



February 26, 2021

VIA E-FILING

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: In the Matter of Minnesota Power's Compliance Report on
Rate Design for Large Light and Power Customers
Docket No. E-015/M-21-60

In the Matter of Minnesota Power's Compliance Report on
Rate Design for Large Power Customers
Docket No. E-015/M-21-61


Minnesota Power's Reply Comments

Dear Mr. Seuffert:

Pursuant to the Minnesota Public Utilities Commission's ("Commission") January 25, 2021, *Notices of Comment Period* in the above dockets, Minnesota Power respectfully submits its Reply Comments addressing Initial Comments of the Minnesota Department of Commerce, Division of Energy Resources ("Department") and the Large Power Intervenors ("LPI")

Please contact me at 218-349-1233 or mpodratz@mnpower.com with any questions related to this matter.

Sincerely,



Marcia A. Podratz
Regulatory Compliance Principal

MAP:th
Attachment

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of Minnesota Power’s
Compliance Report on Rate Design for Large
Light and Power Customers

Docket No. E-015/M-21-60

In the Matter of Minnesota Power’s
Compliance Report on Rate Design for Large
Power Customers

Docket No. E-015/M-21-61
**MINNESOTA POWER’S
REPLY COMMENTS**

I. INTRODUCTION AND BACKGROUND

On June 30, 2020, the Minnesota Public Utilities Commission (“Commission”) issued its Initial Order Approving Petition and Resolving Rate Case with Conditions (the “Order”) in Minnesota Power’s (or the “Company”) 2019 Rate Case.¹ In its Order the Commission required Minnesota Power to work with its Large Light & Power (“LLP”) and Large Power (“LP”) customers on rate design alternatives and file reports on those discussions within six months. On December 22, 2020 Minnesota Power filed compliance reports on its discussions with its LLP and LP customers.

On January 25, 2021 the Commission issued separate notices of comment period in Docket No. E-015/M-21-60 for the LLP compliance report and Docket No. E-015/M-21-61 for the LP compliance report. The notices both sought stakeholder feedback on the following two questions: (1) “Should the Commission accept Minnesota Power’s compliance filing[s]?” and (2) “Are there any actions the Commission should take in response to the compliance filing[s]?” Deadlines were February 15, 2021 for initial comments and March 1, 2021 for reply comments.

Initial comments were submitted by the Minnesota Department of Commerce, Division of Energy Resources (“Department”) and the Large Power Intervenors (“LPI”).

¹ Docket No. E-015/GR-19-442, *In the Matter of the Application of Minnesota Power for Authority to Increase Electric Service Rates in Minnesota*.

II. INITIAL COMMENTS

The Department recommended acceptance of MP's compliance reports and no further action, stating, "Given the proposed demand response filing, and that MP has stated it intends to file a general rate case later in 2021, MP will have the opportunity to address [LP/LL&P] customer feedback with proposed revisions or new offerings at the time of its rate case."²

LPI recommended that the Commission accept Minnesota Power's reports but also requested that the Commission require Minnesota Power to take definitive steps in its next rate case filing to ensure LLP and LP customers' rates comply with Minn. Stat. § 216C.05, subd. 2(4),³ which makes it "the energy policy of the state of Minnesota that: ... retail electricity rates for each customer class be at least five percent below the national average."⁴ LPI requested "that the Commission formally direct Minnesota Power to pursue specific rate-mitigation measures to address the increasingly uncompetitive electric rates for its industrial customers."⁵ LPI also referenced rate estimates in MP's 2019 Transmission Cost Recovery Rider petition and 2021-2035 Integrated Resource Plan and calculated 14 to 17 percent rate increases for LLP and LP over two years.⁶ Along with the various LP and LLP rate citations, LPI said, "While LP rates appear marginally below the national average, LLP rates were already in excess of the national average in 2019, and both customer groups appear to be in line for significant rate increases moving forward."⁷

III. MINNESOTA POWER'S REPLY COMMENTS

Minnesota Power recognizes that competitive electric rates are important to the viability of its large industrial customers. In turn, this enables them to continue their significant contributions to the regional economy and support for reasonable rates for all Minnesota

² Department's February 12, 2021 Comments, Section II, paragraph 3 in Docket No. E-015/M-21-60 and Section II, paragraph 4 in Docket No. E-015/M-21-61.

³ LPI's February 15, 2021 Comment at 6.

⁴ *Ibid.* at 4.

⁵ *Ibid.*

⁶ *Ibid.* at 4-5.

⁷ *Ibid.* at 4.

Power customers. Minnesota Power constantly strives to achieve and maintain competitive rates for LP and LLP customers. Strong industrial customers benefit Minnesota Power's system, local municipalities, residents, spin-off commercial businesses, and the entire region.

One current component of competitive rates is the Large Power Rider for Energy-Intensive Trade-Exposed (EITE) Customers ("EITE Rider"). In its 2019 Rate Case, Minnesota Power proposed cancelling the EITE Rider concurrent with implementation of final rates and no longer offering a separate discount. Instead, the Company targeted designing its LP base rates to be closer to the LP class cost of service.⁸ Minnesota Power still believes that this is the appropriate path forward in its next rate case.⁹

Minnesota Power commits to working with LPI and all stakeholders to assure competitive rates as the Company complies with Minnesota policy objectives and Commission directives. However, Minnesota Power does not support LPI's suggestion for the Commission to require the Company to pursue specific rate mitigation measures in advance of the rate case filing. This is more appropriately determined as part of the rate case process, where it can be balanced with other factors and impacts on the Company and all customers holistically. LPI's suggestion would inappropriately single out one class for predetermination of rate design before the rate case is even filed.

Minnesota Power also notes that any comparison of its industrial rates to the national average should be for the same year, rather than comparing a backward-looking 2019 rate average from the U.S. Energy Information Administration to forward-looking 2021 rate projections for Minnesota Power.

⁸ MPUC Docket No. E-015/GR-19-442, November 2, 2019 initial filing, Podratz Direct Testimony at 103.

⁹ In its January 19, 2021 ORDER APPROVING RIDER EXTENSION WITH CONDITIONS, in *In the Matter of Minnesota Power's Revised Petition for a Competitive Rate for Energy-Intensive Trade-Exposed (EITE) Customers and an EITE Cost Recovery Rider*, Docket No. E-015/M-16-564, the Commission granted Minnesota Power's August 31, 2020 petition to extend the EITE Rider from February 1, 2021, until final rates are implemented in the Company's next rate case, expected to be filed no later than November 1, 2021.

IV. CONCLUSION

Minnesota Power appreciates the time spent by the Department and LPI in reviewing and providing feedback on its rate design alternatives reports. While the Company acknowledges how critical competitive electric rates are to its largest industrial customers, Minnesota Power agrees with the Department that its rate case later this year is the appropriate venue to incorporate suggestions from customers. The Company will consider all comments in this docket in its planning for the rate case. Minnesota Power looks forward to continuing its ongoing work with LP and LLP customers, the Department, and other stakeholders to design rate and product offerings for potential inclusion in the upcoming rate case.

Dated: February 26, 2021

Sincerely,



Marcia A. Podratz

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STATE OF MINNESOTA)
) ss
COUNTY OF ST. LOUIS)

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 26th day of February, 2021, she served Minnesota Power's Reply Comments in **Docket Nos. E-015/M-21-60** and **E-015/M-21-61** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The persons on E-Docket's Official Service List for this Docket were served as requested.



Tiana Heger