MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	December 19, 2019	Agenda Item *1

Company

Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. (Great Plains)

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint Energy or CPE)

Minnesota Energy Resources Corporation (MERC)

Northern States Power Company, d/b/a Xcel Energy (Xcel Energy)

Docket Nos.

G-004/M-19-366
In the Matter of Great Plains Natural Gas (Great Plains) Evaluation of its Gas Affordability Program

G-008/M-19-367
In the Matter of CenterPoint Energy's (CPE) Evaluation of its Gas Affordability Program

G-011/M-19-369
In the Matter of Minnesota Energy Resources Corporation (MERC) Evaluation of its Gas Affordability Program

G-002/M-19-380
In the Matter of Xcel Energy's Evaluation of its Gas Affordability Program

Issues

Should the Commission accept the 2019 Gas Affordability Programs (GAP) Evaluation Reports filed by the above gas utilities?

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✓ Relevant Documents	Date
Docket Nos. G-022/M-19-236, G-004/M-19-247, G-008/M-19-255, G-011/M-19-241, G-002/M-19-242	
Order Accepting Calendar-year 2018 GAP Annual Compliance Reports	August 19, 2019
Docket No. G-004/M-19-366	
Great Plains – Initial filing GAP Evaluation Report	May 31, 2019
Department of Commerce – Comments	September 26, 2019
GPNG – Reply Comments	October 7, 2019
Docket No. G-008/M-19-367	
CPE – Initial Filing GAP Evaluation Report	May 31, 2019
Department of Commerce – Comments	July 30, 2019
Energy Cents Coalition (ECC) – Comments	July 31, 2019
CPE – Reply Comments	August 12, 2019
Docket No. G-011/M-19-369	
MERC – Initial Filing GAP Evaluation Report	May 31, 2019
Department of Commerce – Comments	October 14, 2019
MERC – Reply Comments	November 1, 2019
Department of Commerce – Response to Reply Comments	November 18, 2019
Docket No. G-002/M-19-380	
Xcel Energy – Initial Filing GAP Evaluation Report	May 31, 2019
Department of Commerce - Comments	September 30, 2019
Xcel Energy – Reply Comments	October 17, 2019
Department of Commerce- Response to Reply Comments	November 20, 2019

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I. Statement of the Issues

Great Plains Natural Gas Co. (Great Plains)

- Should the Commission grant Great Plain's (GP) request for a waiver of the requirement in its Tariff to provide a Discounted Cash Flow (DCF) evaluating GAP cost-effectiveness?
- Should the Commission allow the GAP Surcharge to remain at the current level of $0.01393 per dekatherm and to continue assessing the surcharge to firm customers (residential and firm general service customers)?
- Should the Commission accept Great Plain's 2019 GAP Evaluation Report?

CenterPoint Energy (CPE)

- Should the Commission accept CPE's 2019 GAP Evaluation Report?

Minnesota Energy Resources (MERC)

- Should the Commission accept MERC's 2019 GAP Pilot Evaluation Report?
- Should the Commission extend the Pilot for fours through 2023 or make the Program permanent?

Xcel Energy

- Should the Commission accept Xcel's 2019 GAP Evaluation Report?

II. Introduction

Minn. Stat. § 216B.16, Subd. 15 (b) requires all investor-owned rate regulated gas utilities with operations in Minnesota to offer a gas affordability program for low income customers. The gas affordability programs are reviewed both annually and periodically. This briefing paper addresses the requirement that the GAPs be evaluated periodically and allows interested parties a chance to thoroughly review the Programs. All five of the gas utilities are due to have their Programs evaluated this year. Certain performance, evaluation requirements and cost recovery standards for these programs are identified in the statute.

On May 31, 2019, Great Plains, CPE, Xcel Energy and MERC filed their annual Gas Affordability Program (GAP or Program) Evaluation Reports (Evaluation Report). The Reports include the following information:

- 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.

Each utility company requests that the Commission accept its Evaluation Report. All the utility companies GAP are permanent and have no expiration date, except for MERC's GAP which is on pilot status. MERC seeks the GAP program to be extended for another four years through 2023.

Staff observed that while all of the gas companies were due to file a periodic evaluation in 2019, the years being evaluated by the Company may not be the same. For example, CPE's evaluation focuses on the 2017 and 2018 Program years. MERC's evaluation covers the 2015-2018 Program years. This discrepancy between reporting periods is due to prior Commission Orders setting due dates for the evaluations. Staff does not believe it has happened in the past where all of the Companies were required to file evaluations in the same year.

The gas affordability programs are also 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.

An in-depth discussion of the GAPs was completed in the PUC's briefing papers reviewing the 2019 Annual Reports. Readers are encouraged to view the briefing papers for information on the annual Program budgets, Program designs, affordability and arrearage forgiveness credits, participation rates, disconnection rates, retention rates, tracker balances, and allocations of cost responsibility, GAP surcharges and third party administrators. The statistical information included in the annual filings is the same information included in the periodic evaluations, thus it will not be reexamined in this briefing paper.

Greater Minnesota Gas (GMG) submitted its evaluation on March 31, 2019 as a compliance filing in Docket G-022/M-15-855. As of the date of this briefing paper, the GMG evaluation has not been put out for comment and the review of GMG's GAP program is pending.

III. Background

A. Great Plains

In order to assist in evaluating the GAP program effectiveness, Great Plains 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.[1]

Great Plains' GAP was approved by the Commission in Docket No. G004/M-07-1235 by Order issued on May 12, 2008 and Order issued on November 26, 2014 extending GAP through program year 2016.

[1] The Department's Comments, p. 9

The Program Year 2018 report was filed with the Minnesota PUC on March 29, 2019 in Docket No. G004/M-19-247.

B. CPE

On November 2, 2007 in Docket No. G-008/M-07-1202, the Commission found the Company's GAP complied with the requirements of Minn. Stat. § 216B.16, subd. 15. Since March 31, 2008, the Company has submitted annual compliance reports on the operation of the Program.

In May 22, 2017 Order in Docket No. G-008/M-16-486, the Commission accepted CPE's third evaluation report and ordered the GAP continue with no expiration date, with the next evaluation report to be filed on or before May 31, 2019.

C. MERC

On September 25, 2015 Commission Order in Docket No. G011/M-15-539 authorized MERC to continue its pilot gas affordability program for an additional four years (until December 31, 2019) with an evaluation to be submitted by May 31, 2019 and annual reports by March 31 of each year.

Since the extension of MERC's GAP, the company has submitted the annual reports required under the Company's GAP tariff to the Commission on March 31, 2015, in Docket No. G011/M-16-273; on March 31, 2016, in Docket No. G011/M-17-247; on March 30, 2017, in Docket No. G011/M-18 -243; and on March 29, 2018, in Docket No. G011/M-19-241.

D. Xcel Energy

Xcel Energy proposed its pilot Program in November 2006 in compliance with Minn. Stat. § 216B.16, Subd. 15. The Commission approved the Program, together with related Tracker accounts and adjustments to rates to fund anticipated participation levels in its September 10, 2007 findings of fact, conclusions of law, and order in Docket No. G002/GR-06-1429.

On May 31, 2016, Xcel submitted the financial evaluation report in Docket No. G002/M-16-493. The Commission's May 22, 2017 Order in that docket required the Company to participate in a stakeholder workgroup to discuss if changes should be made to the GAP program. The resulting stakeholder report was submitted on May 22, 2018 and accepted by the Commission in its Order dated September 28, 2018. The Commission adopted a streamlined reporting format for the utilities' annual reports in that Order. The May 22 Order also requires the next program evaluation to be filed by May 31, 2019.

Xcel filed annual reports on March 31, 2017 in Docket No. G002/M-17-253; March 30, 2018 in Docket No. G002/M-18-241; and March 29, 2019 in Docket No. G002/M-19-242.

IV. Relevant Statute (Enabling Statute)

Gas Affordability Programs (GAPs) are designed to lower the percentage of income that low-income households must set aside to meet current energy bills, and to increase the number of customer payments, as well as, providing a mechanism for assisting customers in paying off arrearage balances.

Further, the Program includes both Affordability bill credits and Arrearage Forgiveness components. The Affordability bill credit is measured by calculating the difference between the Company's estimate of the customer's annual natural gas bill, and four to six percent of the customer's household income, as authorized by the Commission for each of the utility company. The Arrearage Forgiveness component applies a monthly matching credit to the customer's balance after payment is received, and this monthly credit retires pre-program arrears over a period of up to 24 months.

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

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 … [where] 'low-income residential ratepayers' means who receive energy assistance from the low-income home assistance program."

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

(b) Any affordability program the commission orders a utility to implement must:

- lower the percentage of income that participating low-income households devote to energy bills;
- increase participating customer payments over time by increasing the frequency of payments;
- Decrease or eliminate participating customer arrears;
- Lower utility costs associated with customer account collection activities; and
- 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.

V. Parties' Positions

A. Great Plains

Great Plains submitted its 2016-2018 GAP Evaluation Report on May 31, 2019 and requested the Commission accept the report as having satisfied statutory requirements set forth in Minn. Stat. § 216B.16, Subd. 15.

The Department submitted its Comments and recommended that the Commission accept Great Plains' Evaluation Report and approve minor changes to tariff language.

B. CPE

CPE submitted its fourth GAP Evaluation Report on May 31, 2019 and requested the Commission accept the report. CenterPoint Energy (CPE) concluded that its GAP has met the statutory requirements set forth in Minn. Stat. §216B.16, Subd. 15.

Energy Cents Coalition (ECC) submitted Comments and does not oppose[2] any of CPE's conclusions on the report. However, ECC requested the Commission require the CPE to enhance outreach efforts to customers who are past-due, to those receiving service disconnection notices and prior to disconnecting customers' service and current LIHEAP

[2] Energy Cents Coalition's Comments, p. 1

customers[3]. Further the CPE should be required to communicate regularly with payment-troubled customers in order to refer them to available financial resources. [4]

The Department submitted its Comments on July 31, 2019 and recommended the Commission accept CPE's fourth GAP Evaluation Report.[5] Further, on the basis of data and analysis provided by CPE in the report, the Department then concluded as follows:

> The Program satisfies all five of the requirements in Minn. Stat. § 216B.16, Subd. 15. The Program cost firm customers an average of $3.613 million in 2017 and 2018, net of savings; for all customers as a whole, including GAP participants, the Program provides a net benefit of $0.295 annually. [6] For participants living on the poverty line, the Program would have on average increased their effective income by two percent. As such, the Department would expect that the costs to firm ratepayers are somewhat offset by correspondingly moderate societal benefits arising from the increased effective income of the Program's 10,748 participants.

C. MERC

MERC submitted its GAP Evaluation Report on May 31, 2019 as having met the statutory requirement in Minn. Stat. §216B.16, Subd. 15

MERC's evaluation covers the GAP years from 2018 through 2018. MERC's last evaluation took place in 2015 and the Commission:

- Extended the Program through December 31, 2019;
- Authorized MERC to maintain its six percent of income credit component and arrearage to be extinguished over a 24 month period;
- Continued to require customers to pay the entire amount due on the current portion of the monthly gas bill after the percentage of income credit has been applied; and
- Approved reduction of its GAP budget from $1 million to $750,000 per year.

MERC is not proposing any changes to its Program but requests the Commission accept the evaluation report and extend its GAP for additional four years through December 31, 2023.

D. Xcel

Xcel filed its GAP Evaluation Report on May 31, 2019, as having satisfied the statutory requirements in Minn. Stat. §216B.16, Subd. 15 and requested for Commission approval of the report.

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[3] Id., at p. 5

[4] Ibid.

[5] The Department's Comments, p. 13

[6] Id., at p. 12

The Department submitted Comments on September 30, 2019 and requested that Xcel explain whether the analysis of arrears using the pre-Program baseline approach was at the individual customer and/or, cohort of customers level or if it was an averaging across all GAP participants.[7]

VI. Staff Analysis

A. Great Plains

- **Should the Commission grant Great Plain's (GP) request for a waiver of the requirement in its Tariff to provide a Discounted Cash Flow (DCF) evaluating GAP cost-effectiveness?**

Great Plains requested a waiver from the requirement in its GAP tariff to conduct a discounted cash flow analysis when evaluating the cost-effectiveness of the Company's GAP from a ratepayer perspective.[8] To support this request, Great Plains stated that a DCF analysis is not necessary to evaluate the GAP's cost-effectiveness, and noted that internal resources are allocated to support the Program. Further, Great Plains stated that "the dollars collected closely matched the dollars distributed in program year 2018." Thus, the Company concluded that granting a waiver would not adversely affect the public interest or conflict with any standards imposed by law.

The Department noted that under Minnesota Rules pt. 7829.3200, subp. 3 a variance automatically expires in one year unless ordered by the Commission. Minn. Rules pt. 7829.3200, subp. 1 states that the Commission shall grant variance when the following conditions have been met:[9]

- enforcement of the rule would impose an excessive burden upon the applicant or other affected by the rule;
- granting the variance would not adversely affect the public interest; and
- granting the variance would not conflict with standards imposed by law.

While Great Plains' request to waive the tariff requirement is not a request to vary Minnesota Rules, the Department believes the conditions of Minnesota Rules pt. 7829.3200, subp. 3 are appropriate to apply to the waiver request. The Department agrees with Great Plains that providing a full DCF analysis appears to be unnecessary and would constitute an excessive burden on the Company. Additionally as the data Great Plains provided in the Evaluation

[7] The Department's Comments, p. 12

[8] Great Plains' GAP Evaluation Report, p. 6

[9] The Department's Comments, p. 9

Report is sufficient for the Department to analyze the filing, granting such a variance would not adversely affect the public interest. [10]

Further, the Department is not aware of any conflict with standards imposed by law.[11] As such the Department concludes that it is reasonable to grant the Company's requested variance.

Additionally, the Department is of the view that it would reasonable to slightly amend Great Plains' tariff language to reflect the level of analysis the company provided in the Evaluation Report, instead of a DCF analysis. Accordingly, the Department recommends approval of the tariff language change as thus:[12]

> The GAP shall be evaluated for the years ~~2016~~ 2019 through ~~2018~~ 2021 with an evaluation filed with the Commission by May 31, ~~2019~~ 2022.

Further, the Department recommends waiver of the tariff requirement to provide full DCF analysis, as below:

> The financial evaluation will include a ~~discounted cash flow of the~~ GAP cost-effectiveness analysis from a ratepayer perspective comparing the 1) total GAP costs, which includes the Affordability component, Arrearage Forgiveness component and total company incurred administration costs, to 2) the total net savings including cost reductions on utility functions such as the impact of the GAP on write-offs, service disconnections and reconnections and collections activities.

- **Should the Commission allow the GAP Surcharge to remain at the current level of $0.01393 per dekatherm and to continue assessing the surcharge to firm customers (residential and firm general service customers)?**

Great Plains proposed to continue with the current GAP surcharge rate of $0.01393 per dekatherm. In the evaluation of the GAP surcharge for this filing, Great Plains updated the assumed participation percentage rate from 10% to 15% rate due to the changes made in qualifying applicants into GAP during program year 2018. Updating the participation rate to 15% results in participants in future years at around 228 customers per year.[13]

Also, Great Plains left the estimated benefit per participant at $210 for this filing. This results in a total GAP budget $50,000. An estimated 2019 firm sales of 2,699,591 dekatherm would equate to a GAP surcharge of $0.01852 DK which is higher than the current surcharge of $0.01393. The Company noted that the GAP tracker balance at the end of program year 2018

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[10] Ibid.

[11] Ibid.

[12] Ibid.

[13] Great Plains' GAP Evaluation Report, p.8

was $27,373.75 and therefore a change in the surcharge rate is not proposed at this time, nevertheless would continue to review the budget yearly and appropriate surcharge with any changes proposed in the future filing.[14]

The Department recommends that the Commission maintain the current GAP surcharge rate and require the Great Plains to propose a revised GAP surcharge rate for implementation January 1, 2021 in the next GAP evaluation report.[15]
The Department notes that the current rate of $0.01393 per Dth would recover an estimated $37,605.30 per year using the Company's estimated 2019 firm sales. This would result in an expected balance at the end of 2019 of $14,979.05. Though the amount is reduced, this still represents an over collection on an account that does not have carrying charges. Further the Department stated that since this rate is currently in effect for 2019 and a substantial portion of the year has passed it would be necessary to look at the expected recovery in 2020 to determine if an adjustment to the rate should be made.

Thus, if the Company continues to meet its budget and has a similar amount of firm sales in 2020, then the tracker balance at the end of 2020 would likely be somewhere near $2,584.35.26. As this balance is very near to zero the Department concludes that Great Plains' proposal appears to be reasonable.[16]

- **Should the Commission accept Great Plain's 2019 GAP Evaluation Report?**

Great Plains respectfully requests that the Commission accept this Report in compliance with the Commission's May 22, 2017 Order.

The Department stated that based on the data and analysis that Great Plains provided in the Evaluation Report, it concludes that

- Great Plains' GAP satisfies the five requirements in Minn. Stat. § 216B.16, Subd. 15.
- The Program cost firm customers an average of $12,482 per year net of benefits.
- For participants living on the poverty line, the Program would have on average increased their effective income by one percent. As such, the Department would expect that the costs to firm ratepayers are somewhat offset by correspondingly moderate societal benefits arising from the increased effective income of the Program's 238 participants.

Therefore, the Department recommends that the Commission (Commission) accept Great Plains Natural Gas Company's Evaluation Report.

[14] Ibid.

[15] The Department's Comments, p. 13

[16] Ibid.

B. CenterPoint Energy (CPE) and Xcel Energy

- **Should the Commission accept CPE's and Xcel's 2019 GAP Evaluation Reports?**

Both CPE and Xcel stated that their GAP satisfied all the statutory requirements per Minn. Stat. § 216B.16, Subd. 15, and request Commission approval of the Program Evaluation Reports.

The Department reviewed the GAP performance specifically to two areas, namely, the five statutory requirements and Cost effectiveness from both the ratepayer and societal perspective, including the Program's tracker balance and enrollment.

The Department recommends the Commission accept CenterPoint's fourth GAP Evaluation Report. Also the Department in its Response to Reply Commends of November 20, 2019 recommends the Commission accept Xcel's GAP Evaluation Report.

C. MERC

- **Should the Commission accept MERC's 2019 GAP Pilot Evaluation Report?**

MERC is not proposing any changes to its Program but requests the Commission accept the evaluation report, since its Program satisfies all five statutory requirements in Minn. Stat. § 216B.16, Subd. 15.

The Department reviewed MERC's response and concludes that the Company has demonstrated that its GAP satisfies the requirements set forth in Minn. Stat. § 216B.16, Subd. 15. Thus, the Department recommends that the Commission accept MERC's Evaluation Report.

- **Should the Commission extend MERC's Pilot for four years through 2023 or make the Program permanent?**

MERC requested the Commission allow continuation of its GAP Pilot and extend it for additional four years through December 31, 2023.

The Department agrees that MERC should continue the Program. Consistent with other gas utilities' GAPs, the Department recommends that the Commission require MERC to continue its GAP program with no expiration date, and require the Company to submit an evaluation report every 3 years, beginning May 31, 2022 covering Program years 2019-2021.[17]

Further the Department requests that MERC continue to track and provide in future evaluation reports, the number of payments made by, and the number of payments requested of: GAP

[17] The Department's Response to Reply Comments, p.2

participants, Non-GAP LIHEAP customers, Non-LIHEAP customers, GAP participant cohort and GAP participant cohort before enrollment in GAP.[18]

The Department recommends that the Commission require MERC to provide data to allow evaluation of the Company's GAP using the pre-program baseline method for future GAP Evaluations to better measure GAP effectiveness and so as to standardize the required data for each utility with a GAP.

Additionally, the Department recommends that MERC provide a compliance filing showing any changes to its GAP tariff needed to reflect the Commission's decisions in this matter.

Staff also notes that it would be reasonable to grant MERC the same accord that have been availed to other utilities' GAP by making the Program permanent.

VII. Statutory Requirement

Based on the data and analysis that Great Plains, CPE,MERC and Xcel provided in the Evaluation Reports, the Department found that their Programs satisfy all five of the requirements in Minn. Stat. § 216B.16, Subd. 15(b). The five requirements are that any affordability program the commission orders a utility to implement must:

- Lower the percentage of income that participating low-income households devote to energy bills;
- Increase participating customer payments over time by increasing the frequency of payments;
- Decrease or eliminate participating customer arrears;
- Lower utility costs associated with customer account collection activities; and
- Coordinate the program with other available low-income bill payment assistance and conservation resources.

VIII. Cost Effectiveness Analysis

An analysis of the utilities' GAP cost-effectiveness as presented in the Evaluation Reports is performed from both a ratepayer and societal perspectives.

A. Ratepayer Perspective

i. Great Plains

Great Plains discovered that its Program's cost to ratepayers, net of savings was $11,261 in 2016, $12,996 in 2017 and $50, 260 in 2018.[19]

[18] Ibid.

[19] Great Plains' Gap Evaluation Report, p. 7

ii. CenterPoint Energy (CPE)

CPE performed a cost-effectiveness analysis from a ratepayer perspective for the period from 2017 through 2018 and discovered the Program's cost to ratepayers net of savings was $3,017,626 in 2017 and $3,512,396 in 2018. [20]

iii. MERC

MERC performed a cost-effectiveness analysis from a ratepayer perspective for the period from 2015 through 2018 and found that there was a net cost to ratepayers of approximately $1.2 million. Which translated to about $410,730 on an annual [21]

iv. Xcel Energy

Xcel found that its cost-effectiveness analysis from January 2016 through December 2018 period resulted in a net cost to ratepayers of approximately $7.0 million in 2019 dollars. Which means that Program cost net of saving was $2.333 million per year on average in 2019 dollars.[22]

v. Department

The Department noted that the analysis of ratepayer cost-effectiveness is performed 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 the 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. Therefore, the Companies' analysis reflects a modified ratepayer perspective; that is, modified to exclude the ratepayers benefitting from and/or not paying for the Program.
The Department concluded that the net costs to this group of ratepayers for program period 2016-2018 is:

Great Plains	$24,839
CPE	$3.27 million
MERC	$410,730
Xcel	$2.333 million

The Department opined that 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

[20] CenterPoint's GAP Evaluation Report, p.8

[21] MERC GAP Evaluation Report, p. 10

[22] Xcel GAP Evaluation Report,p.8

customers to another (and reflecting the benefit received by a subset of ratepayers). Therefore 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. The Department concluded the average annual net benefit to this group of ratepayers is:

Great Plains	$ 17,573
CPE	$ 295,000
MERC	$ 259,069
Xcel	$ 97,000

B. Societal Benefits

i. Great Plains

Great Plains noted that "there may be a societal benefit that overrides cost-effectiveness" from a ratepayer perspective.[23] Great Plains did not note any specific societal benefits, attempt to quantify this benefit, or determine to what extent societal benefits would offset costs to ratepayers.

ii. CenterPoint Energy

According to CenterPoint its GAP may provide costs and benefits to society as a whole, beyond the costs and benefits to ratepayers described above. CenterPoint notes four potential societal benefits:[24]

(1) Allowing participating customers to reside at their residences for longer than customers would absent the Program;
(2) Increasing participants' purchasing power by lowering their gas-bill payments;
(3) Increasing LIHEAP availability; and
(4) Other benefits such as increased well-being from having warmer homes.

CenterPoint also stated that the Program may create societal costs in the form of participant transaction costs, misallocation of resources from distorted price signals, and higher opportunities for fraud and abuse. [25] Further, CenterPoint states that these societal benefits "may be appropriate to consider" in evaluating the Program, but that the Company "has no quantifiable information" about them.

iii. MERC

[23] Great Plains' Evaluation Report, p. 4

[24] CenterPoint's Evaluation Report, p. 13

[25] Ibid.

MERC noted that its GAP may provide costs and benefits to society as a whole, beyond the costs and benefits to ratepayers described above. MERC noted two potential societal benefits:

> (1) helping with household budget management by encouraging regular payments of bills with an account credit, and
> (2) allowing participating customers to reside at their residences for longer than customers would absent the Program, leading to savings of moving costs, rental and utility security deposits, lost work time, and other costs.[26]

MERC stated that these societal benefits "provide an additional perspective" in evaluating the Program, but that the Company "cannot to quantify" them.[27]

iv. Xcel

Xcel held 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)Impact on Financial Obligations - helping participating customers meet other financial obligations by reducing the amount of money they spend on natural gas, and
> (2) Participant Mobility - 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."[28]
> Further, Xcel stated that these societal benefits "may be appropriate to consider" in evaluating the Program, but that the Company is "unable to quantify" them.[29]

v. Department

The Department opined that to the extent the 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.

Further the Department noted that in the case of gas affordability programs, there are two ways that they can benefit society:

> • By reducing negative societal impacts from poverty itself, such as: increased unfairness to children in the form of reduced health, cognitive, and school achievement

[26] MERC's GAP Evaluation Report, p. 15

[27] Ibid.

[28] Xcel's GAP Evaluation Report, p.9

[29] Ibid.

outcomes of children living in poverty;1 increased crime and violence;[30] increased homelessness; and lower property values;[31] and

• By reducing negative societal impacts from income inequality, such as: higher political concentration, inefficient use of human resources, and lower political and economic stability.

Direct benefits to participants such as helping low-income customers' meet financial obligations and otherwise improving participants' welfare may also have knock-on benefits to society. The Department stated 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 estimated how much the Program effectively increased the income of a participant living on the poverty line. Based on the 2019 Evaluation Reports, the Program increased participants' available income by an average of:

Great Plains	$127.31
CPE	$356.43
MERC	$399.00
Xcel	$270.45

For a two-person household living on the poverty line ($16,460 as of 2018) being enrolled in the Program would effectively increase their income by about one to three percent (1% -3%). One to three percent is significant, but certainly moderate. The Department stated it would therefore expect that any societal benefits from increasing the effective income of the Program's participants are likewise moderate. The Department does not have sufficient information to monetize benefits, but nonetheless concludes that the GAPs provide societal benefits.

IX. Program Participation

A. Great Plains

Great Plains' GAP tariff states that the Program is "available to residential customers who have been qualified and receive assistance from [LIHEAP]." The tariff also states that:

> Enrollment participation is limited to a first come first served basis until the estimated GAP dollar cap is reached.

[30] The Department's Comments, p. 10

[31] Ibid.

> Before the start of an enrollment period, Great Plains 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 Great Plains before the close of the enrollment period.

The Department observed that participation greatly increased in 2018 to a year-end enrollment of 170 participants as compared to just 28 at the end of 2016 and 37 at the end of 2017. Also, the program had 238 different participants during the year, representing 18% of LIHEAP customers. The Department indicated that it will continue to monitor Program participation.

B. CPE

CenterPoint's GAP tariff states that the Program is "available to residential customers who have been qualified and receive assistance from [LIHEAP]."27 The tariff also states that:

> Enrollment participation is limited to a first come first served basis until the estimated Program dollar cap is reached.
>
> Before the start of an enrollment period, CenterPoint Energy will mail information on the Program and an application to participate in the Program to targeted current LIHEAP customers in arrears. The application for participation must be completed in full and returned to CenterPoint Energy before the close of the enrollment period.

The Department notes that the Program annual spending is capped at $5 million per year but the total ratepayer cost was only $3.5 million in 2018.[32] In the 2016 GAP evaluation report the CPE was over budget, with almost $6.5 million30 being spent on the Program in 2015. Further, participation has dropped from 13,964 in 201531 to 10,748 in 2018.

In view of the observed drop in participation, the Department requests that the Company discuss in reply comments the factors that may be impacting the reduction in participation/spending and what efforts CenterPoint is taking to increase participation.

In reply to the department's request above, CPE states that it suspects the decrease the Company has experienced may be related to (1) steady-to-declining gas bills; and (2) improved economic conditions.[33]

CPE's analysis in figure 5a below shows average actual monthly residential gas bills for the years 2014 to 2018. In figure 5a, it can shown that during the 2014-2018 period, 2014 was the high point for residential bills, with a large decrease between 2014 and 2015. Since 2015, the average residential monthly bill has remained essentially stable, with some increase in 2018.

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[32] The Department's Comments, p.12

[33] CenterPoint Energy's Reply Comments, p.2

Despite this recent increase, the average residential monthly gas bill is approximately 16 percent lower than the average 2014 monthly bill. According to CPE, this period, inflation has been positive, and, adjusting for inflation, the average monthly residential bill has decreased by approximately 20 percent.[34]

Figure 5a: Average Actual Monthly Residential Gas Bill[35]

2014	2015	2016	2017	2018
$79.34	$55.61	$51.90	$57.77	$66.99

At the same time that residential gas bills have been steady or declining, economic conditions in the state of Minnesota have improved. In 2014, the average annual unemployment rate for Minnesota was 4.2 percent; in 2018 it was 2.9 percent. The median household income in Minnesota increased from $67,244 to $71,920 between 2014 and 2017. CPE held that this general economic upturn may also help explain the general reduction in average customer arrearages that the Company has experienced since 2014, shown in Figure 5b below.

Figure 5b: Average Arrearage Per Residential Customer

2014	2015	2016	2017	2018
$29.25	$25.88	$14.14	$11.08	$15.34

In fact, the Company suspects that improved economic conditions, coupled with steady-to-declining monthly gas bills, have decreased the number of customers that are unable to afford their gas bills. The Company notes that other Minnesota gas utility affordability programs have also experienced participation decreases.[36]

C. MERC

MERC's GAP tariff states that the Program "is available to residential customers in the MERC Minnesota service area who have been qualified and receive assistance from [LIHEAP]."25 Also, the tariff states that:

> 3.1. Enrollment participation is limited to a first come first served basis until the estimated Rider program dollar cap is reached.

[34] Id., at p. 2

[35] Ibid.

[36] See In the Matter of Northern States Power Company d/b/a Xcel Energy-Gas 2019 Gas Affordability Program Evaluation Report, Docket No. G-002/M19-380, Evaluation Report, Table 1 (showing 2018 participation as 8,224); In the Matter of Xcel Energy's Evaluation of its Gas Affordability Program, Docket No. G-008/M-16-493, GAP Evaluation Report, p. 4 (May 31, 2016)(showing 2014 participation as 10,620); In the Matter of Minnesota Energy Resources Corporation 2019 Gas Affordability Program Evaluation Report, Docket No. G-011/M-19-369, Petition, Table 1 (May 31, 2019) (showing participation at year end in 2018 as 1,302 and 2015 participation at year end as 1,546).

> 3.2. Before the start of an enrollment period, MERC will mail information on the Program and an application to participate in the Program to targeted current LIHEAP customers in arrears. The application for participation must be completed in full and returned to MERC before the close of the enrollment period.

The Department notes that the Program annual spending is capped at $750,000 per year27 with spending nearing that in 2016 and 2017, at $707,354 and $707,095 respectively, although falling short of that level in 2018 ($652,346).[37] The Department also notes that total participation fell in 2018. MERC stated that it does not believe any changes to the budget are warranted at this time as the current budget allows the Company to serve all eligible customers wishing to enroll, the Department agrees.

D. Xcel

Xcel's GAP tariff states that the Program "is available to any residential customer who is certified and receiving assistance from [LIHEAP]." Also, the tariff states that:

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

…

- 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 observes 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).29 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.

X. GAP Tracker Balances and Surcharge

A. Great Plains

Great Plains proposes to continue with the GAP surcharge currently in place of $0.01393 per dekatherm. According to Great Plains, in the evaluation of the GAP surcharge for this filing, Great Plains updated participation rate to 15% results in participants in future years at around 228 customers per year and estimated benefit per participant at $210 for this filing.

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[37] The Department's Comments, p. 12

This results in a total GAP budget $50,000. Estimated 2019 firm sales of 2,699,591 dk would equate to a GAP surcharge of $0.01852 DK which is higher than the current surcharge of $0.01393. However, the GAP tracker balance at the end of program year 2018 was $27,373.75 and therefore a change in the surcharge rate is not proposed at this time. Great Plains will continue to evaluate the budget on an annual basis and the appropriate surcharge with any changes proposed in a future request.[38]

Further, Great Plains proposes to continue to fund GAP by assessing the surcharge to firm customers (residential and firm general service). The average annual GAP cost to a residential customer is approximately $1 .20 or an average monthly GAP cost of $.010.

Great Plains indicates an average monthly GAP cost of $0.53 (i.e. $6.30 per) for a firm general service customer.[39]

The Department opines that the current rate of $0.01393 per Dth would recover an estimated $37,605.30 per year using the Company's estimated 2019 firm sales. This would result in an expected balance at the end of 2019 of $14,979.05. While reduced, this still represents an over collection on an account that does not have carrying charges. However, as this rate is currently in effect for 2019 and a substantial portion of the year has passed it is necessary to look at the expected recovery in 2020 to determine if an adjustment to the rate should be made.

The Department notes that if the Great Plains continues to meet its budget and has a similar amount of firm sales in 2020, then the tracker balance at the end of 2020 would likely be somewhere near $2,584.35.26. In fact, the Department concludes that since this balance is very near to zero then Great Plains' proposal appears to be reasonable.

The Department recommends that the Commission maintain the Company's current GAP surcharge rate and require Great Plains to propose a revised GAP surcharge rate for implementation January 1, 2021 in its next GAP evaluation report.[40]

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[38] Great Plains' GAP Evaluation Report, p. 8

[39] Ibid.

[40] The Department's Comments, p. 13

B. CPE

CenterPoint reviewed its gap program to determine whether any changes to the GAP surcharge level or tracker balance were necessary.

Thus, CPE noted that in the most recent annual GAP compliance filing, [41]the Company proposed to implement an annual adjustment to the GAP recovery rate and to reduce the current GAP surcharge rate from $0.0441 per dekatherm (Dth) to $0.0001 per Dth due to a high over-collected balance.

Department supports reviewing the surcharge annually, but recommended setting CPE's current surcharge to $0.0000 per Dth. The Commission at the June 5, 2019 Agenda Meeting, approved a $0.0000 per Dth surcharge and allowed an annual review of the surcharge amount.

Further, the Department was concerned with CenterPoint's high tracker balance in the Company's 2016 GAP evaluation docket.[42] However, the recently approved adjustment to the rate and an annual review of the surcharge should lead to more reasonable tracker balances in the future.

C. MERC

MERC's tracker balance through the end of 2018 was approved by Commission Order in Docket No. G002/M-19-241 (Docket 19-241) on August 19, 2019. MERC's GAP surcharge rate was reinstated by the Commission's March 28, 2019 Order Approving Surcharge and Requiring Further Action in Docket No. G011/GR-17-563 and went into effect April 1, 2019 at a rate of $0.00905 per therm. Hence, MERC did not file additional information or analysis on the GAP surcharge or tracker balance.

Staff notes that In view of the fact that the Commission recently approved MERC's tracker balance and the surcharge in Docket 19-241, the Department held at this time that there is no need for further analysis and Commission action on the matter.

D. Xcel

Xcel did not file additional information or analysis on the GAP surcharge or tracker Balance in its GAP Evaluation Report, because it recently received Commission of approval of its 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 though the end of 2018 and maintained Xcel's GAP surcharge rate of $0.00445 per therm.

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[41] CenterPoint GAP Energy's Evaluation Report, p.11

[42] The Department's Comments, p. 12

Staff notes that In view of the fact that the Commission recently approved Xcel's tracker balance and the surcharge in Docket 19-242, the Department held at this time that there is no need for further analysis and Commission action on the matter

XI. Decision Alternatives

Great Plains Natural Gas Co. (Great Plains)

Should the Commission grant Great Plains request for a waiver of the requirement in Tariff to provide a Discounted Cash Flow (DCF) evaluating GAP cost-effectiveness?

1. Grant Great Plains request for a waiver of the requirement in its tariff that it provide a Discounted Cash Flow (DCF) analysis evaluating the GAP's cost-effectiveness (Great Plains, DOC) or

2. Do not grant the requested waiver.

Should the Commission allow the GAP Surcharge to remain at the current level of $0.01393 per dekatherm and to continue assessing the surcharge to firm customers (residential and firm general service customers)?

3. Allow Great Plains' GAP Surcharge to remain at the current level of $0.01393 per dekatherm and require Great Plains to continue assessing the GAP surcharge to firm residential and general service customers. (Great Plains, DOC) or

4. Do not allow Great Plains GAP surcharge to remain at the current level.

Should the Commission accept Great Plain's 2019 GAP Evaluation Report?

5. Accept Great Plains' 2019 GAP Evaluation Report. (Great Plains, DOC) or

6. Do not accept Great Plains' 2019 GAP Evaluation Report.

CenterPoint Energy

Should the Commission accept CenterPoint Energy's 2019 GAP Evaluation Report?

7. Accept CenterPoint Energy's 2019 GAP Evaluation Report. (CPE, DOC, ECC) or

8. Do not accept CenterPoint Energy's 2019 GAP Evaluation Report.

Minnesota Energy Resource Corp. (MERC)

Should the Commission accept MERC's 2019 GAP Pilot Evaluation Report?

9. Accept MERC's 2019 GAP Pilot Evaluation Report. (MERC, DOC) or
10. Do not accept MERC's 2019 GAP Pilot Evaluation Report.

Should the Commission extend MERC's GAP Pilot Program for four years through 2023 or make the Program permanent?

11. Require MERC to continue its GAP program with no expiration date and make the Program permanent. (MERC, DOC, Staff) or
12. Authorize MERC to continue its GAP pilot program for four years, until December 31, 2023, or
13. Do not extend the GAP Pilot or make permanent

Should the Commission require MERC to continue to file periodic GAP evaluation reports?

14. Require the Company to submit an evaluation report every 3 (or 4] years, beginning May 31, 2022 (or 2023 if in four years) covering Program years 2019-2021 (or 2019-2022) (DOC). or
15. Do not require MERC submit GAP Evaluation Report every 3 years.
16. Require MERC to provide data to allow evaluation of the Company's GAP using the pre-program baseline method for future GAP Evaluations. (DOC) or
17. Do not require MERC to provide data to allow evaluation of the Company's GAP using the pre-program baseline method for future GAP Evaluations.

Xcel Energy

Should the Commission accept Xcel Energy's 2019 GAP Evaluation Report?

18. Accept Xcel Energy's 2019 GAP Evaluation Report. (Xcel, DOC). Or
19. Do not accept Xcel Energy's 2019 GAP Evaluation Report

Filing Date for Next GAP Evaluation Reports

Should the Commission specify a date for the filing of the next GAP Evaluation Reports by the utility companies?

20. Require each utility company to file its next GAP Evaluation Report in three years on May 31, 2022. (Staff) or

21. Require each utility company to file its next GAP Evaluation Report in four years on May 31, 2023. (Staff alternative) or

22. Do not specify a uniform date for the filing of each company's next GAP evaluation Report.