

AN ALLETE COMPANY

Marcia A. Podratz Director, Rates 218-355-3570 mpodratz@mnpower.com

May 5, 2014

VIA ELECTRONIC FILING

Dr. Burl W. Haar MN 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 Pilot Rider for Customer Affordability of Residential Electricity Docket No. E015/M-11-409

Dear Dr. Haar:

Minnesota Power hereby electronically submits its Reply Comments in the abovereferenced Docket. An Affidavit of Service is included.

Please contact me at the number above should you have any questions regarding this matter.

Yours truly,

Marcia A. Podrata

Marcia A. Podratz

kl Attachments c: Service List

STATE OF MINNESOTA BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of Minnesota Power's Petition for Approval of a Pilot Rider for Customer Affordability of Residential Electricity Docket No. E-015/M-11-409 MINNESOTA POWER REPLY COMMENTS AND ADDITIONAL PROPOSED CHANGE

I. INTRODUCTION

On March 13, 2014, Minnesota Power (the Company) submitted its Second Annual Report on its Pilot Rider for Customer Affordability of Residential Electricity (CARE) to the Minnesota Public Utilities Commission (Commission) in compliance with the Commission's September 26, 2011 Order Authorizing Pilot Program and Setting Further Requirements and the Commission's July 18, 2013 Order Accepting Report as Supplemented, Adopting Reporting Requirements, and Modifying Renewal Date.

On April 18, 2014, the Minnesota Department of Commerce Division of Energy Resources (Department) submitted its Comments regarding the CARE Program Second Annual Report.

Minnesota Power files these Reply Comments in response to the Department's Comments and also proposes a change in the total number of CARE Program participants. Minnesota Power appreciates the Department's review of its CARE Program Second Annual Report and presents below a response to the Department's recommendations. Minnesota Power further requests that the Commission grant authorization to the Company to exceed the current limit of 5,000 participants in the CARE Program for the remainder of the current program year – October 1, 2013 through September 30, 2014 (program year 2014) – and going forward.

II. DEPARTMENT'S RECOMMENDATIONS

Minnesota Power does not oppose any of the Department's recommendations and provides additional clarification on several items.

The Department recommended that Minnesota Power provide additional comparison data on customer arrearages and provide detail on an arrearage forgiveness component to its CARE Program in its next annual report.

Minnesota Power agrees with the recommendation to provide additional comparison data on customers' arrears and will do so for the period January through September 2014. As described further in the Second Annual Report, Minnesota Power will not be able to provide this information for the period of October through December 2013.¹

Minnesota Power's next annual CARE report will be filed after the end of program year 2014, in late 2014 or early 2015. The anticipated implementation date of the Company's new Customer Information System (CIS) is the first quarter of 2015.² Minnesota Power plans to include a detailed description of the proposed arrearage forgiveness component in the next annual report. Based on the status of the transition to the new CIS at that time, the Company will then be in a position to provide a date when the arrearage forgiveness component could be implemented.

The Department also recommended denial of Minnesota Power's request to recover its administrative costs through its CARE tracker account at this time because "the Department is unable to conclude that the CARE Program has reduced customer arrearages in the current program year."³ Decreasing or eliminating participating customer arrears was the only one out of five low-income affordability program objectives not met by the CARE Program. Minnesota Power will continue to track its CARE Program administrative costs separate from the CARE tracker account and will consider requesting recovery again in the future, following further demonstration that the CARE Program meets low-income affordability program objectives.

¹ Minnesota Power Second Annual Report dated March 13, 2014, Section III.D, pages 14-15

² Minnesota Power Second Annual Report dated March 13, 2014, Section IV.A, page 23

³ Department Comments dated April 18, 2014, Section III.B.3, page 6.

III. CARE PROGRAM NUMBER OF PARTICIPANTS

When Minnesota Power filed its CARE Program Second Annual Report on March 13, 2014, the Company was working diligently to increase the number of participants. Approximately 800 customers who were Low Income Home Energy Assistance Program (LIHEAP) eligible did not re-apply for CARE prior to the December 31, 2013 renewal date,⁴ and there were approximately 3,200 participants in the CARE Program when the Second Annual Report was filed in March. Thus, the Company did not expect to exceed the 5,000-participant cap before the end of program year 2014. However, the push to increase customers re-enrollment since then has been more successful than expected. Today, the Company has over 4,800 participants in the CARE Program approved applications could reach and exceed the current authorized maximum participation of 5,000. In addition, the total CARE tracker balance now exceeds \$900,000, with most of the balance accumulated during the first year of the program (\$613,541 as of September 30, 2012).⁵ Therefore, there is money available in the tracker to fund discounts for additional participants.

Due to the recent increase in CARE Program participation and the existing tracker balance, the Company now requests that the Commission authorize it to enroll additional participants over the capped level of 5,000 for the remainder of the current program year and going forward. Attachment A and Attachment B, respectively, are redlined and clean versions of the Pilot Rider for CARE that show the language modifications to reflect the change proposed in these Reply Comments.⁶ The revised tariff sheets also include the language regarding the elimination of the re-enrollment requirement as described in the CARE Program Second Annual Report.⁷ By authorizing an increase to the number of participants, the Commission would enable Minnesota Power to:

⁴ Minnesota Power Second Annual Report dated March 13, 2014, Section IV.B.2, page 25

⁵ Minnesota Power Second Annual Report dated March 13, 2014, Section II.C.1, page 4, and Attachment B.

⁶ See page 1 of Attachments A and B.

⁷ Minnesota Power Second Annual Report dated March 13, 2014, Section IV.B.2, page 25. See page 2 of Attachments A and B.

- 1. Serve, satisfy and provide assistance to more customers who are beginning to understand and appreciate the CARE Program,
- 2. Diminish the current tracker balance, and
- 3. Reduce administrative costs and potential customer confusion by accepting customers as they apply rather than maintaining and administering a waiting list.

Given the existing tracker balance and assuming growth in customer participation follows a trend similar to the past two years, Minnesota Power believes it is unlikely that the tracker balance would be depleted prior to the filing of the next annual report. The average monthly CARE discount amount per customer is \$18.⁸ The monthly average total rate discount provided to customers in program year 2013 was approximately \$60,000,⁹ and the Company collected approximately \$80,000¹⁰ per month from the Affordability Surcharge. The tracker balance at the end of program year 2013 was \$876,117,¹¹ and currently the tracker has a balance of over \$900,000 (see Attachment C). The Company projects that the current tracker balance would enable discounts to an average of 7,500 customers per month from July 2014 to September 2015 without being totally depleted. Currently, Minnesota Power is paying approximately 97% of the amount collected through the Affordability Surcharge in discounts to customers. So far, in the program year 2014 (through March 31, 2014), the Company has collected \$464,165 in Affordability Surcharge revenue and has paid out \$478,687 in rate discounts.

The Company recognizes that it is unusual for it to request a change to the CARE Program in Reply Comments rather than in the Second Annual Report itself. However, when the Company filed its CARE Program Second Annual Report, it did not anticipate a surge in program applications. Rather than carrying a tracker balance from year to year and adding the administrative complexity of maintaining a waiting list, Minnesota Power believes that the tracker balance amount could best be reduced by increasing the number of CARE Program participants. In addition, the Company believes that making the request now, rather than in a separate miscellaneous filing, is most efficient for the Commission and other reviewers.

⁸ Minnesota Power Second Annual Report dated March 13, 2014, Section II.C.1, page 4, Table 1, line 7

⁹ Id. Line 4, \$719,437 divided by 12 equals \$59,953.

¹⁰ Id. Line 3, \$955,817 divided by 12 equals \$79,651.

¹¹ Id. Line 6

Minnesota Power briefly discussed its proposed change in the total number of CARE Program participants with the Department (the only party which filed Initial Comments) prior to submitting these Reply Comments, and the Department was not concerned about making such a change at this time. The Company invites the Department and any other interested parties to submit comments on its proposal.

IV. CONCLUSION

Minnesota Power appreciates the opportunity to discuss the CARE Program status further, agrees with the Department's recommendations, and requests that the Commission remove the cap of 5,000 participants in the CARE Program.

Dated: May 5, 2014

Respectfully submitted,

Marcia A. Podratz

Marcia A. Podratz Director – Rates Minnesota Power 30 West Superior Street Duluth, MN 55802 (218) 355-3570 mpodratz@mnpower.com

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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) or other heating assistance program 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.

The total availability of service under this Rider is limited to 5,000 customers at a time and will be made available on a first-come first-served basis. Preference will be given to Customers who receive assistance from LIHEAP.

AFFORDABILITY 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), Erie Mine Site (Rate Code 72), 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, an Affordability Surcharge as specified below:

Residential (Except LIHEAP-qualified)	\$0.51
General Service	\$0.67
Large Light & Power	\$10.81
Large Power	\$1,130.72
Municipal Pumping	\$0.67

RATE MODIFICATION

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

Customer Charge	\$7.00
Energy Charge	
0 kWh to 300 kWh	3.282¢/kWh
301 kWh to 500 kWh	4.382¢/kWh
501 kWh to 750 kWh	5.482¢/kWh
751 kWh to 1,000 kWh	5.582¢/kWh
Over 1,000 kWh	5.982¢/kWh

Filing Date	August 8, 2012May 5, 2014	MPUC Docket No. E015/M-11/409
Effective Date _	January 1, 2013	Order Date <u>December 3, 2012</u>

Approved by: <u>Marcia A. Podratz</u> Marcia A. Podratz

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SERVICE CONDITIONS

- In order to be eligible for this Rider, Customer must agree to be placed on a budget payment plan if the customer has an overdue unpaid balance. The Company will review current Customer billing information, approved LIHEAP benefits, and arrears, to establish a budget payment amount. Any past due bills for electric service will be spread over a maximum of 24 months, and Customer shall pay the agreed budgeted amount each month.
- 2. Customers taking service under this Rider will be encouraged to complete, within 12 months following enrollment, the Company's "Your Home Energy Report" and submit it through the Company's website, by phone, or on paper.
- 3. An annual application and eligibility declaration is required for each request for service under this Rider. Without declaration of continued eligibility, the Customer shall be placed back on the standard Residential Service rate. Each year, the Customer will be given until November 15 to renew the application for continued eligibilityCustomers must be LIHEAP approved by December 31 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.
- 4. Customer must maintain an active account registered under Customer's name with the Company to be eligible for this Rider.
- 5. Qualified Customers are eligible to receive a rate 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. Customer taking service under this Rider may not also take service under the standard Residential rate for either General, and Space Heating or Seasonal service.
- 6. It is the Customer's responsibility to notify the Company if there is a change of address or eligibility status.
- 7. Application of this Rider shall be prospective, and the Rider discounted rates shall not be applicable to past due bills.
- 8. If the participating Customer misses two consecutive payments, the Customer will be removed from this Rider and placed back on the standard Residential rate and will become subject to standard collection activities for any past due amounts.

Filing Date	August 8, 2012May 5, 2014	MPUC Docket No.	E015/M-11/409
Effective Date	January 1, 2013	Order Date	ember 3, 2012

Approved by:	Marcia A. Podratz
	Marcia A. Podratz
	Director - Rates

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- 9. 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.
- 10. Customer may be re-billed for periods of ineligibility under the applicable standard rate schedule.

Filing Date	August 8, 2012May 5, 2014	MPUC Docket	NoE015/M-11/409
Effective Date	January 1, 2013	Order Date	December 3, 2012
	Approved by: Marcia A. Podr	atz	

Marcia A. Podratz Director - Rates

SECTION	V	PAGE NO.	92	
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Director - Rates

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- 6. It is the Customer's responsibility to notify the Company if there is a change of address or eligibility status.
- 7. Application of this Rider shall be prospective, and the Rider discounted rates shall not be applicable to past due bills.
- 8. If the participating Customer misses two consecutive payments, the Customer will be removed from this Rider and placed back on the standard Residential rate and will become subject to standard collection activities for any past due amounts.
- 9. 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.

May 5, 2014	MPUC Docket No.	E015/M-11/409	
	Order Date		
Approved by:	Marcia A. Podratz Marcia A. Podratz Director - Rates		
		Approved by: <u>Marcia A. Podratz</u> Marcia A. Podratz	Order Date Approved by: <u>Marcia A. Podratz</u> Marcia A. Podratz

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10. Customer may be re-billed for periods of ineligibility under the applicable standard rate schedule.

Filing Date	May 5, 2014	 MPUC Docket No.	E015/M-11/409
Effective Date		 Order Date	
	Approved by:		

Director - Rates

Minnesota Power

Docket No. E015/GR-M-11-409 Line Customer Affordability of Residential Electricity Tracker - Oct 2013- Sep 2014

No 1				2013						2014						Annual
2	30)-Sep-13	31-Oct-13	30-Nov-13	31-Dec-13	31-Jan-14	28-Feb-14	31-Mar-14	30-Apr-14	31-May-14	30-Jun-14	31-Jul-14	31-Aug-14	30-Sep-14		Total
3	Affordability Surcharge Collections	[a]	[b]	[c]	[d]	[e]	[f]	[g]	[h]	[i]	[]]	[k]	[1]	[m]		[n]
4	Aftordability Surcharge Collections															
6	By Rate Class:															
7	Residential		\$50,856	\$50,837	\$50,951	\$56,911	\$51,994	\$46,979								
9																
10 11	General Service		\$17,030	\$17,025	\$17,011	\$19,539	\$16,880	\$14,994								
12	Large Light & Power		\$852	\$850	\$863	\$878	\$873	\$880								
13			0 40.4 7 0	* • • • - •	* 4 • 4 = 0	6 40.4 7 0	* • • • • •	* • • • • •								
14 15	Large Power		\$10,176	\$10,176	\$10,176	\$10,176	\$10,176	\$10,176								
16	Municipal Pumping		\$239	\$237	\$236	\$306	\$235	\$175								
17																
18 19	A - Total Affordability Surcharge Collection	is .	\$ 79,153	\$ 79,125	\$ 79,237	\$ 87,810	\$ 80,158	\$ 73,204	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	478.687.00
20			¢ 10,100	¢ 10,120	• 10,201	¢ 01,010	¢ 00,100	• .0,201	Ŷ	Ŷ	Ŷ	Ŷ	Ŷ	÷	Ť	
21																
22 23	Rate Discount Costs															
24	Monthly Service Charge Discounts 1/		\$4,461	\$4,362	\$4,395	\$3,197	\$2,936	\$3,197								
25	Energy Charge Discounts		\$58,478	\$68,688	\$91,291	\$83,366	\$68,398	\$71,396								
26 27	B - Total Discounts	-	\$ 62,939	\$ 73,050	\$ 95,686	\$ 86,563	\$ 71,334	\$ 74,593	\$-	\$-	\$ -	\$ -	\$ -	\$-	\$	464,165.00
27	B - Total Discounts	-	\$ 62,939	\$ 73,050	a 95,080	\$ 80,003	\$ 71,334	\$ 74,593	ъ -	р -	ъ -	р -	р -	ъ -	Þ	404,105.00
29	C - Program Admin Costs	-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$	-
30	A.D.O. Marithe Tracker Dalance Observe	_	¢ 40.044.00	¢ 0.075.00	¢ (40,440,00)	¢ 101700	¢ 0.004.00	¢ (1,000,00)	¢	¢	¢	¢	¢	¢	¢	44 500 00
31 32	+A-B-C = Monthly Tracker Balance Change	3	\$ 16,214.00	\$ 6,075.00	\$ (16,449.00)	\$ 1,247.00	\$ 8,824.00	\$ (1,389.00)	\$-	\$-	\$-	\$-	\$ -	\$-	\$	14,522.00
33	Interest Calculation															
34	Beginning of month balance		•,	• • • • • • • •	• • • • • • • •	• • • • • • • • • •	• • • • • • • • •		\$ 905,134.59	• • • • • • •	•	* · , · · · ·	• • • • • • • • •			
	Beginning of month balance: +A-B-C \$87 Monthly Average Balance	76,116.59					\$ 901,793.59		\$ 905,134.59 \$ 005,134.59				\$915,007.59			
36 37	Weighted Average Annual Prime Interest Rate	2/	\$884,223.59 3.25%	\$ 897,809.09 3.25%	\$ 895,020.09 3.25%	\$ 889,890.09 3.25%	3.25%	\$ 903,336.09 3.25%	\$ 905,134.59 3.25%			\$912,488.59 3.25%				
38			0.2070		0.2070	0.2070	0.2070	0.2070	0.2070		2.2070	2.2070	0.2070	0.2070		
39	D - Monthly Interest		\$2,441.00	\$2,398.00	\$2,471.00	\$2,456.00	\$2,237.00	\$2,493.00	\$2,418.00	\$2,505.00	\$2,431.00	\$2,519.00	\$2,526.00	\$2,451.00	\$	29,346.00
40 41																
41	End-of-Month Tracker Balance		\$894,771.59	\$903,244.59	\$889,266.59	\$892,969.59	\$904,030.59	\$905,134.59	\$907,552.59	\$910,057.59	\$912,488.59	\$915,007.59	\$917,533.59	\$919,984.59	\$	919,984.59

1/ This linealso represents the number of customers enrolled in the CARE Rider at the end of the month 2/ http://www.ferc.gov/legal/acct-matts/interest-rates.asp

Attachment C Page 1 of 1

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

AFFIDAVIT OF SERVICE VIA ELECTRONIC FILING

Kristie Lindstrom of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 5th day of May, 2014, she served Minnesota Power's Reply Comments in Docket No. E015/M-11-409 to the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing.

/s/ Kristie Lindstrom

Subscribed and sworn to before me this 5th day of May, 2014.

/s/ Mary K Johnson

Notary Public - Minnesota My Commission Expires Jan. 31, 2016

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia Anderson		Julia.Anderson@ag.state.m n.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	No	OFF_SL_11-409_Official
Christopher	Anderson	canderson@allete.com	Minnesota Power 30 W Superior St E Duluth, MN 558022191		Electronic Service	Yes	OFF_SL_11-409_Official
lan	Dobson ian.dobson@ag.sta s		Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, BRM Tower St. Paul, MN 55101	Electronic Service 1400	No	OFF_SL_11-409_Official
Sharon	Ferguson	sharon.ferguson@state.mn Department of Commer .us		85 7th Place E Ste 500 Electronic Service Saint Paul, MN 551012198		No	OFF_SL_11-409_Official
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_11-409_Official
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	No	OFF_SL_11-409_Official
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Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_11-409_Official
Marcia Podratz		mpodratz@mnpower.com	Minnesota Power	30 W Superior S Duluth, MN 55802	Electronic Service	No	OFF_SL_11-409_Official