

August 20, 2018

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

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/M-18-317

Attached are the *Response 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

The Department is 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

On May 1, 2018, Minnesota Energy Resources Corporation's (MERC or the Company) filed its 2017 Annual Gas Service Quality Standards Report (2017 Report).

On July 16, 2018, The Minnesota Department of Commerce, Division of Energy Resources (Department) filed comments on the 2017 Report requesting that MERC provide the following information:

- 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 Improved Customer Experience (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.

On July 30, 2018, MERC submitted Reply Comments responsive to the Department's requests.

A. *CUSTOMER DEPOSITS*

MERC's Reply Comments indicated that the Company had collected deposits from low-income customers in 2017, which was a violation of Company policy. Further, the deposits required were higher than allowed under MERC's tariff. Therefore, MERC refunded all residential deposits collected in 2017. MERC clarified that the reported 88 deposits held at year-end is correct and reflects only commercial customer deposits.

The Department requests that MERC explain how the error was discovered and the steps it has taken to ensure that the terms of its tariff regarding deposits will not be violated going forward.

B. SERVICE INTERRUPTIONS

MERC noted that the Department's Table 12 inadvertently reflected customer counts, rather than outage counts, for 2016 and 2017. The Department appreciates this correction and apologized for any inconvenience caused. Based on the corrected figures, the Department has no concerns at this time regarding MERC's service interruptions.

C. ICE PERFORMANCE METRICS

The Department noted that it did not appear that MERC achieved "continuous improvement" for all of the relevant measurements established, but conceded that the definition of "continuous improvement" was not made explicit, so requested that MERC explore this topic in its Reply Comments. MERC indicated that:¹

continuous improvement should be viewed in the context of each performance metric, taking into consideration the performance achievements that can be specifically attributed to the ICE Project as well as factors outside of the customer information system that impact results.

For each metric whose stated performance goal is "continuous improvement," the Department interprets that as improvement during each iteration of measurement – in this case, yearly. As such, to meet this performance goal, 2017 would need to show improvement over 2016 to meet the Company's stated measurement goal. The Company responded in Reply Comments that it is "unrealistic" to assume the Company can improve yearly.² The Department generally agrees with this assessment, however the phrase, "continuous improvement" was introduced by MERC in its original compliance filing; the rate case order referred only to establishing benchmarks.

For reference, the Commission's October 31, 2016, *Findings of Fact, Conclusions, and Order* (Order) stated the following:³

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

¹ MERC Reply Comments, p. 4.

² *Ibid.*

³ Findings of Fact, Conclusions, and Order, Docket No. G011/GR-15-736 at 55 (October 31, 2016) (Order Point 11)

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.

Particularly when implementing a new system, the first year or two may involve adjustments and corrections that impact overall performance at the time, but those “glitches” do not indicate that the new system is a failure or will not lead to overall improvement in the longer term. The rate case order allowed for modification of any established benchmarks, so the Department suggests that MERC specifically define “continuous improvement,” or choose other language that more clearly defines each benchmark so that a more definitive assessment of benchmark performance can be made.

MERC stated that the 2017 Billing Accuracy and Billing Timeliness metrics reflected worse performance when compared to 2016 due to meter reader staffing issues and were not caused by any issue with ICE. While the reasons for the lower numbers in 2017 relative to 2016 for Billing Accuracy and Billing Timeliness are not necessarily implications of poor performance related to ICE, the Customer Transaction Satisfaction metric does suggest potential deficiencies with ICE, or potentially with the ICE rollout, or “glitches” associated with the ICE rollout. MERC did not provide what was learned from the customer survey in terms of customer dissatisfaction.

The Department also agrees with the Company that part of the downward trend in the Customer Transaction Satisfaction metric is not necessarily due to ICE itself, but rather the change in survey format; nevertheless, the degree to which an on-line survey is likely to be more negative than a telephone survey remains unclear. It is clearly possible that customer satisfaction was lower in 2017 than it was in 2016, regardless of the survey method.

In order to adequately assess MERC’s performance regarding the Customer Transaction Satisfaction metric, the Department needs to compare MERC’s baseline performance and 2016 performance (both of which consisted of phone surveys) to its 2017 performance (which

utilized an email survey). There are known statistical techniques used in survey analysis that allow for a comparison of different data or surveying techniques. Absent that analysis, the Department cannot conclude that the Customer Transaction Satisfaction metric reflected “continuous improvement driving towards 1st Quartile performance” in 2017, given that performance dropped compared to 2016. However, performance improved over the 2013-2015 baseline, thus 2017 performance may not be indicative of a declining trend.

In response to the Department’s Comments, MERC provided a table showing, for each metric, the aspects of ICE that are contributing to continuous improvement, the barriers to expected achievements, and MERC’s expectation for future performance. The Department believes this information provides valuable insight into MERC’s 2017 performance, and requests that the Company provide this information in future reports.

In conclusion, MERC’s failure to improve over the 2016 metrics for Billing Accuracy and Billing Timeliness may have been more strongly influenced by MERC’s meter reading staffing issue than by ICE performance. Further, MERC’s Customer Transaction Satisfaction metric, while lower than in 2016, reflects improvement over the 2013-2015 baseline; however, a statistical analysis to remove the impact of the different survey methods was not done, therefore 2017 performance is inconclusive. Finally, the Department agrees with MERC that year-over-year improvement is not necessarily expected, but rather “continuous improvement” could mean an improvement trend over time.

The Department suggests that MERC specifically define “continuous improvement,” or choose other language that more clearly defines each benchmark so that a more definitive assessment as to whether a benchmark has been met can be made.

It appears that MERC may be on track to meeting its performance metrics on a long-term basis, however, MERC has not shown, and the Department is unable to definitively confirm, that ICE met all performance metrics in 2017. Therefore, the Department recommends that the Commission continue to require MERC to provide annual reports, and withhold a decision as to whether MERC is allowed to retain its \$500,000 performance incentive for 2017 pending review of MERC’s 2018 report.

/ja

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
Response Comments**

Docket No. G011/M-18-317

Dated this 20th day of August 2018

/s/Sharon Ferguson

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