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November 1, 2019

VIA ELECTRONIC FILING

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

RE: Minnesota Energy Resources Corporation's 2019 Evaluation of its Gas Affordability Program, Docket No. G-011/M-19-369
Reply Comments of Minnesota Energy Resources Corporation

Dear Mr. Wolf:

On October 14, 2019, the Minnesota Department of Commerce, Division of Energy Resources (the "Department") filed comments in the above-referenced docket requesting additional information and concluding:

- Minnesota Energy Resources Corporation's ("MERC's" or the "Company's") Gas Affordability Program ("GAP" or "Program") satisfies four of the requirements in Minn. Stat. § 216B.16, subd. 15. Additional information is needed to determine whether the Program has increased participating customer payments over time by increasing the frequency of payments.
- The Program costs firm customers on average \$410,730 annually net of savings; for all customers as a whole, including GAP participants, the program provides an average net benefit of \$259,069 annually.
- For participants living on the poverty line, the Program, on average, increased their effective income by 2.4 percent in 2018. As such, the Department would expect that the costs to ratepayers are additionally offset by moderate societal benefits arising from increased effective income of the Program's approximately 1,586 participants.

Based on these conclusions, the Department made the following recommendations and requests for additional information:

- The Department requests that MERC provide, in reply comments and in future GAP Evaluations, data showing the number of payments by GAP participants and Low Income Home Energy Assistance Program ("LIHEAP") non-GAP participants compared to the number of payments requested.

- The Department recommends that the Commission require MERC to report based on the pre-program baseline method in future evaluation reports (i.e., comparing data regarding payments, arrears, and collection costs for GAP participants to those same customers 12 months prior to being on the program).
- Upon a determination that MERC's GAP fulfills the statutory requirements, the Department recommends that, consistent with other utilities' GAPs, the Commission require MERC to continue its GAP program with no expiration date, and require the Company to submit an Evaluation Report every 3 years, beginning May 31, 2022, covering Program years 2019-2021.

MERC thanks the Department for its review and submits these Reply Comments to respond to the Department's recommendations and requests for additional information.

**Compliance with Minn. Stat. § 216B.16, subd. 15
Frequency of GAP Customer Payments**

Minn. Stat. § 216B.16, subd. 15, Low-income affordability programs, provides:

Any affordability program the commission orders a utility to implement must:

- (1) lower the percentage of income that participating low-income households devote to energy bills;
- (2) increase participating customer payments over time by increasing the frequency of payments;
- (3) decrease or eliminate participating customer arrears;
- (4) lower the utility costs associated with customer account collection activities; and
- (5) coordinate the program with other available low-income bill payment assistance and conservation resources.

In its comments, the Department concludes that MERC's GAP has satisfied four of these statutory criteria based on the information provided in MERC's 2019 Evaluation Report — (1) lower the percentage of income that participating low-income households devote to energy bills; (3) decrease or eliminate participating customer arrears; (4) lower utility costs associated with customer account collection activities, and (5) coordinate the program with other available low-income bill payment assistance and conservation resources.

With respect to the second criterion, that the program increase participating customer payments over time by increasing the frequency of payments, the Department states in its comments that it is "unable to conclude at this time whether the Company's program is

meeting the statutory requirement.” The Department states that the payment frequency data provided by the Company (dollars paid/dollars requested and total payments received by GAP participants, new GAP enrollees, and non-GAP LIHEAP customers) “does not fully address the question as to whether the program increased payment frequency. Rather it simply lists the number of payments received per customer but makes no reference to the number of payments requested. The Department requests that the Company provide in reply comments data showing the number of payments made by GAP participants and LIHEAP non-GAP participants compared to the number of payments requested.”

MERC responds that the Company had not historically collected data on the number of payments requested for GAP enrollees, new GAP enrollees, and non-GAP LIHEAP customers, for either its annual GAP Reports or prior two GAP Evaluation Reports. MERC does not have historic data on the number of payments requested for these groups prior to 2017, when implementation of and transition to the Company’s new customer information system was complete. Table 1 below presents data for 2017 and 2018, by customer group, for the number of payments made, number of payments requested, and percentage of payments made/payments requested.

Table 1. 2017-2018 Number of Payments Made and Requested¹

Customer Group	2017 Number of Payments Made / Number of Payments Requested	2018 Number of Payments Made / Number of Payments Requested
All GAP Participants	6,280 received 4,099 requested 153%	8,227 received 5,533 requested 149%
Non-GAP LIHEAP Customers	94,531 received 93,587 requested 101%	99,771 received 93,568 requested 107%
Non-LIHEAP Residential customers	2,072,624 received 2,343,173 requested 85%	2,151,613 received 2,380,137 requested 90%
GAP Participant Cohort (New GAP Customers)	420 received 579 requested 73%	1,328 received 1,312 requested 101%

¹ MERC notes there are differences in 2018 data as compared to MERC’s 2018 GAP Annual Report as a result of how the Company had defined the reporting categories for that reporting, which MERC has subsequently clarified further with the Department through responses to discovery and additional conversations. Additionally, for accounts with credit balances, Table 1 above does not treat those accounts as having been requested to make a payment while prior reporting did include such accounts. While those customers do receive a bill each month, it does not require a payment due to a continuing credit balance. Finally, MERC has included Energy Assistance as payments received in Table 1.

Customer Group	2017 Number of Payments Made / Number of Payments Requested	2018 Number of Payments Made / Number of Payments Requested
GAP Participant Cohort before they were enrolled in GAP	411 received 593 requested 69%	1,282 received 1,337 requested 96%

As can be seen from this information, in 2017 and 2018, the number of customer payments received/number of customer payments requested was notably higher for the GAP participant cohort as compared to the same group of customers prior to enrollment in GAP. Further, the number of payments received/number of payments requested for all GAP customers (regardless of time of enrollment) is significantly higher than for new enrollees, indicating a trend of increasing payment frequency over the course of enrollment.

Beginning in 2018, MERC began reporting customer payment frequency in accordance with the Commission-approved streamlined annual reporting to include the percentage of dollars paid relative to dollars requested and number of payments made relative to number of payments requested for: (1) non-GAP LIHEAP customers, (2) GAP participants, (3) non-LIHEAP Residential customers, (4) the GAP participant cohort, and (5) the GAP participant cohort before they were enrolled in GAP. While MERC does not have historic data on dollars paid and dollars requested by group prior to implementation of and transition to the Company's current customer information system, Table 2 below provides data for 2017 and 2018.

Table 2. 2017-2018 Dollars Paid/Dollars Requested²

Customer Group	2017 Dollars Paid/Dollars Requested	2018 Dollars Paid/Dollars Requested
All GAP Participants	38%	60%
Non-GAP LIHEAP Customers	88%	75%
Non-LIHEAP Residential customers	91%	92%
GAP Participant Cohort (New GAP Customers)	82%	86%
GAP Participant Cohort before they were enrolled in GAP	81%	88%

This information similarly supports a finding that MERC's GAP has increased participating customer payments over time by increasing the frequency of payments. Looking at data for

² MERC notes there are slight differences in 2018 data as compared to MERC's 2018 GAP Annual Report as a result of how the Company had defined the reporting categories.

2017 and 2018, new GAP enrollees (the GAP participant cohort) have a higher % of amounts paid versus amounts requested as compared to the GAP cohort before they were enrolled in GAP. Similarly, all GAP participants have a significantly higher proportion of dollars paid compared to dollars requested as compared to new enrollees.

Finally, in its 2018 Gas Annual Report, MERC provided monthly information regarding the number of GAP customers who provided full, partial, or no payments each month from 2016 through 2018 (Tables 4 through 6 below). As shown in Table 3, below, this data reflects an increase in the average number of full payments received each month on average from 2016 to 2018, during which time total GAP enrollment remained generally constant, providing additional support that MERC's GAP has increased payment frequency.³

Table 3. Average # of Full Payments Each Month

Reporting Year	Average # of Full Payments Each Month
2016	163
2017	173
2018	217

Table 4. 2018 Full, Partial, and No Payment

2018	Full Payments	Partial Payments	No Payment
January	237	97	184
February	231	78	178
March	283	80	213
April	243	52	187
May	248	32	245
June	228	40	211
July	168	27	183
August	191	27	194
September	171	36	168
October	278	47	168
November	224	54	164
December	102	27	292

³ Year-end enrollment was 1,557 for 2016; 1,580 for 2017; and 1,302 for 2018.

Table 5. 2017 Full, Partial, and No Payment

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

Table 6. 2018 Full, Partial, and No Payment

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

In addition, the design and requirements of MERC's GAP also support a conclusion that the statutory criteria of increased participating customer payments over time by increasing the

frequency of payments has been met. Under MERC's GAP, an enrollee who fails to pay two consecutive monthly payments in full will be terminated from the program and subject to MERC's regular collection practices, including the possibility of disconnection.⁴ As a result, GAP customers may miss one payment but in general do not miss two consecutive payments.

The success of this program feature in improving customer payment frequency is reflected in MERC's consistently high retention rates for GAP — 90 percent in 2015, 98 percent in 2016, 97.5 percent in 2017, and 92 percent in 2018. Additionally, customers who miss a single payment will pay both their current month balance and the prior month balance and as a result, the GAP has been very successful in increasing overall payments by participating customers. Although the requirement that GAP customers who miss two consecutive monthly payments will be removed from the Program likely contributes to the low overall number of payments received by GAP customers, MERC believes that program modification to require removal after a single missed payment would be unreasonable because many more customers would default from the Program and such requirement would significantly deter participation.

Future Reporting on Pre-Program Baseline

The Department notes in its comments that on May 22, 2017, the Commission issued its Order Approving Periodic Gas Affordability Program Evaluations and Requiring Further Action in Docket Nos. G008/M-16-486, G011/M-16-493, and G004/M-16-495, requiring CenterPoint Energy, Xcel Energy, and Great Plains Natural Gas to provide data to allow evaluation of their respective GAPs using the pre-program baseline method for future GAP evaluations. As the Commission required the other Minnesota gas utilities with GAPs to file information using the pre-program baseline method in future GAP Evaluation Reports, the Department recommends that the Commission require MERC to provide this information in future GAP Evaluation Reports as well.

Beginning with MERC's 2018 GAP Annual Report filed in Docket No. G011/M-19-241, the Company began reporting using the "pre-program baseline method." In particular, MERC is now collecting and reporting the following data for each reporting year:

- Disconnection rates pre-program baseline for the GAP participant cohort and GAP participant cohort before they were enrolled in GAP.
- Payment frequency pre-program baseline for the GAP participant cohort and GAP participant cohort before they were enrolled in GAP.
- Arrears pre-program baseline for the GAP Participant cohort and GAP participant cohort before they were enrolled in GAP.

⁴ MERC 4th Revised Tariff Sheet No. 7.10 (Gas Affordability Program (GAP) Conditions of Service).

MERC intends to define “GAP participant cohort” as new GAP enrollees during the relevant reporting year (e.g., all GAP participants who enrolled during 2019). MERC will track and report on new enrollee metrics for the “GAP participant cohort” categories of reporting and to report on those same customers for the 12-months directly before their enrollment date in the “GAP participant cohort before they were enrolled in GAP” categories.

While MERC does not have information for these reporting metrics for historic years available, MERC will continue to compile and report on these metrics each year in its annual GAP Report and in future GAP Evaluation Reports.

Therefore, MERC agrees with the Department’s recommendation that the Company use the pre-program baseline method of reporting in its future GAP Evaluation Reports.

Additionally, in accordance with the Department’s recommendation, MERC will track, for future GAP Annual Reports and GAP Evaluation Reports, the number of payments made by and the number of payments requested of: (1) GAP participants, (2) non-GAP LIHEAP customers, (3) non-LIHEAP Residential customers, (4) GAP participant cohort, and (5) GAP participant cohort before enrollment in GAP.

Extension of GAP

Finally, the Department recommends that if the Commission concludes that MERC’s GAP has met the statutory requirements, the Commission should require MERC’s GAP to continue without an expiration date and require MERC to submit an Evaluation Report every 3 years beginning May 31, 2022 covering program years 2019-2021.

MERC had initially proposed its GAP for an additional four years through December 31, 2023 but does not object to the Department’s recommendation to make the program permanent with continued periodic evaluations reporting.

Please contact me at (414) 221-2521 if you have any questions regarding the information in this filing. Thank you for your attention to this matter.

Sincerely,

/s/ Michael R. Mueller
Michael R. Mueller
Manager – Low Income & Medical Condition Programs

cc: Service List

In the Matter of the Petition of Minnesota
Energy Resources Corporation for
Approval of 2019 Evaluation of its Gas
Affordability Program and Extension of
Program for an Additional Four Years

Docket No. G011/M-19-369

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 1st day of November, 2019, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Reply Comments 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 1st day of November, 2019.

/s/ Kristin M. Stastny
Kristin M. Stastny

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