

March 22, 2019

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

RE: **Response to Minnesota Energy Resources Corporation's Reply Comments
In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of
Proposed Tariff Amendments to Remove Volume Balancing Service and Modify
Residential Deposit Provisions.**
Docket No. G011/M-19-108

Dear Mr. Wolf:

On January 25, 2019, in Docket No. G011/M-19-108 the Minnesota Energy Resources Corporation (MERC or the Company) filed a petition with the Minnesota Public Utilities Commission (Commission) requesting approval to (1) remove volume balancing services from its tariffed service offerings and (2) modify its residential deposit provisions to increase the maximum required deposit amount and eliminate a section of outdated language.

On February 25, 2019, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed Comments recommending that the Commission approve MERC's proposal in part but deny MERC's proposal to increase the maximum residential customer deposit amount.

On March 5, 2019, Minnesota Energy Resources Corporation (MERC or the Company) filed Reply Comments responding to the Department's February 25, 2019 Comments. After reviewing the Company's Reply Comments, the Department offers the following minor clarification regarding its position on MERC's proposal to increase the maximum amount collectible for residential deposits, and offers some additional context for the Minnesota Public Utilities Commission (Commission) to consider in evaluating MERC request.

In its Reply Comments, MERC interpreted the Department's Comments as suggesting that MERC's customer deposit proposal is unreasonable. To clarify, the Department has not reached a generalized conclusion about what constitutes a reasonable customer deposit amount, and acknowledged in our Comments that an upper bound of 2 months' estimated or actual bill is allowed by Minnesota Rule 7820.4500. As discussed in our Comments, the Department opposes MERC's proposed change because MERC did not provide sufficient support to show that its proposal to increase the maximum deposit amount is necessary (*i.e.*, would result in sufficient benefits to offset the additional burden on a subset of customers).

For additional context, MERC suspended deposit collection in 2016 during implementation of its new Improved Customer Experience (ICE),¹ a suite of billing, payment processing, collections, and other services provided by WEC Energy Group, Inc.'s subsidiary WEC Business Support. In MERC's most recent service quality proceeding (Docket No. G011/M-18-317), the Company's deposit reporting showed that the number of deposits required went from an average of 20 per year in 2010-2014 to 672 in 2017. In response to the Department's inquiry in the service quality proceeding, MERC indicated that the Company had collected deposits from low-income customers in 2017, which was a violation of Company policy. Further, the deposits required were higher than allowed under MERC's tariff, but within the limit contained in Minnesota Rules. Upon discovery of these errors, MERC "provided training and instruction to customer service representatives responsible for assessing deposits to ensure all deposits that are assessed are consistent with MERC's tariffs."²

Now that MERC's customer service representatives have been properly instructed, and assuming that any changes to ICE that may have been necessary to ensure that MERC can comply with its tariff have been made, it appears that an additional reason against the proposed increase in the maximum residential customer deposit amount would be an increase in administrative costs. MERC asserted that its proposal is necessary in order for the Company to be consistent with the other utilities in the WEC Energy Group; however, it is not clear why consistency is necessary, particularly since it appears that additional re-training would be needed.

Finally, MERC noted in its Reply Comments that "customers who are assessed a deposit are often those who can afford to pay but have poor payment practices." This statement is also unsupported in the record; the Department is not aware that MERC conducts income verification or can otherwise assess a customer's ability to pay.

The Department continues to recommend that the Commission:

- approve MERC's proposal to remove the volume balancing service offerings from its tariffed service offerings,
- deny MERC's proposal to increase the maximum residential customer deposit amount, and
- approve MERC's proposal to remove the outdated "exception" language in its deposit provisions.

Sincerely,

/s/GEMMA MILTICH
Financial Analyst

GM/ja

¹ "In January 2016, the ICE Project was implemented as a standard process architecture and technology CIS platform for MERC and other legacy Integrys utilities." MERC Ex. 28 (Kage Direct) at 3 in Docket No. G011/GR-17-563.

² Page 2 of MERC's August 29, 2018 Additional Reply Comments filed in Docket No. G011/M-18-317.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Response Comments**

Docket No. G011/M-19-108

Dated this 22nd day of March 2019

/s/Sharon Ferguson

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