

Staff Briefing Papers

Meeting Date August 27, 2020 Agenda Item * 6

Company Minnesota Power

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


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

Issues Should the Commission accept Minnesota Power's (MP) eight annual report on its Customer Affordability of Residential Electricity (CARE) Program?

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

 Relevant Documents	Date
Commission – Order Accepting sixth Annual Report	December 19, 2018
Commission –Order Accepting Seventh Annual Report	October 19, 2019
Minnesota Power – Eight Annual Report w/attachments	March 2, 2020
Department of Commerce – Comments	March 27, 2020
Minnesota Power – Reply Comments	April 7, 2020

I. Statement of the Issues

Should the Commission accept Minnesota Power’s (MP) eight annual report on its Customer Affordability of Residential Electricity (CARE) Program?

II. Introduction

On March 2, 2020, Minnesota Power submitted its Eight Annual Report on its Rider for Customer Affordability of Residential Electricity Program to the Commission in compliance with Commission Orders in Docket Nos. E015-M-11-409 and E015-GR-09-111. Minnesota Power requests Commission approval of this Eight Annual Report.

MP’s Eight Annual Report represents results of the CARE Program before the program modifications that were developed via a collaborative stakeholder engagement process and approved by the Commission in its Order dated October 30, 2019 for implementation in January 1, 2020. Also, the report includes a very brief update regarding the said program modifications.

Minnesota Power is the only State of Minnesota electric utility that offers its customer a low-income affordability program under statute, Minn. Stat. § 216B.16, Sub.15.

In this filing Minnesota Power is not seeking any changes to its CARE Program

III. Background

On May 5, 2011, Minnesota Power (MP or the Company) filed a request for approval of a Pilot Rider for Customer Affordability of Residential Electricity (CARE) Rider consistent with the Commission’s November 2, 2010 Order.

On September 26, 2011, the Commission issued its Order Authorizing Pilot Program and Setting further Requirements, in this docket. In the Order, the Commission approved MP's CARE Rider with a flat monthly surcharge of \$0.65 per retail electric customer, excluding customers who qualify for the federal Low-Income Home Energy Assistance Program (LIHEAP).

On July 18, 2013, the Commission issued its Order Accepting Report as Supplemented, Adopting Reporting Requirements, and Modifying Renewal Date, also in this docket. In this Order, the Commission accepted MP's first annual report on program year 2012 and adopted the following reporting requirements for future CARE Program reports:

- Customer payment frequency
- Disconnection
- Payment amount
- Customer payment history
- Arrearage level
- Coordination with other available low-income payment assistance programs
- Participant billing impacts
- Participant electric usage

On July 3, 2014, the Commission issued its Order, accepting MP's second annual CARE Rider report. In its decision, the Commission removed the 5,000-participant cap on the program, required MP to propose comparison data on customer arrearages and arrearage forgiveness component, and eliminated the requirement for annual re-enrollment for LIHEAP eligible customers.

On July 13, 2016, the Commission issued its Order Accepting the Fourth Annual Report, and denying MP's request to recover administrative costs related to the CARE Program

On January 5, 2018, the Commission issued its Order Accepting MP's Fifth Annual Report and approved MP's proposal to remove the requirement for CARE customers to participate in a budget plan, and to discontinue asking CARE program participants to complete a Your Home Energy Report. The Commission also required MP in coordination with the Commission's Consumer Affairs Office, to meet with the Energy Cents Coalition and nonprofit organizations within MP's service territory to discuss potential improvements to MP's CARE Program, coordination with the Low-Income Home Energy Assistance Program (LIHEAP), and how best to enhance public outreach.

On December 19, 2018, the Commission issued its Order Accepting MP's Sixth Annual Report and authorized MP to reclassify the pilot CARE rider as a permanent CARE rider, elimination from future annual reports information/calculation based on total annual participants in the CARE program, and MP to maintain administration of the CARE program internally. The Commission also accepted MP's CARE program customer outreach effort as described in its Sixth Annual Report and required MP to submit future annual reports on its CARE program on March 1, each year.

On October 30, 2019, the Commission issued its Order approving several changes to MP's CARE Program, including a flat \$15 per month discount for eligible senior, disabled and/or, existing

legacy CARE customers. Also New customers who use more than three percent (3%) of their annual household income towards electric bills may receive an affordability discount designed to keep annual energy burden with three percent of their household income, on average.

On March 2, 2020, Minnesota Power submitted to the Commission its Eight Annual CARE Program Report.

IV. Low-Income Affordability Programs in Minnesota

a. Electric and Natural Gas low-income affordability

All the investor-owned, Commission rate regulated natural gas utilities currently offer an affordability program for income-qualified customers in Minnesota. The low-income affordability program statute required all gas utilities to file proposals for low-income affordability programs with the Commission by September 1, 2007. Certain performance, evaluation requirements and cost recovery standards for these programs are identified in the low-income affordability program statute, Minn. Stat. § 216B.16, Sub. 15.

Otter Tail Power, to comply with the EITE statute (Minn. Stat. § 216B.1696), was authorized to contribute money to the Roseville Salvation Army in lieu of starting its own affordability program, instead.

Xcel Energy-Electric provides its low-income customer a discounted rate, pursuant to the Low-Income Electric Rate Discount Statute (Minn. Stat. § 216B.16, subd. 14). Xcel is the only electric utility required to provide this discount under this statute. Xcel offers this discount as part of its PowerON program.

b. Minnesota Power

MP is the only Minnesota electric utility that offers a low-income affordability program the statute. The Commission required MP 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:¹

- 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

¹ Minnesota Power Eight Annual CARE Report, pp. 17-18.

V. Parties' Comments

1. MP's Eight Annual CARE Program Performance Report

MP's CARE Program performance report covers the period from October 1, 2018 to September 30, 2019 and includes CARE reporting requirements and a brief update of Commission Order regarding the recommended collaborative stakeholder program modifications for implementation on January 1, 2020.

a. Reporting Requirements

MP CARE Program provides discounted energy rates to residential customers who qualified for the Low-Income Heating Energy Assistance Program (LIHEAP) within its service area. MP Further, the CARE Program has an arrearage forgiveness component to help reduce participating customers' arrearages over time. As depicted in figure 2 below, the average number of CARE program participants was 4,516² out of 5803² total enrollees in 2019 program year versus 4925 active participants out of 6614 enrollees in program year 2018.

MP notes that customers count during program year 2019 who were enrolled in the CARE Program at one point or another with arrears greater than 60 days old was 842. The average monthly arrearage amount per customer for the 842 participants remained at \$16³ in program year 2019, same amount as in program year 2018, even though there were 1032 participants that year. The average total billed amount in program year 2019 is higher at \$637 per year, or \$53 per month, while in program year 2018, it was \$624 per year, or \$52 per month. Further, total bill credits and discounts provided in program year 2019 was \$1,036,993 versus that of program year 2018 of \$1,096,571, and an average monthly discount provided to CARE customers increased minimally (by (\$0.20) in program year 2019 to \$19.20 or \$230⁴ annually compared to program year 2018 amount of \$19 or \$223 .

Fig 1: Average Bills and Arrears for CARE Average Participants, Program Years 2019 and 2018

	October 2018 – September 2019			October 2017 – September 2018		
Description	Average Bill Credit or Discount Amount	Average Total Billed Amount	Average Arrearage Amount	Average Bill Credit or Discount Amount	Average Total Billed Amount	Average Arrearage Amount
Number of Participants/ Bill	4516	5803	842	4925	6614	1032

² Minnesota Power's Eight Annual CARE Report, p. 15

³ Ibid.

⁴ Ibid,

Annual Amount Billed (\$)	\$1,036,993	\$3,698,922	\$154,486	\$1,096,571	\$4,127,602	\$193,584
Average Annual total (\$)	\$230	\$637	\$183	\$207	\$530	\$174
Average Monthly Amount	\$19	\$53	\$16	\$19	\$52	\$16

b. Lowers the percentage of income that participating households devote to energy bills

According to Minnesota Power, its CARE Program does not directly link the customer's bill to their income. However, the EAP 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 to 5.30%⁵ compared to 5.20% in 2018 (see Figure 2 below). MP notes that this information could not be efficiently extracted for CARE Program participants alone, since CARE participants are drawn from the LIHEAP-qualified customers, the percentage of income for LIHEAP-qualified customers represents a proxy for CARE Program participants.

Figure 2: 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%

c. Increase participating customer payments over time by increasing payments frequency

As depicted in figure 3 below, MP shows for program year 2018, CARE participants paid 75 percent of the number of bills issued, LIHEAP non-CARE customers paid 78 percent of their bills. MP noted that the Department in its analysis of program year 2016, 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 CARE Program increased frequency of payments or not."⁶ The Company agrees, the analysis seems to suggest that the CARE Program

⁵ Minnesota Power's Eight CARE Annual Report, p. 19.

⁶ Ibid.

has had some success in improving frequency of payment. However, in figure 3 below, it is observed that CARE participants paid 67 percent of their billed amounts compared to LIHEAP non-CARE who paid 63 percent⁷ (also see Figure 3 in the Participant Payment Frequency and Payment History section of this filing). MP notes that these payment percentage exclude energy assistance funds for electric bills.

Figure 3: Payment Frequency and History

Prog. Year	Designation	Total Bills		Total Payments				Bills Paid as % of Bills Issued
		Count	Amt.	Count	Amt.	Energy Assist.	% of Billed Amt. Paid	
10/2018 to 09/2019	CARE Participants	55,541	3,698,922	41,930	3,163,901	701,332	67%	75%
	LIHEAP non-CARE	48,085	4,658,432	37,713	4,684,353	1,741,551	63%	78%
	LIHEAP	103,926	8,357,354	79,643	7,848,255*	2,442,833	65%	77%

*Payment amounts in figure 3 include Energy Assistance and Percent of Bills Paid exclude Energy Assistance

d. Decrease or eliminate participating customer arrears

MP implemented its Arrearage Forgiveness Component in January 2016. In this filing for CARE program year 2018, MP shows the average monthly amount of arrears the Company matched, the monthly number of participants whose arrears were forgiven, and the average dollar match per month per participant. For program year 2018, MP matched \$59,243 for 2,061 participants with average per month match of \$29 for each participant. MP believes that the total payment dollars matched helped reduce the duration of the customers' arrears payments in addition to assisting customers in reducing arrears amounts.

e. Lower utility costs associated with customer account collection activities

Minnesota power notes that it is of paramount importance to engage and work with customers by following all rules and regulations, including notices and offering them the option of establishing a payment agreement to avoid disconnection of service. However, should disconnection occur, MP works assiduously with affected customers on timely reconnection of electricity service. MP states that disconnection rate in program year 2019 was 2% which was comparable to program year 2018. Also, LIHEAP non-CARE customers were disconnected at 11% rate in 2019 program year, which was lower than the 14%⁸ rate of disconnection in

⁷ Minnesota Power's Eight Annual CARE Report, p. 13

⁸ Ibid.

program year 2018. In item (f) below, MP discusses how more assistance can be provided to all identified low income customers without distinction, which will translate into more affordable bills and would in turn mean less disconnections.

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

Minnesota Power states that its Energy Partners program focuses on collaborating with Community agencies to provide income eligible customers with educational resources and energy-efficient product and services to help consume energy more efficiently.⁹ The company also notes these services are provided primarily through local community agencies, including the Arrowhead Economic Opportunity Agency, Bi-County Community Action Program (“BI-CAP”), Kootasca Community Action, Lakes and Pines Community Action, Mahube-Otwa Community Action, and Tri-County Community Action (“TCC”).

2. Collaborative stakeholder program modifications Update

MP opines that it has been making improvements to the CARE Program since its inception in 2011. This is further evidenced by its proposed modifications in the 2018 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. The said modifications are listed below:¹⁰

- 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.

⁹ Minnesota Power’s Eight Annual CARE Report, p. 21.

¹⁰ Id., at p. 22.

- Minnesota Power administrative costs recoverable through the Affordability Surcharge.

Minnesota Power states that it 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.¹¹ 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.

MP notes that 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. According to MP, the months of 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.¹² Additionally, MP states that with the 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.

VI. Department Analysis

A. Should the Commission accept Minnesota Power's Eight Annual Report on its Rider for Customer Affordability of Residential Electricity program?

On March 2, 2020, Minnesota Power filed its Eight Annual CARE Program Report for program year 2019. The CARE program provides discounted energy rates to MP's residential customers, who are qualified for the Low-Income Heating Energy Assistance Program (LIHEAP). The report reflect compliance with reporting requirements set forth by Commission Order and update to modifications to the program approved by the Commission in the 2018 filing, as discussed in section V, items 1 and 2 of this briefing paper.

The Department in its review equally notes that MP's Report indicates that a total of 111 CARE customers were disconnected, a mere 2% out of a total 5803 CARE participants in program year 2019, which remains unchanged from 2018 program year. However, LIHEAP none-CARE customers were disconnected at the rate of 11% in program year 2019.¹³ Also the Department notes that MP's CARE participant average monthly electric usage 574 kWh in 2019 compared to average monthly electric usage 538 kWh in 2018, just a slight increase. This still was lower than LIHEAP customer average monthly electric usage of 641 kWh.¹⁴

¹¹ Minnesota Power's Eight Annual CARE Report, p. 23

¹² Ibid.

¹³ The Department's Comments, p.2.

¹⁴ Ibid.

The Department notes that MP's CARE program participants received average discount of \$19 per month including arrearage forgiveness in program year 2019, and in fact, MP matched a total of \$59,243 in arrearage payments in 2019 program year.

Further, the Department reviewed MP's tracker balance and affordability surcharge. The Department agrees with MP's 2019 tracker balance of \$768,014¹⁵ and affordability surcharge as shown below.

2018-2019 CARE PROGRAM TRACKER BALANCE¹⁶

Description	Amount (\$)
Beginning of Month Balance – October 2018	\$798,646
Affordability Surcharge Cash Collections	\$966,446
Subtotal	\$1,765,092
Less Total Discount (total discount and arrearage forgiveness)	\$1,036,993
Add Interest Earned	\$39,915
End of Month Balance (September 2019)	\$768,014

The Department notes that Lighting class customers and/or, LIHEAP qualified customers are not subject to MP's Affordability Surcharge for funding the CARE Program and in fact MP indicates it would maintain the current surcharges¹⁷ as is below.

- Residential \$ 1.03,
- General Service \$ 1.55
- Large Light & Power \$19.35
- Large Power \$62.81 and
- Municipal Pumping \$ 1.55

The Department states that MP in this filing did not propose any change to the to the CARE Program's operation or the Affordability Surcharge. Further, the Department holds that by virtue of its review and analysis of the Eight Annual CARE Program Report, that MP complies with the reporting requirements.

¹⁵ The Department's Comments, p. 2

¹⁶ Minnesota Power's Eight Annual CARE Report, Attachment A.

¹⁷ The Department's Comments, p. 3

VII. Staff Analysis

Staff appreciates the Department's review and analysis. Staff equally reviewed and analyzed MP's Eight Annual Care Report and observed there exists no issue/s of dispute between the Minnesota Power and the Department, who is the only commenter on this case. The Department by virtue of its review and analysis, recommends the Commission accept MP's Eight Annual CARE Report.¹⁸ Staff agrees with the Department's recommendation.

VIII. Decision Alternatives

Should the Commission accept Minnesota Power's Eight Annual Report on its Rider for Customer Affordability of Residential Electricity program?

1. Accept Minnesota Power's Eight Annual Report on its Rider for Customer Affordability of Residential Electricity program. (MP, DOC) or
2. Do not accept Minnesota Power's Eight Annual Report on its Rider for Customer Affordability of Residential Electricity program.

¹⁸ The Department's Comments, p. 3.