

June 26, 2018

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/M-18-375

Dear Mr. Wolf:

Attached are comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Petition of Minnesota Power for Approval of its Renewable Resources Rider and 2018 Renewable Factors.

The petition was filed on June 5, 2018 by:

Susan Ludwig
Policy Manager
Minnesota Power
30 West Superior Street
Duluth, MN 55802.

The Department recommends **approval of provisional billing factors as described herein** and is available to respond to any questions the Minnesota Public Utilities Commission may have. The Department will file comments on the final rates at a later date.

Sincerely,

/s/ STEPHEN COLLINS
Rates Analyst

SC/lt
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E015/M-18-375

I. INTRODUCTION

On June 5, 2018, Minnesota Power (MP or the Company) filed a petition requesting that the Minnesota Public Utilities Commission (Commission):

- Approve a rate reduction for MP's Renewable Resources Rider (RRR) effective with the implementation of final rates in the Company's ongoing general rate case (Docket No. E015/GR-16-664), and
- Zero out the rider subfactor of the RRR rates for Large Power (LP) customers on a provisional basis effective July 1, 2018, with rates then determined on a final basis following a full comment period.

These comments address the second and more urgent request to zero out the rider subfactor for LP customers effective July 1, 2018. The Minnesota Department of Commerce, Division of Energy Resources (Department) will file comments addressing MP's first request at a later date.

II. DEPARTMENT ANALYSIS

The RRR is a tariff containing a surcharge that recovers certain costs incurred to satisfy Minnesota's Renewable Energy Objectives under Minnesota Statutes section 216B.1691. The Company currently uses the RRR to recover costs associated with the Company's 496.6-MW Bison wind facility (Bison) and 71-MW Thomson hydroelectric facility (Thomson) restoration projects.

Once MP implements final rates resulting from the Company's ongoing general rate case (which both the Company and the Department expect to occur sometime in the fourth quarter of 2018) the Company will roll the costs of all Bison and Thomson projects placed into service before 2017 into base rates, leaving only two Thomson projects in the RRR. To determine how much the RRR billing factors should be reduced once this change occurs, in the general rate case MP broke the billing factors into a "base rate" factor to collect RRR costs moving into base rates base rates and a "rider" subfactor reflecting the recovery of the remaining costs, as shown in Table 1 on the following page.

Table 1: Current RRR Billing Factors and Subfactors

	<u>Current Billing Factor</u>	<u>Base Rate Subfactor</u>	<u>Rider Subfactor</u>
<u>Large Power</u>			
\$ per kW	4.61	3.12	1.49
\$ per kWh	0.00450	0.00304	0.00146
<u>Other Customers¹</u>			
\$ per kWh	0.00598	0.00688	-0.00090

Once final rates are implemented in the general rate case, MP is requesting to set the total billing factor to the rates shown in Table 2 below. In essence, the new rates will remove the base rate factor and then true-up the rider subfactor. Hence the new factors will essentially be a trued-up rider subfactor, since the rider subfactor represents the costs that should continue to be recovered in the rider.

Table 2: MP's Proposed RRR Billing Factors

	<u>New Factor</u>	<u>Current Factor</u>
<u>Large Power</u>		
\$ per kW	-0.33	4.61
\$ per kWh	-0.00037	0.00450
<u>Other Customers</u>		
\$ per kWh	-0.00096	0.00598

As can be seen, MP's proposed new factor for non-LP customers is almost identical to the non-LP rider subfactor calculated in the rate case (-\$0.00096/kWh versus -\$0.00090/kWh). Therefore, the current billing factor of \$0.00598/kWh is very close to the \$0.00592/kWh (\$0.00688/kWh base rate subfactor + -\$0.00096/kWh proposed trued-up rider subfactor) that MP's calculations indicated would be the appropriate recovery levels until the base rate subfactor is moved into base rates.

In contrast, MP's proposed new factors for LP customers are much lower than the LP rider subfactors calculated in the rate case (-\$0.33/kW versus \$1.49/kW and -\$0.0037/kWh versus 0.00146/kWh). Therefore, the current billing factors of \$4.61/kW and \$0.00450/kWh are much higher than the \$2.79/kW (\$3.12/kW base rate subfactor + -\$0.33/kW trued-up rider subfactor) and \$0.00267/kWh (\$0.00304/kWh base rate subfactor + -\$0.00037/kWh trued-up rider

¹ The RRR excludes competitive rate schedules (rate codes 73 and 79).

subfactor) that should be recovered until the base rate subfactors are moved into base rates, assuming MP's true-up calculation is correct.

Table 3: Billing Factors Before Implementation of Rates in Docket No. E015/GR-16-664 – Status Quo

	<u>"Correct"</u> <u>Billing Factor</u>	<u>Actual</u> <u>Billing Factor</u>	<u>Difference</u>
<u>Large Power</u>			
\$ per kW-month	2.79	4.61	+1.82
\$ per kWh	0.00267	0.00450	+0.00183
<u>Other Customers</u>			
\$ per kWh	0.00592	0.00598	+0.00006

To address the significant over-recovery from LP customers that would occur until MP's final rates are implemented in the Company's general rate case, MP is proposing to zero-out the rider subfactors for LP customers on a provisional basis effective July 1, 2018. With this change, LP customers would only be charged the base rate subfactor until MP implements final rates in the Company's general rate case. Therefore, the amount charged to LP customers would go from \$4.61/kW to \$3.12/kW and from \$0.00450/kWh to \$0.00304/kWh. However, even with this provisional rate reduction, Table 4 below shows that MP would still significantly over-recover from LP customers because the provisional rates are higher than the \$2.79/kW and \$0.00267/kWh that should be recovered, again assuming the trued-up rider factors in MP's petition are correct.

Table 4: Billing Factors Before Implementation of Rates in Docket No. E015/GR-16-664 – with MP's Proposal to Change LP Rates on a Provisional Basis

	<u>"Correct"</u> <u>Billing Factor</u>	<u>MP Proposed</u> <u>Provisional</u> <u>Billing Factor</u>	<u>Difference</u>
<u>Large Power</u>			
\$ per kW-month	2.79	3.12	+0.33
\$ per kWh	0.00267	0.00304	+0.00037
<u>Other Customers</u>			
\$ per kWh	0.00592	0.00598	+0.00006

To address the continued over-recovery under MP's proposal, the Department recommends simply approving the "correct" billing factors on a provisional basis, so that there is no difference between what MP is recovering and what the Company indicated that it should be

recovering. Under this proposal, the current billing factors of \$4.61/kW and \$0.00450/kWh for Large Power customers and \$0.00598/kWh for other customers would change to \$2.79/kW and \$0.00267/kWh, and \$0.00592/kWh, respectively (the “correct” billing factors shown in the tables above), resulting in provisional rates lower than those in MP’s provisional-rate proposal. As these billing factors would be provisional, they would be subject to further review and a final Commission decision in the course of this proceeding.

Table 5: Billing Factors Before Implementation of Rates in Docket No. E015/GR-16-664 – with Department Alternative Proposal

	<u>“Correct” Billing Factor</u>	<u>Department Provisional Billing Factor</u>	<u>Difference</u>
<u>Large Power</u>			
\$ per kW-month	2.79	2.79	+0.00
\$ per kWh	0.00267	0.00267	+0.00000
<u>Other Customers</u>			
\$ per kWh	0.00592	0.00592	+0.00000

Aside from addressing the over-recovery issue, the Department believes its proposed alternative is in the public interest for two reasons. First, the alternative proposal results in lower rates and Minnesota Statutes section 216B.03 states that “Any doubt as to reasonableness should be resolved in favor of the consumer.” Second, Minnesota Statutes section 216B.03 also states that “Rates shall not be unreasonably preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable, and consistent in application to a class of consumers.” The Department concludes that its proposed alternative is more consistent in application, since unlike MP’s proposal it eliminates over-recovery for all customer classes (again assuming that MP’s proposed final rates are correct).

Regarding the timing of the provisional rate reductions, the Department recommends that that the Commission make the provisional rates effective on MP’s proposed July 1, 2018 date or at the time the Commission issues its Order, whichever is sooner. Given that this timing may violate Minnesota Administrative Rules part 7825.3200, which states that a “utility filing for a change in rates shall serve notice to the commission at least 90 days prior to the proposed effective date of the modified rates,” the Commission would need to vary this rule. Under Minnesota Administrative Rules part 7829.3200, subpart 1:

The commission shall grant a variance to its rules when it determines that the following requirements are met:

- A. enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- B. granting the variance would not adversely affect the public interest; and
- C. granting the variance would not conflict with standards imposed by law.

The Department concludes that enforcement of the rule would impose an excessive burden on customers by forcing them to, in effect, make a temporary loan to the Company. The Department also concludes that granting the variance would not adversely affect the public interest and the Department is not aware of any conflict with standards imposed by law.

The Department notes that earlier this month the Commission approved a similar provisional rate reduction for MP's recent Boswell Energy Center Unit 4 rider.² As stated in that case, the Department generally does not support the implementation of new rider rates on a provisional basis. However, given the overlap between riders and base rates, and the interconnection between this petition and MP's ongoing rate case, the Department believes a provisional rate change is appropriate in this case.

III. DEPARTMENT RECOMMENDATION

The Department recommends that the Commission set provisional rate factors as follows, effective July 1, 2018 or as soon as the Commission issues an Order on the issue, whichever is earliest.

<u>Large Power</u>	
\$ per kW-month	2.79
\$ per kWh	0.00267
<u>Other Customers</u>	
\$ per kWh	0.00592

As described above, these rate factors are equal to MP's proposed final rate factor plus the base rate subfactor currently in place.

/lt

² *In the Matter of Minnesota Power's Rider for Boswell Unit 4 Emission Reduction and 2018 Factor*, Docket No. E015/M-18-264, Order (June 20, 2018).

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Comments**

Docket No. E015/M-18-375

Dated this 26th day of June 2018

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allte.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_18-375_M-18-375
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_18-375_M-18-375
Riley	Conlin	riley.conlin@stoel.com	Stoel Rives LLP	33 S. 6th Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-375_M-18-375
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_18-375_M-18-375
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_18-375_M-18-375
Kimberly	Hellwig	kimberly.hellwig@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-375_M-18-375
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_18-375_M-18-375
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_18-375_M-18-375
Nathan N	LaCoursiere	nlacoursiere@duluthmn.gov	City of Duluth	411 W 1st St Rm 410 Duluth, MN 55802	Electronic Service	No	OFF_SL_18-375_M-18-375
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-375_M-18-375

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_18-375_M-18-375
Susan	Ludwig	sludwig@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_18-375_M-18-375
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_18-375_M-18-375
Herbert	Minke	hminke@allete.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_18-375_M-18-375
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_18-375_M-18-375
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-375_M-18-375
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_18-375_M-18-375
Susan	Romans	sromans@allete.com	Minnesota Power	30 West Superior Street Legal Dept Duluth, MN 55802	Electronic Service	No	OFF_SL_18-375_M-18-375
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_18-375_M-18-375
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_18-375_M-18-375