



Minnesota Energy Resources Corporation
2685 145th Street West
Rosemount, MN 55068
www.minnesotaenergyresources.com

June 5, 2025

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

VIA ELECTRONIC FILING

Re: In the Matter of Minnesota Energy Resources Corporation's Gas
Affordability Program 2024 Annual Report, Docket No. G011/M-25-39

Reply Comments of Minnesota Energy Resources Corporation

Dear Mr. Seuffert:

On March 31, 2025, Minnesota Energy Resources Corporation ("MERC" or the "Company") filed its 2024 Gas Affordability Program ("GAP") Annual Report in the above-referenced docket. Along with MERC's 2024 GAP Report, in accordance with the Commission's August 14, 2023 Order in Docket No. G011/M-24-39, MERC provided a proposal to implement an automatic GAP enrollment program.¹

On April 25, 2025, the Minnesota Public Utilities Commission (the "Commission") issued a Notice of Comment Period and on May 22, 2025, the Minnesota Department of Commerce, Division of Energy Resources (the "Department") and Citizens Utility Board of Minnesota, the Legal Services Advocacy Project, and the Energy CENTS Coalition ("CUB, LSAP, and ECC") filed comments requesting additional information and proposing modifications to MERC's GAP automatic enrollment program.

MERC thanks the Department and CUB, LSAP, and ECC for their review of the Company's 2024 GAP Annual Report and proposed GAP automatic enrollment program. MERC responds to each of the Department and CUB, LSAP, and ECC's recommendations and requests for additional information below.

¹ In compliance with the Commission's Order, MERC provided the following information in support of its proposal for an automatic GAP enrollment program: a. Current tracker balance; b. Current monthly spending rate, number of GAP participants, and percent of participants who leave or are removed from the program each month; c. An estimate or range of estimates of monthly GAP spending, if all customers who receive LIHEAP and who are eligible to participate in GAP based on their income and energy costs were to be enrolled, and an explanation of the assumptions made in calculating this estimate; d. Demonstration that automatic enrollment is not expected to result in the denial of the program to new enrollees or applicants within the first year of operation.

Response to CUB, LSAP, and ECC

CUB, LSAP, and ECC recommend that the Commission take the following actions to approve MERC's income threshold and automatic enrollment proposal as set forth in the Company's March 31, 2025 filing:

1. Approve MERC's revised GAP budget of \$4.5 million.
2. Approve MERC's proposal to maintain its percentage-of-income affordability credit threshold at three percent.
3. Approve MERC's proposal for automatic enrollment.
4. MERC must provide customers with a minimum of 30 days' notice prior to commencing automatic enrollment. Customers must be informed that if they have not opted out of GAP participation within that timeframe, they will be automatically enrolled in the program.
5. MERC must monitor monthly spending from and income to the GAP program. If, and when, the program is on track to deplete its tracker balance within 6 months, MERC shall make a filing with the Commission that includes, at a minimum:
 - a. Tracker balance, income, and spending on a monthly basis for the previous 6 months and projected 6 months in the future;
 - b. An evaluation of possible modifications to avoid closure of the program, including modifying the affordability and arrearage forgiveness benefit amounts for participants, changing the program funding level/ surcharge, and other options the Company has considered; and
 - c. A proposal to avoid the projected negative tracker balance.
6. MERC must annually report disaggregated participation and benefit delivery data by geography, income level, and household size to the extent possible.

MERC appreciates CUB, LSAP, and ECC's review of the Company's proposed affordability credit and GAP automatic enrollment proposal. The Company agrees with CUB's recommendations 1-3 and 5, and addresses recommendations 4 and 6 below.

Customer Communications Regarding Automatic Enrollment

With respect to CUB, LSAP, and ECC's recommendation 4 to provide customers with 30 days' notice *prior to* commencing automatic enrollment to allow customers to opt out, CUB, LSAP, and ECC note their appreciation for MERC's proposal to proactively send information to customers and request that the Company allow customers 30 days after these notices are sent before commencing automatic enrollment. In making this

recommendation, CUB, LSAP, and ECC note that advanced notice and opportunity to opt out would be consistent with the requirements ordered for CenterPoint's GAP automatic enrollment program.²

As outlined in MERC's filing, the Company proposes to send a one-time mailing to all current LIHEAP customers in the spring of 2026³ with information regarding MERC's GAP automatic enrollment program, a list of important deadlines associated with LIHEAP and GAP, and a notice that GAP enrollment is dependent on LIHEAP participation.⁴ Once benefit calculations have been made, MERC proposes to send a letter to customers eligible for an affordability credit on or before July 15, 2026 to inform identified customers that they have been automatically enrolled in GAP and to tell customers the amount of the monthly bill credit(s) they will receive and the monthly payment requirements to remain on GAP. This communication would inform customers they can opt out of GAP enrollment anytime by contacting MERC customer service during regular business hours to request removal.

Finally, MERC proposed that after completing the initial automatic enrollment of all eligible LIHEAP customers who had received LIHEAP as of May 2026, MERC would conduct rolling automatic enrollments throughout the program year. Customers who receive LIHEAP during the program year and are eligible for GAP would be automatically enrolled, would receive the same notice described above, and would be subject to the same opt-out provisions.

There are reasons that different opt out processes are appropriate for MERC's GAP automatic enrollment program as compared to the automatic enrollment programs approved for CenterPoint and Xcel. Notably, both CenterPoint and Xcel require customers participating in their GAP programs to be placed on a levelized payment plan and schedule.⁵ That requirement supports providing customers with an advance opportunity to consider enrollment and choose to opt out, as enrollment in a levelized payment arrangement is a departure from customers' existing payment requirements. In contrast, MERC's GAP does *not* require customers to be placed on a levelized payment plan. Additionally, MERC understands that Xcel's GAP automatic enrollment

² CUB, LSAP, and ECC Comments at 4.

³ This timing is dependent on the timing and parameters of the Commission's approval of MERC's GAP automatic enrollment program.

⁴ MERC 2024 GAP Annual Report at 29.

⁵ See Xcel GAP Annual Report, Docket No. G002/M-25-36 at 4 (Mar. 31, 2025); CenterPoint Gas Affordability Service Program Tariffs, Section V, Seventh Revised Page 25, available at https://www.centerpointenergy.com/en-us/Documents/RatesandTariffs/Minnesota/MN_Tariff_Book_May.pdf ("Further, such customers must agree to be placed on a levelized payment plan and must also agree to a payment schedule as described below to be considered a 'Qualified Customer'").

does not involve rolling automatic enrollment—instead, Xcel conducts automatic enrollment once per year.⁶

As described in MERC's filing, the Company has proposed a process to ensure customers can opt out of GAP after they are enrolled via automatic enrollment. In light of the differences between MERC's GAP and the automatic GAP enrollment programs approved for CenterPoint and Xcel, MERC continues to believe its proposed customer communication and opt-out provisions are reasonable – protecting customers' interests and ensuring customers are given a choice to opt out of GAP while also balancing the complexity of program administration. Incorporating a 30-day opt-out process would be a change to MERC's proposed GAP automatic enrollment and would require additional time and costs to implement. Incorporating a pre-enrollment opt out process would require multiple additional changes to MERC's customer information system and system programming for GAP automatic enrollment implementation.

Further, based on Xcel's experience with automatic enrollment, MERC anticipates customer opt-out requests will be minimal. For example, in its first year of automatic enrollment, Xcel reported four customers had opted out, which is less than 0.1 percent of eligible customers.⁷

Given the limited opt-outs expected, the impacts of providing customers the opportunity to opt out 30 days before enrollment occurs are likely to be de minimis, while such a change would result in delays and increased complexity for MERC's GAP automatic enrollment program. MERC therefore proposes that its customer notification and opt out process be approved as proposed.

Reporting on Disaggregated Participation and Benefit Delivery Data

With respect to CUB, LSAP, and ECC's recommendation that MERC annually report participation and benefit delivery data by geography, income level, and household size to the extent possible, MERC has significant concerns regarding this recommendation.

First, with respect to reporting participation and benefit delivery data by income level, MERC does not store customer income data for GAP participants and therefore, would not be able to report that information. Customer income information as provided by the Department to allow MERC to process GAP enrollments is used exclusively for GAP enrollment and is not retained in MERC's customer information system. In Docket No. G011/M-23-85, CUB and ECC recommended, MERC agreed, and the Commission ordered that MERC maintain an internal firewall that partitions customer income data

⁶Xcel GAP Annual Report, Docket No. G002/M-25-36 at 5 (Mar. 31, 2025) ("Auto-enrollment in the GAP for LIHEAP-qualified customers began on July 15, 2023 and will continue to take place on July 15 of each year.").

⁷ See Xcel GAP Annual Report, Docket No. G002/M-25-36 at 5 (Mar. 31, 2025) (Xcel reported four customers opted out and 5,368 were successfully automatically enrolled; $4/5,372 = 0.074\%$).

and *limits retrieval to the sole and limited purpose of calculating percentage-of-income payments under the GAP program.*⁸ Because GAP participant income information is not retained in MERC's customer information system reporting on this metric would not be possible or reasonable.

Second, with respect to household size, MERC does not collect or maintain information regarding customer household size. When the Department provides customer income information related to LIHEAP enrollment, that is the only data provided – no household size or other customer-specific information is shared regarding LIHEAP customers. MERC does not collect, track, or maintain information regarding household size with respect to its customers and does not believe it would be reasonable to begin collecting this data regarding customers who are automatically enrolled in GAP. Further, MERC would not have any reliable means to obtain such data, other than voluntarily requesting it from customers or seeking to obtain additional data from the Department based on LIHEAP applications. Because GAP participant household size is not available, reporting participants and benefits by household size would not be possible or reasonable.

Finally, reporting participation and benefit delivery data by geography could pose significant privacy concerns and require MERC to incur additional expense related to GAP automatic enrollment without providing meaningful additional information and therefore, MERC does not believe that such additional reporting is reasonable. The geographic information MERC has available is zip code data. However, given the large geographic area MERC serves across the state of Minnesota, it is likely that such reporting would include zip codes with a small number of participants, making reporting of participant benefit data problematic from a customer privacy perspective.⁹ It is also not clear what value reporting participation and benefit data by zip code would provide in terms of evaluating MERC's GAP automatic enrollment program. MERC believes that the administrative burden and expense of providing such reporting, as well as the potential customer privacy implications, outweigh the benefits of such information in evaluating the success of MERC's automatic enrollment program. MERC therefore recommends that the Commission not require any additional reporting beyond the GAP streamlined reporting data at this time. The data included in that report will provide

⁸ *In the Matter of Minnesota Energy Resources' 2022 Annual GAP Report*, Docket No. G011/M-23-85, Order Accepting Reports and Setting Additional Requirements (Sept. 7, 2023).

⁹ In particular, MERC is concerned it would be possible to estimate individual customer income or energy usage based on the proposed data reporting. Reporting GAP participation and benefit delivery by geography could risk violating the Commission's orders related to customer energy usage data ("CEUD"). Under the open data access standards, an aggregated customer energy use data set may include CEUD from no fewer than 4 customers and a single customer's energy use must not constitute more than 50 percent of total energy consumption for the requested data set. While reporting on GAP benefits would not involve directly reporting CEUD, benefits are computed based on the customer's actual annual gas bills and actual income, and therefore, could allow for a calculation of individual customer usage.

insights into the impacts of automatic enrollment on GAP participants and LIHEAP recipients.

Response to Department Comments

The Department makes a number of recommendations regarding MERC's proposal to maintain the GAP affordability threshold at 3 percent of income, future GAP annual reporting, and MERC's proposed GAP automatic enrollment program. MERC responds to each of the Department's requests and recommendations below.

1. Continuation of 3 Percent Threshold for Affordability Credit

First, the Department recommends continuation of MERC's 3 percent of income affordability credit, as proposed by the Company. Because the reduction in the income threshold to 3 percent reduces bill payments for natural gas services for some customers and correlates with an increase in the frequency of customer payments, the Department recommends continuation of the threshold.

MERC is in agreement with this recommendation.

2. Tracker and Streamlined Report Definitions

Second, the Department recommends that "all utilities should annually publish definitions and explanations of methodology for tracker items, all items in the outcome spreadsheet and all other attachments. The definitions and methodological explanations should be in a separate attachment. Methodological explanation should be sufficient for the Department to recreate all statistics in all attachments. Sufficient explanations may include any necessary equations."¹⁰

The Department's rationale for this recommendation is that information contained in the utility attachments is unclear. At the outset, MERC notes that the form and content of the GAP streamlined reporting template (MERC's Attachment B) was developed by the Department. As noted in the Commission's September 28, 2018 Order Accepting Report and Adopting Streamlined Process, "The [Utility Stakeholder] Report stated that no changes to the utilities' GAPs are warranted but recommended use of a streamlined format for annual reports *using a form developed by the Department*."¹¹

MERC believes the form and content of both the Streamlined Report (Attachment B) and the Company's GAP tracker (Attachment A) are clear.¹² Further, requiring utilities

¹⁰ Department Comments at 14.

¹¹ *In the Matter of CenterPoint Energy's Evaluation of its 2016 Gas Affordability Program*, Docket No G008/M-16-486, Order Accepting Report and Adopting Streamlined Process (Sept. 28, 2018).

¹² MERC notes that a number of the reporting metrics also include formulas in the streamlined report definitions. For example, under "Impact on Payment Frequency," the streamlined report defines the reporting metric as the dollars paid divided by dollars requested.

to provide equations and underlying calculations in support of the metrics included in the streamlined report would require additional layers of data reporting, beyond the already significant data included in the streamlined report.

The Company responds to the Department's four examples of items the Department concludes are unclear below, which provide illustration that MERC has already including the relevant information and explanations.

- a) The Department was unable to determine if the Company's matching funds for the "HeatShare" program was included in the tracker balance or if it qualifies to be included. charitable contribution.¹³

MERC reports on HeatShare in accordance with Minn. Stat. § 216B.16, subd. 15(b)(5) and the Commission's requirement that utilities report on "coordination with other available low-income assistance."¹⁴ As described in the Company's Report:

The Salvation Army continued to assist MERC customers with funds from the HeatShare program in 2024. *HeatShare is a state-wide fuel fund for customers who are ineligible for or have incomes that are too great to receive a GAP affordability credit. HeatShare offers direct assistance, budget counseling, and energy conservation education. In an effort to help low-income households with the costs of heating, HeatShare works in conjunction with the Energy Assistance program on a statewide and local basis.* MERC continues to support the HeatShare fund by providing a match of 50 cents for every dollar customers donate through their monthly gas bills. In 2024, MERC customers donated a total of \$43,955.62 via monthly gas bills and direct donations, and MERC provided \$21,977.82 in matching funds for a total of \$65,933.44.¹⁵

MERC's GAP report is clear that HeatShare is separate from GAP; it is administered by The Salvation Army, and MERC provides funds to the HeatShare Program to support

¹³ Department Comments at 14.

¹⁴ Minn. Stat. § 216B.16, subd. 15(b)(5) requires that any affordability program the commission orders a utility to implement must coordinate the program with other available low-income bill payment assistance and conservation resources. The Commission's November 18, 2009 Order Accepting Compliance Filings Regarding Gas Affordability Programs and Requiring Further Action in Docket No. G007,011/M-07-1131, required utilities to report "Coordination with 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 often the utility has communicated with those agencies during the year, the content of those communications, and what was accomplished in terms of coordination."

¹⁵ MERC 2024 GAP Report at 12.

low-income customers *who are not eligible for GAP*. No funding related to HeatShare is included in the Company's GAP tracker because HeatShare is not part of GAP.

- b) Similarly, the Department was uncertain of all that is included in administrative costs and all items included in the dollars paid for the affordability credit.¹⁶

MERC's GAP Report addresses administrative costs in the tracker, stating "MERC did not book any administrative costs to the GAP tracker in 2024."¹⁷ Consistent with this statement, MERC's Attachment A, 2024 GAP Tracker includes a column for "Administration Costs," with no dollars reported in any month in 2024.

MERC also explained its plans with respect to the inclusion of administrative expense going forward with the implementation of automatic enrollment, noting "MERC anticipates incurring incremental costs to implement automatic enrollment including customer communications and other expenses. Actual costs would be tracked and included in the tracker for recovery."¹⁸

With respect to "all items included in the dollars paid for the affordability credit," MERC is uncertain what additional clarity could be provided, as this reflects all amounts MERC paid during the reporting year in affordability credits for GAP customers.

- c) The Department could not find a complete definition of how the utility measures the outcome of a percentage change in arrears and therefore was uncertain on what to conclude from the statistic. For example, the statistic could be the percentage change from the previous year, or from some other baseline.¹⁹

The data reflected in the GAP streamlined reporting form is data for the relevant GAP program year. In the case of MERC's 2024 GAP annual report, the data provided is for the 2024 calendar year. MERC includes five years of historical data consistent with the Commission's January 18, 2023 Order in Docket No. G011/M-22-248.

Reporting on "% change in dollar amount of arrears" reflects the end-of-year arrears balance minus the beginning of year arrears balance divided by the beginning of year arrears balance (i.e., the percentage change in dollar amount of arrears). Given that the report reflects calendar year data, MERC does not agree that these reporting metrics are unclear.

¹⁶ Department Comments at 14.

¹⁷ MERC 2024 GAP Report at 16-17.

¹⁸ MERC 2024 GAP Report at 27.

¹⁹ Department Comments at 14.

- d) The spreadsheet includes a treatment group called “GAP participant cohort” and a control group titled “GAP participant cohort before they were enrolled in GAP.” However, the Department could not find a complete definition describing each group. The Department does not know whether the “GAP participant cohort” includes only those participants enrolled for the first time in GAP and if the control group is the data for when the participants were not enrolled in GAP in the previous year, or whether GAP participants included are for all years and the households’ non-GAP enrollment is projected from prior year(s) either by summary statistics, or a regression analysis.²⁰

The categories of “GAP participant cohort” and “GAP participant cohort before they were enrolled in GAP” were developed by the Department for inclusion in the Department’s proposed streamlined report, which was implemented by the utilities as discussed above. How these reporting categories are defined and computed are explained in MERC’s GAP Report, consistent with the Commission’s previous orders, including the Order requiring the gas utilities to begin using the standardized GAP streamlined reporting format. As explained at pages 2-3 of the Company’s GAP Report:

MERC collects data in these areas on the pre-program baseline for its GAP participant cohort and GAP participant cohort before they were enrolled in GAP. As addressed in Docket No. G011/M-19-369, MERC defines its GAP participant cohort as new GAP enrollees during the relevant reporting year; here, all GAP participants who enrolled during 2024. This information is reported in Attachment B to this Annual Report.²¹

3. *MERC’s Automatic Enrollment*

In compliance with the Commission’s August 14, 2023 Order in Docket No. G011/M-24-39, MERC provided the following information in support of its proposal for an automatic GAP enrollment program filed March 31, 2025:

- Current tracker balance (MERC’s Petition and Attachment A provided MERC’s tracker balance as of December 31, 2024 as well as monthly tracker activity);
- Current monthly spending rate, number of GAP participants, and percent of participants who leave or are removed from the program each month (MERC’s GAP Tracker provides detailed monthly spending on GAP, broken out between affordability credits and arrearage forgiveness and MERC provided a table summarizing the percentage change in GAP enrollments each month through 2024);

²⁰ Department Comments at 14.

²¹ MERC 2024 GAP Report at 2-3 (citing *In the Matter of Minn. Energy Res. Corp’s 2019 Evaluation of its Gas Affordability Program*, Docket No. G011/M-19-369, MERC Reply Comments at 7-8 (Nov. 1, 2019)).

- An estimate or range of estimates of monthly GAP spending, if all customers who receive LIHEAP and who are eligible to participate in GAP based on their income and energy costs were to be enrolled, and an explanation of the assumptions made in calculating this estimate (MERC's filing and Attachment E provided a range of estimates of monthly GAP spending if all customers who receive LIHEAP and are eligible to participate in GAP are enrolled; MERC's Petition included a detailed explanation of the assumptions used to develop the estimate); and
- Demonstration that automatic enrollment is not expected to result in the denial of the program to new enrollees or applicants within the first year of operation.²²

Notably, the Company included with its March 31, 2025 filing a range of estimates of monthly GAP spending if all customers who receive LIHEAP and who are eligible to participate in GAP based on their income and energy cost were to be enrolled, and an explanation of the assumptions made in calculating this estimate. MERC also provided discussion of the basis for the assumptions used to prepare its estimates supporting why those assumptions are reasonable.²³

In its Comments, the Department concludes that while MERC provided most of the necessary information in its annual report and exhibits in accordance with the Commission's Order, MERC's information on the percent of customers that leave or are removed, and on monthly GAP spending "involved assumptions that might noticeably alter results."²⁴

The Department requests that the Company provide modified calculations and additional information based on revised assumptions to support the Company's cost estimate for implementing automatic enrollment including:

- Actual monthly numbers of GAP participants who leave or are removed from the program.
- Monthly estimates of GAP spending that incorporates monthly changes in MERC's LIHEAP caseload and per customer affordability credit costs.
- Monthly estimated costs for the credit based upon month-to-month changes in the percent of customers with arrears and the per customer arrear forgiveness credit.

MERC responds to each of the Department's requests below, explaining why the modifications are not reasonable or necessary to develop an initial annual budget for

²² MERC 2024 GAP Report at 24-31 and Attachment E (Estimated Annual Costs for GAP Automatic Enrollment). MERC notes that the requirements to be included with MERC's GAP automatic enrollment proposal were adopted based on the Department's recommendations. See Department Comments at 12, Docket No. G011/M-24-39 (June 4, 2024).

²³ MERC 2024 GAP Report at 24-28.

²⁴ Department Comments at 16.

MERC's GAP automatic enrollment program. While MERC agrees with the Department that modifications to the assumptions used to compute the forecasted costs associated with automatic enrollment can impact the resulting cost estimates, MERC believes its assumptions are reasonable based on current information, understanding that the actual costs and impacts of implementing automatic enrollment will differ from forecasts based on factors that cannot reasonably be predicted or controlled. For instance, Xcel has reported that its automatically enrolled GAP customers carried higher past due balances, on average, than customers who had applied to be enrolled in GAP. Xcel also reported that more of the new participants missed required payments and were removed from the Program compared to the opt-in GAP program.²⁵ The specifics of how automatically enrolled GAP customers in MERC's program will differ from MERC's historical GAP customers could result in program costs that differ from MERC's forecasts and MERC's forecast methodology considered these potential differences based on available information. MERC's forecast reflects a reasonable estimate in compliance with the Commission's order requiring that MERC provide an estimate or range of estimates of monthly GAP spending, if all customers who receive LIHEAP and who are eligible to participate in GAP based on their income and energy costs were to be enrolled, and an explanation of the assumptions made in calculating this estimate.²⁶

Further, as discussed above, MERC has committed to monitor monthly spending from and income to the GAP program and when the program is on track to deplete its tracker balance within 6 months, MERC has agreed to make a filing with the Commission that includes information to allow for an evaluation of spending on GAP automatic enrollment, along with an evaluation of whether any modifications to MERC's GAP should be implemented.²⁷ This reporting ensures that the Department, the Commission, and other interested parties will be notified if actual GAP program costs under automatic enrollment are outpacing MERC's estimates.

- a) Actual monthly numbers of GAP participants who leave or are removed from the program.

Table 11 in MERC's filing provided monthly net changes in GAP customers through 2024. As described in the Company's filing, MERC used the 2024 average monthly net change in GAP participants to compute the assumed reduction in the pool of LIHEAP customers eligible for and participating in GAP (i.e., to reflect customers removed from GAP offset by newly enrolled participants).

²⁵ See Xcel GAP Annual Report, Docket No. G002/M-25-36 at 5 (Mar. 31, 2025).

²⁶ CUB, LSAP, and ECC also support MERC's proposed modified program budget of \$4.5 million and the Company's request for increased flexibility around when programmatic adjustments are proposed. CUB, LSAP, and ECC Comments at 4.

²⁷ MERC notes that any modifications that are made to GAP automatic enrollment will require time, resources, and costs to implement.

In accordance with the Department's request, MERC provides the following table showing the number of customers who leave or are removed from GAP each month in 2024. This includes voluntary requests for removal from GAP, removals due to moves, and removals due to default from the program.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
GAP Customers	1,569	1,545	1,588	1,668	1,653	1,651	1,650	1,626	1,557	1,535	1,516	1,506
Number Removed	48	61	35	38	13	24	24	81	19	15	7	22
% Removed	3.06%	3.95%	2.20%	2.28%	0.79%	1.45%	1.45%	4.98%	1.22%	0.98%	0.46%	1.46%

MERC did not use the percentage of customers removed from the Company's existing GAP without automatic enrollment as the basis for its cost estimate because the percentage of removals under MERC's current GAP program is not likely to be representative of the monthly reductions in GAP customers in MERC's automatic enrollment program. Instead, as explained in the Company's narrative regarding its cost estimate assumptions:

MERC began with the total actual pool of MERC LIHEAP customers as of July 2024, as reported in Docket No. E,G999/PR-24-2, of 12,786.

Each month, MERC assumed a reduction of 0.5 percent of the pool of LIHEAP customers that could potentially be eligible for GAP, based on MERC's annual average of monthly net change in GAP participants in 2024, as reflected in Table 11 above.

Customer removals from GAP will be offset by new customers being enrolled upon receiving LIHEAP and being eligible for participation in GAP. Therefore MERC's use of a net change in GAP participants reflects a reasonable assumption for estimating forecasted costs.

- b) Monthly estimates of GAP spending that incorporates monthly changes in MERC's LIHEAP caseload and per customer affordability credit costs. Also, MERC must include an explanation of the new methodology.

First, with respect to incorporating monthly changes in LIHEAP caseload, as described in the Company's filing, MERC's cost estimate began with the total actual pool of MERC LIHEAP customers as of July 2024, which reflects the total cumulative LIHEAP customers reported in 2024. As a result, MERC believes using the July 2024 actual LIHEAP customer count reflects a reasonable basis for the cost estimate.

As detailed in the Company's proposal, MERC plans to mass enroll all LIHEAP customers who are eligible for GAP based on LIHEAP customer data as of May 2026.

LIHEAP applications close at the end of May, so this timing will result in MERC including the majority of eligible LIHEAP customers in the initial automatic enrollment.²⁸ As a result, it is not necessary to account for monthly changes in LIHEAP caseload – the initial pool of customers eligible for automatic enrollment will include all customers receiving LIHEAP in the current program year.

MERC's cost estimate did not assume increases in the pool of eligible LIHEAP customers and, as reported in Table 5 of MERC's annual report, MERC customers receiving LIHEAP grants have not increased year-over-year.²⁹ Based on the current federal administration and potential impacts to energy assistance funding, MERC continues to believe its estimate to be reasonable and does not believe it would be reasonable to assume a larger pool of potentially eligible LIHEAP customers.

With respect to the Department's recommendation to use a per customer affordability credit cost, MERC is unclear how it could calculate a per customer affordability credits on a pool of customers it does not currently have income information for. MERC computed its automatic enrollment cost estimate based on the five-year average of monthly customer affordability credits, as shown in Attachment B to MERC's filing (the Company's streamlined reporting form).³⁰ Using a five-year average of affordability credits captures a range of potential costs, which will vary depending on customer income and gas bills. MERC also notes that for each GAP customer, the affordability credit does not vary month to month once a customer is enrolled. Rather, MERC computes a monthly affordability credit that is applied uniformly to the customer's monthly bills throughout the year.

MERC's GAP Tracker, provided in Attachment A to the Company's 2024 GAP Annual Report, provides month-by-month affordability credit costs under MERC's GAP program through 2024. As can be seen, there is not significant variability in total affordability credit costs month-to-month.

- c) Monthly estimated costs for the credit based upon month-to-month changes in the percent of customers with arrears and the per customer arrear forgiveness credit.

As detailed in MERC's filing:

²⁸ In Minnesota, applications for the Energy Assistance Program (EAP), which is part of the Low Income Home Energy Assistance Program (LIHEAP), close on May 31st. Applications are typically accepted from October 1st to May 31st of the following year.

²⁹ As noted in MERC's Report, the data in Table 5 includes recipients receiving regular EAP hearing assistance and crisis assistance so the number of recipients will be higher than the number of customers.

³⁰ The five years of historical data on average monthly customer affordability credits are shown in Attachment B of MERC's filing (the Company's streamlined reporting form); line item "Average annual affordability benefit per participant".

MERC estimated a range of arrearage forgiveness credit costs based on a range of the percent of enrolled GAP participants who enter GAP with arrears and receive arrearage forgiveness. MERC's low-end estimate is based on the percentage of GAP customers with arrears over the past five years (2020-2024), as reported in Attachment B, which is equal to seven percent. MERC's high-end estimate of arrearage forgiveness credits is based on the five year average percent of non-GAP LIHEAP customers with arrears, which is equal to 32 percent. MERC applied the same estimated arrearage forgiveness credit amounts to both the high- and low-arrearage estimates based on the five-year average monthly arrears forgiveness credit per GAP customer (2020-2024). Based on this, MERC forecasted annual arrearage forgiveness credit costs of approximately \$35,000 to \$160,000.³¹

MERC's cost estimates reflect a reasonable range, recognizing that automatically enrolled LIHEAP customers will be more likely to have arrears compared to MERC's opt-in GAP customers.

With respect to the Department's suggestion that MERC compute cost impacts based on "month-to-month changes," the arrearage forgiveness benefit under GAP is determined at the time of customer enrollment in GAP and remains constant month to month over the 24-month period during which the customer's arrears is paid. MERC's GAP Tracker, provided in Attachment A to the Company's 2024 GAP Annual Report, provides month-by-month arrearage forgiveness costs under MERC's GAP program through 2024. As can be seen, there is not significant variability in arrearage forgiveness benefit costs month-to-month. While it is possible MERC could experience greater variability under automatic enrollment, the Company does not have any more relevant data to determine that variability. As a result, MERC's cost estimate reflects a reasonable basis for forecasting arrearage forgiveness costs.

4. GAP Automatic Enrollment Program Costs

Fourth, the Department supports allowing the Company to petition in this docket for a change in the surcharge rate at any time within the next three years outside of the normal process (i.e., through the GAP annual report filing).³² Additionally, the Department recommends, consistent with the recommendation made by CUB, LSAP, and ECC, that MERC monitor monthly spending from and income to the GAP program.

³¹ MERC 2024 GAP Report at 26-27.

³² Department Comments at 18, 22 ("Because of the risk of running out of funds, even with approval of the spending cap, the Department recommends that MERC be given the flexibility to propose a surcharge rate outside of the Annual GAP reporting cycle.").

If, and when, the program is on track to deplete its tracker balance within 6 months, MERC shall make a filing with the Commission that includes, at a minimum:

- Tracker balance, income, and spending monthly for the previous 6 months and projected 6 months in the future.
- An evaluation of possible modifications to avoid closure of the program, including modifying the affordability benefit and arrearage forgiveness benefit amounts for participants, changing the program funding level/surcharge, and other options the Company has considered.
- A proposal to avoid the projected negative tracker balance.³³

As discussed above, MERC is in agreement with the recommendation that the Company monitor the tracker balance and make a filing when the program is on track to deplete the tracker balance within 6 months, at which time MERC would anticipate proposing to reestablish a positive surcharge rate to ensure the tracker remains funded. MERC also does not oppose the Department's recommendation to provide flexibility for MERC to request a change in the surcharge rate any time within 3 years of implementation of MERC's automatic enrollment program.

5. Automatic Enrollment Customer Outreach

Fifth, the Department requests that MERC explain in its Reply Comments, what it plans in terms of outreach to inform customers about auto-enrollment. The Department also requests that MERC provide a cost estimate of the outreach focused on informing customers about auto-enrollment.³⁴

MERC detailed its proposed customer outreach related to the proposed GAP automatic enrollment program starting at page 29 of Company's March 31, 2025 filing:

In spring 2026, MERC will prepare and send a one-time mailing to all current LIHEAP customers with the following information:

- i. A description of GAP.
- ii. An explanation of MERC's GAP automatic enrollment process.
- iii. A list of important deadlines associated with LIHEAP and GAP.

³³ Department Comments at 18, 22.

³⁴ Department Comments at 19, 22.

- iv. A description of additional resources on LIHEAP and GAP, and where such resources can be accessed.
- v. A notice that continued GAP enrollment is dependent on LIHEAP participation.
- vi. A recommendation that customers seeking to remain on GAP apply to LIHEAP at the earliest possible opportunity.
- vii. A notice that additional electric-side affordability programs may be available to customers of rate-regulated electric utilities and advising customers to contact their electric utility to request additional information.

...

Once benefit calculations have been made, MERC will send a letter via United States Postal Service first class mail to customers eligible for an affordability credit on or before July 15, 2026 to inform identified customers that they have been automatically enrolled in GAP and to tell customers the amount of the monthly bill credit(s) they will receive and the monthly payment requirements to remain on GAP. This communication will inform customers they have the ability to opt out of GAP enrollment anytime by contacting MERC customer service during regular business hours to request removal. These customer-specific communications will provide detailed information on GAP, including:

- i. The customer's monthly bill under GAP and the affordability credit they will receive.
- ii. The customer's monthly arrearage forgiveness payment and arrearage forgiveness credit (if any).
- iii. An explanation of GAP program terms, including an explanation that customers may be removed from the program for missed payments.
- iv. An explanation of how any Energy Assistance grant balance on a customer's account will be applied, and how (if at all) that will delay or alter the application of GAP credits.

v. An explanation that, to remain enrolled in GAP, the customer must apply for and receive LIHEAP by their LIHEAP enrollment anniversary date of each subsequent year.

vi. Confirmation that the Company will not use customers' income information for any purpose other than to calculate their GAP program credits.

vii. A notification that customers may opt out of GAP by contacting MERC.

viii. Contact details for who the customer may contact to opt out or otherwise unenroll themselves from GAP.

...

MERC will continue to conduct annual recertification review of all GAP customers to update customer GAP affordability credits and identify any customers who no longer qualify for participation. As discussed above, MERC already contacts customers approximately 60 days ahead of their recertification date to remind them that they will need to recertify and to reapply for LIHEAP. MERC will continue that process following implementation of automatic enrollment.

MERC estimates printing and mailing costs of approximately \$15,000 related to the initial mailing to LIHEAP customers and \$10,000 related to the mailing to GAP qualifying customers.³⁵

As described in the Company's filing:

Under Minn. Stat. § 216B.16, subd. 15 and the Commission's August 8, 2022 Order Accepting 2021 GAP Reports, Approving Surcharge Modifications, and Setting Additional Requirements in Docket No. G011/M-22-154, MERC is permitted to recover administrative costs, start-up costs, and evaluation costs through the GAP Tracker. In accordance with the Commission's August 8, 2022, Order, MERC estimated annual administrative costs equal to five percent of total annual program spending on affordability and arrearage forgiveness. Five percent of MERC's estimated annual costs

³⁵ Actual costs incurred to develop, print, and mail these customer communication will depend on postage costs, printing expense, and labor costs.

would be equal to approximately \$200,000 annually. MERC anticipates incurring incremental costs to implement automatic enrollment including customer communications and other expenses. Actual costs would be tracked and included in the tracker for recovery.³⁶

6. Opportunity for Review of Automatic Enrollment Program

Finally, the Department recommends that within 120 days, MERC should propose a possible recertification date of between November 1, 2026 and February 1, 2026. If no party objects to the filing within 30 days, it will go into effect.

MERC does not agree with the Department that a review of the Company's approved automatic enrollment within 120 days of implementation is necessary or reasonable. Instead, consistent with the GAP automatic enrollment programs approved for CenterPoint and Xcel, MERC would report on GAP automatic enrollment program performance and results in its GAP annual reports.

Assuming a July 2026 implementation, MERC would include preliminary data regarding GAP automatic enrollment performance in its March 2027 GAP annual report which will cover calendar year 2026. Further, as discussed above, MERC has committed to monitor monthly spending from and income to the GAP tracker and when the program is on track to deplete its tracker balance within 6 months, MERC has agreed to make a filing with the Commission that includes information to allow for an evaluation of spending on GAP automatic enrollment, along with an evaluation of whether any modifications to MERC's GAP should be implemented. That reporting will ensure the Department, the Commission, and other interested parties will be notified outside of MERC's GAP annual reports when the tracker balance is on track to be depleted. Finally, it is important to note that any changes that are made to MERC's GAP automatic enrollment, whether prior to implementation or after the program is implemented will require time, resources, and costs to implement.

Conclusion and Recommendations

MERC thanks the Department and CUB, LSAP, and ECC for their comments. Based on the above Reply Comments, MERC respectfully requests that the Commission:

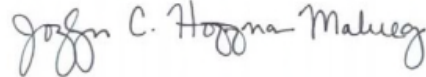
- 1) accept the Company's 2024 Annual GAP Report as compliant with MERC's tariffs and Commission orders;
- 2) approve continuation of the three percent of income affordability credit approved in Docket No. G011/M-21-224;

³⁶ MERC 2024 GAP Report at 27.

- 3) approve MERC's proposal for automatic enrollment, as detailed in the Company's March 31 2025 Filing, and require MERC to monitor monthly spending from and income to the GAP program. If, and when, the program is on track to deplete its tracker balance within 6 months, MERC shall make a filing with the Commission that includes, at a minimum:
 - a. Tracker balance, income, and spending on a monthly basis for the previous 6 months and projected 6 months in the future;
 - b. An evaluation of possible modifications to avoid closure of the program, including modifying the affordability and arrearage forgiveness benefit amounts for participants, changing the program funding level/ surcharge, and other options the Company has considered; and
 - c. A proposal to avoid the projected negative tracker balance; and
- 4) allow MERC to petition in this docket for a change in the surcharge rate at any time within three years of implementation of the Company's automatic enrollment program.

Please contact me at (414) 221-4208 if you have any questions regarding the information in this filing. Thank you for your attention to this matter.

Sincerely,



Joylyn C. Hoffman Malueg
Senior Project Specialist
Minnesota Energy Resources Corporation

cc: Service List

**Minnesota Energy Resources Corporation's
2024 Gas Affordability Program Annual
Report**

Docket No. G011/M-25-39

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 5th day of June, 2025, 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 5th day of June, 2025.

/s/ Kristin M. Stastny

Kristin M. Stastny

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
1	John	Coffman	john@johncoffman.net	AARP		871 Tuxedo Blvd. St. Louis MO, 63119-2044 United States	Electronic Service		No	M-25-39
2	Generic	Commerce Attorneys	commerce.attorneys@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		Yes	M-25-39
3	Brandon	Crawford	brandonc@cubminnesota.org	Citizens Utility Board of Minnesota		332 Minnesota St Ste W1360 St. Paul MN, 55101 United States	Electronic Service		No	M-25-39
4	Ron	Elwood	relwood@mnlsap.org	Legal Services Advocacy Project		970 Raymond Avenue Suite G-40 Saint Paul MN, 55114 United States	Electronic Service		No	M-25-39
5	Sharon	Ferguson	sharon.ferguson@state.mn.us		Department of Commerce	85 7th Place E Ste 280 Saint Paul MN, 55101-2198 United States	Electronic Service		No	M-25-39
6	Joylyn C	Hoffman Malueg	joylyn.hoffmanmalueg@wecenergygroup.com	Minnesota Energy Resources		2685 145th St W Rosemount MN, 55068 United States	Electronic Service		No	M-25-39
7	Annie	Levenson Falk	annielf@cubminnesota.org	Citizens Utility Board of Minnesota		332 Minnesota Street, Suite W1360 St. Paul MN, 55101 United States	Electronic Service		No	M-25-39
8	Chris	Osowski	chris_osowski@usc.salvationarmy.org	Salvation Army		2080 Woodlynn Avenue Maplewood MN, 55109 United States	Electronic Service		No	M-25-39
9	Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		Yes	M-25-39
10	Will	Seuffert	will.seuffert@state.mn.us		Public Utilities Commission	121 7th PI E Ste 350 Saint Paul MN, 55101 United States	Electronic Service		Yes	M-25-39

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
11	Kristin	Stastny	kstastny@taftlaw.com	Taft Stettinius & Hollister LLP		2200 IDS Center 80 South 8th Street Minneapolis MN, 55402 United States	Electronic Service		No	M-25-39