STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
Betsy Wergin	Commissioner

MPUC Docket No. 08-1175

In the Matter of Greater Minnesota Gas, Inc.'s Failure to File An Affordability Program Under Minn. Stat. § 216B.16, Subd. 15

GAS AFFORDABILITY PROGRAM EVALUATION

OVERVIEW

Greater Minnesota Gas, Inc. ("GMG") respectfully submits this summary Gas Affordability Program Report for the period ending December 31, 2013. The Minnesota Public Utilities Commission ("Commission") permitted modification of GMG's annual reporting requirements by its Order dated October 12, 2012. GMG's annual reporting requirements were subsequently developed and incorporated into its tariff modification.

GAP is available to residential customers who received Low Income Home Energy Assistance ("LIHEAP") during the most recent federal fiscal year and have pre-logged or been determined eligible for assistance during the current program year.

DISCUSSION AND ANALYSIS

GMG extends its Commission-approved GAP to all of its customers who qualify for the Low Income Home Energy Assistance Program ("LIHEAP"), stipulate to a particularized payment plan, and make timely payments pursuant to the schedule, up to its maximum enrollment level on first-come, first-served basis. GMG's GAP was developed to serve qualified low-income residential natural gas customers by implementing an affordability-based bill credit and, potentially, forgiveness of arrearages.

The total affordability bill credit available to customers is $102.00 per year, which is issued at the rate of $25.50 quarterly; and, for customers who successfully complete the program, an additional arrearage forgiveness credit of $102.00 is available.

Program Specifics

GMG's GAP, as reflected in its tariff, is available to residential natural gas customers who received LIHEAP assistance during the most recent fiscal year. Program participation is open to all qualified customers on a first-come, first-served basis. Although GMG's tariff reflects a participation cap of three percent of GMG's total residential customers, GMG has not seen participation by qualified customers that even approaches that number.

GMG's GAP program year coincides with a calendar year, running from January 1 through December 31. Consistent with the terms of Minnesota Statutes Section 216B.16, Subd. 15, GMG's GAP includes both an affordability component and a corresponding arrearage forgiveness component. The affordability component of GMG's GAP includes a waiver of the monthly facility charge for GAP participants. It is reviewed and administered quarterly, such that GAP participants who successfully comply with the program for all months in a given quarter receive a credit equal to the monthly facility charges for that quarter. Similarly, with respect to the arrearage forgiveness component of the program, receipt of credit is predicated on successful completion of the program terms. Participants who make twelve consecutive monthly payments on a timely basis receive a one-time bill arrearage forgiveness credit of $102.00 at the end of the program year.

GMG notifies all customers who received LIHEAP assistance during the most recent year of their eligibility for the GAP program. Customers are given 30 days in which to return a completed application. Once a participant is registered for GAP, GMG agrees to maintain service and suspend collection efforts for as long as the participant maintains timely payments, regardless of the participant's arrearage level. As part of the GAP agreement, each customer agrees to notify GMG of any address changes and eligibility changes. Participants who do not continue to qualify for LIHEAP may be removed from GAP.

Participants who fail to make two consecutive monthly payments while on the GAP are terminated from the program and become subject to GMG's regular collection activities.

Program Administration

GMG continues to administer its GAP internally. GMG continues to believe that the oversight, reporting (even pursuant to the modified reporting requirements), and administration of the GAP is overly burdensome to GMG and is not cost-effective. Since the administrative costs far outweigh the program credits provided to a miniscule number of GMG's customers, the program is arguably adversely affecting GMG's remaining ratepayers, as they are essentially responsible for absorbing the administrative cost of the program. GMG only has 18 full-time employees, including its executives, operations, and administrative personnel. The time that GMG personnel must dedicate to the GAP includes customer notification, review of customer applications, establishment of customer payment arrangements, administrative enrollment tasks, periodic review of customer payments to determine program compliance, specialized billing, administration of periodic affordability component credits, periodic administrative disenrollment tasks for customers failing to comply with program requirements, administration of annual arrearage forgiveness component credits, statistical analysis for reporting requirements, program evaluation, and preparation of necessary reports. GMG estimates that its administrative costs related to the program remain at approximately $2,800 annually, with approximately $800 per year allocated to administrative time and approximately $2,000 per year allocated to regulatory reporting and development. That amount is consistent with the program costs reported in GMG's 2012 pilot program evaluation report.

EVALUATION

As explained in the Commission's October 12, 2012 Order, a GAP is intended to achieve five statutory goals, namely:

1. To lower the percentage of income that participating households devote to energy bills;
2. To increase the payments of participating customers over time by increasing the frequency of their payments;
3. To decrease or eliminate the arrears balances of participating customers;
4. To lower the utility's costs associated with collection activities; and,
5. To coordinate the program with other available low-income payment assistance and conservation resources.

During its initial pilot program evaluation, GMG requested that the Commission authorize it to discontinue its GAP program because the administrative costs exceeded the amount paid to program participants. As an alternative, GMG requested that the arrearage credit be increased (due to an interim increase in its facilities charge) and that GMG's tracking, reporting, and customer awareness requirements be suspended. Although it recognized that the administrative costs to GMG outweighed the monetary credits given to participating customers, the Department nonetheless opposed termination of GMG's GAP because it met some of statutory criteria.

The Commission noted that "it is appropriate to align the [reporting] requirements with the program's relative size." (Order, 10/12/2012, p. 3.) Hence, it did modify GMG's reporting requirements. Nonetheless, given the continued lack of participation in GAP by GMG's customers, the reporting and administrative burdens far outweigh the program's advantages. An evaluation of each of the statutory goals demonstrates that the totality of the circumstances warrants permitting GMG to suspend its GAP, despite the laudable goals themselves.

1. *Any lowered percentage of household income devoted to energy bills is nominal.*

   As noted in its initial program review, GMG does not have access to its customers' household income information. However, if household incomes remained static, then receipt of GAP credits necessarily reduced the percentage of income devoted to energy bills for participating households. Nonetheless, given the extremely low enrollment and nominal program completion by GMG's customers, any implied reduction would be marginal, at best; and, arguably, any implied reduction would be statistically insignificant.

2. *There was no demonstrable increase in customer payment by increasing frequency.* While the GAP, by its very nature, encourages customer payment, the 2013 program results demonstrate that the program does not actually result in consistent timely payment. Twelve of the fourteen customers enrolled in GMG's GAP were terminated from the program because they failed to make timely bill payments. In fact, only two households successfully made timely payments all year. Given the incentive that the arrearage forgiveness component provides, participating customers could have literally doubled the amount of credit they received. Nonetheless, the vast majority of customers still failed to make timely payments. Therefore, it can be reasonably inferred that the mere existence of GMG's GAP does not result in increasing customer payments by increasing payment frequency.

3. *There was no statistically significant reduction in decreasing or eliminating participating customer arrears.*

   Only two GMG customers received the benefit of the arrearage credit. Consequently, there is no discernable, statistically significant reduction in participating customer arrears.

4. *GMG did not experience decreased costs associated with collection.*

   GMG's costs associated with collection were not measurably decreased as a result of its GAP program. Since only two customers successfully remained enrolled in the program for the entire year, collection efforts were only decreased with regard to those two customers. Given that GMG had approximately 4,800 retail customers at the end of 2013, the reduced collection efforts afforded for two households—or even for the other participating 12 households during the period that they remained enrolled—does not impact GMG's overall collection costs. GMG remained, and continues to remain, committed to working closely with LIHEAP participants. Consequently, the target population would not be overlooked and would still be afforded personalized service and consideration even if GMG's GAP is terminated.

5. *Program coordination with other payment assistance and conservation resources.*

   The existence of its GAP did not impact the manner in which GMG coordinates with other payment assistance programs and conservation resources. As a result, suspending the GAP will, likewise, not impact that coordination. GMG is committed to continuing to work with existing and new resources for the benefit of its customers. However, where the administrative burdens of a program substantially outweigh any impact that a program has, such as the case is for GMG's GAP, it is unfair to all of GMG's customers to require the company to carry that burden.

REQUEST FOR COMMISSION ACTION

GMG recognizes the value and importance of maintaining natural gas affordability for low income ratepayers. However, as demonstrated herein, given the apparent disinterest in the GAP participation by GMG's customers, there is not a defensible basis to warrant continuing the program in the face of burdensome and costly program administration. Therefore, GMG respectfully requests that the Commission permit it to discontinue its Gas Affordability Program beginning with the 2015 calendar year.

Dated: July 2, 2014

Respectfully submitted,

/s/
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