

October 14, 2019

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/M-19-369

Dear Mr. Wolf:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Minnesota Energy Resources Corporation's (MERC) 2019 Evaluation of its Gas Affordability Program (GAP).

The filing was submitted on May 31, 2019 by:

Michael R. Mueller
Manager – Low Income & Medical Conditions Programs
Minnesota Energy Resources Corporation
2685 145th Street West
Rosemount, MN 55068

The Department will provide its final recommendations to the Minnesota Public Utilities Commission (Commission) after reviewing reply comments by MERC. The Department is available to respond to any questions the Commission may have on this matter.

Sincerely,

/s/ MICHAEL N. ZAJICEK
Rate Analyst

MNZ/ja
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G011/M-19-369

I. INTRODUCTION

On May 31, 2019, Minnesota Energy Resources Corporation (MERC or the Company) filed its Gas Affordability Program (GAP or Program) Evaluation Report (Evaluation Report) for the period 2015 through 2018. The Evaluation Report includes:

- background on the Program;
- description of the Program's design, administration, and participation;
- evaluation of the Program in terms of the requirements in the Program's enabling statute;
- analysis of the Program's cost effectiveness; and
- analysis of the Program's societal benefits and costs.

MERC requested that the Minnesota Public Utilities Commission (Commission) accept the Evaluation Report and extend its approved GAP for an additional four years, through December 31, 2023.

II. BACKGROUND

A. GAP ENABLING STATUTE

Minn. Stat. § 216B.16, subd. 15(a), requires that the Commission "consider ability to pay as a factor in setting utility rates."

Presumably with this consideration in mind, paragraph (a) (of Minn. Stat. § 216B.16, subd. 15) also states that the Commission may require utilities to implement programs to make gas more affordable for low-income residential customers, which the statute defines as those in the low-income home energy assistance program (LIHEAP). Specifically, the statute states that:

- The Commission "may establish affordability programs for low-income residential ratepayers in order to ensure affordable, reliable, and continuous service."
- "A public utility serving low-income residential ratepayers who use natural gas for heating must file an affordability program with the commission ... [where] 'low-income residential ratepayers' means ratepayers who receive energy assistance from the low-income home energy assistance program."

Paragraph (b) sets out five requirements for gas affordability programs:

Any affordability program the commission orders a utility to implement must:

- (1) lower the percentage of income that participating low-income households devote to energy bills;
- (2) increase participating customer payments over time by increasing the frequency of payments;
- (3) decrease or eliminate participating customer arrears;
- (4) lower the utility costs associated with customer account collection activities; and
- (5) coordinate the program with other available low-income bill payment assistance and conservation resources.

Paragraph (c) gives the Commission the authority to require utilities to file GAP evaluations:

- (c) In ordering affordability programs, the commission may require public utilities to file program evaluations that measure the effect of the affordability program on:
 - (1) the percentage of income that participating households devote to energy bills;
 - (2) service disconnections; and
 - (3) frequency of customer payments, utility collection costs, arrearages, and bad debt.

In addition, paragraph (d) states the following regarding program cost recovery and evaluation:

The commission must issue orders necessary to implement, administer, and evaluate affordability programs, and to allow a utility to recover program costs, including administrative costs, on a timely basis. The commission may not allow a utility to recover administrative costs, excluding startup costs, in excess of five percent of total program costs, or program evaluation costs in excess of two percent of total program costs. The commission must permit deferred accounting, with carrying costs, for recovery of program costs incurred during the period between general rate cases.

B. MERC'S GAP

MERC's GAP came into effect on a pilot-basis on February 27, 2008, following Commission approval in Docket No. G-007,011/M-07-1131.

The Program requires that, each month, participating customers do two things: first, pay their bill in full and, second, make pre-specified¹ contributions to retiring their arrears.² In exchange, MERC provides participating customers with an Affordability Credit, which reduces participants' gas bills to four percent of their income,³ and an Arrearage Forgiveness Credit, which matches participants' arrearage-retirement contributions.⁴ If customers fail to make the required payments for two consecutive months, they are removed from the Program.⁵

MERC recovers the costs of the credits and administering the Program through a volumetric surcharge on firm gas customers, except those under flexible rates and negotiated transportation service.⁶

To assist in evaluating the Program's effectiveness, MERC must submit annual reports updating the Commission on how well the Program is doing in the following areas: customer payment frequency, payment amount, arrearage level, number of customers in arrears, service disconnections, retention rates, customer complaints, and utility customer collection activity. The annual reports may also assess customer satisfaction with the Program.⁷ MERC issued its first annual GAP report on April 14, 2009 and has issued additional annual reports in March of every subsequent year. MERC filed its most recent annual GAP report on March 29, 2019 in Docket No. G011/M-19-241.

MERC's GAP pilot has been extended twice for additional 4-year terms. Prior to the end of each pilot period, MERC has been required to submit a report evaluating the effectiveness of the Program in terms of the statutory requirements described above. The report also must analyze, per MERC's tariff, the Program's cost-effectiveness from a ratepayer perspective.⁸

MERC submitted its first GAP evaluation report on June 1, 2011 in Docket No. G007,011/GR-07-1131. Through an December 29, 2011 Order, the Commission approved the report and mandated that MERC's pilot GAP continue on a pilot basis through December 31, 2015, with some modifications. The Order also required Xcel to submit a second GAP evaluation report by May 31, 2015.

¹ The amount of customer's arrearage-retirement contribution and matching Arrearage Forgiveness Credit is determined through a formula in MERC's GAP tariff and designed to retire arrears in no more than 24 months. See Minnesota Energy Resources Corporation Tariff and Rate Book, 4th Revised Sheet No 7.09 under "Arrearage Forgiveness Component."

² Minnesota Energy Resources Corporation Tariff and Rate Book, 4th Revised Sheet No 7.09, under "Program Description and Rate Impact for Qualifying Customers."

³ Minnesota Energy Resources Corporation Tariff and Rate Book, 4th Revised Sheet No 7.09, under "Affordability Component."

⁴ Minnesota Energy Resources Corporation Tariff and Rate Book, 4th Revised Sheet No 7.09 under "Arrearage Forgiveness Component."

⁵ Minnesota Energy Resources Corporation Tariff and Rate Book, 4th Revised Sheet No 7.10, paragraph 3.6 under "Conditions of Service."

⁶ Minnesota Energy Resources Corporation Tariff and Rate Book, 4th Revised Sheet No 7.10-7.11, under "Funding," paragraph 4.3 and 4.4.

⁷ Minnesota Energy Resources Corporation Tariff and Rate Book, 4th Revised Sheet No 7.11, under "Evaluation," paragraph 5.2.

⁸ Minnesota Energy Resources Corporation Tariff and Rate Book, 4th Revised Sheet No 7.11, under "Evaluation," paragraph 3.

MERC submitted its second GAP evaluation report on June 1, 2015 in Docket No. G011/M-15-539. In its September 25, 2015 Order in Docket No. G011/M-15-539, the Commission extended the expiration date of MERC's GAP until December 31, 2019.

III. DEPARTMENT ANALYSIS

This section reviews the Program's performance in three areas:

- The five statutory requirements described above; and
- Cost-effectiveness, from both a ratepayer and societal perspective.
- Continuation of the Program.

First, however, the Department discusses the use of the pre-program baseline method to measure the Program's compliance with certain statutory requirements.

In addition, the Department discusses the Program's tracker balance and an analysis of Program enrollment.

A. PRE-PROGRAM BASELINE METHOD

On May 22, 2017 the Commission issued its *Order Approving Periodic Gas Affordability Program Evaluations and Requiring Further Action* in Dockets Nos. G-008/M-16-486, G-002/M-16-493, and G-004/M-16-495 which in part required that CenterPoint Energy, Xcel Energy, and Great Plains Natural Gas Co. provide data to allow evaluation of their GAP using the pre-program baseline method for future GAP Evaluations. MERC was not subject to this order, and thus did not provide that specific data in the Evaluation Report. In response to Department Information Request No. 2⁹ the Company indicated that "MERC does not have information for these reporting metrics for historic years prior to 2018 available, MERC will continue to compile and report on these metrics each year in its Annual GAP Report, consistent with the streamlined reporting format."

The pre-program baseline method compares the data regarding payments, arrears, and collection costs for GAP participants to those same customers 12 months prior to being on the program. This allows the analysis of the Program's outcomes directly on the participants. As the Commission required the other Minnesota utilities with GAPs to file information using the pre-program baseline method in future GAP Evaluation reports, the Department recommends that the Commission require MERC to provide this information in future GAP Evaluation Reports as well.

⁹ See Department Attachment 1.

B. ANALYSIS OF STATUTORY REQUIREMENTS

1. *Lower the percentage of income that participating low-income households devote to energy bills*

Minn. Stat. § 216B.16, subd. 15(b)(1) states that gas affordability programs must lower the percentage of income that participating low-income households devote to energy bills.

MERC's Analysis

MERC stated that the Program meets this statutory requirement because the Program reduces participants' natural gas bills by design.

Department Review

The Department agrees with MERC that the Program satisfies the statutory requirement. The variable in the requirement is a function of three items: participants' gas bills, other energy bills, and income. The Program reduces one of those items: participants' gas bills. Assuming the other two items do not change (which is reasonable since MERC's gas operations have no control over them) the Program will lower the percentage of income that participants devote to energy bills.

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

Minn. Stat. § 216B.16, subd. 15(b)(2) states that gas affordability programs must increase participating customer payments over time by increasing the frequency of payments.

MERC's Analysis

MERC presented three tables (on page 6-7 of the Evaluation Report) showing the number of payments for GAP customers and LIHEAP non-GAP customers. MERC also discussed that GAP participants are removed from the program if they miss two payments in a row. MERC further stated that its GAP has high retention rates and thus most participants are not missing payments. Additionally MERC noted that customers that carry a credit balance each month do not require a payment, and that the frequency of these credit balances has increased recently due to GAP credits and energy assistance payments. MERC concluded that it is difficult to draw conclusions in comparing the monthly payment practices of these customer groups due to many uncontrollable factors.

Department Review

The Department reviewed MERC's assessment and noted several issues. First, the Company did not track or report the number of payments made by new GAP customers, and by LIHEAP recipients, for 2018.¹⁰ In response to Department Information Request No. 1, the Company stated that it only

¹⁰ Although not relevant to customer payment frequency, MERC also did not include a comparison of average arrears, as it has in the past.

tracked data that was required for the streamlined reporting metrics form as approved by the Commission in its September 28, 2018, *Order Accepting Report and Adopting Streamlined Process* in Docket Nos. G008/M-16-486, G002/M-16-493, and G004/M-16-495 (September 28 Order). The streamlined reporting includes dollars paid and dollars requested, rather than number of payments made. The Company did provide the previously missing payment frequency information in response to Department Information Request No. 1.

The Department reviewed the September 28 Order establishing the streamlined reporting metrics and notes that the Commission specified that the approved reporting form was to be used for the annual GAP reviews, and did not explicitly state whether the Commission expected this to be the only data provided for the GAP Evaluation reports as well. Since the statutory criterion is that customer payments increase “by increasing the frequency of payments,” and the utility is responsible for demonstrating that its GAP meets the statutory criteria, the Department concludes that the streamlined reporting format continues to be adequate for the purposes of GAP annual reports, but should be considered the minimum level of information needed to evaluate utilities’ GAPs. Therefore, the Department requests that MERC continue to track and provide in future evaluation reports, the number of payments made by, and the number of payments requested of:

- GAP participants
- Non-GAP LIHEAP customers
- Non-LIHEAP residential customers
- GAP participant cohort
- GAP participant cohort before enrollment in GAP

Second, the payment frequency data the Company presented does not fully address the question as to whether the program increased payment frequency. Rather it simply lists the number of payments received per customer but makes no reference to the number of payments requested. The Department requests that the Company provide in reply comments data showing the number of payments made by GAP Participants and LIHEAP non-GAP participants compared to the number of payments requested.

Third, and as alluded to above, the Department notes that this is an area where the pre-program baseline method can provide better insight as to whether the program is increasing customer payment frequency, as a comparison for the same customer cohort prior to and after being enrolled in the program would clearly show whether this is the case.

Finally, the Department notes that according to MERC’s Attachment A to its initial filing the GAP had a retention rate of 90 percent in 2015, 98 percent in 2016, 97.5 percent in 2017, and 92 percent in 2018. This supports MERC’s assertion that its program has a high retention rate, and that customers must be making fairly regular payments to stay on the program. However, the Department notes that retention rate information is insufficient to conclude with any certainty whether the program is actually increasing customer payments. As such the Department is unable to conclude at this time whether the

Company's program is meeting the statutory requirement. The Department will provide an assessment after reviewing the data on payments requested that the Department asks MERC to provide in reply comments.

3. Decrease or eliminate participating customer arrears

Minn. Stat. § 216B.16, subd. 15(b)(3) states that gas affordability programs must decrease or eliminate participating customer arrears.

MERC's Analysis

MERC presented a table (on page 8 of the Evaluation Report) showing the average arrearage level for GAP participants and a comparison of the average arrearage level for non-GAP LIHEAP customers and non-GAP, non-LIHEAP customers.¹¹ The table shows that, MERC's GAP customers on average have highly negative arrear balances (credits) because the Program often eliminates participants' arrears and continued benefits increase the credit. MERC's LIHEAP non-GAP customers meanwhile have average arrears of between \$151 and \$267 during the period of 2015 through 2018, and MERC's residential customers in general have average arrears of \$136 to \$243 during the same timeframe.

Based on these results, MERC concluded that, "Overall, the Program has been successful in reducing and eliminating the arrears of Program participants who entered the program with arrears."¹²

Department Review

The Department reviewed MERC's analysis and agrees with the Company that its GAP has clearly met the requirements of Minn. Stat. § 216B.16, subd. 15(b)(3).

4. Lower the utility costs associated with customer account collection activities

Minn. Stat. § 216B.16, subd. 15(b)(4) states that gas affordability programs must lower the utility costs associated with customer account collection activities.

MERC's Analysis

MERC stated that the program reduces collection costs primarily by reducing disconnections. To support this statement, MERC provided a table (on page 9 of the Evaluation Report) showing disconnections for the Company's firm customers, LIHEAP non-GAP customers, and GAP participants. GAP participants have reduced rates of disconnections compared to LIHEAP non-GAP customers and represent less than 1 percent of firm disconnects during each year from 2015 through 2018. The Company estimated that the savings from avoiding disconnections and associated disconnection notices, reconnection fees, and other costs saved the Company \$20,628.00 in 2015, \$30,195.80 in

¹¹ MERC provided the uncollected data for 2018 in response to Department Information Request 1, see Attachment 1.

¹² Evaluation Report, page 8.

2016, \$22,631.20 in 2017, and \$34,046.60 in 2018. The Company also estimated that it has saved over \$836,000 in savings from avoided write-offs.¹³

Department Review

The Department reviewed MERC's analysis and agrees with the Company that its GAP has clearly met the requirements of Minn. Stat. § 216B.16, subd. 15(b)(4).

5. Coordinate the program with other available low-income bill payment assistance and conservation resources

Minn. Stat. § 216B.16, subd. 15(b)(5) states that gas affordability programs must coordinate with other available low-income bill payment assistance and conservation resources.

MERC's Analysis

MERC works with the Salvation Army to administer the Company's GAP and MERC call center representatives refer customers with LIHEAP benefits to the Salvation Army as appropriate. The Salvation Army refers individuals to a large number of external agencies and programs that provide a variety of energy assistance and other programs or benefits. MERC further states that the Salvation Army is part of the Department's LIHEAP policy advisory committee.

Department Review

From MERC's statements, it appears that the Company has indeed coordinated the Program with other available low-income bill payment assistance and conservation resources, and therefore satisfies this statutory requirement.

C. COST-EFFECTIVENESS

MERC's GAP tariff states that the Program may be changed based on the results of a "cost-effectiveness analysis from a ratepayer perspective" that compares the Program's costs and savings to ratepayers. The tariff defines costs and savings as follows:

- Costs: program administration and credits;
- Savings: reductions in collection activities, reductions in disconnections/reconnections, and cost savings from impacts on write-offs.

The cost-effectiveness analysis requires estimating the dollar quantities of the costs and savings as defined, where any difference results in "either a net benefit or a net cost to ratepayers."¹⁴

¹³ Evaluation Report Attachment B

¹⁴ Minnesota Energy Resources Corporation Tariff and Rate Book, 4th Revised Sheet No 7.11, under "Evaluation," paragraph 5.3.

The Evaluation Report includes the ratepayer cost-effectiveness analysis required by MERC's GAP tariff. The Evaluation Report also discusses costs and benefits from a societal perspective, though this analysis is not required in the Company's GAP tariff.

1. Ratepayer perspective

As noted above, MERC's GAP tariff requires that Xcel evaluate the Program from a ratepayer perspective.¹⁵

MERC's Analysis

MERC found that, from 2016-2018,¹⁶ the Program's cost to ratepayers net of savings was \$1.2 million, or about \$410,730 per year on average.¹⁷ The costs in the Company's calculation included the expense of administering the Program and paying the credits; and the savings included lowering bad-debt and collection expenses. Approximately \$2 million of the net cost came from the credits themselves during that same period, with the Company giving out \$709,055.66 in credits in 2016, \$667,521.17 in 2017, and \$632,822.25 in 2018, an average of \$669,799.69 per year.¹⁸

Department Review

It is important to note that MERC's cost-effectiveness analysis is from the perspective of a large, but specific group of ratepayers: those not participating in the Program (and therefore not receiving any credits) but paying for the Program through MERC's GAP rider. Since GAP ratepayers are receiving the credits, the credits are not a cost to them, but a benefit. Similarly, there is no cost to the Program for those customers not paying for it under the GAP rider. As such, the \$410,730 average annual net cost represents the net cost to a large, specific subset of ratepayers. Therefore, MERC's analysis reflects a modified ratepayer perspective; that is, modified to exclude the ratepayers benefitting from and/or not paying for the Program.

Further, one could view the Affordability and Arrearage Forgiveness Credits not as a cost of the Program, but rather as a transfer or cross-subsidy from one group of customers to another (and reflecting the benefit received by a subset of ratepayers). From that viewpoint, the cost of the Program only includes the Program administration costs, which are paid for by select classes of customers under the GAP rider. Subtracting the approximate \$669,799.69 average annual credits from the approximate \$410,730 average net cost cited by MERC, the Department arrives at an average annual net benefit of \$259,069.

2. Societal perspective

The Evaluation Report also touches on the Program's cost-effectiveness from a societal perspective.

¹⁵ Minnesota Energy Resources Corporation Tariff and Rate Book, 4th Revised Sheet No 7.11.

¹⁶ MERC lacked data on the savings from Avoided write-offs and avoided disconnects, reconnects, and collections for 2015.

¹⁷ Evaluation Report page 14.

¹⁸ Combined Affordability Credits and Arrearage Forgiveness Credits from Attachment A of the Company's Petition.

MERC's Analysis

MERC noted that its GAP may provide costs and benefits to society as a whole, beyond the costs and benefits to ratepayers described above. MERC noted two potential societal benefits: (1) helping with household budget management by encouraging regular payments of bills with an account credit, and (2) allowing participating customers to reside at their residences for longer than customers would absent the Program, leading to savings of moving costs, rental and utility security deposits, lost work time, and other costs.¹⁹

MERC stated that these societal benefits “provide an additional perspective” in evaluating the Program, but that the Company “cannot to quantify” them.²⁰

Department Review

To the extent MERC's GAP, or any public policy program, has impacts beyond the direct financial effects to certain groups, those impacts could be considered in assessing whether the program is worthwhile.

In the case of gas affordability programs, the Department notes two ways that they can benefit society:

1. By reducing negative societal impacts from poverty itself, such as: increased unfairness to children in the form of reduced health, cognitive, and school achievement outcomes of children living in poverty;²¹ increased crime and violence;²² increased homelessness; and lower property values;²³ and
2. By reducing negative societal impacts from income inequality, such as: higher political concentration, inefficient use of human resources, and lower political and economic stability.²⁴

Direct benefits to participants such as helping them meet financial obligations and otherwise improving participants' welfare may also have knock-on benefits to society. However, for the purposes of this analysis, the Department believes it is more useful to classify the benefits of GAP as the direct financial benefit received by GAP customers assumed in the ratepayer analysis, since the benefits noted above are essentially describing the qualitative aspect of the dollar amount that participants receive from the Program.

¹⁹ Evaluation Report, page 15-16.

²⁰ Evaluation Report, page 15.

²¹ Brooks-Gunn, J. and Duncan, G.J. 1997. “The Effects of Poverty on Children”, *Children and Poverty* 7(2). See Table 1 on page 58.

²² Harrell, E., et al. 2014. “Household Poverty and Nonfatal Violent Victimization, 2008-2012.” U.S. Department of Justice Special Report, NCJ 248384.

²³ Galster, *et al.* 2006. “The Social Costs of Concentrated Poverty: Externalities to Neighboring Households and Property Owners and the Dynamics of Decline.” Paper for presentation at the Revisiting Rental Housing: A National Policy Summit Joint Center for Housing Studies, Harvard University, Nov. 14-15, 2006.

²⁴ For more on the benefits of reducing income inequality, see a recent IMF report: “Causes and Consequences of Income Inequality: A Global Perspective” by Era Dabla-Norris and others, published June 2015.

To get a sense of the extent to which the Program benefits society by reducing negative societal impacts from poverty itself and income inequality, the Department estimates how much the Program effectively increased the income of a participant living on the poverty line. Based on the table on page 3-4 of the Evaluation Report, in 2018 the Program increased participants' available income by \$399.00 on average (\$632,822.15 in total credits divided by 1,586 total participants that received a credit). For a two-person household living on the poverty line (\$16,460 as of 2018), this would effectively increase their income by about 2.4 percent. 2.4 percent is significant, but certainly moderate. The Department would therefore expect that any societal benefits from increasing the effective income of the Program's 1,586 participants (as of 2018) are likewise moderate. The Department does not have sufficient information to monetize these benefits, but nonetheless concludes that MERC's GAP provides societal benefits.

D. CONTINUATION OF THE PROGRAM

MERC requested that the Commission extend the Company's GAP for an additional 4 years if the Commission decides that the Program is successful in satisfying each of the five statutory requirements. The Company does not propose any changes to the current program.

Department Analysis

The Department is not opposed at this time to the continuation of the Company's GAP program, however the Department is currently unable to definitively conclude that the Company has met the statutory requirement to increase participant payment frequency. As such the Department will make its final recommendation on the continuation of the Company's GAP program after reviewing MERC's reply comments.

The Department notes, however, that in the Commission's May 22, 2017 *Order Approving Periodic Gas Affordability Program Evaluations and Requiring Further Action* in Docket Nos. G008/M-16-486, G002/M-16-493, and G004/M-16-495, the Commission Ordered that Xcel Energy, Great Plains, and CenterPoint all continue their GAP programs with no expiration date. As such it may be reasonable to take similar action in the instant docket if the Commission concludes that MERC's GAP has met the statutory requirements. If MERC can show that its GAP increases payment frequency, the Department recommends that the Commission require MERC's GAP to continue without an expiration date, and require the Company to submit an Evaluation Report every 3 years, beginning May 31, 2022 covering Program years 2019 - 2021.

E. GAP SURCHARGE AND TRACKER BALANCE

The Commission's August 19, 2019 Order in Docket No. G002/M-19-241 (Docket 19-241) approved MERC's tracker balance through the end of 2018. MERC's GAP surcharge rate was reinstated by the Commission's March 28, 2019 *Order Approving Surcharge and Requiring Further Action* in Docket No. G011/GR-17-563 and went into effect April 1, 2019 at a rate of \$0.00905 per therm. As such, MERC did not file additional information or analysis on the GAP surcharge or tracker balance. As the Commission recently approved the tracker balance and the surcharge in Docket 19-241, the Department concludes

that further analysis and Commission action on MERC's GAP surcharge and tracker balance are not necessary at this time.

F. PROGRAM PARTICIPATION

MERC's GAP tariff states that the Program "is available to residential customers in the MERC Minnesota service area who have been qualified and receive assistance from [LIHEAP]."²⁵ The tariff also states that:²⁶

3.1. Enrollment participation is limited to a first come first served basis until the estimated Rider program dollar cap is reached.

...

3.2. Before the start of an enrollment period, MERC will mail information on the Program and an application to participate in the Program to targeted current LIHEAP customers in arrears. The application for participation must be completed in full and returned to MERC before the close of the enrollment period.

The Department notes that the Program annual spending is capped at \$750,000 per year²⁷ with spending nearing that in 2016 and 2017, at \$707,354 and \$707,095 respectively, although falling short of that level in 2018 (\$652,346).²⁸ The Department also notes that total participation fell in 2018. MERC stated that it does not believe any changes to the budget are warranted at this time as the current budget allows the Company to serve all eligible customers wishing to enroll.

IV. CONCLUSIONS AND RECOMMENDATIONS

Based on the data and analysis that MERC provided in the Evaluation Report, the Department concludes the following:

- The Program satisfies four of the requirements in Minn. Stat. § 216B.16, subd. 15. The Department will provide supplementary comments on whether the Program has satisfied the remaining requirement—increasing payment frequency—upon reviewing reply comments from the Company.
- The Program costs firm customers on average \$410,730 annually net of savings; for all customers as a whole, including GAP participants, the Program provides an average net benefit of \$259,069 annually.

²⁵ Minnesota Energy Resources Corporation Tariff and Rate Book, 4th Revised Sheet No 7.09, under "Availability." Minn. Stat. § 216B.16, subd. 15(a) also defines "low-income residential ratepayers" as ratepayers who receive energy assistance from LIHEAP.

²⁶ Minnesota Energy Resources Corporation Tariff and Rate Book, 4th Revised Sheet No 7.10, under "Conditions of Service."

²⁷ The Commission lowered the Approved Budget beginning in 2016 from \$1,000,000 to \$750,000 per year in its September 25, 2015, Order in Docket No. G011/M-15-538.

²⁸ Evaluation report, Table 11 on Page 13.

- For participants living on the poverty line, the Program, on average, increased their effective income by 2.4 percent in 2018. As such, the Department would expect that the costs to ratepayers are additionally offset by moderate societal benefits arising from the increased effective income of the Program's approximately 1,586 participants.

The Department requests that MERC continue to track and provide in future evaluation reports, the number of payments made by, and the number of payments requested of:

- GAP participants
- Non-GAP LIHEAP customers
- Non-LIHEAP residential customers
- GAP participant cohort
- GAP participant cohort before enrollment in GAP

The Department requests that the Company provide in reply comments data showing the number of payments by GAP Participants and LIHEAP non-GAP participants compared to the number of payments requested.

The Department recommends that the Commission require MERC to provide data to allow evaluation of the Company's GAP using the pre-program baseline method for future GAP Evaluations to better measure GAP effectiveness and so as to standardize the required data for each utility with a GAP.

Upon a determination that MERC's GAP fulfills the statutory requirements, the Department recommends that, consistent with other utilities' GAPs, the Commission require MERC to continue its GAP program with no expiration date, and require the Company to submit an Evaluation Report every 3 years, beginning May 31, 2022 covering Program years 2019 - 2021

The Department recommends that MERC provide a compliance filing showing any changes to its GAP tariff needed to reflect the Commission's decisions in this matter.

The Department will provide final recommendations in response to MERC's reply comments.

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**Minnesota Department of Commerce
Division of Energy Resources
Information Request**

Department Attachment 1
Docket No. G011/M-19-369
Page 1 of 4

Docket Number:	G011/M-19-369	<input type="checkbox"/> Nonpublic <input checked="" type="checkbox"/> Public
Requested From:	Minnesota Energy Resources	Date of Request: 3/9/2019
Type of Inquiry:	General	Response Due: 3/19/2019
Requested by:	Michael Zajicek	
Email Address(es):	Michael.Zajicek@state.mn.us	
Phone Number(s):	651-539-1830	

Request Number: 1
Topic: Gas Affordability Program Evaluation Data
Reference(s): Pages 7-8 of Initial Filing

Request:

In its filing MERC indicated that it did not track data for the year of 2018 for the GAP Customer Payment Frequency for Customers that are new to the program, Payment Frequency for LIHEAP Recipients, and the Average Arrears as of December 31, 2018 for LIHEAP Customers and MERC Residential Customers overall. As MERC provided this data for the previous three years please explain why MERC did not track this data for 2018 and please explain how MERC will track this information in future years. If MERC does have access to this data or a way to gather it please provide the relevant data in response to this request.

MERC Response:

MERC did not track and report total payments by new GAP customers, total payments by LIHEAP recipients, LIHEAP customer average arrears, and Residential customer average arrears in 2018 because the Company transitioned to the modified streamlined reporting metrics for payment frequency and arrears as approved by the Minnesota Public Utilities Commission in its September 28, 2018, Order Accepting Report and Adopting Streamlined Process in Docket Nos. G008/M-16-486, G002/M-16-493, and G004/M-16-495. In particular, the Commission approved a set of streamlined reporting metrics, and a standardized utility reporting form (Attachment A) as developed through a stakeholder group in coordination with the Department of Commerce. With respect to payment frequency, the streamlined reporting metrics effective 2018 measure dollars paid/dollars requested for GAP participants, non-GAP LIHEAP customers, and non-LIHEAP Residential customers. With respect to the impact on arrears, the streamlined reporting metrics measure the % of customers in arrears, the % change in dollar amount of arrears, and the total dollar amount of arrears.

To be completed by responder

Response Date: September 30, 2019
Response by: Chris Carper
Email Address: Christine.carper@wecenergygroup.com
Phone Number: (920) 433-1179

**Minnesota Department of Commerce
Division of Energy Resources
Information Request**

Department Attachment 1
Docket No. G011/M-19-369
Page 2 of 4

Docket Number: G011/M-19-369
Requested From: Minnesota Energy Resources
Type of Inquiry: General

☐ Nonpublic ☒ Public
Date of Request: 3/9/2019
Response Due: 3/19/2019

Requested by: Michael Zajicek
Email Address(es): Michael.Zajicek@state.mn.us
Phone Number(s): 651-539-1830

The Company has compiled data for 2018 reporting on the metrics as reported in its GAP Evaluation Report and provides updated tables and an updated Attachment A below.

Table 4. 2015-2018 GAP Customer Payment Frequency-New Enrollees

GAP Customer Payment Frequency – New Customers in Program Year	
	MERC Total
Payments Made in 2015	1,710 7 payments per GAP customer
Payments Made in 2016	295 5 payments per GAP customer
Payments Made in 2017	252 4 payments per GAP customer
Payments Made in 2018	1,768 10 payments per GAP Customer

Table 5. 2015-2018 LIHEAP Customer Payment Frequency

Customer Payment Frequency – LIHEAP Recipients	
	MERC Total
Payments Made in 2015	112,837 9 payments per LIHEAP recipient
Payments Made in 2016	94,358 7 payments per LIHEAP recipient
Payments Made in 2017	104,867 7 payments per LIHEAP recipient
Payments Made in 2018	105,299 8 payments per LIHEAP recipient

To be completed by responder

Response Date: September 30, 2019
Response by: Chris Carper
Email Address: Christine.carper@wecenergygroup.com
Phone Number: (920) 433-1179

**Minnesota Department of Commerce
Division of Energy Resources
Information Request**

Department Attachment 1
Docket No. G011/M-19-369
Page 3 of 4

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Table 6. 2015-2018 Customer Arrears

	Average Arrears as of December 31, 2015	Average Arrears as of December 31, 2016	Average Arrears as of December 31, 2017	Average Arrears as of December 31, 2018
MERC GAP Customers	-\$683	-\$702	-\$683	-\$802
LIHEAP Customers	\$189	\$243	\$267	\$151
MERC Residential Customers	\$136	\$174	\$243	\$166

To be completed by responder

Response Date: September 30, 2019
Response by: Chris Carper
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2015 - 2018 4 Year GAP Evaluation Attachment A - Summary

#	Item	2015	2016	2017	2018	Total	Average
1	Affordability Credit	\$749,476.50	\$696,358.20	\$656,564.35	\$622,579.57	\$2,724,978.62	\$681,244.66
2	Arrearage Forgiveness Credit	\$33,649.30	\$10,697.46	\$10,956.82	\$10,242.68	\$65,546.26	\$16,386.57
3	Program Administrative Costs	\$50,000.00	\$37,500.00	\$38,670.00	\$18,750.00	\$144,920.00	\$36,230.00
4	Start-Up Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
5	Enrollment at Year End	1,546	1,557	1,580	1,302		1,496
6	New Enrollees	243	66	63	179	551	137.75
7	GAP Customer Disconnections	70	13	32	3	118	29.5
8	GAP Disconnection Percentage	3.50%	<1%	2%	<1%		
9	LIHEAP Disconnection % (Non-GAP)	8.50%	<1%	3%	8%		
10	Firm Customer Disconnect %	2%	<1%	<1%	1.60%		
11	Avoided Disconnections	198	28	43	71	340	85
12	Total GAP Customer Payments	\$882,699	\$149,668	\$158,470	\$232,282		
13	Number of GAP Customer Pmts	11,405	4,058	2,470	3,695	21,628	5,407
14	Average Annual Bill Credit	\$468.00	\$480.00	\$672.00	\$692.00		\$578.00
15	Average monthly Bill Credit	\$39.00	\$40.00	\$56.00	\$58.00		\$48.25
16	Average Annual Bill GAP Participant	\$504.00	\$732.00	\$696.00	\$881.00		\$703.25
17	Average Monthly Bill GAP Participant	\$42.00	\$61.00	\$58.00	\$73.00		\$58.50
18	Average Year-End Arrearage GAP Participant	(\$683.00)	(\$702.00)	(\$523.00)	(\$802.00)		
19	Average Year-End Arrearage Residential	\$136.00	\$174.00	\$243.00	\$166		
20	Average Year -End Arrearage LIHEAP	\$189.00	\$243.00	\$267.00	\$151		
21	Average Arrears at Enrollment	\$104.00	\$1,078.42	\$520.03	\$479.53		
22	Retention Rate	90%	98%	97.5%	92%		
23	Default Due to Nonpayment	217	34	40	83		93.5
24	GAP Customers in Arrears at Year-End	233	144	110	135		
25	Total GAP Customer Arrears at Year-End	\$38,912.00	\$42,166.00	\$38,633.00	\$65,471		

In future annual reports MERC will continue to track and report based on the metrics outlined in the Commission-approved streamlined reporting Attachment A as developed by the Department and approved by the Commission. For future evaluation reports, MERC proposes to report on the same data points as reported in the annual report streamlined reporting form.

To be completed by responder

Response Date: September 30, 2019
Response by: Chris Carper
Email Address: Christine.carper@wecenergygroup.com
Phone Number: (920) 433-1179

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. G011/M-19-369

Dated this **14th** day of **October 2019**

/s/Sharon Ferguson

[illegible]

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael R	Mueller	Michael.mueller@wecenergygroup.com	Minnesota Energy Resources	231 W Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_19-369_M-19-369
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_19-369_M-19-369
Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_19-369_M-19-369
James	Phillippo	james.phillippo@wecenergygroup.com	Minnesota Energy Resources Corporation	PO Box 19001 Green Bay, WI 54307-9001	Electronic Service	No	OFF_SL_19-369_M-19-369
Catherine	Phillips	catherine.phillips@we-energies.com	We Energies	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_19-369_M-19-369
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-369_M-19-369
Elizabeth	Schmiesing	eschmiesing@winthrop.com	Winthrop & Weinstine, P.A.	225 South Sixth Street Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-369_M-19-369
Colleen	Sipiorski	Colleen.Sipiorski@wecenergygroup.com	Minnesota Energy Resources Corporation	700 North Adams St Green Bay, WI 54307	Electronic Service	No	OFF_SL_19-369_M-19-369
Kristin	Stastny	kstastny@briggs.com	Briggs and Morgan, P.A.	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-369_M-19-369
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_19-369_M-19-369

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_19-369_M-19-369
Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_19-369_M-19-369