Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: June 26, 2014 .... * Agenda Item #**3**

Company: Minnesota Power

Docket No. E015/M-11-409

In the Matter of Minnesota Power's Petition for Approval of a Pilot Rider for Customer Affordability of Residential Electricity

Issues: Should the Commission:

- Accept Minnesota Power's CARE Program Annual Report;
- Allow Minnesota Power to eliminate the requirement that LIHEAP-eligible customers re-enroll in the CARE Program on an annual basis;
- Require Minnesota Power to provide additional comparison data on customer arrearages and to provide details on an arrearage forgiveness component to its CARE Program in its next annual report;
- Deny Minnesota Power's request to recover its administrative costs through its CARE tracker account, and
- Approve Minnesota Power's request to enroll more than 5,000 participants in its CARE Program?

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Relevant Documents

Minnesota Power – Annual Report... March 13, 2014
Department of Commerce - Comments.. April 18, 2014
Minnesota Power – Reply Comments ....May 5, 2014
Department of Commerce – Supplemental Comments ....May 30, 2014

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June 16, 2014

Statement of the Issues

Should the Commission

- Accept Minnesota Power’s CARE Program Annual Report;
- Allow Minnesota Power to eliminate the requirement that LIHEAP-eligible customers re-enroll in the CARE Program on an annual basis;
- Require Minnesota Power to provide additional comparison data on customer arrearages and to provide details on an arrearage forgiveness component to its CARE Program in its next annual report;
- Deny Minnesota Power’s request to recover its administrative costs through its CARE tracker account, and
- Approve Minnesota Power’s request to enroll more than 5,000 participants in its CARE Program?

Introduction

On March 13, 2014, Minnesota Power submitted its Second Annual Report on its Pilot Rider for (CARE) Program. The Company proposed two modifications to the Program, an arrearage forgiveness component and no longer requiring Program participants to reapply for the Program on an annual basis.

On April 18, 2014, the Department filed Comments and made four recommendations to the Commission:

- Accept Minnesota Power’s CARE Program Annual Report;
- Allow Minnesota Power to eliminate the requirement that LIHEAP eligible customers re-enroll in the CARE Program on an annual basis;
- Require Minnesota Power to provide additional comparison data on customer arrearages and to provide details on an arrearage forgiveness component to its CARE Program in its next annual report: and
- Deny Minnesota Power’s request to recover its administrative costs through its CARE tracker account.

On May 5, 2014, Minnesota Power filed Response Comments and stated that it does not oppose any of the Department’s recommendations. The Company also requested the Commission authorize Minnesota Power to exceed the current limit of 5,000 customers for the remainder of the current program year (October 1, 2013 through September 30, 2014) and going forward.

On May 30, 2014, the Department submitted Supplemental Comments and recommended the Commission allow the Company’s request to enroll more than 5,000 participants in its CARE Program.

Minnesota Power and the Department are in agreement on the acceptance of MP’s annual report and the proposed modifications to MP’s CARE program.

Relevant Statute

Minn. Stat. § 216B.16, subd. 15. Low-income affordability programs.
This statute directs the Commission to consider ability to pay as a factor in setting utility rates and authorizes the Commission to establish affordability programs for low-income consumers. The statute also specifies certain standards for affordability programs authorized under this statute.[1]

Background

Minnesota Power submitted its initial Petition for Approval of a Pilot Rider for the Customer Affordability of Residential Electricity (CARE) Program as a result of the Commission's November 2, 2010 Order in Minnesota Power's 2009 retail rate case (Docket No. E015/GR- 09-1151). The Commission directed Minnesota Power to develop and propose a program to address the needs of low-income, high-usage residential customers modeled on Xcel Energy's Power On Program. The Commission specified that this Program include regular compliance reports similar to the reports that Xcel Energy is required to file for its Power On Program. Minnesota Power's CARE Program became effective on November 1, 2011.

The Commission's Order required the Company to do the following:

- Fund the Program through a flat rate monthly surcharge of $0.65 per retail electric customer;
- Exempt LIHEAP eligible customers' from paying the affordability surcharge;
- Enroll up to 5,000 customers in the Program;
- Transfer approximately $40,000 in remaining, un-refunded incentive compensation into the tracker account[2];
- Exclude recovery of the administrative costs through the pilot Program tracker account.
- The Program required participating customers to complete a home energy report, to help customers identify ways to increase savings.

On December 3, 2012, the Commissions approved changes to the service conditions effective January 1, 2013 as a result of the Company filing its first annual report. The changes were made to make the program more efficient and to increase participation in the Program. The changes included the following:

- Encouragement (changed from Requirement) to complete the Your Home Energy Report

[1] Any affordability program the commission orders a utility to implement must: (1) lower the percentage of income that participating low-income households devote to energy bills; (2) increase participating customer payments over time by increasing the frequency of payments; (3) decrease or eliminate participating customer arrears; (4) lower the utility costs associated with customer account collection activities; and (5) coordinate the program with other available low-income bill payment assistance and conservation resources. Minn. Stat. § 216B.16, subd. 15(b)
[2] This money was to be refunded to Customers per the Commission's Order in Docket No. E015/GR-08-415. The Company was unable to refund this amount to some customers because they had left Minnesota Power's service territory and could not be located.

(YHER);

- Discontinuation of the budget billing requirement, except for participants with overdue unpaid balances;
- Modification of the CARE application;
- Reduction of the CARE customer charge for CARE program participants from $8.00 to $7.00;
- Monthly CARE affordability surcharges for the different MP customer classes were set as follows[3]:

Residential (except LIHEAP-qualified)	$0.51
General Service	$0.67
Large Light & Power	$10.81
Large Power	$1,130.72
Municipal Pumping	$0.67

- CARE energy charges for residential customers were set to:

0 kWh to 300 kWh	3.282¢/kWh
301 kWh to 500 kWh	4.382¢/kWh
501 kWh to 750 kWh	5.482¢/kWh
751 kWh to 1,000 kWh	5.582¢/kWh
Over 1,000 kWh	5.982¢/kWh

The Commission issued its third Order in regards to the CARE Program on July 18, 2013. The Company was instructed to incorporate additional reporting requirements in its annual reports to allow the interested parties to evaluate the effectiveness of the CARE Program. The Commission also approved an extension to the annual renewal date by which the Customer must re-apply to the CARE Program from November 15 to January 1. The Commission directed the Company to address the following modifications to the Program in its next annual report:

- A requirement that Minnesota Power modify its CARE Program so that customers falling below 50 percent of the state median income can participate in the Program with total monthly budget payments of no more than 10 percent of a households income;
- Incorporation of a monthly arrearage forgiveness component; and
- A requirement that Minnesota Power increase monthly benefits so that payments are capped at no more than a certain percentage of household income.

Staff Comment

Minnesota Power’s Second Annual Report covers the 2013 Program year which runs from October 1, 2012 through September 30, 2013. The Program is designed to provide a discounted energy rate to Minnesota Power’s residential Low Income Home Energy Assistance Program (LIHEAP) qualified customers and to decrease participating customers’ arrearages over a

[3] The same surcharges and energy charges apply in the current Docket.

designated time period.

The Company provided an update on its CARE Rider tracker balance. The 2012 program year was added to the following table as a basis for comparison[4]. For the 2013 program year, the Company collected $955,817 from the Affordability Surcharge and provided a discount to Customers' in the amount of $719,437. The Average Number of Customers participating in the Program has more than doubled from the 2012 to the 2013 program year. The Average Monthly Discount per Customer has an increased benefit of $1.84 per month.

Line No.	CARE Rider Tracker Summary	2012 Program Year	2013 Program Year
1	Average Number of Customers	1,587	3,395
2	Tracker Balance Brought Forward	$37,563	$613,541
3	Affordability Surcharge Collected	$848,014	$955,817
4	Total Discount Provided to Customers	($282,131)	($719,437)
5	Accrued Interest	$10,094	$26,196
6	Total Tracker Balance	$613,541	$876,117
7	Average Monthly Discount per Customer	$16.16	$18.00

The Company complied with the reporting requirements previously ordered by the Commission and Staff will not reproduce that information in the briefing paper. It can be reviewed in the Company's March 13, 2014 initial filing of its CARE Program Second Annual Report.

The Company incurred $36,659 in costs to administer the Program, which it is not currently allowed to recover through the tracker. The Commission has tied recovery of administrative costs to Minn. Stat. §216B.16, Subd. 15(b) which requires that low income affordability programs meet the following requirements:

- Lower the percentage of income that participating households devote to energy bills;
- Increase participating customer payments over time by increasing the frequency of payments;
- Decrease or eliminate participating customer arrears;
- Lower utility costs associated with customer account collection activities; and
- Coordinate the program with other available low-income payment assistance and conservation resources.

However, it can be demonstrated through the Company's Second Annual CARE Report that Minnesota Power has met four out of the five requirements. Minnesota Power does not currently have an arrearage forgiveness component incorporated into the CARE Program because its current computer information system (CIS) does not have the capability to track customer arrearages.

4 It should be noted that the 2012 program year represents slightly less than a full year of activity. Typically the program year is from October through November, but the 2012 program year covered the period from November 1, 2011 through September 30, 2012.

Minnesota Power proposed to implement an arrearage forgiveness component to its CARE Program beginning in program year 2016 which runs from October 2015 through September 2016. The timing of the implementation is intended to coincide with the rollout of a new CIS with the capability of tracking arrearage forgiveness. The Department recommended the details of the arrearage forgiveness component of the Program be revisited in the Company's next annual report (which will be filed (approximately) in March 2015) and the recovery of costs to administer the Program through the tracker be denied. The Company agreed with the Department's recommendation.[5]

CARE participants are currently required to re-enroll annually in the Program to continue receiving the CARE discounts. CARE customers must qualify for LIHEAP assistance which also requires an annual application. Minnesota Power's CIS identifies the customers who are eligible for LIHEAP. The Company pointed out that despite extending the cutoff date for annual re-enrollment in the CARE Program, approximately 800 LIHEAP qualified customers did not reapply for the 2014 Program year and were removed. The Company proposed eliminating the annual reapplication requirement for Customers who remain LIHEAP qualified. Minnesota Power stated that it would continue to remove Customers from the Program if they are not eligible for LIHEAP. The Department agreed that the re-application process is redundant and can be eliminated.

When the Company filed its CARE Program Second Annual Report in March 2014, it was working to increase the number of participants in the Program. There were approximately 3,200 participants in the Program when the Annual Report was filed. That number did not include the approximately 800 LIHEAP eligible Customers who did not reapply to the CARE Program before the renewal date. The Company did not expect to exceed the 5,000 participant cap before the end of the program year. However, the push to enroll more customers in the Program was more successful than anticipated and as of May 2014 the Company had enrolled over 4,800 participants in the Program. The Company has requested removal of the cap on the number of participants enrolled in the Program for the remainder of the program year and going forward.

The existing CARE tracker balance now exceeds $900,000 and there is money available to fund discounts for additional participants. The Company projected that the current tracker balance would enable the Company to fund an average of 7,500 participants per month from July 2014 to September 2015 without being totally depleted. Rather than carrying a tracker balance from year to year and adding the administrative complexity of maintaining a waiting list, the Company believes that the tracker balance amount could best be reduced by increasing the number of CARE Program participants. According to the Company, 11,182 of its Customers are currently

[5] If a program were fully compliant with the low-income affordability program statute, the Commission would normally authorize recovery of administrative costs pursuant to Minn. Stat. § 216B.16, subd. 11 (d). "The commission must issue orders necessary to implement, administer, and evaluate affordability programs, and to allow a utility to recover program costs, including administrative costs, on a timely basis. The commission may not allow a utility to recover administrative costs, excluding start-up costs, in excess of five percent of total program costs, or program evaluation costs in excess of two percent of total program costs. The commission must permit deferred accounting, with carrying costs, for recovery of program costs incurred during the period between general rate cases."

enrolled in LIHEAP. The Department agreed with the Company's request to enroll more than 5,000 participants in its CARE Program.

Decision Alternatives

1. Minnesota Power's CARE Program Annual Report

   a. Accept Minnesota Power's CARE program second annual report, or
   b. Do not accept Minnesota Power's CARE program second annual report.

2. CARE Program Administrative Costs

   a. Allow the Company to recover approximately $37,000 in costs to administer the CARE Program, or
   b. Do not allow the Company to recover its costs to administer the CARE Program.

3. Arrearage Forgiveness Component of the CARE Program

   a. Require Minnesota Power to provide additional comparison data on customer arrearages and to provide details on an arrearage forgiveness component to its CARE Program in its next annual report, or
   b. Do not require Minnesota Power to provide additional comparison data on customer arrearages and to provide details on an arrearage forgiveness component to its CARE Program in its next annual report.

4. Annual Re-enrollment Policy for the CARE Program

   a. Require LIHEAP eligible Customers to reapply for the CARE Program on an annual basis, or
   b. Do not require LIHEAP eligible Customers to reapply for the CARE Program on an annual basis. Require Minnesota Power to determine Customer eligibility for participation in the CARE based on the Customer's eligibility for LIHEAP. Require the Company to remove Customers from the CARE Program if they become ineligible for LIHEAP.

5. Enrollment Cap for the CARE Program

   a. Remove the cap of 5,000 participants in the CARE Program and impose no cap on the number of Customers the Company can enroll in the CARE Program, or
   b. Remove the cap of 5,000 participants in the CARE Program and impose a cap of 7,500 Customers the Company can enroll in the CARE Program, or
   c. Keep the 5,000 Customer cap in place.

Recommendation

Staff recommends 1a, 2b, 3a, 4b & 5b