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December 14, 2020

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

VIA ELECTRONIC FILING

Re: In the Matter of the Annual Service Quality Report for Minnesota Energy Resources Corporation for 2019, Docket No. G011/M-20-456

Reply Comments of Minnesota Energy Resources Corporation

Dear Mr. Seuffert:

On November 20, 2020, the Minnesota Department of Commerce, Division of Energy Resources (the "Department") filed Comments in the above-referenced docket recommending that the Minnesota Public Utilities Commission ("Commission") accept Minnesota Energy Resources Corporation's ("MERC's" or the "Company's") 2019 Annual Service Quality Report pending MERC's responses to various inquiries in Reply Comments. Specifically, the Department requested that the Company provide:

- An explanation for call center response time performance gaps;
- An explanation for whether the increase in contract meter reading positions is temporary or permanent, and why the Full Time Equivalents ("FTEs") increased for the second year in a row, while the number of hours charged to meter reading declined;
- An explanation for the increase in the rate of damage to MERC's gas lines, including, but not limited to, identified causes and remedies the Company is pursuing;
- An explanation for the elevated number of service interruptions caused by MERC, including, but not limited to, causes and remedies implemented or currently being pursued by the Company;
- An explanation for how the increased reliance on contracted meter reading staff may be affecting the Billing Accuracy Improved Customer Experience ("ICE") metric; and
- An explanation for why the performance in the Billing Accuracy and Billing Timeliness metrics is lower than pre-ICE 2013-2015 baselines for three years in a row, including any mitigating strategies the Company is taking while it awaits completion of its advanced metering infrastructure ("AMI") project.

The Department further recommended that the Commission deny MERC's request to discontinue monitoring and reporting on ICE Project performance metrics and the associated \$500,000 annual performance incentive set aside.

MERC thanks the Department for its review and submits these Reply Comments in response to the Department's requests for additional information in accordance with the Commission's November 24, 2020, Notice of Extended Reply Comment Period.

1. Call Center Response Time

First, with respect to call center response times, MERC noted in its 2019 Gas Service Quality Report that the increase in answer speed reported in 2019 was due to Fall 2019 call volumes being higher than normal, specifically in September and October, and that the Company addressed this performance gap by developing and implementing call center improvement actions for the remainder of 2019, resulting in significant reductions in average answer speed. However, despite improvements in average answer speed in November and December, MERC was not able to overcome the impact of slower average response times that occurred in September and October.

In its Comments, the Department requests that MERC provide additional detail regarding the identified gaps in its call center response time performance, noting that while call center response times are not included in the list of ICE performance metrics, call center improvements were included in the ICE implementation and used as a justification for the project.¹

MERC responds that in September and October 2019, cooler temperatures across the state and across the Midwest resulted in an increase in customer calls. In particular, MERC experienced increased call volumes from customers who were disconnected calling to reconnect, no gas calls, gas odor calls, relights, move orders, and new service orders. While fall call volume peaks are normal and anticipated as weather changes, in 2019, the total number of calls received in September (24,765 calls) was 22 percent greater than the average call volume experienced in September over the prior three years (2016-2018). Similarly, the overall call volume experienced in October (28,622 calls) was over 16 percent higher than the average call volume experienced over the prior three years (2016-2018). Care center staffing levels and this spike in call volume drove the resulting underperformance in call answer times in September and October 2019, which also drove the resulting underperformance for calendar year 2019.

Excluding October 2019 from the 2019 data, the overall average speed of answer would be just 13 seconds, with 85.14% of calls answered within 20 seconds, a significantly faster answer speed and higher service level than for any year from 2010 to 2018.

¹ Department Comments at 4.

As shown in Table 1 below, total calls have increased from 2017 to 2019, with an 8% increase in total calls from 2017 to 2018, and an 8.6% increase from 2018 to 2019:

Table 1. 2017-2019 Call Volumes

Year	Total Calls
2017	244,853
2018	263,979
2019	286,697

Although higher call volumes in September and October are normal and anticipated, MERC must balance staffing requirements necessary to address peak call volumes with overall costs, service performance, and overall staffing, while also ensuring prioritization for gas emergency calls. Maintaining staffing levels that would achieve call response times objectives when peak call volumes are being experienced would result in over-staffing during the remainder of the year. Consistent with the Commission's Order in Docket No. G999/CI-09-409, the service quality objective of 80 percent of calls answered within 20 seconds is an annual target, such that some months will exceed the target while others will fall below.

While MERC is able to address spikes in call volume by reallocating resources and taking other steps to help mitigate call volumes, many factors can impact call volumes, and such mitigation measures are not always able to overcome underperformance resulting from a large spike in call volumes. In the case of the fall 2019 decline in average speed of answer times, MERC added resources and implemented operational changes to field work to help reduce call volumes impacting call answer times. These measures resulted in reduced average speed of answer for the remainder of the year, as indicated by Attachment 1 of the Company's report. However, these measures and the improved performance in late 2019 were not able to offset the longer average call response times from the peak in September and October.

While ICE system improvements have resulted in efficiencies through call prioritization, improved customer service scripts to address customer needs, and the implementation of additional customer self-service and online options, factors outside of the ICE system, including factors resulting in increased call volumes such as cold weather, have and will continue to impact call center response times in situations where peak call volumes occur.

Ultimately, the identified gap in 2019 call center response time performance was the result of a large spike in call volumes driven by colder weather; was isolated to two months and is not a systemic or ongoing issue; and was addressed with appropriate mitigation measures with demonstrated improvement in November and December 2019. Further, as discussed above, while the ICE system has generally improved call answer times and increased overall efficiency by providing for additional self-service

functionality and prioritization, the ICE customer information system was not designed and could not be expected to resolve a large spike in call volume where a care center representative is required to address the reason for the customer call.

As indicated by the Company's performance in 2017 and its response to the 2019 underperformance, MERC is dedicated to, and can successfully reduce call center response times. Nevertheless, no matter how efficient a customer information system is, a significant increase in calls can result in longer response times. The decline in call response times in 2019 was situational and does not reflect a declining trend in performance with respect to this customer service metric.

At this time, it appears that average response times for 2020, from January 2020 to November 2020, are trending well below times experienced for 2018 and 2019, with greater than 80 percent of calls answered within 20 seconds. MERC will provide additional discussion of these trends in its 2020 Gas Service Quality Report.

2. Meter Reading Performance

Second, with respect to meter reading performance, the Department asks whether the increased contract meter reading positions are temporary or permanent, and notes that there appears to be an increase in contract FTEs for the second year in a row, while there is also a decrease in the number of hours charged to meter reading.²

MERC's increased contract meter reading positions were temporary. As the Company began implementing its AMI project in 2019, MERC replaced internal meter readers with contract meter readers when employees left the Company, thereby reducing the number of internal meter readers. As MERC has continued to implement AMI, we have been able to reduce contract meter reading positions as well, with meter reading being automated. At this time, MERC is only using contract meter readers for manual reading in the Central Region of Minnesota. All other contract meter reading employees stopped reading meters at the end of September 2020.

With respect to the decline in the number of hours charged to meter reading for the second year in a row, the Department observes that the two-year increase in total meters could indicate the need for more staff, however, the lower meter reading hours and percentage of meters read by the Company in 2019 conflict with that notion.

MERC clarifies that, as shown in Table 2 in the Company's 2019 Gas Service Quality Report, total FTE meter readers (inclusive of both internal and contract) were higher in 2019 compared to prior years. As discussed above, because MERC replaced internal meter reading employees who left the Company with contract meter readers, the internal meter reader payroll hours declined (as those hours are tracked for internal

² Department Comments at 6.

meter readers) while contract FTEs (not included in the payroll hours reported) increased in 2019. Total FTE meter readers, internal and contract, increased from 30.72 in 2017, to 32.92 in 2018, and 35.84 in 2019. As the Department observes, the increase in total meters supports the need for such additional staff to conduct meter reading. Due to the planned AMI project roll out, MERC replaced internal meter reading employees who left with contract employees on a temporary basis.

With respect to the percentage of meters read (by both the utility and the customer) of 93.2%, MERC explained in its Report at page 4, that the difference between the meters read and total percentage of meters is 6.8%. Estimated meter reads in 2019 accounted for 4.9% of total meters, comprising the majority of this difference.

MERC does everything possible to avoid estimated meter reads; however, with a 3-day meter reading window for each billing cycle, sometimes estimated reads are required. Minnesota saw record-breaking snowfall in February and March 2019, along with blizzard conditions, dangerous wind-chills, and closed roads. When the weather is extreme, MERC does not send employees out to read meters. Unlike other Minnesota utilities, MERC does not have drive-by reading technology so our meter readers are required to walk to each meter in order to properly conduct a reading. With the large amounts of deep snow, if a customer does not shovel a path, the meter reader must climb through waist-deep snow to get to the meter. Not only does this slow down the meter reading process, it also creates a dangerous situation for meter readers. Even in favorable weather conditions, meter readers are sometimes unable to read meters due to dogs or other unsafe conditions. In 2019, estimated meter readings were not the result of insufficient internal and contract meter readers but rather, due to weather and other circumstances.

Finally, MERC notes that snow and other adverse weather conditions can increase the payroll time charged to meter reading for MERC employees as it takes longer for employees to complete the same number of meter reads. However, because contract meter reader FTEs are reported separately and are not included in the payroll time reported in Attachment 2A, the additional time required does not impact the contract FTE reporting.

3. Damaged Gas Lines

Third, with respect to damaged gas lines, the Department notes that the metrics for gas line damage are at higher levels than any of the previous ten years. While such an increase in the nominal number of damage incidents is expected in light of increasing mileage of MERC's distribution system, the Department notes that except for 2016, the ratio of damage incidents has steadily increased since 2012. The Department requests

that MERC discuss the increase in damage levels, including, but not limited to, potential and/or identified causes and remedies MERC is pursuing.³

MERC responds that the higher number of reported damages caused by the utility in 2019 (59 damages) are primarily attributable to damages caused by mislocates and incorrect facility mapping.⁴ Damages reported in Attachment 8 under the category “caused by utility” include damages caused by MERC contractors (underground utility location and damage prevention contractor, US Infrastructure Company (“USIC”) and construction contractor, NPL) in addition to those caused by MERC employees.

In 2019, over half of the 59 reported damages were caused by USIC mislocates. USIC mislocates in 2019 were 25% higher than 2017 and 2018. In contrast, MERC employee mislocates have decreased. Damages due to incorrect facility mapping were also higher in 2019 as compared to prior years, with 12 damages due to incorrect facility mapping in 2019 versus one in 2018 and none in 2017. NPL accounted for another eight damage incidents in 2019.

With respect to damage caused by others, these metrics have remained fairly constant in recent years. The majority of damages caused by others are due to insufficient excavation practices by third-parties and cases where no notification was provided prior to excavation or the notification was not sufficient. In 2019, 112 of the damages caused by others were due to improper excavation practices and 54 damages were due to a lack of notification or insufficient notification prior to excavation.

Increases in construction in recent years including in 2019, have contributed to the increasing rate of damaged gas lines. Both construction activities undertaken by MERC and construction undertaken by other parties unrelated to the replacement, expansion, or modification of MERC’s facilities have increased in recent years, particularly in 2019. This increase in construction activity has resulted in an increased opportunity for and incidence of gas line damage and service interruptions.

With respect to MERC’s utility-related work, which is only one factor affecting damages and service interruptions, the number and scope of right-of-way relocation projects and obsolete-materials replacement projects have increased in recent years, as discussed in MERC’s Gas Utility Infrastructure Cost Rider dockets.⁵ Table 2 below shows the number and cost of right-of-way relocation projects undertaken between 2015 and 2019. Because these projects involve the replacement of existing natural gas

³ Department Comments at 15.

⁴ Incorrect facility mapping includes circumstances of damage to service lines that are not correctly mapped in MERC’s geographic information system (“GIS”). If there is an unmapped or incorrectly mapped service line (i.e., a service line not included in MERC’s GIS) the location technician or contractor must visually inspect for meter sets in order to identify any service lines in potential conflict with the ticket request.

⁵ See Docket Nos. G011/M-18-281, G011/M-19-282, and G011/M-20-405.

distribution facilities, there is no associated increase in the overall mileage of distribution pipe across MERC's system, which can result in increased damages without a corresponding increase in the miles of line (thus increasing the damages per 100 line miles).

Table 2. Right-of-Way Relocation Projects 2015-2019

Year	Number of Relocation Projects	Annual Right-of-Way Relocation Costs
2015	72	\$4,573,401
2016	72	\$5,171,722
2017	86	\$6,257,343
2018	87	\$6,589,132
2019	78	\$6,340,724

MERC has taken several steps to attempt to mitigate gas line damages. With respect to third-party excavation damages, the Company meets with the responsible party to discuss proper procedure, and escalates issues to the Minnesota Office of Pipeline Safety ("MNOPS") as appropriate. Contractors and homeowners who are responsible for damage are billed for the cost of such damages, with payments credited to cover the costs of the repairs.

With respect to damage caused by MERC employees and contractors, MERC investigates and tracks the root cause of damages in order to analyze and understand the cause and measures that could have been taken, and can be taken in the future, to prevent such damage. MERC conducts regular meetings with field employees to discuss the root causes of gas line damage and measures that should be taken to mitigate or avoid such occurrences in the future.

In order to mitigate the risk of damages due to incorrect facility mapping, MERC has also proposed to undertake a GIS service line mapping project beginning in 2021. As discussed in Docket No. G011/M-20-405, this project is the next step in the Company's mapping project — a comprehensive effort to verify, compile, and map MERC's systems and data, and ultimately link the data to the Company's GIS. The proposed GIS service line mapping will allow MERC to more accurately "understand system design and material characteristics, operating conditions and environment, and maintenance and operating history," in accordance with PHMSA's Integrity Management Program for Gas Distribution Pipelines Rule (49 C.F.R. Part 192, subpart P). Currently, MERC does not have its service lines mapped to GIS, which creates challenges for identifying and remediating service line risks and also increases risks associated with third party damage.

MERC has also provided additional training and followed up with field technicians and USIC to ensure all employees and contractors completing locate tickets are aware that an extensive review is necessary in all circumstances, even if no facilities are identified

on the map, in order to ensure that every service line within the scope of each ticket is marked. In the case of damages resulting from incorrect facilities mapping, MERC conducts an investigation to understand the root cause and follows up regarding measures that can be taken to mitigate such incidents in the future.

With respect to mislocates, in addition to charging USIC for damage resulting from mislocates as well as assessing USIC any fines incurred from MNOPS, MERC takes other steps to improve performance and reduce the number of mislocates, including the following:

- MERC's region supervisor and/or manager follows up regarding specific incidents with employees and contractors in order to understand the circumstances and reasons for the mislocate;
- MERC will audit employees if it appears not to be an isolated incident;
- MERC provides targeted training and follow up based on specific incidents and circumstances involving mislocates;
- USIC periodically undertakes internal audits and upon request, has shared the results of such audits with MERC;
- MNOPS periodically conducts audits of completed locates by individuals who have caused service interruptions;
- MERC holds periodic meetings with USIC to discuss incidents and corrective actions;
- MERC has attended various USIC employee training sessions to emphasize the importance of proper locates of gas facilities; and
- USIC's contract includes a penalty and an incentive clause as a way to drive performance.

MERC continues to take affirmative steps to reduce damages caused by mislocates, incorrect facility mapping, and excavation damage, as discussed above.

4. Service Interruptions

Fourth, with respect to service interruptions, the Department requested an explanation for why service interruptions caused by MERC employees were higher in 2019, including, but not limited to, causes and remedies implemented or currently being pursued by the Company.⁶

MERC responds that the increase in interruptions reported as caused by the utility in 2019 was driven primarily by mislocates and incorrect facility mapping. Service interruptions reported in Attachment 9 under the category "caused by utility" include interruptions caused by MERC employees and by MERC contractors, including USIC and NPL. While the Department correctly observes that the number and percentage of

⁶ Department Comments at 16.

mislocates has remained relatively constant in recent years,⁷ the number of mislocates that resulted in service interruptions in 2019 did increase relative to recent years. Additionally, service interruptions due to incorrect facility mapping, as discussed above, were higher in 2019.

**Table 3. Service Interruptions
Caused by Mislocates and Incorrect Facility Mapping**

Year	# of Resulting Service Interruptions
2017	26
2018	17
2019	35

Notably, in 2019, of the 31 mislocates that resulted in a service interruption, 26 were caused by USIC mislocates and five were due to MERC employee mislocates. Additionally, four service interruptions were caused by incorrect facility mapping.

As noted above with respect to damages, increases in construction activity, including construction activities for utility projects and for other projects, have resulted in an increase in the number of service interruptions.

To mitigate service interruptions caused by MERC employees, MERC investigates and tracks the root cause of each service interruption in order to analyze and understand the cause of the interruption and measures that could have been taken, and can be taken in the future, to prevent such incidents. MERC has regular meetings with field employees to discuss the root causes of service interruptions and measures that should be taken to help mitigate or avoid such interruptions in the future. Also, as noted above, in order to mitigate the risk of service interruptions associated with incorrect facility mapping, MERC has proposed to undertake the next phase of its service line mapping project.

With respect to mislocates, MERC takes a number of steps to improve performance and reduce the number of mislocates, as discussed above with respect to gas line damages.

As the Department observed in its Comments, neither the total number of mislocates nor the percentage of mislocates have increased in recent years, including 2019. However, in 2019, more of the mislocates that did occur resulted in service interruptions relative to recent years. MERC continues to take affirmative steps to mitigate service interruptions as discussed above and the lack of an overall increase in the number or percentage of mislocates suggests these efforts have been successful. The Company will continue to take steps toward further mitigating the occurrence of service interruptions.

⁷ Department Comments at 14.

5. ICE Performance Metrics

With respect to MERC's reporting on performance related to ICE and whether MERC has demonstrated that the benchmarks have been met for the Company to retain the \$500,000 set aside in accordance with the Commission's October 31, 2016, Findings of Fact, Conclusions, and Order in Docket No. G011/GR-15-736, the Department acknowledges that the Company achieved its stated goal with respect to the majority of ICE performance metrics including Customer Transaction Satisfaction, Residential First Call Resolution, Even Payment Plan Adoption, Electronic Bill Adoption, Electronic Payment Adoption, and Field Service Appointments Kept.⁸ Nevertheless, the Department withholds its recommendation regarding whether the Company should be permitted to retain the \$500,000 set aside for 2019, pending review of MERC's Reply Comments.⁹

The Department requests that MERC provide additional discussion in Reply Comments regarding how increased reliance on contracted meter reading staff may be affecting billing accuracy and any mitigating strategies the Company is taking with respect to billing timeliness and accuracy pending completion of its AMI project.

As discussed in MERC's initial filing and in further detail below, factors outside of the ICE system have impacted billing accuracy and timeliness in 2019. The ICE system has improved the efficiency and accuracy of billing,¹⁰ however those improvements cannot overcome the impacts of extreme weather events that make manual meter reading difficult or impossible, or remove the impacts of human error that is unavoidable in a manual meter reading process. Additionally, annual increases in the number of total bills year-over-year impact the billing metric performance over time with increases in the number of meters to be read during each billing window; such declines are likewise not attributable to the ICE Project.

A. Billing Accuracy

First, regarding Billing Accuracy, the Department requested that MERC discuss how the Company's increased reliance on contracted meter reading staff may be affecting this metric. The Department also notes that performance in the Billing Accuracy metric is lower than the pre-ICE 2013-2015 baseline for three years in a row, and requests that MERC discuss this performance, including any mitigating strategies the Company is taking while it awaits completion of its AMI project.

⁸ Department Comments at 19 ("The Company maintained or improved upon past performance in every category other than Billing Accuracy, Billing Timeliness, and Net Write-Off as Percent of Revenue.")

⁹ Department Comments at 20.

¹⁰ For example, the ICE billing system validates meter readings for several factors including whether the reading is higher or lower than a tolerance range, if a reading shows zero usage over more than one month, and instances of consecutive estimated meter reads.

As the Department acknowledges, MERC explained in its 2019 Annual Service Quality Report that factors unrelated to its ICE system, such as weather impacts resulting in a slightly higher number of estimated reads, impacted the billing accuracy metric in 2019. MERC also provided detailed discussions in its 2017 and 2018 Gas Service Quality dockets regarding the factors impacting billing accuracy performance in 2017 and 2018 respectively.¹¹

In particular, as discussed above, Minnesota saw record breaking snowfall in February and March 2019, along with blizzard conditions, dangerous wind-chills, and closed roads. When the weather is extreme, MERC does not send employees out to read meters. Unlike other Minnesota utilities, MERC does not have drive-by reading technology so our meter readers are required to walk to each meter in order to properly conduct a reading. With the large amounts of deep snow, if a customer does not shovel a path, the meter reader must climb through waist-deep snow to get to the meter. Not only does this slow down the meter reading process, it also creates a dangerous situation for meter readers. Even in favorable weather conditions, meter readers are sometimes unable to read meters due to dogs or other unsafe conditions.

While MERC does everything possible to avoid estimated meter reads, with a narrow meter reading window for each billing cycle and MERC's dispersed service area, estimated reads are sometimes required. An increase in estimated meter readings as a result of extreme weather and other circumstances negatively impacted MERC's billing accuracy results in 2019.

With respect to 2017 and 2018 billing accuracy performance, MERC explained in Docket Nos. G011/M-18-317 and G011/M-19-303, that turnover in meter reader staffing required the Company to supplement with staffing from temporary workers, who required additional training, resulting in more inaccurate meter reads and bills. While MERC makes every effort to train and retain qualified employees and contract workers who perform meter reading, an employee's decision to leave for another opportunity or other reasons is often beyond the Company's control.

MERC's increased reliance on contracted meter reading staff and meter reader turnover also have negatively affected the Company's performance for the Billing Accuracy metric. In particular, as experienced meter reading employees left the Company, MERC hired contract employees to replace them. While the fact that these employees are contract employees rather than Company employees likely does not impact overall billing accuracy, the turnover of employees has negatively impacted billing accuracy. In general, MERC's internal employees stay over a longer-term as compared to contract employees. Whether full time or contract, new hires are likely to make more mistakes as compared to long-time meter readers, even with appropriate training and oversight.

¹¹ See Docket Nos. G011/M-18-317 and G011/M-19-303.

Again, these factors are outside of MERC's ICE system, the performance of which the ICE performance metrics are intended to evaluate.

Finally, the narrow margins between MERC's baseline 2013-2015 performance and 2017-2019 performance (99.53 percent to 98.47 percent) mean that even a small number of cancel-rebills or billing adjustments can result in performance below the baseline.

With respect to mitigating strategies, while it awaits completion of its AMI project MERC has taken steps to maintain oversight over meter reading and ensure meter reading accuracy. Monthly reports that show meter reading accuracy, meter reading errors, meters skipped, etc. are provided to MERC Operations leaders for review. The billing system is programmed to catch high/low reads and create re-read orders to verify the read. MERC Operations leaders review these reports and follow up with meter readers on errors as appropriate. Meter readers who are not meeting target performance are provided with additional training and review, and if appropriate, are placed on performance plans and terminated if performance gaps are not addressed. This applies to both internal and contract meter readers. Additionally, MERC has targeted rollout of its AMI project in areas where the Company has experienced more issues with respect to meter reading accuracy.

With the deployment of the AMI meters and the elimination of human error in reading meters, MERC is anticipating fewer estimated bills and billing errors. In the meantime, MERC will continue to emphasize the importance of accurate meter reading with its employees and contractors and will strive to improve on its manual meter reading targets throughout the deployment process.

While replacement of MERC's outdated billing system created opportunities for improvements in billing accuracy and allowed for automation of more complex billing functions, factors unrelated to the customer information system have and will continue to impact performance with respect to this metric. Demonstration of the effectiveness of the ICE Project with respect to billing is not, and should not be, undermined by impacts unrelated to ICE including weather, accessibility, and human error. These factors will likely continue to impact performance going forward until MERC's AMI project is fully implemented.

B. Billing Timeliness

The Department notes that performance in the Billing Timeliness metric is also lower than the pre-ICE 2013-2015 baseline for three years in a row, and requests that MERC discuss this performance, including any mitigating strategies the Company is taking while it awaits completion of its AMI project.

As discussed in the Company's 2019 Annual Service Quality Report and in previous Annual Service Quality Report dockets, MERC will continue to experience fluctuations in its performance under this metric until AMI is fully deployed. Like Billing Accuracy, weather and human error will continue to impact performance under this metric in the interim. MERC will intentionally hold bills to obtain an actual read if the initial read is questionable. This affects timeliness but can be necessary to ensure quality billing output. Additionally, weather can impact billing timeliness by impacting meter reading if roads are closed and meters are inaccessible due to significant snowfalls or rainfalls. Finally, issues such as customer billing disputes can and do occasionally affect billing timeliness. Given the extremely narrow margins of performance for this metric, even a small number of bill issues could result in a shift from the first to second quartile. Notably, the total spread between MERC's 2013-2015 baseline performance and performance over the period 2017-2019 is a slight 0.76 percent.

With respect to mitigating strategies the Company is taking while it awaits completion of its AMI project, the same mitigation measures discussed above with respect to Billing Accuracy are relevant with respect to Billing Timeliness.

Based on the additional information in these Reply Comments and considering the overall Performance Indicators associated with the ICE Project, MERC has continued to meet or exceed many of the identified metrics for calendar year 2019, 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. As discussed in detail above and in the Company's Report, the 2019 Company ICE metrics negatively affected by weather and meter reader error 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. MERC believes it has fully demonstrated that the benchmarks have been met for the Company to retain the \$500,000 set aside in accordance with the Commission's October 31, 2016, Findings of Fact, Conclusions, and Order issued in Docket No. G011/GR-15-736.

Finally, with respect to MERC's request that the Commission determine that ongoing monitoring and reporting of ICE performance metrics is no longer necessary, and that the \$500,000 no longer needs to be set aside as a performance incentive, the Department, in its Comments, concludes:

While MERC has maintained or improved on many of its ICE metrics, the Department has particular concern regarding the Billing Accuracy and Billing Timeliness metrics. Billing accuracy performance has been below the 2013-2015, pre-ICE baseline since 2017, and billing timeliness has never exceeded the pre-ICE baseline. MERC has struggled with maintaining and improving billing performance over the years,

so the Department sees utility in continuing the ICE performance metric reporting.¹²

As discussed in detail in MERC's Report and these Reply Comments, factors wholly unrelated to the ICE Project have and likely will continue to impact the billing performance metrics the Department identifies as problematic. Ultimately, no customer information and billing system could be expected to mitigate the impacts of weather or human error associated with meter reading. Further, despite declines in these metrics, MERC has continued to achieve 98.47% billing accuracy and 99.13% billing timeliness.

Finally, MERC is in the process of implementing its AMI project, which is anticipated to result in additional improvements with respect to billing accuracy and timeliness, and the Company has implemented other mitigation measures pending completion of the AMI project to ensure accurate and timely bills. However, the ICE performance metrics were designed and intended to measure the effectiveness of the ICE Project, not as an ongoing general measurement of service quality.

While MERC agrees with the Department's observation that including 2016, which was a transition year in terms of ICE implementation, the Commission has only four years of ICE performance metric information, MERC does not agree that continued reporting is necessary to demonstrate the effectiveness of the ICE Project as it relates to the customer services that were intended to be improved by the project under the circumstances. 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.

Because MERC's 2017, 2018, and 2019 ICE performance metrics indicate that the ICE Project has achieved its stated objectives in improving customer service, ongoing monitoring and reporting is no longer necessary. 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.

For the reasons set forth in the Company's May 1, 2020, filing and discussed above, MERC continues to believe discontinuance of reporting on the ICE performance metrics is reasonable and appropriate at this time. MERC believes it has demonstrated improvements with respect to the identified ICE performance indicators, consistent with the Commission's October 31, 2016 Findings of Fact, Conclusions, and Order in Docket No. G011/GR-15-736.

¹² Department Comments at 21. The Department also notes that 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.

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In conclusion, MERC respectfully requests that the Commission (1) accept the Company's 2019 Annual Service Quality Report; (2) find that MERC has met the requirements to retain the \$500,000 set aside as an ICE performance incentive; and (3) allow MERC to discontinue reporting on its ICE performance metrics going forward.

Please contact me at (414) 221-4208 if you have any questions regarding the information in this filing. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joylyn C. Hoffman Malueg". The signature is fluid and cursive, with the first name "Joylyn" being the most prominent.

Joylyn C. Hoffman Malueg
Project Specialist 3
Minnesota Energy Resources Corporation

cc: Service List

In the Matter of the Annual Service Quality
Report for Minnesota Energy Resources
Corporation for 2019

Docket No. G011/M-20-456

CERTIFICATE OF SERVICE

I, Colleen T. Sipiorski, hereby certify that on the 14th day of December, 2020, on behalf of Minnesota Energy Resources Corporation (MERC) I electronically filed a true and correct copy of the enclosed Reply Comments on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service lists.

Dated this 14th day of December, 2020.

/s/ Colleen T. Sipiorski

Colleen T. Sipiorski

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-456_M-20-456
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