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July 7, 2017

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

VIA ELECTRONIC FILING

**Re: Reply Comments of Minnesota Energy Resources Corporation,
Gas Affordability Program 2016 Annual Report
Docket No. G011/M-17-247**

Dear Mr. Wolf:

On June 26, 2017, the Department of Commerce, Division of Energy Resources (“Department”) filed Comments on Minnesota Energy Resources Corporation’s (“MERC’s”) 2016 Annual Gas Affordability Report, recommending that the Minnesota Public Utilities Commission accept MERC’s report, contingent on MERC providing additional information in Reply Comments. MERC submits these Reply Comments to respond to the Department’s requests for additional information.

Payment Frequency

First, the Department requests that MERC provide, in Reply Comments, the payment frequency for customers enrolled in the Gas Affordability Program (“GAP” or “Program”) compared to the payment frequency before they enrolled in GAP. Alternatively, the Department requests MERC to explain how its annual report complies with this requirement.

As the Department points out, MERC must report “the effect of the Program on customer payment frequency.” See MERC Tariff Sheet 7.11, paragraph 5.2. As in the past, MERC addressed this requirement by providing the payment frequency information for all GAP customers, new GAP customers, and all Energy Assistance recipient customers. This information shows the payment frequency for customers enrolled in GAP compared to the payment frequency for energy assistance customers who are not currently enrolled in GAP. In Section F.1 of its 2016 annual report, MERC provided tables comparing customer payment frequency of all GAP participants in 2016 to the payment frequency of GAP participants in 2015 and 2014. Though MERC does not have historical data tracking customer payments for all GAP customers before they enrolled in GAP, MERC provides the following supplemental information regarding the 2016 new enrollees in GAP and their

payment frequency in 2015 (pre-enrollment) and 2016. MERC will provide this information in future annual GAP reports.

Table 1: 2016 GAP Enrollee Payments Before and After Enrollment	
Number of New GAP Enrollees in 2016	65
Payments Made by 2016 GAP Enrollees in 2015 (Pre-Enrollment)	423 (7 payments per customer)
Payments Made by 2016 GAP Enrollees in 2016 (Post-Enrollment)	295 (5 payments per customer)

MERC notes that payment frequency data for 2016 was somewhat lower overall than prior years as a result of a few factors. As discussed in MERC's report at page 11, last year MERC experienced problems billing the GAP credits on the 110 GAP accounts that had arrears and some of these bills were delayed for manual adjustments, which resulted in reduced billings and collections related to these GAP customers.

Second, the Department requests that MERC clarify that it has incorporated partial and late payment information in its payment frequency analysis. MERC responds that information regarding full, partial, and no payments for 2014, 2015, and 2016 is reported beginning at page 17 of MERC's 2016 GAP Annual Report. The charts on pages 17-19 of MERC's 2016 annual report depict full, partial and no payments, and late payments are incorporated therein as full or partial payments in the months the payments were received.

With respect to the payment frequency information reported in Section F.1 of MERC's GAP Annual Report at page 15, MERC clarifies that these payment amounts incorporate partial and late payments. However, upon further review, MERC determined the information presented in this table also incorrectly included the category of "no payments" in the count of payments received from GAP customers. In 2016, customers enrolled in GAP made 2,359 payments. The total value of these payments, which include first month application of energy assistance credits, was \$149,668, which equates to a monthly average of approximately \$63 per GAP participant. The corrected information from the table in Section F.1. is provided below. This includes full and partial payments received. Overall the payment frequency for 2016 was somewhat lower than prior years. As noted in our initial filing, in 2016 many of the GAP participants had large credits on their account

due to higher energy assistance and affordability credits and MERC saw a sharp increase in the number of accounts that did not require a monthly payment.

GAP Customer Payment Frequency – All Customers Participating	
	MERC Total
Payments made in 2016	4,058 <u>2,359</u>
	3 <u>2</u> payments per GAP customer

Effect of GAP on Arrears

Third, the Department requests that MERC provide, in Reply Comments, the effect of its GAP program on the number of customers in arrears or, alternatively, identify how its annual report complies with this reporting requirement.

MERC responds by providing the following information regarding the percentage of GAP customers, non-GAP LIHEAP customers, and Residential customers in arrears as of December 31, 2016. As this information shows, the percentage of GAP participants with arrears is significantly less than non-GAP LIHEAP customers and Residential customers overall. MERC will provide this information in future GAP Annual Reports.

	# of customers with arrears	% of total customers with arrears
GAP	144	<1%
Non-GAP LIHEAP	10,996	32%
Residential	31,284	15%

Customer Complaints

Finally, the Department requests that MERC, in Reply Comments and future GAP reports, be more specific regarding the number of complaints the company received with respect to GAP. In particular, the Department requested that MERC confirm whether its report encompasses all GAP-related customer complaints and, if possible, provide the number of GAP-related complaints received.

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MERC responds that in calendar year 2016, MERC received two complaints related to GAP. These complaints were made by two GAP customers with arrears and pertained to the aforementioned difficulty MERC experienced in billing the GAP accounts with arrears. No additional complaints related to MERC's GAP were received. In future GAP Annual Reports, MERC will identify the total number of GAP-related complaints received during the reporting year.

Please feel free to contact me at (651) 322-8965 if you have any questions.

Sincerely yours,

/s/ Amber S. Lee

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation

cc: Service List

In the Matter of the 2016 Gas
Affordability Program Annual Report of
Minnesota Energy Resources
Corporation

Docket No. G011/M-17-247

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 7th day of July, 2017, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Reply Comments on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

Dated this 7th day of July, 2017.

/s/ Kristin M. Stastny
Kristin M. Stastny

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