



GREAT PLAINS NATURAL GAS CO.

A Division of MDU Resources Group, Inc.

State of Minnesota Gas Rate Schedule – MNPUC Volume 2

Section No. 5
Original Sheet No. 5-112

GAS AFFORDABILITY PROGRAM

Availability:

Available to residential customers who have been qualified and receive assistance from the Low Income Home Energy Assistance Program (“LIHEAP”) during the federal fiscal year (“Program Year”). 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”.

Description and Rate Impact for Qualifying Customers:

The Gas Affordability Program (GAP) shall meet the conditions of Minnesota Statutes, Chapter 216B.16, Subd.15 on low income programs. The GAP has two components: 1) Affordability, and 2) Arrearage Forgiveness. Great Plains, or an agent of Great Plains, will review current billing and consumption information, approved LIHEAP benefits and household income information as submitted to Great Plains to determine a Qualified Customer’s payment schedule amount. A Qualified Customer’s payment schedule shall include both payment of the customer’s current month’s bill (which reflects one-twelfth the levelized payment plan), after inclusion of the affordability bill credit, and payment of a portion of the Qualified Customer’s pre-program arrears.

Affordability Component:

The Affordability component consists of a bill credit determined as one-twelfth of the difference between Great Plains’ estimate of the Qualified Customer’s annual gas bill and 6% of the Qualified Customer’s household income as provided by the Qualified Customer to Great Plains. This bill credit is a GAP 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.

Arrearage Forgiveness Component:

The 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 remaining to retire the arrears divided by two. This arrearage forgiveness credit is a GAP cost that will be included in the Tracker.

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Conditions of Service:

Enrollment participation is limited to a first come first served basis until the estimated GAP dollar cap is reached.

Before the start of an enrollment period, Great Plains will mail information on the GAP and an application to participate in the GAP to targeted current LIHEAP customers in arrears. The application for participation must be completed in full and returned to Great Plains before the close of the enrollment period.

Regardless of arrears balances, Great Plains agrees to maintain service and suspend collection activities to Qualified Customers if they maintain their payment schedule.

Qualified Customers must maintain an active Great Plains account in said customer's name at their permanent primary residence only to be eligible for the GAP.

Qualified Customers agree to notify Great Plains of any changes in address, income level, or household size. Such changes may result in removal from the GAP. Additionally, Qualified Customers who do not continue to qualify under the provisions of Section 1 above can be removed from the GAP.

If a Qualified Customer fails to pay two consecutive monthly payments in full under the GAP, they will be terminated from the GAP and will be subject to Great Plains' regular collection practices including the possibility of disconnection.

Funding:

Total GAP costs, which include start-up costs, Affordability component, Arrearage Forgiveness component and incremental administration costs incurred by Great Plains shall not exceed \$50,000 per year. Great Plains shall limit administrative costs included in the tracker (except start-up related costs) included in the tracker to 5% of total GAP costs. Administrative costs will include, but are not limited to, the costs to inform customers of the GAP and costs to process and implement enrollments.

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Great Plains shall recover the GAP costs in a separate Delivery Charge applicable to all customers receiving firm service under Residential Gas Service and Firm General Service Rate Schedules.

A tracking mechanism (“Tracker”) will be established to provide for recovery of all actual GAP costs as compared to the recovery of GAP costs through rates. Great Plains will track and defer GAP costs with regulatory approval. Carrying charges at a rate equal to the authorized rate of return of 8.96% established in Docket No. G004/GR-04-1487 shall be applied to the balance and recovered. The prudence of the GAP costs are subject to a regulatory review. The initial rate is \$.02034 per Dk. Great Plains may petition the Commission to adjust this rate in order to true up the GAP balance in the Tracker in its next general rate case.

Evaluation:

The GAP shall be evaluated before the end of the initial four year term and may be modified based on annual reports and on a financial evaluation.

The annual reports will include the effect of the GAP on customer payment frequency, payment amount, arrearage level and number of customers in arrears, service disconnections, retention rates, customer complaints and utility customer collection activity. The annual reports may also include information about customer satisfaction with the GAP.

The financial evaluation will include a discounted cash flow of the GAP cost-effectiveness analysis from a ratepayer perspective comparing the 1) total GAP costs, which includes the Affordability component, Arrearage Forgiveness component and total company incurred administration costs, to 2) the total net savings including cost reductions on utility functions such as the impact of the GAP on write-offs, service disconnections and reconnections and collections activities. The discounted cash flow difference between total GAP costs and total net savings will result in either a net benefit or a net cost to ratepayers for the GAP. Any net benefit after the initial four year term of the GAP will be added to the Tracker for refund to residential ratepayers.

GAP Revocation:

GAP, upon approval by the Commission, is effective unless the Commission, after notice and hearing, rescinds or amends its order approving GAP.

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Term:

GAP begins in January of each year, except for the first program year. GAP shall have a four year term ending on December 31, 2012. Annual Reporting will begin on March 31, 2009 and will continue each year thereafter, ending on March 31, 2013.

Applicability:

Unless otherwise specified in this tariff, Qualified Customers in the GAP shall receive service in accordance with all terms and conditions of the standard gas service tariffs applicable to residential customers.

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