

**Ex Parte Communication Report**

Date:

To: Public Ex Parte Communication File

Case Name:

Docket No:

From:

RE: Permissible Ex Parte Communications Pursuant to Minn. Rules, Part 7845.7400.

1. Type of communication: (Oral or Written)

If written, attach the document.

If oral, Date:

Time:

NOTE: In both instances, please notify the Maker the communication has been submitted for inclusion in the record.

2. Maker of the Communication:

3. Recipient of the Communication:

4. For communications involving the setting of interim rates or the review of compliance filings, the topic was:

5. For all other permissible communications that are prohibited for the Commissioners under Minn. Rules, part 7845.7200, the substance of the communication was:

6. For oral permissible ex parte communications, has a copy of this memo been sent to the assigned Administrative Law Judge?      *Yes*                      *No*                      *N/A*

(Name and Date)

**From:** [Larson, Doug](#)  
**To:** [Dornfeld, Tera C \(PUC\)](#)  
**Cc:** [Heinen, Adam](#)  
**Subject:** RE: Limited Arrearage Forgiveness Program docket 21-314  
**Date:** Tuesday, May 11, 2021 3:51:47 PM  
**Attachments:** [DEA\\_5color\\_tsNEW- e5ecca42-ff30-461a-a21e-6da96aa39390.png](#)  
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Ms. Dornfeld,

Thank you for the note and questions. I saw the Notice of Comment Period issued this afternoon, and appreciate the efforts to move this petition along. Following are the PUC questions about our proposed Limited Arrearage Forgiveness Program and Dakota Electric's answers.

Regards,  
Doug Larson

**DAKOTA ELECTRIC ASSOCIATION  
ARREARAGE FORGIVENESS PROGRAM (21-314)  
STAFF QUESTIONS**

**Funding**

1. "This Arrearage Forgiveness Program will be funded (and capped) using funds from the Cooperative's operations. This program will not raise rates to any members but will provide bill payment relief to members affected by the pandemic. While the program will not affect rates, it will reduce the Cooperative's annual operating margins that would otherwise be allocated to all members (petition PDF p5)."

**Question.** Dakota Electric Association members were consulted or helped inform this proposal, please summarize.

**Answer:** Dakota Electric Association is governed by a twelve-member Board of Directors that are elected by the members of the Cooperative. The Dakota Electric Board of Directors have been kept informed of regulatory requirements and filings regarding modified service conditions during the pandemic since such actions began in March 2020. This includes updates on issues regarding the Transition Plan back to normal service conditions and the consideration of an arrearage forgiveness effort. The Board of Directors authorized Cooperative Staff to proceed with development of a program. DEA staff reviewed all elements of the proposed program with the Board and the Board authorized this filing.

Beyond this Board guidance, Dakota Electric had several discussions with the Energy CENTS Coalition since they have provided guidance to utilities regarding transition plans and had

experience with other utility forgiveness efforts.

**Question.** Please explain Dakota Electric’s rationale in determining \$1 million from operation margins could be redirected to the Limited Arrearage Forgiveness Program while maintaining service quality and reliability.

**Answer:** The \$1 million total program funding was informed by several factors. First, the \$1 million funding of this program will not affect service quality or reliability. Dakota Electric’s members expect the Cooperative to maintain existing service quality and reliability performance. These expectations are affirmed by operating metrics monitored by the Board of Directors. The 2021 Dakota Electric Budget is designed to achieve this performance. Second, Dakota Electric has not altered its 2021 Budget or any operating conditions to help support this funding. Third, the impact of a \$1 million reduction in operating margin is viewed from a financial performance perspective. That is, we believe that based on budgeted expenses and weather-normalized sales, we should still be able to meet the minimum financial requirements of our lenders. However, we have capped the total program funding at \$1 million and designated the program as a Limited Arrearage Forgiveness Program in an effort to maintain these minimum financial requirements.

2. “Dakota Electric also intends to apply the individual member’s discounted capital credits to their outstanding delinquent balance. Dakota Electric presently offers an annual payment of discounted capital credits to members who are 65 or older (PDF p10).”

**Question.** What is the anticipated value of applying discounted capital credits toward the participant’s outstanding balance?

**Answer:** If all active residential members with balances over 90 days past due participated in the program, approximately \$200,000 of discounted capital credits would be applied to members balances.

### **Delinquent Balances**

Dakota Electric proposes to direct the arrearage forgiveness to accounts with delinquent balances of 91 days and greater.

**Question.** Given this criteria, how many customers does the Cooperative anticipate serving with this program?

**Answer:** There are presently about 4,500 consumers with a delinquent balance greater than 90 days.

### **Interaction with LIHEAP**

Staff understands that customers will be directed to apply for LIHEAP prior to their acceptance into the arrearage forgiveness program.

**Question.** Is Dakota Electric clarifying only eligible/qualified customers must apply for energy assistance and relying on members’ determination of whether they are eligible to apply?

**Answer:** Yes. We will strongly encourage members to apply, since there are increasing federal funds coming to Minnesota for energy assistance and the income thresholds are higher. Our goal is to help ensure that our members get all the assistance they are qualified to receive.

## **Program Sign Up**

The Cooperative wrote that participation will operate on a first come, first served basis. Often such a strategy excludes those without time to sign up, knowledge of the sign up system and/or program, and other barriers to participation.

**Question.** How did Dakota Electric determine this approach was the best fit?

**Answer:** Dakota Electric will be sending letters to each qualifying member letting them know about the program and that they qualify. In this regard, everyone will be informed about the program at the same time. To enroll, members will need to call Dakota Electric. Beyond this notification and enrollment, Dakota Electric anticipates that the \$1 million will be more than adequate to cover the arrearage balances of the target consumer segment. The “first come, first served” language will help create a sense of urgency to contact the Cooperative to make payment plans. The first come, first served language could have more of a potential impact as the total program fund limit is reached. Some members may have reduced their delinquent balance, while others may still have a remaining delinquent balance when the program cap is reached, and no more credits are available.

## **Eligibility**

The Cooperative wrote that its arrearage forgiveness program will be for all customers with delinquent balances of 91 days and greater at time of signing up; as such, there will be no balance maximum or minimum threshold for participation. Other utilities’ programs, conversely, have targeted those customers with low incomes or the highest balances who are threatened with falling permanently behind on their bills.

**Question.** Can you explain the Cooperative’s choice to broaden its program to all customers rather than those most behind on their bills?

**Answer:** Dakota Electric viewed this time period for delinquent balance as the range that most likely represents the membership that has been impacted by the pandemic. Consumers have different financial challenges and reasons for being in arrears. Limiting the credit to a specified minimum delinquent balance could in effect penalize members who are making more of an effort to pay their bill. In addition, setting the threshold based on highest balance may potentially harm low use customers who are in arrears because their amount of past due accounts may appear lower than higher use consumers but, on a per capita basis, their level of burden may be the same, or greater, than the higher use consumer.

**Question.** Will the proposed program be available for customers enrolled in a payment plan prior to the proposed program’s initiation?

**Answer:** Yes. Dakota Electric will provide information to members who qualify for the arrearage forgiveness program and have already entered into a payment plan before the program is approved by the Commission. These qualifying members would still be eligible for the program.

## Amounts Distributed to Customers

The Cooperative proposes to award arrearage forgiveness dollars based on a percent match of the amount a customer is able to pay towards their balance. This practice will serve to reward more dollars to customers who are able to pay more towards their bill.

**Question.** Did the Cooperative consider a customer credit distribution approach based on outstanding balance, not ability to pay off debt? If so, what was the reason for choosing the proposed strategy?

**Answer:** Dakota Electric considered an approach that would simply forgive a certain amount of delinquent balance. However, we want a program that encourages bill payment, rewards consumers that stick with a payment plan, and acknowledges the different circumstances of each consumer.

## Communication

**Question.** Will information on the program be shared in all languages prominent within the Cooperative's service territory?

**Answer:** Yes.



### Doug Larson

VP of Regulatory Services

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#Safety

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**From:** Dornfeld, Tera C (PUC) <Tera.Dornfeld@state.mn.us>

**Sent:** Friday, May 7, 2021 1:28 PM

**To:** Larson, Doug <dlarson@dakotaelectric.com>

**Subject:** Limited Arrearage Forgiveness Program docket 21-314

CAUTION!!! EXTERNAL SENDER!!!:THINK CAREFULLY before you click links or open attachments. Report suspicious email using the 'Phish Alert/Report' button in Outlook.

Good Afternoon Mr. Larson,

I hope this email finds you well!

I will be the lead analyst for the PUC on docket 21-314. My intention is to ask initial questions via email and then file this initial email and any subsequent exchange as a *permissible ex parte* communication so that they are available as references to all parties. This is in an effort to expedite what would usually be an information request process.

#### PROCEDURE

I plan to issue a notice of comment period in docket 21-314 early next week (May 10<sup>th</sup> or 11<sup>th</sup>). The notice would establish a 30 day initial comment period (closing Thursday, June 10, 2021) and an expedited 5 day reply comment period (closing Tuesday, June 15, 2021). Depending on comments received, the Commission may be able to schedule this item on the June 24 Agenda Meeting in response to Dakota Electric's request for an expedited proceeding. -

#### STAFF QUESTIONS

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**Communication**

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Best,

Tera Dornfeld

**Tera Dornfeld, MS, PhD**

Public Engagement Regulatory Specialist

Pronouns: She, her, hers

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