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Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: June 26, 2014 *Agenda Item #2

Companies: Minnesota Power (“MP” or the “Company”)

Docket Nos. E015/M-13-1166
In the Matter of Minnesota Power’s Petition for Approval of Cost Recovery under
Boswell Energy Center Unit 4 Emission Reduction Rider

Issue(s): Should the Commission approve Minnesota Power’s proposed rate adjustment
factor to its Boswell Energy Center Unit 4 (BEC4) Emission Reduction Rider?

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Relevant Documents

Commission Order Approving Boswell Energy Center Unit 4 Retrofit
Project and Authorizing Rider Recovery November 5, 2013
Minnesota Power’s Petition December 20, 2013
Department of Commerce (Department) Comments February 27, 2014
Minnesota Power Reply Comments March 6, 2014
Department Reply Comments March 11, 2014
Minnesota Power Additional Reply Comments March 24, 2014

The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

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Statement of the Issues

Should the Commission approve Minnesota Power's proposed rate adjustment to its Boswell Energy Center Unit 4 Emission Reduction Rider?

Minnesota Statutes and Commission Rules

Minn. Stat. § 216B.16 Rate Change; Procedure; Hearing.

Minn. Stat. § 216B.1692 Emission Reduction Rider.

Minn. Stat. § 216B.683 Mercury Emissions Reduction; Cost Recovery, Financial Incentives.

Minn. Stat. § 216B.6851 Utility Options.

Minn. Stat. § 216B.686 Other Environmental Improvement Plans.

Background

Docket No. E015/M-12-920

On August 31, 2012, Minnesota Power filed a mercury emission reduction plan for its Boswell Energy Center Unit 4 electric generating station under Minn. Stat. §216B.6851.

On March 7, 2013, MP filed its petition for approval of an emissions reduction rider to recover the costs of the Boswell Energy Center Unit 4 project under Minn. Stat. §216B.683.

On November 5, 2013, following written comments and oral argument, the Commission issued its Order Approving Boswell Energy Center Unit 4 Retrofit Project and Authorizing Rider Recovery.

On November 25, 2013, a request for reconsideration was filed by the Izaak Walton League of America-Midwest Office, Fresh Energy, Sierra Club, and Minnesota Center for Environmental Advocacy.

January 17, 2014, the Commission issued its Order Denying Reconsideration.

On February 14, 2014, the Minnesota Center for Environmental Advocacy filed a petition for a Writ of Certiorari with the Minnesota Court of Appeals regarding the Commission's November 5, 2013, Order In the Matter of Minnesota Power's Boswell Energy Center Unit 4 Environmental Retrofit Project.

Docket No. E015/M-13-1166

On December 20, 2013, Minnesota Power filed a petition requesting approval of its proposed rates for the Emission Reduction Rider and provided informational filings (Petition).

On February 27, 2014, the Department filed Comments requesting that Minnesota Power provide additional information.

On March 6, 2014, Minnesota Power filed Reply Comments.

On March 11, 2014, the Department filed Reply Comments recommending that the Commission approve MP's proposed 2014 Rate Adjustment Factors for recovery under the Company's 2014 Boswell Energy Center Unit 4 Emission Reduction Rider.

On March 24, 2014, Minnesota Power filed additional Reply Comments.

Staff Comment

The Department conducted a thorough analysis and staff will not repeat their discussion here.¹

As noted by the Department, Minnesota Power's filing included a proposed customer notice as Attachment D. If the Commission approves the Petition as filed it would also be approving the proposed notice. If the Commission thinks there should be some modification to the proposed notice some options are:

Modify the proposed notice.

Approve the petition, with the exception of the proposed notice, and delegate to the Executive Secretary the authority to approve a customer notice.

In its November 5, 2013, Order in Docket E-015/M-12-920, the Commission required that:

The Company shall include in its annual rate factor adjustment filing an update on its discussions with the EPA to resolve the notice of violation and shall identify and explain any costs related to the notice of violation included in its rate factor adjustment filings or other rate proceeding.

In its Petition, the Company stated:

The Company continues to work on resolution with the EPA and will keep the Commission informed of notice of violation progress via annual rate factor adjustment filings.

In its Reply Comments Minnesota Power added:

In response to the Department's request, Minnesota Power reports that there are no costs related to the notice of violation in the rate adjustment filing that is the subject of the above-referenced Docket.

¹ The proposed factors assumed a full year of 2014 sales to recover 2013/2014 costs. A mid-year implementation of the proposed factors would lead to insufficient recovery at year end 2014 if expected capital expenditures/timing are attained. The resulting lag recovery does not appear to be an issue at this time, in part, because there does not appear to be a specified filing date for this rider's annual rate filings.

If the Commission is interested it could ask Minnesota Power to elaborate on these comments.

Commission Options

Some Commission options are:

- A. Approve Minnesota Power's filing.
- B. Approve Minnesota Power's filing with the exception of the proposed customer notice and:
 - 1. Modify the proposed notice; Or
 - 2. Delegate to the Executive Secretary the authority to approve a customer notice.
- C. Determine that additional information is necessary and direct the Company to provide additional information.
- D. Reject the Petition.