

December 7, 2018

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G008/M-18-312

Dear Mr. Wolf:

Attached please find the Department's Response Comments to CenterPoint Energy Resources Corp. (CenterPoint or the Company) reply comments filed on June 25, July 23 and October 22, 2018.

Based on the review of the above-listed Reply Comments, the Department recommends that the Commission accept the Company's *2017 Annual Service Quality Report (2017 Report)*.

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

Sincerely,

/s/ SAMIR OUANES
Public Utilities Rates Analyst

SO/ja
Attachment



Before the Minnesota Public Utilities Commission

Response Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G008/M-18-312

I. BACKGROUND

On May 1, 2018, CenterPoint Energy Resources Corp. (CenterPoint or the Company) filed its 2017 *Annual Service Quality Report* (2017 Report).

On June 15, 2018, the Minnesota Department of Commerce, Division of Energy Resources (the Department or DOC) filed its comments (Comments) with the Minnesota Public Utilities Commission (Commission). The Department recommended that the Commission accept the 2017 Report pending CenterPoint's providing in Reply Comments:

- the reasons for the increase in CenterPoint-controlled damage incidents and the steps the Company can/will take to improve this metric in the future (in addition to working "with the Minnesota Office of Pipeline Safety [MNOPS] and Gopher State One Call to help reduce these types of damages"); and
- if not already provided separately to the Commission, a summary of the Minnesota Occupational Safety and Health Administration findings and recommendations related to the Minnehaha Academy incident, as well as the MNOPS response to CenterPoint's challenge of the imposed fines.

On June 25, 2018, the Company filed its Reply Comments, including the restated Schedule 9 (Gas Damages) filings for years 2016 and 2017, the identification of corrections to Schedule 3 (Minnesota Cold Weather Rule) and a summary of the Minnesota Occupational Safety and Health Administration findings and recommendations related to the Minnehaha Academy incident.

On July 23, 2018, CenterPoint filed supplemental reply comments, including corrections to Schedule 3 (Minnesota Cold Weather Rule).

On October 22, 2018, the Company filed a letter correcting the restated Schedule 9 (Gas Damages) filings for years 2016 and 2017.

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Based on the review of the above-referenced Reply Comments and follow-up discovery from the Department, the Department's Response Comments contain a revised Table 4 (subsequent to CenterPoint's corrections to Schedule 3) and a revised Table 13 (subsequent to CenterPoint's corrections to Schedule 9) from our initial Comments.

The Department recommends that the Commission accept the 2017 Report.

II. CENTERPOINT-CONTROLLED DAMAGE INCIDENTS

A. BACKGROUND

As discussed in the Comments and illustrated in the original Table 13 below, the Department noted that the number of gas line damage incidents under the control of CenterPoint employees and contractors increased by 25 percent between 2016 and 2017.

Table 13¹ below provides current year and historical information regarding gas line damages.

Table 13: Gas Line Damage Incidents

	Damage by CPE	Damage by Others	Total	Miles of Line	Damage/100 Line Miles
2010	89	593	682	24,642	2.77
2011	155	604	759	24,733	3.07
2012	166	670	836	24,819	3.37
2013	124	539	663	24,874	2.67
2014	152	635	787	25,394	3.10
2015	192	730	922	25,427	3.63
2016 ²	148	770	918	25,755	3.56
2017	196	739	935	25,911	3.61

As a result, the Department recommended that CenterPoint provide in reply comments the reasons for the increase in CenterPoint-controlled damage incidents and the steps the Company can/will take to improve this metric in the future (in addition to working "with the

¹ In these Response Comments, the Department maintains the table numbering from our June 15, 2018 initial Comments.

² CenterPoint's revised 2016 damage data was included in the Department's January 24, 2018 response comments at 3 in Docket No. G008/M-17-342.

Minnesota Office of Pipeline Safety and Gopher State One Call to help reduce these types of damages”).

B. DEPARTMENT ANALYSIS

The Company stated in its June 25, 2018 Reply Comments that “[t]he increase in reported “Damage under the control of CenterPoint Energy’s employees/contractors” from 148 in 2016 to 196 in 2017 is due to a change in tracking methodology and is not due to an actual increase in the number of damages:”

The Company investigates every damage incident. The data in Schedule 9 of the 2016 Service Quality report was based on the date the damage was invoiced (which was also the date the investigation was considered completed). However, to improve the tracking of damage trends, the Company began investigating and reporting damage incidents in the month the damage occurred (“event date”) rather than in the month in which the damage investigation was invoiced/completed. Thus, all damages that occurred in a single year would be counted in that same year. Since this reporting methodology change occurred in 2017, the 2017 Schedule 9 data is not directly comparable to the 2016 Schedule 9 data.

These timing issues (invoicing/completion date versus event date) in counting gas system damages resulted in what appeared to be a 30% increase, when, in fact, damage occurrences actually remained flat year-over-year.

...

We are attaching *restated* Schedule 9 files for Years 2016 and 2017, which now report damages by event date.

The Company is also taking several steps to address gas system damages.

For 2018, we developed a report which identifies trends prior to an actual damage taking place (“near miss” tracking). This report provides information such as field trends and the details of the near miss (including employee name, excavator name, cause, etc.). Another new report identifies at-fault damages specific to the individual locator. If we identify a trend (i.e., two to three near

misses or damages--specific to a locator), we may specify to the locating company that a particular locator should not be working on our gas plant. The Company also has the ability to reduce or move locate area responsibility (based on performance). These reports allow us to implement damage prevention measures in a timelier manner.

Following discovery from the Department requesting CenterPoint to provide restated Schedule 9 files for the historical 2010-2015 period in order to ensure comparable data, the Company discovered that the restated schedules provided in its June 25, 2018 Reply Comments did not include the counts of above ground damages. As a result, CenterPoint filed on October 22, 2018 corrected restated Schedule 9 filings for 2016 and 2017 and sent the restated Schedule 9 files for the 2010-2015 period to the Department. The corrected restated Schedule 9 files for the 2010-2017 period are summarized under the corrected Table 13 below.

Corrected Table 13: Gas Line Damage Incidents

	Damage by CPE	Damage by Others	Total	Miles of Line	Damage/100 Line Miles
2010	93	601	694	24,642	2.82
2011	93	667	760	24,733	3.07
2012	152	681	833	24,819	3.36
2013	124	538	662	24,874	2.66
2014	162	629	791	25,394	3.11
2015	195	738	933	25,427	3.67
2016	190	722	912	25,755	3.54
2017	190	740	930	25,911	3.59

The Department appreciates CenterPoint's clarification in response to discovery that "[a]s part of an upcoming change in which group will prepare these reports within the Company, we will be instituting additional controls and validations to ensure the data provided to the Commission is accurate for future reports."

III. MINNEHAHA ACADEMY

A. BACKGROUND

The Company provided the following update regarding one particular MNOPS reportable event - the Minnehaha Academy incident:³

³ Source: 2017 Report at 11.

On August 2, 2017, a natural gas explosion occurred at the Minnehaha Academy in Minneapolis, Minnesota, resulting in the deaths of two school employees, serious injuries in others and significant property damage to the school. Certain CenterPoint Energy affiliates, including CERC (CenterPoint Energy Resources Corporation), as well as the contractor company working in the school have been named in litigation arising out of this incident. Additionally, CenterPoint Energy is cooperating with the ongoing investigation conducted by the National Transportation Safety Board (NTSB). Further, CenterPoint Energy is contesting approximately \$200,000 in fines imposed by the Minnesota Office of Pipeline Safety. In early 2018, the Minnesota Occupational Safety and Health Administration concluded its investigation without any adverse findings against CenterPoint Energy. CenterPoint Energy's general and excess liability insurance policies provide coverage for third party bodily injury and property damage claims.

As of the date of this filing, the Company does not have additional information as to when the investigation by the NTSB will be complete.

As discussed in the Comments, the Department requested that the Company provide in reply comments a summary of the Minnesota Occupational Safety and Health Administration (MNOSHA) findings and recommendations related to the Minnehaha Academy incident, as well as the MNOPS response to CenterPoint's challenge of the imposed fines.

B. DEPARTMENT ANALYSIS

The Company stated in its June 25, 2018 reply comments that it received a January 12, 2018 letter from the Minnesota Department of Labor & Industry confirming that MNOSHA conducted an inspection of the facility on August 3, 2017 and that the inspection resulted in no proposed citations.

The letter also included copies of a Citation and Notification of Penalty issued to the contractor who performed work at Minnehaha Academy, Master Mechanical Inc. The Citation included two penalties of \$25,000 each as the contractor "did not ensure that employees were adequately trained and did not eliminate the pneumatic pressure and lockout the existing piping located in the meter room prior to disconnecting."

Finally, CenterPoint stated that it is still working with MNOPS on the open issue of the imposed fines.

The Department appreciates the updated information provided by the Company.

IV. MINNESOTA COLD WEATHER RULE

The original Table 4 of the Department's initial Comments summarized the Company's involuntary disconnection data that CenterPoint reports under Minn. Stat. §§ 216B.091 and 216B.096 in Docket No. E,G999/PR-17-02:

Table 4: Involuntary Service Disconnects

	Disconnect Notices Sent	# of CWR Requests	CWR Requests Granted	% CWR Granted	Involuntary Disconnects ⁴	% Restored in 24 hrs.
2010	152,317	75,818	75,818	100.0%	26,773	87.08%
2011	206,533	72,944	72,944	100.0%	23,022	85.43%
2012	239,378	61,062	59,478	97.4%	26,573	78.75%
2013	306,515	60,413	58,414	96.7%	30,347	82.50%
2014	327,527	58,085	57,122	98.3%	21,064	83.11%
2015	274,007	40,088	39,530	98.6%	32,809	83.60%
2016	261,852	61,758	61,128	99.0%	33,327	82.51%
2017	271,919	24,363	23,412	96.1%	30,877	79.99%

However, the Company identified and corrected several data related to the Cold Weather Rule (CWR) in its July 23, 2018 supplemental reply comments.

As a result, the Department provides the revised Table 4 below.

⁴ Number of customer accounts disconnected for nonpayment.

Revised Table 4: Involuntary Service Disconnects⁵

	Disconnect Notices Sent	# of CWR Requests	CWR Requests Granted	% CWR Granted	Involuntary Disconnects ⁶	% Restored in 24 hrs.
2010	152,317	75,818	75,818	100.0%	26,773	87.08%
2011	206,533	72,944	72,944	100.0%	23,022	85.43%
2012	239,378	61,062	59,478	97.4%	26,573	78.75%
2013	306,515	60,413	58,414	96.7%	30,347	82.50%
2014	327,527	58,085	57,122	98.3%	21,064	83.11%
2015	274,007	40,088	39,530	98.6%	32,809	83.60%
2016	261,852	88,518*	87,573*	98.9%*	33,327	82.51%
2017	271,919	33,753*	32,536*	96.4%*	30,877	79.99%

V. DEPARTMENT RECOMMENDATION

The Department recommends that the Commission accept CenterPoint's 2017 Annual Service Quality Report as subsequently supplemented and revised.

/ja

⁵ Starred data indicate revised data per CPE's July 23, 2018 revised Schedule 3 in Docket No. G008/M-18-312. Following discovery from the Department, CPE stated that the period of December 2010 through Year 2015 did not contain the payment arrangement error that required correction of Schedule 3 (Minnesota Cold Weather Rule Compliance Questionnaire). However, the detailed data supporting the January through April and October through November 2010 reports is no longer available.

⁶ Number of customer accounts disconnected for nonpayment.

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. G008/M-18-312

Dated this 7th day of December 2018

/s/Sharon Ferguson

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