



June 6, 2022

VIA E-FILING

Will Seuffert
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 2021 Integrated Distribution Plan
Docket No. E-015/M-21-390

Dear Mr. Seuffert:

Enclosed please find Minnesota Power's Reply Comments in the above referenced Docket.

If you have any questions regarding this filing, please feel free to contact me at (218) 428-9846 or jmccullough@mnpower.com.

Yours truly,

Jess McCullough
Public Policy Advisor

JM:th
Attach.

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

In the Matter Minnesota Power's
2021 Integrated Distribution Plan

Docket No. E015/M-21-390
REPLY COMMENTS

I. INTRODUCTION

Minnesota Power (or, "Company") respectfully submits the following Reply Comments regarding the Company's 2021 Integrated Distribution Plan ("IDP") in response to Initial Comments from the Minnesota Department of Commerce (or, "Department").

On October 25, 2021 Minnesota Power submitted its 2021 IDP in Docket No. E015/M-21-390. The Department of Commerce Division of Energy Resources filed its Initial Comments on May 16, 2022. A summary of those initial comments is below.

The Department filed the following requests and initial recommendations:

Requests:

1. That MP provide additional information and/or discussion clarifying which specific projects or investments caused the \$3.9 million increase in planned investments in the IDP Budget Category of Metering for the year 2022.
2. Further discussion from Minnesota Power regarding the specific reliability and resiliency targets used by the Company to select projects or sections of the distribution system to improve, and how MP intends to evaluate the performance of these projects and initiatives in improving system reliability and resiliency.
3. That MP provide additional information and/or discussion clarifying which specific projects or investments caused the Company to invest \$7.87 million over its allocated budget in the IDP Budget Category of Metering in the year 2020.
4. That in future filings regarding customer-facing utility offerings and programs that may be enabled by new investments in grid modernization technologies that Minnesota Power includes in the information provided in response to IDP Filing Requirement 3.D., Minnesota Power provides the following information:
 - Internal benefit-cost analyses for reference and investment case scenarios, including reasonably known and analyzed alternatives;

- Assumptions and data supporting the projected customer participation rates;
 - Sensitivity analysis for varying rates of adoption of proposed programs; and
 - Discussion of how the proposed customer-facing utility offerings and programs may interact with existing or proposed Conservation Improvement Plan or Next Generation Energy Act programs.
5. That Minnesota Power provide an update on the current status of the Non-Wire Alternatives Study in Reply Comments.

Initial Recommendations:

1. That the Commission require utility grid modernization proposals to adhere to the filing requirements, methods of evaluation, and ratepayer protections detailed in the Guidance Document.
2. That the Commission require Minnesota Power to provide BCA information consistent with Section 2 of the Guidance Document (Grid Modernization Evaluation Framework), comply with Section 3 of the Guidance Document (Initial Filing Requirements), and propose an annual report of approved projects consistent with Section 4 of the Guidance Document (Ongoing Reporting Requirements) in future EUIC Rider proceedings for any projects that the Commission approves in those proceedings.
3. That the Commission further clarify its intent in Filing Requirement 3.A.28 which requires the utility to provide “[p]rojected distribution system spending for 5-years into the future for the categories listed above, itemizing any nontraditional distribution projects (emphasis added).”
4. That the Commission include MP’s IDP Filing Requirements in its Order in this and subsequent IDP proceedings, including a red-line version if modifications are made to MP’s IDP Filing Requirements.

II. RESPONSE TO THE DEPARTMENT'S REQUEST FOR ADDITIONAL INFORMATION

Minnesota Power has formulated its responses in order, beginning first with the Department's requests for additional information, followed by responses to the Department's Initial Recommendations.

A. ADDITIONAL INFORMATION CLARIFYING THE \$3.9 MILLION INCREASE IN PLANNED INVESTMENTS

The \$3.9 million additional investment in the IDP Budget Category of Metering can be entirely attributed to a \$3.9 million increase in anticipated investment in Metering associated with Advanced Metering Infrastructure ("AMI") deployment in the year 2022. The increased anticipated spend in 2022 reflects timing of meter deliveries. During 2021, the Company experienced supply chain impacts from the COVID-19 pandemic, resulting in fewer meters and associated capital expenditures than planned. The delivery of the meters shifted to 2022 prior to the Company filing the 2021 IDP, causing the appearance of increased annual investments in Metering in 2022 in the 2021 IDP relative to the 2019 IDP.

B. FURTHER DISCUSSION REGARDING SPECIFIC RELIABILITY AND RESILIENCY TARGETS USED FOR DISTRIBUTION SYSTEM IMPROVEMENTS

Much of Minnesota Power's investment plan is related to replacing aging infrastructure that is near its end of useful life. Minnesota Power's planning and engineering departments have evaluated replacement project needs and developed asset renewal project priorities primarily based on age, condition, and potential customer impact. In parallel, distribution engineering regularly evaluates the reliability performance of Minnesota Power's distribution facilities, and this data is used to prioritize projects that improve reliability for poor-performing feeders. Through the combination of the asset renewal and reliability performance lenses, Minnesota Power plans to modernize our grid while maximizing customer benefits and improving reliability.

C. ADDITIONAL INFORMATION CLARIFYING WHICH SPECIFIC PROJECTS OR INVESTMENTS CAUSED A \$7.87 MILLION INCREASE IN 2022 METERING

In the Department's analysis of the 2021 IDP, Table 5 compares the 2020 forecasted expenditures to actuals in each IDP Category. Forecasted amounts for 2020 were identified in the 2019 IDP and Actual expenditures for 2020 were identified in the 2021 IDP. The Department correctly notes that generally MP has kept actual expenditures close to budgeted estimates for each category, with one notable exception of the Metering category. Upon Company review, it was identified that the Customer to Meter (or meter data management) project was included in the 2020 actuals as presented in the 2021 IDP but not included in the future investments presented in the 2019 IDP. Had this project been included in both tables, the 2020 Budget would show \$9.65M compared to 2020 Actuals of \$12.52M for an updated variance of \$2.87M, with the AMI meter deployment accounting for \$2.44M of the variance.

The 2020 Metering expenditures in excess of budget reflected Company efforts to secure additional AMI meters of the current model in effort to avoid other network infrastructure investments required by the introduction of too many new meter types. In 2019, Minnesota Power's meter manufacturer communicated the current model of meter on order would be discontinued in late 2020. The Company felt it would ultimately be in the customers' best interest to finish AMI deployment with a consistent population of meters. Too many new meters integrated into the system would require additional network infrastructure investments in order to accommodate an increased data volume. Due to the COVID-19 pandemic, the older meters have remained in production for longer than anticipated and the Company is continuing efforts to finish deployment with the same model of meters.

D. RESPONSE TO DEPARTMENT RECOMMENDATION REGARDING INFORMATION TO BE PROVIDED FOR FUTURE CUSTOMER-FACING UTILITY OFFERINGS

While the Company is not opposed to this recommendation in principle, further discussion is necessary to define terms and establish the scope of the information to be provided. Of particular concern to the Company is the avoidance of duplicated cost recovery questions that belong in Electric Utility Infrastructure Costs ("EUIC") filings. The Company is open to discussion with the Department to further define this recommendation.

E. UPDATE ON THE CURRENT STATUS OF THE NON-WIRE ALTERNATIVES STUDY

The scope of Minnesota Power's planned Non-Wire Alternatives Study evolved and encountered some unexpected challenges after the initial filing of the 2021 IDP. To facilitate a more thorough evaluation and control study costs, which came back much higher than initially expected after receiving consultant bids, the number of scenarios was pared down and the work was split between two consultants. The first consultant completed two study scenarios in early 2022, including technical analysis of non-wire solution alternatives and an initial development of a benefit-cost framework and assessments. This consultant is currently working on completing a third scenario, after which the benefit-cost assessment framework will be reviewed and finalized. Technical study reports have been provided to Minnesota Power for the first two scenarios, and a full benefit-cost assessment report including all three scenarios will be available following completion of the third scenario in mid-2022. The second consultant completed a technical study report for one additional scenario in early 2022, but encountered unexpected challenges working on the scenario and benefit-cost assessment which caused Minnesota Power to end the Non-Wire Alternatives Study work with that consultant earlier than originally expected.

III. RESPONSE TO THE DEPARTMENT’S INITIAL RECOMMENDATIONS

A. RESPONSE TO DEPARTMENT RECOMMENDATION THAT THE COMMISSION REQUIRE GRID MODERNIZATION PROPOSALS TO ADHERE TO THE GUIDANCE DOCUMENT

The Company has concerns about this recommendation based on cost, duplication of efforts, and overall fit.

Regarding cost, it is unclear whether the processes described in the Guidance Document would be required to the same extent from smaller Grid Modernization projects as from larger ones. Requiring every Grid Modernization project to secure outside consultation, for example, would both slow the implementation of these projects and add cost to be funded by ratepayers without providing additional or substantial value in return.

Regarding duplication of efforts, the Company agrees with Otter Tail Power that “the review and tracking outlined in the Guidance Document is best fit during a recovery request rather than the information filing of the IDP.”¹ As the IDP serves to inform the Commission of the status of current and planned projects, establishing review and tracking requirements for projects before they are formally proposed would require time and resources from both the Commission and the Company to meet requirements that will be established again in future proceedings.

Regarding overall fit, the Company notes that the Guidance Document is the result of a 2020 request for proposals that sought assistance with regulatory proceedings regarding how Xcel Energy recovered the cost of investment in Grid Modernization technologies. These cost recovery concerns originated in Xcel’s 2017 and 2018 Transmission Cost Recovery Rider Petitions (Docket No. E002/M-17-797). Due to the difference between Xcel Energy and Minnesota Power in terms of size, resources, and customer mix, the Company does not believe that adopting a one-size-fits-all approach to overseeing Grid Modernization projects is appropriate.

That said, Minnesota Power is open to continued discussion with the Department about how best to use the Guidance Document moving forward.

B. RESPONSE TO DEPARTMENT RECOMMENDED REQUIREMENTS FOR FUTURE EUIC RIDER PROCEEDINGS

Minnesota Power currently does not have any EUIC projects tied to Grid Modernization efforts. If the Company develops EUIC-eligible projects it would follow the EUIC filing requirements.

¹ Docket No. E017/M-21-612

**C. RESPONSE TO DEPARTMENT REQUEST FOR COMMISSION
CLARIFICATION ON DISTRIBUTION RELATED 5 YEAR
SPENDING PROJECTIONS**

The Company has no objection to the Department's request for clarification of Filing Requirement 3.A.28.

**D. RESPONSE TO THE DEPARTMENT'S REQUEST TO SEE
COMPANY IDP REQUIREMENT CHANGES IN REDLINE**

The Company has no objection to the Department's request that the Commission provide the Company's IDP filing requirements including red-line versions of modifications in this order and subsequent IDP proceedings.

IV. CONCLUSION

Minnesota Power appreciates the continued collaboration with the Department and the opportunity to respond to initial comments. The Company hopes that through the responses above it has adequately addressed concerns and questions raised in initial comments.

If you have any questions regarding this filing, please contact me at 218.428.9846 or jmccullough@mnpower.com.

Dated: June 6, 2022

Respectfully,

A handwritten signature in black ink, appearing to read "Jess McCullough".

Jess A. McCullough
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Strategy and Policy
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STATE OF MINNESOTA)
) ss
COUNTY OF ST. LOUIS)

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 6th day of June, 2022, she served Minnesota Power's Reply Comments in **Docket No. E015/M-21-390** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The persons on E-Docket's Official Service List for this Docket were served as requested.



Tiana Heger