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May 31, 2019

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

RE: CenterPoint Energy's Evaluation of its Gas Affordability Program
Docket No. G-008/M-19-____

Dear Mr. Wolf:

CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas hereby provides its evaluation of its Gas Affordability Program (GAP), focusing on GAP Years 2017 and 2018 and including a year-to-date update on 2019. The report includes background information, a description of the Program, information on Program participation, an evaluation of the Program from both statutory and cost-effectiveness perspectives, and discussion of other relevant issues and next steps.

If you have any questions regarding the information provided in this filing, please contact me at (612) 321-4925.

Sincerely,

/s/

Amber S. Lee
Director, Regulatory Affairs

Enclosure
cc: Service List

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie Sieben	Chair
Dan Lipschultz	Vice-Chair
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
John Tuma	Commissioner

Evaluation of Gas Affordability Program | Docket No. G-008/M-19-____

GAP PROGRAM EVALUATION REPORT

1 Background

In the 2005 rate case filed by CenterPoint Energy Resources Corp d/b/a CenterPoint Energy Minnesota Gas ("the Company" or "CenterPoint Energy") (Docket No. G-008/GR-05-1380), the Minnesota Public Utilities Commission ("Commission") approved a $5 million per year Gas Affordability Program ("GAP" or "the Program"), effective May 1, 2007.

During the 2007 legislative session, the Minnesota Legislature amended Minn. Stat. § 216B.16, subd. 15 to require gas utilities to propose low-income affordability programs designed to provide financial assistance to recipients of Low-Income Heating Energy Assistance Program ("LIHEAP") grants. The Legislature required natural gas utilities that serve low-income residential customers who use natural gas for heating to file individual affordability programs with the Commission by September 1, 2007.

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.

On November 18, 2009, the Minnesota Public Utilities Commission issued its ORDER ACCEPTING COMPLIANCE FILINGS REGARDING GAS AFFORDABILITY PROGRAMS AND REQUIRING FURTHER ACTION in Docket Nos. G-008/GR-05-1380, G-002/GR-06-1429, G-001/M-07-1295. G-007,011/M07-1131, G-004/M-07-1235, G-022/C1-08-1175 wherein the Commission invited a utility work group to submit an evaluation of and recommendations for affordability program changes. The group of

Minnesota gas utilities filed Utility Stakeholder Reports on May 28, 2010 and June 1, 2011.[1]

In its November 22, 2010 Order in Docket No. G-008/GR-05-1380, the Commission accepted CenterPoint Energy's evaluation of its pilot GAP, authorized the Company to continue offering its GAP as a pilot program until December 31, 2013, and approved certain program modifications to go into effect on April 1, 2011. Consistent with that Order, GAP participants on the Program as of December 31, 2010 were automatically re-enrolled beginning January 1, 2011. Beginning with the 'new' GAP in April 2011, only customers that received a financial benefit (either affordability and/or arrearage credits) were considered participants in the Program.

In its September 24, 2013 Order in Docket No. G-008/GR-05-1380, the Commission accepted CenterPoint Energy's second evaluation report. The Commission extended the pilot gas affordability program through December 31, 2016 and approved the Company's proposed modification of the arrearage forgiveness credit, which allows CenterPoint Energy to apply the arrearage credit to monthly bills prior to receipt of customer payment.

In its May 22, 2017 Order in Docket No. G-008/M-16-486, the Commission accepted CenterPoint Energy's third evaluation report. The Commission ordered the GAP continue with no expiration date, with the next evaluation report to be filed on or before May 31, 2019. Additionally, the Commission ordered a stakeholder work group to convene and discuss if changes should be made to the GAP; the joint utility stakeholder report was subsequently filed on May 22, 2018.

The Company now submits its fourth evaluation report, focusing on GAP Years 2017, 2018, and a year-to-date update on 2019. The report includes background information, a description of the Program, information on Program participation, an evaluation of the Program from both statutory and cost-effectiveness perspectives, and discussion of other relevant issues and next steps.

2 Program Overview

2.1 Program Design

CenterPoint Energy's GAP is available to residential customers who have qualified (per the program characteristics and modifications described below) and received LIHEAP assistance during the federal fiscal year ("Program Year").

The Program is designed to:

[1] Representatives from CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, Northern States Power Company, a Minnesota corporation ("Xcel Energy"), Minnesota Energy Resources Corporation ("MERC"), Interstate Power and Light (IPL or Interstate), and Great Plains Natural Gas Co. ("Great Plains"), and Greater Minnesota Gas provided input to the reports.

- Lower the percentage of income that low-income households must devote to pay current energy bills; and
- Increase the number of customer payments while also providing a mechanism for assisting customers in paying off arrearage balances.

GAP includes the following general characteristics:

- Qualified customers must agree to be placed on a levelized payment plan and a payment schedule.
- Customers are automatically removed from the Program once their unpaid GAP balance is more than the amount of two months of bills.
- The Program includes an affordability component, consisting of bill credits determined by calculating the difference between the estimate of the customer's annual natural gas bill and a percentage of the customer's household income.
- The Program has an arrearage forgiveness component that applies a monthly credit to the customer's balance.
- The Program is funded through a per-therm charge of $0.00441/therm effective November 1, 2018, which is designed to recover the $5 million annual spending cap.[2] This charge is billed to all firm customers, except those taking service under the Market Rate Service Rider.
- The percentage of income participants are required to pay toward monthly gas bills (affordability component) is capped at four percent, and the percentage of income participants are required to pay toward arrears (arrearage forgiveness component) is capped at two percent.
- The application of the monthly arrearage forgiveness credit is designed to retire pre-program arrears over a period of 12 months.
- Enrollment is limited to only customers that receive an affordability or arrearage forgiveness credit (i.e., some customers receiving LIHEAP do not qualify for a credit due to factors such as low past due balances or the percentage of income devoted toward bills is already at or below the Program's cap).

The Program modification that went into effect January 2014 was as follows:

- The monthly arrears credit is posted to the customer's first bill, and each subsequent bill, during their participation in the GAP.

2.2 Program Administration

The Program is administered by a third-party provider, the Energy CENTS Coalition (ECC). The administrator's primary duties include processing inbound paper and on-line application forms (including clarification of incomplete information), entering participant data into an online Company system, notification of non-qualified customers, and responding to participant inquiries. Additional administrative functions performed

[2] The $0.00441/therm recovery rate was established in the 2017 rate case (Docket No. G-008/GR-17-285).

internally by the Company include promotion of the Program, managing delinquent accounts, managing the renewal process, managing billing exceptions or corrections as needed, IT system development/maintenance, training, and reporting.

In its December 29, 2011 Order in Docket No. G008/GR-05-1380, the Commission directed utilities using third-party administrators to periodically assess the effectiveness and efficiency of the arrangement. CenterPoint Energy periodically considers alternatives such as in-house administration and, at this time, the Company continues to believe utilizing a third-party administrator is its most effective and efficient option.

In developing this evaluation, the Company considered the administrative functions performed for the Program and assessed the tasks performed internally and those performed by ECC. Administrative functions currently performed internally are those that take advantage of existing business systems and practices at CenterPoint Energy, such as bill processing, credit and collections activities, and Program status reporting. Tasks performed externally are more administrative (e.g., GAP application review and data entry) or involve more customer interaction (e.g., responding to participant inquiries). The Company considered conducting all administrative functions internally and, based on CenterPoint Energy's contract with the third-party administrator, determined the same tasks could not be performed internally at a lower cost. Consequently, the Company views the Program's current administrative arrangement as the best use of both internal and third-party strengths.

2.3 Program Participation

Table 1 provides a summary of GAP participation for 2017-2018. Total participation increased 1% from 2017 to 2018; the participant drop rate increased two percentage points. Affordability credits increased 3% from 2017 to 2018, while arrearage forgiveness credits increased 10%. Program administration costs increased 4%.

Table 1. GAP Participation Summary

	2017	2018
Total Participants	10,665	10,748
Participants Active on December 31	8,720	8,616
Dropped (customer request)	39	29
Dropped (moved off system)	696	639
Dropped (delinquency)	1,128	1,368
Drop Rate (delinquency)[3]	11%	13%
Affordability Credits	$2,911,814	$3,007,568
Arrearage Forgiveness Credits	$538,009	$593,261
Total Credits	$3,449,823	$3,600,829
% Arrearage Credits	16%	16%
Program Administration Costs[4]	$185,900	$193,418
Program Start-up Costs	$0	$0
Total Program Costs	$3,635,723	$3,794,247
Recovery from Ratepayers[5]	$4,824,652	$5,756,551
Tracker Balance on December 31	$2,956,406	$4,779,126

3 Program Evaluation

CenterPoint Energy's GAP tariff states, "The Program shall be evaluated on or before May 31, 2019. The program may be modified based on annual reports and on a financial evaluation."[6] This section evaluates the Program results according to the criteria established in the enabling statute, which states:

> "(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."[7]

[3] The delinquency drop rate is calculated as the delinquency drops divided by the total participants.
[4] Administrative costs in Table 1, which are capped at 5% of total Program costs, reflect the amount included in the GAP tracker.
[5] Although the recovery rate is designed to recover annual costs of $5,000,000, due to changes in usage actual recovery may be more or less than $5,000,000.
[6] CenterPoint Energy tariff, Twelfth Revised Page 25.a, Section 5.1.
[7] Minn. Stat. § 216B.16 subd. (15) part (b).

The statute also states:

> "(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."[8]

CenterPoint Energy reports on the criteria above as part of its annual compliance filings; the Company will also discuss them as part of the overall Program evaluation. Unless otherwise noted, this report evaluates Program results for the 2017-2019 period. Since the 2019 Program year is currently in progress, a status update is provided in the 2019 Program Update section later in the report.

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

By design, the Program reduces the natural gas bill to participants from what the bill would have been without the Program.[9] The amount of this reduction is equal to the total affordability and arrearage forgiveness credits provided to participants. For this reason, the Company believes that the Program reduced the amounts billed for natural gas service to participating customers. It is not possible to know definitively whether the Program lowered the percentage of income participants devote to energy bills. This is due to a number of variables including (for example) the impact of other energy bills (i.e., electricity), and any changes in participants' income. Assuming these other factors remained constant, CenterPoint Energy's GAP satisfied this statutory requirement.

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

In accordance with the Commission's Order of May 22, 2017 (Docket No. G-008/M-16-486), Table 2 shows the payment frequency of GAP participants in Years 2017 and 2018, as compared to the payment frequency and history of LIHEAP non-GAP customers (pre-Program baseline method), and the payment frequency of GAP participants prior to their enrollment into the Program (non-GAP LIHEAP method). As shown in Table 2, the number of GAP participant payments as a percentage of payments requested decreased one percentage point from 2017 to 2018.[10] However, for both years, the frequency of GAP participants' payments were greater than the same customers during the 12 months prior to joining GAP, but less than LIHEAP customers who were not enrolled in the GAP.

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[8] Minn. Stat. § 216B.16 subd. (15) part (c).

[9] Changes in usage due to conservation or weather-related demand and changes in the price of natural gas also contribute to changes in the total amount of natural gas bills to participants.

[10] The counts and amounts reported for payments received include full, partial, and 'on account' payments.

Non-LIHEAP Residential Customer payment information is also included for additional comparison.

Table 2. Count of Payments Requested and Received

		2017 Count	2018 Count	2017 Amount	2018 Amount
GAP Participants	Payments Requested	106,906	108,335	$4,392,604	$4,628,278
	Payments Received	34,245	33,541	$1,548,602	$1,532,790
	Percent of Requested Received	32%	31%	35%	33%
GAP Participants 12 Months Prior	Payments Requested	129,228	135,586	$9,517,711	$11,395,856
	Payments Received	35,451	38,771	$1,880,758	$2,274,977
	Percent of Requested Received	27%	29%	20%	20%
LIHEAP Customers Not Enrolled in GAP	Payments Requested	474,847	492,433	$28,563,783	$33,732,996
	Payments Received	191,631	203,381	$11,136,494	$13,612,925
	Percent of Requested Received	40%	41%	39%	40%
Non-LIHEAP Residential Customers	Payments Requested	9,339,910	9,281,123	$551,721,709	$622,817,962
	Payments Received	7,337,896	7,420,682	$488,007,289	$548,187,586
	Percent of Requested Received	79%	80%	88%	88%

When comparing GAP participants to those same customers prior to GAP enrollment, the results suggest the Program increased both the payment frequency and the amount of customer payments. Based on this information, the Program increased participating customer payments.

3. *Decrease or eliminate participating customer arrears.*

As shown in Table 3, the average arrears of GAP participants decreased 3% from January to December in 2017 and increased 9% in 2018.[11] The average arrears of LIHEAP customers not enrolled in GAP increased 19% in 2017 and increased 20% in 2018. The average arrears of all residential customers decreased 7% in 2017 and decreased 8% in 2018.

[11] Average arrears are calculated by dividing the total arrears at the end of the month by the number of customers who had arrears at that point in time.

Table 3. Average Arrears on December 31st

	2017				2018			
Average Arrearage Level	Jan	Dec	$ chg	% chg	Jan	Dec	$ chg	% chg
GAP Participants	$241	$234	-$7	-3%	$225	$247	$21	9%
LIHEAP Customers not Enrolled in GAP	$167	$199	$32	19%	$160	$192	$32	20%
All Residential Customers	$134	$125	-$10	-7%	$127	$116	-$10	-8%

In accordance with the Commission's Order of May 22, 2017 (Docket No. G-008/M-16-486), Table 4 provides average arrears balances using the pre-Program baseline approach as described in the Department's Comments of December 13, 2016.[12]

Table 4. Average Arrearage Level – Pre-Program Baseline Method

	2017				2018			
Average Arrearage Level	Jan	Dec	$ chg	% chg	Jan	Dec	$ chg	% chg
GAP Participants[13]	$406	$107	-$299	-74%	$321	$79	-$242	-75%
LIHEAP Customers not Enrolled in GAP	$166	$199	$33	20%	$160	$253	$93	58%
All Residential Customers	$125	$189	$64	51%	$167	$159	-$8	-5%

The Company believes the increase in arrears may be attributable to the higher average residential bill, which increased from $711 in 2017 to $826 in 2018. While the average arrears for GAP participants increased from $234 in December 2017 to $247 in December 2018, the percentage of arrears as compared to the average residential bill decreased from 33% in 2017 to 30% in 2018.

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

The costs associated with collection activities include a variety of activities, but two of the more direct and measurable costs are issuing disconnection notices and performing disconnections and subsequent reconnections. As shown in Table 5, GAP participants were disconnected at a lower rate than LIHEAP recipients not enrolled in GAP; this reduced collection costs associated with disconnection and subsequent reconnection.

[12] See Docket No. G-008/M-16-486; CenterPoint Energy's Evaluation of its Gas Affordability Program.
[13] The average arrearage level for GAP participants is the active GAP participants (with arrears) at January, who remained an active GAP participant in January and December of the applicable year.

Table 5. Disconnect and Reconnect Collection Costs

	2017	2018
Disconnection Rate - GAP Participants	2.1%	2.8%
Disconnection Rate - LIHEAP Customers Not Enrolled in GAP	7.6%	7.1%
Estimated Avoided Disconnections/Reconnections	587	462
Estimated Avoided Costs	$20,270	$17,237
Estimated Avoided Disconnection Notices	3,000	2,523
Estimated Avoided Disconnection Notice Costs	$1,503	$1,266
Total Estimated Avoided Disconnection Costs	$21,773	$18,503

In accordance with the Commission's Order of May 22, 2017 (Docket No. G-008/M-16-486), Table 6 provides the disconnection rates using the pre-Program-baseline approach as described in the Department's Comments of December 13, 2016[14] (tracks "disconnections for individual customers or a cohort of customers and then reporting pre- and post-Program disconnection rates").

Table 6. Disconnection Rates – Pre-Program Baseline Method

	Total Disconnects 2017	% of Total Customer Group - 2017	Total Disconnects 2018	% of Total Customer Group – 2018
GAP	688	6.5%	828	7.7%
Before GAP	463	4.3%	530	4.9%
After GAP	225	2.1%	298	2.8%
LIHEAP (no GAP)	2,018	12.1%	1,955	11.7%
Before LIHEAP	744	4.5%	777	4.7%
After LIHEAP	1,274	7.6%	1,178	7.1%

Based on this information, the Program lowered costs associated with customer account collection activities.

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

The annual GAP Compliance Reports list specific activities regarding how CenterPoint Energy has coordinated GAP with other available low-income and conservation resources. The information reported includes names of the agencies with which CenterPoint Energy has coordinated, the content of those communications, and what was accomplished in terms of coordination.

In addition to mailing, calling, and e-mailing customers about enrolling in the GAP, CenterPoint Energy has disseminated energy assistance information through a variety

[14] See Docket No. G-008/M-16-486; CenterPoint Energy's Evaluation of its Gas Affordability Program.

of media and events, including organizational meetings and other community outreach events. As reported in the 2017 and 2018 GAP Compliance Reports, the Company coordinated with specific agencies, organizations, and outreach events as follows:

- Community Action Partnership of Hennepin County (CAP-HC);
- Community Action Partnership of Suburban Hennepin (CAPSH);
- Community Connection (Project Homeless);
- Early Head Start;
- Energy Assistance Clinics;
- Head Start;
- Lutheran Social Services;
- Lutheran Social Services of Minnesota – The Center for Changing Lives;
- Parents in Community Action (PICA);
- PICA Family Connect;
- Phillips West Neighborhood Organization;
- Salvation Army Energy Assistance Day;
- Tri-County Action Program, Inc. (Tri-CAP); and
- Twin Cities Salvation Army.

Moreover, all residential Conservation Improvement Program (CIP) offerings are available to GAP customers. Low-income participation in the CIP is tracked and reported in the annual CIP status report. Information on CIP offerings for low-income customers is enclosed in mailings with GAP applications, along with low-cost and no-cost tips to save energy. Qualifying low-income customers are eligible for numerous no-cost energy-saving measures through CenterPoint Energy's CIP. These measures include home energy audits, do-it-yourself ("DIY") kits (which include showerheads and faucet aerators), weatherization, furnace and boiler tune-ups or repair/replacements, thermostats, and water heater replacement.

4 Cost-Effectiveness Analysis

This section outlines the results of the Company's cost-effectiveness analysis performed in accordance with the CenterPoint Energy GAP tariff, which states in part:

> "The financial evaluation will include a discounted cash flow of the Program's cost-effectiveness analysis from a ratepayer perspective comparing the 1) total Program 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 Program on write-offs, service disconnections and reconnections and collections activities. The discounted cash flow difference between total Program costs and total net savings will result in either a net benefit or a net cost to ratepayers for the Program." [15]

[15] CenterPoint Energy tariff, Twelfth Revised Page 25.a, Section 5.3.

Similar to the calculation included in the 2010, 2013 and 2016 Evaluation Reports, the Company performed a cost-effectiveness analysis from a ratepayer perspective for the period from 2017 through 2018. Results of the analysis are summarized in Table 7 and Schedule A. From 2017-2018, there was a net cost to ratepayers of approximately $6.1 million in nominal dollars[16], an average of $3.0 million per year. The analysis considered Program costs including affordability and arrearage credits, administration and startup costs included in the GAP tracker (excluding excess administrative costs), working capital costs, and income tax expense.

Table 7. Cost-Effectiveness Summary

line	**Savings**	**2017**	**2018**
1	Working Capital Allowance	($262,166)	($272,758)
2	Change in Bad Debt Expense	($217,244)	($172,389)
3	Lower Collections Expense	($21,773)	($18,503)
4	Total Ratepayer Savings	($501,183)	($463,650)
5			
6	**Costs**		
7	Program Costs (excl excess admin cost)	$3,635,723	$3,794,247
8	Working Capital Allowance	($215,796)	($336,714)
9	Income Tax Expense	$98,881	$54,862
10	Total Ratepayer Costs	$3,518,809	$3,512,396
11			
12	Net Cost to Ratepayers	$3,017,626	$3,048,746

The Program was authorized at an annual level of $5 million, and the total affordability and arrearage credits each year were less than the authorized amount. The total cost of affordability and arrearage credits provided to GAP participants plus administrative costs were approximately $7.4 million over the entire period and an average of about $3.7 million per year. The working capital cost was driven by the level of the tracker balance, leading to a negative cost of approximately $553,000 in total and an average of $276,000 per year. Income tax expense was driven by increases in taxable income due to reductions in collections expense and bad debt expense, leading to a cost of approximately $154,000 over the entire period and an average of $77,000 per year.

Savings considered included the impact of the Program on bad debt expense, collection and disconnection/reconnection costs, and working capital costs. Bad debt expense was affected by a reduction in the accounts receivable balance for GAP participants. This reduction is attributed to the GAP credits themselves, and to apparent improvements in the payment behavior of GAP participants. Since the accounts receivable balance was lower than it would have been without the Program, bad debt expense was reduced, producing savings of approximately $390,000 in total and an average of $195,000 per year.

[16] This amounts to approximately $6.7 million in 2019 dollars. This is comparable to the results in the 2016 GAP Evaluation Report.

Collection and disconnection/reconnection costs were reduced by lowering the number of customers who received disconnection notices and who were ultimately disconnected from service. As a condition of the Program, GAP participants were protected from disconnection while they remained on the Program. This reduced collection and disconnection activity compared to the level incurred by LIHEAP non-GAP customers. Savings produced were approximately $40,000 over the entire period and an average of $20,000 per year.

The working capital cost was reduced by a lowering of the accounts receivable balance. This accounted for savings of approximately $535,000 over the entire period and an average of $267,000 per year.

The overall results are a net cost to ratepayers of approximately $6.7 million for the 2017-2018 period in 2019 dollars. The Company continues to believe that consideration of cost effectiveness is critically important when making decisions to institute, continue, or discontinue programs such as the GAP. For programs that increase the total cost of providing utility service, the Company requests that such programs be continued only if the Commission finds that policy considerations outweigh the costs to other ratepayers and allows the Company to recover the costs of such programs from ratepayers.

5 Societal Benefits and Costs

The Program Evaluation and Cost-Effectiveness Analysis sections of the report cover quantifiable impacts of the Program, but the Company also recognizes there may be additional societal costs and benefits to the GAP, which could be considered as part of the overall Program evaluation. While the Company has no special knowledge about how to assign costs or values to societal costs and benefits, it provides the following information as a foundation for discussion. The Company does not take a position on what weight should be placed on these factors. Societal benefits may include:

1) *Lower Mobility/Increased Stability*

It has been reported that one impact of energy bills that are difficult for individuals to pay may be a "forced mobility" for low-income households.[17] If a gas affordability program helps reduce the number of move-outs by lowering participants' bills, there will be additional benefits when fewer individuals incur costs associated with moving: hiring movers, transportation expenses, rental deposits, and other expenses associated with changing residences.

In the first evaluation of the Program, the Company estimated the number of physical move-outs, which the Program may have helped avoid. In its subsequent evaluations, the Company has not attempted to quantify the impact of GAP household mobility. This

[17] Colton, Roger D. (1994). Identifying Savings Arising from Low-Income Programs. Retrieved from http://www.fsconline.com/downloads/Papers/1994%2007%20SAVINGS.pdf

is due to the lack of information about the actual avoided costs of move-outs and the many factors that could result in customers changing residences.

2) *Increased Purchasing Power*

When low-income customers participate in GAP, the GAP credits may allow participants to direct that portion of their household income that they would have otherwise paid toward energy bills to other household needs, such as food, medicine, clothing, and transportation. It is also possible that GAP customers send more of their household income to the Company than if they were not on GAP. This could occur if a customer who made no payments or smaller payments before enrolling in GAP is then able to make their more affordable payment after the GAP credits have been applied. The Company did not attempt to quantify the amount or participants' use of this 'extra' income due to GAP credits.

3) *Incremental LIHEAP Availability*

As shown in the annual reports, the LIHEAP grants received on behalf of the GAP participants increase in some years and decrease in other years after GAP enrollment. Fluctuations in LIHEAP grants are driven by household income, household size, and energy bill amount. Therefore, it is unclear whether GAP resulted in additional LIHEAP being available to others.

4) Other

Other benefits could include a reduced use of alternative heating supplies, improved well-being (health and comfort) related to a higher average temperature for participants who increased their usage when service was more affordable, and a decreased property vacancy rate.

Societal costs may include:

1) *Participant Transaction Costs*

Participants must apply for the Program and many read and respond to promotional materials or other communications. This activity has some level of intangible cost.

Other costs could include distortion of the economic value of price-signals and the creation of opportunities for fraud and abuse.

The Company has no quantifiable information about whether or to what extent the GAP may have influenced these costs and benefits. These factors are identified and may be appropriate for consideration by others when evaluating the Program's overall value and effectiveness.

6 2019 Program Update

Through May 23, 2019, CenterPoint Energy had 8,742 active GAP participants and had dispersed $1,321,836 in Program credits: $1,231,013 in affordability credits and $90,823 in arrears credits.

The 2019 affordability and arrears credits are expected to continue at an average of $164,549 per month from May 2019 through December 2019. This forecasted amount is based on a three-year average of the actual affordability and arrears credits for Years 2016 through 2018. This will result in total estimated GAP credits of $3.66 million for 2019; an increase from the approximately $3.45 million and $3.60 million of GAP credits in 2017 and 2018 respectively.

7 Next Steps

As stated in our GAP Stakeholder report (filed on May 22, 2018; Docket No. G-008/M-16-486), the Company recognizes its GAP recovery rate may need to be adjusted. As such, in its annual GAP compliance filing (Docket No. G-008/M-19-255) the Company proposed:

- The implementation of an annual adjustment to the GAP recovery rate; and
- A change in the current GAP surcharge rate from $0.0441 per dekatherm (Dth) to $0.0001 per Dth.

The Department of Commerce ("Department") filed Comments on this proposal on May 7, 2019. The Department supported the Company's proposal to review the GAP surcharge on an annual basis, and recommended the Commission approve the Company's proposal, with modification. More specifically, the Department recommended the GAP surcharge be set to $0.0000/Dth.

The Company filed Reply Comments on May 22, 2019, stating CenterPoint is not strongly opposed to setting the GAP surcharge rate to $0.0000. With this approach, the Company can also keep the GAP surcharge line item on a customer's bill, but with an amount of $0.00 for the applicable billing cycle (ensuring consistent bill messaging to its customers).

As shown on Schedule B (Workpaper to Page 5) of this filing, the GAP tracker balance is projected to be approximately $5.2 million at the end of December 2019. As a result of this forecasted balance, the Company believes an adjustment to the current GAP surcharge rate of $0.0441/Dth is in order. An annual GAP surcharge adjustment mechanism could avoid causing our firm customers (those who pay the GAP surcharge) to pay a higher rate that is reduced later, and it would also adjust the recovery of GAP costs with annual spend levels sooner than our current practice.

8 Conclusion

The Company requests the Commission accept this fourth GAP Evaluation Report.

CenterPoint Energy
GAP Evaluation: Ratepayer Financial Analysis

Line	Savings	2017	2018	Total	Average
1					
2	Working capital allowance	$ (262,166)	$ (272,758)	$ (534,923)	$ (267,462)
3	Change in bad debt expense	$ (217,244)	$ (172,389)	$ (389,633)	$ (194,817)
4	Lower collections expense	$ (21,773)	$ (18,503)	$ (40,276)	$ (20,138)
5					
6	Total ratepayer savings	$ (501,183)	$ (463,650)	$ (964,833)	$ (482,416)
7					
8	**Costs**				
9	Program costs, excl excess admin cost	$ 3,635,723	$ 3,794,247	$ 7,429,970	$ 3,714,985
10	Working capital allowance	$ (215,796)	$ (336,714)	$ (552,510)	$ (276,255)
11	Income tax expense	$ 98,881	$ 54,862	$ 153,744	$ 76,872
12					
13	Total ratepayer costs	$ 3,518,809	$ 3,512,396	$ 7,031,204	$ 3,515,602
14					
15	Net (Savings) Cost	$ 3,017,626	$ 3,048,746	$ 6,066,372	$ 3,033,186
16					
17	Discount rate	7.12%	7.12%		
18	Net Value in 2019	$ 3,462,633	$ 3,265,816	$ 6,728,450	

CenterPoint Energy
GAP Evaluation: Collection Costs Summary

Line	Description	2017	2018	Total
1	Avoided collection cost, disconn/reconn	$ (20,270)	$ (17,237)	$ (37,507)
2	Avoided disconnection notice cost	$ (1,503)	$ (1,266)	$ (2,769)
3				
4	Total	$ (21,773)	$ (18,503)	$ (40,276)

Line	Description	2017	2018
1	Disconnection rate, LIHEAP non-GAP /1/	7.6%	7.1%
2	Disconnection rate, GAP participants /1/	2.1%	2.8%
3	Difference	5.5%	4.3%
4	Total number of GAP participants	10,665	10,748
5	Avoided disconnections	587	462
6			
7	Collection cost for disconn/reconn /2/	$ 1,065,314	$ 1,132,185
8	Disconnections /2/	30,850	30,346
9	Collection cost per disconnection	$ 34.53	$ 37.31
10			
11	Avoided collection cost, disconn/reconn	$ (20,270)	$ (17,237)
12			
13	/1 Section 14, Annual Compliance Report		
14	/2 Calculations based on 2009 ECC data request 42, Attachment 2 in Docket No. G002/GR-08-1075		

Line	Description	2017	2018
1	Disconnection notices mailed, May - September, /1/	102,765	111,805
2	Disconnections performed, May - September, /1/	20,101	20,479
3	Disconnection notices per disconnection	5.1	5.5
4	number of avoided disconnections, /2/	587	462
5	avoided disconnection notices	3,000	2,523
6			
7	Cost per disconnection notice, /3/	$ 0.50	$ 0.50
8	avoided disconnection notice cost	$ (1,503)	$ (1,266)
9			
10	/1 from monthly MPUC reports		
11	/2 from GAP Program Evaluation, Schedule B page 2		
12	/3 from internal records		

Line	Description		2017		2018		Total
1	Difference in % Tot pmt req paid /1/		19.0%		16.7%		
2	Total Payment requested /2/	$	4,392,604	$	4,628,278		
3	Diff in Tot pmt req paid	$	834,595	$	772,922	$	1,607,517
4	Incremental LIHEAP /3/	$	(602,315)	$	(542,886)	$	(1,145,201)
5	Total GAP credits /4/	$	3,449,823	$	3,600,829	$	7,050,652
6	Change in custo payments, LIHEAP, and GAP cr	$	3,682,103	$	3,830,865	$	7,512,968
7							
8	Change in A/R balance	$	(3,682,103)	$	(3,830,865)	$	(7,512,968)
9	Write-off/Arrears percentage /5/		5.9%		4.5%		
10	Write-off reduction	$	(217,244)	$	(172,389)	$	(389,633)
11	Bad Debt Expense reduction	$	(217,244)	$	(172,389)	$	(389,633)
12							
13	/1 Schedule B, Annual Compliance Report						
14	/2 Section 9, Annual Compliance Report						
15	/3 Section 7, Annual Compliance Report - average of all prior years (2007 was a half year)						
16	/4 Section 7, Annual Compliance Report						
17	/5 Section 8, Annual Compliance Report						

CenterPoint Energy
GAP Evaluation: Working Capital Impact

Line	Description	2017	2018	Total
1	*working capital impact from A/R balance*			
2	Difference in % Tot pmt req paid /1/	19.0%	16.7%	
3	Total Payment requested /2/	$ 4,392,604	$ 4,628,278	
4	Diff in Tot pmt req paid	$ 834,595	$ 772,922	$ 1,607,517
5	Incremental LIHEAP - annual report /3/	$ (602,315)	$ (542,886)	$ (1,145,201)
6	Total GAP credits /4/	$ 3,449,823	$ 3,600,829	$ 7,050,652
7	Change in custo payments, LIHEAP, and GAP cr	$ 3,682,103	$ 3,830,866	$ 7,512,969
8				
9	Reduction to A/R balance	$ (3,682,103)	$ (3,830,866)	
10	Authorized return	7.12%	7.12%	
11	Working capital allowance	$ (262,166)	$ (272,758)	$ (534,923)
12				
34		**2017**	**2018**	**Total**
35	*working capital impact from tracker balance*			
36	GAP tracker balance, mo average bal	$ (3,030,840)	$ (4,729,127)	
37	Authorized return	7.12%	7.12%	
38	Working capital allowance	$ (215,796)	$ (336,714)	$ (552,510)
39				
40	/1 Schedule B, Annual Compliance Report			
41	/2 Section 9, Annual Compliance Report			
42	/3 Schedule B, Annual Compliance Report - average of all prior years (2007 was a half year)			
43	/4 Section 4, Annual Compliance Report			

Line	Description	2017	2018	Total
1	Operating Expense			
2	bad debt expense /1/	$ (217,244)	$ (172,389)	$ (389,633)
3	collections expense /2/	$ (21,773)	$ (18,503)	$ (40,276)
4	Total Operating Expense	$ (239,017)	$ (190,892)	$ (429,909)
5				
6	Change in Taxable Income	$ 239,017	$ 190,892	$ 429,909
7	Income Tax Rate	41.37%	28.74%	
8	Income Tax Expense	$ 98,881	$ 54,862	$ 153,744
9				
10				
11	/1 GAP Program Evaluation, Schedule B, p. 4			
12	/2 GAP Program Evaluation, Schedule B, p. 1			

Line	Description	2017	2018	Total
1	Costs			
2	Program costs			
3	start-up/program modification costs	$ -	$ -	$ -
4	administration	$ 185,900	$ 193,418	$ 379,318
5	affordability credits	$ 2,911,814	$ 3,007,568	$ 5,919,382
6	arrearage credits	$ 538,009	$ 593,261	$ 1,131,270
7	Program costs	$ 3,635,723	$ 3,794,247	$ 7,429,970
8				
9	Total participants	10,665	10,748	
10	Admin cost per participant	$ 17.43	$ 18.00	

CenterPoint Energy Schedule B

GAP Evaluation: Disconnections and Notices Workpaper to Page 3

Line	2017	# of Disconnect notices sent	Number of accounts disconnected
1	May	33,059	6,162
2	June	27,479	5,728
3	July	20,098	4,261
4	August	15,239	3,461
5	September	6,890	489
6		102,765	20,101
7	**2018**		
8	May	31,903	5,626
9	June	31,819	5,030
10	July	18,505	3,741
11	August	15,586	3,714
12	September	13,992	2,368
13		111,805	20,479
14			
15	Source: monthly CWR reports		

CenterPoint Energy
GAP Evaluation: GAP Tracker

Schedule B
Workpaper to Page 5

Month /1/	Recovery	Deferred Expense	Incremental Admin	Balance Debit (Credit)
Dec 2016	(594,068)	338,735	(63,675)	(1,767,477)
Jan 2017	(1,002,037)	165,180		(2,604,334)
Feb 2017	(721,208)	189,328		(3,136,214)
Mar 2017	(693,873)	242,401		(3,587,686)
Apr 2017	(430,985)	229,390		(3,789,281)
May 2017	(298,898)	359,477		(3,728,702)
Jun 2017	(165,959)	337,176		(3,557,486)
Jul 2017	(108,609)	357,163		(3,308,932)
Aug 2017	(114,147)	408,561		(3,014,519)
Sep 2017	(108,349)	337,596		(2,785,272)
Oct 2017	(137,717)	357,738		(2,565,251)
Nov 2017	(419,047)	384,940		(2,599,358)
Dec 2017	(623,822)	349,048	(82,273)	(2,956,406)
Jan 2018	(1,175,540)	175,882		(3,956,064)
Feb 2018	(878,065)	193,790		(4,640,340)
Mar 2018	(801,745)	236,769		(5,205,316)
Apr 2018	(665,808)	314,252		(5,556,872)
May 2018	(375,470)	330,882		(5,601,459)
Jun 2018	(132,409)	324,525		(5,409,344)
Jul 2018	(108,986)	354,025		(5,164,305)
Aug 2018	(118,757)	419,317		(4,863,745)
Sep 2018	(82,613)	346,648		(4,599,710)
Oct 2018	(222,930)	424,496		(4,398,144)
Nov 2018	(470,194)	380,926		(4,347,828)
Dec 2018	(724,033)	366,840	(74,105)	(4,779,126)
Jan 2019	(897,558)	248,660		(5,428,024)
Feb 2019	(1,010,815)	253,031		(6,185,808)
Mar 2019	(954,203)	299,963		(6,840,048)
Apr 2019	(567,158)	326,345		(7,080,860)
May 2019	(288,140.09)	434,642		(6,934,358)
Jun 2019	(163,125.41)	426,291		(6,671,193)
Jul 2019	(121,391.56)	465,042		(6,327,542)
Aug 2019	(106,927.86)	550,809		(5,883,661)
Sep 2019	(126,771.27)	455,352		(5,555,081)
Oct 2019	(164,041.81)	557,611		(5,161,512)
Nov 2019	(329,338.18)	500,378		(4,990,472)
Dec 2019	(653,234.65)	481,876	(73,671)	(5,161,831)

	12 mth recovery	12 mth exp		13 months average
2017	(4,824,652)	3,717,996	(82,273)	(3,030,840)
2018	(5,756,551)	3,868,352	(74,105)	(4,729,127)
est. 2019	(5,382,705)	5,000,000	(73,671)	(5,923,040)

/1 May 2019 through December 2019 are projected amounts.

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

Shari A. Grams, being first duly sworn on oath, deposes and says she is an employee at the office of CenterPoint Energy, Minneapolis, Minnesota 55402, and on the 31st day of May 2019, she delivered the enclosed notice of filing to those individuals and agencies listed on the attached pages, by:

___ placing such notice in envelopes, properly addressed with postage paid, and depositing the same in the United States mail at Minneapolis, Minnesota, for delivery by the United States Post Office;

___ personal service,

___ express mail,

___ delivery service,

_X_ electronic filing.

/s/ Shari A. Grams
Shari A. Grams

Subscribed and sworn to before me
this 31st day of May, 2019.

/s/ Melodee S. Carlson Chang
Melodee S. Carlson Chang
Notary Public (Commission Expires January 31, 2024)

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Aafedt	daafedt@winthrop.com	Winthrop & Weinstine, P.A.	Suite 3500, 225 South Sixth Street Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
James J.	Bertrand	james.bertrand@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
Brenda A.	Bjorklund	brenda.bjorklund@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
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Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
Amber	Lee	Amber.Lee@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	7400 Lyndale Ave S Ste 190 Richfield, MN 55423	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
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Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	No	GEN_SL_CenterPoint Energy_General Service List