

The Commission reconvened on **Tuesday, January 30, 2018**, with Chair Lange and Commissioners Lipschultz, Schuerger, and Tuma present.

The following matters were taken up by the Commission:

**E-015/GR-16-664**

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

**Sales Forecast**

Commissioner Tuma moved that the Commission:

- Find that test year figures should reflect only known and measurable changes.
- Modify the ALJ's report and recognize that evidence in the record supports 12 months of sales to Keetac and a corresponding increase in revenue of \$1.8 million.
- Require MP to reflect this in its calculations.
- Find insufficient proof in support of MP's contention that increased electricity sales arising from the Silver Bay Agreements and Keetac in the test year should be offset by reduced sales attributable to other eventualities in future time periods.

The motion passed 4–0.

**Class Cost of Service Studies**

Commissioner Lipschultz moved that the Commission consider MP's P&A method and the parties' proposed modifications to it. And, because MP has acknowledged that the 3W 1S allocator espoused by LPI reflects, to a significant extent, MP's operating characteristics, also consider this allocator as the Commission considers MP's proposed class revenue apportionment.

The motion passed 4–0.

Commissioner Lipschultz moved that the Commission not accept the ALJ's conclusion on distribution system cost studies and will instead continue its practice of considering a range of models to classify FERC accounts 364–369. As the Commission explained in CenterPoint and Otter Tail's recent rate cases, this practice allows the Commission to consider a range of accepted economic theories to develop a better outcome. In this case, the OAG has proposed using the basic system and peak-and-average models, in addition to MP's proposed minimum-system model. The Commission finds that this proposal is reasonable, and will consider all of the models proposed in this case.

The motion passed 4–0.

Commissioner Tuma moved that the Commission:

- Require Minnesota Power to work with the Department, the OAG, and other interested parties to improve the transparency of Minnesota Power's future class cost of service study ("CCOSS"), and submit, within a 12-month deadline, a compliance filing explaining improvements that have been made to the Company's CCOSS and including the updated version of its CCOSS model and guide or, if not yet completed at the 12-month deadline, a timeline for completion and future compliance filings.
- In order to ensure timely compliance within a year, require the Company to file a status report within six months of this order, which will identify MP's efforts to that date to facilitate review of its CCOSS model or adopt a new model.
- Direct the parties to consider the concerns raised by Staff.

The motion passed 4–0.

### **Revenue Apportionment**

Commissioner Lipschultz moved that the Commission:

- Adopt a revenue apportionment that increases the revenue responsibility to the Residential and General Service classes by 3.5%, and apportions the remaining revenue requirement to the remaining classes consistent with MP's CCOSS.

The motion passed 4–0.

### **Residential Block Rates**

Commissioner Tuma moved that the Commission require MP to implement a four-block rate schedule as proposed by the five signatories to the Settlement, with adjustments to the rates for each block as needed to enable MP to recover the full revenue requirement allowed by the Commission for the Residential class.

The motion passed 4–0.

### **Residential Customer Charge**

Commissioner Schuerger moved that the Commission reject MP's request to increase the residential customer charge to \$9.00.

The motion passed 4–0.

## **Customer Affordability of Residential Electricity (CARE) Rider**

Commissioner Tuma moved that the Commission:

- Reduce the number of energy charge blocks in the CARE Rider rate to match that proposed in this rate case.
- Revise the “RATE MODIFICATION” section of the CARE Rider to specify Customer/Service Charge and Energy Charge discounts instead of the existing CARE Customer Charge and Energy Charges that replace the standard Residential Service Charge and Energy Charges as proposed by MP.
- Make the minor changes to the Affordability Surcharge terminology of the CARE Rider, changing it to the more descriptive “Low-Income Affordability Program Surcharge” as proposed by MP.
- Resolve that actions in this case in no way alter the Commission’s directive for a thorough review and reform of the CARE program required under Docket No. 11-409.

The motion passed 4–0.

## **Late Payment Assessment**

Commissioner Tuma moved that the Commission approve MP’s proposal to remove the minimum late payment fee of \$1.00, and specify in the Residential tariff sheets that payment is due 25 days after the date a bill is rendered.

The motion passed 4–0.

## **Seasonal Residential Rates**

Commissioner Lipschultz moved that the Commission approve MP’s proposed Seasonal Residential Rates.

The motion passed 4–0.

## **Municipal Pumping**

Commissioner Lipschultz moved that the Commission approve MP’s proposed municipal pumping rate changes

The motion passed 4–0.

## **Residential & Industrial/Commercial Dual Fuel Rates Residential and Commercial Controlled Access**

Commissioner Tuma moved that the Commission:

- Modify dual fuel class rates as follows:
  - Residential Customer Charge will increase the same as the standard residential;
  - Residential Customers' per-kWh charge will increase proportionately the same as the increase for standard residential customers;
  - Commercial/Industrial (both low- and high-voltage) customer charge will increase from \$10.50 to the level set in this rate case to match the General Service Class;
  - Commercial/Industrial (both low- and high-voltage) per-kWh charge will increase proportionately the same as the increase for the General Service Class.
- Modify Controlled Access Service rates as follows:
  - Residential Customer Charge will increase the same as the standard residential;
  - Residential Customers' per-kWh charge will increase proportionately the same as the increase for standard residential customers;
  - Commercial customer charge will increase to the level set in this rate case to match the General Service Class;
  - Commercial per-kWh charge will increase proportionately the same as the increase for the General Service Class.

The motion passed 4–0.

### **General Service**

Commissioner Tuma moved that the Commission approve MP's proposed modifications to its General Service customer charge.

The motion passed 4–0.

### **Large Light and Power – Standard Tariff Modifications**

Chair Lange moved that the Commission approve MP's proposed tariff change.

The motion passed 4–0.

### **Large Light and Power – Time of Use Rider**

Commissioner Lipschultz moved that the Commission reject MP's proposed changes to the LLP-TOU rider.

The motion passed 4–0.

**Large Light and Power – Time of Use and the LLP Foundry Rider**

Chair Lange moved that the Commission approve MP’s proposed changes to the LLP-TOU rider.

The motion passed 4–0.

**Large Light and Power – Language Simplification**

Chair Lange moved that the Commission approve MP’s proposed changes to the LLP-TOU rider.

The motion passed 4–0.

**Large Power & Large Light and Power – Interruptible Rates**

Commissioner Schuerger moved that the Commission require MP to work with LPI and other stakeholders to develop a demand response rider and corresponding methodology for cost recovery, based on stakeholder input, for submission to the Commission. The record to support the submission to the Commission may be developed in either Docket E015/AI-17-568 - OAH Docket 68-2500-34672 or a new miscellaneous docket. In the event MP, LPI, and other stakeholders elect to proceed with a new miscellaneous docket filing, such filing shall be submitted for Commission approval within six months of the final written order in this proceeding.

The motion passed 4–0.

**Large Power Service – Standard Service**

**Large Power Service – Non-Contract**

Commissioner Lipschultz moved that the Commission approve MP’s proposed tariff changes.

The motion passed 4–0.

**Large Power Service – Released Energy Rider**

**Large Power Service – Expedited Billing Procedures**

Chair Lange moved that the Commission approve MP’s proposed tariff changes.

The motion passed 4–0.

**Large Power Service – Incremental Production Service (LP-IPS)**

Commissioner Schuerger moved that the Commission reject MP’s proposed tariff changes.

The motion passed 4–0.

### **Power Factor Adjustment (PFA)**

Commissioner Schuerger moved that the Commission approve MP's proposed change to the Power Factor Adjustment

The motion passed 4–0.

### **Back-Up Generation Program**

Commissioner Lipschultz moved that the Commission approve the Back-up Generation Program with the requirement that MP modify the proposed rate to ensure that participating customers pay all costs incurred.

The motion passed 4–0.

### **Business Development Incentive Rider (BDIR)**

Commissioner Lipschultz moved that the Commission approve the BDIR as proposed by MP with the following conditions to which it has agreed: (1) require approval of amendments to existing ESAs or any new ESAs, (2) new or amended ESAs shall be submitted for approval no later than 30 days after MP signs a new ESA to be served under the rider; (3) the ESA filing with the Commission shall contain the incremental revenue and incremental costs associated with the new ESA; (4) if no party objects to the ESA within 30 days of the filing date, the ESA would be deemed approved; (5) MP will submit on May 1st each year (in a new miscellaneous docket) an annual compliance filing to show the number of customers served on the rider, together with each customer's incremental revenue and costs; and (6) energy audits should be required for all rider customers.

The motion passed 4–0.

### **Grid Resilience and Innovative Demonstration (GRID) Pilot**

Chair Lange moved that the Commission reject the GRID pilot at this time, without prejudice.

The motion passed 4–0.

### **Green Pricing Program**

Chair Lange moved that the Commission:

- Approve the Green Pricing Program with the following requirements:
  - deny at this time MP's proposed administration fee because MP has not demonstrated that such costs are incremental and not generally applicable to company labor costs, and thus are already recovered in rates;

- require MP to provide annual updates about the program (including information on the participation, administration costs, and certification costs) to monitor the price of the program;
- require that MP not apply the Fuel Clause Adjustment (which includes the Base Cost of Energy at \$21.21/MWh and the Rider for Fuel and Purchased Power) to the portion of renewable energy reserved by customers participating in MP's green pricing program; and
- require MP to file a proposal as to how to address the situation where the price of the renewable PPAs become consistently lower than the price of MP's overall power mix, or consider now, or in the future, whether it may be a reasonable policy to charge customers participating in the green pricing program a lower rate if the price of renewable energy resources used for the program drops below the price for MP's existing resource mix.
- Explicitly acknowledge the agreement between MP and Walmart: "The Commission also adopts the agreement between Minnesota Power and Walmart and orders that Minnesota Power shall work with Walmart and any other interested stakeholders to develop one or more renewable programs suitable for large customers and report to the Commission the results of such development within six months of the date of this order."

The motion passed 4–0.

#### **Revenue Decoupling Mechanism**

Commissioner Tuma moved that the Commission reject proposed implementation of a revenue decoupling mechanism.

The motion passed 4–0.

#### **Solar Energy Standard (SES) Capacity Energy Benefits**

Commissioner Schuerger moved that the Commission approve the methodology for the calculation and allocation of the Camp Ripley solar capacity benefits recommended by DOC and CEO.

The motion passed 4–0.

#### **US Steel Electric Service Agreement (ESA)**

Commissioner Tuma moved that the Commission approve the Demand Charge Credit of the MP/US Steel ESA.

The motion passed 4–0.

### **Lighting Rates**

Commissioner Lipschultz moved that the Commission approve the tariff changes proposed by MP.

The motion passed 4–0.

### **Extension Rules**

Chair Lange moved that the Commission approve the tariff changes proposed by MP.

The motion passed 4–0.

### **Non-Metered Service**

Chair Lange moved that the Commission approve the tariff changes proposed by MP.

The motion passed 4–0.

### **General Housekeeping and Compliance Issues**

Commissioner Schuerger moved that the Commission:

- Find that the order in this docket shall contain summary financial schedules including: a calculation of Minnesota Power’s authorized cost of capital, a rate base summary, an operating income statement summary, a gross revenue deficiency calculation, and a statement of the total allowed revenues. Require parties to work with Commission staff to prepare such schedules for inclusion in the Order, should modifications be necessary to reflect the Commission’s final decision.
- Require Minnesota Power to make the following compliance filings within 30 days of the date of the final order in this docket:
  - (a) Revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:
    - (i) Breakdown of Total Operating Revenues by type;
    - (ii) Schedules showing all billing determinants for the retail sales (and sale for resale) of electricity. These schedules shall include but not be limited to:
      1. Total revenue by customer class;
      2. Total number of customers, the customer charge and total customer charge revenue by customer class; and
      3. For each customer class, the total number of commodity and demand related billing units, the per unit energy and demand cost of energy, and the total energy and demand related sales revenues.
    - (iii) Revised tariff sheets incorporating authorized rate design decisions;

- (iv) Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing.
  - (b) A revised base cost of energy, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented.
  - (c) A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.
  - (d) Direct Minnesota Power to file a computation of the CCRC based upon the decisions made herein for inclusion in the final Order. Direct Minnesota Power to file a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.
  - (e) If final authorized rates are lower than interim rates, a proposal to make refunds of interim rates, including interest to affected customers.
- Authorize comments on all compliance filings within 30 days of the date they are filed. However, comments are not necessary on Minnesota Power's proposed customer notice.

The motion passed 4–0.

#### **Legal Standard**

Commissioner Lipschultz moved that the Commission not adopt any of the language related to legal standards included in the Report. The legal standards to be applied in this rate case are established by law, rule, and prior decisions of the Commission and the courts.

The motion passed 4–0.

There being no further business, the meeting was adjourned.

**APPROVED BY THE COMMISSION: April 25, 2018**



---

Daniel P. Wolf, Executive Secretary