

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of the Application of
Minnesota Power for Authority to Increase
Rates for Electric Service in Minnesota

Docket No. E015/GR-19-442
OAH Docket No. 8-2500-36575

INTERIM RATE REFUND PLAN

INTRODUCTION

Minnesota Power (or “Company”) submits this proposed Interim Rate Refund Plan in compliance with the Minnesota Public Utilities Commission’s (“Commission”) oral decision on June 4, 2020 in Docket No. E015/GR-19-442 (“2019 Rate Case”) and Docket No. E015/M-20-429.

On November 1, 2019, Minnesota Power filed its petition for authority to increase its retail electric service rates. The Company placed an interim rate increase of \$36.1 million annually or 5.80 percent into effect on January 1, 2020, pursuant to the Commission’s December 23, 2019 Order Setting Interim Rates, and subject to refund pending final Commission action on the Company’s general rate case. Following the Company’s filing, the severe acute respiratory syndrome coronavirus 2 (commonly referred to as “COVID-19”) has spread across the globe impacting the health and financial well-being of people everywhere.

On April 23, 2020, Minnesota Power filed a motion requesting the Commission suspend Minnesota Power’s 2019 Rate Case and consider a proposal (“Resolution Proposal”) to resolve and ultimately withdraw the Company’s 2019 Rate Case. The key aspects of the Resolution Proposal involve maintaining the final base rates set in the Company’s last completed rate case (Docket No. E015/GR-16-664) but allowing credits for the Company’s energy and capacity asset-based wholesale sales margins (“Margin Credits”) through the Fuel Adjustment Clause (“FAC”) effective May 1, 2020. The Company requested a May 1, 2020 effective date to coincide with expiration date of a long-term sales contract (“Large Market Contract” or “LMC”). The motion included a request for the Commission to immediately reduce interim rates to 4.10 percent effective May 1, 2020. At its April 30, 2020 agenda meeting, the Commission orally approved Minnesota Power’s proposal to reduce interim rates.

At its June 4, 2020 agenda meeting, the Commission orally approved the Company's Resolution Proposal and the Company will be filing to withdraw its 2019 Rate Case. The Commission's approval of Minnesota Power's Resolution Proposal means that customers will have 100 percent of their interim rates refunded. Due to the May 1, 2020 effective date for moving Margin Credits from base rates to the FAC, Minnesota Power is proposing to offset interim rate refunds in May and June to account for the changes to base rates and the FAC rate (including the expiration of the LMC). As a result, the interim rate refunds related to May and June billing are handled differently than the interim rate refunds from January through April. Minnesota Power's Interim Rate Refund Plan is outlined in Attachment A.

PROPOSED MECHANICS OF INTERIM RATE REFUND

The interim rate refund plan outlined here and in Attachment A is based on the following assumptions:

- Final rates, after the resolution of the 2019 Rate Case, are in place July 1, 2020; and
- Interim rate refunds provided as a one-time credit in August 2020.

The time period between final rate implementation and refunding is necessary in order to allow time for all customers to be completely billed for the interim rate period, and for the compilation of final numbers so that estimated refund factors can be finalized to provide the correct refund amount to customers.

Minnesota Power will use its Customer Information System ("CIS") program to apply a 100 percent refund factor (or percentage) to each billed interim rate amount, which will then be grossed up for interest using a percentage that varies by month based on the prime rate and the number of months Minnesota Power has been holding the customer's money, as outlined on page 3 of Attachment A. The sum of the interim rate refund plus interest will determine an overall refund amount for each month. However, in May and June 2020, the interim rate refund plus interest will be offset by the proposed changes to Margin Credits, causing those changes to become effective May 1, 2020. An estimate of the net collection related to May and June 2020 is shown on Attachment A, page 1, lines 11-13, and outlined in more detail on page 4. Each monthly refund amount will then have credits for applicable taxes and franchise fees applied. The monthly values

will then all be summed and credited to customer accounts. The total will then be displayed on the bill following the refund as “Interim Rate Refund” with a note explaining the adjustment.

All rate classes will have refunds based on the same refund factors that vary by period. Any deviations among the overall percentage refund paid by class will be the result of timing differences that cause changes to the amount of interest paid. Currently, with actual interim rate collections updated through May of 2020, Minnesota Power expects to provide a total refund of approximately \$12 million to customers. The numbers presented will change slightly after interim rates have been completely billed by August 2020.

Refunds for existing customers will be in the form of a one-time bill credit. All inactive customer refunds will be calculated and a check will be issued if the customer requests one. Any residual unclaimed refunds will be handled in accordance with Minn. Stat. § 345.34.

CONCLUSION

Minnesota Power respectfully requests the Commission to approve its interim rate refund plan that will provide a net refund to customers, currently estimated to be approximately \$12 million, including the offset to account for changes to the Company’s Margin Credits effective May 1, 2020.

Interim Rate Overcollection Summary - Resolution Proposal

<u>Test Year Interim Revenues</u>		<u>2020</u>	Assumptions:	
1	Test Year Interim Rate Increase	\$36,119,620	1.	Final resolution and changes to FAC effective 7/1/2020
2	Resolution Rate Increase	\$0	2.	Interim refund in August
3	Interim Rate Collection Allowed	\$0		
4	Overcollection Amount Line 1 - Line 3	\$36,119,620		
5	Overcollection Factor Line 4 / Line 1	100.0000%		

<u>Actual Interim Rate Revenues</u>		<u>Jan - Apr, Jul 2020</u>	<u>May - Jun 2020</u>	<u>Interim Rate Period Total</u>
6	Interim Revenues Collected	\$11,453,581	\$3,911,970	Total \$15,365,550
7	Overcollection Factor Line 5	100.0000%	100.0000%	100.0000%
8	Overcollection Amount Line 6 * Line 7	\$11,453,581	\$3,911,970	\$15,365,550
9	Interest Refer to Page 3	\$171,573	\$26,498	\$198,070
10	Total Interim Overcollection Amount Line 8 + Line 9	\$11,625,153	\$3,938,467	\$15,563,621 Interim Rate Refund
11	Asset-Based Sales Margin Collection Refer to Page 4		-\$5,406,164	-\$5,406,164
12	FAC Asset-Based Margin Credit Refer to Page 4		\$1,703,844	\$1,703,844
13	Subtotal - Asset-Based Sales Collection Line 11 + Line 12		-\$3,702,320	
14	Total Refund to Customers Line 10 + Line 13	\$11,625,153	\$236,148	\$11,861,301 Total Refund to Customers

**Interim Rates Collected by Month
For Interim Rate Revenue Collected in 2020**

	2020
	Total ^{1,2}
January	\$2,173,693
February	\$3,053,494
March	\$2,985,705
April	\$2,630,689
May	\$1,871,970
June	\$2,040,000
July	\$610,000
August	\$0
September	\$0
October	\$0
November	\$0
December	\$0
Total	\$15,365,550

1/ Actuals thru May 2020, June-July estimated

Overcollected Interim Rate Revenue Interest Calculation

Revenue Month	Beginning Balance	Current Mo. Collection Principal	Ending Balance	Average Balance	Number of Days	Annual Interest¹	Monthly Interest
Jan-20	\$0	\$2,173,693	\$2,173,693	\$1,086,846	31	4.750%	\$4,373
Feb-20	\$2,178,065	\$3,053,494	\$5,231,559	\$3,704,812	29	4.750%	\$13,944
Mar-20	\$5,245,503	\$2,985,705	\$8,231,208	\$6,738,355	31	3.782%	\$21,587
Apr-20	\$8,252,794	\$2,630,689	\$10,883,484	\$9,568,139	30	3.250%	\$25,489
May-20	\$10,908,972	\$1,871,970	\$12,780,942	\$11,844,957	31	3.250%	\$32,606
Jun-20	\$12,813,548	\$2,040,000	\$14,853,548	\$13,833,548	30	3.250%	\$36,852
Jul-20	\$14,890,400	\$610,000	\$15,500,400	\$15,195,400	31	3.250%	\$41,829
Aug-20	\$15,542,229	\$0	\$15,542,229	\$15,542,229	31	3.250%	\$21,392
Total		\$15,365,550					\$198,070
Total Principal and Interest							\$15,563,621

¹ Prime Rate, projected, subject to change. March 1 - rate was 4.75%, March 4 - changed - 4.25%, March 16 - 3.25%

Asset-Based Sales Margin 2017 Test Year (per Resolution Agreement) \$ 35,827,390

For 2017 Sales - to estimate the credit in base rates that would need to be collected from customers = 35.8 million * (2020 May/June sales)/(2017 Test Year Sales)
 Estimate that will be replaced by actuals: \$ 5,406,164

For 2020 Sales:	May 2020	June 2020	Total
Estimate of Asset-Based Sales Margins:	\$ 843,607	\$ 1,124,685	
Estimate of Retail/Wholesale Split	0.86509	0.86606	
FAC Asset-Based Sales Credit Estimate:	\$ (729,794)	\$ (974,050)	\$ (1,703,844)

Supporting Information
Sales By Rate - E-Schedule
2020 Test Year

Rate		January	February	March	April	May	June	July	August	September	October	November	December	Total
Residential Subtotal	kWh	107,068,000	81,381,000	85,728,000	63,674,000	60,665,000	59,476,000	82,914,000	80,769,000	68,102,000	64,807,000	86,315,000	108,727,000	949,626,000
General Service Subtotal	kWh	61,033,082	60,066,056	60,948,067	49,389,013	51,730,030	53,741,415	58,272,705	61,382,147	54,433,813	49,624,211	53,573,737	65,337,149	679,531,425
Solar Garden Adj. (Res/GS)	kWh	-59,568	-90,111	-141,835	-157,839	-178,375	-188,547	-212,639	-185,688	-142,505	-93,919	-61,587	-40,057	-1,552,670
Large Light & Power Subtotal	kWh	113,466,000	109,725,000	115,874,000	106,592,000	108,011,000	108,712,000	113,214,000	113,705,000	110,367,000	107,936,000	104,230,000	112,329,000	1,324,161,000
Large Power (Firm)	kWh	453,882,000	408,517,000	448,495,000	421,598,000	447,730,000	432,471,000	445,596,000	444,569,000	430,683,000	446,793,000	454,288,000	453,815,000	5,288,437,000
Lighting Subtotal	kWh	2,318,090	1,929,161	1,794,582	1,507,329	1,303,952	1,133,391	1,212,948	1,379,647	1,646,497	1,886,614	2,056,790	2,249,037	20,418,039
Residential Dual Fuel	kWh	18,427,000	18,861,000	15,032,000	11,208,000	6,093,000	3,952,000	1,533,000	983,000	957,000	2,154,000	6,053,000	12,636,000	97,889,000
Commercial Dual Fuel	kWh	3,546,000	3,518,000	3,231,000	2,633,000	1,655,000	1,371,000	1,818,000	1,808,000	1,900,000	1,502,000	2,124,000	2,627,000	27,733,000
Total Retail FAC Sales 2020 Yest Year	kWh	759,680,604	683,907,106	730,960,814	656,443,503	677,009,607	660,668,259	704,348,014	704,410,106	667,946,805	674,608,906	708,578,940	757,680,129	8,386,242,794
Group A - Municipal Sales 2020TY						42,180,948	43,208,055							
Group B - SWL&P Sales 2020TY						63,400,000	58,963,000							
Subtotal - Resale Sales 2020TY						105,580,948	102,171,055							
Total FAC Sales 2020 Test Year						782,590,555	762,839,314							

Total Retail FAC Sales 2017 Test Year 8,864,975,111 from Compliance Filing E-Schedule (page 2)