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October 13, 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

Dear Mr. Seuffert:

Please see the attached Reply Comments in the above referenced docket. 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
Minnesota Power
30 W. Superior Street
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JJP:th

**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
REPLY COMMENTS

I. INTRODUCTION

On August 31, 2020, Minnesota Power (or "the Company") filed a request to extend the Energy-Intensive Trade-Exposed ("EITE") rate until final rates are implemented in the Company's next rate case, expected to be filed no later than November 2021. The request followed the Minnesota Public Utilities Commission's ("Commission") August 7, 2020 Order¹ that 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."

II. INITIAL COMMENTS AND MINNESOTA POWER RESPONSE

Comments from Parties

The Minnesota Department of Commerce, Division of Energy Resources ("Department"), the Office of the Attorney General-Residential Utilities Division ("OAG"), Large Power Intervenors ("LPI"), Minnesota Forest Industries ("MFI"), Iron Mining Association ("IMA"), Citizens Utility Board ("CUB") and Energy CENTS Coalition ("ECC") submitted comments on Minnesota Power's proposal to extend the EITE rate. The LPI comments included individual letters of support from the following customers: UPM Blandin, Cleveland Cliffs, PCA, Sappi, US Steel, ArcelorMittal and Hibbing Taconite. The Department, LPI, MFI, IMA, CUB and ECC all supported Minnesota Power's proposal. Key reasons for that support included that the EITE customers represent industries that

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

have been affected by the economic repercussions of the COVID-19 pandemic and that the Company has not requested recovery of any of the EITE costs from other customers.

However, the OAG disagreed and recommends the Commission allow the EITE rate to expire as scheduled, on February 1, 2021, as “extending the EITE rider would harm non-EITE customers, and because the Company has not shown a continuing net benefit of providing the discount.” The OAG then went on to offer considerations for the Commission should it choose to extend the EITE discount. The first consideration was for the Commission to require Minnesota Power to file a proposal for terminating the EITE rider if it does not file a rate case by November 1, 2021. The second consideration the OAG recommended was that if the EITE rate is extended, that any interim rate increase in the Company’s next rate case be apportioned among the customer classes according to their base-rate revenues.

Minnesota Power’s Response

First, Minnesota Power would like to recognize and thank all commenters for their thoughtful collaboration and continued discussion concerning the EITE rate. The Company recognizes the amount of time stakeholders have devoted to helping resolve Minnesota Power’s last rate case earlier this year and evaluating ideas to help aid in the economic recovery of the COVID-19 pandemic.

The Company is grateful for and agrees with the recommendations from the Department, LPI, MFI, IMA, CUB and ECC to extend the EITE rate until the next rate case. As expressed by individual customers in letters in this docket, the fundamental economic challenges facing these globally competitive industries have not waned since the EITE statute was passed in 2015, and have since been exacerbated by the COVID-19 pandemic. Edward LaTendresse, General Manager of Hibbing Taconite, stated in his letter that his facility was curtailed from May 1 – August 1, 2020 and that the “current economic conditions and unprecedented times are not the time to be eliminating the discount.”

Regarding the OAG’s first recommendation that the Commission require the Company to terminate the EITE rider if it does not file a rate case by November 1, 2021, Minnesota Power believes it is reasonable to request some certainty on the term of the

EITE extension should the Commission approve it. However, tying the termination date to November 1, 2021 may be problematic in the event there is a slight delay in filing the next rate case. The Company is currently contemplating a rate case filing date of November 2, 2021 (not November 1), but a firm decision has not yet been made. The Company would be agreeable to the Commission requiring a proposal to terminate the EITE rate if Minnesota Power does not file a rate case with a 2022 test year, which would likely indicate a rate case filing in late 2021. Minnesota Power believes this commitment will provide the certainty the OAG is looking for while retaining some flexibility around the rate case filing date for the Company.

As to the second recommendation concerning future interim rates, the Company disagrees with the OAG's recommendation on how to apportion base rate revenues to determine interim rates in the next rate case. As the OAG points out, by law the interim rate calculation must reflect "no change in the existing rate design."² Minnesota Power interprets "existing rate design" to reflect present rate revenues as previously approved by the Commission. The present rate revenues were developed and approved including the impacts of EITE. The appropriate place to develop rate design without the effects of EITE is in the next rate proceeding and not in the current docket.

III. CONCLUSION

Minnesota Power is grateful for the ongoing collaboration from both customers and stakeholders on the issue of the EITE rate and how best to assist customers in all classes to navigate the economic repercussions of the COVID-19 pandemic. The Company believes an extension of the EITE rate until the next rate case, currently anticipated to be filed in November 2021, is an appropriate and necessary request given the uncertain economic times customers find themselves in. Minnesota Power is grateful for the support of the Department, LPI, MFI, IMA, CUB, ECC and individual customers on this extension request. The Company recognizes the OAG's concerns and is willing to commit to file a request to terminate the rate in the event a rate case with a 2022 test year is not filed.

² Minn. Stat. § 216B.16, subd. 3(b)(3).

However, it is the Company's position that any discussion and decisions on future rate design are best made in a rate case proceeding.

October 13, 2020

Respectfully,

A handwritten signature in black ink, appearing to read "Jennifer J. Peterson", with a long horizontal flourish extending to the right.

Jennifer J. Peterson
Manager – Regulatory Strategy & Policy
Minnesota Power

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 13th day of October, 2020, she served Minnesota Power's Reply Comments 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