


Staff Briefing Papers

Meeting Date	August 8, 2019	Agenda Item *2
Company	Minnesota Power	
Docket Nos.	E-015/M-19-295 In the Matter of Minnesota Power's Annual Compliance Report Regarding its Business Development Incentive Rider	
	E-015/GR-16-664 In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota	
Issues	<ol style="list-style-type: none">1. Should the Commission accept Minnesota Power's Compliance Filing?2. Should the Commission require Minnesota Power to modify its Business Development Incentive Rider tariff to make provision for multiple delivery points?	
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 Relevant Documents	Date
<u>Docket # 16-664</u>	
PUC - <i>Findings of Fact, Conclusions, and Order</i>	March 12, 2018
MP - Nordic Metal's Electric Service Agreement (TS)	April 29, 2019
Department of Commerce - Comments	May 29, 2019

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

Docket # 19-295

Minnesota Power - Annual BDIR Compliance Report

April 30, 2019

Department of Commerce - Comments

May 29, 2019

I. Statement of the Issues

1. Should the Commission accept Minnesota Power's Compliance Filing?
2. Should the Commission require Minnesota Power to modify its Business Development Incentive Rider tariff to make provision for multiple delivery points?

II. Background

The Commission, in Minnesota Power's (MP's) most recent rate case, approved a Business Development Incentive Rider (BDIR). The rider will

... provide fixed discounts, applicable only to demand charges, over a five-year period to large customers who qualify for the rate by expanding their load or becoming a new customer. To qualify, the customer's load must be at least 350 kW.

Participating customers would be required to enter into a six-year electric service agreement (ESA), with the discount applying for five of those years at a declining rate over the term, as follows:

- Large Power Service Schedule: Year 1–3 = 30%; Year 4 = 15%; Year 5 = 5%; and Year 6 = no discount.
- General Service and Large Light and Power Service Schedules: Year 1–3 = 50%; Year 4 = 25%; Year 5 = 15%; and Year 6 = no discount.¹

In approving the BDIR, the Commission stated several conditions and requirements:

78. The Commission hereby approves the BDIR as proposed by MP with the following conditions to which it has agreed:
 - a. require the Company to obtain approval of amendments to existing or new ESAs;
 - b. require the Company to file for approval any new or amended ESA within 30 days after signing the agreement;
 - c. require the ESA filing to include the incremental revenue and incremental costs associated with the new ESA;
 - d. require that the ESA is deemed approved if no party objects to the ESA within 30 days of the filing date;
 - e. require the Company to file an annual compliance filing on May 1st each year (in a new miscellaneous docket) showing the number of customers served on the rider, together with each customer's incremental revenue and costs; and
 - f. require that energy audits be conducted for all rider customers.²

¹ *Findings of Fact, Conclusions, and Order*. Docket 16-664, March 12, 2018, p. 92.

² *Ibid.* Ordering Paragraph 78, p. 115.

On April 29, 2019, MP submitted a new Electric Service Agreement (ESA) with Nordic Metals (Nordic).

On April 30, 2019, MP submitted its annual compliance filing.

On May 29, 2019, the Minnesota Department of Commerce (DOC) submitted comments regarding both the ESA and the compliance filing.

III. Parties' Comments

A. The Compliance Filing

MP reported that Nordic Metals had not yet taken service under the BDIR. The ESA had only recently been executed.

DOC concluded that MP had satisfied the Commission's filing requirements and it recommended closure of the docket (19-295).

B. The ESA

DOC concluded that MP had reasonably complied with all of the Commission's filing requirements. However, DOC notes "one possible minor concern related to whether the structure of Nordic Metal's ESA is consistent with the BDIR Tariff language."³ DOC notes that the BDIR tariff indicates that Qualified Billing Demand is the new load of 350 kW or greater at a single delivery point whereas the ESA incorporates two delivery points. DOC goes on to say:

The BDIR tariff does not explicitly address the treatment of a customer with multiple delivery points, and because Nordic Metals will be taking service at two delivery points, rather than a single delivery point as contemplated in the tariff, MP's application of its BDIR in this instance may be different than what was intended or expected by the Commission. However, because both of the delivery points individually meet the requirements to receive the BDIR discount, including the requirement that incremental revenues exceed incremental costs, the Department concludes that the addition of Nordic Metals load will be beneficial to MP's entire system and its other ratepayers, which is the intention of the BDIR.

DOC recommends that the Commission direct MP to propose clarifying tariff language.⁴

³ DOC Comment in 16-664, May 29, 2009, p. 2, and DOC's Trade Secret Attachment 1.

⁴ DOC Comment in 16-664, May 29, 2009, p. 2.

IV. Staff Analysis

A. The Compliance Filing

Staff believes that MP has met the Commission's requirement with respect to its compliance filing. MP has stated that only one customer, Nordic, has signed a BDIR ESA and that Nordic had not yet taken service during the term covered by the compliance filing.

B. The ESA

No party objected to the ESA within 30 days of its filing. As such the ESA is deemed approved (Ordering Paragraph 78.d). Staff agrees with DOC that MP has met the filing requirements stated in Ordering Paragraph 78. With respect to the question of the number of delivery points Staff also agrees with DOC that, individually, both of Nordic's BDIR applications meet the 350+ kW load requirement and that incremental costs exceed incremental revenues.⁵

As noted by DOC, MP's BDIR tariff states:

For new or existing customers, Qualified Billing Demand is the new load of 350 kW or greater at a single delivery point.⁶

Staff believes that MP's ESA does not necessarily conflict with its BDIR tariff as each delivery point meets the tariff requirement. If the Commission's perceives an ambiguity or conflict it may wish to ask MP to reconcile its tariff with the ESA. One option may be to change the tariff language to refer to "each delivery point" as opposed to "a single delivery point."

MP did not respond to DOC's request for clarification.

V. Decision Alternatives

A. The Compliance Filing

1. Accept the compliance filing.
2. Take other action.

B. The ESA

1. Require MP to clarify its BDIR tariff language regarding delivery points.
2. Take no action.

⁵ ESA Compliance Filing, April 29, 2019, p. 2 (Trade Secret).

⁶ Minnesota Power Electric Rate Book, Volume I, Section V, p. 100.0.