

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
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J. Dennis O'Brien
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of Northern States
Power Company d/b/a Xcel Energy for
Approval of Amendments to its Natural Gas and
Electric Service-Quality Tariffs Originally
Established in Docket No. E,G-002/CI-02-2034

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DOCKET NO. E,G-002/M-12-383

DOCKET NO. E,G-002/CI-02-2034

In the Matter of an Investigation and Audit of
Northern States Power Company's
Service-Quality Reporting

ORDER APPROVING AMENDMENTS
TO SERVICE-QUALITY TARIFF

PROCEDURAL HISTORY

On April 16, 2012, Xcel Energy filed a petition for approval of amendments to its service-quality tariff.¹

Between June 15 and September 20, 2012, the Commission received comments from the Minnesota Department of Commerce (the Department), the Minnesota Office of the Attorney General – Antitrust and Utilities Division (the Attorney General), the Suburban Rate Authority (SRA), and Xcel. The other parties raised several issues regarding Xcel's proposed amendments.

The Commission met on December 6, 2012, to consider the matter. At this meeting, the parties indicated that they were willing to continue their efforts to reach agreement. The Commission ordered the parties to continue their negotiations and report back within 90 days.

On March 27, 2013, Xcel renewed its petition. The Company indicated that it had reached complete agreement with the Department and the Attorney General. Xcel could not agree with the SRA on two outage-credit provisions and brings those issues to the Commission to resolve.

On July 11, 2013, the matter came before the Commission.

¹ Docket No. E,G-002/CI-02-2034.

FINDINGS AND CONCLUSIONS

I. Background

A. Regulatory Background

Minnesota Statutes section 216B.04 requires that every public utility furnish safe, adequate, efficient, and reasonable service. Section 216B.09 gives the Commission authority to set just and reasonable service standards, and section 216B.029 requires the Commission to adopt standards for safety, reliability, and service quality for distribution utilities. Accordingly, the Commission has promulgated service-quality standards in Minnesota Rules chapter 7826 that apply to all regulated Minnesota utilities.

B. Xcel's Service-Quality Plan

Xcel is the only Minnesota utility with its own service-quality plan. The existing plan is the product of a series of negotiations between Xcel and other interested parties, most notably the Department and the Attorney General. Each iteration of the plan has been approved by the Commission and incorporated into Xcel's public tariff sheets.

The Commission approved the first version of Xcel's plan in 1998 following an investigation of Xcel's meter-reading and billing practices.² This plan established performance metrics for meter reading, billing accuracy, and billing timeliness and required per-meter payments if Xcel failed to meet the goals set.

In June 2000, the Commission conditioned the merger of Xcel's predecessor companies on an expanded service-quality plan.³ The updated plan retained the existing meter-reading and billing criteria and added benchmarks for customer complaints, telephone response time, system average interruption duration index (SAIDI), and system average interruption frequency index (SAIFI). It imposed a \$100,000 underperformance payment for each benchmark Xcel failed to meet. And it introduced an outage credit for customers who experienced six or more service interruptions in a single year.

The last major revision of Xcel's service-quality plan occurred in 2004 after a Commission investigation of an Xcel subsidiary's financial difficulties and Xcel's service-quality reporting.⁴ The primary feature of the 2004 plan was significantly increased underperformance payments—ranging from \$1 million to \$2 million per benchmark—that ratcheted up or down each

² *In the Matter of the Petition of the Office of Attorney General for an Investigation of Northern States Power Company's Meter Reading and Billing Practices*, Docket No. E,G-002/CI-97-863, Order Accepting Stipulation and Settlement (March 3, 1998).

³ *In the Matter of the Application of Northern States Power Company for Approval to Merge with New Century Energies, Inc.*, Docket No. E,G-002/PA-99-1031, Order Approving Merger, as Conditioned (June 12, 2000).

⁴ *In the Matter of an Investigation and Audit of Northern States Power Company's Service Quality Reporting*, Docket No. E,G-002/CI-02-2034, Order Approving Service Quality Tariff as Modified (September 17, 2004).

year depending on whether Xcel met its benchmarks the year before. Xcel's total yearly liability was capped at \$30 million, and individual payments could not ratchet below \$500,000.

The 2004 plan contemplated that the parties would renegotiate Xcel's service-quality plan by 2008 but provided that the current standards would remain in place until a new plan was negotiated.

II. Xcel's Proposal – Undisputed Items

Xcel's proposed plan aligns the benchmarks with the Company's historical performance and replaces the ratcheting payment structure with a fixed \$1 million underperformance payment for each benchmark. The following changes are supported by all parties:

Customer complaints. Currently, Xcel must achieve 450 or fewer complaints per year to avoid an underperformance payment. The proposed plan sets a new standard of 0.2059 or fewer complaints per 1,000 customers. This figure is 1.5 standard deviations from Xcel's seven-year average and effectively raises the existing standard.⁵

Telephone response. Xcel proposes to retain the existing standard of 80 percent or more of customer calls answered in 20 seconds or less. Xcel states that it kept this standard because Minnesota Rules part 7826.1200 requires all utilities to answer 80 percent of the calls to their offices during regular business hours within 20 seconds.

SAIDI and SAIFI. The proposed plan relaxes the SAIDI benchmark from 98 minutes to 133.23 minutes, and SAIFI from 1.0 to 1.21 outages, excluding storm days but including outages caused by public damage. These figures are 1.5 standard deviations from Xcel's seven-year average. Xcel expects its SAIDI and SAIFI results to increase due to the inclusion of outages caused by public damage and a change in the method of determining storm days.

Gas emergency response. The proposed plan relaxes the gas emergency response benchmark from 56 minutes to 60 minutes. Xcel states that the Minnesota Office of Pipeline Safety requires utilities to respond to the highest-priority gas emergencies within 60 minutes. Xcel proposes to apply this standard to all gas emergencies.

Billing accuracy and timeliness. Xcel's proposal eliminates the existing meter-reading benchmark and replaces it with two new billing metrics: invoice accuracy and invoice-adjustment timeliness. The parties agree that a meter-reading benchmark is no longer necessary due to automated meter reading. The new benchmarks are 98.7 or greater percent invoice accuracy and 2.14 or fewer billing periods to adjust invoices. Both of these figures are three standard deviations from the Company's five-year average.

⁵ For example, based on the size of Xcel's customer base in 2011, 0.2059 complaints per 1,000 customers would have been equivalent to 342 complaints.

Underperformance payments. The proposed plan sets a flat underperformance payment of \$1 million for each of the above benchmarks. Because Xcel has met its benchmarks consistently for the past seven years, all of its payments are currently ratcheted down to the \$500,000 minimum. Thus, the plan effectively increases Xcel’s potential payments by \$500,000 each.

III. Xcel’s Proposal – Disputed Items

A. Municipal Pumping Outage Credits

The existing service-quality plan requires Xcel to pay a \$200 per-outage credit to municipal pumping customers for outages “of any duration.” However, Xcel states that its system cannot consistently track outages shorter than five minutes.⁶ Thus, it has only been providing credits for pumping outages that last longer than five minutes.

Xcel acknowledges that it is currently out of compliance with the way its tariff is written and agrees to pay credits for all outages that its system has captured since the current tariff’s effective date. However, it proposes to exclude outages of five minutes or less from counting toward credits in the future.

The SRA opposes Xcel’s proposal to disregard pumping outages of five minutes or less. It points out that municipal pumping customers incur out-of-pocket costs for even momentary outages. As a compromise, it recommends that outages of one minute or less be disregarded for the purpose of the pumping outage credit.

B. Consecutive-Year Outage Credits

Xcel’s proposed plan provides a credit to customers who experience multiple outages in consecutive years. This consecutive-year outage credit is available only to customers who have qualified for a single-year outage credit after experiencing a 24-hour outage or six or more outages in one year:

Consecutive Year Outages

The credits below shall take effect after a customer has qualified for the Single Year Outage Credit. This subsection shall not apply to municipal pumping customers.

\$75 annual credit to individual customers if they experience five (5) or more Interruptions in the consecutive year immediately following the year they received a Single Year Outage Credit.

\$100 annual credit to individual customers if they experience four (4) or more Interruptions in the third consecutive year immediately following the year they received a Single Year Outage Credit, and the year they received the \$75 annual credit for five (5) or more Interruptions.

⁶ Xcel estimates that it has momentary-outage data for 70 percent of its municipal pumping customers.

\$150 annual credit to individual customers if they experience four (4) or more Interruptions in any consecutive year immediately following the year they received a Single Year Outage Credit, the year they received the \$75 annual credit for five (5) or more Interruptions, and the third year they received the \$100 annual credit for four (4) or more Interruptions.

The SRA argues that Xcel's formula is too restrictive, and it proposes an alternative provision. The SRA's provision eliminates the requirement that a customer first earn a single-year outage credit to qualify for a consecutive-year credit:

Consecutive Year Outages

The credits below shall be in addition to Single Year Outage credits. This subsection shall not apply to municipal pumping customers.

\$75 to a customer after the second year if the customer experiences five (5) or more Interruptions in two consecutive years.

\$100 to a customer after the third year if the customer experiences four (4) or more Interruptions for three (3) consecutive years.

\$125 to a customer after the fourth year, and after each consecutive year thereafter, if the customer experiences four (4) or more Interruptions for four (4) or more consecutive years.

Xcel opposes the SRA's proposal, arguing that it is confusing and administratively burdensome.

IV. Commission Action

The Commission concurs with the parties that Xcel's proposed plan is an appropriate tool for addressing service quality. The new standards are based on Xcel's performance over the last seven years, during which time the Company met or exceeded the benchmarks set for it. Combined with increased underperformance payments, these new benchmarks can be expected to maintain satisfactory service quality, without penalizing Xcel for occasional fluctuations in its performance. The Commission will therefore approve Xcel's proposed amendments, with the exception of the disputed outage-credit provisions.

The Commission agrees with the SRA that Xcel's consecutive-year outage credit provision does not go far enough to address the problem of repeated multi-outage years. Under Xcel's proposal, for example, a customer who experiences five unexcused outages per year for five consecutive years would receive no credits. Yet that scenario would represent an unacceptable level of service. The SRA's proposal provides a remedy in this and similar situations by removing the prerequisite of a single-year outage credit. The Commission will therefore approve the SRA's proposed amendment.

The Commission also concurs with the SRA that Xcel's plan should provide a credit for at least some municipal pumping outages shorter than five minutes. The SRA offered unrebutted testimony in a recent Xcel rate case⁷ that cities incur a minimum out-of-pocket cost of \$200 for even a momentary pumping outage. When an outage occurs, cities must act immediately to supply backup power and prevent sewer backups.

The SRA's proposal to disregard outages of one minute or less is a reasonable compromise. It reflects the fact that cities incur out-of-pocket costs for outages shorter than five minutes while excusing Xcel from paying for outages that amount to little more than a "blink." Xcel argues that its system cannot track every outage shorter than five minutes. However, outage data can be provided by the affected cities where necessary. For the foregoing reasons, the Commission will approve the SRA's proposed municipal-pumping outage credit.

The Commission appreciates Xcel's candor in acknowledging that it is not currently in compliance with this provision of its tariff. The Commission will require Xcel to remedy this situation by crediting \$200 to municipal pumping customers for each unexcused outage since April 1, 2010, the current tariff's effective date.

Finally, to get a clearer picture of the practical effect of the pumping outage credit, the Commission will amend Xcel's service-quality tariff to require Xcel to provide data on municipal pumping outages in its annual service-quality filing.

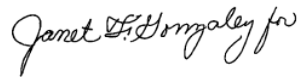
ORDER

1. The Commission hereby approves Xcel's proposed amendments to the following sections of its service-quality tariff:
 - Subsection A. Definitions;
 - Subsection B. Under Performance Payments;
 - Subsection C. Under Performance Payment Disbursement;
 - Subsection D. Reporting Requirements;
 - Subsection E.1. Customer Complaints;
 - Subsection E.2. Telephone Response Time;
 - Subsection E.3. SAIDI;
 - Subsection E.4. SAIFI;
 - Subsection E.5. Natural Gas Emergency Response;
 - Subsection E.7. Accurate Invoices; and
 - Subsection E.8. Invoice Adjustment Timeliness.

⁷ Docket No. E-002/GR-08-1065.

2. The Commission hereby approves the SRA's proposed amendments to Subsection E.6 of Xcel's service-quality tariff.
3. Xcel shall credit \$200 to municipal pumping customers for each unexcused outage since April 1, 2010, that was not previously credited.
4. The Commission hereby amends Subsection D of Xcel's service-quality tariff by adding the following language to the list of required additional reporting:
 - The report shall include data on municipal pumping outages. The Company shall work with the Department and Commission staff to ensure that the information included will assist the Commission's decision making.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION



Burl W. Haar
Executive Secretary



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