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August 10, 2015

VIA ELECTRONIC FILING

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

RE: Minnesota Energy Resources Corporation's 2014 Annual Gas Service Quality Report
Docket No. G-011/M-15-410
Reply Comments

Dear Mr. Wolf:

On July 31, 2015, the Minnesota Department of Commerce, Division of Energy Resources ("Department") filed comments in the above referenced docket recommending that the Minnesota Public Utilities Commission ("Commission") accept Minnesota Energy Resources Corporation's ("MERC" or the "Company") 2014 Annual Gas Service Quality Report pending MERC's response to various inquiries presented in the Department's comments. MERC thanks the Department for its review and submits these Reply Comments to respond to the inquiries from the Department.

1. Call Center Response Times

The Department requested that MERC provide an explanation for why the average number of seconds that elapsed before calls were answered went up from previous years. Additionally, the Department requested a description of what steps MERC has taken or will take to improve the percentage of calls answered within 20 seconds.

During the polar vortex of 2014, customers experienced higher than normal gas consumption, which lead to higher than normal bills. The higher bills resulted in more customers calling MERC to make payment arrangements and as a result, wait times increased

In order to improve the percentage of calls answered with 20 seconds, and prevent a repeat of the wait times experienced during the polar vortex, MERC implemented a contingency plan to have additional people take customer calls. This contingency plan resulted in approximately 15 additional people taking customer calls. The following specific actions were undertaken by MERC in order to improve the percentage of calls answered within 20 seconds:

- waived the need for customer service representatives to get management approval to execute the option to extend customer payments out 5 months if needed;

- arranged for the Contact Center to keep all escalated calls, calls that require the intervention of a leader or manager, eliminating the need for forwarding calls to another person (leader or manager);
- reduced outbound calls for customers in arrears; and
- continued to refer customers to MERC's gas affordability program ("GAP").

During 2015 year to date, MERC's call-center-performance levels are at historic highs. Through July 2015, 80.44% of customer calls were answered within 20 seconds.

2. Meter Reading Performance

The Department's comments note that while the number of meters in 2014 increased, the number of meter-reading staff decreased. The Department asked MERC to explain whether the drop in meter-reading-staffing levels was temporary. The Department also asked MERC to address generally the adequacy of MERC's meter-reading-staffing levels.

MERC carefully reviewed the Company's meter-reading-staffing levels and believes it has sufficient resources to read customer meters. It appears the number reflected in MERC's Gas Service Quality Report was the number of employees with the title "Meter Reader." This number, however, does not capture all of the full time employees ("FTE") reading meters or the third party contractors providing meter reading service. To verify the actual FTE equivalent for employees reading meters, MERC reviewed all payroll time charged to meter reading and divided that number by the standard work year to determine the total number of FTEs assigned to meter reading. This calculation resulted in the equivalent of approximately 27.73 FTEs engaged in meter reading in 2014, which is .73 more FTEs than in 2013. Further, upon review, the number of third party providers utilized for meter reading was approximately the same in 2013 and 2014.

MERC acknowledges that it experienced a significant increase in estimated meters during the first quarter of 2014. During the polar vortex, Minnesota experienced extreme weather conditions, with exceptionally low temperatures and significant snow fall throughout the state. During the extreme conditions, MERC had additional support helping read routes. On some days, however, MERC pulled its entire work force off reading meters to protect employees from the conditions. As a result, MERC experienced its highest level of estimated meters on record during the first quarter of 2014. MERC has since made changes on priorities in a few areas and the estimated meters have dropped back to a normal level. The normal meter reading levels, and the combination of FTE's and third parties that MERC has reading meters, reflects that meter reading staff levels are adequate.

3. Service Interruptions

The Department also requested that MERC reconcile and clarify the MnOPS reportable events and service interruption data that were provided with the Annual Gas Service Quality Report. Specifically, the Department pointed out that there were differences in events reported on Attachments 9 and 10 and asked that MERC reconcile those differences. Further, the Department noted that MERC did not provide outage duration for all service interruptions listed on Attachment 9.

MERC is continuing to collect the information in order to respond to the Department's questions regarding Attachments 9 and 10. MERC apologizes for the delay and will submit this information as soon as possible.

4. Customer Service Related Operations and Maintenance (O&M) Expenses.

Finally, the Department noted that monthly O&M expenses in 2014 were relatively close to the monthly average with the exception of February, March, April and December where the Company reported expenses of \$659,726; \$671,627; \$315,212; and \$97,759, respectively. The Department requested that MERC explain why monthly O&M expense in those months differed from the monthly average.

The months of February and March had accruals for expenses associated with MERC's customer service billing agent, Vertex, causing those months to be slightly higher than average. MERC, however, did not receive the February and March Vertex invoices until April, and the actual invoices were ultimately lower than the accruals, which is why April was so much lower than the preceding two months. MERC notes that the average of these three months is in line with the 2014 monthly average.

In the month of December, MERC deferred \$508,987 of costs associated with the implementation of the Integrys Customer Experience ("ICE"), which caused the expenses in that month drop to \$97,759. These dollars were moved from account 903000 to a regulatory asset account. Without the deferral of those costs, December would have been in line with the average.

Please contact me at (651) 322-8965 if you have any questions.

Sincerely,

/s/ Amber S. Lee

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 10th day of August, 2015, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Reply Comments 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 10th day of August, 2015.

/s/ Kristin M. Stastny
Kristin M. Stastny

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