MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	**October 24, 2024**	**Agenda Item 2****
Company	Minnesota Power	
Docket No.	E-015/GR-23-155	
	In the Matter of the Application of Minnesota Power for Authority to Increase Electric Service Rates in the State of Minnesota	
Issues	Should the Commission accept the Offer of Settlement and adopt the Administrative Law Judge's Findings of Fact, Conclusions of Law, and Recommendation to Approve Settlement?	

Staff	Robert Manning	robert.manning@state.mn.us	651-201-2197
	Ashley Marcus	ashley.marcus@state.mn.us	651-201-2192
	Jason Bonnett	jason.bonnett@state.mn.us	651-201-2235
	Justin Andringa	justin.andringa@state.mn.us	651-539-1079
	Eric Willette	eric.willette@state.mn.us	651-201-2193

✓**Relevant Documents**	**Date**
Minnesota Power – Executed Settlement Agreement	May 3, 2024
Office of Administrative Hearings – Report – Findings of Fact, Conclusions of Law, and Recommendation to Approve Settlement	August 15, 2024
Department of Commerce – Exceptions	September 6, 2024
Large Power Intervenors – Exceptions	September 6, 2024

✓**Relevant Documents**	**Date**
Office of the Attorney General – Residential Utilities Division – Letter	September 6, 2024
Minnesota Power – Exceptions to ALJ	September 6, 2024

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BACKGROUND

On November 1, 2023, Minnesota Power (MP or the Company) filed a general rate case with the Minnesota Public Utilities Commission (PUC or Commission) in Docket No. E-015/GR-23-155. MP requested a $127.9 million, or 17.2 percent, gross increase over current rates, or a net $89.1 million, or 12.0 percent, increase over current rates once adjustments to riders are accounted for. MP also requested true-up mechanisms for chemical reagents and NOx allowances.

The intervenors in this case are:

- The Minnesota Department of Commerce, Division of Energy Resources (Department or DOC)
- The office of the Attorney General – Residential Utilities Division (OAG)
- Large Power Intervenors (LPI)

Previously, on September 29, 2023, MP had filed its 2023 Rate Case Sales Forecast 'Pre-Filing'.

On December 7, 2023, the Commission held a hearing, where it accepted the filing, suspended rates, referred the docket to the Office of Administrative Hearing (OAH) and approved MP's $102.6 million, or 13.8 percent, interim rate request,[1] subject to refund.[2].

The OAH assigned this docket to Administrative Law Judge (ALJ) Kimberly Middendorf. The ALJ held a prehearing conference on January 17, 2024 and issued her first prehearing Order on January 25, 2025 setting a schedule for the case.

Intervenors filed testimony on March 18, 2024. Upon notice from parties that a settlement was imminent, two further prehearing orders were issued delaying, and then vacating the scheduled rebuttal testimony, and then on April 19, 2024, a 2nd Prehearing Conference was held, after which the ALJ issued her 4th prehearing order, vacating the balance of the schedule, except for public hearings, a joint brief and proposed findings of fact from parties, and the ALJ Report deadline of September 3, 2024.

On May 3, 2024, Minnesota Power, the OAG, DOC, and LPI jointly filed their Executed Settlement Agreement resolving all disputed issues in this matter. As shown in Table 1, parties agreed to a gross revenue deficiency of $89.2 million, or $33.97 million, net of riders.

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[1] Interim rates were effective January 1, 2024.

[2] See Commission December 19, 2023 Orders.

Table 1: Reconciliation of Gross vs. Net Revenue Deficiency

	Initial Filing Proposed	**Final Revenue Deficiency**
Gross Revenue Deficiency	$**127.9**	$89.2
TCR offset: GNTL to base rates	(16.4)	(16.4)
RRR offset: PTCs to base rates	(22.4)	(22.4)
Items moving to FPE Rider		(16.4)
Net Deficiency	$89.1	$33.97

On May 6, 2024, Minnesota Power filed a letter announcing the acquisition of Allete, including Minnesota Power, by Global Infrastructure Partners and Canada Pension Plan Investment Board.

On July 8, 2024, Minnesota Power filed on behalf of all parties a Proposed Findings of Fact, Conclusions of Law, and Recommendation to Approve Settlement.

On August 15, 2024, the ALJ filed her Report – Findings of Fact, Conclusions of Law, and Recommendation, in which she recommended approval of the Settlement Agreement. On September 6, 2024, MP, LPI, DOC, and OAG filed letters and exceptions in support of the Report.

The main issue before the Commission is whether to adopt the Settlement agreement and ALJ Report. The following is a partial list of issues settled by parties:

- Cost of Capital
- Revenue Deficiency
- Sales Forecast
- Other Operating Revenue
- Executive Compensation
- Short Term Incentive Plan and other Employee Expenses
- Property Tax Expense
- Rate Case Expenses
- Pension Expense
- Capacity Revenue and Expense (CRE Rider)
- Prepaid Pension Asset (subject to outcome of appeal)
- Taconite Harbor Energy Center
- Plant in Service Balances
- NOx Allowances and Reagents in FPE Rider
- Annual Incentive Plan Compensation
- Customer Rate Stabilization Mechanism
- Revenue Apportionment and Class Cost of Service Study
- Fixed Monthly Charges
- Voluntary Renewable Energy – Large Customer Rider

MP also agreed to discuss and work to address concerns related to off-peak demand charges in the LL&P TOU Rider with interested customers, and work with stakeholders about rate mitigation for LP and LL&P customers and to encourage those customers to maintain operations in the state of Minnesota.

Reference to the Record
ALJ Report ¶¶1-24
Settlement at 1-2

DISCUSSION

I. INTRODUCTION

A. Public Comments

1. Public Hearings

Public hearings were held in Little Falls and Cohasset on May 20, in Eveleth, Hermantown, and Cloquet on May 20, and a virtual one on May 22. As the settlement had already been announced, only a handful of people appeared at the in-person public hearings. One speaker stated that he had opposed giving MP the full increase requested but was tentatively in favor of the settlement. Speakers generally opposed rate increases.

Other speakers spoke on other issues. One had concerns about new compliance costs for contractors making it difficult for small local contractors to compete, which could increase rates in the long run as MP would have to bring in larger contractors from out-of-town at higher costs. Another spoke about concerns about increased costs due to construction of new facilities.

2. Filed Comments

Minnesota Power included a postcard with its notice of the rate case, an approach which was quite successful in eliciting comments on the rate case. Over 650 comments were filed in the docket, the vast majority of which were provided via postcard. 307 had been received by the time of the ALJ report, more than 300 more have been received since the ALJ drafted her report.

Most written comments argued that proposed rate increases were excessive, unfair, unnecessary, or unreasonable. Concerns included:

- Frequency of rate increases;
- Argument that shareholders, rather than customers, should bear the burden of capital improvements;
- Rate increases are driven by corporate ‘greed’;
- Inflation and other increasing costs are already a burden for ratepayers;
- The burden of increasing rates on customers on a fixed income;
- Disapproval of “green” energy costs;
- Disapproval of “extra” line items, such as Low-Income Affordability Program Surcharges.

A few customers expressed appreciation for the Company’s service or urged approval of the rate increase, citing optimal operations, employee retention, or customer service as reasons for approval.

<u>Reference to Record</u>
ALJ Report ¶¶ 25-32

3. Legal Standard

a. General Legal Standard

Under Minnesota Law, Utility Rates must be "Just and Reasonable". Utility rates are governed by Minn. Stat. §216B.16 subd. 6, which provides:

> *The commission, in the exercise of its powers under this chapter to determine just and reasonable rates for public utilities, must give due consideration to the public need for adequate, efficient and reasonable service and to the need of the public utility for revenue sufficient to enable it to meet the cost of furnishing the service, including the adequate provision for depreciation of its utility property used and useful in rendering service to the public, and to earn a fair and reasonable return on the investment in such property.*

Minn Stat. §216B.03 requires that any doubt as to reasonableness must be resolved in favor of the consumer, and that "rates shall not be unreasonably preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable, and consistent in application to the class of customers". Statute also requires that rates be set to encourage energy conservation and renewable energy use.

The Commission has interpreted the ratemaking process as being a comprehensive process that allows a full and complete review of all issues, and not an overly narrow consideration of singular changes in individual costs.[3] In setting rates, the Commission is acting in both a quasi-judicial and legislative capacity.[4]

<u>Reference to Record</u>
ALJ Report ¶¶ 33-43

b. Legal Standard of Settlement

Minnesota Law encourages parties to settle issues among themselves.[5] The Settlement filed in this case is a global accord, resolving every issue in this case. Per Minn Stat. §216B.16 subd. 1a(b), this Settlement has been submitted to the Commission. Under Minn Stat. §216B.16 subd. 1a(b):

> *(b) If the applicant and all intervening parties agree to a stipulated settlement of the case or parts of the case, the settlement must be submitted to the commission. The commission shall accept or reject the settlement in its entirety*

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[3] See, e.g. *In re Application of N. States Power Co. for Auth to Increase Rates for Elec. Serv. In the State of Minn.,* Docket. No. E-002/GR-89-865, ORDER DENYING PETITIONS FOR RECONSIDERATION AND DENYING TRANSITIONAL RATE INCREASE at 6 (Nov. 26, 1990)

[4] *Hibbing Taconite Co. V Minn. Pub. Serv. Comm'n*, 302 N.W. 2d 5, 9 (Minn. 1980)

[5] Minn. Stat. §216B.16 subd. 1a(a)

> *and, at any time until its final order is issued in the case, may require the Office of Administrative Hearings to conduct a contested case hearing. The commission may accept the settlement on finding that to do so is in the public interest and is supported by substantial evidence. If the commission does not accept the settlement, it may issue an order modifying the settlement subject to the approval of the parties. Each party shall have ten days in which to reject the proposed modification. If no party rejects the proposed modification, the commission's order becomes final. If the commission rejects the settlement, or a party rejects the commission's proposed modification, a contested case hearing must be completed.*

Thus, if the Commission approves Settlement, the case is concluded. If the Commission proposes modification to the settlement, the parties have 10 days to either accept or reject the modifications. If the modifications are rejected by any party, the contested case must be completed.

B. Settlement

The Administrative Law Judge reviewed the Settlement and recommended the Commission find it in the public interest and supported by substantial evidence in the record and that resulting rates will be just and reasonable. The ALJ also found the Settlement to be comprehensive and that each individual issue is reasonably resolved based on substantial record evidence. The ALJ thus recommended that the Settlement be approved.[6]

The ALJ cited the following factors as justification for approval:

- The settlement reduced the proposed revenue deficiency from $89.1 million, net of rider roll-ins, to $33.97 million, or from $127.9 million gross to $89.2 million.[7]
- The settlement apportions a 4.86 percent increase to the Residential, General Service, Lighting, and Dual Fuel classes, and a 4.36 percent increase to the Large Light & Power and Large Power classes. Parties also agreed that MP would propose, in its next rate cases, a revenue apportionment which moved closer to cost of service as shown in the Company's Class Cost of Service Study (CCOSS), while leaving parties free to take any position they feel appropriate with respect to that proposal.
- The Settlement adopts the fixed monthly charges as proposed by the Applicant, which maintains the customer charges for several customer classes, including residential and general service.
- The Settlement does not endorse any single CCOSS. The ALJ noted that recent Commission decisions have considered multiple CCOSS when setting rates.
- The Settlement's proposed Return on Equity of 9.78 percent and overall cost of capital of 7.2530 percent is reasonable and supported by the record.

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[6] ALJ Findings of Fact 44-46

[7] ALJ Finding of Fact 47, Settlement at 3-4

- Other disputed financial issues are resolved in a transparent, just, and reasonable manner.
- The Company agreed to withdraw its Customer Rate Stabilization Mechanism (CRSM).
- The Settlement proposed that the Company's proposed Rider for Voluntary Renewable Energy – Large Customers (VRE Rider) be approved with modifications proposed by Large Power Intervenors.
- The Settlement includes commitments by the Company regarding rate design for Large Power and Large Lighting and Power customers. Specifically, MP commits to discuss and work to address concerns of interested customers regarding off-peak demand charges in the LL&P time-of-use rider.
- The Settlement reflected Parties' agreement to move $9.45 million in Nitrogen Oxide (NOx) allowances and $6.9 million in Reagent costs from the final rate base revenue requirement to the existing Rider for Fuel and Purchased Energy, beginning with implementation of final rates, with these costs subject to true-up.
- This Settlement resolves minor tariff changes which were not disputed.

The ALJ noted that the Settlement had provisions for confidentiality of negotiations and offers, and that it holds that, should it be rejected, it is no longer part of the record. The Settlement requires all parties to support and defend it in its entirety without modification.

The ALJ made conclusions of law that all legal requirements for the hearings and settlement were met, and recommended the Settlement be approved.

References to the Record
ALJ Report ¶¶ 44-63
ALJ Report Conclusions of Law and Recommendation – pp. 21-22

C. Miscellaneous Provisions

All of the compliance filing requirements in the decision alternatives are standard rate case compliance items. These requirements ensure that Minnesota Power files various items reflect the Commission's decision such as revised tariff sheets, a draft customer notice and an interim rate refund plan.

II. FINANCIAL ISSUES

A. Revenue Deficiency

1. Introduction

Should the Commission approve the requested 2024 test year revenue deficiency?

2. Settlement

This issue was originally disputed by the Department, OAG, LPI, and Minnesota Power.

Minnesota Power requested an $89.1 million, or 12.0 percent, 2024 test year (MN jurisdictional) revenue increase. Inclusive of rider revenues rolled into base rates, test year base rates would increase by $127.9 million, or 17.2 percent. Minnesota Power proposed to spread the 17.2 percent increase equally across all classes and used a forecasted test year ending on December 31, 2024.

All revenue deficiency adjustments from the Company's Application and agreed to by the Settling Parties are reflected in the financial schedules of Attachment 1 to the Settlement. Those adjustments are discussed below, along with citations to the record evidence supporting the Settling Parties' resolution of these matters. The financial schedules included all adjustments necessary to achieve the net revenue deficiency of $34.0 million as agreed to by the Settling Parties. The Parties agreed that the attachments included accurately reflect the Settling Parties' agreement, and the impacts of any internal jurisdictional allocation changes.

The Parties agreed to a net revenue deficiency of $34.0 million, which equated to a gross revenue deficiency of $89.2 million inclusive of (1) moving approximately $16.4 million associated with the Great Northern Transmission Line (GNTL) from the Transmission Cost Recovery (TCR) Rider to base rates; (2) resetting the Production Tax Credit (PTC) baseline of approximately $22.4 million with an accompanying change in the Renewable Resources Rider (RRR); and (3) moving approximately $16.4 million of Nitrogen Oxide allowances and reagent costs to the Rider for Fuel and Purchased Energy Charge (FPE Rider). Table 2 compares the Settlement's final revenue deficiency to the Company's proposed initial filing.[8]

Table 2: Revenue Deficiency

	Initial Filing Proposed	**Final Revenue Deficiency**
Gross Revenue Deficiency	$**127.9**	$89.2
TCR offset: GNTL to base rates	(16.4)	(16.4)
RRR offset: PTCs to base rates	(22.4)	(22.4)
Items moving to FPE Rider		(16.4)
Net Deficiency	**$89.1**	**$34.0**

3. ALJ Report

The ALJ noted the following in findings:

> 47. First, instead of the Company's initially proposed revenue deficiency, net of rider roll-ins, of $89.1 million, or 12.0 percent (which equates to an increase in revenues of $127.9 million, or 17.2 percent including rider roll-ins), the Settlement provides for a net

[8] Note that Minnesota Power's proposed initial filing included a net revenue deficiency of $89.1 million, which is very similar to the gross revenue deficiency of $89.2 million in the final revenue deficiency. This similarity is purely by coincidence.

incremental revenue deficiency of $34.0 million, net of rider roll-ins (or a gross revenue deficiency of $89.2 million including rider roll-ins).

52. Sixth, other disputed financial issues are resolved in a transparent, just, and reasonable manner. These include use of actual plant balances at the beginning of the test year rather than the Company's projected balance, increasing the test year sales forecast which reduces the test year revenue deficiency, and adopting multiple expense and rate base adjustments proposed by the Department, the OAG, and LPI.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to decrease net revenue deficiency by $55.2 million, for a total 2024 test year net revenue deficiency of $34.0 million (ALJ, all Parties).

Reference to Record

ALJ Report ¶¶ 47, 52
Settlement at 3-4, Attachment 1 at 10

B. Other Operating Revenues

1. Introduction

Should the Commission approve the requested 2024 test year Other Operating Revenues?

2. Party Positions

This issue was originally disputed by the Department and Minnesota Power.

Minnesota Power forecasted $58.9 million in Other Operating Revenues for the 2024 test year, which is generally comprised of production, transmission, and general plant revenues.

The Department suggested that, based on 2022 through 2023 actuals, the Company under-forecasted the 2024 test year between $9.4 and $13.8 million, thus recommended an $11.6 million increase based on higher Transmission and General Plant revenues.

3. Settlement

The Parties agreed to increase the 2024 test year Other Operating Revenues by $5.2 million, to reflect around half of the Department's recommendation, for a total test year forecast of $64.1 million.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to increase Other Operating Revenues by $5.2 million, for a total 2024 test year forecasted amount of $64.1 million (ALJ, all Parties).

<u>Reference to Record</u>

Settlement at 4- 5.
MP Exhibits 28, 29 (Turner Direct), Schedule 2
DOC Exhibit 6 at 20–31 (Campbell Direct)
DOC Exhibit 6 (Campbell Direct), Schedule 1

C. Executive Compensation

1. Introduction

Should the Commission approve the requested 2024 test year Executive Compensation expense?

2. Party Positions

This issue was originally disputed by the Department, OAG, LPI, and Minnesota Power.

Minnesota Power forecasted $2.6 million in executive compensation in the test year, which included executive salaries and compensation under the Annual Incentive Plan (AIP).

In Xcel Energy's most recent electric rate case, the Commission limited rate recovery for each of the Company's ten highest-paid executives to the compensation of Minnesota's "highest executive officer"—its Governor— who the Commission found would make $150,000 beginning in 2024.[9] Consistent with this Order, the Department, OAG, and LPI recommended capping rate recovery for each of Minnesota Power's top ten executives at $150,000 per employee. The Department's adjustment to effectuate this recommendation was $1.1 million, the OAG's adjustment was $1.1 million, and LPI's adjustment was $1.4 million.

3. Settlement

The Parties agreed to reduce test year executive compensation by $1.1 million, to reflect the OAG and Department's recommendations, for a total test year compensation amount of $1.5

[9] *In the Matter of the Application of Northern States Power Company, dba Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-21-630, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 23 (July 17, 2023).

million.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to remove $1.1 million in Executive Compensation from the 2024 test year, for a total compensation amount of $1.5 million. (ALJ, all Parties)

Reference to Record

Settlement at 5.
MP Exhibits 21, 22 at 17–33 (Krollman Direct)
DOC Exhibit 1 at 35–41 (Kehrwald Direct)
OAG Exhibit 3 at 2–16, schedule BPL-D-1, p. 35 (Trade Secret), (Lebens Direct)
LPI Exhibit 1 at 49–50 (LaConte Direct)

D. Employee Compensation Budget

1. Introduction

Should the Commission approve the requested 2024 Test Year Employee Compensation expense?

2. Party Positions

This issue was originally disputed by the Department and Minnesota Power.

Minnesota Power's employee compensation budget for the 2024 test year was based on an employee count of 1,178. As a result, Minnesota Power forecasted $70.5 million for 2024 test year employee compensation for the Minnesota Jurisdiction.

To reflect slower than forecasted test year hiring (excluding pension expense, as it is a separate adjustment), the Department recommended a test year cost reduction of $6.3 million that is based on a 2023 actual year-end employee count of 1,084.

3. Settlement

The Parties agreed to reduce test year employee compensation expense by $3.0 million, reflecting approximately half of the Department's recommended adjustment, for a total 2024 test year employee compensation amount of $67.5 million.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to remove $3.0 million in Employee Compensation expense from the 2024 test year. (ALJ, all Parties)

<u>Reference to Record</u>

Settlement at 5.
MP Exhibits 21, 22 at 2–20 (Krollman Direct)
DOC Exhibit 1 at 3–19 (Kehrwald Direct)

E. Short-Term Incentive Plan

1. Introduction

Should the Commission approve the requested 2024 test year Short-Term Incentive Plan (STIP) expense?

2. Party Positions

This issue was originally disputed by the Department and Minnesota Power.

Minnesota Power proposed $2 million in STIP implementation costs for the 2024 test year. The calculation is based on 559 eligible employees, a 5 percent cap on base salaries, and a 100 percent target payout.

The Department recommended removal of STIP costs from the test year, as actual payments will not be made in 2024. If STIP costs are included, the Department determined they should be based on an eligible employee count of 502, which is the actual STIP-eligible employee count at 2023 year-end, plus a Company assumption of 28 additional employees hired in 2024. The overall cost is $0.003 million per eligible employee, and an 80 percent target payout to incentivize performance, which resulted in a $0.2 million reduction in 2024 test year costs.

3. Settlement

The Parties agreed to reduce STIP costs by $0.2 million, reflecting the Department's alternate proposal, for a total 2024 test year Short-Term Incentive Plan expense of $1.8 million.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to remove $0.2 million in Short-Term Incentive Plan expense from the 2024 test year. (ALJ, all Parties)

Reference to Record

Settlement at 6.
MP Exhibits 21, 22 at 17–30 (Krollman Direct)
DOC Exhibit 1 at 20–27 (Kehrwald Direct)

F. Property Tax Expense

1. Introduction

Should the Commission approve the requested 2024 test year Property Tax expense?

2. Party Positions

This issue was originally disputed by the Department and Minnesota Power.

Minnesota Power forecasted $46.8 million for 2024 test year property tax expense for the Minnesota Jurisdiction. The calculations are based on (1) a combination of the cost approach and income approaches utilized by the Minnesota Department of Revenue, (2) Company financial data, (3) a Capitalization Rate, and (4) the average of the prior three years' overall effective tax rate.

Minnesota Power also renewed its request for a property tax true-up mechanism, which it previously requested in its 2021 rate case.[10] Minnesota Power stated that its annual property tax obligations are discretionary, subjective and can change materially from year to year.

The Department recommended a $6.5 million reduction in property tax expense, for a total test year amount of $40.2 million. The calculations were based on an average of the actual Minnesota Jurisdictional property taxes for 2020 through 2022, as well as the estimated property taxes for 2023.

The Department also recommended denying the Company's property tax true-up request, as the Company's actual property taxes for the last six years have been relatively predictable, changed more than five percent only 3 times, of which two instances involved a significant plant addition.

3. Settlement

The Parties agreed to reduce property tax expense by $3.3 million, reflecting approximately half

[10] Docket No. E-015/GR-21-335

of the Department's recommendation, for a total 2024 test year property tax expense of $43.5 million. The Settling Parties also agreed that no property tax true-up mechanism would be created.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to remove $3.3 million in Property Tax expense from the 2024 test year. (ALJ, all Parties)

<u>Reference to Record</u>

Settlement at 6.
MP Exhibit 26, *entire* (Verdoljak Direct)
DOC Exhibit 9, *entire* (Jones Direct)

G. Years of Service Awards

1. Introduction

Should the Commission approve the requested 2024 test year Years of Service Awards expense?

2. Party Positions

This issue was originally disputed by the OAG and Minnesota Power.

Minnesota Power proposed to include $0.02 million in service awards, and $0.01 million in retirement awards, for a total 2024 test year Years of Service Awards expense of $0.03 million. Minnesota Power indicated that service awards are essential components of the Company's compensation and benefits package, while Retirement Awards are designed to provide meaningful recognition to employees to thank them for their service.

The OAG recommended the Years of Service Award expenses be removed, as the benchmarking data the Company provided did not establish service and retirements awards as reasonable or necessary to provide utility service to ratepayers.

3. Settlement

The Parties agreed to remove Service and Retirement Awards costs from the 2024 test year, reflecting the OAG recommendation, reducing the Company's revenue deficiency by $0.03 million.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to remove $0.03 million in Years of Service Awards expense from the 2024 test year. (ALJ, all Parties)

Reference to Record

Settlement at 6-7.
MP Exhibits 21, 22 at 49–50, Schedule 3, at 1. (Krollman Direct)
OAG Exhibit 2 at 36–38 (Lee Direct)

H. Board of Directors Expenses

1. Introduction

Should the Commission approve the requested 2024 test year Board of Directors expenses?

2. Party Positions

This issue was originally disputed by the OAG and Minnesota Power.

Minnesota Power proposed $1.3 million in Board of Directors expense for the 2024 test year, based on a budget allocation of 52 percent for regulated activities, and 48 percent for subsidiaries. The allocation was also based on each entity's forecasted equity balance at the close of 2024.

The OAG recommended reducing the Board of Directors expense by 50 percent or $0.7 million, as Minnesota Power (1) did not determine what board expenses benefit ratepayers, (2) require directors to devote as much time to company business as the CEO and other executives, (3) or set the pay of the board.

3. Settlement

The Parties agreed to reduce Board of Directors' expenses by $0.7 million, reflecting the OAG recommendation.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to remove $0.7 million in Board of Directors expenses from the

2024 test year. (ALJ, all Parties)

Reference to Record

Settlement at 7.
MP Exhibit 15 at 24–29 (Anderson Direct)
OAG Exhibit 3 at 16–25 (Lebens Direct)

I. Employee Expenses

1. Introduction

Should the Commission approve the requested 2024 test year Employee Expenses?

2. Party Positions

This issue was originally disputed by the OAG and Minnesota Power.

Minnesota Power proposed $4.6 million in Employee Expenses for the 2024 test year, which it calculated via a detailed review of 2022 actual employee expenses it deemed appropriate.

The OAG recommended a downward adjustment of $0.2 million, to reflect a similar ratio of unrecoverable expenses for the 2024 test year that the company used in determining appropriate 2022 actuals.

3. Settlement

The Parties agreed to reduce Employee Expenses by $0.2 million to reflect the OAG recommendation, for a total Employee Expense of $4.4 million.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to remove $0.2 million in Employee Expenses from the 2024 test year. (ALJ, all Parties)

Reference to Record

Settlement at 7.
MP Exhibit 15 at 33–49 (Anderson Direct)
OAG Exhibit 2 at 39–43 (Lee Direct)

J. Rate Case Expenses

1. Introduction

Should the Commission approve the requested 2024 test year Rate Case expense?

2. Party Positions

This issue was originally disputed by the OAG and Minnesota Power.

Minnesota Power estimated $3.3 million of rate case expense, or $1.6 million annually when amortized over two years. As current rates reflect $1.3 million of annual rate case expense, Minnesota Power proposed a $0.3 million upward adjustment, to bring the total 2024 test year expense to the $1.6 million annual figure.

The OAG recommended that rate case expenses be limited to 50 percent of the Company's estimate, as these expenses have benefits for both shareholders and ratepayers. Accordingly, the OAG proposed a $0.5 million downward adjustment to the unadjusted 2024 test year, for a total rate case expense of $0.8 million.

3. Settlement

The Parties agreed to reduce rate case expense by $0.5 million, reflecting the OAG's full recommended adjustment, for a total test year rate case expense of $0.8 million.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to remove $0.5 million in Rate Case expenses from the 2024 test year. (ALJ, all Parties)

Reference to Record

Settlement at 7-8.
MP Exhibits 28, 29 at 31–32 (Turner Direct), Volume 4, Workpapers ADJ-IS-25.
OAG Exhibit 2 at 2–8 (Lee Direct)

K. Pension Expense

1. Introduction

Should the Commission approve the requested 2024 test year Pension expense?

2. Party Positions

This issue was originally disputed by the Department and Minnesota Power.

Minnesota Power proposed a test year Defined Benefit Pension Plan expense of $4.2 million, based on a calculation and aggregation of five components – service cost, interest cost, expected return on plan assets, amortization of prior service cost, and amortization of net gain or loss.

The Department recommended a $0.3 million reduction in test year pension expense, based on the average actual per-employee expense from 2020 through 2023, and applying a 4 percent increase to that average.

3. Settlement

The Parties agreed to reduce test year pension expense by $0.3 million, reflecting the Department's full recommended adjustment, for a total test year pension expense of $4 million.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to remove $0.3 million in Pension expense from the 2024 test year. (ALJ, all Parties)

Reference to Record

Settlement at 8.
MP Exhibits 23, 24 at 8–23 (Cutshall Direct)
DOC Exhibit 1 at 27–28 (Kehrwald Direct)

L. Organizational Dues

1. Introduction

Should the Commission approve the requested 2024 test year Organizational Dues expense?

2. Party Positions

This issue was originally disputed by the OAG and Minnesota Power.

Minnesota Power proposed $0.5 million in allowable organizational membership dues in the 2024 test year. The Company said that these organizations provide key insights and education on various aspects of the industry and allow Minnesota Power and its employees to efficiently provide service to its customers.

The OAG recommended a downward adjustment of $0.3 million for Edison Electric Institute, Class of ’85 Regulatory Response Group, Western Coal Traffic League, Chamber of Commerce, and Minnesota Utility Investors dues. The OAG expressed concern of these organizations engaging in lobbying, which the OAG deemed is not necessary or reasonable for the provision of utility service.

3. Settlement

The Parties agreed to reduce test year organizational dues by $0.1 million, reflecting one-third of the OAG’s recommended amount.

4. Staff Comments

The Settlement’s handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to remove $0.1 million in Organizational Dues expense from the 2024 test year. (ALJ, all Parties)

Reference to Record

Settlement at 8.
MP Exhibit 15 at 43–45 (Anderson Direct)
MP Exhibits 28, 29 at 21 (Turner Direct)
OAG Exhibit 2 at 8–36 (Lee Direct)

M. Prepaid Pension Asset

1. Introduction

Should the Commission approve the requested 2024 test year Prepaid Pension Asset expense?

2. Party Positions

This issue was originally disputed by the Department, LPI, and Minnesota Power.

Minnesota Power proposed inclusion of prepaid pension (or accumulated pension contributions in excess of net periodic benefit cost) in the amount of $86.7 million, or $56.9 million net of accumulated deferred income taxes (ADIT). At the time of Settlement, the Company was in the process of appealing the Commission’s denial of inclusion of the prepaid pension asset in rate base in the Company’s 2021 Rate Case to the Minnesota Court of Appeals.

The Department and LPI recommended that the prepaid pension asset be removed from the 2024 test year rate base, indicating that it is inappropriate for the expense to receive ratemaking treatment.

3. Settlement

Consistent with LPI and the Department's recommendation, the Parties agreed to remove the prepaid pension asset from the test year, resulting in a $6.0 million reduction to the revenue deficiency; *subject to* the pending outcome of Minnesota Power's appeal of the 2021 rate case prepaid pension asset denial. The Parties agreed that, should the appeal result in a reversal or modification of the Commission's order with regard to the prepaid pension asset, Minnesota Power shall be permitted to include the prepaid pension asset consistent with the court's order, net of ADIT, in the final revenue requirement and recover the amount through final rates.

4. Minnesota Court of Appeals

On September 9, 2024, the Minnesota Court of Appeals reversed the Commission's decision in MP's 2021 rate case to exclude the prepaid pension asset categorically and entirely from the rate base, and remanded for additional findings.

The Minnesota Court of Appeals determined that the Commission's decision to exclude Minnesota Power's prepaid pension asset from the rate base was unsupported by substantial evidence, arbitrary and capricious. The Commission may, at its discretion, reopen the record before issuing a revised decision.

5. Staff Comments

Staff notes that neither the Commission nor an intervening party appealed the matter to the Minnesota Supreme Court, however the Court of Appeals has remanded this issue to the Commission. Since the Commission will be taking action on the Court of Appeals' remand, this matter is yet to be resolved; therefore, at this time the Settlement's handling of this issue appears to be reasonable. However, to help inform the Commission's handling of the remand, at the hearing the Commission may want to explore how Minnesota Power plans to handle recovery should it ultimately prevail. For instance, in such a scenario, would Minnesota Power create a regulatory asset and discuss recovery in a future rate case?

6. Decision Options

Order Minnesota Power to remove $6.0 million in Prepaid Pension Asset expense from the 2024 test year consistent with the Settlement Agreement and defer a final decision that will be *subject to* the final outcome of Minnesota Power's appeal of the 2021 rate case. (ALJ, all Parties)

Order Minnesota Power to include $6.0 million in Prepaid Pension Asset expense from the 2024 test year, consistent with the Settlement Agreement contingency for reversal or modification of the Commission's 2021 Rate Case order with regard to the prepaid pension asset. (ALJ, all Parties alternative)

Reference to Record
Settlement at 9, 10.
MP Exhibits 23, 24 at 23–56 (Cutshall Direct)
MP Exhibit 25, *entire* (Farrell Direct)
DOC Exhibit 1 at 27–34 (Kehrwald Direct)
LPI Exhibit 1 at 51–54 (LaConte Direct)
MN Court of Appeals, In the Matter of the Application by Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota. A23-0867, A23-0871, A23-1957, Court of Appeals Precedential, September 9, 2024 (mn.gov), at 13, 16-27, 35.

N. Taconite Harbor Energy Center (THEC)

1. Introduction

Should the Commission approve the requested 2024 test year Taconite Harbor Energy Center expense?

2. Party Positions

This issue was originally disputed by the Department, OAG, and Minnesota Power.

Minnesota Power proposed inclusion of $9.0 million related to the THEC balance for the 2024 test year, citing ongoing O&M and decommissioning expenses. At the time of the Settlement, Minnesota Power is appealing the Commission's denial of inclusion of THEC in rate base in the 2021 rate case to the Minnesota Court of Appeals.

Consistent with the Commission's denial in the Company's 2021 rate case, the Department and OAG recommended removal of THEC from the test year rate base.

3. Settlement

The Parties agreed to remove $6.4 million in rate base for THEC without regard to the outcome of the above-referenced appeal, reflecting the Department and the OAG's recommendation, which results in a $0.7 million reduction in the revenue requirement.[11]

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable. For information purposes, Staff notes that, for this issue, the Court of Appeals upheld the Commission's decision in the Minnesota Power's 2021 rate case.

[11] On September 9, 2024, the Minnesota Court of Appeals affirmed the Commission's decision to remove Taconite Harbor from Minnesota Power's rate base.

5. Decision Options

Order Minnesota Power to remove $6.4 million in rate base, and $0.7 million in the revenue requirement for Taconite Harbor Energy Center for the 2024 test year. (ALJ, all Parties)

Reference to Record

Settlement at 10.
MP Exhibits 18, 19 at 24–26 (Simmons Direct)
DOC Exhibit 5 at 3–10 (Skayer Direct)
OAG Exhibit 2 at 47–49 (Lee Direct)
MN Court of Appeals, In the Matter of the Application by Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota. A23-0867, A23-0871, A23-1957, Court of Appeals Precedential, September 9, 2024 (mn.gov), at 13, 27-30, 35.

O. Plant In-Service Balances

1. Introduction

Should the Commission approve the requested 2024 test year Plant In-Service Balances expense?

2. Party Positions

This issue was originally disputed by the Department and Minnesota Power.

Minnesota Power utilized a simple average of forecasted December 31, 2023 balances (beginning of test year) and December 31, 2024 (end of test year) to determine its 2024 Plant In-Service test year amounts.

The Department argued that the actual plant-in-service balance on December 31, 2023 was lower than projected, and the test year balance should be adjusted by $34.9 million in addition to estimated changes in Construction Work in Progress, Accumulated Depreciation and Amortization, Accumulated Deferred Income Taxes, and Depreciation and Amortization Expense. The changes would result in a revenue deficiency reduction of approximately $4.3 million.

3. Settlement

The Parties agreed to reduce Minnesota Power's test year revenue deficiency by $3.5 million, resulting from a $22.4 million reduction to rate base and associated depreciation and amortization expenses. This amount reflects approximately 80 percent of the Department's recommendation.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to reduce the rate base and associated depreciation and amortization expenses by $22.4 million, resulting in a $3.5 million revenue requirement reduction. (ALJ, all Parties)

Reference to Record
Settlement at 10.
MP Exhibit 20 at 16–60 (Gunderson Direct)
MP Exhibits 18, 19 at 7–14 (Simmons Direct)
DOC Exhibit 5 at 11–15 (Skayer Direct)

P. Annual Incentive Plan Compensation

1. Introduction

Should the Commission approve the requested 2024 test year Annual Incentive Plan Compensation expense?

2. Party Positions

This issue was originally disputed by LPI and Minnesota Power.

Consistent with what the Commission approved in the Company's 2021 Rate Case, Minnesota Power proposed $2.7 million in Annual Incentive Plan (AIP) compensation in the 2024 test year, while proposing to limit incentive compensation recovered in rates to 20 percent of individual base salaries.

LPI recommended a downward adjustment of $2.3 million, or all incentive compensation related to achievement of the Company's financial and strategic goals, which LPI argued is for the benefit of shareholders and provides little, if any, benefit to ratepayers.

3. Settlement

The Parties agreed to reduce AIP compensation by $1.1 million, reflecting approximately 50 percent of LPI's recommended adjustment, for a total test year AIP amount of $1.6 million.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to remove $1.1 million in Annual Incentive Plan Compensation expense from the 2024 test year. (ALJ, all Parties)

Reference to Record

Settlement at 11.
MP Exhibits 21, 22 at 17–27 (Krollman Direct)
LPI Exhibit 1 at 47–49 (LaConte Direct)

Q. Nitrogen Oxide (NOx) Allowances and Reagents in FPE Rider

1. Introduction

Should the Commission approve the requested 2024 test year NOx allowances expense?

2. Party Positions

This issue was originally disputed by the Department, LPI, and Minnesota Power.

Minnesota Power included $9.4 million in NOx Allowances and $6.9 million in Reagent costs in its proposed final rates for the 2024 test year. While Reagent costs were included in the interim test year, no amount was included in interim rates for NOx allowances due to uncertainty regarding the status and scope of U.S. Environmental Protection Agency (EPA) regulations currently stayed by federal courts pending appeal. Minnesota Power requested that these costs ultimately be moved out of base rates and instead be recovered through the FPE Rider, subject to true-up in the FPE Rider.

The Department recommended a reduction of NOx Allowances to approximately $2.9 million, as the proposed test year cost was significantly higher than historical pricing of NOx allowances shown in the Company's Testimony. The Department supported the Company's request to recover NOx allowances through the FPE rider, and Reagent costs (on a two-year trial basis).

LPI recommended denial of the Company's request to recover NOx Allowances and Reagent costs through the FPE Rider. LPI indicated that Minnesota Power had not incurred NOx costs due to a challenge to the Environmental Protection Agency's (EPA) Good Neighbor Rule, which was granted a stay in July 2023. For Reagent costs, LPI argued that the Company attempted to isolate this cost to guarantee recovery, and the incentive to control these costs would be removed.

3. Settlement

The Parties agreed to move $9.5 million in NOx Allowances and $6.9 million in Reagent costs from the Company's final base rate revenue requirement to the existing FPE Rider, beginning with the implementation of final base rates in this case, to reflect Minnesota Power's recommendation. These costs are then subject to the true-up process of the FPE Rider.

4. ALJ Report

The ALJ noted the following in findings:

56. Tenth, the Settlement reflects the Parties' agreement to move $9.5 million in Nitrogen Oxide (or NOx) allowances and $6.9 million in Reagent costs from the Company's final rate base revenue requirement to the existing Rider for Fuel and Purchased Energy Charge (FPE Rider), beginning with the implementation of final base rates in this case. The Settlement further reflects that these costs will be subject to the true-up process of the FPE Rider.

5. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

6. Decision Options

Order Minnesota Power to move $9.5 million in NOx Allowances and $6.9 million in Reagent costs from the final base rate revenue requirement to the existing FPE Rider, beginning with implementation of final base rates in this case. (ALJ, all Parties)

Reference to Record

ALJ Report ¶ 56
Settlement at 11.
MP Exhibits 16, 17 at 28–40 (Pierce Direct)
MP Exhibits 18, 19 at 29–38 (Simmons Direct)
MP Exhibit 9 at 37–38 (Cady Direct)
DOC Exhibit 3 at 3–20 (Golden Direct)
LPI Exhibit 1 at 44–46 (LaConte Direct)

R. Secondary Calculations

1. Introduction

Should the Commission approve the requested 2024 test year Secondary Calculations expense?

2. Party Positions

This issue was originally disputed by the Department and Minnesota Power.

To incorporate the above adjustments into the Company's revenue requirement calculation, certain secondary calculations were made, such as calculating cash working capital, interest synchronization, and changes to internal allocators. The Company allowed these secondary calculations to change, while limiting the net revenue deficiency to $33.9 million.

3. Settlement

The Parties agreed to incorporate the secondary calculations while limiting the overall net revenue deficiency to $33.9 million.

4. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

5. Decision Options

Order Minnesota Power to incorporate the secondary calculations expense into the 2024 test year, while limiting the overall net revenue deficiency to $33.9 million. (ALJ, all Parties)

Reference to Record

Settlement at 12.
MP Exhibits 28, 29 at 18–19, 34 (Turner Direct)
DOC Exhibit 6 at 32–34 (Campbell Direct)

S. Sales Forecast

This item is addressed in the Sales Forecast section (IV) of these briefing papers.

III. COST OF CAPITAL

A. Introduction

The overall cost of capital (rate of return) reflects the relative proportions of capital securities (i.e., financing) comprising the capitalization of the utility, and their respective costs. A utility's overall rate of return is calculated via the following steps: (1) determining the appropriate capital structure (i.e., the relative percentages of equity and debt); (2) determining the cost of each component in the capital structure (i.e., the cost of debt and the cost of equity); and (3) summing the weighted cost of debt and equity to arrive at the overall rate of return.

B. Party Positions

Minnesota Power proposed the following capital structure and cost rates for an overall rate of return of 7.5286 percent.

Table 3: Minnesota Power Proposed Cost of Capital

	Ratio	Cost-Rate	Weighted Cost
Long-Term Debt	47.00%	4.4035%	2.0696%
Common Equity	53.00%	10.3000%	5.4590%
Overall Rate of Return	100%		7.5286%

In Direct Testimony, the Department recommended approval of the Company's proposed capital structure, and cost of debt. Additionally, The Department recommended an ROE of 9.65 percent, resulting in a recommended overall cost of capital of 7.18 percent.

Table 4: Department Proposed Cost of Capital[12]

	Ratio	Cost-Rate	Weighted Cost
Long-Term Debt	47.00%	4.40%	2.07%
Common Equity	53.00%	9.65%	5.11%
Overall Rate of Return	100%		7.18%

In Direct Testimony, LPI recommended long-term debt of 47.50 percent, common equity ratio of 52.50 percent,[13] and an ROE of 9.72 percent,[14] resulting in a recommended overall rate of return on 7.19 percent.

Table 5: LPI Proposed Cost of Capital

	Ratio	Cost-Rate	Weighted Cost
Long-Term Debt	47.50%	4.40%	2.09%
Common Equity	52.50%	9.72%	5.10%
Overall Rate of Return	100%		7.19%

C. Settlement

The Parties agreed to the following overall cost of capital for Minnesota Power:

Table 6: Settlement Proposed Cost of Capital

	Ratio	Cost-Rate	Weighted Cost
Long-Term Debt	47.00%	4.4035%	2.0696%
Common Equity	53.00%	9.7800%	5.1834%
Overall Rate of Return	100%		7.2530%

D. ALJ Report

The ALJ found that the proposed ROE and overall cost of capital to be reasonable and supported by the record. Specifically, the ALJ stated the following in her Findings:

> 51. Fifth, the Settlement's proposed return on equity (ROE) of 9.78 percent and overall cost of capital of 7.2530 percent is reasonable and supported by the record. In Direct Testimony, the Company proposed a capital structure and recommended a long-term and short-term debt, and supported an ROE of 10.30 percent, resulting in a weighted cost of capital of 7.5286 percent. The Department supported the Company's proposed capital structure and cost of debt and recommended an ROE of 9.65 percent, resulting in an overall rate of

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12 Ex. DOC-2 at 114 (Addonizio Direct).

13 Ex. LPI-1 at 3, 39, and 55 (Laconte Direct).

14 *Id*. at 3, 16, 39, and 55.

return of 7.18 percent. LPI recommended a common equity ratio of 52.50 percent and an ROE in the range of 9.22 to 9.72 percent. Overall, the Settlement's proposed ROE, and resulting cost of capital, falls within the range of the Parties' recommendations.

58 C. The Settlement adopts the Company's proposed capital structure and cost of debt, which was supported by the Department. LPI had recommended a lower common equity ratio but agreed to the Company's proposed capital structure for purposes of settlement. The Settlement reflects a lowering of the Company's proposed ROE from 10.30 percent to 9.78 percent.

E. Staff Comments

The Settlement's handling of this issue appears reasonable.

F. Decision Options

Approve the Settlement's proposed capital structure and overall cost of capital. (ALJ, all Parties)

Reference to Record

ALJ Report ¶¶ 51, 58C
Settlement at 3
Ex. MP-10, 11 entire (Taran Direct)
Ex. MP-12, entire (Bulkley Direct)
Ex. DOC-2, entire (Addonizio Direct)
Ex. LPI-1 a5 5-41 (Laconte Direct)

IV. SALES FORECAST

A. Introduction

Minnesota Power's sales forecast is composed of customer counts and energy sales by using econometric models for the Residential, Commercial, Public Authorities, Lighting, and the Miscellaneous Industrial customer classes. For Large Industrial customers, the Company attempted to project sales for individual customers based on a bottoms-up approach for the "Paper and Pulp", "Pipelines" categories, a three-year average for other industrial category, and an average operating rate for the "Mining and Metals" category.

B. Party Positions

In its 2024 test year sales forecast, the Company included sales to Large Power (LP) and Large Light & Power (LLP) customers. The Department recommended that $8.62 million in additional LP and LLP customers revenue be added to the test year, thus reducing the revenue requirement deficiency by an identical amount.

C. Settlement

The Settling Parties agreed to increase 2024 test year sales forecast in order to reduce the test year revenue deficiency by $4.31 million.

D. ALJ Report

The ALJ noted that other disputed financial issues are resolved in a transparent, just, and reasonable manner. These include the use of actual plant balances at the beginning of the test year rather than the Company's projected balance, increasing the test year sales forecast which reduces the test year revenue deficiency and adopting multiple expense and rate base adjustments proposed by the Department, the OAG and LPI.

E. Staff Comments

The Settlement's handling of this issue appears reasonable.

F. Decision Options

Approve an increase of test year revenues by $4,310,000 and reduce deficiency by an identical amount. (ALJ, Settling Parties)

<u>Reference to Record</u>
ALJ Report ¶ 52
Settlement at 4
Ex. MP 13,14 entire (Frederickson Direct)
Ex. MP 9 at 2-6, 10-12, 30-31 (Cady Direct)
Ex. DOC-9 entire (Shah Direct)

V. CLASS COST OF SERVICE STUDY

A. Introduction

The purpose of the Class Cost of Service Study (CCOSS) is to inform class revenue apportionment that allocates the costs of providing service among customer classes. Another key objective of the CCOSS is to develop class cost allocation factors that accurately reflect cost causation. Results from the CCOSS serve as a guide for evaluation and developing the Company's rate structure.

B. Party Positions

The Company's application provided a CCOSS using the minimum system method. The Department recommended that the Commission use both the Company's Minimum System and the Department's Basic Customer Method. The OAG recommended the Peak & Average and Basic Customer methods, with several additional recommended changes for classifying and allocations costs, in setting rates. LPI generally found that the Company's CCOSS was acceptable.

C. Settlement

The Settling Parties agreed that the Commission does not need to make any specific finding regarding the Company, Department, or OAG CCOSS recommendations given the Settling Parties' agreements on revenue apportionment and fixed monthly charges. Parties further agreed that, in MP's next rate case, MP should use a revenue apportionment that moves each customer class closer to cost of service as shown in the Company's proposed CCOSS. The Settlement agreement allows parties to take any position they feel appropriate in future proposals.

D. ALJ Report

The ALJ noted the Settlement proposes to not endorse any single CCOSS. In a number of recent general rate case proceedings, the Commission has considered multiple CCOSSs when setting rates.

E. Staff Comments

The Settlement's handling of this issue appears reasonable.

F. Decision Options

Accept the Settlement not to make specific finding regarding CCOSS. (ALJ, Settling Parties)

<u>Reference to Record</u>
ALJ Report ¶ 50
Settlement at 12-13
Ex. MP 27 at 5-21 (Shimmin Direct)
Ex. DOC-8 entire (Zajicek Direct)
Ex. OAG-1 at 6-50 (Stevenson Direct)
Ex. LPI-2 at 5-11 (Ly Direct)

VI. RATE DESIGN

A. Revenue Apportionment

1. Introduction

Once a revenue requirement is established, rate design calculates what portion will be paid by each customer class.

The relevant provisions guiding the Commission's establishment of utility customer rates are set forth in Minn. Stat. §§ 216B.03 and 216B.07. Minn. Stat. § 216B.03 provides:

> ***Reasonable Rate.*** *Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable. Rates*

shall not be unreasonably preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable, and consistent in application to a class of consumers. To the maximum reasonable extent, the commission shall set rates to encourage energy conservation and renewable energy use and to further the goals of sections 216B.164, 216B.241, and 216C.05. Any doubt as to reasonableness should be resolved in favor of the consumer….

§ 216B.07 provides:

No public utility shall, as to rates or service, make or grant any unreasonable preference or advantage to any person or subject any person to any unreasonable prejudice or disadvantage.

2. Party Positions

Minnesota Power proposed a revenue apportionment resulting in an equal net percentage increase across all rate classes. Based on MP's original proposed revenue requirement, this would have been a 12.0 percent increase for all customer classes, net of riders, and a 17.17 percent increase for all customer classes when only base rates are examined.

The Department and OAG found this apportionment methodology reasonable.

Large Power Intervenors recommended moving all customer classes closer to their Class Cost of Service, limiting the maximum increase for any customer class to 200 percent of the system average and the minimum increase to 50 percent of the system average.

3. Settlement

For the purposes of Settlement, parties agreed on the following revenue allocation:

Table 7: Revenue Allocation

Customer Class	Total Proposed General Rate Increase
Residential	4.86%
General Service	4.86%
Lighting	4.86%
Dual Fuel – Residential	4.86%
Dual Fuel – Commercial/Industrial	4.86%
Large Light & Power	4.36%
Large Power	4.36%

The Settling Parties also agreed that, as part of its next general rate case, MP will propose a revenue apportionment that moves each customer class closer to its cost of service as shown in a CCOSS developed by Minnesota Power in that case. This proposed CCOSS shall not be binding on parties, nor shall it carry a presumption of reasonableness. All parties reserved the right to respond to or oppose that proposal in any manner they choose based on the record and their analyses in that future proceeding.

4. ALJ Report

The ALJ supports the Settlement on this issue.

5. Staff Comments

Staff supports the choice of allocation in this case, which moves rates slightly toward Class Cost of Service. Staff also supports the settlement that Minnesota Power's next rate case should have a rate proposal which moves rates toward consistency with the Class Cost of Service. Staff believes that, though an even increase of rates across all classes is a common outcome of rate cases, it should not be the starting point proposed by the utility unless rates already generally reflect cost causation principles as embodied by the Class Cost of Service Study. If there are significant variations between the CCOSS and existing rates, utilities should propose to move to cost-based rates unless there is good reason to believe that either doing so would be unfair to one or more classes, a position the utility should fully justify in testimony, or that the CCOSS is fundamentally flawed, in which case the utility should provide a better CCOSS.

6. Decision Options

Adopt the revenue apportionment proposed by the Settlement and ALJ, reflecting a 4.86 percent increase for most classes, and a 4.36 percent increase for the Large Lighting and Power and Large Power classes. (ALJ, Settling Parties)

Order MP to file, in its next rate case, a rate apportionment which moves rates closer to cost of service as shown in the Class Cost of Service Study or Studies provided by Minnesota Power in compliance with Commission filing requirements and prior Commission orders. (ALJ, Settling Parties)

<u>Reference to Record</u>
ALJ Report ¶ 48
Settlement at 13-14
MP-30 at 5-6 (Peterson Direct)
DOC- 7 at 8 (Collins Direct)
OAG- 1 at 50-60 (Stevenson Direct)
LPI-2 at 12-27 (Ly Direct)

B. Fixed Monthly Service Charges

1. Introduction

Minnesota Power proposed to maintain current fixed monthly charges for several customer classes.

2. Parties Positions

The Office of the Attorney General supported Minnesota Power's proposal to maintain the current fixed monthly charges for the residential and general service customer classes. The Department of Commerce proposed to increase the monthly service charges for the residential, dual fuel interruptible, and fixed off-peak service classes proportionally to the energy charges.

3. Settlement

Parties agreed that the monthly fixed charges proposed by the Company in its initial filing be adopted.

4. ALJ Report

The ALJ cited the maintenance of fixed monthly charges at current levels in his list of justifications for approval of the settlement.

5. Staff Comments

Staff provides the following table for convenience.

Table 8: Fixed Monthly Charges

Class	Current Charge	Proposed Charge
Residential	$9.00 (General & Space Heating) $15.00 (Seasonal)	$9.00 (General & Space Heating) $15.00 (Seasonal)
Residential Dual Fuel Interruptible	$6.00 (Small Service) $16.00 (Large Service)	$6.00 (Small Service) $16.00 (Large Service)
Residential Fixed Off-Peak	$6.00 (Small Service) $16.00 (Large Service)	$6.00 (Small Service) $16.00 (Large Service)
Residential Electric Vehicle	$4.25	**$6.00**
General Service	$15.00	$15.00
Commercial Electric Vehicle Public Charging Service	$15.00	$15.00
Commercial/Industrial Dual Fuel Interruptible	$6.00 (Small Service) $16.00 (Large Service)	$6.00 (Small Service) $16.00 (Large Service)
Commercial/Industrial Fixed Off-Peak	$6.00 (Small Service) $16.00 (Large Service)	$6.00 (Small Service) $16.00 (Large Service)

Staff notes that the Department's testimony included the minimum Demand Charges shown in Table 9 as "Fixed" monthly Charges. It is unclear from the settlement's language whether it is intended that the increases in these charges be approved as stated or be scaled with the settled increase in rates. The proposed increases in these charges are between 9.5 percent and 10.5 percent, and so are somewhat less than MP's overall original proposed increase, but similar to the settlement base rate increase, inclusive of riders for these classes (9.53 percent). Because the Department did not oppose these increases, and thus they are not opposed, Staff is interpreting the Settlement as NOT including these fixed minimum demand charges as part of the settlement, unless parties and MP clarify otherwise. As such, these charges could potentially be adjusted based on the settlement revenue requirement in the compliance tariffs MP will need to submit with rates calculated based on the Commission-approved revenue requirement.

Table 9: Fixed Minimum Demand Charges

Class	Current Charge	Proposed Charge
Large Light and Power	$1050.00 $525.00 (Schools)	$1150.00 $575.00 (Schools)
Large Power Service	$229,330.00	$253,253.00

6. Decision Options

Adopt the fixed monthly service charges as proposed by Minnesota Power. (ALJ, Settling Parties)

If parties clarify that the fixed minimum demand charges were intended to be included in the settlement:

Adopt the fixed minimum demand charges for the Large Light and Power and Large Power Service classes as proposed by Minnesota Power. (Staff)

Reference to the Record
ALJ Report ¶49
Settlement at 14
MP-5, Schedule J (Tariffs)
MP-30 at 16,24,26 (Peterson Direct)
DOC-7 at 11-14, 19-21, 29-30 (Collins Direct)
OAG-1 at 60-63 (Stevenson Direct)

C. Capacity Revenue and Expense Rider

1. Introduction

Minnesota Power proposed a new Capacity and Revenue Expense Rider (CRE Rider) to align its capacity revenue and expense to the Midcontinent Independent System Operator (MISO) planning year. MP would use the Fuel and Purchased Energy (FPE) Rider statute § 216B.16 subd. 7 and would use a similar, defined regulatory process for filings, forecasts, true-ups, transparency, and regulatory oversight as the existing (FPE Rider). This proposal would allow MP to balance capacity needs between seasons and planning years more effectively.

Currently, capacity revenue is credited to the FPE Rider, but capacity expense is included in base rates. This rider would allow MP to true-up both capacity revenues and expenses.

2. Parties Positions

The Department recommended provisional approval for two years, with an option to combine with the existing FPE Rider at the end of the two years. LPI and the OAG recommended the CRE Rider be denied, and Capacity expenses be included in base rates, at an increase to base rates of $0.62 million.

3. Settlement

Settling parties agreed that the CRE Rider process should be authorized and be implemented at the time of final rates implementation.

4. ALJ Report

The ALJ included this as a number of financial issues resolved in a transparent, just, and reasonable manner.

5. Staff Comments

Staff does not oppose the creation of this rider. The CRE Rider should be maintained as a separate rider for at least a few years to establish a solid true-up process without interfering with the timely processing of the FPE Rider true-up. If the true-up process proves to be uncontroversial, it could be rolled in to the FPE rider in future years.

6. Decision Option

Approve the Capacity Revenue and Expense Rider. (ALJ, Settling Parties)

<u>Reference to the Record</u>
Settlement at 9
MP-16 at 40-47 (Pierce Direct)
MP-9 at 39 (Cady Direct)
DOC-3 at 20-23 (Golden Direct)
OAG-1 at 65-67 (Stevenson Direct)
LPI-1 at 10-12, 27-29 9 (LaConte Direct)

D. Voluntary Renewable Energy Rider

1. Introduction

Minnesota Power proposed a Voluntary Renewable Energy Rider for Large Customers which would allow participating customers to offset a portion of their firm energy requirements through and existing Energy Service Agreement (ESA) with dedicated renewable energy. This renewable energy would be provided from a new, dedicated renewable generating resource. Any Renewable Energy Credits (RECs) earned would be retired on the customer’s behalf.

2. Parties Positions

The Department concluded the VRE Rider was reasonable, noting that any customers taking advantage of this program would require amended ESAs, which would come before the Commission for additional approval, while the OAG recommended the VRE be denied, citing a lack of specificity and a risk that non-participating customers could be harmed. LPI suggested several changes to the terms and conditions of the program, including:

- Allowing assignment of subscription by a customer to another customer in the event the original customer has to terminate its subscription.
- Terms and conditions for termination.
- Allowing the customer to mitigate any conditions causing MP to terminate the program early.

3. Settlement

Parties agreed that the VRE Rider be approved with the modifications proposed by Large Power Intervenors.

4. ALJ Report

The ALJ Report stated that LPI's modifications included the addition of provisions to protect non-participating customers and modifications to include an assignment provision and define the terms and conditions under which the Company may terminate the program.

5. Staff Comments

Staff does not oppose the VRE Rider. However, the Commission may want to direct MP to provide an update on uptake of this program annually, and order MP to work with the Department to develop a framework for this report.

6. Decision Option

Approve the VRE Rider, as recommended by the ALJ. (ALJ, Settling Parties)

Require Minnesota Power to report annually on March 1st to the Commission on adoption of this program, including, but not limited to:

A. Number of Customers
B. Dedicated Renewable Generation locations and fuel types under contract
C. Total contract demand and energy (if applicable)
D. Total delivered demand and energy by month
E. Total CO2 emission reduction attributable to VRE Rider
(Staff)

<u>Reference to the Record</u>

ALJ Report ¶ 54
Settlement at 14
MP-30 at 29-31 (Peterson Direct)
MP-9 at 39 (Cady Direct)
DOC-7 at 27-28 (Collins Direct)
OAG-1 at 77-78 (Stevenson Direct)
LPI-2 at 28-30 (Ly Direct)

E. Consumer Rate Stabilization Mechanism

1. Introduction

Minnesota Power introduced the Consumer Rate Stabilization Mechanism (CSRM) as a means to address and mitigate financial impacts of operational volatility of Large Power customers between rate cases. Minnesota Power would track base rate revenues for the Large Power class, and any variance of greater than 5 percent due to lost Large Power Load would be tracked and credited or billed via a rider to all customers. MP justified this by citing potential value to credit rating, reduced future rate cases, and stabilization to the financial health of the company.

2. Parties' Positions

The Department, OAG, and LPI opposed the Consumer Rate Stabilization Mechanism, for a variety of reasons.

3. Settlement

For the purposes of the Settlement, Settling Parties agree that Minnesota Power will withdraw its request for authorization of the CRSM.

4. ALJ Report

The ALJ Report noted that partes had raised concerns that the structure of the CSRM inappropriately shifted risks and noted that the Company agreed to withdraw the proposal.

5. Staff Comments

Staff has many of the same concerns that intervening parties do about the CSRM as proposed, and notes that the Commission has rejected similar proposals from Minnesota Power in the past under different names.[15]

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[15] E.g. the Large Power Sales True-Up in Docket E-009/GR-21-335, where the Commission stated "The Company has not adequately demonstrated why the Commission should circumvent traditional ratemaking principles to shift business and operations risk from the Company's shareholders, who earn a rate of return as compensation for that risk, to ratepayers." (Order – Findings of Fact, Conclusions and Order, February 28, 2023)

6. Decision Option

Approve the withdrawal of the Consumer Rate Stabilization Mechanism. (ALJ, Settling Parties)

References to the Record
ALJ Report ¶ 53
Settlement at 12
MP-16 at 23-27 (Pierce Direct)
MP-13 at 106-111 (Frederickson Direct)
MP-12 at 55-57 (Bulkley Direct)
MP-9 at 30-31 (Cady Direct)
DOC-4 at 11-17 (Bahn Direct)
OAG-1 at 66-77 (Stevenson Direct)
LPI-1 at 9-12,27-29 (LaConte Direct)

VII. NON-CONTESTED ISSUES

A. Tariff Revisions

1. Introduction

Minnesota Power proposed several other tariff revisions which were uncontested. These include:

- Clarifying language in the Determination of Billing Demand section of certain tariffs
- Converting the Commercial EV Charging Service from Pilot to Permanent
- Splitting EV Charging into Fleet and Public EV charging tariffs, with Fleet EVs receiving the General Service Demand rates
- Allowing certain Air Source Heat pump customers to be exempt from interruption on interruptible rates from June to September, and pay General Service rates during that period
- Changes to the lighting service rates to reflect updates to lighting technology
- Removing outdated fees and forms
- Removing outdated language
- Minor wording changes, to improve flexibility and clarity across various tariff sheets.

2. Parties Positions

The Department reviewed these changes and did not oppose any of them.

3. Settlement

The Settling Parties agreed that, unless discussed separately in the Settlement, Minnesota Power's proposed tariff modifications as contained in the Company's Initial Filing should be approved, consistent with the other terms of the Settlement Agreement.

4. ALJ Report

The ALJ stated that the Settlement resolves the miscellaneous tariff modifications which were not disputed.

5. Staff Comments

The Settlement's handling of this issue appears to be reasonable.

6. Decision Option

Adopt the proposed miscellaneous changes to the tariffs and riders. (ALJ, Settling Parties)

Reference to the Record
ALJ Report ¶ 57
Settlement at 15
MP-30 at 11-13, 16-23, 25-27, 32-35 (Peterson Direct)
MP-28 at 35-36 (Turner Direct)
MP-29 at 35-36 (Turner Direct – not-Public)
MP-4, 5 at Volume 3, Direct Schedule J-2 and J-3 (Final Rate Tariff Sheets – Redline and Clean)
DOC-7 at 8-29 (Collins Direct)

B. Other Commitments

1. Introduction

In the Settlement, Minnesota Power agreed to work with interested parties on two issues not previously discussed related to rate design for large customers.

2. Parties Positions

In testimony, LPI expressed concern with rates for Large Power and Large Lighting and Power customers, relating to rate subsidization and cost allocation.

3. Settlement

In the Settlement, Minnesota Power made commitments to work with interested parties to address concerns on two issues.

a. Off Peak Demand Charges for LL&P Time of Use Rider

Minnesota Power will discuss and work to address any concerns of interested customers related to the off-peak demand charge in the LL&P Time of Use Rider.

b. Rate Mitigation for LP and LL&P

Minnesota Power will initiate conversations with interested stakeholders about opportunities related to the off-peak demand charge in the LL&P TOU Rider.

4. ALJ Report

The AJ Report noted these commitments by Minnesota Power to the Large customer classes.

5. Staff Comments

Staff supports Minnesota Power working with its customers to optimize its customers' understanding of and decision-making around their tariff options. Further, if MP and its large customers can work together to propose improvements to its LL&P Time of Use Rider in MP's next rate case, without resulting in cross-subsidization of between customer classes or transfer of costs that is not justified by cost causation principles from those included in the conversation to those unable to participate, Staff welcomes this kind of proactive conversation between the utility and its customers.

6. Decision Option

Order Minnesota Power to work with interested customers to address concerns related to the off-peak demand charge in the LL&P Time-of-Use Rider. (ALJ, Settling Parties)

Order Minnesota Power to initiate conversations with interested stakeholders about opportunities related to the off-peak demand charge in the LL&P Time-of-Use Rider. (ALJ, Settling Parties)

Reference to the Record
ALJ Report ¶ 44
Settlement at 15

VIII. Compliance Items

To address procedural items generally approved at the conclusion of rate cases, Staff has included decision options 9001-9006 for the Commission to consider.

DECISION OPTIONS

I. General Options

1. Accept and approve the Settlement concerning the Application of Minnesota Power for the Authority to increase rates for electric service in the State of Minnesota pursuant to Minn Stat. §216B.16, subd. 1.

If the Commission chooses to adopt the Settlement Agreement in its entirety, with no modifications, it can select Decision Option 1, and then proceed directly to general housekeeping and compliance issues beginning with Decision Option 9001.

2. Modify the Settlement under Minn Stat. §216B.16, subd. 1a(b) and order parties to file a response within 10 days either accepting or rejecting the Commission's modifications to the Settlement.

3. Reject the Settlement and return the case to the Office of Administrative Hearing for a Contested Case Hearing under Minn Stat. §216B.16, subd. 1a(b).

II. Financial Issues

Revenue Deficiency

4. (II.A)Order Minnesota Power to decrease net revenue deficiency by $55.2 million, for a total 2024 test year net revenue deficiency of $34.0 million (ALJ, all Parties).

Other Operating Revenues

5. (II.B)Order Minnesota Power to increase Other Operating Revenues by $5.2 million, for a total 2024 test year forecasted amount of $64.1 million (ALJ, all Parties).

Executive Compensation

6. (II.C)Order Minnesota Power to remove $1.1 million in Executive Compensation from the 2024 test year, for a total compensation amount of $1.5 million. (ALJ, all Parties)

Employee Compensation Budget

7. (II.D)Order Minnesota Power to remove $3.0 million in Employee Compensation expense from the 2024 test year. (ALJ, all Parties)

Short-Term Incentive Plan

8. (II.E)Order Minnesota Power to remove $0.2 million in Short-Term Incentive Plan expense

from the 2024 test year. (ALJ, all Parties)

Property Tax Expense

9. (II.F)Order Minnesota Power to remove $3.3 million in Property Tax expense from the 2024 test year. (ALJ, all Parties)

Years of Service Awards

10. (II.G)Order Minnesota Power to remove $0.03 million in Years of Service Awards expense from the 2024 test year. (ALJ, all Parties)

Board of Directors Expenses

11. (II.H)Order Minnesota Power to remove $0.7 million in Board of Directors expenses from the 2024 test year. (ALJ, all Parties)

Employee Expenses

12. (II.I)Order Minnesota Power to remove $0.2 million in Employee Expenses from the 2024 test year. (ALJ, all Parties)

Rate Case Expenses

13. (II.J)Order Minnesota Power to remove $0.5 million in Rate Case expenses from the 2024 test year. (ALJ, all Parties)

Pension Expense

14. (II.K)Order Minnesota Power to remove $0.3 million in Pension expense from the 2024 test year. (ALJ, all Parties)

Organizational Dues

15. (II.L)Order Minnesota Power to remove $0.1 million in Organizational Dues expense from the 2024 test year. (ALJ, all Parties)

Prepaid Pension Asset

16. (II.M) Order Minnesota Power to remove $6.0 million in Prepaid Pension Asset expense from the 2024 test year consistent with the Settlement Agreement and defer a final decision that will be subject to the final outcome of Minnesota Power's appeal of the 2021 rate case. (ALJ, all Parties)

17. (II.M) Order Minnesota Power to include $6.0 million in Prepaid Pension Asset expense from the 2024 test year, consistent with the Settlement Agreement contingency for reversal or modification of the Commission's 2021 Rate Case order with regard to the prepaid pension asset. (ALJ, all Parties alternative)

Taconite Harbor Energy Center (THEC)

18. (II.N)Order Minnesota Power to remove $6.4 million in rate base, and $0.7 million in the revenue requirement for Taconite Harbor Energy Center for the 2024 test year. (ALJ, all Parties)

Plant In-Service Balances

19. (II.O)Order Minnesota Power to reduce the rate base and associated depreciation and amortization expenses by $22.4 million resulting in a $3.5 million in revenue requirement reduction. (ALJ, all Parties)

Annual Incentive Plan Compensation

20. (II.P) Order Minnesota Power to remove $1.1 million in Annual Incentive Plan Compensation expense from the 2024 test year. (ALJ, all Parties)

Nitrogen Oxide (NOx) Allowances and Reagents in FPE Rider

21. (II.Q)Order Minnesota Power to move $9.5 million in NOx Allowances and $6.9 million in Reagent costs from the final base rate revenue requirement to the existing FPE Rider, beginning with implementation of final base rates in this case. (ALJ, all Parties)

Secondary Calculations

22. (II.R) Order Minnesota Power to incorporate the secondary calculations expense into the 2024 test year, while limiting the overall net revenue deficiency to $33.9 million. (ALJ, all Parties)

III. Cost of Capital

23. (III)Approve the Settlement's proposed capital structure and overall cost of capital. (ALJ, all Parties)

IV. Sales Forecast

24. (IV)Approve an increase of test year revenues by $4,310,000 and reduce deficiency by an

identical amount. (ALJ, all Parties)

V. Class Cost of Service

25. (V)Accept the Settlement concerning CCOSS. (ALJ, all Parties)

VI. Rate Design

Revenue Apportionment

26. (VI.A)Adopt the revenue apportionment proposed by the Settlement and ALJ, reflecting a 4.86 percent increase for most classes, and a 4.36 percent increase for the Large Lighting and Power and Large Power classes. (All parties)

27. (VI.A)Order MP to file, in its next rate case, a rate apportionment which moves rates closer to cost of service as shown in the Class Cost of Service Study or Studies provided by Minnesota Power in compliance with Commission filing requirements and prior Commission orders. (All Parties)

Fixed Monthly Service Charges

28. (VI.B)Adopt the fixed monthly service charges as proposed by Minnesota Power. (All Parties)

If parties clarify that the fixed minimum demand charges were intended to be included in the settlement:

29. (VI.B)Adopt the fixed minimum demand charges for the Large Light and Power and Large Power Service classes as proposed by Minnesota Power. (Staff)

Capacity Revenue and Expense Rider

30. (VI.C)Approve the Capacity Revenue and Expense Rider. (Settlement, ALJ)

Voluntary Renewable Energy (VRE) Rider

31. (VI.D)Approve the VRE Rider. (Settlement, ALJ)
32. (VI.D)Require Minnesota Power to report annually on March 1st to the Commission on adoption of this program, including, but not limited to: (Staff)
    A. Number of Customers
    B. Dedicated Renewable Generation locations and fuel types under contract
    C. Total contract demand and energy (if applicable)
    D. Total delivered demand and energy by month
    E. Total CO_2 emission reduction attributable to VRE Rider

<u>Consumer Rate Stabilization Mechanism</u>

33. (VI.E)Accept the withdrawal of the Consumer Rate Stabilization Mechanism. (Settlement, ALJ)

VII. Non-Contested Issues

34. (VII.A)Adopt the miscellaneous changes to the tariffs and riders proposed in the Settlement. (ALJ and Settlement)

35. (VII.B)Order Minnesota Power to work with interested customers to address concerns related to the off-peak demand charge in the LL&P Time-of-Use Rider

36. (VII.B)Order Minnesota Power to initiate conversations with interested stakeholders about opportunities related to the off-peak demand charge in the LL&P Time-of-Use Rider.

VIII. Compliance Items

9001. Approve the following financial schedules as attached to the Settlement:
    A. Summary of Revenue Requirements
    B. Rate Base Summary and Adjustments
    C. Operating Income Statement Summary
    D. Summary of Revenue Apportionment

OR, if the Commission modifies the Settlement, consider Decision Option 9002:

9002. If changes to any of the Settlement's financial schedules are necessary to reflect the Commission's decision, require Minnesota Power to make a compliance filing within 30 days of the order in this docket that provides, if applicable, revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:
    i. Breakdown of Total Operating Revenues by type;
    ii. Schedules showing all billing determinants for the retail sales (and sale for resale) of electricity. These schedules shall include but not be limited to:
        1. Total revenue by customer class;
        2. Total number of customers, the customer charge and total customer charge revenue by customer class; and
        3. For each customer class, the total number of energy and demand related billing units, the per unit of energy and demand cost of electricity, and the energy and demand related sales revenues.

9003. Require Minnesota Power to file, within 30 days of the order:

a. Revised tariff sheets incorporating authorized rate design decisions;
b. Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing.
c. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.
d. If final authorized rates are lower than interim rates, a proposal to make refunds of interim rates, including interest to affected customers.
e. Direct Minnesota Power to file a computation of the Conservation Cost Recovery Clause (CCRC) based upon the decisions made herein for inclusion in the final Order.
f. Direct Minnesota Power to file a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.

9004. Require that any comments on compliance filings be filed within 30 days of the compliance filing. Delegate authority to the Executive Secretary to approve the compliance filings and to modify any comment deadline.

9005. Where not otherwise specified within the Commission Order, adopt the Findings of Fact, Conclusions of Law, and Recommendations of the Administrative Law Judge of September August 15, 2024.

9006. Modify the ALJ Report to reflect the Commission's findings.