

Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: **April 1, 2014***Agenda Item #14

Companies: Minnesota Energy Resources Corporation (MERC)

Docket No. G007,011/M-13-355

In the Matter of Minnesota Energy Resources Corporation’s 2012 Annual Gas Quality Report

Issues: Should the Commission Accept Company’s Annual Gas Service Quality Report?

Staff: Marc Fournier651-201-2214

Relevant Documents

Commission Order Setting Reporting Requirements
G-999/CI-09-409..... August 26, 2010

Commission Order Setting Further Requirements
G-002/M-11-360..... March 6, 2012

Minnesota Energy Resources Corporation’s
Annual Service Quality Report..... May 1, 2013

Comments of the Minnesota Department of Commerce
Division of Energy Resources. June 27, 2013

Reply Comments of Minnesota Energy Resources
Corporation (MERC). July 8, 2012

Response Letter of the Minnesota Department of
Commerce Division of Energy Resources..... July 18, 2013

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Statement of the Issues

Should the Commission accept the Company's Annual Gas Service Quality Report for 2012?

Background

On April 16, 2009, the Minnesota Public Utilities Commission (Commission) opened an investigation into natural gas service quality standards and requested comments from the interested parties in Docket No. G999/CI-09-409. On August 26, 2010, the Commission issued an Order Setting Reporting Requirements in Docket G-999/CI-09-409 (09-409 Order). This Order prescribed a list of indicators for which data for each calendar year are to be provided by each utility in a miscellaneous tariff filing to be made by the following May 1.

In addition to the requirements in the 09-409 Order, the Commission's March 6, 2012 Order (11-360 Order) in Docket No. G002/M-11-360, et. al directed all regulated Minnesota gas utilities to:

- In future annual reports, include data on average speed of answering calls, in addition to reporting on the percentage of calls answered within 20 seconds or less;
- Explain in their 2011 annual reports, whether the difference between the total percentage of meters (100%) and the percentage of meters read (by both the utility and customers) is equal to the percentage of estimated meter reads;
- Explain, beginning with their 2011 annual reports, the types of extension requests (such as requests for reconnection after disconnection for non-payment) they are including in their data on service extension request response times for both locations not previously served, as well as for locations that were not previously served;
- Explain, beginning with their 2011 annual reports, the types of deposits (such as new deposits from new and reconnecting customers and the total number of deposits currently held) included in the report number of "required customer deposits"; and
- Describe, beginning with their 2011 annual reports, the types of gas emergency calls included in their gas emergency response times, as well as the types of emergency calls included in their reports to the Minnesota Office of Pipeline Safety (MOPS). Provide an explanation of any difference between the reports provided to the Commission and to MOPS.

In the Commission's Order in the Commission's 360 docket, the Commission also specifically required MERC to report, beginning with the Company's 2011 annual report, the number of customers, in addition to the number of service interruptions, whose service was interrupted and the average duration of the interruption.

On May 1, 2013, the Company filed its calendar year 2011 Annual Service Quality Report (Report).

Minnesota Energy Resources Corporation (MERC) 2011 Gas Service Annual Report

1. Call Center Response Time/Average Speed of Answer & Percentage of Calls Answered Within 20 Seconds or Less

Standard: Each utility is required to report call center response time in terms of the percentage of calls answered within 20 seconds.

MERC: The required information was provided in Attachment A of the Company's 2012 Report.

DOC: In its Report, MERC provided the required information on a monthly basis for 2012. The 2012 Report is the first report in which MERC included calls received by the Company's Interactive Voice Response (IVR) system. The information provided indicates that MERC was able to answer 80 percent, or more, of calls within 20 seconds in 11 of the 12 months reported. In the month in which the percentage of calls answered in 20 seconds or less fell below 80 percent, MERC received 34,098 calls, 28 percent more calls than the average amount (26,704) received in the other 11 months of 2012. While not directly comparable, the percentage of calls answered in less than 20 seconds (81.6 percent) was over 1.5 percent higher in 2012 than it was in 2011 and 0.5 percent higher than it was in 2010. The DOC concluded that MERC has met the level of service set by Minnesota Rules, part 7826.1200.

In its March 6, 2012 Order—Accepting Reports and Setting Further Reporting Requirements, the Commission required all natural gas utilities to report average speed-of-answering calls. MERC has reported this data since its 2010 Report was filed. For 2012, the average speed of answer was 19.42 seconds. Average speed of answer for the years 2011 and 2010 were 18.25 and 17.42 seconds respectively; as reported, average speed of answer has been gradually increasing over the short period for which this information has been reported. The DOC will continue to monitor this metric.

2. Meter Reading Performance

Standard: Each utility shall report the meter reading performance data contained in Minn. Rules, part 7826.1400. The reporting metrics include a detailed report on meter-reading performance for each customer class and for each calendar month:

- The number and percentage of customer meters read by utility personnel;
- The number and percentage of customer meters self-read by customers;
- The number and percentage of customer meters estimated;
- The number and percentage of customer meters that have not been read by utility

- personnel for periods of 6 to 12 months and for periods longer than 12 months, and an explanation as to why they have not been read; and
- Data on monthly meter-reading staffing levels, by work center or geographical area.

MERC: The required information is provided in Attachment B of the Company's 2012 Annual Gas Service Quality Report. The data for self reads includes both estimates and customer self reads.

In its March 6, 2012, Order Setting Further Reporting Requirements, the Commission also requested utilities to explain in their annual reports whether the difference between the total percentage of meters (100%) and the percentage of meters read (by both the utility and the customers) is equal to the percentage of estimated meter reads.

MERC's system does not differentiate between an estimate and a customer read so the customer read numbers include both estimates and customer self reads.

DOC: Based on the Company's information, the vast majority of MERC's customers (approximately 98 percent) have their meters read by MERC employees. MERC also included data regarding the number of meters that have not been read for 6-12 months and those that have not been read in over 12 months. When excluding farm tap customers, only 13 meters, out of a total of over 2.55 million meters, had not been read between 6-12 months, and 0 meters had not been read in over 12 months. This represents a slight increase in meters not read in 6-12 months compared to the 2011 figure of 6 meters unread in 6-12 months. However, both 2012 figures are significantly improved compared to the 2010 figures where 71 meters had not been read in 6-12 months and 38 meters had not been read in over 12 months. The differences between 2012 and 2011 meter reading data are not substantively different. The Company indicated that accessibility and dog issues were the primary reasons why meters were not read. When farm taps are included in the reporting metrics, the number of unread meters increases; however, it is important to note that the absolute number of meters not read for an extended period of time is still quite small (roughly one-tenth of one percent or less).

MERC's Report represents the third report where these data is available, which means the Company's 2012 performance can be compared to 2011 and 2010 figures. When excluding farm taps, given the large improvements made after 2010, the DOC believes that MERC's 2012 performance is reasonable.

In terms of farm tap customers, the DOC noted that the number of unread meters decreased significantly between 2010 and 2011 and increased slightly from 2011 to 2012. There was a large increase in meters not read for 6-12 months at the end of 2012 but according to MERC's October 7, 2011 Reply Comments in Docket 10-374 and mentioned above, the Company is not obligated to perform monthly meter reads for farm tap customers but does perform one meter read per year for each of these customers. This could be a possible cause of the increased number of long term

unread meters reported in late 2012. The DOC invited MERC to explain in Reply Comments the end-of-year increase in unread meters. Finally, to provide context, the Company reported that the average number of meter reading staff employed by MERC was the same in 2011 and 2012.

MERC Reply: With the warmer than normal weather in 2012, MERC was able to perform the annual farm tap inspections earlier in the year, with the annual readings taken at the time of the inspection. Typically, these inspections are performed throughout the summer. With the readings being done earlier in the year, MERC experienced more accounts having 6-12 month reads. Farm tap accounts provide their own monthly readings with MERC being required to perform an annual read.

3. Involuntary Service Disconnection

Standard: In lieu of reporting data on involuntary service disconnections as contained in Minn. Rules, part 7826.1500, each utility shall reference the data that it submits under Minn. Stat.216B.091 and 216B.096.

MERC: MERC refers to its monthly reports filed with the Commission under Minn. Stat. §§ 216B.091 and 216B.096, and attached to this report as Attachment C. In particular:

1. The number of customers who received disconnection notices is reported in item 20 of MERC's monthly report.
2. The number of customers who sought Cold Weather Rule protection under chapter 7820 is reported in item 3, and the number of customers who sought Cold Weather Rule protection and whose service was disconnected is provided in item 22 of MERC's monthly report.
3. The total number of customers whose service was disconnected involuntarily is provided in item 23 of MERC's monthly report, and the number of customers whose service was disconnected for 24 hours or more is reported in item 34.
4. The number of customer accounts granted a reconnection request are reported in item 6 of MERC's monthly report.

DOC: The Company provided the data in an Attachment to its Report. Through the workgroup process, MERC agreed to include a summary of its Cold Weather Rule reports, included in the Company's Report as Attachment C.

According to MERC's Report, disconnection levels were higher at the beginning of calendar year 2012 than at the end of the year and reached their peak during the spring of 2012 (roughly coinciding with the end of the Cold Weather Rule period). The Company's Report indicated that over 10 percent of total residential accounts were past due for 11 months of the year; at some points, almost 20 percent of total accounts were past due. These figures are improvements over last year's numbers, which were described as typical by the Company in Reply Comments filed June

22, 2012.

The DOC also observed that the number of involuntary disconnections decreased in 2012 and the percentage of accounts restored within 24 hours nearly doubled over the same figures for 2011. The DOC noted the improvements to these metrics over 2011 numbers.

MERC Reply: MERC believes the number of customers with past due accounts is typical. The write-off dollars have continued to decrease in most part because of lower gas costs. MERC has disconnected fewer numbers because of non-payment. Because of fewer disconnects and write-offs, MERC continues to lower its past due accounts and bad debt.

4. Service Extension Request Response Time

Standard: Each utility shall report the service extension request response time data contained in Minn. Rules, part 7826.1600, items A and B., except that data reported under Minn. Stat. 216B.091 and 216B.096, subd.11, is not required.

- a) The number of customers requesting service to a location not previously served by the utility and the intervals between the date service was installed and the later of the in-service date requested by the customer or the date the premises were ready for service; and
- b) The number of customers requesting service to a location previously served by the utility, but not served at the time of the request, and the interval between the date service was installed and the date the premises were ready for service.

MERC: The required information is provided in Attachment E. “New installs” represent new service requests at locations where no gas service exists, either because the location is new construction or because an alternate fuel source has been used there previously. “Existing” installs represent any building that has previously had natural gas service, where the service has previously been disconnected.

In its March 6, 2012, Order Setting Further Reporting Requirements, the Commission also requested utilities to explain the types of extension requests included in the data on service extension request response times for locations previously served and not previously served.

For locations not previously served, new service requests are for service where no gas exists, usually for new construction or an existing customer who requests new service to convert to natural gas. For locations previously served, new service requests consist of requests to turn on service after the service was disconnected at the previous customer’s request. Disconnections for non-payment are not included in MERC’s response.¹

¹ During 2012, MERC had 818 new service extensions, and 8842 service requests for existing locations.

DOC: Based on the DOC's review of these data, it appears that MERC's service extension request response times to new residential customers have decreased to 2010 levels after increasing by an average of over 7 days per request between 2010 and 2011. Response times to commercial service extension requests increased by 11 days from 2011 to 2012 after decreasing by approximately 4 days from 2010 to 2011. The DOC also observed a rather long average wait time of 61 days for commercial requests in April. In its October 7, 2011 Reply Comments in Docket 10-374, the Company stated that the average length of time between request and installation may be artificially high because a builder may request service from MERC many days before the building is ready for gas meter installation. The DOC noted that Minnesota Rule 7826.1600 requires that the response time be measured from when the date service is requested or the date at which the customer is ready to accept service and the date the service was provided. The DOC noted that the Company was able to decrease extension intervals for new residential requests even as the number of requests for new residential installations increased by over 25 from 2012 to 2011. Conversely, commercial new service extension requests decreased from 2011 to 2012 as extension intervals increased over the same period. The DOC recommended that MERC fully explain, in its Reply Comments, why the average commercial installation time increased and why April's average commercial response time was significantly longer than other months in 2012.

MERC Reply: In reviewing these applications, it appears several of these requests, while ready for service, decided to wait until there was not a winter construction charge. The date was not updated which resulted in the appearance of service extensions being delayed.

5. Customer Deposits

Standard: Each utility shall report the customer deposit data contained in Minn. Rules, part 7826.1900.

MERC: Twenty-three customers were required to make deposits in 2012, all due to diversion (theft).

In its March 6, 2012, Order Setting Further Reporting Requirements, the Commission also requested utilities to explain the types of deposits included in the reported number of "required customer deposits." MERC had 23 new deposits in 2012 and all were required from customers because of theft of service. In total, MERC holds 695 deposits, 872 of which were required before 2012.

DOC: The 695 deposits held at the end of 2012 represent 0.003 percent of active meters on the Company's system, and a decrease from the 881 deposits held at the end of 2011. The DOC concluded that the number of deposits held by MERC appears to be reasonable.

6. Customer Complaints

Standard: Each utility shall report the customer complaint data contained in Minn. Rules, part

7826.2000.

MERC: The required information was provided in Attachment G of the Annual Gas Service Quality Report.

DOC: Prior to 2010, the Company did track customer complaints via its own two-tier system. However, the current reporting standard prevents an apples-to-apples comparison of annual complaints before 2010. To facilitate long-term tracking and cross checking of customer complaint data, the utilities participating in the workgroup agreed to begin providing a copy of the May 1 customer complaint report required by Minnesota Rule 7820.0500 in their annual service quality report beginning with the 2012 report. A copy of the May 1, 2012 report was not included in MERC's Report. The DOC requested that the Company provide a copy of the May1 report with its Reply Comments.

MERC reported a total of 1,904 complaints received in 2012. This represents a decrease in total complaints of 636, or 25 percent, from 2011, and a decrease of 1353, or 41 percent, from 2010, the first year the reporting requirement was implemented. In the DOC's June 15, 2012 Comments on the 2011 Annual Service Quality Report, the DOC stated that it would "continue to monitor MERC's customer complaint levels and will bring definitive trends to the attention of the Commission." The DOC sees no evidence of a definitive trend in customer complaint levels at this time but notes the significant decrease in customer complaints in 2012.

The 2012 Annual Service Quality Report is the third Report identifying specific categories of customer complaints. In its Comments on last year's report, the DOC mentioned its concerns regarding the increase in service quality and meter adjustment complaints. In its Reply Comments, the Company explained that additional call center representative training had caused the change by enabling representatives to more accurately catalogue complaints. The top three complaint categories in 2012 were the Collection/Disconnection Issue, Service Quality, and Other categories. Collection/Disconnection Issue and Service Quality were both top three categories in 2011 and both increased from 2011 to 2012. The number of complaints classified under "Bill too High" dropped by over 2,300, to 258 complaints. The DOC recommended that the Company provide, in its Reply Comments, a full explanation of why meter adjustment and service quality complaints increased again between 2011 and 2012. Specifically, MERC should address whether the increase in complaints, in particular service quality, is the result of additional changes in how the Company classifies complaints or whether those complaints are due to operational or other issues.

In terms of resolution time, the percentage of complaints resolved upon initial inquiry fell from 99.7 percent to 89 percent from 2011 to 2012. In 2011, only 10 complaints were not resolved upon initial contact, while in 2012 this number rose to 210. Additionally, the DOC noted that while only 1 complaint in 2011 took longer than 10 days to resolve, 67 complaints went unresolved for more than 10 days in 2012. The DOC requested that the Company provide, in its Reply Comments, a full explanation as to why the percentage of complaints resolved upon initial inquiry decreased from 2011 to 2012. Specifically, the MERC should address whether the decrease in complaints resolved upon initial inquiry is due to changes in the way the Company processes disputes or whether the increase is due to some other issue.

The percentage of complaints resolved by taking customer requested action or reaching a mutually agreeable compromise decreased from 2011 to 2012 from 87 percent to 76 percent. This implies that 24 percent of complaints received in 2012 were either decided to be out of the Company's control or the Company refused to take the action requested. The DOC requested that the Company provide, in Reply Comments, an explanation as to why the rate of complaints resolved by either taking the requested action or reaching a mutually agreeable compromise decreased from 2011 to 2012.

There were 15 complaints forwarded to MERC by the Commission's Consumer Affairs Office (CAO) in 2012. This is 3 more than were forwarded in 2011. The DOC will continue to monitor the number of complaints forwarded to MERC by the CAO for any definitive trends.

MERC Reply: MERC initiated a new customer complaint tracking system late in 2011. Prior to that time, complaints to the Call Center were manually tracked which MERC felt was not as accurate as a more automated process would be. Now the customer service representative needs to complete a pop up window before moving away from the complaint in the system. This consists of indicating whether the call is regarding a complaint and if so, what type of complaint. There is also an automated follow up that requires the customer service representative to provide the required reporting information. MERC does not believe there were any more particular types of complaints in 2012, but rather more accurate reporting.

MERC believes the complaint reporting is now more accurate than in the past and it would be difficult to compare with previous years.

A copy of MERC's May 1, 2012 customer complaint report was included as Attachment A to MERC's reply comments.

7. Gas Emergency Calls

Standard: Each utility shall report the data on telephone answering times to its gas emergency phone line calls.

MERC: The Required information was provided in Attachment H of the Company's annual Gas Service Quality Report.

DOC: According to the information provided by MERC, there were a total of 17,341 emergency phone calls during 2012, averaging approximately 1,445 per month. This represents a decrease in emergency calls of 130 compared with 2011. The average telephone answer time for the year was just 6.8 seconds. Average answer time in November was 9 seconds and average answer times for all other months never exceeded 7 seconds. These results are nearly identical to, but slightly better than, those reported in 2011, which were slightly better than the results reported for 2010. In addition, the Company provides data showing that for all but one month (November at 89.09 percent); it was able to answer over 90 percent of its emergency phone calls in 15 seconds or less.

The DOC appreciates MERC providing these data and hopes that the Company is able to maintain or further improve its emergency phone line response times in 2013.

8. Gas Emergency Response Times

Standard: Each utility shall report data on gas emergency response times and include the percentage of emergencies responded to within one hour and within more than one hour. CenterPoint, IPL, and MERC shall also report the average number of minutes it takes to respond to an emergency.

MERC: The required information is provided in Attachment H of the Company's annual Gas Service quality Report. The gas emergency call response times include all calls reporting a suspected gas leak, as well as all line hits.

In its March 6, 2012, Order Setting Further Reporting Requirements, the Commission also requested utilities to describe the types of gas emergency calls included in their gas emergency response times, as well as the types of emergency calls included in their reports to the Minnesota Office of Pipeline Safety (MOPS). Further, utilities must explain any difference between the reports provided to the Commission and MOPS.

The information provided in Attachment H includes response time for all calls reporting a suspected gas leak and line hits. The information in Attachment H is the same information provided to MOPS.

DOC: The DOC noted that MERC provided emergency response data in service quality reports prior to the 09-409 Order. In these earlier service quality reports, the Company remarked that its internal goal is to respond to 97 percent of emergency calls in less than an hour. Through the Company's participation in the workgroup, MERC agreed to provide data based on this internal gas emergency response goal beginning with the 2012 Report.

Based on information provided by MERC, the DOC noted that the Company was only able to meet its internal goal during September 2012. This is consistent with performance in 2011 and exhibits an improvement over 2010, when MERC failed to achieve the goal during any month. In November 2012, only 76.8 percent of calls were responded to in an hour or less. The DOC noted that this corresponds to a relatively high number of calls received that month, MERC received 880 emergency calls in November, compared to between 404 and 633 calls in every other month of 2012. In a table footnote, MERC explained that the increase in calls in November 2012 was the result of a "propane plant release resulting in over 300 leak calls." MERC responded to 95 percent of calls in less than an hour in 2012, when November data is excluded. This response level is consistent with 2011 performance and exceeds performance reported for 2010.

In terms of absolute emergency response time, the Company reported an annual average response time of 30 minutes, which falls to 28 minutes when outlying November data is excluded. The

28-minute average response time reported by the Company is an increase over the average response time of 27 minutes reported for both 2011 and 2010. On a monthly basis, the DOC noted that the average response times are tightly clustered (again excluding November), with 29 minutes being the longest average response time (on 5 separate occasions) and 27 minutes being the shortest average response time (on 2 occasions). Given MERC's service territory characteristics (e.g., large geographic footprint, low-density), it is not surprising that its average emergency response time would approach 30 minutes. That being said, the DOC has reviewed only three years of data regarding this metric, so it is difficult to determine whether any trends are present or whether the 27-minute average response time is indicative of normal operating conditions; therefore, the DOC does not make any conclusions at this time.

9. Mislocates

Standard: Each utility shall report the data on mislocates, including the number of times a line is damaged due to mismarked or failure to mark a line.

MERC: The required information is provided in Attachment I of the Company's annual Gas Service Quality Report. All of the mislocates noted in Attachment I resulted in a damaged line.

DOC: MERC's Report indicated that there were 24 mislocates in 2012 out of a total of 70,996 locates, resulting in an approximately 0.034 percent mislocate rate. Further, the maximum number of mislocates that occurred in a given month were five, which occurred in August. The number of mislocates in 2012 is higher than the numbers of mislocates, 12 and 21, that were reported in 2011 and 2010, respectively. While the number of mislocates over the past three years appears to be quite low; the data series is too limited to draw any conclusions regarding any performance trend. The DOC requested that MERC continue its efforts to minimize mislocates, and the DOC will continue to monitor this reporting requirement in future service quality reports.

10. Gas System Damage

Standard: Each utility shall report data on the number of gas lines damaged. The damage shall be categorized according to whether it was caused by the utility's employees or contractors, or whether it was due to any other unplanned cause.

MERC: The required information was provided in Attachment J of the Company's annual Gas Service Quality Report.

DOC: For 2012, MERC reported 174 damage events, which represents a decrease of approximately 18 percent in gas line damage incidents. The vast majority of these events, 142 or 81.6 percent, were caused by parties not affiliated with the Company (e.g., homeowners, other contractors). The Company also reported 32 events where gas line damage was caused by a utility employee or contractor. Based on these data, there was slight proportional and numerical increase in the amount of damage incidents caused by company employees or contractors in 2012 compared to 2011, even as the total number of incidents decreased. The DOC is pleased to note that the Company did not report any damage events that were attributable to system issues (e.g.,

random equipment failure). With only two years of data available, the DOC is unable, at this time, to determine a typical annual number of gas line damage incidents but commends MERC for the decrease in damage incidents from 2011 to 2012. The DOC will continue to monitor this metric in future service quality reports and recommends that MERC continue to work to decrease these events during 2013 and into the future.

11. Gas Service Interruptions

Standard: Each utility shall report data on service interruptions. Each interruption shall be categorized according to whether it was caused by the utility's employees or contractors, or whether it was due to any other unplanned cause.

MERC: The required information is provided in Attachment K of the Company's annual Gas Service Quality Report.

DOC:

MERC Service Interruptions per Year

2008	2009	2010	2011	2012
177	174	48	156	153

Based on comparisons with the (limited) historical data available, the DOC concluded that the reported number of service interruptions on MERC's system over the past 5 years shows no discernible trend.

In the categorical break down of the service interruption incidents, MERC reports decreases in interruptions caused by system integrity issues, from 3 in 2011 to 0 in 2012, and in interruptions caused by other parties, from 145 to 136. Service interruptions caused by MERC employees or contractors doubled from 8 incidents in 2011 to 17 in 2012. Even with the increase, service interruptions caused by MERC contractors or employees affected only one hundredth of one percent of MERC customers in 2012. The DOC will continue to monitor this metric for emerging trends in future service quality Reports.

The Commission's March 6 2012 Order in Docket No. G007,011/M-10-374, et. al. required MERC to provide the number of customers affected by a service interruption and the average duration of the interruptions beginning with its 2011 report. Through its participation in the workgroup, MERC indicated that it would calculate total outage time as beginning when the outage is reported and ending when service is restored to the last affected customer. Consequently, as part of its Report, MERC included a spreadsheet with an item-by-item breakdown of each service interruption in 2012. Generally speaking, service interruptions in 2012 involved a single customer and were short in duration. The DOC noted four instances where 10 or more customers were affected by an interruption and seven events that lasted longer than 1,000 minutes. In its Comments on MERC's 2011 Annual Service Quality Report, the DOC defined unusual events as "instances where more than 10 customers were impacted [by an outage] and...events where the

duration of the interruption was greater than 1,000 minutes (i.e., 16.7 hours)” and recommended that MERC provide, in Reply Comments, explanations discussing the cause of each ”unusual” service interruption and why the events impacted several customers or lasted for an extended period of time. The DOC recommended that MERC provide similar explanations for the unusual events reported in the 2012 Annual Service Quality Report.

MERC Reply: Attachment B to the Company’s reply comments provides additional information regarding the twelve “unusual service interruptions” identified, including what caused the service interruption (where known), and why the event impacted several customers or lasted for an extended period of time.

12. MOPS Summaries

Each utility shall report summaries of major events that are immediately reportable to the Minnesota Office of Pipeline Safety (MOPS) according to the criteria used by MOPS to identify reportable events. Each utility shall also provide summaries of all service interruptions caused by system integrity pressure issues. Each summary shall include the following ten items:

- the location;
- when the incident occurred;
- how many customers were affected;
- how the company was made aware of the incident;
- the root cause of the incident;
- the actions taken to fix the problem;
- what actions were taken to contact customers;
- any public relations or media issues;
- whether the customer or the company relighted; and
- the longest any customer was without gas service during the incident.

MERC: The required information is provided in Attachment L of the Company’s annual Gas Service Quality Report.

DOC: The Company began providing this information starting with its 2011 annual report, reporting 2 events, both caused by other parties and affecting 12 and 27 customers. MERC provided this information in an attachment to its Petition.

The Company lists 9 MnOPS reportable events during 2012. Of the 9, 0 were caused by MERC employees or contractors, 1 was caused by a system issue, 5 were caused by other parties, 2 were determined to be non-incidents but were reportable due to building evacuations, and 1 reportable event involved a home being destroyed by an explosion and is still under investigation. Of the MnOPS reportable events, 3 resulted in no customer outages, 4 resulted in one customer experiencing an outage, 1 resulted in two customers experiencing an outage, and 1 resulted in 267

customers experiencing an outage. None of the reportable outages lasted more than 10 hours. The DOC recommended that MERC provide, to the extent it is able, further information regarding the residential explosion that occurred on September 15, 2012 and that the Company continue to provide updates on the status and findings of the investigation.

MERC Reply: The investigation of the incident of September 15, 2012 at 213 Elm Street, Tracy, MN is not complete. Post-incident inspections and testing show that there were no natural gas leaks from jurisdictional piping or equipment.

13. Customer Service Related Operations and Maintenance Expenses

Standard: Each utility shall report customer-service related operations and maintenance expenses. The reports shall include only Minnesota-regulated, customer-service expenses based on the costs recorded in FERC accounts 901 and 903 plus payroll taxes and benefits.

MERC: The required information is provided in Attachment O of the Company's annual Gas Service Quality Report.

DOC: In 2012, MERC reported total service quality related O&M expenses of \$6,409,328, which, on an average basis, translates into approximately \$534,111 of O&M expenses per month. The Company's reported O&M expenses represent a \$46,993, or 0.74 percent, increase over 2011 expenses. This is a much smaller increase than the \$397,545, 6.67 percent increase reported from 2010 to 2011. 2012 is only the third year that these data have been provided; therefore, it is unclear whether the increases are a part of a trend. The DOC will continue to monitor this metric in future service quality reports.

Generally speaking, monthly O&M expenses in 2012 were relatively close to the monthly average with the exception of October, where the Company reports expenses of \$753,406. The amount in this month is noticeably different than in other months in 2012; therefore, the DOC recommended that the Company fully explain, in its Reply Comments, any, and all, reasons associated with these costs being noticeably different than the monthly average.

MERC Reply: In September 2012, MERC booked the performance incentive payout to its third party billing and call center vendor, Vertex. This resulted in an accrual being booked in October which overstated the October O&M. There was a reversal done in November which resulted in that month's O&M being less than other months. When averaging October and November you will note the amounts are similar to the other months.

Staff Analysis

Staff recommends that the Commission accept MERC's filing. It appears that MERC in reply comments addressed all of the issues raised by the DOC. These include:

- The large increase in meters not read for 6-12 months at the end of 2012;
- Why the average commercial installation time increased from 2011 to 2012 and why April's average commercial response time was significantly longer than other months in 2012;
- Why meter adjustment and service quality complaints increased between 2011 and 2012. Specifically, whether the increase in complaints, in particular service quality, resulted from additional changes in how the Company classifies complaints or whether those complaints are due to operational or other issues;
- Why the percentage of complaints resolved upon initial inquiry decreased from 2011 to 2012. Specifically, whether the decrease in complaints resolved upon initial inquiry was due changes in the way the Company processes disputes or whether the increase was due to some other issue;
- A copy of MERC's May 1, 2012 customer complaint report required by Minnesota Rule 7820.0500;
- Explanation of each unusual service interruption, as defined in the Department's comments on the Company's 2011 Service Quality Report; including, what caused the service interruption and why the event impacted several customers or lasted for an extended period of time;
- Explanation of each unusual service interruption, as defined in the Department's comments on the Company's 2011 Service Quality Report; including, what caused the service interruption and why the event impacted several customers or lasted for an extended period of time;
- Further information regarding the residential explosion that occurred on September 15, 2012 and updates on the status and findings of the investigation; and
- Why monthly O&M expenses in October 2012 were noticeably different than the monthly average.

The DOC indicated that the Company's explanations and clarifications are generally satisfactory. However, the DOC recommended that the Commission require MERC to file an update regarding the Tracy residential explosion pending full completion of the investigation. Staff agrees with the DOC and require MERC to provide the information regarding the outcome of the investigation.

Finally, the workgroup appears to have made some progress on ensuring consistency in reporting this service quality data. Staff is interested in further exploring ways of making this data more efficiently reported to the Commission, and overall streamline the process. An example of this might be to put this in a spreadsheet report of all data which will allow for a more graphic presentation.

Commission Options

1. Accept MERC's 2012 Gas Service Quality Report.
2. Do not accept MERC's 2012 Gas Service Quality Report.

Recommendation

Staff recommends that the Commission adopt alternative number 1.