

G,E-999/CI-94-478 ORDER SELECTING MINNEGASCO FOR A PILOT PROGRAM AND  
REQUIRING EXPEDITIOUS COLLABORATIVE ACTION

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm  
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Chair  
Commissioner  
Commissioner  
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Commissioner

In the Matter of an Investigation into  
Establishing a Low-income Residential Pilot  
Program Under Minn. Laws 1994, Chapter 644

ISSUE DATE: August 2, 1994

DOCKET NO. G,E-999/CI-94-478

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**PROCEDURAL HISTORY**

On June 2, 1994 the Commission mailed a notice requesting comments from parties interested in the Low-income Residential Rate Pilot Program.<sup>1</sup> The Commission requested that parties comment on the following issues:

1. What criteria should be used to select the pilot utility?
2. Which utility should be selected to establish this program?
3. Are any utilities willing to voluntarily establish this program?

Between June 13 and 22, 1994, the Commission received comments from the following parties: the Minnesota Department of Public Service (the Department), the Residential Utilities Division of the Office of the Attorney General (RUD-OAG), Minnesota Power (MP), Minnegasco, Northern States Power Company (NSP), Peoples Natural Gas (Peoples), and five agencies/organizations that work with low-income people: Energy CENTS Coalition (Energy CENTS), Minnesota Senior Federation-Metro, Duluth Community Action Program (CAP), Minnesota Community Action Agency (MCAA), and the Minnesota Department of Economic Security (DES).

On July 1, 1994, the Department filed reply comments.

On July 5, 1994, Energy CENTS filed reply comments.

On July 8, 1994, Minnegasco filed reply comments.

On July 21, 1994, the Commission met to consider this matter.

**FINDINGS AND CONCLUSIONS**

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<sup>1</sup> The Low-income Residential Rate Pilot Program was authorized by the 1994 Minnesota Legislature. Minn. Stat. § 216B.16, subd. 14 (1992). Under the legislation, the Commission is required to implement at least one pilot program by January 1, 1995.

## **I. SUMMARY**

In this Order, the Commission selects Minnegasco to implement a Low-income Residential Rate Pilot Program. Commission Staff will now assemble and facilitate a collaborative work group including Minnegasco, NSP and other relevant parties. With input from the work group, Commission Staff will prepare a design for the Pilot Program for Commission review and approval. By terms of authorizing legislation, Minnegasco will begin to implement a Commission-approved Pilot Program by January 1, 1995. Minn. Stat. § 216B.16, subd. 14 (Supp. 1994).

## **II. BACKGROUND**

The 1994 Minnesota Legislature amended Minnesota Statutes (1992), section 216B.16 by adding subdivision 14 which requires the Commission to order a pilot program for at least one utility by January 1, 1995.

In preparing for the implementation of such a pilot program, the Commission determined that it would first select an appropriate utility to conduct the program and then work with that company to design the pilot program itself.

## **III. SELECTING THE PILOT UTILITY**

### **A. Background**

The legislature provided specific direction on the kind of program it envisioned. The statute states in part:

In ordering pilot programs, the commission shall consider the following:

(1) the potential for low-income programs to provide savings to the utility for all collection costs including but not limited to: costs of disconnecting and reconnecting residential ratepayers' service, all activities related to the utilities' attempt to collect past due bills, utility working capital costs, and any other administrative costs related to inability to pay programs and initiatives;

- (2) the potential for leveraging federal low-income energy dollars to the state; and
- (3) the impact of energy costs as a percentage of the total income of a low-income residential customer.

While the statute does not speak directly to the selection of the pilot utility, some direction can be distilled from the considerations mandated for the program itself. In addition, it is reasonable to assume that the legislature desired to receive the best information possible on this subject when the Commission reports to the legislature on the usefulness of low-income rates in 1998.

## **B. Comments of the Parties**

Most commenting utilities expressed reservations about the prospect of low-income rates. NSP stated that a criterion for selecting the pilot utility should be the amount of potential financial *harm* that could be caused by the program. MP argued that low-income ratepayers already had protections in MP's rates and Conservation Improvement Program (CIP). Peoples also, citing its willingness and success at working with past due accounts to obtain payment, questioned the need for the program. Furthermore, most commenting utilities made arguments against being selected as the pilot utility.

As to criteria for selecting a pilot utility, the following criteria received the most support: (1) the total number of residential customers and the number of low-income customers; (2) the number of past due bills, disconnects, and collection costs; (3) the number of Cold Weather Rule (CWR) protection applications; and (4) the number and amount of energy assistance payments received by the utility. These criteria were supported by the low-income organizations, Peoples Natural Gas and the Residential Utilities Division of the Office of the Attorney General (RUD-OAG). There was little substantive disagreement on these criteria from the other commenting parties.

## **C. Commission Analysis**

Most of the commenting parties advocated that a gas utility should be selected. This makes sense to the Commission. The potential loss of heating presents the direst of consequences. As a matter of priority, then, it is reasonable that efforts to avoid termination of utility service due to non-payment should initially focus on gas utilities.

Two prospective gas utilities emerged from the comment period as prospective choices for the pilot utility: Peoples and Minnegasco.

Energy CENTS advocated Peoples on the ground that Peoples had the worst statistics in this area. Energy CENTS stated that 46 percent of Peoples' residential customer accounts were past due, according to Peoples' 1992 Cold Weather Rule Summary filed with the Department. Energy CENTS noted that in the 1992-93 Cold Weather Rule season Peoples disconnected almost as many residential customers as Minnegasco, even though Peoples only has one fifth the number of customers compared to Minnegasco. In addition, according to Energy CENTS, despite having one-fifth the number of Minnegasco's customers, the dollar amount of Peoples' past due accounts is one-half that of Minnegasco. In sum, Energy CENTS argued that, since a greater concentration (higher percentage) of customers (presumably many of whom are low-income customers) had difficulty maintaining service under Peoples' policies than under Minnegasco's, placing the pilot project with Peoples would do the most good.

Minnegasco offered to serve as the pilot utility, using its arrearage forgiveness program as the pilot program. While an arrearages proposal alone is unlikely to meet the intent of the legislation, Minnegasco's forthcomingness is appreciated.

Both Peoples and Minnegasco have characteristics valuable for a pilot utility. Both utilities

- have a high penetration of home-heating customers
- have a sufficient number of customers and low-income customers to determine the impacts of a pilot program
- serve a mix of metro and outstate customers and
- would permit the Commission to evaluate some measure of both simultaneous and stand-alone low-income programs in conjunction with NSP Electric

However, Minnegasco appears to be a better choice for the pilot utility. Without minimizing the point made by Energy CENTS, the principal point of a pilot program is to develop information for the Commission and the legislature, to lay the foundation for better understanding of what kind of rates policy is appropriate for low income customers in Minnesota. The diversity of Minnegasco's service territory and the size and diversity of its customer base are clear strengths in the information gathering phase.

Further, Minnegasco's size and the strength of its staff resources should allow it to easily incorporate and report in a pilot program other approaches than the arrearages program that it proposed, including a discount for low-income customers which appears to most proximately provide for the "affordable continuous service" that the legislation cites as a goal.

In sum, Minnegasco's size and diversity hold the potential for a program design that will produce the most information.

#### **ORDER**

1. Minnegasco is selected to serve as the pilot utility for the Low-income Residential Pilot Program authorized by Minn. Stat. § 216B.16, subd. 14 (Supp. 1994).
2. Commission Staff will design and present a proposed Pilot Program for Commission review and approval within the statutory timeframe.

3. Minnegasco, NSP, the Department, the RUD-OAG, and other interested parties shall work expeditiously in a collaborative process under the direction of Commission Staff to assist Staff in designing its proposed Pilot Program.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)