



Minnesota Center for Environmental Advocacy

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December 21, 2015

VIA ELECTRONIC FILING

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: In the Matter of Minnesota Power's Petition for Energy-Intensive Trade Exposed Cost Recover Rider PUC Docket No. E015/M-15-984

Dear Mr. Wolf:

In connection with the above-captioned docket, please find joint comments submitted by Sierra Club North Star Chapter and Minnesota Center for Environmental Advocacy. We submit these comments to encourage Minnesota Power, EITE-eligible customers and the Public Utilities Commission to reduce energy waste to lower EITE-eligible customer's energy bills and lower the costs for all customers.

Sincerely,

Leigh Currie

Staff Attorney

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

**Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
John Tuma
Betsy Wergin**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

**In the Matter of a Petition by Minnesota Power for
A Competitive Rate for Energy-Intensive Trade
Exposed (EITE) Customers and an EITE Cost
Recovery Rider**

Docket No. E-015/M-15-984

**SIERRA CLUB NORTH STAR CHAPTER AND MCEA JOINT COMMENTS ON
MINNESOTA POWER'S PETITION TO ENSURE COMPETITIVE ELECTRIC RATES
FOR ENERGY-INTENSIVE TRADE EXPOSED CUSTOMERS**

On behalf of the Sierra Club North Star Chapter's 40,000 members and supporters in Minnesota and the Minnesota Center for Environmental Advocacy (MCEA), we submit limited comments on Minnesota Power's petition under Minnesota Statute section 216B.1696 for competitive rates and a cost recovery rider for Energy Intensive Trade Exposed (EITE) Customers. Our comments focus on possible criteria for evaluating the "net benefit to the utility or the state" as required by the statute and additional or alternative rate options specifically designed to reduce energy waste which is a win-win-win for Minnesota Power, EITE-eligible customers, and the communities Minnesota Power serves. We are not commenting more broadly on Minnesota Power's EITE petition at this time.

I. The Commission Should Consider Minnesota Power's EITE Customers Energy Efficiency Efforts In The Criteria For Net Benefits.

The economic downturn in Northeastern Minnesota's mining and paper industries is an issue of statewide concern. Illegal steel dumping in the global market and a historic decline in the U.S. paper industry are driving the idling of these industries in Northeastern Minnesota, but efforts to reduce energy waste can help reduce costs and improve performance for these globally competitive businesses. The communities that rely on these industries for their economic well-being have been witness to the cyclical nature of these industries and have faced the hardships that come with lost employment and economic activity over the years. Despite these concerns, the proposed rate break for certain customers in this region, without optimizing the energy efficiency potential of these customers, does not represent a "net benefit" to the utility or the state.

Instead, it would best serve Minnesota Power, these industries, and the communities they are located in to focus on reducing wasted energy at these large energy users through energy efficiency rather than simply reallocating costs of Minnesota Power's system from these EITE-eligible customers to residential and small business customers who are also feeling the impacts of the economic downturn. Minnesota Power's EITE petition will offset nearly 5% of the EITE-eligible customers' energy rates by increasing the rates of a subset of its other customers by nearly 15%. Minnesota Power and the EITE-eligible customers could achieve even deeper bill reductions for EITE-customers through efficiency, making a finding of "net benefit" unwarranted if energy efficiency efforts are considered as part of the equation.¹

A 2010 Energy Conservation Market Analysis by the Minnesota Technical Assistance Program found 9% electric energy savings potential for Minnesota Power's primary metal industrial customers and 11% in the wood products industry.² Deeper efficiency and cost savings estimated at 20% of their energy bills are available to these industries if they consider both electric and thermal savings.³ Reducing energy waste through efficiency can save these industries millions of dollars and reduce the overall costs of Minnesota Power's electric system for all of its customers without putting an unnecessary burden on Minnesota Power's residential customers. An EITE rate focused on improved energy efficiency also more closely aligns with section 216B.1696 as an example of "rates to encourage utilization of new clean energy technology."⁴

This EITE rate petition is not the first time Minnesota Power and these large energy users have turned to smaller residential and business customers to offset costs during an economic downturn. In 2008, Minnesota Power issued a cost recovery mechanism for that economic downturn on its residential and small business customers.⁵

We recognize that it is a challenge to plan a reliable, affordable and environmentally sustainable electric grid to serve large amounts of demand that fluctuates so drastically. This challenge is made even more difficult because these large energy users are exempt from Minnesota's Conservation Improvement Program and do not share details of their energy use profiles and efforts to save energy waste. It is unclear from the information available that these customers are taking full advantage of energy efficiency. The U.S. Department of Energy's (DOE) *Barriers to Industrial Energy Efficiency* report highlights some of the key barriers that can impede

¹ As stated at the outset, we are focusing our comments specifically on the opportunities for energy efficiency to play an important role in addressing energy costs as part of the EITE petition. There are additional criteria that should be used to consider the net benefits to Minnesota Power and the State of Minnesota.

² Table 7, pg. 6:

http://www.mntap.umn.edu/resources/reports/DOC/MnTAP_IndustrialE2Analysis.pdf.

³ *Id.*

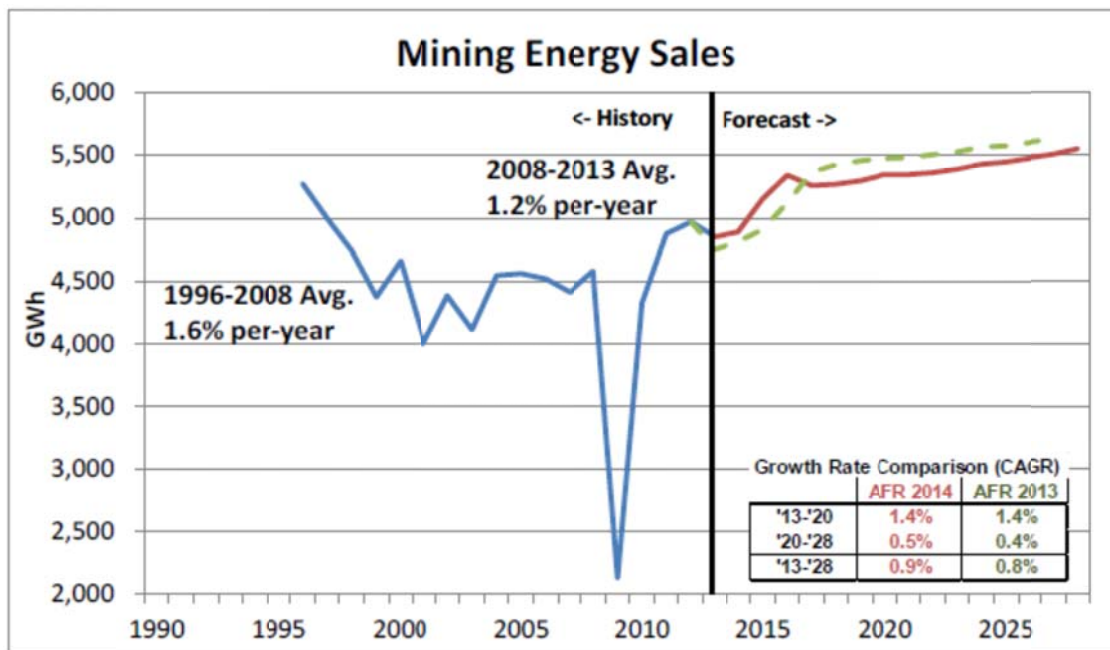
⁴ Minn. Stat. § 216B.1696; subd. 2 (2015).

⁵ See Minnesota Power 2008 rate case, Docket #08-415.

optimizing energy efficiency for industrial customers—leaving tremendous energy savings unachieved. The DOE report identifies internal competition for capital, opting out of utility energy efficiency programs, and the utility business model as some of those barriers.⁶ Minnesota Power and EITE-eligible customers have not provided transparent information to the Commission in the 2015 Minnesota Power Resource Plan docket on their energy efficiency efforts, which is a disservice to the rest of Minnesota Power’s customers who are now being asked to pay more on their energy bills to reduce energy bills for the EITE customers. We therefore request that the Commission reject Minnesota Power’s petition because, absent a commitment to achievable, transparent energy savings measures from EITE customers, it does not represent a net benefit to the utility or the state.

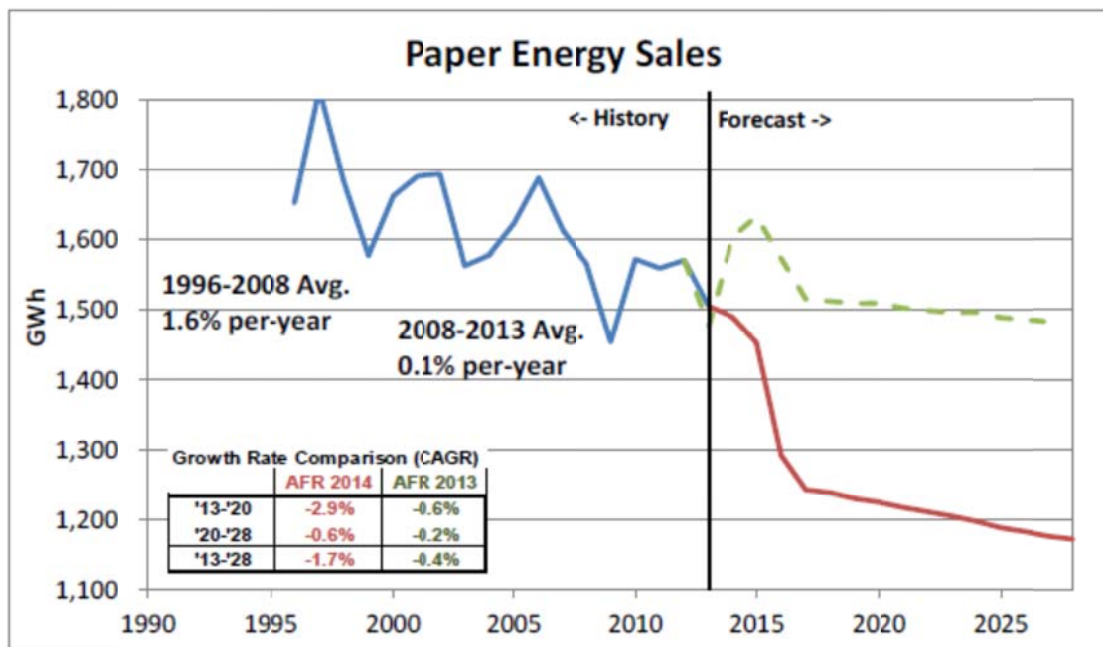
II. Requiring Optimization Of Energy Efficiency Efforts Would Also Minimize The Risk To Residential Customers From Declining Load

As Minnesota Power files this petition to recover costs from unused energy demand from at least 8 EITE-eligible large energy users, it estimates in its resource plan .9% per-year growth in mining energy sales and -1.7% per-year reduction in paper energy sales—largely from these same users—over the next 15 years. The charts below are from Minnesota Power’s 2014 Advanced Forecast Report⁷:



⁶ http://energy.gov/sites/prod/files/2015/06/f23/EXEC-2014-005846_6%20Report_signed.pdf.

⁷ MN Power 2015 Resource Plan, Appendix A: Minnesota Power 2014 Annual Electric Utility Forecast Report, pp. 34-35.



When the Minnesota legislature and Governor approved section 216B.1696, the risk for recovering the costs of Minnesota Power’s electric system shifted to a small subset of their customers—making up less than 20% of the energy use on their system. It is imperative that Minnesota Power, the Commission, and these EITE-eligible large energy users work together to address how the risk of these globally competitive energy users’ fluctuating demand impacts Minnesota Power’s other customers, and what can be done to reduce that risk and help these energy users compete globally. One way to minimize the risk, as discussed above, is to require efforts to reduce energy waste from these large customers.

Given the ongoing fluctuation in Minnesota Power’s largest energy users demand, the impact it has on the rest of Minnesota Power’s customers, and the risk associated with building an electric system to serve peak demand of these globally competitive industries, it is imperative that Minnesota Power and these large energy users are doing everything they can to reduce energy waste and the risk it puts on Minnesota Power and its other customers. The Commission should require proof of energy efficiency optimization as part of the approval of any EITE rate for an EITE-eligible customer before finding a net benefit to the utility or the state.

III. The Commission should consider the impacts of Minnesota Power requiring at least two years on EITE customer electric service agreements in the criteria of net benefits

Minnesota Power is requiring large energy users to have at least two years left on their electric service agreement (ESA) to qualify for the EITE rate. While we appreciate Minnesota Power’s rationale behind this requirement, we have concerns given the timing of this filing and the potential upcoming ESA expiration dates. We are concerned that the requirement will drive

contract renewals that do not consider important energy efficiency and cogeneration options, including those identified by the Department and Fresh Energy in Docket No. 15-699.

It is in the best interest of Minnesota Power's customers for these contracts to be renewed accurately and intentionally. It is our understanding that language in the ESAs currently limits the opportunity for these large energy users to take advantage of more efficient combined heat and power self-generation and may have other disincentives for energy efficiency efforts. We recommend the Commission require Minnesota Power and large energy users with expiring contracts to analyze if greater energy efficiency, including combined heat and power, or self-generation could be used to offset costs to the rest of Minnesota Power's customers and these large energy users.

IV. The Commission and Minnesota Power should protect low-income customers

We believe energy efficiency and responsible resource planning is the best way to ensure affordability for all of Minnesota Power's customers. To the extent the Commission does adopt an EITE rate, we request every effort is made to protect Minnesota Power's low-income customers—many who already struggle to pay their energy bills. While the statute is ambiguous on whether the low-income exemption applies only to those enrolled in LIHEAP programs or meet the income limit for LIHEAP eligibility, we support the broader definition Minnesota Power uses around customers who are “qualified” due to income level. The Commission should make certain the Customer Information System Minnesota Power proposes to use to determine who qualifies as low-income is regularly updated and addresses the drastic changes happening to the pocketbooks of the residential and small business customers impacted by the economic downturn facing the paper and steel industries. It may be prudent to use another resource to determine income eligibility because it is unclear whether Minnesota Power's CIS has all customers' income data or allow a petition process for these customers to request an exemption if the CIS doesn't have up-to-date records to protect low-income customers. While the statute only requires a \$10,000 deposit into LIHEAP for “expanded outreach” of the program,⁸ we request Minnesota Power be required to demonstrate the effectiveness of the expanded outreach on reducing the impact of the EITE cost reallocation on low income customer's energy bills through preferably energy efficiency improvements rather than short-term rate subsidies.

V. Conclusion

Minnesota Power's Petition does not demonstrate a net benefit to the utility or the state. There are more cost-effective ways for the EITE-eligible customers to achieve cost savings—while also benefiting the system as a whole and Minnesota Power's residential customers—through optimizing energy efficiency efforts. We therefore recommend that the Commission reject

⁸ Minn. Stat. § 216B.1696, subd. 3.

Minnesota Power's Petition for failing to demonstrate a net benefit to the state while providing Minnesota Power leave to re-file if it can make an adequate net-benefit demonstration.

Sincerely,

Dated: December 21, 2015

/s/ Michelle Rosier

Michelle Rosier

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/s/ Leigh Currie

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