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March 31, 2015

Mr. Burl Haar
Executive Secretary
Minnesota Public Utilities Commission
121 East Seventh Place, Suite 350
St. Paul, MN 55101-2147

RE: *Petition for Approval of Great Plains Natural Gas Co. Annual Gas Affordability Program Report, Docket No. G004/M-15-_____*

Dear Dr. Haar:

Great Plains Natural Gas Co. (Great Plains), a Division of MDU Resources Group, Inc., herewith electronically files its Calendar Year 2014 Gas Affordability Program (GAP) Report in compliance with the Minnesota Public Utilities Commission's Orders issued in Docket No. G-004/M-07-1235. The Commission Order issued on November 26, 2014, directed future annual GAP filings and reports be filed as miscellaneous tariff filings under Minn. R. 7829.1300 *et seq.*, which will assign new docket numbers for each filing.

If you have any questions regarding this filing, please contact me at (701) 222-7856, or Brian Meloy, Stinson Leonard Street, LLP, 150 South Fifth Street, Suite 2300, Minneapolis, MN 55402, (612) 335-1451.

Sincerely,

/s/ Tamie Aberle

Tamie A. Aberle
Director of Regulatory Affairs

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Betsy L. Wergin	Vice Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John Tuma	Commissioner

)	
In the Matter of the Petition of Great)	
Plains Natural Gas Co.'s Gas for)	Docket No. G004/M-15-_____
Approval of the 2014 Gas Affordability)	
Program Report)	
)	

SUMMARY OF FILING

Great Plains Natural Gas Co., (Great Plains) a Division of MDU Resources Group Inc. submits this Petition for approval of the 2014 Gas Affordability Program (GAP) Report in compliance with Minnesota Statute § 216B.16, Subd. 15 and Orders issued by the Minnesota Public Utilities Commissions in Docket No. G-004/M-07-1235. Great Plains respectfully requests that the Commission accept its 2014 Gas Affordability Program Report as in compliance with its directives.

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
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In the Matter of the Petition of Great
Plains Natural Gas Co.'s Gas for
Approval of the 2014 Gas Affordability
Program Report)
)
) Docket No. G004/M-15-_____
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)

**PETITION FOR APPROVAL OF GREAT PLAINS NATURAL GAS CO.'S GAS
AFFORDABILITY PROGRAM REPORT PROGRAM YEAR 2014**

I. INTRODUCTION AND SUMMARY

Great Plains Natural Gas Co. (Great Plains) a Division of MDU Resources Group Inc. hereby submits this Petition to the Minnesota Public Utilities Commission (Commission) for approval of Great Plains' Gas Affordability Program Report for calendar year 2014 pursuant to Minnesota Statute § 216B.16, Subd. 15 and Orders issued by the Commissions in Docket No. G-004/M-07-1235.

II. BACKGROUND

Great Plains' Gas Affordability Program (GAP) was approved by the Commission in Docket No. G004/M/07-1235 by Order issued on May 12, 2008 and Order issued on November 26, 2014 extending GAP through program year 2016. Great Plains' GAP is available to those customers who (1) have been qualified and receive assistance from the Low Income Home Energy Assistance Program (LIHEAP);

(2) agree to be placed on a levelized payment plan; and (3) agree to a reasonable payment schedule. The GAP is designed to assist qualified low-income residential customers manage and pay their natural gas bills through the establishment of a new affordability bill credit and arrearage forgiveness in certain circumstances.

Great Plains' Affordability Component consists of a bill credit available to Qualified Customers to help offset the costs of natural gas service. The bill credit is equal to one-twelfth of the difference between Great Plains' estimate of the Qualified Customer's annual gas bill and 4 percent of the Qualified Customer's household income as provided by the Qualified Customer to Great Plains.¹ The LIHEAP benefit received by the customer is also considered in determining applicability of the Affordability component.

The Arrearage Forgiveness Component of Great Plains' GAP consists of a monthly credit that is applied each month after receipt of the Qualified Customer's payment. The credit is designed to retire arrears over a period of up to twenty-four months, with Great Plains matching the Qualifying Customer's contribution to retiring arrears. Any energy assistance payments not applied to arrears will be applied to a Qualified Customer's current bill.²

Through Program Year 2010, Great Plains administered its own GAP, while working actively with community action partnership agencies. This required Great

¹ Pursuant to the Commission's Order issued in G-004/M-10-322 on September 30, 2010, Great Plains was authorized to lower the income threshold to qualify for the Affordability Component to 4 percent. Effective with applications received for Program Year 2011, the 4 percent income threshold was utilized to determine if a customer qualifies for the Affordability Component.

² Great Plains maintains service and suspends collection activities to Qualified Customers if they continue to make payments under their payment schedule. If a Qualified Customer fails to pay two consecutive monthly payments in full under the Program, they are terminated from the Program and subject to Great Plains' regular collection practices, including the possibility of disconnection.

Plains to review current billing and consumption information, approved LIHEAP benefits and household income information submitted to Great Plains to determine a Qualified Customer's payment schedule amount.³ Effective with Program Year 2011, Great Plains entered into an agreement with West Central MN Communities Action, Inc. (West Central) to serve as the third-party administrator of its GAP. The Commission approved West Central as the third-party administrator of Great Plains' GAP by Order dated March 30, 2011. In November 2014, Great Plains' signed an agreement with The Salvation Army, Roseville, Minnesota to administer Great Plains' GAP for program year 2015. Great Plains advised the Commission of this change in its compliance filing submitted on January 16, 2015 in Docket No. G-004/M-07-1235.

III. GENERAL FILING INFORMATION

Pursuant to Minn. Rules Part 7825.1300, Subpart 3, Great Plains provides the following general information:

Utility:	Great Plains Natural Gas Co. A Division of MDU Resources Group, Inc.
Company's Attorney:	Brian M. Meloy Stinson Leonard 150 South 5 th Street, Suite 2300 Minneapolis, MN 55402 Telephone: 612-335-1451

³ A Qualified Customer's payment schedule includes both payment of the customer's current month's bill (which reflects one-twelfth the levelized payment plan), after inclusion of the affordability bill credit, and payment of a portion of the Qualified Customers pre-program arrears.

Date of Filing	March 31, 2015
Proposed Effective Date	May 31, 2015
Controlling Statute for Time in Processing the Filing	NA
Utility personnel authorizing the filing and to whom copies of correspondence, pleadings and notices should be sent	Tamie A. Aberle Director of Regulatory Affairs Great Plains Natural Gas Co. 400 North 4 th Street Bismarck, ND 58501

IV. DESCRIPTION OF FILING

A. Petitioner

Great Plains is a Minnesota public utility as defined in Minn. Stat. § 216B.02, Subd. 4 and operates as a Division of MDU Resources Group Inc. Great Plains is engaged in business as a natural gas local distribution company serving 18 communities in Minnesota and one community in North Dakota. Great Plains currently provides natural gas utility service to approximately 20,800 Minnesota customers and 2,100 customers in North Dakota.

B. Annual GAP Reporting Requirements

In its May 12 Order approving Great Plains' GAP, the Commission directed Great Plains to provide the following information in its annual GAP Reports:

- (1) An evaluation of the assumed GAP participation rate of five percent in light of actual participation in the Program;
- (2) The actual annual average cost per participant for the Program, and to provide a discussion concerning any deviation of the actual annual average cost per participant compared to the assumed average annual cost per participant of \$555; and
- (3) The Company's conclusion regarding the reported evaluation data, together with the Company proposal concerning the GAP on a going forward basis.

Subsequently, in its November 18 Order, the Commission required all gas utilities to file additional data in their annual GAP Reports, including:⁴

- A. *Customer Payment Frequency:* A comparison of the payment frequency for customers in GAP to payment frequency before they were enrolled in GAP, plus a comparison of the payment frequency for GAP participants to the payment frequency for LIHEAP grant recipients. Great Plains was allowed to provide data based on a random sample of ten percent of their GAP customers and an equal number of LIHEAP customers.
- B. *Disconnection:* The percentage of GAP customers disconnected compared to the percentage of all firm customers disconnected, in addition, a comparison of the percentage of GAP customers disconnected to the percentage of disconnected LIHEAP customers that do not participate in GAP.
- C. *Payment Amount:* The average annual and monthly bill credit amount in the utility's annual GAP reports. In addition, a comparison of these amounts to the average GAP participant's annual and average monthly bill and arrearage amount.

⁴ Great Plains' GAP Tariff similarly requires Great Plains to provide information regarding "the effect of the GAP on customer payment frequency, payment amount, arrearage level and number of customers in arrears, service disconnections, retention rates, customer complaints and utility customer collection activity. The annual reports may also include information about customer satisfaction with the GAP."

- D. *Customer Payment History*: The number of GAP participants that paid their bills in full each month before and during their participation in the GAP. In addition, information about the number of customers that made partial or no payments. Great Plains was allowed to provide data based on a random sample of ten percent of their GAP customers.
- E. *Arrearage level*: the change in the arrearage level for the average GAP customer compared to the LIHEAP customers that are not enrolled in the GAP and the arrearage level for all of the utility's residential customers. Great Plains was allowed to provide data based on a random sample of ten percent of their GAP customers and an equal number of LIHEAP customers.
- F. *Coordination with the other available low-income bill payment assistance and conservation resources*: information relating to how each utility has coordinated its GAP with other available low income and conservation resources naming the agencies the utility has coordinated with, how the utility has communicated with those agencies during the year, the content of those communications, and what was accomplished in terms of coordination.

With respect to reporting requirements A, D, and E above, the Commission required Great Plains to randomly sample 10 percent of its GAP customers (and, where comparison to a larger group of its customers is required, to sample an equal number of the utility's other customers).

In its September 22, 2010 *Order Accepting Gas Affordability Programs Reports, Deferring Action on Another, and Requiring Further Action*, the Commission directed all gas utilities to provide information on GAP complaints in their annual GAP Reports.

In its December 29, 2011 *Order Accepting Gas Affordability Programs Reports and Requiring Further Action*, the Commission directed all 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 web site, provide

reminders to GAP participants when payments are missed and cross-promote GAP with other programs.

In its September 25, 2013 Order, the Commission required the gas utilities to include a summary schedule with their annual gas affordability filing that included detailed information ranging from the average annual affordability benefit received per customer to the GAP tracker balance as of year-end.

In its November 26, 2014 Order, the Commission directed Great Plains to continue to file annual GAP compliance reports by March 31 of each year, and to include the following information in its next report:

- An update on the number of customers enrolled and participating in the program.
- An update on Great Plains' negotiations with potential alternative administrators for its gas affordability program, and the associated benefits and costs.
- Outreach methods that Great Plains has employed, or could employ, to increase participation in the program.

In compliance with the Commission's directives, Great Plains provides its Calendar Year 2014 Gas Affordability Program Report covering the period January 1, 2014 through December 31, 2014. Great Plains addresses the requirements of each of the six Commission Orders in turn.

V. 2014 ANNUAL GAP REPORT

A. May 12, 2008 Order Reporting Requirements.

1. An evaluation of the assumed GAP participation rate.

In calendar year 2014, Great Plains received 423 GAP applications representing an increase of 8.7 percent from calendar year 2013. LIHEAP Applications filed in 2014 for Great Plains' customers also increased 4.6 percent from

2013 LIHEAP applications. Of the 423 applications received, 230 qualified for the GAP by virtue of their eligibility for LIHEAP and 182 customers were ultimately enrolled in GAP – qualifying for an affordability credit and/or arrearage forgiveness credit. Many of those qualifying applicants not eligible for the affordability credit or the arrearage forgiveness credit entered into a payment plan. The number of GAP participants qualifying for benefits under GAP represents 1 percent of the Company's total residential customers, and 10 percent of the customers qualifying for LIHEAP. A review of the source of the applications based on a coding system used to track applications indicates the majority of the responses (84.6 percent) were from the letters Great Plains sent directly to customers qualifying for LIHEAP in the prior season, 6.9 percent of the applications were distributed by the third party administrator, 6.6 percent printed from the 3rd party administrators website with the source of the remaining 1.9 percent of the submitted applications being Great Plains' website.

2. Actual annual average cost per participant.

Great Plains collected \$0 from customers for GAP funding for the period January 1, 2014 through December 31, 2014 as authorized by the Commission⁵. Bill credits and arrearage forgiveness amounts totaling \$29,795.29 were issued to participating customers during program year 2014, and actual program costs in program year was \$32,295.29 (inclusive of the \$29,795.29 issued to customers).

⁵ The GAP surcharge was set to \$0.0 per dk effective with service rendered on and after October 19, 2012 pursuant to the Commission's Order issued on October 15, 2012. Great Plains was authorized to continue the GAP program in the Order issued on November 26, 2014, granting a two year extension of Great Plains' pilot Gas Affordability Program until December 31, 2016, and authorizing Great Plains to continue the GAP surcharge of \$0.0 per dk through the end of the 2016 program year.

This is increase of approximately 474 percent from the amount of GAP credits and arrearage forgiveness dollars expended in 2013. The actual 2014 average cost per participant, qualifying for credits under the Program was \$163.71 compared to the original assumed average annual cost per participant of \$555. This difference may be attributed primarily to the number of customers that do not enter the program with arrears, the number of customers that continue to exceed the current household income requirement and lower gas costs. In program year 2014, 22 percent of customers applying for GAP had an arrears balance at the time of application compared to 16 percent of customers with an arrears balance coming into program year 2013. The total arrears balance owing for the 423 applications received in 2014 program year equaled \$19,732.38 compared to \$11,003.92 associated with the 389 applications received in program year 2013. The average annual arrearage forgiveness benefit received per customer was \$60.87 in the 2014 program year compared to \$43.42 in program year 2013. Great Plains had 61 customers that were enrolled in the program and moved premises or stopped making their payment and therefore were dropped from the GAP 2014 program resulting in 121 customers enrolled in the program at the end of program year 2014. West Central was operating as Great Plains' third party administrator in program year 2014 and program promotions continue in order to increase participation and help ensure that available funds are provided to Qualified Customers. The GAP fund balance as of December 31, 2014 was \$62,304.16.

3. Company's conclusion regarding the reported evaluation data.

Great Plains implemented a number of significant changes to its GAP beginning in late 2010, including (1) lowering the income threshold to qualify for the Affordability Component from 6 percent to 4 percent; (2) working with the Commission's Consumer Affairs Office (CAO) in developing and implementing a comprehensive GAP outreach plan and refining the GAP application; and (3) negotiation of an agreement to have West Central act as a third-party administrator of Great Plains' GAP beginning in 2011.⁶ Program year 2014 rebounded in the number of customers that enrolled in GAP compared to program year 2013 and showed an increase in the benefit to customers in either the affordability credit and/or the arrears forgiveness plan. Great Plains has selected The Salvation Army as the third party administrator for program year 2015 and along with The Salvation Army, Great Plains will continue to promote GAP.

B. November 18, 2009 Order Reporting Requirements.

1. Customer Payment Frequency

Great Plains looked at a random sample of ten percent of the 182 customers enrolled in GAP in 2014. The random sample of 18 customers was compared to a random sample of the same number of customer qualifying for LIHEAP, but not participating in GAP.

⁶ Under the Agreement, West Central, with support from the Minnesota Office of Energy Programs, will: (a) actively inform LIHEAP applicants of the Company's GAP and the potential benefits of the program; (b) determine customer GAP eligibility based upon Great Plains' Commission-approved GAP Tariff, (c) work with customers to establish monthly bill and the applicable monthly GAP credit; (d) transmit information regarding monthly average bill amount and applicable credit to Great Plains; (e) promote the GAP in conjunction with Great Plains, and (f) provide customer support to customers regarding GAP.

As a means of measuring the payment frequency of the two customer groups, the number of payments was compared to the number of bills issued during the period January 1, 2014 through the end of 2014. The results from the program year 2014 random sample indicate that the number of payment occurrences as a percentage of bills issued for the GAP participant group was 62 percent. The number of payment occurrences as a percentage of bills issued for the LIHEAP group not participating in GAP was also 62 percent for the same time period.

2. Disconnection

A review of customer accounts disconnected because of non-payment in 2014 revealed that twenty-four customers receiving GAP credits were disconnected in 2014 with a total of 1,227 accounts disconnected in 2014. The total disconnected included 457 customers receiving LIHEAP within the calendar year. LIHEAP accounts were not disconnected at the time when LIHEAP benefits were available. The percentage of GAP customers disconnected as compared to the total customers disconnected was 13 percent. The percentage of LIHEAP customers not participating in GAP disconnected compared to the number of all firm customers disconnected was 29 percent indicating a benefit associated with GAP.

3. Payment Amount

The total funds disbursed in 2014 totaled \$29,795.29 for an average annual benefit of \$163.71 per participant qualifying for a credit or arrearage forgiveness. The average GAP participant's annual natural gas bill was \$785.90 or \$65.49 per month on average.

4. Customer Payment History

Based on the sample of GAP participants, approximately 33 percent of the sample group paid their monthly bill in full while participating in GAP while 33 percent of the sample group paid their bill in full monthly prior to participation in GAP.

5. Arrearage Level

Based on the sample data, two of the 2014 GAP participants were in arrears averaging \$32.16 as of December 2014 as compared to average arrears per accounts as of December 2014 for all other customers at \$73. LIHEAP customers in the 2013-2014 season not participating in GAP had an average outstanding debt of \$107.66 as of December 31, 2014. The results indicate a benefit associated with GAP.

6. Coordination with other available low-income bill payment assistance and conservation resources

Great Plains regularly coordinates with the following agencies providing bill payment assistance in the Great Plains' service area.

- Tri-Valley Opportunity Council, Inc.
- West Central Minnesota Communities Actions, Inc.
- Prairie Five Community Action Council, Inc.
- Western Community Action Partnership
- Mahube-Otwa Community Action Partnership, Inc.
- Renville County Energy Assistance Program

As noted above, Great Plains entered into an agreement with West Central to serve as the third-party administrator of its GAP beginning in 2011. Effective with program year 2015 The Salvation Army began serving as Great Plains' third-party administrator of GAP. Great Plains also continues to work with each of the other agencies providing assistance in its service territory to ensure customers are aware of

the GAP by advising the agencies of the availability of the program via written and oral communication and providing GAP application forms to the agencies to provide to Great Plains customers. Such applications were submitted to West Central, who coordinated with Great Plains and the various agencies. Great Plains believes that the coordination with these agencies has increased awareness of and interest in the GAP.

C. September 22, 2010 Order Reporting Requirements.

1. GAP Complaints

Pursuant to the Commission's Order issued on September 22, 2010, Great Plains reports that no complaints were received regarding the GAP.

D. December 29, 2011 Order Reporting Requirements.

1. Application Processing Goal

Great Plains has implemented a goal of processing ninety-five percent of all complete gas affordability program applications within thirty days of receipt and in calendar year 2014 all applications were processed within 30 days of receipt.

2. Third-Party Administrator Evaluation

Great Plains' changed its GAP administrator for program year 2015 in an attempt to garner more interest in the program and take advantage of the expanded capabilities of The Salvation Army.

3. GAP Application Availability

West Central, Great Plains' third party administrator in program year 2014, did make the GAP application available electronically on their website and Great Plains third party administrator The Salvation Army has the GAP application available on their

website. Great Plains also provides information on its website regarding the program as well as the application form.

4. Reminder After Missed Payment

Great Plains called its GAP customers after one missed payment as a reminder of the payment requirements for the program. However, thirty-three customers were removed from GAP due to failure to make their scheduled payments.

5. Cross Promotion of Gap

Great Plains has included information regarding GAP on its website and in bill inserts along with bill payment and conversation program information. Great Plains' credit representatives are promoting GAP when working with Great Plains customers regarding credit situations. Great Plains will continue to look for ways to inform customers of the availability of the program.

E. September 25, 2013 Order Reporting Requirements.

In its September 25, 2013 Order, the Commission required the gas utilities to include a summary schedule with their annual gas affordability filing that included the following information:

	<u>2014 Program Year</u>
1.) Average annual affordability benefit received per customer.	\$179.63
2.) Average annual arrearage forgiveness benefit received per customers.	\$60.87
3.) Percentage of LIHEAP customer that participated in GAP.	10.21%
4.) Disconnection rates:	
a.) Of GAP customers	13.19%
b.) Of LIHEAP-non GAP customers	28.56%
c.) Non-LIHEAP (All firm customer including C&I)	3.88%
5.) Number of GAP participants enrolled as of year-end.	121
6.) Number of GAP Participants enrolled and receiving benefits at some time during the year.	182

7.) Annual program budget.	\$50,000
8.) Actual program revenue.	\$0
9.) Actual program costs.	\$32,295.29
10.) GAP tracker balance as of year-end	\$62,304.16
11.) GAP rate-affordability surcharge (\$/therm).	\$0

F. November 26, 2014 Order Reporting Requirements.

1. Within 10 days, submit revised tariff sheets continuing Great Plains' pilot gas affordability program for an additional two years.

Great Plains submitted the required compliance tariff sheets as shown in the acknowledgement of compliance submission receipt dated February 3, 2015.

2. Make an informational filing notifying the Commission if Great Plains changes its program administrator or makes a significant change in its outreach program.

In Great Plains' January 16, 2015 filing, the Company advised the Commission that The Salvation Army of Roseville, MN will be the third party administer of GAP starting in program year 2015.

3. Continue to file annual GAP compliance reports by March 31 of each year, and include the following information in its next report:
 - a. An update on the number of customers enrolled and participating in the program.

Great Plains enrolled a total of 182 customers in GAP for program year 2014. At the end of program year 2014 Great Plains had 121 customers enrolled in GAP.

- b. An update on Great Plains' negotiations with potential alternative administrators for its gas affordability program, and the associated benefits and costs.

Great Plains advised the Commission in the January 16, 2015 filing that Great Plains signed a contract with The Salvation Army of Roseville, MN to administer GAP for program year 2015. To date, Salvation Army is processing all applications for Great Plains' GAP in a timely manner, have posted the GAP application on their website and are promoting and fielding applications and calls regarding GAP for application year 2015.

- c. Outreach methods that Great Plains has employed, or could employ, to increase participation in the program.

Great Plains outreach efforts includes: Direct mailing to all customers that received heating assistance in previous heating season, posting of application on Great Plains and third party administrator websites, billing inserts to customers advising of GAP running monthly throughout the winter season, providing information regarding where to apply and contact information for questions. Information and applications forms were also provided to all energy assistance agencies in Great Plains' service territory and Great Plains has

adopted the practice to discuss GAP with customers that apply for the Cold Weather Rule protection.

4. File an evaluation report by June 1, 2016.

VI. The Proposal

Great Plains respectfully requests that the Commission accept its 2014 Calendar Year Gas Affordability Program Report as in compliance with its May 12, 2008, November 18, 2009, September 12, 2010, December 29, 2011, October 5, 2012, September 25, 2013 and November 26, 2014 Orders issued in Docket No. G-004/M-07-1235.

Dated: March 31, 2015

Respectfully Submitted,

/s/ Tamie Aberle

Tamie Aberle
Director of Regulatory Affairs
Great Plains Natural Gas Co.
a Division of MDU Resources Group, Inc.
400 N. 4th Street
Bismarck, ND 58501