



Minnesota Energy Resources Corporation
2685 145th Street West
Rosemount, MN 55068
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March 30, 2018

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
Metro Square – Suite 350
212 7th Place East
St. Paul, MN 55101-2147

VIA ELECTRONIC FILING

**Re: Minnesota Energy Resources Corporation's Gas Affordability Program
2017 Annual Report**

Docket No. G011/M-18-____

Dear Mr. Wolf:

Enclosed for filing, please find Minnesota Energy Resources Corporation's ("MERC" or the "Company") 2017 Gas Affordability Program ("GAP") Annual Report. MERC submits this report pursuant to the Company's Gas Affordability Service Program, MERC Tariff Sheet Nos. 7.09-7.12, and the Minnesota Public Utilities Commission's ("Commission") Orders in Docket Nos. G011/M-07-1131, G011/M-15-308, and G011/M-15-539. In accordance with the Commission's November 26, 2014, Order Accepting Gas Affordability Program Annual Reports, MERC submits this filing as a new miscellaneous filing in compliance with the Commission's Rules of Practice and Procedure.

A copy of this miscellaneous filing has been served on the Minnesota Office of the Attorney General – Residential Utilities and Antitrust Division and the Minnesota Department of Commerce, Division of Energy Resources. A summary of the filing has been served on all parties on MERC's general service list. The information required by Minnesota Rule 7829.1300 is also included with this filing.

Please feel free to contact me at (651) 322-8965 if you have any questions.

Sincerely yours,

/s/ Amber S. Lee

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation

Enclosure
cc: Service List

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matthew Schuenger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

Minnesota Energy Resources Corporation's
Gas Affordability Program 2017 Annual Report

Docket No. G011/M-18-_____

**MINNESOTA ENERGY RESOURCES CORPORATION'S GAS AFFORDABILITY PROGRAM
2017 ANNUAL REPORT**

Pursuant to Minnesota Rules part 7829.1300, Minnesota Energy Resources Corporation ("MERC" or the "Company") submits this miscellaneous filing to the Minnesota Public Utilities Commission ("Commission") for approval of MERC's Gas Affordability Program ("GAP") Annual Report for 2017.

I. Summary of Filing

Pursuant to Minn. R. 7829.1300, subp. 1, a one-paragraph summary of the filing is attached.

II. Service

Pursuant to Minn. R. 7829.1300, subp. 2, MERC has served a copy of this petition on the Minnesota Department of Commerce, Division of Energy Resources ("Department") and the Minnesota Office of the Attorney General – Residential Utilities and Antitrust Division ("OAG"). The summary of the filing has been served on all parties on the attached service list.

III. General Filing Information

Pursuant to Minn. R. 7829.1300, subp. 3, the following information is provided:

A. Name, Address, and Telephone Number of the Filing Party

Minnesota Energy Resources Corporation
2685 145th Street West

Rosemount, MN 55068
(651) 322-8901

B. Name, Address, Electronic Address, and Telephone Number of Attorney for the Utility

Kristin M. Stastny
Briggs and Morgan, P.A.
2200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402
KStastny@briggs.com
(612) 977-8656

C. Date of the Filing and Proposed Effective Date

Date of Filing: March 30, 2018
Proposed Effective Date: Not Applicable

D. Statute Controlling Schedule for Processing the Filing

Under Minn. R. 7829.0100, subp. 11, this petition is a “miscellaneous” filing because no determination of MERC’s general revenue requirement is necessary. Comments on a miscellaneous filing are due within 30 days of filing, with replies due 10 days thereafter. Minn. R. 7829.1400, subp. 1, 4.

E. Signature, Electronic Address, and Title of Utility Employee Responsible for the Filing



Amber S. Lee
Regulatory and Legislative Affairs Manager
ASLee@Integrysgroup.com
2685 145th Street West
Rosemount, MN 55068
(651) 322-8965

F. Description of the Filing, Impact on Rates and Services, and Reasons for the Filing

MERC submits this 2017 Annual Report in compliance with the Company’s GAP tariffs, MERC Tariff Sheet Nos. 7.09 to 7.12, and the Commission’s September 25, 2015, Order in

Docket No. G011/M-15-539, which authorized MERC to continue its pilot GAP for an additional four years and required annual Program reports to be submitted by March 31 of each year. The information contained in this 2017 Annual Report satisfies the informational requirements included in the Commission's Orders in Docket Nos. G011/M-07-1131, G011/M-15-308, and G011/M-15-539. MERC's 2017 Annual Report fully explains the Company's GAP and its impact on rates and services.

This filing includes the following:

- A one-paragraph summary of the filing in accordance with Minn. R. 7829.1300, subp. 1;
- Minnesota Energy Resources Corporation's Gas Affordability Program 2017 Annual Report;
- Attachment A—Minnesota Energy Resources Corporation's 2017 Gas Affordability Program Tracker; and
- Attachment B—Summary Schedule covering the information required by the Commission in its September 25, 2013, Order in Docket No. G007,011/M-07-1131.

IV. Miscellaneous Information

Pursuant to Minnesota Rule 7829.0700, MERC requests that the following persons be placed on the Commission's official service list for this matter:

Amber S. Lee
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V. **Conclusion**

Based on the foregoing and the information contained in the attached 2017 Annual Report, MERC respectfully requests that the Commission accept MERC's Annual Report as compliant with MERC's GAP tariff and Commission orders.

If additional information is required, please contact Amber Lee at (651) 322-8965 or Kristin Stastny at (612) 977-8656.

DATED: March 30, 2018

Respectfully submitted,

BRIGGS AND MORGAN, P.A.

By: /s/ Kristin M. Stastny

Kristin M. Stastny

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Attorney for Minnesota Energy
Resources Corporation

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matthew Schuenger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

Minnesota Energy Resources Corporation's
Gas Affordability Program 2017 Annual Report

Docket No. G011/M-18-_____

SUMMARY OF FILING

Please take notice that on March 30, 2018, Minnesota Energy Resources Corporation ("MERC") filed with the Minnesota Public Utilities Commission a Petition for approval of its 2017 Gas Affordability Program Annual Report pursuant to Minnesota Rules part 7829.1300.

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matthew Schuerger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

Minnesota Energy Resources Corporation's
Gas Affordability Program 2017 Annual Report

Docket No. G011/M-18-_____

**MINNESOTA ENERGY RESOURCES CORPORATION'S GAS AFFORDABILITY PROGRAM
2017 ANNUAL REPORT**

INTRODUCTION

Minnesota Energy Resources Corporation ("MERC" or the "Company") submits this Annual Report in compliance with the Company's Gas Affordability Program ("GAP" or "Program") (MERC Tariff Sheet Nos. 7.09 to 7.12) and the Minnesota Public Utilities Commission's ("Commission") September 25, 2015, Order in Docket No. G011/M-15-539, which authorized MERC to continue its pilot GAP for an additional four years, and required annual Program evaluations to be submitted by March 31 of each year.

MERC's GAP became effective on April 1, 2008, and the initial four-year program term ended on December 31, 2011. The Commission authorized MERC to continue its pilot in its December 29, 2011, Order in Docket No. G007,011/M-07-1131, and its September 25, 2015, Order in Docket No. G011/M-15-539.

This Annual Report covers the program year 2017 – the tenth year of service under the Program. The Annual Report is structured as follows:

- A. Program Description
- B. Program Credits, Funding, and Administration Costs
- C. Program Participation

- D. Retention, Satisfaction, and Disconnections
- E. Arrears, Customer Payment Frequency, and Collection Activity
- F. Additional Reporting Requirements
- G. GAP Annual Summary Schedule

In addition, the GAP tracker for 2017 is included as Attachment A to this Report.

Pursuant to the Commission's September 25, 2013, Order Accepting Gas Affordability Program Reports in Docket No. G007,011/M-07-1131, MERC also submits a summary schedule as Attachment B, which includes the following information:

1. average annual affordability benefit received per customer;
2. average annual arrearage forgiveness benefit received per customer;
3. percentage of Low Income Home Energy Assistance Program ("LIHEAP") customers that participated in GAP;
4. disconnection rates for (a) GAP customers, (b) LIHEAP-Non GAP customers, and (c) non-LIHEAP customers (all firm customers including C&I);
5. number of GAP participants enrolled as of year-end;
6. number of GAP participants enrolled and receiving benefits at some time during the year;
7. annual program budget;
8. actual program revenue;
9. actual program cost;
10. GAP tracker balance as of year-end; and
11. GAP rate-affordability surcharge (\$/therm).

I. PROGRAM DESCRIPTION

The Company's GAP is designed to lower the percentage of income low-income households devote to energy bills, to increase customer payments, and to reduce the utility's cost associated with the collection of unpaid bills. The Program consists of two components designed to assist low-income households: (1) the affordability component, which consists of bill

credits determined by calculating the difference between the estimate of the customer's annual natural gas bill and the applicable income limit of the customer's household income,¹ and (2) the arrearage-forgiveness component, which provides a monthly credit to the customer's balance after payment is received to retire pre-program arrears.²

MERC's GAP is available to residential customers in MERC's service area who have qualified to receive assistance from LIHEAP during the federal fiscal year. MERC will maintain service and suspend collection activities to qualified customers, regardless of arrears balances, if the customer stays current with the payment schedule and otherwise maintains eligibility. The Company partners with The Salvation Army to administer the Program. MERC implemented the GAP pilot on April 1, 2008, in compliance with Minn. Stat. § 216B.16, subd. 15.

A. Eligibility

The Program is available to any residential customers in MERC's service area who have been qualified and received assistance from the LIHEAP Program during the federal fiscal year. Qualified customers must maintain an active account in the customer's name at the customer's permanent, primary residence. Qualified customers must also agree to notify MERC of any changes in address, income level, or household size, as such changes may result in removal from the Program. If a qualified customer fails to pay two consecutive monthly payments in full under the Program, the customer is terminated from the Program. If the customer is terminated,

¹ Specifically, MERC's affordability component consists of a bill credit determined as one-twelfth of the difference between MERC's estimate of the qualified customer's annual gas bill and six percent of the qualified customer's household income as provided by the qualified customer to MERC. This bill credit is a Program cost that will be included in the tracker. Any energy assistance sums not applied to arrears will be applied to a qualified customer's current bill. MERC Tariff Sheet No. 7.09.

² MERC's arrearage-forgiveness component consists of a monthly credit that will be applied each month after receipt of the qualified customer's payment. The credit will be designed to retire pre-program arrears over a period of up to 24 months, with the Company matching the qualifying customer's contribution to retiring pre-program arrears. The credit is determined by taking the pre-program arrears divided by the number of months to retire the arrears divided by two and then subtracting any energy assistance sums received by the Company on behalf of the customer divided by the number of months remaining to retire the arrears divided by two. This arrearage-forgiveness credit is a Program cost that will be included in the tracker. MERC Tariff No. 7.09.

the customer will be subject to the Company's regular collection practices, including the possibility of disconnection.

B. Affordability and Arrearage Forgiveness

As previously discussed, the Program has both an affordability component and an arrearage-forgiveness component. The affordability component is a bill credit determined as one-twelfth of the difference between MERC's estimate of the qualified customer's annual gas bill and six percent of the customer's household income as provided by the customer to MERC. Any energy assistance or other community assistance sums not applied to arrears will be applied to a customer's current bill.

The arrearage-forgiveness component is a matching credit that is applied to a qualified customer's account each month after receipt of the customer's scheduled arrears payment. This monthly credit and customer monthly payment pays off the pre-program arrears in 24 months or less. Energy assistance is not considered in calculating the affordability bill credit or the forgiveness of pre-program arrears. The affordability and arrearage-forgiveness credits are both Program costs that are included in the tracker in Attachment A.

C. Payment

To determine the payment amount for a customer, the Company reviews current billing and consumption information, and approved LIHEAP benefits and household income information. A qualified customer's payment each month includes both payment of the customer's current month's bill after inclusion of the affordability credit, and payment of a portion of the customer's pre-program arrears. Customers enrolled in the Program paid a total of \$158,470 towards their energy costs in 2017. The average monthly payment per GAP participant in 2017 was \$64 per month.

II. PROGRAM CREDITS, FUNDING, AND ADMINISTRATION COSTS

Below is a summary of the GAP tracker activity for MERC in 2017. For additional details, please see Attachment A.

Summary of 2017 MERC GAP Tracker

ITEM	AMOUNT
Affordability Credits	\$656,564
Arrearage-Forgiveness Credits	\$10,966
Administrative Fees	\$37,500
Carry Cost	\$2,043
MPUC Charges	\$22
Total Program Costs (sum)	\$707,095
Less; Collections Through Rates	\$0
Less; Credits to Tracker from Finalled Accounts	\$96,116
Amount Over/(Under) Collected in 2017	(\$610,979)

A. Program Credits

The total of the affordability and arrearage-forgiveness credits applied to GAP-participant accounts during the 2017 Program year was \$667,530. The average monthly affordability credit per customer was \$39.

B. Program Funding

In 2017, the Program was funded by the positive tracker balance in the GAP account; the GAP surcharge was set at \$0.00 for the full period January 1, 2017, through December 31, 2017. MERC also closed out credits on finalled accounts in 2017. The amount of \$96,116 was credited back to the GAP general ledger account, as reflected in the tracker.

The per-therm surcharge was reduced to \$0.00 pursuant to the September 25, 2015, Order in Docket No. G011/M-15-539, and MERC stopped collecting the GAP surcharge on October 1, 2015. Further, in the Order, the Commission approved MERC's request to reduce its annual GAP budget to \$750,000.

MERC requested reinstatement of a positive GAP factor in its pending rate case proceeding in Docket No. G011/GR-17-563 with implementation of final rates to recover MERC's projected under-recovered GAP tracker balance based on projected annual GAP spending. That request is currently pending.

Customers with current credit balances grew again in 2017. MERC continues to review all finalled accounts with credit balances due to Energy Assistance payments or GAP credits. Credit balances from Energy Assistance payments on finalled accounts are returned to the Minnesota Department of Commerce, Division of Energy Resources ("Department"), per the State of Minnesota's Energy Assistance program rules. GAP credits remaining on finalled accounts are posted back to the GAP General Ledger account. A total of \$96,116 was posted back to the GAP General Ledger account in 2017.

MERC worked with the Customer Care Center to increase the frequency of promoting GAP, especially for those customers coming out of the Cold Weather Rule ("CWR") period in April and May of 2017. In 2018, MERC hopes to continue to increase the promotion by working with the Care Center again, and reaching out to our Energy Assistance Partners in our service territory.

C. Program Administration Costs

As shown in the table above, MERC's total Program costs in 2017 were \$707,095, which includes the affordability and arrearage-forgiveness credits, administrative costs, carrying cost allowances, and regulatory assessments. Minnesota Statutes section 216B.16, subdivision 15, and MERC's GAP tariff limit the amount of administrative costs included in the tracker (with the exception of start-up costs) to five percent of total Program costs. MERC continues to maintain that threshold each Program year.

III. PROGRAM PARTICIPATION

MERC experienced a leveling of participating customers in GAP during the 2017 program year. There were a total of 63 new customer enrollments in 2017. By way of

comparison, in 2016, there were 65 new customer enrollments. This was similar to the downward trend of enrollments in the previous Program year. Our focus for the 2018 program year is to implement a plan to attempt to increase applications. The Salvation Army received 357 applications in 2017. In 2017, 294 of the Program applicants were not eligible to enroll because they did not meet at least one of the program requirements. Seventeen applicants were already enrolled in GAP, 183 applicants were denied due to having lower than the 6 percent requirement, 85 applicants were not MERC customers or sent incomplete applications and did not respond to requests for additional information, 6 applicants were denied because they did not receive LIHEAP funds, and 3 applicants were denied because they were already disconnected and needed to address the disconnection before the application is reviewed for enrollment.

In 2017, 109 customers were removed from GAP, compared to 54 customers in 2016. This ended the year with a similar enrollment number as 2016. MERC continues to offer GAP Program enrollment when customers apply for CWR protection. MERC continues to promote the Program to customers in the collections process, including when customers are facing potential disconnection of service. In preparation for the spring of 2018, MERC will be conducting update training with Care Center agents about the benefits of GAP, especially for those customers with significant post-CWR arrears. The training encourages call center agents to proactively help customers enroll in GAP to more affordably address their arrears over a longer period of time.

IV. RETENTION, SATISFACTION, AND DISCONNECTIONS

A. *Retention*

Sixty-three new customers enrolled in the Program in 2017, and 109 GAP customers were removed. The year-end number of participants remains similar to the prior year, showing participation is consistent with 2016 levels. In 2017, 40 customers were removed for non-payment. The remaining customers were removed due to a change in address or other reasons

such as customers requesting to be enrolled in CWR. MERC provides a follow-up letter to all customers who are removed from the Program as a result of a move, alerting them of the need to make payment arrangements for any outstanding account balance and advising them of the option to reenroll if they are still a MERC customer at a different service address. MERC has not tracked the number of customers that reenroll after an absence. We plan to incorporate this tracking into our 2018 process.

MERC conducts reviews for accounts with large credit balances and contacts those customers to see if they would like to be successfully unenrolled from the Program. MERC informs customers who are successfully unenrolled from the Program that they may apply again (at any time) as long as they are still LIHEAP recipients. Historically, only a small percentage of customers want to be removed from the Program, regardless of the size of their credit balance. At the close of 2017, MERC had 63 accounts with credit balances larger than \$4,000 but under the existing Program, all customers have the right to continue participation until they are no longer income eligible or until they request to be removed.

A consistent number of qualified GAP customers who successfully pay their arrears balance over a two-year period continue to participate in the Program and receive the monthly percent-of-income credit. Over 200 customers participating in GAP have been enrolled in the Program since 2008, the Program's first year. MERC believes that the Program is achieving the original intent of the statute authorizing GAP by providing an affordability credit based on the customer's household income and gas consumption.

The arrears-forgiveness component is also important to the Program meeting the legislative requirement to decrease or eliminate participating customers' arrears. This provides an opportunity for the customer to pay an affordable payment moving forward without arrears and collection activity. However, arrears forgiveness accounted for less than two percent of Program costs in 2017. Ninety-eight percent of the Program costs and 98 percent of the total monthly credits applied were used for the affordability component in 2017. This is consistent

with the previous year. The affordability component is key to the Program's lasting success because it significantly supports participants' long-term ability to make affordable payments for natural gas. Helping customers move toward self-sufficiency is an important goal of GAP and the success of its customers.

B. Customer Satisfaction

MERC continues to reach out to our Energy Assistance partners and our Program Administrator, The Salvation Army, to receive informal feedback from our customers regarding GAP. We also work with our MERC Care Center, Credit and Collections, and the Customer Assistance Center teams to receive feedback from GAP participants who contact us as questions arise. Participants have continued to identify the following benefits of the Program:

- Arrearage forgiveness for half of their arrears at enrollment, eliminating all pre-enrollment arrears in a two-year period of time;
- Providing affordable monthly payments;
- Avoidance of collection activity, up to and including gas service disconnection;
- Allows participants to budget limited household income and better withstand smaller financial setbacks; and
- Complements state energy assistance program, which also lowered their annual energy burden.

In 2017, MERC received no Commission complaints with respect to GAP.

C. Disconnections

MERC had approximately 232,000 firm customers on its system in 2017. MERC completed 1680 firm customer gas service disconnections in 2017, equating to less than one percent of all firm customers.

During 2017, only 19 GAP customers had gas service disconnected within two months of their removal from the Program after missing two consecutive monthly GAP payments. This equates to approximately one percent. MERC Care Center employees have been trained to communicate the benefits of GAP to customer who are subject to collection activity.

V. ARREARS, CUSTOMER PAYMENT FREQUENCY, AND COLLECTION ACTIVITY

A. Arrears

There were 63 customers who enrolled in GAP during the 2017 Program year. Forty-three of these customers had arrears at the time of Program enrollment. Their total arrears were \$22,469, an average of \$523 per customer. The overall amount of arrears and arrears per customer has continued to fluctuate over the last few years. Although MERC enrolled 16 fewer customers with arrears in 2017, the average arrears per customer was up \$58 from \$462. The average Energy Assistance benefit remained similar from 2016 to 2017 at between \$525 and \$530. In addition, the total arrears for this segment of customers is down \$4,893.

B. Effect of Program on Customer Payment Frequency

In 2017, customers enrolled in GAP made 2,472 payments. The total value of these payments, which include first month application of energy assistance credits, was \$158,470, which equates to a monthly average of approximately \$64 per GAP participant. This compares to 2,359 payments made by GAP participants in 2016, totaling \$149,668, which equated to average monthly payments of \$37 per GAP participant. In 2015, MERC received 11,405 payments from GAP customers, totaling \$882,699, which equated to average monthly payments of \$77 per GAP participant. MERC provides further discussion of Program participation payments in Section VI.A, Customer Payment Frequency, below.

C. Collection Activity

In 2017, MERC enrolled 43 customers with arrears. By enrolling these customers, MERC avoided collection costs of \$1,500 by not disconnecting 20 customers who were subject to disconnection at the time they applied for GAP and helped customers maintain their natural gas service. The Program continued to succeed in reducing and eliminating arrears of Program participants in 2017, promoting regular monthly affordable payments. Customers who participate in GAP and other Energy Assistance-type programs increase their likelihood of moving toward self-sufficiency and maintaining their energy and/or economic independence.

VI. ADDITIONAL REPORTING REQUIREMENTS

A. *Customer Payment Frequency*

The following tables compare customer payment frequency, including full and partial payments, of all GAP participants in 2017 to the payment frequency of participating customers in 2016 and 2015. MERC also separated the payment frequency for the 63 new enrollees and for all Energy Assistance Program recipients. GAP customer payments include payments made by customers as well as community assistance payments that have been credited to their accounts that specific month. Any remaining credit that is carried over to future months is not counted as customer payments the following months, for reporting purposes.

GAP Customer Payment Frequency – All Customers Participating	
	MERC Total
Payments made in 2017	2,470 2 payments per GAP customer
Payments made in 2016	2,359 2 payments per GAP customer
Payments made in 2015	11,404 6 payments per GAP customer
GAP Customer Payment Frequency – New Customers in Program Year	
	MERC Total
Payments Made in 2017	252 4 payments per GAP customer
Payments Made in 2016	295 5 payments per GAP customer
Payments Made in 2015	1,710 7 payments per GAP customer
Customer Payment Frequency – Energy Assistance Recipients	
	MERC Total
Payments Made in 2017	104,867 7 payments per LIHEAP recipient
Payments Made in 2016	94,358 7 payments per LIHEAP recipient
Payments Made in 2015	112,837 9 payments per LIHEAP recipient

A growing number of customers with credit balances on their accounts reduced the number of payments they had to make because a credit balance is carried over month to month. Another contributing factor that resulted in a lower number of payments in 2017 is the lower number of enrollments over the past few years. GAP data continues to provide evidence that customers in the Program can make their payments if their monthly bill is reasonable or income-adjusted. MERC saw a decline in the consistent number of monthly payments made in 2017.

However, participants can miss one monthly payment as long as the missed payment and the second month's payment are paid by the second month due date. MERC believes that an increased number of customers have realized this, but also acknowledges that this may be reflective of how challenging it is to pay monthly bills with fluctuating income and unexpected household costs. An average of 700 enrolled customers made or needed to make regular monthly payments in 2017, a significant decrease from 2016.

The payment data for the 2017 GAP enrollees is difficult to compare with overall payments the last few years because the enrollment numbers have fluctuated over time. MERC saw a decrease in the number of Energy Assistance recipients in 2017; however, the average benefit for MERC customers was approximately \$20.00 higher. The average state-wide benefit for MN Energy Assistance remains between \$525-\$530 for both FFY 2016 and 2017. Many factors contribute to the difficulty in comparing enrollment over time, including factors not controlled by MERC such as LIHEAP federal funding levels and payment schedules, weather, gas cost, number in household, and fluctuation in household income.

Although MERC does not have historical data tracking customer payments for all GAP customers before they enrolled in GAP, MERC provides the following information regarding the 2017 new enrollees in GAP and their payment frequency in 2016 (pre-enrollment) and 2017.³

2017 GAP Enrollee Payments Before and After Enrollment	
Number of New GAP Enrollees in 2017	63
Payments Made by 2017 GAP Enrollees in 2016	318 including EAP payments/196 excluding EAP payments
Payments Made by 2017 GAP Enrollees in 2017	434 including EAP payments/252 excluding EAP payments

³ It should be noted that the information provided is for calendar year 2016 and 2017 and does not take into consideration the date of enrollment for each customer.

B. Disconnection of Gas Service

Below are the 2017 disconnections by customer category:

Customer Category	Number of Disconnections	Percentage of Customers
2017 Firm Customers (Approx. 232,000)	1,680	Less than 1%
2017 GAP Participants (1,607)	32	2%
2017 LIHEAP Recipients (Non-GAP Participants) (11,596)	384	3%

C. Payment Amount

The table below shows the average annual and monthly bill credit amounts for GAP participants and a comparison of these amounts to GAP participants' annual and average monthly bill and account balance. This data includes all GAP customers, regardless of arrears or credit balance. In particular, the average arrearage (account balance) includes account balances for those customers who have participated in the Program for more than two years and who successfully eliminated their pre-Program arrears and may have a significant credit balance. Because MERC has had an increasing number of accounts in which the total credit balance exceeds the total arrears balance, the average account balance continues to be a growing negative number (i.e., credit). In 2017, MERC shows the average annual credit increasing by \$192 over 2016. This is consistent with the trend of the number of GAP customers having a credit balance. With increases in these numbers, we see the number of payments by GAP customer lowering as they continue to participate in the GAP program. There were approximately 600 customers enrolled at the end of 2017 with credit balances greater than \$500.

	Average Annual Bill Credit	Monthly Average Bill Credit	Average Annual Bill	Average Monthly Bill	Average Arrearage (Account Balance)
MERC	\$672	\$56	\$696	\$58	-\$522

D. Customer Payment History

The following charts represent the number of GAP customers making full, partial, and no payments each month in 2015, 2016, and 2017. Late payments are incorporated as full or partial payments in the months the payments were received. Community assistance payments on GAP customers' accounts are counted as customer payments the month they are received and posted to the account. The 2017 customer payment counts represent a similar pattern of payment vs. non-payment as 2016 payments. The slightly higher numbers may be reflective of the normalization of collections action in 2016-2017 after the roll out of the new customer billing system.

GAP 2017 - Customer Count			
Month	Full Payment	Partial Payment	No Payment
January	199	74	161
February	194	61	153
March	245	61	166
April	201	36	159
May	206	16	207
June	179	28	170
July	126	17	143
August	139	18	146
September	131	22	123
October	213	26	120
November	170	25	128
December	77	8	232

GAP 2016 - Customer Count			
Month	Full Payment	Partial Payment	No Payment
January	132	86	216
February	220	79	92
March	202	45	106
April	195	42	172
May	204	19	195
June	156	24	154
July	133	10	137
August	141	7	140
September	139	7	110
October	210	17	109
November	171	33	86
December	61	26	182

GAP 2015 - Customer Count			
Month	Full Payment	Partial Payment	No Payment
January	1,471	171	415
February	986	186	811
March	1077	30	786
April	779	125	794
May	673	102	189
June	698	138	897
July	422	23	1119
August	442	21	1153
September	436	23	1161
October	454	54	1092
November	1513	38	141
December	1429	14	103

The Commission's September 22, 2010, Order, in Docket No. G007,011/M-07-1131, required utilities to report information on customer payment frequency that incorporates partial and late payment information. The charts above incorporate late payments, as full and partial payments, in the months the payments were received. MERC notes a late payment only impacts a customer's GAP status if the customer fails to make a payment or makes a partial payment in one month and then pays the next month's bill late.

E. Arrearage Level

The table below shows the average account balance at the end of each year for GAP customers, Energy Assistance customers not enrolled in GAP, and all MERC residential customers. The account balance is calculated by taking the total arrears per customer class minus the class's total credit balance. Accordingly, a negative number indicates that a class's credit balance exceeded its total arrears. For GAP customers, the table reflects a slight increase in the average account balance (a smaller credit amount) at the end of 2017. The average account balance for non-GAP Energy Assistance recipients increased in 2017. Arrears for all MERC residential customers increased considerably in 2017 compared to 2016, primarily due to limited active collections activities in 2017. Due to the limited collection activity in 2016, customers entered 2017 carrying larger arrears. It was more difficult for customers to deal with paying off the larger arrears, leaving higher amounts due at the end of 2017. We continue to work with our Care Center to promote GAP, and work out payment arrangements for all other customers.

	Average Arrears (Account Balance) as of December 31, 2017	Average Arrears (Account Balance) as of December 31, 2016	Average Arrears (Account Balance) as of December 31, 2015
MERC GAP Customers	-\$523	-\$702	-\$683
LIHEAP Customers	\$267	\$243	\$189
MERC Residential Customers	\$243	\$174	\$136

MERC did not unenroll any customers with significant credit balances in 2017.

Customers with large credit balances continue to be eligible and some indicated that they want to continue participating in the Program. We plan to continue to approach customers with credit balances to discuss unenrollment options. Because these customers have large credit

balances, they significantly skew the overall GAP participants' average account balance, which is a large credit dollar amount.

At the end of 2017, MERC had 110 GAP customers with arrears, with arrears balances totaling \$38,633. For the customers who had arrears balances at the end of 2017, the average arrears balance was \$351 per customer. In 2016, MERC had 144 GAP customers with arrears balances that totaled \$42,166. The average arrears balance for these customers was \$292 per customer. The increase in average arrears may be due to customers going into 2017 with higher arrears due to the limited collection activities in 2016 with the implementation of our new billing system.

Regarding the impact of MERC's GAP program on the number of customers with arrears, MERC provides the following information regarding the percentage of GAP customers, non-GAP LIHEAP customers, and Residential customers in arrears as of December 31, 2017. As this information shows, the percentage of GAP participants with arrears is significantly less than non-GAP LIHEAP customers and Residential customers overall.

	# of customers with arrears	% of customers with arrears compared to total group
GAP	110	0.38%
Non-GAP LIHEAP	3,141	10.78%
Residential	29,128	12.56%

F. Coordination with Other Available Low-Income Bill Payment Assistance and Conservation Resources

MERC continues to build its strong partnership with The Salvation Army, which administers the Company's GAP and provides some important additional support services to MERC customers in need. MERC Care Center representatives continue to keep informed about GAP and refer customers who have received Minnesota's Energy Assistance benefits to The Salvation Army as appropriate for potential Program enrollment. The Salvation Army also

has access to a variety of internal and external programs to which it refers individuals. The external agencies include: Second Harvest, Energy Assistance, County Emergency Assistance, Medical Clinics, the Social Security Administration, the Veterans Administration, Legal Services, Emergency Disaster Services, the Department of Housing and Urban Development, the Federal Emergency Management Agency, St. Vincent de Paul, the Minnesota Housing Authority, and the State's Weatherization Assistance Program. The Salvation Army and MERC's Care Center representatives also refer individuals to MERC's Conservation Improvement Program Weatherization and 4U2 (limited income) programs.

Another program that is available through The Salvation Army is HeatShare, which is a state-wide fuel fund for customers who are ineligible for or have incomes that are too great to receive a GAP percent-of-income credit. HeatShare offers direct assistance, budget counseling, and energy conservation education. In an effort to help low-income households with the costs of heating, HeatShare works in conjunction with the Energy Assistance program on a statewide and local basis. The Salvation Army is very connected with the State of Minnesota programs and staff and is a part of the Department's LIHEAP Policy Advisory Committee and advocates on behalf of low-income households to maintain federal LIHEAP funding levels. Additionally, The Salvation Army offers food assistance, rent assistance, medical clinics, seasonal and disaster assistance, and many other services for individuals and entire communities with a variety of needs.

The Salvation Army continues to assist MERC customers with funds from the HeatShare program in 2017, including when it has been determined those customers were ineligible for GAP. In 2017, 121 MERC customers received assistance from the HeatShare fund, amounting to \$32,182.39 in funding. The Salvation Army also makes referrals to other assistance programs, including food vouchers, rental assistance, budget counseling, and other Salvation Army services. MERC continues to support the HeatShare fund by donating 50 cents for every dollar customers donate through their monthly gas bills. In 2017, MERC customers donated a

total of \$39,756.65 via monthly gas bills and direct donations, and MERC provided \$119,878.33 in matching funds to HeatShare for the on-bill donations.

MERC has regular contact through different channels with the energy assistance agencies and community agencies in its service territory. MERC's staff communicates with the energy assistance agencies, and also meets with Department and Commission staff several times each year to discuss process improvements, issue resolution, assistance coordination, and strengthening the partnerships with all stakeholders. MERC also continues to work with other investor-owned utility staff to stay connected, discuss partnership opportunities, and to align program practices where appropriate.

MERC also has a specially trained group of customer service staff at its Customer Assistance Center. The Customer Assistance Center has a designated toll-free phone line, Energy Assistance web site, group email, and fax number, and the center's staff provides assistance to the WEC Energy Group utility subsidiaries' energy assistance agencies in Minnesota, Wisconsin, and Michigan. The Customer Assistance Center works with agencies on a daily basis to better assist customers and expedite the assistance processes. The team also works very closely with The Salvation Army staff to assist in enrolling MERC customers in GAP. This Energy Assistance web site is also used by The Salvation Army to obtain customer consumption information to determine GAP eligibility and to complete the enrollment process. The Agency Portal has had a significant positive impact on processing time for the agencies and The Salvation Army as the agencies can respond to customers' needs more efficiently and effectively.

In its December 29, 2011, Order in Docket No. G007,011/M-07-1131, the Commission required all natural gas utilities to implement an application-processing goal, assess periodically whether the use of their third-party administrator is the most effective and efficient arrangement, require the third-party administrator to make the GAP application available on their website,

provide reminders to GAP participants when payments are missed, and cross-promote GAP with other programs. These requirements are discussed in Sections G through J below.

G. Application Processing Goal

MERC requires the GAP Program Administrator, The Salvation Army, to process all completed GAP applications within five business days of receipt. If this deadline cannot be achieved, due to circumstances beyond The Salvation Army's control, the GAP Program Manager must be notified so the issue can be resolved. MERC reports that in Program year 2017 all applications were processed within five business days.

H. Third-Party Administrator Evaluation

MERC and The Salvation Army review GAP administration performance quarterly. At that time, MERC and The Salvation Army review monthly enrollments, upcoming promotions, the need for additional targeted promotions (mailings, phone calls, etc.), barriers to increasing participation, and the year-to-date Program budget. The Salvation Army's existing contacts with those on a fixed income gives it a significant advantage in referring customers to the Program. The Salvation Army's broader network of assistance helps customers' progress toward self-sufficiency. The Salvation Army across Minnesota works very closely with the Energy Assistance program in each county to ensure awareness of GAP, to provide any help needed to customers in getting applications completed, and to assist with the processing and enrollment of applicants.

The Salvation Army continues to make MERC's GAP application available on its website. The availability of this application on The Salvation Army's website allows customers to use this self-service option, reducing the number of phone calls simply requesting a copy of the application. Additionally, The Salvation Army promotes the Program, including making the GAP application available to its caseworkers, HeatShare, and outreach staff, which generates internal referrals. The Salvation Army also makes this Program application available at resource fairs it participates in around the state.

MERC continues to have GAP enrollment information and the GAP application on its website. The MERC Care Center also mails GAP applications to customers who inquire or are informed of the Program after assisting those customers with bills or payment arrangements.

I. Reminder after Missed Payment

MERC informs all GAP participants on their bills if payments are not received for the prior billing period. In 2017, only 40 GAP participants defaulted from the Program due to non-payment.

J. Cross Promotion of GAP

MERC promotes GAP in a variety of ways throughout the year—on its website; through quarterly bill inserts, Customer Connection articles, Care Center contacts, collection contacts, and campaigns (including for customers in the gas service disconnection process); through promotion and communication to and through the energy assistance agencies; and through targeted mailings to energy assistance recipients who have not yet participated. The Salvation Army promotes the Program through its other social services programs and through its casework.

VII. GAP ANNUAL SUMMARY SCHEDULE

In its September 25, 2013, Order in Docket No. G011/M-15-539, the Commission required that MERC submit a summary schedule covering the following information:

1. average annual affordability benefit received per customer;
2. average annual arrearage-forgiveness benefit received per customer;
3. percentage of Low Income Home Energy Assistance Program (LIHEAP funded) customers that participated in GAP;
4. disconnection rates for (a) GAP customers, (b) LIHEAP-Non GAP customers, and (c) non-LIHEAP customers (all firm customers including C&I);
5. number of GAP participants enrolled as of year-end;
6. number of GAP participants enrolled and receiving benefits at some time during the year;

7. annual Program budget;
8. actual Program revenue;
9. actual Program cost;
10. GAP tracker balance as of year-end; and
11. GAP rate-affordability surcharge (\$/therm).

This information is included in the table below and attached as Attachment B.

Average Annual Affordability Benefit per GAP Participant 2017	\$409
Average Annual Arrearage-Forgiveness Benefit per GAP Participant 2017	\$10.88
Percentage of MERC LIHEAP Customers that Participated in GAP during 2017	14%
Disconnection Rates-2017:	
GAP Customers	2% (32 Customers)
LIHEAP Customers	3% (384 Customers)
All Firm Customers	<1% (1680 Customers)
Number of GAP Participants Enrolled as of Year End 2017	1,580
Number of GAP Participants Enrolled and Receiving Benefits at Some Time During 2017	1,607
Annual Program Budget 2017	\$750,000
Actual Program Revenue 2017	\$0
Actual Program Cost 2017	\$707,095
GAP Tracker Balance as of Year-End 2016	-\$38,975.93
GAP Rate-Affordability Surcharge (\$/therm)	\$0.00/therm

CONCLUSION

MERC respectfully requests that the Commission accept MERC's Annual Report as compliant with MERC's GAP tariff and Commission orders. MERC believes the continued success of GAP reflects the need for the Program beyond what LIHEAP offers. During 2017, MERC helped GAP customers successfully eliminate their pre-Program arrears through participation in the Program. Customers who have paid off their arrears and have established credit balances on their accounts have taken another step toward self-sufficiency. MERC looks forward to another successful year in 2018.

DATED: March 30, 2018

Respectfully submitted,

BRIGGS AND MORGAN, P.A.

By: /s/ Kristin M. Stastny

Kristin M. Stastny

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Attorney for Minnesota Energy
Resources Corporation

Minnesota Energy Resources - Total Company
 Gas Affordability Program Tracker

242262

Forecasted balance at 12/31/17

		<i>RT 078 and 179</i>	<i>RT 078</i>	<i>RT 826</i>	<i>RT 044</i>	<i>RT 519</i>									
		<u>Beginning Balance</u>		<u>Dollars Paid for</u>		<u>Cumulative Carry</u>									
		<u>Subject to Carry</u>	<u>Funding (from</u>	<u>Credits Due to</u>	<u>Arrearage</u>	<u>Admin Fee to</u>	<u>Dollars Paid for</u>	<u>Under-Collected</u>	<u>Balance Subject to</u>	<u>Costs Beginning</u>	<u>Carry Cost</u>	<u>Cumulative Carry</u>	<u>Costs</u>	<u>Balance</u>	<u>Balance</u>
		<u>Cost-Over (Under)</u>	<u>bills/refunds)</u>	<u>Final Accounts</u>	<u>Forgiveness</u>	<u>MPUC Charges</u>	<u>Affordability</u>	<u>Balance from IPL</u>	<u>Carry Cost</u>	<u>Balance</u>	<u>Carry Cost</u>	<u>Costs</u>	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
Actual	Jan-17	\$ 432,682.17	\$ (32.50)				\$ 56,597.53		\$ 376,052.14	\$ 136,566.72	\$ 638.35	\$ 137,205.07	\$ 513,257.21		
Actual	Feb-17	376,052.14	(25.21)	26,244.89			52,260.06		350,011.76	137,205.07	594.14	137,799.22	487,810.98		
Actual	Mar-17	350,011.76	5.17				61,784.86		288,232.07	137,799.22	489.27	138,288.49	426,520.56		
Actual	Apr-17	288,232.07	(4.85)				49,822.72		238,404.50	138,288.49	404.69	138,693.18	377,097.68		
Actual	May-17	238,404.50	(105.60)			21.76	61,762.79		176,514.35	138,693.18	299.63	138,992.82	315,507.17		
Actual	Jun-17	176,514.35					56,560.59		119,953.76	138,992.82	203.62	139,196.44	259,150.20		
Actual	Jul-17	119,953.76					51,012.35		68,941.41	139,196.44	117.03	139,313.47	208,254.88		
Actual	Aug-17	68,941.41					56,711.11		12,230.30	139,313.47	20.76	139,334.23	151,564.53		
Actual	Sep-17	12,230.30	3.67				50,820.31		(38,586.34)	139,334.23	(65.50)	139,268.73	100,682.39		
Actual	Oct-17	(38,586.34)	1.61				53,429.65		(92,014.38)	139,268.73	(156.19)	139,112.53	47,098.15		
Actual	Nov-17	(92,014.38)		54,403.88	10,073.30		18,750.00		(118,801.74)	139,112.53	(201.67)	138,910.87	20,109.13		
Actual	Dec-17	(118,801.74)	(13.04)	15,467.67	883.52		19,920.27		(177,585.34)	138,910.87	(301.45)	138,609.41	(38,975.93)		
		\$ (170.75)	\$ 96,116.44	\$ 10,956.82	\$ 21.76	\$ 38,670.27	\$ 656,564.35	\$ -			\$ 2,042.69				

GAP surcharge set to \$0.00 as of October 2015

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In the Matter of the 2017 Gas
Affordability Program Annual Report of
Minnesota Energy Resources
Corporation

Docket No. G011/M-18-____

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 30th day of March, 2018, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Gas Affordability Program Annual Report on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

Dated this 30th day of March, 2018.

/s/ Kristin M. Stastny
Kristin M. Stastny

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_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_Minnesota Energy Resources Corporation_General Service List
Seth	DeMerritt	ssdemerritt@integrysgroup.com	MERC (Holding)	700 North Adams P.O. Box 19001 Green Bay, WI 543079001	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_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 551012130	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_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_Minnesota Energy Resources Corporation_General Service List
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St Chicago, IL 60661	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_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_Minnesota Energy Resources Corporation_General Service List
Colleen	Sipiorski	ctsipiorski@integrysgroup.com	Minnesota Energy Resources Corporation	700 North Adams Street Green Bay, WI 54307	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kristin	Stastny	kstastny@briggs.com	Briggs and Morgan, P.A.	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_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_Minnesota Energy Resources Corporation_General Service List