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Lori Hoyum
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July 10, 2014

VIA E-FILING

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: In the Matter of Minnesota Power's 2014 Annual Report
Concerning Safety, Reliability, Service Quality,
And Proposed Annual Reliability Standards
Docket No. E015/M-14-281

Dear Dr. Haar:

The Department of Commerce – Division of Energy Resources (“Department”) issued Reply Comments in the above referenced docket on June 30, 2014. The Department requests in the Reply Comments that Minnesota Power provide an explanation regarding the number of deposits required in recent years, and the increase in damages during 2013, primarily addressing vehicle damage claims. Minnesota Power respectfully submits these Reply Comments in response to the Department’s inquiries.

Please contact me at the number provided above with any questions or concerns.

Yours truly,

Lori Hoyum

Attachment
cc: Service List

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

In the Matter of Minnesota Power’s 2014 Annual Report
Concerning Safety, Reliability, Service Quality,
And Proposed Annual Reliability Standards

Docket No. E015/M-14-281
**MINNESOTA POWER’S
REPLY COMMENTS**

Minnesota Power (or “the Company”) submits these Reply Comments to the Minnesota Public Utilities Commission (“Commission”) in response to the Department of Commerce – Division of Energy Resources’ (“Department”) Reply Comments submitted on June 30, 2014 in Docket No. E015/M-13-254.

The Department requested response on two matters detailed in Minnesota Power’s 2014 Annual Report Concerning Safety, Reliability, and Service Quality. The first concern the Department addresses is the seeming dramatic increase in damage claims paid to customers by the Company. The Department states in its Reply Comments: “In 2013 damage claims increased for both work procedures and equipment failures, but Vehicle Damage represented the largest portion of damage claims, amounting to \$28,485.17. The Department requests that MP file in reply comments an explanation for the large increase in damages during 2013, primarily addressing the vehicle damage claims.” The Company reviewed its damage claim statistics and found that the 2013 claim value of \$71,796.27 was \$28,760.97 higher than Minnesota Power’s ten year average of \$43,035.30.

An investigation of these claims points back to an exceptionally rugged winter in the Company’s service territory, as well as inexperience related to unprecedented employee turnover. The service territory experienced both unusually cold temperatures and exceptional snow fall through the beginning and end of 2013. The Company’s largest claim of nearly \$14,000 stemmed from an inadvertent power shut off which ultimately caused structural damage due to frozen pipes. The second largest payout was for two claims relating to the same incident.

The incident involved a novice driver who pulled into traffic based on the direction of a dump truck driver in the immediate vicinity. The driver's actions were not based on the Company's safety protocol of having individual visual clearance of oncoming traffic. The dump truck driver miscalculated the speed of an oncoming van, and the van collided with a Company truck resulting in two damage claims totaling \$13,843.35. The deduction of these two claims from the Company's annual total would decrease the total back down to average damage claim levels experienced in prior years.

As noted by the Department, there were a considerable number of vehicle claims for 2013. While the accident detailed above was the highest level of damage sustained, the Company did experience claims for thirteen vehicle incidents in 2013. Many of these incidents were due to slippery roads and difficult driving conditions. Minnesota Power also observed an increase in deer/vehicle collisions.

Minnesota Power appreciates the significance of any and all vehicle incidents, and consequently, increased focus has been placed on vehicle operation training in 2014. Safety protocols regarding vehicle walk-arounds, the use of spotters, and parking procedures have been highlighted through monthly safety meetings as well as in pre-work job briefings. The Company has also instituted meetings between Vice Presidents, Managers, Supervisors and those involved in accidents to discover if there is need for additional safety education. To date, there has been a decrease in 2014 vehicle accident damage claims.

The second concern addressed by the Department in its June 30, 2014 Reply Comments is the increase in Minnesota Power's required customer deposits in 2013. The Company reported that 326 residential customers and 11 commercial customers were required to make a deposit as a condition of receiving service in 2013. This represents an increase over the previous year, which had previously been the highest total since 2002.

While analyzing the table below please note that it represents 10 years of data and reflects that total customer deposits required has steadily trended upward since 2007. Upon adding data from 2002 (reported in 2003) it reflects an average of 176 customer deposits and an

increase of 8.01 percent per year to the Company's total customer deposit numbers from 2002 to 2013.

Year	Residential	Commercial	Total	Historical Rank	
2003	174	5	179	5	
2004	114	0	114	8	
2005	153	1	154	6	
2006	153	1	154	6	
2007	5	0	5	10	
2008	74	1	75	9	
2009	161	21	152	7	
2010	190	24	214	4	
2011	222	10	232	3	
2012	315	1	316	2	
2013	326	11	337	1	
Total	1887	75	1932		
Average	172	7	176		

There are a number of factors nationally and locally which Minnesota Power can speculate to have had an impact on the upward trend of deposit numbers. These factors include: the great recession from which Minnesota is still recovering, the 2008 subprime mortgage crisis, and also generally improved business practices related to debt collection. Minnesota Power's policy for requesting deposits is very specific in that the Company requires a deposit for service if a customer has left a previous balance owed on a closed account. In times of financial difficulty customers often will leave unpaid balances on accounts.

Minnesota Power appreciates the Department's thorough review and thoughtful reply to the Company's annual Safety, Reliability, and Service Quality Report.

Dated: July 10, 2014

Respectfully submitted,

A handwritten signature in black ink that reads "Lori Hoyum". The signature is written in a cursive style with a large, sweeping flourish at the end.

Lori Hoyum
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STATE OF MINNESOTA)
) ss
COUNTY OF ST. LOUIS)

AFFIDAVIT OF SERVICE VIA
E-FILING AND
FIRST CLASS MAIL

Susan Romans, of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 10th day of July, 2014, she e-filed Minnesota Power's Reply Comments in Docket No. E-15/M-14-28 on Burl Haar and Sharon Ferguson. The remaining parties on the attached Official Service List were served as indicated.

Susan Romans

Susan Romans

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	Yes	OFF_SL_14-281_M-14-281
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_14-281_M-14-281
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_14-281_M-14-281
Elizabeth	Goodpaster	bgoodpaster@mncenter.org	MN Center for Environmental Advocacy	Suite 206 26 East Exchange Street St. Paul, MN 551011667	Electronic Service	No	OFF_SL_14-281_M-14-281
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_14-281_M-14-281
Margaret	Hodnik	mhodnik@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_14-281_M-14-281
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_14-281_M-14-281
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Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_14-281_M-14-281
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-281_M-14-281
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_14-281_M-14-281

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Susan	Ludwig	sludwig@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_14-281_M-14-281
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_14-281_M-14-281
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_14-281_M-14-281
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-281_M-14-281
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Karen	Turnboom	karen.turnboom@newpagecorp.com	NewPage Corporation	100 Central Avenue Duluth, MN 55807	Electronic Service	No	OFF_SL_14-281_M-14-281