July 16, 2018

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-18-317

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

> 2017 *Annual Service Quality Report* (Report) submitted by Minnesota Energy Resources Corporation (MERC or the Company).

The 2017 *Annual Service Quality Report* was filed on May 1, 2018 by:

> Amber S. Lee
> Regulatory and Legislative Affairs Manager
> Minnesota Energy Resources Corporation
> 1995 Rahncliff Court Suite 200
> Eagan, MN 55122

Based on its review of MERC's 2017 *Annual Service Quality Report*, the Department recommends that the Minnesota Public Utilities Commission (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 in available to answer any questions that the Commission may have.

Sincerely,

/s/ Daniel W. Beckett
Public Utilities Rates Analyst

DWB/ja
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G011/M-18-317

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 workgroup[2] met on June 22, 2012 and developed more uniform

[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.

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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), Docket No. G011/M-14-365 (14-365 Docket), Docket No. G011/M-15-410, Docket No. G011/M-16-371 (16-371 Docket), and Docket No. G011/M-17-343 (17-343 Docket).

On May 1, 2018, MERC filed its 2017 *Annual Service Quality Report* (2017 Report). Additionally, the 2017 Report includes information regarding MERC's Improved Customer Experience (ICE) Project as required by the Commission's *Order* in Docket No. G011/GR-15-736 (MERC's 2015 rate case). The Department provides its analysis of the 2017 Report below, including an analysis of the Company's ICE Project performance in Section II, subpart O 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 7826.1200[4] 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.

MERC reported the percentage of calls answered within 20 seconds in Attachment 1 of its Report, as required by the *09-409 Order*. As shown in Table 1 below, MERC answered approximately 83.67 percent of calls made to its business center within the required 20 seconds. The monthly percentages ranged from a low of 65 percent in October to a high of 92 percent in April.

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[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*.

MERC also provided the monthly average speed of answer. The average speed for 2017 was 14.50 seconds, which is a marked improvement, over past years' average answer speed, particularly when compared with the previous year's average of 34.83 seconds.

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
2015	78.36%	27.42	30,811
2016	80.50%	34.83	21,081
2017	83.67%	14.50	20,404

The Department notes that the Company's average telephone response time for all months of 2017, other than October, November, and December, were the fastest since the data have been tracked beginning in 2010. Table 2 below summarizes this improvement and shows the annual weighted average response time for non-emergency calls, based on MERC's annual service quality reports:

Table 2: Annual Weighted Average Response Time

	Response Time (seconds) [5]	Total Calls
2010	17	277,329
2011	18	248,020
2012	20	327,851
2013	19	397,404
2014	36	397,976
2015	28	369,736
2016	38	252,972
2017	15	244,853

As can be seen in Table 2, it does not appear that call volume is an indicator of MERC's response time performance.

[5] Calculated by multiplying the monthly call volume by the monthly average answer time for each of the 12 months, adding the 12 results together and dividing that sum by the total annual call volume.

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 3 below summarizes MERC's meter reading data. When excluding farm tap customers, MERC reported that an annual average of 99.94 percent of customer meters were read by utility personnel and 0.05 percent were read by the customer in 2017. Please note that MERC includes both estimated and customer-read meters in the customer-read category.

Table 3: Meter Reading Performance[6]

	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%	6	3	30
2011	212,821	97.03%	2.97%	1	0	29
2012	212,859	98.03%	1.94%	1	0	29
2013	214,564	96.25%	3.75%	3	6	27
2014	218,220	96.33%	3.67%	4	0	21
2015	226,493	97.77%	0.26%	2	0	26
2016	238,936	96.04%	0.04%	0	0	25
2017	232,730	99.94%	0.05%	2	1	24

[6] The numbers represented herein are without the farm tap data.

Table 3a: 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
2015	1,406	78
2016	77	6
2017	1,540	14

In its 15-410 *Order,* the Commission required the following:

> 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.

In its 2015 Report, MERC stated the following:

> The historical data reported in MERC's 2010-2013 Gas Service Quality reports on meter reading staffing was based on a mixture of both number of employees with the title "Meter Reader" and payroll time charged to meter reading. Going forward, MERC proposes to report meter reading staffing data based on the payroll time charged to meter reading for MERC employees and also to report FTE-employee equivalent staffing for MERC contract meter readers.

MERC's Attachment 2-A to 2017 Report included meter reader staffing data for the period 2010-2017 based on payroll time charged to meter reading. Attachment 2-A listed MERC FTE for the period 2010-2017 based on payroll time charged and third-party contractors who conducted meter reading on behalf of MERC. MERC noted that the slight decrease in staffing levels for 2017 was due to turnover but that the Company has now increased meter reader staffing so as to ensure continued timely meter reading.

The Department agrees that MERC's proposed meter reading staffing reporting metric is reasonable, and acknowledges that MERC has fulfilled the requirements of the 09-409 and 15-410 *Orders.*

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 Attachment 3 to its Report.

As Table 4 below shows, the number of disconnection notices sent in 2017 was much larger than the previous year's total of 2,690. However, as the Company stated in its 2017 Report, MERC suspended disconnection activity while a new ICE system was being installed. The Company stated the following:[7]

> As discussed in MERC's 2016 Service Quality report, MERC temporarily suspended disconnection activity during transition to its new ICE system and during the period of system stabilization. As a result, MERC's 2016 disconnection rates were lower than prior years. The suspension of credit and collection activities during a CIS conversion is common practice. In particular, the primary focus following conversion and during system stabilization is to ensure the ability to bill customers accurately and in a timely manner, and to respond to customer calls and inquiries. As those systems stabilize, credit and collection activities are re-initiated. MERC reinitiated its disconnection process in the latter part of 2016 and … 2017 disconnection rates increased from 2016 levels.

[7] 2017 Annual Report, p. 4

Table 4 summarizes MERC's involuntary disconnection statistics.

Table 4: Involuntary Service Disconnections

	Disconnect Notices Sent	# of CWR Requests*	CWR Requests Granted*	% CWR Granted	Involuntary Disconnects	% Restored in 24 hrs.
2010[8]	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%
2015	71,061	8,748	8,748	100%	5,393	48.23%
2016	2,690	4,649	4,649	100%	782	37.85%
2017	37,208	8,751	8,751	100%	1,744	41.17%

**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 7826.1600,[9] items A and B, except for information already provided in Minnesota Statutes §§ 216B.091 and 216B.096, subd. 11.[10] 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 5 provides a summary of MERC's service extension information, reported as monthly averages. The total number of requests for service to locations not previously served in 2017 was 2,511. The Department observed an average wait time of 27 days for commercial requests and 19 days for residential requests in 2017.

[8] 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.
[9] Titled *Reporting Service Extension Request Response Times*.
[10] Titled *Reporting*.

Table 5: 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
2015	165	30	19	46
2016	169	12	20	20
2017	189	19	22	27

As shown in Table 5(a) below, in 2017 there were, on average, 421 residential and 37 commercial service requests per month from current customers. The weighted average number of days to complete these requests was within a day for both residential and commercial requests.

Table 5 (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[11]	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
2015	760	0	84	0
2016	533	0	32	0
2017	421	0	37	0

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

[11] 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 service as detailed in Minnesota Rules part 7826.1900. Please see Table 6 below.

Table 6: Customer Deposits

	New Deposits Required	Deposits Held at End of Year
2010	29	865
2011	16	881
2012	23	695
2013	16	625
2014	17	538
2015	2	499
2016	0	3
2017	672	88

MERC stated the following regarding the dramatic increase in required deposits in 2017:

> In MERC's 2016 Gas Service Quality docket, MERC noted that the decline in deposits in 2016 occurred as a result of MERC's transition to the ICE CIS. MERC reinitiated deposit collections in the fall of 2017 and, as a result, deposits for 2017 are somewhat higher than 2016. However, because deposit collection was still largely suspended for a portion of 2017, the number of deposits held as of the end of 2017 remains lower than historic averages.[12]

Beyond being "somewhat higher", the number of deposits required in 2017 as reported by MERC was over 2,000 percent higher than the highest previous level. Given this, the Department requests that, in *Reply Comments*, MERC confirm whether the 672 new deposits figure is correct, or provide a detailed explanation for the dramatic increase.

[12] 2017 Annual Report, pp. 5-6

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.

MERC's Attachment 5 includes customer complaints as summarized in Table 7 below. As can be seen in Table 7, the number of complaints received in 2017 was nearly three times larger than in 2016. The Company provided the following explanation regarding the increase in complaints:[13]

> MERC notes that overall the number of complaints received in 2017 is higher than the number of complaints received in 2016. For the most part, the higher number of complaints is due to a change in our methodology used to track complaints. As part of ICE, and in continuation of the standardization of WEC utilities, MERC has implemented new customer service protocols and processes, including the implementation of a new complaint module as part of the ICE system that systematically tracks customer inquiries and categorizes more inquiries as "complaints" than MERC has in the past few years. Though a change in MERC's complaint tracking complicates year-to-year historical comparisons, in the long-run it will be beneficial to use a consistent methodology that comprehensively identifies all inquiries and appropriately categorizes customer complaints. Further, the total number of calls made to the customer care center have decreased since 2016, which indicates that the change in categorization is likely the driver for the increase in customer complaints in 2017.

The Department agrees that MERC's ICE system will enable the Company to provide more consistent customer complaint reporting going forward, and has no concerns at this time regarding the number of complaints reported for 2017.

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, 2017 report was included in MERC's Service Quality Report. MERC's Minnesota Rule 7820.0500 report can also be found in Docket No. E,G999/PR-18-13 (18-13 Docket).

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[13] 2017 Annual Report, pp. 6-7

Table 7: Customer Complaints

	# of Complaints Received	# Forwarded by CAO[14]	% 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%
2015	454	55	28.4%
2016	577	27	18.4%
2017	1,547	10	64.6%

MERC's customer complaint data for 2014 to 2017 by complaint category is shown in Table 7(a):

Table 7(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%
2015	454	41.41%	40.31%	8.59%	9.69%
2016	577	54.77%	27.21%	5.72%	12.31%
2017	1,547	59.53%	39.82%	0.13%	0.52%

The Department 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 Attachment 6 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). All utilities participating in the Service Quality Reporting Workgroup[15] agreed to provide their internal performance goal for answering gas emergency calls (x percent in x seconds).

[14] The Commission's Consumer Affairs Office.
[15] MERC participated in the Service Quality Reporting Workgroup, which met on June 22, 2012.

According to the information provided by MERC, for 2017, the Company reported a total of 20,017 emergency phone calls, averaging approximately 1,668 per month. Please see Table 8 below. The average number of calls per month in 2017 decreased by 313 compared to the average number of monthly calls in 2016; however, the 2017 call volume is more in line with the Company's historical monthly figures prior to 2016. The average telephone answer time for 2017 was 5.58 seconds. In addition, the Company's data indicate that in 2017 MERC was able to answer 93 percent of its emergency phone calls in 15 seconds or less.

Table 8: 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%
2015	19,204	9.25	93.31%
2016	23,773	3.92	95.59%
2017	20,017	5.58	93.04%

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 the percentage of emergencies responded to within one hour and within more than one hour. Additionally, the Commission required MERC to report the average number of minutes it takes to respond to an emergency. MERC provided these data in Attachment 6 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.

MERC's response time to reported gas emergencies is summarized in Table 9 below.

Table 9: 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
2015	5,832	95.4%	4.68%	26.92
2016	5,382	94.4%	5.58%	28.00
2017	6,344	95.2%	4.76%	28.15

On a monthly basis in 2017, the Department notes that the average response times are tightly clustered, with 30 minutes being the longest average response time (in August) and 26 minutes being the shortest average response time (in February). 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 28 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 Attachment 7 to its Report.

As shown in Table 10, MERC's Report indicated that there were 39 mislocates out of a total of 101,266 locates, resulting in an approximate mislocate rate of 0.05 percent in 2017.

Table 10: 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
2015	92,476	37	0.04%	0.40
2016	99,309	44	0.05%	0.44
2017	101,266	39	0.05%	0.39

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 11 summarizes MERC's damaged gas lines information.

Table 11: Damaged Gas Lines

	Damage by Utility	Damage by Others	Total	Miles of Line	Damage/100 Line Miles
2010[16]	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
2015	37	194	231	4,829	4.78
2016	12	37	49	4,894	1.00
2017	39	204	243	4,953	4.91

The Company reported that there were no damage events that were attributable to system issues (*e.g*. random equipment failure) in 2017.

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

[16] 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.

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 Attachment 9 to its Report. The number of service interruptions on MERC's system is shown in Table 12 below.

Table 12: Service Interruptions

	Caused by Utility	Caused by others	Total Interruptions	Percent Caused by Utility
2010	7	41	48	14.5%
2011	8	145	156	5.1%
2012	17	136	153	11.1%
2013	5	129	134	3.7%
2014	1	154	155	0.6%
2015	22	155	177	12.4%
2016	41	184	225	18.2%
2017	75	366	441	17.0%

In the categorical break down of the service interruption incidents, MERC reports no change in interruptions caused by system integrity issues - zero in each year from 2012 through 2017. The Department requests that, in *Reply Comments*, MERC provide an explanation for the sharp increase in service interruptions by both the utility and others.

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 2017 (Attachment 9-A of the Report).

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 13 below.

Table 13: MNOPS Reportable Events

	Reportable Interruptions
2010	n/a
2011	2
2012	9
2013	11
2014	18
2015	35
2016	25
2017	25

In Attachment 10 to its Report, the Company reported 25 MnOPS reportable events during 2017.

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

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

Along with the service quality data referenced 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[17] and 903[18] accounts. MERC provided these data in Attachment 11 to its Report.

In 2017, MERC reported total service quality related O&M expenses of $4,598,884, which corresponds to approximately $401,245 O&M expenses per month, on average. See Table 14 below.

[17] Supervision ("cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities").
[18] Customer records and collection expenses.

Table 14: Customer Service Related O&M Expenses

	FERC 901	FERC 903	O&M Total	O&M Average/Month
2010			$5,964,790	$497,066
2011	$417,993	$5,944,342	$6,362,335	$530,195
2012	$505,142	$5,904,186	$6,409,328	$534,111
2013	$435,474	$6,072,592	$6,508,066	$542,339
2014	$444,076	$5,764,171	$6,208,247	$517,354
2015	$621,406	$6,377,977	$6,999,383	$583,282
2016	$1,160,044	$3,762,930	$4,922,974	$410,248
2017	$627,481	$3,971,403	$4,598,884	$401,245

The Department acknowledges that MERC has fulfilled the FERC 901 and 903 accounts reporting requirements.

O. ICE PERFORMANCE INDICATORS

In addition to the categories discussed above pertaining to MERC's Service Quality Report, the Commission, in its October 31, 2016, *Findings of Fact, Conclusions, and Order* in Docket No. G011/GR-15-736, required the Company to develop, in consultation with the Department, Office of the Attorney General – Residential Utilities and Antitrust Division (OAG), and Commission Staff, a tool or survey to measure the effectiveness over time of the Improved Customer Experience (ICE) Project as it relates to the customer services that were intended to be improved by the project. In particular, the Commission's Order[19] provided the following:

> On an annual basis starting in 2017, MERC shall place $500,000 from ratepayers into an account.
>
> a. By February 2017 MERC shall develop a tool or survey to measure the effectiveness over time of the ICE project as it relates to the customer services that were intended to be improved by the project. Any survey, consultant, program, or tool to measure project effectiveness must be adopted in consultation with the Department and the OAG.
> b. The Company, after consultation with the Department and the OAG, shall set annual ICE-project customer-service benchmarks to be reached by the end of 2017. The Company may modify these benchmarks and shall report annually unless the Commission

[19] Findings of Fact, Conclusions, and Order, Docket No. G011/GR-15-736 at 55 (October 31, 2016) (Order Point 11)

> determines ongoing monitoring is no longer necessary and that the $500,000 no longer needs to be set aside as a performance incentive.
> c. The Company shall report performance towards these benchmarks annually at the same time they do their service quality reporting. At that time the Commission will determine whether the benchmarks for retention of the $500,000 have been met.

This is the first time that the Company has reported on its performance related to ICE, and the Commission's Order, in its annual service quality filing.

On January 31, 2017, MERC submitted a compliance filing regarding the ICE performance indicators in Docket No. G011/GR-15-736, which detailed the Company's proposed plan to evaluate whether ICE improved customer services as intended.[20] That filing defined the metrics, developed in collaboration with the parties, which MERC was to report on in its annual service quality filings. Attachment 1 to MERC's filing details the Company's performance with regard to the ICE metrics. The agreed-upon metrics and their definitions are listed below.

- Customer Transaction Satisfaction – Measures customer satisfaction with their transaction based on a third party survey;
- Residential First Call Resolution – Measures customer's perception of resolving their issue on their first contact;
- Billing Accuracy – Percentage of bills that are not cancelled, rebilled, or adjusted;
- Billing Timeliness – Percentage of bills created within the billing window, not including any impacts from printing and mailing process;
- Even Payment Plan Adoption – Percent of customers on even payment plan;
- E-Bill Adoption – Percent of customers enrolled in e-billing;
- E-Payment Adoption – Percent of electronic payments;
- Field Service Appointments Kept – Percentage of customer appointments kept;
- IT/Security – Number of masked data fields and number of tokenized data fields; and
- Net Write offs as a Percent of Revenue – The ratio of the dollar amount of receivables written off less recoveries against gross write-offs, divided by rolling 12 months of revenue

With the exception of the field service appointment metric, MERC established pre-ICE baselines that were a 3-year average of the relevant data under its former Vertex system. ICE was implemented January 2016, with system stabilization occurring through the remainder of that year. MERC's January 31, 2017 filing included 2016 performance through November 2016, and target performance for 2017. For ease of reference, Attachment 1 to these *Comments* contains

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[20] This compliance filing was approved in the Commission's *Order* dated February 13, 2017.

MERC's performance indicators, pre-ICE baselines, and 2017 targets (Attachment 12 of MERC's2017 Report).

The Department notes that, for the Customer Transaction Satisfaction metric, benchmark and actual performance percentages are adjusted to reflect that the survey scale changed from being a 5-point scale in 2016 to a 10-point scale in 2017. The target for 2017 was "[c]ontinuous improvement driving towards 1st Quartile performance." While 2017 performance of 78.5 percent was an improvement over the baseline performance of 62 percent, 2017 performance did not reflect "continuous improvement" in that MERC performed better in 2016 (83.6 percent). The Company stated that this outcome was anticipated due to the changes made to the customer satisfaction survey, in particular transitioning from a telephone to an email survey. The Department notes that 2016 could be seen as a transition year and not comparable to either the pre-ICE benchmark or 2017 performance, however, it is not apparent how improved performance in a transition year could not be sustained the following year.

Additionally, the Department notes that the Billing Accuracy performance metric saw a decrease in value from 2016 to 2017. The Company stated that this decline was likely due to meter reading staffing issues. The Company stated that there was turnover amongst meter readers in 2017 and that the use of supplemental temporary staffing resulted in there being more inaccurate meter reads and bills than usual. The Billing Accuracy percentage for 2017 was 98.93, down from 99.77 in 2016. Similar to the Customer Transaction Satisfaction metric, the 2017 goal for Billing Accuracy was "[c]ontinuous improvement toward 2nd Quartile performance" of 99.79 percent. MERC noted that its staffing issues were unrelated to ICE, and have been resolved.

As for the Billing Timeliness metric, MERC's 2017 goal was to "[m]aintain 1st Quartile performance" of 99.5 percent. The Company's 2017 performance was 99.48 percent, which was lower than the pre-ICE benchmark of 99.89 percent, but higher than 2016 performance.

MERC noted that the Net Write Off as % of Revenue metric is impacted by weather and gas prices. The Company's 2017 goal was "continuous improvement within 2nd Quartile driving towards eventual 1st Quartile performance." MERC's 2017 performance of 0.58 percent was equal to the pre-ICE baseline, however, the Company indicated that it considers its 2017 performance reflective of continuous improvement.

MERC achieved its stated goal in each of the remaining categories – Residential First Call Resolution, Even Payment Plan Adoption, Electronic Bill Adoption, Electronic Payment Adoption, Field Service Appointments Kept, and IT/Security.

As mentioned above, the Commission stated that, at the time of the service quality annual reporting, it would decide whether or not MERC has satisfactorily shown that its ICE performance is such that it can retain the $500,000 that was set aside as a performance incentive. The Department suggests that the Commission consider the following three decision options regarding MERC's ICE performance and the $500,000:

1. MERC has not demonstrated sufficient performance regarding its ICE program such that it can retain the $500,000 that was set aside and must refund the entire amount to ratepayers; or
2. MERC has achieved success in a majority of its categories and may be allowed to retain a portion of the $500,000 but must refund the remainder to ratepayers; or
3. MERC has demonstrated satisfactory performance regarding its ICE program and is allowed to retain entirely the $500,000.

The Department suggests that the Commission consider decision option 2. The purpose of establishing the performance metrics was to measure whether the ICE project would result in the improvements expected, given its relatively high cost. Given the Company's inability to achieve its stated goal in all of the industry benchmarked categories, the Department concludes that MERC's ICE performance fell short of the level promised.

Given that this is the first time MERC is reporting on its ICE performance, additional context may be required to properly evaluate the Company's performance. As such, the Department requests that, in *Reply Comments,* the Company explain how it has achieved continuous improvement in its Performance Indicator Metrics. Specifically, since in each of the categories, the stated 2017 Target Performance is continuous improvement to either 1st or 2nd Quartile performance, what aspects of ICE were expected to contribute to continuous improvement (for each metric), what were the barriers to achieving continuous improvement in 2017, and whether MERC expects to meet all performance metrics going forward.

III. SUMMARY AND CONCLUSIONS

Based on its review of MERC's 2017 *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*:

- confirmation as to whether the 672 new deposits figure is correct, or provide a detailed explanation for the dramatic increase in 2017;
- an explanation for the elevated number of service interruptions caused by both MERC and third parties; and

- an explanation as to the aspects of ICE that were expected to contribute to "continuous improvement" in its Performance Indicator Metrics, identification of the barriers to achieving continuous improvement in 2017, and an indication as to whether MERC expects to meet all performance metrics going forward.

/ja

MERC Performance Indicators

Performance Indicator Metric	2013-2015 Performance Average	2016 Performance through December	2017YTD	1st Quartile (Entry Point)	2nd Quartile (Entry Point)	Definition	Target Performance (End of 2017)
Customer Transaction Satisfaction (%)	62%	~~83%~~ 83.6%	~~71.1%~~ 78.5%	~~74%~~ 82%	~~63%~~ 72%	Measures customer satisfaction with their transaction based on a third party survey (transactions include residential customer service calls - %8-10 ResCC)	Continuous improvement driving towards 1st Quartile performance
Residential First Call Resolution (%)	80.67%	81.78%	**83.30%**	85%	79%	Measures customer's perception of resolving their issue on their first contact. Responding 'Yes' to this question. (IVR survey)	Continuous improvement within 2nd Quartile driving towards eventual 1st Quartile performance. 1st quartile performance not expected in 2017.
Billing Accuracy	99.53%	99.77%	**98.93%**	99.93%	99.79%	Percentage of bills that are not cancelled, rebilled or adjusted.	Continuous improvement toward 2nd Quartile performance
Billing Timeliness	99.89%	98.65%	**99.48%**	99.50%	99.00%	Percentage of bills created within the billing window, not including any impacts from printing and mailing processes.	Maintain 1st Quartile performance
Even Payment Plan Adoption (%)	14.43%	15.12%	**15.51%**	16.8%	11.9%	Percent of customers on even payment plan.	Continuous improvement within 2nd Quartile driving towards eventual 1st Quartile performance. 1st quartile performance not expected in 2017.
e-Bill Adoption (%)	20.27%	22.38%	**26.21%**	14.5%	10.3%	Percent of customer accounts enrolled in e-billing.	Continuous improvement while maintaining 1st Quartile performance
e-Payment Adoption %	55.50%	57.58%	**60.42%**	51.6%	45.3%	Percent of electronic payments.	Continuous improvement while maintaining 1st Quartile performance
Field Service Appointments Kept	N/A	99.89%	**99.99%**	99.0%	98.6%	Percentage of customer appointments kept.	Maintain 1st Quartile performance
Net Write Off as % of Revenue	0.58%	0.73%	**0.58%**	0.35%	0.52%	The ratio of the dollar amount of receivables written off less recoveries against gross write-offs, divided by rolling 12 months revenue	This metric is correlated to weather and environmental factors. Our goal is continuous improvement within 2nd Quartile driving towards eventual 1st Quartile performance.
IT / Security (# of masked customer data fields; # of tokenized customer data fields)	0 fields	NA	**NA**	N/A	N/A	# of masked data fields; # of tokenized customer data fields	Maintain number of fields protected and continue to meet industry standards for customer data masking/tokenization

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
Comments

Docket No. G011/M-18-317

Dated this 16th day of July 2018

/s/Sharon Ferguson

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