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February 1, 2019

**VIA ELECTRONIC FILING**

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

Re: In the Matter of a Petition to Ensure Competitive Electric Rates for  
Energy-Intensive Trade-Exposed Customers  
**Docket No. E015/M-16-564**

Dear Mr. Wolf:

Minnesota Power submits its second annual Compliance Filing pursuant to the Minnesota Public Utilities Commission's Order dated December 21, 2016 in the above-referenced Docket.

Please contact me at 218-355-3202 with any questions related to this matter.

Respectfully,



Jennifer J. Peterson  
Manager – Regulatory Affairs

JJP:sr  
Attach.  
c: Official Service List

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

Docket No. E015/M-16-564

In the Matter of a Petition to Ensure  
Competitive Electric Rates for Energy-  
Intensive Trade-Exposed Customers

**ANNUAL COMPLIANCE FILING**

**I. INTRODUCTION**

Since Minnesota Power (or the “Company”) submitted its revised Petition to Ensure Competitive Electric Rates for Energy-Intensive Trade-Exposed (“EITE”) Customers on June 30, 2016, the Minnesota Public Utilities Commission (“Commission”) has issued several subsequent orders in this docket. On December 21, 2016, the Commission issued an order approving the EITE rate, establishing a cost recovery proceeding and requiring additional filings. On April 20, 2017, the Commission issued an order authorizing cost recovery with conditions. On October 13, 2017, the Commission issued its order to exclude rider revenue from the 2016 baseline calculation and set parameters to identify exempt customers. Both the December 21, 2016 and April 20, 2017 Orders included specific requirements for a compliance filing to be submitted annually, beginning on February 1, 2018. This petition represents the Company’s second annual compliance filing in this docket.

Compliance items listed below numbered from 1 to 10 are outcomes of the December 21, 2016 Order and items numbered from 11 to 12 are outcomes of the April 20, 2017 Order. Finally, in a December 20, 2018 hearing regarding an Electric Service Agreement between the Company and Verso (an EITE customer), the Commission requested item 13 be included in the EITE Annual Compliance Filing.<sup>1</sup> These requirements include:

1. Include a list of all customers on the rate;
2. Identify which specific provision of the statute qualifies the customer for the EITE rate;
3. State the revenue difference between what would have been collected under the electric utility’s applicable standard tariff by customer and in total;
4. Reflect the tracker activity and balance;
5. Describe usage of the rate;
6. Describe allocation of cost recovery, by class;

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<sup>1</sup> Docket No. E015/M-18-603.

7. Provide an update on EITE customers' operations, including production levels, employment levels, economic factors and competitive conditions, and taxes paid;
8. Track over time residential disconnections, arrearages (including average amount in arrears), and LIHEAP participation;
9. Contain a statement of Minnesota Power's view of regional economic conditions;
10. Include state agency or similar economic data on the condition of the regional economy
11. Track and report on the number of customer complaints, both oral and written, regarding the EITE surcharge; and,
12. Provide more information about efforts to identify LIHEAP-eligible customers, including a description of Company-directed outreach efforts and updated information from the Company's customer survey.
13. Require MP to include a schedule in its annual EITE tracker account report that shows the change in revenue from EITE customers due to any increased use of IPS (Incremental Production Service) energy since the 2016 EITE base year.

Through this second annual EITE compliance filing, Minnesota Power will address the required order points listed above. The Company appreciates the Commission's 2017 decision in favor of the EITE discount and believes the EITE Statute and the approval of a discount under the Statute acknowledge the importance of EITE customers not only to the Company's business, but also to the health of its associated regional economy. The health of both Minnesota Power and the regional economy affect the economic well-being of all other customers on the Company's system. With a substantial percentage of Minnesota Power's electricity sales directly dependent on EITE Customers, and with additional sales driven by EITE Customers' significant collateral impacts on the economy of Northeastern Minnesota, the competitiveness of EITE Customers is critical to both Minnesota Power and to the state of Minnesota.

## II. ANNUAL EITE COMPLIANCE FILING REPORTING REQUIREMENTS

### 1. Include a list of all customers on the rate;

In its December 21, 2016 Order, the Commission agreed with the Company that the following eleven customers qualify to receive the EITE rate discount: ArcelorMittal-Minorca Mine, Blandin Paper Company, Boise Paper Company, Hibbing Taconite Company, Magnetation LLC, Mesabi Nugget Delaware LLC, Mining Resources LLC, Sappi Cloquet LLC, United States Steel Corporation, United Taconite LLC/Northshore Mining Company, and Verso Corporation. In connection with the Magnetation LLC bankruptcy, ERP Iron Ore LLC recommended rejection of the Magnetation Electric Service Agreement and Amended and Restated Electric Service Agreement, and the bankruptcy court approved such rejection effective July 19, 2018.<sup>2</sup> Due to the rejection of the Electric Service Agreement, Minnesota Power would no longer offer the EITE rate discount to Magnetation LLC.

Of those eleven qualifying customers, eight actually received an EITE discount from January 1, 2018 to December 31, 2018 including: ArcelorMittal-Minorca Mine, Blandin Paper Company, Boise Paper Company, Hibbing Taconite Company, Sappi Cloquet LLC, United States Steel Corporation, United Taconite LLC/North Shore Mining Company, and Verso Corporation. Some customers were not operational in 2018 and therefore did not meet the requirements to receive the EITE discount; their current status is noted in the following section.

### 2. Identify which specific provision of the statute qualifies the customer for the EITE rate;

The eleven qualifying customers meet the specific provision of the statute as identified below:

**Table 1: EITE Customers Qualifying Provisions**

EITE Customer	Qualifying Provision	Description	Status
ArcelorMittal-Minorca Mine	Minn. Stat. 216B.1696, Subd.1(c)(1)	Iron mining extraction and processing facility	Fully operational.
Blandin Paper Company	Minn. Stat. 216B.1696, Subd.1(c)(2)	Paper mill, wood products manufacturer, sawmill or oriented strand board manufacturer	One of Blandin's paper machines was permanently idled in December 2017 ( <i>150 employees affected</i> ). A second paper machine is fully operational.
Boise Paper Company	Minn. Stat. 216B.1696, Subd.1(c)(2)	Paper mill, wood products manufacturer, sawmill or oriented strand board manufacturer	Fully operational.
Hibbing Taconite Company	Minn. Stat. 216B.1696, Subd.1(c)(1)	Iron mining extraction and processing facility	Fully operational.

<sup>2</sup> United States Bankruptcy Court District of Minnesota. Case No. 18-50378. July 19, 2018.

Magnetation LLC	Minn. Stat. 216B.1696, Subd.1(c)(1)	Iron mining extraction and processing facility, to include a scam mining facility	Magnetation filed Chapter 11 bankruptcy in 2015 and was purchased by ERP Iron Ore in 2017. Plant 1 in Keewatin closed in 2015 ( <i>50 employees</i> ), Plant 4 in Grand Rapids closed in October 2016 ( <i>130 employees</i> ), Plant 2 in Taconite closed in January 2016 ( <i>167 employees</i> ). <sup>3</sup> Electric Service Agreement rejected by the US bankruptcy court in July 2018.
Mesabi Nugget Delaware LLC	Minn. Stat. 216B.1696, Subd.1(c)(1)	Iron mining processing facility	Idled in 2015.
Mining Resources LLC	Minn. Stat. 216B.1696, Subd.1(c)(1)	Iron mining extraction facility	Idled in 2015.
Sappi Cloquet LLC	Minn. Stat. 216B.1696, Subd.1(c)(2)	Paper mill, wood products manufacturer, sawmill or oriented strand board manufacturer	Fully operational.
United States Steel Corporation	Minn. Stat. 216B.1696, Subd.1(c)(1)	Iron mining extraction and processing facility	Keewatin Taconite ("Keetac") was idled in 2015, but came back online in 2017. Currently fully operational.
United Taconite LLC/North Shore Mining Company	Minn. Stat. 216B.1696, Subd.1(c)(1)	Iron mining extraction and processing facility	United Taconite was idled in 2015 but came back online in 2016. Currently fully operational.
Verso Corporation	Minn. Stat. 216B.1696, Subd.1(c)(2)	Paper mill, wood products manufacturer, sawmill or oriented strand board manufacturer	Fully operational.

**3. State the revenue difference between what would have been collected under the electric utility's applicable standard tariff by customer and in total;**

The difference between what would have been collected under the standard tariff and what was collected during 2018, is the level of discount that was received by EITE customers. A customer-by-customer breakdown is shown in Attachment A. While individual customer discounts are TRADE SECRET, the total 2018 discount amount for all qualifying and participating customers was \$16,814,488.

<sup>3</sup> "Sale of Magnetation to New Owner ERP Iron Ore Closes." Duluth News Tribune. February 1, 2017. <http://www.duluthnewstribune.com/business/4210193-sale-magnetation-new-owner-erp-iron-ore-closes>

#### **4. Reflect the tracker activity and balance;**

In Minnesota Power's recent rate case,<sup>4</sup> the interim rate refund method adopted by the Commission follows the Office of the Attorney General's ("OAG") July 30, 2018 comments, which point out that the discount provided to EITE customers is offset in both 2017 and 2018 by the increased EITE revenue. Consistent with the OAG's comments, in Minnesota Power's EITE Compliance Filing submitted February 1, 2018, Attachment D demonstrated that the 2017 discount to EITE customers was offset by the increased revenue from the same customers. Attachment B to this compliance filing similarly demonstrates this is the case in 2018. Thus, the discount provided to EITE customers in 2018 is fully offset by increased revenue from EITE customers, and the tracker balance is zero.

#### **5. Describe usage of the rate;**

Minnesota Power began offering the EITE discount to EITE customers effective February 1, 2017. However, on September 29, 2017, the Company informed the Commission that it suspended offering the discount, due to concerns that Minnesota Power would not be revenue neutral with respect to EITE. Those concerns were addressed at the January 18, 2018 general rate case deliberation hearing, and Minnesota Power reinstated the discount for EITE customers effective January 1, 2018.<sup>5</sup> Minnesota Power offered the EITE discount to eligible EITE customers for all of 2018.

#### **6. Describe allocation of cost recovery, by class;**

In order to keep Minnesota Power revenue neutral, cost recovery can be thought of as consisting of two components: A) Cost recovery through higher base rates (by not considering the majority of Keetac revenues when making a final determination in Minnesota Power's recent rate case), and B) Cost recovery through a line item on Minnesota Power customer bills. These two components are explained in detail below.

##### *A. Cost Recovery Through Higher Base Rates*

Minnesota Power's final rate increase was determined to be \$12 million dollars, including \$15.5 million dollars associated with keeping the Keetac restart revenue in the EITE docket.<sup>6</sup> As a result, with the implementation of final rates that occurred on December 1, 2018, Minnesota Power will be revenue neutral with respect to providing the EITE discount.

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<sup>4</sup> Docket No. E015/GR-16-664.

<sup>5</sup> See Minnesota Power's Reinstatement Letter filed on January 25, 2018 in Docket No. E015/M-16-564.

<sup>6</sup> Minnesota Power's Compliance Filing submitted January 23, 2018 in Docket E015/GR-16-664; Compliance Filing submitted June 28, 2018 (Compliance Schedule 3, page 3 of 8, column (p); and Revised Compliance Filing submitted December 3, 2018 (Compliance Schedule 1)

### *B. Cost Recovery Through a Line Item on Customer Bills*

EITE cost recovery through a line item on customer bills was not implemented in 2018 because Minnesota Power expected that the refund calculation ordered by the Commission on October 13, 2017, would lead to the collection of the EITE tracker from EITE-paying customers, followed by a 100 percent refund to EITE-paying customers the following year.

The table included in Attachment B demonstrates that in 2018, revenue from EITE customers was significantly higher than in the baseline year 2016. Furthermore, Minnesota Power expects similar results in future years. In 2019 and 2020 the final rates that became effective at the end of 2018 will include \$60.6 million (based on 2017 actuals) that was previously recorded as rider revenue from EITE customers. And with final rates, that revenue will be considered as a portion of base rates in 2019 and beyond, meaning future comparisons in 2019 and 2020 of EITE customer revenues (excluding rider revenue) compared to the 2016 baseline, will likely show a large increase in EITE customer revenue, even without an EITE customer load increase. As a result, Minnesota Power does not expect to place a bill line for EITE cost recovery on customer bills during the four-year EITE term.

### **7. Provide an update on EITE customers' operations, including production levels, employment levels, economic factors and competitive conditions, and taxes paid;**

According to the 2018 Mining Guide published by the Minnesota Department of Revenue, tax revenue from the state's iron mining industry continued to decrease from the prior year. For production year 2017, Minnesota's iron mining industry paid \$93.8 million in production taxes in 2018, a decrease of three percent from the previous year. Of the total of \$93.8 million in production taxes paid, \$30.8 million was distributed to the Iron Range Resources and Rehabilitation Board, \$20.4 million was distributed to local school districts, \$11.9 million was distributed to counties, \$11 million was distributed to cities and townships, \$11 million was distributed to property tax relief and \$8.6 million went to other sources like the Taconite Economic Development Fund and Range Association of Municipalities and Schools. School districts in northern Minnesota supported by this EITE customer tax revenue include: Aitkin, Cook County, Crosby-Ironton, Greenway, Grand Rapids, Nashwauk-Keewatin, Lake Superior, Chisholm, Ely, Hibbing, Virginia, Mountain Iron-Buhl, St. Louis County, Eveleth-Gilbert and Mesabi East. Cities and Townships in the following counties received tax revenue from EITE customers: Cook, Itasca, Lake and St. Louis.

In addition to \$93.8 million in production taxes, mining customers also paid \$13.1 million in Occupational Tax, which is dispersed to the State General Fund (50%), Elementary and Secondary Education (40%) and the University of Minnesota (10%). Mining customers also paid \$4.9 million in

Sales and Use Taxes, which go to the State General Fund in their entirety. \$1 million in various Ad Valorem and Property Taxes were also paid for production year 2017.

Regarding employment and production levels, Minnesota Power's iron mining and production customers reported the following numbers for production year 2017:

**Table 2: Iron Mining Employment and Production Numbers for Production Year 2017<sup>7</sup>**

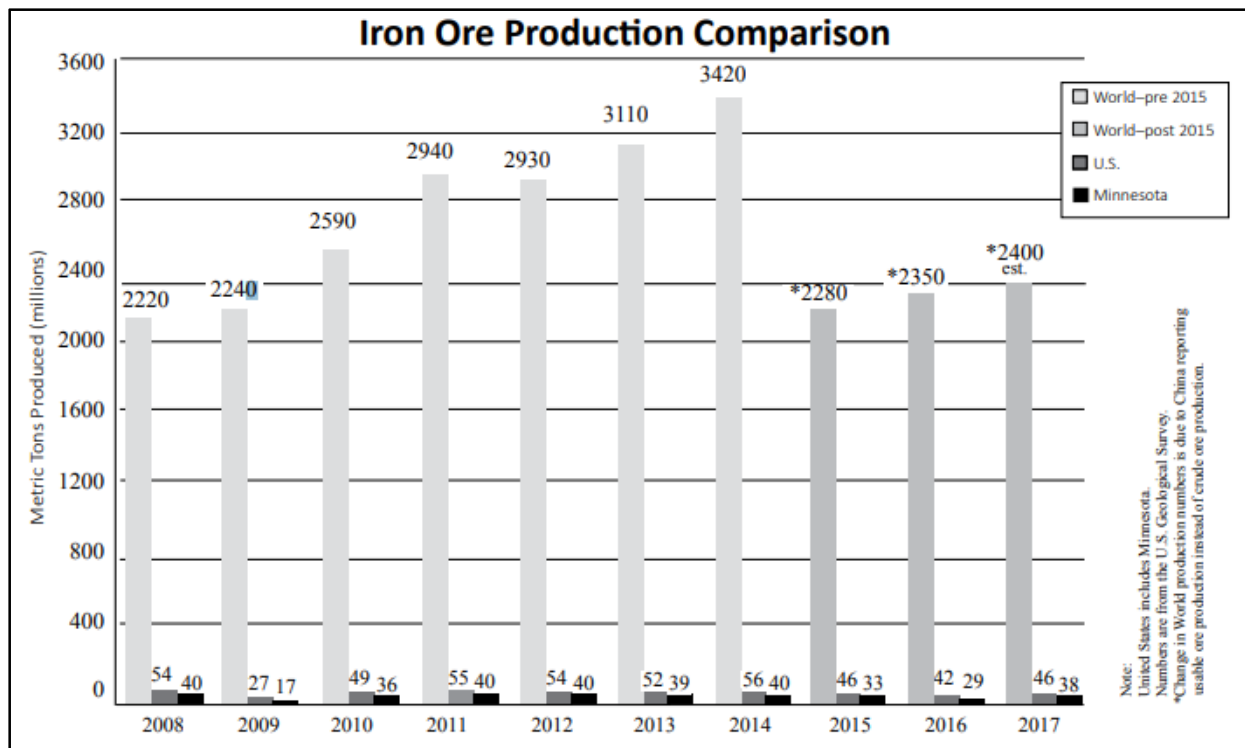
<b>Customer</b>	<b>Employment</b>	<b>Production (Tons Produced)</b>
ArcelorMittal-Minorca Mine	356	2,748,139
Hibbing Taconite Company	726	7,480,160
United States Steel Corporation (KEETAC and MINNTAC)	KEETAC: 415 MINNTAC: 1,397	KEETAC: 4,550,714 MINNTAC: 13,971,816
United Taconite LLC/North Shore Mining Company	UTAC: 500 Northshore: 550	UTAC: 4,739,817 Northshore: 5,189,737
<b>Total:</b>	<b>3,944 Jobs</b>	<b>38,680,383 Tons</b>

The charts below were published in the Minnesota Department of Revenue's 2018 Mining Tax Guide, and demonstrate iron ore production levels from 2008 to 2017, for the world, the United States, and the state of Minnesota. Minnesota saw relatively steady iron ore production from 2010 through 2014, ranging from 36 to 40 million tons produced per year. In 2015, production dropped to 33 million tons and in 2016 decreased even further to 29 million tons before rebounding in 2017 to nearly 38 million tons of iron ore produced. As of this writing the Minnesota Department of Revenue has not published final 2018 production tons, and Minnesota Power will include the final 2018 production tons in its February 1, 2020 compliance filing. On July 17, 2018, ERP Iron Ore filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Minnesota and announced that it would no longer seek to restart its operations within Minnesota Power's service territory. During the proceeding, ERP Iron Ore's Electric Service Agreement with Minnesota Power was rejected and therefore will not be an EITE customer going forward.

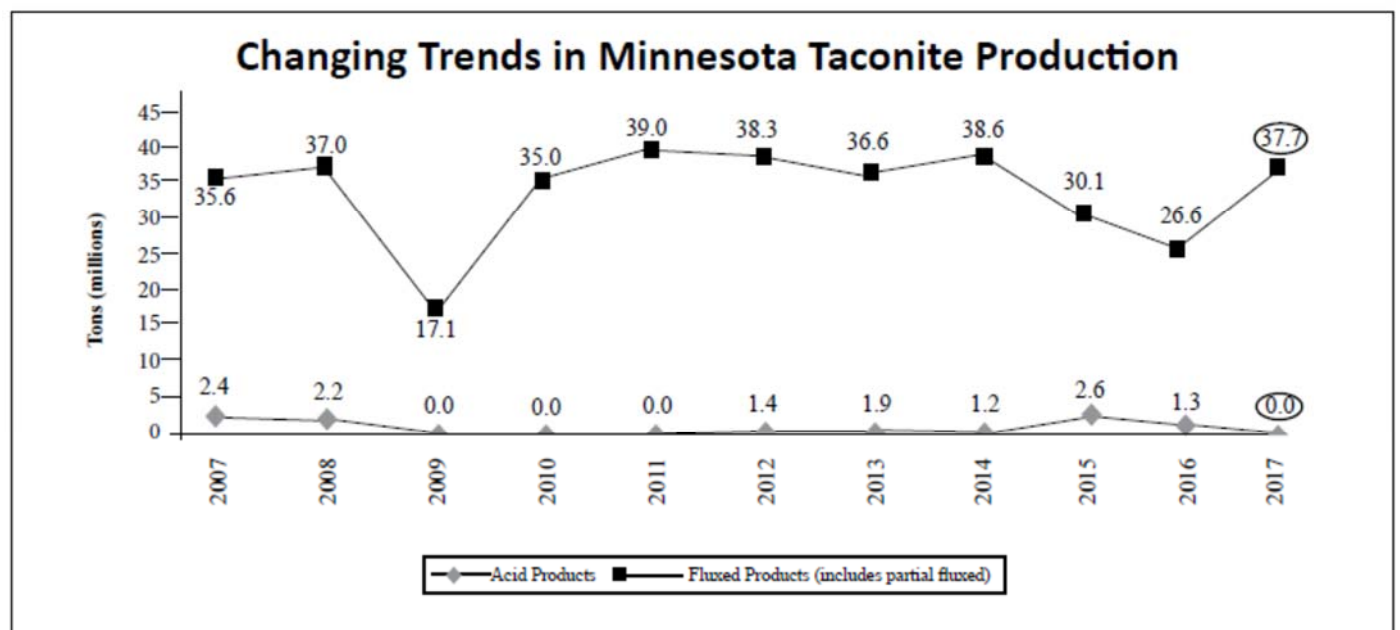
<sup>7</sup> 2018 Mining Tax Guide, Minnesota Department of Revenue.  
[https://www.revenue.state.mn.us/businesses/mineral/Documents/2018\\_mining\\_guide.pdf](https://www.revenue.state.mn.us/businesses/mineral/Documents/2018_mining_guide.pdf)



**Table 3: Iron Ore Production Comparison**



**Table 4: Changing Trends in Minnesota Taconite**



Regarding employment and production levels of Minnesota Power's non-mining EITE customers, the Company's paper customer's individual websites reported the following information:

**Table 5: Paper Customer Employment and Annual Capacity**

<b>Customer</b>	<b>Employment</b>	<b>Annual Capacity (tons)</b>
Blandin Paper	275 <sup>8</sup>	225,000
Verso	240	270,000
PCA Boise Paper	580	475,000
Sappi	730	340,000 tons of paper and 340,000 tons of dissolving pulp
<b>Total:</b>	<b>1,956 Jobs</b>	<b>1,650,000 Tons</b>

The capacity tons reported above are annual numbers and not actual data, which is not reported by individual mills. At the end of 2017, Blandin Paper permanently closed Paper Machine 5 ("PM5"), Paper production related to PM6 is planned to continue at the Blandin Grand Rapids site. In 2018, Minnesota Power paper customers experienced sustained pressure from continued decline in magazine ad pages and catalog mailings, a relatively strong dollar and E-commerce's continued growth. In Docket No. E015/M-18-603, the Commission approved an Amendment to Verso's Electric Service Agreement to provide the Duluth Mill with critical operating flexibility to allow the facility to be more cost competitive in a very challenging global market.

#### **8. Track over time residential disconnections, arrearages (including average amount in arrears), and LIHEAP participation;**

The requested information is outlined below, however, it is important to note that the EITE surcharge has not yet been implemented for any customers. Additional information on Minnesota Power's efforts relating to customer service, low-income customer outreach and affordability programs can be found in the annual Safety, Reliability and Service Quality ("SRSQ") Standards Report and the annual Customer Affordability of Residential Electricity ("CARE") Program Report.<sup>9</sup>

##### *A. Residential Involuntary Disconnections*

Residential Involuntary Disconnections are also reported in Minnesota Power's SRSQ Report, filed with the Commission annually in April.<sup>10</sup> Involuntary residential disconnections for 2018, as queried from the Company's Customer Information System ("CIS") on January 14, 2019, are as follows:

<sup>8</sup> "UPM Blandin to Shutter One Grand Rapids Paper Machine, Cut 150 Jobs." BusinessNorth. October 24, 2017. [http://www.businessnorth.com/daily\\_briefing/upm-blandin-to-shutter-one-grand-rapids-paper-machine-cut/article\\_0fac28e6-b8ca-11e7-8e91-bf2ad7428a24.html](http://www.businessnorth.com/daily_briefing/upm-blandin-to-shutter-one-grand-rapids-paper-machine-cut/article_0fac28e6-b8ca-11e7-8e91-bf2ad7428a24.html)

<sup>9</sup> MPUC Docket No. E-015/M-11-409.

<sup>10</sup> Docket numbers change each year, for the most recent report see 18-250.

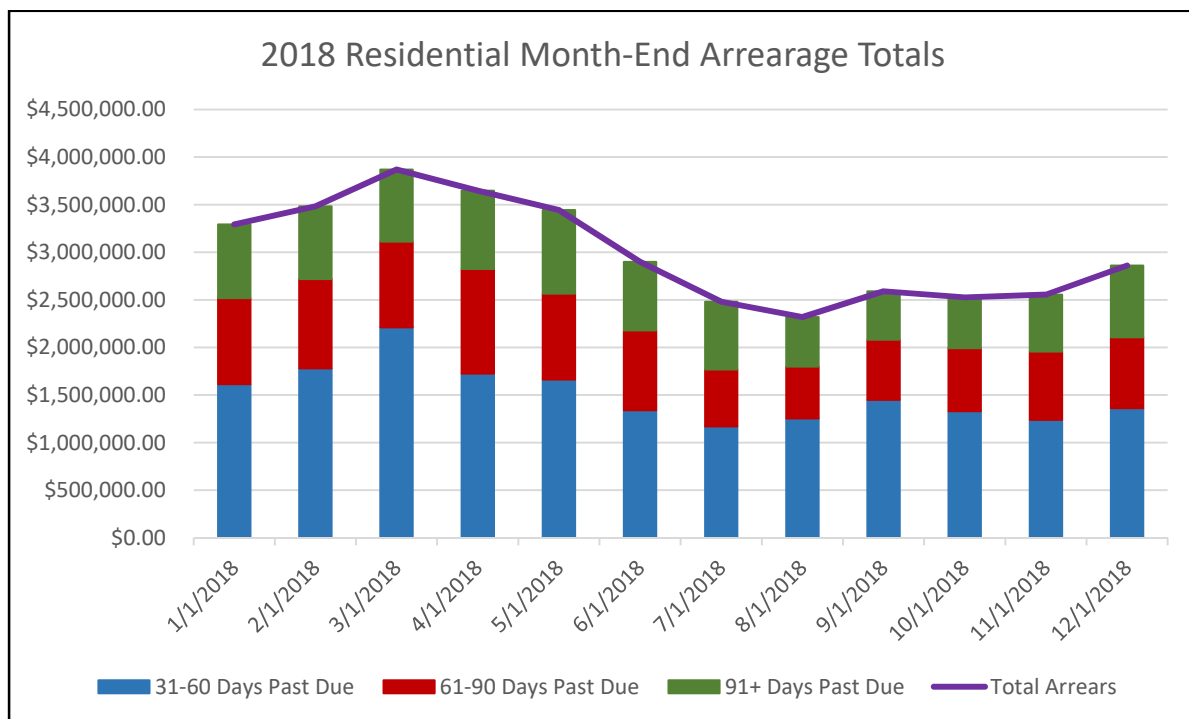
**Table 5: 2018 Residential Involuntary Disconnections** (numbers queried on January 14, 2019)

Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
131	120	168	224	282	373	346	293	265	161	96	33	2,492

*B. Arrearages and Average Arrearage Amounts*

The figures and totals below represent a point-in-time number of customer arrearages and average arrearage amounts at the end of each calendar month in 2018.

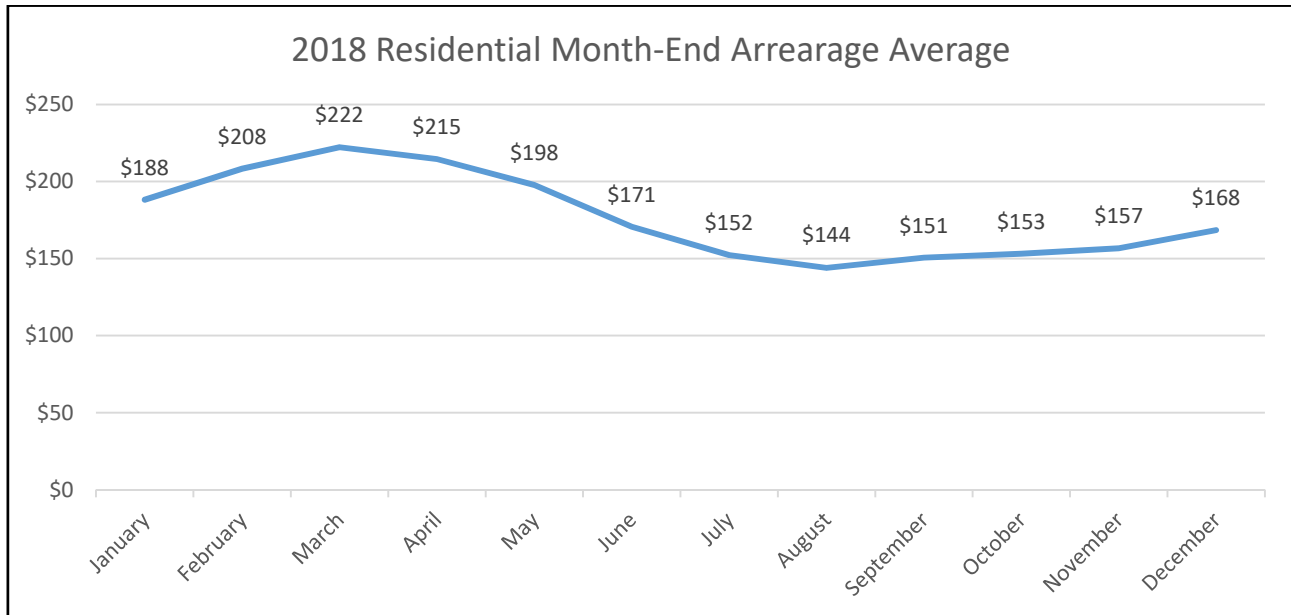
**Figure 1: 2018 Residential Month-End Arrearage Totals**



**Figure 2: 2018 Residential Month-End Arrearage Average (Rounded to Nearest Whole Dollar)**

Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
\$188	\$208	\$222	\$215	\$198	\$171	\$152	\$144	\$151	\$153	\$157	\$168

**Figure 3: 2018 Residential Month-End Average Arrearage (Rounded to Nearest Whole Dollar)**



**C. LIHEAP Participation**

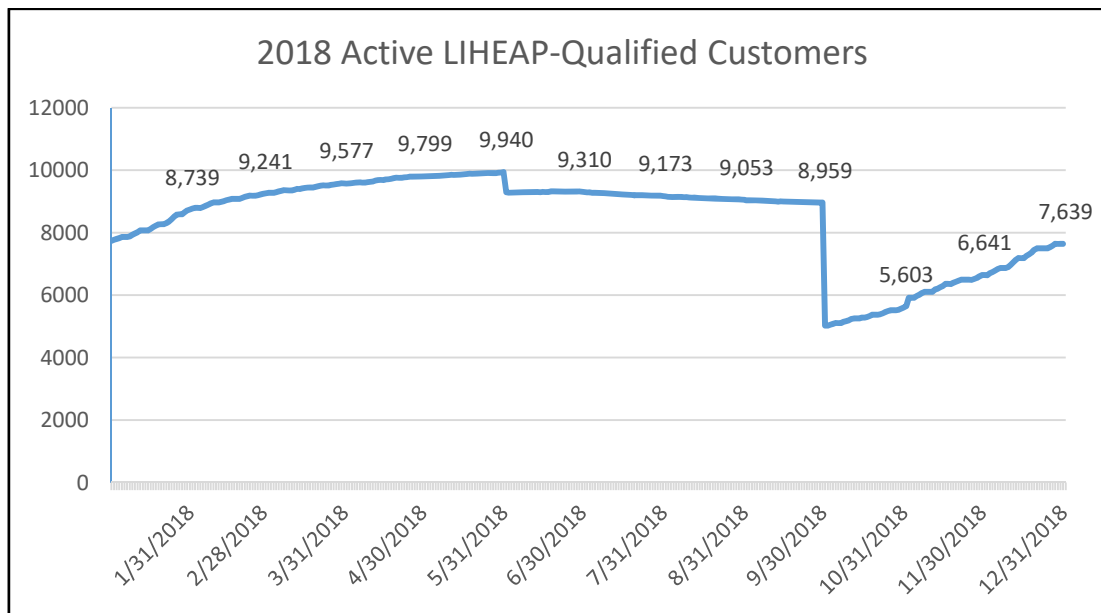
Table 5 below represents the new Low Income Home Energy Assistance Program (“LIHEAP”) customer qualifications that were processed from each calendar month in 2018, received by Minnesota Power from the Minnesota Department of Commerce’s eHeat system.

Figure 4 below represents the net counts of LIHEAP-qualified customers in Minnesota Power’s CIS at given points in time. While the LIHEAP Program Year runs from October 1 to September 30 each year, the Company provides a grace period through the CARE program. The grace period in the CARE program allows customers who were qualified as LIHEAP in the previous year to stay in the CARE program until June 1 of the next LIHEAP year. The decline in LIHEAP qualified customers in September 2018, as depicted in Figure 4 below, corresponds with the end of the LIHEAP funding season. A reconciliation is conducted annually removing those who have not reapplied or requalified for LIHEAP in the subsequent Program Year.

**Table 5: 2018 Customer LIHEAP Qualifications**

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
1,619	734	504	332	282	145	15	7	18	2,792	2,234	1,685	10,367

**Figure 4: 2018 LIHEAP-Qualified Total Customer Counts**



**9. Contain a statement of Minnesota Power’s view of regional economic conditions;**

The region is in a state of recovery following an approximate 9.5% decline in 2015 GDP from 2014 levels; this reduction in regional product is much larger than initially estimated (approx. 3%). This brief regional recession followed the idling and resumption of operations at the taconite mines closely, and future economic conditions are likely to follow trends in demand for iron, steel, and broader U.S. trends in manufacturing - which currently appear robust and promising for regional economic conditions. The paper industry continues to see a declining market due to the ongoing decrease in magazine ad pages and catalog mailings, a relatively strong dollar and E-commerce’s continued growth.

**10. Include state agency or similar economic data on the condition of the regional economy;**

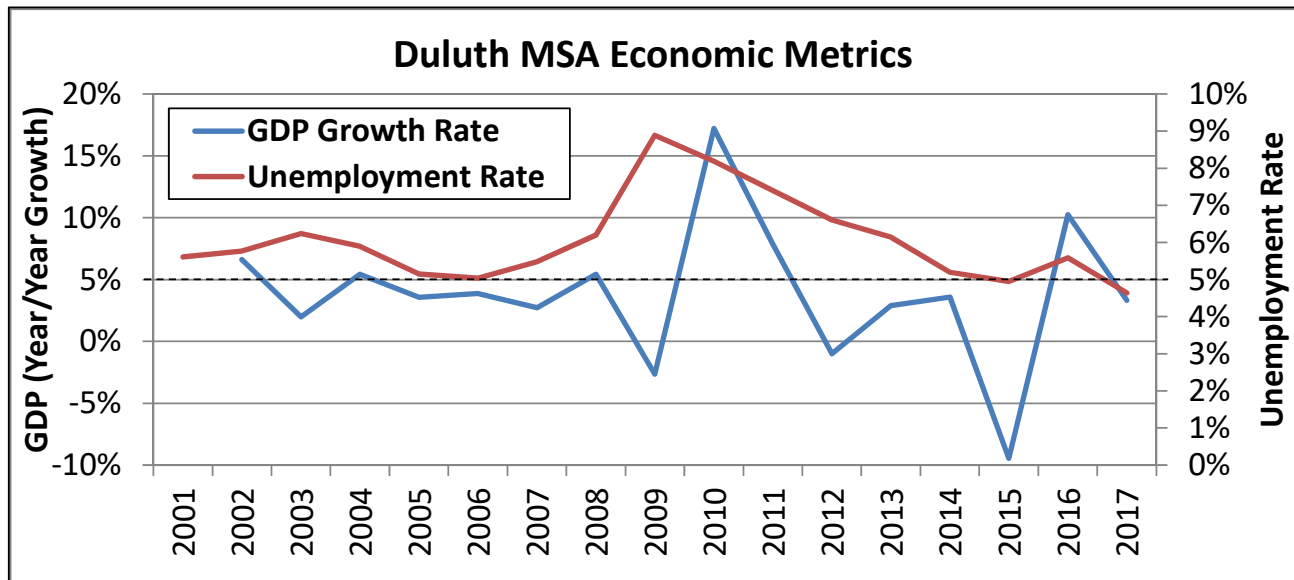
According to the Bureau of Economic Analysis (“BEA”), the Gross Domestic Product (“GDP”) of the Duluth Metropolitan Statistical Area (“MSA”)<sup>11</sup> grew about 10% in 2016 after receding 9.5% in 2015. Bureau of Labor Statistics (“BLS”) data show the unemployment rate lagged this regional recession, increasing to about 5.6% in 2016.

As of November 2018 (the latest month with available data), the unemployment rate<sup>12</sup> was about 3%, which suggests there’s been continued economic expansion through 2018 which should

<sup>11</sup> St. Louis and Carlton Counties (MN) and Douglas County (WI)

<sup>12</sup> Non-Seasonally Adjusted

carry into 2019. The graph below shows the recent historical GDP growth rate and unemployment rate for the Duluth MSA.



The BEA reports that “in 2017, Duluth, MN-WI [Metropolitan Statistical Area] (“MSA”) had a Per Capita Personal Income (“PCPI”) of \$43,492. This PCPI ranked 195th in the United States and was approximately 10 percent less than the state average, \$48,559, and 16 percent less than the national average, \$51,640.<sup>13</sup>” The 2017 per-capita personal income showed an approximate \$1,600 increase over 2016 PCPI. While the increase is roughly in line with state and national averages, the Duluth MSA still ranks fairly low, 195<sup>th</sup> among approximately 280 Metropolitan Statistical Areas.

**11. Track and report on the number of customer complaints, both oral and written, regarding the EITE surcharge**

There have been no written or oral customer complaints regarding the EITE surcharge, as there has been no implementation of EITE cost recovery to date.

**12. Provide more information about efforts to identify LIHEAP-eligible customers, including a description of Company-directed outreach efforts and updated information from the Company’s customer survey;**

*A. Identification of LIHEAP-Eligible Customers*

It is important to note that there are many possible ways to identify low-income customers: with the requirements and associated income levels dependent upon the program or assistance

<sup>13</sup> <https://www.bea.gov/regional/bearfacts/pdf.cfm?fips=20260&areatype=MSA&geotype=4>

source such as a utility program, Energy Assistance Program (“EAP”), crisis funding, or Salvation Army HeatShare. Minnesota Power uses several processes for identifying and assisting low-income customers, including collaboration with community action agencies to leverage programs. While definitions are imperfect, there is value in consistency across programs and working with EAP agencies as they are experts in these programs and have the ability to connect customers to multiple resources that are fuel- or service-agnostic. In contrast, Minnesota Power program offerings are specific to electric energy and, as such, do not fully address the energy affordability challenge that broader programs are designed to accommodate. The Weatherization Assistance Programs and conservation program offerings are a natural alignment delivered through community agencies that allow for cross-program leveraging and greater impact for customers.

Regarding identification of low-income customers, at the highest level, the U.S. Census Bureau’s 2015 American Community Survey<sup>14</sup> data is used to identify the share of low-income households by ZIP code. While this information cannot be detailed to the individual customer account level, this is a general best practice across the nation for quantifying income-eligible populations and potential areas of focus for program offerings and outreach. Several standard Census metrics were leveraged to approximate Minnesota Power’s low-income customer population, including: “share of households with incomes less than \$35,000 per year” and “percent of adults receiving public assistance.” Each low-income measure can then be used to scale the customer count, on a ZIP-code-by-ZIP-code basis, to produce an estimate of income-eligible customers in the Company’s service territory. This estimate will vary by the definition used. By using “share of households with incomes less than \$35,000 per year,” roughly 35,500 Minnesota Power customers are estimated to be income-eligible for LIHEAP.

Minnesota Power has since conducted a more in-depth study to identify key characteristics of the Company’s low-income customers that differentiate this specific segment from the broader customer base. The process involves matching Minnesota Power customers at the account level to financial and housing records from a reputable data vendor, segmenting the customer base into “Low-Income” and “Non-Low-Income” groups, summarizing the attributes of the two groups, and highlighting the key differences. The analysis was based on a match rate of about 85% of approximately 103,000 residential retail customers. It has produced several key insights to further inform a targeted outreach effort, including age and size of dwellings, age of resident, and geographic distribution of low-income customers.

Based on these additional efforts, the Company estimates that it serves electricity to 35,000-37,000 low-income households. Of those, approximately 30,000 are Minnesota Power customers,

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<sup>14</sup> 2015 *American Community Survey (1-year Estimates)*, U.S. CENSUS BUREAU, Documentation: <https://www.census.gov/programs-surveys/acs/technical-documentation/table-and-geography-changes/2015/1-year.html> , Data: <https://factfinder.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>

and about 23,000 can be identified, meaning they have an account with Minnesota Power and are responsible for the establishment of their account and payment for services. This contrasts to the previous estimate of 35,000 customers which incorrectly assumed Minnesota Power's residential customer base was synonymous with area residents/households. The difference between the two groups (customer base vs. area residents/households) is likely due, in large part, to rental dynamics; utilities are often included in rent and the electric account is held by the landlord, not the tenant. As such, many low-income area residents/households in the region will not be Minnesota Power customers directly and consequently could not benefit from the Company's discounted rate.

The in-depth study also allowed the Company to identify approximately 10,300 additional residential customers (about 10% of the residential customer base) as having annual household incomes of less than \$35,000; these are customers that were not already known to be qualified under LIHEAP or protected by requesting Cold Weather Rule ("CWR"). This, combined with the 13,000 LIHEAP-qualified and/or CWR customers, provides for the total estimate of 23,000 identifiable low-income customers directly served by Minnesota Power. From a targeted outreach perspective, identifiable households are best. That said, the data is imperfect and, as such, outreach efforts should not be exclusively targeted. Instead, multi-channel outreach is more likely to have optimal impact for connecting as many customers as possible with available programs and resources. This is particularly important because some programs, such as LIHEAP, do not require the customer to be the account holder for qualification.

#### *B. Company-Directed Outreach Efforts*

Minnesota Power's outreach strategy focuses on four major outreach channels, which have included the following items: targeted outreach, mass outreach, community events and collaborative services, and a customer survey (described in the previous section). Additional details regarding outreach efforts to low income customers are shared in the Company's annual SRSQ and CARE reports.

#### Targeted Outreach

The Company has conducted targeted outreach using the following characteristics from the Company's CIS to identify LIHEAP-eligible customers:

- Customer has missed two or more payments in the past two years
- Customer has requested Cold Weather Rule ("CWR") protection
- Customer was enrolled in LIHEAP at some point in the past 3 program years
- Customer has requested payment arrangements

Other targeted outreach in 2018 and early 2019 includes:



- Postcard mailings based on ZIP codes and characteristic events.
- Interactive Voice Response (“IVR”) calls to LIHEAP-qualified customers not enrolled in CARE were made in January, 2018 and again in January, 2019 to nearly 3,000 customers and over 4,000 customers, respectively.
- LIHEAP-focused postcards were mailed to almost 11,000 customers that were not currently in the CIS as LIHEAP-eligible and/or at a service address in a ZIP code identified as having higher poverty rates within Minnesota Power’s service territory.
- Minnesota Power and ComfortSystems co-sponsored the annual Energy Awareness Expo at the Salvation Army in Duluth, MN on October 23, 2018. Company representatives, area agencies, and energy efficiency resources and kits were available to help sign customers up for programs and services as well as answer questions. There were over 600 attendees.
- A color print ad regarding low income assistance programs was include in the October/November/December issue of IQ magazine, which is distributed in the western division of the Company’s service territory and estimated to be viewed by 30,000 people with featured issues on housing and childcare challenges.
- In December, 2018, a mailing was sent to low income, high usage customers regarding available conservation program resources.

#### Mass Outreach

- Bill inserts to all customers containing information on the Company’s affordability programs and Energy Assistance Programs.
- Radio advertisements were purchased providing information on the Company’s affordability programs.
- Information was posted on Minnesota Power’s intranet to ensure Company employees are knowledgeable about affordability offerings for customers.
- Information available on the Company’s website at [www.mnpower.com](http://www.mnpower.com)
- Social media posts were made on Facebook and Twitter regarding the Company’s affordability programs.

#### Community Events and Collaborative Services

- Participation in public events like the Energy Awareness Expo, Senior Expo, Ruby’s Pantry, etc.
- Presentation to the Elders of the Fond du Lac Band of Lake Superior Chippewa group regarding affordability and energy efficiency programs.
- Met with Aging Well Arrowhead to discuss outreach opportunities and share postcards.

- Shared postcards with Minnesota Citizens Federation and asked about newsletter opportunities.
- Canvassing of International Falls, Silver Bay, and Walker, MN for energy efficiency outreach with referrals to LIHEAP and weatherization for those who qualify.
- Minnesota Power is a member of the National Energy and Utility Affordability Coalition and attends the annual conference.
- Educational materials about the Company's programs and services were distributed to community action agencies with follow-up phone calls to each agency serving customers in Minnesota Power's service territory. In addition, in-person visits with community action agencies have been scheduled for the end of 2018 and into early 2019.

**13. Track and report Incremental Production Service ("IPS) revenue for EITE customers compared to the 2016 EITE base year;**

IPS revenue for the eleven EITE customers is reported in the table below. During the 2016 EITE base year IPS revenue was higher than 2018 IPS revenue.

	<b><u>2016</u></b>		<b><u>2018</u></b>	
IPS Revenue	\$	3,411,696	\$	2,327,995

### III. CONCLUSION

Both Minnesota Power and the Northeastern Minnesota region receive significant economic benefits through the healthy presence of natural resource-based industries, particularly mining and forest products. Taconite mining, iron concentrate production, paper, pulp and secondary wood products, and pipeline industries are some of the largest industries in northern Minnesota and they provide thousands of direct and indirect well-paying jobs, in addition to supporting the region's school districts, cities and counties through significant annual tax revenue.

The EITE Customers Rider and EITE Current Cost Recovery Rider are important tools in helping to ensure the global competitiveness of Minnesota's largest industries while retaining thousands of jobs and billions of dollars of economic contribution to Northeastern Minnesota's economy.

Dated: February 1, 2019

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jennifer J. Peterson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jennifer J. Peterson  
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2018 Actual EITE Energy Charge Discount Provided

Customer	Total 2018	DISCOUNT (\$)											
	Discount	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
	TRADE SECRET DATA EXCISED]												
USS Minnesota Ore													
Hibbing Taconite													
United Taconite													
Arcelor Mittal													
ERP Ore													
Blandin													
Verso													
Boise													
Sappi													
Mesabi Nugget													
Mining Resources													
<b>Total</b>	<b>16,814,488</b>	1,520,714	1,108,380	1,646,578	1,183,473	1,357,521	1,247,807	1,500,599	1,340,122	1,274,986	1,496,432	1,549,600	1,588,275

**EITE - 2018 Compliance Calculation**

(numbers in millions)

**Part I: 2018 EITE Customer Revenue**

Line

1	Gross EITE Customer Revenue (Excluding Riders)	\$	299.7
2	Interim Rates Collected	\$	15.8
2b	Interim Rates (to refund)	\$	(9.9)
3	EITE Customer Discount	\$	<u>(16.8)</u>
4	Subtotal 2018 EITE Customer Revenue	\$	288.8

**Part II: Estimate of EITE Customer Revenue Increase**

5	Subtotal 2018 EITE Customer Revenue	\$	288.8
6	Baseline (2016 EITE Customer) Revenue	\$	<u>(255.3)</u>
7	Gross Revenue Increase Attributed to EITE	\$	33.4
8	Net Revenue Increase Attributed to EITE (64.4%)	\$	21.5

Conclusion: Line 8 shows that net EITE customer revenue increase (vs. baseline) exceeds the discount provided, so no bill line is needed on EITE-paying customer bills.

STATE OF MINNESOTA     )  
                                      ) ss  
COUNTY OF ST. LOUIS     )

AFFIDAVIT OF SERVICE VIA  
ELECTRONIC FILING

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Susan Romans of the City of Duluth, County of St. Louis, State of Minnesota, says that on the **1<sup>st</sup>** day of **February, 2019**, she served Minnesota Power's Compliance Filing in **Docket No. E015/M-16-564** 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.



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Susan Romans