



2022 Minnesota Power Rate Case - Issues for Residential Customers

- 1) **You!** - *You don't have to be an energy or economics expert to submit a verbal or written comment to the PUC regarding rates, you just need to tell about you, and how rate increases will affect your life. And nobody knows you better ☺* The PUC seeks, listens to, and takes very seriously public comments in rate cases – but they can't act on your experience if you don't tell them about it. Read on - the following issues are particular concerns that MNIPL has with this rate increase request, and feel free to use any that you may want to work into your narrative if they are meaningful for you. Here is an [explanatory article about the rate case](#) by MN CUB.
- 2) **Unreasonable amount of cost recovery from MP** – The amount of cost recovery needed by Minnesota Power is disputed by the state, even while MP shareholders continued to see promises of continued high dividends. *Thus, the resulting amount of increase requested by MP, 18%, is unusually, and we think unreasonably, high.*
- 3) **Current economic state of residential ratepayers** – Many people are behind on their electric bills due to pandemic stresses when home power most needed, and recent high inflation only adds to stress. *Residential rates need to remain reasonable and affordable in a time of great stress.*
- 4) **Issue of risk built into Minnesota Power's business model** – The high electrical load of a very small amount of MP's industrial customers (around 9 taconite mines and lumber mills account for almost 2/3 of Minnesota Power's electric sales) places all other ratepayers at risk when the sales to those users change. And as both industries are part of global commodities markets, they tend to go up and down frequently. As such they present a risk to all ratepayers, while the residential rate class remains stable and has even slightly increasing its consumption since the pandemic took effect. *Residential ratepayers should not have to try to make up the difference every time global markets jump and dive.*
- 5) **Not the time to increase Return on Equity for MP** – As part of our electric rates, the state allows a utility a % over their costs to keep as payment for their services. This is called Return on Equity, and is a measure of profitability. *Given the stresses on ratepayers mentioned above, we don't think increasing this payment to MP at this time is in the best interest of ratepayers.*
- 6) **Unreasonable costs should not be allowed to be recovered** – see linked CUB article above
- 7) **Fuel costs already passed through** – Fossil fuel costs to produce electricity are already directly passed through to residential ratepayers as a rider on your bill. If you think your rates have gone up over the past 2 years, you are right! *You've already paid at the fossil fuel pump for electricity generation, and any rate increase would only be on top of that.* One way this cost should be addressed over time is to place more renewables, more quickly, on Minnesota Power's grid, as they have no fuel cost (see point #11 below).

- 8) **Residential rate structure already in flux, and causing effective rates to rise** – The other reason your residential electric rates may have risen over the last few years is that Minnesota Power's residential customers are transitioning to a new rate structure, Time of Day rates, meaning what you will eventually pay for electricity will depend on the time of day that you are using it. On the way to that, we are switching to a flat rate, meaning that on September 1 of this year, you won't receive an automatic discount anymore for using less electricity, as we have received for a very long time. Now you can only receive a rate discount if you use under a certain amount of electricity *and* qualify for a low-income rate. While this is a good option for low-income ratepayers that qualify, it also means that if you are a low power usage residential customer (under 600 kWh/month) that doesn't qualify by income, you are going to start paying **a lot** more for electricity under these new rules, with the base rate jumping over 60%, and the effective rate by 20 - 25%. [Here is more information on the rate structure change from Minnesota Power.](#) *We think with the rate structure changes already timed to affect rates pretty dramatically for significant numbers of residential ratepayers this year, and that this is the wrong time to consider a large general rate hike as well.*
- 9) **Proposed service charges deny ratepayers cost control by automatically increasing ratepayer bills** - On your residential electric bill, your first cost is termed a service charge. That is the cost you pay every month to the utility no matter what, simply by having an open account with them. That's right, if you use no energy in a month, you still pay this charge. Minnesota Power wants to raise this by \$1/month, from its current rate of \$8/month. This means you have no control over this cost, whereas with an increase in energy rates a customer can at least conserve and/or invest in energy efficiency to control their costs. *MNIPL opposes any increase to the service charge for this reason, to keep cost control in the hands of ratepayers as much as possible.*
- 10) **Increases in electric rates are passed through in water rates and costs, further stressing residential ratepayers** – If you are on a well, the cost pulling up that water will simply increase with your rates. But if you live in a town or city that supplies you with water, a rise of electric rates means that you'll also pay higher water rates as the electricity costs of water supply, delivery and treatment get passed onto to you.
- 11) **Minnesota Power needs to move to more renewable energy, sooner**– While renewable energy resources, such as wind and solar, cost money to build, install, and connect to the grid, they have no fuel cost. As such, they tend to deflate energy costs over time. Minnesota Power is not currently planning to move to these resources fast enough, but instead wants to hang on longer to their coal plants and even build a new gas plant! Investments in more wind, solar, and energy storage, sooner, is not only necessary to limit the effects of climate change, but is the smartest way to control electric rates over time. *Ask for a more aggressive transition to renewable energy here, and also within another PUC case, the Minnesota Power IRP process currently underway. More info from [CUB here](#), and [Sierra Club here](#).*