December 8, 2017

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 Nos. G011/M-16-371 and G011/M-17-343

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

> 2015 and 2016 *Annual Service Quality Reports* (Reports) submitted by Minnesota Energy Resources Corporation (MERC or the Company).

The 2015 and 2016 *Annual Service Quality Reports* were filed on April 29, 2016 and May 1, 2017, respectively by MERC. On October 20, 2017, the Department submitted its *Comments* in these dockets. In those Comments, the Department recommended that the Minnesota Public Utilities Commission (Commission) **accept** the Company's *Reports* pending MERC's response to various inquiries in *Reply Comments.*

MERC submitted its *Reply Comments* on November 9, 2017. In its *Reply Comments,* the Company provided additional information and its response to various Department inquiries. The Department appreciates the corrected and updated information and provides its additional analyses herein.

Based on its review of MERC's 2015 and 2016 *Annual Service Quality Reports*, and the information provided by the Company in its *Reply Comments,* the Department recommends that the Commission **accept** the Company's *Reports*.

The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ LERMA LA PLANTE
Public Utilities Financial Analyst

LL/lt
Attachment

COMMERCE DEPARTMENT

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket Nos. G011/M-16-371 and G011/M-17-343

I. BACKGROUND

On April 29, 2016, Minnesota Energy Resources Corporation (MERC or the Company) filed its 2015 *Annual Service Quality Report* (2015 Report) and on May 1, 2017, MERC filed its 2016 *Annual Service Quality Report* (2016 Report) in compliance with the Minnesota Public Utilities Commission's (Commission) August 26, 2010 Order in Docket NO G999/CI-09-409 (09-409 *Order)* and its March 6, 2012 *Order-Accepting Reports and Setting Further Requirements* in Docket No. G007,011/10-374, et al. On October 20, 2017, the Minnesota Department of Commerce (Department) filed *Comments* on the Company's *Reports* requesting that MERC provide the following in its *Reply Comments:*

- an explanation for the apparent emerging trend in increasing average call response time;
- an explanation for the large increase in meters not read in 6-12 months and over 12 months in 2016.
- an explanation for the anomalous disconnection figures for 2016;
- an explanation for the sharp decline in deposits held in 2016;
- a schedule showing an item-by-item breakdown of each service interruption in 2016; and
- an explanation for the increase in operation and maintenance (O&M) expense in FERC 901 and decrease in FERC 903 in 2016.

MERC submitted its *Reply Comments* on November 9, 2017. In its *Reply Comments,* the Company provided additional information and its response to the inquiries noted above.

The Department discusses them below.

II. DEPARTMENT ANALYSIS

A. CALL CENTER RESPONSE TIME

Regarding call center response time, in its *Comments,* the Department requested that MERC respond to the apparent emerging trend in increasing average call response time, since it does not appear that call volume is an indicator of MERC's response time performance as shown in the table below.

Annual Weighted Average Response Time

	Response Time (seconds) [1]	Total Calls
2010	17	277,329
2011	18	248,020
2012	20	327,851
2013	19	397,404
2014	36	397,976
2015	28	369,736
2016	38	252,972

In its *Reply Comments,* MERC stated the following:

> While the average response times in 2014, 2015, and 2016 were somewhat higher than in prior years, MERC does not believe the data shows an increasing average or trend. Notably, while the average response time in 2014 was higher than other years, the average response time was noticeably lower in 2015. Moreover, the increase in average response times during 2014 and 2016 is a result of specific events and circumstances, to which MERC responded appropriately, rather than a general trend. Additionally, based on current reporting information, MERC anticipates its 2017 average call response times to be lower than the average response times for 2014, 2015 and 2016.
>
> In 2014, as discussed in the Department's Comments at Page 3, customers experienced higher than normal gas consumption during the polar vortex in 2014. As a result, customer bills were higher than usual, which in turn led to an increase in the number of customer inquiries MERC received. In particular, the highest wait times occurred in March and April in part because of the influx of credit-related calls from customers seeking to set up arrangements to avoid disconnections after the cold-weather rule period.

[1] Calculated by multiplying the monthly call volume by the monthly average answer time for each of the 12 months, adding the 12 results together and dividing that sum by the total annual call volume.

> To the extent response times were somewhat higher in 2015 than previous years (though lower than 2014), the increase in can be attributable to MERC's efforts to prepare for the implementation of our ICE CIS. In 2015, MERC hired additional call representatives and resources to stabilize response times and prepare for system conversion. The fall months tend to be busier than other months, as customers call the company to make arrangements for service during colder weather. During fall and winter 2015, MERC conducted employee training to prepare for the new CIS and despite the hiring of additional headcount, the resources available to answer calls were unable to keep pace with the higher volume of calls during this period. Because the additional staffing hired to prepare for the new system and offset training was not sufficient, efforts were made to hire additional classes prior to the go-live date of the ICE CIS.
>
> With respect to 2016, the ICE CIS was implemented in January, influencing the call response times in January and February as MERC worked through initial ICE stabilization and attempted to hire and train new headcount. Again, as with previous months, MERC tracked the response times as they occurred, and reacted to recruit additional resources to ensure continued level of service during conversion. In general, MERC's attempts to return to level of service in 2016 were successful and if the months of January and February are removed from the response time calculation, the average response time for 2016 (March through December) was 20 seconds, in line with response times between 2010 and 2013.
>
> At this time, it appears that the response times for 2017 continue to trend below the times experienced in 2014 and 2016 and MERC expects the average response time for 2017 to be below the average response time for 2016.

B. METER READING PERFORMANCE

Regarding meter reading performance, in its *Comments*, the Department had stated the following:

> …There was a large increase in meters not read for 6-12 months at the end of 2016. The Department requests that in *Reply Comments*, MERC provide an explanation for the large increase in meters not read in 6-12 months and over 12 months.

In its *Reply Comments*, MERC stated the following:

> Upon further investigation, MERC determined that its report of meter reading data was coded incorrectly, affecting the reporting data submitted in Attachment 2 to MERC's May 1, 2017 filing. MERC has now corrected these coding issues and submits a corrected meter reading report as Attachment A to these Reply Comments. As shown in Attachment A, MERC's corrected meter reading data for meters not read in 6 to 12 months and over 12 months is in line with prior years.

As a result of the Company's correction, below is the revised Table 3:

Revised Table 3: Meter Reading Performance[2]

	Avg. # of Meters	% Company Read	% Customer Read	Avg. # not Read in 6-12 mo.	Avg. # not Read in Over 12 mo.	Staff Level
2010	212,790	97.85	2.15	6	3	30
2011	212,821	97.03	2.97	1	0	29
2012	212,859	98.03	1.94	1	0	29
2013	214,564	96.25	3.75	3	6	27
2014	218,220	96.33	3.67	4	0	21
2015	226,493	97.77	0.26	2	0	26
2016	238,936	96.04	0.04	0.25	0	25

The Department appreciates the corrected information provided by MERC and acknowledges that MERC has fulfilled the requirements of 09-409 *Order*.

[2] The numbers represented herein are without the farm tap data.

C. INVOLUNTARY SERVICE DISCONNECTIONS

Regarding involuntary disconnections, in its *Comments,* the Department identified that in 2016, disconnection levels significantly decreased by 96% compared to 2015. MERC did not provide an explanation for the precipitous drop. The Department requested that MERC provide an explanation in *Reply Comments* for the anomalous disconnection figures for 2016.

In its *Reply Comments,* MERC stated the following:

> MERC responds that the large reduction in disconnections in 2016 is a result of MERC having temporarily suspended disconnection activity during the transition to the new ICE CIS and during the period of system stabilization. The suspension of credit and collection activities during a CIS conversion is common practice. In particular, the primary focus following conversion and during system stabilization is to ensure the ability to bill customers accurately and in a timely manner, and to respond to customer calls and inquiries. As those systems stabilize, credit and collection activities are re-initiated.

MERC reinitiated its disconnection process in the latter part of 2016 and as a result, does not anticipate the same trend in 2017 reported disconnections.

The Department appreciates MERC's explanation and acknowledges that MERC has fulfilled the requirements of the 09-409 *Order.*

D. CUSTOMER DEPOSITS

Regarding customer deposits, in its *Comments* on page 9, the Department has stated the following:

> MERC reported that two customers were required to make deposits in 2015 due to theft of service and there were no new deposits required in 2016. The Company held three deposits at the end of 2016. MERC provided no explanation for the sharp decline in deposits held in 2016; therefore, the Department requests that the Company provide an explanation in its *Reply Comments*.

In its *Reply Comments,* MERC stated the following:

> MERC responds that the decline in deposits held in 2016 was a result of MERC's transition to the new ICE CIS. MERC initially refunded customer deposits held prior to transition to simplify transition to the new CIS, and subsequently suspended the collection of new deposits during stabilization. MERC reinitiated deposit collections in the fall of 2017 and anticipates reporting on deposits to begin increasing with 2017 reporting. However, because deposit collection was still largely suspended for a portion of 2017, MERC's 2017 reporting is expected to be lower than historic averages.
>
> However, MERC has also realigned job responsibilities on credit and collections and streamlined its processes and is continuing efforts to identify ways to further increase productivity and evaluate potential process changes to help reduce customer arrears and bad debt write offs.

The Department appreciates MERC's explanation and acknowledges that MERC has fulfilled the requirements of the 09-409 *Order.*

E. SERVICE INTERRUPTIONS

Regarding service interruptions, in its *Comments* the Department stated the following:

> As part of its Reports, MERC included an attachment with an item-by-item breakdown of each service interruption in 2015 (Attachment 9 of the Report). The Department notes that in 2016, Attachment 9 of the Report did not provide an item-by-item breakdown of each service interruption.
>
> The Department requests that in *Reply Comments,* MERC provide a schedule showing an item-by-item breakdown of each service interruption in 2016.

In its *Reply Comments,* MERC stated the following:

> MERC originally began providing an item-by-item breakdown of each service interruption with its 2012 Service Quality Report. As noted by the Department in its Comments, the Commission's

> March 6, 2012, Order in Docket No. G007,011/M-10- 374, required MERC to provide the number of customers affected by a service interruption and the average duration of the interruptions beginning with its 2011 report. Through its participation in the workgroup, MERC indicated that it would calculate total outage time as beginning when the outage is reported and ending when service is restored to the last affected customer. Consequently, as part of its 2012 Report, MERC included a spreadsheet with an item-by-item breakdown of each service interruption in 2012, 2013, 2014 and 2015. With its 2016 Service Quality Report, MERC evaluated the information required to be reported on service interruptions and determined that a summary report rather than item-by-item report would address the required information. MERC believes that the information included in Attachment 9 to its 2016 Service Quality Report addresses the Commission's Order requiring the Company to report the number of customers whose service was interrupted and the average duration of interruptions, and notes that average duration continues to be measured as the time beginning when the outage is reported and ending when service is restored to the last affected customers.
>
> Nevertheless, MERC provides an item-by-item report, consistent with prior Annual Service Quality Reports, as Attachment B to these Reply Comments. The nonpublic version of this attachment contains customer addresses. This information is maintained by MERC as private customer data and has been excised from the public version of the filing in accordance with Minn. Stat. §13.679. Because MERC internally audited its service reporting information after the submission of our 2016 annual service quality filing, a few service interruptions were reclassified from what was reported in MERC's summary report and one duplicative service interruption incident was removed.

The Department appreciates the information provided by MERC and acknowledges that MERC has fulfilled the requirements of the 09-409 and 10-374 *Orders.*

F. CUSTOMER SERVICE RELATED OPERATIONS AND MAINTENANCE (O&M) EXPENSES

Regarding customer service related operations and maintenance (O&M) expenses, in its *Comments,* the Department noted that in 2016, the amounts recorded in FERC 901 and FERC

903 shifted considerably and requested that MERC address the increase in FERC 901 and decrease on FERC 903 in *Reply Comments*.

In its *Reply Comments,* MERC stated the following:

> As anticipated in the Direct Testimony of Seth DeMerritt filed in Docket No. G011/GR-15-736, as a result of MERC's implementation of ICE the costs for Vertex were reduced and cross-charges related to customer service support increased. This shift of costs in FERC accounts 901 and 903 is reflected in MERC's 2016 quality of service reporting.

The Department appreciates the clarification provided by MERC and acknowledges that MERC has fulfilled the requirements of the 09-409 *Order.*

III. SUMMARY AND CONCLUSIONS

Based on its review of MERC's 2015 and 2016 *Annual Service Quality Reports* and the Company's *Reply Comments,* the Department appreciates the clarification and corrections provided by the Company and recommends that the Commission accept the Company's *Reports*.

/lt

CERTIFICATE OF SERVICE

I, Linda Chavez, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, 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 Nos. **G011/M-16-371**
G011/M-17-343

Dated this **8th** day of **December, 2017**.

/s/Linda Chavez

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Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_17-343_M-17-343
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