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March 2, 2021

**In the Matter of the Petition for Approval of
Changes to Minnesota Power’s Residential Rate
Design**

Docket No. E015/M-20-850

**In the Matter of Minnesota Power’s Compliance
Report for its Temporary Rider for Residential
Time-of-Day Rate for Participants of the Smart
Grid Advanced Metering Infrastructure Pilot
Project**

Docket No. E015/M-12-233

REPLY COMMENTS OF FRESH ENERGY

Fresh Energy respectfully submits these reply comments in response to the Commission’s January 29, 2020 [Notice of Extended Comment Period](#) regarding Minnesota Power (“MP” or “the Company”)’s proposal to transition residential customers from the current inverted block rate (IBR) structure to a default time of day (TOD) rate structure.

Time of Day Rate Design

Fresh Energy appreciates the Comments of the Office of Attorney General, Residential Utilities Division (“OAG”), Department of Commerce (“Department”) and Energy CENTS Coalition (“ECC”). We agree with ECC that the current IBR has significant energy conservation and equity benefits, and that the 30% discount for low-income customers included in MP’s proposed rate transition is a critical customer protection feature. ECC points out that the first phase of the discount would apply to the first 600kWh for all low-usage customers.¹ Fresh Energy supports this phased approach as it will help ease the transition from IBR to TOU rates for all low-usage customers and allow low-income customers more time to self-declare. ECC rightly points out that it may be “challenging to ensure that all low-income customers

¹ Energy CENTS Coalition, [Initial Comments](#), February 16, 2021, Docket No. E015/M-20-850, p. 2

continue to receive the discount”² and that aggressive outreach efforts combined with a self-declaration process are essential to maximizing access to this discount for low-income customers. Fresh Energy strongly agrees that these components of MP’s plan are well-designed and essential to a transition away from IBR. We continue to recommend that Minnesota Power’s low-income discount and outreach proposals be included in any TOD rate design approved by the Commission.

Second, Fresh Energy concurs with the OAG’s Comments that MP’s proposed TOD rate has a concerningly low peak-to-super-off-peak ratio, which makes the rate unlikely to yield significant peak demand reductions.³ A higher peak-to-super-off-peak ratio has been Fresh Energy’s main rate design priority throughout this proceeding, and one we raised consistently throughout the stakeholder process.⁴

Fresh Energy supports the OAG’s alternative rate design, which has several advantages over the rate design MP has proposed.

- The OAG’s alternative would result in significantly larger peak demand reductions through use of a higher peak-to-super-off-peak ratio. OAG’s alternative doubles the amount per kWh customers would save through shifting usage to off-peak or super-off-peak periods, in accordance with national best practice for encouraging behavior change. As discussed in our Initial Comments, the goal of TOD rates is to shift usage and reduce peak demand. This has broad system benefits and reduces costs long term. A higher ratio is essential for encouraging behavior change and thus is essential to a successful TOD rate design.
- The OAG’s alternative includes lower fixed customer charges, \$6 per month versus \$8 for standard customers and \$5 versus \$8 for low-income discount customers. Fresh Energy has consistently advocated for lower fixed charges across Minnesota utilities. As the OAG notes, fixed charges disproportionately impact low-energy-usage customers, who are more likely to be low-income or people of color. Fixed charges also discourage energy conservation and renewable energy adoption by reducing the bill percentage customers can influence.

OAG’s Alternative appears sound and reasonable. The rate would recover the same amount of revenue as MP’s proposal and is calculated using MP’s data.⁵ Additionally, the peak and super-

² *Ibid.*

³ Office of Attorney General, Residential Utilities Division, [Initial Comments](#), February 16, 2021, Docket No. E015/M-20-850, pp 4-7.

⁴ Minnesota Power, *Petition for Approval of Changes to Minnesota Power’s Residential Rate Design*, [Appendix D](#), December 1, 2020, Docket No. E015/M-20-850, p 17: “In the final meeting of Phase 3, Minnesota Power said it was considering both “Option 2” from Phase 1, with a 2:1 on-peak to super off-peak ratio, and the new Phase 3 option with a 4:1 ratio. One stakeholder said they preferred the latter option for its higher differential.”

⁵ OAG, [Initial Comments](#), p 7.

off-peak rates (and the differential between them) that OAG proposes are in the same range as those being used in Xcel Energy's Residential TOU pilot,⁶ which indicates that these rates are not at all out of line with other Minnesota utilities.

Transition Process

Fresh Energy continues to support an acceleration of the transition from IBR to a default TOD rate, which the Commission has previously stated as a priority in this proceeding.⁷ We appreciate the need for careful planning of phases, the importance of communication with impacted customers, and the value of evaluation to ensure reasonable and positive outcomes for customer bills and usage patterns. We believe our timing proposal preserves these aims while allowing for the TOD rate to take effect more quickly. Fresh Energy agrees with the Department that annual reporting on "the status of the transition to flat rates, [MP's] outreach efforts, and an analysis of customer bill impacts" is reasonable and may help to ensure a smooth transition process while identifying if any adjustments are necessary.

Conclusion and Recommendations

Thank you for your consideration of Fresh Energy's comments. We respectfully recommend that the Commission:

- Reject Minnesota Power's proposed Time of Day rate design;
- Adopt the OAG's alternative rate design;
- Direct Minnesota Power to begin Phase One of the TOD transition at the same time as Phase One of the IBR to flat rate transition;
- Direct Minnesota Power to combine Phases Two and Three of the TOD transition, and begin the combined Phase Two at the same time as Phase Two of the IBR to flat rate transition.

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⁶ The price differential between peak and deep off-peak usage in Xcel's pilot is 16.5-19.8 ¢/kWh. Under MP's proposal, the differential (for standard customers) would be 7.3 ¢/kWh, while the OAG's alternative has a differential of 16 ¢/kWh.

⁷ Minnesota Public Utilities Commission, [Order Accepting Compliance Report as Complete and Modifying Requirements for 2020 Annual Compliance Report](#), August 16, 2019, Docket No. E-015/M-12-233, p. 5