

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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| Katie J. Sieben | Chair |
| Valerie Means | Commissioner |
| Matthew Schuerger | Commissioner |
| Joseph K. Sullivan | Commissioner |
| John A. Tuma | Commissioner |

In the Matter of the Application of Minnesota
Power for Authority to Increase Rates for
Electric Service in Minnesota

ISSUE DATE: May 15, 2023

DOCKET NO. E-015/GR-21-335

ORDER DENYING PETITIONS FOR
RECONSIDERATION AND
GRANTING, IN PART, REQUESTS
FOR CLARIFICATION

PROCEDURAL HISTORY

On February 28, 2023, the Commission issued its Findings of Fact, Conclusions, and Order in this docket (the Order).

On March 20, 2023, Minnesota Power (or the Company); the Department of Commerce, Division of Energy Resources (the Department); and Large Power Intervenors (LPI) filed petitions for reconsideration and clarification.¹

On March 30, 2023, Minnesota Power; the Department; LPI; the Office of the Attorney General—Residential Utilities Division (the OAG); and Citizens Utility Board (CUB) filed answers to the petitions.

On April 27, 2023, the petitions came before the Commission.

FINDINGS AND CONCLUSIONS

I. Petitions for Reconsideration and Clarification Denied

The Commission has reviewed the entire record and the arguments of the parties. Based upon this review, the Commission finds that the petitions do not raise new issues, do not point to new

¹ Large Power Intervenors is an ad hoc consortium of industrial Large Power and Large Light and Power customers of Minnesota Power that includes: Blandin Paper Company; Boise White Paper, a Packaging Corporation of American company, formerly known as Boise, Inc.; Cleveland-Cliffs Minorca Mine Inc.; Enbridge Energy, Limited Partnership; Gerdau Ameristeel US Inc.; Hibbing Taconite Company; Northern Foundry, LLC; Sappi Cloquet, LLC; United States Steel Corporation (Keetac and Minntac Mines); United Taconite, LLC; and USG Interiors, Inc.

and relevant evidence, do not expose errors in the February 28, 2023 Order, and do not otherwise persuade the Commission that it should rethink the decisions set forth in its Order. The Commission concludes that its decisions are consistent with the facts, the law, and the public interest, and will therefore deny the petitions for reconsideration and clarification, except the clarifications set forth below.

II. Clarification Requests Granted

The parties requested several clarifications that do not alter the Commission's decisions in this case and are intended to correct or clarify language primarily for the purpose of implementing the Order in a manner consistent with those decisions. No party filed comments opposing these clarifications.

First, the Commission will correct the language of ordering paragraphs 22, 27, and 36 to reflect accurate calculations or descriptions of the calculations included in these paragraphs. The affected paragraphs will therefore read as follows:

- ordering paragraph 22 will be corrected to read: The Commission disallows \$40,908 (Total Company) in years-of-service awards expense.
- ordering paragraph 27 will be corrected to read: The Commission approves Minnesota Power's Service Center Sales Adjustment for the 2022 Test Year, except as corrected by the Department and agreed to by the Company of an additional \$60,949 (Total Company).
- ordering paragraph 36 will be corrected to read: The Commission adopts Minnesota Power's method of classifying advanced metering infrastructure (AMI) costs as 100% customer related. This change also applies to language on page 61 of the Order describing the allocation of AMI costs; this correction clarifies that the Commission's decision modifies the allocation recommended by the Administrative Law Judge.

Second, the Commission will incorporate two minor corrections to the Order affecting the final rate-of-return calculation and the class cost-of-service study. The Commission concurs with Minnesota Power's request to calculate its capital structure and overall rate of return using four decimal places, rather than two decimal places as shown on page 46 of the Order. The Commission will also grant the Department's clarification regarding page 53 of the Order to reflect the Department's agreement with the Company's use of the four coincident peak average and excess method, as well as to replace "allocated" and "allocating" with "classified" and "classifying."

Third, the Commission will clarify the timing of a filing addressing separate on-peak and off-peak fuel and purchased energy rates for Minnesota Power's Large Light and Power time-of-use customers. LPI requested that the Commission designate a specific proceeding for developing this issue and consider requiring the proposal to be made in the Company's 2024 fuel and purchased energy forecast docket, anticipated to be filed during the summer of 2023. The Company explained that there is currently only one customer who would be affected by such changes and that additional time to evaluate implementation would be helpful. The Commission appreciates LPI's request for timely development of the issue and will require the Company to develop the proposal as soon as its next general rate case filing, anticipated to be filed in 2023, or in the Company's 2025 fuel and purchased energy forecast docket, whichever is filed sooner.

Finally, the Commission will clarify that new sales revenues from two large industrial customers are a known and measurable change relative to the Company's 2022 test year. The Commission's Order required the Company to adjust *final* rates to reflect new revenues from both ST Paper and Husky/Cenovus. The Company had opposed including these revenues in final rates principally because these customers had not begun operations in 2022; the Company did not dispute, however, that the two customers were expected to begin continuous operations in early 2023. Additional revenues from these customers lowers the Company's revenue requirement, justifying treatment of the revenues as a known and measurable change for the purpose of calculating final rates. No party opposed this finding.

Because these two customers were not operating during most of the interim rate period, the Company requested that the Commission clarify that the Company may exclude, when calculating interim rate refunds, sales revenues not collected from these customers during the period of interim rates; the Company also agreed, however, to account for actual revenues received from these customers for service provided during the interim rate period, which is ongoing.

The Commission concurs with the Company that, for purposes of calculating interim rate refunds, it would not be reasonable to impute to the Company revenues not collected during the interim rate period. The Commission will therefore require the Company to include in a compliance filing its interim rate calculation, as described in its clarification request.

ORDER

1. The Commission hereby clarifies the February 28, 2023, Order, taking the following actions:
 - a. Grant Minnesota Power's request to clarify ordering paragraph 22 and adopt the Company's recommended language.
 - b. Grant Minnesota Power's request to clarify ordering paragraph 27 and adopt the Company's recommended language.
 - c. Grant Minnesota Power's request to clarify, in ordering paragraph 36 and the Order's language on page 61, that the \$822,780 increase to the Minnesota retail revenue requirement and reallocation of costs among classes reflects the Commission's modification to the allocation recommended by the Administrative Law Judge.
 - d. Grant Minnesota Power's request to use four decimal places for capital structure and overall rate of return.
 - e. Grant the Department's request to clarify Section XXI, Part B, subpart 3 of the narrative of the February 28, 2023, Order.
 - f. Adopt Minnesota Power's alternative clarification requiring the Company to address the Large Light & Power time-of-use issue in its planned 2023 rate case filing or in its 2025 fuel and purchased energy forecast docket, whichever is earlier.

- g. Grant Minnesota Power’s clarification request that ST Paper and Cenovus sales should be regarded as a known and measurable change. The Company may exclude sales revenue not received from ST Paper and Cenovus during the period of interim rates; Minnesota Power shall file in a compliance filing its interim rate calculation, as described in the Company’s clarification request, for final Commission approval.
2. The Commission hereby denies the following requests:
- a. Minnesota Power’s petition to reconsider the THEC decision.
 - b. Minnesota Power’s petition to reconsider the Prepaid Pension Asset decision.
 - c. LPI’s petition to reconsider the Revenue Apportionment decision.
 - d. Minnesota Power’s clarification request to ordering paragraph 44.
 - e. LPI’s clarification request regarding interim rates.
 - f. LPI’s clarification request regarding the Large Light & Power time-of-use issue.
 - g. LPI’s clarification request regarding voltage discount language.
3. This order shall become effective immediately.

BY ORDER OF THE COMMISSION



Will Seuffert
Executive Secretary



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