

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Dan Lipschultz	Commissioner
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
John A. Tuma	Commissioner

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

ISSUE DATE: October 30, 2019

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

ORDER ACCEPTING REPORT AND
APPROVING PROGRAM CHANGES

PROCEDURAL HISTORY

On May 1, 2019, Minnesota Power (the Company) filed its seventh annual report on its customer affordability of residential electricity (CARE) program. The report includes a request for approval of the Company’s proposed rider.

On July 1, 2019, the Commission received comments on the petition from the Department of Commerce, Division of Energy Resources (the Department) and from Energy Cents Coalition (ECC)

On July 8, 2019, Fresh Energy and the Citizens Utility Board (CUB) filed joint comments on the petition.

On July 22, 2019, Minnesota Power filed reply comments.

On September 19, 2019, the petition came in front of the Commission.

FINDINGS AND CONCLUSIONS

I. Minnesota Power’s Report and Proposed Program Changes

Minnesota Power filed its report under Minn. Stat. § 216B.16, subd. 15, consistent with the Commission’s directive in the Company’s 2009 general rate case.¹

¹ *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). The Commission directed Minnesota Power to “develop and proposed a program to address the needs of low-income, high-usage residential customers.”

The Company's CARE program provides a discount on the cost of utility service to customers who qualify for the Low-Income Home Energy Assistance Program (LIHEAP) or other heating assistance programs. The program is targeted to those customers with higher energy usage and includes an arrearage forgiveness component. Customers may be removed from the program for missing two consecutive payments, for signing up for Cold Weather Rule protection, for no longer being LIHEAP-eligible, or for moving out of the Company's service territory.

The Company's report covers the program year of October 2017 to September 2018 and shows that the average customer discount was \$19 per month (calculated as a percentage of the bill based on energy usage in kilowatt hours). Disconnection rates in 2018 (2%) were lower than in 2017 (3%), while participation levels in the program were lower in September 2018 than in October 2017. The report also reflects the Company's work with local, regional, and state-wide stakeholders to address other issues.

Minnesota Power proposed several changes to the program, including a flat monthly discount of \$15 to be applied to current CARE program participants, as well as to LIHEAP-eligible seniors and disabled persons, who would be automatically enrolled in the CARE program.

Minnesota Power also proposed that LIHEAP-eligible customers with an energy burden greater than 3% of their income be eligible to apply for an affordability discount, which would be calculated using customers' income and past year's energy bills. The goal would be to limit their electric energy bills to 3% of their income. Customers in this group would be required to annually reapply for the discount and would be eligible based on a first-come, first-served basis, depending on the availability of program funding.

Under the current program, applicants must apply to the CARE program and establish their eligibility, or continuing eligibility, by May 31 each year. In its petition, Minnesota Power has requested to move up that annual deadline from May 31 to May 1.

To implement the proposed program changes, the Company requested a budget of \$1.75 million, stating that it is necessary to increase the monthly surcharge it applies to customer bills to recover program costs, including administrative costs that do not exceed 5% of total program costs. The current surcharge, which is less than \$1 per residential customer, is calculated using the customer charge ratio cost methodology previously used by the Company, considering anticipated participation levels. Consistent with that methodology, the Company proposed increasing surcharge levels, as shown below. The Company stated that the proposed residential surcharge is consistent with the stakeholder group's objective to maintain a residential surcharge at or near \$1.00

Proposed Surcharge Amount	
Customer Class	Monthly Surcharge
Residential	\$1.03
General Service	\$1.55
Large Light & Power	\$19.35
Large Power	\$62.81
Municipal Pumping	\$1.55

II. Comments of the Parties

The Department analyzed the Company's annual report and proposed program changes and recommended that the Commission accept the report and approve the changes. The Department further recommended that the Commission direct Minnesota Power to give CARE program participants information on energy conservation programs, and recommended that the Company track any customer complaints it receives on the surcharge increase and report on those complaints in its next annual CARE report.

The Energy Cents Coalition supported the proposed program changes and recommended that the Commission accept the Company's report and approve the changes.

Although Fresh Energy and the Citizens Utility Board (CUB) generally supported the program, they voiced apprehension about the proposed surcharge increase, particularly the impact of the increase on the residential class. They instead proposed that the Commission authorize an increase in the monthly surcharge based on a method that would increase each customer class's surcharge by 80% to account for the proposed budget increase. The result would be a monthly surcharge for residential customers of approximately \$0.92, instead of \$1.03 as calculated by the Company.

Minnesota Power concurred with the Department's analysis and recommendations, as well as with the Energy Cents Coalition's recommendations, but did not support the alternative surcharge recommended by Fresh Energy and CUB, stating that a residential surcharge of \$1.03 is consistent with the objective of the stakeholder group to maintain a residential surcharge at or near \$1.00

III. Commission Action

The Commission will accept Minnesota Power's report and approve the proposed program changes, concurring with the Department and the Energy Cents Coalition that the Company's proposed changes are reasonable.

The proposed increase to the surcharge is an equitable approach that reasonably balances the goal of keeping costs low, while providing program benefits to customers in need of those benefits. The Company worked with stakeholders to identify and develop program changes to effectively address issues raised, and the Commission is persuaded that the proposed changes are reasonably targeted to make the identified improvements. Furthermore, the Commission will have the opportunity to revisit the surcharge in either a future general rate case or in the Company's next annual CARE rider filing.

The Commission will therefore accept the report, and the proposed changes, as set forth in the ordering paragraphs below. Finally, the Commission will require Minnesota Power to file, within 10 days, a compliance filing and to set a new program implementation date of January 1, 2020.

ORDER

1. The Commission hereby accepts Minnesota Power's annual CARE program rider report.
2. The Commission hereby approves the affordability discount of \$15 per month for LIHEAP-eligible customers who are seniors, disabled, and legacy CARE participants.
3. The Commission hereby authorizes implementation of the proposed discount on household electric bills for LIHEAP-eligible customers within three percent of household income, to be applied as a percentage discount on monthly bills.
4. The Commission hereby authorizes Minnesota Power to use auto enrollment for the flat \$15 per month discount component of the program and an annual application process for the affordability discount component, on a first-come, first-served basis.
5. Minnesota Power is authorized to limit enrollment in the first-come, first-served affordability discount program according to the availability of program funding.
6. Minnesota Power is hereby authorized to change the grace period deadline for determining LIHEAP eligibility from May 31 to May 1.
7. Minnesota Power is authorized to continue to administer the CARE program internally and to recover administrative costs.
8. The Commission hereby accepts Minnesota Power's proposal to increase its surcharge using its customer charge ratio cost allocation methodology.
9. Within 10 days, Minnesota Power must file a compliance filing and set a new program implementation date of January 1, 2020.
10. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf
Executive Secretary



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