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June 10, 2019

**Via eFiling**

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

RE: Reply Comments to Comments of the Minnesota Department of Commerce regarding Minnesota Power's 2018 Conservation Improvement Program ("CIP") Consolidated Filing  
**Docket No. E015/M-19-31**

Dear Mr. Wolf:

Minnesota Power has reviewed the May 30, 2019, Comments made by the Minnesota Department of Commerce, Division of Energy Resources (Department) regarding its 2018 CIP Consolidated Filing. Minnesota Power (Company) provides these Reply Comments in response to the analysis, recommendations, and requests of the Department.

***Department Recommendations***

The Department recommends the following:

- approve Minnesota Power's 2018 CIP Tracker Account Activity;
- approve an updated Carrying Charge rate of 0.4792% for the CIP Tracker;
- approve a 2019/2020 CPA of (\$0.000137);
- approve an incentive of \$2,780,073 for Minnesota Power's 2018 CIP achievements;

- grant Minnesota Power a variance to Minn. Rules part 7820.3500 and 7825.2600 to permit Minnesota Power to continue combining the Conservation Program Adjustment (CPA) with the Fuel Clause Adjustment on customer bills; and
- require Minnesota Power to submit a compliance filing within 10 days of the issue date of the Order in the present docket, with revised tariff sheets reflecting the Commission's determinations in this matter.

### ***Reply Comments***

#### Department Recommendations:

Minnesota Power agrees with the Department's analysis and recommendations for approval of the CIP Tracker balance, CPA factor, financial incentive, and variance to Minn. Rules part 7820.3500 and 7825.2600. It should be noted however, that while the multi-year credit facility rate used to calculate the new carrying charge was in effect for the Company beginning March 26, 2019, the proposed carrying charge rate of 0.4792 percent will become effective for the purpose of the CIP Tracker upon the Commission's Order approving the financial portion of Minnesota Power's 2018 CIP Consolidated filing. The Company appreciates the Department's efforts to facilitate timely approval of the financial components of the filing related to 2018 achievements and performance.

As of the date of these reply comments, a Department decision for the 2018 CIP Status Report was still pending. As the Status Report serves as the basis for incentive calculations, Minnesota Power understands that any adjustments, if applicable, to savings achievements or budget amounts for 2018 would need to be addressed as part of Minnesota Power's April 1, 2020, filing reporting on 2019 activity.

As noted in its filing, Minnesota Power will include a message referencing the change in the CPA in customers' bills in the month in which the new factor goes into effect. The message will read as follows, with the effective date dependent on the timing of Commission approval for the CPA and the issuance of the Order:

*Effective <DATE>, the Resource Adjustment line item on your bill has  
<increased/decreased> due to a change in the Conservation Improvement Program  
(CIP) billing factor. The CIP portion of the Resource Adjustment is \$X.XXXX per  
kilowatt-hour (kWh).*

In advance of implementation, Minnesota Power will work with the Commission's Consumer Affairs Office staff to confirm this proposed customer notice. The timing of Commission approval may necessitate a slight shift of one month for the effective date of the CPA to allow for customer billing

system changes to the factor and coordination of bill messaging with the Commission's Consumer Affairs Office.

***In Conclusion***

Minnesota Power appreciates the Department's analysis and recommendations, including their efforts to facilitate review and approval of the financial components of this filing. In summary, the Department's recommendations are:

1. approve Minnesota Power's 2018 CIP Tracker Account Activity;
2. approve Minnesota Power's new monthly carrying charge rate of 0.4792 percent;
3. approve a 2019/2020 CPA of (\$0.000137);
4. approve an incentive of \$2,780,073 for Minnesota Power's 2018 CIP achievements;
5. approve a variance of Minnesota Rules pts. 7820.3500 and 7825.2600 to permit the Company to combine the CPA with the FCA on customer bills; and
6. require Minnesota Power to submit a compliance filing within 10 days of the issue date of the Order in the present docket, with revised tariff sheets reflecting the Commission's determinations in this matter.

Minnesota Power agrees with these recommendations and is available to answer any questions.

Yours Truly:

A handwritten signature in black ink, appearing to read "Leah Peterson". The signature is fluid and cursive, with the first name "Leah" being more prominent than the last name "Peterson".

Leah N. Peterson

LNP:sr