



June 11, 2021

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

Subject: Dakota Electric Association Reply Comments

***In the Matter of a Petition by Dakota Electric Association
to Implement a Limited Arrearage Forgiveness Program
Docket No. E111/M-21-314***

Dear Mr. Seuffert:

On April 30, 2021, Dakota Electric Association® (Dakota Electric or Cooperative) filed a petition with the Minnesota Public Utilities Commission (Commission or MPUC) requesting approval to implement a Limited Arrearage Forgiveness Program (Program) as part of our transition from operations under pandemic conditions to normal service operations. As part of this request, Dakota Electric respectfully requested an expedited regulatory review of the petition to allow the proposed program to be available in early June as we implement the Cooperative's Amended Transition Plan.

On May 11, 2021, the Commission issued a Notice of Comment Period (Notice) requesting initial comments from interested parties on, or before, June 10, 2021 and reply comments on, or before, June 15, 2021.

On June 10, 2021, the Minnesota Department of Commerce (Department), Minnesota Office of the Attorney General-Residential Utilities Division (OAG), and the Energy CENTS Coalition (Energy Cents or ECC) filed comments responding to Dakota

Electric's request. Each party was generally supportive of Dakota Electric's request and recommended that the Commission approve the plan. Energy Cents did, however, recommend certain modifications to the Program and reporting requirements. Dakota Electric thanks the parties for their prompt and thorough review of our request.

Dakota Electric Reply Comments

Dakota Electric submits these Reply Comments in response to the comments of the various parties filed on June 10, 2021. We appreciate the general agreement of the parties that Dakota Electric's proposal is reasonable and should be approved by the Commission. The Cooperative responds to certain discussion and recommendations made by Energy Cents and the Department below.

Summary of Initial Petition

As explained in our original petition, the Program is proposed as part of the process as we transition from operations under pandemic conditions to normal service operations. Dakota Electric proposed to provide total funding for the Program at an amount that will be capped at \$1 million. The proposed Program will be funded (and capped) using funds from the Cooperative's operations. While the program will not affect rates, it will reduce the Cooperative's annual operating margins that would otherwise be allocated to all members. Furthermore, Dakota Electric noted that it does not plan to hold any funds in reserve; as such, when the \$1 million funding is exhausted, the Program and monthly credits on member bills will end. Related to this, Dakota Electric proposed that the Program will continue until October 15, 2022 if funds are available. The Cooperative surmised that this duration will provide 16 months of credits which should provide time to reduce delinquent balances prior to the start of the 2022 Cold Weather Rule season.

In terms of Program scope, Dakota Electric explained that the Program is directed to accounts with delinquent balances of 91 days and greater. We concluded that this threshold would reach members that are having more difficulty staying current for any variety of reasons during the pandemic. We also noted that the credits will be provided

on a first come first served basis. Since Dakota Electric has limited resources to administer the Program, we explained that we do not propose screening qualification criteria such as: income, minimum balance thresholds, or maximum delinquent balance thresholds. Dakota Electric proposed to apply a monthly credit of 25% to the amount of a monthly payment that relates to the member's delinquent balance. The credit would be applied monthly to members who enter, and remain current on, a payment plan until the delinquent balance is zero – or until Dakota Electric has reached the overall program cap of \$1 million.

Dakota Electric also considered other parameters for its proposed Program. First, the Cooperative noted that there are substantial federal funds available for energy assistance in Minnesota. To be sure qualifying Dakota Electric members are seeking and receiving such energy assistance, while Dakota Electric does not propose to gather or attempt to verify income, Dakota Electric proposed that members wishing to participate in the Program first apply for energy assistance. Dakota Electric explained that it will allow one week for members to apply for energy assistance, which the Cooperative will verify by checking the Department's eHeat site. This will ensure that all members eligible for assistance receive that assistance, lowering their delinquent balance, and allowing Dakota Electric's arrearage forgiveness program to reach more members. During this time, the Cooperative will not take any further action on disconnection. Second, Dakota Electric explained that it also intends to apply the individual member's discounted capital credits to their outstanding delinquent balance. Applying member discounted capital credits is another way of reducing the member delinquent balance and subsequent monthly payment. Third, consistent with the Commission's decision on Transition Plans in Docket E,G999/CI-20-375, if a consumer breaks the initial payment plan (or fails to make an initial payment plan and is disconnected) there is one chance to "stumble" (miss a payment) and immediately correct the situation with a new/revised payment plan and continue to qualify for the arrearage forgiveness credit. However, if the member breaks the payment plan and does not re-establish a payment plan immediately, the arrearage forgiveness credit will no longer be available to that member.

Finally, in terms of communication, Dakota Electric explained that it will let qualifying members know about the Program through a separate mailing to individual

members. This will target communication only to members who are eligible for the Program.

Energy Cents Comments

As noted above, Energy Cents was generally supportive of Dakota Electric's proposed Program and recommended approval. However, Energy Cents did note certain concerns and recommended changes to the proposed Program. Dakota Electric responds to these concerns and clarifies certain statements below.

Energy Cents noted in its comments that it does not believe that Dakota Electric's proposal to require customers to apply for LIHEAP is reasonable, and Energy Cents provided several reasons supporting its conclusion. Energy Cents also voiced the opinion that it is not in Dakota Electric's interest, or the member's interest to impose restrictions related to LIHEAP and, instead, Energy Cents recommended that Dakota Electric refer all customers to LIHEAP but not make participation contingent upon application. Energy Cents also recommended that for any customer that receives LIHEAP during the Program, the Cooperative should apply this benefit from the member's past due balance and then adjust the member's payment plan accordingly.

Dakota Electric appreciates Energy Cents' comments on this topic and believes that additional discussion and clarification is necessary. First, Dakota Electric did not make include the LIHEAP application in its proposal to limit participation in the Program but, rather, to ensure that members are provided the best opportunity to become current on their bills and part of this is being aware of all available funding sources. As noted in our comments, there is increased funding available for energy assistance programs, and Dakota Electric believes that having its members reach out to these sources may ultimately result in greater effectiveness for this Program. Second, Dakota Electric notes that members who are not eligible for LIHEAP, or are denied funding, will not experience a delay in access to program funding. Furthermore, Dakota Electric does not expect agencies to process LIHEAP applications in a week, which is why members will receive the forgiveness credit while an application is being processed. For example, if a LIHEAP application takes three months to process, and the member is then approved, the energy

assistance grant will be applied to the remaining balance. Dakota Electric will not delay enrolling a member in the Program because of a pending LIHEAP application. Energy Cents also recommended that Dakota Electric recalculate the forgiveness credit in this instance, but the Cooperative does not believe this is appropriate. Dakota Electric has limited resources to administer this Program and re-calculating the credit amounts will be administratively burdensome and extend the amount of time the member will be on the Program. Dakota Electric believes that members will be more satisfied if they are able to retire their balances faster. For these reasons, the Cooperative continues to recommend that participants apply for LIHEAP assistance as part of the Program and calculation of balances remain the same as originally proposed.

Energy Cents also expressed concern that Dakota Electric's proposed 25% credit may be insufficient to encourage sustained payments but reiterated that it still recommended that the Commission approve the Program.¹ Given these concerns, Energy Cents recommended that Dakota Electric report three months after program implementation to review participation and spending levels and to, potentially, increase the credit amount. Energy Cents further recommended that, if increasing the credit percentage is the only program modification, the Commission's Executive Security should be granted authority to approve that change without further comment of Commission action. Dakota Electric appreciates Energy Cents' discussion and notes that it will continually monitor the performance of the Program and if modifications are needed, such as increasing bill credit levels, the Cooperative is prepared to make these changes. Dakota Electric is willing to provide the three-month compliance as requested by Energy Cents if required by the Commission. Dakota Electric does not have a firm position regarding delegating authority to the Executive Security, but the Cooperative does believe that the ability to provisionally increase bill credit levels, if needed, to improve Program performance is reasonable. If the Commission concludes that this approach is reasonable, Dakota Electric will notify the Commission of any changes through a filing in this docket.

¹ Energy Cents Comments, Page 3.

On the topic of proposed funding, Energy Cents stated that the use of capital credits will partially offset (approximately one-fifth of the operating margin funding) program spending. Energy Cents voiced its support for this funding mechanism.² Dakota Electric appreciates Energy Cents' support for our proposed use of discounted capital credits but wishes to clarify how these capital credits will be used. These capital credits will not be an offset to the \$1 million in funding. Dakota Electric has set aside \$1 million to fund the Program. The discounted capital credits represent equity that the member has built up with the Cooperative and these credits will be used to decrease the member's delinquent balance. If the Program allocates the full \$1 million, when the discounted capital credits are considered, the amount applied to delinquent bills will be **more** than \$1 million. Using Energy Cents' 20% estimates, the amount applied to delinquent bills would be approximately \$1.2 million.

In terms of outreach, Energy Cents stated that Dakota Electric proposes to inform all eligible customers about the Program at the same time.³ Dakota Electric clarifies that it does not intend to notify all eligible customers at the same time. To avoid overwhelming our customer service staff, no different than we do with disconnection notices, we plan on notifying eligible customers in different groups. Dakota Electric notes that eligible customers will be notified in a timely manner and they will not be disadvantaged if they receive their communication later than another eligible member. For example, if member X receives their notice a week after member Y, member X will not have a week less time to enter a payment plan.

As noted above, Dakota Electric proposed that the Program continue through October 15, 2022 or until funding is exhausted. We explained that this timeframe will allow the possibility of members to receive funding across three LIHEAP cycles. Energy Cents responded that if the Program ends on October 15, 2022, this will only allow members approximately 15 days to apply for funding during the third LIHEAP cycle (federal fiscal year begins on October 1). Energy Cents recommended that the Program be extended until December 1, 2022 to allow more customers enrolled in the Program to

² Energy Cents Comments, Page 2.

³ *Id.*

obtain LIHEAP assistance in the third cycle. To the extent moving the end date of the Program to December 1, 2022 improves access to LIHEAP funding, the Cooperative does not oppose Energy Cents' recommendation.

Energy Cents also recommended that Dakota Electric provide certain data nine months after implementation of the Program. Dakota Electric reviewed these requested data and does not oppose providing this information but, as discussed below, the Department recommends a similar compliance. Dakota Electric believes a single compliance, filed on June 1, 2022, combining the requests of Energy Cents and the Department is more administratively efficient. The Cooperative does note that based on its initial review, it may be difficult to provide the number of participants receiving LIHEAP, but it is currently exploring options that will provide these data or a reasonable estimate.

Department of Commerce Comments

The Department stated in its comments that it supports Dakota Electric's proposed Program. The Department noted that the Cooperative's proposal differs from programs offered by other utilities because of its limited time and financial offerings and that the proposed Program meets a subset of its member customers without further increasing all customer bills.⁴ The Department recommended approval and also that Dakota Electric file a compliance on June 1, 2022 detailing the implementation of its Program including the number of customers assisted, the amount of past due bills, and the amount of arrearages forgiven. Dakota Electric believes this compliance filing, including the other data requested by Energy Cents, is appropriate and will help assess the overall efficacy of the Program.

Conclusion

Dakota Electric appreciates the review and comments of the other parties in this proceeding. Dakota Electric continues to recommend that the Commission approve its

⁴ Department Comments, Pages 1-2.

Arrearage Forgiveness Program. Dakota Electric also requests that if increases to credit levels are necessary in the future that the Cooperative be allowed to do this provisionally pending notification with the Commission. Dakota Electric also agrees to provide a compliance filing three months after implementation and on June 1, 2022 detailing the efficacy of the Arrearage Forgiveness Program.

If you or your staff have any questions about these Reply Comments, please contact me at 651-463-6258 or at aheinen@dakotaelectric.com.

Sincerely,

/s/ Adam J. Heinen

Adam J. Heinen
Vice President of Regulatory Services
Dakota Electric Association
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Certificate of Service

I, Melissa Cherney, hereby certify that I have this day served copies of the attached document to those on the following service list by e-filing, personal service, or by causing to be placed in the U.S. mail at Farmington, Minnesota.

Docket No. *E-111/M-21-374*

Dated this 11th day of June 2021

/s/ Melissa Cherney

Melissa Cherney