

Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: October 12, 2017.....**Agenda Item # 1

Company: Northern States Power Company, dba Xcel Energy

Docket No. **E002/M-17-553**

In the Matter of Northern States Power Company for Approval of Tariff Modifications and a Variance from Commission Rules to Implement Customer Driven Operational Changes and Other Tariff Changes

- Issue(s):
1. Should the Commission approve the requested Call Center non-emergency schedule change contingent upon two years' annual compliance review in the Company's service quality reports, and approve the associated customer bill form and tariff changes?
 2. Should the Commission approve the petition for 4-year variance to Minn. R. 7826.0800 to allow communication with customers of planned outages by phone and email for those customers choosing those forms of communication?
 3. Should the Commission approve the request to add text messages/SMS to the Company's eBill and eBill payment Terms and Use contingent upon notifying customers that text rates from their phone company may apply?
 4. Should the Commission approve the requested changes to the RDF Rider description contained on customer bills and incorporated in the Company's Natural Gas and Electric Rate Books?

Staff: Marc Fournier651-201-2214

Relevant Documents

Initial Filing – Customer Communications Preferences
Xcel Energy July 14, 2017

Comments of the Minnesota Department of Commerce August 11, 2017

Comments Office of the Attorney General (OAG) August 14, 2017

Reply Comments Xcel Energy..... August 24, 2017

The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

This document can be made available in alternative formats (i.e., large print or audio) by calling 651.296.0406 (voice). Persons with hearing loss or speech disabilities may call us through their preferred Telecommunications Relay Service.

I. Background

On July 14, 2016, Northern States Power Company, doing business as Xcel Energy (Xcel or the Company), filed a petition to the Minnesota Public Utilities Commission (Commission) for approval to change its tariff and for a variance from the Commission's Rules related to their call center hours of operation, their current eBill and eBill Payment Terms of Use contained in their Electric and Natural Gas Rate Books, and their planned outages communication to customers.

In addition, Xcel requested that the Commission approve their proposed changes to the Renewable Development Fund (RDF) Rider description contained in their Natural Gas and Electric Rate Books.

On August 11, 2017, the Minnesota Department of Commerce Division of Energy Resources filed comments. On August 14, 2017, the office of the Attorney General (OAG) filed comments. Xcel filed reply comments on August 24, 2017.

Xcel's petition indicates that, since 2010, Xcel has been expanding digital channels through which customers can transact with and access information, such as to view and pay their bills, start and stop service, and report and monitor the status of electrical outages. Available channels now include phone, interactive voice response (IVR), email, text/short message service (SMS), the xcelenergy.com website, social media, and most recently, the Xcel mobile application (app).

Xcel further notes that, while the use of electronic communications is continuing to increase, the use of traditional channels, such as the U.S. Mail, is declining.

Xcel is therefore requesting the following operational changes that would require tariff changes:

- Changing the hours of operation of its general customer service line from 24 hours per day, 7 days per week to 7:00am – 7:00pm Monday through Friday and 9:00am to 5:00pm on Saturday;
- Regarding planned outage notification, allowing Xcel to offer phone, email, or text notification, depending on customer choice, rather than requiring U.S. Mail and phone notification prescribed by Minn. Rule 7826.0800;
- Offering a text option in addition to email for communications associated with the eBill and eBill Payment Terms of Use tariff; and
- Modifying the description of the RDF Rider that is printed on customer bill backs to conform to the changes made to Minnesota Statutes, section 116C.779, subd. 1(j) by the 2017 Minnesota Legislature.

Xcel indicates that the proposed change to planned outage notification requires a variance to Minn. Rule 7826.0800 and an exception to its Customer Notice of Planned Service Interruptions tariff provision in its Electric Rate Book. Xcel requests a 4-year rule variance.

II. Issues

1. Should the Commission approve the requested Call Center non-emergency schedule change contingent upon two years' annual compliance review in the Company's service quality reports, and approve the associated customer bill form and tariff changes?

Xcel: The OAG requests the Commission to either require the Company to maintain 24/7 general customer service hours or refund the future savings estimated from this change, noting the recent Commission adoption of the Stipulation in the Company's recently concluded general rate case (on June 12, 2017 in Docket No. E002/GR-15-826).

The change in the Company's general customer service hours that is the subject of the OAG's comments is not driven by cost savings. Rather, it is a recognition that its customers' preferences for interacting with the Company are changing. As such, the Company is making corresponding changes in operations to meet those preferences and largely shifting customer service representatives to periods of higher call volumes and other customer communication channel support.

Effective management of the business will naturally result in variations of individual O&M (and capital) line items due to changing business circumstances, with some line items exceeding budgeted levels, and others lagging budgeted levels. This business reality was contemplated in the rate case Stipulation, which provides a capital true-up and Xcel managing to an overall O&M level for the 2016 Test Year and subsequent Plan Years – with the Plan Years intended to be representative of future conditions.

The change to general service hours does not impact time-critical calls regarding electric or natural gas emergencies or outages – and is consistent with the industry, including other utilities in Minnesota. As demonstrated in the Petition, the Company carefully considered customers' contact behaviors and preferences for non-time critical questions and issues, and determined updated hours and operational support plan based that data. For approximately 90 percent of calls where a customer requests the assistance of a representative, there will be no impact. Xcel acknowledges that there will be a transition period for the remaining calls, which have been accounted-for in the implementation plans as described in the Petition.

The Commission maintains transparency and oversight of the Company's financials and service quality through various compliance and annual reporting requirements. With respect to the issue of ongoing service quality relevant in this proceeding, Xcel reports its telephone response time and customer complaints annually under the Commission's Rules and Xcel's Quality Service Plan (QSP) tariff – with penalties associated with underperformance under the QSP tariff. The Company also accepts the DOC's recommendation that Xcel provide additional discussion in its

annual reports, and that the Commission revisit the issue of general service hours after two years, as part of the Company's annual service quality filings.

DOC: Xcel proposed to change its business hours for general customer service from 24 hours per day, seven days a week, to 7 a.m. through 7 p.m. Monday through Friday, and 9 a.m. through 5 p.m. on Saturdays. Xcel gathered data on its own call types and volumes, as well as through an informal survey of similarly-sized investor-owned utilities (IOUs) to guide the development of this proposal. The Company stated that only 14 percent of other utilities surveyed are operating 24/7 for general customer service, and that the proposed operating hours would capture nearly 90 percent of its current call volume. Xcel made clear that it would continue to staff Customer Service Representatives 24/7 to answer calls for electric or natural gas outages and emergencies.

The DOC appreciates the time and research that Xcel put into developing its proposal for reduced general customer service hours. Initially, it seemed as though the reduced availability of customer service representatives could compress and increase call volumes during the new business hours, therefore making it more difficult for Xcel to comply with Minnesota Rule 7826.1200 Call Center Response Time in its annual service quality reports. But the Company stated that it will be increasing staffing in the core general service hours for now, and expect that they will be able to reduce staffing needed to answer phone calls over time. Xcel also stated that it reviewed the reporting requirements in Minn. Rule 7826.1200, and it believes that the Company will continue comply with the requirements after the proposed changes.

The DOC recommends that the Commission approve the Call Center schedule change coupled with a two year compliance review in Xcel's annual electric and natural gas service quality reports. The DOC requests that, in addition to the information already required in the report, the Company discuss the successes and challenges it is facing in light of the change in operating hours. If call answer times worsen significantly, particularly if they fall below the required standard, Xcel should provide details on how it plans to improve performance.

OAG: The Commission's adoption of the Stipulation¹ provided significant benefits to the Company. Specifically, the Company is now guaranteed three rate increases over a four-year period. In light of the benefits conferred on the Company, the nature and timing of this new filing is troubling. With the ink barely dry on the Commission's Order in Xcel's rate case, the Company now seeks to trade more than half of its general customer service line availability in exchange for what it claims will be a small amount of savings, thereby increasing shareholder profits. Such a proposal unfairly exploits the structure and duration of its Stipulation.

Xcel describes its proposal as one designed to be responsive to customers' preferences for channels of communication. But evolving to meet changing customer preferences does not justify the

¹ On August 26, 2016, the Company filed a Stipulation of Settlement ("Stipulation") in its 2015 electric rate case. The Stipulation presented an agreement between Xcel and several other parties to support a resolution to the rate case that guaranteed Xcel three rate increases over a four-year period. On June 12, 2017, the Commission adopted the Stipulation in full.

slashing of existing channels of communication. Xcel presumably knew of its ratepayers' evolving preferences before it filed its most recent rate case and when it entered into the Stipulation with several other parties in that rate case. It could have proposed a reduction to the relevant call center expenses as well as the reduction to its call center hours during that case. And, when it files its next rate case, the Company is free to do so. As it stands now, however, Xcel is taking advantage of its insulation from the traditional ratemaking process in Minnesota afforded to it by its four-year rate plan by seeking to retain the cost savings, while simultaneously decreasing customer service availability to its ratepayers. The Commission should not allow Xcel to reduce its service to ratepayers while pocketing any savings that result from that reduction.

There are two potential solutions to the concerns raised in these Comments. First, the Commission should deny the Company's proposal and require Xcel to continue to staff its general customer service line according to its existing schedule. Alternatively, if the Commission agrees with the Company that a reduction in general customer service line hours is justified, then it should allow the Company to reduce the hours, but require Xcel to propose and implement a mechanism to refund the savings realized from this change to ratepayers.

The financial impact of this specific proposal is, in Xcel's words, "not significant." The small amount involved, however, should not deter the Commission from taking action. In light of the non-traditional approach to ratemaking applied in Xcel's rate case, it is important that the Commission send a clear message that utilities cannot lock-in several years of rate increases and then simply cut services to increase profits. In addition, although the financial impact of Xcel's proposal is not significant, the change to call center hours has the potential to affect over 130,000 calls annually. The Commission should give this matter careful consideration before approving Xcel's request.

2. Should the Commission approve the petition for 4-year variance to Minn. R. 7826.0800 to allow communication with customers of planned outages by phone and email for those customers choosing those forms of communication?

Xcel: Recommends approval.

DOC: Approve the petition for 4-year variance to Minn. R. 7826.0800 to allow communication with customers of planned outages by phone and email for those customers choosing those forms of communication.

OAG: Did not directly address this issue.

3. Should the Commission approve the request to add text messages/SMS to the Company's eBill and eBill payment Terms and Use contingent upon notifying customers that text rates from their phone company may apply?

Xcel: Recommends approval. Xcel currently advises customers of the potential for text/SMS charges from their phone carriers in conjunction with choosing their communication preferences. However, Xcel accepts the DOC's recommendation to add advisory language to the eBill and eBill Payment Terms of Use regarding potential charges customers may incur for text/SMS message from phone carriers as a supplement to the Company's current advisory methods.

DOC: Approve the request to add text messages/SMS to the Company's eBill and eBill payment Terms and Use contingent upon notifying customers that text rates from their phone company may apply.

OAG: Did not directly address this issue.

4. Should the Commission approve the requested changes to the RDF Rider description contained on customer bills and incorporated in the Company's Natural Gas and Electric Rate Books?

Xcel: Recommends approval.

DOC: Approve the requested changes to the RDF Rider description contained on customer bills and incorporated in the Company's Natural Gas and Electric Rate Books

OAG: Did not directly address this issue.

III. Staff Discussion

Staff agrees with the DOC and the Company regarding the proposed change of call center hours of operation. Staff agrees with the DOC that the time and research that Xcel invested in this matter has been useful. The results of this research provided the following information:

- 14 percent of electric and gas utilities are operating 24/7 for general customer service and have no plans to change that aspect of their operation;
- The move allows for the increase in staffing during the general core hours with the anticipation that they will be able to reduce staffing over time;

- The efficiencies are not expected to be significant. The estimate is in the range of \$100,000 to \$130,000 per year for the state of Minnesota beginning in 2018;
- Results will be verified in the Company's annual service quality report and two-year Compliance review:
 - The Company will discuss the success and challenges it is facing in light of the change in operating hours.
 - If call answer times worsen and fall below the standards, Xcel will be held accountable in providing details regarding how it will improve performance.

Based on the information and data provided in the record, Staff concludes that this filing is about customer service and the best, and most efficient ways of meeting the needs of the Company's customers. As such, based on the data and information, this is not about gaming Xcel's current four-year rate plan. The Commission should approve Xcel's request. Staff notes that should Xcel fail to meet relevant service quality standards, the Commission can and should take any action under its authority, including but not limited to reversing its decision here.

Finally, Xcel proposes to submit all approved tariff changes in a compliance filing ten days after receiving the Commission's Order. This should be included in the Commission's Order.

IV. Commission Options

1. Should the Commission approve the requested Call Center non-emergency schedule change contingent upon two years' annual compliance review in the Company's service quality reports, and approve the associated customer bill form and tariff changes?
 - A. Approve the requested Call Center non-emergency schedule change contingent upon two years' annual compliance review in the Company's service quality reports, and approve the associated customer bill form and tariff changes.
 - B. Require Xcel to maintain its current general customer service hours and deny the proposal.
 - C. Approve Xcel's proposal and require the Company to refund cost savings from the change in general customer services hours to be refunded to ratepayers.

2. Should the Commission approve the petition for 4-year variance to Minn. R. 7826.0800 to allow communication with customers of planned outages by phone and email for those customers choosing those forms of communication?
 - A. Approve the petition for 4-year variance to Minn. R. 7826.0800 to allow communication with customers of planned outages by phone and email for those customers choosing those forms of communication.
 - B. Do not approve the petition for 4-year variance to Minn. R. 7826.0800 to allow communication with customers of planned outages by phone and email for those customers choosing those forms of communication.

3. Should the Commission approve the request to add text messages/SMS to the Company's eBill and eBill payment Terms and Use contingent upon notifying customers that text rates from their phone company may apply?
 - A. Approve the request to add text messages/SMS to the Company's eBill and eBill payment Terms and Use contingent upon notifying customers that text rates from their phone company may apply.
 - B. Do not approve the request to add text messages/SMS to the Company's eBill and eBill payment Terms and Use.

4. Should the Commission approve the requested changes to the RDF Rider description contained on customer bills and incorporated in the Company's Natural Gas and Electric Rate Books?
 - A. Approve the requested changes to the RDF Rider description contained on customer bills and incorporated in the Company's Natural Gas and Electric Rate Books.
 - B. Do not approve the requested changes to the RDF Rider description contained on customer bills and incorporated in the Company's Natural Gas and Electric Rate Books.

VII. Staff Recommendation

Staff recommends option #1A, 2A, 3A, and 4A.