MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	June 13, 2019	Agenda Item **4
Companies	All Commission Regulated Natural Gas Utilities	

Docket Nos. **G-008/M-19-255**
In the Matter of the Application of CenterPoint Energy Minnesota Gas, a Division of CenterPoint Energy Resources Corp., for Approval of its Gas Affordability Service Program Report

G-002/M-19-242
In the Matter of the Application of Northern States Power Company, a Minnesota Corporation, for Approval of its 2018 Annual Gas Affordability Program Report

G-011/M-19-241
In the Matter of the Application of Minnesota Energy Resources Corporation for Approval of its Gas Affordability Program 2018 Annual Report

G-004/M-19-247
In the Matter of the Application of Great Plains Natural Gas Co. for Approval of its 2018 Gas Affordability Program Report

G-022/M-19-236
In the Matter of the Application of Greater Minnesota Gas, Inc. for Approval of its Gas Affordability Program Annual Report for 2018

Issues

1. Should the Commission accept the 2018 Gas Affordability Program (GAP) annual reports of CenterPoint Energy Minnesota Gas (CPE), Northern States Power Company (Xcel), Minnesota Energy Resources Corporation (MERC), Great Plains Natural Gas Co. (GPNG) and Greater Minnesota Gas, Inc. (GMG)?

2. Should the Commission authorize CPE to reduce its GAP rate from $0.0441/Dth to $0.0001/Dth or $0.0000/Dth beginning October 1, 2019?

3. Should the Commission allow CPE to commence treating the GAP surcharge as an annual adjustment mechanism beginning October 1, 2019?

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✓ **Relevant Documents**	**Date**
GMG – Annual GAP Compliance Filing (#19-236)	March 28, 2019
GPNG – Annual GAP Compliance Filing (#19-247)	March 29, 2019
MERC – Annual GAP Compliance Filing (#19-241)	March 29, 2019
Xcel – Annual GAP Compliance Filing (#19-242)	March 29, 2019
CPE - Annual GAP Compliance Filing (19-255)	April 1, 2019
Department – Comments (all Dockets)	April 29, 2019
GPNG – Reply Comments (#19-247)	May 6, 2019
Department – Supplemental Comments (#19-255)	May 7, 2019
CPE - Reply Comments	May 17, 2019

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I. Statement of the Issue

1. Should the Commission accept the 2018 GAP annual reports of CenterPoint Energy Minnesota Gas (CPE), Northern States Power Company (Xcel), Minnesota Energy Resources Corporation (MERC), Great Plains Natural Gas Co. (GPNG) and Greater Minnesota Gas, Inc. (GMG)?

2. Should the Commission authorize CPE to reduce its GAP rate from $0.0441/Dth to $0.0001/Dth or $0.0000/Dth beginning October 1, 2019?

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II. Introduction

The Gas Affordability Programs are designed to lower the percentage of income low-income households devote to paying energy bills, increase customer payments, and reduce the Company's costs 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,[1] 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.[2]

The gas affordability programs are reviewed each year (through the filing of annual compliance reports) and periodically (through the program evaluation process). Improvements and efficiencies have been incorporated into the design and administration of these programs on an ongoing and as-needed, basis. Figure 1, below shows the Companies' annual Program budget and the highest number of customers enrolled in the Program at some point during the year.

Figure1: Utilities Annual Budget and Number of Enrolled Customers at Some Point in the Year

	CPE	Xcel	MERC	GPNG	GMG
Annual Program Budget	$5,000,000	$2,500,000	$750,000	$50,000	$20,000
GAP Participants – Enrolled at some point during the calendar year 2018	10,748	8,224	1,586	238	22

[1] MERC's 2018 Petition, p. 3

[2] Id.

III. Background

On May 22, 2017, the Commission issued its Order Approving Periodic Gas Affordability Program Evaluations and Requiring Further Action.[3] In the May 22nd Order, the Commission accepted the 2016 GAP evaluation reports and required a stakeholder workgroup of the utilities that offer a GAP, third party GAP administrators, and the Department of Commerce (the Department), to discuss if changes should be made to the GAPs. The parties invited Energy Cents Coalition, a third-party administrator of the GAPs, to also participate. Members of the Utility Stakeholder Group met in May 2017, September 2017, October 2017 and January 2018.

On May 22, 2018, the stakeholder group consisting of CenterPoint Energy, Xcel Energy, and Great Plains Natural Gas Company filed a Utility Stakeholder Report (the Report).

On September 18, 2018, the Commission issued its Order Accepting the Utility Stakeholder Report as filed and Adopting the streamlined reporting format, as shown in Attachment A to the Utility Stakeholder Report and Requiring that this Order be effective immediately.

Between March 28 and April 1, 2019, the gas utilities filed their 2018 Gas Affordability Program Annual Reports, in the dockets that are on the Commissions agenda for this meeting.

On April 29, 2019, the Department filed its comments regarding the GAPs and recommended that the Commission accept the annual reports.

On May 6, 2019, GPNG filed reply comments and agreed with the Department's recommendation and requested that the Commission issue an order accepting GPNG's 2018 Gas Affordability Report.

On May 7, 2019, the Department submitted its Supplemental Comments recommending approval of CPE's GAP surcharge proposal with modification, requiring that the GAP surcharge rate be set at $0.0000/Dth.

May 17, 2019, CPE submitted reply comment accepting the Department's recommendation to set the surcharge to $0.0000/Dth0 instead of 0.0001/Dth.

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

> *The Commission must consider ability to pay as a factor in setting utility rates and has established affordability programs for low-income residential ratepayers in order to ensure affordable, reliable, and continuous service to low-income utility customers. The Programs are available to residential customers within the Company's service area who have been qualified for and received assistance from the Low-Income Home Energy Assistance Program (LIHEAP).*

[3] See Order Approving Periodic Gas Affordability Program Evaluations and Requiring Further Action in these docket Nos. G-008/M-16-486, G-002/M-16-493, and G-004/M-16-495 (May 22, 2017).

All of the investor-owned, Commission rate regulated natural gas utilities are required to offer an affordability program for income-qualified customers.

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.

There are five criteria identified within the statute that any affordability program the Commission orders a utility to implement must meet:

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.

Over time, the Commission has imposed additional reporting requirements of its own.

V. Commission Orders

A. Program Authorizations

The Commission issued orders authorizing the start of each gas affordability program. All of the GAP programs were originally set up as pilot programs that expired on a certain date unless the Commission evaluated and authorized the programs to continue. CPE, Xcel and GPNG's Programs have become permanent, while MERC and GMG continue to operate under pilot status.

CenterPoint's and Xcel's programs predated the statutory requirement for these programs and were initially authorized in rate cases. MERC's, Great Plains', and GMG's programs are the result of filings required by the low-income affordability program statute.

B. Program Evaluations and Termination Dates

In addition to the annual acceptance of the GAP reports, the programs are also evaluated periodically, in depth on a company basis. The statute states that 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.

Additionally, 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 (5%) of total program costs, or program evaluation costs in excess of two percent (2%) 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.

The Commission determines how the program is working, if modifications should be made to the program and if it should continue as a pilot program or become a permanent program. MERC and Great Plains had their programs evaluated in 2015 and 2014 respectively. CenterPoint, Xcel, and Great Plains were evaluated by the Commission in 2016. All of the GAPs are due to be evaluated in 2019 for the 2018 program year. Relevant dates and highlights of the Commission decisions made during the last evaluation of these programs are presented in figure 2 below.

As one can see in Figure2, four of the Companies offering a GAP are due to be evaluated in-depth during 2019. The evaluations will be brought before the Commission before the start of the gas affordability program year.

Figure2: Relevant Dates and Status of the Programs

	CenterPoint	Xcel	MERC	Great Plains	GMG
Program Effective Date	5/1/2007	2/1/2008	4/1/2008	6/1/2008	10/9/2008 (approx.)
Next Evaluation Report Due	5/31/2019 (#19-367)	5/31/2019 (#19-380)	5/31/2019 (#19-369)	5/31/2019 (#19-366)	3/31/2019
Current Term of Pilot Program Ends	Permanent Program	Permanent Program	Pilot 12/31/2019	Permanent Program	Pilot No end date[4]
Date of Last Evaluation Order	5/22/2017 (docket #16-486)	5/22/2017 (docket #16-493)	9/25/2015 (docket #15-539)	5/22/2017 (docket #16-495)	12/1/2015 (docket #15-855)

Below is a brief overview of the highlights and Commission decisions from the Companies most recent Program evaluations.

[4] The Commission's December 1, 2015 Order in Docket No. G-022/M-15-855 states that GMG is required to operate its Gas Affordability Program as a pilot program until such time as the Commission

CenterPoint Energy

- Evaluated in 2016.
- Required the Company to continue to report customer payments, arrears balances and disconnection rates using the non-GAP LIHEAP baseline method and, beginning with the report for 2017, the pre-program baseline method was added as an additional reporting requirement.
- Made the GAP a permanent program with no expiration date.
- Required CPE to file its next evaluation report on or before May 31, 2019.

Xcel Energy

- Evaluated in 2016.
  Required the Company to continue to report customer payments, arrears balances and disconnection rates using the non-GAP LIHEAP baseline method and, beginning with the report for 2017, the pre-program baseline method was added as an additional reporting requirement.
- Made the GAP a permanent program with no expiration date.
- Required Xcel to file its next evaluation report on or before May 31, 2019.
- Approved the increase of the GAP surcharge from $0.00400 to $0.00445 per therm.

Great Plains Natural Gas

- Evaluated in 2016.
- Required GPNG to change its method of reporting GAP performance based on data from one-hundred percent of customers enrolled in both LIHEAP and GAP and one-hundred percent of customers enrolled only in LIHEAP.
- Made the GAP a permanent program with no expiration date.
- Required GPNG to file its next evaluation report on or before May 31, 2019.
- Approved the increase of the GAP surcharge from $0.00000 to $0.01393 per dekatherm.

MERC

- Evaluated in 2015.
- Extended the Program through December 31, 2019.
- Allowed a program annual budget reduction from $1,000,000 to $750,000.
- Allowed correction to the methodology of the treatment of the regulatory asset associated with unrecovered program costs and the effect it has on the GAP tracker balance, retroactive to January 1, 2012.
- Set the tracker carrying charge equal to the most currently authorized cost of short-term debt and required MERC to update the tracker carrying charge pending any decisions made in future rate cases.

- MERC has not proposed to the Commission to reclassify its GAP Pilot to permanent status.

Greater Minnesota Gas

- Evaluated in 2014.
- Implemented significant changes to its Program beginning January 1, 2016.
- Annual program budget of $20,000 which GMG will track and defer implementation of a customer surcharge until after the completion of the 2017 program year.
- Affordability component changed to 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 4% of the qualified customer's annual household income.
- Arrearage forgiveness component changed to 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 goal of the monthly credit and customer payment is to retire pre-program arrears over a period of up to 24 months.
- GMG agreed to partner with ECC to assist with administration of its GAP.
- Required GMG to operate its GAP as a pilot program with no expiration date until the Commission determines the program should become permanent.

VI. Annual Reviews

The Commission issued orders reviewing the GAP compliance filings for 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.
- 2013 GAP annual reports on November 26, 2014.
- 2014 GAP annual reports on September 29, 2015.
- 2015 GAP annual reports on June 30, 2016.
- 2016 GAP annual reports on October 12, 2017.
- 2017 GAP annual reports on June 20, 2018.

VII. Program Design

All of the gas affordability program customer benefits have an affordability component and an arrearage forgiveness component.

A. Affordability

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 limit on the percentage of income that participating households devote to energy bills is one of the requirements that a GAP must meet under the statute. The actual percentage amount is set by the Commission for each program.

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 of the Program was designed to meet the statutory requirement to lower the percentage of income that participating low-income households devote to energy bills. The following in figure 3, compares the terms of the affordability component for the different programs. Due to design changes implemented in GMG's program in 2016 this data is more comparable to the data provided by other utilities starting with the 2016 annual report.

Figure 3: Comparison of the terms of Affordability Component of The Programs

GAP Affordability Component – Customer Benefit	Center Point	Xcel	MERC	Great Plains	GMG[5]
% of Household Income	4%	4%	6%	4%	4%
2018 Average Benefit	$376	$180	$453	$171	$338
2017 Average Benefit	$368	$205	$409	$111	$292
2016 Average Benefit	$291	$208	$432	$99	$250
2015 Average Benefit	$460	$241	$376	$217	$102
2014 Average Benefit	$381	$264	$305	$180	$102
2013 Average Benefit	$327	$158	$482	$79	$102
2012 Average Benefit	$323	$145[6]	$489	$190	$102

B. Arrearage Forgiveness

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 is designed to help the GAP customer retire past due natural gas bills that are in arrears over a one to two year period 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 arrearage forgiveness component of the Program was designed to meet the statutory requirement to decrease or eliminate participating customer arrears.

The following in figure 4, compares the terms of the arrearage forgiveness component for the different programs. This figure 4, also summarizes GMG's program which was simpler and smaller than the other programs through 2015. Due to design changes implemented in GMG's program in 2016 the data is more comparable to the data provided by other utilities in the 2016 annual report.

[5] Prior to 2016, the affordability component for GMG's GAP consisted of a waiver of the monthly facility (i.e. customer) charge and is reviewed and administered quarterly.

[6] 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.

Figure 4: Comparison of Arrearage Forgiveness Component by Company

GAP Arrearage Forgiveness Component – Customer Benefit	CenterPoint	Xcel	MERC	Great Plains	GMG[7]
Repayment period for arrears	12 mos. - customer contributes no more than 2% of household income to retire pre-program arrears	Up to 24 mos.	Up to 24 mos. (modified in 2012 - up to 24 mos. with arrears, and 12 mos. without arrears)	Up to 24 mos.	Up to 24 mos.
2018 Average Benefit	$159	$200	$240	$56	$9
2017 Average Benefit	$132	$32	$11	$32	$54
2016 Average Benefit	$196	$24	$6.60	$33	$112
2015 Average Benefit	$220	$30	$17	$58	$102
2014 Average Benefit	$266	$33	$7.31	$61	$102
2013 Average Benefit	$209	$28	$37	$43	$102
2012 Average Benefit	$251	$145[8]	$38	$44	$102

VIII. Increase Customer Payment Frequency

The statute requires a GAP to increase participating customer payments over time by increasing the frequency of payments. The utilities that offer a GAP have shown that the Program increases customer payment frequency over time. The Commission has not required GMG to meet this reporting requirement.

IX. Decrease Collection Costs

Another requirement of the statute is that the programs lower the utility costs associated with customer account collection activities. There is evidence that the Program reduces the collection costs incurred by the utilities that offer a GAP. The Commission has not required GMG to meet this reporting requirement.

[7] Prior to 2016, the arrearage forgiveness component for GMG's GAP consisted of a one-time bill credit of $102.00 applied to customer's bill if the customer made 12 consecutive, timely payments.

[8] Ibid. Footnote 3.

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

In the review of the 2011 compliance filings, there was a 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. However, there is a statutory requirement for the utilities to coordinate the program with other available low-income bill payment assistance and conservation resources. See depicted in figure 5 below, the utilities and their third party administrators.

Figure 5: The Utilities and Their Third Party Administrators

	CenterPoint	Xcel	MERC	Great Plains	GMG
Third-party program administrator	ECC	ECC	Salvation Army	Salvation Army	ECC

Some of the promotional efforts employed by the Companies, internally or in conjunction with their third party administrator include:

- Direct mail and e-mails sent to LIHEAP recipients encouraging them to enroll in GAP.
- Making the application electronically available.
- Partnering with outside low-income agencies (e.g. LIHEAP vendors) to promote the GAP.
- Attending community outreach events.
- Call center referrals to customer's who may be eligible for GAP.

XI. Annual Program Budgets, Revenues & Costs

The figure 6, below shows the annual Program budget, the actual Program costs and revenues and the GAP tracker balance over the 2018 Program year.

Figure 6: Annual Program Budget, Program Costs, Revenues and Tracker Balance For 2018 Program Year

	CenterPoint	Xcel	MERC	Great Plains	GMG
Annual Program Budget	$5,000,000	$2,500,000	$750,000[9]	$50,000	$20,000
Actual Program Revenue (2018)	$5,756,551	$3,003,349	$0	$50,998	$0
Actual Program Cost (2018)	$3,794,247	$2,327,710	$652,346	$40,529	$6,582
GAP Tracker Balance as of December 31, 2018	$4,779,126	$1,334,120	($597,750)	$27,374	$35,290

XII. GAP Tracker Balances

Figure 7, compares year-end GAP tracker balances as of December 31, 2012 through 2018. The Commission tracks the balances in the GAP tracker accounts to see how much money has been collected for these programs and how much is being used.

Figure 7: Comparison of Year End Tracker Balance – December 31, 2012 – December 31, 2018

GAP Tracker Balance (as of)	CenterPoint	Xcel	MERC	Great Plains	GMG
December 31, 2018	$4,779,126	$1,334,120	($597,750)	$27,374	$35,290
December 31, 2017	$2,956,406	$658,482	($38,976)	$16,904	$28,708
December 31, 2016	$1,767,477	$64,710	$569,249	$14,578	$25,406
December 31, 2015	$525,858	$499,977	$1,258,501	$21,876	($7,189)
December 31, 2014	$2,037,172	$1,458,854	$1,106,456	$62,304	
December 31, 2013	$2,372,429	$2,039,989	$540,965	$94,599	
December 31, 2012	$1,292,574	$1,959,059	$80,499	$140,788	

A. CenterPoint

CenterPoint Energy's tracker balance is close to $5 million, or approximately 95.6% of the $5 million annual budget. CenterPoint stated that GAP spending for a given year is the product of several variables. These factors include the differences between expected and actual natural gas bills (often driven by variances in usage-which can be caused by changes in the weather), the wholesale price of natural gas, the arrearage level of GAP participants, and the LIHEAP participation rates. In practice, it is not always possible to maintain a target tracker balance given the variability in both spending and collections inherent in a volumetric rate.

[9] In 2015, the Commission approved MERC's request to reduce its annual GAP budget from $1 million to $750,000.

CPE proposed to reduce its tracker balance as near as possible to zero, by reducing its GAP surcharge from $0.0441/Dth to $0.0001/Dth beginning October 2019. In support of its proposal, CPE indicated that at the current GAP surcharge rate the tracker balance by the end of May 2019 and September 2019 would be over-recovered by $6,936,361 and $6,064,122, respectively. However, with its proposed GAP surcharge rate of $0.0001/Dth, the tracker balance at the end of December 2020 would be over-recovered by only $1,407,722. (See below, in figure 8, for the effect of CPE's proposed change in the tracker balance as adapted from attachment Schedule E and Schedule F of the Petition.)

CPE also proposed to begin handling GAP surcharge as an annual adjustment mechanism, based on forecasted GAP expenditures and rate-case approved sales, with the aim being to align costs with recoveries thereby avoiding over or under-charging customers for GAP costs.

Figure 8: Summarized Projected Tracker Balance for 2019 and 2020 Program Years

Item Description	**Amounts**			
	10/1/2019	10/1/2019 to 12/31/2020	10/1/2019 to 12/31/2020	12/31/2020
Beginning Balance: Under-or (Over) Recovered	($6,067,122)	-	-	-
Gap Program Expenses	-	$4,673,340	-	-
GAP Surcharge Recoveries	-	-	($13,940)	-
Ending Balance: Under-or (Over) Recovered	-	-	-	($1,407,722)

The Department slightly objected to CPE setting the GAP surcharge rate at $0.0001/Dth but recommends a GAP surcharge rate of $0.0000/Dth which would quicken the process of bringing the tracker balance to as near as possible to zero. CPE noted that the use of $0.0001/Dth instead of $0.0000/Dth allows for the GAP surcharge to continue to be listed on customer bills to avoid or reduce customer confusion if the billing procedures were changed.

The Department noted that its recommendation for CPE to use the GAP surcharge rate of $0.0000/Dth instead of $0.0001/Dth, though the difference in amount between the two of $13,940 ($1,393,782 v. $1,407,722) is small, emanates from public policy considerations related to turnover in CPE's customer base—whereby ratepayers benefitting from lower GAP surcharge in 2019 may not be the ones whose contributions in prior years resulted in the over-recovery of the tracker balance. Also, the Department states that the change in the surcharge rate to $0.0000/Dth may be an incentive that spurs CPE to proactive management of its tracker balance. Further, the Department opined that to maintain consistency with past Commission action that set the GAP surcharge at $0.0000/Dth to correct for an over-recovered tracker balance, as in September 25, 2015 Order in Docket No. G011/M-15-539 (MERC's 2015 Evaluation of its Gas Affordability Program). Also, the Department did not disagree with CPE's proposal to begin reviewing the GAP surcharge on an annual basis.

CPE accepts the Department's supplemental Comments filed on May 7, 2019 recommending approval of the Company's GAP surcharge proposal with modification, requiring that the GAP surcharge rate be set at $0.0000/Dth. CPE equally expressed appreciation that the Department supports its proposal to begin reviewing and treating the GAP surcharge as an annual adjustment mechanism.

Staff views the difference in the Department's position and that of CPE on the GAP surcharge rate of $13,940 as not overly material as to derail the general aim of the proposal, which is to reduce tracker balance as near as possible to zero from its current state. The Department equally concluded in same vein, but for the desire to make the reduction consistent with prior Commission order, requiring the GAP surcharge be set at $0.00/Dth for correction of an over-recovered tracker balance. Also, Staff believes that the annual review of the GAP surcharge as proposed by CPE, with the aim to better align costs with recoveries, and thereby preventing GAP costs over-or under-charge to customers, is reasonable. Staff points out that, unlike the gas cost recovery mechanism (monthly PGA and annual true-up) that goes into effect automatically when rates adjust, the Commission will need to review CenterPoint's proposed adjustment each year before the proposed GAP surcharge is adjusted.

B. Xcel

In 2012, Xcel was required to reduce its tracker balance by $1 million, over four years. This was done through a combination of a reduced surcharge and increased expenditures for outreach. In Xcel's Program evaluation completed in 2017, the Commission allowed Xcel to raise its surcharge from $0.00400 to $0.00445 per therm.

As of December 31, 2018, Xcel's GAP tracker balance showed over $1.3 million surplus. Xcel explained that the increase in tracker balance is due to the colder than usual weather in recent months, which resulted in collection of more dollars amounts than usual.[10] Staff notes that Xcel intends to draw down this balance in 2019, as the company embarks on aggressive customer outreach which should result in increased program participation and higher spending in 2019.

[10] Xcel Energy Petition, p. 5

C. MERC

MERC's tracker balance had a surplus at the end of 2015. The Company noted that this trend began to slow at the end of 2015 and that it had enrolled a higher percentage of customers with arrears in the Program. MERC expects this combination of factors to further reduce its tracker balance over the course of 2016 which appears to have been accomplished.

MERC stated that it has requested reinstatement of a positive GAP factor in its pending rate case proceeding, in Docket No. G-011/GR-17-563, to coincide with the implementation of final rates. MERC's GAP rate is currently set at zero. On March 28, 2019, the Commission issued its *Order Approving Surcharge and Requiring Further Action*, which authorized MERC to recover the under-recovered GAP tracker balance based on projected GAP spending. The March 28, 2019 Order also required MERC, "in its next rate case filing, to discontinue directly assigning regulatory costs to the GAP rider, and incorporate into base rates all regulatory costs, including those incurred for GAP evaluation."

D. Great Plains

Great Plans was required to reduce its tracker balance in 2012. In order to reduce the balance the Commission reduced the Company's surcharge to $0.00000 per therm. In Great Plains Program evaluation completed in 2017, the Commission reinstated a surcharge at $0.01393 per therm.

E. GMG

GMG has stated that it will not propose collection of a surcharge until after completion of the 2017 program year, however in 2018 the company has not yet made a determination to collect surcharge.[11] The Company has been tracking its GAP regulatory costs in an unofficial tracker. GMG anticipates that a formal mechanism to track its GAP regulatory costs will be instituted when regulatory approval is requested and received for the addition of a rate-affordability surcharge and that the tracker components will be identified and approved at the same time.

XII. Annual Cost of GAP per Customer

Although the budgets for these programs are roughly proportional to the size of each utility, as can be seen in figure 9 below, 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 an average residential customer varies from $0.00 to $12.53 per year per residential customer.

[11] GMG Petition, p. 5

Figure 9: Comparison of Programs for Each Customer Use of 900 Therms of Gas per Year

Calendar-year 2018	GAP rate - affordability surcharge ($/therm)	Annual cost for average residential customer who uses 900 therms of gas	Number of GAP Participants at some point during the year	Customer classes assessed the GAP surcharge
CenterPoint	$0.00441	$3.97	10,748	All firm residential, commercial and industrial sales and transportation customers (except market-rate firm)
Xcel	Jan-May $0.00400 June-Dec $0.00445	$4.01	8,224	All firm sales customers
MERC	$0.00000	$0.00	1,586	Collection of surcharge will be reinstated April 1, 2019. Commission approved $0.00905 per therm in MERC's Rate Case. G-011/GR-17-563.
Great Plains	$0.01393	$12.53	238	GAP costs are recovered through a separate Delivery Charge applicable to all customers receiving firm service under the Residential Gas Service and Firm General Service Rate Schedules.
GMG[12]	$0.00000	$0.00	22	No customers are currently assed the surcharge.

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

XIII. Decision Alternatives

1. Gas Affordability Program Annual Compliance Reports for Calendar Year 2018

   a) Accept the calendar-year 2018 GAP annual compliance reports for all dockets. (DOC, Staff) or

   b) Do not accept the calendar-year 2018 GAP annual compliance reports.

2. CenterPoint Energy's proposal to reduce GAP surcharge, effective October 1, 2019

   a) Accept the proposal to reduce GAP surcharge with modifications, requiring CPE to reduce its GAP surcharge rate to $0.0000/Dth, and that the effective date be the month after Commission Order is issued. (DOC, Staff) or

   b) Do not accept.

3. CenterPoint Energy's proposal to commence treating the GAP surcharge as an annual adjustment mechanism, based on forecasted GAP expenditures and rate-case approved sales.

   a) Authorize CPE to commence treating GAP surcharge as an annual adjustment mechanism effective the month after Commission Order is issued. (DOC, CPE) or

   b) Authorize CPE to commence treating the GAP surcharge as a rate that may be adjusted annually based on forecasted GAP expenditures and rate-case approved sales. GAP rate adjustments require Commission authorization prior to going into effect. (Staff) or

   c) Do not authorize CPE to commence treating GAP surcharge as an annual adjustment mechanism.