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April 1, 2014

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

RE: *In the Matter of Great Plains Natural Gas Co. Annual Gas Affordability Program Report, Docket No. G-004/M-07-1235.*

Dear Dr. Haar:

Great Plains Natural Gas Co. (Great Plains), a Division of MDU Resources Group, Inc., herewith electronically files its Calendar Year 2013 Gas Affordability Program Report in compliance with the Minnesota Public Utilities Commission's Orders issued in the above referenced docket.

If you have any questions regarding this filing, please contact me at (701) 222-7856, or Brian Meloy, at (612) 335-1451.

Sincerely,

/s/ Tamie Aberle

Tamie Aberle
Director of Regulatory Affairs

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

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
David C. Boyd	Commissioner
J. Dennis O'Brien	Commissioner
Betsy L. Wergin	Commissioner

)	Docket No. G-004/M-07-1235
)	
<i>In the Matter of Great Plains Natural</i>)	
<i>Gas Co.'s Gas Affordability Program</i>)	Great Plains Natural Gas Co.
)	Calendar Year 2013 Gas
)	Affordability Program Report

Pursuant to the Minnesota Public Utilities Commission's May 12, 2008, November 18, 2009, September 12, 2010, December 29, 2011, October 5, 2012 and September 25, 2013 Orders issued in the above-referenced docket, Great Plains Natural Gas Co. (Great Plains) respectfully submits its Calendar Year 2013 Gas Affordability Program Report. Great Plains respectfully requests that the Commission accept its 2013 Calendar Year Gas Affordability Program Report as in compliance with its directives.

**I.
BACKGROUND**

A. Great Plains' GAP

Great Plains' Gas Affordability Program (GAP) was approved by the Commission in Docket No. G004/M/07-1235 by Order issued on May 12, 2008. Great Plains' GAP is available to those customers who (1) have been qualified and receive assistance from the Low Income Home Energy Assistance Program (LIHEAP); (2) agree to be placed on a levelized payment plan; and (3) agree to a reasonable

payment schedule. The GAP is designed to assist qualified low-income residential customers manage and pay their natural gas bills through the establishment of a new affordability bill credit and arrearage forgiveness in certain circumstances.

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

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

Through Program Year 2010, Great Plains administered its own GAP, while working actively with community action partnership agencies. This required Great Plains to review current billing and consumption information, approved LIHEAP

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

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

benefits and household income information submitted to Great Plains to determine a Qualified Customer's payment schedule amount.³ Effective with Program Year 2011, Great Plains entered into an agreement with West Central MN Communities Action, Inc. (West Central) to serve as the third-party administrator of its GAP. The Commission approved West Central as the third-party administrator of Great Plains' GAP by Order dated March 30, 2011.

B. Annual GAP Reporting Requirements

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

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

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

- A. *Customer Payment Frequency*: A comparison of the payment frequency for customers in GAP to payment frequency before they were enrolled in

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

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

GAP, plus a comparison of the payment frequency for GAP participants to the payment frequency for LIHEAP grant recipients. Great Plains was allowed to provide data based on a random sample of ten percent of their GAP customers and an equal number of LIHEAP customers.

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

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

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

In its December 29, 2011 *Order Accepting Gas Affordability Programs Reports and Requiring Further Action*, the Commission directed all gas utilities to implement an application processing goal, assess periodically whether the use of their third-party administrator is the most effective and efficient arrangement, require the third-party administrator to make the GAP application available on their web site, provide reminders to GAP participants when payments are missed and cross-promote GAP with other programs.

In compliance with the Commission's directives, Great Plains provides its Calendar Year 2013 Gas Affordability Program Report covering the period January 1, 2013 through December 31, 2013. Great Plains addresses the requirements of each of the five Commission Orders in turn.

II. 2013 ANNUAL GAP REPORT

A. **May 12, 2008 Order Reporting Requirements.**

1. **An evaluation of the assumed GAP participation rate.**

In calendar year 2013, Great Plains received 389 GAP applications representing a decrease of 13 percent from calendar year 2012. LIHEAP Applications filed in 2013 for Great Plains' customers also decreased 9 percent from 2012 LIHEAP applications. Of the 389 applications received, 95 qualified for the GAP by virtue of their eligibility for LIHEAP and 82 customers were ultimately enrolled in GAP –

qualifying for an affordability credit and/or arrearage forgiveness credit. Many of those qualifying applicants not eligible for the affordability credit or the arrearage forgiveness credit entered into a payment plan. The number of GAP participants qualifying for benefits under GAP represents less than 1 percent of the Company's total residential customers, and 5 percent of the customers qualifying for LIHEAP. A review of the source of the applications based on a coding system used to track applications indicates the majority of the response was from the letters Great Plains sends directly to customers qualifying for LIHEAP in the prior season (approximately 95 percent), 3 percent of the applications were distributed by the third party administrator with the source of the remaining 3 percent of the submitted applications being Great Plains' website.

2. Actual annual average cost per participant.

Great Plains collected \$0 from customers for GAP funding for the period January 1, 2013 through December 31, 2013 as authorized by the Commission⁵. Bill credits and arrearage forgiveness amounts totaling \$5,188.32 were issued to participating customers during program year 2013, and actual program costs in program year was \$7,688.32.

This is decrease of approximately 90 percent from the amount of GAP credits and arrearage forgiveness dollars expended in 2012. The reduction in the number of customers that qualified in program year 2013 is contributed to the reduction in the estimated annual cost of heating due to reduced gas pricing. Customer's arrears

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

balances were also down significantly in program year 2013 and offset by the benefits received by the LIHEAP program. There was also a reduction in the number of Great Plains customers that applied for LIHEAP benefits in heating season 2012-2013 compared to the previous heating season. The actual 2013 average cost per participant, qualifying for credits under the Program was \$63.27 compared to the original assumed average annual cost per participant of \$555. This difference may be attributed primarily to the number of customers that do not enter the program with arrears, the number of customers that continue to exceed the current household income requirement and lower gas costs. In program year 2013 16 percent of customers applying for GAP had an arrears balance at the time of application compared to 27 percent of customers with an arrears balance coming into program year 2012. The total arrears balance owing for the 389 applications received in 2013 program year equaled \$11,003.92, compared to \$18,561.67 associated with the 449 applications received in program year 2012. The average annual arrearage forgiveness benefit received per customer was \$43.42 in the 2013 program year compared to \$44.14 in program year 2012. Great Plains had a number of customers that were enrolled in the program and moved premises and therefore were dropped from the GAP 2013 program. West Central is operating as Great Plains third party administrator again in 2013 and program promotions continue in order to increase participation and help ensure that available funds are provided to Qualified Customers. The GAP fund balance as of December 31, 2013 was \$94,599.45. Great Plains will address the unspent balance in its evaluation report to be submitted by June 1, 2014.

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

Great Plains implemented a number of significant changes to its GAP beginning in late 2010, including (1) lowering the income threshold to qualify for the Affordability Component from 6 percent to 4 percent; (2) working with the Commission's Consumer Affairs Office (CAO) in developing and implementing a comprehensive GAP outreach plan and refining the GAP application; and (3) negotiation of an agreement to have West Central act as a third-party administrator of Great Plains' GAP beginning in 2011.⁶

Despite these efforts participation in GAP was down in 2013. Great Plains and West Central continue to promote the benefits of GAP to LIHEAP eligible customers.

B. November 18, 2009 Order Reporting Requirements.

1. Customer Payment Frequency

Great Plains looked at a random sample of ten percent of the 82 customers enrolled in GAP in 2013. The random sample of 10 customers was compared to a random sample of the same number of customer qualifying for LIHEAP, but not participating in GAP.

As a means of measuring the payment frequency of the two customer groups, the number of payments was compared to the number of bills issued during the period January 1, 2013 through the end of 2013. The results indicate that the number of

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

payment occurrences as a percentage of bills issued for the GAP participant group was 52 percent. In contrast, the number of payment occurrences as a percentage of bills issued for the LIHEAP group not participating in GAP was 43 percent for the same time period.

2. Disconnection

A review of customer accounts disconnected because of non-payment in 2013 revealed that sixteen customers receiving GAP credits were disconnected in 2013 with a total of 1,159 accounts disconnected in 2013. The total disconnected included 403 customers receiving LIHEAP within the calendar year. LIHEAP accounts were not disconnected at the time when LIHEAP benefits were available. The percentage of GAP customers disconnected as compared to the total customers disconnected was 1 percent. The percentage of LIHEAP customers not participating in GAP disconnected compared to the number of all firm customers disconnected was 8 percent indicating a benefit associated with GAP.

3. Payment Amount

The total funds disbursed in 2013 totaled \$5,188.32 for an average annual benefit of \$63.27 per participant qualifying for a credit or arrearage forgiveness. The average GAP participant's annual natural gas bill was \$522.24 or \$43.52 per month on average.

4. Customer Payment History

Based on the sample of GAP participants, approximately 60 percent of the sample group paid their monthly bill in full while participating in GAP while 40 percent of the sample group paid their bill in full monthly prior to participation in GAP.

5. Arrearage Level

Based on the sample data, none of the 2013 GAP participants were in arrears as of December 2013 as compared to average arrears per account as of December 2013 for all other customers at \$103. LIHEAP customers in the 2012-2013 season not participating in GAP had an average outstanding debt of \$121 as of December 31, 2013. The results indicate a benefit associated with GAP.

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

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

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

As noted above, Great Plains entered into an agreement with West Central to serve as the third-party administrator of its GAP beginning in 2011. West Central is continuing to serve as the third-party administrator in 2014. Great Plains also continues to work with each of the other agencies providing assistance in its service territory to ensure customers are aware of the GAP by advising the agencies of the availability of the program via written and oral communication and providing GAP application forms to the agencies to provide to Great Plains customers. Such applications are submitted to West Central, who is also coordinating with Great Plains

and the various agencies. Great Plains believes that the coordination with these agencies has increased awareness of and interest in the GAP.

C. September 22, 2010 Order Reporting Requirements.

1. GAP Complaints

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

D. December 29, 2011 Order Reporting Requirements.

1. Application Processing Goal

Great Plains has implemented a goal of processing ninety-five percent of all complete gas affordability program applications within thirty days of receipt and in calendar year 2013 all applications were processed within 30 days of receipt.

2. Third-Party Administrator Evaluation

Great Plains' experience with West Central as a third-party administrator of GAP has been positive to date.

3. GAP Application Availability

West Central, Great Plains third party administrator, does make the GAP application available electronically on their website. Great Plains also provides information on its website regarding the program as well as the application form.

4. Reminder After Missed Payment

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

5. Cross Promotion of Gap

Great Plains has included information regarding GAP on its website and in bill inserts along with bill payment and conversation program information and will continue to look for ways to inform customers of the availability of the program.

E. September 25, 2013 Order Reporting Requirements.

Summary of Required Information
September 25, 2013 Order

	2013 Program Year
1.) Average annual affordability benefit received per customer.	\$78.88
2.) Average annual arrearage forgiveness benefit received per customers.	\$43.43
3.) Percentage of LIHEAP customer that participated in GAP.	4.82%
4.) Disconnection rates:	
a.) Of GAP customers	16
b.) Of LIHEAP-non GAP customers	403
c.) Non-LIHEAP (All firm customer including C&I)	740
5.) Number of GAP participants enrolled as of year-end.	29
6.) Number of GAP Participants enrolled and receiving benefits at some time during the year.	82
7.) Annual program budget.	\$50,000
8.) Actual program revenue.	\$0
9.) Actual program costs.	\$7,688.32
10.) GAP tracker balance as of year-end	\$94,599.45
11.) GAP rate-affordability surcharge (\$/therm).	\$0

II. CONCLUSION

Great Plains respectfully requests that the Commission accept its 2013 Calendar Year Gas Affordability Program Report as in compliance with its May 12,

2008, November 18, 2009, September 12, 2010, December 29, 2011, October 5, 2012
and September 25, 2013 Orders issued in the above-referenced docket.

Dated: April 1, 2014

Respectfully Submitted,

/s/ Tamie Aberle

Tamie Aberle
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