


Staff Briefing Papers

Meeting Date	October 24, 2019	Agenda Item **11
Company	Minnesota Energy Resources Corporation	
Docket No.	G-011/M-19-303 In the Matter of Minnesota Energy Resources Corporation's Natural Gas Service Quality Report for 2018	
Issues	<ol style="list-style-type: none"> 1. Should the Commission accept Minnesota Energy Resources Corporation's (MERC's) Natural Gas Service Quality Report? 2. Should the Commission allow MERC to retain the \$500,000 performance incentive set-aside for 2018? 3. Should the Commission terminate MERC's ongoing monitoring and set-aside requirements? 	
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 Relevant Documents	Date
<i>Order Accepting Report, Requiring Compliance Filing, and Setting Additional Reporting Requirements (Docket 18-317)</i>	April 12, 2019
MERC: Service Quality Report for 2018	May 1, 2019
OAG: Comments	June 17, 2019
DOC: Comments	July 17, 2019
MERC: Reply Comments	August 5, 2019

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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.

I. Statement of the Issues

1. Should the Commission accept Minnesota Energy Resources Corporation's (MERC's) Natural Gas Service Quality Report?
2. Should the Commission allow MERC to retain the \$500,000 performance incentive set-aside for 2018?
3. Should the Commission terminate MERC's ongoing monitoring and set-aside requirements?

II. Background

On May 1, 2019, MERC submitted its 2018 Natural Gas Service Quality Report (*Report*) pursuant to several Commission orders, and including information that is responsive to the most recent Commission order.¹

On June 17, 2019, the Office of the Attorney General – Residential Utilities and Antitrust Division (OAG) filed comments.

On July 17, 2019, the Department of Commerce (DOC) filed comments.

On August 8, 2019, MERC filed reply comments.

III. Introduction

The Commission requires five Minnesota natural gas utilities² to file annual service quality reports, and Staff has prepared a separate Briefing Paper to address each of the 2018 submissions, individually. Those Briefing Papers focus on the content of the reports and their sufficiency, going toward the ultimate question as to whether the Commission should accept the reports.

Staff has also prepared a sixth Briefing Paper addressing an issue raised by OAG regarding future reporting. OAG submitted a single set of comments in all five individual dockets, those comments recommending that, in the future, the utilities file substantially more information regarding transmission and distribution system integrity.³ OAG also recommends that the reporting format be standardized across the utilities. OAG did not make any recommendation as to whether the five individual reports should be accepted or not.

This Briefing Paper focuses on MERC's *Report*. MERC's *Report* comprises approximately 25 pages of discussion supported by approximately 80 pages of numerical tables. In its comments

¹ Most recently, the Order in Docket 18-317 (April 12, 2019).

² Xcel Energy, CenterPoint Energy, MERC, Greater Minnesota Gas, and Great Plains Natural Gas.

³ OAG believes CenterPoint Energy's reporting of system integrity information is a good model for the other utilities.

DOC has summarized much of MERC's *Report* in a tabular form that includes historical information for most metrics. Staff has not duplicated those tables in this Briefing Paper.

Note that the Commission has recently opened an investigation to explore the possibility of improving the reporting of involuntary disconnection data by utilities.⁴ The results of that investigation may affect future service quality report filing requirements.

A. MERC's Report

1. Quality Metrics

MERC reported on a number of quality metrics, most of which it has addressed in previous annual reports:

Quality Metrics	Location of Discussion in Record	
	MERC	DOC
Call Center Response Time	p. 3 and Attachment 1	pp. 2-4
Meter Reading Performance	pp. 3-4 and Attachments 2 and 2A (also Reply: p. 2 and Attachment 2)	pp. 4-6
Involuntary Service Disconnections	pp. 4-5 and Attachment 3	pp. 6-7
Service Extension Requests	pp. 5-6 and Attachment 4	pp. 7-8
Customer Deposits	p. 6	pp. 9-10
Customer Complaints	pp. 7-8 and Attachment 5	pp. 10-11
Gas Emergency Telephone Calls	p. 8 and Attachment 6	pp. 11-12
Gas Emergency Response Times	p. 13 and Attachment 6	pp. 12-13
Mislocates	p. 8 and Attachment 7	pp. 13-14
Damaged Gas Lines	p. 8 and Attachment 8	p. 14
Service Interruptions	pp. 8-9 and Attachments 9, 9A and 10	p. 15
MNOPS Reportable Events	p. 9 and Attachment 10	p. 16
Customer-Related O&M Expenses	p. 13 and Attachment 11	pp. 16-17
Improved Customer Experience (ICE) Project	pp. 14-23 and Attachment 13	pp. 17-20
Additional Requirements: Performance Measures	pp. 10-11 and Attachment 12	p. 21
Additional Requirements: MNOPS Violation Remediation	p. 11 and Attachments 10 and 10A	p. 21
Additional Requirements: MNOPS Violation Letters	p. 11	p. 21

⁴ Docket No. E,G-999/CI-19-563. *In the Matter of a Commission Investigation to Explore Possible Improvements for Reporting Involuntary Customer Service Disconnection Data.*

Table 1: Location of Discussion in MERC Report and DOC Comments		
Quality Metrics	Location of Discussion in Record	
	MERC	DOC
Additional Requirements: Excess Flow Valves (EFVs)	pp. 11-12	pp. 22-23

2. Additional Requirements

MERC provided information on four additional areas as required by the Commission in its order issued upon review of MERC's 2017 service quality report. The Commission stated that MERC must file:

- a. the utility's filing under 49 CFR 192.1007 (e): integrity management plan performance measures; monitoring results; and evaluation of effectiveness in a manner to establish a baseline for ongoing reporting.
- b. a summary of any 2018 emergency response violations cited by MNOPS [Minnesota Office of Pipeline Safety] along with a description of the violation and remediation in each circumstance.
- c. the number of violation letters received by the utility from MNOPS during the year in question.
- d. a discussion of how to provide ongoing monitoring and metrics towards the deployment of Excess Flow Valves and manual service line shutoff valves pursuant to the Commission's order in Docket No. G-999/CI-18-41.⁵

With respect to integrity management plan reporting (requirement "a," above) MERC stated:

[I]n addition to tracking data regarding hazardous leaks and other leaks eliminated or repaired by cause and material and number of excavation damages and excavation tickets, MERC has identified additional measures to evaluate the effectiveness of its integrity management plan as a result of risk evaluation and analysis. Those measures include external corrosion on all steel, atmospheric corrosion on meter sets, emergency response times, and percentage of leaks eliminated or repaired within one year.

For each performance measure, the established baseline is identified and described in Attachment 12. The baseline for each measure is based on available data. For example, MERC has developed a ten-year baseline for leaks (2006-2015) and a five-year baseline with respect to excavation damages, excavation tickets, and the ratio of damages to excavation tickets. Attachment 12 also describes the effectiveness criteria for each performance measure, relative to the baseline, and provides data regarding 2018 results relative to the established baseline.⁶

⁵ Order in Docket 18-317, April 12, 2019.

⁶ Report, p. 10.

With respect to requirements “b” and “c,” above, MERC was cited for 26 MNOPS Reportable Events and it received 8 violation letters in 2018.⁷

With respect to Excess Flow Valves (EFVs – requirement “d,” above) MERC reported that it had installed 4,007 EFVs and 93 Shut-Off Valves (SOVs) in 2018. It estimated that the total number of services with EFVs and SOVs, respectively, at 50,363 and 124.⁸

3. Improved Customer Experience (ICE) Project

The Commission reviewed the ICE project in MERC’s 2015 General Rate Case and described the origin of the ICE project as follows:

Since 2006, MERC has used a third-party vendor, Vertex, to handle customer billing and payment processing, operate a call center for customer inquiries, and manage installation and repair crews. Vertex’s system became outdated, however, and no longer provided modern levels of customer service or met needed data-protection, security, or accuracy standards. MERC’s agreement with Vertex was ended in July 2016.

Over the last several years, MERC’s former parent company, Integrys, developed what it described as a modern, full-service customer-relations and billing department—the Improved Customer Experience (ICE) project—designed by an Integrys subsidiary. The ICE program was designed to replace Vertex’s system and the other legacy Integrys utility systems, and to obtain internal efficiencies and provide necessary services to all six of Integrys’s regulated utilities. The ICE system platform handles billing, credit and collections, payments, and service-order processing, as well as replacing the utilities’ telephone systems, web-based self service, and customer data-security systems⁹

In the General Rate Case the Commission found that:

MERC has not demonstrated that the full increased costs of the ICE project it seeks to recover from MERC’s ratepayers are reasonable and prudently incurred. MERC and Integrys did not fully investigate a MERC-only option or obtain any bids to evaluate the cost of a comparable MERC-only solution. The Commission therefore will allow MERC cost recovery of the ICE project based on MERC’s share (approximately \$9.84 million) of the updated total ICE project budget, but only if MERC demonstrates that the ICE project is effective and meets appropriate customer-service benchmarks ...¹⁰

⁷ Report, pp. 10-11 and Attachments 10 and 10A

⁸ Report, pp. 11-12.

⁹ Order in Docket 15-736, October 31, 2016, p. 12.

¹⁰ Order in Docket 15-736, October 31, 2016, p. 16.

The Commission ordered that:

10. MERC may recover costs of the ICE project based on MERC's share (approximately \$9.84 million) of the updated total ICE project budget.
11. MERC shall refund \$500,000 from the ICE program budget to ratepayers for 2016. 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.¹¹

MERC reports that it has worked with DOC and OAG to develop ten performance measures:

- Customer Transaction Satisfaction
- Residential First Call Resolution
- Billing Accuracy
- Billing Timeliness
- Even Payment Plan Adoption
- Electronic Bill Adoption
- Electronic Payment Adoption
- Field Service Appointments Kept
- IT/Security
- Net Write-Off As Percentage of Revenue

MERC states that:

When considering the overall Performance Indicators associated with the ICE Project, MERC has met or exceeded many of the identified metrics for calendar year 2018, continuing to demonstrate the overall effectiveness of the ICE Project in achieving improved customer service and delivering on the specific areas of customer service intended to be improved by the ICE Project. While factors

¹¹ Order in Docket 15-736, October 31, 2016, p. 55.

unrelated to the ICE Project negatively impacted some of MERC's 2018 Performance Indicators, as reflected in this filing, those factors do not undermine a conclusion that MERC has demonstrated the effectiveness over time of the ICE Project as it relates to the customer services that were intended to be improved by the project. Further, as summarized in this report, MERC has continued its success on many of its standard gas service quality reporting metrics as well.¹²

And,

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 ... Order issued in Docket ... 15-736.

Additionally, because MERC's 2017 and 2018 ICE performance metrics indicate that the ICE Project has achieved its stated objectives in improving customer service, MERC requests that the Commission determine that ongoing monitoring and reporting is no longer necessary, and that the \$500,000 no longer needs to be set aside as a performance incentive.¹³

B. DOC Comments

DOC recommends the Commission accept MERC's 2018 *Report* conditioned upon MERC's filing of corrections to its Attachment 2 regarding meter reading performance. DOC believed that some information was missing from that attachment.

DOC further recommended that the Commission drop the requirement that MERC continue to report EFV and SOV information as part of its annual service quality report. DOC believes that filing may be unnecessary given the Commission's reporting requirements in its Excess Flow Valve docket.¹⁴ DOC recommends that the Commission use the following language to update its ordering language in its order accepting MERC's 2017 report:¹⁵

- a. based on the utility's filing under 49 CFR 192.1007 (e) and the baseline information provided on May 1, 2019, an update of: integrity management plan performance measures; monitoring results; and evaluation of effectiveness ~~in a manner to establish a baseline for ongoing reporting.~~
- b. a summary of any [2019] emergency response violations cited by MNOPS along with a description of the violation and remediation in each circumstance.
- c. the number of violation letters received by the utility from MNOPS during the year in question.

¹² MERC *Report*, p. 23.

¹³ MERC *Report*, p. 23.

¹⁴ Order in Docket 18-41, July 31, 2019.

¹⁵ Order in Docket 19-317, April 29, 2019.

- ~~d. a discussion of how to provide ongoing monitoring and metrics towards the deployment of Excess Flow Valves and manual service line shutoff valves pursuant to the Commission's order in Docket No. G-999/CI 18-41.~~

DOC recommends that the Commission allow MERC to retain the \$500,000 set-aside as a 2018 performance incentive. DOC noted that MERC achieved its quality objectives for all of the quality metrics except Billing Accuracy, Billing Timeliness, and Net Write-Off as Percent of Revenue. DOC believes that the dips in performance for these three metrics may be explained by non-ICE factors such as a colder than average heating season and the turnover in meter-reading staff.

DOC recommends the Commission deny MERC's request to terminate ICE-related monitoring and reporting, and the requirement to set aside \$500,000 as a performance incentive. DOC stated:

[I]ncluding 2016, which was a transition year in terms of ICE implementation, the Commission has only 3 years of ICE performance metric information, and which has demonstrated mixed results for some metrics, particularly for Billing Accuracy, Billing Timeliness, and Net Write-offs as Percent of Revenue. The Department agrees with MERC's Reply Comments in the 18-317 Docket that improvements due to ICE may not be reflected in a particular year's metric results, and that the level of improvement can only be evaluated over a longer period of time.

However, the Department also notes that MERC's anticipated advanced metering infrastructure (AMI) project (expected to be implemented in 2019-2020) may impact many of the ICE metrics. Once AMI is implemented, it may be reasonable to discontinue reporting these metrics with respect to evaluating ICE improvements, since it will be difficult to assess the extent to which the metrics are impacted by AMI and the extent to which they are impacted by ICE.¹⁶

C. OAG Comments

OAG made no recommendation as to whether the Commission should accept the *Report*.

D. MERC's Reply to DOC

MERC responded to DOC's request for corrections to Attachment 2 addressing meter reading. MERC stated that there was an error in coding of meter reading data and it has submitted a corrected Attachment 2.

¹⁶ DOC Comments, p. 20.

MERC continues to believe that the Commission should cease to require ICE-related monitoring and reporting, and to remove the requirement to set aside \$500,000 as a performance incentive:

[B]ecause MERC's 2017 and 2018 ICE performance metrics indicate that the ICE Project has achieved its stated objectives in improving customer service, MERC requests that the Commission determine that ongoing monitoring and reporting is no longer necessary, and that the \$500,000 no longer needs to be set aside as a performance incentive. Further significant improvements stemming directly from the ICE Project in the identified performance measures are not anticipated, although incremental improvements in a number of areas are likely to continue. MERC believes it has demonstrated improvements with respect to the identified ICE Performance Indicators and has fully explained areas where factors outside of the ICE Project have and will continue to impact overall performance.¹⁷

IV. Staff Analysis

Staff believes that MERC has met the Commission's reporting requirements and recommends the Commission accept MERC's *Report*.

MERC addressed the Commission's four additional reporting requirements for 2018 (regarding system integrity planning, MNOPS violations, EFVs and SOVs). However, the Commission was silent as to whether MERC must report that information in subsequent years (although it did make reference to "ongoing reporting" and "ongoing monitoring").¹⁸ DOC recommends that the Commission require MERC, in 2019, (1) to report the 49 CFR 192.1007(e) information and (2) to drop the requirement for EFV reporting in this docket given that the five utilities are required to submit reports regarding EFVs and SOVs in the EFV docket (18-41).

Staff agrees with the recommendation of DOC to allow MERC to retain the \$500,000 set-aside as a 2018 performance incentive.

The Commission may wish to continue to require MERC to monitor and report upon the ICE Project metrics and to set aside \$500,000 annually pursuant to the 18-41 docket requirements. MERC maintained or improved upon all but three metrics (Billing Accuracy, Billing Timeliness, and Net Write-Off as a Percentage of Revenue) although its failure to meet those three benchmarks may be due to weather or staff turnover.

V. Decision Options

1. Accept MERC's *Report*.

¹⁷ MERC Reply Comments, p. 3.

¹⁸ Order in Docket 18-316, April 12, 2019.

2. Accept MERC's *Report* and modify the future reporting requirements as recommended by DOC to require MERC to file ...
 - a. based on the utility's filing under 49 CFR 192.1007 (e) and the baseline information provided on May 1, 2019, an update of: integrity management plan performance measures; monitoring results; and evaluation of effectiveness in a manner to establish a baseline for ongoing reporting.
 - b. a summary of any [2019] emergency response violations cited by MNOPS along with a description of the violation and remediation in each circumstance.
 - c. the number of violation letters received by the utility from MNOPS during the year in question.
 - d. ~~a discussion of how to provide ongoing monitoring and metrics towards the deployment of Excess Flow Valves and manual service line shutoff valves pursuant to the Commission's order in Docket No. G-999/CI-18-41.~~
3. Accept MERC's *Report* and maintain the reporting requirements established in the 2017 service quality report:
 - a. the utility's filing under 49 CFR 192.1007 (e): integrity management plan performance measures; monitoring results; and evaluation of effectiveness in a manner to establish a baseline for ongoing reporting.
 - b. a summary of any [2019] emergency response violations cited by MNOPS along with a description of the violation and remediation in each circumstance.
 - c. the number of violation letters received by the utility from MNOPS during the year in question.
 - d. a discussion of how to provide ongoing monitoring and metrics towards the deployment of Excess Flow Valves and manual service line shutoff valves pursuant to the Commission's order in Docket No. G-999/CI-18-41.
4. Allow MERC to retain the \$500,000 set-aside as an ICE performance incentive.
5. Do not allow MERC to retain the \$500,000 set-aside as an ICE performance incentive.
6. Find that that ICE-related ongoing monitoring and reporting is no longer necessary, and that the \$500,000 no longer needs to be set aside as a performance incentive.
7. Continue to require MERC, pursuant to the Commission's Order in Docket 18-41 (July 31, 2019) to monitor and report on its ICE Project metrics and to continue to retain \$500,000 as a set-aside performance incentive.