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March 31, 2016

Mr. Daniel Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, MN 55101-2147

*RE: Annual Compliance Submission of CenterPoint Energy Minnesota Gas, A  
Division of CenterPoint Energy Resources Corp., for its Gas Affordability Service  
Program; MPUC Docket No. G-008/M-16-\_\_\_\_\_*

Dear Mr. Wolf:

On June 6, 2007 CenterPoint Energy committed to providing certain baseline and annual reporting information for the Gas Affordability Service Program (GAP or Affordability Program). Enclosed is the ninth annual submission of information; the "baseline data" was provided on August 31, 2007, four months after the start of the program.

If you have any questions regarding the information provided in this filing, please contact me at (612) 321-4905.

Sincerely,

/s/

Shari Grams  
Regulatory Analyst

Enclosure  
cc: Service List

**AFFIDAVIT OF SERVICE**

STATE OF MINNESOTA            )  
  ) ss.  
COUNTY OF HENNEPIN        )

Shari Grams, being first duly sworn on oath, deposes and says she served the attached compliance filing of CenterPoint Energy in Docket No. G-008/M-16-\_\_\_\_ via e-filing to the Minnesota PUC, as well as those requesting electronic service on the service list and to all others on the service list via U.S. Mail at the city of Minneapolis.

  /s/    
\_\_\_\_\_  
Shari Grams

Subscribed and sworn to before me  
this 31<sup>st</sup> day of March, 2016.

  /s/    
\_\_\_\_\_  
Mary Jo Schuh, Notary Public  
My Commission expires 1/31/2020

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

Beverly Jones Heydinger	Chair
Nancy Lange	Vice Chair
Dan Lipschultz	Commissioner
Matt Schuerger	Commissioner
John Tuma	Commissioner

Annual Compliance Submission of  
CenterPoint Energy Minnesota Gas,  
A Division of CenterPoint Energy Resources  
Corp., for its Gas Affordability Service Program

Docket No.: G-008/M-16-\_\_\_\_\_

**COMPLIANCE FILING**

## **1 Introduction**

Section 5.2 of the Gas Affordability Service Program (“GAP” or the “Program”) tariff (Section V, p. 25.a) states that “(t)he annual reports will include the effect of the program on customer payment frequency, payment amount, arrearage level and number of customers in arrears, service disconnections, retention rates, customer complaints and utility collection activity. On June 6, 2007 CenterPoint Energy (“Company”) committed to providing certain baseline and annual reporting information for GAP.

The following is the ninth annual submission of information. This information is based on the Company’s June 6, 2007 Reply Comments and on the additional information required by the Commission’s Orders on November 18, 2009, September 22, 2010, November 22, 2010, December 29, 2011, September 24, 2013, and September 29, 2015.<sup>1</sup>

CenterPoint Energy’s GAP is available to residential customers who receive LIHEAP assistance during the federal fiscal year, agree to be placed on a

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<sup>1</sup> See Schedule C for a summary table of the Orders from December 29, 2011 through September 29, 2015.

levelized payment plan, and qualify for an affordability and/or arrearage forgiveness credit under the terms of the Program.<sup>2</sup> Customers will be removed from the Program if they fail to pay two consecutive monthly payments in full. To help maintain participation levels, after one missed payment, CenterPoint Energy calls GAP participants as a reminder of the payment requirements for the Program.<sup>3</sup>

Schedule A provides a summary of the GAP Annual Compliance Report information requested by the Commission's September 24, 2013 Order.

## **2 Total Affordability Credit**

The total of the affordability credits applied to GAP participants during the 2015 year was \$5,217,797.

## **3 Total Arrearage Forgiveness Credit**

The total of the arrearage forgiveness credits applied to GAP participants during the 2015 program year was \$1,148,981.

## **4 Total Program Administration Cost**

The total administrative expenses incurred in 2015 were \$196,752, approximately 3.0% of total program costs.

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<sup>2</sup> CenterPoint Energy GAP tariff, Section V, p. 25.

<sup>3</sup> Docket No. G-008/M-05-1380. Order Accepting Gas Affordability Program Reports and Requiring Further Action, p. 4 (December 29, 2011).

**Total Program Costs:**

1. Start-up costs:	\$0
2. Affordability component:	\$5,217,797
3. Arrearage Forgiveness component:	\$1,148,981
4. <u>Incremental admin costs incurred:</u>	<u>\$196,752</u>
5. Subtotal (sum of lines 1–4)	\$6,563,530
6. 5% of subtotal (line 5 multiplied by 5%):	\$328,177
7. Incremental admin costs above 5% (line 4 minus line 6 or \$0):	\$0
8. Incremental admin costs in Tracker (line 4 less line 7):	\$196,752

**5 Total Start-up Costs**

No start-up costs were incurred in 2015.

**6 Incremental LIHEAP**

As described in the response to PUC IR #21 in Docket No. G008/GR-05-1380, the incremental LIHEAP is calculated both in total and on an average participant basis as shown below. Please note that because the LIHEAP year and the GAP year do not correspond exactly, a customer may have received LIHEAP in one LIHEAP year to qualify for participation in a different GAP year. (i.e., a customer may have received LIHEAP in October 2014 and qualified for both the 2014 and 2015 GAP years).

line	GAP Year	2012	2013	2014 <sup>4</sup>	2015 <sup>5</sup>
1	GAP participants who received LIHEAP (October prior year through September current year)	10,862	14,737	11,710	10,074
2	LIHEAP received by GAP participants	\$3,486,911	\$4,464,354	\$3,611,945	\$3,691,276
3	Average amount (line 2 divided by line 1)	\$321	\$303	\$308	\$366
4	GAP participants who received LIHEAP (October current year through September subsequent year)	9,081	12,603	10,249	7,512
5	LIHEAP received by GAP participants	\$2,988,989	\$3,711,652	\$3,730,827	\$1,905,147
6	Average amount (line 5 divided by line 4)	\$329	\$295	\$364	\$254
7	Total incremental LIHEAP (line 5 minus line 2)	-\$497,922	-\$752,702	\$118,881	-\$1,786,129
8	Average incremental LIHEAP (line 6 minus line 3)	\$8	-\$8	\$56	-\$113

## 7 Bad Debt Expense and Adjusted Bad Debt Factor

### A.Bad Debt Factor

Similar to previous annual compliance reports, information is presented below that considers the effects of the Program on the bad debt factor. As described in the response to PUC IR #24 in Docket No. G008/GR-05-1380, the adjusted bad debt factor (the bad debt factor is determined by dividing bad debt expense by firm revenue) considers the effects of the arrears forgiveness credits from the Program

<sup>4</sup> The 2014 GAP year information (for participants receiving 2014–2015 LIHEAP) has been updated from last year's compliance filing since the 2014–15 LIHEAP year was not finished and not all payments were received on behalf of customers receiving LIHEAP grants when last year's compliance filing was made.

<sup>5</sup> Because the 2015–16 LIHEAP year is not finished, the information on year 2015 GAP participants is incomplete and will be updated in the next annual report.



on bad debt by calculating what bad debt expense and the resulting bad debt factor would have been, without the arrears forgiveness credits and arrears payments from participants, everything else being equal. Please keep in mind that the write-off percentage used in line 8 is based on all CenterPoint Energy customers.

### **Bad Debt Factor**

1. Actual 2015 Bad Debt Expense:	\$6,460,445
2. Firm Revenue:	\$758,459,618
3. Bad Debt Factor (line 1 divided by line 2):	0.9%
4. Impact of the Program	
5. Total Payments towards Arrears Rec'd from participants:	\$247,798
6. Total Arrearage Forgiveness Credits Applied:	<u>\$1,148,981</u>
7. Total payments applied to arrears (line 5 + line 6):	\$1,396,779
8. Percentage of Pre-Program Arrears that would have been written-off (from Section 8, below):	4.4%
9. Impact of Arrearage Forgiveness Component on write-offs (line 7 multiplied by line 8):	\$60,790
10. Impact of Program on Bad Debts	
11. Bad Debt Expense without Arrearage Forgiveness Component (line 1 plus line 9):	\$6,521,235
12. Adjusted Bad Debt Factor (line 11 divided by line 2):	0.9%

### **B.Bad Debt Expense**

In addition to the impact on the bad debt factor presented above, the May 31, 2013 GAP Evaluation also examined the impact of the Program on bad debt expense by the reduction in the accounts receivable balance for GAP participants. This reduction was attributed to the GAP credits themselves and to an apparent improvement in the payment behavior of GAP participants. The impact on bad debt expense of the Program is summarized below and shown in Schedule B.

## Bad Debt Expense

1.	Difference in total request amount paid	\$582,768
2.	Incremental LIHEAP—estimate <sup>6</sup>	(\$705,655)
3.	Total GAP credits	<u>\$6,366,778</u>
4.	Change in customer payments, LIHEAP & GAP credits	\$6,243,891
5.	Change in A/R balance	(\$6,243,891)
6.	Change in Bad Debt Expense <sup>7</sup>	(\$274,731)

## 8 Arrearage to Write-Off Study

As described in the June 6, 2007 Reply Comments, a study was conducted to look at the relationship of write-offs to arrears. The information below is based on the 12 months ending December 2015 for *all* CenterPoint Energy customers and not just customers that are eligible or that participate in the GAP program. It is not known how the GAP eligible or GAP participants' write-off to arrearage (or final bill) relationship compares to non-GAP eligible or non-GAP participant customers.

### A. Write-Off/Arrears Percentage

The following table shows the write-off to arrears percentage by comparing the write-offs to arrears using a three-month lag. For example, the September arrears are compared to the December write-offs to show that the amount that was written off in December 2015 was 3.7% of the amount of September arrears.

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<sup>6</sup> Average of total incremental LIHEAP 2007–2014 from Section 6. The 2007 pilot program was a half year.

<sup>7</sup> Calculated using the Write-Off/Arrears percentage from Section 8.

<b>2015</b>	<b>Write-Off / Arrears Percentage</b>
January	3.6%
February	6.3%
March	3.2%
April	2.7%
May	3.5%
June	3.5%
July	3.3%
August	5.1%
September	4.0%
October	8.5%
November	4.6%
<u>December</u>	<u>3.7%</u>
12 Month Average	4.4%

### **B. Write-Off/Final Bill Percentage**

The following table shows the write-off to final bills percentage by comparing the write-offs to final bills using a three-month lag. For example, the September final bills are compared to the December write-offs to show that the amount that was written off in December 2015 was 9.6% of the amount of September final bills.

<b>2015</b>	<b>Write-Off / Final Bill Percentage</b>
January	11.8%
February	21.0%
March	13.5%
April	13.1%
May	20.9%
June	18.8%
July	18.7%
August	27.8%
September	17.1%
October	27.2%
November	12.7%
<u>December</u>	<u>9.6%</u>
12 Month Average	17.7%

## 9 Customer Payment History and Frequency Study

The following table shows the payment frequency and history of GAP participants in 2015, compared to the payment frequency and history of LIHEAP non-GAP customers in 2015 and the payment frequency and history of 2015 GAP participants prior to their enrollment in the Program.

	2015 GAP Participants		2015 LIHEAP non-GAP Participants		2015 GAP Participants: 12 Months Prior	
	<i>Amount</i>	<i>Count</i>	<i>Amount</i>	<i>Count</i>	<i>Amount</i>	<i>Count</i>
Total Requested	\$5,390,119	124,923	\$39,168,685	556,655	\$16,174,794	162,890
Full Pmt Made	\$1,200,586	25,050 (20%)	\$10,002,732	163,035 (29%)	\$2,186,881	34,678 (21%)
Partial Pmt Made	\$858,608	16,164 (13%)	\$6,077,707	77,122 (14%)	\$1,351,537	18,710 (11%)
On Account Pmts	\$175,108	6,579 (5%)	\$143,945	3,625 (1%)	\$23,835	772 (0.5%)
Total Pmts	\$2,234,302 (41%)	47,793 (38%)	\$16,224,385 (41%)	243,782 (44%)	\$3,562,252 (22%)	54,160 (33%)
No Pmt Made	\$0	77,130 (62%)	\$0	312,873 (56%)	\$0	108,730 (67%)

## 10 Average Cost to Disconnect and Reconnect

As described in the June 6, 2007 Reply Comments, information on the average cost to disconnect and reconnect an individual meter is provided.

- A. For a locked meter, based on historical activity, the average cost to disconnect and reconnect a meter was approximately \$74. Please note that this is an average and does not include the cost of a protective agent that may have been used.

- B. For a meter that is “plugged,” based on historical activity, the average cost was approximately \$74. Please note that this is an average and does not include the cost of a protective agent that may be used.
- C. For a meter that is shut off by using a valve lock at the curb, the average cost was approximately \$191. This is calculated based on average internal costs to disconnect and reconnect.
- D. For a meter that is shut off by ‘hand digging’ in the yard, the average cost was approximately \$1,124. This is calculated based on cost information from contractors, internal costs and expected time to reconnect meters that have been hand dug in the yard and includes restoration costs based on historical activity. In 2015, there were six disconnects and reconnects performed by hand digging. The cost reported here is reflective of the costs of those jobs.
- E. For a meter that is shut off by digging at a boulevard or curb, the average cost was approximately \$1,050. This is calculated based on cost information from contractors, internal costs and expected time to reconnect meters that have been dug at a curb and includes restoration costs based on 2015 activity.
- F. For a meter that is shut off by digging in the street, the average cost was approximately \$1,824. This is calculated based on cost information from contractors, internal costs, and expected time to reconnect meters that have been dug in the street and includes restoration costs based on historical activity.

## **11 Average Payment Amount**

During the 2015 GAP program year, there were 13,964 participants (including the customers who participated during the year, but dropped during the year).

Additionally, not all customers were requested to make an affordability component payment (those that had zero income) and/or an arrearage component payment (those that did not have pre-program arrears). The table below presents average payment amount information on the groups of customers described above.

line		Customers	Avg Monthly Affordability Pmt	Avg Monthly Arrearage Pmt	Total Pmt
1	All customers on GAP	13,964	\$39.10	\$5.68	\$44.77
2	Customers on GAP asked to make payment	13,497	\$40.45	\$5.87	N/A <sup>8</sup>

The November 18, 2009 Order Accepting Compliance Filings Regarding Gas Affordability Programs and Requiring Further Action required that all gas utilities report (starting with the annual report filed in 2010) 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 was also required. That information is shown below for the 13,964 customers who participated in GAP in 2015.

	Monthly	Annual
Average Affordability Credit <sup>9</sup>	\$38.30	\$459.63
Average Arrearage Credit <sup>10</sup>	\$18.33	\$219.99
Average Affordability Component bill <sup>11</sup>	\$39.10	\$469.15
Average Arrearage Component bill <sup>12</sup>	\$5.68	\$68.13
Average Pre-Program Arrears <sup>13</sup>	\$572.90	

<sup>8</sup> A total is not presented for the subset of customers requested to make a payment since not all customers were requested to make both an affordability component payment (those that had zero income) and/or an arrearage component payment (those that did not have pre-program arrears).

<sup>9</sup> The average monthly affordability credit is calculated by taking the total of the monthly affordability credits for the customers on the program during 2015 and dividing by the total number of GAP participants during the year. This is the same type of average as in line 1, above. The annual average is the monthly number times 12 months.

<sup>10</sup> The average monthly arrearage credit is calculated by taking the total of the monthly arrearage credits for the customers on the program during 2015 and dividing by the total number of GAP participants during the year. This is the same type of average as in line 1, above. The annual average is the monthly number times 12 months.

<sup>11</sup> The average monthly affordability component bill amount is from line 1, above. The annual average is the monthly number times 12 months.

<sup>12</sup> The average monthly arrearage component bill amount is from line 2, above. The annual average is the monthly number times 12 months.

<sup>13</sup> This is the average pre-program arrears for the 5,910 GAP participants who were on the GAP program during the year and had a pre-program arrearage amount.

## 12 Arrearage Level

As described in the June 6, 2007 Reply Comments, information on the average pre-program arrearage amount of program participants is provided. Information on pre-program arrears for the customers that participated at the end of the year as well as customers that participated during the year, but dropped, is shown in the table below.

Customer Group	Customers	Total Pre-Program Arrears	Average Pre-Program Arrears
All customers on GAP	13,964	\$3,385,841	\$242
All customers on GAP that had Pre-Program Arrears	5,910	\$3,385,841	\$573

The November 18, 2009 Order Accepting Compliance Filings Regarding Gas Affordability Programs and Requiring Further Action required that all gas utilities report (starting with the annual report filed in 2010) the change in arrearage level for the average GAP customer compared to the LIHEAP customers that are not enrolled in the GAP and the average level of arrearage for all of the utility's residential customers that had arrears.

Customer Group	Jan. 2015	Dec. 2015	\$ Change	% Change
GAP <sup>14</sup>	\$338	\$313	-\$25	-7%
LIHEAP non-GAP	\$257	\$245	-\$12	-5%
Residential	\$178	\$146	-\$31	-18%

## 13 Number of Customers in Arrears

As described in the June 6, 2007 Reply Comments, information on the total number of customers in arrears at the start of the Program is provided. As

<sup>14</sup> The average arrears amount shown for GAP participants above is for the GAP participants that had arrears during January and those that had arrears during December of 2015. It should be noted that, due to changes in the customers that participate (due to de-activations and new enrollments during the year), not all of the customers enrolled in January are the same customers enrolled in December.

reported in the monthly “Cold Weather Rule” Report, there were 92,176 residential customer accounts past due at the end of December 2014, which is the approximate start of the 2015 Program year. Of the 13,964 customers that participated in the program during the 2015 program year, 5,910 started their 2015 GAP participation with a pre-program arrears balance.

## 14 Service Disconnections

As reported in the monthly reports filed pursuant to Minnesota Statutes §216B.091 in Docket No. E,G999/PR-15-02, there were 32,809 residential accounts disconnected for non-payment during 2015.

The November 18, 2009 Order Accepting Compliance Filings Regarding Gas Affordability Programs and Requiring Further Action required that all gas utilities report (starting with the annual report filed in 2010) 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 was also required.

<b>Customer Group</b>	<b>% Disconnected</b>
GAP customers <sup>15</sup>	4.0%
LIHEAP non-GAP <sup>16</sup>	10.2%
Total firm customers <sup>17</sup>	3.8%

<sup>15</sup> The percent of GAP customers disconnected is the number of customers that had been on GAP during 2015 before subsequently being removed (or deactivated) from the program and then disconnected, divided by the total number of customers that were enrolled during the year.

<sup>16</sup> The percent of LIHEAP non-GAP customers disconnected is the number of customers that received LIHEAP (and did not participate in GAP) during 2015 and were disconnected after receiving LIHEAP in 2015, divided by the number of customers that received LIHEAP (and did not participate in GAP) in 2015. It should be noted that the LIHEAP year is not a calendar year so that if a customer received LIHEAP in early 2015 as part of the end of the 2014–15 LIHEAP year, they would be included in this group—along with customers receiving LIHEAP in late 2015 as part of the 2015–16 LIHEAP year.

<sup>17</sup> The percent of total firm customers disconnected is the number of involuntary disconnections of residential customers as reported in the 2015 monthly reports submitted pursuant to Minnesota Statutes §216B.091 and §216B.096, subd.11 plus the number of firm commercial/industrial accounts disconnected divided by the average number of firm customers in 2015.



## 15 Retention Rate – Renewal

As reported in the compliance filing submitted March 31, 2015, there were approximately 13,300 customers who received a GAP credit and enrolled in the GAP program at the end of 2014. The table below shows the 2015 program year participation information for the customers that were enrolled at the end of the 2014 program year.

<b>Description</b>	<b>Count</b>	<b>%</b>
Renewed into 2015 GAP year within 30 days	6,673	50%
Enrolled into 2015 GAP year 31–60 days	909	7%
Enrolled into 2015 GAP year 61–90 days	397	3%
Enrolled into 2015 GAP year 91–150 days	827	6%
Enrolled into 2015 GAP year over 151 days	493	4%
Application Rejected: no LIHEAP, incomplete GAP application, etc.	291	2%
Did not apply, other	3,719	28%
<b>Total</b>	<b>13,309</b>	<b>100%</b>

The retention rate for the 2016 GAP year is not available because some customers enrolled at the end of the 2015 year have not yet renewed. This information will be provided in the next annual compliance report, after the 2016 year is complete.

## 16 Retention Rate – Attrition

The following table shows the number of GAP participants in the program at the end of each program year, participants deactivated from GAP, and participants not accepted into the program.

<b>GAP year</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
GAP participants at year-end	11,249	11,574	13,309 <sup>18</sup>	10,769
Total deactivated and percent of final participation	6,861 61%	4,481 39%	4,590 34%	3,020 28% <sup>19</sup>
Deactivated due to delinquency	4,945 44%	3,281 28%	3,236 24%	2,092 19%
Deactivated due to customer request	59 0.5%	66 0.6%	91 0.7%	67 0.6%
Deactivated due to customer move	1,857 17%	1,134 10%	1,263 9%	861 8%
Applied but not accepted due to no benefit <sup>20</sup>	4,920	4,112	2,813	2,071

## 17 Participation/Incremental LIHEAP

As described in the June 6, 2007 Reply Comments, information on the number of new participants that did not previously receive LIHEAP is provided.

<b>GAP year</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
GAP participants at year-end	11,250	11,574	13,309 <sup>21</sup>	10,769
Approximate % who did not receive LIHEAP in prior year	23%	22%	26%	17%

## 18 Customer Complaints

There were eight GAP customer issues reported to the Commission during the 2015 GAP program year. In January, the Company called a customer to explain the balance owed, and to confirm GAP would renew with the next bill. In

<sup>18</sup> The 2014 report included a typographic error for the 2014 count of year-end GAP participants (13,310). This table now reflects the correct count of 13,309.

<sup>19</sup> During preparation of the 2015 report, we determined the prior periods included some minor double-counting of deactivated customers. A correction to the calculation methodology was made for the 2015 data, but prior periods have not been restated.

<sup>20</sup> Based on their income and usage, there was no affordability or arrearage credit for these customers.

<sup>21</sup> The 2014 report included a typographic error for the 2014 count of year-end GAP participants (13,310). This table now reflects the correct count of 13,309.

February, the Company explained to a customer that GAP payments are based on income.

In May, there were two complaints. The first customer had concerns regarding GAP participants enrolling in a budget plan and paying for more natural gas than they actually used. The Company explained to the customer how the monthly payment is based on income and explained the monthly average bill. Program participants do not pay for more natural gas than they actually use. Another customer had concerns about her GAP benefit and billing accuracy. This customer was enrolled in GAP during March 2014; however, the customer indicated her calculations showed she was not benefitting from GAP enrollment. As such, the customer was removed effective December 2014. The Company also confirmed the accuracy of the bills for this time period.

In June, a customer was removed from GAP for non-payment. The customer complained and the Company explained the terms of GAP and set up an installment plan with the customer. In July, a customer called because they wanted to be removed from GAP. A review of the records showed this customer was removed from GAP, at their request, during June 2015. This customer also believed they had a credit on their account at the end of 2014. A review of the records indicated their outstanding balance was correct. In October, a customer had concerns regarding their outstanding balance. The Company sent the customer an explanation and an itemized list of charges; no adjustment was made to the account. During December, a customer had questions regarding the total billed amount. The Company explained the balance.

## **19 Program Cost per customer**

As described in the June 6, 2007 Reply Comments, this is a measurement of the total program costs divided by the total number of program participants. Please note that for the purpose of this calculation, the number of participants during 2015 is used, although not all customers participated for the same number of months.

### Program Cost

1. Affordability Credits:	\$5,217,797
2. Arrearage Forgiveness Credits:	\$1,148,981
3. <u>Administrative Cost:</u>	<u>\$196,752</u>
4. Total Program Costs (lines 1–3):	\$6,563,530
5. Program Participants:	13,964
6. Program Cost per participant (line 4 divided by line 5):	\$470

## 20 Payment Coverage

As described in the June 6, 2007 Reply Comments, 'payment coverage' is calculated as the total annual customer payments divided by the total annual amount billed. As such, it does not include any LIHEAP amounts received on behalf of the customer or any GAP credits applied to the accounts.

### Payment Coverage

1. Total Affordability Customer Payments Rec'd	\$2,052,828
2. <u>Total Arrears Customer Payments Rec'd</u>	<u>\$247,798</u>
3. Total Customer Payments (line 1 plus line 2)	\$2,300,626
4. Total Affordability Requested	\$9,092,210
5. <u>Total Arrears Requested</u>	<u>\$448,721</u>
6. Total amount billed (line 4 plus line 5)	\$9,540,931
7. Payment coverage (line 3 divided by line 6)	0.24

## 21 Arrears Reduction Rate

As described in the June 6, 2007 Reply Comments, the 'arrears reduction rate' is calculated as the total LIHEAP and arrears forgiveness payments divided by the total outstanding balance at the start of the program year. It should be noted that for the GAP participants that did not have pre-program arrears, any LIHEAP payments received were applied to their current (affordability component) bills so the arrears reduction calculation below is overstated at greater than one.

### Arrears Reduction Rate

1. Total LIHEAP received (2015 participants 1/14–12/14)	\$4,021,542
2. Arrears Forgiveness Customer Payments Rec'd	\$247,798
3. <u>Arrears Forgiveness Credits Applied</u>	<u>\$1,148,981</u>
4. Total Reduction to Arrears (line 1 plus line 2 plus line 3)	\$5,418,322
5. Total Preprogram Arrears balance at start of program	\$3,385,841
6. Arrears Reduction Rate (line 4 divided by line 5)	1.60

## 22 Coordination with Other Resources

Throughout the year, the Company engages in outreach efforts designed to promote GAP and Conservation Improvement Program (CIP) program participation, often in partnership with low-income organizations and agencies. This section summarizes efforts undertaken by the company to coordinate the GAP program with other low-income and conservation resources, in accordance with November 18, 2009<sup>22</sup> and November 22, 2010<sup>23</sup> Orders. The summary begins with a description of internal cross-promotion activities between GAP and CIP. This is followed by a list of CIP conservation measures available to customers. Finally, a list of major outreach efforts conducted with outside agencies to promote GAP and CIP is presented.

CenterPoint Energy coordinates and cross-promotes its GAP and conservation (CIP) programs. All residential conservation measures and CIP programs are available to GAP customers. Low income participation by CIP program is tracked and reported in the annual CIP status report.

Summary of major cross-promotional GAP and CIP efforts:

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<sup>22</sup> Docket No. G-008/GR-05-1380. Order Accepting Compliance Filings Regarding Gas Affordability Programs and Requiring Further Action, Nov. 18, 2009 (requiring that future reports include how each utility has coordinated its GAP with other available low income and conservation resources, including the names of the agencies, the content of the communication, and the accomplishments resulting from the coordination).

<sup>23</sup> Docket No. G-008/GR-05-1380. Order Evaluating Gas Affordability Program, Extending and Modifying Pilot Program, Authorizing Cost Recovery, and Requiring Future Reporting, Nov. 22, 2010 (“CenterPoint shall, in future reporting, report the potential no-, low-, and mid-cost conservation measures that could be implemented in the households of GAP participants, along with CenterPoint’s plans to encourage GAP participants to increase their use of these measures.”).

- Between January 2015 and August 2015, sent 21,606 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 the Home Energy Squad, Home Energy Audits, and weatherization services.
- E-mailed 16,419 GAP solicitations that included links to the GAP application as well as to the *More Comfort, Less Energy* booklet with energy saving tips.
- Distributed Home Energy Reports to residential customers during the heating season, many of whom were low income customers.
- *Homeowners Guide* with energy efficiency tips was distributed to nonprofit affordable housing customers via low income agencies.
- *More Comfort, Less Energy* booklet with energy-saving tips and how-to instructions was distributed to low income households via low income agencies.

No-cost, low-cost, and mid-cost conservation measures available to GAP participants:

- Conservation measures:
  - Lowering thermostat and/or installing a programmable unit;
  - Lowering water heater setting;
  - Opening and closing drapes according to season and time of day;
  - Installing low-flow showerhead and faucet aerator; and
  - Window and door weatherstripping.
- No-cost measures to qualifying low income customers via CenterPoint Energy programs:
  - Home Energy Audit;
  - Weatherization;
  - Furnace Repair/Replacement/Tune-up;
  - Boiler Repair/Replacement/Tune-up; and
  - Water Heater Replacement.

Outreach activities promoting GAP and CIP in coordination with outside low-income agencies:

- Partnering Organizations: Project Community Connect (Mankato, MN); Greater Minneapolis Council of Churches; Minnesota FoodShare; and The Salvation Army.
- Outreach content: GAP flyer; energy conservation tips; payment assistance; gas safety messages; GAP applications; and window insulator kit.
- Outreach events: Project Community Connect; local food shelves; Parkview Worship & Service Center; and the Energy Assistance Fair.

## 23 GAP Surcharge

In its September 29, 2015 Order in Docket No. G-008/M-15-307, the Commission's ordering point number 2 stated: "Each utility shall include in its next Annual Compliance Report an explanation of why it does not assess the GAP surcharge against Interruptible Sales and Transportation Customers, a proposal evaluating cost allocation methods for its GAP program, and the recalculated surcharge for various alternatives if Interruptible Sales and Transportation Customers were included." The following information addresses this requirement.

CenterPoint Energy currently assesses the GAP surcharge to all firm customers, excluding market rate customers, in compliance with the Commission's April 18, 2007<sup>24</sup> and November 19, 2007<sup>25</sup> Orders. The current method of allocation does not include Interruptible Sales and Transportation Customers.

Before addressing the possible assessment of the GAP surcharge to Interruptible Sales and Transportation customers, the Company reiterates its support for the continued exclusion of market rate customers from the GAP surcharge. As stated by the Company in Docket No. G-008/M-07-686, the exclusion of market

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<sup>24</sup> Docket G-008/GR-05-1380.

<sup>25</sup> Docket G-008/M-07-686.

rate customers enhances CenterPoint's ability to compete for future firm market rate customers, which benefits all ratepayers. The Commission agreed when it found, "There is little public interest in penalizing CenterPoint and its market rate service customers," and, "No one opposes the underlying merits of the Company's proposal or contends that it is inequitable or bad public policy."<sup>26</sup> The conditions for market rate customers are the same today and the exclusion of market rate customers from the GAP surcharge should continue.

The Company does not currently assess the GAP surcharge to Interruptible Sales and Transportation customers because it is not authorized to do so. When the Company originally proposed the GAP program in Docket No. G-008/GR-05-1380, it proposed that the costs of the GAP program should be borne only by the residential customers. The Commission disagreed and said: "the Commission finds merit in RUD-OAG's argument that the cost of the plan should be spread more broadly. The Commission will therefore direct CenterPoint to recover the cost of this program not merely from residential customers, but from all its firm customers. Because the plan is designed to reduce CenterPoint's administrative costs and to benefit society at large, it is appropriate that the costs be borne by a broader section of CenterPoint's ratepayers, and of society at large."<sup>27</sup>

While it would be possible for the Commission now to require an even broader section of CenterPoint's ratepayers to bear the costs of the GAP program by also assessing Interruptible Sales and Transportation Customers, the Company is not aware of any new information to justify such a change. As was true in 2007, the GAP program is available only to residential customers and that class of customers creates all the costs of the program and receives all the benefits of the program. There is no cost-based rationale to also assess the GAP surcharge on the Interruptible Sales and Transportation Customers.

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<sup>26</sup> Docket No. G-008/M-07-686, Order Approving Tariff Revisions, p. 4 (November 19, 2007),

<sup>27</sup> Docket No. G-008/GR-05-1380, Findings of Fact, Conclusions of Law, and Order, p. 49 (November 2, 2006).



Nonetheless, if the Commission were to require Interruptible Customers to pay the GAP surcharge, the Company believes both sales and transportation customers should pay for the program to avoid the creation of an arbitrary financial incentive favoring one service over the other. Also, as stated above, all Interruptible Sales and Transportation Customers on market rates also should be excluded from paying the GAP surcharge. With that foundation, the Company has identified two alternatives to the current allocation of GAP costs. The first option would allocate costs to all firm customers and Small Volume Dual Fuel Sales and Transportation customers excluding all market rate customers. The second option would allocate costs to all firm customers, Small Volume Dual Fuel Sales and Transportation customers and Large Volume Dual Fuel Sales and Transportation customers excluding all market rate customers. The resulting volumetric rates are shown below:

GAP Allocation Method	GAP Rate \$/Therm
All Firm Sales Service Customers (Current Method) <sup>28</sup>	\$0.00470
All Firm Sales Service Customers + SVDF Sales & Transportation Customers	\$0.00412
All Firm Sales Service Customers + SVDF Sales & Transportation Customers + LVDF Sales & Transportation Customers	\$0.00365

If the Commission were to require all or some Interruptible Service customers to also pay for GAP, the per-customer impacts would be a modest annual decrease for those currently paying for GAP (from less than \$1.00 for Residential customers

<sup>28</sup> This is the interim rate established in Docket No. G-008/GR-15-424, effective October 2, 2015. The final rate from Docket No. G-008/GR-13-316 was \$0.00519/therm. In general, CenterPoint Energy uses the interim GAP recovery rate to track GAP recoveries from the beginning of the test year until final rates are determined. When final rates are determined, the GAP tracker is restated by making an accounting entry at the time that final rates are implemented.

to ~\$25 for Commercial/Industrial C customers<sup>29</sup>) and a potentially significant annual increase for dual fuel customers (~\$150-\$830/year for SVDF to ~\$1700-\$3300/year for LVDF). Typical bill impacts (based on average use per customer) are shown below assuming Market Rate customers would continue to be excluded from paying the GAP surcharge.

**TYPICAL BILL IMPACTS (excl. Market Rate)**

<b>Rate Class</b>	<b>Customer count</b>	<b>ALL Firm (CURRENT &amp; METHOD)</b>	<b>All Firm + SVDF Sales &amp; Transport</b>	<b>All Firm + SVDF Sales &amp; Transport + LVDF Sales &amp; Transport</b>
Residential	772,307	\$ 4.27	\$ 3.74	\$ 3.31
Com A	28,961	\$ 3.59	\$ 3.15	\$ 2.79
Comm/Ind B	19,602	\$ 13.91	\$ 12.21	\$ 10.81
Comm/Ind C	18,783	\$ 70.67	\$ 62.03	\$ 54.90
Large Volume Firm - Sales Service	1	\$ 1,770.64	\$ 1,554.15	\$ 1,375.50
SVDF A-Sales Service	1,753	\$ -	\$ 175.95	\$ 155.73
SVDF A-Transport	184	\$ -	\$ 309.87	\$ 274.25
SVDF B-Sales Service	309	\$ -	\$ 591.08	\$ 523.14
SVDF B-Transport	76	\$ -	\$ 831.94	\$ 736.31
Large Volume DF-Sales Service	69	\$ -	\$ -	\$ 1,758.97
Large Volume DF-Transport	137	\$ -	\$ -	\$ 3,309.36

Based on the relatively insignificant reductions for residential customers (less than one dollar per year, on average), the potentially significant bill impacts for Interruptible Service customers, and the fact that such customers are not eligible for the GAP program, the Company believes the GAP costs are currently being recovered from the appropriate customer classes and does not believe a change is warranted.

## 24 Other Information

As required by the Commission’s December 29, 2011 Order, CenterPoint Energy’s application processing goal is to process 95% of all complete GAP applications within 30 days. All 2015 applications were processed within 30 days

<sup>29</sup> The Company has only one Large Volume Firm Customer. That customer would experience an annual reduction of about \$400.

of receipt. Also as required by the Order, the Company's third-party administrator—Energy CENTS Coalition (ECC)—makes the GAP application available electronically on its website, [www.energycents.org](http://www.energycents.org).

On May 31, 2013, the Company submitted its second GAP evaluation report and in its September 24, 2013 Order, the Commission extended the GAP program through 2016 and approved its proposed modification of the arrearage forgiveness credit. The Company plans to submit its third GAP evaluation report on May 31, 2016.

**CenterPoint Energy**  
**GAP Annual Compliance: Summary**

Schedule A

<b>Item as listed in in Sept. 24, 2013 Order</b>	<b>2015</b>
1 Average annual affordability benefit received per customer /1/	\$ 459.63
2 Average annual arrearage forgiveness benefit received per customer	\$ 219.99
3 Percentage of Low Income Home Energy Assistance Program (LIHEAP) customers that participated in GAP /2/	34.1%
4 Disconnection rates for:	
(a) GAP customers	4.0%
(b) LIHEAP – Non GAP customers	10.2%
(c) non-LIHEAP customers (all firm customers including C&I) /3/	3.8%
5 Number of GAP participants enrolled as of year-end	10,769
6 Number of GAP participants enrolled and receiving benefits at some time during the year	13,964
7 Annual program budget	\$ 5,000,000
8 Actual program revenue	\$ 5,052,215
9 Actual program cost /4/	\$ 6,563,530
10 GAP tracker balance as of year-end	\$ 525,858
11 GAP rate-affordability surcharge (\$/therm) /5/	0.00470

1/ The average annual affordability benefit was calculated by taking the total of the monthly affordability credits for the customers on the program during 2015, dividing by the total number of GAP participants during the year, and then multiplying by 12 months. This was done to match the methodology for reporting the average monthly affordability payment, thereby ensuring that the credit and payment averages were comparable. Since not all GAP participants were in the program for a full 12 months, the Company did not report a simple average of the total program affordability component cost and dividing by the total number of program participants.

2/ Since the LIHEAP calendar year begins in October – three months before the GAP program year begins – some LIHEAP recipients may have participated during the prior GAP year but not the current. Thus, this percentage was calculated as the number of 2015 GAP participants who received LIHEAP from October prior year through September current year, divided by the number of customers who received LIHEAP during that time period.

3/ “All firm customers” in this case includes LIHEAP and non-LIHEAP customers. The Commission’s November 18, 2009 Order, in Ordering Paragraph No. 4(B), instructed utilities to report: “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.”

4/ Total affordability credits + total arrearage credits + incremental administrative cost.

5/ This is the interim rate established in Docket No. G-008/GR-15-424, effective October 2, 2015. The final rate from Docket No. G-008/GR-13-316 was \$0.00519/therm. In general, CenterPoint Energy uses the interim GAP recovery rate to track GAP recoveries from the beginning of the test year until final rates are determined. When final rates are determined, the GAP tracker is restated by making an accounting entry at the time that final rates are implemented.

**CenterPoint Energy**  
**GAP Annual Compliance: Bad Debt Expense**

Schedule B

Line	Description	2015		
1	Difference in % Tot pmt req paid			10.8%
2	Total Payment requested	\$	5,390,119	
3	Diff in Tot pmt req paid	\$	582,768	
4	Incremental LIHEAP - annual report	\$	(705,655)	
5	Total GAP credits	\$	6,366,778	
6	Change in custo payments, LIHEAP, and GAP cr	\$	6,243,891	
7				
8	Change in A/R balance	\$	(6,243,891)	
9	Write-off/Arrears percentage			4.4%
10	Write-off reduction	\$	(274,731)	
11	Bad Debt Expense reduction, minimum	\$	(274,731)	
12				
13				
14	Total Payment requested, 2015 GAP Participants	\$	16,174,794	\$ 5,390,119
15				
16	Total Full payment	\$	2,186,881	\$ 1,200,586
17	Total Partial payment	\$	1,351,537	\$ 858,608
18	Total on-account payment	\$	23,835	\$ 175,108
19	Total Payments	\$	3,562,253	\$ 2,234,302
20				
21	Tot Pmt/Tot Pmt requested		22.0%	41.5%
22				19.4%
23	Total Payment requested, 2015 GAP Participants	\$	16,174,794	
24	Percent change in average bill from 2014 to 2015		-30%	
25	Change in tot pmt requested due to 2014 to 2015 chgs	\$	(4,783,048)	44.4%
26	Tot pmt requested, 2015 pro forma	\$	11,391,746	
27	Tot pmt requested, 2015 on GAP actual	\$	5,390,119	
28	Change in tot pmt requested due to GAP	\$	(6,001,627)	55.6%
29	Total change in tot pmt requested, 2014 to 2015	\$	(10,784,675)	100.0%
				19.4%

Line			2015 CPE GAP Report
1	2011 Order Language <sup>1</sup>	3. Utilities shall implement an application processing goal of processing ninety-five percent of all complete gas affordability applications within thirty days of receipt by the utility ...	Section 24
2		6. Each utility shall require its third-party administrator to make GAP applications available electronically on the administrator's websites as a condition of being the third-party administrator for the program.	Section 24
3		7. Each utility shall call or mail reminders to its GAP customers after one missed payment to reduce the number of customers removed from the GAP due to missing two consecutive monthly payments.	Section 1
4		8. Each utility shall cross-promote its GAP with other bill payment and conservation assistance programs.	Section 22
5	2013 Order Language <sup>2</sup>	1. The Commission will require the Companies to include a summary schedule that includes the average annual affordability benefit received per customer.	Schedule A
6		2. The Commission will require the Companies to include a summary schedule that includes the average annual arrearage forgiveness benefit received per customer.	Schedule A
7		3. The Commission will require the Companies to include a summary schedule that includes the percentage of Low Income Home Energy Assistance Program (LIHEAP) customers that participated in GAP.	Schedule A
8		4. The Commission will require the Companies to include a summary schedule that includes the disconnection rates for (a) GAP customers, (b) LIHEAP – Non GAP customers, and (c) non-LIHEAP customers (all firm customers including C&I).	Schedule A
9		5. The Commission will require the Companies to include a summary schedule that includes the number of GAP participants enrolled as of year-end.	Schedule A
10		6. The Commission will require the Companies to include a summary schedule that includes the number of GAP participants enrolled and receiving benefits at some time during the year.	Schedule A
11		7. The Commission will require the Companies to include a summary schedule that includes the annual program budget.	Schedule A
12		8. The Commission will require the Companies to include a summary schedule that includes the actual program revenue.	Schedule A

<sup>1</sup> From Docket G-008/GR-05-1380, December 29, 2011, p.4.

<sup>2</sup> From Docket G-008/GR-05-1380, September 25, 2013, p.2.

13		9. The Commission will require the Companies to include a summary schedule that includes the actual program cost.	Schedule A
14		10. The Commission will require the Companies to include a summary schedule that includes the GAP tracker balance as of year-end.	Schedule A
15		11. The Commission will require the Companies to include a summary schedule that includes the GAP rate-affordability surcharge (\$/therm).	Schedule A
16	2015 Order Language <sup>3</sup>	2. Each utility shall include in its next Annual Compliance Report an explanation of why it does not assess the GAP surcharge against Interruptible Sales and Transportation Customers, a proposal evaluating cost allocation methods for its GAP program, and the recalculated surcharge for various alternatives if Interruptible Sales and Transportation Customers were included.	Section 23

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<sup>3</sup> From Docket G-008/M-15-307, September 29, 2015, p. 3.