

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
John Tuma
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

Michael J. Ahern
Dorsey & Whitney, LLP
Attorney for Minnesota Energy Resources Corporation
3460 NW Technology Drive
Rochester, 55901-8351

SERVICE DATE: October 23, 2015

DOCKET NO. G-011/M-15-410

In the Matter of the 2014 Annual Service Quality Report (Report) submitted by Minnesota Energy Resources Corporation (MERC or the Company)

The above entitled matter has been considered by the Commission and the following disposition made:

In its 2015 Annual Service Quality Report, MERC shall review the meter reading staffing data for all of the previous years (2010-2013) and indicate whether the historical data provided by MERC reflect the number of employees with the title “Meter Reader,” were based on payroll time charged to meter reading, or reflect a mixture of both methods.

MERC shall propose a consistent reporting metric to be used going forward, and restate, if necessary, the Company’s meter reading staffing data for the years 2010 – 2014 to ensure comparability.

The Commission agrees with and adopts the recommendations of the Department of Commerce, which are attached and hereby incorporated into the Order. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION



Daniel P. Wolf
Executive Secretary

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July 31, 2015

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/M-15-410

Attached are the *Comments* of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

2014 Annual Service Quality Report (Report) submitted by Minnesota Energy Resources Corporation (MERC or Company).

The *2014 Annual Service Quality Report* was filed on May 1, 2015 by:

Michael J. Ahern
Dorsey & Whitney, LLP
Attorney for Minnesota Energy Resources Corporation
3460 NW Technology Drive
Rochester, Minnesota 55901-8351

Based on its review of MERC's *2014 Annual Service Quality Report*, the Department recommends that the Commission **accept** the Company's Report pending MERC's response to various inquiries in *Reply Comments*. The Department's recommendations are listed at the conclusion of its *Comments*.

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

Sincerely,

/s/ SACHIN SHAH
Rates Analyst
651-539-1834

SS/lt

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET No. G011/M-15-410

I. BACKGROUND

The genesis of Minnesota Energy Resources Corporation's (MERC or Company) *Annual Service Quality Report* comes from the Minnesota Public Utilities Commission's (Commission) March 1, 2004 *Order* in Docket No. G007,011/CI-02-1369 (02-1369 Docket).

In this *Order*, the Commission required Aquila, Inc. (MERC's predecessor) to file quarterly service quality updates in that docket and requested that the Minnesota Department of Commerce (Department), file its comments reviewing the Company's service quality reports by February 28th of each year. Aquila/MERC filed quarterly service quality reports in the 02-1369 Docket, and subsequent dockets,¹ through calendar year 2009.

On April 16, 2009, the Commission opened an investigation into natural gas service quality standards in Docket No. G999/CI-09-409 (Docket 09-409). In its August 26, 2010 *Order* (09-409 *Order*) in Docket 09-409, the Commission established uniform reporting requirements that Minnesota regulated natural gas utilities are to follow and a list of information that should be provided by each utility in a miscellaneous tariff filing to be made each May 1st reflecting service quality performance during the prior calendar year. The Commission determined that MERC would file subsequent annual service quality reports in lieu of the former quarterly service quality reports.

The Commission supplemented the reporting requirements set out in its 09-409 *Order* with additional requirements in its March 6, 2012 *Order—Accepting Reports and Setting Further Requirements* in Docket No. G007,011/10-374, et. al. This March 6, 2012 *Order* also directed the Minnesota natural gas utilities to convene a workgroup to improve reporting consistency and address other issues. The workgroup² met on June 22, 2012 and

¹ Docket Nos. G007,011M-07-1641 and G007,011/M-09-488.

² Participating in the workgroup were Xcel Energy, CenterPoint Energy, MERC, Great Plains, Interstate Power and Light, and the Department.

developed more uniform reporting.³ Reporting changes as a result of the workgroup consensus are noted in the analysis below.

MERC has filed annual service quality reports in compliance with the 09-409 *Order* in Docket No. G007,011/M-10-374 (Docket 10-374), Docket No. G007,011/M-12-436 (12-436 Docket), Docket No. G007,011/M-13-355 (13-355 Docket), and Docket No. G011/M-14-365 (14-365 Docket).

On May 1, 2015, MERC filed its calendar year 2014 *Annual Service Quality Report* (Report). The Department provides its analysis below.

II. DEPARTMENT ANALYSIS

Each year, the Department analyzes the information provided in the Report in the context of past reports. The Department provides further detail on each reporting metric by discussing each separately below.

A. CALL CENTER RESPONSE TIME

Minnesota Rules, part 7826.1200⁴ requires Minnesota's electric utilities to answer 80 percent of calls made to the business office during regular business hours within 20 seconds. Consistent with this requirement, the Commission required the regulated gas utilities to provide in their annual service quality reports the call center response time in terms of the percentage of calls answered within 20 seconds.

In its Report, MERC provided the required information on a monthly basis for 2014. The 2014 Report is the third report in which MERC included calls received by the Company's Interactive Voice Response (IVR) system.

As shown in Table 1 below, MERC on average was unable to answer 80 percent of calls within 20 seconds. The monthly percentages ranged from a low of 47.90 percent in March to a high of 82.04 percent in June. Even though the average number of calls is similar to 2013, the response times deteriorated. For example, while the number of calls is higher than the average in March and April, the average speed of answer is approximately 90 and 60 seconds respectively.

³ See Attachments 1 and 2 in the Department's June 27, 2013 *Comments* in Docket No. G007,011/M-13-355 for the matrix summarizing each utility's reporting content for each metric and a workgroup agenda.

⁴ Titled *Call Center Response Time*.

Table 1: Call Center Response Time

	12 Mo. Avg. Within 20 Seconds	Avg. Speed (Seconds)	12 Mo. Avg. Number of Calls
2010	81.14%	17.42	23,111
2011	80.02%	18.25	20,668
2012	81.56%	19.42	27,321
2013	81.39%	19.00	33,117
2014	74.88%	33.83	33,165

The Department requests that in its *Reply Comments*, MERC provide an explanation for why the average number of seconds that elapsed before calls were answered went up and what steps MERC has taken or will take to improve the percentage of calls answered within 20 seconds. The Department acknowledges that MERC has fulfilled the reporting requirements of the 09-409 and 10-374 *Orders*.

B. METER READING PERFORMANCE

In its 09-409 *Order*, the Commission required each utility to report meter reading performance data in the same manner as prescribed in Minnesota Rule 7826.1400. Specific to MERC, the Commission also required that the Company provide meter reading statistics related to farm tap customers. The Company provided, as an attachment to its Report, the meter reading performance data per Minnesota Rules both with and without farm tap data included. The Department notes that MERC has a large percentage of farm tap customers. These customers are required to self-read their meters, and to allow MERC to read the meters annually.

Table 2 below summarizes MERC's meter reading data. When excluding farm tap customers, only 45 meters, out of a total of over 2.61 million meters, had not been read between 6-12 months. This represents a slight increase in meters not read in 6-12 months compared to the 2013 figure of 37 meters and 2012 figure of 16 meters unread in 6-12 months. However, this figure is significantly improved compared to the 2010 figures where 71 meters had not been read in 6-12 months.

The Company indicated that accessibility and dog issues were the primary reasons why meters were not read. As shown in Table 2, the Company reported that the average number of meter reading staff employed by MERC decreased, on average, by approximately 6 Full Time Equivalent employees (FTE's) in 2014 compared to 2013. Comparing these figures to previous years, the average number of meters has increased, while the meter reading staffing levels decreased in 2014. The Department requests that in *Reply Comments*, MERC explain whether the drop in meter reading staffing level is a temporary situation or otherwise address the adequacy of the Company's meter reading staffing levels.

Table 2: Meter Reading Performance⁵

	Avg. # of Meters	% Company Read	% Customer Read	Avg. # not Read in 6-12 mo.	Avg. # not Read in Over 12 mo.	Staff Level
2010	212,790	97.85	2.15	5.92	3	30
2011	212,821	97.03	2.97	0.50	0	29
2012	212,859	98.03	1.94	1.28	0	29
2013	214,564	96.25	3.75	3.08	6	27
2014	218,220	96.33	3.67	3.75	0	21

In terms of farm tap customers, the Department notes that the number of unread meters decreased significantly between 2010 and 2011, increased slightly from 2011 to 2012, decreased from 2012 to 2013 by over 1,000 meters, and increased slightly from 2013 to 2014. Please see Table 2(a) below.

Table 2a: Farm Tap Meter Reading Performance

	Total. # not Read in 6-12 mo.	Total. # not Read in Over 12 mo.
2010	3,297	499
2011	1,839	264
2012	2,097	270
2013	1,069	237
2014	1,439	91

There was a large increase in meters not read for 6-12 months at the end of 2013 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. For example, in 2012 MERC performed them earlier in the year as explained in its July 8 2013 Reply Comments in 13-355 Docket.

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 Order.

C. INVOLUNTARY SERVICE DISCONNECTIONS

The Commission's 09-409 Order requires each Minnesota regulated gas utility to provide involuntary service disconnection data in the same manner that it reports these data under Minnesota Statutes §§ 216B.091 and 216B.096 which relate to the Cold Weather Rule (CWR). The Company provided these data in an Attachment to its Report. Through the workgroup process, MERC agreed to include a summary of its CWR reports, which is attached to their Report as Attachment 3.

⁵ The numbers represented herein are without the farm tap data.

According to MERC's Report, disconnection levels were higher at the beginning of calendar year 2014 than at the end of the year and reached their peak during the spring and summer of 2014 (roughly coinciding with the end of the Cold Weather Rule period). Over the last four years 29,177 involuntary disconnections have been reported by the Company, 19,472 of which have come in the months of May, June and July (67 percent) coinciding with the termination of the CWR in April. The Company's Report indicated that, on average, over 20 percent of total residential accounts were past due for the year; at some points, almost 26 percent or more of total accounts were past due.

Table 3 summarizes MERC's involuntary disconnection statistics.

Table 3: Involuntary Service Disconnections

	Disconnect Notices Sent	# of CWR Requests*	CWR Requests Granted*	% CWR Granted	Involuntary Disconnects	% Restored in 24 hrs.
2010 ⁶	n/a	n/a	n/a	n/a	n/a	n/a
2011	62,880	4,678	4,678	100 %	7,534	51.86 %
2012	55,611	5,407	5,407	100 %	6,358	90.42 %
2013	71,491	6,058	6,058	100 %	8,484	81.34 %
2014	87,069	7,014	7,014	100 %	6,801	88.08 %

*Residential customers only

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 Order.

D. SERVICE EXTENSION REQUESTS

In its 09-409 Order, the Commission required that each utility provide in its annual Report service extension request information in the same manner as detailed in Minnesota Rule 7826.1600⁷, items A and B, except for information already provided in Minnesota Statutes §§ 216B.091 and 216B.096, subd. 11.⁸ The Company provided, as an attachment to its Report, the required service extension request data. Two sets of data are presented in the report, one for new service extensions to properties previously not connected to the utility's system, and the second regarding connections of those properties previously connected to the system.

Table 4 provides a summary of MERC's service extension information. Table 2 reflects monthly averages; the total number of requests for service to locations not previously served received in 2014 was 2,192..

The Department observed an average wait time of 145 and 187 days for commercial requests in January and May, respectively. In its October 7, 2011 Reply Comments in Docket 10-374, the Company stated that the average length of time between request and

⁶ The Company did not file the data with its May 2, 2011 Service Quality Report but referred to its reports filed under Minnesota Statutes §§ 216B.091 and 216B.096. Thus, not applicable (n/a) is used for 2010.

⁷ Titled *Reporting Service Extension Request Response Times*.

⁸ Titled *Reporting*.

installation may be artificially high because a builder may request service from MERC many days before the building is ready for gas meter installation. As such, MERC's reported new service extension intervals include delays occurring that are outside the Company's control. The Department notes 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.

Table 4: Service Extension Requests (New Customers)

	Residential		Commercial	
	Mo Avg. # of Installations	Weighted Avg. # of Days to Complete	Mo. Avg. # of Installations	Weighted Avg. # of Days to Complete
2010	84	18	9	26
2011	103	26	13	22
2012	140	18	12	34
2013	173	21	6	25
2014	170	24	12	75

As shown in Table 4(a) below, in 2014 there were on average 991 residential and 42 commercial or a monthly average total of 1,033 service requests from previously served customers. The weighted average number of days to complete these requests was within a day for both residential and commercial requests. The number of requests increased significantly from the 658 reported in 2013, but were connected in nearly identical interval times (1 and 0 day in both years).

Table 4 (a): Service Extension Requests (Previous Customers)

	Residential		Commercial	
	Mo. Avg. # of Installations	Weighted Avg. # of Days to Complete	Mo. Avg. # of Installations	Weighted Avg. # of Days to Complete
2010 ⁹	n/a	n/a	n/a	n/a
2011	702	1	38	0
2012	686	1	51	0
2013	610	1	48	0
2014	991	0	42	0

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 Order.

⁹ The Company did not have data from January through June in its May 2, 2011 Service Quality Report. Thus, not applicable (n/a) is used for 2010.

E. CUSTOMER DEPOSITS

In its 09-409 *Order*, the Commission required that each utility provide in its annual report data on customer deposits required for extension of service as detailed in Minnesota Rules part 7826.1900. Please see table 5 below.

Table 5: Customer Deposits

	Deposits Required	Deposits Held
2010	29	865
2011	16	881
2012	23	695
2013	16	625
2014	17	538

MERC reported that 17 customers were required to make deposits in 2014, all due to diversion (theft). The 538 deposits held at the end of 2014 represent 0.02 percent of active meters on the Company's system, and a decrease from the 625 deposits held at the end of 2013.

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 *Order*.

F. CUSTOMER COMPLAINTS

The Commission's 09-409 *Order* requires Minnesota gas utilities to provide customer complaint data in the same manner as prescribed in Minnesota Rule 7826.2000. The Company provided, as an attachment to its Report, these customer complaint data. This is the fourth year that MERC has reported customer complaints in the manner prescribed by Minnesota Rule 7826.2000, which allows for comparison with 2010, 2011 and 2012 information. Prior to 2010, the Company tracked and reported customer complaints via its own two-tier system.

Regarding Customer Complaints, in its Report MERC stated the following:

See attachment 5 to this filing. MERC has been working closely with its customer service and billing agent, Vertex, to compile the information required under Minnesota Rule 7826.2000. While all required reporting information is included for July through December of 2014, MERC is still in the process of resolving the discrepancy between the number of complaints received in the months of January through June, and the number of complaints resolved in each of those months. MERC has preliminarily determined the complaints that appear as unresolved were in fact resolved, but the resolution time and stated complaint resolution is not shown on the report due to a

data error with the report. MERC will continue to investigate the cause of the error as well as the time and resolution for each of the complaints. MERC will provide this information as soon as it is available and apologizes for the delay.

MERC notes that the number of complaints appears to go down toward the end of the year due to a change in Vertex's coding procedures. Previously, Vertex coded nearly every call received as a complaint. The new, more accurate, complaint reporting procedures now classify calls as requests, questions, or complaints, which has reduced the number of calls classified as complaints.

The current version of the required information is provided in Attachment 5, and MERC will file an updated Attachment 5 as soon as it is available.

On July 13, 2015, MERC filed supplemental information including an updated Attachment 5 of its Report. MERC, in its Supplemental Comments, stated the following:

In its initial filing, MERC indicated that it had been working closely with its customer service billing agency, Vertex, to compile the information for Attachment 5 as required under Minnesota Rule 7826.2000. MERC further indicated that, while all required customer complaint reporting information was included for July through December of 2014, MERC was still in the process of resolving the discrepancy between the number of complaints received in the months of January through June, and the number of complaints resolved in each of those months. MERC indicated that it would provide updated information for those months as soon as it was available. The updated Attachment 5 included here resolves the discrepancies for January through June with regard to number of complaints received and number of complaints resolved. No changes were made to the months of July through December on the first two pages of Attachment 5, and no changes were made to the Annual Summary of Customer Complaints on the third page of Attachment 5.

MERC's customer complaint data is shown below in Table 6.

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 2013 report. A copy of the May 1, 2014 report was included in

MERC's Report. The Department also located MERC's Minnesota Rule 7820.0500 report in Docket No. E,G999/PR-15-13 (15-13 Docket).

Table 6: Customer Complaints

	# of Complaints Received	# Forwarded by CAO	% Resolved on Initial Inquiry
2010	2,540	23	93.9%
2011	3,257	12	99.7%
2012	1,904	15	89.0%
2013	1,753	25	86.4%
2014	557	26	71.3%

MERC's customer complaint data for 2014 by complaint category is shown in Table 6(a):

Table 6(a): Customer Complaints by Resolution Type

	# of Complaints	% Agree with Customer Action	Compromise with Customer	Not within Control of the Utility	Refuse Customer's Request
2014	557	44.17%	27.47%	1.08%	27.29%

The Department appreciates the corrected information provided by MERC and acknowledges that MERC has fulfilled the requirements of the 09-409 and 10-374 *Orders*.

G. GAS EMERGENCY CALLS

In its 09-409 *Order*, the Commission required that Minnesota regulated natural gas utilities collect gas emergency phone line data. MERC provided these data in an attachment to its Report. Specifically, the Company provided data related to the total number of calls, the average telephone answer time, and the percentage of calls that were answered within 15 seconds (MERC's internal goal). The Department notes that this is the fifth year that the Company has reported these data in its annual service quality report.

All utilities participating in the Service Quality Reporting Workgroup¹⁰ agreed to provide their internal performance goal for answering gas emergency calls (x percent in x seconds).

According to the information provided by MERC, for 2014, the Company reported a total of 19,205 emergency phone calls, averaging approximately 1,600 per month. Please see Table 7 below. This represents an increase in emergency calls, an average of 16 per month more compared to 2013. The average telephone answer time for the year was 10.08 seconds. In addition, the Company's data indicates that in each month of 2014 it was able to answer over 91 percent of its emergency phone calls in 15 seconds or less.

¹⁰ MERC participated in the Service Quality Reporting Workgroup which met on June 22, 2012.

Table 7: Gas Emergency Calls

	# of Gas Emergency Calls	Average Response Time	% of Calls Answered in 15 Seconds or Less
2010	16,218	7.25	91.58%
2011	17,471	7.08	92.19%
2012	17,341	6.83	92.33%
2013	19,011	6.83	92.66%
2014	19,205	10.08	92.88%

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 and 10-374 *Orders*.

H. GAS EMERGENCY RESPONSE TIME

In its 09-409 *Order*, the Commission required that Minnesota regulated gas utilities collect and provide data regarding gas emergency response times including a percentage of emergencies responded to within one hour and within more than one hour. In addition, the Commission required MERC to report the average number of minutes it takes to respond to an emergency. MERC provided these data in an attachment to its Report.

The Department notes 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 continue to provide data based on this internal gas emergency response goal.

Regarding the response time to reported gas emergencies, the Company had 6,896 total calls to the gas emergency phone line in 2014, an increase from the 6,306 calls (9 percent) in 2013. Of the 6,896 calls, MERC was able to respond to 6,502 (94.3 percent) within one hour, and averaged 24 minutes in 2014.¹¹ These figures represent a decrease over the 29-minute average response time in 2013 and a decrease in the number of calls responded to within one hour, down from the 96.2 percent in 2013. This data is shown in Table 8.

Table 8: Gas Emergency Response Time

	Calls Received	% Calls Responded to in <1 hour	% Calls Responded to in >1 hour	Avg. Response Time (minutes)
2010	7,010	95.3%	4.69%	27.25
2011	6,638	95.6%	4.38%	27.33
2012	6,221	93.6%	6.42%	30.08
2013	6,306	96.2%	3.76%	28.67
2014	6,896	94.3%	5.70%	23.67

¹¹ According to MERC, the Company reports all calls reporting suspected gas leaks and line hits. Filing, page 7.

Based on information provided by MERC, the Department notes that the Company continues to struggle to meet its internal goal of responding to 97 percent of emergency calls within one hour.

On a monthly basis, the Department notes that the average response times are tightly clustered, with 27 minutes being the longest average response time (in June and August) and 17 minutes being the shortest average response time (in January). Given MERC's service territory characteristics (e.g., large geographic footprint, low-density), it is not surprising that its average emergency response time would hover around 27 minutes.

The Department acknowledges that MERC has fulfilled the reporting requirements of the 09-409 Order.

I. MISLOCATES

The Commission's 09-409 Order requires Minnesota natural gas utilities to provide data on mislocates, including the number of times a line is damaged due to a mismarked line or failure to mark a line. MERC provided the number of mislocates, by month, in an attachment to its Report. This is the fifth year that the Company has reported these data in its annual service quality report.

As shown in Table 9, MERC's Report indicated that there were 13 mislocates in 2014 out of a total of 84,446 locates resulting in an approximately 0.01 percent mislocate rate.

Table 9: Mislocates

	# of Locates	# of Mislocates	% of Mislocates	Mislocates per 1,000 Tickets
2010	70,013	21	0.04%	0.30
2011	69,971	12	0.01%	0.17
2012	70,996	24	0.03%	0.34
2013	76,519	11	0.01%	0.14
2014	84,446	13	0.01%	0.15

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 Order.

J. DAMAGED GAS LINES

The Commission's 09-409 Order requires Minnesota regulated gas utilities to provide data on damaged gas lines, including the number of lines damaged by Company employees or contractors, the total number of other damage events, and the number of events that were unplanned in nature. Table 10 summarizes MERC's damaged gas lines information.

Table 10: Damaged Gas Lines

	Damage by Utility	Damage by Others	Total	Miles of Line	Damage/100 Line Miles
2010 ¹²	6	171	177	n/a	n/a
2011	21	191	212	n/a	n/a
2012	32	142	174	4,453	3.91
2013	9	147	156	4,536	3.44
2014	28	177	205	4,536	4.52

The Company reported that there were no damage events that were attributable to system issues (e.g., random equipment failure) in 2014. The Department notes, however, that MERC reported that there were two Minnesota Office of Pipeline Safety (MnOPS) reportable events in 2014 caused by a system issue (see discussion in section L below). The Department notes that for these MnOPS reportable events, MERC's Attachment 10 appears to indicate that the events resulted in gas line damage.

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 Order.

K. SERVICE INTERRUPTIONS

In its 09-409 Order, the Commission required that Minnesota regulated natural gas utilities collect data regarding service interruptions. The utilities are required to separate these data into categories based on whether the event was caused by Company employees, Company contractors, or some other unplanned causes. MERC provided these data in an attachment to its Report. The Department notes that MERC has provided comparable data related to service interruptions in previous service quality reports. The number of service interruptions on MERC's system is shown in Table 11 below.

Table 11: Service Interruptions

	Damage by Utility	Damage by others	Total Interruptions
2010	7	41	48
2011	8	145	156
2012	17	136	153
2013	5	129	134
2014	1	154	155

In the categorical break down of the service interruption incidents, MERC reports no change in interruptions caused by system integrity issues, from 0 in 2012, 2013 to 0 in 2014, and an increase in interruptions caused by other parties, from 129 to 154. Service interruptions

¹² MERC provided information regarding the total number of damage events in its 2010 and 2011 *Annual Service Quality Reports*, but did not provide the miles of line.

caused by MERC employees or contractors decreased by approximately 80 percent from 5 incidents in 2013 to 1 in 2014.

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 an attachment with an item-by-item breakdown of each service interruption in 2014 (Attachment 9 of the Report).

Seven of the events under the "damage by others" category met the MnOPS reporting criteria. Any instances reported to the MnOPS are discussed in greater detail in Sub-Section L of these Comments. The Department notes, however, that for the seven MnOPS reportable events in 2014, there appear to be discrepancies in the information for those events between Attachments 9 and 10 of the Report. For example, under the MnOPS reportable events listed in Attachment 10 of the Report, MERC shows 1 customer affected for 2 hours due to a December 9, 2014 outage. However for the same customer address and date, in its Attachment 9, MERC shows an outage duration of 400 minutes or approximately 6 hours and 40 minutes. In some instances, MERC does not provide the outage duration in its Attachment 9.

The Department requests that MERC reconcile and clarify in *Reply Comments* the MnOPS reportable events in its Attachment 10 and the service interruption data in its Attachment 9.

L. MNOPS REPORTABLE EVENTS

The 09-409 *Order* also required Minnesota regulated natural gas utilities to provide summaries of all major events that are immediately reportable to the Minnesota Office of Pipeline Safety (MnOPS) and provide contemporaneous reporting of these events to both the Commission and Department when they occur. The Company began providing this information starting with its 2011 annual report. Please see Table 12 below.

Table 12: MNOPS Reportable Events

	Reportable Interruptions
2010	n/a
2011	2
2012	9
2013	11
2014	18

In an attachment to its Report, the Company lists 18 MnOPS reportable events during 2014. Of the 18, 1 was caused by MERC employees or contractors, 2 were caused by a system

issue,¹³ and 15 were caused by other parties. Of the MnOPS reportable events, 4 resulted in no customers experiencing an outage, 9 resulted in one customer experiencing an outage, 1 resulted in 4 customers experiencing an outage, 1 resulted in 5 customers experiencing an outage, 1 resulted in 9 customers experiencing an outage, 1 resulted in 10 customers experiencing an outage, and 1 resulted in 11 customers experiencing an outage. None of the reportable outages lasted more than 19 hours.

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 Order.

M. CUSTOMER SERVICE RELATED OPERATIONS AND MAINTENANCE (O&M) EXPENSES

Along with the service quality data reference above, the Commission also requires Minnesota regulated natural gas utilities to report customer-service-related operation and maintenance (O&M) expenses related to its Federal Energy Regulatory Commission (FERC) 901 and 903 accounts. MERC provided these data in an attachment to its Report.

In 2014, MERC reported total service quality related O&M expenses of \$6,208,247, which, on an average basis, translates into approximately \$517,354 of O&M expenses per month. See Table 13 below.

Table 13: Customer Service Related O&M Expenses

	O&M Total	O&M Average/Month
2010	\$5,964,790	\$497,066
2011	\$6,362,335	\$530,195
2012	\$6,409,328	\$534,111
2013	\$6,508,066	\$542,339
2014	\$6,208,247	\$517,354

Generally speaking, monthly O&M expenses in 2014 were relatively close to the monthly average with the exception of February, March, April and December where the Company reported expenses of \$659,726, \$671,627, \$315,212, and \$97,759, respectively. The amounts in these months are noticeably different than in other months in 2014; therefore, the Department recommends that the Company explain, in its *Reply Comments*, reasons associated with these costs being noticeably different than the monthly average.

III. SUMMARY AND CONCLUSIONS

Based on its review of MERC's 2014 *Annual Service Quality Report*, the Department recommends that the Commission accept the Company's Report pending MERC's response to various inquiries in *Reply Comments*. The Department recommends that the Company provide the following in its *Reply Comments*:

¹³ These February and October events did cause customer service interruptions. See section K above for the Department's request for further clarification regarding this event. See section J above for the Department's Comments on the possible damage to gas lines.

- an explanation of why the average number of seconds that elapsed before calls were answered increased;
- what steps MERC has taken or will take to improve the percentage of calls answered within 20 seconds;
- an explanation as to whether the Company's meter reading staffing levels are adequate;
- a reconciliation and clarification on the MnOPS reportable events and the service interruption data ; and
- an explanation detailing why monthly O&M expenses in February, March, April and December 2014 were noticeably different than the monthly average.

/lt

September 21, 2015

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

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/M-15-410

Attached are the *Response Comments* of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

2014 *Annual Service Quality Report (Report)* submitted by Minnesota Energy Resources Corporation (MERC or Company).

The 2014 *Annual Service Quality Report* was filed on May 1, 2015 by MERC. On July 31st, 2015, the Department submitted its *Comments* in this docket. In those *Comments*, the Department recommended that the Minnesota Public Utilities Commission (Commission) **accept** the Company's *Report* pending MERC's response to various inquiries in *Reply Comments*.

MERC submitted its *Reply Comments* on August 10, 2015 and *Supplemental Reply Comments* on August 24, 2015. In its *Reply Comments* and *Supplemental Reply Comments*, the Company provided additional information and its response to various Department inquiries. The Department appreciates the corrected and updated information and provides its additional analyses herein.

Based on its review of MERC's 2014 *Annual Service Quality Report*, and the Information provided by the Company in its *Reply Comments* and *Supplemental Reply Comments*, the Department recommends the Commission **accept** the Company's *Report*.

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

Sincerely,

/s/ SACHIN SHAH
Rates Analyst
651-539-1834

SS/ja
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET No. G011/M-15-410

I. BACKGROUND

On May 1, 2015, Minnesota Energy Resources Corporation (MERC or the Company) submitted its 2014 Annual Safety, Reliability and Service Quality Report (*Report*) in compliance with the Minnesota Public Utilities Commission's (Commission) August 26, 2010 Order in Docket No. G999/CI-09-409 (09-409 *Order*) and its March 6, 2012 *Order—Accepting Reports and Setting Further Requirements* in Docket No. G007,011/10-374, et. al. On July 31, 2015, the Minnesota Department of Commerce (Department) filed *Comments* on the Company's *Report* requesting that MERC provide the following in its *Reply Comments*:

- an explanation of why the average number of seconds that elapsed before calls were answered increased;
- what steps MERC has taken or will take to improve the percentage of calls answered within 20 seconds;
- an explanation as to whether the Company's meter reading staffing levels are adequate;
- a reconciliation and clarification on the MnOPS reportable events and the service interruption data ; and
- an explanation detailing why monthly O&M expenses in February, March, April and December 2014 were noticeably different than the monthly average.

MERC submitted its *Reply Comments* on August 10, 2015 and *Supplemental Reply Comments* on August 24, 2015. In its *Reply Comments* and *Supplemental Reply Comments*, the Company provided additional information and its response to the inquiries noted above.

The Department discusses them below.

II. THE DEPARTMENT ANALYSIS

A. CALL CENTER RESPONSE TIME

Regarding call center response time, in its *Comments*, the Department had stated the following:

The Department requests that in its Reply Comments, MERC provide an explanation for why the average number of seconds that elapsed before calls were answered went up and what steps MERC has taken or will take to improve the percentage of calls answered within 20 seconds. The Department acknowledges that MERC has fulfilled the reporting requirements of the 09-409 and 10-374 Orders.

In its *Reply Comments*, MERC stated the following:

During the polar vortex of 2014, customers experienced higher than normal gas consumption, which lead to higher than normal bills. The higher bills resulted in more customers calling MERC to make payment arrangements and as a result, wait times increased.

In order to improve the percentage of calls answered with 20 seconds, and prevent a repeat of the wait times experienced during the polar vortex, MERC implemented a contingency plan to have additional people take customer calls. This contingency plan resulted in approximately 15 additional people taking customer calls. The following specific actions were undertaken by MERC in order to improve the percentage of calls answered within 20 seconds:

- waived the need for customer service representatives to get management approval to execute the option to extend customer payments out 5 months if needed;
- arranged for the Contact Center to keep all escalated calls, calls that require the intervention of a leader or manager, eliminating the need for forwarding calls to another person (leader or manager);
- reduced outbound calls for customers in arrears; and
- continued to refer customers to MERC's gas affordability program ("GAP").

During 2015 year to date, MERC's call-center-performance levels are at historic highs. Through July 2015, 80.44% of customer calls were answered within 20 seconds.

The Department concludes that MERC's explanation of why the average number of seconds that elapsed before calls were answered went up seems reasonable. For example, during December 2013, March, April, and May 2014, the total calls MERC received were approximately 45,500, 39,000, 41,000, and 39,000, respectively. These call volumes exceed the 12-month average for both 2013 and 2014 of approximately 33,000 calls.

The Department also appreciates MERC's explanation and plans, as shown above, for improving its percentage of calls answered within 20 seconds.

B. METER READING PERFORMANCE

Regarding meter reading performance, in its *Comments*, the Department had stated the following:

... The Company indicated that accessibility and dog issues were the primary reasons why meters were not read. As shown in Table 2, the Company reported that the average number of meter reading staff employed by MERC decreased, on average, by approximately 6 Full Time Equivalent employees (FTE's) in 2014 compared to 2013. Comparing these figures to previous years, the average number of meters has increased, while the meter reading staffing levels decreased in 2014. The Department requests that in Reply Comments, MERC explain whether the drop in meter reading staffing level is a temporary situation or otherwise address the adequacy of the Company's meter reading staffing levels.

In its *Reply Comments*, MERC stated the following:

MERC carefully reviewed the Company's meter-reading-staffing levels and believes it has sufficient resources to read customer meters. It appears the number reflected in MERC's Gas Service Quality Report was the number of employees with the title "Meter Reader." This number, however, does not capture all of the full time employees ("FTE") reading meters or the third party contractors providing meter reading service. To verify the actual FTE equivalent for employees reading meters, MERC reviewed all payroll time charged to meter reading and divided that number by the standard work year to determine the total number of FTEs assigned to meter reading. This calculation resulted in the equivalent of approximately 27.73 FTEs engaged in meter reading in 2014, which is .73 more FTEs than in 2013.

Further, upon review, the number of third party providers utilized for meter reading was approximately the same in 2013 and 2014.

MERC acknowledges that it experienced a significant increase in estimated meters during the first quarter of 2014. During the polar vortex, Minnesota experienced extreme weather conditions, with exceptionally low temperatures and significant snow fall throughout the state. During the extreme conditions, MERC had additional support helping read routes. On some days, however, MERC pulled its entire work force off reading meters to protect employees from the conditions. As a result, MERC experienced its highest level of estimated meters on record during the first quarter of 2014. MERC has since made changes on priorities in a few areas and the estimated meters have dropped back to a normal level. The normal meter reading levels, and the combination of FTE's and third parties that MERC has reading meters, reflects that meter reading staff levels are adequate.

The Department appreciates the information provided by MERC that suggests that staffing levels were higher than the reported 2013 FTEs and were similar to the previous years. The Department recommends that in its 2015 *Annual Service Quality Report*, MERC review the staffing data for all of the previous years (2010-2013, as shown in the Department's July 31, 2015 *Comments* – Table 2) and indicate whether the historical data provided by MERC reflect the number of employees with the title "Meter Reader," were based on payroll time charged to meter reading, or reflect a mixture of both methods. Further, the Department requests that MERC propose a consistent reporting metric to be used going forward, and restate, if necessary, the Company's meter reading staffing data for the years 2010 – 2014 to ensure comparability.

C. SERVICE INTERRUPTIONS

Regarding service interruptions, in its *Comments*, the Department had stated the following:

Seven of the events under the "damage by others" category met the MnOPS reporting criteria. Any instances reported to the MnOPS are discussed in greater detail in Sub-Section L of these Comments. The Department notes, however, that for the seven MnOPS reportable events in 2014, there appear to be discrepancies in the information for those events between Attachments 9 and 10 of the Report. For example, under the MnOPS reportable events listed in Attachment 10 of the Report, MERC shows 1 customer affected for 2 hours due to a December 9, 2014 outage. However for the same customer address and date, in its Attachment 9, MERC shows an outage

duration of 400 minutes or approximately 6 hours and 40 minutes. In some instances, MERC does not provide the outage duration in its Attachment 9.

The Department requests that MERC reconcile and clarify in Reply Comments the MnOPS reportable events in its Attachment 10 and the service interruption data in its Attachment 9.

In its *Reply Comments*, MERC stated the following:

The Department also requested that MERC reconcile and clarify the MnOPS reportable events and service interruption data that were provided with the Annual Gas Service Quality Report. Specifically, the Department pointed out that there were differences in events reported on Attachments 9 and 10 and asked that MERC reconcile those differences. Further, the Department noted that MERC did not provide outage duration for all service interruptions listed on Attachment 9.

MERC is continuing to collect the information in order to respond to the Department's questions regarding Attachments 9 and 10. MERC apologizes for the delay and will submit this information as soon as possible.

In its *Supplemental Reply Comments*, MERC provided updated Attachments 9 and 10 reflecting their corrected data. In its *Supplemental Reply Comments*, MERC stated the following:

The Department requested that MERC reconcile and clarify the MNOPS reportable events and service interruption data that were provided with the Annual Gas Service Quality Report. Specifically, the Department pointed out that there were differences in events reported on Attachments 9 and 10 and asked that MERC reconcile those differences. Further, the Department noted that MERC did not provide outage duration for all service interruptions listed on Attachment 9. MERC has reviewed the information provided in Attachment 9 (Service Interruptions) and Attachment 10 (MNOPS Reportable Events) and includes updated attachments with the missing and reconciled information. MERC notes that upon further investigation, two of the reported service interruptions listed on Attachment 9 in fact had occurred in 2012, not 2014, and were mistakenly included in the 2014 report.

The number of service interruptions on MERC's system is shown in revised Table 11 below.

Revised Table 11: Service Interruptions

	Damage by Utility	Damage by others	Total Interruptions
2010	7	41	48
2011	8	145	156
2012	17	136	153
2013	5	129	134
2014 ¹	1	152	153

The Department in its *Comments* on page 12 had stated the following:

In the categorical break down of the service interruption incidents, MERC reports no change in interruptions caused by system integrity issues, from 0 in 2012, 2013 to 0 in 2014, and an increase in interruptions caused by other parties, from 129 to 154.

As a result of the Company's correction, the Department's *Comments* identified above should reflect a revision as follows:

In the categorical break down of the service interruption incidents, MERC reports no change in interruptions caused by system integrity issues, from 0 in 2012, 2013 to 0 in 2014, and an increase in interruptions caused by other parties, from 129 to ~~154~~ 152.

The Department appreciates the corrected information provided by MERC and acknowledges that MERC has fulfilled the requirements of the 09-409 *Order*.

D. CUSTOMER SERVICE RELATED OPERATIONS AND MAINTENANCE (O&M) EXPENSES

Regarding O&M expenses, in its *Comments* the Department stated the following:

Generally speaking, monthly O&M expenses in 2014 were relatively close to the monthly average with the exception of February, March, April and December where the Company reported expenses of \$659,726, \$671,627, \$315,212, and \$97,759, respectively. The amounts in these months are noticeably different than in other months in 2014; therefore,

¹ Please see MERC's Updated Attachment 9 provided in its *Supplemental Reply Comments*.

the Department recommends that the Company explain, in its Reply Comments, reasons associated with these costs being noticeably different than the monthly average.

In its *Reply Comments*, MERC stated the following:

The months of February and March had accruals for expenses associated with MERC's customer service billing agent, Vertex, causing those months to be slightly higher than average. MERC, however, did not receive the February and March Vertex invoices until April, and the actual invoices were ultimately lower than the accruals, which is why April was so much lower than the preceding two months. MERC notes that the average of these three months is in line with the 2014 monthly average.

In the month of December, MERC deferred \$508,987 of costs associated with the implementation of the Integrys Customer Experience ("ICE"), which caused the expenses in that month drop to \$97,759. These dollars were moved from account 903000 to a regulatory asset account. Without the deferral of those costs, December would have been in line with the average.

The Department appreciates the clarification provided by MERC and acknowledges that MERC has fulfilled the requirements of the 09-409 *Order*.

III. SUMMARY AND CONCLUSIONS

Based on its review of MERC's 2014 *Annual Service Quality Report*, the Company's *Reply Comments and Supplemental Reply Comments*, the Department appreciates the clarification and corrections provided by the Company and recommends that the Commission accept the Company's *Report*. The Department recommends that in its 2015 *Annual Service Quality Report*, MERC review the meter reading staffing data for all of the previous years (2010-2013) and indicate whether the historical data provided by MERC reflect the number of employees with the title "Meter Reader," were based on payroll time charged to meter reading, or reflect a mixture of both methods. Further, the Department requests that MERC propose a consistent reporting metric to be used going forward, and restate, if necessary, the Company's meter reading staffing data for the years 2010 – 2014 to ensure comparability.

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