

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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In the Matter of Minnesota Power’s
Compliance Report on Rate Design for Large
Light and Power Customers

PUC Docket No.: E-015/M-21-60

In the Matter of Minnesota Power’s
Compliance Report on Rate Design for Large
Power Customers

PUC Docket No.: E-015/M-21-61

LPI COMMENT

The Large Power Intervenors (“LPI”)¹ submit this comment in response to the separate notices of comment period issued by the Minnesota Public Utilities Commission (“Commission”) in PUC Docket Nos. E015/M-21-60 and E015/M-21-61 related to Minnesota Power’s compliance reports on rate design for Large Light and Power (“LLP”) and Large Power (“LP”) customers.²

I. INTRODUCTION/BACKGROUND

After the outbreak of the COVID-19 pandemic, Minnesota Power filed an emergency petition to resolve its pending 2019 general rate case.³ The Commission approved Minnesota Power’s request with specific conditions on June 30, 2020.⁴ Relevant to this comment, order

¹ LPI is an *ad hoc* consortium of industrial Large Power and Large Light and Power customers of Minnesota Power consisting for purposes of this filing of Blandin Paper Company; Boise Paper, a Packaging Corporation of America company, formerly known as Boise, Inc.; Cleveland-Cliffs Minorca Mine Inc.; Enbridge Energy Limited Partnership; Gerdau Ameristeel US Inc.; Hibbing Taconite Company; Northern Foundry, LLC; Sappi Cloquet, LLC; USG Interiors, Inc.; United States Steel Corporation (Keetac and Minntac Mines); and United Taconite, LLC.

² Notice of Comment Period (Jan. 25, 2021) (eDocket No. 20211-170170-01); Notice of Comment Period (Jan. 25, 2021) (eDocket No. 20211-170169-01) (collectively, the “Notices”).

³ *In the Matter of the Emergency Petition of Minnesota Power for Approval to Move Asset-Based Wholesale Sales Credits to the Fuel Adjustment Clause and Resolve Rate Case*, MPUC Docket No. E015/M-20-429, Petition (Apr. 23, 2020); the petition sought resolution of Minnesota Power’s pending rate case filed in MPUC Docket No. E015/GR-19-442.

⁴ *In the Matter of the Emergency Petition of Minnesota Power for Approval to Move Asset-Based Wholesale Sales Credits to the Fuel Adjustment Clause and Resolve Rate Case*, MPUC Docket No. E015/M-20-429, Initial Order Approving Petition and Resolving Rate Case with Conditions at 3 (June 30, 2020) (the “Resolution Order”). The Resolution Order was reaffirmed in the Commission’s subsequent order related to Minnesota Power’s rate-case resolution, see *In the Matter of the Emergency Petition of Minnesota Power for Approval to Move Asset-Based Wholesale Sales Credits to the Fuel Adjustment Clause and Resolve Rate Case*, MPUC Docket No E015/M-20-429, Order Approving Petition and Resolving Rate Case with Conditions (“Order Approving Petition”) at 12-13 (Aug. 7, 2020).

points 2B and 2C collectively required Minnesota Power to work separately with its LLP and LP customers on rate-design alternatives and file reports within six months of the Resolution Order.⁵

In compliance with the Commission’s directive and following stakeholder feedback, Minnesota Power filed the separate rate-design reports on December 22, 2020. In the LP Report, Minnesota Power summarizes its discussions with LP customers on a variety of topics, including rate-design features, competitiveness, and new technologies.⁶ The LP Report lays out various concepts and ideas stemming from collaboration and discussion between Minnesota Power and its LP customers. Some of these include: (1) the desire for increased accessibility to market-priced electricity; (2) increased demand response alternatives; (3) industrial scale electrification (*e.g.*, mine truck electrification); (4) cost-reducing new technology programs such as energy storage; and (5) rate-design alternatives (*e.g.*, unbundling, combined contracts, or time-of-use).⁷ At its core, the LP Report underscores the notion that “Minnesota Power’s Large Power customers were uniform and consistent in their concern for the overall competitiveness of their operations. Most of their product sales are in global commodity markets, and with the overriding characteristic of competitiveness they emphasized survivability in those challenging markets lies in their ability to control their production costs.”⁸

Similarly, the LLP Report provides the Commission with an overview of LLP customers and current services, a summary of Minnesota Power’s stakeholder feedback process, and a description of customer feedback.⁹ The overview is discussed within the context of three subcategories: (1) renewable energy; (2) demand response; and (3) time-of-use.¹⁰ For renewable energy, LLP customers offered mixed feedback, but any interest in options was focused on factors such as price and contract term.¹¹ Minnesota Power confirmed that it continues to evaluate

⁵ Order Approving Petition at 12-13.

⁶ *In the Matter of the Emergency Petition of Minnesota Power for Approval to Move Asset-Based Wholesale Sales Credits to the Fuel Adjustment Clause and Resolve Rate Case*, MPUC Docket No. E015/M-20-429, Minnesota Power’s Large Power Rate Design Compliance Report (Dec. 22, 2020) (the “LP Report”).

⁷ *Id.* at 4-9.

⁸ *Id.* at 3.

⁹ *In the Matter of the Emergency Petition of Minnesota Power for Approval to Move Asset-Based Wholesale Sales Credits to the Fuel Adjustment Clause and Resolve Rate Case*, MPUC Docket No. E015/M-20-429, Minnesota Power’s Large Light & Power Rate Design Compliance Report at 2 (Dec. 22, 2020) (the “LLP Report” and when the LLP Report and LP Report are referred to together, collectively the “Reports”).

¹⁰ *Id.* at 4-10.

¹¹ *Id.* at 5.

additional renewable energy programs such as a green tariff program.¹² LLP customers did, however, express interest in demand response products, and wanted to learn more about potential changes to demand response programs as Minnesota Power makes adjustments to align its programs with the Midcontinent System Operator (“MISO”).¹³ The LLP Report notes that Minnesota Power is exploring the use of demand response in more flexible and longer-term products, while balancing MISO resource adequacy requirements and administrative burdens.¹⁴ Lastly, the LLP Report briefly outlines customer interest in expanding current time-of-use rates and Minnesota Power’s ongoing work to identify potential opportunities in that space.¹⁵

Overall, both Reports emphasize that these customers require competitive electric rates.¹⁶ Additionally, both groups stress that competitive electric rates are even more important during the COVID-19 pandemic.¹⁷ In the LP Report, Minnesota Power notes that LP customers understand that “there has not been any direct relief in their electric costs as a result of the COVID-19 pandemic.”¹⁸ As part of the Minnesota Power rate-case-resolution process, LPI also submitted evidence in the record demonstrating the detrimental impact the COVID-19 pandemic was having on industrial customers,¹⁹ and industrial customers are still facing hardships caused by the COVID-19 pandemic today.²⁰

In the Reports, Minnesota Power also requested that the Commission set a comment period and set a Commission meeting to address the Reports.²¹ The Commission obliged, issuing the Notices on January 25, 2021.²² The Notices both seek stakeholder feedback on the following two questions: (1) “Should the Commission accept Minnesota Power’s compliance filing[s]?”

¹² *Id.* at 5-6.

¹³ *Id.* at 7.

¹⁴ *Id.* at 8.

¹⁵ *Id.* at 8-11.

¹⁶ LP Report at 3; LLP Report at 11.

¹⁷ LP Report at 3; LLP Report at 11.

¹⁸ LP Report at 3.

¹⁹ *In the Matter of the Emergency Petition of Minnesota Power for Approval to Move Asset-Based Wholesale Sales Credits to the Fuel Adjustment Clause and Resolve Rate Case*, MPUC Docket No. E015/M-20-429, LPI Initial Comment at 8-10 (May 11, 2020).

²⁰ *See, e.g.*, Caitlin Shuda, *Verso Corp. Reports \$31 million loss during third quarter as company idled mills in Wisconsin Rapids, Duluth*, Wisconsin Rapids Daily Trib., Nov. 9, 2020, <https://www.wisconsinrapidstribune.com/story/money/2020/11/09/verso-reports-31-million-loss-wisconsin-rapids-mill-remains-idled/6222593002/>.

²¹ LP Report at 10; LLP Report at 12.

²² *See* the Notices.

and (2) “Are there any actions the Commission should take in response to the compliance filing[s]?”²³ For the first question, LPI urges the Commission to accept the compliance filings. And with regard to the second inquiry, LPI submits this brief comment for the Commission’s consideration. While LPI is grateful to the Commission and Minnesota Power for acknowledging the need to work with LLP and LP customers, LPI members are facing increasingly uncompetitive electric rates at a time when the global economy is already fragile. Therefore, when the Commission meets to review the Reports, LPI respectfully requests that the Commission formally direct Minnesota Power to pursue specific rate-mitigation measures to address the increasingly uncompetitive electric rates for its industrial customers.

II. ANALYSIS

A. **Rates for LPI Members Are Becoming Increasingly Uncompetitive and Must Be Addressed Immediately**

Minn. Stat. § 216C.05, subd. 2(4) makes it “the energy policy of the state of Minnesota that: ... retail electricity rates for each customer class be at least five percent below the national average.” As of 2019, the national average for industrial customers was approximately \$.0681/kWh.²⁴ In Minnesota Power’s 2019 Transmission Cost Recovery Rider (“TCRR”) petition, Minnesota Power estimated the average rate for LP customers was \$.06176/kWh and \$.08247/kWh for LLP customers.²⁵ While LP rates appear marginally below the national average, LLP rates were already in excess of the national average in 2019, and both customer groups appear to be in line for significant rate increases moving forward.

On February 1, 2021, Minnesota Power filed its 2021-2035 Integrated Resource Plan (“IRP”).²⁶ Appendix L of the IRP provides estimated rate impacts of the 2021 IRP. For LP customers, Minnesota Power projects that the 2021 average delivered cost of energy will be \$.07223/kWh or \$72.23/MWh.²⁷ Compared to the 2019 projection in the TCRR docket

²³ See the Notices.

²⁴ See 2019 Average Monthly Bill – Industrial, U.S. Energy Information Administration, at 2, https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_c.pdf.

²⁵ *In the Matter of Minnesota Power’s Petition for Approval of a Transmission Cost Recovery Rider under Minn. Stat. § 216B.16, subd. 7b*, MPUC Docket No. E015/M-19-440, Petition at 32 (July 9, 2019).

²⁶ See *In the Matter of Minnesota Power’s Application for Approval of its 2021-2035 Integrated Resource Plan*, MPUC Docket No. E015/RP-21-33 (Feb. 1, 2021).

²⁷ See *In the Matter of Minnesota Power’s Application for Approval of its 2021-2035 Integrated Resource Plan*, MPUC Docket No. E015/RP-21-33, Appendix L Cost Impact Analysis by Customer Class at 3 (Feb. 1, 2021).

(\$61.76/MWh),²⁸ LP customers have received an estimated increase of approximately \$10.47/MWh, or about 17%, in just two years and almost 90% since 2005, notwithstanding the EITE rate.²⁹ Similarly, according to the IRP filing, LLP customers' 2021 projected average delivered cost of energy will be \$.09434/kWh or \$94.34/MWh.³⁰ When compared to the 2019 TCRR projection (\$82.47/MWh), LLP customers' average delivered cost of energy has increased by \$11.87/MWh, or approximately 14%, in a two-year timeframe.³¹ To be sure, these dramatic increases will perpetuate Minnesota Power's failure to comply with the unambiguous state energy policy contained within Minn. Stat. § 216C.05. LPI further suggests that the proposed increases also result in rates that are neither just nor reasonable pursuant to Minn. Stat. § 216B.03 and surely constitute rate shock for both LP and LLP customers.

To address these concerns, LPI urges the Commission to act. LPI members are facing financial hardships that are being intensified by the COVID-19 pandemic.³² And many LPI members operate in global markets which makes controlling costs vital to remaining competitive.³³ As such, in addition to being contrary to Minnesota's stated energy policy, Minnesota Power's continued electric-rate increases are unsustainable for LPI members' operations. LPI respectfully asserts that the time for dialogue and stakeholder meetings has passed. In Minnesota Power's next rate-case filing (which LPI fully expects will be in 2021), LPI requests that the Commission order Minnesota Power to include specific rate-mitigation measures for both LLP and LP customers with an eye toward compliance with the statutory goal articulated in Minn. Stat. § 216C.05, subd. 2(4). While the Reports identify various opportunities to mitigate rates, LPI defers to both Minnesota Power and the Commission to identify their preferred mitigation techniques. LPI will, of course, actively engage in any process the Commission puts in place to identify the best way to mitigate

²⁸ *In the Matter of Minnesota Power's Petition for Approval of a Transmission Cost Recovery Rider under Minn. Stat. § 216B.16, subd. 7b*, MPUC Docket No. E015/M-19-440, Petition at 32 (July 9, 2019).

²⁹ *See In the Matter of Minnesota Power's Petition for Approval of the Boswell 3 Environmental Improvement Rider*, MPUC Docket No. E015/M-06-1501, Petition at 16 (Jan. 26, 2007) (showing that the 2005 average delivered cost of energy for Minnesota Power's LP customers was \$38.46/MWh).

³⁰ *See In the Matter of Minnesota Power's Application for Approval of its 2021-2035 Integrated Resource Plan*, MPUC Docket No. E015/RP-21-33, Appendix L Cost Impact Analysis by Customer Class at 3 (Feb. 1, 2021).

³¹ LPI also notes that these increases do not account for other potential rate increases on Minnesota Power's system, and it is LPI's understanding that Minnesota Power will likely file a general rate case in 2021.

³² *Supra* notes 17-20.

³³ *Supra* note 8.

industrial rates and bills; however, LPI's ultimate concern is the preservation of competitive electric rates and bills, not necessarily the means used to achieve them.³⁴

III. CONCLUSION

LPI is grateful to both Minnesota Power and the Commission for the initial steps taken to address uncompetitive industrial electric rates thus far. Unfortunately, due to the ongoing pandemic and projected rate increases on Minnesota Power's system, stakeholder workshops and reports are no longer sufficient. While LPI requests that the Commission accept Minnesota Power's Reports, it also requests that the Commission require that Minnesota Power take definitive steps in its next rate-case filing to ensure LLP and LP customers' rates comply with Minn. Stat. § 216C.05, subd. 2(4). LPI looks forward to working with Minnesota Power and other stakeholders to find creative ways to help these vital Minnesota businesses and economic drivers remain competitive.

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Respectfully submitted,
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³⁴ See LP Report at 3; LLP Report at 11.