BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matthew Schuerger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

In the Matter of CenterPoint Energy's Evaluation of its 2016 Gas Affordability Program	ISSUE DATE: May 22, 2017 DOCKET NO. G-008/M-16-486
In the Matter of Xcel Energy's Evaluation of its 2016 Gas Affordability Program	DOCKET NO. G-002/M-16-493 DOCKET NO. G-004/M-16-495
In the Matter of Great Plains Natural Gas Co.'s Evaluation of its 2016 Gas Affordability Program	ORDER APPROVING PERIODIC GAS AFFORDABILITY PROGRAM EVALUATIONS AND REQUIRING FURTHER ACTION

PROCEDURAL HISTORY

On May 31 and June 1, 2016, the Commission received periodic evaluation reports on gas affordability programs (GAPs) designed to comply with Minn. Stat. § 216B.16, subd. 15, from CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint), Northern States Power Company d/b/a Xcel Energy (Xcel), and Great Plains Natural Gas, Co., a Division of MDU Resources Group, Inc. (Great Plains).

On December 13, 2016, the Minnesota Department of Commerce (the Department) filed comments recommending that the Commission accept the reports filed by CenterPoint and Xcel.

On February 17, 2017, the Department filed comments stating that Great Plains' GAP satisfies three of the five requirements in Minn. Stat. § 216B.16, subd. 15(b), but that it had insufficient information to determine whether the program satisfied requirements regarding customer payments and arrears, due to Great Plains' use of a 10% random sample.

On March 3, 2017, Great Plains filed reply comments addressing the Department's concerns.

On April 27, 2017, the reports came before the Commission. Energy Cents Coalition (ECC), which serves as Program Administrator for Xcel and CenterPoint's GAP programs also participated in the hearing.

FINDINGS AND CONCLUSIONS

I. Background and Acceptance of 2016 GAP Periodic Evaluation Reports

Under Minn. Stat. § 216B.16, subd. 15, any public utility serving low-income residential ratepayers who use natural gas for heating must file a gas affordability program with the Commission. This statute and Commission orders establish program criteria designed to ensure affordable, reliable, and continuous service to these customers. Specifically, Commission-ordered affordability programs 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. co-ordinate the program with other available low-income bill payment assistance and conservation resources.[1]

Minnesota's five gas utilities have established pilot programs to comply with these criteria. According to the terms of these programs, the utilities are to file compliance reports each year, and program evaluations periodically.[2]

The Department recommended that the Commission accept the 2016 GAP periodic evaluation reports filed by CenterPoint and Xcel, concluding that both utilities satisfied all five of the benchmarks set forth in Minn. Stat. § 216B.16, subd. 15(b).

Great Plains also asked the Commission to accept its 2016 periodic program evaluation report. After Great Plains filed reply comments addressing the Department's initial inquiries as to the utility's compliance, the Department stated at the Commission hearing on this matter that after further review, it agreed Great Plains' 2016 GAP program evaluation was acceptable.

Having reviewed the utilities' 2016 periodic gas affordability program evaluation reports, and the comments of the Department, the Commission finds that the utilities have met the reporting requirements set forth in previous GAP orders and have provided a foundation for further substantive evaluation of the programs. Consequently, the Commission will accept the reports.

---

[1] Minn. Stat. § 216B.16, subd. 15(b).

[2] The Commission accepted the 2015 GAP annual compliance reports of CenterPoint, Xcel, and Great Plains. *See, In the Matter of the Application of CenterPoint Energy's Gas Affordability Program 2015 Annual Compliance Report*, Docket No. G-008/M-16-266, Order Accepting Gas Affordability Annual Reports (July 25, 2016).

II. Reporting Requirements

A. CenterPoint and Xcel

The Department performed an analysis of how current GAP reporting requirements might be improved. The Department suggested changes to the ways the Companies currently calculate customer payments, arrears balances, and disconnection rates. These estimates are inputs used to test compliance with payments, arrears, and collection costs, and necessary to test the GAP program's effectiveness.

After analysis, the Department recommended that the Commission require that CenterPoint and Xcel, in future GAP evaluations and annual GAP reports, analyze customer payments, arrears balances, and disconnection rates using two methods: the non-GAP LIHEAP (Low Income Home Energy Assistance Program) baseline method and the pre-program baseline method.

The non-GAP LIHEAP baseline measurement approach uses the outcomes of non-participating LHEAP customers as a baseline for measuring improvements. The pre-program baseline method uses the outcomes of participants before entering the program as a baseline for measuring improvements.

At the hearing, both CenterPoint and Xcel agreed to use both measurement approaches.

The Commission concurs that use of both approaches in future evaluation and annual compliance filings, starting with 2017 data for the 2018 compliance filing, is a reasonable means by which to best analyze compliance with Minn. Stat. § 216B, subd. 15(b).

B. Great Plains

Great Plains' participation in its GAP is relatively small, with total participation ranging from 82 in 2013 to 284 in 2012.

In its GAP reports, Great Plains currently provides data to the Commission using a 10% random sample of customers (previously approved by the Commission) and the non-GAP LIHEAP baseline approach. The Department expressed concern that the combination of these factors makes the utility's analysis unreliable to determine whether the program has satisfied the statutory requirements that participation in GAP increase the frequency of customer payments over time and decrease or eliminate customer arrears. The Department reasoned that a 10-percent sample for those years would range from only 8 to 28 participants.

The Department asked Great Plains whether, with the utility's recently implemented customer care and billing system, it continued to be uneconomical to evaluate its GAP based on the entire population of participants. Great Plains agreed in the future to report using one-hundred percent of its customers enrolled in both LIHEAP and GAP, and one-hundred percent of customers only enrolled in LIHEAP. Finally, the parties also agreed that using the pre-program base line approach is not necessary at this time.

The Commission concurs that these recommendations are reasonable. They continue to take the Company's small size into consideration, but will doubtless provide for a more cogent analysis of the resulting data.

III. Gas Affordability Surcharges

A. Xcel

In Xcel's 2012 Gas Affordability Program Evaluation proceeding, the Commission required the Company to assess how best to reduce its tracker balance by $1 million over four years. The Company proposed to reduce its surcharge from $0.00445 per therm to $0.00400 per therm. The Commission's October 26, 2012 order required the Company to return the rate to the prior level of $0.00445 per therm on January 1, 2017.[3]

The Department reviewed Xcel's 2016 Evaluation Report and confirmed that Xcel will have reduced the program's tracker balance by $1 million by the end of 2016. The Department found that Xcel has complied with the Commission's order in its 2012 evaluation. The Department recommended no further action at this time.

The Commission finds that Xcel has complied with the terms of the Commission's 2012 order. The Commission will approve Xcel's request to return its monthly GAP surcharge from $0.00400 per therm to $0.00445 per therm, consistent with the Commission's 2012 directive.

B. Great Plains

Great Plains requested that the Commission reinstitute a GAP surcharge in order to continue funding its program. Great Plains stated that per the Commission's October 15, 2012 order in Docket G-004/M-07-1235,[4] Great Plains reduced its GAP surcharge to $0.00/dekatherm. At the end of 2015, the Company carried a GAP tracker balance of $21,876, which is lower than total GAP costs in both 2014 and 2015.

Great Plains proposed to implement a surcharge of $0.01393/dekatherm, which would cost residential customers an additional $1.03 per year and general service customers an additional $5.59 per year. Great Plains calculated its needed recovery assuming a 10% of LIHEAP participation rate in its GAP.

The Department agreed that Great Plains needs to reinstitute a GAP surcharge to continue funding its program. The Department found that the proposed surcharge rate is reasonable, noting that the surcharge is a little over half the rate that was in place prior to changing the utility's surcharge rate to $0.00 ($0.02034/dekatherm).

The Commission agrees that Great Plains' proposed surcharge rate, and its methodology for calculating the charge, is reasonable and necessary to continue operation of the GAP program.

---

[3] *In the Matter of the Application of Northern States Power Company, a Minnesota Corporation and Wholly Owned Subsidiary of Xcel Energy Inc. for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G-002/GR-06-1429, Order Accepting Gas Affordability Program Evaluation and Requiring Program to Continue as Modified (October 26, 2012).

[4] *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*, G-004/M-07-1235 (October 15, 2012).

IV. Stakeholder Work Group

A. Background

In May 2010, a group of Minnesota Gas Utilities, pursuant to a Commission invitation, met to discuss and evaluate the GAPs offered by the different utilities, resulting in a work group report.[5] The evaluation was based on statutory and other criteria, and identified information that the utilities believed should be considered in evaluating whether each utility's GAP program was cost effective.

B. Implementation of Stakeholder Work Group

In its review of each of the three utility's GAP Evaluations, the Department recommended that the utilities again participate in a stakeholder workgroup with other utilities that offer a GAP, third party administrators, and the Department, to discuss if changes should be made to the GAP program. The Department recommended that topics, including but not limited to the following, should be included for discussion:

- each utility's spending cap for its GAP program
- the size of the GAP program
- each utility's enrollment practices, and
- potential program changes that should be made

The three utilities and the ECC agreed to participate in a work group to discuss such issues.

The Commission agrees that reconvening a stakeholder work group at this time is informative and potentially valuable, and will be of value as other utilities come forward to present their upcoming GAP Evaluation reports. After discussion with the parties, the Commission will require that CenterPoint, Xcel, and Great Plains participate in a stakeholder work group with other utilities that offer a GAP, third party administrators, and the Department, to discuss if changes should be made to the GAP program.

The Commission directs the stakeholder work group to convene and to prepare and submit a status report on the GAP program. The report should identify the coordinator of the work group, and a proposed schedule for completing the evaluation recommended by the Department. The work group should submit its report within 12 months of the Commission's order.

[5] *See Review of Utility Gas Affordability Programs*, Docket Nos. G-001/M-07-1295, G-002/GR-06-1420, G-004/M-07-1235, G-007,011/M-07-1131, G-008/GR-05-1380, and G-022/CI-08-1175, Utility Stakeholder Report (May 28, 2010).

V. Additional Actions

After discussion at the Commission hearing, all parties agreed with the Department's recommendation that the GAP program should continue on a permanent, rather than pilot, basis. The first GAP pilot programs were commenced in 2010 pursuant to state mandate; each utility agreed that the programs should now be considered permanent. Accordingly, the programs will be continued, with no expiration date.

Further, the Commission will require the utilities to file their next Evaluation Reports on or before May 31, 2019. Finally, the Commission will require each utility to submit revised tariffs to reflect program changes as set forth herein.

<u>ORDER</u>

1. The Commission hereby accepts the 2016 evaluations of Gas Affordability Programs of CenterPoint, Xcel, and Great Plains.

2. CenterPoint and Xcel shall continue to report customer payments, arrears balances and disconnection rates using both the non-GAP LIHEAP baseline method and pre-program baseline method beginning with their 2017 annual reports of the GAP.

3. Great Plains shall change its method of reporting its GAP performance based on one-hundred percent of customers enrolled in both LIHEAP and GAP and one-hundred percent of customers only enrolled in LIHEAP.

4. The Commission hereby approves Xcel's request to raise its monthly GAP surcharge from $0.00400 to $0.00445 per therm.

5. The Commission hereby approves the request of Great Plains to reinstate a GAP surcharge at the Company's requested level of $0.01393/dekatherm.

6. CenterPoint, Xcel, and Great Plains shall participate in a stakeholder workgroup with other utilities that offer a GAP, third party administrators, and the Department to discuss if changes should be made to the GAP program.

7. The stakeholder group shall file an evaluation of whether changes should be implemented to the GAP program within twelve months of this order.

8. The utilities shall continue the GAP programs with no expiration date.

9. The utilities shall file their next evaluation reports on or before May 31, 2019.

10. The Commission will require CenterPoint, Xcel, and Great Plains to submit revised tariffs to reflect program changes as ordered by the Commission.

11. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf
Executive Secretary

This document can be made available in alternative formats (e.g., large print or audio) by calling 651.296.0406 (voice). Persons with hearing loss or speech disabilities may call us through their preferred Telecommunications Relay Service.