

Staff Briefing Papers

Meeting Date July 15, 2021 Agenda Item 11*

Company Minnesota Power (MP or the Company)

Docket No. **E015/M-11-409**

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

- Issues
1. Should the Commission accept Minnesota Power's Ninth Annual Compliance Report on its Customer Affordability of Residential Electricity (CARE) Program?
 2. Should the Commission allow recovery of CARE program administration costs?

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Relevant Documents

Date

Minnesota Power – Ninth CARE Program Annual Report/with Attachments	March 1, 2021
Department of Commerce – Comments	March 19, 2021
Energy CENTS Coalition – Comments	May 19, 2021
Minnesota Power – Reply Comments	June 1, 2021

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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.

I. Statement of the Issues

Should the Commission accept Minnesota Power's Ninth Annual Compliance Report on its Customer Affordability of Residential Electricity (CARE) Program?

Should the Commission allow recovery of CARE program administration costs?

II. Introduction

Minnesota Power (MP) has offered its discount rate program called the Customer Affordability of Residential Electricity (CARE) Program to its residential customers since November 1, 2011. Those who qualify under the federally funded Low-Income Home Energy Assistance Program (LIHEAP) are eligible for the CARE Program. The CARE Program provides a discount to the Company's standard residential tiered rates and includes an Arrearage Forgiveness component.¹

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

On March 1, 2021, Minnesota Power filed its Petition for approval of its Ninth Annual Report for a rider for Customer Affordability of Residential Electricity (CARE) program with the Commission in compliance with Commission Orders in Docket Nos. E-015/M-11-409 and E-015/GR-09-1151 and pursuant to Minn. Stat. § 216B.16, Subd. 15.

MP is requesting Commission approval of its Ninth Annual Report and provides in this report an update regarding the program modifications that were developed through a collaborative stakeholder engagement process and approved by the Commission in its Order, in this docket dated October 30, 2019, with a program implementation date of January 1, 2020.

On March 19, 2021, the Minnesota Department of Commerce, Division of Energy Resources, (the Department) submitted comments recommending the Commission accept Minnesota Power's report and approve recovery of CARE program administrative costs.

Energy CENTS Coalition (ECC) submitted its comments on May 19, 2021, recommending the Commission approve Minnesota Power's ninth annual CARE report and approve MP's request to recover program administrative costs.

On June 1, 2021, MP filed reply comments, accepting both the Department and ECC recommendations.

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.

¹ Minnesota Power's Ninth Annual CARE Report, p. 2.

On September 26, 2011, the Commission issued its Order Authorizing Pilot Program and Setting further Requirements, in this docket. In the September 26, 2011 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. In its July 18, 2013 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;
- Participants billing impacts; and
- Participant electric usage.

In its October 30, 2019 Order Accepting Report And Approving Program Changes, in this docket, the Commission approved several changes to MP's CARE Program. Specifically, the Commission approved a flat \$15 per month discount for eligible seniors, disabled and/or existing legacy CARE customers. New customers who are using more than 3 percent of their annual household income towards their electric bills may receive an affordability discount designed to keep their annual energy burden within 3 percent of their household income, on average.

In its September 2, 2020 Order, the Commission accepted Minnesota Power's Eighth Annual Customer Affordability of Residential Electricity Program Report.

IV. Electric and Natural Gas Low-Income Affordability Programs

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.

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.

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. This authorization was also renewed by the Commission in its June 3, 2021 Order Point No. 3 under Docket E017/M-21-99.

Minnesota Power is the only Minnesota electric utility company that offers a low-income affordability program under the low-income affordability program statute, Minn. Stat. § 216B.16 Sub. 15(b), which has the following objectives and requirements:²

- 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.

V. Parties' Comments and Analysis

A. Should the Commission accept Minnesota Power's Ninth Annual Compliance Report on its Customer Affordability of Residential Electricity (CARE) Program?

1. Minnesota Power

Minnesota Power's CARE Program Ninth annual report covers the period from October 1, 2019 to September 30, 2020 (program year 2020) and update of program modifications that were approved by Commission Order dated October 30, 2019, with program implementation of January 1, 2020.

a. Reporting Requirements

The Minnesota Power CARE program provides discounted energy rates to residential customers who qualified for Low-Income Heating Energy Assistance Program (LIHEAP) within its service area. The CARE program has arrearage forgiveness component to help reduce participating customers' over-due balances over time. As depicted in figure 1 below, the average number of CARE program participants was 5,371³ out of 6,925 total enrollees in 2020 program year versus 4,516 active participants out of 5,803 enrollees in program year 2019.

MP states that the number of customers during program year 2020 who were enrolled in the CARE Program at one point or another with arrears greater than 60 days old was 1,299 compared to 842 in 2019. The average monthly arrearage amount per customer for the 1299

² Minnesota Power's Ninth Annual CARE Report, pp. 19-20.

³ Minnesota Power's Ninth Annual GAP Report, p. 17.

arrearage participants increased to \$26⁴ compared \$16 for the 842 participants in program year 2019.

The average total billed amount per customer in program year 2020 was lower at \$589 per year, or \$49 per month, while in program year 2019, it was \$637 per year, or \$53 per month.

Further, total bill credits and discounts provided in program year 2020 was \$1,370,283 versus that of program year 2019 of \$1,036,993, and an average monthly discount provided to CARE customers increased by \$3 in program year 2020 to \$21 per month or \$255⁵ annually compared to program year 2019 amount of \$19 per month or \$230 annually. Also, average arrearage per customer was \$26 in 2020 program year which is \$10 per month higher than in program year 2019.

Figure 1: Average Bills and Arrears for CARE Average Participants, Program Years 2020 and 2019

October 2019 - September 2020				October 2018 - September 2019		
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 (a)	5,371	6,925	1,299	4,516	5,803	842
Annual Amount Billed (\$) (b)	\$1,370,283	\$4,077,248	\$391,353	\$1,036,993	\$3,698,922	\$154,486
Avg. Annual total (\$) (c) = (b)/(a)	\$255	\$589	\$301	\$230	\$637	\$183
Average * Monthly Amt	\$21	\$49	\$26	\$19	\$53	\$16

*Avg. Annual total amount/12 months

b. Disconnections (Including additional voluntary Protection measures Due to COVID-19)

MP notes that in program year 2020 (PY20) disconnections were lower due to the voluntary measures it took to provide protections and enhance safety during the COVID-19 health pandemic, along with the peacetime emergency declaration by the Governor's Emergency

⁴ Id.

⁵ Id.

Executive Order.⁶ The voluntary action taken by MP included immediate suspension of disconnections for residential customers facing financial hardship in relation to the coronavirus pandemic; voluntary extension of Minnesota's Cold Weather Rule through May 31, 2020; encouraging customers to reach out regarding payment plans and options that reflect their unique financial resources and circumstances; and suspension of all non-emergency customer site visits.

In addition to the voluntary protective measures noted above, Minnesota Power also states:

On March 30, 2020, these protective measures were expanded to include waiving late payment charges for residential and small business (general service) customers; suspending disconnections for small business (general service) customers facing financial hardship in relation to the coronavirus pandemic; and waiving reconnection fees during normal business hours for residential and small business (general service) customers previously disconnected for non-payment. In its August 13, 2020 Order under Docket No. E, G-999/CI-20-375, the Commission formally ordered suspension of disconnections for residential customers; suspension of negative reporting to credit agencies for residential customers; and waiving reconnection, service deposits, late fees, interest, and penalties for residential customers. Per the Commission's August 13, 2020 Order, these protections are to remain in effect for the duration of the peacetime emergency with 60 days' notice before resuming these activities.⁷

According to MP, its disconnection rate for CARE participants in program year 2020 was 0.055% (i.e. 38 total disconnections out of 6925 CARE participants) compared to 2% in PY19. Also, the disconnection rate for LIHEAP Customers non-CARE disconnection rate was 4% (i.e. 170 disconnections out of 3825 LIHEAP Customers non-CARE), compared to 11% in PY19.⁸

MP holds that the overall disconnection rate was much lower for residential customers in program year 2020 due to the emergency peacetime protections. In fact, MP notes that both CARE and all residential customers disconnection rate of about ½% (one half of a percent) in PY20 compared to 2% disconnection rate in PY19.

c. CARE Participant Electric Usage

According to figure 2 below, the average electric usage for a CARE program participant in program year 2020 was 562 kWh per month, compared to 574 kWh per month in PY19, a decrease of 12 kWh per month. Also CARE participant usage was lower than LIHEAP Customer usage of 590 kWh per month in PY20, compared to 641kWh per month in PY19, while Standard Residential customer usage was 738 kWh, same as was the case in program year 2019.

⁶ Minnesota Power's Ninth Annual CARE Report, p. 14., and see, On March 13, 2020, Governor Tim Walz signed Emergency Executive Order 20-01, Declaring a Peacetime Emergency and Coordinating Minnesota's Strategy to Protect Minnesotans from COVID-19, as most recently extended through March 15, 2021 in Emergency Executive Order 21-08.

⁷ Id.

⁸ Id., at p. 15

Figure 2: Customer Electric Usage

Customers' Electric Usage for PY2020 – October 1, 2019 to September 30, 2020			
Designation	Number of Customers	Total Annual Usage in kWh	Average Monthly Usage in kWh
Standard Residential Customers	118,256	1,046,837,648	738
LIHEAP Customers	10,750	76,119,805	590
Total CARE Participants	6925	46,674,009	562

d. Compliance with Minnesota Statutes

Minnesota Power in its Petition notes that the Commission required it to implement the CARE program pursuant to the requirements of Minn. Stat. § 216B.16 Sub. 15(b) with five objectives listed in section IV above. Those objectives are discussed below:

i. 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. Nevertheless, MP notes that since January 1, 2020 implementation of the affordability discount aspect of the program, it now collects customer income data for a portion of the CARE participants which would enhance future reporting of the above objective. The affordability discount targets 3 percent of income for customer electric energy burden and therefore specifically lowers the percentage of income for those CARE participants. MP in its Petition notes that Affordability discounts can range from 3% to 100% with an average discount at around 53%.⁹ MP also states, that for CARE participant that enrolled as part of a targeted outreach group, the average discount was about 67%.¹⁰ Further, MP opines that since the CARE program participants are drawn from the LIHEAP-approved customers, the percentage of income for LIHEAP-approved customers represents a proxy for CARE program participants on the flat discount.

ii. Increase participating customer payments over time by increasing the frequency of payments

As depicted in figure 3 below, MP shows for program year 2020, CARE participants paid 88 percent of the bills issued, and LIHEAP non-CARE customers paid 76 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

⁹ Minnesota Power's Ninth Annual CARE Report, P. 20.

¹⁰ Id.

payments or not.”¹¹ Nevertheless, the Company agrees, even though the analysis seems to suggest that the CARE Program has had some success in improving frequency of payment. Also, as shown in figure 3, CARE participants paid 75% of their billed amounts compared to LIHEAP non-CARE who paid 63%, as was the case in PY2019.

Figure 3: Payment Frequency and History

Customer Payment Frequency and History								
Program Year	Designation	Total Bills		Total Payments				
		Count	Amount	Count	Amount	Energy Asst.	% of Billed Amt. Paid	Bills Paid as % of Bills Issued
10/1/19 to 9/30/20	CARE Participants	65,375	4,077,248	57,304	4,023,716	985,787	75%	88%
	LIHEAP non-CARE	35,159	3,508,643	26,874	3,419,066*	1,208,695	63%	76%
	LIHEAP	100,894	7,585,891	100,894	7,442,782*	2,194,482	69%	100%

*Payment Amount includes Energy Assistance (EA) and Percent of bills paid excludes EA

iii. Decrease or eliminate participating customer arrears

MP implemented its Arrearage Forgiveness Component in January 2016. In the current filing for CARE program year 2020, 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 2020, MP matched \$39,719 with monthly average of 118 customers who received an Arrearage Forgiveness match.¹² The total number of arrearage participants for PY20 was 1,420 and average per month match of \$28 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.

iv. 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. As mentioned in section V, item No.1b above, MP disconnection rate in program year 2020 was much lower than in the previous years due to peacetime emergency customer protections. In fact, the Company’ disconnection rate for CARE participants in program year 2020 was 0.055% (i.e. 38 total disconnections out of 6,925 CARE participants)

¹¹ Minnesota Power’s Ninth Annual CARE Report, p. 21; see also Minnesota Department of Commerce, Division of Energy Resources, Docket No. E015/M-11-409, Section III.A.2, page 4, Reply Comments to the Minnesota Power’s Fifth Annual Report, October 12, 2017.

¹²Id.

compared to 2% in PY19. Also, the disconnection rate for LIHEAP Customers non-CARE disconnection rate was 4% (i.e. 170 disconnections out of 3,825 LIHEAP Customers non-CARE), compared to 11% in PY19.

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

MP states that its Energy Partners program focuses on collaborating with tribal governments and community agencies to provide income eligible customers with educational resources and energy-efficient products and services to assist them use energy more efficiently.¹³

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”). Further, the Company notes that a wide range of in-person low-income focused events and community events in PY20 were cancelled due to COVID-19 health pandemic. MP however, notes that it adapted its outreach efforts to include virtual events, very low or no contact delivery means, such as, a virtual Energy Awareness Expo, direct mailing of energy savings kits, and virtual audits of residential customers.

e. CARE Program Modification Update

Minnesota Power in the current Petition did not offer any new modifications to the CARE program in program year 2020. However, 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:¹⁴

- 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.

¹³ Minnesota Power’s Ninth Annual CARE Report, p. 22.

¹⁴ Id., at pp. 21-22.

- Auto enrollment for the flat discount component and an annual application process for the affordability discount component, on a first-come, first-served basis.
- Minnesota Power administrative costs recoverable through the Affordability Surcharge.

MP notes that it agreed with stakeholders to continue to work together to propose recommendations for future annual reporting on CARE measure impact and progress. However,

[d]ue to the necessary shift in focus in the pandemic context and resource constraints as preparations are made for a billing system upgrade and meter data management system launch (collectively referred to as the C2M project), reporting enhancements will be deferred to the Tenth Annual Report. There also remains unanimous receptivity to collaborating on communication plans and expanded outreach opportunities, though many of those efforts have been more specifically concentrated on COVID-19 reporting and outreach, as discussed in greater detail in Docket No. E,G-999/CI-20-375.

Further, MP indicates that as of September 30, 2020, approximately twenty percent of CARE participants were receiving the affordability discount and the remainder were receiving the flat \$15 discount. Additionally, the Company holds that at the 2020 program year end date, it has successfully re-enrolled about ninety five percent (95%)¹⁵ of affordability discount participants.

2. The Department

The Department in its comments notes that the report reflects compliance with reporting requirements set forth by Commission Order and update to modifications to the program approved by the Commission in the 2018 filing. Accordingly, the Department reviewed the Company's Ninth Annual CARE Program Report and concludes that it complies with the reporting requirements of Minn. Stat. § 216B.16 Sub. 15(b) with the five CARE objectives in section IV and in section V.1d, above in this Briefing Papers.

Further, the Department in its review notes:

MP has implemented the program changes approved by the Commission in its October 2019 Order. The affordability discount targets keeping customer bills close to 3 percent of income. Determining whether customer payment frequency has changed would require a comparison of payment frequency for customers before and after CARE participation; data that is not currently tracked. Nonetheless, the Company notes that CARE participants paid 88 percent of their bills during PY2020 compared with 76 percent payment by LIHEAP non-CARE customers. MP matched a total of \$39,719 in arrearage payments for PY2020.¹⁶ The Department expects the arrearage forgiveness program to

¹⁵ Minnesota Power's Ninth Annual CARE Report, p.25.

¹⁶ The Department's Comments, p. 3.

offer additional assistance¹⁷ as the Company transitions out of the peacetime emergency requirements in place to assist customers during the COVID-19 pandemic.

The Department reviewed MP' tracker balance and affordability surcharge in Attachment A to the Petition and notes the tracker balance of \$924,113 at the end of September 2020, which also shows Administrative costs of \$41,968 (which was not the case with PY19), as shown in figure 4 below.

Figure 4: 2019-2020 CARE Program Tracker Balance

Description	Amount (\$)
Beginning Balance – October 1, 2019	768,014
Affordability Surcharge Cash Collections	1,529,689
Subtotal	2,2297,703
Less: Total Discount & Arrearage Forgiveness	1,370,283
Less: Program Administrative Costs	41,968
Add: Interest Earned	38,641
Ending Balance – September 30, 2020	\$924,113

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 MP indicates it would maintain the current surcharges as is below:

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

Regarding MP's outreach efforts, the Department notes the Company indicated that it continued to work with community partners to offer information on its CARE Program, as well as, energy efficiency resources, through virtual events rather than in-person programs as a result of the COVID-19 pandemic.

B. Should the Commission allow recovery of CARE program administration costs?

Minnesota Power in its Petition requested for recovery of CARE program administrative costs. The Company notes that administrative costs was approved as part of the Commission' October 30, 2019 Order, effective January 1, 2020. On the CARE tracker for PY20 administrative costs totaled \$41,968, which represented or 2.4% of the program budget. Thus, MP holds that this rate is less than the 5% cap on administrative costs of the program budget that was proposed and approved by the Commission.

¹⁷ Id., at p. 4.

The Department in its comments agrees with Minnesota Power's request. The Department notes that Minn. Stat. 216B.16, Subd. 15(d) permits the Commission to allow recovery of administrative costs in an amount no more than 5 percent of total program cost. Accordingly, the Department holds that MP has complied with the statutory requirement to keep administrative costs below 5 percent of its program costs.¹⁸ Also, MP proposes no change to its Affordability Surcharge.

Overall, the Department by virtue of its review and analysis agrees that Minnesota Power met its CARE requirements and recommends the Commission accept the Ninth Annual CARE Report and approve MP's request to recover administrative costs for the program year 2020.

Energy CENTS Coalition (ECC) submitted comments on May 19, 2021¹⁹ and notes thus:

The Company's commitment to CARE is evidenced by the following reported outcomes:

- 1) Three times greater number of customer contacts in 2020 compared to 2019;
- 2) Increased CARE enrollment rate;
- 3) Increased CARE customer payment frequency;
- 4) A retention rate of 84%; and,
- 5) A reduction of the number of CARE customers in arrears.

Accordingly, ECC recommends the Commission approve MP's Ninth Annual CARE report and approve the company's request to recover program administrative costs.

VI. Staff Comments

Staff appreciates the Department's review and analysis. Staff equally reviewed and analyzed MP's Ninth Annual Care Report and observed there exists no issue/s of dispute between the Minnesota Power and the Department. Staff also appreciates ECC comments.

The Department by virtue of its review and analysis, recommends the Commission accept MP's Ninth Annual CARE Report. Staff agrees with both the Department's recommendations and ECC's recommendations.

¹⁸ The Department's Comments, p. 4.

¹⁹ Energy CENTS Coalition's Comments, p. 2.

VII. Decision Alternatives

Should the Commission accept Minnesota Power's Ninth Annual Compliance Report on its Customer Affordability of Residential Electricity (CARE) Program?

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

Should the Commission allow recovery of CARE program administration costs?

3. Approve Minnesota Power's request for CARE program administrative costs. (MP, DOC, ECC)
4. Do not approve recovery of program administrative costs