ENERGY
CENTS
COALITION

Commit Energy Now To Survive

August 8, 2018

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101

RE: In the Matter of Minnesota Power's Sixth Annual Pilot Rider for Customer Affordability of Residential Electricity (CARE)

MPUC Docket No. E-015/M-11-409

Dear Mr. Wolf:

Enclosed please find the Energy CENTS Coalition's Comments in the above-captioned matter. An Affidavit of Service is also enclosed.

If you have any questions, please contact me at 651-774-9010.

Sincerely,

Pam Marshall

Pam Marshall

AFFIDAVIT OF SERVICE

Pam Marshall, being duly sworn, says that on the 8th day of August 2018, she served the individuals on the attached service list, by electronic filing, the Energy CENTS Coalition's Comments In the Matter of Minnesota Power's Sixth Annual Pilot Rider for Customer Affordability of Residential Electricity (CARE), MPUC Docket No. E-015/M-11-409.

Pam Marshall

Pam Marshall

PATRICIA M. FISCHER
NOTARY PUBLIC - MINNESOTA
My Commission Expires
January 31, 2022

Patty Fischer

Subscribed and sworn to before me
this 8th day of August, 2018

Notary Public

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STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 Seventh Place East, Suite 350
St. Paul, MN 55101-21

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matt Schuerger	Commissioner
Katie Sieben	Commissioner
John Tuma	Commissioner

In the Matter of Minnesota Power's Sixth Annual Report of the Pilot Rider for For Customer Affordability of Residential Electricity (CARE)

ENERGY CENTS COALITION COMMENTS

DOCKET NO. E015/M-11-409

August 8, 2018

I. INTRODUCTION

The Energy CENTS Coalition (ECC) appreciates the opportunity to comment on Minnesota Power's ("MP" or "the Company") Sixth Annual CARE Report. ECC supports the Company's request to remove the program's pilot status. However, ECC has a number of concerns about the other proposed changes to CARE. Those concerns include:

1) Underestimation of the number of low-income customers in the Company's service territory;
2) Despite some additional outreach efforts, the number of MN Power LIHEAP customers has decreased or remained flat;
3) The high number of disconnection notices sent to both LIHEAP and CARE customers;

4) LIHEAP customers represent 8.2% of the Company's residential ratepayers but 33.9% of the ratepayers disconnected from service;
5) The low level of the average CARE discount amount.

For the reasons discussed below, ECC respectfully recommends that the Commission reject MP's proposed revisions to the CARE program, including the proposed terms for removal, the expansion of the CARE discount to all LIHEAP customers and the concurrent increase in the affordability surcharge. Instead, ECC recommends that the Commission require the Company either to increase the CARE credit or to model the program on Xcel's POWER On Program, basing credit amounts on a percentage of household income. Finally, ECC recommends that MP increase their targeted outreach efforts to past-due customers, customers with service disconnection notices and to those customers with multiple service disconnections.

II. LOW-INCOME CUSTOMER ESTIMATE

As the Company acknowledges, their "affordability programs and services continue to face challenges in terms of eligibility, funding, outreach, timely processing and participation persistence."[1] ECC believes that these challenges are surmountable but also believes that a more fundamental issue—an issue reflected in the Company's perspective about affordable utility service—may actually precipitate these challenges. In their report, the Company states that "the expectation of affordability must be balanced with electric industry evolution and complexity of services, such as customer demands for sustainable and renewable resources, greater control over energy usage, and a greater understanding of energy usage and efficiency options."[2] When administering *affordability programs*, however, the expectation should be to

[1] Sixth Annual Report, p. 2.
[2] *Id.*

maximize the available resources to reduce customers' energy burdens as effectively and as efficiently as possible. At times it seems that the Company's perspective about their CARE Program confounds the issues relevant to the program itself. The Company states:

> some of the most meaningful and impactful ways to ensure affordability are to support a thriving, diverse regional economy with competitive rates for businesses, continued economic development efforts that provide a variety of job opportunities, community investment through employee volunteerism and giving, and ongoing collaboration with community leaders and stakeholders to identify shared solutions that meet the needs of communities and customers (page 10).

Statements like this raise concerns—at the very least, they divert attention from improving the Company's affordability program and, at their worst, seem to question the justification for operating an affordability program at all.

Further, ECC does not understand how "industry evolution" affects the CARE Program. ECC does not consider "affordability" and "understanding of energy usage" as mutually exclusive or competing elements. In ECC's opinion, this perspective may make it more difficult for the Company to achieve their commitment to "improving its affordability programs and making them accessible to as many low-income customers as possible."[3]

In fact, as discussed further below, the Company seems determined to limit even the identification of the low-income customer population within their service territory.

Underestimation of low-income customers

For several reasons, ECC believes the Company has under-estimated the number of their low-income residential customers. First, it is unclear why the Company chose a $35,000 annual income level as the definition of low-income. The current LIHEAP eligibility income level (50% of State Median Income) for a family of three is $41,560. The average family size in St.

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[3] *Id.*

Louis County is 2.82 persons and nearly 60% (58.7%) of all households in the County (85,059) include family members.[4] This information shows that the Company's estimate of 23,000 low-income customers is almost certainly too low.

Second, without any evidence, the Company asserts that of the

> roughly 35,500 Minnesota customers are estimated to be income-eligible for LIHEAP… about 23,000…have an account with Minnesota Power… the difference between the two groups…is likely due, in large part, to rental dynamics…utilities are often included in rent and the electric account is held by the landlord (page 11).

Yet, only 29% of all households in St. Louis County rent their home.[5] Further, according to the DOE Energy Information Administration, utility costs are included in only .27% of all Midwest region households.[6]

Third, 25% of Minnesota households live at or below 50% of the State Median Income. At this level, given that MP had 118,956[7] residential customers in 2017, nearly 30,000 customers (27,739) are LIHEAP-eligible. The Commission is well aware of the disproportionate number of lower-income residents in MP's service territory so, even this number is conservative.

Fourth, the Company's analysis excluded 15% of the residential class, some of whom would be low income. Finally, the Company's own brochures state that one in three of their customers may be LIHEAP-eligible. By this estimation, 39,553 customers are low-income (p. 21 and Attachment F). For all of these reasons, ECC believes that Minnesota Power's underestimates the number (23,000) of low-income customers.

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[4] U.S. Census, American Community Survey, 2015.
[5] *Id*.
[6] Table CE3.8 Annual household end-use expenditures in the Midwest—totals and averages, 2015, Residential Energy Consumption Survey, Energy Information Administration, U.S. Department of Energy.
[7] ECC Comments, Schedule 8, In the Matter of Minnesota Power's 2018 Safety, Reliability and Service Quality Standards Report, DOCKET NO. E015/M-18-250.

III. THE COMMISSION SHOULD REJECT THE COMPANY'S PROPOSAL TO EXPAND CARE TO ALL LIHEAP CUSTOMERS

Despite the fact that ECC believes that the Company under estimates the number of their low-income customers, the Company has affirmatively identified about 10,300 more LIHEAP-eligible customers, double the current number of MP's LIHEAP customers. In this docket, the Company proposes to enroll all LIHEAP customers in CARE. For several reasons, ECC respectfully recommends that the Commission reject this proposed change to CARE.

First, enrolling all LIHEAP customers in CARE is not the solution to improving the CARE Program. Minnesota Power's LIHEAP customers represented 34% of all residential customer service disconnections in 2017 and the overall number of service disconnections increased from 2,008 in 2016 to 2,668 in 2017 (a 32.9% increase).[8] Further, 16% of all LIHEAP customers were disconnected from service (p. 21). Merely adding LIHEAP customers or enrolling more customers in the current CARE program will not increase those customers' ability to pay for electric service.

Second, ECC's experience with administering Xcel Energy's POWER On Program has fostered an understanding about the significant range of income within the low-income LIHEAP population. The energy burden (percentage of household income devoted to electric bills) for three-person households living on the very lowest annual incomes (75-100% of federal poverty or, $15-585-$20,780) is significantly higher than those living at 50% of State Median Income ($41,560). Providing the same, flat credit to households with very different financial circumstances is ineffective—the credit does not significantly decrease the lowest-income

[8] *Id at* Schedules 5 and 7.

household's energy burden and is barely noticeable to the higher-income participating household.

Finally, the Company proposes to enroll all LIHEAP customers in CARE and, in order to do so, to increase the affordable surcharge from 0.51 cents to $1.20 in year three and beyond (p. 3). But, the current CARE Tracker balance for 2017 is $884,804, an increase from $853,019 in 2016

(p. 14). At the same time, the number of MP LIHEAP households has decreased over the last few years, from 13,267 in 2010-2011 to 9,966 in 2016-2017.[9] Particularly given the large tracker balance, ECC recommends that the Commission reject the Company's proposal to increase affordability surcharge costs to all residential customers, at least 25% of whom are low-income.

For similar reasons, the Commission should also reject the Company's proposal to allow CARE participants to remain enrolled in the program even if they fail to make two months' consecutive payments. Instead, the Commission should require MP to increase the existing CARE credit. As discussed further below, the Company should be required to model CARE on Xcel Energy's POWER On program. Alternatively, the Commission should require the Company to increase the CARE affordability credit to a level that actually increases customers' ability to pay rather than designing a program on the inherent assumption that participants will not be able to make payments and then to simply ignore this fact by allowing them to remain in the program when they can't pay. Enrolling more customers in a program that does not increase their ability to pay is a futile exercise and a waste of ratepayer resources.

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[9] *Id. at* Schedule 7.

Rather than expand a program with a falling (7% decrease from 2016 to 2017) participation rate and a decreasing (12%) discount credit amount, the Commission should require the Company to fix what is wrong with CARE, primarily the low monthly credit amount.

The ineffectiveness of the CARE monthly credit ($17.28 per month) is reflected in the number of service disconnection notices received by CARE participants. Nearly 30% of the average number of CARE participants (4,673) received a disconnection notice[10]:

2017	Total customer service disconnection notices	LIHEAP customer service disconnection notices	CARE customer service disconnection notices
	17,454	3,853	1,397

Enrolling more customers in CARE only postpones an even greater number of service disconnections. ECC believes that increasing monthly credits will make CARE a more effective program.

The Commission should also reject the Company's proposed changes to CARE because MP's LIHEAP outreach efforts have been ineffective.

IV. MN POWER'S CURRENT OUTREACH EFFORTS HAVE NOT INCREASED LIHEAP PARTICIPATION

ECC appreciates MP's increased low-income outreach efforts but, at the same time, believes that the Company focuses much too heavily on existing LIHEAP customers and LIHEAP administrative agencies. For example, the Company's most concentrated outreach efforts occur in mid-August and September, the months in which LIHEAP agencies are mailing LIHEAP applications to customers who have *received LIHEAP in the previous year*. Even the CARE "calendar year" is the same as LIHEAP (October 1 – September 30) and most of the outreach

[10] *Id.*

events coincide with the opening of LIHEAP and at the end of the Cold Weather Rule (CWR) when LIHEAP customers are likely to apply for a supplemental LIHEAP Crisis grant to avert service disconnection.

On the contrary, the Company reports that they do not engage in any targeted outreach efforts during the winter months and performs targeted outreach in just two months (August and September). ECC recommends that the Company repeat targeted efforts, such as postcards and Interactive Voice Response calls) on an ongoing basis to customers who are in arrears or who have received a disconnection notice. By doing so, the Company is much more likely to expand the pool of LIHEAP customers and, by extension, potential CARE participants. As MP notes, "stakeholders as well as the Commission have repeatedly asked Minnesota Power to increase its LIHEAP pool and also its CARE participation (p. 34)." But, simply enrolling a decreasing number of all LIHEAP customers in CARE does nothing to expand the number of new LIHEAP customers.

The Company maintains that expanding CARE to all LIHEAP customers will "save time, reduce administrative and related costs … [and] by doing so, the Company could further focus on efforts to increase its LIHEAP pool of customers by doing more outreach (p. 34)." First of all, ECC is not aware of any actual internal administrative costs disclosed in the current CARE report and, therefore, it is not possible to determine whether the Company's proposal will result in any administrative cost savings. Secondly, enrolling more CARE participants is entirely unrelated to enhancing LIHEAP outreach efforts. ECC recommends that the Company increase targeted LIHEAP outreach and participation levels and to target CARE to those customers with the highest energy burdens.

V. THE CARE PROGRAM SHOULD BE MODELED ON POWER ON

The average monthly CARE affordability credit is $17.28. In comparison, the average monthly affordability credit in Xcel's POWER On program is $63.50 and no customer pays more than 3% of household income for electric service. Unlike CARE, POWER On is not challenged by enrolling customers. In fact, due to demand outpacing available funds, the POWER On Program has been closed to new applicants since September 2017. Minnesota Power states that the average CARE customer devotes 5% of their household income to electric costs. But the Company does not have CARE customer income information and, since energy burden is determined by energy usage and income, ECC questions the Company's calculation.

It is true, however, that the average electric consumption for CARE customers (706 kWh) is slightly below the residential customer average (712 kWh). This low usage level, in turn, contributes to the low credit amounts that are insufficient to lower the energy burdens of lower-income/high-usage customers. At the same time, 20-37% of standard residential and LIHEAP have high electric usage (above 1,000 kWh per month, p. 19). The Company should target LIHEAP outreach and CARE enrollment efforts to these high usage customers and to provide a larger monthly credit to most effectively reduce their energy burden. Doing so would increase retention rates and spend down the current CARE tracker balance.

The average annual income for POWER On participants is $13,928 and the average annual electric costs is $1,323, resulting in a pre-program energy burden of 9.5%. MP should administer CARE to provide this level of bill payment assistance to CARE participants and target CIP to the same customers.

VI. ECC RECOMMENDS THAT THE COMPANY MODIFY THEIR LOW-INCOME CIP PRACTICES

As ECC discussed in MP's 2018 Safety, Reliability and Service Quality Standards Report (SRSQ)[11], the Company reports that 17,454 residential customers received a disconnect notice, 3,853 of whom received LIHEAP. The average past due bill for customers who were disconnected was $478.03, the average number of days past-due was 89 days, and the range of electric usage was 0-12,146 kWh/month. The Company also reports that only 178 (4.6%) of the LIHEAP customers that received a disconnection notice also received a Low Income Energy Partners audit. Given the staggering rate of electric consumption in the range discussed above, it is unclear why the Company would not perform more Energy Partners audits. Even if a low-income customer did receive an audit, it is unclear how many of them actually received any energy-savings installed measures. And, even if they did receive installed measures, 12,030 of the 16,773 measures installed in 2017 involved lighting. Only 124 of the 12,030 installed measures were refrigerators. The balance of the installed measures included 5 programmable thermostats, water aerators, timers or showerheads, power strips or refrigerator thermometers.[12] Further, no electrically heated homes were assisted in 2017 through the Energy Partners program.[13]

The Company should focus all low-income assistance program outreach on these customers—those with significantly past-due bill amounts, high electric consumption levels and a demonstrated inability to pay their electric bills.

[11] ECC Comments, Schedule 7, Docket No. 18-250.
[12] In the Matter of Minnesota Power's 2017 Electric CIP Status Report, Docket No. E015/CIP-16-117.01, Minnesota Power's response to Fresh Energy Information Request No. 1.
[13] *Id*. Information Request No. 4.

VII. CONCLUSION

ECC respectfully requests that the Commission:

1) Reject the Company's estimate of their low-income customers;

2) Require MP to engage in more *targeted* outreach efforts to increase the number of LIHEAP customers, particularly to customers in arrears, high-usage customers, to those who have received disconnection notices, and to those who have been disconnected from service;

3) Reject the Company's proposal to expand the CARE Program to all LHEAP customers;

4) Reject the Company's proposed increase to the affordability surcharge;

5) Reject the Company's proposal to allow CARE participants to remain enrolled in the program even if they fail to make two months' consecutive payments;

6) Require the company to model CARE on Xcel Energy's Power On Program or, alternatively, to require the company to significantly increase the monthly CARE credit amount;

7) Require the Company to disclose actual CARE administrative costs; and

8) Require MP to target CIP to high consumption LIHEAP customers.

Respectfully submitted, Dated: August 8, 2018

Pam Marshall

Pam Marshall
Energy CENTS Coalition