



September 11, 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 Minnesota Power's
2020 Solar Renewable Factor within
Its Renewable Resources Rider
Docket No. E015/M-20-557**

Dear Mr. Seuffert:

Minnesota Power submits to the Minnesota Public Utilities Commission its Reply Comments in response to the Department of Commerce, Division of Energy Resources ("Department") Initial Comments filed on August 31, 2020. Included in the Reply comments is the information requested by the Department.

Please contact me at (218) 269-0712 or lhoyum@mnpower.com with any questions related to this Petition.

Yours truly,



Lori Hoyum
Regulatory Compliance Administrator

LMH:th
Attach.

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

In the Matter of Minnesota Power’s Renewable
Resources Rider – 2020 Solar Factor Filing

Docket No. E015/M-20-557
REPLY COMMENTS

I. INTRODUCTION

Minnesota Power (or the “Company”) submits to the Minnesota Public Utilities Commission (“Commission”) its Reply Comments in the above-referenced Docket. On August 31, 2020, the Department of Commerce, Division of Energy Resources (“Department”) filed Initial Comments following review of the Company’s June 30, 2020 Petition (“Petition”) seeking Commission approval of 2020 Solar Renewable Factor within Minnesota Power’s Commission-approved Renewable Resources Rider. The Department requested that Minnesota Power provide in its Reply Comments:

- Using the same categorical format shown the Department’s Table 8, provide a breakdown of the 2020 SolarSense Program requested revenue requirement.
- Provide updated Solar Renewable Factor rates to reflect recovery of Camp Ripley over five years.
- Explain (1) its reasoning for using an energy charge, rather than a capacity charge, for assessing Solar-Exempt customers for the solar capacity benefit and (2) why a per kW charge would be inappropriate.
- Propose language for a customer bill notification, the purpose of which would be to advise ratepayers of the additional charge associated with Minnesota Power’s Solar Renewable Factor.

Through these Reply Comments, Minnesota Power provides the requested information. In addition, the Company comments on the Department’s recommendation to extend the recovery time period for Camp Ripley costs and proposes an alternative of three years.

II. REPLY COMMENTS

A. SolarSense Program Revenue Requirement Breakdown

The Department requested Minnesota Power provide a breakdown of the 2020 SolarSense Program requested revenue requirement in a similar format to the Department's Table 8 on page 11 of its Initial Comments. The requested information is provided in Table 1.

Table 1- Current Estimated SolarSense Program Revenue Requirements

	2017	2018	2019	2020	Total
Low Income Solar Pilot Program	\$36,400.00	\$0.00	\$0.00	\$183,600.00	\$220,000.00
Research and Development	\$11,304.40	\$15,000.00	\$0.00	\$0.00	\$26,304.40
Customer Incentives	\$275,492.00	\$481,464.00	\$1,031,588.00	\$701,395.00	\$2,489,939.00
Program Development and Delivery	\$66,396.38	\$79,280.52	\$76,302.25	\$80,000.00	\$301,979.15
Total	\$389,592.78	\$575,744.52	\$1,107,890.25	\$964,995.00	\$3,038,222.55

Table 1 contains updated estimates of actual costs for the SolarSense Program from what was included in Minnesota Power's Petition. The numbers in the Petition were based on early estimates for the year 2020. At this point in the year, the Company has a better understanding of which projects will be completed in 2020 as compared to when the filing was being developed earlier in the year; therefore, Minnesota Power is using these Reply Comments as an opportunity to provide the most up-to-date information. Differences from these estimated costs will be trued-up in the Company's 2021 Solar Renewable Factor Filing.

B. Updated Solar Renewable Factor Rates for Camp Ripley

Minnesota Power's proposed 2020 Solar Renewable Factor rates are based on recovery of the cost for Camp Ripley over a one-year period. In its review of the Company's Petition, the Department concluded that the proposed \$7,150,343 revenue requirement complies with the Commission orders.¹ Out of concern of rate shock for customers if the

¹ See page 8 of Initial Comments.

entire cost increases from all riders for 2020 (including the recently Commission-approved 2019 Transmission Cost Recovery Factor²) were to be collected all in one year, the Department is recommending recovery over five years, similar to the types of amortizations that the Commission routinely approves in general rate cases for various costs.

The Company understands the Department's concern of potential rate shock for customers and appreciates inclusion of a proposed carrying charge to the tracker in its recommendation to extend the period of time for recovery from one year to five years. Minnesota Power is supportive of extending the recovery period for Camp Ripley beyond one year; however, proposes recovery over three years as a more reasonable option that accomplishes the Department's objective to minimize customer rate shock, while also recognizing customers have been receiving benefits from Camp Ripley since it was placed in service in 2016, without corresponding cost recovery. Further, the costs from 2016 (year one) were minimal, representing only 5% of the revenue requirements presented for Camp Ripley.

Minnesota Power has updated the revenue requirements and rate impacts to incorporate the revised estimate for the 2020 SolarSense expense. As requested, the Company has provided updated revenue requirements to reflect recovery of Camp Ripley revenue requirements over five years as shown in Updated Exhibit B-2. The resulting Solar Renewable Factor rates are shown in Updated Exhibit B-1, and the related Customer Rate Impacts are shown in Updated Table 6. The Company has also provided in Updated Exhibit B-2 an alternative showing the results and impacts of recovering Camp Ripley over three years as proposed by Minnesota Power. The three year period significantly decreased the proposed billing factors, mitigating customer impacts and concerns expressed by the Department.

² Docket No. E015/M-19-440 (Order pending).

C. Solar Capacity Benefit Calculation for SES-Exempt Customers

The Department requested that the Company “explain (1) its reasoning for using an energy charge, rather than a capacity charge, for assessing Solar-Exempt customers for the solar capacity benefit and (2) why a per kW charge would be inappropriate.” The Company selected an energy charge primarily for simplicity. Given the relatively small revenue requirement of the solar capacity benefit allocated to the Large Light & Power (\$2,554) and the Large Power (\$765,556) classes, this seemed a reasonable approach as the resultant energy billing factors are only 0.014 ¢/kWh. If the recovery is extended to five years as shown in Updated Exhibit B-1, the billing factors become only 0.003 ¢/kWh.

If the solar capacity benefit revenue requirements were greater, the Company would support recovery using a per kW charge. However, the current revenue requirements of the Large Light & Power solar capacity benefit spread over five years (\$511) would not even result in a billable \$0.00/kW rate. While a similar Large Power rate would be about \$0.02/kW, this small rate could lead to issues in the future when annual amounts to recover could be even less or the billing units could be more. Simply rounding a half cent at this low rate could result in continual over or under recovery of twenty percent. For these reasons, the Company considers the energy rate a better option.

D. Language for Notice to Customers

The Department recommended that Minnesota Power propose in its Reply Comments the language for a customer bill notification, the purpose of which would be to advise ratepayers of the additional charge associated with the implementation of Minnesota Power’s Solar Renewable Factor. The Company is proposing to use on-bill language to notify customers, similar to what was recently approved by the Commission in Minnesota Power’s 2019 Conservation Improvement Program Consolidated Filing Docket.³

³ Docket No. E015/M-20-428.

The Solar Renewable Rider has been approved by the MPUC per Docket No. E015/M-20-557 effective XX-XX-2021 and is reflected in your billing statement. The Solar Renewable Rider is X.XXX Cents per kilowatt-hour (kWh).

Additionally, Minnesota Power appreciates the Department's support of an effective date of January 1, 2021 for the Company's Solar Renewable Factor Rates, as requested in the Petition. Given the proximity of timing for the Company's Solar Renewable Factor Rates to anticipated billing system upgrades, Minnesota Power would appreciate flexibility in executing these billing factor changes to limit any potential project impacts. Therefore, the Company is modifying its request to be for an effective date of January 1, 2021, or the first billing cycle in the next full month that coincides with the final order date, with at least 30 days allowed for implementation, whichever is later. This is in line with best practices to avoid any configuration changes in the one-month window before and after a system implementation and to allow for a stabilization period.

III. CONCLUSION

Minnesota Power appreciates the time spent by the Department in reviewing the Petition, as well as the opportunity to provide the information requested by the Department in Initial Comments. The Company supports the Department's objective of minimizing rate shock by extending the recovery period from one year to three years for Camp Ripley costs, rather than the five years proposed by the Department. The costs presented in the Petition, and as updated in these Reply Comments, are reasonable and have been approved by the Commission in prior dockets and prudently incurred. Therefore, the Company respectfully requests that the Commission approve the proposed 2020 Solar Factor.

Dated: September 11, 2020

Yours truly,

A handwritten signature in cursive script, reading "Lori Hoyum", enclosed in a rectangular box.

Lori Hoyum
Regulatory Compliance Administrator

Minnesota Power
Renewable Resources Rider: 2020 Solar Factor Filing
Camp Ripley, Community Solar Garden, and Solar Sense
Estimated Customer Impacts

<u>Rate Class Impacts /1</u>	MP Reply Comments		MP Reply Comments		DOC Recommendation	
	MP Reply Comments		3-Year Recovery of Camp Ripley		5-Year Recovery of Camp Ripley	
	SES-Paying Customers	SES-Exempt Customers	SES-Paying Customers	SES-Exempt Customers	SES-Paying Customers	SES-Exempt Customers
Residential (average current rate, cents/kWh)	10.764		10.764		10.764	
Increase (cents/kWh) /2	0.302		0.166		0.139	
Increase (%)	2.81%		1.54%		1.29%	
Average Impact (\$ / month)	\$2.19		\$1.20		\$1.01	
General Service (average current rate, cents/kWh)	10.727		10.727		10.727	
Increase (cents/kWh) /2	0.280		0.155		0.130	
Increase (%)	2.61%		1.45%		1.21%	
Average Impact (\$ / month)	\$7.65		\$4.23		\$3.55	
Large Light & Power (average current rate, cents/kWh)	8.164	8.164	8.164	8.164	8.164	8.164
Increase (cents/kWh) /2	0.325	0.014	0.178	0.005	0.148	0.003
Increase (%)	3.98%	0.17%	2.18%	0.06%	1.81%	0.04%
Average Impact (\$ / month)	\$798.15	\$52.90	\$437.14	\$18.89	\$363.47	\$11.34
Large Power (average current rate, cents/kWh)		6.350		6.350		6.350
Increase (Demand & Energy Combined) (cents/kWh) /2		0.014		0.005		0.003
Increase (%)		0.22%		0.08%		0.05%
Average Impact (\$ / month)		\$7,098		\$2,535		\$1,521
Lighting (average current rate, cents/kWh)	16.056		16.056		16.056	
Increase (cents/kWh) /2	0.351		0.187		0.154	
Increase (%)	2.19%		1.16%		0.96%	
Average Impact (\$ / month)	\$1.18		\$0.63		\$0.52	

Notes:

1/ Average current rates are 2020 estimated rates based on Final 2017 TY General Rates in 2016 Rate Case (E-015/GR-16-664) without riders adjusted to include current rider rates.

Current rider rates included Renewable Resources Rider rates, Transmission Cost Recovery Rider rates, Boswell 4 Emission Reduction rates, Conservation Program Adjustment rates, and estimated 2020 Fuel and Purchased Energy. Average \$/month impact based on 2020 budgeted billing units.

2/ Increase shown is the increase due to the new Solar factor being implemented.

Minnesota Power
Renewable Resources Rider: 2020 Solar Factor Filing
Summary Revenue Requirements and Rate Design
Camp Ripley, Community Solar Garden, and Solar Sense

		MP Reply Comments		MP Reply Comments		DOC Recommendation	
		MP Reply Comments		3-Year Recovery of Camp Ripley		5-Year Recovery of Camp Ripley	
		SES-Paying Customers	SES-Exempt Customers	SES-Paying Customers	SES-Exempt Customers	SES-Paying Customers	SES-Exempt Customers
Total 2020 Solar Factor Filing							
Total Revenue Requirements	1/						
Residential		\$ 3,163,726	\$ -	\$ 1,739,553	\$ -	\$ 1,454,718	\$ -
General Service		\$ 1,963,413	\$ -	\$ 1,086,681	\$ -	\$ 911,334	\$ -
Large Light & Power		\$ 4,238,863	\$ 2,554	\$ 2,318,314	\$ 851	\$ 1,934,204	\$ 511
Large Power		\$ -	\$ 765,556	\$ -	\$ 255,185	\$ -	\$ 153,111
Lighting		\$ 71,439	\$ -	\$ 38,071	\$ -	\$ 31,397	\$ -
Total		\$ 9,437,440	\$ 768,110	\$ 5,182,618	\$ 256,037	\$ 4,331,654	\$ 153,622
Billing 2020 Units	2/						
Residential	kWh	1,046,739,000	-	1,046,739,000	-	1,046,739,000	-
General Service	kWh	701,891,000	4,597,000	701,891,000	4,597,000	701,891,000	4,597,000
Large Light & Power	kWh	1,306,023,000	18,138,000	1,306,023,000	18,138,000	1,306,023,000	18,138,000
Large Power	kWh	-	5,475,441,000	-	5,475,441,000	-	5,475,441,000
Lighting	kWh	20,366,000	53,000	20,366,000	53,000	20,366,000	53,000
Total	kWh	3,075,019,000	5,498,229,000	3,075,019,000	5,498,229,000	3,075,019,000	5,498,229,000
Proposed Billing Factors		Proposed 1/1/2021		Proposed 1/1/2021		Proposed 1/1/2021	
Residential	¢/kWh	0.302	-	0.166	-	0.139	-
General Service	¢/kWh	0.280	-	0.155	-	0.130	-
Large Light & Power	¢/kWh	0.325	0.014	0.178	0.005	0.148	0.003
Large Power	¢/kWh	-	0.014	-	0.005	-	0.003
Lighting	¢/kWh	0.351	-	0.187	-	0.154	-

1/ Refer to Exhibit B-2.

2/ 2020 Budgeted billing units.

Minnesota Power
Renewable Resources Rider: 2020 Solar Factor Filing
Summary Revenue Requirements
Camp Ripley, Community Solar Garden, and Solar Sense

	MP Reply Comments		MP Reply Comments		DOC Recommendation	
	MP Reply Comments		3-Year Recovery of Camp Ripley		5-Year Recovery of Camp Ripley	
	SES-Paying Customers	SES-Exempt Customers	SES-Paying Customers	SES-Exempt Customers	SES-Paying Customers	SES-Exempt Customers
Camp Ripley						
Net Revenue Requirements (2016-2020) 1/						
Residential	\$ 2,136,260	\$ -	\$ 712,087	\$ -	\$ 427,252	\$ -
General Service	\$ 1,315,098	\$ -	\$ 438,366	\$ -	\$ 263,020	\$ -
Large Light & Power	\$ 2,880,823	\$ 2,554	\$ 960,274	\$ 851	\$ 576,165	\$ 511
Large Power	\$ -	\$ 765,556	\$ -	\$ 255,185	\$ -	\$ 153,111
Lighting	\$ 50,052	\$ -	\$ 16,684	\$ -	\$ 10,010	\$ -
Total	\$ 6,382,233	\$ 768,110	\$ 2,127,411	\$ 256,037	\$ 1,276,447	\$ 153,622
Community Solar Garden						
Total Revenue Requirements (2016-2020) 2/						
Residential	\$ 5,712	\$ -	\$ 5,712	\$ -	\$ 5,712	\$ -
General Service	\$ 3,604	\$ -	\$ 3,604	\$ -	\$ 3,604	\$ -
Large Light & Power	\$ 7,550	\$ -	\$ 7,550	\$ -	\$ 7,550	\$ -
Large Power	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting	\$ 119	\$ -	\$ 119	\$ -	\$ 119	\$ -
Total	\$ 16,984	\$ -	\$ 16,984	\$ -	\$ 16,984	\$ -
SolarSense						
Total Revenue Requirements (2017-2020)						
Residential	\$ 1,021,754	\$ -	\$ 1,021,754	\$ -	\$ 1,021,754	\$ -
General Service	\$ 644,711	\$ -	\$ 644,711	\$ -	\$ 644,711	\$ -
Large Light & Power	\$ 1,350,490	\$ -	\$ 1,350,490	\$ -	\$ 1,350,490	\$ -
Large Power	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting	\$ 21,268	\$ -	\$ 21,268	\$ -	\$ 21,268	\$ -
Total	\$ 3,038,223	\$ -	\$ 3,038,223	\$ -	\$ 3,038,223	\$ -
Total 2020 Solar Factor Filing						
Total Revenue Requirements						
Residential	\$ 3,163,726	\$ -	\$ 1,739,553	\$ -	\$ 1,454,718	\$ -
General Service	\$ 1,963,413	\$ -	\$ 1,086,681	\$ -	\$ 911,334	\$ -
Large Light & Power	\$ 4,238,863	\$ 2,554	\$ 2,318,314	\$ 851	\$ 1,934,204	\$ 511
Large Power	\$ -	\$ 765,556	\$ -	\$ 255,185	\$ -	\$ 153,111
Lighting	\$ 71,439	\$ -	\$ 38,071	\$ -	\$ 31,397	\$ -
Total	\$ 9,437,440	\$ 768,110	\$ 5,182,618	\$ 256,037	\$ 4,331,654	\$ 153,622

1/ Refer to Exhibit C-1.

2/ Refer to Exhibit F-1 for revenue requirements and Exhibit D-4 for allocation factors.

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 11th day of September, 2020, she served Minnesota Power's Reply Comments in **Docket No. E015/M-20-557** 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