Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: October 30, 2014.. **Agenda Item # 3

Companies:	All Regulated Natural Gas Utilities
Docket Nos.	G-008/GR-05-1380 In the Matter of the Application of CenterPoint Energy for Authority to Increase Natural Gas Rates in Minnesota G-002/GR-06-1429 In the Matter of the Application of Northern States Power Company, a Minnesota Corporation and Wholly Owned Subsidiary of Xcel Energy Inc., for Authority to Increase Rates for Natural Gas Service in Minnesota G-007,011/M-07-1131 In the Matter of the Petition Submitted by Minnesota Energy Resources Corporation for Approval by the Minnesota Public Utilities Commission of a Gas Affordability Service Program G-004/M-07-1235 In the Matter of the Petition by Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc., for Approval of a Gas Affordability Service Program G-001/M-07-1295 In the Matter of a Petition Submitted by Interstate Power and Light Company Requesting Approval by the Minnesota Public Utilities Commission of a Proposed Natural Gas Affordability Program, Including a Cost Recovery Surcharge G-022/CI-08-1175 In the Matter of Greater Minnesota Gas, Inc.'s Failure to File An Affordability Program Under Minn. Stat. §216B.16, Subd. 15
Issues:	Review and acceptance of the 2013 Gas Affordability Program (GAP) annual compliance reports.
Staff:	Ann Schwieger.. 651-201-2238 Bob Harding.. 651-201-2237

(Relevant documents are listed on the next page)

Relevant Documents

The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless otherwise noted.

This document can be made available in alternative formats (i.e., large print or audio) by calling (651) 296-0406 (voice). Persons with hearing or speech disabilities may call us through their preferred Telecommunications Relay Service.

October 22, 2014

[1] Comments dated May 29, 2014 & filed in eDockets on May 30, 2014

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Statement of the Issue

Review and acceptance of the 2013 Gas Affordability Program (GAP) annual compliance reports.

Introduction

The gas affordability programs are reviewed each year (through the filing of annual compliance reports) and periodically (through the pilot program evaluation process). Improvements and efficiencies have been incorporated into the design and administration of these programs on an ongoing and as-needed, basis. Staff expects fewer changes to these programs will be necessary now that these programs have been reviewed and evaluated several times and are more established.

Nevertheless, the Commission does need to make a decision about the funding (and possible over-funding) of Xcel's program, which is discussed on pp. 9-13 of the briefing papers.

Staff also suggests the Commission consider requiring future GAP filings be made under new docket numbers and that future filings be treated as miscellaneous filings subject to the Commission's rules of practice and procedure. This similar to what the Commission decided to do with the annual gas service quality reports. This is discussed briefly at the end of the briefing papers on p. 16.

Low-Income Affordability Program Statute, Minn. Stat. § 216B.16, subd. 15

The low-income affordability program statute required all gas utilities to file proposals for low-income affordability programs with the Commission by September 1, 2007. All of the investor-owned, Commission rate regulated natural gas utilities currently offer an affordability program for income-qualified customers. Certain performance, evaluation requirements and cost recovery standards for these programs are identified in the statute.

(Please see Attachment A for a copy of the statute that identifies the changes enacted in the 2011 legislative session.)

Background

Between March 27 and April 1, 2014, all of the gas utilities[2] submitted annual gas affordability program (GAP) compliance reports for calendar-year 2013, with the exception of Greater Minnesota Gas Company. These reports describe the affordability programs offered by each company and provide data on the administration, operation and performance of each program.

Between May 2 and May 19, 2014, Xcel and GPNG submitted supplements to their initial filings.

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[2] Gas utilities include Xcel Energy's (Xcel) gas operations, CenterPoint Energy (CenterPoint), Minnesota Energy Resources Corporation (MERC), Great Plains Natural Gas (GPNG) and Interstate Power & Light (IPL).

On May 30, 2014, the Minnesota Department of Commerce, Division of Energy Resources (the Department) recommended the Commission accept all of the 2013 GAP annual compliance reports.

The Department recommended that the Commission suspend Xcel's GAP surcharge, and direct the Company to submit a compliance filing with the 2014 year-end tracker balance and a proposal to either reinstate a surcharge or continue the suspension. The Department recommended the compliance filing be submitted by January 31, 2015.

On June 13, 2014, CenterPoint submitted reply comments and agreed with the Department's recommendation that the Commission accept CenterPoint's 2013 Gas Affordability Annual Compliance Report.

Xcel submitted reply comments on the same date and agreed with the Department's recommendation to suspend the GAP surcharge. The Company disagreed with the Department's recommendation that the Company should make a compliance filing with (a) the 2014 year-end updated Tracker balance by January 31, 2015, and (b) a proposal for either continued suspension of the surcharge or reinstatement of the surcharge with the filing. Xcel stated it believes a time certain for reinstating the surcharge is in the best interest of its customers and would be administratively and procedurally efficient.

Previous Commission Orders

Program Authorizations

The Commission issued orders authorizing the start of each gas affordability program. All of the GAP programs were set up as pilot programs that expire on a certain date unless the Commission evaluates and then authorizes the programs to continue. CenterPoint's and Xcel's programs predate the statutory requirement for these programs and were initially authorized in rate cases. MERC's, Great Plains', Interstate's, and GMG's programs are the result of filings required by the low-income affordability program statute.

Annual Reviews

The Commission issued orders reviewing the calendar-years as follows:

- 2008 GAP annual reports on July 8 and November 18, 2009.
- 2009 GAP annual reports on September 22, 2010.
- 2010 GAP annual reports on December 29, 2011.
- 2011 GAP annual reports on October 5, 2012.
- 2012 GAP annual reports on September 25, 2013.

Program Evaluations

Great Plains Natural Gas and Greater Minnesota Gas Companies are due to have their pilot gas affordability programs evaluated this year. MERC and IPL are due to have their pilot GAPs evaluated next year. The Commission completed an evaluation of CenterPoint Energy's gas affordability program in September 2013. The evaluation of CenterPoint's program is discussed below. The previous evaluations of the Xcel, Great Plains, GMG, CenterPoint, MERC and Interstate programs are highlighted below.

Individual Utility Programs

CenterPoint Energy

CenterPoint's GAP Program was set to expire on December 31, 2013. The Company requested and the Commission granted an extension of the Program through December 31, 2016.

The Company requested a modification to the arrearage forgiveness component of the GAP Program. According to the Company, arrearage credits were paid out at a much lower rate than affordability credits. In 2012, $837,408 was paid out in arrearage credits as compared to $3,724,899 for affordability credits. CenterPoint stated that Customer's with arrearage balances did not stay on the Program as long as GAP participants without arrearage balances.

CenterPoint proposed a modification to when the arrearage credit is applied to a GAP Customer's account to better address the needs of participants with an arrears balance and to encourage their continuation in the GAP Program. The affordability credit was applied to the Customer's account prior to receipt of payment and the arrearage credit was applied only after a payment was received. CenterPoint proposed to apply the arrearage credit to the Customer's account prior to receipt of a payment, the same as the affordability credit. The intent of the modification was to better inform Customers' of the benefit of making GAP payments and staying on the Program. CenterPoint stated that GAP participants who made no arrears payments, and consequently received no arrears credit, had a higher disconnection rate, higher arrears balances, and remained on the GAP Program for less time than the participants who made arrears payments.

The Commission approved CenterPoint's proposed modification to the arrearage forgiveness credit in its Order dated September 24, 2013.

Xcel Energy

- Evaluated in 2012.
- Authorized three year extension of the Program (through December 31, 2016).
- Discontinue practice of removing customers when they accrue a $500 credit balance.
- Raised the dollar amount of the threshold amount that triggers an account review to a credit balance exceeding $1,000 and required Xcel to consult with the Department, OAG and ECC on an appropriate new removal threshold.
- Required Xcel to reduce the tracker balance by $1 million by reducing the GAP surcharge from $0.00445 to $0.00400 effective January 1, 2013 and continuing through December 31, 2016.
- Continue Program outreach to low income households.

Great Plains

- Evaluated in 2012.

- Granted two year extension of the program (until December 31, 2014).
- Reduced the GAP surcharge from $0.02034 per dekatherm to $0.0 per dekatherm.
- Authorized the removal of the GAP surcharge as a line item shown on Customer bills.

Greater Minnesota Gas

- Evaluated in 2012.
- Required extension of program for two years (through December 31, 2014).
- Ordered a December 31 program expiration date.
- Approved the Company's request to increase annual affordability credit and annual arrearage forgiveness credit from $96 to $102, per year.

MERC

- Evaluated in 2011.
- Authorized MERC to extend its program for four years (until December 31, 2015)
- No significant modification to the design of MERC's program.
- Approved MERC's request to increase its gas affordability surcharge to allow MERC to recover $1 million in over budget costs over four years.

Interstate

- Evaluated in 2011.
- Authorized four year extension of program to December 31, 2015.
- Authorized lowering the customer paid portion of the bill for current gas usage (the affordability component) from six to four percent of household income and to maintain the arrearage forgiveness component of the program.
- Denied request for authority to true up program costs using an annual cost recovery mechanism instead of the currently authorized GAP tracker account.

Pilot Program Evaluations and Termination Dates

Great Plains and GMG programs will be evaluated in 2014 for the second time. MERC's and Interstate's programs will be evaluated a second time in 2015. CenterPoint and Xcel's programs will be evaluated again in 2016. The following table summarizes the upcoming milestones for each program.

	CenterPoint	Xcel	MERC	Interstate	Great Plains	GMG
Next Evaluation Report	6/1/2016	5/31/2016	5/31/2015	5/31/2015	6/1/2014	7/1/2014
Program Ends	12/31/2016	12/31/2016	12/31/2015	12/31/2015	12/31/2014	12/31/2014

	CenterPoint	Xcel	MERC	Interstate	Great Plains	GMG
Date of Last Evaluation Order	9/24/2013	10/26/2012	12/29/2011	12/29/2011	10/15/2012	10/12/2012

Review of Annual Reports for Calendar Year 2013, Party Comments & PUC Staff Comments

Staff has not attempted an in depth compilation or analysis of the data provided in the 2013 annual compliance reports. In many respects the data is not directly comparable across utilities. However, the following is a brief summary and comparison of some of the key data provided by the companies.

Program Design

All of the gas affordability programs have an affordability component and an arrearage forgiveness component.

<u>Affordability</u>

The affordability component is designed to help make the GAP customer's current bill affordable by limiting the amount the customer pays each month for natural gas to a set percentage of the customer's household income, usually four or six percent.

The following table compares the terms of the affordability component for the different programs. This table also summarizes GMG's program which is simpler and significantly smaller than the other programs.

Affordability	Center Point	Xcel	MERC	Great Plains	Interstate	GMG
Basis of benefit	The affordability component is a bill credit determined as one- twelfth of the difference between the utility's estimate of the qualified customer's annual natural gas bill and a percentage of the qualified customer's annual household income as provided by the qualified customer to the utility. Once enrolled in the program, any energy assistance monies not applied to past due bills are applied to the customer's current bills in accordance with LIHEAP program guidelines. The remaining balance is applied to future bills. Energy assistance is not considered part of household income in the calculation of the affordability credit.					The affordability component for GMG's GAP consists of a waiver of the monthly facility (i.e. customer) charge.
% of Household income	4%	4%	6%	4%	4%	n/a

Affordability	Center Point	Xcel	MERC	Great Plains	Interstate	GMG
2012 Average Benefit	$323	$145[3]	$489	$190	$346	$102
2013 Average Benefit	$327	$158	$482	$79	$461	$102

Arrearage Forgiveness

The arrearage forgiveness component is designed to help the GAP customer retire past due natural gas bills that are in arrears over one to two years with monthly payments that are matched (dollar-for-dollar or better) by the company using money from the affordability program. The intent of the matching provision is to provide an incentive for customers to make regular monthly bill payments for the term of the payment plan while paying down past due gas bills.

The following table compares the terms of the arrearage forgiveness component for the different programs. This table also summarizes GMG's program which is simpler and smaller than the other programs.

Arrearage Forgiveness	CenterPoint	Xcel	MERC	Great Plains	Interstate	GMG
Basis of benefit	The arrearage forgiveness component is a matching credit from the utility that is applied to an income qualified customer's account each month after receipt of the customer's scheduled arrears payment. The application of this monthly credit and customer payment retires pre-program arrears over a designated period of time. Energy assistance is not considered in the calculation of the forgiveness of pre- program arrears.					The arrearage forgiveness component for GMG's GAP consists of a one-time bill credit of $102.00 applied to customer's bill if the customer makes 12 consecutive, timely payments.
Repayment period for arrears	12 mos. - customer contributes no more than 2% of household income to retire pre-program	12 mos.	Up to 24 mos. (modified in 2012 - up to 24 mos. with arrears, and 12 mos. without	Up to 24 mos.	Up to 24 mos.	

[3] In 2012 Xcel did not have the data to split between the affordability and arrearage forgiveness credit. The $145 in 2012 included both. The comparable number for 2013 is $186, which includes $158 for the affordability credit and $28 for the arrearage forgiveness credit.

Arrearage Forgiveness	CenterPoint	Xcel	MERC	Great Plains	Interstate	GMG
2012 Average Benefit	$251	$145[4]	$38	$44	$21	$102
2013 Average Benefit	$209	$28	$37	$43	$25	$102

GAP Participation Rates

To participate in a gas affordability program, the customer must be income qualified for LIHEAP (Low-Income Home Energy Assistance Program) and receive a LIHEAP grant. The GAP participation rate describes the percentage of LIHEAP customers that applied for, qualified and were enrolled in a GAP program during calendar-year 2013 and previous years for comparison.

GAP participation rates (% of LIHEAP customers that participated in GAP)	Center-Point	Xcel	MERC	GPNG	IPL	GMG
2013	44.8%	49%	8%	4.82%	4%	22%
2012	28%	27%	8%	15.15%	3.9%	
2011	30%	45%[5]	9%	not available	3%	
2010 (as reported in USG	27%	43%	12	7%	5%	

GAP participation may provide some indication of the effectiveness of the Company's outreach efforts. However, these ratios do not address the underlying, related issue of participation in LIHEAP. Many factors including program design, LIHEAP outreach, and GAP outreach affect the level of GAP participation.

Disconnection Rates for GAP, LIHEAP-Non-GAP, and Non-LIHEAP Customers

The following table compares each company's disconnection rate for different categories of customers. It appears that the GAP program generally helps prevent disconnections. For all companies, the disconnection rate for GAP customers appears to be lower than it is for LIHEAP customers that do not participate in GAP. This may be due to the affordability program helping people with their household finances. Alternatively, it may be that the customers that are most likely to succeed with GAP assistance self-select into these programs. For example, customers that participate in GAP may be more likely to stick with a payment plan which would make it less likely for them to be disconnected.

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[4] Ibid. Footnote 3.

[5] There was some confusion in 2011. The participation rate was originally reported as 80%. The correct Participation Rate was 45% as reflected in the chart above.

Disconnection Rates	Center Point	Xcel	MERC	Great Plains	Interstate
GAP					
2013	4.7%	5.0%	<1%	19.5%	0%
2012	4.4%	5.0%	<1%	2.5%	0%
2011	2.6%	4.0%	<1%	13.5%	5.7%
2010	2.9%	4.0%	<1%	6.6%	1%
LIHEAP - Non-GAP					
2013	9.1%	9%	<15%	23.9%	.008%
2012	8.7%	10.0%	11.0%	13.8%	<1%
2011	6.7%	9.0%	16.0%	Not availabl	11.5%
2010	7.0%	10.0%	11.0%	14.9%	1.4%
Non-LIHEAP (all firm including C&I)					
2013	3.8%	<1%	3%	3.9%	.003%
2012	3.4%	1.0%	2.0%	4.6%	1.0%
2011	6.7%	1.0%	5.0%	6.4%	1.0%
2010	3.5%	2.0%	4.0%	4.4%	1.0%

GAP Retention Rates

Another broad measure of outcomes for these programs is the customer retention rate. The retention rate is the number of customers enrolled in a program at year-end divided by the number of customers that participated in that program during the year. The duration of the customer's enrollment in the program is not factored into the calculation of the retention rate. And, the rate is calculated as of December 31, which may or may not be the best date to use for estimating retention rates.

In any event, the customer retention rate (percentage) may be an indication of how well a program is designed for the population it serves. The retention rate may also be an indicator of how well each program's customer outreach, selection and enrollment process is working.

GAP Retention Rate 2013	Center Point	Xcel	MERC	Great Plains	Interstate	GMG
GAP participants - enrolled at year-end	11,574	6,635	1,080	29	92	2
GAP participants - enrolled and receiving benefits at some time during the program year	17,176	13,337	1,248	82	116	14

GAP Retention Rate	Center Point	Xcel	MERC	Great Plains	Interstate	GMG
2013	67%	50%	87%	35%	79%	14%
2012	64%	64%	93%	64%	71%	
2011	73%	58%	79%	86%	56%	
2010	75%	48%	88%	85%	74%	

Annual Program Budgets

In one of the initial program authorizations, the Department raised a question about the basis for the size of proposed program. For example, was the annual budget amount proposed based on customer need or something else? It should be recognized that CenterPoint's program, the largest, was authorized with a $5 million per year budget, which was, arguably, a somewhat arbitrary amount rather than an amount based strictly on the basis of need. The budgets for the other programs were scaled proportionally to CenterPoint's budget.

	CenterPoint	Xcel	MERC	Great Plains	Interstate
Annual Program Budget	$5,000,000	$2,500,000	$1,000,000	$50,000	$50,000
Actual Program Revenue (2013)	$5,411,530	$2,487,617	$1,329,506	$0	$44,272
Actual Program Cost (2013)	$217,175	$2,406,687	$869,039	$7,688	$2,233
GAP Tracker Balance as of December 31, 2013	$2,372,429	$2,039,989	$540,965	$94,599	($19,530)

CenterPoint, Xcel, MERC and Great Plains have relatively large tracker balances. This means they have not used all of the money authorized for these programs.

<u>CenterPoint Energy</u>
CenterPoint listed a number of conservation measures that it promotes to low-income households such as installing a programmable thermostat, installing a low-flow showerhead and faucet aerator, and weather stripping. The Company also offers no cost services such as a home energy audit, weatherization, furnace, boiler and water heater replacement, repair and tune-ups.

CenterPoint provided information on a number of outreach activities the Company undertook in 2013. The outreach efforts included energy conservation, weatherization and GAP promotion. In October and November, the Company sent free home energy efficiency kits with low-flow products and weatherization materials to its LIHEAP customers.

The Company did not provide an explanation as to why its tracker balance is so large, nor did they provide a proposal to decrease the tracker balance. The Commission may want to ask the Company if it has a plan to reduce the tracker balance.

<u>Xcel</u>
Xcel's program was last evaluated in 2012. The Commission ordered Xcel to reduce its $2.5 million tracker balance by approximately $1 million through a combination of a reduced surcharge and increased expenditures for outreach. The combination was intended to allow the Company to increase program participation and benefits, while bringing the tracker balance and the surcharge more in line with what is reasonably required to administer the program. The Commission required the surcharge reduction and increased expenditures extend over the four year program.

Despite Xcel's increased outreach efforts and the reduction of the surcharge the Company continues to show a large balance in its tracker account. The Company stated it is open to suspending the surcharge in order to reduce the tracker balance. The Department agreed with this recommendation and additionally recommended a compliance filing with the 2014 year end updated tracker balance submitted by January 31, 2015. Along with an updated tracker balance the Company should include a proposal for either reinstating the GAP surcharge or continue the surcharge suspension.

Xcel submitted a supplemental filing in May of 2014. The supplemental filing was to notify the Commission that due to the colder than normal weather and corresponding increased natural gas sales this winter, the Company collected approximately $306,000 more than forecasted through the GAP surcharge. The Company stated:

> "As described in the Annual Report, we have already begun additional outreach and will continue to expand our outreach to provide more assistance to customers. In January – April 2014, we have credited about $945,000 to GAP customers. Our goal is to credit $2.8 – 3.1 million to customers in 2014. In April 2014, we had 6,934 active GAP customers and are expecting to have 7,382 active GAP customers by the end of May. With below-normal temperatures continuing past the end of the Cold Weather Rule cutoff date, we have seen increased interest in GAP this spring. We continue to mail applications to customers who receive Energy Assistance and have been meeting with agencies and County Human Services to refer customers to these available programs.
>
> The increased outreach and spending is intended to compensate for the over-funding of the program this winter and to comply with the point in the Commission's October 26, 2012 Order to increase program spending with the intent of lowering the tracker balance. At the end of April 2014, our tracker balance was at about $2,741,000.
>
> If the Commission would like to explore lowering the GAP tracker balance by suspending the surcharge factor (temporarily setting to zero) for a few select months followed by resuming the surcharge factor in January 2015, we are open to the possibility. However, we would prefer to lower the tracker balance through increased credits to customers. We are forecasting to collect approximately $670,000 in the last half of 2014 through the surcharge factor. Suspension of collecting the surcharge factor could reduce the tracker balance by some portion of this depending on when the suspension is in effect."

The Department proposed the Company suspend the surcharge and make a compliance filing with the year-end tracker balance by January 31, 2015, and include a proposal for either continuing the surcharge suspension or reinstating the surcharge at that time.

Xcel responded that they agree with the Department the GAP surcharge should be suspended but requested the Commission approve a time certain reinstatement of the surcharge and proposed the following:

> "Suspend the surcharge from August 2014 through December 2014, reinstating the surcharge as of January 1, 2015. We estimate this option would result in an approximate $630,000 reduction in surcharge revenue. We would file an informational compliance filing by January 31, 2015, including the current Tracker balanced as of December 31, 2014. In our March 31, 2015 annual filing, we would include our recommendation of whether we believe another surcharge suspension is necessary. We think this would be more meaningful as data from most of the winter would be available."

The Company stated that if it were to continue the suspension without a time certain, there is a risk that:

- The program may become under-funded;
- Customers may experience several ups and downs in the surcharge, and thus their rates; and
- The additional Company filing that would need to be submitted, reviewed, and considered by the Commission before the GAP surcharge would be reinstated would create uncertainty of sufficient funding being collected for the program.

The Company believes this approach directly addresses the over collection issues with the GAP surcharge while still assuring the program has sufficient revenue collection to fund the GAP program. This differs from the Department's recommendation, as the Company understands it, in that it provides certainty as to the timeframe for the surcharge suspension thus better defining the impact on the Tracker balance. The Department's procedural framework for the surcharge suspension as the Company understands it would result in the following:

> Suspend the surcharge from August 2014 through an uncertain reinstatement date. We would submit the requested compliance filing by January 31, 2015 to be followed by a review and comment period before the Commission would rule on our request for reinstatement of the surcharge. This would mean that the surcharge would remain suspended through at least March 31, 2015, potentially reinstating the surcharge as of April 1, 2015. We estimate this timing would result in an approximate $1.8 million reduction in surcharge revenue.

In its June 13, 2014 reply comments, Xcel provided an analysis of the effects of these two approaches on the GAP tracker balance as compared to no surcharge. This analysis is illustrated in the attachments to Xcel's June 13th reply comments. Copies of Xcel's tables are attached to these briefing papers in Attachment B. They provided an analysis of each approach at their proposed level of disbursements to GAP participants. Xcel acknowledges that it has often been challenging to meet its disbursement goal, at the3-year average actual disbursement level. Xcel's analysis assumes normal weather. A summary can be found on the next page in Table 1.

Table 1: Projected GAP Tracker Balance (Over)/Under Funded, per $000

	May 2014	Dec. 2014	Dec. 2015	Change: May 2014 to Dec. 2014	Change: May 2014 to Dec. 2015
Projected Disbursement Level					
Status Quo	($2,628)	($1,748)	($577)	($879)	($2,051)
Xcel Energy Recommendation	($2,628)	($1,119)	$52	($1,509)	($2,680)
Delayed Reinstatement	($2,628)	($1,119)	**$1,225**	($1,509)	($3,853)
3-year Average Disbursement Level					
Status Quo	($2,628)	($2,008)	($1,933)	($620)	($695)
Xcel Energy Recommendation	($2,628)	($1,379)	($1,303)	($1,249)	($1,324)
Delayed Reinstatement	($2,628)	($1,379)	**($130)**	($1,249)	($2,497)

Xcel noted that one of its concerns with following the delayed reinstatement approach would be the ability to maintain a positive program funding level. As shown in the above table and in Attachment B, the delayed reinstatement approach at Projected Disbursement Levels would leave the GAP Tracker under funded by approximately $1,225,000 at the end of 2015. This is an outcome that the Company believes is not in the best interest of its customers or the GAP program. Even at the 3-year Average Disbursement Level for the delayed reinstatement the GAP Tracker would only be over funded by approximately $130,000. The Company collects over 50 percent of its GAP surcharge revenue from January through March. Suspending the surcharge in the heating season would have a large effect on the Tracker balance.

The Commission will need to decide which approach it prefers if it wants to reduce the Company's GAP tracker balance.

<u>MERC</u>

MERC has a surplus in its GAP account. In Program year 2013, MERC collected $1,329,506 from its firm customers. In 2012 MERC collected $982,456. MERC has carried unspent dollars forward for two years in a row. The primary driver for the over-funding was that the monthly surcharge is assessed on a per-therm basis and natural gas consumption was significantly higher in October thru December of 2013.

MERC has made plans to increase the promotion of GAP in 2014 and has worked with its program partners to begin the promotional effort. MERC has offered program enrollment information when customers apply for Cold Weather Rule protection and when the customer is in the collections process. MERC is also promoting GAP enrollment to customers when the Cold Weather rule expires, especially when the customer has a significant amount in arrears. The Company anticipates a spike in accounts with arrears when the Cold Weather Rule protection ends. This may help to reduce the GAP balance.

Great Plains

Great Plains' program was also evaluated in 2012. The Commission authorized the Company to reduce the GAP surcharge of $0.02034 per dekatherm to $0.00 per dekatherm, effective for two years, through December 31, 2014.

Great Plains' tracker balance is almost double the Program's annual budget. The amount of overfunding was reduced from 2012, when the GAP balance was $104,800, to the 2013 GAP balance of $94,599. Great Plains' program is due for an evaluation this year. GP submitted its evaluation report on June 1, 2014 and the issue of the unspent balance will be addressed in Docket No. G-004/M-07-1235.

Interstate

IPL's Program is funded through a $0.0023 per therm surcharge paid by all firm and interruptible customers. The per therm charge has remained constant over a five year-period. IPL's Program was slightly underfunded in the first few years of the Program. The underfunding more than doubled during the 2012 Program year and the trend of increased underfunding continued into the 2013 Program year. The Commission may want to ask the Company to explain this trend. Staff notes that IPL's annual Program budget is $50,000, and the 2013 tracker balance was ($19,530). When the 2013 tracker balance is compared to the annual budget of the Program, the Program is 39% underfunded. The five-year trend is shown in the chart below.[6]

IPL	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13
Tracker Balance	($9,296)	($5,464)	($7,708)	($16,378)	($19,530)
Affordability Credit			$327	$346	$461
Arrearage Forgiveness			$50	$21	$25
Affordability & Arrearage Credit[7]	$575	$603			

IPL is due for their program evaluation in 2015. The Commission may want the Company to address the underfunding during next year's evaluation. Alternatively, if the Commission approves the proposed transfer of IPL's customers to MERC, in docket 14-107, IPL's GAP program would be combined with MERC's.

At some point, the Commission may want to revisit the question raised several years ago by the Department about whether the size of the budgets for these programs is appropriate, and, if not, should the size of some of these annual program budgets be determined by customer need or something else.

[6] In its December 29, 2011 Order Accepting Report, Extending Program As Modified, And Denying Annual True-Up, in Docket G-001/M-07-1295, the Commission denied IPL's request to true up its GAP costs via an annual cost recovery mechanism but did authorize IPL to make a filing to request recovery of the projected tracker balance as of December 31, 2011, amortized over a four-year period plus the $50,000 annual GAP budget through a revised per therm rate. IPL has not made such a filing.

[7] IPL only provided the total customer benefit number for program years 2009 and 2010.

Allocation of Cost Responsibility

	GAP rate - affordability surcharge ($/therm)	Annual cost for average residential customer who uses 900 therms of gas per year	Number of GAP participants	Customer classes assessed the GAP surcharge
Center-Point	$0.004900	$4.41	17,176	All firm (except market-rate firm) sales and transportation customers
Xcel	$0.004000	$3.60	13,337	All firm sales customers
MERC	$0.004410	$3.97	1,248	All General Service, i.e. firm sales customers.
Great Plains	$0.00000	$0.00	82	Collection of surcharge is currently suspended - All firm residential and firm general service customers
Interstate	$0.002300	$2.07	116	All firm and interruptible customers
GMG[8]	n/a	n/a	14	n/a

Although the budgets for these programs are roughly proportional to the size of each utility, as can be seen from the table above, the impact on a residential customer that uses 900 therms of gas each year, varies from one company to another. At the current affordability surcharge rates, the cost per year for a residential customer varies from $0.00 to $4.41 per year per residential customer.

Another cost recovery issue the Commission may want to address in the future is whether responsibility for the cost of these programs should be allocated more broadly. Currently, most but not all of the programs are paid for by firm customers. An argument can be made that this is not the fairest way to allocate cost responsibility for these programs because the benefits from these programs accrue to all ratepayers on the utility's system.

[8] GMG was authorized to establish a deferred account for all Program costs for review and recovery in GMG's next general rate case.

Program Administration, Effectiveness and Periodic Assessment of Third-Party Program Administrators

Staff generally believes the utilities are responsible for making these programs as effective and efficient as possible. In previous years staff has discussed some of the differences between programs that might help explain some of the apparent differences in effectiveness, efficiency and performance of these programs. In its September 22, 2010 Order, the Commission asked the Utility Stakeholder Group to comment, and, in response, the Utility Stakeholder Group stated that

> … the Group discussed the administrative tasks and processes used by each Company including: promotion, application processing, client interaction, process to calculate customer payment, renewal tasks, and data handling, among others. The overall conclusion of the Group was that the administrative tasks are similar whether they are performed internally or by a third-party administrator. Those companies using a third-party administrator have divided these administrative tasks differently depending on the unique billing processes, staffing capabilities, and scale of Program. The Group does not believe there is a single best model for completing these tasks. [USG Report, June 1, 2011, p. 13]

In the review of the 2011 compliance filings, there was an extensive discussion, about the cost and effectiveness of using third-party program administrators for these programs. In its December 29, 2011 Order Accepting Gas Affordability Program Reports And Requiring Further Action, the Commission directed the companies to periodically assess (a) whether their programs could be more effective and efficient by the use of a third-party administrator, and (b) if they already use a third-party to administer, whether this is the most effective and efficient arrangement, including a review of alternatives.

	CenterPoint	Xcel	MERC	Great Plains	Interstate	GMG
Third-party program admini-strator	ECC/ CenterPoint	ECC/ Xcel	Salvation Army - Heat Share/MERC	WestCentral Community Action/Great Plains	In-House	In-House

CenterPoint uses Energy Cents Coalition (ECC) as its third party administrator. The GAP application is available on ECC's website. In addition, the Company promotes its own GAP. Efforts to increase awareness and promote the Program to eligible Customers in 2013 included direct mail, e-mail and phone calls. In addition, the Company attends many community outreach events and distributes applications and flyers promoting the Program.

Xcel also uses ECC as its third party administrator. To promote its Program, Xcel has a dedicated internal low-income coordinator group to increase awareness and participation. The Company does annual mailings and outreach to eligible households. The Company also attends community outreach events to promote its Program.

MERC's GAP Administrator is the Salvation Army. Due to an internal policy on operational & marketing restrictions, the Salvation Army is not able to make GAP applications available on its website. The Company stated that, "The Salvation Army goes above and beyond in promoting the Program in many ways including making the GAP application available to its case workers, HeatShare and Outreach staff (which generate many internal referrals), and frequent promotion through their interaction with other community agencies/programs." MERC has the application available on its website. MERC's Call Center mails the GAP applications to customers who inquire about the Program or are informed about the Program when making bill payments arrangements.

GPNG's third party administrator is West Central Community Action (WCC). Both GPNG and WCC make the GAP application and program information available on their websites.

IPL administrates its Program in-house and also funds South Eastern Minnesota Community Action (SEMCAC) for energy efficiency upgrades to low income homes through its Conservation Improvement Program.

GMG continues to administer its Program internally.

If the Commission has concerns about the design, effectiveness, management or performance of these programs, it may want to consider requiring an audit of these programs. Alternatively, it could require an audit as a supplement to the evaluation requirement for one or more of the individual pilot programs. The Commission has the authority, pursuant to Minn. Stat. § 216B.62, subd. 8, to initiate such audits which would be conducted with direction from the Commission but under the Department's supervision.

Future Filings

All of the GAP annual filings and periodic evaluation reports have been filed under the docket numbers in which the programs were originally authorized. At this point, staff believes it might be more efficient to assign new miscellaneous docket numbers each year to the annual compliance filings and new miscellaneous docket numbers to the periodic evaluation reports. This would allow the Commission and parties to treat future initial filings as miscellaneous filings under the Commission's rules of practice and procedure. This would establish certain filing initial requirements and comment periods by rule rather than Commission order or notice which would be administratively efficient and clear to all parties and stakeholders.

Staff recognizes this could make tracking these programs from one year to the next slightly more complex in that all of the historical information about a pilot program since the program's inception would not be available under one docket number. The Department's approach to reviewing these programs has been to check the annual report for compliance with Commission-ordered filing requirements and to conduct a substantive evaluation using more than one year of data when the program evaluation reports are submitted and the pilot program are set to expire unless reauthorized. If losing track of historical data is a concern because it is located in more than one docket, then the Commission might want to consider assigning a new docket number to each program at the start of each new multi-year cycle of these relatively permanent pilot programs.

Decision Alternatives

1. Gas Affordability Program (GAP) Annual Compliance Reports for Calendar-Year 2013

    a. Accept the calendar-year 2013 GAP annual compliance report (all dockets), or

    b. Do not accept the calendar-year 2013 GAP annual compliance reports.

2. Xcel GAP Surcharge

    a. Suspend Xcel's GAP surcharge, and direct Xcel to submit a compliance filing by January 31, 2015 with: (i) the year-end 2014 tracker balance, and (ii) a proposal to reinstate a surcharge or continue the suspension. (Department) or

    b. Suspend Xcel's GAP surcharge for five months from December 2014 through April 2015. Authorize Xcel to reinstate the surcharge as of May 1, 2015. Require Xcel to submit compliance filings no later than January 31, 2015 and May 31, 2015 that includes information about Xcel's current GAP tracker balances as of December 31, 2014 and April 30, 2015 respectively. Direct Xcel to include in its next annual GAP compliance report (due on March 31, 2015) or in its May 31, 2015 compliance filing, a recommendation about whether Xcel believes another surcharge suspension would be appropriate. (Xcel, modified. The dates in Xcel's proposal have passed. If Xcel's proposal were adopted, Xcel's GAP surcharge would be suspended for five months from Aug. 2014 through Dec. 2014.)

3. Future Filings

    a. Direct all of the utilities that have gas affordability programs to file future annual GAP reports and future GAP evaluation reports as new miscellaneous filings with a new docket number for each new initial filing subject to the Commission's rules of practice and procedure, or

    b. Direct the utilities that have gas affordability programs that expire this year (in 2014) to file their future annual GAP reports and next GAP evaluation reports under a new docket number as miscellaneous filings subject to the Commission's rules of practice and procedure, or

    c. Take no action.

Staff Recommendation

Staff makes no recommendation at this time.

Attachment A

2011, Regular Session, Ch. 97 – S.F. No. 1197

Sec. 11. Minnesota Statutes 2010, section 216B.16, subdivision 15, is amended to read:

Subd. 15. Low-income affordability programs.

(a) The commission must consider ability to pay as a factor in setting utility rates and may establish affordability programs for low-income residential ratepayers in order to ensure affordable, reliable, and continuous service to low-income utility customers. ~~Affordability programs may include inverted block rates in which lower energy prices are made available to lower usage customers. By September 1, 2007,~~ A public utility serving low-income residential ratepayers who use natural gas for heating must file an affordability program with the commission. For purposes of this subdivision, "low-income residential ratepayers" means ratepayers who receive energy assistance from the low-income home energy assistance program (LIHEAP).

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

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

(c) In ordering affordability programs, the commission may require public utilities to file program evaluations that measure the effect of the affordability program on:

(1) the percentage of income that participating households devote to energy bills;
(2) service disconnections; and
(3) frequency of customer payments, utility collection costs, arrearages, and bad debt.

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

(e) Public utilities may use information collected or created for the purpose of administering energy assistance to administer affordability programs.

EFFECTIVE DATE. This section is effective the day following final enactment.

Northern States Power Company
Gas Affordability Program
Projected GAP Tracker Balance
(Over)Under Funded

Docket No. G002/M-06-1429
2013 Annual Report - Reply Comments
Attachment A, Page 1 of 1

2014 Projected Annual Disbursements:	$2,831,417
2015 Projected Annual Disbursements:	$3,426,017
3-year Average Level of Annual Disbursements (2011 - 2013):	$2,380,000
3-year Average Level Average Monthly Disbursements:	$198,333

	Status Quo Surcharge Not Suspended		Xcel Energy Recommendation Surcharge Suspended Aug 2014 - Dec 2014		Delayed Reinstatement Surcharge Suspended Aug 2014 - Mar 2015	
Level of Disbursements:	Projected	4-year Average	Projected	4-year Average	Projected	4-year Average
Tracker end of May14	**($2,627,716)**	**($2,627,716)**	**($2,627,716)**	**($2,627,716)**	**($2,627,716)**	**($2,627,716)**
	Over funded	Over funded	Over funded	Over funded	Over funded	Over funded
Jun14-Jul14 Surcharge Revenue	($110,263)	($110,263)	($110,263)	($110,263)	($110,263)	($110,263)
Jun14-Jul14 Disbursements	$404,693	$396,667	$404,693	$396,667	$404,693	$396,667
Tracker end of Jul14	**($2,333,286)**	**($2,341,312)**	**($2,333,286)**	**($2,341,312)**	**($2,333,286)**	**($2,341,312)**
Aug14-Dec14 Surcharge Revenue	($629,331)	($629,331)	$0	$0	$0	$0
Aug14-Dec14 Disbursements	$1,214,194	$991,667	$1,214,194	$991,667	$1,214,194	$991,667
Tracker end of Dec14	**($1,748,423)**	**($1,978,977)**	**($1,119,092)**	**($1,349,645)**	**($1,119,092)**	**($1,349,645)**
Jan15-Mar15 Surcharge Revenue	($1,172,873)	($1,172,873)	($1,172,873)	($1,172,873)	$0	$0
Jan15-Mar15 Disbursements	$812,862	$595,000	$812,862	$595,000	$812,862	$595,000
Tracker end of Mar15	**($2,108,434)**	**($2,556,850)**	**($1,479,103)**	**($1,927,519)**	**($306,230)**	**($754,645)**
Apr15-Dec15 Surcharge Revenue	($1,081,654)	($1,081,654)	($1,081,654)	($1,081,654)	($1,081,654)	($1,081,654)
Apr15-Dec15 Disbursements	$2,613,155	$1,785,000	$2,613,155	$1,785,000	$2,613,155	$1,785,000
Tracker end of Dec15	**($576,933)**	**($1,853,504)**	**$52,398**	**($1,224,173)**	**$1,225,271**	**($51,300)**
	Over funded	Over funded	**Under funded**	Over funded	**Under funded**	Over funded

<u>Sources</u>

Starting Tracker Balance	GAP Tracker
Surcharge Revenue	Attachment B or $0 if suspended
Disbursements	Projected scenario - Attachment C. 3-year Average scenario - $194,167 times the number of months.
Tracker Balances	Sum of preceding 3 lines

Northern States Power Company
Gas Affordability Program
GAP Surcharge Revenue Recovery

Docket No. G002/M-06-1429
2013 Annual Report - Reply Comments
Attachment B, Page 1 of 1

	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014		Total 2014
Actual														
Usage (thm)	135,678,737	110,966,440	111,037,620	67,516,596	38,923,399								YTD	464,122,792
GAP revenue	$542,714	$443,856	$444,128	$270,050	$155,677								YTD	$1,856,426
Forecast														
Usage (thm)	111,749,330	91,620,370	89,197,632	56,060,899	31,252,265	17,409,347	10,156,372	10,582,602	10,725,327	21,279,144	36,189,318	78,556,399		564,779,005
GAP revenue	$446,997	$366,481	$356,791	$224,244	$125,009	$69,637	$40,625	$42,330	$42,901	$85,117	$144,757	$314,226		$2,259,116
$0.00400 /thm														
Actual More(Less) than Forecast														
Usage (thm)	23,929,407	19,346,070	21,839,988	11,455,696	7,671,135									84,242,296
GAP revenue	$95,717	$77,374	$87,338	$45,807	$30,668									**$336,904**

	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015	Total 2015
Forecast													
Usage (thm)	108,204,196	95,481,377	89,532,724	55,283,875	30,438,477	17,519,625	9,705,786	10,219,793	10,389,944	20,430,011	37,658,669	78,767,349	563,631,826
GAP revenue	$432,817	$381,926	$358,131	$221,136	$121,754	$70,078	$38,823	$40,879	$41,560	$81,720	$150,635	$315,069	$2,254,527
$0.00400 /thm													

Surcharge suspended during these months	Forgo collecting	
Aug14-Dec14	**$629,331**	**Our Proposal**
Aug14-Jan15	$1,062,148	
Aug14-Feb15	$1,444,073	
Aug14-Mar15	$1,802,204	
Aug14-Apr15	$2,023,340	
Aug14-May15	$2,145,094	
Aug14-Jun15	$2,215,172	

Northern States Power Company
Gas Affordability Program
Disbursements to GAP Participants
Projected unless noted as actual

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
	Actual	Actual	Actual	Actual	Actual								
2014	$199,324	$121,932	$350,532	$273,808	$266,934	$195,517	$209,176	$217,151	$210,933	$285,930	$223,655	$276,525	$2,831,417
2015	$241,182	$147,537	$424,143	$331,308	$322,991	$236,577	$253,103	$262,753	$255,229	$345,976	$270,623	$334,595	$3,426,017