STATE OF MINNESOTA

BEFORE THE PUBLIC UTILITIES COMMISSION

Katie Sieben	Chair
Joseph Sullivan	Vice-Chair
Hwikwon Ham	Commissioner
Audrey Partridge	Commissioner
John Tuma	Commissioner

In the Matter of Minnesota Energy Resources Corporation's 2024 Annual GAP Report	Docket No. G-011/M-25-39

Initial Comments of the Citizens Utility Board of Minnesota, the Legal Services Advocacy Project, and the Energy CENTS Coalition

The Citizens Utility Board of Minnesota ("CUB"), the Legal Services Advocacy Project ("LSAP"), and the Energy CENTS Coalition ("ECC") respectfully submit these comments in response to Minnesota Energy Resources Corporation's ("MERC" or the "Company") annual gas affordability program ("GAP") report filed in the above-referenced docket. As further explained below, we recommend the Minnesota Public Utilities Commission ("Commission") accept MERC's continued use of its income threshold for determining affordability credits and approve the Company's automatic enrollment proposal.

I. Introduction

Regulated gas utilities serving low-income households in Minnesota are required to file gas affordability programs with the Commission.[1] These programs are designed to ensure "affordable, reliable, and continuous service" while promoting customer payment consistency and reducing utility disconnections.[2] Each of the GAP offerings provided to customers includes affordability and arrearage forgiveness credits that are meant to lower household energy burdens and assist in paying down past-due account balances. Affordability credits enable customers' monthly bills to be capped at either three or four percent of income, depending on the specific utility program in question.[3] Arrearage forgiveness credits match participant contributions to past-due balances over repayment periods of between 12 and 24 months.[4] Customers must receive assistance from the Low-Income Home Energy Assistance Program ("LIHEAP") and have an energy burden exceeding the program requirements in order to qualify for GAP participation.

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[1] Minn. Stat. § 216B.16, Subd. 15.
[2] *Id*.
[3] MERC, CenterPoint, and Xcel cap monthly payments at three percent of income; Great Plains and Greater Minnesota Gas cap payments at four percent of income.
[4] CenterPoint is the only regulated utility that employs a repayment period of up to 12 months. All other gas utilities provide repayment periods of up to 24 months.

Utilities annually file reports on the efficacy of their respective GAP programs. Xcel Energy, Great Plains, MERC, and Greater Minnesota Gas each filed program evaluations on March 31, 2025. CenterPoint has yet to submit its report, but is expected to make a filing by June 30, 2025 at the latest.[5]

For many Minnesotans facing chronic energy insecurity, GAP functions as a consumer protection program that ensures continuous access to a vital utility service. Programs like GAP are essential to stabilizing household finances, preventing energy shutoffs, and advancing Minnesota's broader goals of energy equity and affordability.

Pursuant to the Commission's August 14, 2024 Order in Docket No. G-011/M-24-39, MERC developed a process for automatically enrolling eligible customers into GAP and included that proposal in its annual report.[6] No other gas utility proposed programmatic revisions.

II. Analysis

CUB, LSAP, and ECC appreciate the efforts undertaken by the Commission and utilities to provide meaningful gas affordability assistance to Minnesotans. As evidenced by the increase in statewide utility disconnections in 2024, residential households continue to struggle with energy costs.[7] GAP programs are well designed to lower energy burdens, reduce customer arrearages, and mitigate disconnection risks. As further detailed below, we recommend the Commission accept MERC's percentage-of-income affordability threshold and approve the Company's proposal for automatic enrollment.

A. The Commission should approve MERC's proposed income threshold for determining GAP eligibility and affordability credit amounts.

In 2021, MERC reduced the percentage-of-income threshold for its GAP program from six percent to three percent.[8] In ordering the programmatic revision, the Commission directed the Company to discuss in its next annual filing the effect of the change on the program tracker balance, as well as whether the affordability threshold should be further adjusted.[9] CUB, LSAP, and ECC support the Company's proposal to continue using the three percent income threshold, as it facilitates greater program participation and materially lowers residential customers' energy burdens.[10]

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[5] *See In the Matter of the Application of CenterPoint Energy Resources Corp. for Approval of its 2022 Gas Affordability Program Report*, Docket No. G-008/M-23-84, CenterPoint Compliance Filing (Feb. 9, 2024) (revising annual reporting deadline).

[6] *In the Matter of Minnesota Energy Resources Corporation's 2023 GAP Report*, Docket No. G-011/M-24-39, Commission Order at 2, Order Point 6 (Aug. 14, 2024).

[7] *See*, *e.g.*, *In the Matter of Recent Utility Cold Weather Rule Data*, Docket No. E,G-999/PR-25-2, Comments of the Citizens Utility Board of Minnesota and the Legal Services Advocacy Project at 2 (Jan. 31, 2025) (noting that more than 91,000 residential customers were disconnected from regulated utility service in 2024).

[8] *In the Matter of Minnesota Energy Resources Corporation's 2020 Annual Gas Affordability Program Report*, Docket No. G-011/M-21-224, Order Accepting Reports, Approving Program Modifications, and Setting Additional Reporting Requirements at 7 (Sep. 15, 2021).

[9] *Id*.

[10] MERC 2024 Annual GAP Report at 31.

Reducing energy burden, or the percentage of income households devote to energy-related expenses, is a key goal of utilities' affordability programs.[11] By employing a percentage-of-income eligibility threshold, utilities can tailor their respective GAP programs to benefit those households most in need of assistance. Typically, energy burdens are considered high if combined electricity and heating costs exceed six percent of annual household income.[12] For GAP, which bases eligibility solely on natural gas cost burdens, eligibility should be set below the six percent threshold. Maintaining MERC's current threshold of three percent is consistent with this approach.

Because households must have energy burdens greater than the threshold to participate, the current eligibility requirement will allow more households to enroll in GAP than if a higher threshold were employed. Benefit amounts will also be greater, as they will be calculated based on the amount of assistance necessary to reduce natural gas energy burdens to three percent of income. We support maintaining the three percent threshold for as long as possible so households receive the assistance necessary to keep energy costs affordable.

B. The Commission should approve MERC's proposal for automatically enrolling eligible customers into GAP.

In its Order on MERC's 2023 annual GAP report, the Commission directed the Company to propose a process for automatically enrolling LIHEAP customers into its affordability program.[13] MERC's proposal is well-designed and will streamline GAP accessibility by reducing administrative burdens for low-income households, many of whom face competing demands on time and resources. By removing barriers to entry, the program will better reach customers with the highest energy burdens, ensuring benefits are delivered equitably and efficiently.

MERC proposes to automatically enroll qualified customers in GAP beginning in July 2026. Prior to commencing this process, eligible customers will be informed of automatic enrollment through a one-time mailing that describes GAP and LIHEAP[14] We appreciate MERC's proposal to proactively send this information to customers and request that the Company detail in its mailing how customers can opt-out of GAP enrollment. As articulated throughout these comments, there is significant value associated with GAP, but customers should retain the ability to choose whether or not to avail themselves of these resources.[15]

After the initial phase of automatic enrollment is completed, customers will receive personalized communications detailing their monthly bill amount, the value of benefits received under GAP, and

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[11] *See* Minn. Stat. § 216B.16, subd. 15(b)(1).
[12] Minn. Dep't of Commerce, 2024 Energy Policy and Conservation Quadrennial Report 152 (Jul. 1, 2024).
[13] *In the Matter of Minnesota Energy Resources Corporation's 2023 Annual GAP Report*, Docket No. G-011/M-24-39, Commission Order at 2, Order Point 6 (Aug. 14, 2024).
[14] *In the Matter of Minnesota Energy Resources Corporation's 2024 Annual GAP Report*, Docket No. G-011/M-25-39, MERC 2024 Annual GAP Report at 29 (Mar. 31, 2025) (hereinafter "MERC 2024 Annual GAP Report").
[15] *See, e.g. In the Matter of Xcel Energy's 2021 Gas Affordability Program Evaluation Report*, Docket No. G-002/M-22-257, Comments of the Citizens Utility Board of Minnesota and Energy CENTS Coalition at 4 (Oct. 17, 2022); Reply Comments of the Citizens Utility Board of Minnesota and Energy CENTS Coalition at 1-2 (Nov. 17, 2022) (detailing the need to preserve customer choice throughout the automatic enrollment process).

the terms and conditions that need to be followed to stay enrolled in the program.[16] Households that receive LIHEAP and are eligible for GAP will continue to be automatically enrolled as their energy assistance applications are processed.[17] These customers will likewise be provided with personalized communications and information about how to opt-out of GAP. We respectfully request that the Company allow customers 30 days after these notices are sent before commencing automatic enrollment. This same process was ordered by the Commission when approving CenterPoint's automatic enrollment proposal and ensures customers have sufficient time to become acquainted with GAP and decide whether to participate.[18]

MERC's automatic enrollment process will ensure customers receive GAP benefits at the earliest possible opportunity, but may significantly alter the need for program funding.[19] The Company estimates annual program costs will rise above $4 million, as compared to current expenditures of approximately $1 million.[20] While MERC does not expect the GAP program to be closed to new participants during the first year of automatic enrollment,[21] future programmatic revisions may be necessary if GAP is to remain available for low-income households. For this reason, we support MERC's modified program budget of $4.5 million and the Company's request for increased flexibility around when programmatic adjustments are proposed.[22] Historically, GAP modifications have been analyzed and reviewed through utilities' annual report filings, but more frequent revisions may be necessary if the current tracker balance is spent down faster than expected. To maintain transparency around available funding and facilitate timely programmatic adjustments, we recommend the Commission adopt the same provision it ordered in response to both Xcel's and CenterPoint's automatic enrollment proposals:[23]

> MERC must monitor monthly spending from and income to the GAP program. If, and when, the program is on track to deplete its tracker balance within 6 months, MERC shall make a filing with the Commission that includes, at a minimum:
>
> a. Tracker balance, income, and spending on a monthly basis for the previous 6 months and projected 6 months in the future;
> b. An evaluation of possible modifications to avoid closure of the program, including modifying the affordability and arrearage forgiveness benefit amounts for participants, changing the program funding level/ surcharge, and other options the Company has considered; and

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[16] MERC 2024 Annual GAP Report at 30.
[17] *Id*.
[18] *In the Matter of CenterPoint Energy's 2022 Annual GAP Report*, Docket No. G-008/M-23-84, Order Accepting Reports and Setting Additional Requirements at 5, Order Point 13(b)(vii) (Sep. 7, 2023).
[19] MERC 2024 Annual GAP Report at 28.
[20] *Id*. at 24, 27.
[21] *Id*. at 27.
[22] *Id*. at 27, 28.
[23] *In the Matter of Xcel Energy's 2022 Annual GAP Report*, Docket No. G-002/M-23-82, Commission Order at 2, Order Point 13 (Jan. 18, 2023); *In the Matter of CenterPoint Energy's 2022 Annual GAP Report*, Docket No. G-002/M-23-82, Order Accepting Reports and Setting Additional Requirements at 5-6, Order Point 14 (Sep. 7, 2023).

c. A proposal to avoid the projected negative tracker balance.

Given the anticipated expansion of GAP, we also believe it would be appropriate to track additional data related to the provision of benefits. As designed, this automatic enrollment proposal will increase customer participation and provide materially impactful assistance to households across MERC's service territory. Understanding which communities and customer groups are served by the program would enable a more comprehensive analysis of GAP's successes and potentially identify areas where additional outreach or communication is warranted. For this reason, we further recommend that MERC annually report disaggregated participation and benefit delivery data by geography, income level, and household size to the extent possible. This will help ensure the program continues to equitably reach those most in need.

III. Conclusion

CUB, LSAP, and ECC appreciate the gas utilities' continued efforts to provide assistance to low-income Minnesotans through their respective GAP offerings. We recommend the Commission take the following actions to approve MERC's income threshold and automatic enrollment proposal:

1. Approve MERC's revised GAP budget of $4.5 million.
2. Approve MERC's proposal to maintain its percentage-of-income affordability credit threshold at three percent.
3. Approve MERC's proposal for automatic enrollment.
4. MERC must provide customers with a minimum of 30 days' notice prior to commencing automatic enrollment. Customers must be informed that if they have not opted out of GAP participation within that timeframe, they will be automatically enrolled in the program.
5. MERC must monitor monthly spending from and income to the GAP program. If, and when, the program is on track to deplete its tracker balance within 6 months, MERC shall make a filing with the Commission that includes, at a minimum:
    a. Tracker balance, income, and spending on a monthly basis for the previous 6 months and projected 6 months in the future;
    b. An evaluation of possible modifications to avoid closure of the program, including modifying the affordability and arrearage forgiveness benefit amounts for participants, changing the program funding level/ surcharge, and other options the Company has considered; and
    c. A proposal to avoid the projected negative tracker balance.
6. MERC must annually report disaggregated participation and benefit delivery data by geography, income level, and household size to the extent possible.

Sincerely,

May 22, 2025

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