STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of Minnesota Power's 2018 Annual Reports Concerning Safety, Reliability, Service Quality, and Proposed Annual Reliability Standards	Docket Nos. E015/M-18-250 **Reply Comments**

I. Introduction

The Energy Cents Coalition ("ECC") and Department of Commerce - Division of Energy Resources ("Department") released their Initial Comments on Minnesota Power's (or, "the Company") 2018 Safety, Reliability and Service Quality Reports ("Report") on July 30, 2018 and August 1, 2018, respectively. The Office of Attorney General – Residential Utilities and Antitrust Division ("OAG") and the Legal Services Advocacy Project ("LSAP") each issued Reply Comments on August 15, 2018, both of which largely referenced the concerns expressed by ECC, urging Minnesota Power to respond and the Commission to investigate if the allegations of ECC are determined to be true. Section II of these Reply Comments address ECC inquiries and concerns, which in turn address the OAG and LSAP replies. Section III addresses the Department's inquiries and concerns related to the Report.

Minnesota Power disagrees with ECC's allegations and provides evidence through these Reply Comments that the claims made by ECC are unsubstantiated. The Company also requests approval of its Reconnect Pilot as it has shown compliance with all applicable Rules and statutes and with the consideration that participation in the pilot is optional for its customers. Lastly, the Company requests approval of its 2018 Report and a reversion to the historical 5-year rolling threshold for reliability results.

II. Response to ECC Comments

ECC makes several very serious allegations regarding Minnesota Power's practices and compliance efforts. Minnesota Power firmly disagrees with these assertions and provides a reply accordingly in this section. First and foremost, Minnesota Power views its responsibility to provide its customers with reliable service as central to its mission of safety, reliability and affordability. As outlined in Appendix A of the Company's 2018 SRSQ Report, and restated in these reply comments, disconnection is the Company's last resort in obtaining payment from its customers for services already provided. The Company's strong preference is that no customer reaches the point of disconnection. Through these reply comments, the Company outlines its processes related to disconnection and reconnection. Minnesota Power allows ample time and flexibility from the time an account becomes past due up to the point a disconnection order is issued. Unfortunately, there are times when disconnection practices must be applied and are warranted as allowed under state law and Commission rules. In these instances, the Company follows all applicable statutes and rules when disconnecting customers – and to get customers reconnected. Customers are informed throughout the process of their right to appeal to the Commission if they and Minnesota Power cannot agree on terms to remedy the cause for disconnection or, during the Cold Weather Rule period, to have services reconnected through a payment agreement.

Inherent Protections and Commission Authority -

There are inherent consumer protections provided within the regulatory framework which governs electric utilities in Minnesota. The Minnesota Public Utilities Commission ("MPUC" or "Commission") has the authority to resolve customer complaints against Minnesota Power, whether or not the complaint violates Minnesota Statutes. This includes review of any disconnection practices, payment requirements, and payment agreements with customers. Minnesota Power's Electric Service Regulations describe the disconnection and reconnection processes as well as Cold Weather Rule provisions. The MPUC Consumer Affairs Office ("CAO") reviews any complaints received from customers, including Company processes and actions as well as customer actions and account history. These complaints can cover a wide variety of issues including billing, Cold Weather Rule compliance, meter reading, rates, or service and can be resolved in any number of ways, including a compromise facilitated by the CAO. If anything in Minnesota Power's processes were to be found in violation of statute or Minnesota Rules as part of a complaint investigation, the CAO would conduct a broader investigation and/or request a change in process. The CAO is aware of Minnesota Power's reconnection requirements, including the requirement for the full amount due and reconnection fee, and has not recommended changes in the context of this complaint resolution process. Minnesota Power does inform customers that they have the option to contact the CAO if they are not satisfied with responses or options presented by the Company.

Further, in 2018, Minnesota Power has been working closely with the CAO to identify opportunities to better reach and help low income customers. While this is specifically to identify potential improvements for the Company's Customer Affordability for Residential Electricity ("CARE") program, further coordination with the Low Income Home Energy Assistance Program ("LIHEAP"), and enhanced outreach,[1] it also entails a review and discussion of processes such as credit and collections, disconnection, and reconnection. In fact, shared objectives that have been identified are to expedite verification and assistance for low income customers, find ways to avoid disconnection, and augment existing processes through an escalation channel with the CAO. Initial work has focused on process overviews and understanding, perceived bottlenecks, and initial ideation of options (refer to Figure 1). This process complements the CAO's Cold Weather Rule training which is currently underway and is very thorough with an intentional and strategic focus. This is particularly important as each customer has different circumstances and there is no singular solution that would apply to every unique scenario.

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[1] Order In the Matter of Minnesota Power's Fifth Annual Report for its Pilot Rider for Customer Affordability of Residential Electricity (CARE) Program, Docket No. E015/M-11-409 (January 5, 2018).

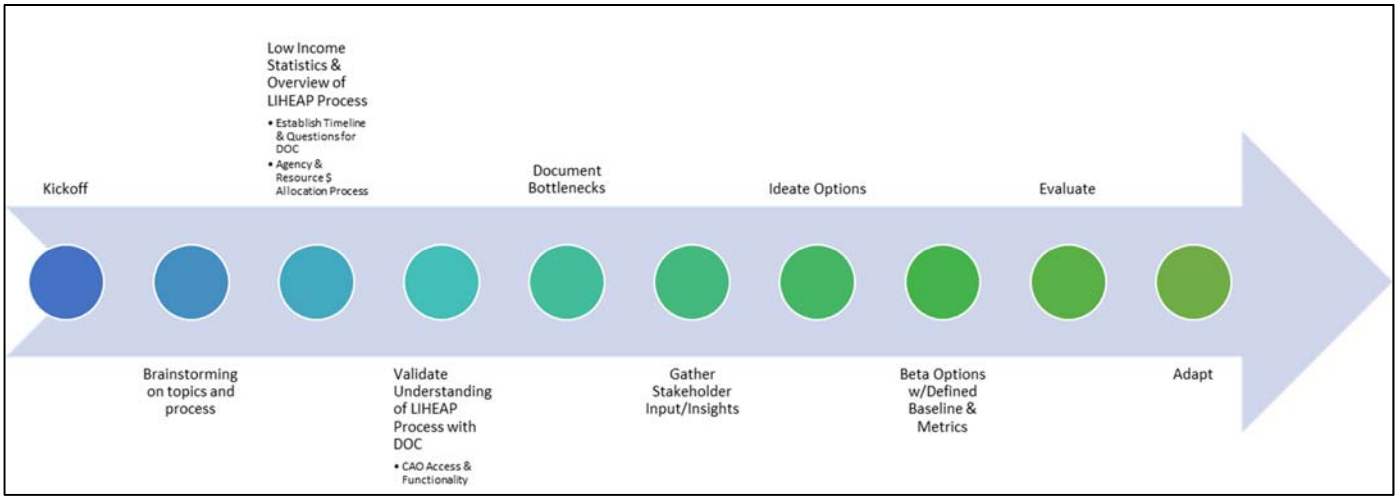

Figure 1: CAO/MP Collaboration Framework

Next steps include defining baselines and metrics for tracking progress, gathering broader stakeholder input, and beta testing options which will then be evaluated against the defined baselines and metrics. The CAO and Minnesota Power have co-developed a stakeholder engagement approach for this process that starts with the CAO and Minnesota Power and builds out from there. A graphic of the approach along with examples of stakeholders for each phase is included for reference in Figure 2. Minnesota Power and the CAO are currently focusing on outreach with a local non-profit organization through a unique partnership opportunity that entails a dedicated AmeriCorps VISTA position.

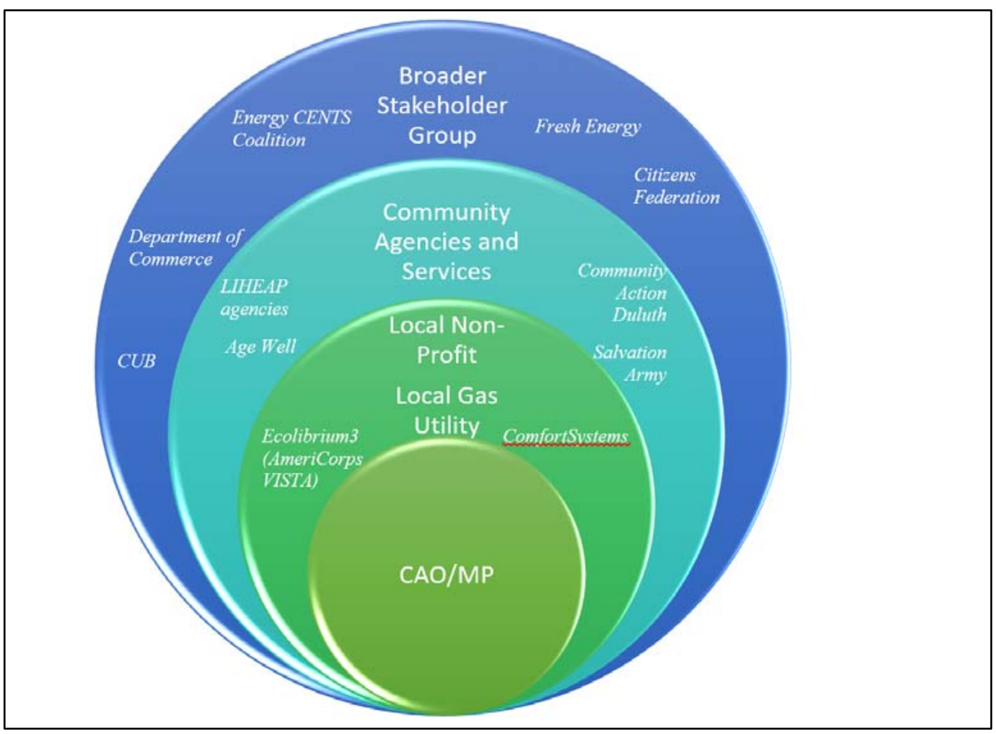

Figure 2: Stakeholder Engagement Approach

While Minnesota Power is confident that its existing processes meet statutory requirements and follow Minnesota Rules, there are always opportunities for improvement and the Company is fully committed to the robust process established with the CAO, as described above. The remaining subsections focus more directly on specific comments made by ECC.

Payment Agreements and Service Disconnection Practices -

ECC alleges that Minnesota Power may be violating the statutory payment agreement requirement, and that the Company may also be violating the payment agreement statute related to customers who are past due but have not been disconnected from service. With respect to Minn. Stat. § 216B.098 (subd. 3):

> A utility shall offer a payment agreement for the payment of arrears. Payment agreements must consider a customer's financial circumstances and any extenuating circumstances of the household. No additional service deposit may be charged as a consideration to continue service to a customer who has entered and is reasonably on time under an accepted payment agreement.

ECC suggests that a disconnected customer has an arrearage balance by definition, ECC at 3. It is correct that a disconnection for nonpayment would not occur unless there is an arrearage balance. It is also correct that, before disconnection occurred, Minnesota Power offers the customer a payment agreement (or "payment plan") through the billing, credit and collections, and disconnection notice processes. As such, Minnesota Power is following statute. Also of note is that this statute specifically states "to continue service" and that the customer must have entered an accepted payment agreement and remained reasonably on time. There is no reference to reconnecting service. Further, the disconnection for nonpayment process would not be triggered if a payment agreement was entered and kept. ECC states that "nothing in the payment agreement statute discusses payment "options" or reliance on agency funds or consideration of the status of past payment agreements or keeping account balances as current as possible," at 3. However, statute clearly indicates that "payment agreements must consider a customer's financial circumstances and any extenuating circumstances," both of which would suggest availability of funding, payment history, and status of account balances are reasonable considerations for establishing payment agreements, as they would be part of the customer's financial circumstances. To this point, reference to credit history is made in Minn. R. 7820.4300 and 4400 when establishing new service or extending existing service, another indicator of financial circumstances. Further, Minn. R. 7820.4600 discusses "good credit" and specifically states "a customer, who within the last 12 months has not had service disconnected for nonpayment of a bill and has not been liable for disconnect for nonpayment of a bill which is not in dispute, shall be deemed to have established good credit." This is a clear indication that disconnection for nonpayment would be a consideration of financial circumstances, as credit is an integral part of financial circumstances. Regarding the point of a reconnection fee, Minn. R. 7820.2600 discusses reconnection of service and specifically references that "a utility may charge a reconnect fee," but makes no provision for or reference to a payment agreement.

Conversely, Cold Weather Rule ("CWR") (Minn. Stat. 216B.096), does reference a payment agreement for reconnecting utility service. Minnesota Power honors this requirement during CWR, which ECC references in their comments as fact, at ECC 9. In that same section, ECC calls into question how the Company is complying with the CWR statute if they are disconnecting the customer in the same month in which that plan was established. Minnesota Power would suggest that ECC has answered their own question. A customer may have been disconnected in a given month and then reconnected through a payment agreement in that same month. As such, it would stand to reason that both would be reported in that month. Regarding the reporting of these numbers, if they were disconnected and then reconnected under CWR in the same month, the disconnection wasn't counted in the prior reporting methodology. Also, if they broke their CWR pay plan and then were disconnected in the same month, they were not counted.

Minnesota Power shared a high-level depiction of the disconnection and collections processes in the Appendix A of the Company's 2018 SRSQ Report, which is summarized again in Figure 3, for convenience. While this depiction does not reflect all the potential scenarios and is not reflective of the intricacies specific to CWR, it does give a general sense of the customer's experience and how it may progress if account balances are not paid. It begins with billing, followed by past due bill notices, the credit and collections process, and ultimately potential disconnection. As the Company stated before, this is not a strictly linear process, as depicted by the circular process from past due to the collections process, which can last for several bill cycles.

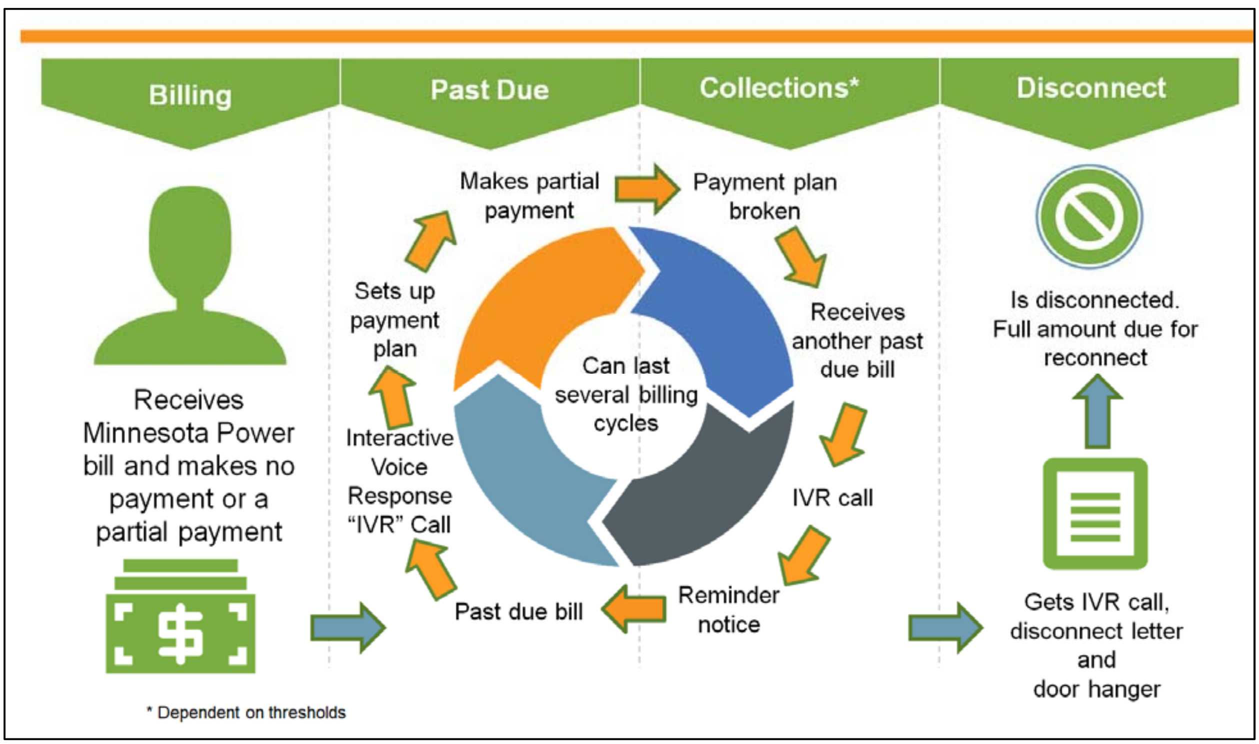

Figure 3: Disconnections and Collections Overview

Throughout this process, Minnesota Power works with customers to identify payment options that are attainable while also working to keep account balances as current as possible and out of disconnection.

For those who contact Minnesota Power's Call Center or work through an agency to do so, Minnesota Power Customer Information Representatives ("CIRs" or "Call Center Representatives") look at each customer call as an individual and unique situation. Payment options, including the potential for payment plans, are discussed with the customer and take into consideration pay periods, timing of the next due payment, and affordable dollar amounts for each individual. Additionally, the CIR advises the customer on additional resources that may assist them, along with applicable contact numbers, including:

- Energy Assistance Program
- CARE Program
- Salvation Army HeatShare
- Local organizations and churches
- County programs
- Energy efficiency and conservation

To resolve any questions that may remain regarding the Company's disconnection procedures and practices, as well as the proactive and timely nature of offering payment agreements, the Company expands upon this high level depiction with a more in-depth overview of the outreach process prior to disconnection for nonpayment, inclusive of potential days associated with each progression (see Figure 4).

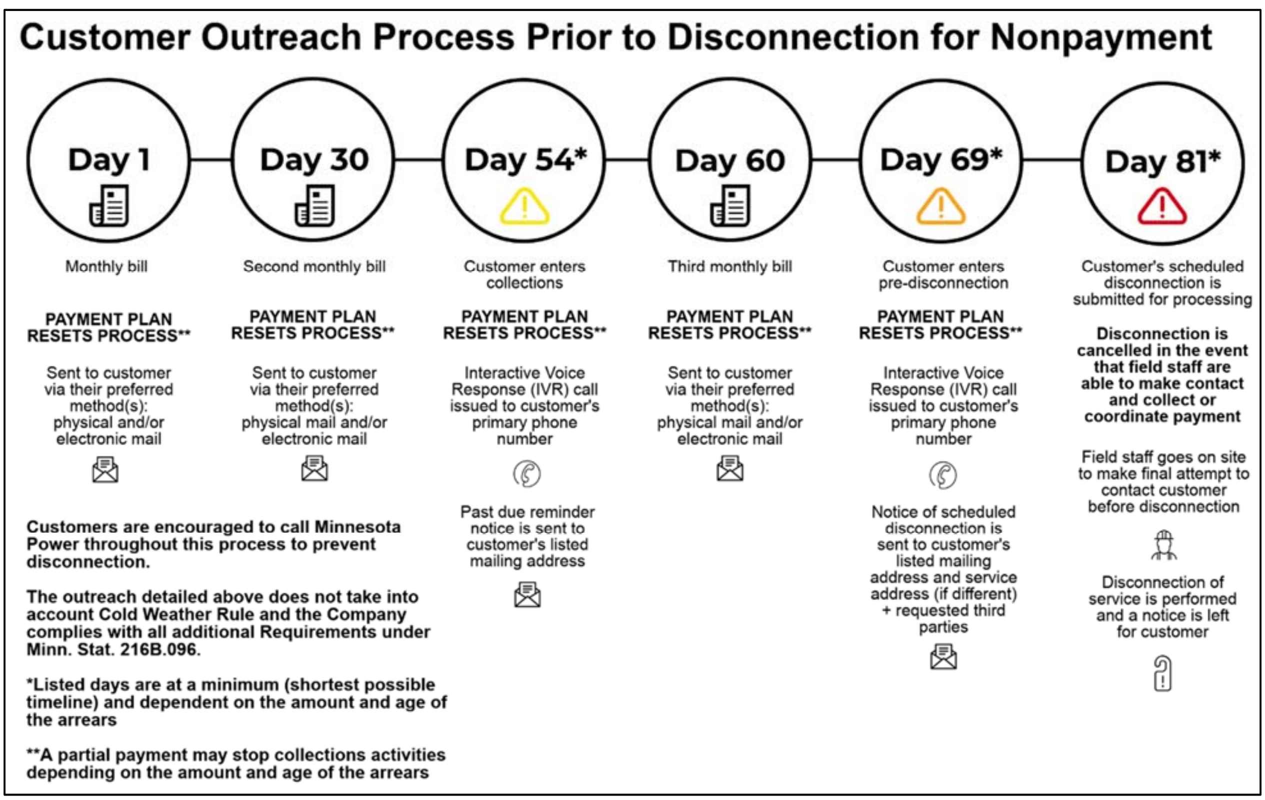

Figure 4: Customer Outreach Process

Minn. R. 7820.2400 are very explicit in terms of the notice requirements before disconnection can occur, as is Minn. Stat. § 216B.096 regarding disconnections when Cold Weather Rule ("CWR") protections are in effect. According to these requirements, “notices shall contain the date on or after which disconnection will occur, reason for disconnection, and methods of avoiding disconnection in normal, easy-to-understand language.” Notices must also be mailed by first class mail or delivered by a representative of the utility. Disconnection, according Minn. R. 7820.2500, must be “in conjunction with a personal visit by a representative of the utility” and “the representative of the utility shall at all times be capable of receiving payment, if nonpayment is the cause of the disconnection of service.” Similar requirements exist under the CWR in terms of disconnection notices. Additionally, the Company would offer the customer the CWR protection and reconnect the customer if a payment agreement is established and will not disconnect a customer protected by CWR as long as the customer makes “reasonably timely payments.”

Minnesota Power understands that each customer has a unique set of circumstances they may be facing. The Company is committed to working with customers in the event that they have trouble paying their bill. Disconnection of service is not an action that the Company takes lightly. It is a final step and last resort after significant attempts are made at various stages to reach the customer and make a custom payment plan preceding the action. For example, this can occur over an 80+ day period, as shown in Figure 4. A payment plan resets the process at any of the depicted stages. There are many factors that may affect the duration of this process, including CWR and change in customer circumstances. The greatest flexibility is prior to disconnection and customers are strongly encouraged through the communications means stated above, to keep Minnesota Power informed of any changes in circumstances that may warrant a revised payment agreement. Of note and consequence is the important balance between avoiding disconnection and keeping customer balances, including arrears, and related payment agreements, within ranges that are attainable by the customer and that satisfy amounts due for services rendered and received. This is in part the basis for Minnesota Rules to explicitly define permissible service disconnection reasons. To even further illustrate the process, several attachments that represent various customer communications and notices are included in Attachment A.

As reported in the Company’s most recent SRSQ, an overwhelming majority of customers that receive a notice of proposed disconnection are able to prevent disconnection by making a payment plan or bringing their account current. In fact, the majority of customers who received notices in 2017 were not actually disconnected from service. During any time of the year, if the customer makes reasonably on time payments per the agreed upon payment plan, they will not be disconnected. The Company is flexible on the due dates of payment plans; allowing for grace days, as built into the payment plan due dates, which allows for customer to be reasonably on time with the agreed to payment plan. To illustrate the Company’s efforts with payment plans, Figure 5 shows the information contained in the SRSQ regarding residential disconnections and those reconnected by entering a payment plan, but expands upon that information to show the total number of distinct LIHEAP and residential (non-LIHEAP) accounts that entered into a payment plan. This clearly demonstrates the proactive nature and great success of payment plans.

Month	Residential Disconnections	Residential Reconnection by Entering Into a Payment Plan	LIHEAP Accounts with a Pay Plan	Residential (Non-LIHEAP) Accounts with a Pay Plan	Residential Total Accounts with a Pay Plan
201701	94	57	231	975	1,206
201702	86	58	183	840	1,023
201703	167	97	238	933	1,171
201704	244	122	250	944	1,194
201705	262	150	298	996	1,294
201706	622	376	488	1,404	1,892
201707	326	201	343	838	1,181
201708	362	235	352	937	1,289
201709	215	168	286	688	974
201710	132	96	160	1,133	1,293
201711	99	78	188	1,212	1,400
201712	59	42	134	795	929
Total	2,668	1,680	3,151	11,695	14,846

Figure 5: Payment Plans

If a customer is disconnected, the Company requires payment in full, plus a reconnection fee to reconnect service per Minnesota Power Service Regulations, Section 20 (Attachment B). Minnesota Power contends that this process follows Minn. Statute § 216B.098 Subd 3, as the customer has received a notice of disconnection (Attachment A), has been contacted by the Company via multiple methods to inform the customer they can make a payment plan to avoid disconnection, and has had the opportunity to contact the Company to enter into a payment plan. If agreement on a payment amount cannot be made between the Customer and the Company, the customer is referred to the MPUC. The MPUC will determine if a variance from service regulations for a single customer is appropriate. The Company will then reconnect a customer based upon the agreed to terms.

The Company follows the disconnection statutes and rules and these procedures are described in the Commission-approved Electric Service Regulations of Minnesota Power, Minnesota Power Electric Rate Book, Section VI, most specifically on pages 3.4 and 3.17. To further support Minnesota Power's view that its processes are in compliance with statute and rules, particularly as it relates to the Cold Weather Rule, information from the Commission web site is included in Attachment C. Specifically, according to information obtained from the Commission web site, and outlined in Minn. Stat. § 216B.096, there are standard procedures and practices in place for Cold Weather Rule protection. As quoted, "*to prevent heating disconnection, customers must first contact their utility to **establish and maintain** a monthly payment plan. All electric and natural gas companies are required to offer Cold Weather Rule protection.*"[2]

[2] https://mn.gov/puc/newsroom/?id=14-70749

As part of its Frequently Asked Questions ("FAQs"), the Commission web site includes the following:

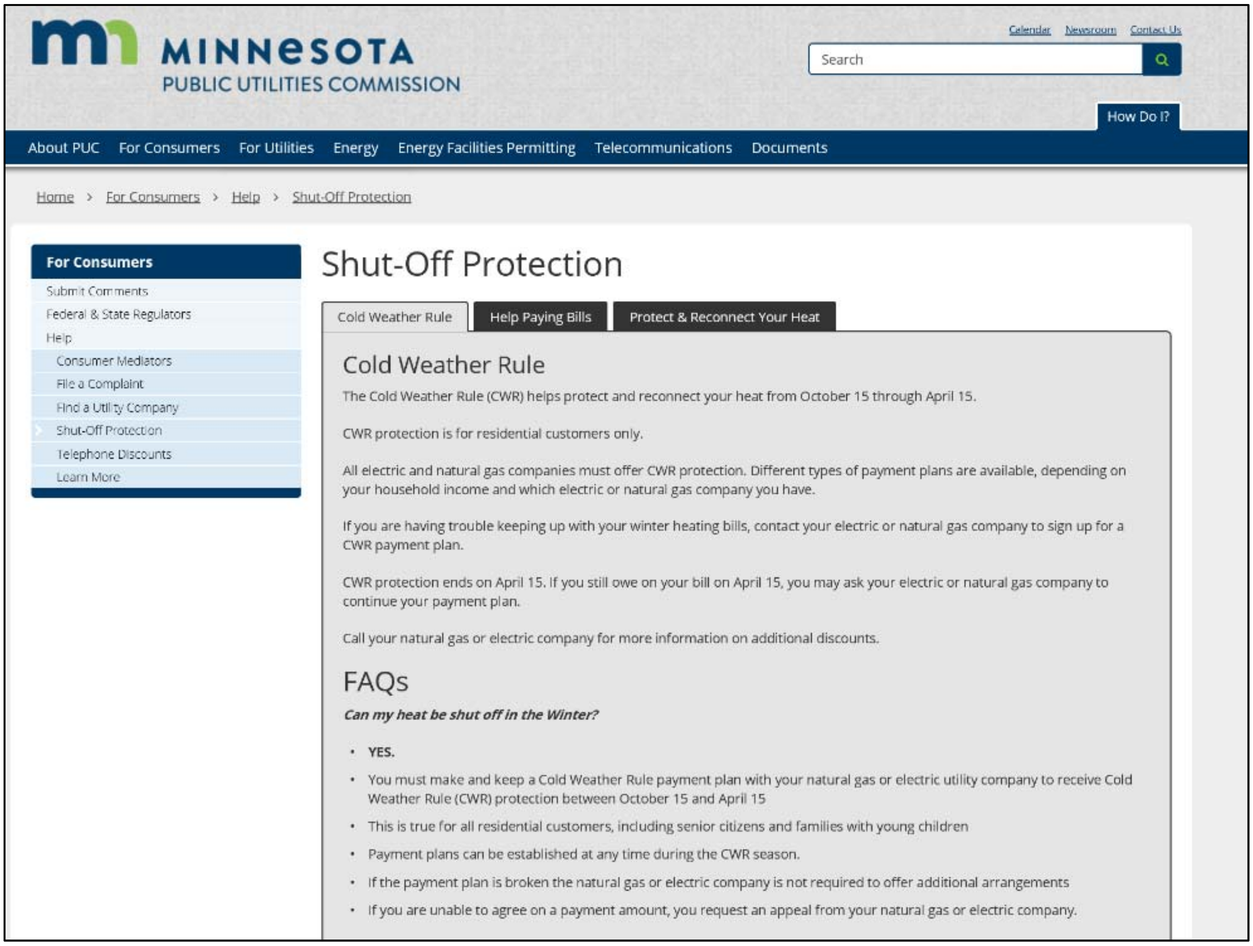

Figure 6: MPUC Shut-off Protection

Further, as part of the Cold Weather Rule, Minnesota Power must provide a Commission-approved "Summary of Rights and Responsibilities" per Minn. Stat. § 216B.096. This is also included in Attachment D. This summary is sent to all customers annually in the fall and with every disconnection letter during the CWR season. Customers who choose to receive their bills electronically (also known as "eBill") are provided a link in their My Account portal with the bill insert information. It is also available on the Company's web site.[3] An important part of those rights and responsibilities are references to payment plans as a way to stay connected or get reconnected. These rights and responsibilities are reinforced on Commission communications, which are posted on the FAQs of the Commission's web site. These FAQs indicate that if a payment plan is broken, "the natural gas or electric company is not required to offer additional arrangements" and the customer is advised that "if you still owe on your bill on April 15, you may ask your electric or natural gas company to continue your payment plan."[4]

[3] https://www.mnpower.com/Content/Documents/CustomerService/cold-weather-rule-rights-responsibilities.pdf
[4] https://mn.gov/puc/consumers/help/shut-off-protection/#1

While ECC contends that Minnesota Power is relying on LIHEAP funds to restore service for customers, it is more accurate to state that the customer is counting on these funds. In fact, customers may need to either have been disconnected or received a notice of disconnection in order to qualify for assistance. Recognizing this as a reality some customers face, Minnesota Power allows enough time to take action between notice and disconnection. In its comments, ECC also highlights the availability of LIHEAP funds in association with reconnects made within 24 hours; “Historically, the number of 24-hour service reconnections trends with the level of LIHEAP crisis funds received on behalf of MP’s customers.” The Company does not agree that there is a direct correlation between crisis funding received and reconnections within 24 hours. In fact, the Company’s statistics show that in 2017 only 16% of all reconnections were made with help from energy assistance programs, and roughly 10% of 24 hour reconnects were made with help from energy assistance programs.

Reconnections within 24 hours-

ECC calls into question the Company’s reported disconnection and reconnection numbers from 2015 and 2016; “ECC notes that the graphs are inconsistent for the years 2014-2015—the year that the Company initially stated that they restored 29.6% of disconnected customers within 24 hours and then “corrected” that number to 73.5%. The Company’s correction, however, is suspect because 24-hour reconnections historically trend with the amount of LIHEAP crisis funds MP received.” As previously stated in the Company’s 2016 Report,[5] “Credit and Collections activity was temporarily curtailed as the Company implemented an upgrade to its Customer Information System in May of 2015. No disconnect warnings were sent and no disconnects were completed for May and June 2015.” Therefore, using 2015 as a benchmark alongside any other year is not advisable as it would not provide for any meaningful comparisons. The Company was in the midst of a system conversion and many functions of the billing and collections were operating under unique and scaled circumstances, as is common and best practice for a major system conversion.

Additionally, in order to address the corrections made to past year’s data, the Company provided a response to ECC IR #3 (Attachment E) in the docket that states: “As noted in the Company’s 2018 SRSQ filing, in Appendix A, Pages 29-30, in light of some recent corrections to previously reported figures, Minnesota Power reviewed its reporting process for disconnections and reconnections and revised the process for improved accuracy. In the past, some reports used the date the disconnection was completed in the system to count disconnections, while others used the date the disconnection notice occurred in the field. In addition, there were situations when one customer was disconnected and another was started at the same location, and this type of customer could have been missed or the wrong customer could have been counted. Also, in months where a disconnection occurred with a payment plan created under CWR in that same month, disconnections were not included in previous counts….For uniformity and accuracy in determining the number of disconnections, going forward the Company will use the date the disconnection

[5] Also detailed in the Company’s CARE Fourth Annual Report, Section IV.D.1, page 14-15

was completed in the field when determining the customer affected. With this change, the number of disconnections that had been communicated before in any previous report/information request could be different than the numbers provided in the Company's April 1, 2018 Report." The Company recognized there were different interpretations and assumptions of the data depending upon the reporting request. In part due to the inquiries received by ECC, a decision was made to retool the approach by providing a uniform definition to the Company's reporting which will provide for a standardized interpretation moving forward.

Cold Weather Rule and Service Disconnection Reporting –

ECC referenced the Company's lapse in timely weekly and monthly disconnection reporting. As stated previously, the Company is aware that it had not been following practices established via Minn. Stat. § 216B.096, subd. 11 and Minn. Stat. § 216B.091. While acknowledging that the timing of the reports was not in alignment with statutory obligations, the Company did report the information to the Commission as required. Reports have been submitted as evidenced through eDockets since determining the timing issue.

ECC also highlights differences in numbers reported in its SRSQ Report and the numbers filed under the reporting statutes. November and December CWR reports were submitted after the SRSQ redesign. For concurrent responses both CWR and SRSQ reporting utilize the same tables. CWR reports prior to November and December were submitted using the old version of reporting and all reports moving forward use the updated version of reporting. The SRSQ report redesign began in January 2018. As stated, the redesign included an update to how disconnected accounts are queried. November and December CWR reports were submitted on January 29, 2018 and when they were generated they used the new consistent reporting design shared by CWR and SRSQ reports.

Low Income Energy Partners Conservation Program –

Regarding ECC's recommendation that the Commission require Minnesota Power to report participation in the Low Income Energy Partners program by counting participants rather than measures, the Company has previously stated that it does report Energy Partners customer participation in the Energy Analysis section of the CIP Status Report.

Minnesota Power refers ECC and stakeholders to the Company's response to Fresh Energy's May 4, 2018, IRs 1 and 3,[6] for an explanation of how customer participation is reported in Minnesota Power's Consolidated filings, excerpts of which are below:

> "*Customer* participation in the Energy Partners program is reflected in the Energy Analysis section of Minnesota Power's 2017 CIP Status Report as the number of Low Income Energy Analyses

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[6] 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's Information Request No. 1 and 3.

completed. In 2017, 1,132 [single family and multifamily] low income customers received a Home Energy Analysis and the associated Energy Partners program measure offerings. Refer to page 56 of the 2017 CIP Status Report."

"The low income participant totals reported on page 56 of the 2017 CIP Status Report also reflects the number of customers who participated in the Energy Partners program. All low income customers who are income qualified and received a Low Income Energy Analysis are participants in the Energy Partners program. In addition to typical audit services, these customers receive Energy Partners specific offerings including appliance upgrades (if applicable) and direct installation of energy efficiency products and measures. The audit services portion of the low income offering is reported and primarily funded through the Energy Analysis program, while the measure-specific aspects of the program are captured in the Energy Partners program."

Minnesota Power does, however, agree that reporting this figure in the Energy Partners program would add transparency and reduce confusion. Going forward, the Company will include the customer participation number in both the Energy Analysis program as well as the Energy Partners program.

Additionally, regarding ECC's comment that it is difficult to ascertain how many Energy Partners participants received any energy-savings installed measures, Minnesota Power would like to clarify that *all* customers who participate in the Low-Income Energy Partners program receive direct installation of energy-saving measures based on their individual needs. Since the majority of Minnesota Power's residential customers are non-electrically heated, the Energy Partners program focuses on other common high usage areas. That said, it is not accurate to state that no electrically heated homes were assisted in 2017 through Energy Partners. The IR referenced by Ms. Marshall was specific to weatherization. And while Minnesota Power did serve some electrically heated homes through Energy Partners, as determined by the all-electric rate code, there may be other homes that use a combination of electric heat such as space heating and other fuel, which would not be identifiable through Minnesota Power's billing system and would rather be better assessed with an in-home analysis.

According to the U.S. Energy Information Administration,[7] water heating, lighting and refrigeration are the next highest energy users after only space cooling, which is not as predominant in Minnesota compared to other parts of the country. As part of the Energy Partners program, Minnesota Power offers torchiere lamps and lighting replacement of up to 8 (increased to a 12 bulb limit in 2018) bulbs per household, along with refrigerators, freezers, microwaves, and dehumidifiers which are offered to customers who are struggling due to inefficient appliances. Water heating measures are offered as part of the program to customers with electric water heaters.

[7] "How is electricity used in U.S. homes?" U.S. Energy Information Administration (Last updated February 8, 2018) https://www.eia.gov/tools/faqs/faq.php?id=96&t=3

While ECC focuses on refrigerators, implying they are the only impactful measure offered in the program, Minnesota Power reasons that individual circumstances vary greatly and in many cases other products offered through the program could actually be just as or even more impactful. For example, customers with electric water heating are likely to be among the higher electric users. For these individuals, installing energy saving showerheads (which result in higher savings than refrigerator replacements in general) in conjunction with the other water heating measures would likely have the greatest impact on the customer's electric bill. In 2017, Minnesota Power installed 367 showerheads in low income households through the Energy Partners Program. Of those 367, 50% were installed in households considered to be high users[8]. Overall, 1,723 water heating measures were installed in 2017, which included aerators, pipe wrap, showerheads and shower timers.

Each of the customers who received a (single family) low income energy audit and the associated Energy Partners services in 2017, on average, received 19 total measures. While participants often receive multiples of the same measure type, households generally receive a variety of different products. In 2017, participating households received an average of 8 different measure types. As such, while lighting made up the majority of the measures, both because it is the most cost-effective and universally applicable measure, the vast majority of participants received additional offerings addressing their individual electric considerations.

Over the last two years, Minnesota Power has been working to expand the reach of the Energy Partners program by increasing communication and further developing relationships with partner agencies. Due to this ongoing effort, Minnesota Power has seen an increase in the total number of Energy Partners Home Energy Analyses in 2018 compared to 2017 and anticipates the trend to continue.

Starting in 2018, the Energy Partners program began a more robust tracking process that tracks measures at the participant level. This will assist in determining the level of impact per participant and will further help with understanding the needs of our customers into the future.

While historically the Company and the Weatherization Assistance Program agencies have focused primarily on higher overall energy use and general outreach to all low income customers who qualify, Minnesota Power agrees there may be benefit to further increasing targeted CIP outreach to low income households who have struggled with their electric bills or those who have the highest electric usage. Through the increased data tracking and analysis underway, as well as the increased communication with agencies and other community organizations, the Company intends to identify additional ways to improve outreach and program offerings in ways that are most impactful to Minnesota Power's low income customers. However, the Company must continue to consider CIP-specific guidelines, budget limitations, and cost-effectiveness as it continues to explore program improvement and/or expansion strategies.

[8] A high user was defined as any customer with usage greater than 1,000 kWh in a single month in 2017.

Reconnect Pilot –

ECC continues to express concerns with the Reconnect Pilot with claims that it would be in violation of disconnection statutes or rules and "undermine existing Minnesota utility consumer protections". Minnesota Power has repeatedly stated that the pilot would not change its obligations under Minn. R., 7820.2500. Even though the pilot requires the use of remote disconnection technology as a part of the process and to be able to use remote reconnection, it does not preclude, nor is Minnesota Power proposing variance from, a personal visit by a representative capable of receiving payment in conjunction with the disconnection of service. It is fully Minnesota Power's intention and obligation to follow the rules for disconnection. That said, Minn. R. 7820.2500 only references that the disconnection must happen in conjunction with a personal visit by a representative of the utility. It does not specify the technology used for disconnection. As such, it does not preclude the use of a remote disconnection switch, so long as the process is followed.

Further, all notice requirements will continue as they currently exist. Mailing of notices would not cease simply because functionality of a meter is available. On another point, there was no discrimination in the selection of pilot participants when meters were deployed. Objective criteria regarding disconnection activity was used. LIHEAP status was not asked for or used. However, some level of activity needed to be anticipated in order for the technology to be piloted. The meters used for this pilot are the same as those stocked for other rate types requiring controlled access or interruption – specialized rates. As such, additional incremental costs are not applicable as there is not a dedicated supply of meters specific to this pilot. Even so, these meters are used on a special purpose basis, they are not standard for all customer installations. To the point on "targeting" low income, ECC at 16, this point makes little sense as there would be no change for a customer group other than a discounted non-business hours reconnection fee which would be the most helpful to low income customers. The pilot does not determine who gets disconnected. That process is established and described in detail in these reply comments. That said, if a customer has been disconnected and this functionality is available, there are significant reconnection fee savings for the customer and the potential for a timelier reconnection, in addition to the other potential benefits described at length in the Report. This pilot does not in any way undermine existing Minnesota utility consumer protections and, other than continued speculation, ECC has made no compelling points to indicate that to be the case. If a customer is disconnected and requests reconnection, the representative would check to see if a remote reconnection option is available. If it is, the customer would be presented that option. If the customer chose to move forward, instructions for preparing for reconnection would be conveyed over the phone. Once confirmed, the remote reconnection signal would be sent. Once the customer has confirmed restoration of service, the discounted reconnection fee would be applied. If the signal was not successful, standard reconnection offerings would apply and the customer would choose between a business hours and non-business hours option of $20 or $100, respectively, per Minnesota Power's existing service regulations.

III. Response to Department Comments

Minnesota Power appreciates the Department of Commerce's recommendation that the Commission accept its 2017 Report and the continued support of the proposed Reconnect Pilot. Responses to the Department's requested items and proposed reliability standards are included in this section.

Payment Plans and Restoring Power (CWR and non-CWR) –

Minnesota Power discusses its approach to offering payment plans during CWR and non-CWR months in its replies to ECC. Minnesota Power also references the collaborative work with the CAO and views that as an important part of identifying ways to address challenges going forward.

Reconnect Pilot –

In accordance with the guidance provided by the Commission during the deliberations in Minnesota Power's rate case[9], Minnesota Power resubmitted its proposal for a Reconnect Pilot Program in its 2018 SRSQ Report. The Reconnect Pilot that Minnesota Power has proposed is on a three-fold basis, which is discussed at length in the 2018 SRSQ in section VI and entails: 1) timelier reconnection, 2) safety, and 3) leveraging technology. The customers initially selected to receive the meters with the remote reconnect capability were selected based on disconnection/reconnection frequency, not income. In fact, income data was not one of the parameters reviewed. Customers were identified that had multiple disconnections in a given year, as many as 4 – 9 times in the baseline year. While Minnesota Power appreciates the Department's question regarding a non-low-income control group and the well-intentioned focus on ensuring useful customer sampling, a query of the current population of meters with this capability indicates that nearly 25% are non-LIHEAP. Further, the geographic diversity spans from International Falls down to Sturgeon Lake and over to Little Falls. It is the Company's view that this is a good sampling for piloting the technology and process. To be clear, the pilot is not a rate offering, but rather an option to pay a discounted reconnection in the event that disconnection occurs. It is important to select sites where some level of activity is reasonably projected, lest there would be no opportunity to pilot the technology and process. This offering is completely optional and customers have the option to follow standard processes in lieu of the discounted reconnection fee.

A remote disconnection signal is needed because the technology entails an integrated switch built into the meter. In order for the meter to receive a remote reconnection signal, it must have first received a remote disconnection signal. The best practice is to install a meter several days ahead of when it is required for remote disconnection or reconnection. This allows time for the meter to transmit packets of data required to build routes and information in the meter headend system so the software is able to communicate and

[9] In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota, Docket No. E015/GR-16-664

have the meter perform actions. Further, if a remote disconnection signal were not used, it may suggest a physical change to the meter in the field. Physically changing the state of the disconnect switch under the glass of the meter in the field is not an option. It would require breaking the tamper seals which is currently only done in the Company's testing facility. Also, if the disconnection state the switch is in doesn't match the last position of the switch that was in the meter's memory, the meter locks out with an error and the switch is stuck in that state and is not operable. This type of event would require an immediate field visit for remediation.

There is no need for a variance to Minnesota Rules, part 7820.2500. Even though the pilot requires the use of remote disconnection technology as a part of the process, it does not preclude, nor is Minnesota Power proposing variance from, a personal visit by a representative capable of receiving payment in conjunction with the disconnection of service. It is fully Minnesota Power's intention and obligation to follow this process for disconnection.

Potential costs for reconnections will vary depending on the type of reconnection (regular business hours versus after hours) and the travel distance required. The pilot is intended to more definitively inform the business case for a broader offering of this program in terms of related costs and savings. Reconnections during regular business hours are performed upon request, often involving interruption to other work being performed, or what is commonly referred to as "break-in work". There is also variable travel time to the customer's site from the employee's current work location. As a proxy, a one-hour reconnection during regular business hours can cost between $40 and $55 for labor and vehicle costs, depending in large part on the labor resource available (i.e., collector versus lineworker). After-hours reconnections are more expensive as they tend to entail labor rates that involve overtime pay. A proxy for a minimum two-hour overtime call out for reconnection after hours ranges between $109 and $154. The reconnection fee for normal business hours is $20 and it is $100 for after-hours. Using baseline data from 2014, customers identified as a potential fit for this pilot represented a total of 237 reconnect orders out of a total considered of just over 2,000. Nearly 95% of those orders were completed during regular working hours (7 a.m. -3:30 p.m.) and roughly 5% of them occurred after hours (3:30 p.m. – 7 p.m.). Drawing from the 2014 figure and assuming reconnections during regular hours at one hour each and after-hours reconnections at two hours each, total labor and vehicle costs for reconnections could range from just under $10,500 to just under $14,500 (not including overhead rates). The related reconnection fees to offset these costs would be about $5,800, leaving more than a $4,700 to $8,700 cost differential under these assumptions. These figures do not account for lost productivity or inefficiencies introduced from the nature of reconnections discussed above. If further details regarding costs are needed, Minnesota Power suggests this to be included as part of compliance reporting for the pilot in the SRSQ filing.

As requested by the Department, Minnesota Power has included a new standalone tariff page for the Reconnect Pilot outlining reconnection costs, eligibility and selection criteria, opt-out provisions, and disconnection and reconnection procedures. This is included as Attachment F and it replaces the initial proposed tariff change language from Section VI, page 3.5, Regulation 20.A.

Reliability Standards –

Minnesota Power appreciates the Department's thorough review of the Company's 2018 SRSQ Report. The Commission has historically set utility reliability thresholds on a 5-year rolling average since the inception of these reliability reports. Due to the Company exceeding its proposed reliability results in 2016 & 2017 the Commission chose to freeze the Company's reliability goals at 2016 levels for its 2017 Report. In its Comments, the Department recommends freezing reliability results at 2016 levels for another year in 2018: SAIDI - 98.19, SAIFI - 1.02, CAIDI - 96.26. As a consequence, the 5 year rolling threshold would continue to be inconsistent with current trends relating to weather and increased impacts related to human related causes. This action also potentially penalizes the Company for improvements made to enhance the accuracy and precision of its outage counts through automated reporting with Advanced Metering Infrastructure (AMI). This situation perpetuates a cycle whereby Minnesota Power continues to include its highest reliability results since it began reporting reliability results to the Commission, and excludes both 2016 and 2017 results, which thereby discounts the realities of weather, equipment failure, and increased outage reporting accuracy times due to AMI.

While the Company understands and shares the concern regarding reliability results, it also contends that the Commission should continue to follow its precedence of maintaining a 5-year rolling average in order to manage expectations and maintain fairness across utilities. If it deems that the rolling average is no longer an appropriate measure for reliability, it should begin the process of defining a new method for determining reliability goals. As evidenced in its Report, the Company continuously strives to provide excellent service to all customers and deliver reliable, affordable, and safe electric service across its unique service territory.

IV. Conclusion

Minnesota Power strongly contends that the allegations made by ECC in its comments are unfounded and unsubstantiated. Through the Company's current process review and improvements being made in conjunction with the CAO and as evidenced via these comments, the original Report, and prior information requests, the Company has demonstrated that it follows all applicable statutes, rules and regulations when disconnecting – and reconnecting – customers. The error concerning reporting periods is a regrettable, but important, discovery and Minnesota Power is committed to ensuring the reporting requirements continue to be followed going forward.

The Company strives to provide modern products and services, and to improve its processes and procedures to ensure the highest quality service for its customers. In this vein, the Reconnect Pilot is a method to offer customers a more efficient and cost-effective way to get reconnected in the event service has been disconnected for non-payment. This offering is completely optional and customers continue to have the option to follow standard processes in lieu of the discounted reconnection fee.

Minnesota Power respectfully requests that the Commission reject ECC's proposed audit and temporary discontinuation of the Company's disconnection practices, accept the Company's Reconnect Pilot proposal, and reestablish the historic practice of a 5-year rolling average for reliability thresholds.

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Respectfully submitted,

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