



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

March 29, 2019

VIA ELECTRONIC FILING

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
Metro Square – Suite 350
212 7th Place East
St. Paul, MN 55101-2147

**Re: Minnesota Energy Resources Corporation's Gas Affordability Program
2018 Annual Report**

Docket No. G011/M-19-____

Dear Mr. Wolf:

Enclosed for filing, please find Minnesota Energy Resources Corporation's ("MERC's" or the "Company's") Gas Affordability Program ("GAP") 2018 Annual Report. MERC submits this report pursuant to the Company's Gas Affordability Service Program, MERC Tariff Sheet Nos. 7.09-7.12, and the Minnesota Public Utilities Commission's ("Commission's") Orders in Docket Nos. G011/M-07-1131, G011/M-15-308, and G011/M-15-539. In accordance with the Commission's November 26, 2014, Order Accepting Gas Affordability Program Annual Reports, MERC submits this filing as a new miscellaneous filing in compliance with the Commission's Rules of Practice and Procedure.

A copy of this miscellaneous tariff filing has been served on the Office of the Attorney General – Residential Utilities and Antitrust Division and the Department of Commerce, Division of Energy Resources. A summary of the filing has been served on all parties on MERC's general service list. The information required by Minnesota Rule 7829.1300 is also included with this filing.

Please feel free to contact me at (920) 433-2926 if you have any questions.

Sincerely yours,

/s/ Seth S. DeMerritt

Seth S. DeMerritt
Minnesota Energy Resources Corporation
Senior Project Specialist

Enclosure
cc: Service List

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

Dan Lipschultz
Matthew Schuenger
Katie J. Sieben
John A. Tuma

Vice Chair
Commissioner
Commissioner
Commissioner

Minnesota Energy Resources Corporation's
2018 Gas Affordability Program Annual
Report

Docket No. G011/M-19-_____

**MINNESOTA ENERGY RESOURCES CORPORATION'S GAS AFFORDABILITY PROGRAM
2018 ANNUAL REPORT**

Pursuant to Minnesota Rules part 7829.1300, Minnesota Energy Resources Corporation ("MERC" or the "Company") submits this miscellaneous filing to the Minnesota Public Utilities Commission ("Commission") for approval of MERC's Gas Affordability Program ("GAP") 2018 Annual Report.

I. Summary of Filing

Pursuant to Minn. R. 7829.1300, subp. 1, a one-paragraph summary of the filing is attached.

II. Service

Pursuant to Minn. R. 7829.1300, subp. 2, MERC has served a copy of this petition on the Department of Commerce, Division of Energy Resources ("Department") and the Office of the Attorney General – Residential Utilities and Antitrust Division ("OAG"). The summary of the filing has been served on all parties on the attached service list.

III. General Filing Information

Pursuant to Minn. R. 7829.1300, subp. 3, the following information is provided:

A. Name, Address, and Telephone Number of the Filing Party

Minnesota Energy Resources Corporation
2685 145th Street West
Rosemount, MN 55068
(651) 322-8901

B. Name, Address, Electronic Address, and Telephone Number of Attorney for the Utility

Kristin M. Stastny
Briggs and Morgan, P.A.
2200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402
kstastny@briggs.com
(612) 977-8656

C. Date of the Filing and Proposed Effective Date

Date of Filing: March 29, 2019
Proposed Effective Date: Not Applicable

D. Statute Controlling Schedule for Processing the Filing

Under Minn. R. 7829.0100, subp. 11, this petition is a “miscellaneous” filing because no determination of MERC’s general revenue requirement is necessary. Comments on a miscellaneous filing are due within 30 days of filing, with replies due 10 days thereafter. Minn. R. 7829.1400, subp. 1, 4.

E. Signature, Electronic Address, and Title of Utility Employee Responsible for the Filing



Seth S. DeMerritt
Senior Project Specialist
seth.demerritt@wecenergygroup.com
700 North Adams St.
Green Bay, WI 54307
(920) 433-2926

F. Description of the Filing, Impact on Rates and Services, and Reasons for the Filing

MERC submits this 2018 Annual Report in compliance with the Company's GAP (MERC Tariff Sheet Nos. 7.09 to 7.12) and the Commission's September 25, 2015, Order in Docket No. G011/M-15-539, which authorized MERC to continue its pilot GAP for an additional four years and required annual Program reports to be submitted by March 31 of each year. The information contained in this 2018 Annual Report satisfies the informational requirements included in the Commission's Orders in Docket Nos. G011/M-07-1131, G011/M-15-308, and G011/M-15-539, and reflects the continued success of the Company's GAP. MERC's 2018 Annual Report fully explains the Company's GAP and its impact on rates and services.

This filing includes the following:

- A one-paragraph summary of the filing in accordance with Minn. R. 7829.1300, subp. 1;
- 2018 GAP Annual Report;
- Attachment A—2018 GAP Tracker; and
- Attachment B—2018 GAP Streamlined Reporting Form, which includes the information required by the Commission in its September 25, 2013, Order Accepting Gas Affordability Program Reports in Docket No. G011/M-07-1131. On September 28, 2018, the Commission issued an Order Accepting Report and Adopting Streamlined Process in Docket Nos. G008/M-16-486, G002/M-16-493, and G004/M-16-495, accepting the Utility Stakeholder Report, and adopting the streamlined reporting format in Attachment A of that Report for Xcel Energy, CenterPoint Energy, and Great Plains Natural Gas Company. While the Commission's September 28, 2018, Order adopting the streamlined reporting format was not applicable to MERC, MERC is including the streamlined reporting form for informational purposes.

IV. Miscellaneous Information

Pursuant to Minnesota Rule 7829.0700, MERC requests that the following persons be placed on the Commission's official service list for this matter:

Seth S. DeMerritt
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V. Conclusion

Based on the foregoing and the information contained in the attached 2018 Annual Report, MERC respectfully requests that the Commission accept MERC's Annual Report as compliant with MERC's GAP tariff and Commission orders.

If additional information is required, please contact Seth DeMerritt at (920) 433-2926 or Kristin Stastny at (612) 977-8656.

DATED: March 29, 2019

Respectfully submitted,

BRIGGS AND MORGAN, P.A.

By: /s/ Kristin M. Stastny
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Attorney for Minnesota Energy
Resources Corporation

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

Dan Lipschultz
Matthew Schuenger
Katie J. Sieben
John A. Tuma

Vice Chair
Commissioner
Commissioner
Commissioner

Minnesota Energy Resources Corporation's
2018 Gas Affordability Program Annual
Report

Docket No. G011/M-19-_____

SUMMARY OF FILING

Please take notice that on March 29, 2019, Minnesota Energy Resources Corporation filed with the Minnesota Public Utilities Commission a Petition for approval of its 2018 Gas Affordability Program Annual Report pursuant to Minnesota Rules part 7829.1300.

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

Dan Lipschultz
Matthew Schuenger
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Vice Chair
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Minnesota Energy Resources Corporation's
2018 Gas Affordability Program Annual
Report

Docket No. G011/M-19-_____

**MINNESOTA ENERGY RESOURCES CORPORATION'S 2018 GAS AFFORDABILITY
PROGRAM ANNUAL REPORT**

INTRODUCTION

Minnesota Energy Resources Corporation ("MERC" or the "Company") submits this Annual Report in compliance with the Company's Gas Affordability Program ("GAP" or "Program") (MERC Tariff Sheet Nos. 7.09 to 7.12) and the Minnesota Public Utilities Commission's ("MPUC" or the "Commission") September 25, 2015, Order in Docket No. G011/M-15-539, which authorized MERC to continue its pilot GAP for an additional four years and required annual reports to be submitted by March 31 of each year.

MERC's GAP became effective on April 1, 2008, and the initial four-year program term ended on December 31, 2011. The Commission authorized MERC to continue its pilot in its December 29, 2011, Order in Docket No. G007,011/M-07-1131, and its September 25, 2015, Order in Docket No. G011/M-15-539.

This Annual Report covers the program year 2018 – the eleventh year of MERC's GAP. The Annual Report is structured as follows:

- A. Program Description
- B. Program Benefits

- C. Program Cost and Cost Recovery
- D. Participation
- E. Impact on disconnection rates
- F. Impact on payment frequency and amounts
- G. Impact on arrears
- H. Complaints
- I. Retention
- J. Impact on collection Activity
- K. Coordination with other programs
- L. GAP summary schedule

Attachment A: 2018 GAP Tracker

Attachment B: 2018 GAP Streamlined Reporting Form

Section L includes the information required by the Commission in its September 25, 2013, Order Accepting Gas Affordability Program Reports in Docket No. G011/M-07-1131 including :

1. average annual affordability benefit received per customer;
2. average annual arrearage forgiveness benefit received per customer;
3. percentage of Low Income Home Energy Assistance Program ("LIHEAP") customers that participated in GAP;
4. disconnection rates for (a) GAP customers, (b) LIHEAP-Non GAP customers, and (c) non-LIHEAP customers (all firm customers including C&I);
5. number of GAP participants enrolled as of year-end;
6. number of GAP participants enrolled and receiving benefits at some time during the year;
7. annual program budget;
8. actual program revenue;
9. actual program cost;

10. GAP tracker balance as of year-end; and
11. GAP rate-affordability surcharge (\$/therm).

On September 28, 2018, the Commission issued an Order Accepting Report and Adopting Streamlined Process in Docket Nos. G008/M-16-486, G002/M-16-493, and G004/M-16-495, accepting the Utility Stakeholder Report and adopting the streamlined reporting format in Attachment A of that Report for Xcel Energy, CenterPoint Energy, and Great Plains Natural Gas Company. While the Commission's September 28, 2018, Order adopting the streamlined reporting format was not applicable to MERC, MERC is including the streamlined reporting form as Attachment B to this filing for informational purposes.

A. PROGRAM DESCRIPTION

The Company's GAP is designed to lower the percentage of income low-income households devote to energy bills, to increase customer payments, and to reduce the Company's costs associated with the collection of unpaid bills. The Program consists of two components designed to assist low-income households: (1) the affordability component, which consists of bill credits determined by calculating the difference between the estimate of the customer's annual natural gas bill and the applicable income limit of the customer's household income,¹ and (2) the arrearage-forgiveness component, which provides a monthly credit to the customer's balance after payment is received to retire pre-program arrears.²

¹ Specifically, MERC's affordability component consists of a bill credit determined as one-twelfth of the difference between MERC's estimate of the qualified customer's annual gas bill and six percent of the qualified customer's household income as provided by the qualified customer to MERC. This bill credit is a Program cost that will be included in the tracker. Any energy assistance sums not applied to arrears will be applied to a qualified customer's current bill. MERC Tariff Sheet No. 7.09.

² MERC's arrearage-forgiveness component consists of a monthly credit that will be applied each month after receipt of the qualified customer's payment. The credit will be designed to retire pre-program arrears over a period of up to 24 months, with the Company matching the qualifying customer's contribution to retiring pre-program arrears. The credit is determined by taking the pre-program arrears divided by the number of months to retire the arrears divided by two and then subtracting any energy assistance sums received by the Company on behalf of the customer divided by the number of months

MERC's GAP is available to residential customers in MERC's service area who have qualified to receive assistance from LIHEAP during the federal fiscal year. MERC will maintain service and suspend collection activities to qualified customers, regardless of arrears balances, if the customer stays current with the payment schedule and otherwise maintains eligibility.

The Company partners with The Salvation Army to administer the Program. MERC and The Salvation Army review GAP administration performance quarterly. At that time, MERC and The Salvation Army review monthly enrollments, upcoming promotions, the need for additional targeted promotions (mailings, phone calls, etc.), barriers to increasing participation, and the year-to-date Program budget. The Salvation Army's existing contacts with those on a fixed income gives it a significant advantage in referring customers to the Program. The Salvation Army's broader network of assistance also helps customers' progress toward self-sufficiency.

The Salvation Army across Minnesota works very closely with the Energy Assistance program in each county to ensure awareness of GAP, to provide any help needed to customers in getting applications completed, and to assist with the processing and enrollment of applicants.

The Salvation Army continues to make MERC's GAP application available on its website. The availability of this application on The Salvation Army's website allows customers to use this self-service option, reducing the number of phone calls simply requesting a copy of the application. Additionally, The Salvation Army promotes the Program, including making the GAP application available to its caseworkers, HeatShare, and outreach staff, which generates internal referrals. The Salvation Army also makes MERC's Program application available at resource fairs it participates in around the state.

remaining to retire the arrears divided by two. This arrearage-forgiveness credit is a Program cost that will be included in the tracker. MERC Tariff No. 7.09.

MERC continues to have GAP enrollment information and the GAP application on its website. The MERC Care Center also mails GAP applications to customers who inquire or are informed of the Program after assisting those customers with bills or payment arrangements.

B. PARTICIPANT BENEFITS

1. Eligibility

The Program is available to residential customers in MERC's service area who have been qualified and received assistance from the LIHEAP Program during the federal fiscal year. The average annual income per participant in 2018 was \$9,344. The average monthly bill for these participants was \$73. This is higher than the average monthly bill in 2017 of \$58. Qualified customers must maintain an active account in the customer's name at the customer's permanent, primary residence. Qualified customers must also agree to notify MERC of any changes in address, income level, or household size, as such changes may result in removal from the Program. If a qualified customer fails to pay two consecutive monthly payments in full under the Program, the customer is terminated from the Program. If the customer is terminated, the customer will be subject to the Company's regular collection practices, including the possibility of disconnection.

2. Affordability and Arrearage Forgiveness

As previously discussed, the Program has both an affordability component and an arrearage-forgiveness component. The affordability component is a bill credit determined as one-twelfth of the difference between MERC's estimate of the qualified customer's annual gas bill and six percent of the customer's household income as provided by the customer to MERC. The average annual affordability benefit per GAP customer in 2018 was \$453. Any energy assistance or other community assistance sums not applied to arrears are applied to a customer's current bill.

The arrearage-forgiveness component is a matching credit that is applied to a qualified customer's account each month after receipt of the customer's scheduled arrears payment. In

2018, the average annual arrears forgiveness benefit per customer is \$240. This monthly credit and customer monthly payment pays off the pre-program arrears in 24 months or less. Energy assistance is not considered in calculating the affordability bill credit or the forgiveness of pre-program arrears. The average total benefit per GAP participant in 2018 was \$692. The affordability and arrearage-forgiveness credits are both Program costs that are included in the tracker in Attachment A.

C. PROGRAM COST AND COST RECOVERY

In 2018, the GAP surcharge was set at \$0.00 for the full period January 1, 2018, through December 31, 2018. The Program was funded by a negative tracker balance in the GAP account. MERC also closed out credits on finalled accounts in 2018 and credited these dollars back to the program budget. The amount of \$93,572.57 was credited back to the GAP general ledger account, as reflected in the tracker.

MERC's total Program costs in 2018 were \$652,346, which includes the affordability and arrearage-forgiveness credits, administrative costs, carrying cost allowances, and regulatory assessments.³ Minnesota Statutes section 216B.16, subdivision 15, and MERC's GAP tariff limit the amount of administrative costs included in the tracker, with the exception of startup costs, to five percent of the total program costs. MERC continues to maintain that threshold each Program year.

The per-therm surcharge was reduced to \$0.00 pursuant to the September 25, 2015, Order in Docket No. G011/M-15-539, and MERC stopped collecting the GAP surcharge on October 1, 2015. In that Order, the Commission also approved MERC's request to reduce its annual GAP budget to \$750,000.

MERC requested reinstatement of a positive GAP factor in Docket No. G011/GR-17-563 with implementation beginning on April 1, 2019, to recover the projected under-recovered GAP

³ The Commission authorized the recovery of regulatory assessments through the GAP tracker in Docket No. G011/GR-17-563, until the Company's next general rate case filing.

tracker balance based on projected annual GAP spending. The Commission issued an Order Approving Surcharge and Requiring Further Action in that docket on March 28, 2019, approving reinstatement of MERC's GAP factor at a surcharge of \$0.00905 per therm effective April 1, 2019,

D. PROGRAM PARTICIPATION

MERC experienced an increase of new participating customers in GAP during the 2018 program year. There were a total of 179 new customer enrollments in 2018. This is an increase from 63 new enrollments in 2017. A total of 1,586 customers were enrolled in GAP at some time during the 2018 program year. This was similar to 2017 when 1,607 customers were enrolled at some point during the 2017 program year. Approximately 13.8% of eligible LIHEAP customers participated in GAP in 2018. Although MERC did not report the percentage of eligible LIHEAP customer in past reports, it is our belief that this number is similar to the 2017 participation rate of just under 14% of participating LIHEAP participants in 2017. Our focus for the 2019 program year is to continue to find ways to increase applications to GAP. The Salvation Army received 674 applications in 2018. Of the 674 total applications, 495 of the Program applicants were not eligible to enroll because they did not meet at least one of the program requirements: (1) did not have active gas service; (2) were not the customer of record; (3) did not have gas service with MERC; (4) were not a LIHEAP recipient (all of whom were encouraged to apply for LIHEAP); (5) did not qualify for a percent-of-income credit (high income relative to gas consumption); (6) had defaulted from the Program in the same Program year; or (7) did not complete the application.

In 2018, 105 customers were removed from GAP. This is similar to 109 customers removed in 2017. Therefore, 2018 ended with a similar enrollment number as 2017. MERC continues to offer GAP enrollment when customers apply for Cold Weather Rule ("CWR") protection. MERC continues to promote the Program to customers in the collections process, including when customers are facing potential disconnection of service. In preparation for the spring of 2019, MERC will be conducting update/refresher training with Care Center agents

about the benefits of GAP, especially for those customers with significant post-CWR arrears. The training encourages call center agents to proactively help customers enroll in GAP to more affordably address their arrears over a longer period of time.

MERC does not have a waiting list of customers for the Program. All customers who have applied and meet the requirements have been enrolled in the Program.

E. IMPACT ON DISCONNECTION RATES

MERC had approximately 238,000 firm customers in 2018. In 2018, 3,860 firm service customers were disconnected (including 3,584 Residential customers). This equates to approximately 1.6% of firm customers.

In 2018, three GAP customers, or less than one percent of GAP participants, were disconnected within two months of participating in GAP. This is less than MERC non-GAP, LIHEAP customers who were disconnected at a rate of seven percent in 2018. This is a slightly higher rate compared to 2017, in which non-GAP LIHEAP customers were disconnected at a rate of three percent. This is likely due to the increase in numbers of disconnection from 2017 to 2018. We believe GAP has had a positive impact in reducing the rate of disconnection for our LIHEAP-eligible customers. MERC Care Center employees have been trained to communicate the benefits of GAP to customers who are subject to collection activity. Table 1, below, shows the 2018 disconnections by customer category:

Table 1: 2018 Disconnections by Customer Category

Customer Category	Number of Disconnections	Percentage of Customers
2018 Firm Customers (Approx. 238,000)	3,860	1.6%
2018 GAP Participants (1,586)	3	Less than 1%
2018 LIHEAP Recipients (Non-GAP Participants) (11,497)	915	8%

F. IMPACT ON PAYMENT FREQUENCY AND AMOUNTS

1. Payment Frequency

To determine the payment amount for a customer, the Company reviews current billing and consumption information, and approved LIHEAP benefits and household income information. A qualified customer’s payment each month includes both payment of the customer’s current month’s bill after inclusion of the affordability credit, and payment of a portion of the customer’s pre-program arrears. Customers enrolled in the Program paid a total of \$232,585.60 towards their energy costs in 2018. The average monthly payment-per-GAP-participant in 2018 was \$63 per month.

In 2018, the data reported regarding dollars paid compared to dollars requested show GAP participants are paying at a lower rate (60%) than the non-GAP LIHEAP customers (78%) and the non-LIHEAP customers (92%). This result may be due, in part, to the number of GAP customers who carry a credit balance and chose to not be removed from the Program. A growing number of customers with credit balances on their accounts reduced the number of

payments they had to make because a credit balance is carried over month-to-month. GAP data continues to provide evidence that customers in the Program can make their payments if their monthly bill is reasonable or income-adjusted.

The same is reported for the number of payments received. GAP participants have a lower percentage (10%) of payments received versus payments requested compared to non-Gap LIHEAP customers (79%) and non-LIHEAP residential customers (90%). The number of payments requested would be lower for the GAP participants due to the number of customers who carry credit balances month-to-month. These customers are not required to make payments due to the credit balance carried on the account. At the end of 2018, MERC had approximately 800 accounts with credit balances over \$20. The average credit balance for these customers is \$1,448.

Table 2, below, compares customer payment frequency, including full and partial payments, of all GAP participants in 2018 to the payment frequency of participating customers in 2017 and 2016. MERC believes the slight increase in number of payments for GAP participants may be due to the increase in new enrollments in 2018. GAP customer payments include payment made by customer as well as community assistance payments that have been credited to their account for that specific month. Any credit that is carried over to future months is not counted as customer payment the following months, for reporting purposes.

Table 2: GAP Customer Payment Frequency – All Customers Participating

	MERC Total
Payment made in 2018	3,695 3 payment per GAP customer
Payments made in 2017	2,470 2 payments per GAP customer
Payments made in 2016	2,359 2 payments per GAP customer

A growing number of customers with credit balances on their accounts reduced the total number of payments they had to make because a credit balance is carried over month to month. GAP data continues to provide evidence that customers in the Program can make their payments if their monthly bill is reasonable or income-adjusted. MERC saw a slight increase in the consistent number of monthly payments made in 2018.

Participants can miss one monthly payment as long as the missed payment and the second month's payment are paid by the second month due date. MERC believes that an increased number of customers have realized this, but also acknowledges that this may be reflective of how challenging it is to pay monthly bills with fluctuating income and unexpected household costs. An average of 500 enrolled customers made or needed to make regular monthly payments in 2018, a significant decrease from 2017. MERC informs all GAP participants on their bills if payments are not received for the prior billing period. In 2018, only 79 GAP participants defaulted from the Program due to non-payment.

The payment data for the 2018 GAP enrollees is difficult to compare with overall payments the last few years because the enrollment numbers have fluctuated over time. MERC saw a slight decrease in the number of Energy Assistance recipients in 2018; however, the

average benefit for MERC customers was approximately \$10.00 higher. The average state-wide benefit for Minnesota Energy Assistance in 2018 was \$546. This is slightly higher than FFY 2016 and 2017 which were between \$525-\$530. Many factors contribute to the difficulty in comparing enrollment over time, including factors not controlled by MERC such as LIHEAP federal funding levels and payment schedules, weather, gas cost, number in household, and fluctuation in household income.

2. Payment Amounts

Table 3, below, shows the average annual and monthly bill credit amounts for GAP participants and a comparison of these amounts to GAP participants' annual and average monthly bill and account balance. This data includes all GAP customers, regardless of arrears or credit balance. In particular, the average arrearage (account balance) includes account balances for those customers who have participated in the Program for more than two years and who successfully eliminated their pre-Program arrears and may have a significant credit balance. Because MERC has had an increasing number of accounts in which the total credit balance exceeds the total arrears balance, the average account balance continues to be a growing negative number (i.e., credit). In 2018, MERC shows the average annual credit increasing by \$20 over 2017. This is consistent with the trend of the number of GAP customers having a credit balance. There were approximately 480 customers enrolled at the end of 2018 with credit balances greater than \$500.

Table 3: GAP Payment Amounts

	Average Annual Bill Credit	Monthly Average Bill Credit	Average Annual Bill	Average Monthly Bill	Average Arrearage (Account Balance)
MERC	\$692	\$58	\$881	\$73	-\$802

3. Customer Payment History

The following charts represent the number of GAP customers making full, partial, and no payments each month in 2016, 2017, and 2018. Late payments are incorporated as full or partial payments in the months the payments were received. Community assistance payments on GAP customers' accounts are counted as customer payments the month they are received and posted to the account. The 2018 customer payment counts represent a similar pattern of payment vs. non-payment as 2017 payments. The slightly higher numbers may be reflective of a slightly higher number of new enrollments in 2018.

Table 4: GAP 2018 Customer Count

Month	Full Payment	Partial Payment	No Payment
January	237	97	184
February	231	78	178
March	283	80	213
April	243	52	187
May	248	32	245
June	228	40	211
July	168	27	183
August	191	27	194
September	171	36	168
October	278	47	168
November	224	54	164
December	102	27	292

Table 5: GAP 2017 – Customer Count

Month	Full Payment	Partial Payment	No Payment
January	199	74	161
February	194	61	153
March	245	61	166
April	201	36	159
May	206	16	207
June	179	28	170
July	126	17	143
August	139	18	146
September	131	22	123
October	213	26	120
November	170	25	128
December	77	8	232

Table 6: GAP 2016 – Customer Count

Month	Full Payment	Partial Payment	No Payment
January	132	86	216
February	220	79	92
March	202	45	106
April	195	42	172
May	204	19	195
June	156	24	154
July	133	10	137
August	141	7	140
September	139	7	110
October	210	17	109
November	171	33	86
December	61	26	182

The Commission's September 22, 2010, Order, in Docket No. G007,011/M-07-1131, required utilities to report information on customer payment frequency that incorporates partial and late payment information. The charts above incorporate late payments, as full and partial payments, in the months the payments were received. MERC notes a late payment only impacts a customer's GAP status if the customer fails to make a payment or makes a partial payment in one month and then pays the next month's bill late.

G. IMPACTS ON ARREARS

The arrears-forgiveness component is also important to the Program meeting the legislative requirement to decrease or eliminate participating customers' arrears. This provides an opportunity for the customer to pay an affordable payment moving forward without arrears

and collection activity.

When reviewing accounts enrolled in GAP with arrears, the average arrearage balance is \$480. The percentage of enrolled GAP customer who are in arrears is 10%. This is lower than the non-GAP LIHEAP customers at 35% and the non-LIHEAP residential customers at 11%. MERC has noticed a trend of slight decrease in the average account balance due to large credit balances for some GAP customers at the end of the year. In 2018, MERC continued to not un-enroll any customer as a result of a credit balance. The customers with large credit balances that continue to be eligible for the Program will continue to participate in the Program unless they request to be removed.

In 2018, MERC's GAP customers accounted for 6% of the total arrears compared to non-GAP LIHEAP customers at 40% and non-LIHEAP residential customers at 38%. MERC has not tracked this particular data in the annual report in past years, so the current data is not compared to past data at this time.

MERC did not unenroll any customer with significant credit balances in 2018. Customers with large credit balances continue to be eligible and some indicated they want to continue to participate in the Program. MERC continues to approach customers with credit balances to discuss unenrollment options. Because these customers have large credit balances, they significantly skew the overall GAP participants' average account balance, which is a large credit dollar amount.

H. COMPLAINTS

In 2018, MERC received no Commission complaints regarding GAP.

I. RETENTION

In 2018, MERC had a retention rate for GAP of 92%, and 179 new customers were enrolled as GAP participants. This is an increase from the number of new enrolled customers in 2017 of 63. In 2018, 105 total customers were removed from GAP due to default or not meeting one of the program requirements. This is similar to 2017 when 109 GAP customers were removed. Of the GAP customers removed in 2018, 26 of these customers were removed due to a change of address and only 4 of these customers reapplied for GAP at their new address. MERC provides a follow-up letter to all customers who are removed from the Program as a result of a move, alerting them of the need to make payment arrangements for any outstanding account balance and advising them of the option to reenroll if they are still a MERC customer at a different service address.

MERC conducts reviews for accounts with large credit balances and contacts those customers to see if they would like to be successfully unenrolled from the Program. MERC informs customers who are successfully unenrolled from the Program that they may apply again (at any time) as long as they are still LIHEAP recipients. Historically, a small percentage of customers want to be removed from the Program, regardless of the size of their credit balance. At the close of 2018, MERC had 10 accounts with credit balances larger than \$1,000 but under the existing Program, all customers have the right to continue participation until they are no longer income-eligible or until they request to be removed.

A consistent number of qualified GAP customers who successfully pay their arrears balance over a two-year period continue to participate in the Program and receive the monthly percent-of-income credit. Over 200 customers participating in GAP have been enrolled in the Program since 2008, the Program's first year. MERC believes that the Program is achieving the original intent of the statute authorizing GAP by providing an affordability credit based on the customer's household income and gas consumption.

J. IMPACT ON COLLECTION ACTIVITY

In 2018, MERC enrolled 71 customers with arrears. By enrolling these customers, MERC avoided collection costs of \$2,250 by not disconnecting 30 customers who were subject to disconnection at the time they applied for GAP and assisted customers in maintaining their natural gas service. While enrolled in the Program and continuing to make required monthly payments, these customers were exempt from continued collection activities, including disconnection of service. The Program continued to succeed in reducing and eliminating arrears of Program participants in 2018, promoting regular affordable monthly payments. Customers who participate in GAP and other Energy Assistance-type programs increase their likelihood of moving toward self-sufficiency and maintaining their energy and/or economic independence.

K. COORDINATION WITH OTHER PROGRAMS

MERC continues to build its strong partnership with The Salvation Army, which administers the Company's GAP and provides some important additional support services to MERC customers in need. MERC Care Center representatives continue to keep informed about GAP and refer customers who have received Minnesota's Energy Assistance benefits to The Salvation Army as appropriate for potential Program enrollment. The Salvation Army also has access to a variety of internal and external programs to which it refers individuals. The external agencies include: Second Harvest, Energy Assistance, County Emergency Assistance, medical clinics, the Social Security Administration, the Veterans Administration, legal services, Emergency Disaster Services, the Department of Housing and Urban Development, the Federal Emergency Management Agency, St. Vincent de Paul, the Minnesota Housing Authority, and the State's Weatherization Assistance Program. The Salvation Army and MERC's Care Center representatives also refer individuals to MERC's Conservation Improvement Program Weatherization and 4U2 (limited income) programs.

Another program that is available through The Salvation Army is HeatShare, which is a state-wide fuel fund for customers who are ineligible for or have incomes that are too great to receive a GAP percent-of-income 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. The Salvation Army is very connected with the State of Minnesota programs and staff and is a part of the Minnesota Department of Commerce's LIHEAP Policy Advisory Committee and advocates on behalf of low-income households to maintain federal LIHEAP funding levels. Additionally, The Salvation Army offers food assistance, rent assistance, medical clinics, seasonal and disaster assistance, and many other services for individuals and entire communities with a variety of needs.

The Salvation Army continued to assist MERC customers with funds from the HeatShare program in 2018, including when it has been determined those customers were ineligible for GAP. The Salvation Army also makes referrals to other assistance programs, including food vouchers, rental assistance, budget counseling, and other Salvation Army services. 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 2018, MERC customers donated a total of \$38,675.20 via monthly gas bills and direct donations, and MERC provided \$19,337.60 in matching funds to HeatShare for the on-bill donations.

MERC has regular contact through different channels with the energy assistance agencies and community agencies in its service territory. MERC's staff communicates with the energy assistance agencies, and also meets with Minnesota Department of Commerce and Commission staff each year to discuss process improvements, issue resolution, assistance coordination, and strengthening the partnerships with all stakeholders. MERC also continues to work with other investor-owned utility staff to stay connected, discuss partnership opportunities, and to align Program practices where appropriate.

MERC also has a specially-trained group of customer service staff at its Customer Assistance Center. The Customer Assistance Center has a designated toll-free phone line, Energy Assistance web site, group email, and fax number, and the center's staff provides assistance to the WEC Energy Group utility subsidiaries' energy assistance agencies in Minnesota, Wisconsin, and Michigan. The Customer Assistance Center works with agencies on a daily basis to better assist customers and expedite the assistance processes. The team also works very closely with The Salvation Army staff to assist in enrolling MERC customers in GAP.

MERC also promotes GAP in a variety of ways throughout the year—on its website; through quarterly bill inserts, Customer Connection articles, Care Center contacts, collection contacts, and campaigns (including for customers in the gas service disconnection process); through promotion and communication to and through the energy assistance agencies; and through targeted mailings to energy assistance recipients who have not yet participated. The Salvation Army promotes the Program through its other social services programs and through its casework.

L. GAP SUMMARY SCHEDULE

In its September 25, 2013, Order in Docket No. G011/M-15-539, the Commission required that MERC submit a summary schedule covering the following information:

1. average annual affordability benefit received per customer;
2. average annual arrearage-forgiveness benefit received per customer;
3. percentage of Low Income Home Energy Assistance Program (LIHEAP funded) customers that participated in GAP;
4. disconnection rates for (a) GAP customers, (b) LIHEAP-Non GAP customers, and (c) non-LIHEAP customers (all firm customers including C&I);
5. number of GAP participants enrolled as of year-end;
6. number of GAP participants enrolled and receiving benefits at some time during the year;
7. annual Program budget;

8. actual Program revenue;
9. actual Program cost;
10. GAP tracker balance as of year-end; and
11. GAP rate-affordability surcharge (\$/therm).

This information is included in Table 7, below.

Table 7: Summary Schedule Information

Average Annual Affordability Benefit per GAP Participant 2018	\$452.52
Average Annual Arrearage-Forgiveness Benefit per GAP Participant 2018	\$239.76
Percentage of MERC LIHEAP Customers that Participated in GAP during 2018	14%
Disconnection Rates-2018:	
GAP Customers	<1% (3 customers)
LIHEAP Customers	8% (915 customers)
All Firm Customers	1.6% (3,860 customers)
Number of GAP Participants Enrolled as of Year End 2018	1,302
Number of GAP Participants Enrolled and Receiving Benefits at Some Time During 2018	1,586
Annual Program Budget 2018	\$750,000
Actual Program Revenue 2018	\$0
Actual Program Cost 2018	\$652,346
GAP Tracker Balance as of Year-End 2018	(\$597,749.55)
GAP Rate-Affordability Surcharge in 2018 (\$/therm)	\$0.00/therm

CONCLUSION

MERC respectfully requests that the Commission accept the Company's 2018 Annual GAP Report as compliant with MERC's tariffs and Commission orders. MERC believes the continued success of GAP reflects the need for the Program beyond what LIHEAP offers. During 2018, MERC helped GAP customers successfully eliminate their pre-Program arrears through participation in the Program. Customers who have paid off their arrears and have established credit balances on their accounts have taken another step toward self-sufficiency. MERC looks forward to another successful year in 2019.

DATED: March 29, 2019

Respectfully submitted,

BRIGGS AND MORGAN, P.A.

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Attorney for Minnesota Energy
Resources Corporation

Minnesota Energy Resources - Total Company
Gas Affordability Program Tracker

		<i>JE from Nancy</i>	<i>Info from Chris</i>	<i>Thru A/P</i>	<i>Thru A/P</i>	<i>CIS</i>						
<u>Beginning Balance</u>		<u>Dollars Paid for</u>					<u>Cumulative Carry</u>					
<u>Subject to Carry</u>		<u>Funding (from</u>	<u>Credits Due to</u>	<u>Arrearage</u>	<u>MPUC\DOC</u>	<u>Admin Fee to</u>	<u>Dollars Paid for</u>	<u>Balance Subject to</u>	<u>Costs Beginning</u>	<u>Cumulative Carry</u>		
<u>Cost-Over (Under)</u>		<u>bills/refunds)</u>	<u>Final Accounts</u>	<u>Forgiveness</u>	<u>Charges</u>	<u>Salvation Army</u>	<u>Affordability</u>	<u>Carry Cost</u>	<u>Balance</u>	<u>Carry Cost</u>	<u>Costs</u>	<u>Balance</u>
Actual	Jan-18	(\$177,585.34)		\$903.27		\$ (18,750.00)	\$56,785.15	\$ (216,523.76)	\$ 138,609.41	\$ (649.57)	\$ 137,959.84	\$ (78,563.92)
Actual	Feb-18	(216,523.76)		901.73			48,943.12	\$ (266,368.61)	\$ 137,959.84	\$ (799.11)	\$ 137,160.73	\$ (129,207.88)
Actual	Mar-18	(266,368.61)	10,800.14	925.56		18,750.00	52,905.29	\$ (328,149.32)	\$ 137,160.73	\$ (984.45)	\$ 136,176.28	\$ (191,973.04)
Actual	Apr-18	(328,149.32)		994.17			52,580.53	\$ (381,724.02)	\$ 136,176.28	\$ (1,145.17)	\$ 135,031.11	\$ (246,692.91)
Actual	May-18	(381,724.02)		1,037.78			54,966.89	\$ (437,728.69)	\$ 135,031.11	\$ (1,313.19)	\$ 133,717.93	\$ (304,010.76)
Actual	Jun-18	(437,728.69)	19,258.83	1,068.78	1,092.38		49,293.96	\$ (469,924.98)	\$ 133,717.93	\$ (1,409.77)	\$ 132,308.15	\$ (337,616.83)
Actual	Jul-18	(469,924.98)		841.39			52,396.97	\$ (523,163.34)	\$ 132,308.15	\$ (1,569.49)	\$ 130,738.66	\$ (392,424.68)
Actual	Aug-18	(523,163.34)		869.43			55,646.94	\$ (579,679.71)	\$ 130,738.66	\$ (1,739.04)	\$ 128,999.62	\$ (450,680.09)
Actual	Sep-18	(579,679.71)		858.45			49,133.09	\$ (629,671.25)	\$ 128,999.62	\$ (1,889.01)	\$ 127,110.61	\$ (502,560.64)
Actual	Oct-18	(629,671.25)		576.58	690.19		54,962.36	\$ (685,900.38)	\$ 127,110.61	\$ (2,057.70)	\$ 125,052.91	\$ (560,847.47)
Actual	Nov-18	(685,900.38)	57,963.62	713.84			47,687.23	\$ (676,337.83)	\$ 125,052.91	\$ (2,029.01)	\$ 123,023.89	\$ (553,313.94)
Actual	Dec-18	(676,337.83)	5,549.98	551.70			47,278.04	\$ (718,617.59)	\$ 123,023.89	\$ (2,155.85)	\$ 120,868.04	\$ (597,749.55)
		\$ -	\$ 93,572.57	\$ 10,242.68	\$ 1,782.57	\$ -	\$ 622,579.57		\$ (17,741.37)			

2018	
Program dates and status	
Date program started	4/1/2008
Program effective date	4/1/2008
Date next evaluation report due	5/31/2019
Date last evaluation completed	6/1/2015
Last evaluation docket number	G-011/M-15-539
Status of program (pilot or permanent)	Pilot
Date pilot program ends, if applicable	31-Dec-19
Date of last Evaluation Order	25-Sep-15
Program administrator	The Salvation Army
Participant benefits	
Description of affordability benefit - maximum payment as % of household income	6%
Description of arrearage forgiveness benefit - repayment period	24 Months
Average annual income per participant	\$9,344.00
Average annual bill per participant	\$73.48
Average arrearage balance per participant	-\$801.85
Average annual affordability benefit per participant	\$452.52
Average annual arrearage forgiveness benefit per customer	\$239.76
Average total benefit per participant	\$692.28
Cost and Cost Recovery	
Annual budget	\$750,000.00
Actual revenue	\$0
Annual cost	\$652,346
Surcharge (\$/therm)	\$0
Annual cost of surcharge for average residential customer who uses 900 therms of gas per year	\$0
Customer classes assessed the GAP surcharge	firm service customers
Tracker balance as of year-end	(\$597,749.55)
Participation	
% of LIHEAP customers that participated in GAP	14%
Number of participants enrolled as of year-end	1,302
Number of participants enrolled and receiving benefits at some time during the year	1,586
Whether a waiting list occurred at any time during the year	No
If so, the number of customers on the waiting list and for how long	N/A
Impact on disconnection rates	
Disconnection rates - non-GAP LIHEAP baseline	
GAP participants	<1%
Non-GAP LIHEAP customers	8%
Non-LIHEAP residential customers	1%
Disconnection rates - pre-program baseline	
GAP participant cohort	<1%
GAP participants cohort before they were enrolled in GAP	3%
Impact on payment frequency	
Dollars paid ÷ dollars requested	
Non-GAP LIHEAP Baseline	
GAP participants	60%
Non-GAP LIHEAP customers	78%
Non-LIHEAP residential customers	92%
Pre-Program Baseline	
GAP participant cohort	63%
GAP participant cohort before they were enrolled in GAP	61%
Number of payments made paid ÷ number of payments requested	
Non-GAP LIHEAP baseline	
GAP participants	52%
Non-GAP LIHEAP customers	79%
Non-LIHEAP residential customers	90%
Pre-program baseline	
GAP participant cohort	62%
GAP participant cohort before they were enrolled in GAP	58%
Impact on arrears	
% Customers in arrears	
Non-GAP LIHEAP baseline	
GAP participants	10%
Non-GAP LIHEAP customers	35%
Non-LIHEAP residential customers	11%
Pre-Program baseline	
GAP participant cohort	51%
GAP participant cohort before they were enrolled in GAP	47%
Dollar amount of arrears	
% Change in dollar amount of arrears (non-GAP LIHEAP baseline)	
GAP participants	6%
Non-GAP LIHEAP customers	40%
Non-LIHEAP residential customers	38%
Dollar amount of arrears (pre-Program baseline)	
GAP participant cohort	\$91,383.98
GAP participant cohort before they were enrolled in GAP	\$86,603.60
Complaints	
Number of complaints	0
Nature of complaint(s)	N/A
Retention	
GAP participant retention rate	97%
Impact on collection activity	
Brief description of effect of GAP on collection activity	Section J (beginning at page 18)
Coordination with other programs	
Page(s) of report where coordination efforts described	Section K (beginning at page 18)

In the Matter of the 2018 Gas
Affordability Program Annual Report of
Minnesota Energy Resources
Corporation

Docket No. G011/M-19-____

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 29th day of March, 2019, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Gas Affordability Program Annual Report 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 29th day of March, 2019.

/s/ Kristin M. Stastny
Kristin M. Stastny

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
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