BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John Tuma	Commissioner
Betsy Wergin	Commissioner

Kristine A. Anderson
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Greater Minnesota Gas Company, Inc.
202 South Main Street
Le Sueur, Minnesota 56058

SERVICE DATE: December 1, 2015

DOCKET NO. G-022/M-15-855

In the Matter of Greater Minnesota Gas, Inc.'s Petition for Approval to Change Its Gas Affordability Program

The above entitled matter has been considered by the Commission and the following disposition made:

1. **Approved GMG's proposed changes to its Gas Affordability Program and authorized implementation as of January 1, 2016.**

2. **Required GMG to operate its Gas Affordability Program as a pilot program until such time as the Commission determines the program to be permanent and orders that GMG's tariff be updated to make the program permanent.**

3. **Required GMG to include a comparison of service disconnection rates for GAO customers, non-GAP LIHEAP customers, and Non-LIHEAP customers in its annual filings and in its March 31, 2019 program.**

4. **Required GMG, in addition to its annual GAP reporting requirements, to file a comprehensive evaluation report by March 31, 2019, discussing and assessing its GAP from January 1, 2016 through December 31, 2018.**

5. **Required GMG to file updated tariff sheets within ten days of this Order.**

The Commission agrees with and adopts the recommendations of the Department of Commerce, as modified herein, which are attached and hereby incorporated into the Order. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf

Daniel P. Wolf
Executive Secretary

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MINNESOTA DEPARTMENT OF COMMERCE

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October 16, 2015

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G022/M-15-855

Dear Mr. Wolf:

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

> A *Petition* by Greater Minnesota Gas Inc. (GMG, the Company) for Approval by the Minnesota Public Utilities Commission (Commission) of Changes to its Gas Affordability Program (GAP).

The filing was submitted on September 25, 2015. The petitioner is:

> Kristine A. Anderson
> Corporate Attorney
> Greater Minnesota Gas Company, Inc.
> 202 South Main Street
> Le Sueur, Minnesota 56058

The Department recommends that the Minnesota Public Utilities Commission (Commission) approve, with modification, GMG's *Petition.*

The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ JOHN KUNDERT
Financial Analyst
651-539-1740

JK/ja
Attachment

MINNESOTA DEPARTMENT OF COMMERCE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET NO. E022/M-15-855

I. BACKGROUND

On September 25, 2015, Greater Minnesota Gas, Inc. (GMG or the Company) filed a *Petition* with the Minnesota Public Utilities Commission (Commission) to revise its Gas Affordability Program (GAP). The *Petition* proposes significant revisions to GMG's GAP. One of the most significant of these proposed changes is of the Company's intention to contract with the Energy Cents Coalition (ECC) for certain administrative functions required for GMG's GAP.

The Minnesota Department of Commerce, Division of Energy Resources (Department) provides its analysis of the *Petition* below.

II. ANALYSIS

The Department's analysis is divided into the following sections: 1) the statutory requirements of a gas affordability program; 2) the cost recovery associated with the proposed tariff changes; and 3) miscellaneous tariff provisions.

A. REQUIREMENTS OF MINNESOTA STATUTES AND RULES

Minnesota Statutes, section 216B.16, subd. 15 (b) provides the following criteria for gas affordability programs approved by the Commission:

> (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.

The Department discusses these statutory requirements relative to GMG's proposed GAP tariff below.

1. Percentage of Income

GMG's proposed tariff states:

> The Affordability Component of the GAP consists of a bill credit determined as one-twelfth of the difference between GMG's or its agent's estimate of the Qualified Customer's annual gas bill and 4% of the Qualified Customer's household income as provided by the Qualified Customer to GMG. The bill credit is a Rider program cost that will be included in cost recovery efforts, when and if they are instituted. Any energy assistance sums not applied to arrears will be applied to a Qualified Customers current bill. The Affordability Component will be calculated as follows:
>
> 1. Calculate four percent of the participant's reported income and divide it by 12 (months) to get the monthly Affordability Payment amount
> 2. Sum the participant's annual usage amount and divide it by 12 (months) to determine the participant's average monthly usage/bill; and
> 3. Subtract the participant's Affordability Payment from the Average Monthly bill to determine the Affordability Credit amount.

The Department concludes that GMG's proposed language, which identifies four percent as the appropriate percentage of income for GMG low-income customers to pay for their natural gas service, is consistent with the statutory criterion. Further, the Commission has approved the 4 percent of household income level for CenterPoint Energy's, Xcel Energy's Great Plains Natural Gas', and Interstate Power & Light's GAPs.

2. Participating Customer Payments

GAP offerings provide participating customers an incentive for increasing the frequency of their payments through the use of arrearage forgiveness. GMG's GAP also contains this mechanism.

> The Arrearage Forgiveness component of the GAP consists of a monthly credit that will be applied to each month after receipt of the Qualified Customer's payment. The credit will be designed to retire pre-program arrears over a period of up to 24 months, with GMG matching the Qualifying Customer's contribution to retiring pre-program arrears. The credit is determined by

> taking the pre-program arrears divided by the number of months to retire the arrears divided by two and then subtracting any energy assistance sums received by the [sic] GMG on behalf of the customer divided by the number of months remaining to retire the arrears divided by two. The arrearage forgiveness credit is a Rider program cost that will be included in cost recovery efforts, when and if they are instituted. The Arrearage Forgiveness Component will be calculated as follows:
>
> 1. Divide the pre-program arrears by the number of months to retire the arrears, divided by two.
> 2. Subtract any energy assistance sums received by GMG, divided by the number of months remaining to retire the arrears, divided by two.

The Department concludes that GMG's proposed language[1] is consistent with the statutory criterion in that it provides an incentive for GAP participants to increase their payment frequency.

3. Decrease or Eliminate Customer Arrears

The proposed tariff language referenced under the previous section also applies to this criterion. GMG's proposed arrearage forgiveness component of the GAP will provide an option to decrease or eliminate customer arrears for participant customers. Once again, the Department concludes that GMG's proposed language is consistent with the statutory criterion.

4. Lowering GMG's Collections Costs

This criterion is not addressed in GMG's proposed tariff or in the *Petition*. The fact that GMG has elected to use a third-party administrator (ECC) for its GAP will likely have some influence on the Company's ability to lower its collections costs. Both CenterPoint Energy and Xcel Energy Gas use ECC as a third-party administrator for their respective GAPs. Because ECC administers other GAPs, it is likely that ECC will be able to administer GMG's GAP more efficiently, and therefore, perhaps more effectively, than if GMG were to administer the GAP. That hypothetically more efficient and effective program could also lower GMG's collections costs in the future.

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[1] The Department recommends that GMG remove the superfluous "the" when submitting the final tariff language through its compliance filing.

The Department notes that the current proposal may allow for improvement over GMG's results as reflected in Docket No. G022/CI-08-1175 . In that proceeding the Company stated: "GMG's costs associated with collection were not measurably decreased as a result of the GAP program."[2]

The Department recognizes that retaining ECC as a third-party administrator may allow GMG to lower its collections costs over time. The DOC concludes that this arrangement has the potential to fulfill this statutory criterion.

5. Coordination with Other Assistance and Conservation Resources

The Department's rationale for determining that the Company's *Petition* broadly fulfills this criterion is similar to that developed in the previous section. GMG has retained the equivalent of a subject matter expert (ECC) to help administer its GAP. ECC's involvement should improve the efficiency with which GMG or its agent coordinates with other assistance and conservation resources.

B. COST RECOVERY

The Commission has allowed all the other rate-regulated local gas distribution companies under its jurisdiction to recover the costs of their respective GAPs through a tracker account mechanism. GMG's proposal also includes a tracker account, however the Company is not proposing to recover program costs included in the tracker account prior to 2018. GMG's proposed tariff language under this section begins:

> GMG will establish a tracking mechanism to provide for the option of future collection of actual program costs. At such time as the recovery of the Rider program costs begins, the tracking mechanism will be utilized to identify and compare the actual program costs to the amount recovered from the Rider once it is instituted. GMG will track and defer Rider program costs with regulatory approval. The prudence of the Rider costs is subject to a regulatory review. The recovery of the Rider program costs will begin with the implementation of a Rider surcharge that will be proposed following the 2017 program year. . . .
>
> The Rider cost recovery amount and affected customer groups shall be proposed following two full cycles of the GAP and shall correlate with estimated program costs based on actual costs for the two-year evaluation period.

The Department supports the Company's proposed cost recovery mechanism. It is consistent with current Commission practice. However, the Department suggests one clarifying edit, as follows:

[2] Gas Affordability Program Evaluation filed July 2, 2014 at page 4.

> The recovery of the Rider program costs will begin ~~with the implementation~~ upon regulatory approval of a Rider surcharge that will be proposed following the 2017 program year.

The Company's proposed tariff continues:

> At such time as the Rider program costs begin being recovered, they shall be recovered as a separate line item on customer billing statements. . . . Total Rider costs, which include start-up costs, the Affordability component, the Arrearage Forgiveness component, outsourcing costs, and incremental administration costs incurred by GMG, shall not exceed $20,000 per year. However, if there is an over-recovered balance in a given year, the over-recovered balance may be used to supplement benefits in the following program year unless the Minnesota Public Utilities Commission orders otherwise. GMG shall track its administrative costs; but, shall limit recovery of administrative costs to 5% of the total Rider costs. Administrative costs will include, but are not limited to, the costs to inform customers of the GAP and costs to process and implement enrollments.

The tariffed language referenced is very similar to language the Commission has already approved for Xcel Energy Gas's GAP. The Department notes that GMG's proposed language is preferable to Xcel Energy's in that it limits the Company's recovery of administrative costs to 5% while the language in Xcel Energy's tariff includes only "best efforts" language in regards to this statutory requirement.[3]

C. *MISCELLANEOUS TARIFF PROVISIONS*

GMG's proposed tariff also includes several other provisions which the Department discusses below.

1. *Availability*

By definition, a GAP participant must be receiving Low Income Home Energy Assistance Program (LIHEAP) assistance. GMG's proposed tariff includes this requirement.

> Available to residential customers who received Low Income Home Energy Assistance Program (LIHEAP) assistance during the most recent federal fiscal year and who agree to terms described herein to be a "Qualified Customer." In order to be considered a Qualified Customer, the customer must agree to be placed on a levelized payment plan and must also agree to a payment schedule as described below. Unless otherwise specified in this tariff, Qualified Customers on the Rider shall receive service in accordance with all terms and conditions of the standard gas service tariffs applicable to residential customers.

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[3] Minn. State § 216B.16, subd. 15(d).

2. Participation Cap

The proposed tariff states: "Participation in the GAP by Qualified Customers will be capped when estimated program costs, as detailed below, are estimated to reach $20,000.

The Department is not generally supportive of cost-based participation caps for GAP offerings once those offerings are established and are being funded from ratepayers. In this instance, in which GMG is significantly revising its program and is not, at least initially, requesting reimbursement from ratepayers, the Department does not oppose this tariff provision with the understanding that the $20,000 cap may be temporary.

3. Program Description

According to GMG's proposed tariff:

> The GAP is designed to meet the requirements of Minn. Stat. § 216B.16, subd. 15, concerning low income programs and has two components: an affordability component and an arrearage forgiveness component. GMG, or an agent of GMG, will review current billing and consumption information, approved LIHEAP benefits, and household income information as submitted to GMG or its agent, as directed by GAP materials, to determine a Qualified Customer's payment schedule amount. A Qualified Customer's payment schedule will include both payment of the customer's current month's bill (which reflects one-twelfth of the levelized payment plan) and payment of a portion of the Qualified Customer's preprogram arrears.

The Department notes that this proposed tariff language is consistent with similar language included in Xcel Energy Gas' current tariff which the Commission has already approved.

4. Application Process, Enrollment, Terms and Conditions of Service

Regarding the application process, enrollment, and terms and conditions of service, GMG's proposed tariff states:

> Participation in the GAP is open to all Qualified Customers on a first come, first served basis until the estimated program dollar cap is reached. A Qualified Customer must maintain an active GMG account in said customer's name at said customer's permanent primary residence to be eligible for the GAP.
>
> Before the start of an enrollment period, GMG or its agent will mail information on the GAP and an application to participate in the GAP to targeted current LIHEAP customers in arrears. The application for participation must be completed in full and returned to GMG or its agent, as directed in the application materials, before the close of the enrollment period.

> Qualified Customers agree to notify GMG of any changes in address, income level, household size, or other changes, in their eligibility to be a Qualified Customer. Such changes may result in removal from the GAP, as they may disqualify a customer from eligibility under the provisions of the Availability section above.
>
> If a Qualified Customer fails to make two consecutive monthly payments in full under the GAP, the customer will be terminated from the GAP and will be subject to GMG's regular collection practices, including the possibility of disconnection. Regardless of arrears balances, GMG agrees to maintain service and suspend collection activities to a Qualified Customer if the customer remains current with the GAP payment schedule.

The two final sections of GMG's proposed tariff address the GAP's term and specific regarding the GAP's evaluation.

> The Rider shall become effective upon approval following proposal of the same and is effective unless the Commission, after notice and hearing, rescinds or amends its order approving the Rider.
>
> The Rider shall be evaluated at the end of the 2018 program year and may be modified or terminated based on annual reports and on a financial evaluation.
>
> GMG's obligation to annually track and report information regarding the GAP will begin on January 1, 2016. By March 31st of each year, GMG will file a report with the Commission indicating:
> 1. Total number of customers that received a LIHEAP grant during the previous year.
> 2. Total number of customers that participated in GAP during the previous year.
> 3. Total number of customers removed from GAP during the course of the year.
> 4. Total dollars billed to customers in GAP by GMG during the year.
> 5. Total dollars paid by LIHEAP on behalf of customers in GAP during the year.
> 6. Total dollars paid by customers in GAP during the year.
> 7. Total dollars in credits issued to customers in GAP as a result of the Affordability Component and the Arrearage Forgiveness Component during the year.
>
> GMG shall also file an evaluation report by March 31, 2019 discussing and assessing its GAP from January 1, 2016 through December 31, 2018.

The Company's proposed language regarding the Rider's term appears reasonable.

GMG proposed no substantive changes to the current content of its annual GAP reports, except for the reporting date, which would now coincide with the reporting date of other natural gas utilities. The Department notes that the content list was developed collaboratively pursuant to the Commission's October 12, 2012 Order in Docket No. G022/CI-08-1075, which states, in part:

> Greater Minnesota gas is authorized to suspend the tracking, reporting, and customer awareness requirements of the gas affordability pilot program. Greater Minnesota Gas shall continue notifying LIHEAP participants of their eligibility for the gas affordability program as part of the Company's arrears management effort. And the Company shall work with the Department and Commission staff to develop alternate reporting requirements and present them to the Commission in a timely fashion.

Given GMG's proposal to partner with the ECC in administering GMG's GAP, the Department requests that GMG address in *Reply Comments* the extent to which it can provide information more closely aligned with the information other natural gas utilities are required to provide, as was set forth in the Commission's September 25, 2013 Order as follows:

1. average annual affordability benefit received per customer;
2. average annual arrearage forgiveness benefit received per customer;
3. percentage of Low Income Home Energy Assistance Program (LIHEAP) customers that participated in GAP;
4. disconnection rates for (a) GAP customers, (b) LIHEAP – Non GAP customers, and (c) non-LIHEAP customers (all firm customers including C&I);
5. number of GAP participants enrolled as of year-end;
6. number of GPA participants enrolled and receiving benefits at some time during the year;
7. annual program budget;
8. actual program revenue;
9. actual program cost;
10. GAP tracker balance as of year-end; and
11. GAP rate-affordability surcharge ($/therm).

The Department notes that there would be no expectation of reporting the GAP surcharge until a GAP surcharge is in place. To the extent GMG may be able to provide more information than it proposed, the Department recommends that those additional items be added to the list shown in GMG's GAP Rider tariff language.

The proposed language that addresses the program evaluation report is somewhat inconsistent with the annual reporting language in that no specific content requirements are listed and only one evaluation report is required, rather than periodic ongoing reports. While GMG has not characterized its proposal as a pilot, the Commission may wish to treat it as such, and re-visit the evaluation reporting requirements and time interval at the time the program is made permanent. In any case, GMG's revised GAP will be evaluated using the statutory criteria listed in Minn. Stat. § 216B.16 subd, 15 (b). Therefore, the Department expects GMG to provide in its evaluation report the information the Commission will need to assess GMG's GAP performance in light of the statutory criteria.

III. RECOMMENDATIONS

Based on its review, the Department recommends that the Commission approve all the proposed sections of GMG's proposed tariff, with the minor clarifying edit as follows:

> The recovery of the Rider program costs will begin ~~with the implementation~~ <u>upon regulatory approval</u> of a Rider surcharge that will be proposed following the 2017 program year.

Further, should GMG identify additional information that the Company can provide in its annual and/or evaluation reports, the Department recommends that the proposed tariff language be amended to reflect that additional information.

/ja