Changes for Lighting Rates and Options

Issues 1. Should the Commission approve modifications to Minnesota Power's Outdoor and Area Lighting Service tariff?

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Relevant Documents

Date

Minnesota Power: Petition for Tariff Change

November 13, 2020

Department: Comments

April 14, 2021

Minnesota Power: Reply Comments

April 26, 2021

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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.

I. Statement of the Issues

Should the Commission approve modifications to Minnesota Power's Outdoor and Area Lighting Service tariff?

II. Background

On November 1, 2019, Minnesota Power (MP) initiated a General Rate Case.¹

On April 23, 2020, MP filed a petition to move recovery of asset-based wholesale margin credits from base rates to the fuel adjustment clause (FAC). As part of that petition, MP committed that it would seek to withdraw its 2019 General Rate Case if the Commission approved the FAC petition.²

On August 7, 2020, the Commission issued an order approving MP's petition and resolving the rate case (with conditions).³

On November 13, 2020, MP filed a petition to modify some terms of its Outdoor and Area Lighting Service (the docket under consideration here, no. 20-830). The proposed terms had been withdrawn along with the rest of MP's 2019 General Rate Case. MP now seeks approval of some of those Lighting terms prior to the filing of its next General Rate Case.

On April 14, 2021, the Minnesota Department of Commerce (Department) filed comments recommending approval of MP's petition pending further clarification by MP. No other entity filed comments.

On April 26, 2021, MP filed reply comments.

III. Parties' Comments

A. Minnesota Power Petition

1. Introduction

MP proposes changes to its Outdoor and Area Lighting Service (Lighting) rates to simplify the tariff and add more Light-Emitting Diode (LED) rate options. MP had proposed Lighting rate modifications in its 2019 General Rate Case, but those modifications were withdrawn with the resolution of that case. With this current petition MP seeks approval of some of the previously withdrawn Lighting modification proposals.

¹ Docket 19-442.

² Docket 20-429. On April 30, 2020, MP filed a supplement to its petition.

³ Dockets 19-442 and 20-429. On June 30, 2020, the Commission issued an initial order approving the petition and resolving the rate case, with conditions.

Specifically, MP proposes to:

- (1) expand LED offerings, adding several new lamp types and sizes, and
- (2) close all Mercury Vapor offerings to new customers/installations.⁴

MP believes it is important to address its proposal prior to the filing of its next general rate case to complete an ongoing lighting conversion project by the end of 2022. Such approval, MP holds, will save on inventory carrying costs, as well as future installation costs by not having to return to areas just to convert the small number of missing area and flood lights that it does not have rates for currently.⁵

MP characterizes its petition as a “Miscellaneous Tariff Filing” pursuant to Minn. Rules 7829.0100, subp. 11 (determination of a revenue requirement is not required) and 7829.1400, subp. 1 and 4 (establishing a comment period).⁶

2. New LED Offerings

MP proposed three new lighting options in its General Rate Case. Those new offerings were removed from MP’s tariff with the withdrawal of the Rate Case. Table 1 displays MP’s proposed new LED offerings.

Table 1: Proposed LED Services and Rates	
Services	Rates / Month
10,000 Lumens (≤ 71 Watts)	\$12.02
24,000 Lumens (≤ 184 Watts)	\$18.16
43,000 Lumens (≤ 316 Watts)	\$26.12
Source: MP Petition, pp. 4-5.	

MP based its proposed rates on the rates for similarly-sized, existing, Street and Highway Lighting LED rate options that it submitted in its 2019 General Rate Case, adjusted downward by a factor of .92 to reflect the average difference between the initial rates it proposed in the Rate Case and the rates finally approved there:⁷

$$\frac{\text{Approved Rates}}{\text{Final Rates}} = .92 \text{ (or 92\%, on average).}$$

⁴ MP Petition, pp. 4-6.

⁵ MP Petition, p. 2.

⁶ MP Petition, p. 3.

⁷ MP Petition, pp. 4-6 and Tables 1 and 2.

MP states that the rates above reflect the class revenue requirements approved by the Commission in the 2019 General Rate Case and “incorporate the cost of purchasing, installing and maintaining equipment along with the cost of providing electricity.”⁸

3. Mercury Vapor Lighting

MP proposes to close all Mercury Vapor rates to new customers/installations. MP is replacing all Mercury Vapor fixtures with other lamps due to rising environmental concerns. MP no longer purchases Mercury Vapor fixtures.⁹

B. Department Comments

1. Introduction

The Department agrees with MP that MP’s proposal does not require determination of MP’s revenue requirement.¹⁰ The Department concludes that MP’s proposal is generally reasonable although the Department has remaining questions. Pending resolution of those questions the Department recommends approval of MP’s proposal.¹¹

2. New LED Offerings

The Department examined two central components of MP’s analysis: (1) the .92 adjustment factor, and (2) the lighting cost study that MP updated for the analysis.¹²

The Department calculated the ratio of final to proposed rates for all lighting options and found that MP’s calculation of .92 was “fairly representative” of all lighting.¹³

The Department is unclear about how the energy charge rate used by MP would yield the proposed rates:

[C]onsistently applying the energy rate reported in MP’s Petition would yield a smaller energy adjustment for the LED71W and a greater energy adjustment for the LED316W; this would in turn result a rate of \$12.23 for the LED71W light (as opposed to the proposed \$12.02) and \$25.76 for the LED316W light (as opposed to the proposed \$26.12).¹⁴

Although the Department believes MP’s proposal appears reasonable it asked MP for clarification in its reply comments.

⁸ MP Petition, p. 4.

⁹ MP Petition, p. 6.

¹⁰ Department Comments, p. 7.

¹¹ Department Comments, p. 11.

¹² MP Petition, Attachment 1.

¹³ Department Comments, p. 8.

¹⁴ Department Comments, p. 10.

3. Mercury Vapor Lighting

The Department agrees with MP's rationale for closing the offerings to new customers. However, the Department seeks clarification of the terms "closed to new customers", as used with reference to Area and Outdoor Lighting, and "closed to new installations" as used with reference to Street and Highway Lighting.¹⁵ Closure to new customers could imply that existing customers may still install Mercury Vapor lighting. The Department asked MP to clarify the distinction between terms and whether MP will continue to install Mercury Vapor lighting in the future.

C. Minnesota Power Reply

1. New LED Offerings

MP relied primarily on the 92% factor applied to the proposed rates in the 2019 Rate Case to develop its proposed rates. MP used the updated cost study to illustrate its lighting rate calculation and as a reasonableness check.¹⁶

In response to the Department's question about the energy charge rate adjustment factor MP stated:

The energy charge rate adjustment factor of $-\$0.03134/\text{kWh}$ reflected a combination of several adjustment items: (1) the base cost of energy of $\$0.0175135$ for the Lighting class that moved from base rates to the separate Fuel and Purchased Energy Charge on customer bills, (2) the lower rates approved in the rate case resolution compared to the original 2019 Rate Case request, and (3) an adjustment to match total targeted Lighting class revenue. However, the rates don't match exactly because not all of the many components in the Original Cost Study were updated for this Petition.¹⁷

2. Mercury Vapor Lighting

MP states that there is no meaningful distinction between "closed to new customers" and "closed to new installations." For consistency between tariffs MP will use the term "closed to new installations."¹⁸

MP clarifies that if a current customer experiences a Mercury Light lamp failure, the lamp will be replaced with a currently offered option. MP does not plan to carry an inventory of Mercury Vapor lamps. MP also states that regardless of lamp failure, all Mercury Vapor lamps will be replaced by the end of 2022.¹⁹

¹⁵ Department Comments, p. 11.

¹⁶ MP Reply, p. 3

¹⁷ MP Reply, p. 3 and see MP's Petition, Attachment 1.

¹⁸ MP Reply, p. 2.

¹⁹ MP Reply, p. 3.

IV. Staff Analysis

Staff believes that MP has offered a reasonable approach to defining and pricing new LED lighting options for customers.

V. Decision Options

1. Approve MP's proposed LED rates and its closure of Mercury Vapor rates to new installation.
2. Reject MP's proposed tariff changes.
3. Take other/additional action.