

Before the Minnesota Public Utilities Commission

State of Minnesota

In the Matter of the Application of Minnesota Power
for Authority to Increase Rates for Electric Utility
Service in Minnesota

Docket No. E015/GR-16-664

Exhibit _____

CUSTOMER SOLUTIONS

November 2, 2016

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Tina Koecher and my business address is 30 West Superior Street, Duluth,
4 Minnesota 55802.

5
6 **Q. By whom are you employed and in what position?**

7 A. I am employed by ALLETE, Inc., doing business as Minnesota Power (“Minnesota
8 Power” or the “Company”). My current position is Manager of Customer Solutions.

9
10 **Q. Please summarize your qualifications and experience.**

11 A. I have over 25 years of experience in customer service, ranging from traditional retail and
12 hospitality to the regulated utility sector. I joined Minnesota Power in 1998 and have
13 served in a variety of roles including Call Center Representative, Human Resources
14 Analyst, and Conservation Program Supervisor. In my current position, I am responsible
15 for leading development of customer products and services, including conservation and
16 renewable programs. This involves customer service, team leadership, collaboration,
17 strategy development, evaluation, regulatory compliance, and informing policy
18 development. I am a graduate of Leadership Minnesota, the Minnesota Management
19 Institute from the Carlson School of Management and Leadership Duluth. I am also a
20 Certified Business Energy Professional and hold a Bachelor of Science degree in
21 accounting from the University of Wisconsin Superior.

22
23 **Q. What is the purpose of your testimony?**

24 A. My testimony focuses on the Company’s approach to customer service, particularly for
25 our residential and commercial customer groups. The purpose of my testimony is to: (1)
26 describe how Minnesota Power is delivering on customer expectations through existing
27 products and services relative to residential and commercial customers; (2) describe our
28 approach to meeting customers’ and other stakeholders’ needs and expectations in the
29 context of future product and service offerings; and (3) propose residential and

1 commercial customer products and services that Minnesota Power would like to
2 introduce through this proceeding.

3
4 **Q. Are you sponsoring any exhibits in this proceeding?**

5 A. Yes. I sponsor redlined and clean versions of certain tariff pages in the Minnesota Power
6 Electric Rate Book:

- 7 • Redlined and clean versions of the Rider for Voluntary Renewable Energy,
8 Minnesota Power Electric Rate Book, Section V, Page No. 73, are provided in the
9 Tariff Pages for Change in Rates in Volume IV of the Company's Initial Filing.
- 10 • Redlined and clean versions of Tariff Changes related to the proposed Reconnect
11 Pilot, Minnesota Power Electric Rate Book, Section VI, Page No. 3.5, #20 are
12 provided in the Tariff Pages for Change in Rates in Volume IV of the Company's
13 Initial Filing.
- 14 • The proposed new Rider for Grid Resilience and Innovative Demonstration is
15 provided in the redlined and clean Tariff Pages for Change in Rates in Volume IV of
16 this filing as part of the Minnesota Power Electric Rate Book, Section V, Page No.
17 NEW-3.

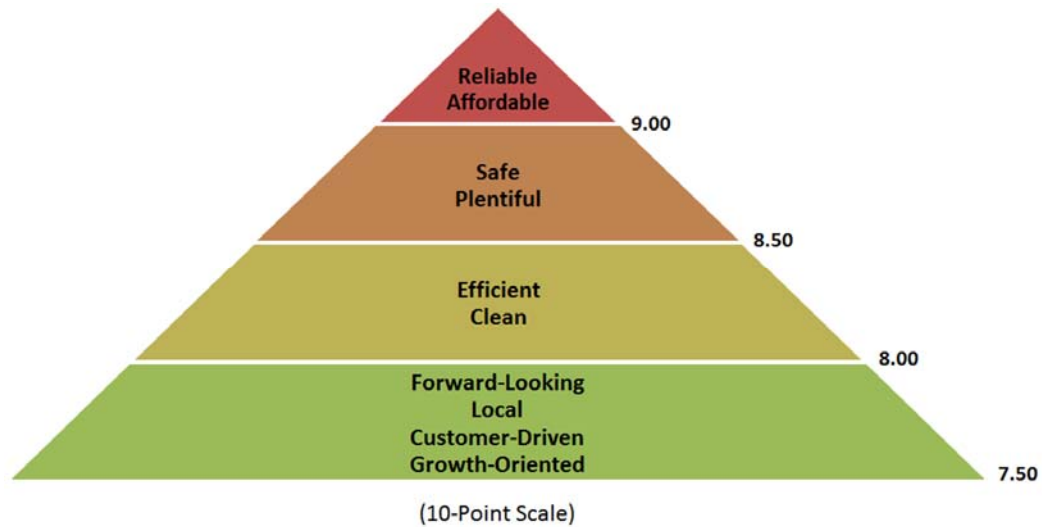
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20 **II. CUSTOMER SERVICE OVERVIEW**

21 **Q. What is Minnesota Power's approach to customer service?**

22 A. Overall, Minnesota Power is dedicated to providing excellent service to all customers and
23 to achieving high levels of customer satisfaction. We recognize that, above all else, our
24 customers continue to expect reliable, affordable, and safe services from us (Figure 1).

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Figure 1: Customer Expectations¹



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Beyond that, there is a growing desire for more convenient services, including interest in increased options that help customers understand and better manage energy usage, generally through efficiency and pricing or a combination of the two, and an expectation that customers’ energy will come from a blend of more sustainable energy sources, including renewable energy within Minnesota Power’s overall resource mix, as well as renewable energy options from which they can choose.

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Our approach to customer service is to continue to provide the core services customers count on as effectively as possible, leveraging technology advances where applicable and practical to meet the modern day needs of our customers. In addition, we search for opportunities to continuously improve upon our services and the customer experience through day-to-day interactions such as with our Call Center, online tools, efficiency programs, and field operations, as well as through our multitude of offerings in which customers can participate. We draw upon customer insights gained through our interactions, satisfaction surveys, and benchmarking tools, as well as emerging industry best practices, to ensure that we provide energy solutions that meet the needs and expectations of our customers today and into the future.

¹ *Minnesota Power Residential Customer Survey*, HIMLE RAPP & CO., INC. (2013).

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Q. How is Minnesota Power currently delivering on residential and commercial customer expectations?

A. In addition to providing reliable, affordable, safe, and environmentally-conscious electricity as a general matter, Minnesota Power offers a wide range of services that impact how customers receive, manage, and pay for their electricity. For example, we offer multiple rate options and a robust, highly successful conservation program portfolio for residential, commercial, and low-income customers. Beyond its core offerings, the Company has also introduced numerous options for customers, including a Minnesota Public Utilities Commission (“Commission”)-approved residential discount rate called the Customer Affordability for Residential Electricity (“CARE”) program, expanded solar rebate programs, solar energy analysis, an LED street lighting rate, a Time-of-Day with Critical Peak Pricing Pilot (“Time-of-Day Rate”), and a soon-to-be-launched community solar garden pilot program – the first in Northeastern Minnesota. Most of these services have been the subject of other proceedings before the Commission. We have also expanded online tools for both residential and commercial customers to give them greater access to information about how they use energy and how they can use it more effectively.

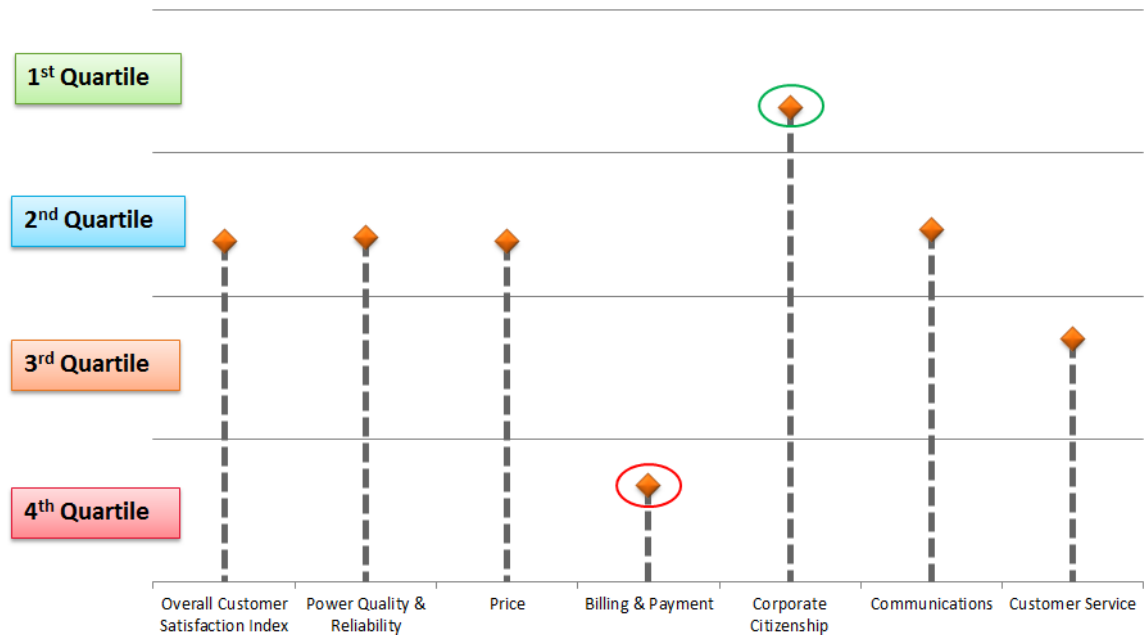
Simultaneously, Minnesota Power sees tremendous opportunity with nascent market products, such as electric vehicles, and has been engaged in the state-based Drive Electric campaign while exploring other outreach and education opportunities to help increase customer adoption. Also, as I explain later, the Company is proposing a Grid Resilience and Innovative Demonstration (“GRID”) Projects Rate, to be implemented on a pilot basis, with a performance metric to further the goal of bringing more innovative solutions to our customers through scalable demonstration projects. This proposal draws from Minnesota Power’s successful experience with the Department of Energy’s Smart Grid Investment Grant (“SGIG”), which included deployment of advanced metering infrastructure (“AMI”), making Minnesota Power the only investor-owned utility in the State of Minnesota with a significant AMI infrastructure penetration. Other aspects of

1 the SGIG include distribution automation, load-control devices, a web portal to support
 2 enhanced feedback about usage, energy efficiency programs, and the Time-of-Day Rate
 3 referenced above. These are just a few examples of how Minnesota Power is delivering
 4 on residential and commercial customer expectations through a combination of
 5 customary offerings and innovative approaches reflective of emerging trends in the utility
 6 industry.

7
 8 **Q. What level of customer satisfaction is the Company currently seeing?**

9 A. Minnesota Power has achieved above-average customer satisfaction ratings according to
 10 our region-specific customer research and the J.D. Power surveys, ranking in the first
 11 quartile on corporate citizenship and in the second quartile on overall customer
 12 satisfaction index, power quality and reliability, price, and communications (Figure 2).
 13

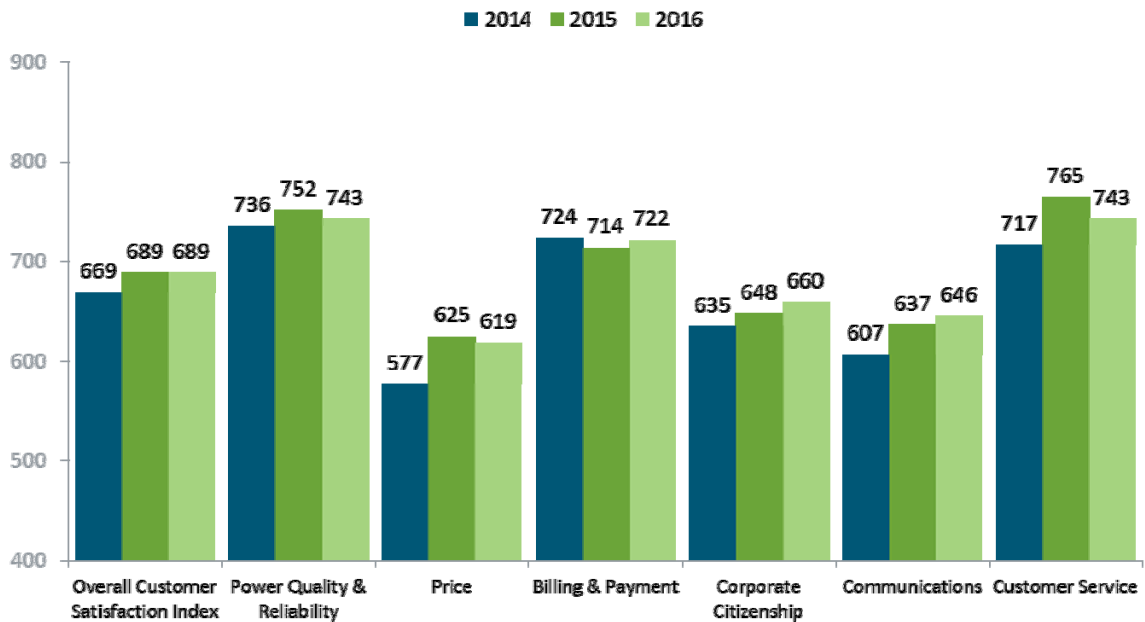
14 **Figure 2: 2016 Electric Residential Percentile - Minnesota Power vs. National²**



² J.D. Power 2016 Electric Utility Residential Customer Satisfaction Study.SM

1 Minnesota Power’s trends since we first participated in the J.D. Power Electric Utility
 2 Residential Customer Satisfaction Study have largely remained steady. Figure 3
 3 illustrates Minnesota Power’s performance over the past few years, depicting the six
 4 factors for measuring customer satisfaction on the x axis (power quality and reliability;
 5 price; billing and payment; communications; corporate citizenship; and customer service,
 6 along with an overall customer satisfaction index) and the index scores on the y axis.
 7 Across all six factors, the largest shifts in index scores have been in pricing and customer
 8 service. This information, combined with our national quartile rankings, suggests that
 9 our greatest opportunities for improvement are in the areas of billing and payment
 10 options, including online or mobile communication platforms, as well as customer
 11 service and pricing or energy-saving offerings.

12
 13 **Figure 3: Minnesota Power Overall CSI and Factor Performance –**
 14 **Year-Over-Year Minnesota Power³**



15 Minnesota Power reviews the quantitative and qualitative information provided through
 16 J.D. Power and periodically augments it with regional survey research and focus groups

³ J.D. Power 2016 Electric Utility Residential Customer Satisfaction Study.SM

1 that can provide additional qualitative context about the core opinions that shape
2 customer satisfaction, customer relationships, and, ultimately, our reputation.

3
4 **Q. Does Minnesota Power believe its existing programs and services are sufficient to**
5 **maintain or improve its customer satisfaction levels?**

6 A. No. As noted above, in an increasingly technology-savvy world, customers expect more
7 flexibility around billing and payment. They also seek control over their energy usage
8 and their accounts through interactive websites and mobile tools. Importantly, the pace
9 of change is accelerating, challenging Minnesota Power to adapt offerings and introduce
10 pilots at an accelerated rate to meet an increasingly diverse set of expectations. To be
11 successful, it is important for Minnesota Power to gather customer feedback and provide
12 products and services to meet their needs in an effective, yet expeditious, manner. This
13 entails customer research that is ongoing and both quantitative and qualitative, as
14 referenced above.

15
16 Emerging areas of customer interest include more control through options like energy
17 savings and renewable choices, largely driven by advancements and decreasing costs for
18 energy-producing, as well as energy-saving, technologies. Customers also expect
19 straightforward, convenient communications for outages, energy management tools, and
20 rate/billing options, all of which are more commonly associated with online or mobile
21 device services. We are experiencing a significant transition where the expectation is to
22 leverage technology, data, and skilled employees to further automate processes, drive
23 decision-making, improve the customer experience, and enable operational excellence.

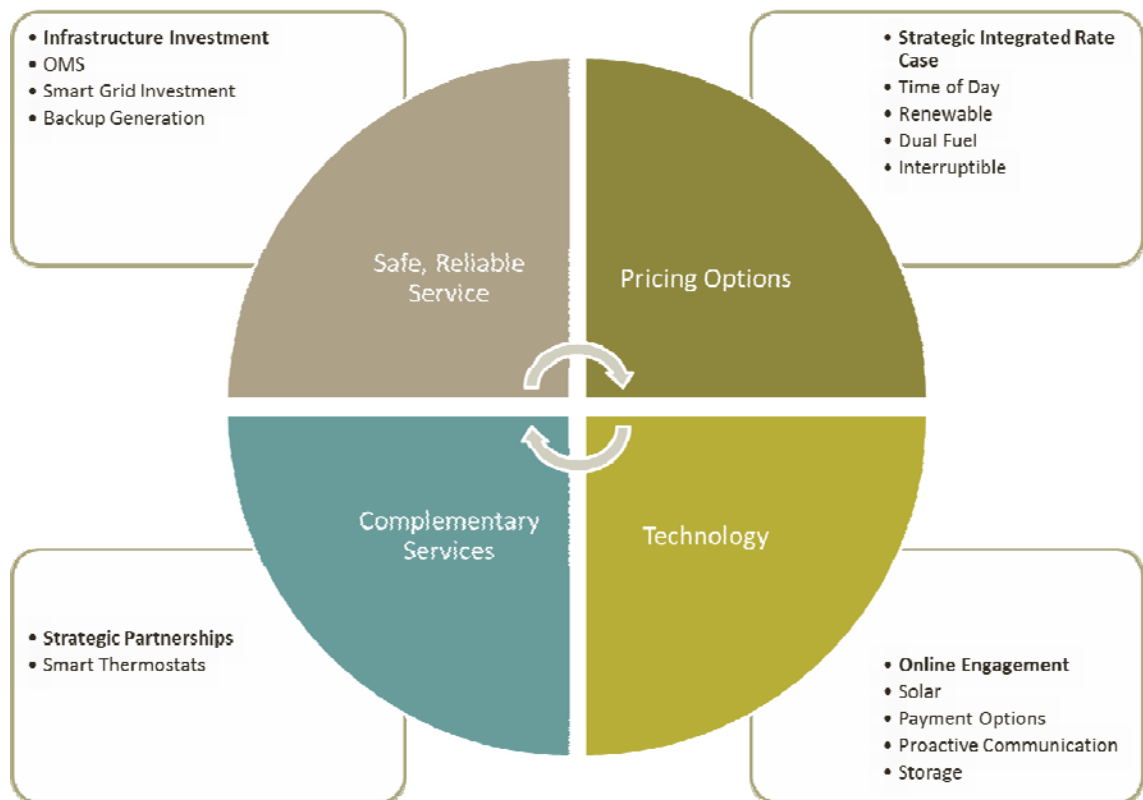
24
25 At the same time, we must continually balance the need to invest in safety, reliability, and
26 customer amenities with customers' desire for affordability. In sum, while the
27 fundamental customer needs for reliability, affordability, and safety do not change,
28 customers' and our regulators' expectations regarding how we can best meet these needs
29 do evolve all the time.

1 **Q. Can you provide more specific examples of Minnesota Power’s current programs**
2 **and investments designed to meet customer needs?**

3 A. Yes. As we think strategically about how to meet customer needs, we are looking at
4 utilizing technology and service solutions in a scalable manner, centered around a four-
5 quadrant approach that is internally consistent; complements Minnesota Power’s core
6 tenets of reliability, affordability, and safety; and supports the changing and increasingly
7 diverse expectations of our customers.

8
9 Figure 4 below identifies our four-quadrant approach to meeting current and emerging
10 customer needs. These quadrants are centered on (1) safe, reliable service; (2) pricing
11 options; (3) technology; and (4) complementary services. For each quadrant, Figure 4
12 identifies the programs and services we are presently developing or providing in today’s
13 environment:

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15 **Figure 4: Four-Quadrant Approach to Products & Services**



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Q. Does this approach require Minnesota Power to make investments in customer-service resources?

A. Yes. To meet our customers’ needs, the Company must continually invest in core and supporting assets. For example, two short-term goals include implementation of a meter data management system (“MDM”) to further leverage advanced metering infrastructure deployment and the launch of Customer Self Service, both of which will increase customer as well as distribution system intelligence. Company witness Mr. Christopher Fleege introduces the Company’s plans for these future projects in his Direct Testimony.

Through a true alignment of customer experience channels, we will provide a disciplined, more comprehensive view of our portfolio of offerings that underscores our shared responsibility for the customer experience across operational and business unit channels. This will further our customer insights, while providing new and meaningful ways to engage with customers and, where applicable, strategic partners to develop energy solutions while ensuring safety and reliability. We envision increased partnership with our customers on the integration of behind-the-meter technologies for increased energy efficiency and demand-response opportunities, distributed generation, and storage.

Q. What steps is the Company presently taking to ensure current and future offerings are consistent with customer affordability principles?

A. The Company has a number of programs and services in place to manage the affordability of electric service to customers. These include:

- CARE Program: provides a discounted rate to income-eligible customers.
- Energy Partners: provides energy efficiency resources to income-eligible customers, including on-site energy analysis and direct installation of energy efficient technologies.
- Payment Arrangements: work with customers to identify mutually-agreeable payment terms for keeping accounts current.

- 1 • Budget Billing: customers can spread a year’s electricity bills evenly across twelve
- 2 months to simplify monthly payments and budgeting and smooth out higher-than-
- 3 average bills that may be experienced in colder-weather months.
- 4 • Energy Assistance: connecting customers with fuel or heating assistance resources,
- 5 including the opportunity for customers to support the Salvation Army HeatShare
- 6 program through one-time or monthly contributions when paying their electric bill.
- 7 • Community Involvement: employees actively engage in communities, volunteering
- 8 time and talent, and contributing to agencies such as United Way.
- 9

10 **Q. Consistent with the principles and approach to customer service noted above, how**

11 **did the Company determine what products and services it wishes to propose for**

12 **residential and commercial customers in this rate review?**

13 A. Minnesota Power identified proposed products and services to (1) address the greatest

14 areas of opportunity for improvement and increased customer satisfaction; (2) recognize

15 emerging customer interests in renewable energy options; (3) continue investment in grid

16 modernization and innovation; and (4) leverage the AMI functionality available today

17 with an eye toward broader deployment. The products and services proposed in this

18 proceeding coincide with each of the four major quadrants described earlier.

19

20 To further complement new offerings proposed in this rate review, Company witness Ms.

21 Podratz describes Minnesota Power’s proposal to adopt a more simplified rate structure

22 for residential customers, moving away from the complex five-tier inverted block rates

23 currently in place. A guiding principle of rate design is that it should be simple enough

24 for the customer to understand and that the level of sophistication generally increases

25 with the customers’ consumption levels and the amounts they spend for electricity.

26 Having relatively simple default pricing, with more complex options added on as

27 necessary for larger customers, allows for that flexibility.⁴ Minnesota Power’s

⁴ See Jim Lazar, *Rate Design Where Advanced Metering Infrastructure Has Not Been Fully Deployed*, REGULATORY ASSISTANCE PROJECT (Apr. 8, 2013), available at <http://www.raonline.org/knowledge-center/rate-design-where-advanced-metering-infrastructure-has-not-been-fully->

1 experience with its energy efficiency programs, Time-of-Day Rate Pilot, and its
2 upcoming community solar garden offering have demonstrated how challenging it is to
3 communicate new offerings when starting from a particularly complex base rate design.
4

5 **Q. What products or services are you proposing as part of this proceeding?**

6 A. Minnesota Power is proposing the following offerings in the context of this proceeding:
7 (1) a Green Pricing program, (2) Reconnect Pilot, (3) a GRID Projects Rate, and (4) a no-
8 fee credit/debit card payment option. I discuss each of these proposals, in turn, below.
9

10
11 **III. GREEN PRICING PROGRAM**

12 **Q. As a part of this review, has the Company considered expanding any renewable
13 program offerings?**

14 A. Yes. Minnesota Statutes section 216B.169, subdivision 2(a) states, “A utility may offer
15 its customers one or more options that allow a customer to determine that a certain
16 amount of the electricity generated or purchased on behalf of the customer is renewable
17 energy or energy generated by high-efficiency, low-emissions, distributed generation
18 such as fuel cells and microturbines fueled by a renewable fuel.” Minnesota Power is
19 proposing a modification to its Rider for Residential/General Service Renewable Energy
20 to develop an optional Green Pricing Program, consistent with the provisions of Minn.
21 Stat. § 216B.169. Under this revised Rider for Voluntary Renewable Energy, customers
22 can choose to get between 25 percent and 100 percent of total usage from renewable
23 energy. The renewable energy used to source this program will be consistent with Minn.
24 Stat. § 216B.2422 and the requirements to qualify for Green-e certification. The Green
25 Pricing Program was also designed to meet the renewable energy provision of Minn. Stat.
26 § 216B.1614 with respect to an electric vehicle charging tariff.
27

1 **Q. What are the requirements to participate in the Program?**

2 A. All Minnesota Power retail customers are eligible to participate in the Green Pricing
3 Program. Participants will have the option to purchase between 25 percent and 100
4 percent of their energy from renewable resources. Customers will be required to
5 participate in the program for at least one year following initial sign-up, but will have the
6 option to leave the program at any time after the one-year requirement is met. This one-
7 year requirement is designed to keep implementation costs of the program low by
8 avoiding the potential of customers moving on and off of this program routinely and
9 providing a level of certainty when sourcing the program. Through this program,
10 Minnesota Power is striving to strike a balance between flexibility for customers and
11 certainty in resource acquisition.
12

13 **Q. What are the benefits to customers?**

14 A. Minnesota Power has observed growing interest in renewable options, though the drivers
15 for interest are diverse, suggesting a portfolio approach with a range of options is the best
16 way to ensure that the Company is meeting the expectations of its customers. Based on
17 market research conducted in 2014, the top motives for residential customer interest in
18 renewable energy include environmental benefits, a desire for cleaner forms of energy,
19 and cost savings (Figure 5).⁵
20

⁵ *Interest in Solar Energy Among Minnesota Power Customers Survey*, HIMLE RAPP & CO., INC. (2014).

1

Figure 5: Customer Motives for Renewable Energy

Why Are They Interested?		What Prevents Usage?	
Good for Environment	33%	Cost	43%
Cleaner	26%	Lack of Info	32%
Cost Savings	10%	Lack of Storage	9%
Climate Change	9%	Tech is New	5%
Responsible	8%	Not Reliable	5%
Anti-Coal/Nuclear	7%	Utility Doesn't Help	3%
Independent Living	5%		

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Based on results from an E Source market research study conducted in 2015, over one-third of Minnesota Power commercial customers expressed an overall commitment to making energy operations as sustainable as possible (Figure 6). While this discovery is in line with the results from the nation-wide sampling (Figure 7), the study found that Minnesota Power customers are much less likely to have a formal sustainability plan or goal. This demonstrates that while Minnesota Power customers are interested in renewable offerings, their participation may not be based on sustainability requirements or objectives.

Figure 6: Customer Commitment to Green Energy: Minnesota Power Data⁶

Overall commitment to green	Top-2 box (%)	Next-2 box (%)	Bottom-6 box (%)
Overall commitment to making energy operations as green / sustainable / environmentally friendly as possible	34	38	28

Base: All respondents (n = 76). **Question 16:** Please rate your organization's commitment to making your energy operations as green / sustainable / environmentally friendly as possible (1-10 scale from "Low" to "High").

Formal green initiatives	No, but it's "in the works" (%)		
	Yes (%)	No / not sure (%)	
A formal sustainability plan (or equivalent)	17	24	59
Formal goals for buying / using renewables	9	17	74

Base: All respondents (n = 76). **Question 17:** Does your organization have any of the following things in place?

© E Source

14

⁶ *How Photovoltaics and Distributed Generation Will Disrupt the Utility Industry: Results from a Multi-Client Study*, E SOURCE (July 2015) [hereinafter E Source Study].

1
2

Figure 7: Customer Commitment to Green Energy: National Data⁷

Commitment	Top-2 box (%)	Next-2 box (%)	Bottom-6 box (%)
Overall commitment to making energy operations as green / sustainable / environmentally friendly as possible	29	47	24

Green initiative	Yes (%)	No, but it's "in the works" (%)	No / not sure (%)
A formal sustainability plan (or equivalent)	48	33	19
Formal goals for buying / using renewables	43	34	23

Base: All respondents (n = 802). **Question 16:** Please rate your organization's commitment to making your energy operations as green / sustainable / environmentally friendly as possible (1–10 scale from low to high). **Q17:** Does your organization have any of the following in place? **Note:** Percentages may not add to 100 percent due to rounding. © E Source

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Through this Green Pricing program, customers will have access to more renewable energy. And as participants, they will retain the renewable attributes, with the corresponding Renewable Energy Certificates (“RECs”) retired annually on the customer’s behalf. A REC is a tradeable, contractual instrument that represents the full suite of attributes of 1 megawatt hour (“MWh”) of renewable energy generation on the electricity grid.⁸ RECs are often the means of compliance with utility renewable portfolio standards and corporate sustainability goals.

Q. What are your participation assumptions?

A. Currently, there is a mixture of over 450 residential and commercial customers participating in Minnesota Power’s WindSense green pricing program. Those customers are purchasing roughly 1,260,000 kWh of renewable energy per year.

⁷ E Source Study, at 6.

⁸ GREEN-E GLOSSARY, http://www.green-e.org/learn_glossary.shtml (last visited Oct. 28, 2016).

1 According to a study published by the National Renewable Energy Laboratory,⁹ in 2014
2 residential green pricing sales grew by approximately 4 percent, while the number of
3 residential green customers grew by approximately 7 percent.¹⁰ Non-residential green
4 pricing participation grew by approximately 5 percent; however, sales fell by
5 approximately 1 percent.¹¹ With increased education and outreach efforts, Minnesota
6 Power hopes to achieve participation rates in line with those realized through similar
7 offerings, if not more. However, the program will be sourced appropriately to meet
8 customer needs.

9
10 Minnesota Power realizes that customer wants and needs vary and as such, strives to
11 offer a variety of programs for customers to choose from. With the introduction of
12 community solar gardens, the growing interest to install renewable energy onsite and the
13 increasing trend of corporate sustainability goals, Minnesota Power sees a Green Pricing
14 Program as a critical component of the renewable offering portfolio. The Green Pricing
15 Program allows customers to support renewable energy in a way that works for them
16 while having RECs retired on their behalf.

17
18 **Q. How will the price be set?**

19 A. The premium for this program will be determined by market-based prices. Minnesota
20 Power will source the qualified renewable energy for the program, plus associated
21 certification and administration costs of implementation and program maintenance. The
22 program's resource mix will be managed as a portfolio of renewable products with the
23 following goals: (1) reasonable program pricing; (2) monitoring to ensure that there is
24 sufficient availability of resources in the market for meeting Green-e requirements; and
25 (3) flexibility to align with the customer participation in the product and defined pricing
26 parameters.

27

⁹ *Status and Trends in the U.S. Voluntary Green Power Market (2014 Data)*, NAT'L RENEWABLE ENERGY LAB. (Oct. 2015) [hereinafter NREL Study], available at <http://www.nrel.gov/docs/fy16osti/65252.pdf>.

¹⁰ NREL Study at 9.

¹¹ NREL Study at 9.

1 The final price, per Minn. Stat. § 216B.169 rate guidelines, will “reflect the difference
 2 between the cost of generating or purchasing the additional renewable energy and the
 3 cost that would otherwise be attributed to the customer for the same amount of energy
 4 based on the utility’s mix of renewable and nonrenewable energy sources.” Figure 8
 5 below provides a detailed pricing formula.

6
 7 **Figure 8: Renewable Rate Pricing Draft**

<u>Power Supply Cost:</u>		Annual Cost
Expected annual energy output	xx kWh	
Energy cost (per PPA guidelines)	\$xx per kWh	
Delivery Cost	\$xx per kWh	
<u>Miscellaneous Cost:</u>		
Certification fee	\$xx per year	
Administration	\$xx per year	
Total Cost		
Cost per kWh to MP Customers		\$xx per kWh
Less: Unit cost for target group Power Supply ¹		\$xx per kWh
Renewable Premium Price over Unit Cost		\$xx per kWh

8
 9 This approach ensures that program pricing remains reflective of the renewable energy
 10 market, particularly as the cost of renewable energy sources continues to fluctuate.
 11 Instead of locking into a single asset with a long-term power purchase agreement, this
 12 program will provide greater flexibility to customers with respect to price, participation
 13 terms, and blend of renewable resources. I describe our sourcing plan in more detail
 14 below. This approach will also help ensure that customers are getting the competitively-
 15 priced options, as well as send proper market signals through routinely-updated pricing.

16
 17 **Q. Why is Minnesota Power planning to pursue Green-e certification?**

18 A. Minnesota Power plans to pursue Green-e Energy certification for the Green Pricing
 19 Program because Green-e Energy is the nation’s leading independent certification and
 20 verification program for renewable energy. Green-e is a voluntary consumer-protection

1 program that certifies renewable energy options offered by utilities and marketers in the
2 voluntary renewable energy market. Obtaining Green-e certification for the Green
3 Pricing Program will give customers confidence that the renewable energy sources used
4 in the program meet rigorous environmental and consumer protection standards. This
5 can be especially beneficial for customers with sustainability goals or requirements.
6

7 According to a National Renewable Energy Laboratory (“NREL”) report published in
8 October 2015, Green-e Energy certified 38.0 million MWh of retail transactions in
9 2014.¹² Utilities around the country pursue Green-e certification for utility green pricing
10 programs as a best practice to provide additional quality assurance and verification.
11

12 **Q. What are Green-e requirements?**

13 A. Green-e requirements are robust and fall into two major areas: eligible generation and
14 program requirements. With respect to eligible generation, green pricing programs must
15 use renewable resources that are less than 15 years old. The renewable energy must be
16 fully aggregated and contain all greenhouse gas emissions reduction benefits. In
17 addition, (1) it must be located within Minnesota; and/or (2) the North American Electric
18 Reliability Corporation (“NERC”) region, Independent Service Operator (“ISO”),
19 Regional Transmission Organization (“RTO”), or Balancing Authority Area of the
20 customer being served; and/or (3) an adjacent NERC, ISO, RTO, or Balancing Authority
21 Area region. The renewable energy is then wheeled into the respective region of the
22 customer being served.
23

24 Green-e also requires a certified program to meet certain consumer protection standards.
25 A utility with a Green-e certified green pricing program must report annually on the
26 prospective and historical generation used to source the program as well as the marketing
27 materials to ensure that green claims are represented properly. Green-e also requires that
28 the costs of a certified green pricing program are allocated to customers participating in
29 the program and do not affect non-participating customers.

¹² NREL Study at 12.

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Q. Will the Green Pricing Program expand on other renewable options Minnesota Power offers to its customers?

A. Yes. In addition to the increased mix of renewable energy offered through its *EnergyForward* plan, Minnesota Power also offers customers the option to participate in renewable energy through its SolarSense program and Community Solar Garden pilot program. The Company has offered its SolarSense rebate program since 2004. Through this program, customers receive rebates to install solar photovoltaics on their homes or businesses. On June 1, 2016, the Company requested to significantly expand this program beginning in 2017, with a decision from the Commission pending (Docket No. E015/M-16-485). As a part of that request, the Company proposed a low-income solar pilot program, and expanded education and outreach, and solar research and development. The Company’s proposed Community Solar Garden pilot program was approved in July 2016, with implementation expected in 2017 (Docket No. E015/M-15-825). These programs allow customers to participate in renewable energy in a way that works for them. The Green Pricing Program will expand on those offerings to give customers an option to keep the renewable energy credits associated with the renewable energy they purchase.

Q. What, if any, impact will this have on other Minnesota Power customers?

A. Renewable energy that is procured for the program above and beyond customer needs will be tracked in a separate tracker, similar to the current WindSense program offered under the existing Rider for Residential/General Service Renewable Energy. Therefore, there will be no impact to non-participating customers.

Q. Will this program require additional procurements?

A. Yes, Minnesota Power will procure energy for this program through short-term power purchase agreements (“PPAs”) for renewable resources that meet the Green-e certification requirements. These PPAs will be in addition to Minnesota Power’s current renewable power supply.

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Q. How will you source this program?

A. Minnesota Power will source competitively-priced renewable energy, consistent with Minn. Stat. § 216B.2422, through short-term PPAs. The renewable energy procured to meet the needs of this program will also meet the Green-e certification criteria. While the resources needed for this program are not identified in Minnesota Power’s 2015 Integrated Resource Plan (“IRP”), the anticipated small size of the program does not impact the short-term or long-term needs outlined in the IRP. Minnesota Power will continuously monitor the program and if participation rates are higher than expected, Minnesota Power will evaluate how that may affect needs through the resource planning process.

Q. What is Minnesota Power ultimately requesting with respect to the Green Pricing Program?

A. Minnesota Power asks the Commission to approve implementation and the surcharge calculation methodology of this new renewable source offering for the benefit of customers. Minnesota Power will submit an annual compliance filing to the Commission to update the surcharge amount based on the calculation methodology outlined in Figure 8 above. Redlined and clean versions of the Rider for Voluntary Renewable Energy, Minnesota Power Electric Rate Book, Section V, Page No. 73, that reflect the proposed changes are provided in the Tariff Pages for Change in Rates in Volume IV.

IV. RECONNECT PILOT

Q. What is the Reconnect Pilot?

A. The Company proposes a Reconnect Pilot to offer customers a more efficient and cost-effective way to get reconnected in the event that their service has been disconnected for non-payment. The Reconnect Pilot utilizes advanced metering infrastructure with remote technology capability to implement a more automated reconnection process, making it possible to reconnect customers in a timelier manner. Under this pilot, residential

1 customers with the applicable meter capability will be given the option to be reconnected
2 remotely. A customer service representative would initiate the reconnection and stay on
3 the line with the customer to walk them through the process and affirm the reconnection.
4 The standard reconnection fee would apply to any daytime reconnection and a discounted
5 fee for after-hours reconnection would be offered to those customers with this meter
6 capability at their premises. More specifically, the current reconnection fee after
7 4:30 PM, before 8:00 AM and on Saturdays, Sundays, and legal holidays is \$100.00.
8 Through the Reconnect Pilot, a significantly reduced fee of \$20.00, which is consistent
9 with the normal business hours fee, would be offered.

10
11 **Q. Who would be able to participate?**

12 A. The Company intends to conduct a pilot program for roughly 200 residential customers
13 throughout Minnesota Power's service territory, the majority of which are in Duluth and
14 Cloquet. As an initial screen, the Reconnect Pilot could only be made available to
15 customers with remote technology capability and who were disconnected for non-
16 payment, have met payment requirements, and desire or need to be reconnected after
17 hours. The selected geographical locations are to ensure remote connectivity to the
18 meter. Service characteristics will also be considered, as not all configurations have the
19 capabilities for remote commands.

20
21 **Q. Why not automatically configure all installed AMI technology with remote
22 reconnect capability?**

23 A. It would not be economical to automatically configure all installed AMI technology with
24 this capability, as there is an increased cost of nearly 42 percent per meter. At this time,
25 and based on the percentage of customers who are affected by disconnections and
26 subsequent reconnections, we have determined that it makes sense to incur the
27 incremental cost only where the communications infrastructure is in place and where the
28 level of disconnect/reconnect activity warrants the investment. Customers with frequent
29 disconnections, difficult access, hazardous location, and threats such as a dog or other
30 potential unsafe condition would be prioritized for the Pilot, as this would represent the

1 best fit and the greatest savings opportunities for both the customers and the Company
2 from a fee and operational perspective, respectively. As technology advances and
3 incremental costs potentially decrease, the availability to offer this capability to our
4 customers will likely expand.

5
6 **Q. Why is the Company introducing this as a pilot, rather than as a reduced fee
7 overall?**

8 A. As discussed in more detail in Company witness Mr. Christopher Fleege's Direct
9 Testimony, Minnesota Power is deploying AMI throughout its service territory currently,
10 continuing over the next several years. As this infrastructure is not available everywhere,
11 a pilot of this nature will prove insight regarding the customer experience, scalability and
12 effectiveness of solution, operational savings, and safety benefits. Further, the meter
13 capabilities to allow for such functionality are an additional cost, as described above.
14 The pilot would help to inform the overall benefits realized from an increased investment
15 in this technology as compared to the incremental cost increases.

16
17 **Q. How did the Company determine the pricing for the Reconnect Pilot reduced fees?**

18 A. The pricing for the Reconnect Pilot reduced fees is consistent with the current service
19 reconnection fees for normal business hours of 8:00 AM to 4:30 PM. The primary basis
20 for the current difference in charges for reconnection after hours is that there are
21 decreased staffing levels during this timeframe and a reconnect would generally entail
22 increased labor costs that involve overtime pay. If a remote reconnection option is
23 available, accessible after-hours staff would presumably be able to conduct this service
24 from the office or service center without calling in additional resources or rolling a truck
25 to the customer site.

26
27 **Q. Why does the Company believe it needs Commission approval to initiate this
28 Reconnect Pilot?**

29 A. Commission approval is needed to initiate this pilot because it entails a change to the
30 electric service regulations of Minnesota Power and represents a cost difference that

1 would only be available on a limited basis to a subset of customers with this meter
2 capability. Redlined and clean versions of the proposed changes are provided in the
3 Electric Service Regulations of Minnesota Power, Minnesota Power Electric Rate Book,
4 Section VI, Page No. 3.5, #20 in Volume IV of the Company's Initial Filing.
5

6 **Q. Please summarize the benefits of the Reconnect Pilot for participating customers.**

7 A. Customers will be immediately and remotely reconnected as soon as payment is received
8 and based upon the filed activity completion. In short, it is a faster, safer, and potentially
9 less expensive way to reconnect the customer after hours, providing for more timely
10 restoration of service at a lower cost. While the majority of reconnections occur during
11 normal business hours, after-hours reconnections are generally more distressing for
12 customers and an increased reconnection fee can exacerbate the circumstances. This
13 pilot would leverage technology that can improve service to reconnecting customers at a
14 lower cost and more safely, which Minnesota Power believes is an initiative worth
15 exploring through a pilot.
16

17 **Q. What are the benefits of the Reconnect Pilot for Minnesota Power and the rest of its
18 customers?**

19 A. Minnesota Power will be able to leverage technological capability in the field. There is
20 savings potential for the Company and the rest of its customers because the transaction
21 would not require rolling a truck twice to reconnect the customer. It is a faster and safer
22 way to reconnect customers and is an excellent example of how technology
23 modernization can improve processes, increase safety, save time, and minimize
24 expenditure of resources.
25

26 **Q. Are costs, savings, or both associated with this proposed pilot incorporated into the
27 2017 test year?**

28 A. No. Given the limited nature of this pilot and that the cost savings are primarily realized
29 by customers affected, there has not been a related adjustment to the 2017 test year. The
30 metering technology needed to conduct the pilot is currently available and either in place

1 or ready to be installed. Minnesota Power will use this pilot to inform the business case
2 for a broader offering in terms of related costs and savings.
3
4

5 **V. GRID RESILIENCE AND INNOVATIVE DEMONSTRATION PILOT**

6 **Q. What is the GRID Pilot project?**

7 A. Minnesota Power is proposing a GRID Pilot project through which the Company will
8 establish funds to demonstrate new grid modernization technologies or innovative
9 projects in collaboration with customers and communities to proactively test the abilities,
10 costs, and benefits of these new technologies. More specifically, the GRID project would
11 entail working with local municipalities, counties, and state agencies to identify and
12 demonstrate innovative approaches to meet needs for critical loads and grid resiliency.
13 These projects would then inform future rate design as well as product and service
14 offerings. The ultimate goal of this program is to support multiple policy objectives,
15 including grid modernization, renewable integration, microgrids, and potentially storage
16 that will ultimately provide system-wide benefits to our customers. Minnesota Power is
17 requesting approval of this pilot pursuant to Minn. Stat. § 216B.05.
18

19 **Q. Why is Minnesota Power proposing this pilot at this time?**

20 A. Minnesota Power is actively engaged in the grid modernization initiative led by the
21 Commission. While that effort is ongoing, the role of research and development needs at
22 the utility was a discussion point that prompted this proposal.
23

24 The Commission Staff Report on Grid Modernization states that:

25 Many of the technologies currently identified, or future ones not yet
26 identified, take years for study and evaluation, which then allow for a cost-
27 effectiveness methodology. With change anticipated for the grid over the
28 next decade, and the general pace of utility investment decisions
29 (including rate cases), it may be challenging for the distribution utility to
30 keep abreast of the fast turnaround time of the market. Allowing utilities
31 the opportunity to trial technologies and prove the benefits may be more
32 useful than relying solely on utilities to show that certain investments are
33 cost-effective from day one. The grid, available technologies, and

1 customer expectations are changing rapidly, but keeping the utilities stuck
2 in an existing regulatory program puts the utility in an untenable situation
3 of being unable to effectively respond to these changes. Allowing the
4 utilities to utilize some amount of funds to trial these new technologies
5 will help the utility and the state to proactively test out the abilities, costs,
6 and benefits of these new technologies at the start. Thus, the Commission
7 should recognize that R&D funding will result in some failures. Indeed,
8 failure, in an R&D context, is valuable; having technology fail in the R&D
9 phase avoids the potential ratepayer impacts of a larger investment, but
10 also provides an educational opportunity.¹³
11

12 Minnesota Power agrees with these sentiments and this proposal is a measured solution to
13 address challenges while moving forward with in-field applications.
14

15 **Q. What customer classes would this proposed pilot affect?**

16 A. The GRID Pilot would be applicable to distribution-level customers, which includes all
17 rate classes except large power. However, Minnesota Power proposes that costs incurred
18 in implementing this pilot will not be recovered from low-income residential ratepayers,
19 as defined in Minn. Stat. § 216B.16, subd. 15. This proposal is an effort to balance the
20 cost impact of developing grid technologies, while also looking forward in terms of
21 distribution system changes and the importance of modernization investments that will
22 help to enhance reliability, improve security, increase energy conservation with enhanced
23 communications afforded by two-way meters, control technologies, energy storage and
24 microgrid technologies to enable demand response, and other innovative technologies.¹⁴
25

26 **Q. How does Minnesota Power propose to implement the GRID project?**

27 A. Minnesota Power proposes a GRID Pilot rider, subject to annual true-up and
28 reconciliation. The Company requests a variance to Minnesota Rules 7820.3500 and
29 7825.2600 to allow this rider to be combined with the Conservation Program
30 Adjustment¹⁵ on one line item in customers' bills, known as the Resource Adjustment.
31 Minnesota Power proposes a rider of \$0.00085/kWh, or roughly \$0.62/month and \$7.43

¹³ *In the Matter of the Comm'n Investigation into Grid Modernization*, Docket No. E999/CI-15-556, MINN. PUB. UTILS. COMM'N STAFF REPORT ON GRID MODERNIZATION at 33 (Mar. 24, 2016).

¹⁴ H.R. 3, 89th Leg., 1st Spec. Sess. (Minn. 2015) (modifying Minn. Stat. § 216B.2425).

¹⁵ The Conservation Program Adjustment was most recently approved in Docket No. E015/M-16-226.

1 annually for the average residential customer. This would represent an annual funding
 2 base of \$2.7 million, which would be allocated to projects as determined through a
 3 selection committee process described below. Figure 9 below provides a calculation of
 4 the proposed funding and cost recovery by rate class.

5 **Figure 9: GRID Pilot Rate Design**

Minnesota Power
 GRID Project Rate Design
 E015/GR-16-664
 Test Year Ending 12/31/2017

Line No.	Rate Class	kWh	Rate/kWh	Funding	Number of Customers	Average Cost/Cust per Year	Average Cost/Cust per Month
1			\$0.00085				
2	Residential (excluding LIHEAP)	880,005,990		\$751,357	101,117	\$7.43	\$0.62
3	All Residential	985,494,000					
4	LIHEAP 1/	105,488,010					
5	Residential Dual Fuel	101,014,000		\$86,247	7,520	\$11.47	\$0.96
6	General Service	641,438,000		\$547,665	20,057	\$27.31	\$2.28
	General Service Dual Fuel	27,854,000		\$23,782	20,058	\$1.19	\$0.10
7	Large Light & Power	1,494,916,000		\$1,276,372	449	\$2,842.70	\$236.89
8	Municipal Pumping	17,074,000		\$14,578	229	\$63.66	\$5.30
9	Total	3,162,301,990		\$2,700,000	149,430		

1/kWh for Residential LIHEAP customers per EITE Docket No. E015/GR-16-564

6
 7
 8 The proposed Rider for Grid Resilience and Innovative Demonstration is provided in the
 9 Tariff Pages for Change in Rates in Volume IV as part of the Minnesota Power Electric
 10 Rate Book, Section V, Page No. NEW-3.

11
 12 **Q. How has Minnesota Power assessed reasonable levels of funding for the GRID
 13 project?**

14 A. To determine reasonable funding levels, Minnesota Power considered the likely impact to
 15 customers on an average bill basis in balance with funding levels needed to make
 16 meaningful advances in the identified areas. We attempted to identify the level of
 17 funding based on what other utilities are experiencing nationwide. Based on recent
 18 requests for proposals in different areas of the country, smaller scale storage projects for
 19 the near-term horizon average around \$1,000/kW and around \$900/kWh for installed
 20 costs. Costs for potential microgrid projects are very inconsistent depending on goals and

1 applications; however, most of these projects will have components of renewable energy
2 sources, storage, advanced controls, and potentially combined heat and power which have
3 solid cost baselines by which reasonable estimates could be made.
4

5 Minnesota Power forecasts that many of the projects may require a large percentage of
6 the budget over a multi-year implementation period. For example, a 2 MW energy
7 storage project could have a \$1 million per year project execution plan over a two-year
8 period. We anticipate that cash flow would be a critical aspect of project selection and
9 execution planning for larger projects. We therefore propose a funding level that would
10 enable us to develop projects at a reasonable scale and pace. Given the prevalence of
11 grid modernization and the importance of the distribution planning process, this
12 investment level will allow for meaningful projects to move forward under a disciplined,
13 yet adaptive, model that affords flexibility and innovation at the distribution-system level.
14

15 **Q. What types of projects would be eligible for funding through this pilot and how**
16 **would they be evaluated?**

17 A. The Company plans to limit the project types that would be considered and evaluated into
18 one or more of the following three categories:

- 19 (1) Integrating and accommodating distributed energy resources (“DERs”), including, but
20 not limited to, solar energy production, wind energy production, energy storage,
21 energy control systems, and the application of DERs within microgrids.
22 (2) Customer research pilots that investigate emerging rate structures and programs that
23 leverage available information, technology, and communication.
24 (3) Distribution system efficiency projects that leverage emerging technology and
25 analytics to manage and optimize energy flow and optimize asset use.
26

27 Generally, we anticipate that the evaluation criteria would help identify projects that can
28 further enhance customer service, increase grid resiliency, and potentially reduce
29 operational costs over the long term.
30

1 **Q. How will Minnesota Power screen and identify the projects to pursue?**

2 A. Minnesota Power suggests the appointment of an advisory committee, as discussed under
3 governance below, consisting of Minnesota Power representatives, as well as those
4 representing various stakeholder groups. This committee would assist Minnesota Power
5 with the final development of project selection criteria, including potential refinements to
6 the categories suggested above.

7
8 **Q. How would Minnesota Power ensure the program has proper governance?**

9 A. Given Minnesota Power’s positive and extensive experience with the U.S. Department of
10 Energy’s (“DOE”) SGIG, the Company would initially recommend modeling the
11 program after the SGIG with the following important facets:

12 (1) Detailed Project Execution Plan: For approved project goals and scope, a detailed
13 project management plan including schedule, work breakdown structure (“WBS”),
14 cash flow outlay, and tailoring strategy for potential project risks. Monthly progress
15 reports for plan versus actuals for the facets of this planning would be recommended.

16 (2) Metrics & Benefits Reporting: Prior to the approval of each project, essential
17 metrics, key performance indicators, and success factors will be agreed upon along
18 with methodology for required reports and evaluation.

19 (3) Financial Transparency: Minnesota Power would anticipate a mechanism similar to
20 Recovery.gov for ensuring financial and progress transparency. Financial reporting
21 under this structure required financial disclosure of all material transactions over
22 \$25,000 (or other recommended limit) to be reported by purpose, entity, and
23 Employer Identification Number (“EIN”) for the purposes of public disclosure.

24
25 In addition to modeling the governance after the DOE SGIG program, Minnesota Power
26 would suggest additional involvement and oversight from critical consumer stakeholders
27 such as local community stakeholders, the Department of Commerce and/or the
28 Minnesota Office of the Attorney General through direct appointment of advisory
29 committee members. This would include a project selection process, regularly-scheduled

1 project review and status updates, and an annual compliance reporting that includes an
2 update on funding status, project progress, and evaluative findings.

3
4 **Q. Is Minnesota Power proposing to include any costs associated with the GRID
5 project in base rates for the 2017 test year?**

6 A. No. As noted above, we propose to utilize a GRID Pilot rider to enhance transparency
7 and flexibility associated with this important effort to advance grid modernization.
8 Therefore, there is no direct impact to 2017 base rates.

9
10
11 **VI. CREDIT CARD PAYMENT FEES**

12 **Q. Please explain the Company's proposal with respect to credit and debit card
13 payments.**

14 A. Minnesota Power is requesting approval to allow residential and commercial customers
15 to pay their electric bills with a credit or debit card without incurring an individual, per-
16 transaction fee, also known as a convenience fee. While bank charges are typically
17 unavoidable costs associated with making or accepting credit and debit card payments,
18 we propose to include these charges in Minnesota Power's general costs of doing
19 business, similar to fees paid for other payment methods such as Automatic Clearing
20 House ("ACH") or check processing.

21
22 **Q. How does the Company currently account for the cost of accepting credit and debit
23 card payments?**

24 A. Currently, when customers use a debit or credit card to pay their bill, they are charged a
25 transaction fee by the third-party payment vendor of \$2.95 for each payment. This
26 applies to any debit or credit card payments, including recurring payment plans that use
27 debit or credit cards, as well as one-time phone and online payments that use ACH.

1 **Q. How would the Company account for these costs under the revised approach?**

2 A. Under the proposed program, residential and commercial customers would have the
3 opportunity to pay their monthly bills by debit or credit card without the individual per-
4 transaction fee. Instead, bank charges associated with customer payments by debit or
5 credit card would be assumed by Minnesota Power and included in the Company's
6 overall operations and maintenance ("O&M") expense, rather than customers incurring
7 charges individually for each card transaction. There would still be a limited number of
8 transactions per month of no more than five in a 30-day period, with maximum payment
9 transaction amounts capped at \$500 for residential customers and \$800 for commercial
10 customers, consistent with current caps.

11

12 **Q. Please explain why Minnesota Power is making this proposal.**

13 A. We believe there are several benefits to this proposal. First, payment by debit and credit
14 card has become a nearly universal means by which consumers pay for goods and
15 services. As customers do business in other industries and at retail outlets that do not
16 assess additional fees for card payments, they will compare that experience to doing
17 business with their utility. Payment fees are a thorn in the side of customers and,
18 according to J.D. Power, eliminating payment fees is the overwhelming response when
19 customers are asked what could be improved with the billing and/or payment process of
20 their utility.¹⁶ Consistent with this finding, of the six weighted factors in the J.D. Power
21 Customer Satisfaction Index, Minnesota Power consistently scores in the bottom quartile
22 on the billing and payment factor. Making it easier to pay by bank card is therefore
23 expected to enhance customer convenience, satisfaction, and improved quality of service.

24

25 In fact, there is a growing trend where utilities are offering a fee-free card acceptance
26 option with roughly 28 percent of electric utilities offering no fee for some or all card

¹⁶ J.D. Power Best Practices and Innovations Catalog, *Card Payment Acceptance in the Utility Industry*, J.D. POWER (2016) [hereinafter J.D. Power Catalog].

1 payments.¹⁷ Further, this form of payment is more suitable for anticipated self-service
2 options that will be available to customers around the clock. By providing this option,
3 customers are given the flexibility to choose the payment option that best suits their needs
4 during the times that fit their schedules, an essential part of providing convenient services
5 and meeting customer expectations. Additionally, consumer advocate groups have
6 suggested that convenience fees erode the purchasing power of debit cards and, when
7 repeatedly assessed during the course of a month, undercut customers' ability to apply
8 scarce available funds to payment of actual utility services.¹⁸

9
10 Further, according to an article by Fortnightly, payment cards have emerged as a
11 replacement for cash and checks and are particularly favored by Generation X and Y
12 customers, with debit cards constituting roughly 60 percent of payment card transactions.
13 Interestingly, the most considerable growth has been in pre-paid cards, which are
14 particularly popular among low-income customers and used as a substitute for cash,
15 checks, and money orders.¹⁹ Importantly, there is a growing demographic segment that is
16 "under- and un-banked" due to more restrictive credit policies, further driving the growth
17 of prepaid cards. Government assistance programs are also increasingly using pre-paid
18 cards for government benefits disbursement, increasing the likelihood of usage among
19 low-income customers as a preferred bill payment option.²⁰

20
21 Overall, we expect that giving customers voluntary options to pay by the method of their
22 choice without incurring additional per-transaction fees will lead to more regular
23 payments and greater customer satisfaction.
24

¹⁷ See J.D. Power Catalog. This includes a combination of investor-owned, municipal, and cooperative utilities, with investor-owned representing nearly half of those listed. Several utilities offer this option when customers pay online or go to paperless billing.

¹⁸ Nat'l Ass'n of State Util. Consumer Advocates, *Urging Utilities to Eliminate "Convenience" Fees for Paying Utility Bills with Debit and Credit Cards and Urging Appropriate State Regulatory Oversight* (Nov. 13, 2012), available at <https://nasuca.org/2012-07-urging-utilities-to-eliminate-convenience-fees-for-paying-utility-bills-with-debit-and-credit-cards-and-urging-appropriate-state-regulatory-oversight/>.

¹⁹ J. Miller, *Paying With Plastic*, PUB. UTILS. FORTNIGHTLY (Dec. 2009), available at <http://www.fortnightly.com/fortnightly/2009/12/paying-plastic> (full article accessible to subscribers).

²⁰ *Id.*

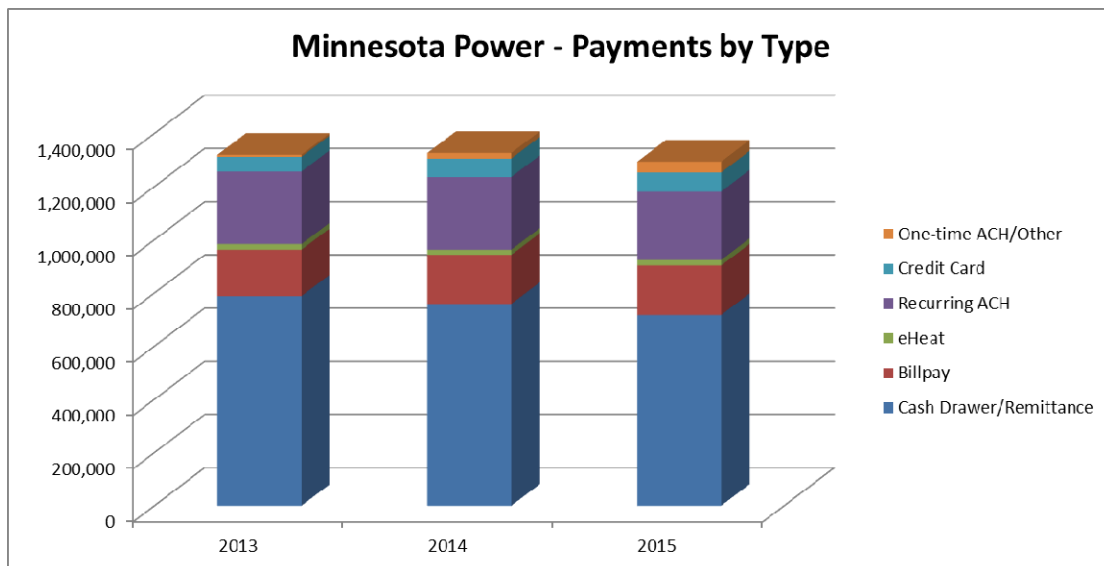
1 **Q. Has the Company estimated the fees associated with customer use of credit/debit**
2 **cards?**

3 A. Yes. The Company has estimated this cost to be \$350,000 and has reflected this
4 additional expense in its test year expenses as part of this proceeding.
5

6 **Q. What are the major assumptions that the Company included in the above cost**
7 **estimates?**

8 A. The current convenience fee customers pay for these transactions is \$2.95. This cost
9 reflects the Company's successful efforts in 2012 to reduce the costs per transaction from
10 \$3.50, as discussed by Company witness Mr. Christopher Fleege. While Minnesota
11 Power anticipates the cost per transaction to go down further due to economies of scale,
12 there is also an expectation that the number of transactions will increase. Increased credit
13 card transactions for utilities that have converted to fee-free options have ranged from 2
14 to 3 percent with total payments from credit cards transactions ranging anywhere from 17
15 to 40 percent. Minnesota Power's current mix of payments by type is summarized in
16 Figure 10 below, with payments by check (cash drawer/remittance) representing the
17 largest majority of transactions at between 55 and 60 percent for the 2013 to 2015
18 timeframe, followed by recurring ACH at roughly 20 percent.
19
20

Figure 10: Customer Payment Mix



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Because Minnesota Power’s current level of recurring payment plans and because credit and debit card payments have represented approximately 5 percent of payment transactions, a 10 percent increase in credit and debit card activity was assumed under this proposal. This would bring the total assumed credit and debit card activity to approximately 15 percent.

Q. Given that this is a new proposal and that the Company is estimating future acceptance rates, how does the Company propose to ensure it does not unreasonably over- or under-collect the costs of this transition?

A. While we have reviewed historical and current payment transaction data and consulted with our third-party payment vendor regarding typical acceptance rates to estimate possible usage rates and costs for this program, it is challenging to forecast actual acceptance rates with a no-fee option since the Company has not offered such a program before. Customer economics and demographics also make it difficult to derive specific acceptance rates. As a result, Minnesota Power recommends an ongoing tracker for credit card expenses that will be maintained and trued-up for any over- or under-collections as part of a future rate proceeding.

VII. CONCLUSION

Q. Does this complete your testimony?

A. Yes.