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August 10, 2015

**VIA E-FILING**

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

Re: In the Matter of Minnesota Power's 2015 Annual Report  
Concerning Safety, Reliability and Service Quality,  
And Proposed Annual Reliability Standards  
Docket No. E015/M-15-323

Dear Mr. Wolf:

Minnesota Power hereby submits, via electronic filing, its Reply Comments in response to the Department of Commerce, Division of Energy Resources July, 31 2015 Comments in the docket.

Please contact me at the number above if you have any questions regarding this filing.

Yours truly,

A handwritten signature in cursive script that reads "Lori Hoyum".

Lori Hoyum

Attachment  
cc: Service List

**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

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In the Matter of Minnesota Power's 2015 Annual Report  
Concerning Safety, Reliability, Service Quality,  
And Proposed Annual Reliability Standards

Docket No. E015/M-15-323

**REPLY COMMENTS**

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**I. INTRODUCTION**

The Department of Commerce, Division of Energy Resources ("the Department") released its Comments on Minnesota Power's (or, "the Company") 2014 Safety, Reliability and Service Quality Report ("Report") on July, 31 2015. The following Reply Comments address the Department's inquiries related to the Report.

**II. RESPONSE TO COMMENTS**

The following items encompass Minnesota Power's responses to the Department's inquiries from its July 31, 2015 Comments in the docket.

1. Further discussion on its reporting of instances exceeding the ANSI standard, including whether MP will restate 2014 data in its next service quality report.

In its Comments on the Company's reporting for Minnesota Rule 7826.0500<sup>1</sup>, the Department stated - "*From this discussion, it is unclear whether there were additional instances where voltage exceeded the ANSI standards than were reported here, or whether the incidents reported here were false positives.*"

Upon review of the Company's procedures for collecting the ANSI voltage data within its Outage Management System ("OMS"), it was deemed that the reported instances of voltage

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<sup>1</sup> Data on all known instances in which nominal electric service voltages on the utility's side of the meter did not meet the standards of the American National Standards Institute for nominal system voltages greater or less than voltage range B.

outside of ANSI C84.1 Range B was higher than the actual number of instances which occurred. This inaccuracy occurred in part due to a rapid turnover of staff and a gap in the transfer of knowledge regarding the process by which the voltage incidents are verified. Minnesota Power is currently reviewing the collection process and procedures with staff responsible for entering the information into the OMS database to ensure that the query for subsequent Reports reflects a more tightly controlled process for data entry into the system. At this juncture, the Company will likely not alter the previously reported 2014 results.

2. A discussion on what is, or may be, causing the decline in restoring involuntarily disconnected customers within 24 hours.

In its Comments on the Company’s reporting for Minnesota Rule 7826.1500<sup>2</sup>, the Department stated - *“The Department notes that the proportion of customers restored within 24 hours of being involuntarily disconnected declined in 2013 and even further in 2014.2 In years prior to 2013, the number of customers restored within 24 hours was approximately 50 percent.”*

**Table 6: Residential Customer Involuntary Disconnection Information**

	Received Disconnect Notice	Sought CWR Protection	% Granted	Disconnected Involuntarily	Restored within 24 Hours	Restored by Entering Payment Plan
2005	24,181	461	85%	2,279	1,288	64
2006	25,745	703	81%	2,315	1,219	83
2007	29,223	920	94%	3,038	1,501	171
2008	33,889	1,746	100%	3,293	1,774	204
2009	33,129	1,429	100%	3,229	1,723	311
2010	35,526	1,698	100%	2,853	1,481	297
2011	37,647	3,465	99%	3,009	1,804	331
2012	37,837	3,227	99.8%	3,518	1,828	569
2013	40,451	2,617	99.8%	3,171	1,122	576
2014	35,796	2,852	100%	3,257	799	443

Minnesota Power cannot definitively pinpoint the cause for the increase of time restoring involuntarily disconnected customers. The increase may be due to an extended length of time needed for the customer to collect the necessary funds to establish reconnection. Minnesota Power fully complies with all Minnesota Cold Weather Rule<sup>3</sup> mandates and strives to seek resolution of payments first and foremost with involuntary disconnection of customers being a

<sup>2</sup> The annual service quality report must include a detailed report on involuntary disconnections of service, including, for each customer class and each calendar month:

<sup>3</sup> Minnesota State Statute 216B.096

last resort for non-payment. Once the customer pays their balance in full or an agency verifies funds for the account, Minnesota Power reconnects service. If the account has been disconnected for more than three days, the Company will reconnect the customer within the next 24 hours.

### 3. Additional discussion regarding the refund of customer deposits in 2014.

In its Comments on the Company's reporting for Minnesota Rule 7826.1900<sup>4</sup>, the Department stated - *"Specifically, the Company should discuss why it decided to refund all of the currently-held deposits and whether MP anticipates collecting deposits again. If the Company anticipates it will again collect deposits, MP should indicate whether the Company will re-collect deposits that were held before the 2014 refunds, or whether the Company will only require deposits on accounts going forward."*

The 337 customer deposits refunded in 2014 represent less than one quarter of one percent (.0249%) of Minnesota Power's Residential and Commercial average customer base for year 2014. The Company's decision to refund all customer deposits was based on the age of the deposits, the customer's credit scores, and the implementation of the Company's updated customer information system ("CIS"). The new CIS would have required the manual input of all deposits. The significant age of the deposits on record, and the manual labor needed to continue maintaining those deposits within the updated CIS, along with the fact that credit scores were not a concern, created a scenario where refunding the deposits made the most sense for both the Company and its customers.

In the future, Minnesota Power reserves the right to collect deposits dependent upon its evolving business environment and its customer's credit ratings. Any new deposits required will be on a forward basis only; it is not the Company's intent to recollect deposits which have been refunded, but there may be circumstances where a customer who previously had a deposit may be required to pay another deposit due to factors such as the development of a poor credit score.

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<sup>4</sup> The annual service quality report must include the number of customers who were required to make a deposit as a condition of receiving service.

4. A discussion on how the Company calculates its estimated bills and whether any part of the process needs to be addressed to reduce the potential for “catch up” billings during the heating season.

In its Comments on the Company’s reporting for Minnesota Rule 7826.2000<sup>5</sup>, the Department stated - *“The increase appears to be largely due to a sharp rise in “high bill” complaints in January and February 2014. In its 2015 Report, MP stated that the 2013-2014 winter was harsher than normal, causing increased estimated billings for November and December 2013. MP further stated that the result of more estimated meter readings was that some customers had large “catch up” billings in January and February 2014.”*

**Table 8: Summary Complaint Totals**

<b>Year</b>	<b>Commercial</b>	<b>Residential</b>	<b>Industrial</b>	<b>Total</b>
<b>2005</b>	71	1174	0	1245
<b>2006</b>	96	1619	0	1715
<b>2007</b>	118	1257	0	1375
<b>2008</b>	96	1582	0	1678
<b>2009</b>	137	1534	0	1671
<b>2010</b>	141	1585	0	1726
<b>2011</b>	76	1178	0	1254
<b>2012</b>	81	780	0	861
<b>2013</b>	63	663	0	726
<b>2014</b>	64	1045	0	1109

The Company currently has three estimation routines as part of its CIS. If a read is not found for a meter, the system will estimate the customer’s bill (only if the rate allows an estimate) using one of the three methods listed below. The CIS will try the method(s) in the order below and will stop once it is successful in achieving estimation:

- a) Usage from same billing period from previous year;
- b) Usage from the most recent billing period; or,
- c) if no consumption history is found for the customer (can’t estimate based upon (a) or (b) above), the system will then use what is called “trend” data. The Company’s usage information is classified into different trends and each customer fits into a “trend”. Consequently, if the CIS is not able to find any read history to

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<sup>5</sup> The annual service quality report must include a detailed report on complaints by customer class and calendar month.

base an estimate off of, it will try to find a “similar” customer’s usage history on which to base the estimate.

Minnesota Power strives on an annual basis to monitor and prevent estimates from occurring. CIS professionals run an internal “consecutively estimated meters” report to identify meters that have been estimated; along with the number of times in a row the meters have been estimated. The Company is then able to obtain verified reads either through utilizing its meter read systems, or if necessary, the Company will send field personnel out to determine the cause of the problem. While in the field, the personnel will either read the meter manually or exchange the meter if it is determined the meter is malfunctioning. Regrettably, when periods of unprecedented adverse weather occur (such as 2014’s polar vortex) it is incredibly difficult for the Company’s estimated bills to accurately mirror the customer’s actual monthly usage.

### **III. CONCLUSION**

Minnesota Power appreciates the opportunity to address these important issues. The Company continually strives to improve its processes and procedures to ensure the highest quality service for its customers.

Respectfully submitted,



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STATE OF MINNESOTA     )  
  ) ss  
COUNTY OF ST. LOUIS    )

AFFIDAVIT OF SERVICE VIA  
E-FILING AND  
FIRST CLASS MAIL

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Susan Romans, of the City of Duluth, County of St. Louis, State of Minnesota, says that on the **10<sup>th</sup>** day of **August, 2015**, she e-filed Minnesota Power's Reply Comments in Docket No. E015/M-15-323 to the Minnesota Public Utilities Commission ("MPUC") and Minnesota Department of Commerce ("DoC") via electronic filing. The remaining parties on the attached service list were served as indicated.



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Susan Romans

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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_15-323_M-15-323
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_15-323_M-15-323
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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_15-323_M-15-323
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