



June 10, 2020

**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 the Inquiry into the Financial Effects of COVID-19 on Natural Gas and Electric Utilities  
**Docket No. E,G999/CI-20-425**

In the Matter of the Petition of the Minnesota Rate Regulated Electric and Gas Utilities for Authorization to Track Expenses Resulting From the Effects of COVID-19 and Record and Defer Such Expenses into a Regulatory Asset  
**Docket No. E,G999/M-20-427**

Dear Mr. Seuffert:

Minnesota Power respectfully submits its Comments in response to the Notice of Comment Period filed on May 20, 2020, in the above-referenced Dockets.

Please contact me at (218) 355-3455 or [hcreurer@allete.com](mailto:hcreurer@allete.com) if you have any questions regarding this filing.

Yours truly,



Hillary A. Creurer  
*Regulatory Compliance Administrator*

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Attach.

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

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In the Matter of the Inquiry into the Financial Effects of  
COVID-19 on Natural Gas and Electric Utilities

Docket No. E,G999/CI-20-425

In the Matter of the Petition of the Minnesota Rate Regulated  
Electric and Gas Utilities for Authorization to Track Expenses  
Resulting From the Effects of COVID-19 and Record and  
Defer Such Expenses into a Regulatory Asset

Docket No. E,G999/M-20-427

**MINNESOTA POWER'S  
COMMENTS**

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**I. INTRODUCTION**

Minnesota Power (or the “Company”) respectfully submits these Comments concurrently with the Minnesota rate-regulated natural gas and electric utilities (the “Joint Petitioners”)<sup>1</sup> filing in response to the Notice of Comment Period (“Notice”) issued by the Minnesota Public Utilities Commission (“Commission”) on May 20, 2020. The Notice requested all Minnesota rate-regulated electric and gas utilities provide an initial filing which includes an explanation of their proposed accounting methodology for tracking costs and revenues or grants incurred or received as a result of the COVID-19 pandemic as well as any known and estimated costs and revenues, clearly identified within specific categories.

**II. BACKGROUND**

As operators of a Critical Sector business, the Joint Petitioners filed a petition with the Commission on April 20, 2020, requesting authority to track, and defer COVID-19 related expenses as a regulatory asset for possible future recovery.

On May 22, 2020, the Commission issued an Order which granted the Joint Petitioners’ request. Order Point 5 states:

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<sup>1</sup> The Joint Petitioners consist of the regulated electric and natural gas service providers in Minnesota, alphabetically: CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, Dakota Electric Association, Great Plains Natural Gas Co., Greater Minnesota Gas, Inc., Minnesota Energy Resources Corporation, Minnesota Power, Northern States Power Company d/b/a Xcel Energy and Otter Tail Power

*“The Joint Petitioners’ April 20, 2020 Petition is granted with the caveat that the grant is for accounting purposes only. Further, the utilities must track cost and revenues or grants incurred or received as a result of the COVID-19 pandemic. They must make an initial filing of their accounting methodology and known and estimated costs and revenues within the specific categories in 21 days, and quarterly thereafter. The utilities still bear the burden to establish significance, reasonableness, prudence, and the incremental nature of the costs.*”

### **III. ACCOUNTING METHODOLOGY AND COST CATEGORIES**

Minnesota Power appreciates the deferred accounting treatment the Commission authorized in its May 22, 2020 Order. Such deferred accounting provides Minnesota Power and other Joint Petitioners with the ability to create regulatory assets for these unforeseen and potentially material costs. As we continue to face unique times with much uncertainty, the Commission’s action for deferred accounting will support Minnesota Power’s financial strength during and after the pandemic.

Minnesota Power supports and intends to analyze expenditures or other financial impacts consistent with the General Approach outlined in the Joint Petitioner comments filed on June 10, 2020. Provided below is the baseline the Company intends to use in each of the overall categories included in the Proposed Framework of the Joint Petitioners’ comments.

- Uncollectible account expenses
  - Review actual uncollectible account expenses incurred during the pandemic compared to the test year filed in the Company’s 2019 general rate case<sup>2</sup>.
- Other operating expense impacts
  - Identify specific incremental operating costs that are incurred directly as a result of the pandemic which will be tracked via individual work order charges or accounting entries.

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<sup>2</sup> The test year provided in the 2019 general rate case is most representative of current costs due to steps taken after the 2016 general rate case to reduce expenses.

- Review cost savings resulting from work flow and other changes realized during the pandemic as compared to the test year filed in the Company's 2019 general rate case.
- Revenue impacts
  - Review reports from the Company's customer billing system that capture the amount of customer reconnection and late payment fees that have been waived.
  - Compare net customer load during the pandemic to the Company's Fuel Adjustment Clause forecast for 2020.
  - Track and compare other potential revenue impacts incurred during the pandemic to the Company's 2019 rate review.
- Other/Miscellaneous
  - Any incremental changes in other miscellaneous items will be compared to the test year filed in the Company's 2019 general rate case

Attachment A included in the Joint Petitioners' June 10, 2020 Comments provides a preliminary list of cost categories identified for tracking. This list is preliminary as it is still too early in the pandemic response to provide a comprehensive list of all potential costs or other financial impacts directly related to the COVID-19 pandemic or to provide any significant information regarding known or estimated cost or revenue impacts to date.

One item to note for Minnesota Power, as discussed in detail during the May 7, 2020 agenda hearing, is revenue impacts from loss of industrial customers<sup>3</sup>. As with other operating and system attributes, the Company's large industrial customers are unique compared to other Minnesota utilities and may necessitate additional deferred accounting categories and tracking.

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<sup>3</sup> The following customers have announced either a partial or indefinite idling: Minntac, Keetac, Hibbing Taconite, Northshore Mining Company, Blandin and Sappi. As of June 9, 2020, Verso announced the indefinite idling of its Duluth mill.

## **IV. OTHER ACTIONS TO MITIGATE COST**

### **Rate Case Resolution**

On June 4, 2020, the Commission verbally approved Minnesota Power's petition to recover energy and capacity asset-based wholesale margin credits through the Fuel Adjustment Clause rather than base rates<sup>4</sup>. Minnesota Power submitted the Petition as a proactive measure to achieve resolution of its 2019 general rate case and provide relief to our customers through a refund of all interim rates.

### **Redeployed Labor**

On March 16, 2020, Minnesota Power suspended all disconnections for residential and small business (general service) customers facing financial hardship in relation to the COVID-19 pandemic. As a result, all Minnesota Power field credit & collections employees were redeployed to assist with meter installations as part of the Company's advanced metering infrastructure project.

### **Customer Affordability of Residential Electricity**

Minnesota Power has offered a Customer Affordability of Residential Electricity ("CARE Program" or "CARE") discount program to its residential customers since November 1, 2011. The CARE Program provides a discount to income-eligible customers and includes an arrearage forgiveness component. Over the last couple of years Minnesota Power has worked through a very robust and collaborative stakeholder process to identify program improvements and ways to best enhance public outreach. These enhancements were implemented on January 1, 2020. Minnesota Power believes that one factor in a currently lower number of residential customers with late payments and arrears balances is the enhancements of the CARE Program.

## **V. CONCLUSION**

Minnesota Power appreciates the Commission's steps to address the important issues of accounting treatment during these unprecedented times. By authorizing deferred

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<sup>4</sup> In the Matter of the Emergency Petition of Minnesota Power for Approval to Move Asset-Based Wholesale Sales Credits to the Fuel Adjustment Clause and Resolve Rate Case, Docket No. E015/M-20-429.

accounting, the Order provides Minnesota Power the ability to maintain its financial strength while continuing to provide safe and reliable service our customers count on.

Dated: June 10, 2020

Respectfully Submitted,

A handwritten signature in black ink that reads "Hillary A. Creurer". The signature is written in a cursive style with a large initial "H".

Hillary A. Creurer  
*Regulatory Compliance Administrator*  
*Minnesota Power*  
*30 W. Superior Street*  
*Duluth, MN 55802*  
*(218) 355-3455*  
*hcreurer@allete.com*

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

AFFIDAVIT OF SERVICE VIA  
ELECTRONIC FILING

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Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 10<sup>th</sup> day of June, 2020, she served Minnesota Power's Comments in **Docket No. E,G999/CI-20-425** and **E,G999/M-20-427** 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.



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Tiana Heger