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July 8, 2013

VIA ELECTRONIC FILING

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

Re: Minnesota Energy Resources Corporation's (MERC's) 2012 Annual Service
Quality Report (Report)
Docket No. G007, 011/M-13-355
Reply Comments

Dear Dr. Haar:

On June 27, 2013, the Department of Commerce, Division of Energy Resources filed Comments recommending that the Minnesota Public Utilities Commission (Commission) accept MERC's Report pending the provision of additional information in MERC's Reply Comments. The specific information the Department requested is provided in detail in the following pages.

Thank you for your attention to this matter.

Sincerely yours,

/s/ Michael J. Ahern

Michael J. Ahern

STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
J. Dennis O'Brien
David C. Boyd
Nancy Lange
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Review of
Minnesota Energy Resources
Corporation's (MERC's) 2012
Annual Service Quality Report

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

REPLY COMMENTS OF MINNESOTA ENERGY RESOURCES CORPORATION

Minnesota Energy Resources Corporation (MERC) submits the attached Reply Comments in response to the June 27, 2013, Minnesota Department of Commerce, Division of Energy Resources (Department) Comments in this docket. In its Comments, the Department recommended that MERC provide additional information in its Reply Comments, specifically:

- A. an explanation for the large increase in meters not read for 6-12 months at the end of 2012;
- B. an explanation detailing 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;
- C. a full explanation of why meter adjustment and service quality complaints increased between 2011 and 2012. Specifically, MERC should address 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;
- D. a full explanation as to why the percentage of complaints resolved upon initial inquiry decreased from 2011 to 2012. Specifically, MERC should address 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;

- E. a copy of MERC's May 1, 2012 customer complaint report required by Minnesota Rule 7820.0500
- F. a detailed 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;
- G. further information regarding the residential explosion that occurred on September 15, 2012 and updates on the status and findings of the investigation;
- H. an explanation detailing why monthly O&M expenses in October 2012 were noticeably different than the monthly average.

Below, MERC discusses the additional information requested by the Department.

A. The large increase in meters not read for 6-12 months at the end of 2012

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.

B. 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

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.

C. 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

MERC initiated a new customer complaint tracking system late in 2011. Prior to that time, complaints to the Call Center were manually tracked and MERC felt not as accurate as a more automated process. Now the customer service representative needs to complete a pop up window before moving 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.

D. 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

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

E. A copy of MERC's May 1, 2012 customer complaint report required by Minnesota Rule 7820.0500

A copy of MERC's May 1, 2012 customer complaint report is attached (Attachment A).

F. 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

Attachment B to these 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.

G. Further information regarding the residential explosion that occurred on September 15, 2012 and updates on the status and findings of the investigation

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.

H. Why monthly O&M expenses in October 2012 were noticeably different than the monthly average

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.

DATED this 8th day of July, 2013.

Respectfully submitted,
DORSEY & WHITNEY LLP

/s/ Michael J. Ahern
Michael J. Ahern
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(612) 340-2881

Attorney for Minnesota Energy
Resources Corporation

Attachment A

Attachment A



Minnesota Public Utilities Commission

Consumer Affairs Office
121 7th Place East #350
St. Paul, MN 55101-2147

ANNUAL SUMMARY OF CUSTOMER COMPLAINTS

For Year End 2012

Due May 1st

Docket 377

In accordance with MINN. Reg. PSC 284

Name of Utility: Minnesota Energy Resources

Address: 2665 145TH STREET WEST, ROSEMOUNT, MN

Prepared By: Nancy Lilienthal Phone: 651-322-8902

NUMBER OF DISCONNECTS
FOR NON-PAYMENT
(By Month)

	Residential			Commercial/Industrial			Interruptible		
	Number Received	Number Resolved	Number Unresolved	Number Received	Number Resolved	Number Unresolved	Number Received	Number Resolved	Number Unresolved
I. Complaint Type									
A. Service	1040	1040		51	51				
B. Billing	199	199		20	20				
C. Rates	280	280		21	21				
D. Rules	224	224		29	29				
TOTAL COMPLAINTS	1743	1743	0	121	121	0	0	0	0

	1	2	3
JAN	73	17	
FEB	181	15	
MAR	383	44	
APR	632	78	
MAY	1688	70	
JUNE	1536	71	
JULY	1477	30	
AUG	594	18	
SEPT	270	7	
OCT	169	16	
NOV	13	3	
DEC	13	8	
TOTAL	7,029	377	0

	Residential	Commercial/Industrial	Interruptible
II. A. Number of Disconnections for Nonpayment	7,029	377	0
B. Number of Escrow Forms Filed (per PSC Rule 302G)	0	0	0
III. A. Total Number of Customers (year end)	191,448	21,331	461
B. Number of Customer's Added During Year	965	-29	-47

1. Residential
2. Commercial/Industrial
3. Interruptible

Attachment B

Attachment B—Unusual Service Interruptions

Date	Address	Cause (System issue, MERC employee/contractor, or other)	Number of customers affected	Outage Duration	Cause of unusual service interruption; explanation of length and number of customers affected
1/7/2012	120 N Dugan Welcome	Other	1	1200	An individual hit a meter set with his car, causing damage and a leak. The service interruption occurred on a Saturday night. The business affected was closed over the weekend and a crew repaired it the next business day.
4/30/2012	310 Brown St Jackson	Other	1	1311	A third party-contractor was using a boring machine, pulling back pipe. Contactor did not verify the depth of the boring machine reamer and struck the underside of a service line, forcing the pipe upward and breaking the pipe at the threaded connection. The service interruption occurred at approximately 9pm. The area was made safe and a repair crew repaired the following day.
4/30/2012	50940 Miller Highway Hermantown	Other	100	540	On April 30, 2012 a contractor working on a sewer project hit a service tee on a 2 inch PE main breaking the service tee off the main and allowing gas to blow. The main was squeezed off upstream of the damage, resulting in an interruption of natural gas service to one hundred customers. After repairs were completed the main was placed back in-service and service restored to the impacted customers.
7/2/2012	111 Benjamin Jackson	Other	3	1140	An unknown service line was hit during third party contractor boring. The service line was not on maps and the meter inside the home had not been in service for years. The service interruption occurred at

					approximately 4pm. The area was evacuated and made safe by 9pm and a repair crew restored service the following morning.
7/9/2012	418 Weaver St Welcome	Other	9	1020	A contractor was installing sewer and water north of a gas main and service tee. As the contractor was completing work for the day, he smelled gas and notified the fire department and MERC. It was discovered there was a leak from the service tee. The service interruption occurred around 7 pm. A construction crew made the area safe and completed repairs to the tee and services the next day.
7/12/2012	1156 River Rd Windom	Other	1	1200	A service line was pulled out because it was not supported during installation of a water line. The service interruption occurred at approximately 4pm. The area was made safe and repairs were made the next day.
7/24/2012	1208 River Rd Windom	Other	2	1020	A service line was pulled while a new water main was being installed. The root cause was determined to be a failure to hand dig while excavating the area. The service interruption occurred at approximately 4pm. The area was made safe and repairs were made the next day.
8/8/2012	1408 Pahama Ct Rochester	Other	14	240	Contractor severed dead end main resulting in service being lost to 14 customers.
8/24/2012	Golf Course and Horseshoe Rd Cloquet	Other	74	245	On August 21, 2012 a contractor working on a road rebuild project hit a 2 inch PE main. In order to safely repair the damage, the main was squeezed off. Seventy-four customers downstream of the squeeze

					point were impacted by a natural gas service interruption. Service to impacted customers was restored after repairs were completed on the damaged main.
9/8/2012	218 N Chatfield St Dover	Other	267	390	Contractor severed main feed serving Dover, requiring turning gas off to the town. The contractor was determined to be at fault.
9/14/2012	2nd St & 9th Ave Rochester	Other	19	45	Contractor severed dead end main resulting in service being lost to 19 customers.
9/27/2012	908 Milwaukee Lakefield	Other	1	1080	Operator for GM Contracting pulled the service line from the main while digging in sewer lines. Service interruption occurred at approximately 3pm. Temporary repairs were made on September 27 and service line and main repair was completed on September 28.

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

Kristin M. Stastny hereby certifies that on the 8th day of July, 2013, on behalf of Minnesota Energy Resources Corporation (MERC) she electronically filed a true and correct copy of these 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.

/s/ Kristin M. Stastny
Kristin M. Stastny

Subscribed and sworn to before me
This 8th Day of July, 2013.

/s/ Alice Jaworski
Notary Public, State of Minnesota

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