

DULUTH

Minnesota Power looks to ratepayers to recover mine and mill losses

Verso and Keetac closures equated to losing all residential business at once.

By Brooks Johnson (<https://www.startribune.com/brooks-johnson/6134711/>) Star Tribune |

NOVEMBER 10, 2020 — 10:23AM

DULUTH - With two major industrial customers offline most of this year, Minnesota Power will likely be asking state regulators to approve a rate increase to cover its lost revenue next year — even as its parent company Monday reported a 30% third-quarter profit jump to \$40.7 million driven largely by a recent rate increase.

The Duluth-based utility has filed a petition with the state Public Utilities Commission asking to track missed revenue from the indefinitely closed Verso paper mill in Duluth and the Keewatin Taconite plant that closed this spring and will reopen in mid-December.

“The loss of these two customers to Minnesota Power has been the equivalent of losing its entire residential customer class in the course of a few months,” the company wrote in its filing. Combined, the mill and the mine were projected to comprise about 12% of total electricity sales this year, or about \$30 million annually. “In order to account for that revenue deficiency, Minnesota Power will likely need to file a general rate case as early as March 1, 2021.”

Though it has about 145,000 customers across a wide swath of northeastern and central Minnesota, 74% of Minnesota Power’s electricity sales are to a handful of taconite mines and paper mills. Several mines were temporarily shut down this spring and summer, but by the end of the year all Iron Range operations will be operating again after a rebound in global steel markets.

During a call with investors Monday morning, leaders of parent company Allete Inc. outlined the request to track and recover the losses.

“Minnesota Power proposed to defer any lost revenues to its next general rate case or other proceeding ... and anticipates filing a general rate case in November 2021,” said Chief Accounting Officer Steve Morris.



Minnesota Power headquarters at Lake Avenue and West Superior Street in Duluth.

ADVERTISEMENT

The average monthly residential bill rose \$3.53 earlier this year (<https://www.startribune.com/minnesota-power-rethinks-rate-increase-wants-to-lower-bills-offer-refunds/569895972/>) as part of a rate increase settlement reached this spring.

Parent company Allete recorded a 2% increase in revenue to \$293.9 million compared to the third quarter of 2019.

Despite strong earnings gains in the quarter, the company said it expects earnings per share to be down \$0.15 through the end of the year due to the pandemic.

“We contemplated the potential of a second wave of the COVID-19 pandemic. This risk appears now to be a reality,” Allete CEO Bethany Owen said. “The incoming President-Elect is assembling a coalition ... for how we turn this second wave around. We believe there is hope and really strong progress.”

On a strong day for the stock market following promising news for a possible coronavirus vaccine, Allete’s stock price shot up nearly 7.6% Monday to close at \$57.87. After starting the year trading above \$83 per share, Allete’s share price briefly rose above \$60 for the first time since March on Monday.

ADVERTISEMENT

Brooks Johnson is a business reporter covering Minnesota’s food industry, 3M and manufacturing trends.

brooks.johnson@startribune.com

612-673-4229

[readbrooks](#)

