



Minnesota Energy Resources Corporation
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March 31, 2020

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

VIA ELECTRONIC FILING

**Re: Minnesota Energy Resources Corporation's Gas Affordability Program
2019 Annual Report**

Docket No. G011/M-20-____

Dear Mr. Seuffert:

Enclosed for filing, please find Minnesota Energy Resources Corporation's ("MERC's" or the "Company's") Gas Affordability Program ("GAP") 2019 Annual Report. MERC submits this report pursuant to the Company's Gas Affordability Service Program, MERC Tariff Sheet Nos. 7.09-7.11, and the Minnesota Public Utilities Commission's ("Commission's") Orders in Docket Nos. G011/M-07-1131, G011/M-15-308, G011/M-15-539, and G011/M-19-369. 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 Office of the Attorney General – Residential Utilities Division and the Department of Commerce, Division of Energy Resources. The information required by Minnesota Rule 7829.1300 is also included with this filing.

Please feel free to contact me at (414) 221-4208 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Joylyn C. Hoffman Malueg". The signature is written in a cursive style.

Joylyn Hoffman Malueg
Project Specialist 3
Minnesota Energy Resources Corporation

Enclosures
cc: Service List

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

**Katie Sieben
Valerie Means
Matthew Schuerger
John Tuma**

**Chair
Commissioner
Commissioner
Commissioner**

Minnesota Energy Resources Corporation's
2019 Gas Affordability Program Annual
Report

Docket No. G011/M-20-_____

**MINNESOTA ENERGY RESOURCES CORPORATION'S GAS AFFORDABILITY PROGRAM
2019 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") 2019 Annual Report.

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 Department of Commerce, Division of Energy Resources ("Department") and the Office of the Attorney General – Residential Utilities 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
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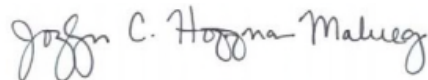
C. Date of the Filing and Proposed Effective Date

Date of Filing: March 31, 2020
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.¹

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



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(414) 221-4208

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

MERC submits this 2019 Annual Report in compliance with the Company’s GAP (MERC Tariff Sheet Nos. 7.09 to 7.11) and the Commission’s September 25, 2015, Order in Docket No. G011/M-15-539 and January 17, 2020, Order Approving Periodic Gas Affordability Program Evaluation Reports and Other Action in Docket No. G011/M-19-369, which required MERC to

¹ Minn. R. 7829.1400, subp. 1, 4.

continue its GAP with no expiration date, making the program permanent; required continued annual program reports to be submitted by March 31; and required MERC to submit an evaluation report every three years beginning May 31, 2022.² The information contained in this 2019 Annual Report satisfies the informational requirements included in the Commission's Orders in Docket Nos. G011/M-07-1131, G011/M-15-308, G011/M-15-539, and G-011/M-19-369, and reflects the continued success of the Company's GAP. MERC's 2019 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;
- 2019 GAP Annual Report;
- Attachment A—2019 GAP Tracker; and
- Attachment B—2019 GAP Streamlined Reporting Form, which includes the information required by the Commission in its September 25, 2013, Order Accepting Gas Affordability Program Reports in Docket No. G011/M-07-1131. On September 28, 2018, the Commission issued an Order Accepting Report and Adopting Streamlined Process in Docket Nos. G008/M-16-486, G002/M-16-493, and G004/M-16-495, accepting the Utility Stakeholder Report and adopting the streamlined reporting format in Attachment A of that Report for Xcel Energy, CenterPoint Energy, and Great Plains Natural Gas Company. In its 2018 GAP annual report filed in Docket No. G011/M-19-241, MERC filed data on the approved streamlined reporting format. In Docket No. G011/M-19-369, MERC committed in future annual reports to continue to track and report based on the metrics outlined in the Commission-approved streamlined reporting Attachment A as developed by the Department and approved by the Commission.

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:

² *In the Matter of Minn. Energy Res. Corp.'s (MERC) 2015 Evaluation of its Gas Affordability Program*, Docket No. G011/M-15-539, COMMISSION ORDER at 2 (Sept. 25, 2015); *In the Matter of Minn. Energy Res. Corp.'s Evaluation of its Gas Affordability Program*, Docket No. G011/M-19-369, ORDER APPROVING PERIODIC GAS AFFORDABILITY PROGRAM EVALUATION REPORTS AND OTHER ACTION at 5 (Jan. 17, 2020).

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V. Conclusion

Based on the foregoing and the information contained in the attached 2019 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 Joylyn Hoffman Malueg at (414) 221-4208 or Kristin Stastny at (612) 977-8656.

DATED: March 31, 2020

Respectfully submitted,

TAFT STETTINIUS & HOLLISTER LLP

/s/ Kristin M. Stastny

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Attorney for Minnesota Energy Resources
Corporation

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

**Katie Sieben
Valerie Means
Matthew Schuerger
John Tuma**

**Chair
Commissioner
Commissioner
Commissioner**

Minnesota Energy Resources Corporation's
2019 Gas Affordability Program Annual
Report

Docket No. G011/M-20-_____

SUMMARY OF FILING

Please take notice that on March 31, 2020, Minnesota Energy Resources Corporation filed with the Minnesota Public Utilities Commission a Petition for approval of its 2019 Gas Affordability Program Annual Report pursuant to Minnesota Rules part 7829.1300.

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

**Katie Sieben
Valerie Means
Matthew Schuerger
John Tuma**

**Chair
Commissioner
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Minnesota Energy Resources Corporation's
2019 Gas Affordability Program Annual
Report

Docket No. G011/M-20-_____

**MINNESOTA ENERGY RESOURCES CORPORATION'S 2019 GAS AFFORDABILITY
PROGRAM 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 the “Program”) (MERC Tariff Sheet Nos. 7.09 to 7.11) and the Minnesota Public Utilities Commission’s (the “Commission”) September 25, 2015, Order in Docket No. G011/M-15-539 and January 17, 2020, Order Approving Periodic Gas Affordability Program Evaluation Reports and Other Action in Docket No. G011/M-19-369, which required MERC to continue its GAP with no expiration date, making the Program permanent; required continued annual Program reports to be submitted by March 31; and required MERC to submit an evaluation report every three years beginning May 31, 2022.

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. The Commission ordered MERC to continue its GAP and make the Program permanent in its January 17, 2020, Order in Docket No. G011/M-19-369.

This Annual Report covers the program year 2019 – the twelfth year of MERC’s GAP. The Annual Report is structured as follows:

- A. Program Description
- B. Program Benefits
- C. Program Cost and Cost Recovery
- D. Participation
- E. Impact on disconnection rates
- F. Impact on payment frequency and amounts
- G. Impact on arrears
- H. Complaints
- I. Retention
- J. Impact on collection activity
- K. Coordination with other programs
- L. GAP summary schedule

Attachment A: 2019 GAP Tracker.

Attachment B: 2019 GAP Streamlined Reporting Form,

Section L includes the information required by the Commission in its September 25, 2013, Order Accepting Gas Affordability Program Reports in Docket No. G011/M-07-1131 including:

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).

Consistent with MERC's commitment in Docket No. G011/M-19-369, MERC is reporting using the pre-program baseline method for disconnection rates, payment frequency, and arrears, in accordance with the Commission's streamlined reporting form approved in Docket Nos. G008/M-16-486, G002/M-16-493, and G004/M-16-495. Consistent with these reporting metrics, MERC collects data in these areas on the pre-program baseline for its GAP participant cohort and GAP participant cohort before they were enrolled in GAP. As addressed in Docket No. G011/M-19-369, MERC defines its GAP participant cohort as new GAP enrollees during the relevant reporting year;¹ here, all GAP participants who enrolled during 2019. This information is reported in Attachment B to this Annual Report.

A. 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 Company's costs 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

¹ *In the Matter of Minn. Energy Res. Corp's 2019 Evaluation of its Gas Affordability Program*, Docket No. G011/M-19-369, MERC REPLY COMMENTS at 7-8 (Nov. 1, 2019).

income,² 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.³

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 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 also helps customers' progress toward self-sufficiency.

Across Minnesota, The Salvation Army works 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

² 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 is 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.

³ 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 is 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 application. 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 MERC's 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.

B. PROGRAM BENEFITS

1. 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. The average annual income per new participant in 2019 was \$10,768. This average income increased \$1,424 from 2018. The average monthly bill for all GAP participants was approximately \$75. This remains consistent with last year's monthly average of \$73.

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

2. 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.

The average annual affordability benefit per GAP customer in 2019 was \$417.25. Any energy assistance or other community assistance sums not applied to arrears are 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. In 2019, the average annual arrears forgiveness benefit per for those customers receiving arrearage forgiveness through GAP was \$51.53. This monthly credit and customer monthly payment pays 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 average total benefit per GAP participant in 2019 was \$421.50. The affordability and arrearage-forgiveness credits are both Program costs that are included in the tracker in Attachment A.

C. PROGRAM COST AND COST RECOVERY

In 2019, the GAP surcharge was set at \$0.00 for the period January 1, 2019, through March 31, 2019. The Commission approved reinstatement of a positive GAP factor surcharge of \$0.00905 per therm in the Company's rate case proceeding in Docket No.G011/GR-17-563, effective April 1, 2019. Additionally, \$97,832.22 was credited back to the GAP general ledger account, as reflected in the tracker in Attachment A.

MERC's total Program costs in 2019 were \$661,786, which includes the affordability and arrearage-forgiveness credits, administrative costs, carrying cost allowances, and regulatory assessments.⁴ 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 startup costs, to five percent of the total program costs. In February 2019, MERC paid The Salvation Army \$18,750 for the 2018 contract, due to a late invoice for 2018. MERC continues to maintain the

⁴ The Commission authorized the recovery of regulatory assessments through the GAP tracker in Docket No. G011/GR-17-563, until the Company's next general rate case filing.

five percent administrative threshold each Program year, paying The Salvation Army \$37,500 for the 2019 Program year.

MERC's annual GAP budget for 2019 was set at \$750,000 in accordance with the Commission's September 25, 2015, Order in Docket No. G011/M-15-539.

D. PROGRAM PARTICIPATION

MERC experienced a decrease of new participating customers in GAP during the 2019 program year. There were a total of 111 new customer enrollments in 2019. This is a decrease of 68 new enrollments from the 179 new participants who were enrolled in 2018. A total of 1,432 customers were enrolled in GAP at some time during the 2019 program year.

Approximately 13 percent of eligible LIHEAP customers participated in GAP in 2019. This number is consistent with the 2018 participation rate of 13.8 percent of eligible LIHEAP participants. MERC's focus for the 2020 program year is to continue to find ways to increase applications to GAP. The Salvation Army received 426 applications in 2019. Of the 426 total applications, 315 applicants were not eligible to enroll because they did not meet at least one of the program requirements. More specifically, these applicants were not eligible because they (1) did not have active gas service; (2) were not the customer of record; (3) did not have gas service with MERC; (4) were not a LIHEAP recipient (all of whom were encouraged to apply for LIHEAP); (5) did not qualify for a percent-of-income credit (high income relative to gas consumption); (6) had defaulted from the Program in the same Program year; or (7) did not complete the application.

Ninety-seven customers were removed from GAP in 2019. This is slightly down from 2018, when 105 GAP customers were removed. At the end of 2019, 1,335 customers were enrolled in GAP, which is similar to year-end 2018, at which time MERC had 1,302 GAP customers. MERC continues to offer GAP enrollment when customers apply for Cold Weather Rule ("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 2020, MERC will again be conducting update/refresher 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.

MERC does not have a waiting list of customers for the Program. All customers who have applied and meet the requirements have been enrolled in the Program.

E. IMPACT ON DISCONNECTION RATES

MERC had approximately 216,884 Residential customers in 2019. In 2019, 5,457 Residential service customers were disconnected. This equates to approximately 2 percent of residential non-LIHEAP/non-GAP customers, as shown in Table 1 below.

In 2019, 19 GAP customers or approximately 1.3 percent of GAP participants were disconnected within three months of participating in GAP. This is less than MERC non-GAP, LIHEAP customers who were disconnected at a rate of 13.3 percent in 2019. This is a higher rate compared to 2018, in which non-GAP LIHEAP customers were disconnected at a rate of 7 percent. This could be due to the increase in numbers of disconnections from 2018 to 2019 and the decrease in number of customers receiving LIHEAP funds in 2019. We believe GAP has had a positive impact in reducing the rate of disconnection for our LIHEAP-eligible customers. This data would appear to show customers who receive LIHEAP will continue to struggle making monthly payments and are subject to disconnection at a larger rate than customers who enroll in GAP. MERC Care Center employees have been trained to communicate the benefits of GAP to customers who are subject to collection activity. Table 1 below depicts the 2019 disconnections by customer category:

Table 1. 2019 Disconnections by Customer Category

Customer Category	Number of Disconnections	Percentage of Customers
2019 Non-LIHEAP Residential Customers (205,552)	4,122	2%
2019 GAP Participants (1,432)	19	1.3%
2019 LIHEAP Recipients (Non-GAP Participants) (9,900)	1,316	13.3%

F. IMPACT ON PAYMENT FREQUENCY AND AMOUNTS

1. Payment Frequency

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 \$540,367.72 towards their energy costs in 2019. The average monthly payment-per-GAP-participant in 2019 was \$31.45 per month, excluding energy assistance payments.

With respect to the number of payments received, as shown in Table 2 below, inclusive of energy assistance payments, GAP participants have a higher percentage (165%) of payments received versus payments requested compared to non-GAP LIHEAP customers (113%) and non-LIHEAP residential customers (91%). GAP participants have a lower number of payments requested due to the number of customers who carry credit balances month-to-month. These customers are not required to make payments due to the credit balance carried on the account. At the end of 2019, MERC had approximately 895 accounts with credit balances over \$20. The average credit balance for these customers is \$1,332.

Table 2. Number of Payments Received and Requested

Customer Group	2019 Number of Payments Made/Number of Payments Requested (excluding energy assistance payments)	2019 Number of Payments Made/Number of Payments Requested (including energy assistance payments)
All GAP Participants	7,028 received 6,024 requested 117%	9,917 received 6,024 requested 165%
Non-GAP LIHEAP Customers	107,331 received 122,942 requested 87%	138,831 received 122,942 requested 113%
Non-LIHEAP Residential customers	2,121,629 received 2,340,236 requested 91%	2,121,629 received 2,340,236 requested 91%
GAP Participant Cohort (New GAP Customers)	832 received 848 requested 98%	1,147 received 848 requested 135%
GAP Participant Cohort before they were enrolled in GAP	899 received 899 requested 100%	1,253 received 899 requested 139%

Table 2 compares customer payment frequency based on the number of payments, including full and partial payments, for GAP participants, non-GAP LIHEAP customers, and non-LIHEAP Residential customers both with and without energy assistance payments included. GAP customer payments include payments made by customers as well as community assistance payments that have been credited to their account. Any credit that is carried over to future months is not counted as customer payment the following months, for reporting purposes.

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. Table 2 above incorporates late payments, and full and partial payments. 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.

Energy Assistance making a number of monthly payments for customers and a growing number of customers with credit balances on their accounts reduced the total number of payments they had to make because a credit balance is carried over month to month. 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 an increase in the consistent number of monthly payments made in 2019.

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 375 enrolled customers made regular monthly payments in 2019, a significant decrease from 2018 of an average of 500 enrolled customer making regular payments. MERC informs all GAP participants on their bills if payments are not received for the prior billing period. In 2019, only 80 GAP participants defaulted from the Program due to non-payment.

The payment data for the 2019 GAP enrollees is difficult to compare with overall payments because the enrollment numbers have fluctuated over time. MERC saw a slight decrease in the number of Energy Assistance recipients in 2019; however, the average benefit for MERC customers was approximately \$10.00 higher. The average state-wide benefit for MN Energy Assistance in 2019 was \$545. This is similar to the 2018 state-wide average benefit of \$546. 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.

2. Payment Amounts

Table 3 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). There were approximately 480 customers enrolled at the end of 2019 with credit balances greater than \$500.

Table 3. 2019 GAP Payment Amounts

Average Annual Bill Credit	Monthly Average Bill Credit	Average Annual Bill	Average Monthly Bill	Average Arrearage (Account Balance)
\$417.25	\$34.77	\$895.99	\$74.67	-\$844.11

In 2019, when energy assistance payments are excluded, the data regarding dollars paid compared to dollars requested show GAP participants are paying at a lower rate (45%) than the non-GAP LIHEAP customers (80%) and the non-LIHEAP Residential customers (89%). The lower payments paid by GAP participants may be due in part to energy assistance payments making some of the required customer payments. Energy assistance typically pays out in 4 monthly installments, making a full payment by the customer unnecessary.

Table 4. Dollars Paid and Requested

Customer Group	2019 Dollars Paid / Dollars Requested (excluding energy assistance payments)	2019 Dollars Paid/Dollars Requested (including energy assistance payments)
All GAP Participants	45%	68%
Non-GAP LIHEAP Customers	80%	114%
Non-LIHEAP Residential customers	89%	89%
GAP Participant Cohort (New GAP Customers)	92%	139%
GAP Participant Cohort before they were enrolled in GAP	96%	146%

G. IMPACT ON ARREARS

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.

The average arrearage balance for customers enrolled in GAP is -\$844.11. The percentage of the enrolled GAP customers who are in arrears is 7 percent. This is lower than the non-GAP LIHEAP customers at 32 percent and the non-LIHEAP residential customers at 13 percent. MERC has noticed a trend of slight decrease in the average account balance from the end of 2018 to the end of 2019, due to large credit balances for some GAP customers at the end of each year. MERC continued in 2019 to not un-enroll any customer as a result of a credit balance. The customers with large credit balances continue to be eligible for the Program and will continue to participate in the Program unless they request to be removed. In 2019, MERC's GAP customers accounted for 1 percent of the total company arrears compared to non-GAP LIHEAP customers at 14 percent and non-LIHEAP residential customers at 72 percent.

MERC did not un-enroll any customer with significant credit balances in 2019. Customers with large credit balances continue to be eligible and some indicated they want to continue to participate in the Program. MERC continues to approach customers with credit

balances to discuss un-enrollment 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.

H. COMPLAINTS

In 2019, MERC received no Commission complaints regarding GAP.

I. RETENTION

In 2019, MERC had a retention rate for GAP of 92 percent. One hundred eleven new customers were enrolled as GAP participants in 2019. This is a decrease from the number of new enrolled customers in 2018 of 179. In 2019, 97 total customers were removed from GAP due to default or not meeting one of the program requirements. This is down slightly from 2018, when 105 GAP customers were removed. Of the GAP customers removed in 2019, 17 of these customers were removed due to a change of address and none of these customers applied and were approved for GAP at their new address. 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 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, a small percentage of customers want to be removed from the Program, regardless of the size of their credit balance.

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 300 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.

J. IMPACT ON COLLECTION ACTIVITY

In 2019, MERC enrolled 47 customers with arrears. By enrolling these customers, MERC avoided collection costs of \$1,575 by not disconnecting 21 customers who were subject to disconnection at the time they applied for GAP and assisted customers in maintaining their natural gas service. While enrolled in the Program and continuing to make required monthly payments, these customers were exempt from continued collection activities, including disconnection of service. The Program continued to succeed in reducing and eliminating arrears of Program participants in 2019, promoting regular affordable monthly payments.

K. COORDINATION WITH OTHER PROGRAMS

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 the 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 Minnesota Department of Commerce'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 continued to assist MERC customers with funds from the HeatShare program in 2019, including when it was determined those customers were ineligible for GAP. 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 providing a match of 50 cents for every dollar customers donate through their monthly gas bills. In 2019, MERC customers donated a total of \$37,226.50 via monthly gas bills and direct donations, and MERC provided \$18,613.28 in matching funds for a total of \$55,839.78 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 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 website, 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.

MERC also 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.

L. GAP 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 7 below and is included in Attachment B.

Table 5. GAP Summary Information

Average Annual Affordability Benefit per GAP Participant 2019	\$417.25
Average Annual Arrearage-Forgiveness Benefit per GAP Participant Receiving Arrearage Forgiveness in 2019	\$51.53
Percentage of MERC LIHEAP Customers that Participated in GAP during 2019	13%
Disconnection Rates-2019:	
GAP Customers	1.3% (19 Customers)
LIHEAP Customers	13.3% (1,316 Customers)
Non-LIHEAP Residential Customers	2% (4,122 Customers)
Number of GAP Participants Enrolled as of Year End 2019	1,335
Number of GAP Participants Enrolled and Receiving Benefits at Some Time During 2019	1,432
Annual Program Budget 2019	\$750,000
Actual Program Revenue 2019	\$ 1,293,789.72
Actual Program Cost 2019	\$ 661,786.46
GAP Tracker Balance as of Year-End 2019	\$110,650.98
GAP Rate-Affordability Surcharge in 2019 (\$/therm)	\$0.00905/therm ⁵

CONCLUSION

MERC respectfully requests that the Commission accept the Company's 2019 Annual GAP Report as compliant with MERC's tariffs and Commission orders. MERC believes the

⁵ Effective April 1, 2019, in accordance with the Commission's December 26, 2018, and March 28, 2019, Orders in Docket No. G-011/GR-17-563. The GAP surcharge was previously set at \$0.00/therm.

continued success of GAP reflects the need for the Program beyond what LIHEAP offers. During 2019, 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 2020.

DATED: March 31, 2020

Respectfully submitted,

TAFT STETTINIUS & HOLLISTER LLP

/s/ Kristin M. Stastny

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Attorney for Minnesota Energy Resources
Corporation

Minnesota Energy Resources - Total Company
Gas Affordability Program Tracker

		<i>JE from Jean</i>	<i>Thru A/P</i>	<i>Thru A/P</i>	<i>CIS</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>MPUC\DOC</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>Cumulative Carry</u>	<u>Costs</u>	<u>Balance</u>
<u>Cost-Over (Under)</u>		<u>bills/refunds)</u>	<u>Final Accounts</u>	<u>Forgiveness</u>	<u>Charges</u>	<u>Salvation Army</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>
Actual	Jan-19	(\$718,617.59)	\$ 19,379.81	\$ 632.29			\$ 53,471.97		\$ (753,342.04)	\$ 120,868.04	\$ (2,260.03)	\$ 118,608.02	\$ (634,734.02)
	Feb-19	(753,342.04)	6,341.79	523.10		18,750.00	45,943.19		\$ (812,216.54)	118,608.02	\$ (2,436.65)	\$ 116,171.37	\$ (696,045.17)
	Mar-19	(812,216.54)	100.03	(235.71)			51,672.16		\$ (864,505.07)	116,171.37	\$ (2,593.52)	\$ 113,577.85	\$ (750,927.22)
	Apr-19	(864,505.07)	128,885.29	6,344.75			50,129.91		\$ (779,909.57)	113,577.85	\$ (2,339.73)	\$ 111,238.12	\$ (668,671.45)
	May-19	(779,909.57)	152,452.30	7,389.30			52,080.26		\$ (672,552.00)	111,238.12	\$ (2,017.66)	\$ 109,220.47	\$ (563,331.53)
	Jun-19	(672,552.00)	98,384.86	5,046.45			45,795.39		\$ (615,268.48)	109,220.47	\$ (1,845.81)	\$ 107,374.66	\$ (507,893.82)
	Jul-19	(615,268.48)	67,987.59	11,947.98			52,873.11		\$ (588,592.68)	107,374.66	\$ (1,765.78)	\$ 105,608.88	\$ (482,983.80)
	Aug-19	(588,592.68)	41,183.34	789.76			51,536.01		\$ (598,764.95)	105,608.88	\$ (1,796.29)	\$ 103,812.59	\$ (494,952.36)
	Sep-19	(598,764.95)	54,542.93	472.85			50,093.22		\$ (594,788.09)	103,812.59	\$ (1,784.36)	\$ 102,028.22	\$ (492,759.87)
	Oct-19	(594,788.09)	90,832.65	10,028.99		1,956.63	52,890.00		\$ (549,360.54)	102,028.22	\$ (1,648.08)	\$ 100,380.14	\$ (448,980.40)
	Nov-19	(549,360.54)	290,539.89	12,985.71		37,500.00	43,060.16		\$ (326,901.32)	100,380.14	\$ (980.70)	\$ 99,399.44	\$ (227,501.88)
	Dec-19	(326,901.32)	368,880.84	17,813.39			47,953.52		\$ 11,217.89	99,399.44	\$ 33.65	\$ 99,433.09	\$ 110,650.98
		\$ 1,293,789.72	\$ 97,832.22	\$ 6,080.93	\$ 1,956.63	\$ 56,250.00	\$ 597,498.90	\$ -	\$ (21,434.95)				

2019	
Program dates and status	
Date program started	4/1/2008
Program effective date	4/1/2008
Date next evaluation report due	5/31/2022
Date last evaluation completed	Filed 5/31/2019 for the period 1/1/2015 through 12/31/2018
Last evaluation docket number	G-011/M-19-369
Status of program (pilot or permanent)	Permanent
Date pilot program ends, if applicable	Not applicable
Date of last Evaluation Order	1/17/2020
Program administrator	The Salvation Army
Participant benefits	
Description of affordability benefit - maximum payment as % of household income	6%
Description of arrearage forgiveness benefit - repayment period	24 Months
Average annual income per participant	\$10,768.00
Average annual bill per participant	\$895.99
Average arrearage balance per participant	-\$844.11
Average annual affordability benefit per participant	\$417.25
Average annual arrearage forgiveness benefit per customer	\$51.53
Average total benefit per participant	\$421.50
Cost and Cost Recovery	
Annual budget	\$750,000.00
Actual revenue	\$1,293,790
Annual cost	\$661,786
Surcharge (\$/therm)	\$0.00905 (effective 4/1/2019)
Annual cost of surcharge for average residential customer who uses 900 therms of gas per year	\$6.11 (based on 9 months in 2019 and 75 therms/month)
Customer classes assessed the GAP surcharge	Firm Service Customers
Tracker balance as of year-end	\$110,650.98
Participation	
% of LIHEAP customers that participated in GAP	13%
Number of participants enrolled as of year-end	1,335
Number of participants enrolled and receiving benefits at some time during the year	1,432
Whether a waiting list occurred at any time during the year	No
If so, the number of customers on the waiting list and for how long	N/A
Impact on disconnection rates	
Disconnection rates - non-GAP LIHEAP baseline	
GAP participants	1.3%
Non-GAP LIHEAP customers	13.3%
Non-LIHEAP residential customers	2.0%
Disconnection rates - pre-program baseline	
GAP participant cohort	2.70%
GAP participants cohort before they were enrolled in GAP	8%
Impact on payment frequency	
Dollars paid ÷ dollars requested	
Non-GAP LIHEAP Baseline	
GAP participants	68%
Non-GAP LIHEAP customers	114%
Non-LIHEAP residential customers	89%
Pre-Program Baseline	
GAP participant cohort	139%
GAP participant cohort before they were enrolled in GAP	146%
Number of payments made paid ÷ number of payments requested	
Non-GAP LIHEAP baseline	
GAP participants	165%
Non-GAP LIHEAP customers	113%
Non-LIHEAP residential customers	91%
Pre-program baseline	
GAP participant cohort	135%
GAP participant cohort before they were enrolled in GAP	139%
Impact on arrears	
% Customers in arrears	
Non-GAP LIHEAP baseline	
GAP participants	7%
Non-GAP LIHEAP customers	32%
Non-LIHEAP residential customers	13%
Pre-Program baseline	
GAP participant cohort	42%
GAP participant cohort before they were enrolled in GAP	60%
Dollar amount of arrears	
% Change in dollar amount of arrears (non-GAP LIHEAP baseline)	
GAP participants	9.10%
Non-GAP LIHEAP customers	23%
Non-LIHEAP residential customers	7%
Dollar amount of arrears (pre-Program baseline)	
GAP participant cohort	\$7,419.34
GAP participant cohort before they were enrolled in GAP	\$10,154.67
Complaints	
Number of complaints	0
Nature of complaint(s)	N/A
Retention	
GAP participant retention rate	93%
Impact on collection activity	
Brief description of effect of GAP on collection activity	Section J (page 15 of Report)
Coordination with other programs	
Page(s) of report where coordination efforts described	Section K (page 15-17 of Report)

In the Matter of the 2019 Gas
Affordability Program Annual Report of
Minnesota Energy Resources
Corporation

Docket No. G011/M-20-____

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 31st day of March, 2020, 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 31st day of March, 2020.

/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 1400 St. Paul, MN 55101	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
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Catherine	Phillips	catherine.phillips@we-energies.com	We Energies	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Elizabeth	Schmiesing	eschmiesing@winthrop.com	Winthrop & Weinstine, P.A.	225 South Sixth Street Suite 3500 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List

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Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List