Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: **September 17, 2015 .... **Agenda Item # 7**

Companies: All Regulated Natural Gas Utilities

Docket Nos. G-008/M-15-307
In the Matter of the Application of CenterPoint Energy's Gas Affordability Program 2014 Annual Compliance Report

G-002/M-15-314
In the Matter of the Application of Xcel Energy's Gas Affordability Program 2014 Annual Compliance Report

G-011/M-15-308
In the Matter of the Application of Minnesota Energy Resources Corporation's Gas Affordability Program 2014 Annual Compliance Report

G-004/M-15-306
In the Matter of the Application of Great Plains' Natural Gas Company, a Division of MDU Resources Group, Inc. Gas Affordability Program 2014 Annual Compliance Report

G-001/M-15-309
In the Matter of the Application of Interstate Power and Light Company's Gas Affordability Program 2014 Annual Compliance Report

G-022/M-15-315
In the Matter of the Application of Greater Minnesota Gas, Incorporated's Gas Affordability Program 2014 Annual Compliance Report

Issues:

1. Review and acceptance of the 2014 Gas Affordability Program (GAP) annual compliance reports.
2. Should the Commission require GMG to continue offering its Gas Affordability Program?

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(Relevant documents are listed on the next page)

Relevant Documents

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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September 8, 2015

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Statement of the Issues

1. Review and acceptance of the 2014 Gas Affordability Program (GAP) annual compliance reports.

2. Should the Commission require GMG to continue offering its Gas Affordability Program?

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 annual budget for each program is listed in the following table. GMG's program, however, because of its design does not have a set, predetermined annual budget.

	CenterPoint	Xcel	MERC	Great Plains	Interstate
Annual Program Budget	$5,000,000	$2,500,000	$1,000,000	$50,000	$50,000
GAP Participants – Enrolled at some point during the year	17,763	10,620	2,060	182	107

Background

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

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. Certain performance, evaluation requirements and cost recovery standards for these programs are identified in the statute.

Annual Reports for Calendar Year 2014 & Party Comments

Between March 31 and April 1, 2015, all of the gas utilities submitted annual Gas Affordability Program (GAP) compliance reports for calendar-year 2014. These reports describe the affordability programs offered by each company and provide data on the administration, operation and performance of each program.

On April 27, 2015, CenterPoint Energy submitted additional information as requested by the Department.

On April 30, 2015, the Department submitted its comments and recommended the Commission accept Xcel Energy, Great Plains Natural Gas, MERC and CenterPoint Energy's annual reports. The Department requested IPL and Greater Minnesota Gas submit additional information.

On May 1, 2015, Greater Minnesota Gas submitted reply comments and stated it has already provided the Department all necessary, available, and appropriate information it is required to file under its modified reporting requirements.

On May 11, 2015, IPL filed its reply comments and submitted the additional information as requested by the Department.

Commission Orders

Program Authorizations

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

Annual Reviews

The Commission issued orders reviewing the 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.

Program Evaluations

MERC and IPL were due to have their GAPs evaluated this year. Because MERC acquired IPL's assets and IPL is no longer doing business in Minnesota, they will be evaluated together in a separate docket. According to IPL's filing, MERC will be absorbing all of IPL's current GAP customers into its Program effective April 30, 2015.

The Commission completed an evaluation of Great Plains's and GMG's gas affordability programs in November 2014. Last year's evaluations of Great Plains's and GMG's programs are discussed below. The previous evaluations of the CenterPoint, Xcel, MERC and Interstate programs are highlighted below.

Great Plains Natural Gas

In its program evaluation, Great Plains Natural Gas proposed discontinuing its Program because the benefits provided to a small group of customers do not justify the Program's administrative costs. Great Plains alternatively proposed allowing the Program to continue operating until the GAP fund balance has been fully depleted. The Department and the Energy Cents Coalition (ECC) objected.

The Commission agreed with the Department and ECC and ordered the Company to continue its Program for an additional two years and to explore how the Program might be changed to operate more effectively and efficiently.[1] This directive included re-evaluating how the Program is structured and administered and making an informational filing with the Commission if the Company changes its Program administrator or makes significant changes in its outreach program. The Company submitted a revised tariff sheet within 10 days of the Order to reflect the extended date of the Program. Great Plains's next evaluation of its program is due no later than June 1, 2016.

Greater Minnesota Gas

In its program evaluation, GMG proposed ending its GAP because its Program is not cost effective. The Company argued that its Program is doing little to achieve the goals of the gas affordability program, such as lowering the percentage of income that low-income households devote to energy bills or increasing the frequency of payments made by the GAP customer. In 2013, 14 customers were enrolled in the Company's GAP. The Company eventually removed 12 of the customers for failing to comply with the Program's requirements, such as failing to pay two consecutive monthly payments.

However, the Department, the OAG and Energy Cents Coalition agreed that GMG should explore how the Program may be changed to operate more effectively and efficiently, including re-evaluating how the Program is structured and administered. The Commission agreed and directed GMG to continue its Program for an additional year. The Commission directed the Company to file revised tariff sheets within 10 days of the Order to reflect the one-year extension of the Program as currently structured.[2] Staff notes that there is no record that the revised tariff sheets reflecting the one-year extension have been filed as ordered by the Commission on November 26, 2014.

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[1] Order Accepting Gas Affordability Program evaluation and Extending Program, In the Matter of the Petition by Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc., for Approval of a Gas Affordability Service Program, Docket No. G-004/M-07-1235 (November 26, 2014)

[2] Order Accepting Gas Affordabilty Program Evaluation And Extending Program, In the Matter of Greater Minnesota Gas, Inc.'s Failure to File an Affordability Program Under Minn. Stat. § 216B.16, Subd. 15, Docket No. G-022/CI-08-1075 (November 26, 2014)

Staff reviewed the discussion that took place at the Commission's October 30, 2014 agenda meeting. Kristine Anderson, the corporate attorney for GMG, stated that the previous day she had made contact with Pam Marshall of the Energy Cents Coalition and had engaged in detailed discussions including revamping the Program and using ECC as the third party administrator. She stated the issue was discussed with the President of GMG and he indicated that the Company would be open to funding a third party administrator. Ms. Anderson recommended the Commission table the issue for 45-60 days for the parties to look at revamping the program to work within the existing infrastructure of ECC. She stated that the Company could not file updated tariffs until they know how the program will be administered.

The Commission agreed with Ms. Anderson's recommendation to give the Company 45-60 days to work through the issue. The Commission was led to believe that the Company would work with ECC to restructure the Program and file revised tariff sheets within 60 days. The matter would then come back before the Commission for review. The Company failed to file an updated tariff proposal within 60 days with the Commission and to date, has not filed a proposal to modify its program. In its May 1, 2015 reply comments the Company stated:

> GMG is undergoing analysis to restructure its program. GMG has reviewed the GAP programs of other natural gas providers for comparative purposes and is currently in the process of assessing the impact on GMG's ratepayers and on the Company of providing a similar program or another program different from what it currently provides. GMG is considering GAP budget options in light of its substantial customer growth since its GAP was formulated. GMG is in ongoing discussions regarding third-party administration of its GAP program; and, preliminary indications suggest that is the likely course for its program; however, program modifications need to be determined prior to a third-party administrator taking over. Suggested program modifications will be made with input from the third-party administrator. In addition, GMG has changed and is continuing to evaluate ways to increase its outreach to low-income customers which, in turn, GMG hopes will increase both LIHEAP participation and GAP participation by its eligible customers. In fact, GMG's GAP participation for 2015 has approximately tripled. GMG anticipates submitting its proposed GAP modifications for review and approval within the next 60 to 90 days.

Because a proposal has yet to be filed, the Commission may want to ask GMG about the status of the Program and its administration. The Commission will also have to Order the Company to extend its pilot GAP, or make it permanent, if it wants the Program to continue after December 31, 2015. The Commission will also need to choose a date for the Company to file its next GAP evaluation.

Staff also noticed that GMG does not provide any information about its affordability program on its website. While there is a link to the Company's tariff book which includes the out-of-date affordability program tariff, there is no mention of this program in the section of the website devoted to energy assistance and cold weather rule information. In contrast, there is detailed information about the new communities in which the Company is expanding and providing service. Both Xcel and CenterPoint provide information about their affordability programs on their websites. Staff also noticed that GMG's CIP provider, the Neighborhood Energy Consortium (NEC), does not specifically mention Greater Minnesota Gas on its website. NEC does, however, refer specifically to several Xcel and CenterPoint programs. It does not appear to staff that GMG is making information easily or readily available about its affordability program which does not appear to be in keeping with the statute which requires ... "any affordability program the Commission orders a utility to implement must" ... "coordinate ... with other available low-income bill payment assistance and conservation resources." ... Minn. Stat. § 216B.16, subd. 15(b)(5). If GMG is required to continue offering its program, staff believes GMG should be required to provide information about its affordability program on its website and to demonstrate how it is coordinating this program with its other energy assistance and energy conservation programs.

CenterPoint Energy

- Evaluated in 2013.
- Extended the Program through December 31, 2016.
- Modified timing of the arrearage forgiveness credit applied to customers' account. Now applied before customer payment is received which mirrors the application of the affordability credit.

Xcel Energy

- Evaluated in 2012.
- Authorized three year extension of the Program (through December 31, 2016).
- Discontinue practice of removing customers when they accrue a $500 credit balance.
- Raised the dollar amount of the threshold amount that triggers an account review to a credit balance exceeding $1,000 and required Xcel to consult with the Department, OAG and ECC on an appropriate new removal threshold.
- Required Xcel to reduce the tracker balance by $1 million by reducing the GAP surcharge from $0.00445 to $0.00400 effective January 1, 2013 and continuing through December 31, 2016.
- Continue Program outreach to low income households.

MERC

- Evaluated in 2011.
- Authorized MERC to extend its program for four years until December 31, 2015. (MERC's evaluation of its program is pending in Docket No. G-011/M-15-539.)
- No significant modification to the design of MERC's program.
- Approved MERC's request to increase its gas affordability surcharge to allow MERC to recover $1 million in over budget costs over four years.

Interstate

- Evaluated in 2011.
- Authorized four year extension of program to December 31, 2015. (Interstate's program has been consolidated into MERC's. IPL's evaluation of its program is pending in Docket No. G-001/M-15-540.)
- Authorized lowering the customer paid portion of the bill for current gas usage (the affordability component) from six to four percent of household income and to maintain the arrearage forgiveness component of the program.
- Denied request for authority to true up program costs using an annual cost recovery mechanism instead of the currently authorized GAP tracker account.

Pilot Program Evaluations and Termination Dates

Great Plains and GMG programs were evaluated in 2014 for the second time. MERC's and Interstate's programs are being evaluated for the second time in 2015. CenterPoint and Xcel's programs will be evaluated again in 2016. The following table summarizes the upcoming milestones for each program.

	CenterPoint	Xcel	MERC	Interstate	Great Plains	GMG
Program Effective Date	5/1/2007	2/1/2008	4/1/2008	3/1/2008	6/1/2008	10/9/2008 (approx.)
Next Evaluation Report	6/1/2016	5/31/2016	5/31/2015	5/31/2015	6/1/2016	TBD
Current Term of Pilot Program Ends	12/31/2016	12/31/2016	12/31/2015	12/31/2015	12/31/2016	12/31/2015
Date of Last Evaluation Order	9/24/2013	10/26/2012	12/29/2011	12/29/2011	11/26/2014	11/26/2014

Staff has not attempted an in depth compilation or analysis of the data provided in the 2014 annual compliance reports. In many respects the data is not directly comparable across utilities. However, 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 programs 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 following table compares the terms of the affordability component for the different programs. This table also summarizes GMG's program which is simpler and significantly smaller than the other programs.

Affordability	Center Point	Xcel	MERC	Great Plains	Interstate	GMG
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					The affordability component for GMG's GAP consists of a waiver of the monthly facility (i.e. customer) charge and is reviewed and administered quarterly.
% of Household income	4%	4%	6%	4%	4%	n/a
2012 Average Benefit	$323	$145[3]	$489	$190	$346	$102
2013 Average Benefit	$327	$158	$482	$79	$461	$102
2014 Average Benefit	$381	$264	$305	$180	$515	$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

[3] 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.

regular monthly bill payments for the term of the payment plan while paying down past due gas bills.

The following table compares the terms of the arrearage forgiveness component for the different programs. This table also summarizes GMG's program which is simpler and smaller than the other programs.

Arrearage Forgiveness	CenterPoint	Xcel	MERC	Great Plains	Interstate	GMG
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.					The arrearage forgiveness component for GMG's GAP consists of a one-time bill credit of $102.00 applied to customer's bill if the customer makes 12 consecutive, timely payments.
Repayment period for arrears	12 mos. - customer contributes no more than 2% of household income to retire pre-program	12 mos.	Up to 24 mos. (modified in 2012 - up to 24 mos. with arrears, and 12 mos. without	Up to 24 mos.	Up to 24 mos.	
2012 Average Benefit	$251	$145[4]	$38	$44	$21	$102
2013 Average Benefit	$209	$28	$37	$43	$25	$102
2014 Average Benefit	$266	$33	$7.31	$61	$16	$102

GAP Participation Rates

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 during calendar-year 2014. The participation rate for each company is provided for 2014 and previous years for comparison.

[4] Ibid. Footnote 3.

GAP participation rates (% of LIHEAP customers that participated in GAP)	Center-Point	Xcel	MERC	GPNG	IPL	GMG
2014	34.5%	38%	15%	10.21%	4%	12%
2013	44.8%	49%	8%	4.82%	4%	22%
2012	28%	27%	8%	15.15%	3.9%%	
2011	30%	45%[5]	9%	not available	3%	
2010 (as reported in USG report)	27%	43%	12%	7%	5%	

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.

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.

Disconnection Rates	Center Point	Xcel	MERC	Great Plains	Interstate
GAP					
2014	5%	6%	2%	13.19%	0%
2013	4.7%	5.0%	<1%	19.5%	0%
2012	4.4%	5.0%	<1%	2.5%	0%
2011	2.6%	4.0%	<1%	13.5%	5.7%
2010	2.9%	4.0%	<1%	6.6%	1%
LIHEAP - Non-GAP					
2014	11.9%	11%	13%	28.6%	.009%
2013	9.1%	9%	<15%	23.9%	.008%
2012	8.7%	10.0%	11.0%	13.8%	<1%
2011	6.7%	9.0%	16.0%	Not available	11.5%
2010	7.0%	10.0%	11.0%	14.9%	1.4%

[5] 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.

Disconnection Rates	Center Point	Xcel	MERC	Great Plains	Interstate
Non-LIHEAP (all firm including C&I)					
2014	2.6%	1%	3%	3.88%	.0116%
2013	3.8%	<1%	3%	3.9%	.003%
2012	3.4%	1.0%	2.0%	4.6%	1.0%
2011	6.7%	1.0%	5.0%	6.4%	1.0%
2010	3.5%	2.0%	4.0%	4.4%	1.0%

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.

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 2014	Center Point	Xcel	MERC	Great Plains	Interstate	GMG
GAP participants - enrolled at year-end	13,310	6,775	1,750	121	86	5
GAP participants - enrolled and receiving benefits at some time during the program year	17,763	10,620	2,060	182	107	9

GAP Retention Rate	Center Point	Xcel	MERC	Great Plains	Interstate	GMG
2014	75%	64%	85%	66%	80%	55%
2013	67%	50%	87%	35%	79%	14%
2012	64%	64%	93%	64%	71%	n/a
2011	73%	58%	79%	86%	56%	n/a
2010	75%	48%	88%	85%	74%	n/a

Annual Program Budgets

In one of the initial program authorizations, the Department raised a question about the basis for the size of proposed program. For example, was the annual budget amount proposed based on customer need or something else? It should be recognized that CenterPoint's program, the largest, was authorized with a $5 million per year budget, which was, arguably, a somewhat arbitrary amount rather than an amount based strictly on the basis of need. The budgets for the other programs were scaled proportionally to CenterPoint's budget. In 2014, both CenterPoint and Xcel's actual Program costs exceeded the annual Program budget.

	CenterPoint	Xcel	MERC	Great Plains	Interstate
Annual Program Budget	$5,000,000	$2,500,000	$1,000,000	$50,000	$50,000
Actual Program Revenue (2014)	$5,993,502	$2,711,471	$1,457,066	$0	$47,795
Actual Program Cost (2014)	$6,631,073	$3,292,606	$891,575	$32,295	$47,606
GAP Tracker Balance as of December 31, 2014	$2,037,172	$1,458,854	$1,106,456	$62,304	($19,341)

CenterPoint, Xcel, MERC and Great Plains all have relatively large tracker balances at the end of 2014. This means that in the past they have not been able to use all of the money authorized for these programs. This may be, in part, due to the fact that the customer surcharge is volumetric and collections vary from year to year based on customer usage.

	CenterPoint	Xcel	MERC	Great Plains	Interstate
GAP Tracker Balance as of December 31, 2014	$2,037,172	$1,458,854	$1,106,456	$62,304	($19,341)
GAP Tracker Balance as of December 31, 2013	$2,372,429	$2,039,989	$540,965	$94,599	($19,530)
GAP Tracker Balance as of December 31, 2012	$1,292,574	$1,959,059	$80,499	$140,788	($16,378)

CenterPoint

CenterPoint listed a number of conservation measures that it promotes to low-income households such as installing a programmable thermostat, installing a low-flow showerhead and faucet aerator, and weather stripping. The Company also offers no cost services such as a home energy audit, weatherization, furnace, boiler and water heater replacement, repair and tune-ups.

CenterPoint cross-promotes its GAP with its Conservation Improvement Program (CIP). In 2014, the Company sent 60,722 direct mail pieces to LIHEAP recipients encouraging customers to enroll in GAP. Each mailer included a GAP application, detailed energy efficiency tips, and information about CenterPoint Energy's rebate and other programs, including Home Energy Squad, Home Energy Audits, weatherization services, and faucet aerators.

The Company did not provide an explanation as to why their tracker balance is so large, nor did they provide a proposal to decrease the tracker balance. The Commission may want to ask the Company if it has a plan to reduce the tracker balance.

Xcel

Xcel's program was last evaluated in 2012. The Commission ordered Xcel to reduce its $2.5 million tracker balance by approximately $1 million through a combination of a reduced surcharge and increased expenditures for outreach. The combination was intended to allow the Company to increase program participation and benefits, while bringing the tracker balance and the surcharge more in line with what is reasonably required to administer the program. The Commission required the surcharge reduction and increased expenditures extend over the four year program.

As of January 1, 2013, the Company lowered the GAP surcharge rate from $0.00445 per therm to $0.00400 per therm. The Company provided the table below which shows the result of lowering the surcharge in 2013 and the forecast for 2014.

Xcel Energy GAP Surcharge Revenue Impact of Lowering Surcharge Rate

	Actual 2014	Actual Jan. – Feb 2015	Forecast Mar. – Dec. 2015	**Forecast Total 2015**
Revenue with Actual Rate	**$2,711,471**	$794,755	$1,550,673	**$2,345,429**
Revenue if Rate was $0.00445/therm	**$3,016,735**	$884,181	$1,725,124	**$2,609,305**
Reduction in Surcharge Revenues	**$305,264**	$89,426	$174,451	**$263,877**

As shown in the table, in 2014 the Company saw a reduction to GAP surcharge revenues of approximately $305,000 due to the decreased surcharge rate, which directly impacted the tracker balance. In 2015, the Company is expecting to see a reduction in GAP surcharge revenues of approximately $264,000. They are on track to meet their four- year goal of a $1 million reduction. The Company noted that in 2014, they were able to exceed the annual $2.5 million expenditure cap. Their final 2014 expenditures were close to $3.3 million.

MERC

MERC has a surplus in its GAP account. In Program year 2014, MERC collected $1,457,066 from its firm customers and spent $891,575. MERC has carried unspent dollars forward for three years in a row. The primary driver for over-funding is that the monthly surcharge is assessed on a per-therm basis and natural gas consumption was significantly higher in October thru December of 2014.

MERC increased the promotion of GAP in 2014 and has worked with its program partners to increase its promotional efforts. MERC and the Salvation Army coordinated several mailing and calling campaigns which significantly increased GAP enrollment.

Great Plains

Great Plains' collected $0 from customers for GAP funding for the 2014 program year. The surcharge of $0.00 per dekatherm was set because Great Plains had a large tracker balance. Great Plains' tracker balance was almost double the Program's annual budget. The amount of overfunding was reduced from 2012, when the GAP balance was $104,800, to the 2013 GAP balance of $94,599. In 2014, the balance was further reduced to $62,304. Setting the GAP surcharge to $0 with the goal of reducing the tracker balance appears to be working to acheive the goal of the Commission.

IPL

IPL's Program is funded through a $0.0023 per therm surcharge paid by all firm and interruptible customers. The per therm charge has remained constant over a six year-period. IPL's Program was slightly underfunded in the first few years of the Program. The underfunding more than doubled during the 2012 Program year and the trend of increased underfunding continued into both the 2013 and 2014 Program years. The Commission may want to ask the Company (or MERC) to explain this trend. Staff notes that IPL's annual Program budget is $50,000, and the 2014 tracker balance was ($19,314). When the 2014 tracker balance is compared to the annual budget of the Program, the Program is 39% underfunded. The six-year trend is shown in the chart below.[6]

IPL	**12/31/09**	**12/31/10**	**12/31/11**	**12/31/12**	**12/31/13**	**12/31/14**
Tracker Balance	($9,296)	($5,464)	($7,708)	($16,378)	($19,530)	($19,341)
Affordability Credit			$327	$346	$461	$515
Arrearage Forgiveness			$50	$21	$25	$16
Affordability & Arrearage Credit[7]	$575	$603				

At some point, the Commission may want to revisit the question raised several years ago by the Department about whether the size of the budgets for these programs is appropriate, and, if not,

[6] In its December 29, 2011 Order Accepting Report, Extending Program As modified, And Denying Annual True-Up, in Docket G-001/M-07-1295, the Commission denied IPL's request to true up its GAP costs via an annual cost recovery mechanism but did authorize IPL to make a filing to request recovery of the projected tracker balance as of December 31, 2011, amortized over a four-year period plus the $50,000 annual GAP budget through a revised per therm rate. IPL has not made such a filing.

[7] IPL only provided the total customer benefit number for program years 2009 and 2010.

should the size of some of these annual program budgets be determined by customer need or something else.

Allocation of Cost Responsibility

	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	$0.0051900[8]	$4.41	17,763	All firm residential, commercial and industrial sales and transportation customers (except market-rate firm)
Xcel	$0.004000	$4.02	10,620	All firm sales customers
MERC	$0.004410	$3.97	2.060	All General Service, i.e. firm sales customers.
Great Plains	$0.00000	$0.00	182	Collection of surcharge is currently suspended - All firm residential and firm general service customers were previously charged for this program.
Interstate	$0.002300	$2.07	107	All firm and interruptible customers
GMG[9]				

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 $4.41 per year per residential customer.

Another cost recovery issue the Commission may want to address in the future is whether responsibility for the cost of these programs should be allocated more broadly. Currently, most but not all of the programs are paid for by firm customers. An argument can be made that this is

[8] The surcharge took effect on December 1, 2014 and reflects final rates in Docket No. G-008/GR-13-316. The previous rate was $0.0049 ($/therm).

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

not the fairest way to allocate cost responsibility for these programs because the benefits from these programs accrue to all ratepayers on the utility's system.

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

Staff generally believes the utilities are responsible for making these programs as effective and efficient as possible. In previous years staff has discussed some of the differences between programs that might help explain some of the apparent differences in effectiveness, efficiency and performance of these programs. In its September 22, 2010 Order, the Commission asked the Utility Stakeholder Group to comment, and, in response, the Utility Stakeholder Group stated that

… the Group discussed the administrative tasks and processes used by each Company including: promotion, application processing, client interaction, process to calculate customer payment, renewal tasks, and data handling, among others. The overall conclusion of the Group was that the administrative tasks are similar whether they are performed internally or by a third-party administrator. Those companies using a third-party administrator have divided these administrative tasks differently depending on the unique billing processes, staffing capabilities, and scale of Program. The Group does not believe there is a single best model for completing these tasks. [USG Report, June 1, 2011, p. 13]

In the review of the 2011 compliance filings, there was an extensive 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.

	CenterPoint	Xcel	MERC	Great Plains	Interstate	GMG
Third-party program administrator	ECC/Center Point	ECC/ Xcel	Salvation Army - Heat Share/ MERC	Salvation Army	In-House	In-House

CenterPoint uses Energy Cents Coalition (ECC) as its third party administrator. The GAP application is available on ECC's website. In addition, the Company promotes its own GAP. Efforts to increase awareness and promote the Program to eligible Customers in 2014 included direct mail, e-mail and phone calls. In addition, the Company attends many community outreach events and distributes applications and flyers promoting the Program.

Xcel also uses ECC as its third party administrator. To promote its Program, Xcel has a dedicated internal low-income coordinator group to increase awareness and participation. The Company does annual mailings and outreach to eligible households. The Company also attends community outreach events to promote its Program.

MERC's GAP Administrator is the Salvation Army. Due to an internal policy on operational & marketing restrictions, the Salvation Army is not able to make GAP applications available on its website. The Company stated that, "The Salvation Army goes above and beyond in promoting the Program in many ways including making the GAP application available to its case workers, HeatShare and Outreach staff (which generate many internal referrals), and frequent promotion through their interaction with other community agencies/programs." MERC has the application available on its website. MERC's Call Center mails the GAP applications to customers who inquire about the Program or are informed about the Program when making bill payments arrangements.

GPNG signed an agreement with the Salvation Army (Roseville, MN) to administer its Program for 2015. The Salvation Army was chosen in an attempt to garner more interest in the Program and to take advantage of their expanded outreach capabilities. To date, the Salvation Army is processing all of the GAP applications in a timely manner, have posted the GAP application on their website and are promoting and fielding applications and calls regarding the 2015 Program year.

IPL administrates its Program in-house and also funds South Eastern Minnesota Community Action (SEMCAC) for energy efficiency upgrades to low income homes through its Conservation Improvement Program.

GMG continues to administer its Program internally.

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 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 2014

   a. Accept the calendar-year 2014 GAP annual compliance reports (all dockets), or

   b. Do not accept the calendar-year 2014 GAP annual compliance reports.

2. Greater Minnesota Gas

   a. Require the Company to extend its pilot GAP Program for a period of

      i. one year (until December 31, 2016), or
      ii. two years (until December 31, 2017), or
      iii. three years (until December 31, 2018), or
      iv. until the Commission authorizes GMG to discontinue or modify its program. and

   b. Require the Company to file an updated tariff, within 10 days of this Order, to reflect the revised term of the Program. and

   c. Require the Company to provide accurate and up-to-date information about its program on its website within 10 days of this Order, and on an ongoing basis, and to demonstrate in its next annual GAP compliance report how it has complied with the statutory requirement that it coordinate this program with other available low-income bill payment assistance and conservation resources. and

   d. Require Greater Minnesota Gas to file its next evaluation report no later than June 1, 2016 (or some other date determined by the Commission).