

September 30, 2019

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G002/M-19-380

Dear Mr. Wolf:

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

Xcel Energy's Evaluation of its Gas Affordability Program (GAP).

The filing was submitted on May 31, 2019 by:

Bridget Dockter  
Manager, Policy and Outreach  
Xcel Energy  
414 Nicollet Mall  
Minneapolis, MN 55401

The Department will provide its final recommendations to the Minnesota Public Utilities Commission (Commission) after reviewing reply comments by Xcel Energy. The Department is available to respond to any questions the Commission may have on this matter.

Sincerely,

/s/ MICHAEL N. ZAJICEK  
Rate Analyst

MNZ/ja  
Attachment



## Before the Minnesota Public Utilities Commission

### Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G002/M-19-380

#### I. INTRODUCTION

On May 31, 2019, Xcel Energy (Xcel or Company) filed its third Gas Affordability Program (GAP or Program) Evaluation Report (Evaluation Report). The Evaluation Report includes:

- background on the Program;
- description of the Program's design, administration, and participation;
- evaluation of the Program in terms of the requirements in the Program's enabling statute;
- analysis of the Program's cost effectiveness; and
- analysis of the Program's societal benefits and costs.

Xcel requested that the Minnesota Public Utilities Commission (Commission) accept the Evaluation Report.

#### II. BACKGROUND

##### A. GAP ENABLING STATUTE

Minn. Stat. § 216B.16, subd. 15(a), requires that the Commission "consider ability to pay as a factor in setting utility rates."

Presumably with this consideration in mind, paragraph (a) (of Minn. Stat. § 216B.16, subd. 15) also states that the Commission may require utilities to implement programs to make gas more affordable for low-income residential customers, which the statute defines as those in the low-income home energy assistance program (LIHEAP). Specifically, the statute states that:

- The Commission "may establish affordability programs for low-income residential ratepayers in order to ensure affordable, reliable, and continuous service."
- "A public utility serving low-income residential ratepayers who use natural gas for heating must file an affordability program with the commission ... [where] 'low-income residential ratepayers' means ratepayers who receive energy assistance from the low-income home energy assistance program."

Paragraph (b) sets out five requirements for gas affordability programs:

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.

Paragraph (c) gives the Commission the authority to require utilities to file GAP evaluations:

(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.

In addition, paragraph (d) states the following regarding program cost recovery and evaluation:

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 startup 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.

#### *B. XCEL'S GAP*

Xcel's GAP came into effect on a pilot-basis on February 1, 2008, following Commission approval in its September 10, 2007 *Findings of Fact, Conclusions of Law, and Order* in Docket No. G-002/GR-06-1429.<sup>1</sup>

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<sup>1</sup> Page 43.

The Program requires that, each month, participating customers do two things: first, pay their bill in full and, second, make pre-specified<sup>2</sup> contributions to retiring their arrears.<sup>3</sup> In exchange, Xcel provides participating customers with an Affordability Credit, which reduces participants' gas bills to four percent of their income,<sup>4</sup> and an Arrearage Forgiveness Credit, which matches participants' arrearage-retirement contributions.<sup>5</sup> If customers fail to make the required payments for two consecutive months, they are removed from the Program.<sup>6</sup>

Xcel recovers the costs of the credits and administering the Program through a volumetric surcharge on firm gas customers, except those under flexible rates and negotiated transportation service.<sup>7</sup>

To assist in evaluating the Program's effectiveness, Xcel must submit annual reports updating the Commission on how well the Program is doing in the following areas: customer payment frequency, payment amount, arrearage level, number of customers in arrears, service disconnections, retention rates, customer complaints, and utility customer collection activity. The annual reports may also assess customer satisfaction with the Program.<sup>8</sup> Xcel issued its first annual GAP report on February 2, 2009 and has issued additional annual reports in the February or March of every subsequent year. Xcel filed its most recent annual GAP report on March 29, 2019 in Docket No. G002/M-19-242.

Lastly, Xcel must periodically submit, to the Commission, reports evaluating the effectiveness of the Program in terms of the statutory requirements described above. The reports also must analyze, per Xcel's tariff, the Program's cost-effectiveness from a ratepayer perspective.<sup>9</sup>

Xcel submitted its first GAP evaluation report on June 1, 2012 in Docket No. G002/GR-06-1429. Through an October 26, 2012 Order, the Commission approved the report and mandated that Xcel's pilot GAP continue on a pilot basis through December 31, 2016, with some modifications. The Order also required Xcel to submit a second GAP evaluation report by May 31, 2016.

Xcel submitted its second GAP evaluation report on May 31, 2016 in Docket No. G002/M-16-486. In its July 27, 2016 Order in Docket No. G002/M-16-486, the Commission extended the expiration date of Xcel's GAP until June 30, 2017. On December 13, 2016, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed comments recommending various modifications, including a change in how compliance with certain statutory requirements are measured. Upon review,

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<sup>2</sup> The amount of customer's arrearage-retirement contribution and matching Arrearage Forgiveness Credit is determined through a formula in Xcel's GAP tariff and designed to retire arrears in no more than 24 months. See Xcel's Minnesota Gas Rate Book, Sheet No. 5-68, under "Arrearage Forgiveness Component."

<sup>3</sup> Xcel's Minnesota Gas Rate Book, Sheet No. 5-68, under "Rider Description."

<sup>4</sup> Xcel's Minnesota Gas Rate Book, Sheet No. 5-68, under "Affordability Component."

<sup>5</sup> Xcel's Minnesota Gas Rate Book, Sheet No. 5-68 under "Arrearage Forgiveness Component."

<sup>6</sup> Xcel's Minnesota Gas Rate Book, Sheet No. 5-69, paragraph 5 under "Terms and Conditions of Service."

<sup>7</sup> Xcel's Minnesota Gas Rate Book, Sheet No. 5-69, under "Program Cost & Recovery," paragraph 2. See also the Commission's Order dated September 10, 2007 in Docket No. G-002/GR-06-1429, page 44.

<sup>8</sup> Xcel's Minnesota Gas Rate Book, Sheet No. 5-70, under "Evaluation," paragraph 2.

<sup>9</sup> Xcel's Minnesota Gas Rate Book, Sheet No. 5-70, under "Evaluation," paragraph 3.

the Commission ordered that Xcel's GAP continue, with the Department's proposed measurement modifications in addition to other modifications, with no expiration date.<sup>10</sup>

### III. DEPARTMENT ANALYSIS

This section reviews the Program's performance in two areas:

- The five statutory requirements described above; and
- Cost-effectiveness, from both a ratepayer and societal perspective.

In addition, the Department discusses the Program's tracker balance and an analysis of Program enrollment.

#### A. ANALYSIS OF STATUTORY REQUIREMENTS

##### **1. Lower the percentage of income that participating low-income households devote to energy bills**

Minn. Stat. § 216B.16, subd. 15(b)(1) states that gas affordability programs must lower the percentage of income that participating low-income households devote to energy bills.

##### *Xcel's Analysis*

Xcel stated that, assuming no change in participants' income levels, the Program meets this statutory requirement because the Program reduces participants' natural gas bills.

##### *Department Review*

The Department agrees with Xcel that the Program satisfies the statutory requirement. The variable in the requirement is a function of three items: participants' gas bills, other energy bills, and income. The Program reduces one of those items: participants' gas bills. Assuming the other two items do not change (which is reasonable since Xcel's gas operations have no control over them) the Program will lower the percentage of income that participants devote to energy bills.

##### **2. Increase participating customer payments over time by increasing the frequency of payments**

Minn. Stat. § 216B.16, subd. 15(b)(2) states that gas affordability programs must increase participating customer payments over time by increasing the frequency of payments.

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<sup>10</sup> Commission Order dated May 22, 2017 in Docket No. G008/GR-16-493.

### Xcel's Analysis

Xcel presented a table (on page 5 of the Evaluation Report) showing the payment rate (percentage of payments received of payments requested) for GAP customers and LIHEAP non-GAP customers, and a comparison of the payment rate for the two groups. Xcel concluded that since 2016, the payment rate has increased for both groups. Xcel noted that the low payments and payment frequency in 2016 is likely the result of the electric Power On program being closed through 2015, which made making payments more challenging for GAP participants who were also electric customers with Xcel. However, GAP participants appear to make a higher percentage of requested payments by payment requests, rather than total payment requested in dollars, than LIHEAP non-GAP customers. Xcel indicated that the results in the table show that program participation appears to increase total payments and the frequency of payments for the period being evaluated.<sup>11</sup>

In response to a Department information request,<sup>12</sup> Xcel provided data on payment frequency for GAP participants using the pre-program method, which compares GAP customers prior to and after enrollment in the GAP program. The pre-program method showed that GAP participants' payment frequency increased by 19 percent in 2016, 2 percent in 2017, and 8 percent in 2018.

### Department Review

The Department agrees with Xcel's assessment that the data indicates that the GAP increases the payment frequency of participating customers. After analyzing the Company's data and Xcel's response to Department Information Request No. 1, the Department agrees with Xcel that the Program satisfies this statutory requirement. The Company's data shows that participating customers' payments have, on average, increased after entering the Program.

### **3. Decrease or eliminate participating customer arrears**

Minn. Stat. § 216B.16, subd. 15(b)(3) states that gas affordability programs must decrease or eliminate participating customer arrears.

### Xcel's Analysis

Xcel presented a table (on page 6 of the Evaluation Report) showing the average arrearage level for GAP participants and a comparison of the average arrearage level for non-GAP LIHEAP customers and non-GAP, non-LIHEAP customers. The table shows that, over the 2016-2018 period, the average arrearage level of GAP customers, non-GAP LIHEAP customers, and all residential customers changed by +20 percent, +20 percent, and +15 percent, respectively. The table also shows that GAP participants on average have consistently higher arrears than do other LIHEAP customers. Based on these results,

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<sup>11</sup> Evaluation Report, page 5.

<sup>12</sup> See Attachment 1.

Xcel concluded that “Program participation does not seem to have an effect on the level of average arrears.”<sup>13</sup>

In response to a Department information request,<sup>14</sup> Xcel provided data on average arrears for GAP-participants using the pre-program method. The pre-program method showed that GAP participants’ average arrears decreased by \$80 in 2016, increased by \$50 in 2017, and increased by \$24 in 2018.

#### Department Review

Xcel’s table allows analysis of arrears using the non-GAP LIHEAP approach. As stated by Xcel, using this analysis “Program participation does not seem to have an effect on the level of average arrears,” given that GAP participants on average have *higher* average arrears than non-GAP LIHEAP customers.

This leaves the pre-Program baseline approach as a potential option. However, Xcel’s response to Department Information Request No. 1, to analyze arrears using the pre-Program baseline approach, is problematic because Xcel’s table averages arrears across all participants and, as such, the introduction of new customers to GAP could potentially increase (or decrease) average arrears, even if the average arrears of customers who were already in the Program is decreasing (or increasing).

Given the limitations of Xcel’s response, the Department requests that Xcel explain if its analysis of arrears using the pre-Program baseline approach was at the individual customer and/or cohort of customers level, or if it instead was a averaging across all GAP participants. If the data provided in response to Department Information Request No. 1 was on the individual customer and/or cohort level, the Department requests that Xcel explain, given the above GAP evaluation conclusion that the Program increased participants’ payment frequency, how it is possible and why it is reasonable that customers enrolled in its GAP program, and thus customers who should be receiving arrearage forgiveness credits, could have their arrears increase after enrollment in the program.

#### **4. Lower the utility costs associated with customer account collection activities**

Minn. Stat. § 216B.16, subd. 15(b)(4) states that gas affordability programs must lower the utility costs associated with customer account collection activities.

#### Xcel’s Analysis

Xcel stated that the Program reduces collection costs insofar as it reduces two activities:

- issuing of disconnection notices, and
- performing disconnections and subsequent reconnections.

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<sup>13</sup> Evaluation Report, page 6.

<sup>14</sup> See Attachment 1.

To estimate the amount of avoided disconnection notices and avoided disconnections/reconnections attributable to the Program, Xcel first compared the disconnection rate of GAP participants to the rate of non-GAP LIHEAP customers. Xcel then assumed that, to the extent the disconnection rate of GAP participants is lower, the difference is due to the Program. From 2016 to 2018, the difference ranged from 3 to 5 percent, implying that the Program reduced the disconnection rate of GAP customers by 3 to 5 percentage points each year, which is equivalent to a certain amount of avoided disconnection notices and avoided disconnections/reconnections. Xcel then multiplied these numbers by the cost per disconnection notice and disconnection/reconnection, respectively to arrive at the total estimated avoided cost in each year, which the Company found to range from \$8,419 to \$12,977 (in nominal dollars).<sup>15</sup>

In response to a Department information request,<sup>16</sup> Xcel provided data on disconnections for GAP participants using the pre-program method. The pre-program method showed that GAP participants' disconnections decreased by 1.95 percent in 2016, 4 percent in 2017, and 4 percent in 2018.

#### Department Review

Xcel based its conclusion that Program participation “appears to have lowered collection costs” on GAP participants having a lower disconnection rate than do other LIHEAP customers. This “non-GAP LIHEAP baseline” approach, as discussed in more detail above, has disadvantages in that (a) GAP and non-GAP LIHEAP customers may differ in other ways that can affect disconnections, and (b) it does not directly measure changes in disconnections at the customer level.

As noted above though, in response to Department Information Request No. 1 the Company provided data showing decreases in the disconnection rate for GAP participants from between 1.95 and 4 percent. Given these decreases, and given that the differences in the disconnection rates for GAP and other LIHEAP customers range from about 3 to 5 percent, the Department concludes that the Program has reduced disconnections and therefore satisfied the statutory requirement to lower utility costs associated with collection activities.

#### **5. Coordinate the program with other available low-income bill payment assistance and conservation resources**

Minn. Stat. § 216B.16, subd. 15(b)(5) states that gas affordability programs must coordinate with other available low-income bill payment assistance and conservation resources.

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<sup>15</sup> Evaluation Report, Attachment A, pages 2-3. See also Xcel's response to Department IR No. 1 in Attachment 1.

<sup>16</sup> See Attachment 1.



## **Xcel's Analysis**

Xcel noted that Energy Cents Coalition (ECC) administers both the Company's GAP and Conservation Improvement Program (CIP) programs, and in doing so coordinates the GAP with other low-income conservation resources. On the payment-assistance side, Xcel noted the Company's Personal Accounts Team "interacts with hundreds of low-income and other assistance-related organizations each Program year, and additionally performs outreach initiatives."

### **Department Review**

From Xcel's statements, it appears that the Company has indeed coordinated the Program with other available low-income bill payment assistance and conservation resources, and therefore satisfies this statutory requirement.

#### ***B. COST-EFFECTIVENESS***

Xcel's GAP tariff states that the Program may be changed based on the results of a "cost effectiveness analysis from a ratepayer perspective" that compares the Program's costs and savings to ratepayers. The tariff defines costs and savings as follows:

- Costs: program administration and credits;
- Savings: reductions in collection activities, reductions in disconnections/reconnections, and cost savings from impacts on write-offs.

The cost-effectiveness analysis requires estimating the dollar quantities of the costs and savings as defined, where any difference results in "either a net benefit or a net cost to ratepayers."<sup>17</sup>

The Evaluation Report includes the ratepayer cost-effectiveness analysis required by Xcel's GAP tariff. The Evaluation Report also discusses costs and benefits from a societal perspective, though this analysis is not required in the Company's GAP tariff.

#### **1. Ratepayer perspective**

As noted above, Xcel's GAP tariff requires that Xcel evaluate the Program from a ratepayer perspective.<sup>18</sup>

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<sup>17</sup> Xcel Minnesota Gas Rate Book, Sheet No. 5-70, under "Evaluation," paragraph 3.

<sup>18</sup> Xcel Minnesota Gas Rate Book, Sheet No. 5-70.

## Xcel's Analysis

Xcel found that, from 2016-2018, the Program's cost to ratepayers net of savings was \$2.333 million per year on average (in 2019 dollars).<sup>19</sup> The costs in the Company's calculation included the expense of administering the Program and paying the credits; and the savings included lowering bad-debt and collection expenses. Xcel also factored in effects on income taxes and working capital. Approximately \$2.430 million (in 2019 dollars) of the net cost came from the credits themselves, as shown in the table below:

**Table 1: Average Program Credits in 2016 Dollars**

	2016	2017	2018	Average
Program Credits (million nominal \$)*	\$2.345	\$1.625	\$2.224	\$2.065
Discount rate**	8.28%	8.28%	8.28%	
Program Credits (million 2019 \$)	\$2.977	\$1.905	\$2.408	<b>\$2.430</b>

\* Evaluation Report, Attachment A, page 4, line 5

\*\* Evaluation Report, Attachment A, page 1, line 11

## Department Review

It is important to note that Xcel's cost-effectiveness analysis is from the perspective of a large, but specific group of ratepayers: those not participating in the Program (and therefore not receiving any credits) but paying for the Program through Xcel's GAP rider. Since GAP ratepayers are receiving the credits, the credits are not a cost to them, but a benefit. Similarly, there is no cost to the Program for those customers not paying for it under the GAP rider. As such, the \$2.333 million annual net cost represents the net cost to a large, specific subset of ratepayers. Therefore, Xcel's analysis reflects a modified ratepayer perspective; that is, modified to exclude the ratepayers benefitting from and/or not paying for the Program.

Further, one could view the Affordability and Arrearage Forgiveness Credits not as a cost of the Program, but rather as a transfer or cross-subsidy from one group of customers to another (and reflecting the benefit received by a subset of ratepayers). From that viewpoint, the cost of the Program only includes the Program administration costs, which are paid for by select classes of customers under the GAP rider. Subtracting the approximate \$2.430 million of credits from the approximate \$2.333 million net cost cited by Xcel, the Department arrives at an average annual net benefit of \$97,000.

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<sup>19</sup> Evaluation Report, Attachment A, page 1 of 4. \$2.333 million is the annual average of the \$7.0 million total cost over the 2016-2018 period cited by Xcel.

Xcel's GAP tariff states that "any net benefit after the initial four year term of the Rider will be added to the Tracker for refund to ratepayers."<sup>20</sup> Because the tariff defines "net benefit" to include the costs of the credits, the tariff does not require Xcel to refund the \$97,000 net benefit to ratepayers, since that net benefit is exclusive of the credits.

## **2. Societal perspective**

The Evaluation Report also touches on the Program's cost-effectiveness from a societal perspective.

### **Xcel's Analysis**

Xcel noted that its GAP may provide costs and benefits to society as a whole, beyond the costs and benefits to ratepayers described in above. Xcel noted two potential societal benefits: (1) helping participating customers meet other financial obligations by reducing the amount of money they spend on natural gas, and (2) allowing participating customers to reside at their residences for longer than customers would absent the Program, since "utility bill amounts may influence a low-income customer's ability to maintain a consistent address for an extended period."<sup>21</sup>

Xcel stated that these societal benefits "may be appropriate to consider" in evaluating the Program, but that the Company is "unable to quantify" them.<sup>22</sup>

### **Department Review**

To the extent Xcel's GAP, or any public policy program, has impacts beyond the direct financial effects to certain groups, those impacts could be considered in assessing whether the program is worthwhile.

In the case of gas affordability programs, the Department notes two ways that they can benefit society:

1. By reducing negative societal impacts from poverty itself, such as: increased unfairness to children in the form of reduced health, cognitive, and school achievement outcomes of children living in poverty;<sup>23</sup> increased crime and violence;<sup>24</sup> increased homelessness; and lower property values;<sup>25</sup> and

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<sup>20</sup> Xcel's Minnesota Gas Rates book, Sheet No. 5-70

<sup>21</sup> Evaluation Report, page 9.

<sup>22</sup> Evaluation Report, page 9.

<sup>23</sup> Brooks-Gunn, J. and Duncan, G.J. 1997. "The Effects of Poverty on Children", *Children and Poverty* 7(2). See Table 1 on page 58.

<sup>24</sup> Harrell, E., et al. 2014. "Household Poverty and Nonfatal Violent Victimization, 2008-2012." U.S. Department of Justice Special Report, NCJ 248384.

<sup>25</sup> Galster, et al. 2006. "The Social Costs of Concentrated Poverty: Externalities to Neighboring Households and Property Owners and the Dynamics of Decline." Paper for presentation at the Revisiting Rental Housing: A National Policy Summit Joint Center for Housing Studies, Harvard University, Nov. 14-15, 2006.

2. By reducing negative societal impacts from income inequality, such as: higher political concentration, inefficient use of human resources, and lower political and economic stability.<sup>26</sup>

Direct benefits to participants such as helping them meet financial obligations and otherwise improving participants' welfare may also have knock-on benefits to society. However, for the purposes of this analysis, the Department believes it is more useful to classify the benefits of GAP as the direct financial benefit received by GAP customers assumed in the ratepayer analysis, since the benefits noted above are essentially describing the qualitative aspect of the dollar amount that participants receive from the Program.

To get a sense of the extent to which the Program benefits society by reducing negative societal impacts from poverty itself and income inequality, the Department estimates how much the Program effectively increased the income of a participant living on the poverty line. Based on the table on page 3 of the Evaluation Report, in 2018 the Program increased participants' available income by \$270.45 on average (\$2,224,152 in total credits divided by 8,224 total participants). For a two-person household living on the poverty line (\$16,460 as of 2018), this would effectively increase their income by about 1.6 percent. 1.6 percent is significant, but certainly moderate. The Department would therefore expect that any societal benefits from increasing the effective income of the Program's 8,224 participants (as of 2018) are likewise moderate. The Department does not have sufficient information to monetize these benefits, but nonetheless concludes that Xcel's GAP provides societal benefits.

#### *C. GAP SURCHARGE AND TRACKER BALANCE*

The Commission's August 19, 2019 Order in Docket No. G002/M-19-242 (Docket 19-242) approved Xcel's tracker balance through the end of 2018 and maintained Xcel's GAP surcharge rate of \$0.00445 per therm. As such, Xcel did not file additional information or analysis on the GAP surcharge or tracker balance. As the Commission recently approved the tracker balance and the surcharge in Docket 19-242, the Department concludes that further analysis and Commission action are not necessary at this time.

#### *D. PROGRAM PARTICIPATION*

Xcel's GAP tariff states that the Program "is available to any residential customer who is certified and receiving assistance from [LIHEAP]."<sup>27</sup> The tariff also states that:<sup>28</sup>

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<sup>26</sup> For more on the benefits of reducing income inequality, see a recent IMF report: "Causes and Consequences of Income Inequality: A Global Perspective" by Era Dabla-Norris and others, published June 2015.

<sup>27</sup> Xcel Minnesota Gas Rate Book, Sheet No. 5-68, under "Availability." Minn. Stat. § 216B.16, subd. 15(a) also defines "low-income residential ratepayers" as ratepayers who receive energy assistance from LIHEAP.

<sup>28</sup> Xcel Minnesota Gas Rate Book, Sheet No. 5-69.

1. Enrollment participation is limited to a first come first served basis until the estimated Rider program dollar cap is reached.

...

3. Before the start of an enrollment period, Company will mail information on the Rider and an application to participate in the Rider to targeted current LIHEAP customers in arrears. The application for participation must be completed in full and returned to Company before the close of the enrollment period.

The Department notes that the Program annual spending is capped at \$2.5 million per year with spending nearing that in 2016 and 2018, at \$2.34 million and \$2.22 million respectively, although falling substantially short of that level in 2017 (\$1.77 million).<sup>29</sup> The Department also notes that total participation fell in 2018, although the number of active participants at the end of 2018 remained steady. Xcel stated that it expects to increase participation levels to reach the annual \$2.5 million spending cap by the end of 2019.

#### **IV. CONCLUSIONS AND RECOMMENDATIONS**

Based on the data and analysis that Xcel provided in the Evaluation Report, the Department concludes the following:

- The Program satisfies four of the requirements in Minn. Stat. § 216B.16, subd. 15. The Department will provide supplementary comments on whether the Program has satisfied the remaining requirement—decreasing participant arrears—upon reviewing reply comments from the Company.
- The Program costs firm customers \$2.333 million annually net of savings; for all customers as a whole, including GAP participants, the Program provides a net benefit of \$97,000 annually.
- For participants living on the poverty line, the Program, on average, increased their effective income by 1.6 percent in 2018. As such, the Department would expect that the costs to ratepayers are somewhat offset by correspondingly moderate societal benefits arising from the increased effective income of the Program's approximately 8,224 participants.

The Department requests that Xcel explain if its analysis of arrears using the pre-Program baseline approach was at the individual customer and/or cohort of customers level, or if it instead was an averaging across all GAP participants. If the data provided in response to Department Information Request No. 1 was on the individual customer and/or cohort level, the Department requests that Xcel explain how it is possible or reasonable that, given the above GAP evaluation conclusion that the Program increased participants' payment frequency, how customers enrolled in its GAP program, and

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<sup>29</sup> Evaluation report, Table 1 on Page 3.

thus customers who should be receiving arrearage forgiveness credits, have their arrears increase after enrollment in the Program.

The Department will provide final recommendations in response to Xcel's reply comments.

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## **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. G002/M-19-380**

Dated this **30<sup>th</sup>** day of **September 2019**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022191	Electronic Service	No	OFF_SL_19-380_M-19-380
John	Coffman	john@johncoffman.net	AARP	871 Tuxedo Blvd.  St. Louis, MO 63119-2044	Electronic Service	No	OFF_SL_19-380_M-19-380
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-380_M-19-380
George	Crocker	gwillc@nawo.org	North American Water Office	PO Box 174  Lake Elmo, MN 55042	Electronic Service	No	OFF_SL_19-380_M-19-380
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_19-380_M-19-380
Edward	Garvey	edward.garvey@AESLconsulting.com	AESL Consulting	32 Lawton St  Saint Paul, MN 55102-2617	Electronic Service	No	OFF_SL_19-380_M-19-380
Todd J.	Guerrero	todd.guerrero@kutakrock.com	Kutak Rock LLP	Suite 1750 220 South Sixth Street Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_19-380_M-19-380
Annete	Henkel	mui@mutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St.Paul, MN 55101	Electronic Service	No	OFF_SL_19-380_M-19-380
Michael	Hoppe	il23@mtn.org	Local Union 23, I.B.E.W.	932 Payne Avenue  St. Paul, MN 55130	Electronic Service	No	OFF_SL_19-380_M-19-380
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street  St. Paul, MN 551012134	Electronic Service	No	OFF_SL_19-380_M-19-380



First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-380_M-19-380
Sarah	Johnson Phillips	sarah.phillips@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-380_M-19-380
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-380_M-19-380
Peder	Larson	plarson@larkinhoffman.com	Larkin Hoffman Daly & Lindgren, Ltd.	8300 Norman Center Drive Suite 1000 Bloomington, MN 55437	Electronic Service	No	OFF_SL_19-380_M-19-380
Eric	Lipman	eric.lipman@state.mn.us	Office of Administrative Hearings	PO Box 64620  St. Paul, MN 551640620	Electronic Service	No	OFF_SL_19-380_M-19-380
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 551017741	Electronic Service	No	OFF_SL_19-380_M-19-380
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_19-380_M-19-380
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	No	OFF_SL_19-380_M-19-380
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-380_M-19-380
David	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	220 South Sixth Street Suite 1300 Minneapolis, Minnesota 55402	Electronic Service	No	OFF_SL_19-380_M-19-380

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-380_M-19-380
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750  St. Paul, MN 55101	Electronic Service	No	OFF_SL_19-380_M-19-380
James M	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	200 S 6th St Ste 470  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-380_M-19-380
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_19-380_M-19-380
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_19-380_M-19-380