

November 14, 2017

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket Nos. G022/M-16-383 and G022/M-17-336

Dear Mr. Wolf:

Attached are the *Response Comments* of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

2015 and 2016 *Annual Gas Service Quality Reports* (Reports) submitted by Greater Minnesota Gas, Inc. (Greater Minnesota or the Company).

The initial filings were submitted on May 2, 2016 and May 1, 2017 by:

Kristine A. Anderson
Corporate Attorney
Greater Minnesota Gas, Inc.
202 South Main Street, P.O. Box 68
Le Sueur, Minnesota 56058

The Department filed initial *Comments* on both Reports on June 22, 2017 requesting additional information. Greater Minnesota filed *Reply Comments* on July 6, 2017. In an effort to better complete the record in this proceeding, the Department requests that the Minnesota Public Utilities Commission (Commission) accept these *Response Comments*. Based on its review of Greater Minnesota's *Reply Comments*, the Department withholds recommendation on the Company's Reports subject to the provision of additional information in this record regarding an emergency response incident.

The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ ADAM J. HEINEN
Rates Analyst
651-539-1825

AJH/lt
Attachment

Before the Minnesota Public Utilities Commission

Response Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket Nos. G022/M-16-383 and G022/M-17-336

I. BACKGROUND

On May 2, 2016, Greater Minnesota Gas, Inc. (Greater Minnesota or the Company) filed its 2015 Annual Gas Service Quality Report (2015 Report) and, on May 1, 2017, Greater Minnesota filed its 2016 Annual Gas Service Quality Report (2016 Report) (collectively referred to as Reports). The Minnesota Department of Commerce, Division of Energy Resources (Department) filed *Comments* on June 22, 2017 responding to these Reports. The Department requested that Greater Minnesota provide additional information in its *Reply Comments*, specifically, the Department requested that Greater Minnesota:

- Demonstrate that its application of its tariff for the customers who did not pay the required contribution in aid of construction above the “free footage” built into rates, and not for other customers, is not “unreasonably preferential, unreasonably prejudicial, or discriminatory” and complies with Minnesota Statute § 216B.05;
- The costs for the extension of service to the customers who had costs above the “free footage” allowance waived;
- A full explanation of why disconnections decreased in 2016 and whether the Company continued its delinquent accounts process begun in 2014;
- A full explanation of why certain service extension times in the spring of 2016 were relatively long;
- Additional information on two long response incidents in 2016 and a full explanation of whether Greater Minnesota believes it has sufficient emergency technicians, especially during off hours and inclement weather; and
- A full description of any training or remediation efforts that the Company has undertaken, or plans to undertake, to eliminate company related mislocates.

Greater Minnesota responded to these requests in its July 5, 2017 *Reply Comments*. The Department responds to the Company’s *Reply Comments* below.

II. RESPONSE TO GREATER MINNESOTA'S REPLY COMMENTS

The Department responds separately to each issue raised in its *Comments* below.

A. DELINQUENT ACCOUNTS AND INVOLUNTARY SERVICE DISCONNECTIONS

In its *Comments*, the Department observed that the number of involuntary service disconnections decreased in 2016. As such, the Department requested that Greater Minnesota provide a full explanation in *Reply Comments* of why disconnections decreased in 2016 and whether the Company continued its delinquent accounts process begun in 2014. Greater Minnesota responded that it consistently followed through with its enforcement of involuntary service disconnections for delinquent accounts in 2014 and 2015 in line with the process begun in 2014. The Company further explained that, in its opinion, customers who previously had habitual delinquency issues had modified their behaviors in response to the probability of being disconnected for delinquent payment. Greater Minnesota also clarified that it maintains the delinquent accounts process established in 2014 and also that the Company's newer customers are conditioned to avoid late payments. This would appear to imply that Greater Minnesota's newer customers are aware of the delinquent payment process when beginning service. Based on this response, the Department concludes that Greater Minnesota has maintained its delinquent accounts procedure and is attempting to minimize delinquent accounts.

B. LONGER SERVICE EXTENSION TIMES IN THE SPRING OF 2016

In its *Comments*, the Department noted longer service extension times associated with certain requests in the spring of 2016. The Department speculated that these longer extension times may be related to the request being made early in the construction season but requested that Greater Minnesota clarify this fact and the circumstances behind the longer service extension times in its *Reply Comments*.

Greater Minnesota explained that, in general, construction does not begin until the ground is thawed unless a customer requests earlier construction. Since earlier construction requires frost removal, the customer would be responsible for any additional costs associated with frost removal; therefore, the Company stated that customers typically forego these costs. As such, Greater Minnesota further clarified that it often takes longer to complete a service extension either first requested during the heating season or early in the construction season, because the Company must wait until the ground thaws.

The Department appreciates the Company's clarification of these issues and concludes that Greater Minnesota likely extended service in the most efficient time possible. In the interest of streamlining future analyses, the Department does, however, recommend that Greater

Minnesota provide a detailed explanation for all atypically long service extension time incidences in future service quality reports.

C. *EMERGENCY RESPONSE*

The Department requested additional clarification regarding two incidences in 2016 where it took approximately 90 minutes (*i.e.*, 94 minutes, 88 minutes) for technicians from the Company to respond to the incidents. Greater Minnesota provided additional information on both incidences in its *Reply Comments*.

Greater Minnesota described the 88-minute incident as one in which the call concerned outside odor and was made at 10:02pm. The weather conditions at the time were cold and icy, which hampered the technician's ability to respond quickly. The Department concludes that this incident does not appear to indicate an issue with the Company's gas emergency response time. Although any report of gas is a potential hazard, it is also reasonable and appropriate for emergency technicians to balance the specifics of an emergency call with driving requirements so that they protect their safety and the safety of others.

In terms of the 94-minute incident, Greater Minnesota explained that this incident occurred in a geographic area where Greater Minnesota and another utility both provide gas service. On the date in question, the Company stated that it received 10 calls from the same general area regarding the smell of natural gas. Greater Minnesota also noted that it had dispatched multiple technicians to the area throughout the day. Ultimately, the calls were the result of an odorant problem. The Company concluded its analysis by stating that the long response time was unforeseen and not representative of the Company's emergency response times.

Given the response by the Company, it is still not clear whether the call in question was one of the several coming from the same area, or whether the several calls were preventing Greater Minnesota from responding to that call. Further, Greater Minnesota's discussion appears to imply that the location of the emergency calls (*i.e.*, near to another utility's service territory) contributed to the long response time. Based on the Company's discussion, it is unclear if Greater Minnesota is able to fully respond to certain emergency incidences or whether the Company is adequately coordinating with other natural gas utilities. The Department recommends that the Company provide the following in this record:

- Clarification as to whether the call in question was one of several in the same area, or was in addition to those calls;
- Name of the other utility referenced in the Company's *Reply Comments*;
- Number of trained emergency technicians available for the geographic location in question;

- Detailed discussion of all emergency response time improvements that have been undertaken, or are planned to be implemented, as a result of the incident discussed above;
- Detailed discussion of the process Greater Minnesota uses to coordinate emergency response with other natural gas utilities; and
- Detailed discussion of whether an agreement, either formal or informal, exists between Greater Minnesota and other natural gas utilities regarding mutual aid in the event that unanticipated emergency response event volumes occur.

D. RESPONSE TO MISLOCATES

In its *Comments*, the Department requested that the Company provide clarifying information regarding two mislocate incidents. The Department requested this additional information because the incidents involved Greater Minnesota employees or contractors working for Greater Minnesota. In terms of the contractor-related incident, Greater Minnesota explained that it met with the contractor in question and reviewed all of its procedures and discussed the Company's expectations. Greater Minnesota then noted that it closely monitored the contractor's compliance and that the locator employee in question no longer locates for Greater Minnesota. Regarding the incorrect locating incident that involved a Greater Minnesota employee, the Company explained that it reviewed the incident with the employee in question and included a discussion of proper locating procedures to ensure that future work is done correctly; Greater Minnesota noted that this employee is no longer with the Company. Greater Minnesota concluded its discussion of this event by noting that it continues best practice education of its technicians and regularly discusses procedures and safety issues, including proper locating methods, to maintain safety.

The Department appreciates Greater Minnesota's explanation of these events. In general, the Department concludes that Greater Minnesota has adequately responded to the events in question and has taken steps to limit mislocate issues.

E. APPLICATION OF EXTENSION TARIFF

In its *Comments*, the Department reviewed the Company's customer complaint data for calendar years 2015 and 2016. In general, the Department concluded that Greater Minnesota adequately responded to customer complaints but there were two incidents that may require additional analysis in future rate cases. Specifically, the incidents in question involved complaints between customers and the Company regarding the cost of service extensions. For both complaints, Greater Minnesota ultimately absorbed reasonable costs of the extension above the "free footage" amount to build good faith with its customers. The Department noted that Minnesota Statute § 216B.03 requires that rates must not be "unreasonably preferential,

unreasonably prejudicial, or discriminatory.” In other words, all similarly situated customers must be treated equitably and utilities must apply their tariffs consistently across customers. Given this, the Department concluded that Greater Minnesota needed to demonstrate how its application of its tariff for these two customers, and not other customers, complies with Minnesota Statutes. The Department also recommended that Greater Minnesota respond to how these absorbed costs, if found reasonable, should be recovered in a future rate case.

Greater Minnesota responded to the Department’s concern in *Reply Comments*. Greater Minnesota began its discussion by noting that these credits to customers stemmed from customer concerns with costs passed on to them, and that neither credit was extended as a means to waive extra footage or permit fees. The Company stated that, in both instances, it believed its representatives could have performed better and, had these representatives done so, the customers would have had a better experience. Greater Minnesota provided further discussion of both incidents as follows.

In terms of the first incident, which involved extra footage charges, the customer was quoted 360 feet, including 110 feet of extra footage charges but, ultimately, the service line was 408 feet, resulting in only 48 feet of extra footage charges. Based on its review of the situation, Greater Minnesota concluded that its representative could have done a more careful job measuring the service line and identifying potential changes to it.¹ Greater Minnesota determined that the billed amount exceeded the original estimate because of its own representative’s communications; as such, Greater Minnesota opted to credit the customer for \$750.98. The Company stated that this customer was not given preferential treatment, and Greater Minnesota accepted responsibility for its own mistake.

In terms of the second incident, which involved customer dissatisfaction with a permit fee, Greater Minnesota explained that the service line installation necessitated obtaining a township permit that was not initially identified; as such, this cost was not included in the customer’s initial quote. The customer contacted Greater Minnesota and questioned the cost of the permit. Greater Minnesota credited the customer’s account \$35 to offset the cost of the permit, as the Company’s personnel had not initially advised the customer of the permit fee.

The Department appreciates Greater Minnesota’s additional discussion and clarification regarding these two events. Based on the Company’s *Reply Comments*, the Department concludes that Greater Minnesota did not provide preferential treatment to these customers. The credits provided to these two customers were the direct result of mistakes made by Greater Minnesota and were not made as exceptions to the Company’s service extension tariff.

¹ Greater Minnesota also stated that its employee could have explained winter charges more clearly, but it is unclear from the initial Reports or *Reply Comments* what impact, if any, winter construction charge had on this customer complaint.

The Department notes that Greater Minnesota did not address the issue of cost recovery in its *Reply Comments*; namely, whether shareholders or ratepayers are responsible for these costs. The Department recommends that the Commission require Greater Minnesota to provide a detailed discussion of cost recovery for these credits in its next initial general rate case filing.

III. CONCLUSIONS AND RECOMMENDATIONS

Based on its review of Greater Minnesota's *Reply Comments*, the Department withholds recommendation on the Company's Reports subject to the provision of additional information in this record regarding the 94-minute emergency response incident described above. The Department recommends that the Company provide the following in this record:

- Clarification as to whether the call in question was one of several in the same area, or was in addition to those calls;
- Name of the other utility referenced in the Company's *Reply Comments*;
- Number of trained emergency technicians available for the geographic location in question;
- Detailed discussion of all emergency response time improvements that have been undertaken, or are planned to implemented, as a result of the incident discussed above;
- Detailed discussion of the process Greater Minnesota uses to coordinate emergency response with other natural gas utilities; and
- Detailed discussion of whether an agreement, either formal or informal, exists between Greater Minnesota and other natural gas utilities regarding mutual aid in the event that unanticipated emergency response event volumes occur.

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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
Response Comments**

Docket No. G022/M-16-383 and G022/M-17-336

Dated this 14th day of November 2017

/s/Sharon Ferguson

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