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March 31, 2017

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

**VIA ELECTRONIC FILING**

**Re: Minnesota Energy Resources Corporation’s Gas Affordability Program  
2016 Annual Report**

**Docket No. G011/M-17-\_\_\_\_\_**

Dear Mr. Wolf:

Enclosed for filing please find Minnesota Energy Resources Corporation’s (“MERC” or the “Company”) Gas Affordability Program (“GAP”) 2016 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. G011/M-07-1131, G011/M-15-308, and G011/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.

A copy of this miscellaneous tariff filing has been served on the Office of the Attorney General – Residential Utilities and Antitrust Division and the Department of Commerce, Division of Energy Resources. A summary of the filing has been served on all parties on MERC’s general service list. The information required by Minnesota Rule 7829.1300 is also included with this filing.

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

**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange  
Dan Lipschultz  
Matt Schuerger  
Katie Sieben  
John Tuma

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

Minnesota Energy Resources Corporation's  
Gas Affordability Program 2016 Annual Report

Docket No. G011/M-17-\_\_\_\_\_

**MINNESOTA ENERGY RESOURCES CORPORATION'S GAS AFFORDABILITY PROGRAM  
2016 ANNUAL REPORT**

Pursuant to Minnesota Rules part 7829.1300, Minnesota Energy Resources Corporation ("MERC" or the "Company") submits this miscellaneous filing to the Minnesota Public Utilities Commission ("Commission") for approval of MERC's Gas Affordability Program ("GAP") 2016 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 the Department of Commerce, Division of Energy Resources ("Department") and the Office of the Attorney General – Residential Utilities and Antitrust Division ("OAG"). The summary of the filing has been served on all parties on the attached service list.

**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 Rahncliff 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 Eighth Street  
Minneapolis, MN 55402  
KStastny@briggs.com  
(612) 977-8656

**C. Date of the Filing and Proposed Effective Date**

Date of Filing: March 31, 2017

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 Rahncliff Court, Suite 200  
Eagan, MN 55122  
(651) 322-8965

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

MERC submits this 2016 Annual Report in compliance with the Company’s GAP (MERC Tariff Sheet Nos. 7.09 to 7.12) and the Commission’s September 25, 2015, Order in Docket No.

G011/M-15-539, which authorized MERC to continue its pilot GAP for an additional four years and required annual Program reports to be submitted by March 31 of each year. The information contained in this 2016 Annual Report satisfies the informational requirements included in the Commission's Orders in Docket Nos. G011/M-07-1131, G011/M-15-308, and G011/M-15-539, and reflects the continued success of the Company's GAP. MERC's 2016 Annual Report fully explains the Company's GAP and its impact on rates and services.

This filing includes the following:

- A one-paragraph summary of the filing in accordance with Minn. R. 7829.1300, subp. 1;
- Minnesota Energy Resources Corporation's Gas Affordability Program 2016 Annual Report;
- Attachment A—Minnesota Energy Resources Corporation's Gas Affordability Program Tracker; and
- Attachment B—Summary Schedule covering the information required by the Commission in its September 25, 2013, Order in Docket No. G011/M-15-539.

#### **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  
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(651) 322-8965  
ASLee@minnesotaenergyresources.com

Kristin M. Stastny  
Briggs and Morgan, P.A.  
80 South Eighth Street  
Minneapolis, MN 55402  
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(612) 977-8656

**V. Conclusion**

Based on the foregoing and the information contained in the attached 2016 Annual Report, MERC respectfully requests that the Commission accept MERC's Annual Report as compliant with MERC's GAP tariff and Commission orders.

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

DATED: March 31, 2017

Respectfully submitted,

BRIGGS AND MORGAN, P.A.

By: /s/ Kristin M. Stastny  
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kstastny@briggs.com

Attorney for Minnesota Energy  
Resources Corporation

**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange  
Dan Lipschultz  
Matt Schuerger  
Katie Sieben  
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Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

Minnesota Energy Resources Corporation's  
Gas Affordability Program 2016 Annual Report

Docket No. G011/M-17-\_\_\_\_\_

**SUMMARY OF FILING**

Please take notice that on March 31, 2017, Minnesota Energy Resources Corporation ("MERC") filed with the Minnesota Public Utilities Commission a Petition for approval of its 2016 Gas Affordability Program Annual Report pursuant to Minnesota Rules part 7829.1300.

**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange  
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Minnesota Energy Resources Corporation's  
Gas Affordability Program 2016 Annual Report

Docket No. G011/M-17-\_\_\_\_\_

**MINNESOTA ENERGY RESOURCES CORPORATION'S GAS AFFORDABILITY PROGRAM  
2016 ANNUAL REPORT**

**INTRODUCTION**

Minnesota Energy Resources Corporation ("MERC" or the "Company") submits this Annual Report in compliance with the Company's Gas Affordability Program ("GAP" or "Program") (MERC Tariff Sheet Nos. 7.09 to 7.12) and the Minnesota Public Utilities Commission's ("MPUC" or the "Commission") September 25, 2015, Order in Docket No. G011/M-15-539, which authorized MERC to continue its pilot GAP 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 its pilot in its December 29, 2011, Order in Docket No. G007,011/M-07-1131, and its September 25, 2015, Order in Docket No. G011/M-15-539.

This Annual Report covers the program year 2016 – the ninth 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. GAP Annual Summary Schedule

In addition, the GAP tracker for 2016 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:

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**

The Company's 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 designed to assist low-income households: (1) 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,<sup>1</sup> and (2) the arrearage-forgiveness component, which provides a monthly credit to the customer's balance after payment is received to retire pre-program arrears.<sup>2</sup>

MERC's GAP is available to residential customers in MERC's service area who have qualified to receive assistance from 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. Eligibility

The Program is available to any residential customers in MERC's service area who have been qualified and received assistance from the LIHEAP 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,

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<sup>1</sup> 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 six percent 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.

<sup>2</sup> 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.

the customer will be subject to the Company's regular collection practices, including the possibility of disconnection.

## 2. Affordability and Arrearage Forgiveness

As previously discussed, the Program has both an affordability component and an arrearage-forgiveness component. The affordability component is a bill credit determined as one-twelfth of the difference between MERC's estimate of the qualified customer's annual gas bill and six percent of the customer's household income as provided by the customer to MERC. Any energy assistance or other community 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 in 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 a total of \$149,668 towards their energy costs in 2016, including the first month credit of any energy assistance applied to the account. The average monthly payment per GAP participant in 2016 was \$37 per month. This average includes only the first month of energy assistance credits posted to accounts.

## B. PROGRAM CREDITS, FUNDING, AND ADMINISTRATION COSTS

Below is a summary of the GAP tracker activity for MERC in 2016. For additional details, please see Attachment A.

### Summary of 2016 MERC GAP Tracker

ITEM	AMOUNT
Affordability Credits	\$696,358
Arrearage-Forgiveness Credits	\$10,697
Administrative Fees	\$37,500
Carry Cost	\$15,372
MPUC Charges	\$1,559
Total Program Costs (sum)	<b>\$761,486</b>
Less; Collections Through Rates	\$2,558
Less; Credits to Tracker from Finalled Accounts	\$38,932
Amount Over/(Under) Collected in 2016	<b>(\$719,996)</b>

#### 1. Program Credits

The total of the affordability and arrearage-forgiveness credits applied to GAP-participant accounts during the 2016 Program year was \$707,055. The average monthly affordability credit per customer was \$36.

#### 2. Program Funding

In 2016, the Program was funded by a per-therm charge of \$0.00 on all MERC firm system customers from January 1, 2016, through December 31, 2016. During 2016, MERC collected \$2,558 from its firm customers. This was due to small billing adjustments related to the 2015 surcharge assessments made on accounts in 2016. MERC also closed out credits on

finalled accounts in 2016. The amount of \$38,932 was credited back to the GAP general ledger account in September 2016, as reflected in the tracker.

In comparison, MERC collected \$975,649 for Program costs from firm customers between January 1, 2015, and September 30, 2015. The per-therm surcharge was reduced to \$0.00 pursuant to the September 25, 2015, Order in Docket No. G011/M-15-539 and MERC stopped collecting the GAP surcharge on October 1, 2015. Further, in the Order, the Commission 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 nears zero.

Customers with current credit balances grew somewhat in 2016, reducing the spending for arrears forgiveness credits each month. However, toward the end of 2016, customers enrolling in GAP tended to have accounts with arrearages and MERC expects greater arrearage-forgiveness spending will occur in 2017. Additionally, MERC will increase promotion of the Program to customers coming out of the Cold Weather Rule ("CWR") period, and many of those accounts had larger arrears balances going into the CWR period last fall.

After MERC converted to its new customer information system in 2016, Credit and Collections did a full review of any credits that remained on finalled accounts. Historically, most of these credits are due to remaining credit balances from energy assistance payments, which are returned to the Minnesota Department of Commerce, per the State of Minnesota's Energy Assistance program rules. However, a portion of the credit balances can be attributed to credit balances from the GAP program. These credits remain on active accounts until accounts go inactive and are eventually final, at which time the dollars are posted back to the GAP General Ledger account. In the past collections process, these dollars were added to the GAP program funding total. A total of \$38,932.12 was posted back to the GAP General Ledger account in September 2016. The credit balance review process will continue to be executed on a quarterly basis and the dollars captured on the GAP tracker as a separate line going forward.

### 3. Program Administration Costs

As shown in the table above, MERC's total Program costs in 2016 were \$761,487, which includes the affordability and arrearage-forgiveness credits, administrative costs, carrying cost allowances, and MPUC charges. The total Program administration costs for 2016 were reduced to \$37,500 (five percent of total Program costs). Minnesota Statutes section 216B.16, subdivision 15, and MERC's GAP tariff limit the amount of administrative costs included in the tracker (with the exception of 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 participating customers in GAP during the 2016 program year; however the program served eleven more customers than at the end of the 2015 program year. As of December 31, 2016, 1,557 customers were enrolled in the Program, but 1,611 customers participated in the Program at some point in 2016. There were a total of 65 new customer enrollments in 2016. By way of comparison, in 2015, there were 243 new customer enrollments. This was similar to the downward trend of enrollments in the previous Program year. New enrollments only accounted for four percent of Program participants at the end of 2016. In terms of the number of new enrollments, 2016 was more in line with new enrollments numbers from several years past (outside of a significant increase in enrollments in 2014). The Salvation Army received 305 applications in 2016, a significant reduction from the previous two years. Unfortunately, 240 of the Program applicants were not eligible to enroll because they (1) did not have active gas service; (2) were not the customer of record; (3) did not have gas service with MERC; (4) were not a LIHEAP recipient (all of whom were encouraged to apply for LIHEAP); (5) did not qualify for a percent-of-income credit (high income relative to gas consumption); (6) had defaulted from the Program in the same Program year; or (7) did not complete the application. The incentive to enroll in the Program may have also been

dampened due to a temporary suspension of collections activity during the implementation of MERC's new customer information system.

Gas consumption in 2016 was comparable to 2015, but arrears balances were slightly higher in 2016. However, despite the lower enrollments in 2016 and the number of applications that did not produce enrollments, the success rate of those enrolled were very high. Only 54 customers were removed from GAP in 2016, which helped close out the year with a higher number still enrolled than at the end of the 2015 Program year. MERC has plans to launch seasonal GAP promotions in 2017 and has engaged Program partners to begin that effort. MERC offered Program enrollment when customers applied for CWR protection last fall and continues to promote the Program to customers in the collections process, especially when customers are facing potential disconnection of service. MERC will be promoting GAP enrollment when customers are removed from CWR protection on April 16, 2017 – a time when many who qualify for GAP are carrying greater arrears because CWR payment plans typically require only minimal monthly payments. In preparation for the spring of 2017, MERC will be conducting some additional training with call center agents about the benefits of GAP, especially for those customers with significant post-CWP arrears. The training encourages call center agents to proactively help customers enroll in GAP to more affordably address their arrears over a longer period of time.

#### **D. RETENTION, SATISFACTION, AND DISCONNECTIONS**

##### **1. Retention**

Sixty-five new customers enrolled in the Program in 2016. As previously mentioned, enrollments may have decreased in 2016 due to the temporary suspension of residential collection activity during the launch of MERC's new customer information system. Of all customers participating in the Program in 2016, 34 defaulted from the Program due to non-payment, with the majority being removed from the Program later in the fall. In comparison, 217 customers defaulted due to non-payment in 2015. Another 20 customers were removed from

the Program in 2016 due to a change of address. 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 2016, only two percent of Program participants were removed from the Program due to payment default. Thus, despite the lower number of enrollments, MERC's retention rate was comparable with the most successful years of the Program. MERC 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, only a small percentage of customers want to be removed from the Program, regardless of the size of their credit balance. As a result of customers' reluctance to be removed from the Program, MERC has a growing number of GAP accounts with large credit balances. At the close of 2016, MERC had 45 accounts with credit balances larger than \$4,000 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. Over 200 customers participating in GAP have been enrolled in the Program since 2008, the Program's first year. MERC believes that the Program is achieving the original intent of the statute authorizing GAP – that 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 customers' arrears; however, arrears forgiveness accounted for less than one percent of Program costs in 2016. Ninety-one percent of the Program costs and 98 percent of the total monthly credits applied were used for the affordability component in 2016. The affordability component is key to the Program's lasting success because it significantly supports 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 GAP. Further, reductions in the cycle of service turn-off and turn-on for customers in the Program benefit not only those customers in the Program, but all of MERC's customers. None of the participants who enrolled in 2008 (and are still enrolled) have carried arrears since 2010, which is a significant accomplishment given the financial challenges many of these households face on an on-going basis.

## 2. Customer Satisfaction

MERC has not conducted a formal customer satisfaction survey of the Program. The Salvation Army, and the MERC Call Center, Credit and Collections, and Energy Assistance teams do receive informal feedback from GAP participants. Participants have continued to identify 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 two-year period of time;
- Not creating new arrears by paying the difference between their monthly gas bill and the monthly affordability credit (including energy assistance credits posted to their account), which also motivates participants to use gas more efficiently;
- 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 while being enrolled in GAP, which also lowered their monthly gas bill.

In 2016, MERC reenrolled three 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.

During 2016, the Commission's Consumer Affairs Office received a number of calls and questions regarding billing for customers enrolled in GAP because the Company experienced issues with billing GAP customers with account arrears. In particular, at the time of MERC's billing system conversion, there were approximately 1,500 GAP accounts, about 110 of which had arrears balances. While the GAP accounts without arrearages (approximately 1,400) billed correctly after conversion, MERC experienced problems billing the GAP credits on the 110 GAP accounts that had arrears at the time of conversion to the new billing system. There were approximately 50-60 GAP accounts with arrears that were not sent a bill for a period of time after system conversion. MERC was able to contact affected GAP participants to address the customer concerns.

### 3. Disconnections

During 2016, only 13 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 significantly lower due to the fact that there were fewer Program defaults and that active collection activity was suspended in 2016. Enrollment in the Program prevented seven gas-service disconnections. MERC did proactively inform recipients of disconnect notices about

the benefits of GAP and that enrollment can prevent disconnection if customers take action immediately. Some of these customers did enroll in GAP, thus avoiding disconnection or a more compressed payment arrangement.

MERC had approximately 231,809 firm customers on its system in 2016. MERC completed approximately 792 firm customer gas service disconnections in 2016, equating to less than one percent of all firm customers. GAP customers continued to account for a small fraction of one percent of these disconnects in 2016—much fewer than in 2015. Only 13 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 65 customers who enrolled in GAP during the 2016 Program year. Fifty-nine of these customers had arrears at the time of Program enrollment, many of whom joined in later fall of 2016. Their total arrears were \$27,254, an average of \$462 per customer. Although there were fewer new enrollees in the Program in 2016 as compared to 2015, the average arrears were significantly higher than any previous year.

The overall amount of arrears and arrears per customer has continued to fluctuate over the last few years. Overall gas costs in 2016 were stable and GAP participants also received slightly higher energy assistance credits. However, some of the increase can also be attributed to the size of recipient households versus annual gas costs.

### **2. Effect of Program on Customer Payment Frequency**

In 2016, customers enrolled in GAP made 4,058 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 \$37 per GAP participant. This compares to 11,405 payments made by GAP participants in 2015, totaling \$882,699, which equated to average monthly payments of \$77 per GAP participant. In 2014, MERC received 14,922

payments from GAP customers, totaling \$1,338,082 which equated to average monthly payments of \$90 per GAP participant. MERC provides further discussion of Program participation payments in Section F.1., Customer Payment Frequency, below.

### 3. Collection Activity

In 2016, MERC saved \$525 due to the enrollment of seven 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 2015, which saw savings of \$3,975. As stated earlier, the number of disconnect notices were significantly lower in 2016. 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 2016, promoting regular monthly payments (when they have an actual charge versus a credit balance), and allowing customers to make more realistic monthly payments for an extended period of time. However, the trend remains the same 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 to \$40 each month can be the difference between staying current and falling behind on their gas bills and other vital household bills. Customers who still participate in the Energy Assistance and other community assistance programs and continue to be enrolled in GAP increase their likelihood of moving toward self-sufficiency and maintaining their independence from other forms of public assistance.

**F. ADDITIONAL REPORTING REQUIREMENTS**

1. Customer Payment Frequency

The following tables compare customer payment frequency of all GAP participants in 2016 to the payment frequency of participating customers in 2015 and 2014. MERC also separated the payment frequency for the 65 new enrollees and for all Energy Assistance Program recipients. GAP customer payments include payments made by customers as well as energy assistance and other community assistance payments that have been credited to their accounts that specific month. Any remaining credit that is carried over to future months is not counted as customer payments the following months, for reporting purposes.

<b>GAP Customer Payment Frequency – All Customers Participating</b>	
	<b>MERC Total</b>
<b>Payments made in 2016</b>	4,058 3 payments per GAP customer
<b>Payments made in 2015</b>	11,405 6 payments per GAP customer
<b>Payments made in 2014</b>	14,922 7 payments per GAP customer
<b>GAP Customer Payment Frequency – New Customers in Program Year</b>	
	<b>MERC Total</b>
<b>Payments Made in 2016</b>	295 5 payments per GAP customer
<b>Payments Made in 2015</b>	1,710 7 payments per GAP customer <sup>7</sup>
<b>Payments Made in 2014</b>	9,697 10 payments per GAP customer
<b>Customer Payment Frequency – Energy Assistance Recipients</b>	
	<b>MERC Total</b>
<b>Payments Made in 2016</b>	94,358 7 payments per LIHEAP recipient
<b>Payments Made in 2015</b>	112,837 9 payments per LIHEAP recipient
<b>Payments Made in 2014</b>	138,264 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 2016 was lower enrollment. GAP data continues to provide evidence that customers in the Program can make their payments if their monthly bill is reasonable or income-adjusted. MERC saw a dramatic decline in the consistent number of monthly payments made in 2016. However, participants can miss one monthly payment, as long as the missed payment and the second

month's payment are paid by the second month due date. MERC believes that an increased number of customers have realized this, but also acknowledges this may be reflective of how challenging it is to pay monthly bills with fluctuating income and unexpected household costs. An average of 810 enrolled customers made or needed to make (amount due) monthly payments in 2016, a significant decrease from 2015.

The payment data for the 2016 GAP enrollees is difficult to compare with overall payments the last few years because the enrollment numbers have fluctuated over time. MERC saw a decrease in the number of Energy Assistance recipients in 2016; however, the average benefit was \$27 higher. Many factors contribute to the difficulty in comparing enrollment over time, including factors not controlled by MERC such as LIHEAP federal funding levels and payment schedules, weather, gas cost, number in household, and fluctuation in household income.

2. Disconnection of Gas Service

Below are the 2016 disconnections by customer category:

<b>Customer Category</b>	<b>Number of Disconnections</b>	<b>Percentage of Customers</b>
<b>2016 Firm Customers (231,809)</b>	792	Less than 1%
<b>2016 GAP Participants (1,611)</b>	13	Less than 1%
<b>2016 LIHEAP Recipients (Non-GAP Participants) (12,607)</b>	65	Less than 1%

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 MERC has had an increasing number of accounts in which the total credit balance exceeds the total arrears balance, the average account balance continues to be a growing negative number (i.e., a credit); however, the increase in credit balances slowed in 2016. The average affordability (percent-of-income) credits were up one dollar in 2016, suggesting that participants' income was fairly level with 2015 amounts. However, the average monthly bill for this group of customers increased by \$19, resulting in a slight elevation of the monthly bill credit. The majority of new participants were in arrears at the time of enrollment and their arrears were slightly higher on average than previous years' new applicants. The number of participants in arrears does not significantly impact the overall monthly Program spending as arrears are spread out over 24 months. There were almost 500 customers enrolled at the end of 2016 with credit balances greater than \$600.

	Average Annual Bill Credit	Monthly Average Bill Credit	Average Annual Bill	Average Monthly Bill	Average Arrearage (Account Balance)
<b>MERC</b>	\$480	\$40	\$732	\$61	-\$702

#### 4. Customer Payment History

The following chart represents the number of GAP customers making full, partial, and no payments each month in 2014, 2015, and 2016. 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 2016 customer payment counts represent a sharp increase in the trend of months that customers did not have to make payments because they had a credit on their account, from energy

assistance, which saw an increase in the average benefit, or a rolling GAP credit balance due to a higher affordability credit each month.

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



GAP 2016 - Customer Count			
Month	Full Payment	Partial Payment	No Payment
January	132	86	216
February	220	79	92
March	202	45	106
April	195	42	172
May	204	19	195
June	156	24	154
July	133	10	137
August	141	7	140
September	139	7	110
October	210	17	109
November	171	33	86
December	61	26	182

The Commission's September 22, 2010, Order, in Docket No. G007,011/M-07-1131, required utilities to report information on customer payment frequency that incorporates partial and late payment information. 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, Energy Assistance customers not enrolled in GAP, and all MERC residential customers. The 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 slight decrease in the average account balance (a large credit amount) at the end of 2016, which has been a growing trend for four or five years. The average account balance for non-GAP Energy Assistance recipients increased significantly in 2016. Arrears for all MERC residential

customers also increased considerably in 2016 compared to 2015, primarily due to limited active collections activities in 2016.

	<b>Average Arrears (Account Balance) as of December 31, 2014</b>	<b>Average Arrears (Account Balance) as of December 31, 2015</b>	<b>Average Arrears (Account Balance) as of December 31, 2016</b>
<b>MERC GAP Customers</b>	-552	-683	-702
<b>LIHEAP Customers</b>	209	189	243
<b>MERC Residential Customers</b>	146	136	174

MERC did not unenroll any customers with significant credit balances in 2016. As discussed earlier, MERC approached customers with significant credit balances as to continued Program participation and none of those customers wished to be unenrolled. Customers with large credit balances continue to be eligible and indicate that they want to continue participating in the Program, which they can do per the Program guidelines, despite the credit balance. If the Program budget is in an “overspend” position in 2017, these customers will be contacted again in an effort to free up more funding for new customers. 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 2016, MERC had 144 GAP customers with arrears, with arrears balances totaling \$42,166. For the customers who had arrears balances at the end of 2016, the average arrears balance was \$292 per customer. In 2015, MERC had 233 GAP customers with arrears balances that totaled \$38,912. The average arrears balance for these customers was \$167 per customer. MERC has identified that most of the new enrollments in 2016 occurred in late fall, when these customers’ arrears balances were at their highest level. The total arrears for new enrollees increased significantly in 2016, mostly due to the time of year of most enrollments. Of

the 65 new customers who enrolled in the Program in 2016, 59 customers had arrears. These customers' arrears balance totaled \$27,254 at the time of enrollment.

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

MERC continues to build its strong partnership with The Salvation Army, which administers the Company's GAP and provides some important additional support services to MERC customers in need. MERC Call Center representatives continue to keep informed about the GAP and refer customers who have received Minnesota's Energy Assistance benefits to The Salvation Army as appropriate for potential Program enrollment. MERC and The Salvation Army coordinated several mailing campaigns in 2016, which produced some GAP enrollments, but received much less traffic than in previous years. The Salvation Army also has access to a variety of internal and external programs to which it refers individuals. 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 and MERC's Call Center representatives also refer 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 or have incomes that are too great to receive a GAP percent-of-income credit. 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 low-income households to maintain federal LIHEAP funding levels. Additionally, The Salvation Army offers food assistance, rent assistance, medical clinics, seasonal and disaster assistance, and many other services for individuals and entire communities with a variety of needs.

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 in the past few years. Through additional training, support, and coaching, MERC's Call Center representatives have become more proactive in encouraging customers to act quickly on customers' need for assistance instead of waiting until customers' bills are too big for agencies to help and customers are already in the collections process. The Salvation Army assisted approximately 68 MERC customers with funds from the HeatShare program in 2016, often after determining those customers were ineligible for GAP. About \$15,500 was provided to this group of customers in 2016, an average of \$228 per customer. The Salvation Army also referred about 400 GAP customers to other assistance programs, including food vouchers, rental assistance, budget counseling, and other Salvation Army services. In 2016, The Salvation Army fielded 1,140 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 2016, MERC customers donated a total of \$38,867 via monthly gas bills and direct donations, and MERC provided \$19,433 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 and Public Benefits communicates with the energy assistance agencies at least several times each year, and 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 at its Customer Assistance Center. The Customer Assistance Center has a designated toll-free phone line, group email, and fax number, and the center's staff provides 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 2016, MERC also launched its Agency Web Portal that provides direct access for Minnesota's energy assistance agencies to account information necessary to complete energy assistance applications and provide crisis assistance when customers face disconnection of service. This Agency Portal is also used by The Salvation Army to obtain customer consumption information to determine GAP eligibility and to complete the enrollment process. Those agencies must receive permission from the applying customers to access the particular customers' data. The Agency Portal has had a significant positive impact on processing time for the agencies and The Salvation Army as the agencies can respond to customers' needs more efficiently and effectively.

In its December 29, 2011, Order in Docket No. G007,011/M-07-1131, 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 discussed in Sections 7 through 10 below.

#### 7. Application Processing Goal

MERC requires the GAP Program Administrator, The Salvation Army, to process all completed GAP applications within five business days of receipt. If this deadline cannot be achieved, due to circumstances beyond The Salvation Army's control, the GAP Program Manager must be notified so the issue can be resolved. In the past few years, The Salvation Army has 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 customers. All situations were resolved quickly. MERC reports that in Program year 2016 all applications were processed within five business days, with the 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 continues to consistently score very high in MERC's performance evaluations. 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, and 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 across Minnesota works very closely with the Energy Assistance program in each county to ensure awareness of the GAP, to provide any

help needed to customers in getting applications completed, and to assist with the processing and enrollment of applicants.

The Salvation Army continues to make MERC's GAP application available on its website. The availability of this application on The Salvation Army's website allows customers to use this self-service option, reducing the number of phone calls simply requesting a copy of the application. Additionally, The Salvation Army makes exceptional efforts to promote the Program, including 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 continues to have GAP enrollment information and the GAP application on its website. The MERC Call Center also mails GAP applications to customers who inquire or are informed of the Program after assisting those customers with bills or payment arrangements.

#### 9. Reminder after Missed Payment

MERC sends a letter to all GAP participants if payments are not received five days after the due date. The letter reminds customers in the Program of their GAP payment obligation and that it is not too late to make the payment. MERC does warn customers that if two consecutive payments are missed, the customer will default from the Program. In 2016, only 34 GAP participants defaulted from the Program due to non-payment, a decline from the 2015 defaults.

#### 10. 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 for customers in the gas service disconnection process); through promotion and 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.

**G. GAP ANNUAL SUMMARY SCHEDULE**

In its September 25, 2013, Order in Docket No. G011/M-15-539, 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 funded) 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.



<b>Average Annual Affordability Benefit per GAP Participant 2016</b>	\$432
<b>Average Annual Arrearage-Forgiveness Benefit per GAP Participant 2016</b>	\$6.60
<b>Percentage of MERC LIHEAP Customers that Participated in GAP during 2015</b>	13%
<b>Disconnection Rates-2016:</b>	
<b>GAP Customers</b>	<1% (13 Customers)
<b>LIHEAP Customers</b>	<1% (65 Customers)
<b>All Firm Customers</b>	<1% (792 Customers)
<b>Number of GAP Participants Enrolled as of Year End 2016</b>	1,557
<b>Number of GAP Participants Enrolled and Receiving Benefits at Some Time During 2016</b>	1,611
<b>Annual Program Budget 2016</b>	\$750,000
<b>Actual Program Revenue 2016</b>	\$2,558.16
<b>Actual Program Cost 2015</b>	\$707,354.27
<b>GAP Tracker Balance as of Year-End 2016</b>	\$569,248.89
<b>GAP Rate-Affordability Surcharge (\$/therm)</b>	\$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. During 2016, MERC helped GAP customers successfully eliminate their pre-Program arrears through participation in the Program. Customers who have paid off their arrears and have established credit balances on their accounts have taken another step toward self-sufficiency. None of these customers chose to be removed from the program in 2016, however MERC hopes to successfully unenroll some of these participants in 2017, allowing more customers to participate in the Program. MERC looks forward to another successful year in 2017.

DATED: March 31, 2017

Respectfully submitted,  
BRIGGS AND MORGAN, P.A.

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Attorney for Minnesota Energy  
Resources Corporation

Minnesota Energy Resources - Total Company  
 Gas Affordability Program Tracker  
 2016

242262

		RT 078 and 179	RT 078	RT 825	RT 826	RT 044	RT 519							
		<u>Beginning Balance</u>		<u>Dollars Paid for</u>						<u>Cumulative Carry</u>				
		<u>Subject to Carry</u>	<u>Funding (from</u>	<u>Credits Due to</u>	<u>Dollars Paid for</u>	<u>Arrearage</u>	<u>Admin Fee to</u>	<u>Dollars Paid for</u>	<u>Under-Collected</u>	<u>Balance Subject to</u>	<u>Costs Beginning</u>	<u>Cumulative Carry</u>	<u>Costs</u>	<u>Balance</u>
		<u>Cost-Over (Under)</u>	<u>bills/refunds)</u>	<u>Final Accounts</u>	<u>Affordability</u>	<u>Forgiveness</u>	<u>Salvation Army</u>	<u>Affordability</u>	<u>Balance from IPL</u>	<u>Carry Cost</u>	<u>Balance</u>	<u>Carry Cost</u>	<u>Costs</u>	<u>Balance</u>
Actual	Jan-16	\$ 1,137,306.90	\$ 2,853.44		\$ 52,574.34	\$ 5,930.35		\$ 10,261.67		\$ 1,071,393.98	\$121,193.77	\$ 1,818.69	\$ 123,012.46	\$ 1,194,406.44
Actual	Feb-16	1,071,393.98	3.75					51,317.57		\$ 1,020,080.16	123,012.46	\$ 1,731.59	\$ 124,744.05	\$ 1,144,824.21
Actual	Mar-16	1,020,080.16	(2.90)					58,643.87		\$ 961,433.39	124,744.05	\$ 1,632.03	\$ 126,376.08	\$ 1,087,809.47
Actual	Apr-16	961,433.39	(1.62)				9,375.00	55,046.15		\$ 897,010.62	126,376.08	\$ 1,522.68	\$ 127,898.76	\$ 1,024,909.38
Actual	May-16	897,010.62	(7.27)			4,767.11		61,887.15		\$ 830,349.09	127,898.76	\$ 1,409.52	\$ 129,308.27	\$ 959,657.36
Actual	Jun-16	830,349.09	1.14					62,390.67		\$ 767,959.56	129,308.27	\$ 1,303.61	\$ 130,611.88	\$ 898,571.44
Actual	Jul-16	767,959.56	(7.40)					54,594.02		\$ 713,358.14	130,611.88	\$ 1,210.93	\$ 131,822.81	\$ 845,180.95
Actual	Aug-16	713,358.14	0.13					61,113.40		\$ 652,244.87	131,822.81	\$ 1,107.19	\$ 132,930.00	\$ 785,174.87
Actual	Sep-16	652,244.87	(289.66)	38,932.12				57,597.71		\$ 633,289.62	132,930.00	\$ 1,075.01	\$ 134,005.01	\$ 767,294.63
Actual	Oct-16	633,289.62	0.32					56,483.29	1,559.35	\$ 575,247.30	134,005.01	\$ 976.48	\$ 134,981.49	\$ 710,228.79
Actual	Nov-16	575,247.30	8.23					18,750.00		\$ 501,182.95	134,981.49	\$ 850.76	\$ 135,832.25	\$ 637,015.20
Actual	Dec-16	501,182.95						9,375.00		\$ 432,682.17	135,832.25	\$ 734.48	\$ 136,566.72	\$ 569,248.89
		\$ 2,558.16	\$ 38,932.12	\$ 38,932.12	\$ 52,574.34	\$ 10,697.46	\$ 1,559.35	\$ 37,500.00	\$ 643,783.86	\$ -	\$ 15,372.95			

GAP surcharge set to \$0.00 as of October 2015

Minnesota Energy Resources Corporation  
 2016 Gas Affordability Program Annual Report  
 Attachment B  
 March 31, 2017

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<b>GAP Tracker Balance as of Year-End 2016</b>	\$569,248.89
<b>GAP Rate-Affordability Surcharge (\$/therm)</b>	\$0.00/therm

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

Docket No. G011/M-17-\_\_\_\_

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 31st day of March, 2017, 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](http://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, 2017.

/s/ Kristin M. Stastny  
Kristin M. Stastny

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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
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Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 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

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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