

September 5, 2018

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

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

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

2017 Annual Service Quality 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 Minnesota Public Utilities Commission may have.

Sincerely,

/s/ DANIEL W. BECKETT
Public Utilities Rates Analyst

DWB/jl
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.

On August 20, 2018, the Department filed Response Comments stating that the results of the Company's Customer Transaction Satisfaction metric were inconclusive, given the change in survey format from telephone to email. For this reason, and absent any adjustments to the statistics to control for this difference, the Department suggested 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. The Department also requested that, given the information provided in MERC's Response Comments regarding deposits required in error, that the Company explain the error further and indicate how MERC intends to avoid such issues in the future.

On August 29, 2018, MERC submitted Additional Reply Comments providing further information regarding its Customer Transaction Satisfaction performance, as well as further

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discussion of “continuous improvement” and how the Company interprets this statement in relation to the various metrics and its goals.

The Department appreciates the additional information provided by MERC regarding the Customer Transaction Satisfaction metric, the clarifications to the Company’s targeted performance for future reporting, and the errors made concerning Customer Deposits. In particular, the Company provided details of a survey methodology they conducted between the dates of July 18, 2016 and September 25, 2016, regarding Customer Transaction Satisfaction. The Company stated that it used a dual-survey method to help ascertain the difference in responses between telephone and email formats. The results of this dual-survey revealed an 8.3 percentage difference between telephone and email surveys, with the former method resulting in survey results reflecting higher satisfaction levels than the latter method. When adjusting the 2017 Customer Transaction Satisfaction performance metric to control for the difference between survey methods, the Company stated that its 2017 performance was approximately 86.8 percent, as opposed to the unadjusted and originally reported percentage of 78.5.¹ The 86.8 percent compares favorably to the pre-ICE baseline of 62 percent and the 2016 performance of 83.6 percent.

Given the new information provided by the Company in its August 29, 2018 Additional Reply Comments regarding the Customer Transaction Satisfaction metric and the steps the Company took in sampling customers via email and telephone, the Department suggests that the Commission consider allowing the Company to retain the \$500,000 performance incentive for 2017. Additionally, the Department suggests that the Company be required to continue reporting on its ICE metrics, as clarified and revised in MERC’s Additional Reply Comments, in its 2018 service quality performance filing.

In conclusion, the Department recommends that the Commission accept MERC’s 2017 *Annual Service Quality Report*, 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.

/jl

¹ August 29, 2018 Additional Reply Comments, pp. 2-4.

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
Second Response Comments**

Docket No. G011/M-18-317

Dated this 5th day of September 2018

/s/Sharon Ferguson

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