



AN ALLETE COMPANY

Jennifer J. Peterson
Manager – Regulatory Affairs
(218) 355-3202
jjpeterson@mnpower.com

June 28, 2019

VIA ELECTRONIC FILING

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

RE: Minnesota Power’s Industrial Demand Response Product
Docket No. E-015/M-18-735
Docket No. E-015/GR-16-664
Docket No. E-015/AI-17-568

Dear Mr. Wolf:

Enclosed please find Minnesota Power’s Supplemental Comments in the above referenced Industrial Demand Response Docket. Feel free to contact me with any questions related to this matter.

Respectfully,

A handwritten signature in black ink that reads "Jennifer J. Peterson".

Jennifer J. Peterson
Manager – Regulatory Affairs

JJP:sr
Attach.
c: Official Service List

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

In the Matter of the Petition for Approval of Minnesota
Power’s Industrial Demand Response Product

Docket No. E015/M-18-735

**MINNESOTA POWER
SUPPLEMENTAL COMMENTS**

I. INTRODUCTION

Both prior to and since submitting its initial petition for approval of a proposed Demand Response (“DR”) product for its largest industrial customers in late 2018, Minnesota Power (or, “the Company”) has engaged customers and interested parties and made adjustments to the proposed product based on stakeholder feedback. Minnesota Power is requesting approval of a product that would represent the first DR program in the state of Minnesota to include an economic curtailment option, and is a foundational product for a future grid that is more dynamic and utilizes customer resources to maintain overall reliability and affordability. The Company’s proposed DR product will leverage the largest amount of industrial DR capability in the state and is innovative, forward looking and responsive to customer interest.

Minnesota Power submits these brief comments in response to the Department of Commerce’s (“Department”) Reply Comments submitted on April 25, 2019. Specifically, the Company notes three areas of agreement with the Department’s recommendations: on the proposal to limit participant manipulation, the \$5/MWh adder for the buy through of events, and justification for cost recovery of the physical interruptible energy credit.

II. DEPARTMENT OF COMMERCE APRIL 25, 2019 RESPONSE COMMENTS

First, Minnesota Power would like to reiterate that due to the unique scale and nature of its large industrial customers, a current cost recovery rider is the most appropriate method of cost recovery for this innovative program. A cost recovery rider was explicitly stated in both of the Commission’s orders directing the Company to develop a DR program, and known cost allocation

methodologies and current cost recovery will provide customers the information they need to make the business decision of whether to participate in the program or not. Without knowing what costs are to be allocated to them and when, it would be difficult for customers to evaluate both the benefits and the costs to participate.

Next, the Company addresses the following issues raised by the Department:

- A. The Proposal to Limit Participant Manipulation;
- B. \$5/MWH Adder For the Buy Through of Events;
- C. Physical Interruptible Energy Credit Justification.

A. Proposal to Limit Participant Manipulation

In the April 25, 2019 comments the Department agreed with the recommendation from the Citizens Utility Board (“CUB”) to use a longer time period of non-event days (specifically, five non-event business days) to set an average firm load. CUB noted that it was concerned that “by giving customers advance notification of an event and allowing those customers to take the average of four hours before interruption begins allows for time to manipulate their demand to increase the amount of curtailable load, increasing the incentive those customers can earn.”

While Minnesota Power is not concerned that its participating large industrial customers will intentionally manipulate the program for higher incentives, the Company can support this programmatic change. Minnesota Power would note that the operational realities of ramping up large industrial operations like mining and paper production have financial, safety and operational business risks that customers are unlikely to take for a small financial benefit in their demand response program compensation on their electric bill. However, the Company is willing to adjust the program to reflect the average of five non-event business days.

B. \$5/MWH Adder for the Buy Through of Events

In Response Comments, the Department noted it did not agree with Minnesota Power’s proposition to include a \$5/MWh adder for customers that choose to buy through interruptions. The initial intent was for the \$5/MWh adder to be retained by the Company to account for the fixed costs included in the Large Power firm energy rate and that the adder would become a revenue credit to benefit customers in a future rate case.

While the Company maintains the proposition to retain the \$5/MWh adder is appropriate and would represent a benefit to customers in the next rate case, it is agreeable to revising the program proposal to allow the \$5/MWh adder to be returned to Minnesota Power's customers to offset some of the costs of the program.

C. Physical Interruptible Energy Credit Justification

In regards to the \$30/MWh Physical Interruptible Energy Credit, the Department noted in its Response comments that while "it might make sense to recover these costs through the FPE rider, the Company has not requested a rule variance." The Department continued, "No party has requested a variance of these rules for this recovery the Department recommends that the Commission deny recovery of the physical interruptible energy credit through the FPE Rider. Instead, a separate rider would be required."

Minnesota Power did not request a variance to the FPE Rider because it did not believe one to be necessary, but is agreeable to the Department's suggestion to recover the physical interruptible energy credit through a separate rider.

IV. CONCLUSION

As stated previously in this docket, Minnesota Power took a customer-focused approach to designing this first-of-its-kind DR product. The Company heard from its largest industrial customers that they were interested in a program like this, and worked collaboratively with both customers and other interested stakeholders to thoughtfully design this program. The Company conducted intentional outreach prior to and after the submission of the initial petition last fall, and held two different stakeholder workshops in Duluth to gather input. Finally, as noted in these comments, Minnesota Power is agreeable to suggestions from the Department to improve this product.

Minnesota Power is proud of this innovative product, which captures the largest amount of industrial customer DR in the state, and is a product built in collaboration with those customers who have the energy resource to offer the broader system. In a future with increasing renewable generation on the electric system, programs that incentivize and encourage demand side flexibility

like this industrial customer DR product are essential tools to maintain reliability and affordability for all customers in an increasingly dynamic grid. This forward looking program will encourage customer commitment to provide demand response for a decade-long period, supporting system planning during a period of increasing change. As noted in comments from the Large Power Intervenor Group, industrial customers participating in this program are taking their own business risks. As Minnesota Power, and its customers, continue moving forward towards a cleaner energy future, products that encourage activities like DR will be critical in effectuating the evolving energy policy of the state of Minnesota.

Dated: June 28, 2019

Respectfully,

A handwritten signature in black ink, appearing to read "Jennifer J. Peterson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jennifer J. Peterson
Manager, Regulatory Strategy & Policy
Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 355-3202
jjpeterson@mnpower.com

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Jodi Nash of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 28th day of June, 2019, she served Minnesota Power’s Supplemental Comments in Docket No. E015/M-18-735 on the Minnesota Public Utilities Commission and the Office of Energy Security via electronic filing. The persons on E-Docket’s Official Service List for this Docket were served as requested.



Jodi Nash

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_18-735_M-18-735
Jon	Brekke	jbrekke@grenergy.com	Great River Energy	12300 Elm Creek Boulevard Maple Grove, MN 553694718	Electronic Service	No	OFF_SL_18-735_M-18-735
Christina	Brusven	cbrusven@fredlaw.com	Fredrikson Byron	200 S 6th St Ste 4000 Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_18-735_M-18-735
Jeanne	Cochran	Jeanne.Cochran@state.mn.us	Office of Administrative Hearings	P.O. Box 64620 St. Paul, MN 55164-0620	Electronic Service	No	OFF_SL_18-735_M-18-735
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-735_M-18-735
Riley	Conlin	riley.conlin@stoel.com	Stoel Rives LLP	33 S. 6th Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-735_M-18-735
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_18-735_M-18-735
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_18-735_M-18-735
Dave	Frederickson	Dave.Frederickson@state.mn.us	MN Department of Agriculture	625 North Robert Street St. Paul, MN 551552538	Electronic Service	No	OFF_SL_18-735_M-18-735
Edward	Garvey	garveyed@aol.com	Residence	32 Lawton St Saint Paul, MN 55102	Electronic Service	No	OFF_SL_18-735_M-18-735

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Barbara	Gervais	toftemn@boreal.org	Town of Tofte	P O Box 2293 7240 Tofte Park Road Tofte, MN 55615	Electronic Service	No	OFF_SL_18-735_M-18-735
Janice	Hall	N/A	Cook County Board of Commissioners	411 W 2nd St Court House Grand Marais, MN 55604-2307	Paper Service	No	OFF_SL_18-735_M-18-735
Kimberly	Hellwig	kimberly.hellwig@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-735_M-18-735
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Paper Service	No	OFF_SL_18-735_M-18-735
Sarah	Johnson Phillips	sarah.phillips@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-735_M-18-735
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-735_M-18-735
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_18-735_M-18-735
Daryl	Maxwell	dmaxwell@hydro.mb.ca	Manitoba Hydro	360 Portage Ave FL 16 PO Box 815, Station Main Winnipeg, Manitoba R3C 2P4 Canada	Electronic Service	No	OFF_SL_18-735_M-18-735
Marion Ann	McKeever	N/A	Satellites Country Inn	9436 W Hwy 61 Schroeder, MN 55613	Paper Service	No	OFF_SL_18-735_M-18-735

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Herbert	Minke	hminke@allete.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_18-735_M-18-735
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_18-735_M-18-735
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-735_M-18-735
David	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	220 South Sixth Street Suite 1300 Minneapolis, Minnesota 55402	Electronic Service	No	OFF_SL_18-735_M-18-735
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_18-735_M-18-735
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_18-735_M-18-735
Britt	See Benes	britt@ci.aurora.mn.us	City of Aurora	16 W 2nd Ave N PO Box 160 Aurora, MN 55705	Electronic Service	No	OFF_SL_18-735_M-18-735
John Linc	Stine	john.stine@state.mn.us	MN Pollution Control Agency	520 Lafayette Rd Saint Paul, MN 55155	Electronic Service	No	OFF_SL_18-735_M-18-735
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_18-735_M-18-735
Cam	Winton	cwinton@mnchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_18-735_M-18-735

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_18-735_M-18-735
Charles	Zelle	charlie.zelle@state.mn.us	Department of Transportation	MN Dept of Transportation 395 John Ireland Blvd St. Paul, MN 55155	Electronic Service	No	OFF_SL_18-735_M-18-735