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August 29, 2018

VIA ELECTRONIC FILING

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

Re: In the Matter of the Annual Service Quality Report for Minnesota Energy Resources Corporation for 2017, Docket No. G011/M-18-317

Additional Reply Comments of Minnesota Energy Resources Corporation

Dear Mr. Wolf:

On August 20, 2018, the Minnesota Department of Commerce, Division of Energy Resources ("Department") filed Response Comments in the above-referenced docket responding to MERC's July 30, 2018, Reply Comments. Minnesota Energy Resources Corporation ("MERC" or the "Company") submits these Additional Reply Comments to respond to the Department's recommendations and request for additional information.

In its Response Comments, the Department:

- Requests that MERC provide further explanation regarding the error with customer deposits and how MERC intends to avoid such issues in the future;
- Concludes, based on the corrected information provided by the Company, that the Department has no concerns regarding MERC's service interruption reporting;
- Requests 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;
- Requests that MERC provide, in future gas service quality report filings, a table showing, for each metric, the aspects of ICE that are contributing the improvement, the barriers to expected achievements, and MERC's expectation for future performance;
- Concludes that with respect to Billing Accuracy and Billing Timeliness, MERC's failure to improve over the 2016 metrics may have been more strongly influenced by MERC's meter reading staffing issue than ICE performance;

- Concludes that in the absence of statistical analysis to remove the impact of the different survey methods for Customer Transaction Satisfaction, 2017 performance is inconclusive; and
- 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 set aside for 2017 pending review of MERC's 2018 report.

MERC thanks the Department for its comments and submits these Additional Reply Comments in response to the Department's recommendations and requests for additional information.

1. *Customer Deposits*

First, with respect to customer deposits, as discussed in MERC's July 30 Comments, the Company refunded Residential customer deposits in 2017 after determining that it had collected deposits from low-income customers in violation of our company policy, and that the deposits collected were higher than allowed under our tariff. The Department requests that MERC explain how the error was discovered and the steps MERC has taken to ensure that the terms of its tariff regarding deposits are followed going forward.

MERC discovered the issue regarding the amount of Residential deposits being collected during a periodic compliance review of our credit and collection processes. Though the deposits were collected in accordance with the state regulations, our tariff limits the residential deposits to only one-month. Going forward, MERC will likely file a request to modify this particular tariff provision, but until then, MERC has clarified its deposit collection processes and has provided training and instruction to customer service representatives responsible for assessing deposits to ensure all deposits that are assessed are consistent with MERC's tariffs.

2. *ICE Performance Metrics*

    a. Customer Transaction Satisfaction Statistical Analysis

With respect to MERC's ICE performance metric reporting, the Department acknowledges, in its Response Comments, that it would be unrealistic to assume the Company would continue to improve year-over-year in each area and also concludes that MERC's failure to improve over 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.[1] Nevertheless, the Department asserts that because no statistical analysis was provided to quantify the impact of the different survey methods, MERC's 2017 performance with respect to Customer Transaction Satisfaction

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[1] Department Response Comments at pages 2, 4.

is inconclusive. Therefore, the Department ultimately 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.[2]

MERC disagrees with the Department's proposal to delay a decision with respect to the $500,000 set aside until MERC reports on 2018 data. Based on the Department's Response Comments, the only performance metric the Department determined was inconclusive with respect to whether MERC had met its performance goal was Customer Transaction Satisfaction. With respect to that metric, the Department agreed "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."[3] According to the Department, in order to adequately assess MERC's performance regarding Customer Transaction Satisfaction, it is necessary to compare the baseline performance and 2016 performance (both of which consisted of telephone surveys) to its 2017 performance (which utilized an email survey). In particular, the Department states that there are known statistical techniques used in survey analysis to allow for a comparison of different data or surveying techniques.

As part of the shift to the email survey methodology, MERC and WEC conducted an analysis to provide a statistically adjusted comparison of 2017 Customer Transaction Satisfaction to 2016 results so that we could ensure our baseline and benchmarks for performance were accurate. Testing was performed between July 18, 2016, and September 25, 2016, across all WEC utilities to evaluate the impact of moving from the telephone survey to an e-mail-based survey. During this testing period, we collected 542 completed surveys form MERC Residential customers, 315 of which were e-mail surveys and 227 of which were telephone surveys. Conducting surveys using both methods (telephone and e-mail) over the same period allows for an isolation of differences in customer satisfaction reporting attributable to the survey method. The result of the comparison was that customer transaction satisfaction was 8.3 percentage points higher for surveys conducted via telephone compared to e-mail surveys.[4] This data can be utilized to provide a statistically-adjusted comparison of 2016 Customer Transaction Satisfaction (under telephone surveys) to 2017 results (under e-mail surveys). As shown below, after adjusting 2017 results to account for the impacts of the

[2] Department Response Comments at 4.
[3] Department Comments at 3.
[4] The differential in Customer Transaction Satisfaction between telephone and e-mail surveys was also observed at similar levels across the other WEC utilities. Five of the six utilities reported survey differentials ranging from 2.7% to 16.8%, with the telephone surveys being more favorable to the utility. One utility reported a -1% differential, with the online survey results being slightly more favorable to the utility.

change in survey mode, MERC's 2017 customer transaction satisfaction was above both the baseline level and 2016 performance.

Table 1: MERC's Customer Satisfaction Metric

Baseline 2013-2015 Performance	2016 Perfor-mance	1st Quartile (Entry Point)	2nd Quartile (Entry Point)	2017 Performance Target	**2017 Perfor-mance**	**2017 Statistically Adjusted Performance**
62%	83.6%	82%	72%	Continuous improvement driving toward first quartile performance	**78.5%**	**86.8%**

These results illustrate that MERC did in fact achieve and exceed its stated performance goal of continuous improvement driving toward first quartile performance, once differences associated with the change in survey method are incorporated. As a result, MERC has demonstrated that the benchmarks have been met for the Company to retain the $500,000 in accordance with the Commission's October 31, 2016, Findings of Fact, Conclusions, and Order.

b. Target Performance for Future Reporting

For some performance metrics, MERC's stated performance goal was "continuous improvement." The Department noted that it interprets that as improvement during each iteration of measurement – in this case, yearly. In Reply Comments, MERC responded that it disagreed with the Department's premise that each metric has to improve year after year, with no deviation, to demonstrate "continuous improvement." Because each of the metrics is affected by much more than just the ICE technology or platform, MERC could never achieve, much less guarantee, that year after year each metric would improve. Rather, "continuous improvement" can be achieved, and should be evaluated, over a longer period of time, starting with the 2013-2015 baseline performance. In Response Comments, the Department agreed with MERC but noted that the Company had introduced the term "continuous improvement." The Department therefore recommended 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 provides the following clarifications regarding the proposed ICE metric performance targets going forward, based on the additional discussion provided in the Company's Reply Comments. MERC notes that with respect to allowing for a "definitive assessment" of whether a particular metric's target performance has been achieved, because numerous factors outside of the ICE Project impact each of the specific metrics, it is simply not possible to isolate performance specific to the ICE Project. Performance achievements must 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. MERC therefore agrees with the Department's recommendation that the Company provide, in future filings, a table showing, for each metric, the aspects of ICE that are contributing to continuous improvement, the barriers to expected achievements, and MERC's expectations for future performance. This additional reporting will provide important context relevant to an assessment of whether the ICE Project has achieved the customer service improvements it was designed to achieve.

ICE Performance Metric	2018 Target Performance
Customer Transaction Satisfaction	Continued improvement from pre-ICE baseline levels, driving toward first quartile performance. Going forward, as the industry continues to evolve, we find different ways to measure and gain customer insights. Our means to gauge customer feedback has changed and we are seeing a better sampling of our customer demographics and number of participants to survey. Our focus is to improve performance while balancing other external and internal factors that may impact customer satisfaction. We do not measure our satisfaction with our CIS system only, we use this metric to identify process improvement opportunities and root causes to dissatisfaction. Items like gas prices, branding, internal processes, regulated processes, etc. can impact customer satisfaction
Residential First Call Resolution	Maintain achievements within second quartile, driving toward first quartile.
Billing Accuracy	Staffing, weather, and human error are all factors that will continue to impact this metric; MERC expects to maintain performance with slight improvements in 2018 and beyond, dependent upon other

ICE Performance Metric	2018 Target Performance
	external factors. MERC's planned implementation of AMI in 2019 and 2020 is expected to result in improvements in billing accuracy in the future.
Billing Timeliness	Staffing, weather, and human error are all factors that will continue to impact this metric; MERC expects to maintain performance with slight improvements in 2018 and beyond, dependent upon other external factors. MERC's planned implementation of AMI in 2019 and 2020 is expected to result in improvements in billing timeliness in the future.
Even Payment Plan Adoption	Maintain achievements within second quartile, moving toward first quartile performance While MERC will continue to target continuous even payment plan adoption through customer education, participation is optional and will depend on customer interest.
E-Bill Adoption	Target maintaining first quartile performance. While MERC will continue to target continuous e-bill adoption through customer education, participation is optional and will depend on customer interest. MERC anticipates a potential barrier to 2018 and future achievement with a planned web platform project, which could create temporary disruptions.
E-Payment Adoption	Target maintaining first quartile performance. While MERC will continue to target

ICE Performance Metric	2018 Target Performance
	continuous e-bill adoption through customer education, participation is optional and will depend on customer interest. MERC anticipates a potential barrier to 2018 and future achievement with a planned web platform project, which could create temporary disruptions.
Field Service Appointments Kept	Target maintaining first quartile performance. MERC's 2017 achievements were 99.99 percent of field service appointments kept; year-over-year improvements are not expected.
Net Write Off as a % of Revenue	MERC will continue to target performance within the second quartile driving toward eventual first quartile performance to the extent such performance is achievable in consideration of external factors affecting overall write offs.
IT/Security	Maintain number of fields protected and continue to meet industry standards for customer data masking/tokenization. No changes anticipated in the near term (increases would only occur with future upgrades or modifications to the system).

In light of the statistical analysis discussed above with respect to Customer Transaction Satisfaction, the context surrounding the ICE performance metric achievements that the Department identifies as below the stated target performance relative to 2016 achievements or industry benchmarking, and considering other areas where the Company established improved performance in its standard service quality metrics, MERC has demonstrated that the benchmarks have been met for the Company to retain the $500,000 in accordance with the Commission's October 31, 2016, Findings of Fact, Conclusions, and Order.

Please contact me at (651) 322-8965 if you have any questions.

Sincerely yours,

/s/ Amber S. Lee

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation

cc: Service List

In the Matter of the Annual Service Quality Report for Minnesota Energy Resources Corporation for 2017	Docket No. G011/M-18-317

CERTIFICATE OF SERVICE

I, Lauren E. Pockl, hereby certify that on the 29th day of August, 2018, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Additional Reply Comments on www.edockets.state.mn.us. Said document was also served via U.S. mail and electronic service as designated on the attached service list.

Dated this 29th day of August, 2018.

/s/ Lauren E. Pockl
Lauren E. Pockl

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