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August 31, 2020

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 Revised Petition for a Competitive Rate for Energy Intensive Trade Exposed (EITE) Customers and an EITE Cost Recovery Rider

Docket No. E015/M-16-564

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

Docket No. E015/GR-19-442

In the Matter of the Emergency Petition of Minnesota Power for Approval to Move Asset-based Wholesale Sales Credits to the Fuel Adjustment Clause Resolve Rate Case

Docket No. E015/M-20-429

In the Matter of an Inquiry into Utility Investments that May Assist in Minnesota's Economic Recovery from the COVID-19 Pandemic

Docket No. E,G999/CI-20-492

In the Matter of the Petition for Approval of Minnesota Power Land Sales

Docket No. E015/PA-20-675

Dear Mr. Seuffert:

Minnesota Power (or, "the Company") has moved further and faster than any other utility in the state towards a cleaner energy system, reducing carbon fifty percent since 2005 when the Company's resource mix was ninety-five percent coal-based generation by idling or retiring seven of its nine coal units. After meeting Minnesota's Renewable Energy Standard of twenty-five percent renewable a decade early in 2015, Minnesota Power will be delivering a power supply that is fifty percent renewable by 2021. The Company is decarbonizing its portfolio with meaningful renewable additions (over 500 MW) of solar, wind and hydro.

As unique as Minnesota Power is in its transformation to a cleaner energy system, it is also distinctive in terms of the customers it serves. Minnesota Power, serving the natural resources based economy of northern Minnesota, provides power to some of the

nation's largest industrial customers. These customers operate 24/7 and require reliable and affordable power to compete in their respective global markets. The Company's large industrial customers represent nearly three-quarters of all Minnesota Power's energy sales, unlike more traditional utilities whose industrial customers represent around one-quarter of energy sales. These large users have helped to create an extremely efficient power system, which currently operates at an 85 percent load factor and generates savings for all customers. In fact, Minnesota Power's typical residential customer currently enjoys the lowest residential electric rates in the state.

However, these large energy users continue to experience price pressures in their respective industries and must look at all ways to ensure electricity supply is an affordable input to their operations, particularly in a challenged economic environment like a recession. Through a series of filings in dockets referenced above, Minnesota Power is proposing innovative ways to mitigate rate increases for each of its customer classes at a time when energy affordability is most needed as industries and residents alike attempt to recover from the economic effects of the COVID-19 pandemic. As of the date of this petition, two of Minnesota Power's key large industrial customers remain indefinitely idled – Keewatin Taconite and Verso's Duluth Mill. For context, those two customers used approximately the same amount of energy as Minnesota Power's entire residential customer class in 2019.

Through a series of filings, Minnesota Power will propose an extension of the Energy Intensive Trade Exposed ("EITE") rate from February 1, 2021 until final rates are implemented in the Company's next rate case, expected to be filed no later than November 1, 2021. As an additional and meaningful rate mitigation effort for all customers, the Company will also request approval to begin selling land holdings along traditional hydro reservoirs that are no longer necessary for maintaining hydro operations. Finally, through an update in the Economic Recovery Docket, the Company will outline several new ideas that can be brought forward in either future dockets or the next rate case to further mitigate customer rates. Taken together, these three filings represent Minnesota Power's comprehensive strategy to ensure affordable energy rates for all customers.

Feel free to contact me at (218) 355-3202 or jjpeterson@mnpower.com with any further questions.

Respectfully,



Jennifer J. Peterson
Manager – Regulatory Strategy & Policy
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STATEMENT REGARDING JUSTIFICATION FOR EXCISING TRADE SECRET INFORMATION

Minnesota Power has excised material from the public version of the attached report documents as they identify and contain confidential, competitive information regarding the Company's methods, techniques and process for supplying electric service to its customers. The energy usage by specific customers and generation by fuel type has been consistently treated as trade secret in individual filings before the Commission.

Minnesota Power follows strict internal procedures to maintain the privacy of this information. The public disclosure of this information would have severe competitive implications for customers and Minnesota Power.

Minnesota Power is providing this justification for the information excised from the electronically submitted report and attachments in accordance with Minn. Stat. § 13.37. The Company is submitting both public and non-public versions of this filing.

Date prepared: August 31, 2020.

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

In the Matter of Minnesota Power's Revised Petition
For a Competitive Rate for Energy Intensive Trade Exposed
(EITE) Customers and an EITE Cost Recovery Rider

Docket No. E015/M-16-564

PETITION FOR EXTENSION

SUMMARY OF FILING

Along with Minnesota's clear state policies on renewable energy and decarbonization, Minn. Stat. § 216B.1696 also states, "It is the energy policy of the state of Minnesota to ensure competitive electric rates for energy-intensive trade-exposed customers." As Minnesota's utility with the highest percentage of renewable energy on its system that also serves the nation's largest globally competitive industrial customers, balancing public policies on decarbonization and energy affordability is critical. Minnesota Power (or "the Company") submits this Petition to the Minnesota Public Utilities Commission ("Commission") pursuant to Minn. Stat. §§ 216B.16, 216B.1696 and 216B.50. In the its Order Dated August 7, 2020¹ the Commission directed Minnesota Power to "Maintain the current Energy-Intensive Trade-Exposed ("EITE") Customer rate discount through February 1, 2021, and work with stakeholders to bring forward a proposal by August 31, 2020 to extend the EITE rate discount." Through this Petition, Minnesota Power is seeking an extension of the EITE rate until final rates are implemented in Minnesota Power's next rate case, expected to be filed no later than November 1, 2021.

In addition to the request to extend the EITE rate, Minnesota Power is providing an overview of its unique customer mix, current electric rates, and customer outlook. In conjunction with the EITE extension request, the Company is also proposing other innovative rate mitigation ideas in to be pursued in other dockets or the Company's next rate case with the intent of maintaining affordability of electric rates while Minnesota Power continues to decarbonize its system and lead the state in renewable energy deployment. These ideas include: a proposal to begin sales of land along Minnesota Power's hydro reservoirs filed on August 31, 2020 in Docket No. E015/PA-20-675 and a package of creative solutions to maintain energy affordability for customers filed in the Economic Recovery Docket No. E,G999/M-20-492. Taken together, these ideas offer a holistic, creative and forward looking approach to attempt to mitigate rate increases as Minnesota Power continues its clean energy transition and customers weather the economic impacts of the COVID-19 pandemic.

¹ Docket No. E-015/M-16-564, Docket No. E-015/GR-19-442, E,G999/M-20-429

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

In the Matter of Minnesota Power’s Revised Petition
For a Competitive Rate for Energy Intensive Trade Exposed
(EITE) Customers and an EITE Cost Recovery Rider

Docket No. E015/M-16-564

PETITION FOR EXTENSION

I. INTRODUCTION

Minnesota Power (or, “the Company”) has moved further and faster than any other utility in the state towards a cleaner energy system, reducing carbon fifty percent since 2005 when the Company’s resource mix was ninety-five percent coal-based generation by idling or retiring seven of its nine coal units, with only Boswell Energy Center Units 3 and 4 remaining as baseload resources. Minnesota Power met Minnesota’s Renewable Energy Standard of twenty-five percent renewable a decade early in 2015, and will be delivering a power supply that will be fifty percent renewable in 2021.

As unique as the Company is in its transformation to a cleaner energy system, it is also distinctive in terms of the customers it serves. Minnesota Power, serving the natural resources based economy of northern Minnesota, provides power to some of the nation’s largest industrial customers. These customers operate 24/7 and require reliable and affordable power to compete in their respective global markets. The Company’s large industrial customers represent a super-majority with nearly three-quarters of all Minnesota Power’s energy sales, unlike more traditional utilities whose industrial customers represent around one-quarter of energy sales. These large users have helped to create an extremely efficient power system, which currently operates at an 85 percent load factor resulting in savings for all customers. In fact, Minnesota Power’s typical residential customer currently has the lowest residential electric rates in the state.

However, these large energy users continue to experience price pressures in their respective industries. Through a series of filings in dockets referenced above, Minnesota Power is proposing innovative ways to mitigate rate increases for customers at a time when it is most needed, as industries attempt to recover from the economic effects of the COVID-19 pandemic and recession. As of the date of this petition, two key large industrial customers remain indefinitely idled – Keewatin Taconite and Verso’s Duluth Mill. For context, those two customers used approximately the same amount of energy as Minnesota Power’s entire residential customer class in 2019.

Through this petition, Minnesota Power will propose an extension of the Energy Intensive Trade Exposed (“EITE”) rate from February 1, 2021 until final rates are implemented in the Company’s next rate case, expected to be filed no later than November 1, 2021. It is important to note that this needed extension of the EITE rate will be done without an adverse impact to other customers. To date, non-EITE customers have not been billed any EITE-related surcharges, and Minnesota Power is willing to commit to continuing that practice for the duration of the EITE discount. Finally, The EITE extension should be looked at as one part of a holistic plan to address competitiveness and offer rate mitigation solutions that also includes proposals filed in Dockets No. E,G999/M-20-492 and E015/PA-20-675.

II. PROCEDURAL MATTERS

A. General Filing Information

Pursuant to Minn. Stat. § 216B.16, subd. 1 and Minn. Rule 7829.1300, Minnesota Power provides the following required general filing information.

1. Summary of Filing (Minn. Rule 7829.1300, subp.1)

A one-paragraph summary accompanies this Petition.

2 Service on Other Parties (Minn. Rule 7829.1300, subp. 2)

Pursuant to Minn. Stat. § 216.17, subd. 3 and Minn. Rule 7829.1300, subp. 2, Minnesota Power eFiles the Petition on the Department of Commerce - Division of Energy Resources (“the Department”) and the Minnesota Office of the Attorney General - Antitrust and Utilities Division. A summary of the filing prepared in accordance with Minn. Rule 7829.1300, subp. 1 is being served on Minnesota Power’s general service list.

3. Name, Address and Telephone Number of Utility (Minn. Rule 7829.1300, subp. 4(A))

Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 722-2641

4. Name, Address and Telephone Number of Utility Attorney (Minn. Rule 7829.1300, subp. 4(B))

David R. Moeller
Senior Attorney & Director of Regulatory Compliance
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Duluth, MN 55802
(218) 723-3963
dmoeller@allete.com

5. Date of Filing and Date Proposed Rate Takes Effect (Minn. Rule 7829.1300, subp. 4(C))

This Petition is being filed on August 31, 2020. The effective date is the date of the Commission’s Order or such other date as directed in the Commission’s Order.

6. Statute Controlling Schedule for Processing the Filing (Minn. Rule 7829.1300, subp. 4(D))

This petition is made pursuant to Minn. Stat. § 216B.1696. Under Minn. Stat. § 216B.1696, subd. 2(c), the Commission “shall make a final determination in a proceeding begun under this section within 90 days of a miscellaneous rate filing by the electric utility.” Minnesota Power interprets this provision to mean that the Commission’s final determination shall be effective within 90 days

of the filing, recognizing that additional time for Commission review and issuance of a written order may be necessary.

In addition, under Minn. Stat. § 216B.1696, subd. 3, “upon the filing of a utility for approval of an EITE rate schedule under this section, the filing utility must deposit \$10,000 into an account devoted to funding a program approved by the commission under Minnesota Statutes, section 216B.16, subdivision 15. The funds shall be used to expand the outreach of the Commission-approved affordability program.” In its initial petition Minnesota Power contributed \$30,000 in compliance with this requirement. Although Minnesota Power is not filing a new request, and is instead filing an extension of the current rate, the Company will deposit \$10,000 into the account dedicated to Minnesota Power's Commission-approved Customer Affordability of Residential Electricity (“CARE”) Program and Minnesota Power shall designate that the funds be used to “expand the outreach” of CARE.

7. Utility Employee Responsible for Filing (Minn. Rule 7829.1300, subp. 4(E))

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8. Impact on Rates and Services (Minn. Rule 7829.1300, subp. 4(F))

This filing will have no effect on Minnesota Power’s base rates. However, Minnesota Power provides anticipated rate implications in Section V.

9. Service List (Minn. Rule 7829.0700)

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B. Trade Secret Designation (Minn. Rule 7825.0500)

Pursuant to Minn. Stat. §§ 13.01 et seq. and Minn. Rule 7829.0500, Minnesota Power has designated portions of the Petition as containing Trade Secret Information and these have been redacted as appropriate to reflect the Trade Secret nature of the documents. Trade Secret and Public copies of the Petition are being eFiled in accordance with the Commission’s Rules and Minn. Stat. § 216.17, subd. 3. A statement regarding justification for excising Trade Secret information accompanies this Petition

III. MINNESOTA POWER'S COMPETITIVENESS OUTLOOK

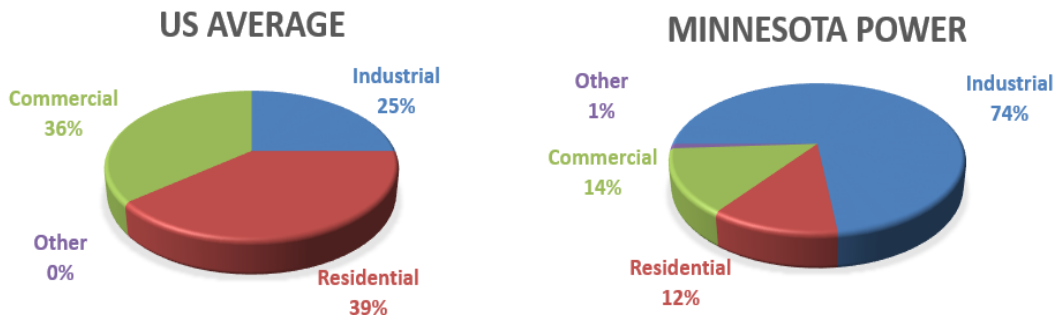
Minnesota Power is nearing its incredible transformation to fifty percent renewable while maintaining the lowest residential electric rates in the state. However, as the large industries that are such an important part of Minnesota Power's customer mix navigate the economic uncertainty generated by the COVID-19 pandemic and recession, it is critical the Company do all it can to keep its energy service affordable for customers. This section will describe Minnesota Power's unique customer mix, the competitiveness of their current electric rates, the interrelated nature of the Company's customer classes, and future customer and rate outlooks.

A. Minnesota Power's Unique Customer Mix

Minnesota Power has one of the most unique load profiles in the region and country, with one of the highest industrial customer concentrations. According to the Energy Information Administration ("EIA"), Minnesota Power had the ninth highest industrial customer concentration out of 179 investor owned utilities, including related subsidiaries, with industrial customers currently representing approximately 74 percent of retail kWh energy sales. This industrial concentration is vastly different than other utilities in the state and most of the nation. Because of this difference, Minnesota Power has a higher economic efficiency of its system due to the high industrial load, but also an increased risk profile due to the variation in its revenues from changes in this industrial load

Minnesota Power serves approximately 122,500 residential, 22,800 commercial, and 400 industrial customers, with programs and services for each customer class. Minnesota Power's system is, however, dominated by large industrial customers, with approximately 74 percent of retail kWh energy sales to this customer class in 2018, and only 12 percent and 14 percent of sales to residential and commercial customers, respectively. For comparison, the average utility in the United States has 25 percent of retail kWh energy sales to industrial customers and 39 percent and 36 percent of retail kWh energy sales to residential and commercial customers, respectively. Minnesota Power currently has eight large power customer contracts, each serving at least ten megawatts ("MW") of load. These contracts define the electric service agreements for six taconite producing facilities served through four large power customer contracts, and four paper and pulp mills.

Figure 1: Minnesota Power's Customer Mix Compared to the National Average (Energy Sales)

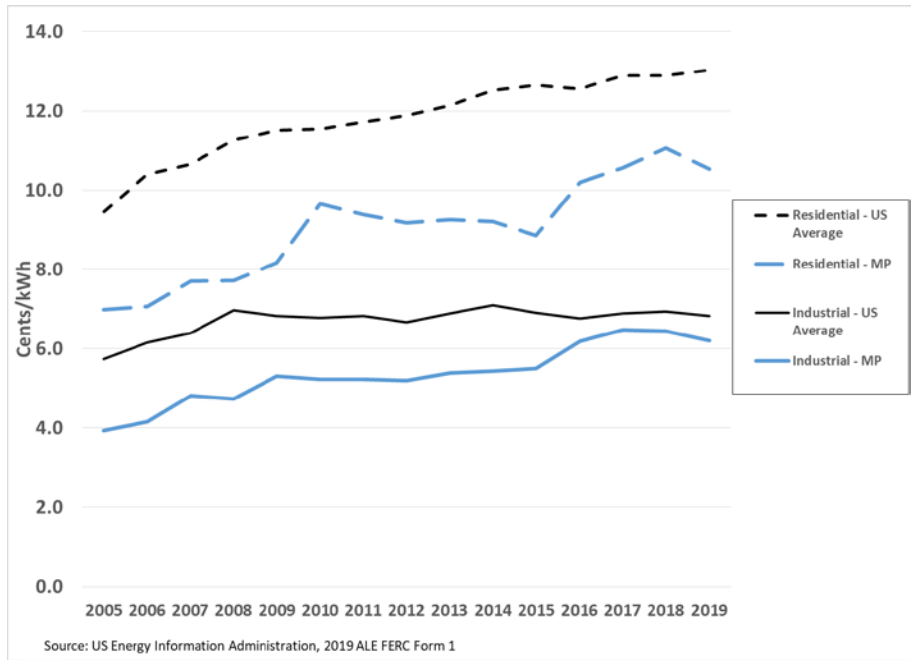


Source: MP retail energy sales (2018)

B. Minnesota Power's Current Electric Rates & the Regional Impact of EITE Customers

While Minnesota Power's average residential customer currently enjoys the lowest electric rates in the state of Minnesota, the Company's large industrial customers experience rates closer to the national average, as demonstrated in the chart below.

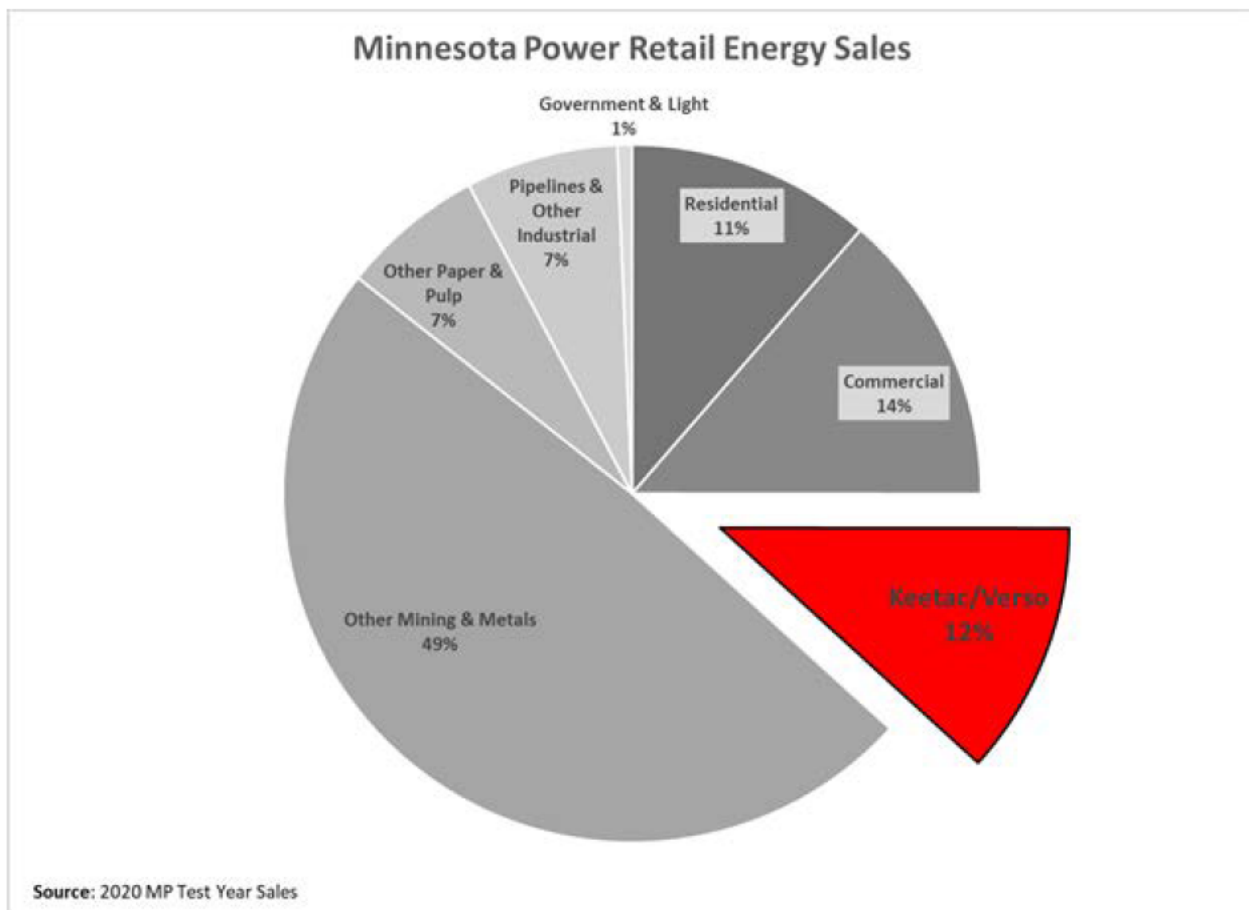
Figure 2: Minnesota Power's Average Industrial and Residential Rates



As a result of Minnesota Power's uniquely high industrial customer concentration, economic downturns and industry related capacity closures can have a disproportionately large impact on

Minnesota Power's sales and revenues compared to the average utility. This is evidenced by the recent customer shutdowns resulting from the COVID-19 pandemic and related idling at many customer sites, at one point resulting in a greater than forty percent reduction in industrial customer load. For context, Minnesota Power lost 125 MW of high load factor load when both Keetac [TRADE SECRET DATA BEGINS [REDACTED] TRADE SECRET DATA ENDS] and Verso [TRADE SECRET DATA BEGINS [REDACTED] TRADE SECRET DATA ENDS] announced their indefinite idling in 2020. The annual energy requirement to serve these two large customers is equivalent to Minnesota Power's entire residential class of customers. Minnesota Power will be seeking deferred accounting treatment of these loss of revenues that the Commission recently authorized to be tracked for accounting purposes².

Figure 3: Impact of Loss of Two Large Industrial Customers



In addition to these customers being critical to Minnesota Power system and business, they also provide a large portion of the Gross Regional Product, jobs, and wages in Northeastern Minnesota. Specifically, the Company's industrial customers' products and induced business

² See MPUC Order dated May 22, 2020 in Docket Nos. E,G999/CI-20-425 and E,G999/M-20-427.

activity represent approximately 40 percent of the Northeastern Minnesota's gross domestic product. For production year 2017, Minnesota's iron mining industry directly employed 3,944 individuals and directly paid \$93.8 million in production taxes in 2018. Of this total, \$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. 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 percent), Elementary and Secondary Education (40 percent), and the University of Minnesota (10 percent). 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 2017³. In the region more broadly, the forest products industry in Minnesota has demonstrated a \$9.1 billion impact throughout the state according to Minnesota Forest Industries. Each year, the industry pays more than \$50 million for wood harvested on public lands alone and another \$450 million in state and local taxes. Minnesota's pulp, paper, and board plants employ 2,500 individuals and pay wages totaling over \$237 million⁴. There is no doubt that Minnesota Power's industrial customers are economic engines of northern Minnesota, providing jobs, tax revenue and school funding for all residents.

C. Large Industrial Customer Outlook

Paper and Wood Products

As with all globally competitive industries, Minnesota Power's industrial customers face marketplace challenges even in a good economy, where there has been a continued secular decline in printing and writing following the introduction of the iPhone in 2007, and especially now during these unprecedented times which have further accelerated the decline. In response to extremely weak markets amid the COVID-19 economic fallout, paper producers took downtime and closed mills in the second quarter of 2020 in an effort to balance supply with demand and mitigate price declines. Advertisers have cancelled print orders or reduced print frequency, travel and tourism publications have halted, newsstand sales have fallen off, and the closure of schools and offices has devastated cut-size office paper demand. Fastmarkets RISI now expects the second quarter to be the bottom for P&W grades in 2020 with any rebound dependent on how soon consumers and advertisers feel more confident about the economy. All grades of graphic paper witnessed declines ranging from 35 percent to 46 percent in May 2020 and exacerbating the decline in demand was the continued rise in imports serving more of the remaining market in North America.

From an industrial perspective, the ongoing decline in the graphic paper industry, including the closure of Blandin's Paper Machine #5 at the end of 2017, COVID-19 related idling of three

3

https://www.taconite.org/_site_components/files/IMA%20Booklet%202017%2060820%20no%20crops%20web.pdf
; <https://www.leg.state.mn.us/docs/2017/other/171214.pdf>

⁴ <https://www.minnesotaforests.com/economy-of-forests>

of Minnesota Power's four paper customers, and the indefinite idling announcement at Verso Duluth have had a material impact on Minnesota Power's retail sales.

The COVID pandemic has more than doubled the rate of decline for the Supercalendered ("SC") paper which was produced at the Verso Duluth Mill. In April alone, SC demand collapsed more than 40 percent and SC demand remains among the worst performing grades in all graphic paper. Minnesota Power is currently working strategically with Verso to best position the mill for a sale and Verso is taking the proper steps to suitably market the mill. One of the factors that impacted the Duluth mill's manufacturing costs and financial results was the high energy costs associated with making high gloss papers. Mill Manager John Bastian described high energy costs as the result of a combination of an energy intensive pulp manufacturing process, and high electrical and steam rates. "Fortunately, the manufacturing process for packaging papers uses significantly less energy," Bastian said. "We are also working hard with Minnesota Power and others on reducing the mill's energy costs."⁵ As Mr. Bastian stated in the letter filed on August 24, 2020 in this docket, "The fundamental economic challenges that the Verso Duluth Mill faced when EITE was first implemented *continue and have been exacerbated by COVID-19* today."⁶

According to the American Forest & Paper Association (AF&PA)⁷, total printing-writing paper shipments decreased 26 percent in July compared to July 2019. Here is a breakout of the data by grade and with the Minnesota Power customer which produces each of these grades noted:

- Uncoated Free Sheet (Boise/PCA) - paper shipments decreased 22 percent compared to July 2019
- Coated Free Sheet (Sappi) - papers in July decreased 14 percent compared to July 2019
- Coated Groundwood (Blandin) - paper shipments decreased 46 percent compared to July 2019
- Uncoated Groundwood (Verso) - papers in July decreased 27 percent compared to July 2019

Taconite and Mining

There is also a historical correlation between domestic steel production and Minnesota taconite production. As such, it is important to examine trends in the domestic steel industry to determine how they will impact future Minnesota taconite production. For example, the domestic steel industry continues to shift away from the traditional integrated steel model utilizing blast furnaces towards Electric Arc Furnaces ("EAFs"). EAFs utilize scrap steel and high content iron units such as pig iron and Hot Briquetted Iron ("HBI") as inputs versus blast furnaces that utilize iron ore pellets, largely sourced from Minnesota's Iron Range for the U.S. steel industry. According to the World Steel Association, steel production by blast furnace has declined from over half of North American production to less than one-third over the past 20 years. Inversely,

⁵<https://www.duluthnewstribune.com/business/manufacturing/6589162-Inside-the-effort-to-save-or-sell-Duluth%E2%80%99s-paper-mill>

⁶ Letter from John Bastian Dated August 17, 2020 filed in Docket No. E-015/M-16-654.

⁷ http://www.paperage.com/2020news/08_18_2020afpa_printing_writing_paper_report.html

North American steel production by EAF has grown from less than half to over two-thirds of production as overall North American production capacity has remained relatively constant.

The taconite produced in Minnesota is primarily used in the traditional blast furnace steel production, so Minnesota Power must take this shift into consideration when analyzing steel customer energy demand. Until recent investments were made at Cleveland-Cliffs Northshore Mining to produce direct-reduced iron grade (“DR-Grade”) pellets, all taconite production from Minnesota was tied to the declining blast furnace steel production segment, now comprising less than 30 percent of total domestic steel production. The Northshore mining investment is a promising transition for the region as approximately 10 percent of Minnesota taconite production will be able to serve the growing EAF segment through Cleveland-Cliffs’ new HBI production facility in Toledo, Ohio. Looking forward, more of these product differentiations will be necessary for Minnesota Power’s mining customers to be remain viable, and this will likely require substantial investment and facility upgrades.

Despite steel tariffs that provided some relief in recent years against record levels of steel imports, domestic steelmakers are also facing headwinds due to weak demand and oversupply issues. The COVID-19 pandemic has triggered substantial cutbacks in operations at Minnesota Power’s taconite customer sites, with four of the six taconite customers experiencing full or partial shutdowns beginning in April 2020. While many of these taconite operations have resumed production, one of those four, USS’ Keewatin Taconite facility, remains indefinitely idled. Year-to-date steel production as reported by AISI is 20.3 percent lower year-over-year from the full production levels seen in 2019, and while it’s recovered somewhat in recent weeks steel capacity utilization still remains at 63 percent in August of 2020 compared to the 79.1 percent reported at this time in 2019. Most of the idled capacity is in the integrated steel blast furnaces that utilize Minnesota’s high quality iron pellets. In summary, market conditions and industry transformations are expected to continue to be dire and challenging for our LP mining and paper customers, and likely to result in lower customer energy requirements when compared to past sales.

IV. EXTENSION OF THE ENERGY-INTENSIVE TRADE-EXPOSED (“EITE”) RATE

As an immediate step to assist customers directly impacted by the economic repercussions of the COVID-19 pandemic, Minnesota Power proposed extending the EITE rate until final rates are implemented in the Company’s next rate case, expected to be filed no later than November 1, 2021. As evidenced by comments submitted by the Large Power Intervenor Group (“LP”), the Iron Mining Association (“IMA”) and the Minnesota Forest Industries (“MFI”) in the Company’s rate case resolution proceeding, extension of the EITE rate is critical to supporting the largest industries in northern Minnesota. The underlying economic challenges on EITE industries are unparalleled and ongoing. Additionally, Minn. Stat. § 216B.1696, which authorizes the EITE rate, states, “It is the energy policy of the state of Minnesota to ensure competitive electric rates for energy-intensive trade-exposed customers.”

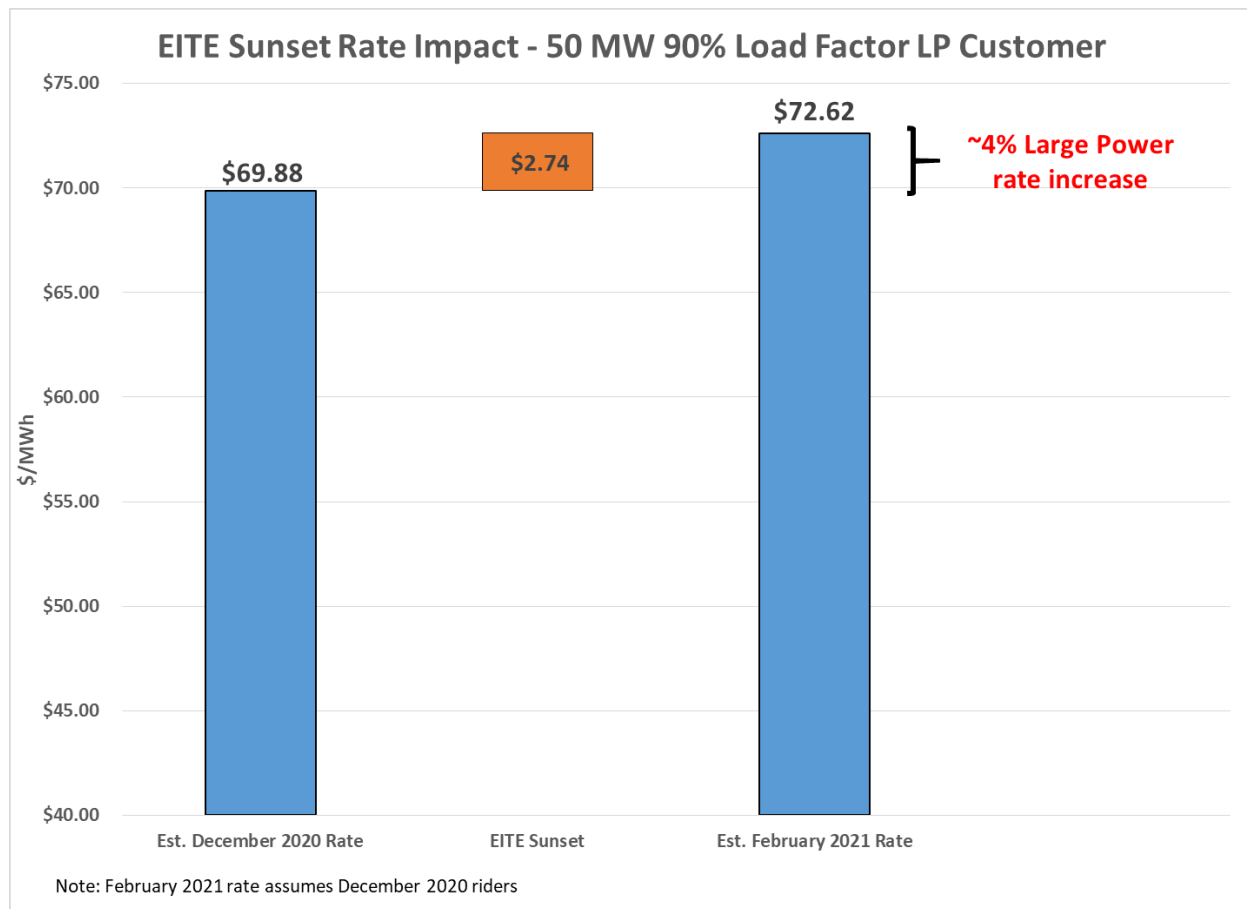
In its June 20, 2020 Order resolving Minnesota Power’s rate case with conditions⁸, the Commission directed the Company to maintain the current EITE customer rider rate discount through February 1, 2021 and work with stakeholders to bring forward a proposal by August 31, 2020, to extend the EITE rider rate discount. Minnesota Power has met with a variety of stakeholders to discuss this EITE extension request and additional filing components. Specifically, Minnesota Power has engaged with Large Power and Large Light & Power customers, Citizens Utility Board, Energy Cents Coalition, the Department of Commerce and the Office of the Attorney General. The Company has previewed this petition with each of those stakeholders, incorporating feedback when able. However, besides the change in the term, Minnesota Power is not proposing any other changes to the EITE customer rider discount.

⁸ Docket No. E-015/M-16-564, E-015/GR-19-442, E,G999/M-20-429.

V. COST RECOVERY AND RATE IMPACT OF THE EITE PROPOSAL

For the average 50 MW, 90 percent Load Factor EITE customer, the extension of the EITE rate and Energy Charge Credit will provide a \$2.74/MWh savings. Without this discount, average 50 MW, 90 percent Load Factor EITE customer rate beginning in February 2021 is estimated to be \$72.62/MWh, which is above the 2021 national average industrial rate of \$70.10/MWh as projected by EIA⁹. During this time of uncertainty, and amidst efforts to assist Minnesota's economic recovery, extending the credit through implementation of final rates in Minnesota Power's next general rate case and avoiding an approximate 4 percent rate increase for these customers in doing so is prudent and in the interest of all rate payers. Factoring in the indefinite idling of Keetac and Verso, the anticipated annualized EITE discount would be approximately \$13 million.

Figure 4: Rate Impact of EITE Discount



⁹ Source: EIA Short Term Energy Outlook: <https://www.eia.gov/outlooks/steo/tables/pdf/7atab.pdf>

It is important to note that this needed extension of the EITE rate will be done without an adverse impact to other Minnesota Power customers. To date, non-EITE customers have not been billed any EITE-related surcharges, and Minnesota Power is willing to commit to continuing that practice for the duration of the EITE discount requested in this petition.

VI. CONCLUSION

Along with Minnesota's clear state policies on renewable energy and decarbonization, Minn. Stat. § 216B.1696 also states, “It is the energy policy of the state of Minnesota to ensure competitive electric rates for energy-intensive trade-exposed customers.” As Minnesota’s utility with the highest percentage of renewable energy on its system that also serves the nation’s largest globally competitive industrial customers, balancing public policies on decarbonization and energy affordability is critical.

Through this Petition, Minnesota Power is seeking an extension of the EITE rate until final rates are implemented in Minnesota Power’s next rate case, expected to be filed no later than November 1, 2021. The Company is also proposing other innovative rate mitigation ideas in addition to an EITE extension to be pursued in other dockets or the Company's next rate case with the intent of maintaining affordability of electric rates while Minnesota Power continues to decarbonize its system. These ideas include: a proposal to begin sales of land along Minnesota Power’s hydro reservoirs filed on August 31, 2020 in Docket No. E015/PA-20-675, and a package of creative solutions to maintain energy affordability for customers filed in the Economic Recovery Docket No. E,G999/M-20-492. Taken together, these ideas offer a holistic, creative and forward looking approach to attempt to mitigate rate increases as Minnesota Power continues its clean energy transition and customers weather the economic impacts of the COVID-19 pandemic.

Clearly, maintaining industrial customers is essential to the health of the regional economy of northern Minnesota and the electric rates of all other customers. All customers fair better when there is a strong and healthy Large Power customer class taking energy from Minnesota Power’s system. The Company’s unique load profile, with its large 24/7 energy users, is of benefit to all customer classes; and maintaining the competitiveness of these industries and the electric rates they pay is in the best interest of all customers.

Dated: August 31, 2020

Respectfully submitted,



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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 31st day of August, 2020, she served Minnesota Power's Extension Request 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.



Tiana Heger