



August 2, 2021

**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 a Petition by Minnesota Power for the Approval of Deferred  
Accounting Treatment for Approved EV Program Costs  
**Docket No. E-015/M-21-349**

Dear Mr. Seuffert:

Enclosed please find Minnesota Power's Reply Comments in the above referenced petition.

If you have any questions regarding this filing, please feel free to contact me at (218) 428-9846 or [jmccullough@mnpower.com](mailto:jmccullough@mnpower.com).

Yours truly,

Jess McCullough  
Public Policy Advisor

DRM:th  
Attach.

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

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In the Matter of a Petition by Minnesota Power  
for the Approval of Deferred Accounting  
Treatment for Approved EV Program Costs

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Docket No. E015/M-21-349  
**REPLY COMMENTS**

**I. INTRODUCTION**

On July 31, 2020 Minnesota Power (“the Company”) filed a petition requesting approval of a portfolio of electric vehicle programs in Docket E015/M-20-638 (“Portfolio”). The Portfolio included a residential Electric Vehicle (“EV”) Charging Rewards Pilot Program, a residential EV Charging Rebate Program, and a dedicated education, outreach and development budget. The original petition also included a request for a new EV cost recovery rider to pay for program costs. The Commission’s order of April 21, 2021 (“Order”) approved the Company’s proposed programs and budgets, but denied its request for a new rider in order to “treat Minnesota Power’s EV program cost recovery in a way that is consistent with other utilities’ EV-related programs...Minnesota Power is welcome to request deferred accounting for its EV program costs.”<sup>1</sup>

On May 21, 2021 Minnesota Power filed a request in the above referenced Docket for deferred accounting of its EV program costs and indicated that the Company would not seek to recover said program costs in its upcoming rate case, anticipated to be filed in late 2021. On June 7, 2021 the Minnesota Public Utilities Commission (“Commission”) issued a Notice of Comment Period with the following topics open for comment:

1. Should the Commission grant deferred accounting for the costs of Minnesota Power’s EV Charging Rewards and EV Charging Rebate Program?
2. Should the Commission grant deferred accounting for Minnesota Power’s annual dedicated education, outreach, and development budget?

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<sup>1</sup> Order Approving Proposals with Modifications, April 21, 2021, In the Matter of the Petition for Approval of Minnesota Power’s Portfolio of Electric Vehicle Programs, Docket E-015/M-20-638

### 3. Are there other issues or concerns related to this matter?

The Minnesota Office of the Attorney General (“OAG”) and the Department of Commerce – Division of Energy Resources (“Department”) filed comments regarding this petition. The comments filed by the OAG stated that if the Commission should approve the petition, it should “apply the same conditions it imposed on prior utilities’ requests for deferred accounting of EV program costs.” The OAG further stated that should the Commission approve the petition, it should limit the deferral period to the date of the Commission’s order and the test year of the Company’s next rate case. The comments filed by the Department recommended partial approval of deferred accounting for the EV Charging Rewards Program and limiting recovery of costs associated with the proposed education, outreach, and development budget to costs that are “clearly incremental...to those approved in the Company’s rate case proceeding in docket Nos. E015/GR-19-442 and E015/M-20-492.” The Company’s response to these comments follows.

## **II. RESPONSE TO STAKEHOLDER COMMENTS**

### **A. Response to Initial Comments From the OAG**

The Company agrees with the OAG that this request should be treated consistently with EV-related programs from other utilities. Minnesota Power comprehensively demonstrated the ways in which the request in this petition is consistent with the legal and regulatory precedents in section III.B. of the petition filed on May 21, 2021.

Minnesota Power disagrees with the OAG’s recommendation to limit the period of deferral to that between the date of the Commission’s order and the test year of the Company’s next rate case. If deferral is limited to after the date of a future Commission order approving deferred accounting, the Company effectively loses the ability to recover costs incurred prior to that date. The Company prefers to recover costs back to the date of the Commission’s April 21, 2021 Order rather than a future order as this signifies the effective start date of the Company’s programs.

## B. Response to Initial Comments From the Department

The Department recommended in its conclusion that the Commission should allow deferred accounting for only the EV Charging Rewards Program and Second Service and Residential EV Charger Rebate Programs, or \$289,700 of the \$1,250,700 requested amount. This latter number includes the Company's proposed Education and Outreach budget and the budget for Program Development and Delivery.

Proposed Projects	2021	2022	2023	Total
EV Charging Rewards Pilot Program (1)	\$82,300	\$54,200	\$54,200	\$190,700
Second Service and Residential EV Charger Rebate Programs (2)	\$33,000	\$33,000	\$33,000	\$99,000
Education and Outreach (3)	\$60,000	\$125,000	\$125,000	\$310,000
Program Development & Delivery (4)	\$237,000	\$207,000	\$207,000	\$651,000
<b>TOTAL</b>	<b>\$412,300</b>	<b>\$419,200</b>	<b>\$419,200</b>	<b>\$1,250,700</b>

(1) Includes costs associated with program implementation and customer rewards.

(2) Includes the costs associated with incentives for level two smart chargers and second service installation.

(3) Costs associated with the promotion of EV programs and general EV awareness, trade ally engagement and online tools.

(4) Includes internal labor to deliver EV programs, consulting to continue EV program development and training costs.

Order Point 3 in the Commission's April 21, 2021 Order states that "Minnesota Power's Outreach and Program Development Budget is approved" with the modification only that the Company "shall target education for those who receive a rebate on how to use smart charging devices to manage EV loads." It is the Company's position that the Commission's approval of all Portfolio programs as well as the Outreach and Program Development budgets constitutes approval of the entire budget as presented in the Portfolio and the current Petition.

The Department expressed concern with the use of deferred accounting and requested the Company show that only incremental costs directly related to the EV Program are deferred, and that these are not already included in base rates. Current base rates include costs established in the Company's 2017 test year in Minnesota Power's last approved rate case.<sup>2</sup> As the EV Programs are new and recently proposed, there are no related costs in the Company's 2017 test year base rates. Consistent with the Petition to request for deferred accounting, the Company has established specific deferred accounts to capture all new and incremental costs associated with the program. This will ensure all costs are segregated from normal base rate costs. In Minnesota Power's upcoming rate case, expected to be submitted in late 2021, the Company will make the appropriate rate case adjustments to exclude all related deferred costs from the 2022 test year. These adjustments will demonstrate the deferred incremental costs excluded from the base rates for eventual consideration in a future subsequent rate case proceeding or other appropriate rider filing.

**i. Responding to the Department's request to clarify the reasoning behind the Company's statement that it will not request recovery of costs associated with Minnesota Power's Portfolio in the Company's upcoming rate case.**

The Company's last approved general rate case was filed in 2016 and approved in early 2018. Minnesota Power's next rate case was filed in 2019 and resolved and withdrawn in 2020 due to the COVID-19 pandemic. As such, Minnesota Power's upcoming general rate case for fall of 2021 will seek to recover costs incurred not currently in base rates. The pilot programs included in the Company's Portfolio were activated in the spring of 2021 and will conclude in 2024. Including incurred costs thus far in the upcoming rate case would split cost recovery between two rate cases, the first portion being a relatively small amount with only partial information to evaluate the pilot. In addition, the upcoming rate case will already have a plethora of items and costs to evaluate and it would be better to focus scarce regulatory resources on those items and costs.

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<sup>2</sup> Docket No. E015/GR-16-664

- ii. **Responding to the Department's request to explain in reply comments where and when the Company plans to recover the deferred costs in this instant petition.**

The Company intends to recover these costs in a future rate case once the pilot program has concluded.

### **III. CONCLUSION**

Minnesota Power appreciates the continued collaboration with interested stakeholders and the opportunity to respond to initial comments from the Department and OAG. The Company is committed to meeting state emissions goals while providing safe, reliable, and affordable services to its customers, and is confident that the proposed programs in the original petition and the reply comments above will increase accessibility and lower barriers to EV adoption and use in Minnesota. The Company's request for deferred accounting treatment is fully consistent with how the Commission has treated other Minnesota utilities and this request should be accorded the same treatment.

If you have any questions regarding this filing, please contact me at 218.428.9846 or [jmccullough@mnpower.com](mailto:jmccullough@mnpower.com).

Dated: August 2, 2021

Respectfully,



Jess A. McCullough  
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Minnesota Power  
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Duluth, MN 55802  
(218) 428-9846

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

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AFFIDAVIT OF SERVICE VIA  
ELECTRONIC FILING

Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 2<sup>nd</sup> day of August, 2021, she served Minnesota Power's Reply Comments in **Docket No. E-015/M-21-349** 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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Tiana Heger