



Minnesota Energy Resources Corporation
Suite 200
1995 Rahnclyff Court
Eagan, MN 55122
www.minnesotaenergyresources.com

March 31, 2016

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
Metro Square – Suite 350
212 7th Place East
St. Paul, MN 55101-2147

**Re: Minnesota Energy Resources Corporation's Gas Affordability Program
2015 Annual Report**

Docket No. G-011/M-16-____

Dear Mr. Wolf:

Enclosed for filing please find Minnesota Energy Resources Corporation's (MERC or Company) Gas Affordability Program (GAP) 2015 Annual Report. MERC submits this report pursuant to the Company's Gas Affordability Service Program, MERC Tariff Sheet Nos. 7.09-7.12, and the Minnesota Public Utilities Commission's (Commission) Orders in Docket Nos. G-011/M-07-1131, G-011/M-15-308, and G-011/M-15-539. In accordance with the Commission's November 26, 2014 Order Accepting Gas Affordability Program Annual Reports, MERC submits this filing as a new miscellaneous filing in compliance with the Commission's Rules of Practice and Procedure.

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

Enclosure

cc: Service List

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
Matt Schuerger
John Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

Minnesota Energy Resources Corporation's
Gas Affordability Program 2015 Annual Report

Docket No. G-011/M-16-_____

**MINNESOTA ENERGY RESOURCES CORPORATION'S GAS AFFORDABILITY PROGRAM
2015 ANNUAL REPORT**

Pursuant to Minnesota Rules Part 7829.1300, Minnesota Energy Resources Corporation ("MERC") submits this miscellaneous rate change and tariff filing to the Minnesota Public Utilities Commission ("Commission") for approval of MERC's Gas Affordability Program 2015 Annual Report.

I. Summary of Filing

Pursuant to Minn. R. 7829.1300, subp. 1, a one-paragraph summary of the filing is attached.

II. Service

Pursuant to Minn. R. 7829.1300, subp. 2, MERC has served a copy of this petition on its general service list, the Department of Commerce, Division of Energy Resources (Department) and the Office of the Attorney General – Residential Utilities and Antitrust Division (OAG).

III. General Filing Information

Pursuant to Minn. R. 7829.1300, subp.3, the following information is provided:

A. Name, Address, and Telephone Number of the Filing Party

Minnesota Energy Resources Corporation
1995 Rahnclyff Court, Suite 200
Eagan, MN 55122
(651) 322-8901

B. Name, Address, Electronic Address, and Telephone Number of Attorney for the Utility

Kristin M. Stastny
Briggs and Morgan, P.A.
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
KStastny@briggs.com
(612) 977-8656

C. Date of the Filing and Proposed Effective Date

Date of Filing: March 31, 2016
Proposed Effective Date: Not Applicable

D. Statute Controlling Schedule for Processing the Filing

Under Minn. R. 7829.0100, subp. 11, this petition is a “miscellaneous” filing because no determination of MERC’s general revenue requirement is necessary. Comments on a miscellaneous filing are due within 30 days of filing, with replies due 10 days thereafter. Minn. R. 7829.1400, subp. 1, 4.

E. Signature, Electronic Address, and Title of Utility Employee Responsible for the Filing



Amber S. Lee
Regulatory and Legislative Affairs Manager
ASLee@minnesotaenergyresources.com
1995 Rahnclyff Court, Suite 200
Eagan, MN 55122
(651) 322-8965

F. Description of the Filing, Impact on Rates and Services, and Reasons for the Filing

Pursuant to Minnesota Rules Part 7829.1300,

IV. Miscellaneous Information

Pursuant to Minnesota Rule 7829.0700, MERC requests that the following persons be placed on the Commission's official service list for this matter:

Amber S. Lee
Regulatory and Legislative Affairs Manager
ASLee@minnesotaenergyresources.com
1995 Rahncliff Court, Suite 200
Eagan, MN 55122
(651) 322-8965

If additional information is required, please contact Amber Lee at (651) 322-8965 or Kristin Stastny at (612)977-8656.

DATED: March 31, 2016

Respectfully Submitted,

/s/ Kristin M. Stastny

Kristin M. Stastny
Attorney for Minnesota Energy
Resources Corporation
Briggs and Morgan, P.A.
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
KStastny@briggs.com
(612) 977-8656

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
Matt Schuerger
John Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

Minnesota Energy Resources Corporation's
Gas Affordability Program 2015 Annual Report

Docket No. G-011/M-16-_____

SUMMARY OF FILING

Pursuant to Minnesota Rules Part 7829.1300, Minnesota Energy Resources Corporation ("MERC") submits this miscellaneous rate change and tariff filing to the Minnesota Public Utilities Commission ("Commission") for approval of MERC's Gas Affordability Program 2015 Annual Report.

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
Matt Schuerger
John Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

Minnesota Energy Resources Corporation's
Gas Affordability Program 2015 Annual Report

Docket No. G-011/M-16-_____

**MINNESOTA ENERGY RESOURCES CORPORATION'S GAS AFFORDABILITY PROGRAM
2015 ANNUAL REPORT**

Minnesota Energy Resources Corporation ("MERC" or the "Company") submits this Annual Report in compliance with the Company's Gas Affordability Service Program ("GAP" or "Program") (MERC Tariff Sheet Nos. 7.09 to 7.12) and the Minnesota Public Utilities Commission's ("Commission's") September 25, 2015, Order in Docket No. G011/M-15-539, which authorized MERC to continue its pilot Gas Affordability Program for an additional four years, and required annual Program evaluations to be submitted by March 31 of each year.

MERC's GAP became effective on April 1, 2008, and the initial four-year program term ended on December 31, 2011. The Commission authorized MERC to continue GAP for an additional four years in its Order in Docket No. G-007,011/M-07-1131 dated December 29, 2011. The Commission's December 29, 2011, Order also authorized MERC to consolidate its GAP programs for MERC-PNG and MERC-NMU effective with rate area consolidation in MERC's 2010 rate case in Docket No. G-007,011/GR-10-977. The Commission's September 25, 2015, Order in Docket No. G-011/M-15-539 authorized MERC to continue its pilot for an additional four years through December 31, 2019.

The Commission's Order in Docket No. G011/M-15-308 also required that in MERC's next Annual Compliance Report, MERC include an explanation of why it does not assess the GAP surcharge against interruptible sales and transportation customers, a proposal for

evaluating cost allocation methods for its GAP program, and the recalculated surcharge for various alternatives if interruptible sales and transportation customers were included.

This Annual Report covers the program year 2015 – the eighth year of service under the Program. The Annual Report is structured as follows:

- A. Program Description
- B. Program Credits, Funding, and Administration Costs
- C. Program Participation
- D. Retention, Satisfaction, and Disconnections
- E. Arrears, Customer Payment Frequency, and Collection Activity
- F. Additional Reporting Requirements
- G. Applicability of GAP Surcharge to MERC Customer Classes
- H. GAP Annual Summary Schedule

In addition, the GAP Tracker for MERC is included as Attachment A to this Report.

Pursuant to the Commission's September 25, 2013, Order Accepting Gas Affordability Program Reports, MERC also submits a summary schedule as Attachment B, which includes the following information, as required by the Commission's September 25, 2013, Order:

1. average annual affordability benefit received per customer;
2. average annual arrearage forgiveness benefit received per customer;
3. percentage of Low Income Home Energy Assistance Program (LIHEAP) customers that participated in GAP;
4. disconnection rates for (a) GAP customers, (b) LIHEAP-Non GAP customers, and (c) non-LIHEAP customers (all firm customers including C&I);
5. number of GAP participants enrolled as of year-end;
6. number of GAP participants enrolled and receiving benefits at some time during the year;
7. annual program budget;
8. actual program revenue;

9. actual program cost;
10. GAP tracker balance as of year-end; and
11. GAP rate-affordability surcharge (\$/therm).

A. Program Description

GAP is designed to lower the percentage of income that low-income households devote to energy bills, to increase customer payments, and to reduce the utility's cost associated with the collection of unpaid bills. The Program consists of two components, which are designed to assist low-income households: the Affordability Component, which consists of bill credits determined by calculating the difference between the estimate of the customer's annual natural gas bill and the applicable income limit of the customer's household income,¹ and the Arrearage-Forgiveness Component, which provides a monthly credit to the customer's balance after payment is received to retire pre-program arrears.²

MERC's Gas Affordability Program is available to residential customers in MERC's Minnesota service area who have qualified to receive assistance from the Low Income Home Energy Assistance Program ("LIHEAP") during the federal fiscal year. MERC will maintain service and suspend collection activities to qualified customers, regardless of arrears balances, if the customer stays current with the payment schedule and otherwise maintains eligibility. The Company partners with The Salvation Army to administer the Program. MERC implemented the GAP pilot on April 1, 2008, in compliance with Minn. Stat. § 216B.16, subd. 15.

¹ Specifically, MERC's Affordability component consists of a bill credit determined as one-twelfth of the difference between MERC's estimate of the Qualified Customer's annual gas bill and 6% of the Qualified Customer's household income as provided by the Qualified Customer to MERC. This bill credit is a Program cost that will be included in the Tracker. Any energy assistance sums not applied to arrears will be applied to a Qualified Customer's current bill. MERC Tariff Sheet No. 7.09.

² MERC's Arrearage-Forgiveness component consists of a monthly credit that will be applied each month after receipt of the Qualified Customer's payment. The credit will be designed to retire pre-program arrears over a period of up to 24 months, with the Company matching the Qualifying Customer's contribution to retiring pre-program arrears. The credit is determined by taking the pre-program arrears divided by the number of months to retire the arrears divided by two and then subtracting any energy assistance sums received by the Company on behalf of the customer divided by the number of months remaining to retire the arrears divided by two. This arrearage forgiveness credit is a Program cost that will be included in the Tracker. MERC Tariff No. 7.09.

1. Eligibility

The Program is available to any residential customers in MERC's Minnesota service area who have been qualified and received assistance from the Low Income Home Energy Assistance Program during the federal fiscal year. Qualified customers must maintain an active account in the customer's name at the customer's permanent, primary residence. Qualified customers must also agree to notify MERC of any changes in address, income level, or household size as such changes may result in removal from the Program. If a qualified customer fails to pay two consecutive monthly payments in full under the Program, the customer is terminated from the Program. If the customer is terminated, the customer will be subject to the Company's regular collection practices, including the possibility of disconnection.

2. Affordability and Arrearage Forgiveness

The Program has two components: an Affordability component and an Arrearage-Forgiveness component. The Affordability component a bill credit determined as one-twelfth of the difference between MERC's estimate of the Qualified Customer's annual gas bill and 6% of the customer's household income as provided by the customer to MERC. Any energy assistance sums not applied to arrears will be applied to a customer's current bill.

The Arrearage-Forgiveness component is a matching credit that is applied to a qualified customer's account each month after receipt of the customer's scheduled arrears payment. This monthly credit and customer monthly payment pays off the pre-program arrears in 24 months or less. Energy assistance is not considered in calculating the affordability bill credit or the forgiveness of pre-program arrears.

The Affordability and Arrearage-Forgiveness credits are both Program costs that are included in the Tracker. See Attachment A.

3. Payment

To determine the payment amount for a customer, the Company reviews current billing and consumption information, and approved LIHEAP benefits and household income

information. A qualified customer's payment each month includes both payment of the customer's current month's bill after inclusion of the Affordability credit, and payment of a portion of the customer's pre-program arrears. Customers enrolled in the Program paid (including any applied energy assistance) a total of \$1,320,477 towards their energy costs in 2015. The average monthly payment per GAP participant in 2015 (including through energy assistance credits) was \$71 per month.

B. Program Credits, Funding, and Administration Costs

Below is a summary of the GAP Tracker activity for MERC in 2015. For additional detail, please see Attachment A.

Summary of 2015 MERC GAP Tracker

ITEM	AMOUNT
Affordability Credits	\$749,476.50
Arrearage-Forgiveness Credits	\$33,649.30
Administrative Fees	\$50,000
Carry Cost	\$85,276.90
Under- Collected Balance from IPL	\$8,807.56
Total Program Costs	\$927,210.26
Collections Through Rates	\$975,649.98
Amount Over/(Under) Collected in 2015	\$48,439.72

1. Program Credits

The total of the Affordability and Arrearage-Forgiveness credits applied to GAP-participant accounts during the 2015 Program year was \$783,125. The average monthly Affordability credit per customer was \$42.21.

2. Program Funding

In 2015, the Program was funded by a per-therm charge of \$0.00441 on all MERC firm system customers from January 1, 2015, through September 30, 2015. During 2015, MERC collected \$975,649.98 from its firm customers to cover Program costs. In comparison, MERC collected \$1,457,066.41 for Program costs in 2014. By Order dated September 25, 2015, in Docket No. G-011/M-15-539, effective October 1, 2015, the Commission ordered MERC's GAP surcharge set to \$0.00 per therm until further review. In accordance with that order, MERC stopped collecting the GAP surcharge on October 1, 2015. The Commission also approved MERC's request to reduce its annual GAP budget to \$750,000. MERC will monitor the tracker balance and will petition the Commission to reinstate a positive surcharge factor once the tracker balance approaches zero.

As the figures above indicate, 2015 funding decreased by about \$481,416 compared to 2014 funding. 2014 was the highest funded program year to date. The sharp decrease in overall funding can be attributed to two factors; first that the winter of 2015 was very mild, driving down the volumetric-based program funding and second, the monthly surcharge was reduced to \$0.00 as of October 1, 2015.

We continue to attribute a portion of the under-spending to reduced and eliminated participant arrears among the longer-term participants. However, toward the end of 2015, this trend began to slow and MERC enrolled a higher percentage of customers who were carrying arrears, and were therefore enrolled with the Arrears Forgiveness component as well as the Percent of Income component. As a result, the amount of arrears of the new enrollees was somewhat higher compared to recent years, despite consecutive mild winters. MERC expects that more arrears forgiveness spending will occur in 2016, as it plans to promote the Program to customers with the highest arrears, coming out of the Cold Weather Rule ("CWR") period.

3. Program Administration Costs

As shown in the table above, MERC's total Program costs in 2015 were \$927,210, which includes the Affordability and Arrearage-Forgiveness credits, administrative costs, and carrying

cost allowances. The total Program administration costs for 2015 were held at \$50,000, which is five percent of total Program costs. Minn. Stat. §216B.16, Subd. 15, and MERC's GAP tariff limit the amount of administrative costs included in the Tracker (except start-up costs) to five percent of total Program costs. MERC has continued to maintain that threshold each Program year.

C. Program Participation

MERC experienced a decrease in the number of customers who participated in GAP in 2015. As of December 31, 2015, there were 1,546 customers who were enrolled in the Program, but 1,993 customers participated in the program at some point in 2015. There were a total of 243 new enrollees in 2015. By way of comparison, in 2014, there were 980 new enrollees. Thus, new enrollments were 75 percent lower in 2015 than in 2014. New enrollments accounted for 15 percent of program participants at the end of 2015. In terms of the number of new enrollments, 2015 was more in line with past years, outside of the significant onset of new applications and enrollments in 2014, which was the most successful enrollment year since 2008, the first year of the Program. The Salvation Army received 862 applications in 2015. Unfortunately, 619 customers were not eligible because they did not have active gas service, were not the customer of record, were not LIHEAP recipients (all of whom were encouraged to apply for Energy Assistance), or did not qualify for a percent-of-income credit (high income relative to gas consumption). 2015 was a difficult year to build urgency to encourage program participation due to lower gas prices and lower gas consumption. MERC customer gas bills were about 12% lower or \$115 less in 2015 compared to 2014. The 2015 winter bills were about 10% lower or \$75 per customer. At the end of the CWR Period, most customers had lower arrearages compared to past years. MERC also experienced a significant number of program defaults going into the CWR period. Many customers chose to leave GAP and enter into a CWR agreement. Unfortunately, these customers will not have received

arrears credits during the CWR period so we expect their arrears to be higher this spring when the CWR payment plans end.

Effective May 1, 2015, Interstate Power and Light Company's ("IPL") former Minnesota natural gas customers were transitioned to MERC and have also been transitioned to MERC's GAP. At the time of the sale, IPL had only 68 customers enrolled in GAP. Only 12 of those customers had arrears, all less than \$100. Alliant also had a small number of customers who had larger credit balances. Six of these customers had credit balances of more than \$500. MERC sent letters and a MERC GAP application to all of these customers after the transition. In the first month, only 28 of these customers completed and returned the application and were enrolled in MERC's GAP. Over time, some additional customers have enrolled. The now-transitioned IPL participants are included in the scope of this report.

MERC has plans to maintain some seasonal GAP promotions in 2016 and has already worked with Program partners to begin that effort. MERC offered Program enrollment when customers applied for CWR protection last fall and will promote the Program to customers in the collection process, especially when customers are facing potential disconnection of service. MERC plans to promote GAP enrollment when customers are removed from CWR protection on April 16, 2015 - a time when many who qualify are carrying somewhat greater arrears. Unfortunately, in 2015, although there was a significant number of new enrollments, an increased number of these participants were short-term, as they did not keep up the payment agreement and were removed from GAP. MERC will again be conducting some additional training with call center agents about the benefits of GAP, especially for those coming out of the CWR period with significant arrears. This training encourages call center agents to proactively help customers enroll in GAP to address those arrears over a longer period of time.

D. Retention, Satisfaction, and Disconnections

1. Retention

Two-hundred and forty-three new customers enrolled in the Program in 2015. Enrollments were down significantly and MERC also saw an increase in the number of customers that defaulted and un-enrolled from the program. Of all customers participating in the Program in 2015, 217 defaulted from the Program due to non-payment, with the majority being removed from the Program later in the fall. In comparison, 161 customers defaulted due to non-payment in 2014. Additionally, 230 customers were removed from the Program in 2015— a significant increase from 2014. Of this group of customers, 127 customers were no longer income-eligible (i.e., no longer Energy Assistance Program recipients), 37 customers had large credit balances and agreed to be successfully removed from the Program, and 66 were removed due to a household move. It was surprising to see an increase in the number of households no longer eligible, but some of this could be due to a stronger job market and it could also be attributed to lower gas bills resulting in less urgency to apply for assistance. MERC provides a follow-up letter to all customers who are removed from the Program as a result of a move, alerting them of the need to make payment arrangements for any outstanding account balance and advising them of the option to reenroll if they are still a MERC customer at a different service address. MERC's reenrollment rate with customers who move within MERC's service territory has varied year-to-year. MERC has not tracked the number of customers that reenroll after a long absence. But the Company does see some reenrollment of the same customers after an extended absence.

In 2015, approximately nine and a half percent of customers were unenrolled from the Program because they were no longer income eligible or moved. For comparison, six percent of customers were unenrolled for these reasons in 2014. In 2015, ten and a half percent of program participants were removed from the Program due to payment default. Overall, MERC's GAP-retention rate experienced some slippage but MERC is confident it will rebound.

MERC reviews accounts annually to unenroll GAP participants who have not applied for and received Energy Assistance. MERC will complete this review in August 2016, after the Energy Assistance program year closes and all credits are applied to accounts. MERC also conducts annual reviews for accounts with large credit balances and contacts these customers to see if they would like to be successfully unenrolled from the Program. MERC informs customers who are successfully unenrolled from the Program that they may apply again (at any time) as long as they are still LIHEAP recipients. Historically, a small percentage of these customers want to be removed, regardless of the size of their credit balance. This situation continues to draw more attention with each passing year because MERC has a growing number of GAP accounts with large credit balances. At the close of 2015, MERC had 38 accounts with credit balances larger than \$4,000. MERC has shared this scenario in past reviews by Commission staff, but under the existing Program, all customers have the right to continue participation until they are no longer income eligible or until they request to be removed.

A consistent number of qualified GAP customers who successfully pay their arrears balance over a two-year period continue to participate in the Program and receive the monthly percent-of-income credit. In fact, there are still almost 250 customers participating in GAP who have been enrolled since the first year of the Program in 2008. This was the intent of the original legislation in Minnesota, similar to that of other states, that asserts low-income households could successfully stay out of utilities' collection processes if the monthly bills were adjusted, taking into account household's income levels as well as higher gas consumption. The Arrears-Forgiveness component is also important to the Program meeting the legislative requirement to decrease or eliminate participating customer arrears; however, arrears forgiveness only accounted for around three percent of program costs in 2015. Seventy-seven percent of the Program costs and 96 percent of the total monthly credits applied were used for the percent-of-income credits in 2015. The Affordability component is important to the Program's lasting success because it reflects participants' long-term ability and willingness to make affordable

payments for natural gas. Helping customers move toward self-sufficiency is a very important goal of most assistance programs and eliminating all pre-enrollment arrears over a two-year period of time is a very successful outcome of the GAP program. None of the participants who enrolled in 2008 have carried arrears since 2010, which is a significant accomplishment given the challenges many of these households face.

2. Customer Satisfaction

MERC has never conducted a formal customer satisfaction survey that addresses participation in the Program. But the Salvation Army, and the MERC Call Center, Credit and Collections, and Energy Assistance teams receive informal feedback from GAP participants.

Participants have identified the following benefits of the Program:

- Ability to extend arrears payments over 24 months;
- Arrearage forgiveness for half of their arrears at enrollment, eliminating all pre-enrollment arrears in a 2-year period of time,
- Not creating new arrears, by paying the difference between their monthly gas bill and the monthly Affordability credit, which also motivates them to be more efficient with their gas use;
- Lower and more realistic monthly payments, which allows participants to budget their household income more successfully and increase their ability to pay other important household monthly bills;
- Avoidance of collection activity, up to and including gas service disconnection;
- Long-term assistance (continuing to receive the monthly Affordability credit on their gas bill), which allows participants to budget limited household income and better withstand smaller financial setbacks; and
- The ability to continue to receive Energy Assistance benefits, which also lowered the monthly payments they had to make.

In 2015, MERC reenrolled seven customers who defaulted from the Program due to financial or medical hardship. MERC would have prevented program default but did not know about the hardship until after the account defaulted from the Program. These customers had good payment histories until the financial hardship and had legitimate reasons for defaulting.

These customers were very appreciative of their continued ability to participate and have been successful since reenrollment.

MERC is unaware of any complaints made by 2015 Program participants to the Company, the Commission, the Attorney General's Office, or the Salvation Army.

3. Disconnections

During 2015, 70 GAP customers had gas service disconnected within two months of their removal from the Program after missing two consecutive monthly GAP payments. This number is somewhat elevated due to the fact that the number of participants coming into 2015 were significantly higher. Enrollment in the Program helped to prevent 53 gas-service disconnections, which is significantly less than in 2014, but service disconnections were significantly down overall in 2015. Despite the fewer disconnect notices issued in 2015, MERC proactively informed recipients of disconnect notices about the benefits of GAP and that enrollment can prevent disconnection if customers take action immediately. Some of these customers enrolled in GAP, thus avoiding disconnection or a more compressed payment arrangement.

MERC had approximately 230,160 firm customers on its system in 2015. MERC completed approximately 5,625 firm customer gas service disconnections in 2015, which equates to two percent of all firm customers. GAP customers continued to account for a small fraction of one percent of these disconnects in 2015—despite an increase over 2014, only 70 accounts were disconnected within two months of being removed from the Program due to payment default.

E. Arrears, Customer Payment Frequency, and Collection Activity

1. Arrears

There were 243 customers who enrolled in GAP during the 2015 Program year. One hundred and ninety-eight of these customers were in arrears at the time of Program enrollment, many of whom joined in late 2015. Their total arrears were \$20,628 or \$104 per customer.

Although there were fewer new enrollees in arrears at the time of enrollment in 2015 as compared to 2014 and the average arrears were higher in 2015, the total arrears were less, largely due to the smaller number of enrollments in 2015.

The overall amount of arrears and arrears per customer have continued to fluctuate over the last few years. Overall gas costs in 2015 were lower, resulting in GAP participants also receiving lower Energy Assistance credits.

2. Effect of Program on Customer Payment Frequency

In 2015, customers enrolled in GAP made 11,405 payments. The total value of these payments, which include application of energy assistance was \$882,699, which equates to a monthly average of approximately \$77 per GAP participant. This compares to 14,922 payments made by GAP participants in 2014, totaling \$1,339,082, which equated to average monthly payments of \$90 per GAP participant. In 2013 MERC received 9,928 payments from GAP customers, totaling \$625,969 which equated to average monthly payments of \$63 per GAP participant. MERC provides further discussion of Program participation payments in Section F.1., Customer Payment Frequency.

3. Collection Activity

In 2015, MERC saved \$3,975 due to the enrollment of 53 customers in GAP who had received a disconnect notice before enrolling. These cost savings take into account that these customers would likely have had their gas service disconnected. Each disconnection the Company avoids ensures that the customer remains in service and avoids reconnection fees. MERC also avoids the costs of disconnection notices, employee field visits, collection and call center staff, and reconnection. This number is down from 2014, which saw savings of \$6,975. However, the number of disconnect notices were down in 2015. These savings do not account for the additional cost of service reconnection, which would, at minimum, double the cost savings.

Overall, the Program continued to succeed in reducing and eliminating arrears of Program participants in 2015, promoting regular monthly payment trends, and allowing customers to make more realistic monthly payments for an extended period of time. It has also helped more GAP customers avoid the collection process. MERC residential arrears have seen a slight decrease over the last two years. One fact that would surprise many is that the low-income customer segment only accounts for about 15 percent of all residential arrears. MERC continues to monitor the success of customers who have participated in the Program for a number of years to determine whether these customers are able to continue making regular payments with the assistance of the Affordability credit over multiple years of participation. For many customers, reducing their monthly bill by \$30-\$40 each month can be the difference between staying even and falling behind on their gas and other vital household bills. GAP continues to make it possible for more households to move toward self-sufficiency.

F. Additional Reporting Requirements

1. Customer Payment Frequency

The following tables compare customer payment frequency of all GAP participants in 2015 to the payment frequency of participating customers in 2014 and 2013. MERC also separated the payment frequency for the 243 new enrollees and for all LIHEAP recipients. GAP customer payments include payments made by customers as well as LIHEAP-energy assistance and other agency assistance payments that have been credited to their accounts.

GAP Customer Payment Frequency – All Customers Participating	
	MERC Total
Payments made by GAP customers in 2015	11,405 6 payments per GAP customer
Payments made by GAP customers in 2014	14,922 7 payments per GAP customer
Payments made by GAP customers in	9,928

2013	9 payments per GAP customer
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 2014	9,697 10 payments per GAP customer
Payments Made in 2013	640 7 payments per GAP customer
Customer Payment Frequency – LIHEAP Recipients	
	MERC Total
Payments Made in 2015	112,837 9 payments per LIHEAP recipient
Payments Made in 2014	138,264 10 payments per LIHEAP recipient
Payments Made in 2013	120,602 10 payments per LIHEAP recipient

A growing number of customers with credit balances on their accounts reduced the number of payments they had to make, because a credit balance is carried over month to month. Another contributing factor that resulted in a lower number of payments in 2015 was lower enrollment. GAP program data continues to provide evidence that this group of customers can make their payments if their monthly bill is reasonable or income-adjusted.

The payment data for the 2015 GAP enrollees is difficult to compare with overall payments the last few years because the enrollment numbers have fluctuated pretty dramatically. MERC also saw a slight increase in the number of LIHEAP recipients in 2015. It has been difficult to draw conclusions in comparing the monthly payment practices of these three customer groups because of the many uncontrolled factors that contribute to the amounts and payment frequency such as growing credit balances on participants' accounts, LIHEAP

funding levels and payment schedules, weather, gas cost, number in household, and fluctuation in household income.

2. Disconnection of Gas Service

Below are the 2015 disconnections by customer category:

Customer Category	Number of Disconnections	Percentage of Customers
2015 Firm Customers (230,160)	5,285	2%
2015 GAP Participants (1,993)	70	3.5%
2015 LIHEAP Recipients (Non-GAP Participants) (13,565)	1,176	8.5%

3. Payment Amount

The table below shows the average annual and monthly bill credit amounts for GAP participants and a comparison of these amounts to GAP participants' annual and average monthly bill and account balance. This data includes all GAP customers, regardless of arrears or credit balance. In particular, the average arrearage (account balance) includes account balances for those customers who have participated in the Program for more than two years and who successfully eliminated their pre-Program arrears and may have a significant credit balance. Because the total credit balance exceeded the total arrears balance, the average account balance was negative (i.e., a credit), a trend that has been steadily growing. The average percent-of-income credits were up slightly in 2015, partly because participants' income at enrollment was generally lower, resulting in a higher credit each month. The majority of the new participants were in arrears at the time of enrollment and their arrears were a little higher on average. The number of participants in arrears does not significantly impact the overall monthly program spending as arrears are spread out over 24 months. Another group of customers who were carrying large account credit balances were removed from the Program in

2015 because they were no longer income eligible, moved out of their current service address, or agreed to be removed from the Program due to successful participation. However, a large number of customers still had large credit balances at the end of 2015.

	Average Annual Bill Credit	Monthly Average Bill Credit	Average Annual Bill	Average Monthly Bill	Average Arrearage (Account Balance)
MERC	\$468	\$39	\$504	\$42	-\$683

4. Customer Payment History

The following chart represents the number of GAP customers making full, partial, and no payments each month in 2013, 2014, and 2015. All energy assistance and other community assistance payments on GAP customers' accounts are counted as customer payments the month they are received and posted to the account. However, MERC did not record payments received for months that GAP customers had a credit balance (due to the previous posting of lump sum energy assistance payments or months that Percent of Income credits are larger than customers' gas bills) so that only the monthly posting of payments are reflected. The 2015 customer payment counts represent the growing trend of months that customers did not have to make payments because they had a credit on their account, from Energy Assistance or a GAP credit balance, which would show a count in the No Payment field.

GAP 2013 - Customer Count			
Month	Full Payment	Partial Payment	No Payment
January	872	40	239
February	776	92	219
March	786	72	207
April	829	17	165
May	838	25	144
June	728	57	228
July	622	59	401
August	727	71	241
September	741	47	196
October	857	26	202

November	828	16	161
December	646	156	228

GAP 2014 - Customer Count			
Month	Full Payment	Partial Payment	No Payment
January	802	36	243
February	728	30	222
March	960	41	239
April	977	39	172
May	1,316	44	187
June	1,402	61	203
July	1,321	54	259
August	1,533	42	184
September	1,619	39	139
October	1,467	46	130
November	1,278	39	153
December	1,012	36	265

GAP 2015 - Customer Count			
Month	Full Payment	Partial Payment	No Payment
January	1,471	171	415
February	986	186	811
March	1077	30	786
April	779	125	794
May	673	102	189
June	698	138	897
July	422	23	1119
August	442	21	1153
September	436	23	1161
October	454	54	1092
November	1513	38	141
December	1429	14	103

The Commission's September 22, 2010 Order required utilities to report information on customer payment frequency that incorporates partial and late payment information. MERC's customer information system cannot track late payments, so MERC cannot determine this number without reviewing every account, every month manually. However, the charts above incorporate late payments, as full and partial payments, in the months the payments were

received. MERC notes a late payment only impacts a customer's GAP status if the customer fails to make a payment or makes a partial payment in one month and then pays the next month's bill late. In such a case, the customer will be defaulted from the Program for failing to make two consecutive monthly payments.

5. Arrearage Level

The table below shows the average account balance at the end of each year for GAP customers, LIHEAP customers not enrolled in GAP, and all MERC residential customers. Account balance is calculated by taking the total arrears per customer class minus the class's total credit balance. Accordingly, a negative number indicates that a class's credit balance exceeded its total arrears. For GAP customers, the table reflects a decrease in the average account balance at the end of 2015. The average account balance for non-GAP LIHEAP recipients decreased in 2015. Arrears for all MERC residential customers decreased in 2015 compared to 2014, primarily due to lower winter gas bills as a result of a moderate winter.

	Average Arrears (Account Balance) as of December 31, 2013	Average Arrears (Account Balance) as of December 31, 2014	Average Arrears (Account Balance) as of December 31, 2015
MERC GAP Customers	-\$374	-\$552	-\$683
LIHEAP Customers	\$267	\$209	\$189
MERC Residential Customers	\$119	\$146	\$136

Although MERC successfully unenrolled another 47 customers who had large credit balances in 2015, as noted in Section D.1, there are still a significant number of customers enrolled with large credit balances. These customers continue to be eligible and indicate that they want to continue participating in the Program. Because these customers have large credit

balances, they significantly skew the overall GAP participants' average account balance, which is a large credit dollar amount.

At the end of 2015, MERC had 233 GAP customers with arrears. Their total arrears equaled \$38,912. Therefore, of customers who had an arrears balance, the average arrears balance was approximately \$167. per customer. In 2014, MERC had 436 GAP customers with arrears balances, which totaled \$43,863. The average arrears balance for these customers was \$100 per customer.

The total arrears for new enrollees decreased in 2015, mostly due to the lower number of enrollments. Of the 243 new customers who enrolled in the Program in 2015, 198 customers had arrears. These customers' arrears balances totaled \$20,628 at the time of enrollment. The average arrears balances of customers entering the program decreased between 2014 and 2015.

6. Coordination with Other Available Low-Income Bill Payment Assistance and Conservation Resources

MERC has continued to build its strong partnership with the Salvation Army, which administers the Company's GAP and provides some basic but important additional services to MERC customers in need. MERC Call Center representatives continue to refer customers who have received Minnesota Energy Assistance benefits to the Salvation Army as appropriate for potential program enrollment. MERC and the Salvation Army coordinated several mailing campaigns in 2015, which produced some GAP enrollments. The Salvation Army has access to a variety of internal and external programs which it refers individuals to. The external agencies include: Second Harvest, Energy Assistance, County Emergency Assistance, Medical Clinics, the Social Security Administration, the Veterans Administration, Legal Services, Emergency Disaster Services, the Department of Housing and Urban Development, the Federal Emergency Management Agency, St. Vincent de Paul, the Minnesota Housing Authority, and the State's

Weatherization Assistance Program. The Salvation Army also refers individuals to MERC's Conservation Improvement Program weatherization and 4U2 (limited income) programs.

Another program that is available through the Salvation Army is HeatShare, which is a state-wide fuel fund for customers who are ineligible for GAP. HeatShare offers direct assistance, budget counseling, and energy conservation education. In an effort to help low income households with the costs of heating, HeatShare works in conjunction with the Energy Assistance program on a statewide and local basis. The Salvation Army is very connected with the State of Minnesota programs and staff and is a part of the Minnesota Department of Commerce's LIHEAP Policy Advisory Committee and advocates on behalf of the national program. Additionally, the Salvation Army offers food assistance, rent assistance, medical clinics, seasonal and disaster assistance, and many other services for those in need.

MERC has continued to work very closely with the Salvation Army to assure that customers in need receive immediate assistance. The MERC Call Center representatives have continued to increase their referrals to GAP and the Salvation Army's other energy-assistance programs. Through additional training, support, and coaching, MERC's Call Center representatives have become more proactive in encouraging customers to act quickly on their need for assistance instead of waiting until their bill is too big for agencies to help and they are already in the collection process. The Salvation Army assisted about 148 MERC customers with funds from the HeatShare program in 2015, often after determining they were ineligible for GAP. About \$41,000 was provided to this group of customers in 2015, an average of \$277 per customer. The Salvation Army also referred about 250 GAP customers to other assistance programs, including food vouchers, rental assistance, budget counseling, and other Salvation Army services. In 2015, the Salvation Army fielded 1,350 calls for general, application, and enrollment questions. MERC continues to support the HeatShare fund by donating 50 cents for every dollar customers donate through their monthly gas bills. In 2015, MERC customers

donated a total of \$43,907 via monthly gas bills and direct donations and MERC provided \$20,453 in matching funds to HeatShare for the on-bill donations.

MERC has regular contact with all of the energy assistance agencies and many community agencies in its service territory. MERC's Manager of Energy Efficiency & Public Benefits, James Phillippo, attempts to communicate with the energy assistance agencies at least a few times each year, having regular contact with many of them throughout the year. Mr. Phillippo also meets with Department and Commission staff several times each year to discuss process improvements, issue resolution, assistance coordination, and strengthening the partnerships with all stakeholders. MERC also continues to work closely with other Investor-Owned Utility staff to share best practices, discuss partnership opportunities, and to align program practices where appropriate.

MERC also has a specially trained group of customer service staff, which is located where its Credit and Collections Team is located in Green Bay, WI. The Customer Assistance Center has a designated toll-free phone line, group email, and fax number. The Customer Assistance Advisors provide assistance to the WEC Energy Group utility subsidiaries' energy assistance agencies in Minnesota, Wisconsin, and Michigan. The Customer Assistance Center works with agencies on a daily basis to better assist customers and expedite the assistance processes. The team also works very closely with the Salvation Army staff to assist in enrolling MERC customers in GAP.

In its December 29, 2011 Order Accepting Gas Affordability Program Reports and Requiring Further Action, the Commission required all natural gas utilities to implement an application-processing goal, assess periodically whether the use of their third-party administrator is the most effective and efficient arrangement, require the third-party administrator to make the GAP application available on their website, provide reminders to GAP participants when payments are missed, and cross-promote GAP with other programs. These requirements are addressed below.

7. Application Processing Goal

MERC has required its GAP administrator, the Salvation Army, to process all completed GAP applications within five business days of receipt. If this deadline cannot be met, due to circumstances beyond its control, the GAP Program Manager must be notified so the issue can be resolved. In the past few years, the Salvation Army has only missed this deadline on a few occasions. The deadline was missed due to incorrect account or household information, which caused the Salvation Army to have difficulty reaching the customer. All situations were resolved quickly. MERC reports that in program year 2015 all applications were processed within 5 business days, with the far majority being processed the same or following day of receipt.

8. Third-Party Administrator Evaluation

MERC and the Salvation Army review GAP-administration performance quarterly. At that time, MERC and the Salvation Army review monthly enrollments, upcoming promotions, the need for additional targeted promotions (mailings, phone calls, etc.), barriers to increasing participation, and the year-to-date program budget. The Salvation Army has consistently scored very high in MERC's evaluation of their performance. MERC had originally explored the option of managing GAP internally, but it would require adding another full-time employee, which would not be cost-effective compared to the Salvation Army's administration fee. MERC again reviewed the potential to manage the Program internally in 2013, when some organizational changes were being considered for 2014. MERC concluded that it would not be cost-effective for MERC to manage the day-to-day promotion, enrollment, and assistance process internally. Additionally, the Salvation Army's existing contacts with those on a fixed income gives it a significant advantage in referring customers to the Program. Moreover, the Salvation Army's broader network of assistance helps customers' progress toward self-sufficiency. The Salvation Army was readily available to handle the onset of the former Alliant customers into the MERC GAP and this transition was very successful. The local Salvation Army Corp. in Albert Lea has been very active in encouraging MERC customers they assist to apply for GAP.

9. GAP Application Availability

The Salvation Army, MERC's GAP Program Administrator, was able to successfully add the MERC's GAP application to its website in 2014. The availability of this application on the Salvation Army's website allows customer to use this self-service option, reducing the number of phone calls simply to request a copy of the application. Additionally, the Salvation Army makes exceptional efforts to promote the Program, including by making the GAP application available to its caseworkers, HeatShare, and Outreach staff, which generates many internal referrals and frequently promotes the Program through interactions with other community agencies and programs. The Salvation Army also makes this Program application available at resource fairs they participate in around the state. MERC also continues to have GAP enrollment information and application on its website. The MERC Call Center also mails GAP applications to customers who inquire or are informed of the Program when they are assisting customers with their bills and payment arrangements.

10. Reminder After Missed Payment

MERC sends a letter out to all GAP participants if their payment is not received five days after the due date. The letter reminds them of their GAP payment obligation and that it is not too late to make the payment. However, MERC warns customers that if they miss two consecutive payments, the customer will default from the Program. In 2015, 217 GAP participants defaulted from the Program due to non-payment, which is up from 2014, but not too concerning for the number of customers participating in the program and the long-term success of the program..

11. Cross Promotion of GAP

MERC promotes GAP in a variety of ways throughout the year—on its website, through quarterly bill inserts, Customer Connection articles, Call Center contacts, collection contacts and campaigns (including when customers who are in the gas service disconnection process), through promotion/communication to and through the Energy Assistance agencies, and through

targeted mailings to Energy Assistance recipients who have not yet participated. The Salvation Army promotes the Program through its other social services programs and through its casework. In 2015, MERC did direct mailing campaigns to customers right before and after the CWR period and MERC plans to promote GAP again to all customers coming off of CWR protection, and to provide a more detailed promotion to a group of customers coming off of CWR protection who have higher arrears balances.

G. Applicability of GAP Surcharge to MERC Customer Classes

In its September 29, 2015 Order in Docket No. G011/M-15-308, the Commission ordered that

Each utility shall include in its next Annual Compliance Report an explanation of why it does not assess the GAP surcharge against Interruptible Sales and Transportation Customers, a proposal evaluating cost allocation methods for its GAP program, and the recalculated surcharge for various alternatives if Interruptible Sales and Transportation Customers were included.

MERC has not assessed its GAP surcharge against its Interruptible Sales and Transportation customers for a number of reasons. First, MERC's interruptible and transportation customers vary widely in their usage, even within a specific customer's class. Like all other natural gas utility GAP surcharges, MERC's surcharge has been a per-therm charge. While use of a per-therm charge makes the GAP surcharge easy to administer, track, and adjust on a regular basis, application of such a per therm charge to MERC's largest interruptible and transport customers would result in MERC's highest volume users paying for the vast majority of Program costs. The benefits received through the Program by those large interruptible and transportation customers do not support those customers bearing such a significant cost burden. Additionally, many of MERC's large interruptible and transportation customers present a significant bypass threat and are extremely sensitive to rate increases. Once bypass occurs, it would be difficult to regain those customers and the result would be higher rates for all of MERC's remaining customers.

While alternatives to the historically used flat per-therm charge could be considered in order to allocate some portion of GAP costs to Interruptible and Transportation customers in line with the benefits they receive as a result of the Program, MERC's GAP surcharge is currently set to \$0.00. At this time, we believe a continued surcharge of \$0.00 is appropriate, regardless of the allocation methodology.

H. GAP Annual Summary Schedule

In its September 25, 2013, Order Accepting Gas Affordability Program Reports, the Commission required that MERC submit a summary schedule covering the following information:

1. average annual affordability benefit received per customer;
2. average annual arrearage-forgiveness benefit received per customer;
3. percentage of Low Income Home Energy Assistance Program (LIHEAP) customers that participated in GAP;
4. disconnection rates for (a) GAP customers, (b) LIHEAP-Non GAP customers, and (c) non-LIHEAP customers (all firm customers including C&I);
5. number of GAP participants enrolled as of year-end;
6. number of GAP participants enrolled and receiving benefits at some time during the year;
7. annual program budget;
8. actual program revenue;
9. actual program cost;
10. GAP tracker balance as of year-end; and
11. GAP rate-affordability surcharge (\$/therm).

This information is included in the table below and attached as Attachment B.

Average Annual Affordability Benefit per GAP Participant 2015	\$376
Average Annual Arrearage-Forgiveness Benefit per GAP Participant 2015	\$16.88
Percentage of MERC LIHEAP Customers that Participated in GAP during 2015	13%

Disconnection Rates-2015:	
GAP Customers	3.5% (70 Customers)
LIHEAP Customers	8.5% (1,176 Customers)
All Firm Customers	2% (5,285 Customers)
Number of GAP Participants Enrolled as of Year End 2015	1,546
Number of GAP Participants Enrolled and Receiving Benefits at Some Time During 2015	1,993
Annual Program Budget 2015	\$1,000,000
Actual Program Revenue 2015	\$975,649.98
Actual Program Cost 2015	\$927,210
GAP Tracker Balance as of Year-End 2015	\$1,258,500.67
GAP Rate-Affordability Surcharge (\$/therm)	\$0.00441/therm
Effective: 10/01/15	\$0.00/therm

CONCLUSION

MERC respectfully requests that the Commission accept MERC's Annual Report as compliant with MERC's GAP tariff and Commission orders. MERC believes the continued success of GAP reflects the need for the Program beyond what LIHEAP offers. In addition to increased participation, MERC helped GAP customers successfully eliminate their pre-Program arrears through participation in the Program and was able to unenroll another 37 successful participants. These customers paid off their arrears and established credit balances on their accounts, giving them a good start towards self-sufficiency. MERC hopes to successfully unenroll more participants in 2016, which will allow more customers to participate in the Program. MERC looks forward to another successful year in 2016.

DATED: March 31, 2016

Respectfully Submitted,

/s/ Kristin M. Stastny
Attorney for Minnesota Energy
Resources Corporation

Minnesota Energy Resources - Total Company
 Gas Affordability Program Tracker

242262

Forecasted balance at 12/31/15

		<i>RT 078 and 179</i>	<i>RT 825</i>	<i>RT 826</i>	<i>RT 044</i>								
		<u>Beginning Balance</u>		<u>Dollars Paid for</u>				<u>Under-Collected</u>		<u>Cumulative Carry</u>		<u>Cumulative Carry</u>	
		<u>Subject to Carry</u>	<u>Funding (from</u>	<u>Dollars Paid for</u>	<u>Arrearage</u>	<u>Admin Fee to</u>	<u>Under-Collected</u>	<u>Balance Subject to</u>	<u>Costs Beginning</u>	<u>Carry Cost</u>	<u>Cumulative Carry</u>	<u>Costs</u>	<u>Balance</u>
		<u>Cost-Over (Under)</u>	<u>bills)</u>	<u>Affordability</u>	<u>Forgiveness</u>	<u>Salvation Army</u>	<u>Balance from IPL</u>	<u>Carry Cost</u>	<u>Balance</u>	<u>Carry Cost</u>	<u>Costs</u>	<u>Balance</u>	<u>Balance</u>
Actual	Jan-15	\$ 1,003,590.28	\$ 213,971.20	\$ 63,564.44	\$ 2,421.21	\$ -		\$ 1,151,575.83	\$ 35,916.87	\$ 7,508.27	\$ 43,425.14	\$ 1,195,000.97	
Actual	Feb-15	1,151,575.83	203,072.48	62,622.36	2,217.70	-		1,289,808.25	43,425.14	8,409.55	51,834.69	1,341,642.94	
Actual	Mar-15	1,289,808.25	223,823.30	62,625.33	2,155.22	-		1,448,851.00	51,834.69	9,446.51	61,281.20	1,510,132.20	
Actual	Apr-15	1,448,851.00	118,994.63	62,239.20	1,968.88	-		1,503,637.55	61,281.20	9,152.64	70,433.84	1,574,071.39	
Actual	May-15	1,503,637.55	69,355.28	62,386.97	2,538.81	-	8,807.56	1,499,259.49	70,433.84	9,125.99	79,559.84	1,578,819.33	
Actual	Jun-15	1,499,259.49	43,074.66	62,728.26	-	-		1,479,605.89	79,559.84	9,006.36	88,566.20	1,568,172.09	
Actual	Jul-15	1,479,605.89	26,496.06	62,196.18	-	-		1,443,905.77	88,566.20	8,789.05	97,355.25	1,541,261.02	
Actual	Aug-15	1,443,905.77	24,801.37	61,991.23	3,301.74	-		1,403,414.17	97,355.25	8,542.58	105,897.83	1,509,312.00	
Actual	Sep-15	1,403,414.17	28,772.81	61,300.63	5,333.48	25,000.00		1,340,552.87	105,897.83	8,159.95	114,057.78	1,454,610.65	
Actual	Oct-15	1,340,552.87	21,193.23	67,016.60	5,170.59	-		1,289,558.91	114,057.78	2,523.99	116,581.77	1,406,140.68	
Actual	Nov-15	1,289,558.91	754.85	56,310.62	2,445.54	12,500.00		1,219,057.60	116,581.77	2,386.00	118,967.78	1,338,025.38	
Actual	Dec-15	1,219,057.60	1,340.11	64,494.68	6,096.13	12,500.00		1,137,306.90	118,967.78	2,226.00	121,193.77	1,258,500.67	
		\$ 975,649.98	\$ 749,476.50	\$ 33,649.30	\$ 50,000.00	\$ 8,807.56			\$ 85,276.90		\$ 927,210.26		

(1) March 2015 includes adjustments for the Emmons IA customers that should have charged for GAP. The funding from bills column includes a one time adjustment of \$253.18 and the carry cost column includes a one time adjustment of \$65.34.

(2) Forecasted funding from bills and dollars paid for affordability for forecasted months of Aug-Dec includes amounts related to acquired IPL customers.

Carry Cost charge set at Rate of Return of 7.3048% as of April 1, 2015 as approved by the Commission in Docket No. G011/GR-13-617

Carry Cost charge set at the Short Term debt rate of 2.3487% as of October 2015

GAP surcharge set to \$0.00 as of October 2015

Average Annual Affordability Benefit per GAP Participant 2015	\$376
Average Annual Arrearage-Forgiveness Benefit per GAP Participant 2015	\$16.88
Percentage of MERC LIHEAP Customers that Participated in GAP during 2015	13%
Disconnection Rates-2015:	
GAP Customers	3.5% (70 Customers)
LIHEAP Customers	8.5% (1,176 Customers)
All Firm Customers	2% (5,285 Customers)
Number of GAP Participants Enrolled as of Year End 2015	1,546
Number of GAP Participants Enrolled and Receiving Benefits at Some Time During 2015	1,993
Annual Program Budget 2015	\$1,000,000
Actual Program Revenue 2015	\$975,649.98
Actual Program Cost 2015	\$927,210
GAP Tracker Balance as of Year-End 2015	\$1,258,500.67
GAP Rate-Affordability Surcharge (\$/therm) January 1, 2015-October 1, 2015	\$0.00441/therm
GAP Rate-Affordability Surcharge (\$/therm) October 1, 2015-December 31, 2015	\$0.00/therm

In the Matter of Minnesota Energy
Resources Corporation's 2015 Gas
Affordability Program Annual Report

Docket No. G011/M-16-____

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 31st day of March, 2016, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Annual Report 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 31st day of March, 2016.

/s/ Kristin M. Stastny
Kristin M. Stastny

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Seth	DeMerritt	ssdemerritt@integrysgroup.com	MERC (Holding)	700 North Adams P.O. Box 19001 Green Bay, WI 543079001	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St Chicago, IL 60661	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Colleen	Sipiorski	ctsipiorski@integrysgroup.com	Minnesota Energy Resources Corporation	700 North Adams Street Green Bay, WI 54307	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Kristin	Stastny	kstastny@briggs.com	Briggs and Morgan, P.A.	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List