

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

---

**In the Matter of an Investigation into the Appropriateness of  
Continuing to Permit Electric Energy Cost Adjustments**

**Docket No. E-999/CI-03-802**

---

**MINNESOTA CHAMBER OF COMMERCE COMMENTS**

**I. Introduction**

The Minnesota Chamber of Commerce (Chamber or MCC) appreciates the opportunity to provide comments in response to the Minnesota Public Utilities Commission Staff's (MPUC) Notice of Comment (Notice) dated May 17, 2018. The Notice requested comments regarding whether (a) Xcel Energy, Otter Tail Power and Minnesota Power's April 30, 2018 compliance filings comply with the Commission's December 19, 2017 Order and (b) there should there be any changes to the methodology approved in the Commission's December 19, 2017 Order.

The Chamber represents approximately 2,300 business locations throughout the state of Minnesota. As the voice of Minnesota businesses on statewide policy issues, the Chamber's main goal is to make Minnesota's business environment competitive relative to other states and nations. Energy is a critical component to a competitive and successful business environment. Therefore, a focal point of the Chamber's policy is ensuring Minnesota has competitively priced, reliable, and environmentally sound energy rates.

MCC members include energy intensive businesses with around the clock operations. Fuel costs for such members are therefore, a significant portion of their energy bill and typically represent 35%-40% of a business customer's bill. Consequently, our members have a keen and vested interest in the outcome of fuel cost reform.

The Department held a number of meetings with interested parties including; utilities, OAG, MLIG and the Chamber. The Chamber greatly appreciates the Department's efforts and believes that these discussions were very instrumental in finding common ground and resolving a number of issues that all parties could support. The Chamber expects that the Department will provide details regarding these issues in its comments and so, we do not describe them here. Our

comments below focus on areas that are unresolved and/or areas where the DOC, Chamber and other customer groups are not in agreement with the utilities.

## **II. Comments Regarding Utilities' Compliance Filings And Proposals**

### **a. Proposals Inconsistent with the Commission's Decision**

**1. Wisconsin Style Incentive Mechanism.** Xcel Energy proposed moving toward a Wisconsin incentive mechanism which consists of a + or – 2% deadband, where the utility would (a) not seek recovery if costs are 2% over the projected fuel costs of the year or (b) would not give refunds if the costs are 2% below the projected fuel costs.<sup>1</sup> While the Chamber proposed this as an alternative through comments in 2017, the Commission has considered this proposal and declined to approve such a proposal. Consequently, the Chamber believes that such proposals are not in compliance with the Commission's order and should not be considered at the present time.

**2. Modifications to Monthly Forecast During the Year.** Xcel Energy proposes to make monthly update filings prior to the start of each month in order to adjust that month's established FCA rates to reflect changes to certain components such as natural gas prices, electric market prices and MISO costs such as congestion and FTR revenues. Should this proposal be implemented, it will essentially act as a de facto FCA mechanism where fuel costs are changing in the near term. This is inconsistent with the Commission's order point which states that:

- b. Each electric utility will publish the monthly fuel rates in advance of each year to give customers notice of the next year's monthly electric fuel rates.

Further, this order point from the Commission is important to our members and allows them to appropriately plan their budget for the upcoming year. As the Chamber has noted in past comments, fuel costs are a significant portion of the bill for our energy intensive members and therefore, certainty about these costs is important in accurate budgeting and planning.

---

<sup>1</sup> See Xcel Comments dated April 30, 2018, page 8.

3. **“Provisional” Rates.** Some utilities proposed implementing rates on a provisional basis should significant unforeseen events occur – this means that utilities would want to pass through significant changes in costs without awaiting the Commission’s approval. Utilities propose that the provisional rates would go into effect and will be reconciled later once the Commission makes its determination. This is inconsistent with the Commission Order that does not allow for provisional rate setting. MCC believes that this proposed approach is problematic including and not limited to the following reasons:
- First, similar to the current mechanism, this approach would result in automatic recovery of costs, which would not provide as much incentive for the utility to demonstrate whether any cost is significant, sustainable and would not be offset by cost decreases. If a provisional rate approach is implemented, as a practical matter, it pushed the burden of proof toward the customers and the Department to show after the fact, if certain cost recovery was justified. This approach undercuts one of the primary purposes of the FCA reform, which is to place the burden of proof regarding fuel cost recovery squarely on the utilities;
  - Second, it would be administratively burdensome; and
  - Third, this process would send confusing pricing signals to customers if the provisional rate increases are followed later by the Commission requiring rate decreases.

Consequently, it makes more sense to await the Commission’s decision on any rate adjustment instead of initiating provisional rates. Utilities cited concerns regarding regulatory lag between the time they file the application due to significant and unforeseen circumstances and the Commission’s decision. MCC notes that the utilities are allowed deferred accounting via a tracker and the tracker mechanism should help mitigate their concerns about the regulatory lag. The combination of utilities being allowed the tracker as well as the requirement of Commission approval prior to resetting or changing the approved fuel rates is a fair balance between protecting utility and customer interests.

### **b. Annual Forecast Filing**

During the meetings facilitated by the Department, utilities indicated that they want more feedback regarding the contents and requirements of the annual forecast. MCC supports the Department's view that it will not be effective to get overly prescriptive regarding the informational requirements with the annual forecast filing. Requiring a standardized approach with a set of requirements will unnecessarily place the burden on customer groups and the Department to ensure that the appropriate information is being received when, as a practical matter, utilities and their systems are very different. MCC believes instead, that it is the utilities' responsibility and to their benefit to provide adequate details behind the calculation of the baseline fuel costs for the upcoming year. The more robust the information provided at the front end that explains how the baseline was determined, the more efficient and quicker it will likely be, to demonstrate and justify reasonableness of cost changes in the reconciliation process.

### **III. Conclusions**

MCC appreciates the Department's effort in helping facilitate agreement with the utilities on a number of issues, as well as the utilities' participation. Proposals such as the (a) Wisconsin style incentive mechanism, (b) modifications to the monthly forecast during the year and (c) use of provisional rates are not consistent with the Commission's decision and MCC recommends that they should not be adopted.

MCC supports the Department's view that utilities should be responsible for providing sufficient information of their baseline costs to enable an efficient audit in the reconciliation process.

MCC will provide additional comments after reviewing the comments from other parties.

Dated: June 29, 2018

Respectfully submitted,

/e/ Richard J. Savelkoul

Richard J. Savelkoul

**Martin & Squires**

Attorney for Midwest Large Energy Consumers

444 Cedar Street, Suite 2050

St. Paul, MN 55101

Phone: (651) 767-3740

/e/ Kavita Maini

**KM Energy Consulting, LLC**

Consultant for Midwest Large Energy Consumers

961 North Lost Woods Road

Oconomowoc, WI 53066.