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July 30, 2014

Dr. Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 Seventh Place East, Suite 350  
St. Paul, Minnesota 55101

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G004/M-07-1235

Dear Dr. Haar,

On June 5, 2014, the Minnesota Public Utilities Commission (PUC or the Commission) issued a request for comment on Great Plains Natural Gas Company's (Great Plains) Gas Affordability Program Evaluation Report provided as a compliance filing in the above-referenced docket.

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department). The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ SUSAN L. PEIRCE  
Rate Analyst

SLP/lt  
Attachment



## BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

### COMMENTS OF THE MINNESOTA DEPARTMENT OF COMMERCE DIVISION OF ENERGY RESOURCES

DOCKET NO. G004/M-07-1235

#### I. BACKGROUND INFORMATION

Great Plains Natural Gas Company's (Great Plains or the Company) Gas Affordability Program (GAP) was first approved by the Commission in its May 12, 2008 Order in this docket. In its October 14, 2012 Order, the Commission granted a two-year extension to Great Plains' GAP until December 31, 2014, and directed the Company to submit an evaluation of its 2011 - 2013 program years by June 1, 2014.

On April 1, 2014, Great Plains submitted its Annual Gas Affordability Program Report for 2013.

On June 2, 2014, Great Plains submitted its GAP Evaluation Report covering its program for 2011 through 2013.

#### II. SUMMARY OF THE FILING

Great Plains' GAP is available to qualified residential customers who receive assistance from the Low Income Home Energy Assistance Program (LIHEAP), and agree to be placed on a levelized payment plan with a reasonable payment schedule. The program consists of two components: (1) an affordability component providing a bill credit equal to one-twelfth of the difference between the customer's estimated annual gas bill, and 4 percent of the customer's household income; and (2) an arrearage component which provides a monthly credit to match a customer's contribution to retiring past due balances.

In its October 15, 2012 Order, the Commission reduced Great Plains' GAP surcharge to \$0.0. The Company reports that as of April 30, 2014 it had a tracker balance of \$86,048. Given the ongoing cost to ratepayers, Great Plains does not believe its GAP has proven to be cost-effective from a ratepayer perspective and recommends that the Commission find the program is no longer in the public interest and discontinue it at the end of the program year on December 31, 2014. Alternatively, the Company recommends that the program be continued until the balance of the GAP tracker balance of \$86,048.46 is disbursed to qualified customers.

### III. DEPARTMENT ANALYSIS

Minn. Stat. §216B.16, Subd. 15, (b) provides that:

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

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

In addition, Minn. Stat. 216B.16, Subd. 15 (c) states:

- (c) In ordering affordability programs, the Commission may require public utilities to file program evaluations that measure the effect of the affordability program on:
  - (1) the percentage of income that participating households devote to energy bills;
  - (2) service disconnections; and
  - (3) frequency of customer payments, utility collection costs, arrearages, and bad debt.

#### A. PROGRAM PARTICIPATION AND IMPACT

Great Plains reports decreasing participation in its GAP. Table 1 below summarizes the number of participants and expenditures for 2011-2013.

**Table 1: Summary of GAP Participation**

	2011	2012	2013	2014 YTD
Participants	170	284	82	139
Expenditures	\$19,475	\$49,451	\$5,188	\$6,003

Despite hiring West Central MN Communities Action, Inc. as the third-party administrator for its GAP, implementing an extensive public outreach program and lowering the income threshold for the percentage of annual income spent on energy bills from six to four percent, the Company has seen GAP participation fall in 2013. Great Plains indicates it received 389 applications during program year 2013, with 95 qualifying for GAP, and 82 enrolling. According to its 2013 Annual Report on GAP filed in April 2014, LIHEAP participation also decreased 9 percent in 2013. In part, Great Plains attributes the reduction in the number of customers that qualified to reduced natural gas prices.

Great Plains provided information on the payment frequency, and disconnection rates for a random sampling of GAP participants which indicates that its GAP is generally meeting the goals for affordability programs set forth in Minn. Stat. §216B.16, Subd. 15.

**Table 2: Summary of Payment Frequency and Disconnection Rates**

	2011	2012	2013
Late Payment Frequency (% increase):			
GAP Participants	2%	1%	2%
Other LIHEAP	37%	14%	24%
Disconnection Rate (% of total disconnected):			
GAP Participants	1.8%	0.6%	19.5%
Other LIHEAP	24.5%	13.7%	23.9%
Average Arrears			
GAP	\$0	\$3.00	\$0
Other LIHEAP	\$46.53	\$31.27	\$8.54

**C. FINANCIAL EVALUATION**

Table 3 provides a summary of Great Plains GAP costs and savings for the past three years. In each of the three years, the GAP has resulted in a net cost to ratepayers.

**Table 3: Summary of GAP Costs and Savings**

	2011	2012	2013
GAP Costs:			
Affordability Component	\$16,228	\$44,155	\$2,366
Arrears Forgiveness	\$3,246	\$5,296	\$2,822
Admin. Costs - Internal	\$12,889	\$13,132	\$13,391
Admin. Costs- Third Party	<u>\$2,500</u>	<u>\$2,500</u>	<u>\$2,500</u>
Total GAP Costs	\$34,864	\$65,083	\$21,079
GAP Savings:			
Write-offs	\$1,094	\$1,635	\$236
Service Disconnect/Reconn.	\$520	\$2,704	\$312
Collection Activities	<u>\$2,180</u>	<u>\$3,608</u>	<u>\$1,248</u>
Total GAP Savings	\$3,794	\$7,947	\$1,796
Net Cost to Ratepayers	\$31,070	\$57,135	\$19,283

The Department acknowledges that Great Plains GAP participation has been underutilized and that the costs to ratepayers have outweighed the benefits. One of the Department's concerns is with the size of Great Plains administrative costs, particularly relative to the customer costs incurred in 2013. The Department requests that the Company provide some additional detail in reply on the amount of specific administrative costs incurred. The net cost to ratepayers would be reduced if administrative costs are reduced.

In addition, in its report, Great Plains states that, “should the GAP continue, Great Plains may also propose additional programmatic changes intended to encourage increased GAP participation.” The Department requests that the Company provide comment in reply on possible changes to its GAP that could encourage more GAP participation along with its estimate of any additional cost such changes might require.

At this time, the Department recommends the Company continue the existing GAP program until the existing tracker balance is used. The Department may have additional recommendations after having reviewed the Company’s reply comments.

### **III. DEPARTMENT RECOMMENDATIONS**

The Department requests that the Company provide more detail on the costs included in GAP administrative costs, and any changes it could make to encourage GAP participation.

At this time, the Department recommends the Commission require Great Plains to continue its GAP program at least until such time as its tracker balance is depleted. The Department may offer additional recommendations on program changes after it has reviewed the Company’s reply comments.

/lt

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce  
Comments**

**Docket No. G004/M-07-1235**

**Dated this 30<sup>th</sup> day of July 2014**

**/s/Sharon Ferguson**

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