

Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: October 2, 2008. **Agenda Item # 6__

Company: Greater Minnesota Gas, Inc., a Wholly Owned Subsidiary of Greater Synergy Inc.

Docket No. To be assigned
In the Matter of Greater Minnesota Gas, Inc.'s Failure to File an Affordability Program by September 1, 2007 as Required by Minnesota Statutes §216B.16, subd. 15

Issue: Should the Commission issue an Order to Show Cause against Greater Minnesota Gas?

Staff: Michelle Rebholz. 651-201-2206
Bob Harding.....651-201-2237

Relevant Documents

Letter from GMG (attached)February 12, 2008

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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Statement of the Issue

Should the Commission issue an Order to Show Cause against Greater Minnesota Gas?

Introduction

On February 12, 2008, Greater Minnesota Gas, Inc. (GMG) sent a letter to Commission staff responding to staff's inquiry as to when GMG would file a gas affordability program as required by Minnesota Statutes §216B.16, subd. 15. The letter is attached to these briefing papers.

Relevant Statutes

Minnesota Statutes §216B.16, subd. 15(a) requires all public utilities serving low-income residential ratepayers who use natural gas for heating to file an affordability program with the Commission by September 1, 2007. Minnesota Statutes §216B.16, subd. 15(b) imposes certain requirements on any affordability program. Minnesota Statutes §216B.16, subd. 15c allows the Commission to require certain data for evaluation purposes, and subd. 15(d) requires the Commission to issue "orders necessary to implement, administer, and evaluate affordability programs." A copy of Minnesota Statutes §216B.16, subd. 15 is attached to these briefing papers.

Background

Minnesota Statutes §216B.16, subd. 15 was amended in the 2007 legislative session in Senate File No. 2096. It was signed by the Governor on May 8, 2007. Prior to this legislation, subd. 15 did not require affordability programs by gas utilities, but merely allowed the Commission to establish affordability programs. In addition to requiring gas utilities to file affordability programs by September 1, 2007, the 2007 legislation added the requirement that the Commission "must" issue orders necessary to "implement, administer, and evaluate" these programs. All of the other gas utilities subject to this statute, except GMG, have filed gas affordability programs and have had them approved by the Commission.

Staff has contacted representatives of GMG on a number of occasions regarding the requirement to file an affordability plan. On September 10, 2007, staff e-mailed representatives of each gas utility that had not yet filed an affordability program with information on the new statute and its requirements. On October 31, 2007, a representative of GMG responded to staff via e-mail to indicate that the company would file something "soon." On February 12, 2008, GMG sent a letter to the Commission indicating that the Company was exploring its options for a gas affordability program. (GMG's letter is attached to these briefing papers). On February 14, 2008, staff contacted GMG and requested that GMG file this letter in edockets. The letter was not e-filed. On Friday, March 14, 2008, Commission staff met with GMG on other matters and raised the issue of filing a gas affordability program. To date, no such proposed program has been filed by the company.

Staff Comment

Minnesota Statutes §216B.16 subd. 15, as amended by 2007 legislation, is clear that gas utilities regulated by the Commission were required to file gas affordability programs by September 1, 2007. The attached letter from GMG makes clear the company is aware of the requirement. With approximately 3,000 customers, GMG is the smallest gas utility rate-regulated by the

Commission; however, the statute does not exempt GMG from the requirement.¹ GMG's size can be taken into account when determining the type and size of program that should be approved for its low-income customers. The statute also places some responsibility on the Commission to issue orders "necessary" to implement, administer, and evaluate these affordability programs.

An Order to Show Cause is a regulatory tool the Commission has used in past dockets when information or a response is needed from a utility. In practice the Commission has issued them only in matters where there is a reasonable likelihood a Commission Order or state statute has not been complied with, although a violation is not a foregone conclusion. For example, on April 15, 2008 the Commission required Interstate Power and Light Company (IPL) to Show Cause why it should not be subject to penalties in Docket No. E001/AI-03-1630, where the company knew of a statutory requirement requiring Commission approval of affiliated interest agreements but continued to operate under the contract without going to the Commission.

Given the circumstances of this situation, staff believes that it is appropriate to issue an Order to Show Cause against GMG. The Commission's previous Show Cause Orders typically order a utility to show cause why the Commission should not take particular action or make a particular finding.

Decision Alternatives

1. Issue an Order to Show Cause against Greater Minnesota Gas, requiring the Company to: (a) Show Cause why it should not be found in violation of Minnesota Statutes §216B.16, subd. 15 and (b) require the Company to file a proposal for a Gas Affordability Plan, within thirty (30) days of the Commission's Order.
2. Take no action.
3. Take other action as the Commission deems appropriate and in the public interest.

¹Staff notes that the Commission's low income telephone program, the Telephone Assistance Plan (TAP), must be offered by telephone companies that serve fewer customers in Minnesota than GMG does. A review of the Commission's first quarter 2007 reports shows that 50 of the companies reporting have over 3000 lines, while 79 have less than 3000; some carriers, such as Wolverton Telephone Company and Clements Telephone Company, have fewer than 200 lines in Minnesota but must offer the TAP program. See the Commission's TAP reports in Docket No. P999/CI-08-378. The Commission has had experience in modifying program requirements (to the extent allowed by law) for these small companies; see the Commission's Order Establishing Verification Procedures, Issued August 11, 2006, Docket No. P999/CI-06-517.

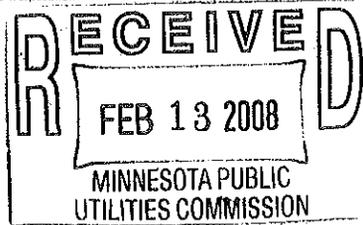


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February 12, 2008

Mr. Bob Harding
Minnesota Public Utilities Commission
121 7th Place E., Suite 350
Saint Paul, MN 55101-2147

Re: Gas Affordability Program

Dear Mr. Harding:

This letter responds to your recent inquiry regarding a Gas Affordability Program for Greater Minnesota Gas, Inc. ("GMG"). GMG is exploring options and looks forward to discussing this matter with you and others at the State further before filing. However, I would note that GMG has only 27 customers on its system who have received LIHEAP in the last year and has had very few customers take advantage of its current low-income weatherization CIP offering. Obviously, any Gas Affordability Program will need to keep in mind these small numbers and the impact of the costs of a program on GMG's other customers.

Sincerely,

Warren E. Satterlee
President and CEO

cc: Ms. Janet Gonzalez, Minnesota Public Utilities Commission
Mr. Eric F. Swanson, Winthrop and Weinstine
Suite 3500, 225 S. Sixth Street
Minneapolis, MN 55402

Gas Affordability Plan Statute: Minnesota Statutes §216.16, subd. 15

Subd. 15. **Low-income affordability programs.** (a) The commission must consider ability to pay as a factor in setting utility rates and may establish affordability programs for low-income residential ratepayers in order to ensure affordable, reliable, and continuous service to low-income utility customers. By September 1, 2007, a public utility serving low-income residential ratepayers who use natural gas for heating must file an affordability program with the commission. For purposes of this subdivision, "low-income residential ratepayers" means ratepayers who receive energy assistance from the low-income home energy assistance program (LIHEAP).

(b) 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.

(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.

(d) 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 start-up 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.

(e) Public utilities may use information collected or created for the purpose of administering energy assistance to administer affordability programs.