



March 2, 2020

VIA E-FILING

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

**Re: In the Matter of Minnesota Power's Petition for
Approval of a Rider for Customer Affordability
of Residential Electricity (CARE)
Docket No. E015/M-11-409**

Dear Mr. Seuffert:

Minnesota Power (or the "Company") submits to the Minnesota Public Utilities Commission ("Commission") its Eighth Annual Report in compliance with Commission Orders in Docket Nos. E015/M-11-409 and E015/GR-09-1151 and pursuant to Minn. Stat. §216B.16, subd. 15, including Order Point 6 of the Commission's December 19, 2018 Order that requires Minnesota Power to "submit future annual reports on its CARE program on March 1, each year." The Company looks forward to working with the Commission to review the information contained in this Annual Report.

Please contact me at (218) 355-3805 of tkoecher@mnpower.com if you have any questions regarding this filing.

Yours truly,



Tina S. Koecher
Manager - Customer Experience Operations

TKS:th
Attach.

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

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

Docket No. E015/M-11-409

Eighth Annual Report

SUMMARY

Minnesota Power respectfully submits its Eighth Annual Report for the Rider for Customer Affordability of Residential Electricity ("CARE Program") to the Minnesota Public Utilities Commission ("Commission") in compliance with Commission Orders in Docket Nos. E015/M-11-409 and E015/GR-09-1151 and pursuant to Minn. Stat. §216B.16, subd. 15.

Minnesota Power is seeking Commission approval of this Eighth Annual Report. In addition, Minnesota Power provides a brief update regarding the program modifications that were developed through a collaborative stakeholder engagement process and approved by the Commission in its Order dated October 30, 2019, with a program implementation date of January 1, 2020.

TABLE OF CONTENTS

- I. INTRODUCTION..... 1
- II. PROCEDURAL MATTERS 5
- III. ANNUAL REPORT..... 7
 - A. CARE Reporting Requirements 7
 - 1. Program Tracker, Administration and Funding 7
 - a. CARE Tracker..... 7
 - b. CARE Program Administration..... 7
 - c. CARE Program Funding 7
 - d. CARE Program Administrative Costs..... 8
 - 2. Program Retention, Satisfaction and Enrollment 8
 - a. Program Retention..... 8
 - b. Program Satisfaction..... 9
 - c. Enrollment for Program Year 2019..... 9
 - 3. CARE Program Customers with High Energy Usage 10
 - a. Percent of Customers with 1,000 kWh Usage or more..... 10
 - b. Average Usage for High-Use Customers (1,000 kWh and above)..... 11
 - 4. Participant Payment Frequency and Payment History 12
 - 5. Disconnections and Reconnections 13
 - a. Disconnections 13
 - b. Reconnections 14
 - 6. Participant Average Discount, Bill and Arrears..... 14
 - a. Information Based on Annual Average Participants in the CARE Program 15
 - 7. CARE Participant Billing Impacts 15
 - 8. CARE Participant Electric Usage 16
 - 9. Recent Order Requirement – Program Improvements and Outreach..... 16
 - 10. Compliance with Minnesota Statutes 17
 - a. Lower the percentage of income that participating households devote to energy bills..... 18
 - b. Increase participating customer payments over time by increasing the frequency of payments 19
 - c. Decrease or eliminate participating customer arrears 19
 - d. Lower utility costs associated with customer account collection activities 20
 - e. Coordinate the program with other available low income payment assistance and other resources 21
 - B. CARE Modifications Update 21
- IV. CONCLUSION..... 24

List of Tables

Table 1 - CARE Program Customer Retention	9
Table 2 - Payment Frequency and History	13
Table 3 - Disconnections	14
Table 4 - Reconnections	14
Table 5 - CARE Average Participant's Average Discount, Bill and Arrears Amounts	15
Table 6 - CARE Participant Billing Impact	16
Table 7 - Customer Electric Usage.....	16
Table 8 - Percentage of Income to Electric Bills	19
Table 9 - Arrearage Forgiveness Statistics.....	20

List of Figures

Figure 1 - Improvements Made to the CARE Program	3
Figure 2 - CARE Program Participation	10
Figure 3 - CARE Program Percent of Customers with High Energy Usage	11
Figure 4 - Average Monthly Energy for High Usage Customers	12

List of Attachments

- Attachment A - CARE Tracker
- Attachment B - CARE Tariff Sheet

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

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

Docket No. E015/M-11-409

Eighth Annual Report

I. INTRODUCTION

Minnesota Power (or the “Company”) submits this Eighth Annual Report for its 2018-2019 Customer Affordability of Residential Electricity (“CARE Program” or “Program”) discount program to the Minnesota Public Utilities Commission (“Commission”) in compliance with Commission Orders in Docket Nos. E015/M-11-409 and E015/GR-09-1151 and pursuant to Minn. Stat. §216B.16, subd. 15. Minnesota Power is seeking Commission approval of this Eighth Annual Report. In addition, Minnesota Power provides a brief update regarding the program modifications that were developed through a collaborative stakeholder engagement process and approved by the Commission in its Order dated October 30, 2019, with a program implementation date of January 1, 2020.

This Report summarizes the CARE Program and provides information consistent with the reporting requirements based on Commission Orders under this Docket. The Company requests that the Commission accept Minnesota Power’s Eighth Annual CARE Report.

A. Background and Procedural History

Minn. Stat. § 216B.16, subd. 15, the low income affordability program statute, requires all gas utilities to file proposals for low income affordability programs. Minnesota Power is the only electric utility that offers an affordability program under this statute, pursuant to the Commission’s November 2, 2010 Order in its general rate case under Docket No. E015/GR-09-1151.¹

Minnesota Power has offered its CARE Program to its residential customers since November 1, 2011. Those who qualify under the federally-funded Low Income Home Energy Assistance Program (“LIHEAP”), as determined by application through Energy Assistance Program Service Providers, are eligible for CARE. The CARE Program

¹ Xcel Energy provides its low income electric customers a discounted rate under its low income electric rate discount statute (Minn. Stat. § 216.B.16, subd. 14). Xcel offers this discount as part of its PowerON program.

provides a discount to the Company's standard residential tiered rates and includes an arrearage forgiveness component. A participant may be removed from the program if two consecutive payments are missed or they fail to establish continued LIHEAP eligibility by May 31 of each year. In an effort to better serve low income customers, the CARE program has evolved since it was initially offered in 2011, with updates including automatic re-enrollment for continued eligibility for LIHEAP and removing the cap of 5,000 participants in the CARE program,² the addition of an arrearage forgiveness component,³ and the removal of the requirement for budget billing.⁴ Figure 1 on page 3 summarizes program changes and improvements.

Most recently, the Company worked in collaboration with the Commission's Consumer Affairs Office ("CAO"), met with Energy CENTS Coalition, and nonprofit organizations within Minnesota Power's service territory to discuss potential improvements to the CARE Program, coordination with LIHEAP, and how best to enhance public outreach.⁵ Outreach efforts were discussed extensively in the Sixth Annual Report and accepted as adequately addressing the Commission's concerns regarding program outreach, as directed in the Commission's January 5, 2018 Order.⁶ Recommendations identified as program enhancements through a collaborative stakeholder engagement process were included as part of the Seventh Annual Report and were approved by the Commission in its October 30, 2019 Order for a program implementation date of January 1, 2020. At a high level, program enhancements include an affordability discount based on a target energy burden of three percent; a flat \$15 discount for LIHEAP-approved customers who are senior, disabled, and legacy CARE participants; limited enrollment based on program funding; and a change in the grace period from May 31 to May 1.⁷

In its December 19, 2018 Order, the Commission established an Annual Report filing date of March 1.

² Order Accepting the Second Annual Report (July 3, 2014).

³ Order Accepting the Third Annual Report (July 10, 2015).

⁴ Order Accepting the Fifth Annual Report (January 5, 2018).

⁵ Order Accepting the Fifth Annual Report (January 5, 2018).

⁶ Order Accepting the Sixth Annual Report (December 19, 2018).

⁷ Order Accepting the Seventh Annual Report (October 30, 2019).

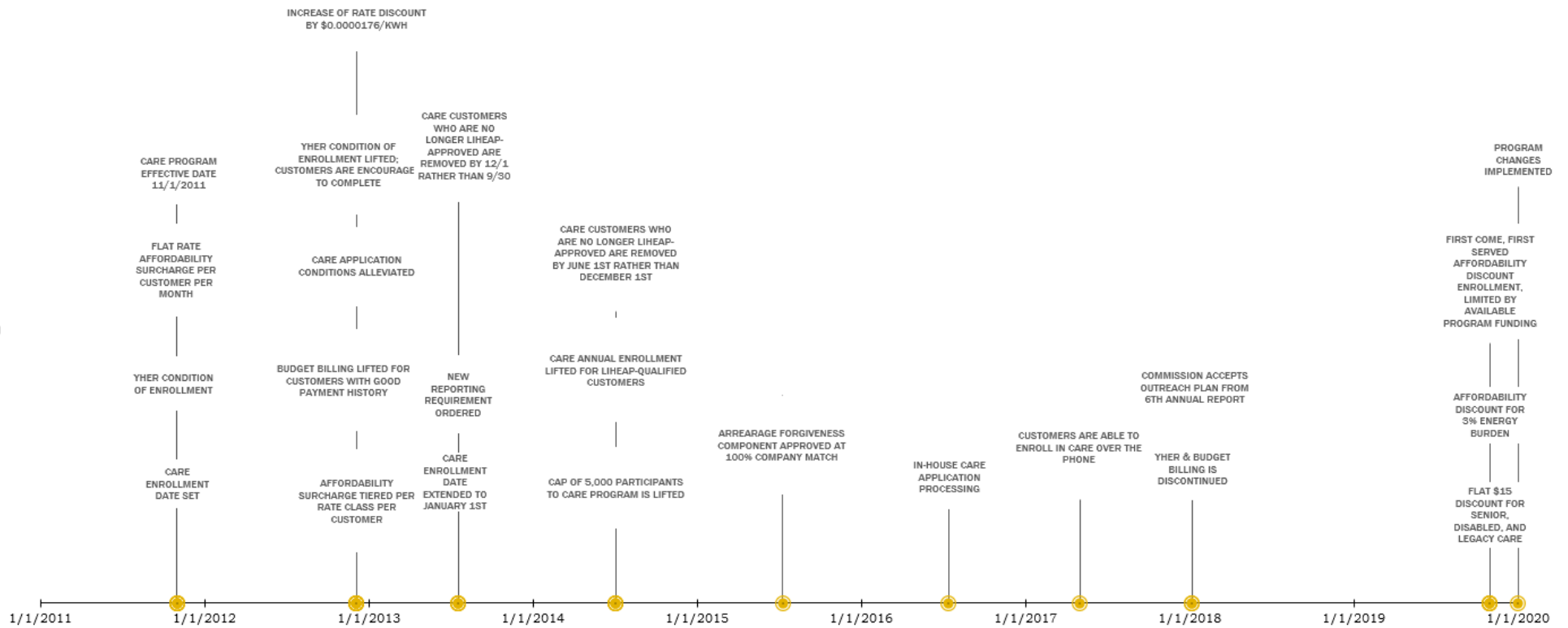


Figure 1 - Improvements Made to the CARE Program

B. Organization of Filing

Minnesota Power's Eight Annual CARE Program Report covers the period of October 1, 2018 through September 30, 2019 ("program year 2019") and includes the following components:

- CARE Reporting Requirements – The Company covers the traditional reports it has provided in the past as well as new reporting requirements; and
- Summary Update Regarding Approved Modifications – The Company provides a brief update regarding the program modifications that were developed through a collaborative stakeholder engagement process and approved by the Commission in its Order dated October 30, 2019, with a program implementation date of January 1, 2020.

II. PROCEDURAL MATTERS

Pursuant to Minn. Stat. § 216B.16, subd. 1 and Minn. Rule 3825.1300, Minnesota Power submits the following information:

A. Name, Address, and Telephone Number of Utility (Minn. Rules 7825.3500 (A))

Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 722-2641

B. Name, Address, and Telephone Number of Utility Attorney (Minn. Rules 7825.3500 (A))

David R. Moeller, Senior Attorney & Director of Regulatory Compliance
Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 723-3963
dmoeller@allete.com

C. Date of Filing and Modified Rates Effective Date (Minn. Rule 7829.1300, subp. 3 (C))

This report is being filed on March 2, 2020. Minnesota Power is not proposing to implement changes to the CARE Program, nor is the Company requesting to modify rates in this filing.

D. Statute Controlling Schedule for Processing the Petition (Minn. Rule 7829.1300, subp. 3(D))

Minnesota Power's Eighth Annual Report falls within the definition of a "Miscellaneous Tariff Filing" under Minn. Rules 7829.0100, subp. 11 and 7829.1400, subp. 1 and 4, permitting comments in response to a miscellaneous filing to be filed within 30 days, and reply comments to be filed no later than 10 days thereafter.

E. Utility Employee Responsible for Filing

Tina S. Koecher
Manager – Customer Experience Operations
30 West Superior Street
Duluth, MN 55802
(218) 355-3805
tkoecher@mnpower.com

F. Impact on Rates and Services (Minn. Rule 7829.1300, subp. 3(F))

The existing Affordability Surcharge will have no effect on Minnesota Power's overall revenue requirements. The Affordability Surcharge applied to other firm electric customers will be offset by the discount offered to CARE Program participants, and monitored through a tracker. The additional information required under Minn. Rule 7829.1300, subp. 3(F) is included throughout this Annual Report.

G. Official Service List

David R. Moeller
Senior Attorney &
Director of Regulatory Compliance
Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 723-3963
dmoeller@allete.com

Tina S. Koecher
Manager – Customer Experience
Operations
Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 355-3805
tkoecher@mnpower.com

H. Service on Other Parties

Minnesota Power is eFiling this report and notifying all persons on Minnesota Power's CARE Program Service List that this report has been filed through eDockets. A copy of the service list is included with the filing along with a certificate of service.

I. Filing Summary

As required by Minn. Rule 7829.1300, subp. 1, Minnesota Power is including a summary of this filing on a separate page.

III. ANNUAL REPORT

A. CARE Reporting Requirements

This section of the Annual Report provides information required by the Commission's Orders under Docket No. E015/M-11-409.

1. Program Tracker, Administration and Funding

a. CARE Tracker

The CARE tracker is provided in detail as Attachment A.

b. CARE Program Administration

Since the inception of the CARE Program, Arrowhead Economic Opportunity Agency ("AEOA") administered the CARE Program for Minnesota Power. However, starting May 1, 2017, the Company took over the administration of the CARE Program. The decision for Minnesota Power to administer the CARE Program was in response to a letter of resignation from AEOA as the program administrator and was intended to be transitional while the Company conducted a process review. In its December 19, 2018 Order, the Commission authorized Minnesota Power to maintain administration of the CARE Program and reaffirmed that authorization in its October 30, 2019 Order.

Energy Assistance Program ("EAP") Service Providers in Minnesota Power's service territory, including AEOA, continue to qualify customers for LIHEAP as they have done in the past.

c. CARE Program Funding

The current Affordability Surcharge rate is based on anticipated participation levels under the current CARE Program design. The Affordability Surcharge is not applicable to LIHEAP-approved⁸ customers or the Company's Lighting Class. As recent program

⁸ Minnesota Power has used the term "LIHEAP-qualified". This definition means that customers qualified through the LIHEAP application process (i.e. applied and were approved), but could fall in any of three buckets – approved and receiving a grant toward electric service, approved and applying a grant toward another fuel or service, approved but no grant because funding ran out. For clarity, it may be better to state "approved for LIHEAP" or "LIHEAP-approved" in this context.

modifications and a change to the Affordability Surcharge were recently approved with an effective date of January 1, 2020, Minnesota Power is not requesting a change to the Affordability Surcharge in this filing.

d. CARE Program Administrative Costs

The Company requested recovery of program administrative costs as part of its last Annual Report. This was approved as part of the Commission's October 30, 2019 Order, effective January 1, 2020.

2. Program Retention, Satisfaction and Enrollment

a. Program Retention

The total number of participants enrolled at any point in the CARE program year 2019 was 5,803. At the end of program year 2019, the Program had 4,314 active participants. Table 1 shows the breakdown in number of customers and retention rates during program year 2019. A total of 1,489 customers were removed from the program during program year 2019 for the same prevalent reasons as in the previous years: customers missed two consecutive payments, requested to be moved to Cold Weather Rule ("CWR") protection, left the Company's service territory, or were no longer LIHEAP-approved.

Table 1 - CARE Program Customer Retention

CARE Program Retention - Period October 1, 2018 to September 30, 2019		
Designation	Number of Customers	Percentage of Customers
In PY 2019 Participant stayed 0-30 days	183	3%
In PY 2019 Participant stayed 31-60 days	205	4%
In PY 2019 Participant stayed 61-90 days	300	5%
In PY 2019 Participant stayed 91-150 days	413	7%
In PY 2019 Participant stayed over 150 days	4,702	81%
Total Participants	5,803	100%

b. Program Satisfaction

Approximately 2,400 calls or contacts⁹ were received in program year 2019. This is down from 2018 where over 3,000 calls or contacts were received. The Company continued to leverage general calls received from residential customers to offer enrollment in the CARE Program if the customers were indicated as LIHEAP-approved in the billing system.

c. Enrollment for Program Year 2019

The enrollment trend for program year 2019 is provided in Figure 2. An enrollment drop occurs each year in June when the grace period for LIHEAP approval ends. Customers are removed from the program if they have not applied with the EAP Service Providers and been determined LIHEAP-approved.¹⁰ While enrollment rates increased after the grace period removal date, enrollment numbers did not get back to the levels observed earlier in the program year.

⁹ Contacts are notes made in customer account records in the billing system related to a conversation with or actions on customer accounts.

¹⁰ May 31 marks the end of the grace period and June 1 is the date when Minnesota Power runs its reconciliation program to remove customers who have not yet renewed their LIHEAP qualification.

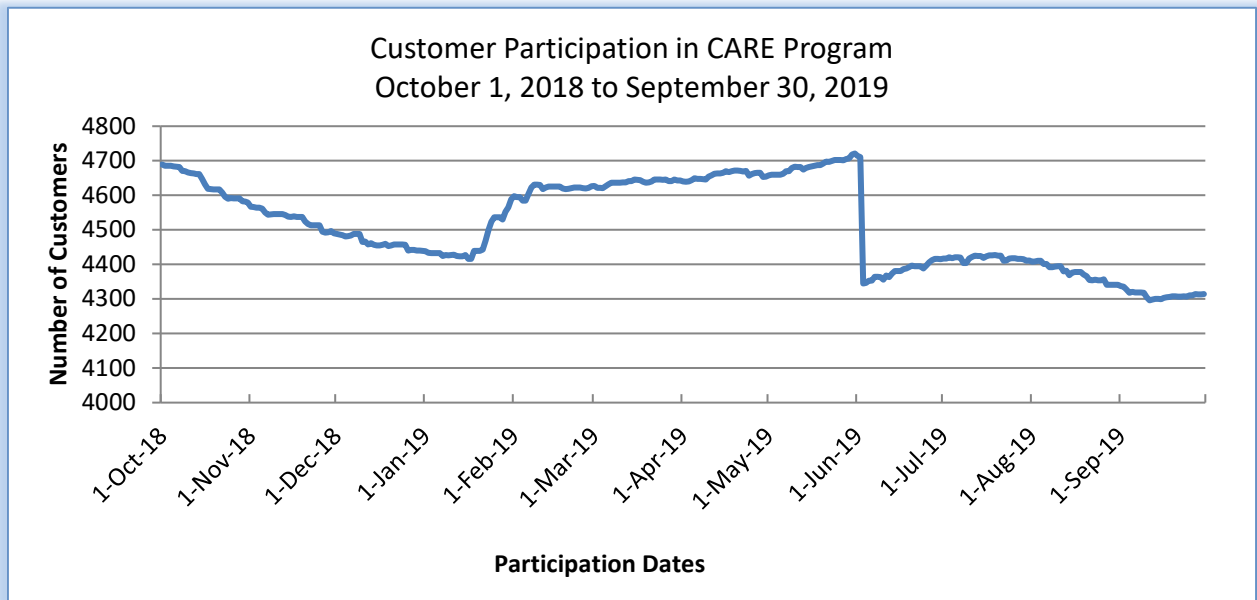


Figure 2 - CARE Program Participation

3. CARE Program Customers with High Energy Usage

a. Percent of Customers with 1,000 kWh Usage or more

Figure 3 shows the percentage of CARE Program customers for program year 2019 with high energy usage compared to all high-usage LIHEAP customers and high-usage customers on the standard Residential¹¹ rate. High-usage customers in the context of this report are defined as those who used 1,000 kWh or more in a given month. Each month is looked at individually. Any macro type of impact like the weather (normal, cold waves, or heat waves) tends to affect the three groups similarly, as indicated by the similar usage shapes by month in the figure. The Company counts bill totals and usage amounts only for a customer who was a CARE participant in that specific month.

¹¹ In the context of this report, “standard Residential customers” means residential customers served under standard rates, excluding customers served under interruptible rates and excluding customers served under the CARE Program and LIHEAP participants. The category “all firm Residential customers” includes CARE Program and LIHEAP participant customers but excludes interruptible rate customers.

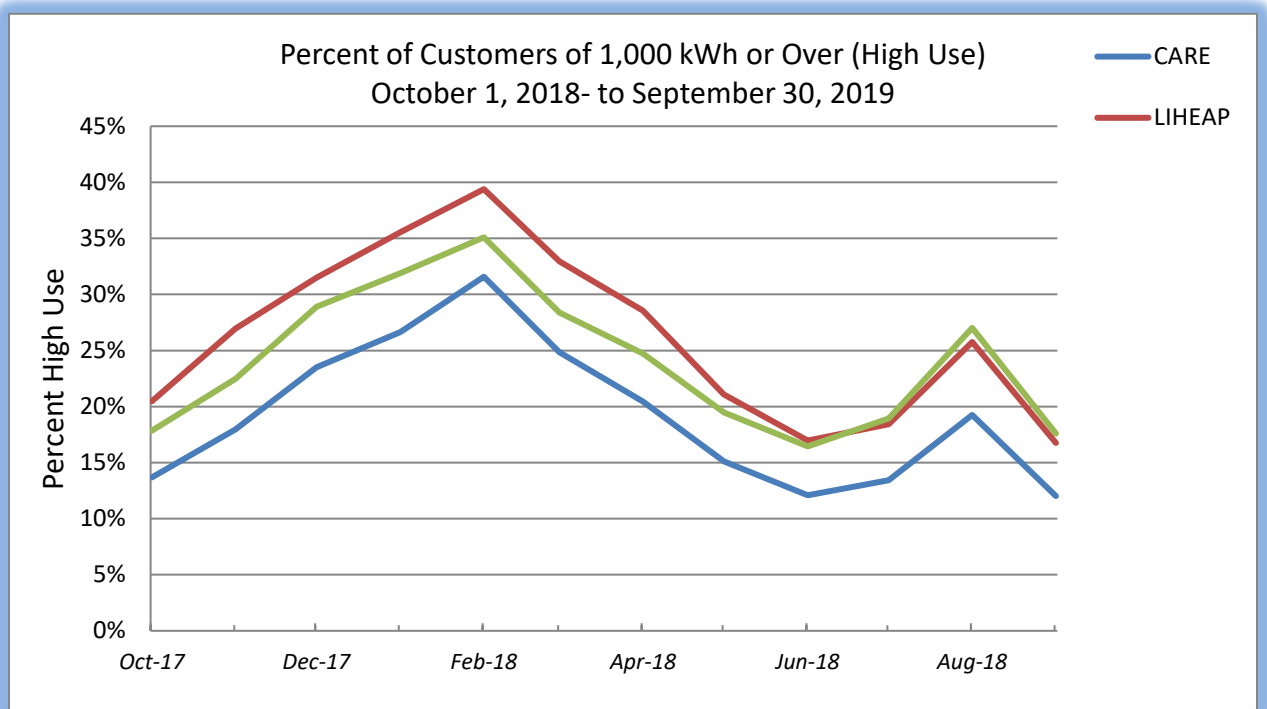


Figure 3- CARE Program Percent of Customers with High Energy Usage

b. Average Usage for High-Use Customers (1,000 kWh and above)

Figure 4 shows the average monthly energy usage (kWh) for high-use CARE, LIHEAP, and standard Residential customers who used 1,000 kWh or more in each respective month. This figure calculates the average usage per month by dividing the total usage of the total number of participants with usage of 1,000 kWh or over per month in each respective month by the number of participants in each group. Figure 4 shows standard Residential customers who are not identified as low income have a higher average energy usage than the two low income identified groups (CARE and LIHEAP).

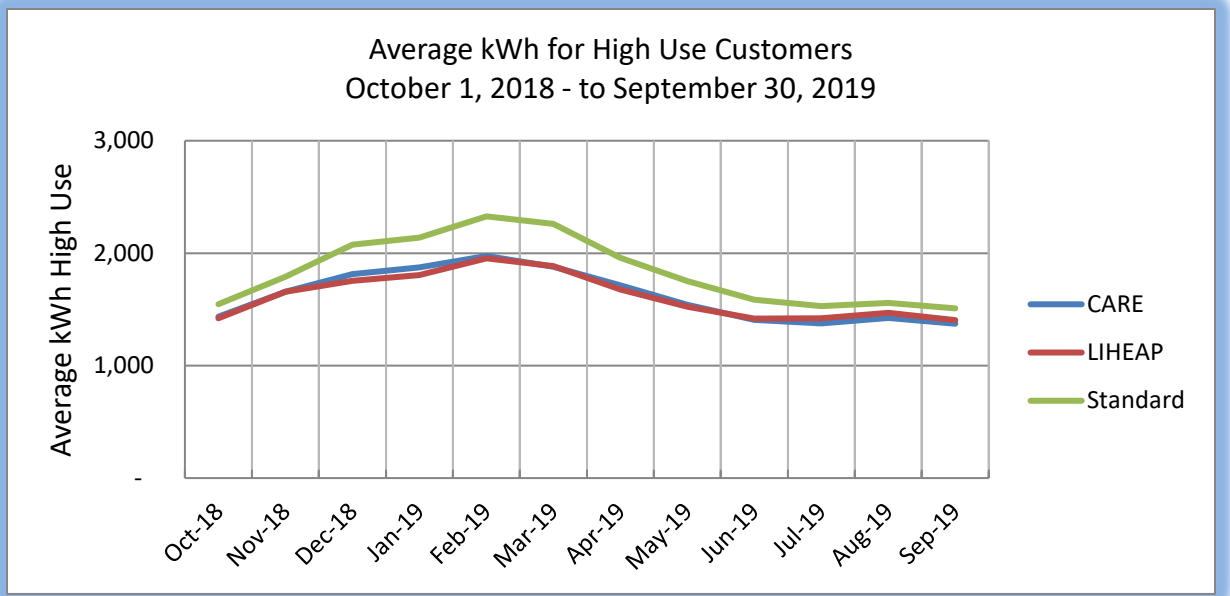


Figure 4- Average Monthly Energy for High Usage Customers

4. Participant Payment Frequency and Payment History

Table 2 shows the payment frequency and history of CARE participants in program year 2019. CARE participants are a mix of LIHEAP-approved customers who may or may not have received LIHEAP grant assistance. Therefore, as in previous program years, the impact of payment frequency of the LIHEAP grant has not been isolated. The total number of payments in Table 2 includes both full and partial payments, as these two types of payments are not counted separately in the Company’s billing system. Customer bill amounts and counts are limited only to month(s) in which the customer was identified as CARE or LIHEAP in the Company’s billing system. In Table 2, total payments made by CARE participants and LIHEAP customers include energy assistance payments; this explains why the LIHEAP non-CARE customer total payments amount to more than the total bills. When the energy assistance amounts are excluded from the payments, CARE participants paid 67 percent of billed amounts and LIHEAP non-CARE customers paid 63 percent of their billed amounts.

Table 2 - Payment Frequency and History

Customer Payment Frequency and History										
Line No.	Program Year	Designation	Total Bills		Total Payments				Percent of Billed Amounts Paid	Bills Paid as Percent of Bills Issued (Count)
			Count	Amount	Count	Amount	Energy Assistance			
1	10/2018-09/2019	CARE Participants	55,841	3,698,922	41,930	3,163,901		701,332	67%	75%
2		LIHEAP non-CARE	48,085	4,658,432	37,713	4,684,353	1/	1,741,551	63%	78%
3		LIHEAP	103,926	8,357,354	79,643	7,848,255	1/	2,442,883	65%	77%
1/ Payment Amount includes Energy Assistance and Percent of Bills Paid excludes Energy Assistance										

5. Disconnections and Reconnections

a. Disconnections

Minnesota Power believes it is critically important to work with customers to avoid disconnection of service and, in the event that disconnection does occur, to work with customers on timely reconnection. Minnesota Power follows the disconnection rules and processes as outlined in Minn. Stat. §§ 216B.096, 216B.0976, and 216B.098, and Minn. Rules. 7820.1000 through 7820.1300 and 7820.2400 through 7820.3000. These procedures are described in the Electric Service Regulations of Minnesota Power, Minnesota Power Electric Rate Book, Section VI, most specifically on pages 3.4 and 3.17.

The number of participants who were disconnected during program year 2019 is shown in Table 3. The process to run the report for Table 3, as related to CARE, is consistent with previous years. The Company used the date the disconnection was completed in the field when determining the customer affected, which is also in line with the Company's SRSQ report.¹² Table 3 shows the number of CARE participants who were disconnected compared to the number of disconnections for all Residential firm customers and LIHEAP customers who did not participate in the CARE Program. The disconnection rate for CARE participants was comparable in program year 2019 (two percent) to program year 2018 (two percent). LIHEAP non-CARE customers had a disconnection rate of 11 percent in 2019 compared to 14 percent in 2018. All Residential customers held constant between 2019 and 2018 at a rate of two percent.

¹² SRSQ, Docket No.E015/M-19-254, Appendix A, Section C & D of April 12, 2019.

Table 3 - Disconnections

Disconnections – Period: October 1, 2018 to September 30, 2019			
Designation	Total Number of Customers	Total Number of Disconnections	Percentage of Disconnections
	[a]	[b]	[c]=[b]/[a]
CARE Participants	5,803	111	2%
LIHEAP Customers non-CARE	4,488	509	11%
All Residential Customers	118,356	2,102	2%

b. Reconnections

Table 4 provides the number of CARE Program participants, LIHEAP non-CARE customers, and all Residential customers reconnected compared to those who were disconnected, as also shown in Table 3 above, column [b]. The reconnection numbers in Table 4 column [b] are all reconnections that took place in program year 2019. The percentage rate of reconnections for CARE customers was lower in program year 2019 at 67 percent compared to 86 percent in program year 2018; however, the percentage rate of reconnection for LIHEAP non-CARE customers was higher in program year 2019 at 80 percent compared to 79 percent in 2018. During times when the CWR applies, a customer who was previously a CARE participant may be reconnected if they enter into a payment plan. Once a customer was removed from the CARE program to take advantage of the CWR, this customer would be reflected in the standard Residential rate class.

Table 4 - Reconnections

Reconnections– Period: October 1, 2018 to September 30, 2019			
Designation	Total Number of Disconnections	Total Number of Reconnections	Percentage of Reconnections
CARE Participants	111	74	67%
LIHEAP Customers non-CARE	509	409	80%
All Residential Customers	2,102	1,541	73%

6. Participant Average Discount, Bill and Arrears

The Company provides the annual average participant's discount and arrearage amounts.

a. Information Based on Annual Average Participants in the CARE Program

During program year 2019, the annual average number of participants in the CARE program was 4,516. Based on this group of participants as shown in Table 5, the average monthly discount, including the Company’s match of arrears forgiveness and the monthly service charge discount, was \$19. To arrive at average total billed amount, the average for the total number of bills for CARE participants was used. The count of customers during program year 2019 who were enrolled in the CARE Program at one point with arrears greater than 60 days old was 842. The average monthly arrearage amount per customer for the 842 participants remained steady at \$16 in program year 2019. The average total billed amount in program year 2019 is higher at \$637 per year, or \$53 per month. In program year 2018, it was \$624 per year, or \$52 per month. The count of amount billed to CARE participants is limited to only the month(s) in which the customer was actually a CARE participant.

Table 5 - CARE Average Participant's Average Discount, Bill and Arrears Amounts

Average Bill and Arrears for CARE Average Participants, October 1, 2018 to September 30, 2019				
Designation	Number of Participants or Bills	Annual Total	Average	
			Annual Total	Monthly Total
	[a]	[b]	[c]=[b]/[a]	[d]=[c]/12
Average Bill Credit or Discount Amount 1/	4,516	\$1,036,993	\$230	\$19
Average Total Billed Amount 2/	5,803	\$3,698,922	\$637	\$53
Average Arrearage Amount	842	\$154,486	\$183	\$16
1/ Using the annual average number of CARE participants.				
2/Using the average for the overall number of bills for CARE participants, not all customers stayed in the program for 12 months.				

7. CARE Participant Billing Impacts

Table 6 provides CARE Program participants annual and monthly billing for the average 5,803 participants, counted as number of bills.

Table 6 - CARE Participant Billing Impact

Average Bill and Arrears Billing Impact for CARE Average Participants, October 1, 2018 to September 30, 2019					
Designation	All CARE Participants			Average per Customer	
	Total Amount	Monthly Amount	Number of Customers	Annual Amount	Monthly Amount
CARE Customer Bill ^{1/}	\$3,698,922	\$308,244	5,803	\$637	\$53
CARE Credit/Discount/Interim ^{2/}	\$977,750	\$81,479	5,803	\$168	\$14
CARE Arrears ^{3/}	\$59,243	\$4,937	172	\$344	\$29
1/ CARE customer bill includes the CARE discount.					
2/ This is an average for the overall number of bills for CARE participants, not all customers stayed in the program for 12 months. The CARE Rider is billed by applying the approved CARE discount to the standard Residential rate which was increased by the interim rate of 5.07 percent in Docket No. E015/GR-16-664. To ensure that the customer discount is proportioned to the authorized amount, the discount is also applied to the interim rate increase and shows as such on the customer's bill on a separate line item.					
3/ This is the arrears credit divided by the average number of bills that received an arrears credit.					

8. CARE Participant Electric Usage

In Table 7, the usage reported is strictly for the months in which a customer was identified as LIHEAP and enrolled in the CARE Program. If a CARE customer stopped participating in the CARE Program, the usage after being removed from the CARE Program is not included in total annual usage. The Residential customer count and usage is inclusive of LIHEAP and CARE participants. Similarly, the LIHEAP customer count and usage is inclusive of CARE participants.

Table 7 - Customer Electric Usage

Customers' Electric Usage. Period October 1, 2018 - September 30, 2019			
Designation	Total Annual Usage kWh	Number of Customers	Average Monthly Usage kWh
Standard Residential Customers	1,047,521,092	118,356	738
LIHEAP Customers	79,140,514	10,291	641
Total CARE Participants	40,005,730	5,803	574

9. Recent Order Requirement – Program Improvements and Outreach

In its January 5, 2018 Order, the Commission ordered the Company, in coordination with the COA, Energy CENTS Coalition, and nonprofit organizations within Minnesota Power's territory, to discuss potential improvements to Minnesota Power's CARE Program, the coordination of the Program with the LIHEAP, and how best to enhance public outreach.

In its last annual report, the Company reported extensively on its outreach efforts and, in its December 19, 2018 Order, the Commission indicated the Company had adequately addressed concerns on customer outreach. Minnesota Power has continued to work with the CAO to discuss low income customer challenges, identify enhanced outreach options, and discuss a process for expediting customer eligibility for programs. As a part of these efforts, Minnesota Power and the CAO have established bi-weekly meetings to review progress and explore additional ideas. This has led to outbound calling trials as well as targeted inserts to customers for simply returning a postcard to express interest in CARE, in addition to the other outreach efforts the Company has in place. Importantly, as a part of these efforts, outreach to EAP Service Providers, community action agencies, the Department of Commerce's ("Department") Energy Assistance Program office, Energy CENTS Coalition, and other local nonprofit organizations, has occurred.

Minnesota Power continues to leverage four major channels for outreach – targeted, mass, online/social media, and community events/collaborative services. Of these channels, the most directly impactful have been targeted outreach in the way of direct mailings and outbound phone calls as well as community events, many of which have been identified with input from local community action agencies and EAP Service Providers. The Company also found great value in the AmeriCorps VISTA (Volunteers in Service to America) collaborative project with Ecolibrium3, a local nonprofit organization that has been recognized nationally for developing innovative approaches and partnerships to tackle difficult community problems. While this specific AmeriCorps VISTA assignment ended earlier than anticipated due to the departure of the assigned resource for another job opportunity, Minnesota Power and Ecolibrium3 are working together to pursue another year for a similar collaborative project focused on low income outreach and community capacity-building to address energy affordability.

10. Compliance with Minnesota Statutes

The Commission required Minnesota Power to implement the CARE Program, a low income affordability program per the requirements of Minn. Stat. § 216B.16 Sub. 15(b) with the following objectives:

- 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.

The Company addresses each of the objectives in the subsections that follow.

a. Lower the percentage of income that participating households devote to energy bills

For program year 2019, Minnesota Power's CARE Program did not directly link the customer's bill to the customer's income. However, the Energy Assistance Program office of the Department provided the percentage of income Minnesota Power households devoted to their electric bill. That percentage has increased in program year 2019 compared to 2018 (see Table 8 below). This information could not be efficiently extracted for CARE Program participants alone. As the CARE Program participants are drawn from the LIHEAP-approved customers, the percentage of income for LIHEAP-approved customers represents a proxy for CARE Program participants.

Table 8 - Percentage of Income to Electric Bills

Year	Percentage of Income MP LIHEAP Customers Devoted to Electric Bill
2013	5.20%
2014	5.20%
2015	5.50%
2016	5.10%
2017	5.00%
2018	5.20%
2019	5.30%

b. Increase participating customer payments over time by increasing the frequency of payments

For program year 2019, CARE participants paid 75 percent of their bills; LIHEAP non-CARE customers paid 78 percent of their bills. In the analysis of program year 2016, the Department recognized that “absent a comparison of payment frequency for customers before and after participation in CARE, it is difficult to definitively determine whether MP’s (Minnesota Power) CARE Program increased frequency of payments or not.”¹³ The Company agrees, though the analysis seems to suggest that the CARE Program has had some success in improving frequency of payment. However, it is observed that CARE participants paid 67 percent of their billed amounts compared to LIHEAP non-CARE who paid 63 percent (see Table 2 in the Participant Payment Frequency and Payment History section of this filing).¹⁴ These payment percentages exclude energy assistance funds for electric bills.

c. Decrease or eliminate participating customer arrears

Minnesota Power implemented its Arrearage Forgiveness Component in January 2016. In program year 2019, the Company matched \$59,243. Following is a monthly summary of the amount of arrears the Company matched, the monthly number of participants whose arrears were forgiven, and the average dollar match per month per participant.

¹³ Minnesota Department of Commerce, Division of Energy Resources, Docket No. E015/M-11-409, Section III.A.2, page 4, Susan L. Peirce Reply Comments to the Minnesota Power’s Fifth Annual Report, October 12, 2017.

¹⁴ Table 4, provides the amount of bills issued and paid as well as the count of bills issued and paid.

The Company can confidently state that the total payment dollars matched reduced the duration of the customers' arrears payments in addition to assisting customers in reducing arrears amounts.

Table 9 - Arrearage Forgiveness Statistics

Arrearage Forgiveness Statistics			
Month	Amount Matched by MP	Number of Participants	Average \$/Participant
Oct-18	\$6,901	277	\$25
Nov-18	\$6,016	211	\$29
Dec-18	\$4,543	148	\$31
Jan-19	\$4,715	177	\$27
Feb-19	\$3,959	141	\$28
Mar-19	\$4,810	168	\$29
Apr-19	\$3,758	134	\$28
May-19	\$4,193	139	\$30
Jun-19	\$4,868	130	\$37
Jul-19	\$4,825	163	\$30
Aug-19	\$5,246	182	\$29
Sep-19	\$5,409	191	\$28
Total	\$59,243	2,061	\$29

d. Lower utility costs associated with customer account collection activities

Minnesota Power believes in the importance of working with customers by following all rules and regulations, including notices and the option of establishing a payment agreement to avoid disconnection of service. In the event that disconnection does occur, the Company works with customers on timely reconnection.

The disconnection rate in program year 2019 was relatively consistent with program year 2018. Minnesota Power discusses below how to provide assistance to all identified low income customers without distinction, which will translate into more affordable bills and would in turn mean less disconnections.

e. Coordinate the program with other available low income payment assistance and other resources

Minnesota Power's Energy Partners program focuses on collaborating with community agencies to provide income-eligible customers with educational resources and energy-efficient products and services to help them use energy more efficiently for the long term. These services are provided primarily through local community agencies, including the AEOA, Bi-County Community Action Program or BI-CAP, Kootasca Community Action, Lakes and Pines Community Action, Mahube-Otwa Community Action, and Tri-County Community Action or TCC.

Minnesota Power Conservation Improvement Program ("CIP") team representatives participated in a wide range of low income-focused events and community events during the 2019 program year, including its annual Energy Awareness Expo, Earth Fest, Harvest Festival, Ruby's Pantry, the Duluth Home Show, the GO Show for seniors, and Fond du Lac's Energy Night promoting energy conservation programs and increasing awareness about the CARE Program. More details about the program and participation are available in the 2018 CIP Consolidated Filing and will be provided in the upcoming 2019 CIP Consolidated Filing to be filed April 1, 2020.¹⁵

B. CARE Modifications Update

Since its inception in 2011, Minnesota Power has continually made improvements to its CARE Program in an effort to better address the practical concerns of its customers and other stakeholders. Figure 1 on page 3 shows a timeline of these improvements.

Minnesota Power proposed modifications in its last filing that were based on a collaborative stakeholder engagement process, consistent with the Commission's January 5, 2018 Order, Order Point 3. The proposed modifications were approved in the Commission's Order dated October 30, 2019 with an effective date of January 1, 2020 and are summarized as follows:

¹⁵ *In the Matter of Minnesota Power's 2018 Conservation Improvement Program Consolidated Filing*, Docket No. E015/CIP-16-117.02 (April 1, 2019).

- Flat \$15 discount component for LIHEAP-approved customers who are senior, disabled, or legacy CARE participants. Those with energy bills under \$15 are ineligible in those months.
- Affordability discount component for LIHEAP-eligible customers, with the goal of keeping a household's electricity bill within three percent of its income on average, and applied as a percentage discount on monthly bills. Those with a calculated energy burden of less than three percent are ineligible for the affordability discount component.
- First-come, first-served affordability discount enrollment, with enrollment limited by available Program funding.
- Change the grace period deadline from May 31st to May 1st for LIHEAP-approval determination.
- Auto enrollment for the flat discount component and an annual application process for the affordability discount component, on a first-come, first-served basis.
- Minnesota Power administrative costs recoverable through the Affordability Surcharge.

These modifications were based on consensus priorities of the stakeholder group as follows:

- Mindful approach to any potential takeaways (unintended consequences) that a program change would have for existing CARE participants;
- Include a flat discount component, particularly for lower usage customers;
- Include a deep discount (referred to herein as "affordability discount") component, particularly for higher usage customers;
- Support, and even preference for, in-house administration by Minnesota Power, especially with the addition of an affordability discount component; and
- Add senior and medical affordability components to the program.

Given the breadth of the enhancements, Minnesota Power asked, and the stakeholder group agreed, to continue with collaborative efforts with respect to reporting and outreach/communication plan recommendations. The stakeholder group also agreed to work together to propose recommendations for future annual reporting on the CARE Program to measure impact and progress as well as identify areas for further enhancement, to be included with the Ninth Annual Report. There was also unanimous receptivity to collaborating on communication plans and expanded outreach opportunities.

Minnesota Power has implemented the program enhancements within its billing system and conducted outreach to legacy CARE participants to inform them of the program changes and provide an application for the affordability discount. Over 4,000 letters and applications were mailed in December, 2019: 1,720 were high use, current CARE customers; and 2,391 were the remainder of CARE legacy customers. To date, nearly 1,600 applications have been returned, for a mailing conversion rate of almost 40 percent. Of the applications received, over 50 percent qualified for the affordability discount. Currently, there are more than 6,300 CARE participants, about fourteen percent of which receive the affordability discount and the remainder of which receive the flat \$15 discount. January and February of 2020 were primarily focused on conversion from the prior program design to the new one, with outreach specifically targeted to legacy CARE participants. With conversion now complete, outreach efforts will shift to recruitment of new CARE participants, with emphasis on the higher usage customers as well as those with the likely lowest incomes.

Minnesota Power is not requesting changes to the Affordability Surcharge as the updated surcharge was just implemented January 1, 2020, coincident with the approved program modifications. Included as Attachment B is Minnesota Power's current tariff sheet for the CARE Rider.

IV. Conclusion

This Eighth Annual Report represents results for the CARE Program prior to the modifications that were recently approved and implemented January 1, 2020. Overall, relatively consistent program results were observed, as compared to the prior program year. Minnesota Power gained valuable insight through the collaborative stakeholder engagement process that began in 2018 and is pleased to continue those efforts in 2020. The Company is confident in the modifications that have been implemented for program year 2020 and looks forward to reporting results in its next annual report. In the meantime, the Company appreciates the opportunity to provide the Commission information regarding the CARE Program and respectfully requests that the Commission accept this Annual Report.

Dated: March 2, 2020

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tina Koecher", with a stylized flourish at the end.

Tina S. Koecher
Manager – Customer Experience Operations
Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 355-3805
tkoecher@mnpower.com

Attachment A

Minnesota Power
Docket No. E015/M-11-409
Customer Affordability of Residential Electricity Tracker

Line No.	2018			2019									Annual Total	
	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19		
1	Affordability Surcharge Cash Collections													
2	Residential	\$ 52,460	\$ 54,252	\$ 54,134	\$ 53,697	\$ 53,016	\$ 52,695	\$ 52,501	\$ 52,500	\$ 52,113	\$ 52,378	\$ 52,399	\$ 52,583	\$ 634,727
3	General Service	\$ 13,646	\$ 13,653	\$ 13,713	\$ 13,812	\$ 13,656	\$ 13,715	\$ 13,863	\$ 13,901	\$ 13,855	\$ 13,906	\$ 13,889	\$ 13,890	\$ 165,498
4	Large Light & Power	\$ 4,755	\$ 4,688	\$ 4,723	\$ 4,763	\$ 4,716	\$ 4,765	\$ 4,736	\$ 4,738	\$ 4,697	\$ 4,734	\$ 4,742	\$ 4,756	\$ 56,813
5	Large Power	\$ 9,046	\$ 9,046	\$ 9,046	\$ 9,046	\$ 9,046	\$ 9,046	\$ 9,046	\$ 9,046	\$ 9,046	\$ 9,046	\$ 9,046	\$ 9,046	\$ 108,550
6	Municipal Pumping 2/	\$ 143	\$ 143	\$ 143	\$ 143	\$ 142	\$ 143							\$ 857
7	Total Affordability Surcharge Cash Collections	\$ 80,050	\$ 81,781	\$ 81,758	\$ 81,461	\$ 80,575	\$ 80,364	\$ 80,146	\$ 80,185	\$ 79,711	\$ 80,064	\$ 80,076	\$ 80,275	\$ 966,446
8	Rate Discount Costs													
9	Monthly Service Charge Discount	\$ 4,831	\$ 4,731	\$ 4,623	\$ 4,559	\$ 4,506	\$ 4,691	\$ 4,689	\$ 4,742	\$ 4,734	\$ 4,502	\$ 4,486	\$ 4,477	\$ 55,572
10	Energy Charge Discount	\$ 63,477	\$ 71,689	\$ 85,042	\$ 93,796	\$ 106,859	\$ 91,458	\$ 78,347	\$ 65,247	\$ 65,247	\$ 59,057	\$ 60,695	\$ 70,847	\$ 911,761
11	Arrear Forgiveness Company Match	\$ 6,901	\$ 6,016	\$ 4,543	\$ 4,715	\$ 3,959	\$ 4,810	\$ 3,758	\$ 4,193	\$ 4,868	\$ 4,825	\$ 5,246	\$ 5,409	\$ 59,243
12	Interim Discount	\$ 3,461	\$ 3,875	\$ 3,074	\$ 3	\$ 0	\$ (0)	\$ (6)	\$ -	\$ 1	\$ -	\$ -	\$ 8	\$ 10,416
13	Total Discount	\$ 78,671	\$ 86,311	\$ 97,283	\$ 103,073	\$ 115,325	\$ 100,958	\$ 86,788	\$ 74,182	\$ 74,850	\$ 68,384	\$ 70,427	\$ 80,741	\$ 1,036,993
14	Program Admin Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Interest Calculation													
16	Monthly Tracker Balance Change	\$ 1,379	\$ (4,529)	\$ (15,525)	\$ (21,612)	\$ (34,750)	\$ (20,595)	\$ (6,642)	\$ 6,003	\$ 4,861	\$ 11,680	\$ 9,649	\$ (466)	
17	Beginning of Month Balance	\$ 798,646	\$ 803,391	\$ 802,128	\$ 789,949	\$ 771,766	\$ 740,013	\$ 722,629	\$ 719,209	\$ 728,555	\$ 736,690	\$ 751,839	\$ 765,022	
18	Subtotal	\$ 800,024	\$ 798,862	\$ 786,603	\$ 768,338	\$ 737,016	\$ 719,419	\$ 715,987	\$ 725,212	\$ 733,416	\$ 748,370	\$ 761,488	\$ 764,556	
19	Monthly Average Balance	\$ 799,335	\$ 801,127	\$ 794,365	\$ 779,144	\$ 754,391	\$ 729,716	\$ 719,308	\$ 722,210	\$ 730,985	\$ 742,530	\$ 756,663	\$ 764,789	
20	Weighted Average Annual Prime Interest Rate 1/	4.96%	4.96%	4.96%	5.18%	5.18%	5.18%	5.45%	5.45%	5.45%	5.50%	5.50%	5.50%	
21	Monthly Interest	\$ 3,367	\$ 3,266	\$ 3,346	\$ 3,428	\$ 2,998	\$ 3,210	\$ 3,222	\$ 3,343	\$ 3,274	\$ 3,469	\$ 3,535	\$ 3,457	\$ 39,915
22	End of Month Balance	\$ 803,391	\$ 802,128	\$ 789,949	\$ 771,766	\$ 740,013	\$ 722,629	\$ 719,209	\$ 728,555	\$ 736,690	\$ 751,839	\$ 765,022	\$ 768,014	

1/ <http://www.ferc.gov/enforcement/acct-matts/interest-rates.asp>

2/ All Municipal Pumping (RS 87) customers were moved to General Service effective 5/1/2019 in accordance with Docket No. E015/GR-16-644.

**RIDER FOR CUSTOMER AFFORDABILITY OF RESIDENTIAL ELECTRICITY
(CARE)**
APPLICATION

Applicable to any Residential Service Customer taking service under Rate Code 20 (General) or Rate Code 22 (Space Heating) who is approved as qualified for the Low Income Home Energy Assistance Program (LIHEAP) by a designated social service agency (Agency) within Company's service territory during the program year (October 1 to September 30). Customers must receive certification annually through authorized Agency to be eligible for this Rider.

DEFINITIONS
SENIOR Customers:

Seniors are those age 62 or older, as determined through the LIHEAP qualification process.

DISABLED Customers:

Disabled are those determined as disabled through the LIHEAP qualification process.

LEGACY CARE Customers:

Customers enrolled in the CARE Program as of September 30, 2019 or prior to the initial offering of the flat and affordability discounts under this Rider, whichever is later.

RATE MODIFICATION

All provisions of the Residential Service Schedule shall apply except as modified below:

FLAT DISCOUNT

Eligible Senior, Disabled, and / or Legacy CARE customers receive a \$15 flat discount in each monthly billing period.

AFFORDABILITY DISCOUNT

Eligible Seniors and / or Disabled, Customers Under 62 Years of Age with no Disability, and Customers with certified medical circumstances:

A customer using more than 3% of their annual household income for electric bill payments may be eligible for the Company's affordability discount. The Company will offer customers with the lowest income, and a history of high electric consumption, an affordability

Filing Date <u> May 1, 2019 </u>	MPUC Docket No. <u> E015/M-11-409 </u>
Effective Date <u> January 1, 2020 </u>	Order Date <u> October 30, 2019 </u>

Approved by: David R. Moeller
David R. Moeller
Senior Attorney & Director of Regulatory Compliance

**RIDER FOR CUSTOMER AFFORDABILITY OF RESIDENTIAL ELECTRICITY
(CARE)**

discount with the goal of keeping a household's annual energy burden within 3% of its income, on average. The affordability discount will be applied as a monthly percentage discount on bill.

LOW-INCOME AFFORDABILITY PROGRAM SURCHARGE

For Customers taking service under: Residential Service (Rate Code 20, 22, and 23) except those residential customers who are qualified for LIHEAP, General Service (Rate Code 25), Large Light & Power (Rate Code 75), Large Power (Rate Code 74), Non-Contract Large Power (Rate Code 78) and Municipal Pumping (Rate Code 87) there shall be added to each service agreement, as designated above, on their monthly bill, a Low-Income Affordability Program Surcharge as specified below:

Residential (Except LIHEAP-qualified)	\$1.03
General Service	\$1.55
Large Light & Power	\$19.35
Large Power	\$62.81
Municipal Pumping	\$1.55

SERVICE CONDITIONS

1. In order to determine customer eligibility for this Rider, the Company will review customer's LIHEAP approval status, Customer billing information, approved LIHEAP benefits, household income, and / or arrears.
2. For Legacy CARE and Affordability Discount Customers, any past due bills for electric service will be spread over a maximum of 24 months and shall be put in a 24-month payment arrangement under the Arrearage Forgiveness program.
3. Customers taking service under this Rider will be encouraged to participate in Minnesota Power's energy conservation programs.
4. Customers must be LIHEAP eligible by May 1 of each program year to continue receiving service under this Rider. The program year starts October 1 and ends September 30 of the following year.
5. Customer must maintain an active account registered under Customer's name with the Company to be eligible for this Rider.

Filing Date May 1, 2019 **MPUC Docket No.** E015/M-11-409
Effective Date January 1, 2020 **Order Date** October 30, 2019

Approved by: David R. Moeller
David R. Moeller
Senior Attorney & Director of Regulatory Compliance

**RIDER FOR CUSTOMER AFFORDABILITY OF RESIDENTIAL ELECTRICITY
(CARE)**

6. Qualified Customers are eligible to receive a discount under this Rider at only one residential location at any one time, and the Rider applies only to a qualified Customer's primary residence. This Rider will not be available when, in the opinion of the Company, the Customer's residency or occupancy is of temporary nature.
7. It is the Customer's responsibility to notify the Company if there is a change of address or eligibility status.
8. Application of this Rider shall be prospective, and the Rider discount shall not be applicable to past due bills.
9. If the participating Customer misses two consecutive payments, the Customer will be removed from this Rider and will become subject to standard collection activities for any past due amounts.
10. Refusal or failure of a Customer or Agency to provide documentation of eligibility acceptable to the Company may result in Customer removal from this Rider.
11. Customer may be re-billed for periods of ineligibility under the applicable standard rate schedule.
12. This Rider shall meet the conditions of Minnesota Statutes, Chapter 216B.16, Subd. 15 on low income affordability programs.

ARREARAGE FORGIVENESS CONDITIONS

1. Current Legacy CARE and Affordability Discount participants with past-due arrears balances that satisfy Service Condition 1 are eligible for Arrearage Forgiveness.
2. Potential Arrearage Forgiveness applies to outstanding arrears at the time of CARE enrollment or as of the effective date of the Arrearage Forgiveness component, whichever is later.
3. The Arrearage Forgiveness shall in no event exceed the outstanding arrears balance.
4. The Company shall total the amount of arrears payments made by all CARE customers each month, and based on available funds in the CARE Rider Tracker, shall determine the percentage matching rate and shall match each Customer's monthly paid arrears amount

Filing Date <u> May 1, 2019 </u>	MPUC Docket No. <u> E015/M-11-409 </u>
Effective Date <u> January 1, 2020 </u>	Order Date <u> October 30, 2019 </u>

Approved by: David R. Moeller
David R. Moeller
Senior Attorney & Director of Regulatory Compliance

**RIDER FOR CUSTOMER AFFORDABILITY OF RESIDENTIAL ELECTRICITY
(CARE)**

by applying the determined percentage to reduce arrears in the same month. The initial matching rate will be 100 percent.

5. In the event a Customer applies, qualifies and receives fuel assistance, the fuel assistance amount may be used to pay the arrears amount. The Company shall not match amounts paid by a third party; however, any amount of arrears paid by the Customer any month shall be matched by the Company by applying the percentage of reduction in place as stated in Arrearage Forgiveness Condition 4 above.

6. If a Customer has new arrears, it means the Customer has missed at least two consecutive payments, therefore, Service Condition 9 applies, and the Customer shall no longer be eligible for the CARE Program or the Arrearage Forgiveness component.

Filing Date <u> May 1, 2019 </u>	MPUC Docket No. <u> E015/M-11-409 </u>
Effective Date <u> January 1, 2020 </u>	Order Date <u> October 30, 2019 </u>

Approved by: David R. Moeller
David R. Moeller
Senior Attorney & Director of Regulatory Compliance

STATE OF MINNESOTA)
) ss
COUNTY OF ST. LOUIS)

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 2nd day of March, 2020, she served Minnesota Power's Annual Report and Modification Request in **Docket No. E015/M-11-409** on the Minnesota Public Utilities Commission and the Energy Resources Division via electronic filing. The persons on E-Docket's Official Service List for this Docket were served as requested.



Tiana Heger