

Staff Briefing Papers

Meeting Date	June 6, 2019	Agenda Item 7*
Company	Minnesota Power	
Docket No.	E-015/M-19-37	
	In the Matter of Minnesota Power's Petition for Approval of an Amended and Restated Electric Service Agreement Between Blandin Paper Company and Minnesota Power	
Issue	Should the Commission approve Minnesota Power's petition to amend and restate the Electric Service Agreement between Blandin Paper Company and Minnesota Power?	
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 Relevant Documents	Date
MP - Petition to Amend ESA between Blandin and Minnesota Power	January 9, 2019
Blandin Paper Company - Comments	February 1, 2019
Mayor, City of Grand Rapids - Comments	February 1, 2019
Department of Commerce - Comments	March 11, 2019
Grand Rapids Area Chamber of Commerce – Comments	March 11, 2019
Minnesota Power - Reply Comments	March 18, 2019

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

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I. Statement of the Issue

Should the Commission approve Minnesota Power's petition to amend and restate the Electric Service Agreement between Blandin Paper Company and Minnesota Power?

II. Introduction

On January 9, 2019, Minnesota Power (MP) filed a Petition for Approval of an Amended and Restated Electric Service Agreement (ESA) between Blandin Paper Company and Minnesota Power.

The existing ESA was filed in 2007 in Docket No. E-015/M-07-1457 and expired on December 31, 2011. Since then, Blandin has been on a “rolling” four-year extension of the ESA. The amended ESA, if approved, will supersede the 2007 agreement and will be in effect at least until 2029.

In addition to extending the termination date to at least December 31, 2029, the proposal in this docket accomplishes two other key things: it modifies Blandin’s Large Power Incremental Production Service (IPS) Threshold;¹ and provides additional risk protection for MP through modified customer billing.

On January 28, 2019, the Mayor of the City of Grand Rapids filed comments supporting approval of the amended ESA. On February 1, 2019, Blandin Paper Company filed comments urging the Commission to approve the revised ESA. On March 8, 2019, the Grand Rapids Area Chamber of Commerce filed comments in support of the proposed ESA.

On March 11, 2019, the Department of Commerce, Division of Energy Resources (Department) filed comments concluding:

1. The Amended Agreement is in the public interest because the extension of the Agreement through at least December 31, 2024² would benefit MP’s other ratepayers by lowering their share of MP’s total fixed costs; and
2. The terms and conditions of service under the Amended Electric Service Agreement satisfy the requirements of Minn. Stat. §216B.03 and Minn. Stat. §216B.05.

The Department recommended that the Commission approve the proposed Amended Agreement.

¹ MP indicated that the IPS Threshold set in the 2007 Restated Agreement does not reflect Blandin’s current operations with only one paper machine operating. MP further stated that the proposed agreement supports the long term competitive situation of Blandin’s Grand Rapids facilities.

² This is a typographical error; the correct date is December 31, 2029, as recognized by the Department throughout the rest of its comments.

On March 18, 2019, MP filed reply comments indicating that the date of the ESA extension should read “2029” and not “December 31, 2024.”

III. Staff Comment

There is no dispute surrounding proposed ESA between Blandin and MP. The purpose of this staff briefing paper is in the nature of “housekeeping” and is two-fold.

First, Staff recommends the Commission approve the proposed ESA between Minnesota Power and Blandin Paper Company with the clarification that the correct date of extension of the agreement is December 31, 2029.

Second, Staff points out that the Blandin ESA is very similar to the Verso ESA that MP filed and the Commission approved in Docket No. E-015/M-18-603 (“Verso docket”). MP’s Rider for Large Power Incremental Production Service (IPS) and the Rider for Energy-Intensive Trade-Exposed (EITE) Customers both apply at the same time to both Verso and Blandin.

Under the EITE rider, an eligible customer receives a discount when usage (energy) exceeds a threshold level; under the IPS rider, an eligible customer receives a discount when demand exceeds the threshold level.

For the EITE rider, MP tracks the difference in revenue between what would have been collected under the electric utility’s applicable standard tariff and the EITE rate schedule.

In the Verso docket, the Commission instructed MP to track the IPS revenue by including a schedule in its annual EITE tracker account report that shows the change in revenue from EITE customers due to any increased use of incremental-production-service energy since the 2016 EITE base year. The Commission noted that the reason for this requirement was its concern with the potential for cross-allocation of revenues between the IPS rider and the EITE rider.

On February 1, 2019, MP filed its second annual compliance filing in Docket No. E-015/M-16-564 (EITE docket). In that filing, MP reported the aggregate IPS revenue (Item 13, p. 18 of 22), for the years 2018 and 2016, for the aggregate of eleven EITE customers who also take service under the IPS rider. The Commission is scheduled to hear this matter concurrently with the Blanding docket at the June 6, 2019 Agenda Meeting.

Although MP will continue to report the IPS revenue in each annual EITE compliance filing as required by the Commission’s Verso order, and there is no reason to reiterate this standing requirement, Staff suggests that the Commission require MP to disaggregate the IPS revenue (for each of the EITE customers) in its future compliance filings.³

³ The purpose of this recommendation is to have this information readily available, in case of need, rather than seeking it through information request.

IV. Decision Alternatives

Amended and Restated Electric Service Agreement

A. Adopt the Department's recommendation to approve the proposed Amended and Restated Electric Service Agreement between MP and Blandin Paper Company with the clarification that the date of extension of the agreement is December 31, 2029.

or

B. Reject the proposed amendment.

EITE Tracker Account Compliance Report

C. Require MP to include a schedule in its annual EITE tracker account report that shows the change in revenue for each EITE customer due to any increased use of IPS energy since the 2016 EITE base year.