

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair  
Commissioner  
Commissioner  
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In the Matter of Minnesota Power’s Fifth  
Annual Report for its Pilot Rider for  
Customer Affordability of Residential  
Electricity (CARE) Program

ISSUE DATE: January 5, 2018

DOCKET NO. E-015/M-11-409

ORDER ACCEPTING FIFTH ANNUAL  
REPORT AND PROGRAM CHANGES,  
AND REQUIRING MEETINGS

**PROCEDURAL HISTORY**

On November 2, 2010, the Commission issued an order directing Minnesota Power to propose a program to address the needs of low-income, high-usage residential customers, and to provide annual compliance reports.<sup>1</sup>

On May 5, 2011, Minnesota Power proposed a pilot program—its Customer Affordability of Residential Electricity (CARE) Program—that it had developed in cooperation with various not-for-profit agencies, including the following:

- The Arrowhead Economic Opportunity Agency (AEOA), a community action program organized to strengthen communities by providing opportunities for people experiencing social and economic challenges in the northeast Minnesota counties of St. Louis, Lake, and Cook, and neighboring counties; and
- The Energy CENTS Coalition, an organization promoting affordable utility service for low and fixed income people.

On November 1, 2011, the program took effect, administered by AEOA.

On May 26, 2017, Minnesota Power filed its fifth annual compliance report for its CARE Program.

On October 12, 2017, the Minnesota Department of Commerce (Department) filed comments.

On October 23, 2017, Minnesota Power filed reply comments.

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<sup>1</sup> *In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. E-015/GR-09-1151, Findings of Fact, Conclusions, and Order (November 2, 2010), ordering paragraph 25.

On November 21, 2017, the matter came before the Commission. At that time the Commission heard from Minnesota Power and the Energy CENTS Coalition.

## **FINDINGS AND CONCLUSIONS**

### **I. Summary**

The Commission will accept Minnesota Power’s CARE Program report and approve changes to the program—including the AEOA’s choice to discontinue its role as the program’s administrator. The Commission also will direct the utility to work with not-for-profit organizations, including the Energy CENTS Coalition, to discuss potential improvements to the program, such as improvements in soliciting participation.

### **II. The Customer Affordability of Residential Electricity (CARE) Program**

Minnesota Power’s CARE Program provides a discount on the cost of utility service for heating the primary residence of a program participant if the participant qualifies for the Low-Income Home Energy Assistance Program (LIHEAP) or other heating assistance programs. A participant may be removed from the program if he or she fails to make two consecutive payments, or fails to document continued eligibility for LIHEAP by May 31 of each year.

The program has evolved since it was initially authorized in 2011. For example, initially participants had to re-enroll annually to remain in the program, but in 2014 the Commission authorized Minnesota Power to automatically re-enroll participants who could demonstrate that they were still eligible for LIHEAP.<sup>2</sup>

Also, the initial plan required all participants to enter into a payment plan. But in 2012 the Commission authorized participants who had no overdue utility bills to forgo entering into a payment plan; participants with an overdue balance would still have to enter into a plan to pay off the balance within two years.<sup>3</sup> And in 2016 Minnesota Power began forgiving a portion of each participant’s overdue balance, with the amount of the forgiveness in any given month potentially matching the amount of the participant’s monthly payment on the overdue balance.<sup>4</sup>

Finally, the initial plan required applicants to complete a “Your Home Energy Report,” which was intended inform both the utility and the participant about the participant’s energy usage and about opportunities to conserve. But in 2012 the Commission concurred with Minnesota Power that the duty to complete this report posed an excessive barrier for people to join the program, and changed the program to simply encourage participants to complete the report within a year of applying.<sup>5</sup>

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<sup>2</sup> Order Accepting the Second Annual Report (July 3, 2014).

<sup>3</sup> Order Approving Changes to the Customer Affordability Program and Setting Further Requirements, at 6 (December 3, 2012) (hereinafter “2012 Order”).

<sup>4</sup> See Fourth Annual Report, at Section V.B. (April 20, 2016).

<sup>5</sup> See 2012 Order, at 6.

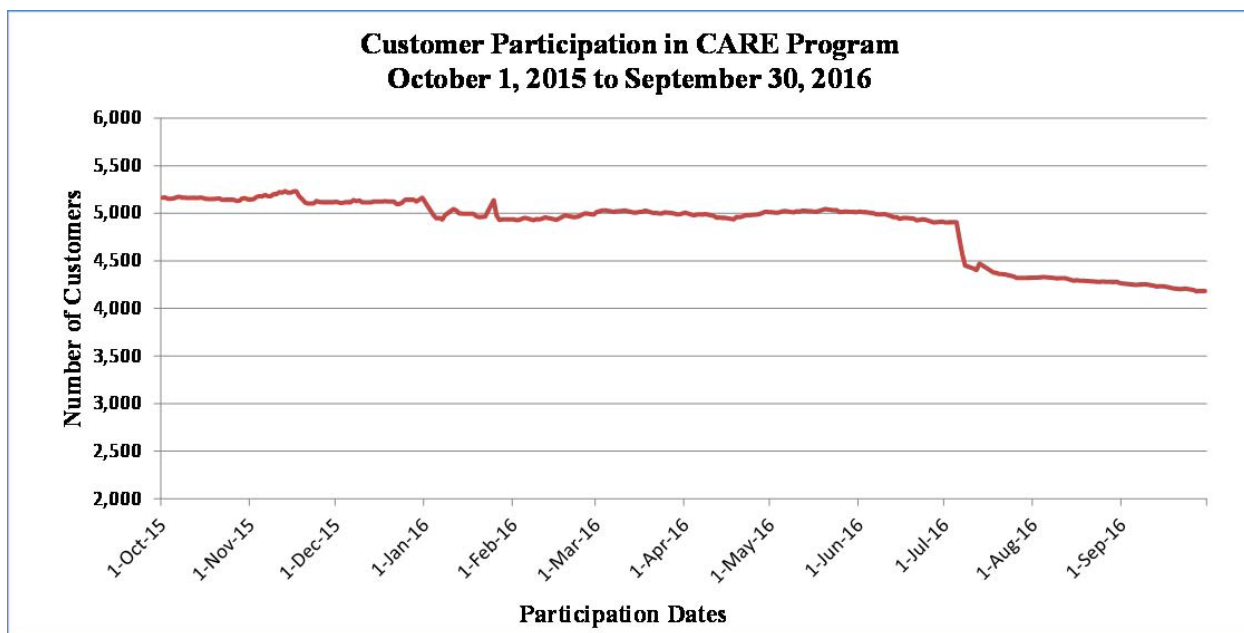
### III. The Care Program Report

Minnesota Power’s report covers the period from October 1, 2015, to September 30, 2016.

#### A. Program Participation

The report notes that participation in the program dropped throughout the program year. While 6,942 households participated in the program throughout the year—a new record—by year’s end there were only 4,402 active participants remaining, as shown on Chart 1. This results in a retention rate of only 63%; retention rates in prior years had not fallen below 75%.

Chart 1: CARE Program Participation<sup>6</sup>



Minnesota Power cited three causes contributing to the declining number of participants:

- Customers who miss two consecutive payments are automatically removed from the program according to the tariff.
- Some customers asked to be switched to receiving protection from disconnection under the Cold Weather Rule statute, Minn. Stat. § 216B.096.
- Many customers failed to renew their qualification for LIHEAP, as illustrated by the drop in participation levels around July 1, 2016.

Minnesota Power also noted that it had changed its outreach efforts. Because participants no longer have to re-apply to remain in the CARE Program, the program’s administrators did not conduct the customary type of marketing and focused mailings to encourage existing participants to re-enroll. Rather, they focused on getting existing participants to renew their LIHEAP

<sup>6</sup> Fifth Annual Report (May 26, 2017), at 12.

applications, on encouraging existing participants to continue in the program, and on calling customers who had recently qualified for LIHEAP to enroll in the program.

## **B. Program Review and Administrative Changes**

In late 2016 Minnesota Power launched a study of how to administer the CARE Program more efficiently. Among other topics, the utility noted that it resisted providing AEOA with access to the utility's customer database due to concerns for customer privacy and utility security. In other words, because the CARE Program was administered by an outside agency, the administrator would inevitably have to duplicate a certain amount of the utility's work.

During the course of this review, AEOA elected to discontinue administering the CARE Program (although, as a LIHEAP vendor, AEOA is continuing to verify the qualifications of customers for LIHEAP).

As of March 2017, Minnesota Power has assumed responsibility for program administration. The utility has also organized an internal, cross-functional Low-Income Task Force to re-evaluate its existing and future low-income program services, to identify additional low-income customers, and to reach out to those customers.

## **C. Programmatic Changes**

Minnesota Power proposes some changes in the program.

First, Minnesota Power proposes to eliminate the requirement that program participants also adopt a schedule for repaying overdue balances within two years. The utility argues that this requirement has created an impediment for some people who would otherwise have enrolled in the CARE Program. Instead, Minnesota Power proposes that participants in the CARE Program enter into a new arrearage-forgiveness schedule whereby, if the participant can maintain a schedule that would pay off half of the customer's outstanding debt to the utility, the utility would forgive the rest. Minnesota Power proposes to substitute this new policy for the old one.

Second, Minnesota Power's prior practice was to encourage CARE participants to complete a Your Home Energy Report within a year of application. But now the utility has changed its conservation improvement programs to provide professional energy audits of participants' homes. While Minnesota Power will still encourage participants to join in conservation programs, the utility proposes to discontinue asking participants to complete a Your Home Energy Report.

## **IV. Positions of the Parties**

Having reviewed Minnesota Power's filing, the Department concludes that the utility has complied with the reporting requirements established in prior orders, and that the CARE Program generally meets the statutory definition of a "low income affordability program."<sup>7</sup>

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<sup>7</sup> Minn. Stat. § 216B.16, subd. 15.

The Department recommends that the Commission approve Minnesota Power's proposal to eliminate the requirement that program participants enter into a budget plan, and discontinue any further reference to the Your Home Energy Report.

Likewise, the Energy CENTS Coalition has no objection to Minnesota Power's proposed changes to its CARE Program. Indeed, the Energy CENTS Coalition generally supports reducing barriers to customers entering into energy assistance programs.

But the Energy CENTS Coalition raised additional concerns. The Coalition notes that not every qualified customer can receive LIHEAP assistance due to that program's limited budget, and while the CARE Program is nominally available to low-income customers who are not also on LIHEAP, the CARE Program reports that it has managed to enroll only three such customers. In short, the Energy CENTS Coalition argues that Minnesota Power needs a better strategy for reaching out to customers in need.

## **V. Commission Action**

The Commission finds that Minnesota Power's fifth annual CARE Program report fulfills the requirements it has established by order. Consequently the Commission will accept the report.

The Commission finds that Minnesota Power's proposed program changes reflect an effort to make its program more accessible to low-income customers, and more effective. If asking low-income customers to complete the Your Home Energy Report was proving to be an ineffective means to educate customers about their opportunities for energy conservation, then a system for providing home energy audits appears to be a reasonable substitute. While the Commission expects that Minnesota Power will continue to encourage all its customers to participate in the utility's conservation programs, the Commission is persuaded that the Your Home Energy Report is not the sole way to achieve this goal.

Similarly, the Commission finds that Minnesota Power's plan for arrearage forgiveness appears to be well designed to help reduce outstanding balances and needless service disconnections. Arrearage forgiveness provides incentives for participants to continue paying down overdue debts; this is a reasonable substitute for a payment plan that basically provided a punishment—expulsion from the program—for customers who fail to make the desired payments. For these reasons, the Commission will approve these changes to the CARE Program.

But as a final note, the Commission shares the concerns raised by the Energy CENTS Coalition about Minnesota Power's challenges in identifying low-income residential customers and motivating them to enroll in assistance programs. As the Commission recently discussed, Minnesota Power has roughly 36,000 customers with low incomes, but only about 10,000 to 11,000 of these customers receive LIHEAP assistance. The utility estimated that 50–60% of its customers who receive Cold Weather Rule protection have qualified for LIHEAP, and the rest might qualify but have not demonstrated eligibility through income verification.<sup>8</sup>

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<sup>8</sup> See *In the Matter of Minnesota Power's Revised Petition for a Competitive Rate for Energy-Intensive Trade-Exposed (EITE) Customers and an EITE Cost Recovery Rider*, Docket No. E-015/M-16-564, Order Excluding Rider Revenue from 2016 Baseline Calculation and Setting Parameters to Identify Exempt Customers, at 5-6 (October 13, 2017).

Given these impediments, the Commission expects the utility to focus additional attention on its public outreach efforts. To this end the Commission will direct Minnesota Power, in coordination with the Commission's Consumer Affairs Office, to meet with the 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 its outreach to the public.

### **ORDER**

1. Minnesota Power's fifth annual Customer Affordability of Residential Electricity (CARE) Program Report is accepted.
2. The Commission approves Minnesota Power's proposals to remove the requirement for customers in the CARE Program participate in a budget plan, and to discontinue reliance on the Your Home Energy Report.
3. Minnesota Power shall, in coordination with the Commission's Consumer Affairs Office, meet with the Energy CENTS Coalition and nonprofit organizations within Minnesota Power's service territory to discuss potential improvements to Minnesota Power's CARE Program, coordination with the Low-Income Home Energy Assistance Program (LIHEAP), and how best to enhance public outreach.
4. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf  
Executive Secretary



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