

September 21, 2015

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
Saint Paul, Minnesota 55101-2147

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G011/M-15-410

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

2014 *Annual Service Quality Report (Report)* submitted by Minnesota Energy Resources Corporation (MERC or Company).

The 2014 *Annual Service Quality Report* was filed on May 1, 2015 by MERC. On July 31<sup>st</sup>, 2015, the Department submitted its *Comments* in this docket. In those *Comments*, the Department recommended that the Minnesota Public Utilities Commission (Commission) **accept** the Company's *Report* pending MERC's response to various inquiries in *Reply Comments*.

MERC submitted its *Reply Comments* on August 10, 2015 and *Supplemental Reply Comments* on August 24, 2015. In its *Reply Comments* and *Supplemental Reply Comments*, the Company provided additional information and its response to various Department inquiries. The Department appreciates the corrected and updated information and provides its additional analyses herein.

Based on its review of MERC's 2014 *Annual Service Quality Report*, and the Information provided by the Company in its *Reply Comments and Supplemental Reply Comments*, the Department recommends the Commission **accept** the Company's *Report*.

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

Sincerely,

/s/ SACHIN SHAH  
Rates Analyst  
651-539-1834

SS/ja  
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES

DOCKET No. G011/M-15-410

I. BACKGROUND

On May 1, 2015, Minnesota Energy Resources Corporation (MERC or the Company) submitted its 2014 Annual Safety, Reliability and Service Quality Report (*Report*) in compliance with the Minnesota Public Utilities Commission's (Commission) August 26, 2010 Order in Docket No. G999/CI-09-409 (09-409 *Order*) and its March 6, 2012 *Order—Accepting Reports and Setting Further Requirements* in Docket No. G007,011/10-374, et. al. On July 31, 2015, the Minnesota Department of Commerce (Department) filed *Comments* on the Company's *Report* requesting that MERC provide the following in its *Reply Comments*:

- an explanation of why the average number of seconds that elapsed before calls were answered increased;
- what steps MERC has taken or will take to improve the percentage of calls answered within 20 seconds;
- an explanation as to whether the Company's meter reading staffing levels are adequate;
- a reconciliation and clarification on the MnOPS reportable events and the service interruption data ; and
- an explanation detailing why monthly O&M expenses in February, March, April and December 2014 were noticeably different than the monthly average.

MERC submitted its *Reply Comments* on August 10, 2015 and *Supplemental Reply Comments* on August 24, 2015. In its *Reply Comments* and *Supplemental Reply Comments*, the Company provided additional information and its response to the inquiries noted above.

The Department discusses them below.

## II. THE DEPARTMENT ANALYSIS

### A. CALL CENTER RESPONSE TIME

Regarding call center response time, in its *Comments*, the Department had stated the following:

The Department requests that in its Reply Comments, MERC provide an explanation for why the average number of seconds that elapsed before calls were answered went up and what steps MERC has taken or will take to improve the percentage of calls answered within 20 seconds. The Department acknowledges that MERC has fulfilled the reporting requirements of the 09-409 and 10-374 Orders.

In its *Reply Comments*, MERC stated the following:

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.

The Department concludes that MERC's explanation of why the average number of seconds that elapsed before calls were answered went up seems reasonable. For example, during December 2013, March, April, and May 2014, the total calls MERC received were approximately 45,500, 39,000, 41,000, and 39,000, respectively. These call volumes exceed the 12-month average for both 2013 and 2014 of approximately 33,000 calls.

The Department also appreciates MERC's explanation and plans, as shown above, for improving its percentage of calls answered within 20 seconds.

**B. METER READING PERFORMANCE**

Regarding meter reading performance, in its *Comments*, the Department had stated the following:

... The Company indicated that accessibility and dog issues were the primary reasons why meters were not read. As shown in Table 2, the Company reported that the average number of meter reading staff employed by MERC decreased, on average, by approximately 6 Full Time Equivalent employees (FTE's) in 2014 compared to 2013. Comparing these figures to previous years, the average number of meters has increased, while the meter reading staffing levels decreased in 2014. The Department requests that in Reply Comments, MERC explain whether the drop in meter reading staffing level is a temporary situation or otherwise address the adequacy of the Company's meter reading staffing levels.

In its *Reply Comments*, MERC stated the following:

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.

The Department appreciates the information provided by MERC that suggests that staffing levels were higher than the reported 2013 FTEs and were similar to the previous years. The Department recommends that in its *2015 Annual Service Quality Report*, MERC review the staffing data for all of the previous years (2010-2013, as shown in the Department's July 31, 2015 *Comments* – Table 2) and indicate whether the historical data provided by MERC reflect the number of employees with the title "Meter Reader," were based on payroll time charged to meter reading, or reflect a mixture of both methods. Further, the Department requests that MERC propose a consistent reporting metric to be used going forward, and restate, if necessary, the Company's meter reading staffing data for the years 2010 – 2014 to ensure comparability.

### C. SERVICE INTERRUPTIONS

Regarding service interruptions, in its *Comments*, the Department had stated the following:

Seven of the events under the "damage by others" category met the MnOPS reporting criteria. Any instances reported to the MnOPS are discussed in greater detail in Sub-Section L of these Comments. The Department notes, however, that for the seven MnOPS reportable events in 2014, there appear to be discrepancies in the information for those events between Attachments 9 and 10 of the Report. For example, under the MnOPS reportable events listed in Attachment 10 of the Report, MERC shows 1 customer affected for 2 hours due to a December 9, 2014 outage. However for the same customer address and date, in its Attachment 9, MERC shows an outage

duration of 400 minutes or approximately 6 hours and 40 minutes. In some instances, MERC does not provide the outage duration in its Attachment 9.

The Department requests that MERC reconcile and clarify in Reply Comments the MnOPS reportable events in its Attachment 10 and the service interruption data in its Attachment 9.

In its *Reply Comments*, MERC stated the following:

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.

In its *Supplemental Reply Comments*, MERC provided updated Attachments 9 and 10 reflecting their corrected data. In its *Supplemental Reply Comments*, MERC stated the following:

The Department 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 has reviewed the information provided in Attachment 9 (Service Interruptions) and Attachment 10 (MNOPS Reportable Events) and includes updated attachments with the missing and reconciled information. MERC notes that upon further investigation, two of the reported service interruptions listed on Attachment 9 in fact had occurred in 2012, not 2014, and were mistakenly included in the 2014 report.

The number of service interruptions on MERC's system is shown in revised Table 11 below.

**Revised Table 11: Service Interruptions**

	Damage by Utility	Damage by others	Total Interruptions
2010	7	41	48
2011	8	145	156
2012	17	136	153
2013	5	129	134
2014 <sup>1</sup>	1	152	153

The Department in its *Comments* on page 12 had stated the following:

In the categorical break down of the service interruption incidents, MERC reports no change in interruptions caused by system integrity issues, from 0 in 2012, 2013 to 0 in 2014, and an increase in interruptions caused by other parties, from 129 to 154.

As a result of the Company's correction, the Department's *Comments* identified above should reflect a revision as follows:

In the categorical break down of the service interruption incidents, MERC reports no change in interruptions caused by system integrity issues, from 0 in 2012, 2013 to 0 in 2014, and an increase in interruptions caused by other parties, from 129 to ~~154~~ 152.

The Department appreciates the corrected information provided by MERC and acknowledges that MERC has fulfilled the requirements of the 09-409 *Order*.

**D. CUSTOMER SERVICE RELATED OPERATIONS AND MAINTENANCE (O&M) EXPENSES**

Regarding O&M expenses, in its *Comments* the Department stated the following:

Generally speaking, 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 amounts in these months are noticeably different than in other months in 2014; therefore,

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<sup>1</sup> Please see MERC's Updated Attachment 9 provided in its *Supplemental Reply Comments*.

the Department recommends that the Company explain, in its Reply Comments, reasons associated with these costs being noticeably different than the monthly average.

In its *Reply Comments*, MERC stated the following:

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.

The Department appreciates the clarification provided by MERC and acknowledges that MERC has fulfilled the requirements of the 09-409 *Order*.

### III. SUMMARY AND CONCLUSIONS

Based on its review of MERC's 2014 *Annual Service Quality Report*, the Company's *Reply Comments and Supplemental Reply Comments*, the Department appreciates the clarification and corrections provided by the Company and recommends that the Commission accept the Company's *Report*. The Department recommends that in its 2015 *Annual Service Quality Report*, MERC review the meter reading staffing data for all of the previous years (2010-2013) and indicate whether the historical data provided by MERC reflect the number of employees with the title "Meter Reader," were based on payroll time charged to meter reading, or reflect a mixture of both methods. Further, the Department requests that MERC propose a consistent reporting metric to be used going forward, and restate, if necessary, the Company's meter reading staffing data for the years 2010 – 2014 to ensure comparability.

/ja



## **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. G011/M-15-410**

**Dated this 21<sup>st</sup> day of September 2015**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500  Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_15-410_M-15-410
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_15-410_M-15-410
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	150 S. 5th Street, #1200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-410_M-15-410
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_15-410_M-15-410
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St  Chicago, IL 60661	Electronic Service	No	OFF_SL_15-410_M-15-410
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W  Rosemount, MN 55068	Electronic Service	No	OFF_SL_15-410_M-15-410
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_15-410_M-15-410
Brian	Meloy	brian.meloy@stinsonleonard.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-410_M-15-410
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-410_M-15-410
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_15-410_M-15-410
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_15-410_M-15-410