# Minnesota Public Utilities Commission

***Staff Briefing Papers***

**Meeting Date: October 5, 2017......................................................................*Agenda Item # 3**

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**Companies:** All Regulated Natural Gas Utilities

**Docket Nos.** G008/M-17-245
In the Matter of the Application of CenterPoint Energy Company, 2016 Annual Gas Affordability Program Report

G002/M-17-253
In the Matter of the Application of Northern States Power Company, 2016 Annual Gas Affordability Program Report

G011/M-17-247
In the Matter of the Application of Minnesota Energy Resources Corporation, 2016 Annual Gas Affordability Program Report

G004/M-17-254
In the Matter of the Application of Great Plains Natural Gas Company, 2016 Annual Gas Affordability Program Report

G022/M-17-234
In the Matter of the Application of Greater Minnesota Gas Incorporated, 2016 Annual Gas Affordability Program Report

**Issues:** Review and acceptance of the 2016 Gas Affordability Program (GAP) annual compliance reports.

**Staff:** Ann Schwieger ............................................................................ 651-201-2238

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***(Relevant documents are listed on the next page)***

***Relevant Documents***

2016 GAP Annual Compliance Reports
Greater Minnesota Gas……………………………………………………………….March 30, 2017
CenterPoint Energy………………………………………………………………..March 31, 2017
Xcel Energy………………………………………………………………………..March 31, 2017
MERC……………………………………………………………………………...March 31, 2017
Great Plains………………………………………………………………………..March 31, 2017

Comments
Department of Commerce…………….…………..………………………………...June 26, 2017

Reply Comments
CenterPoint Energy…………………………………………………..…………..July 7, 2017
Xcel Energy………………………...…………………...…………………………..July 7, 2017
MERC…………………………………………………………….…………...……July 7, 2017
Greater Minnesota Gas……………………………………………………………….July 13, 2017
Great Plains Natural Gas……………...……………………………………………...July 19, 2017

Supplemental Comments
Department of Commerce.…………………………………………………………August 7, 2017

Response Comments
CenterPoint Energy…………………………………………………………….August 17, 2017

The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless otherwise noted.

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# Statement of the Issues

Review and acceptance of the 2016 Gas Affordability Program (GAP) annual compliance reports.

# Introduction

The gas affordability programs are reviewed each year (through the filing of annual compliance reports) and periodically (through the program evaluation process). Improvements and efficiencies have been incorporated into the design and administration of these programs on an ongoing and as-needed, basis. Staff expects fewer changes to these programs will be necessary now that these programs have been reviewed and evaluated several times and are more established. The chart below shows the Companies' annual Program budget and the number of customers enrolled in the Program at some point during the year.

| | CenterPoint | Xcel | MERC | Great Plains | GMG |
|---|---|---|---|---|---|
| Annual Program Budget | $5,000,000 | $2,500,000 | $750,000 | $50,000 | $20,000 |
| GAP Participants – Enrolled at some point during calendar-year 2016 | 11,004 | 10,116 | 1,611 | 48 | 18 |

# Background

## Low-Income Affordability Program Statute, Minn. Stat. § 216B.16, subd. 15

The commission must consider ability to pay as a factor in setting utility rates and has established affordability programs for low-income residential ratepayers in order to ensure affordable, reliable, and continuous service to low-income utility customers. The low-income affordability program statute required all gas utilities to file proposals for low- income affordability programs with the Commission by September 1, 2007. All of the investor-owned, Commission rate regulated natural gas utilities currently offer an affordability program for income-qualified customers.

The commission must issue orders necessary to implement, administer, and evaluate affordability programs, and to allow a utility to recover program costs, including administrative costs, on a timely basis.

The Programs are available to residential customers within the Company's service area who have been qualified for and received assistance from the Low-Income Home Energy Assistance Program (LIHEAP).

There are five criteria identified within the statute that any affordability program the Commission orders a utility to implement must meet:

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.

Over time, the Commission has imposed additional reporting requirements of its own.

(A copy of the statute is attached.)

## Annual Reports for Calendar Year 2016 & Party Comments

On March 30 and March 31, 2017, all of the gas utilities submitted annual Gas Affordability Program (GAP) compliance reports for the 2016 program year. These reports describe the affordability programs offered by each company and provide data on the administration, operation and performance of each program.

On June 26, 2017, the Department submitted comments and recommended the Minnesota Public Utilities Commission accept the annual reports, contingent on CenterPoint, Great Plains, MERC and Xcel providing or identifying certain information in reply comments. The Department found that Greater Minnesota Gas complied with all of its applicable reporting requirement and recommended the Commission accept its annual GAP compliance report.

On July 7, 2017, CenterPoint Energy, Xcel Energy & Minnesota Energy Resources Corporation filed reply comments and provided the additional information requested by the Department.

On July 13, 2017, Greater Minnesota gas filed reply comments and provided the additional information requested by the Department.

On July 19, 2017, Great Plains Natural Gas filed reply comments and provided the additional information requested by the Department.

On August 7, 2017, the Department stated it had reviewed the information provided by the utilities in their reply comments and concluded that all of the utilities have complied with their reporting requirements and recommended the Commission accept the GAP annual reports.

On August 17, 2017, CenterPoint submitted a response to the Department.  No other Company submitted response comments.

# Commission Orders

### Program Authorizations

The Commission issued orders authorizing the start of each gas affordability program. All of the GAP programs were originally set up as pilot programs that expired on a certain date unless the Commission evaluated and authorized the programs to continue. CenterPoint's and Xcel's programs predated the statutory requirement for these programs and were initially authorized in rate cases. MERC's, Great Plains', and GMG's programs are the result of filings required by the low-income affordability program statute.

## Program Evaluations and Termination Dates

In addition to the annual acceptance of the GAP reports, the programs are also evaluated periodically, in depth on a company basis. The statute states that 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.

Additionally, the Commission must issue orders necessary to implement, administer, and evaluate affordability programs, and to allow a utility to recover program costs, including administrative costs, on a timely basis. The Commission may not allow a utility to recover administrative costs, excluding start-up costs, in excess of five percent of total program costs, or program evaluation costs in excess of two percent of total program costs. The commission must permit deferred accounting, with carrying costs, for recovery of program costs incurred during the period between general rate cases.

The Commission determines how the program is working, if modifications should be made to the program and if it should continue as a pilot program or become a permanent program. MERC and Great Plains had their programs evaluated in 2015 and 2014 respectively. CenterPoint,[1] Xcel,[2]and Great Plains[3] were evaluated earlier this year during a separate Commission proceeding. Relevant dates and highlights of the Commission decisions made during the last evaluation of these programs are presented below.

[1] Docket No. G-008/M-16-486.
[2] Docket No. G-002/M-16-493.
[3] Docket No. G-004/M-16-495.

| | CenterPoint | Xcel | MERC | Great Plains | GMG |
|---|---|---|---|---|---|
| Program Effective Date | 5/1/2007 | 2/1/2008 | 4/1/2008 | 6/1/2008 | 10/9/2008 (approx.) |
| Next Evaluation Report Due | 3/31/2019 | 3/31/2019 | 5/31/2019 | 3/31/2019 | 3/31/2019 |
| Current Term of Pilot Program Ends | Permanent Program | Permanent Program | Pilot 12/31/2019 | Permanent Program | Pilot No end date[4] |
| Date of Last Evaluation Order | 5/22/2017 (docket #16-486) | 5/22/2017 (docket #16-493) | 9/25/2015 (docket #15-539) | 5/22/2017 (docket #16-495) | 12/1/2015 (docket #15-855) |

**CenterPoint Energy**

- Evaluated in 2016.
- Required the Company to continue to report customer payments, arrears balances and disconnection rates using the non-GAP LIHEAP baseline method and, beginning with the 2017 the pre-program baseline method was added as an additional reporting requirement.
- Made the GAP a permanent program with no expiration date.
- Required to file next evaluation report on or before May 31, 2019.

**Xcel Energy**

- Evaluated in 2016.
- Required the Company to continue to report customer payments, arrears balances and disconnection rates using the non-GAP LIHEAP baseline method and, beginning with the 2017 the pre-program baseline method was added as an additional reporting requirement.
- Made the GAP a permanent program with no expiration date.
- Required to file next evaluation report on or before May 31, 2019.
- Approved the increase of the GAP surcharge from $0.00400 to $0.00445 per therm.

[4] The Commission's December 1, 2015 Order in Docket No. G-022/M-15-855 states that GMG is required to operate its Gas Affordability Program as a pilot program until such time as the Commission determines the Program to be permanent.

## Great Plains Natural Gas

- Evaluated in 2016.
- Required GPNG to change its method of reporting GAP performance based on one-hundred percent of customers enrolled in both LIHEAP and GAP and one-hundred percent of customers only enrolled in LIHEAP.
- Made the GAP a permanent program with no expiration date.
- Required to file next evaluation report on or before May 31, 2019.
- Approved the increase of the GAP surcharge from $0.00000 to $0.01393 per dekatherm.

During the 2016 proceeding, the Commission also directed CenterPoint, Xcel and Great Plains to participate in a stakeholder workgroup with other utilities that offer a GAP, third party administrators, and the Department to discuss if changes should be made to the GAP. The stakeholder group is to file an evaluation of whether changes should be implemented to the GAP by May 22, 2018.

## MERC

- Evaluated in 2015.
- Extended the Program through December 31, 2019.
- Allowed a program annual budget reduction from $1,000,000 to $750,000.
- Allowed correction to the methodology of the treatment of the regulatory asset and the effect it has on the GAP tracker balance, retroactive to January 1, 2012.
- Set the tracker carrying charge equal to the most currently approved cost of short-term debt and required to update pending any decisions made in future rate cases.

## Greater Minnesota Gas

- Evaluated in 2014.
- Implemented significant changes to its Program beginning January 1, 2016.
- Annual program budget of $20,000 which GMG will track and defer implementation of a customer surcharge until after the completion of the 2017 program year.
- Affordability component changed to a bill credit determined as one-twelfth of the difference between the utility's estimate of the qualified customer's annual natural gas bill and 4% of the qualified customer's annual household income.
- Arrearage forgiveness component changed to a matching credit from the utility that is applied to an income qualified customer's account each month after receipt of the customer's scheduled arrears payment. The goal of the monthly credit and customer payment is to retire pre-program arrears over a period of up to 24 months.
- Agreed to partner with ECC to assist with administration of its GAP.
- Required to operate GAP as a pilot program with no expiration date until the Commission determines the program should become permanent.

### Annual Reviews

The Commission issued orders reviewing the GAPs for calendar-years as follows:

- 2008 GAP annual reports on July 8 and November 18, 2009.
- 2009 GAP annual reports on September 22, 2010.
- 2010 GAP annual reports on December 29, 2011.
- 2011 GAP annual reports on October 5, 2012.
- 2012 GAP annual reports on September 25, 2013.
- 2013 GAP annual reports on November 26, 2014.[5]
- 2014 GAP annual reports on September 29, 2015.[6]
- 2015 GAP annual reports on June 30, 2016[7]

The following is a brief summary and comparison of some of the key data provided by the companies.

## Program Design

All of the gas affordability program customer benefits have an affordability component and an arrearage forgiveness component.

**Affordability**

The affordability component is designed to help make the GAP customer's current bill affordable by limiting the amount the customer pays each month for natural gas to a set percentage of the customer's household income, usually four or six percent. The limit on the percentage of income that participating households devote to energy bills is one of the requirements that a GAP must meet under the statute. The actual percentage amount is set by the Commission for each program.

The following table compares the terms of the affordability component for the different programs. Due to design changes implemented in GMG's program in 2016 this data is more comparable to the data provided by other utilities in the 2016 annual report.

[5] The 2008 through 2013 GAP annual reports were filed under the following Docket Nos.: G-008/GR-05-1380 CenterPoint, G-002/GR-06-1429 Xcel Energy, G-011/M-07-1131 MERC, G-004/M-07-1235 Great Plains, G-022/CI-08-1175 Greater Minnesota Gas.

[6] For the 2014 GAP annual reports the Docket Nos. were as follows: G-008/M-15-307 CenterPoint, G-002/M-15-314 Xcel Energy, G-011/M-15-308 MERC, G-004/M-15-306 Great Plains, G-022/M-15-315 Greater Minnesota Gas.

[7] For the 2015 GAP annual reports the Docket Nos. were as follows: G-008/M-16-266 CenterPoint, G-002/M-16-272 Xcel Energy, G-011/M-16-273 MERC, G-004/M-16-275 Great Plains, G-022/M-16-233 Greater Minnesota Gas.

| GAP Affordability Component – Customer Benefit | Center Point | Xcel | MERC | Great Plains | GMG[8] |
|---|---|---|---|---|---|
| Basis of benefit | The affordability component is a bill credit determined as one-twelfth of the difference between the utility's estimate of the qualified customer's annual natural gas bill and a percentage of the qualified customer's annual household income as provided by the qualified customer to the utility. Once enrolled in the program, any energy assistance monies not applied to past due bills are applied to the customer's current bills in accordance with LIHEAP program guidelines. The remaining balance is applied to future bills. Energy assistance is not considered part of household income in the calculation of the affordability credit. | | | | |
| % of Household Income | 4% | 4% | 6% | 4% | 4% |
| 2016 Average Benefit | $291 | $208 | $432 | $99 | $250 |
| 2015 Average Benefit | $460 | $241 | $376 | $217 | $102 |
| 2014 Average Benefit | $381 | $264 | $305 | $180 | $102 |
| 2013 Average Benefit | $327 | $158 | $482 | $79 | $102 |
| 2012 Average Benefit | $323 | $145[9] | $489 | $190 | $102 |

**Arrearage Forgiveness**

The arrearage forgiveness component is designed to help the GAP customer retire past due natural gas bills that are in arrears over a one to two year period with monthly payments that are matched (dollar-for-dollar or better) by the company using money from the affordability program. The intent of the matching provision is to provide an incentive for customers to make regular monthly bill payments for the term of the payment plan while paying down past due gas bills. The arrearage forgiveness component of the Program was designed to meet the statutory requirement to decrease or eliminate participating customer arrears.

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[8] Prior to 2016, the affordability component for GMG's GAP consisted of a waiver of the monthly facility (i.e. customer) charge and is reviewed and administered quarterly.

[9] In 2012 Xcel did not have the data to split between the affordability and arrearage forgiveness credit. The $145 in 2012 included both. The comparable number for 2013 is $186, which includes $158 for the affordability credit and $28 for the arrearage forgiveness credit.

The following table compares the terms of the arrearage forgiveness component for the different programs. This table also summarizes GMG's program which was simpler and smaller than the other programs through 2015. Due to design changes implemented in GMG's program in 2016 the data is more comparable to the data provided by other utilities in the 2016 annual report.

| GAP Arrearage Forgiveness Component – Customer Benefit | CenterPoint | Xcel | MERC | Great Plains | GMG[10] |
|---|---|---|---|---|---|
| Basis of benefit | The arrearage forgiveness component is a matching credit from the utility that is applied to an income qualified customer's account each month after receipt of the customer's scheduled arrears payment. The application of this monthly credit and customer payment retires pre-program arrears over a designated period of time. Energy assistance is not considered in the calculation of the forgiveness of pre- program arrears. | | | | |
| Repayment period for arrears | 12 mos. - customer contributes no more than 2% of household income to retire pre-program arrears | Up to 24 mos | Up to 24 mos. (modified in 2012 - up to 24 mos. with arrears, and 12 mos. without arrears) | Up to 24 mos. | Up to 24 mos. |
| 2016 Average Benefit | $196 | $24 | $6.60 | $33 | $112 |
| 2015 Average Benefit | $220 | $30 | $17 | $58 | $102 |
| 2014 Average Benefit | $266 | $33 | $7.31 | $61 | $102 |
| 2013 Average Benefit | $209 | $28 | $37 | $43 | $102 |
| 2012 Average Benefit | $251 | $145[11] | $38 | $44 | $102 |

[10] Prior to 2016, the arrearage forgiveness component for GMG's GAP consisted of a one-time bill credit of $102.00 applied to customer's bill if the customer made 12 consecutive, timely payments.

[11] Ibid. Footnote 3.

# Increase Customer Payment Frequency

The statute requires a GAP to increase participating customer payments over time by increasing the frequency of payments. The utilities that offer a GAP have shown that the Program increases customer payment frequency over time. The Commission has not required GMG to meet this reporting requirement.

# Decrease Collection Costs

Another requirement of the statute is that the programs lower the utility costs associated with customer account collection activities. There is evidence that the Program reduces the collection costs incurred by the utilities that offer a GAP. The Commission has not required GMG to meet this reporting requirement.

# Program Administration, Effectiveness and Periodic Assessment of Third-Party Program Administrators

In the review of the 2011 compliance filings, there was a discussion, about the cost and effectiveness of using third-party program administrators for these programs. In its December 29, 2011 *Order Accepting Gas Affordability Program Reports And Requiring Further Action*, the Commission directed the companies to periodically assess (a) whether their programs could be more effective and efficient by the use of a third-party administrator, and (b) if they already use a third-party to administer, whether this is the most effective and efficient arrangement, including a review of alternatives. However, there is a statutory requirement for the utilities to coordinate the program with other available low-income bill payment assistance and conservation resources. The utilities and their third party administrators are shown in the table below.

| | CenterPoint | Xcel | MERC | Great Plains | GMG |
|---|---|---|---|---|---|
| Third-party program administrator | ECC | ECC | Salvation Army | Salvation Army | ECC |

Some of the promotional efforts employed by the Companies, internally or in conjunction with their third party administrator include:

- Direct mail and e-mails sent to LIHEAP recipients encouraging them to enroll in GAP.
- Making the application electronically available.
- Partnering with outside low-income agencies to promote the GAP.
- Attending community outreach events.
- Call center referrals to customer's who may be eligible for GAP.

# GAP Participation Rates & Enrollment

To participate in a gas affordability program, the customer must be income qualified for LIHEAP (Low-Income Home Energy Assistance Program) and receive a LIHEAP grant. The GAP participation rate describes the percentage of LIHEAP customers that applied for, qualified and were enrolled in a GAP program (for at least one month) during calendar-year 2016. The participation rate for each company is provided for 2016 and previous years for comparison.

| GAP participation rates (% of LIHEAP customers that participated in GAP) | Center-Point | Xcel | MERC | GPNG | GMG |
|---|---|---|---|---|---|
| 2016 | 26.3% | 41% | 13% | 3.18% | 23.4% |
| 2015 | 34.1% | 43% | 13% | 11.22% | 41% |
| 2014 | 34.5% | 38% | 15% | 10.21% | 12% |
| 2013 | 44.8% | 49% | 8% | 4.82% | 22% |
| 2012 | 28% | 27% | 8% | 15.15% | n/a |
| 2011 | 30% | 45%[12] | 9% | n/a | n/a |
| 2010 (as reported in USG report) | 27% | 43% | 12% | 7% | n/a |

GAP participation may provide some indication of the effectiveness of the Company's outreach efforts. However, these ratios do not address the underlying, related issue of participation in LIHEAP. Many factors including program design, LIHEAP outreach, and GAP outreach affect the level of GAP participation. Since receipt of LIHEAP is required for participation in the GAP, changes in the number of customers who receive LIHEAP may also impact participation in GAP.

The table below shows the number of GAP customers that participated in the Program over the last five years (for at least one month in each year). It is interesting to note that participation in all of programs has decreased over the last two or three years. Perhaps most significantly on a percentage basis in CenterPoint's and GPNG's programs.

| # of GAP Customers Enrolled at Some Point During Program Year | CenterPoint | Xcel | MERC | GPNG | GMG |
|---|---|---|---|---|---|
| 2016 | 11,004 | 10,116 | 1,611 | 48 | 18 |
| 2015 | 13,964 | 11,041 | 1,993 | 179 | 27 |
| 2014 | 17,763 | 10,620 | 2,060 | 182 | 15 |
| 2013 | 17,176 | 13,339 | 1,248 | 82 | 14 |
| 2012 | 17,574 | 13,344 | 1,240 | 284 | 15 |

Natural gas bills are lower when the winter month are warmer than normal, which may reduce the number of customers who would benefit from GAP assistance. The cold weather season of 2014 included some very cold months, but 2015 and 2016 were warmer than normal. In addition to weather, the price of natural gas will impact gas bills, which may also impact the number of

[12] There was some confusion in 2011. The participation rate was originally reported as 80%. The correct Participation Rate was 45% as reflected in the chart above.

GAP participants. With lower gas prices and lower gas bills, fewer households may be eligible or won't receive a benefit because the ratio between participant income and gas bill amount narrows.

In addition to the amount of the bill and receipt of LIHEAP, GAP participation may be influenced by other trends such as unemployment, etc. There are many reasons why participation can fluctuate and it is not possible to identify or quantify all of the reasons based on the data provided in these reports.

## Disconnection Rates for GAP, LIHEAP-Non-GAP, and Non-LIHEAP Customers

The following table compares each company's disconnection rate for different categories of customers. It appears that the GAP program generally helps prevent disconnections. For all companies, the disconnection rate for GAP customers appears to be lower than it is for LIHEAP customers that do not participate in GAP. This may be due to the affordability component of the program, which limits the customer's current bill to a set percentage of income helping people to budget their household finances. Alternatively, it may be that the customers that are most likely to succeed with GAP assistance self-select into these programs. For example, customers that participate in GAP may be more likely to stick with a payment plan which would make it less likely for them to be disconnected. GMG was required by the Commission to begin reporting this information in 2016.

| **Disconnection Rates** | Center Point | Xcel | MERC | Great Plains | GMG |
|---|---|---|---|---|---|
| **GAP** | | | | | |
| 2016 | 3.3% | 4% | <1% | 4.7% | 0% |
| 2015 | 4% | 5% | 3.5% | 7.82% | |
| 2014 | 5% | 6% | 2% | 13.19% | |
| 2013 | 4.7% | 5.0% | <1% | 19.5% | |
| 2012 | 4.4% | 5.0% | <1% | 2.5% | |
| 2011 | 2.6% | 4.0% | <1% | 13.5% | |
| 2010 | 2.9% | 4.0% | <1% | 6.6% | |
| | | | | | |
| **LIHEAP - Non-GAP** | Center Point | Xcel | MERC | Great Plains | GMG |
| 2016 | 7.8% | 7% | <1% | 10.68% | 0.06% |
| 2015 | 10.2% | 9% | 8.5% | 19.34% | |
| 2014 | 11.9% | 11% | 13% | 28.6% | |
| 2013 | 9.1% | 9% | <15% | 23.9% | |
| 2012 | 8.7% | 10.0% | 11.0% | 13.8% | |
| 2011 | 6.7% | 9.0% | 16.0% | Not available | |
| 2010 | 7.0% | 10.0% | 11.0% | 14.9% | |

| **Non-LIHEAP (all firm including C&I)** | Center Point | Xcel | MERC | Great Plains | GMG |
|---|---|---|---|---|---|
| 2016 | 3.8% | <1% | <1% | 2.4% | 0.8% |
| 2015 | 3.8% | 1% | 2% | 2.7% | |
| 2014 | 2.6% | 1% | 3% | 3.88% | |
| 2013 | 3.8% | <1% | 3% | 3.9% | |
| 2012 | 3.4% | 1.0% | 2.0% | 4.6% | |
| 2011 | 6.7% | 1.0% | 5.0% | 6.4% | |
| 2010 | 3.5% | 2.0% | 4.0% | 4.4% | |

In the Commission's review of the 2015 periodic evaluations, the Commission ordered the Companies to begin reporting using both the Non-GAP LIHEAP baseline method which is shown above and the pre-Program baseline method shown below.

| **All Natural Gas Residential Customers (Non-GAP Non-LIHEAP – pre-program baseline)** | Center Point | Xcel | MERC | Great Plains | GMG |
|---|---|---|---|---|---|
| 2016 | 3.8% | <1% | <1% | 2.4% | 0.8% |

The Non-GAP LIHEAP baseline measurement uses the outcome of non-participating LIHEAP customers as a baseline for measuring improvements. The pre-Program baseline method uses the outcomes of participants before entering the Program as a baseline for measuring improvements.

## GAP Retention Rates

Another broad measure of outcomes for these programs is the customer retention rate. The retention rate is the number of customers enrolled in a program at year-end divided by the number of customers that participated in that program during the year. The duration of the customer's enrollment in the program is not factored into the calculation of the retention rate. And, the rate is calculated as of December 31, which may or may not be the best date to use for estimating retention rates because it may not be the most representative of program performance.

In any event, the customer retention rate (percentage) may be an indication of how well a program is designed for the population it serves. The retention rate may also be an indicator of how well each program's customer outreach, selection and enrollment process is working.

| GAP Retention Rate 2016 | Center Point | Xcel | MERC | Great Plains | GMG |
|---|---|---|---|---|---|
| GAP participants - enrolled at year-end | 8,558 | 6,415 | 1,557 | 28 | 15 |
| GAP participants - enrolled and receiving benefits at some time during the program year | 11,004 | 10,116 | 1,611 | 48 | 18 |

| GAP Retention Rate | Center Point | Xcel | MERC | Great Plains | GMG |
|---|---|---|---|---|---|
| 2016 | 77% | 63% | 97% | 58% | 83% |
| 2015 | 77% | 65% | 78% | 76% | 59% |
| 2014 | 75% | 64% | 85% | 66% | 55% |
| 2013 | 67% | 50% | 87% | 35% | 14% |
| 2012 | 64% | 64% | 93% | 64% | n/a |
| 2011 | 73% | 58% | 79% | 86% | n/a |
| 2010 | 75% | 48% | 88% | 85% | n/a |

# Annual Program Budgets, Revenues & Costs

The table below shows the annual Program budget, the actual Program costs and revenues and the tracker balance over the 2016 Program year.

| | CenterPoint | Xcel | MERC | Great Plains | GMG |
|---|---|---|---|---|---|
| Annual Program Budget | $5,000,000 | $2,500,000 | $750,000[13] | $50,000 | $20,000 |
| Actual Program Revenue (2016) | $4,444,009 | $2,084,441 | $2,558 | $0 | $0 |
| Actual Program Cost (2016) | $3,184,859 | $2,519,708 | $707,354 | $7,299 | $12,284 |
| GAP Tracker Balance as of December 31, 2016 | $1,767,477 | $64,710 | $569,249 | $14,578 | $25,406 |

[13] In 2015, the Commission approved MERC's request to reduce its annual GAP budget from $1 million to $750,000.

# GAP Tracker Balances

The following table compares GAP tracker balances as of December 31, 2012 through 2016. The Commission tracks the balances in the GAP tracker accounts to see how much money has been collected for these programs and how much is being used.

| GAP Tracker Balance | CenterPoint | Xcel | MERC | Great Plains | GMG |
|---|---|---|---|---|---|
| as of December 31, 2016 | $1,767,477 | $64,710 | $569,249 | $14,578 | $25,406 |
| as of December 31, 2015 | $525,858 | $499,977 | $1,258,501 | $21,876 | ($7,189) |
| as of December 31, 2014 | $2,037,172 | $1,458,854 | $1,106,456 | $62,304 | |
| as of December 31, 2013 | $2,372,429 | $2,039,989 | $540,965 | $94,599 | |
| as of December 31, 2012 | $1,292,574 | $1,959,059 | $80,499 | $140,788 | |

**Xcel**

In 2012, Xcel was required to reduce its tracker balance by $1 million, over four years. This was done through a combination of a reduced surcharge and increased expenditures for outreach. In Xcel’s Program evaluation completed earlier this year, the Commission allowed Xcel to raise its surcharge from $0.00400 to $0.00445 per therm.

**MERC**

MERC’s tracker balance had a surplus at the end of 2015. The Company noted that this trend began to slow at the end of 2015 and that it had enrolled a higher percentage of customers with arrears in the Program. MERC expected this combination to further reduce its tracker balance over the course of 2016 which appears to have been accomplished.

**Great Plains**

Great Plans was required to reduce its tracker balance in 2012. In order to reduce the balance the Commission reduced the Company’s surcharge to $0.00000 per therm. In Great Plains Program evaluation completed earlier this year, the Commission reinstated a surcharge at $0.01393 per therm.

| Calendar-year 2016 | GAP rate - affordability surcharge ($/therm) | Annual cost for average residential customer who uses 900 therms of gas per year | Number of GAP participants | Customer classes assessed the GAP surcharge |
|---|---|---|---|---|
| CenterPoint | $0.00462 | $4.16 | 11,004 | All firm residential, commercial and industrial sales and transportation customers (except market-rate firm) |
| Xcel | $0.00400 | $3.12 | 10,116 | All firm sales customers |
| MERC | $0.00000 | $0.00 | 1,611 | Collection of surcharge is currently suspended - All General Service, i.e. firm sales customers were previously charged for this program. |
| Great Plains | $0.00000 | $0.00 | 48 | Collection of surcharge is currently suspended - All firm residential and firm general service customers were previously charged for this program. |
| GMG[14] | $0.00000 | $0.00 | 18 | Collection of surcharge will not be proposed by GMG until after completion of the 2017 program year. |

Although the budgets for these programs are roughly proportional to the size of each utility, as can be seen from the table above, the impact on a residential customer that uses 900 therms of gas each year, varies from one company to another. At the current affordability surcharge rates, the cost per year for a residential customer varies from $0.00 to $4.16 per year per residential customer.

# PUC Staff Comment

If the Commission has concerns about the design, effectiveness, management or performance of these programs, it may want to consider requiring an audit of these programs. Alternatively, it could require an audit as a supplement to the evaluation requirement for one or more of the

[14] GMG was authorized to establish a deferred account for all Program costs for review and recovery in GMG's next general rate case.

individual pilot programs. The Commission has the authority, pursuant to Minn. Stat. § 216B.62, subd. 8, to initiate such audits which would be conducted with direction from the Commission but under the Department's supervision.

# Decision Alternatives

1. Gas Affordability Program (GAP) Annual Compliance Reports for Calendar-Year 2016

    a. Accept the calendar-year 2016 GAP annual compliance reports (all dockets), or

    b. Do not accept the calendar-year 2016 GAP annual compliance reports.

Subd. 15. **Low-income affordability programs.** (a) The commission must consider ability to pay as a factor in setting utility rates and may establish affordability programs for low-income residential ratepayers in order to ensure affordable, reliable, and continuous service to low-income utility customers. A public utility serving low-income residential ratepayers who use natural gas for heating must file an affordability program with the commission. For purposes of this subdivision, "low-income residential ratepayers" means ratepayers who receive energy assistance from the low-income home energy assistance program (LIHEAP).

(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.

(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.

(d) The commission must issue orders necessary to implement, administer, and evaluate affordability programs, and to allow a utility to recover program costs, including administrative costs, on a timely basis. The commission may not allow a utility to recover administrative costs, excluding start-up costs, in excess of five percent of total program costs, or program evaluation costs in excess of two percent of total program costs. The commission must permit deferred accounting, with carrying costs, for recovery of program costs incurred during the period between general rate cases.

(e) Public utilities may use information collected or created for the purpose of administering energy assistance to administer affordability programs.