

October 9, 2014

Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 Seventh Place, Suite 350  
St. Paul, Minnesota 55101

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G022/M-08-1175

Dear Dr. Haar:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Greater Minnesota Gas, Inc.'s Request to Discontinue its Gas Affordability Program.

The request was filed on July 2, 2018 by:

Kristine A. Anderson  
Corporate Attorney  
Greater Minnesota Gas, Inc.  
202 South Main Street  
PO Box 68  
Le Seuer, Minnesota 56068

The Department recommends **denial** and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ SUSAN L. PEIRCE  
Rates Analyst

SLP/ja  
Attachment

**BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

**COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES**

DOCKET No. G022/M-08-1175

**I. BACKGROUND INFORMATION**

On July 2, 2014, Greater Minnesota Gas, Inc. (GMG or the Company) filed its Gas Affordability Evaluation, and its 2013 Annual Report. GMG reports that it had 14 customers enrolled in its Gas Affordability Program (GAP or Program) in 2013, of which only 2 customers completed the year on the Program. The remaining 12 customers were removed from the Program for failure to comply with Program requirements. Given low customer participation, GMG is requesting Minnesota Public Utilities Commission (Commission) approval to discontinue offering a GAP to its customers.

**II. SUMMARY OF THE FILING**

GMG's GAP was first approved by the Commission in its January 26, 2009 Order in this Docket. The Program is available to GMG residential customers who received Low-Income Home Energy Assistance Program (LIHEAP) assistance during the most recent fiscal year. Participants are required to be placed on a levelized payment plan. Customers failing to pay two consecutive monthly payments will be terminated from the GAP. Participation is capped at three percent of GMG's total residential customers; however, actual participation has fallen far short of the cap. The GAP includes an affordability component and an arrearage forgiveness component. Under the affordability component, a customer's monthly facility charge is waived on a quarterly basis for GAP participants who successfully comply with the Program requirements for all months in the quarter. A one-time bill arrearage forgiveness credit of \$102 is provided to customers who make twelve consecutive monthly payments on a timely basis

GMG provided the following information in its 2013 GAP Annual Report, submitted July 2, 2014:

- Total Number of GMG customers receiving LIHEAP – 65
- Number of customers enrolled in GAP – 14
- Number of customers remaining enrolled in GAP at year-end – 2
- Total number of affordability credits issued in 2013 - \$433.50
- Total number of arrearage forgiveness credits given - \$204
- Estimated GAP administrative costs - \$2,800 annually

### III. DEPARTMENT ANALYSIS

Minn. Stat. §216B.16, Subd. 15, (b) provides that:

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 resource.

With respect to the statutory requirements, GMG states the following:

- (1) Lower the percentage of income that participating low-income households devote to energy bills;

GMG stated that it does not have knowledge of its customers' household income information, but assumes that receipt of the credits would reduce the percentage of income spent on participant energy bills. The Company acknowledged, and the Department agrees, that given the extremely low participation in the GAP any reduction in spending on energy is very low.

- (2) Increase participating customer payments over time by increasing the frequency of payments.

GMG indicated that the 2013 program results (12 customers terminated before the year was completed, and only 2 customers remained on the Program the entire year) demonstrate that the program does not result in consistent

timely payments. As discussed more fully below, the Department concludes that program design changes may improve Program effectiveness and recommends changing the application of the credits from quarterly (affordability credit) and annually (arrearage credit) to monthly as a means of providing an additional incentive to customers to maintain regular payments and, by doing so, avoid being removed from GAP.

- (3) A reduction in participating customer arrears.

Customers receive the arrearage credit only after completing a full year of timely payment under the GAP. Only 2 of the 14 participants completed the year successfully and received the arrearage credit.

- (4) A decreased cost associated with collections

GMG stated that its collection costs were not significantly decreased as a result of the GAP program.

- (5) Program coordination with other payment assistance and conservation resources.

GMG stated that the GAP program did not impact its coordination with other programs and conservation resources.

The Department has significant concerns with the lack of effectiveness of GMG's GAP, and concludes that certain changes to the structure of the Program may improve its success. Specifically, the Department recommends that GMG be directed to change the frequency with which it issues credits to encourage ongoing payment by program participants. Monthly credits may make it easier for customers to meet monthly payment obligations rather than be terminated from the Program due to missing one payment during a month in which no credit was received. As noted by GMG, the affordability credit (\$8.50 per month/\$25.50 quarterly) is issued on a quarterly basis only after three months of prompt payments. According to the Company's 2013 GAP report, a total of \$433.50 in affordability credits was issued in 2013. The two customers successfully completing the year in the GAP program received \$204 of the total affordability credits issued ( $\$25.50 * 4 \text{ qtrs} * 2 \text{ customers}$ ) leaving a balance of \$229.50 or nine quarterly credits issued to the 12 customers. In short, the information provided by GMG suggests that of the 12 customers failing to complete the year in the GAP program, only 9 stayed in the program long enough to receive a single quarter's affordability credit, and all 12 had dropped out of the program by the end of the second quarter.

The Department issued information requests to GMG (Appendix A) seeking additional information on the level of arrearages experienced by GAP participants, LIHEAP recipients, and all GMG customers, as well as information on the quarter in which each of the 12 customers left the GAP program in 2013. To date, the Department has not received a response.

The Department recommends that the Company be directed to apply its affordability and arrearage credits on a monthly basis. Awarding the credits on a monthly basis would provide participating customers with an incentive to maintain participation and regular payments.

The Department recognizes that GMG is a small utility with limited staff and resources. The Company estimated its administrative costs to be approximately \$800 for administrative time, and \$2,000 for regulatory reporting and development. The Department recommends that the Company provide information on the cost of using a third-party administrator for its GAP program in its next annual GAP report. Given GMG's limited staff and resources, using a third-party administrator may have benefits such as better coordination with other programs and conservation sources.

#### **IV. DEPARTMENT RECOMMENDATION**

The Department recommends that the Commission:

- Deny Greater Minnesota Gas Company's request to discontinue its Gas Affordability program.
- Direct GMG to provide its affordability and arrearage credits on a monthly basis.
- Direct GMG to provide information on the potential costs and benefits of using a third-party administrator in its next annual GAP report.

/ja

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce  
Comments**

**Docket No. G022/M-08-1175**

**Dated this 9<sup>th</sup> day of October 2014**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.	202 S. Main Street  Le Sueur, MN 56058	Electronic Service	No	OFF_SL_8-1175_1
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	Yes	OFF_SL_8-1175_1
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_8-1175_1
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_8-1175_1
Paula	Johnson	paulajohnson@alliantenergy.com	Alliant Energy-Interstate Power and Light Company	P.O. Box 351 200 First Street, SE Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_8-1175_1
Mary	Kaczorek	mkaczorek@mnlegalservices.org	Legal Services State Support	Midtown Commons - Suite #101B 2324 University Avenue West St. Paul, MN 55114	Paper Service	No	OFF_SL_8-1175_1
Nicolle	Kupser	nkupser@greatermngas.com	Greater Minnesota Gas, Inc.	202 South Main Street P.O. Box 68 Le Sueur, MN 56058	Electronic Service	No	OFF_SL_8-1175_1
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