

For more information

Minnesota Power

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Minnesota Public Utilities Commission

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MPUC eDockets

www.mn.gov/puc

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Questions about the Minnesota Public Utilities Commission's review process?

Consumer Affairs Office

121 7th Place East, Suite 350
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651-296-0406 or 1-800-657-3782
consumer.puc@state.mn.us

Customers with hearing or speech disabilities may call through Minnesota Relay 1-800-627-3529 or 711.



Notice of change to residential rates

Effective October 1, 2021



www.mnpower.com/ResidentialRates

Minnesota Power is changing how its rates for residential customers are structured.

Under a plan approved by the Minnesota Public Utilities Commission, Minnesota Power will move from block rates for residential customers to a flat energy rate and eventually to rates that vary based on when energy is used, often called time-of-day rates. This multiple-year transition will occur in phases and is expected to be complete by 2027, when time-of-day rates will become the default residential rate. The first phase gets underway in October 2021 with a change to a flat energy rate.

What are block rates and flat rates?

In the current block rate structure, the energy charge is based on four levels of usage, with a different energy charge as you reach each level. This means the more energy you use, the more expensive it is per kilowatt-hour (kWh). For low energy users, the cost per kilowatt-hour is less.

Current Block Rates	
0-400 kWh	\$0.05911
401-800 kWh	\$0.08255
801-1200 kWh	\$0.10601
Over 1200 kWh	\$0.13141

With a flat rate, you pay the same energy charge per kilowatt-hour no matter how much energy you use. This is generally how electric utilities in Minnesota charge for energy used.

How will the change to a flat rate affect my bill?

The impact on your bill from changing to a flat rate will vary depending on your energy usage. Most customers will not see an overall increase in energy charge costs and many will notice a small savings on their monthly bills. To help ease the transition and minimize bill impact, customers who average 1,000 kilowatt-hours or less per month will receive a 30% discount on up to their first 600 kilowatt-hours of energy used each month. This means that the energy charge for the first 600 kilowatt-hours for usage-qualified customers will be \$0.06071/kWh.

Flat Rate for Residential Customers	
Phase 1 of Block to Flat Rate Transition	
Residential (all kWh)	\$0.09693
Usage-Qualified Discount (0-600 kWh)	-\$0.03622

Beginning in October 2022, the usage-qualified discount will remain in place for customers who:

- continue to average 1,000 kWh or less per month AND
- are either approved for the Low Income Home Energy Assistance Program (LIHEAP) or inform Minnesota Power that they are income-qualified through a self-declaration process that will be offered in 2022.

Is this a rate increase?

No, this change is not an increase to rates, but it is a change to the pricing structure for energy used. See the chart below for examples of the difference in the monthly energy cost under the old block rates compared to the new flat rate, showing impacts for customers with a usage-qualified discount and for customers without this discount.

Monthly kWh usage	Previous monthly energy cost (block rate)*	New monthly energy cost (flat, usage-qualified)*	Difference	New monthly energy cost (flat, not usage-qualified)*	Difference
500 kWh	\$31.90	\$30.36	-\$1.54	\$48.47	\$16.57
700 kWh	\$48.41	\$46.12	-\$2.29	\$67.85	\$19.44
900 kWh	\$67.27	\$65.51	-\$1.76	\$87.24	\$19.97
1100 kWh	\$88.47	\$84.89	-\$3.58	\$106.62	\$18.16
1800 kWh	\$177.91	\$152.74	-\$25.17	\$174.47	-\$3.44

*Monthly costs include the energy charge only. The \$8 monthly service charge is not changing as part of this conversion to a flat rate. Other line items on bills are not included in the comparison table.

Why is the rate structure for residential customers changing?

Our block rates have been in place for many years—even as energy sources have changed. For example, in 2005, Minnesota Power had 95% coal-based energy and in 2021 we are delivering 50% renewable energy. Our vision is to deliver 100% carbon-free energy by 2050. You can learn more about *EnergyForward* and our vision for a clean-energy future at www.mnpower.com/CarbonFreeEnergyVision.

Changing how rates are structured will set the stage for the electric grid of the future by recognizing the shift to more renewable energy and enabling a better match of energy usage to the hours when renewable energy is most abundant. We developed our multiyear plan with input from consumer groups, policymakers and other interested parties.

Our phased transition:

- Simplifies a complicated and often confusing rate structure.
- Provides a discount for customers who use 1,000 kWh or less per month, on average.
- Gives customers more control over how they use energy and their bill.
- Opens the door to additional products and services to benefit customers.
- Reflects changes in technology, what customers want, and state and federal energy policy goals.

Looking ahead

An interim period of a flat rate before full implementation of time-of-day rates will help ensure a smooth transition for customers while retaining important discount features that a block energy rate offers for low energy users.

We will keep you informed as the transition for residential rates progresses. For more details visit www.mnpower.com/ResidentialRates.

A phased transition for residential rates:

