MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	March 19, 2020	Agenda Item *2
Company	Greater Minnesota Gas, Inc.	
Docket No.	**G-022/M-15-855**	
	In the Matter of Greater Minnesota Gas, Inc.'s Petition for Approval to Change Its Gas Affordability Program	
Issues	1. Should the Commission accept GMG's Gas Affordability Program (GAP) Evaluation Report for 2016 - 2018? 2. Should the Commission extend this pilot program for three years through 2021 or make the program permanent?	
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✓ **Relevant Documents**	**Date**
PUC – Order	December 1, 2015
Greater Minnesota Gas, Inc. – GAP Evaluation Report for 2016-2018	March 28, 2019
PUC – Notice of Comments Period	December 13, 2019
Department of Commerce – Comments	January 15, 2020

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

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I. Statement of the Issues

Should the Commission accept GMG's Gas Affordability Program (GAP) Evaluation Report for 2016 - 2018?

Should the Commission extend this pilot program for three years through 2021 or make the program permanent?

II. Introduction

Greater Minnesota Gas (GMG) submitted its evaluation report on March 31, 2019 as a compliance filing in Docket G-022/M-15-855 and additionally requests the Commission to make its GAP permanent.

The Department submitted comments on January 15, 2020 and recommended the Commission accept GMG evaluation report on its GAP for years 2016 – 2018 and make the program permanent.

Gas affordability programs are reviewed annually[1] and evaluated periodically. This briefing paper addresses the requirement that GMG's GAP be evaluated periodically. All five of the gas utilities were due to have their Programs evaluated in 2019. Four of the GAP program evaluations were accepted by the Commission at its meeting of December 19, 2019 and in its Order of January 17, 2020.[2]

III. Background

On December 1, 2015 Order, in this docket, the Commission approved GMG redesigned GAP. The Commission Order included the following:

1. Approved GMG's proposed changes to its Gas Affordability Program and authorized implementation as of January 1, 2016.

[1] An in-depth discussion of the GAPs was completed in the PUC's briefing papers reviewing the 2019 Annual Reports. Readers are encouraged to view the briefing papers for information on the annual Program budgets, Program designs, affordability and arrearage forgiveness credits, participation rates, disconnection rates, retention rates, tracker balances, and allocations of cost responsibility, GAP surcharges and third party administrators. The statistical information included in the annual filings is the same information included in the periodic evaluations, thus it will not be reexamined in this briefing paper.

[2] ORDER APPROVING PERIODIC GAS AFFORDABILITY PROGRAM EVALUATION REPORTS AND OTHER ACTION, In the Matter of Great Plains Natural Gas Co.'s Evaluation of its Gas Affordability Program, Docket No. G-004/M-19-366; In the Matter of CenterPoint Energy's Evaluation of its Gas Affordability Program, Docket No. G-008/M-19-367; In the Matter of Minnesota Energy Resources Corporation's Evaluation of its Gas Affordability Program, Docket No. G-011/M-19-369; and In the Matter of Xcel Energy's Evaluation of its Gas Affordability Program, Docket No. G-002/M-19-380 (January 17, 2020)

2. Required GMG to operate its Gas Affordability Program as a pilot program until such time as the Commission determines the program to be permanent and orders that GMG's tariff be updated to make the program permanent.

3. Required GMG to include a comparison of service disconnection rates for [GAP] customers, non-GAP [Low Income Home Energy Assistance Program] LIHEAP customers, and Non- LIHEAP customers in its annual filings and in its March 31, 2019 program.

4. Required GMG, in addition to its annual GAP reporting requirements, to file a comprehensive evaluation report by March 31 2019, discussing and assessing its GAP from January 1, 2016 through December 31, 2018.

5. Required GMG to file updated tariff sheets within ten days of this Order.

To assist in evaluating the GAP program's effectiveness, GMG must submit annual reports updating the Commission on how well the Program is doing in the following areas: customer payment frequency, payment amount, arrearage level, number of customers in arrears, service disconnections, retention rates, customer complaints, and utility customer collection activity. The annual reports may also assess customer satisfaction with the Program.

IV. Relevant Statues: Minn. Stat. § 216B.16, subd. 15. Low-Income Affordability Programs.

Minn. Stat. § 216B.16, Subd. 15(a), requires that the Commission "consider ability to pay as a factor in setting utility rates."

Paragraph (a) also states that the Commission may require utilities to implement programs to make gas more affordable for low-income residential customers, which the statute defines as those in the low-income home energy assistance program (LIHEAP). Specifically, the statute states that:

- The Commission "may establish affordability programs for low-income residential ratepayers in order to ensure affordable, reliable, and continuous service."
- "A public utility serving low-income residential ratepayers who use natural gas for heating must file an affordability program with the … [where] 'low-income residential ratepayers' means who receive energy assistance from the low-income home assistance program."

Paragraph (b) sets out five requirements for gas affordability programs:

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

- lower the percentage of income that participating low-income households devote to energy bills;

- increase participating customer payments over time by increasing the frequency of payments;
- Decrease or eliminate participating customer arrears;
- Lower utility costs associated with customer account collection activities; and
- Coordinate the program with other available low-income bill payment assistance and conservation resources.

Paragraph (c) gives the Commission the authority to require utilities to file GAP evaluations:

(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.

In addition, paragraph (d) states the following regarding program cost recovery and evaluation:

> The commission must issue orders necessary to implement, administer, and evaluate affordability programs, and to allow a utility to recover program costs, including administrative costs, on a timely basis. The commission may not allow a utility to recover administrative costs, excluding startup costs, in excess of five percent of total program costs, or program evaluation costs in excess of two percent of total program costs. The commission must permit deferred accounting, with carrying costs, for recovery of program costs incurred during the period between general rate cases.

V. Parties' Comments

GMG submitted its first GAP Evaluation Report on March 19, 2019 as having met the statutory requirement in Minn. Stat. §216B.16, Subd. 15. Greater Minnesota Gas evaluation covers the period 2016 – 2018. GMG requests the Commission accept its GAP evaluation Report.

GMG also requests the Commission to make its GAP permanent. [3]

The Department submitted its Comments on January 15, 2020 and noted that Greater Minnesota Gas has fulfilled the requirements of the Commission's December 1, 2015 Order.

The Department recommends the Commission accept GMG evaluation report on its Gas Affordability Program for years 2016 – 2018 and make the program permanent.[4]

[3] Greater Minnesota Gas' GAP Evaluation Report, p. 5

[4] The Department's Comments, p. 4

VI. Staff Analysis

A. Should the Commission accept GMG's Gas Affordability Program (GAP) Evaluation Report for 2016-2018?

GMG is not proposing any changes to its Program but requests the Commission accept the evaluation report, since its Program satisfies all five statutory requirements in Minn. Stat. § 216B.16, Subd. 15. GMG measured the effectiveness of its GAP according to the five statutory objectives and stated in its evaluation report that:

- GAP participants decreased the percentage of income devoted to paying their natural gas bill.
- There was a slight increase in customer payments by increasing payment frequency.
- There was no statistically significant reduction in decreasing or eliminating participating customers' arrears.
- GMG did not experience decreased costs associated with collection.
- GMG's GAP program did not affect coordination with other payment assistance and conservation resources.
- GMG's GAP did not significantly impact either its level of service disconnections or its level of bad debt.

The Department focused its review of GMG's evaluation report on Order Points 2, 3 and 4 of the Commission Order of December 15, 2018,[5] as listed above in the Background Section of this briefing paper. The Department noted that in Order Point 2, the requirement is that GMG's GAP offering should be considered a pilot until it has received formal Commission approval to change status.[6] In view of this requirement, the Department notes that GMG continues to categorize the GAP offering as a pilot in its tariff and therefore, GMG is in compliance with this Commission requirement.[7]

The Department reviewed further the GMG Evaluation report relative to Order Point 3 via information from 2018 GAP annual report from all the five investor –owned utilities (IOUs) in Minnesota as presented in figure 1 (on the next page):[8]

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[5] Id., at p. 3

[6] The Department' Comments, p. 3

[7] Ibid.

[8] The Department's Comments, p. 4

Figure 1: Summary Schedule GAP Information Reported for the 2018 Program Year[9]

Line No.	*Summary Schedule Item*	CenterPoint Energy	Xcel Energy	Great Plains	Minnesota Energy Resources Corporation	GMG
1.	Average affordability benefit received ($ per customer per year)	$376	$180	$171	$453	**$338**
2.	Average arrearage forgiveness benefit ($ per customer per year)	$159	$200	$56	$240	**$9**
3.	Program Budget ($/year)	$5,000,000	$2,500,000	$50,000	$750,000	**$20,000**
4.	Actual program revenue ($/year)	$5,756,551	$3,003,349	$50,998	$0	**$0**
5.	Actual program cost ($ per year)	$3,794,247	$2,327,710	$40,529	$652,346	**$6,582**
6.	GAP tracker balance as of year-end ($)	$4,779,126	$1,334,120	$27,374	($597,750)	**$35,290**
7.	GAP surcharge ($ per therm)	$0.00410	$0.00450	$0.01393	$0.00000	**$0.00000**
	Non-GAP LIHEAP Baseline Disconnection Rates					
8.	GAP Participants (%)	3%	2%	4%	<1%	**0%**
9.	Non-GAP LIHEAP customers	7%	7%	14%	8%	**5%**
10.	Non-LIHEAP residential customers	4%	<1%	4%	1%	**<1%**
	Pre-Program Baseline Disconnection Rates					
11.	GAP participant cohort (%)	3%	1%	0%	<1%	**N/A**
12.	GAP participant cohort before enrolling in GAP (%)	5%	5%	1%	3%	**N/A**
13.	Percentage of LIHEAP customers that participated in GAP	40%	42%	18%	14%	**22%**
	Summary Participation Information					
14.	GAP participants enrolled as of year end	8,616	6,390	170	1,302	**19**
15.	GAP participants enrolled and receiving benefits at some time during the year	10,748	8,224	238	1,586	**22**

The Department notes that the information in figure 1 above indicates that GMG's gas affordability program is small compared to the other IOUs in terms of the number (only 19) and the percentage (<1%) of participating customers. The Department observes that despite the relatively small size of GMG gas program, GMG's GAP average annual per customer affordability benefit is one of the more generous ($338) amongst the five IOUs. Further the Department notes that the Company's disconnection rate for GAP participants was virtually

[9] Figure 1: reproduced from the Department's comments filed on April 29, 2019 in the 19-236 docket.

zero percent (0%), non-GAP LIHEAP was 5% and non-LIHEAP residential customers was less than 1%.[10]

The Department states that by virtue of GMG filing its GAP evaluation report on March 28, 2019, GMG has met the requirement of Order Point No. 3. In addition, GMG provided information in Docket No. G-022/M-19-236, that complies with the Commission's Order of December 1, 2015.[11]

B. Should the Commission extend the Pilot for three years through 2021 or make the Program permanent?

GMG in requesting to continue its GAP Pilot and for it to become permanent made the following observation:

> GMG recognizes the value and importance of maintaining natural gas affordability for low income ratepayers. Given the nominal participation in GMG's GAP, GMG has not experienced the benefits of GAP that the gas affordability policies and statute suggested utility companies might glean from such programs. However, GMG recognizes that, for the customers actually participating in GAP, the benefits of the program are likely far reaching by limiting the percentage of their nominal incomes that must be directed to natural gas. Consequently, GMG respectfully requests that the Commission order GMG's GAP to become a permanent program in its current form, thus ending its pilot program status.[12]

The Department states that in view of GMG's experience, observed results, and commitment to its GAP offering, the Department supports GMG request to make the GAP permanent.[13] The Department offers the following reasons[14] for its support of GMG request: 1

- GMG engaged Energy CENTS Coalition to administer its GAP (who is experienced administrator of Xcel's low income affordability program – POWERON), thus GMG has retained sufficient expertise to allow its GAP to become permanent
- Since 2016 GMG Company has operated the program successfully and
- GMG stated its intent to continue its GAP marketing efforts and the program.[15]

Staff notes that the cost effectiveness and societal benefits of GMG's program were not discussed by either GMG or the Department, while they were discussed in the evaluation report of the other four utilities (Great Plains, CPE, MERC and Xcel) programs. Infact, the Department noted in its review of 2019 GAP Evaluation Reports for the other four IOUs, that analysis of GAP

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[10] The Department's Comments, p. 3

[11] Ibid.

[12] Greater Minnesota Gas' GAP Evaluation Report, p. 5

[13] Ibid.

[14] Id., at p.4

[15] Greater Minnesota Gas' GAP Evaluation Report, p. 3

cost- effectiveness is performed from the perspective of a large, but specific group of ratepayers.[16] This view makes it difficult to even consider GMG given its very small size of operation and even smaller still the size of its GAP participants, a mere 19 customers. Additionally, the other utilities noted in their 2019 GAP Evaluation Reports, that likely societal benefits may include participants' family stability by residing in own homes, increase purchasing power by lowering gas bills, increase well-being, etc., however they are unable to quantify these benefits.[17] Thus, based on the above views by both the Department and the other four utilities, it seems like requiring GMG analysis of its GAP cost-effectiveness from the perspectives of ratepayers benefits and societal benefits may impose undue burden on the company and not be useful.

Further, Staff believes the Commission may want to consider authorizing GMG to extend its GAP as a pilot program for another three years (2019-2021) rather than making it permanent at this time, since the instant evaluation is the first evaluation (filing) after the program was redesigned in 2015 and came into effect in January 1, 2016. Staff also notes that the other four utilities filed their GAP Pilot reports for at least two reporting periods before the Commission changed their pilot status to permanent. Thus, if the Commission wishes to take a more cautious approach, it may request GMG to continue filing its GAP as a pilot program for one more reporting period, which would allow for mitigation of any problem/s with the program and ensure it is operating as intended before changing status to permanent.

Additionally, Staff notes that GMG has been using the same Docket number for reports on this program since 2015. This may have caused the inadvertent omission of GMG's report when the other utilities programs were evaluated for the December 19, 2019 Commission Meeting, even though GMG filed its GAP Evaluation report on March 28, 2019. Staff suggests that a new Docket number should be used by GMG when it files its next annual report and its next evaluation report.

[16] The Department noted that the analysis of ratepayer cost-effectiveness is performed from the perspective of a large, but specific group of ratepayers: those not participating in the Program (and therefore not receiving any credits) but paying for the Program through the GAP rider. The Department's Comments, P. 9, on Xcel Evaluation Report Docket No. G002/M-19-380

[17] Xcel held that its GAP may provide costs and benefits to society as a whole, beyond the costs and benefits to ratepayers…further, Xcel stated that these societal benefits "may be appropriate to consider" in evaluating the Program, but that the Company is "unable to quantify" them. Xcel GAP Evaluation Report, p. 9

VII. Decision Alternatives

Should the Commission accept GMG's Gas Affordability Program (GAP) Evaluation Report for 2016-2018?

1. Accept GMG's GAP Evaluation Report for 2016 – 2018 (GMG, DOC) or

2. Reject GMG's GAP Evaluation Report for 2016 – 2018.

Should the Commission extend GMG's GAP Pilot for three years through 2021 or make the Program permanent?

3. Authorize GMG to continue its GAP as a pilot program for three years through 2021 (Staff alternative) or

4. Authorize GMG to continue its GAP with no expiration date and make the Program permanent (GMG, DOC) and

Compliance

5. Require GMG to submit revised GAP tariff language within 10 days of the Commission issuing its order in this docket. (Staff)

6. Require GMG to submit an evaluation report every three years, beginning May 31, 2022 covering Program years 2019 – 2021. (Staff)

7. Request that GMG use a new Docket Number when it files its next annual GAP compliance report and its next GAP evaluation report. (Staff)