

Staff Briefing Papers

Meeting Date	February 28, 2019	Agenda Item *3
Company	Minnesota Energy Resources Corporation (MERC)	
Docket No.	G011/M-18-317	
	In the Matter of MERC Energy's 2017 Annual Gas Service Quality Report	
Issues	<ol style="list-style-type: none"> 1. Should the Commission Accept MERC's 2017 Annual Gas Service Quality Report? 2. Should the Commission allow the Company to retain the \$500,000 Improved Customer Experience (ICE) performance incentives for 2017? 	
Staff	Marc Fournier	Marc.Fournier@state.mn.us 651-214-8729

 **Relevant Documents**

Date

Commission Order Accepting MERC's 2015/2016 Gas Service Quality Report, Docket No. G011/M-16-371 and G011/M-17-343	February 9, 2018
MERC's Initial Filing 2017 Natural Gas Service Quality Performance Report. G011/M-18-317	May 1, 2018

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 **Relevant Documents**

Date

Comments of the Minnesota Department of Commerce Division of Energy Resources	July 16, 2018
Reply Comments MERC	July 30, 2018
Response to Reply Comments Minnesota Department of Commerce	August 20, 2018
Additional Reply Comments MERC	August 29, 2018
Response to Reply Comments Minnesota Department of Commerce- Second	September 5, 2018
Commission Information Requests 1-6	October 11, 2018
MERC's Response to Commission Information Requests 1-6	November 9, 2018

I. Statement of the Issues

Should the Commission Accept MERC's 2017 Annual Gas Service Quality Report?

II. Background

On April 16, 2009, the Minnesota Public Utilities Commission (Commission) opened an investigation into natural gas service quality standards and requested comments from the Minnesota Department of Commerce, Division of Energy Resources (Department) and all Minnesota regulated natural gas utilities in Docket No. G999/CI-09-409 (09-409 Docket). As a result, the gas utilities file annual reports on various service quality standards.

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.

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).

On July 16, 2018, the Minnesota Department Commerce submitted its initial comments on MERC's 2017 Service Quality Report.

On July 30, 2018, MERC filed reply comments.

On August 20, 2018, the DOC filed a response the MERC's reply comments.

On August 29, 2018, MERC filed additional reply comments.

On September 5, 2018, the DOC filed a second response the MERC's additional reply comments.

On October 11, 2018, the Commission information requests 1-6 which request information related to additional gas service quality reports and a company's customer service window for customer premise (when the customer's presence is required). MERC provided its responses on November 9, 2018.

III. Parties' Comments

1. Should the Commission Accept MERC's 2017 Annual Gas Service Quality Report?

DOC: Based on its review of MERC's 2017 Annual Natural Gas Service Quality Report, the Department recommends that the Commission accept the 2017 Report.

MERC: MERC Energy respectfully requests the Commission accept this 2017 Annual Natural Gas Service Quality Report.

MERC's Responses to Information Requests 1-6:

PUC # 1 Please provide an analysis of whether any of the following reports or data would enhance the Commission's evaluation of the company's level of service quality:

- a. The data required under Title 49 Code of Federal Regulations §192.1007 (e):
Performance measures developed from an established baseline to evaluate the effectiveness of a company's Integrity Management (IM) program. These performance measures include the following:
 - (i) Number of hazardous leaks either eliminated or repaired as required by § 192.703(c) of this subchapter (or total number of leaks if all leaks are repaired when found), categorized by cause;
 - (ii) Number of excavation damages;
 - (iii) Number of excavation tickets (receipt of information by the underground facility operator from the notification center);
 - (iv) Total number of leaks either eliminated or repaired, categorized by cause;
 - (v) Number of hazardous leaks either eliminated or repaired as required by § 192.703(c) (or total number of leaks if all leaks are repaired when found), categorized by material; and
 - (vi) Any additional measures the operator determines are needed to evaluate the effectiveness of the operator's IM program in controlling each identified threat.
- b. A summary of any 2017 emergency response violations cited by MNOPS along with a description of the violation and remediation in each circumstance; and
- c. The number of violation letters your company has received from MnOPS during the year in question.

Response: MERC believes there would be limited value in the data and reports referenced in parts (a) – (c) above or any other PHMSA and MnOPS reports as referenced in PUC #2 in terms of enhancing the Commission’s evaluation of MERC’s level of service quality. The data provided in these reports reflect a snapshot in time and are dependent on a large number of continually changing dynamics, many of which are beyond the Company’s control and would not provide any insight into MERC’s quality of service. For example, leaks eliminated or repaired that are not an indication of material issues (e.g. natural forces, other outside forces, and excavation) could continue to happen regardless of the Company’s ongoing integrity management programs and additional reporting requirements to the Commission would not enhance the Commission’s evaluation of the company’s level of service quality. Additionally, if or when MERC receives any emergency response violations or violation letters, the Company reviews and implement training on lessons learned to the operations staff. Simply reporting on any violations received would not change MERC’s approach to any violations, and MERC does not believe the Commission’s evaluation of the Company’s service quality would be enhanced by the review of such information. Finally, MERC is already subject to many regulatory requirements and oversight in relation to the design, installation, maintenance, and operations of our pipeline facilities by PHMSA and MNOPS. These requirements include, but are not limited to Distribution Integrity Management and Transmission Integrity Management, which require us to evaluate our systems, and continually work at improving the safety and reliability of our system. MERC continues to follow industry best practices by voluntarily participating in implementing a Pipeline Safety Management System to further enhance employee, public, and pipeline safety.

PUC # 2 Please identify any other PHMSA and MnOPS reporting requirements not presently collected by the Commission that gas utilities might suggest as being useful in order to give the Commission a fuller picture of a gas utility’s service quality performance. This may include reporting required by 49 CFR Part 191 such as the Incident Report required by §191.9 and the Annual Report required by §191.11

Response: Please see MERC’s response to PUC Request 1.

PUC # 3 Please provide your company’s standard customer service window for customer premise visits (when the customer’s presence is required).

Response: MERC’s standard procedure is to offer eight hour customer service windows. In the event a customer requests a shorter window, MERC is often able to accommodate a 4 hour window. In the Company’s experience, it is more important to customer satisfaction that the Company’s representatives show up within the time period provided than that the time window be shorter.

PUC # 4 Please provide the rationale for the length of your customer service window for customer premise visits (when the customer’s presence is required).

Response: The length of the window balances our various requirements within our service territory which encompasses a substantial geographical footprint. MERC has found that the eight and four hour windows as discussed in MERC’s response to PUC Information Request 3, generally meet customer needs. MERC has discussed the potential of a shorter window, but

due to MERC's disperse service territory and the need to prioritize gas emergencies, MERC believes that a two hour window would result in reduced customer satisfaction. Additionally, MERC is currently piloting a call ahead feature, and will measure its effectiveness through customer surveys.

PUC # 5 If your company's customer service window for customer premise visits (when the customer's presence is required) is greater than four hours, are there other utilities or businesses that give customers a service window greater than four hours?

Response: As noted in response to PUC Information Request No. 3, upon customer request, MERC can frequently accommodate a shorter (4 hour) service window.

PUC # 6 If your company has a customer service window for customer premise visits (when the customer's presence is required) greater than four hours, is it possible or practical for the company to narrow the window to two or four hours?

Response: As noted in response to PUC Information Request No. 3, upon customer request, MERC can frequently accommodate a shorter (4 hour) service window. Additionally, please see MERC's response to PUC Information Request 4 for additional discussion on why a shorter window is not offered.

2. Should the Commission allow the Company to retain the \$500,000 Improved Customer Experience (ICE) performance incentives for 2017?

The Commission's October 31, 2016, Findings of Fact, Conclusions, and Order in Docket No. G011/GR-15-736, required that MERC develop, in consultation with the Department and OAG, 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. The Commission further ordered that the Company report on its performance toward the identified benchmarks annually with MERC's gas service quality reporting. In particular, the Commission's Order provided:

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 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.

On January 31, 2017, after working with the Department, OAG, and Commission Staff, MERC submitted a Compliance Filing outlining a set of metrics, in addition to existing reporting, to measure the effectiveness of the ICE Project. As noted in that filing, MERC, the Department, and the OAG reached agreement regarding ten specific “Performance Indicators” to be used beginning in 2017, in addition to the service quality measures already reported on in MERC’s annual gas service quality report. These “Performance Indicators” include:

- (1) **customer transaction satisfaction:** measures customer satisfaction with their transaction based on a third-party survey (transactions include customer service calls, moves, etc.);
- (2) **residential first call resolution:** measures customers’ perception of resolving their issue on their first contact;
- (3) **billing accuracy:** percentage of bills that are not cancelled, rebilled, or adjusted;
- (4) **billing timeliness:** percentage of bills created within the billing window, not including any impacts from printing and mailing processes;
- (5) **even payment plan adoption:** percent of customers on even payment plan;
- (6) **electronic bill adoption:** percent of customer accounts enrolled in ebilling;
- (7) **electronic payment adoption:** percent of electronic payments;
- (8) **field service appointments kept:** percentage of customer appointments kept;
- (9) **IT/security:** number of masked data fields and number of tokenized customer data fields; and
- (10) **net write off as percentage of revenue:** the ratio of the dollar amount of receivables written off less recoveries against gross write-offs, divided by rolling 12-months revenue.

Below is MERC's 2017 performance as compared to the standards set:

MERC Performance Indicators

Performance Indicator Metric	2013-2015 Performance Average	2016 Performance through December	1st Quartile (Entry Point)	2nd Quartile (Entry Point)	Target Performance (End of 2017)	2017YTD	2017 Statistically Adjusted Performance
Customer Transaction Satisfaction (%)	62%	83% 83.6%	74% 82%	63% 72%	Continuous improvement driving towards 1st Quartile performance	71.1% 78.5%	86.80%
Residential First Call Resolution (%)	80.67%	81.78%	85%	79%	Continuous improvement within 2nd Quartile driving towards eventual 1st Quartile performance. 1st quartile performance not expected in 2017.	83.30%	NA
Billing Accuracy	99.53%	99.77%	99.93%	99.79%	Continuous improvement toward 2nd Quartile performance	98.93%	NA
Billing Timeliness	99.89%	98.65%	99.50%	99.00%	Maintain 1st Quartile performance	99.48%	NA
Even Payment Plan Adoption (%)	14.43%	15.12%	16.8%	11.9%	Continuous improvement within 2nd Quartile driving towards eventual 1st Quartile performance. 1st quartile performance not expected in 2017.	15.51%	NA
e-Bill Adoption (%)	20.27%	22.38%	14.5%	10.3%	Continuous improvement while maintaining 1st Quartile performance	26.21%	NA
e-Payment Adoption %	55.50%	57.58%	51.6%	45.3%	Continuous improvement while maintaining 1st Quartile performance	60.42%	NA
Field Service Appointments Kept	N/A	99.89%	99.0%	98.6%	Maintain 1st Quartile performance	99.99%	NA
Net Write Off as % of Revenue	0.58%	0.73%	0.35%	0.52%	This metric is correlated to weather and environmental factors. Our goal is continuous improvement within 2nd Quartile driving towards eventual 1st Quartile performance.	0.58%	NA
IT / Security (# of masked customer data fields; # of tokenized customer data fields)	0 fields	NA	N/A	N/A	Maintain number of fields protected and continue to meet industry standards for customer data masking/tokenization	NA	NA

MERC: When considering the overall performance indicators associated with the ICE project, MERC has met or exceeded many of these identified metrics for calendar year 2017, demonstrating the overall effectiveness of the ICE Project in achieving improved customer service. And the inability to meet target performance for several of the ICE project performance indicators resulted generally from issues unrelated to ICE. Additionally, as summarized in its report, MERC has improved many of its standard gas service quality reporting metrics as well. MERC has demonstrated that the benchmarks have been met for the Company to retain the \$500,000 and requests that the Commission issue an Order authorizing the Company to retain the \$500,000 set aside, in accordance with the Commission's October 31, 2016 Findings of Fact, Conclusions, and Order.

MERC respectfully requests that the Commission find that MERC is in compliance with all applicable reporting requirements and find that the Company has demonstrated that MERC has satisfied the benchmarks set for 2017 associated with the ICE project.

DOC: DOC recommends that the Commission consider allowing the Company to retain the \$500,000 2017 ICE performance incentive, and require MERC to continue reporting on its ICE metrics (as clarified and revised in the Company's August 29, 2018 Additional Reply Comments) in MERC's 2018 annual service quality report to be filed May 1, 2019.

IV. Staff Analysis

Staff agrees with the recommendation of the DOC at page 3 of its September 5, 2018 reply comments and accept MERC's 2017 Annual Natural Gas Service Quality Report. With respect to Improved Customer Experience (ICE), it appears from the data in the table above that MERC is either maintaining the target performance or showing improvement toward the target performance. Additionally, Staff notes that the Company for virtually all of the metrics in 2017 versus the 2013-2015 metric averages either exceed those from the 2013-2015 average or less than a percentage point below. As such, Staff believes that MERC has satisfied the benchmarks set for 2017 associated with the ICE project.

Finally, the Commission may wish to ask further questions of MERC regarding the Company's responses to information requests 1-6.

V. Decision Options

1. Should the Commission Accept MERC's 2017 Annual Gas Service Quality Report?
 - A. Accept MERC's 2017 Annual Gas Service Quality Report.
 - B. Do not accept MERC's 2017 Annual Gas Service Quality Report.
2. Should the Commission find that MERC is in compliance with all applicable reporting requirements and that the Company has demonstrated that MERC has satisfied the benchmarks set for 2017 associated with the ICE project allow the Company to retain the \$500,000 Improved Customer Experience (ICE) performance incentives for 2017?
 - A. find that MERC is in compliance with all applicable reporting requirements and that the Company has demonstrated that MERC has satisfied the benchmarks set for 2017 associated with the ICE project allow the Company to retain the \$500,000 Improved Customer Experience (ICE) performance incentives for 2017. In addition, require of the following:

MERC to continue reporting on its ICE metrics, as clarified and revised in the Company's August 29, 2018 Additional Reply Comments, in MERC's 2018 annual service quality report to be filed May 1, 2019.

- B. Do not find that MERC is in compliance with all applicable reporting requirements and that the Company has demonstrated that MERC has satisfied the benchmarks set for 2017 associated with the ICE project allow the Company to retain the \$500,000 Improved Customer Experience (ICE) performance incentives for 2017. In addition, require of the following:

MERC to continue reporting on its ICE metrics, as clarified and revised in the Company's August 29, 2018 Additional Reply



Comments, in MERC's 2018 annual service quality report to be filed May 1, 2019.