MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	June 14, 2018	Agenda Item *5

Companies All Commission Regulated Natural Gas Utilities

Docket Nos. **G-008/M-18-235**
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-18-241
In the Matter of the Application of Northern States Power Company, a Minnesota Corporation, for Approval of its 2017 Annual Gas Affordability Program Report

G-011/M-18-243
In the Matter of the Application of Minnesota Energy Resources Corporation for Approval of its Gas Affordability Program 2017 Annual Report

G-004/M-18-248
In the Matter of the Application of Great Plains Natural Gas Co. for Approval of its 2017 Gas Affordability Program Report

G-022/M-18-249
In the Matter of the Application of Greater Minnesota Gas, Inc. for Approval of its Gas Affordability Program Annual Report for 2017

Issues Should the Commission accept the 2017 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)?

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Relevant Documents	Date
CPE – Annual GAP Compliance Filing (#18-235)	March 30, 2018
MERC – Annual GAP Compliance Filing (#18-243)	March 30, 2018
Xcel – Annual GAP Compliance Filing (#18-241)	March 30, 2018
GMG – Annual GAP Compliance Filing (#18-249)	April 2, 2018
GPNG – Annual GAP Compliance Filing (#18-248)	April 2, 2018
Department – Comments (all dockets)	April 17, 2018
GPNG – Reply Comments (#18-248)	April 25, 2018
CPE – Reply Comments (#18-235)	April 27, 2018
Department – Response Comments (all dockets)	May 9, 2018

I. Statement of the Issue

Should the Commission accept the 2017 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)?

II. Introduction

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. The chart below shows the Companies' annual Program budget and the highest number of customers enrolled in the Program at some point during 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 2017	10,665	10,114	1,607	57	22

III. Background

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). All of the investor-owned, Commission rate regulated natural gas utilities currently 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.

(A copy of the statute is attached.)

IV. Annual Reports for Calendar Year 2017 & Party Comments

March 30, 2018: CenterPoint Energy, MERC and Xcel Energy filed their 2017 Gas Affordability Program Annual Reports.

April 2, 2018: GPNG and GMG filed their 2017 Gas Affordability Program Annual Reports.

April 17, 2018: The Department filed its comments regarding the GAPs and recommended that the Commission accept the annual reports.

April 25, 2018: GPNG filed reply comments and agreed with the Department's recommendation and requested that the Commission issue an Order accepting GPNG's 2017 Gas Affordability Report.

April 27, 2018: CenterPoint submitted reply comments to clarify and correct certain information contained in the Department's comments. The Company requested that the Commission accepts its 2017 Gas Affordability Report.

May 9, 2018: The Department acknowledged the corrections & clarifications made by CenterPoint were valid.

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. 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 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.

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 below.

	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	3/31/2019	3/31/2019	5/31/2019	3/31/2019	3/31/2019
Current Term of Pilot Program Ends	Permanent Program	Permanent Program	Pilot 12/31/2019	Permanent Program	Pilot No end date[1]
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)

1. 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.

[1] 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 determines the Program to be permanent.

2. 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.

3. 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.

4. Stakeholder Workgroup (CPE, Xcel & GPNG)

During the 2016 GAP annual review proceeding, the Commission also directed CenterPoint, Xcel and Great Plains to participate in a stakeholder workgroup with other utilities that offer a GAP, third party administrators, and the Department to discuss if changes should be made to the GAP. The stakeholder group filed an evaluation (in dockets 16-486, 16-493 and 16-495) of whether changes should be implemented to the GAPs on May 22, 2018. The stakeholder report is currently open for comments to any interested parties and will be scheduled as a separate item at a future agenda meeting.

5. 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.

6. 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.

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 table 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.

GAP Affordability Component – Customer Benefit	Center Point	Xcel	MERC	Great Plains	GMG[2]
% of Household Income	4%	4%	6%	4%	4%
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[3]	$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

[2] 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.
[3] In 2012 Xcel did not have the data to split between the affordability and arrearage forgiveness credit. The $145 in 2012 included both. The comparable number for 2013 is $186, which includes $158 for the affordability credit and $28 for the arrearage forgiveness credit.

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 table compares the terms of the arrearage forgiveness component for the different programs. This table 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.

GAP Arrearage Forgiveness Component – Customer Benefit	CenterPoint	Xcel	MERC	Great Plains	GMG[4]
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.
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[5]	$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.

[4] 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.

[5] Ibid. Footnote 3.

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.

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. The utilities and their third party administrators are shown in the table below.

	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 table below shows the annual Program budget, the actual Program costs and revenues and the GAP tracker balance over the 2017 Program year.

	CenterPoint	Xcel	MERC	Great Plains	GMG
Annual Program Budget	$5,000,000	$2,500,000	$750,000[6]	$50,000	$20,000
Actual Program Revenue (2017)	$4,824,652	$2,365,476	$0	$10,354	$0
Actual Program Cost (2017)	$3,717,996	$1,771,705	$707,095	$8,027	$9,236
GAP Tracker Balance as of December 31, 2017	$2,956,406	$658,482	($38,976)	$16,904	$28,708

XII. GAP Tracker Balances

The following table compares year-end GAP tracker balances as of December 31, 2012 through 2016. 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.

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

A. CenterPoint

CenterPoint Energy's tracker balance is close to $3 million, or approximately 60% 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.

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

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.

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. If approved, its request would recover the under-recovered GAP tracker balance based on projected GAP spending.

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. 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.

XIII. Annual Per Customer Cost of GAP

Calendar-year 2017	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	$0.00453A	$4.08	10,665	All firm residential, commercial and industrial sales and transportation customers (except market-rate firm)
Xcel	Jan-May $0.00400 June-Dec $0.00445	$3.84	10,114	All firm sales customers
MERC	$0.00000	$0.00	1,607	Collection of surcharge is currently suspended - All General Service, i.e. firm sales customers were previously charged for this program.
Great Plains	$0.01393	$12.53	57	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[7]	$0.00000	$0.00	22	No customers are currently assed the surcharge.

Although the budgets for these programs are roughly proportional to the size of each utility, as can be seen from the table above, the impact on a residential customer that uses 900 therms of gas each year, varies from one company to another. At the current affordability surcharge rates, the cost per year for an average residential customer varies from $0.00 to $12.53 per year per residential customer.

XIV. Decision Alternatives

1. Gas Affordability Program (GAP) Annual Compliance Reports for Calendar-Year 2017

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

a) Accept the calendar-year 2017 GAP annual compliance reports (all dockets), or
b) Do not accept the calendar-year 2017 GAP annual compliance reports.