BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

In the Matter of a Rider for Large Power Demand Response	PUC Docket No. E-015/M-18-735
	SUPPLEMENTAL REPLY COMMENT

The Large Power Intervenors ("LPI" or the "Group"), a continuing *ad hoc* consortium of large industrial end-users of electric energy in Minnesota served by Minnesota Power (also herein, the "Company") consisting of ArcelorMittal USA (Minorca Mine); Blandin Paper Company; Boise Paper, a Packaging Corporation of America company, formerly known as Boise, Inc.; Gerdau Ameristeel US Inc.; Hibbing Taconite Company, LLC; Sappi Cloquet, LLC; USG Interiors, LLC; United States Steel Corporation (Keetac and Minntac Mines); United Taconite, LLC; and Verso Corporation, submit this supplemental comment in reply to the response comment submitted by the Minnesota Department of Commerce, Division of Energy Resources (the "Department") on April 25, 2019.[1]

I. INTRODUCTION

In a supplemental response comment filed on April 25, 2019, the Department, for the first time, questions whether Minnesota Power has a capacity need for 150 MW of Demand Response ("DR") and, on that basis, recommends the Commission reject the Company's proposed DR Product B.[2] Additionally, the Department (citing the Citizen's Utility Board ("CUB")), recommends that there be a longer time period from non-event days to establish a customer's typical load.[3] Finally, the Department recommends that if Product B is approved, that recovery of associated capacity costs should be deferred to the Company's next rate and that costs should be assigned to participating customers.[4]

---

1 Response Comments (Apr. 25, 2019) (eDocket No. 20194-152325-01) ("Department Supplemental Response Comment").
2 *Id.* at 9-10.
3 *Id*. at 4.
4 *Id.* at 9-10.

LPI disagrees with the Department's analysis and conclusions with respect to the need for Product B and cost recovery, because they are inconsistent with the Commission's direction to the Company. LPI also disagrees that there is a material risk of customers manipulating their load ahead of interruptions, but does not object to the proposed modification to use a longer time period to set an average firm load. This brief supplemental reply will address these points, in turn.

II. <u>ANALYSIS</u>

The Department's focus on whether this is a capacity need for 150 MW of DR is misplaced based on the Commission's previous orders. In its April 25, 2019 comment, the Department notes that "Strategist models run in the 2015 IRP rarely identified any need for peaking resources for the Company."[5] The Department refers to its 2015 IRP analysis for the proposition that Minnesota Power's lack of capacity need reduces the cost effectiveness of Product B, which is intended to act as a peaking resource.[6] The Department's (echoing concerns raised by the Office of Attorney General – Utilities and Antitrust Division (the "OAG")) focus on the capacity need is misplaced.

Minnesota Power's DR petition is responsive to two Commission directives. First, in Minnesota Power's rate case, the Commission ordered the Company to "work with LPI and other stakeholders to develop a Demand Response Rider based on stakeholder input."[7] The Commission's order was reinforced in the Nemadji Trail Energy Center ("NTEC") docket where the Commission ordered "Minnesota Power, LPI, and other stakeholders should continue to develop a demand-response rider and corresponding methodology for cost recovery in a new miscellaneous-docket filing."[8] Minnesota Power complied with the Commission's order by filing the above-titled petition on December 7, 2018. For the Department (and others) to now attack the petition based on the perceived lack of capacity need, undermines the Commission's

---

5 *Id.* at 2.

6 *Id.* at 2-3.

7 *In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota*, MPUC Docket No. E-015/GR-16-664, Findings of Fact, Conclusions, and Order at 86 (Mar. 12, 2018) ("Rate Case Order").

8 *In the Matter of Minnesota Power's Petition for Approval of the EnergyForward Resource Package*, MPUC Docket No. E-015/AI-17-568, Order Approving Affiliated-Interest Agreements with Conditions at 23 (Jan. 24, 2019) ("NTEC Order").

clear language and the Department's previous actions. The Commission has unambiguously ordered Minnesota Power to submit a DR proposal for its review and did not condition that direction on any further capacity or need-based assessment. In these prior orders, the Commission already determined there was a need to expand DR offerings and, LPI believes, was focused on pursing the potential long-term benefits of DR. If the Commission did not believe the need for DR had already been adequately demonstrated, it would have ordered the Company to address the issue in its next resource plan rather than in a miscellaneous docket.

LPI also disagrees with the Department's recommended rejection of Product B based on its cost/benefit analysis. The Department's supplemental response comment states that "the Commission should deny the Company's proposed Product B given that the costs of the proposed Product B outweigh the expected benefits."[9] First, it is important for parties to understand that the pricing structure of Product B represents the low end of large industrial customers' range where they are willing to curtail their loads. Any dilution of the value for participating customers would create a significant risk that few or no large power customers will subscribe to the program.[10] Additionally, LPI believes the Department's analysis fails to recognize or account for the actual benefits of DR. As demonstrated earlier this year during extreme weather conditions, Minnesota Power utilized its demand-side management interruptible service options to help manage the grid during the severe weather conditions.[11] Events like the extreme weather experienced on Minnesota Power's system in early 2019, demonstrate the utility and effectiveness of DR.[12] Finally, an important purpose of Minnesota Power's proposal is to develop a framework for realizing the long-term potential of DR. The Department's analysis takes too narrow a view of the benefits by focusing on the Company's near-term need for peaking resources. Large power customers cannot transform their operations overnight to accommodate interruptible service. To make the necessary investments, they need certainty

---

[9] Department Supplemental Response Comment at 9.

[10] Reply Comments by LPI at 3-7 (Mar. 13, 2019) (eDocket No. 20193-151061-02) ("LPI Reply").

[11] Initial Comments by LPI at 10, Attachment A (Feb. 20, 2019) (eDocket No. 20192-150491-02) ("LPI Initial Comments") (Attachment A is a copy of LPI IR 1 filed with LPI's Initial Comments detailing Minnesota Power's usage of demand-side management during extreme weather conditions).

[12] According to Minnesota Power, 200 MW of large power load was shed during the extreme weather event in early 2019, which was approximately 85% of the total curtailed capacity. *See* LPI Initial Comments at 10.

about the value and risk as well as planning time. Having new DR offerings approved and available is a critical first step for customers to justify taking these steps.

Similarly misguided is the Department's view that cost recovery should be deferred to Minnesota Power's next rate case.[13] As outlined in reply comments, LPI believes delaying determination and implementation of cost recovery until the rate case is contrary to the Commission's direction and will lead to significant delay because customers will not enroll in the program without a complete understanding of the entire net cost and benefits.[14]

It also appears that the Department takes the position that interruptible customers should be included for purposes of cost recovery for the first time in its supplemental response comment.[15] As LPI noted above and in prior comments, shifting costs to subscribing customers will be a serious disincentive to participation. Additionally, it is unequitable for participating load to be forced to pay for the benefit it provides the system. New generation resources do not share in their own costs, so neither should DR participants. Importantly, LPI notes that large power customers are not excluded from costs as a whole—the exclusion narrowly applies to participating interruptible load.[16] Therefore, LPI maintains its position that Commission action further delaying this implementation of DR or diluting the value to participants will likely lead to little to no participation in the program.

Lastly, LPI would like to briefly address the Department's "participant manipulation" concerns. While LPI does not object to using a longer time-period to calculate average firm load, LPI disagrees with the notion that participants would be likely to manipulate their load during the 4-hour notice period in order to increase their credit amount. As LPI notes in initial comments, energy interruptions create significant operational risk, and the 4-hour time-period reflects the amount of time needed to safely ramp down operations.[17] When an interruption is

---

[13] Department Supplemental Response Comment at 8-9.
[14] LPI Reply at 5-7.
[15] Department Supplemental Response Comment at 9.
[16] LPI Reply at 5-7.
[17] LPI Initial Comments at 7 (*citing* testimony by Karen Turnboom at a Minnesota Power stakeholder workshop outlining the complex decision-making process industrial customers face both from a safety and operational perspective).

called, participating customers will be motivated by maintaining safety and determining how to best fulfill obligations to their own customers rather than any marginal benefit they could achieve by manipulating their load. That said, for the same reasons, LPI has no particular objection to lengthening the time period for calculating average load.

For all of the reasons explained above and in LPI's prior comments and given the Commission's repeated interest in DR and the potential long-term environmental, capacity, and economic benefits it provides, LPI reiterates its support for Minnesota Power's DR Product B.

III. CONCLUSION

While LPI greatly appreciates the insightful feedback provided by stakeholders, it strongly disagrees with the points raised by the Department's supplemental response comment. Additional refinement of Minnesota Power's DR offerings, as outlined in LPI's prior comments, may be warranted in the future but Minnesota Power's proposal is an innovative step forward with potential to provide significant system benefits. Accordingly, LPI reiterates its continued support for the petition and respectfully requests that the Commission approve it with Cost Recovery Method 2.

Dated: July 2, 2019

Respectfully submitted,

STOEL RIVES LLP

/s/ Sarah Johnson Phillips
Sarah Johnson Phillips
Andrew P. Moratzka
Riley A. Conlin
33 South Sixth Street, Suite 4200
Minneapolis, MN 55402
Tele: 612-373-8800

ATTORNEYS FOR LARGE POWER INTERVENORS