BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
John A. Tuma	Commissioner

In the Matter of Minnesota Energy Resources Corporation's Natural Gas Service Quality Report for 2018

ISSUE DATE: January 7, 2020

DOCKET NO. G-011/M-19-303

ORDER ACCEPTING REPORT AND SETTING FUTURE REPORTING REQUIREMENTS

PROCEDURAL HISTORY

On May 1, 2019, Minnesota Energy Resources Corporation (MERC) filed its 2018 natural gas service quality report.

On July 17, 2019, the Department of Commerce, Division of Energy Resources (the Department) filed comments recommending that the Commission accept the report but deny MERC's request to discontinue reporting on its Improved Customer Experience project performance metrics. The Department also recommended that the Company be required to continue setting aside $500,000 as an annual performance incentive.

On August 5, 2019, MERC filed reply comments disagreeing with the Department's recommendations on project reporting and the performance incentive.

On October 24, 2019, the report came before the Commission.

FINDINGS AND CONCLUSIONS

I. MERC's Report

In 2010, the Commission established service quality reporting requirements for natural gas utilities.[1] The requirements are modeled after the electric utility standards in Minn. R. 7826.

[1] *In the Matter of a Commission Investigation into Gas Utility Service Quality Standards*, Docket No. G-999/CI-09-409, Order Setting Reporting Requirements (August 26, 2010).

Under the requirements, companies must report on:

- call center response times
- meter reading performance
- involuntary service disconnections
- service extension request response times
- customer deposits
- customer complaints
- telephone answer times to gas emergency line calls
- mislocates (i.e., the number of times a gas line is damaged due to a mismarked or unmarked line) damaged gas lines
- service interruptions
- notification of reportable incidents (using data from the Minnesota Office of Pipeline Safety, or MNOPS)
- gas emergency response times
- customer service related operations and maintenance expenses

In the Company's last annual filing, the Commission identified additional reporting metrics for future reporting, including:

- 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.
- a summary of any 2018 emergency response violations cited by MNOPS along with a description of the violation and remediation in each circumstance.
- the number of violation letters received by the utility from MNOPS during the year in question.
- a discussion of how to provide ongoing monitoring and metrics towards the deployment of Excess Flow Valves and manual service line shutoff valves consistent with the Commission's order in Docket No. G-999/CI-18-41.[2]

In MERC's last general rate case, the Commission directed the Company to set aside $500,000 in revenues to avoid over-recovery of costs associated with the Company's Improved Customer Experience project.[3] At the time, MERC was directed to set the money aside and make filings for measuring the effectiveness of the Company's project and the customer services that the project was intended to improve. The Commission would then review whether performance benchmarks had been met to justify the Company's retention of the $500,000.

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[2] *In the Matter of MERC's 2017 Annual Gas Service Quality Report*, Order Accepting Report, Requiring Compliance Filing, and Setting Additional Reporting Requirements, Docket No. G-011/M-18-317 (April 12, 2019).

[3] *In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G-011/GR-15-736, Findings of Fact, Conclusions, and Order (October 31, 2016).

To develop metrics for evaluating the project's effectiveness, the Company worked in consultation with the Department and the Office of the Attorney General, Residential Utilities and Antitrust Division. The following is the list of metrics to be measured:

- Customer Transaction Satisfaction – Measures customer satisfaction with their transaction based on a third party survey;
- Residential First Call Resolution – Measures customer's perception of resolving their issue on their first contact;
- Billing Accuracy – Percentage of bills that are not cancelled, rebilled, or adjusted;
- Billing Timeliness – Percentage of bills created within the billing window, not including any impacts from printing and mailing process;
- Even Payment Plan Adoption – Percent of customers on even payment plan;
- E-Bill Adoption – Percent of customers enrolled in e-billing;
- E-Payment Adoption – Percent of electronic payments;
- Field Service Appointments Kept – Percentage of customer appointments kept;
- IT/Security – Number of masked data fields and number of tokenized data fields; and
- Net Write-Offs as Percentage of Revenue – The ratio of the dollar amount of receivables written off less recoveries against gross write-offs, divided by rolling 12 months of revenue

The Company stated that in 2018, it maintained or improved performance in all categories and achieved its stated goals for those categories, except in Billing Accuracy, Billing Timelines, and Net Write-Off as Percent of Revenue. Stating that its overall performance results demonstrate customer service improvements as intended by the project, MERC requested that the Commission authorize the Company to relieve the Company from the requirement to continue reporting on its performance and to set aside $500,000 in the next year.

MERC addressed the three performance areas where the Company did not achieve targeted results, explaining that factors unrelated to its project are attributable. The drop in Billing Accuracy outcomes was the result of staffing shortages and turnover that caused inaccurate meter reads, according to the Company; it was not the result of the billing system itself, which was replaced. MERC stated that the same staffing shortage contributed to a performance drop in Billing Timelines. And, MERC explained that although its performance in Net Write Offs as a Percentage of Revenue dropped, the Company actually increased its use of electronic billing and payments, and payment options and that other factors, such as higher bills due to colder weather, affected performance.

II. The Department's Comments

The Department recommended that the Commission accept MERC's report but deny both the Company's request to discontinue its Improved Customer Experience project reporting and discontinue setting $500,000 pending the review of next year's performance results. The Department did agree that MERC should be allowed to retain the $500,000 previously collected from ratepayers.

The Department analyzed MERC's report and stated that the Company had filed, along with updated information regarding farm taps, the information necessary to address the reporting requirements. The Department did not agree, however, with MERC's proposal to end reporting on its Improved Customer Experience or end setting aside the $500,000 for the next year. The Department noted that new advanced metering infrastructure could affect project metrics in the future and that the Commission should therefore wait until after implementation of the new infrastructure before discontinuing the existing requirements. In other words, it may be difficult to discern in future filings to what degree improvements in the benchmarks are attributable to the project or to the new infrastructure.

Further, the Department noted that MERC has reported three years' worth of data, a relatively short time period for accurately gauging how well the Company's project is performing. Considering that the Company is not consistently improving in all areas, data over a longer duration would likely be a better indicator of whether the project is achieving its intended results. The Department noted that the Company previously acknowledged that evaluating data over a longer period of time would be beneficial in assessing the project.

III. Commission Action

The Commission concurs with the Department that MERC's report satisfies applicable reporting requirements and will therefore accept the report. The Commission also concurs with the Department that it is reasonable to allow MERC to retain the $500,000 collected from ratepayers but to continue to require MERC to set aside that amount until after further review of the Improved Customer Experience project and whether benchmarks have been met.

As the Department explained, evaluating improvement across categories over a longer time period is likely to provide a better assessment of how effective the project is. For these reasons, the Commission will authorize the Company to retain the $500,000 but will also direct the Company to again set that amount aside and continue monitoring and reporting project metrics.

To assist future record development on service quality issues, the Commission will also require MERC to file, in future annual natural gas service quality reports, the information set forth in the ordering paragraphs below.

ORDER

1. The Commission hereby accepts MERC's 2018 natural gas service quality report.

2. In future filings, MERC must include the following:

    a. Based on the utility's filing under 47 C.F.R. 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.
    b. A summary of any 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. The uniform reporting metrics for installation of excess flow valves and manual service line shut-off valves to be developed as follows: By December 6, 2019, after consultation with the other gas utilities obligated to report EFV metrics, MERC shall provide recommendations for uniform reporting of annual and overall EFV manual shutoff valve installation on its distribution system. The recommendation could include:

   i. A uniform definition of the number of customers suitable for EFV;
   ii. A uniform definition of the number of customers suitable for manual shut-off valves;
   iii. A uniform metric to be reported as a percentage of customers with installations of both;
   iv. Metrics for the number of customers receiving installations upon request prior to a system upgrade that would require the installation of EVs.

3. MERC is hereby authorized to retain the $500,000 set-aside as an Improved Customer Experience performance incentive.

4. Consistent with the Commission's decision in the Company's 2015 general rate case, MERC is required to continue monitoring and reporting on its Improved Customer Experience project metrics and to retain $500,000 as a set-aside performance incentive.

5. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Ryan Barlow
Acting Executive Secretary

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