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July 22, 2019

Barbara Kunkel
Acting Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
Lansing, MI 48917

Re: In the matter, on the commission's own motion, to require **DTE ELECTRIC COMPANY** and **DTE GAS COMPANY** to show cause why these companies should not be found in violation of the Consumer Standards and Billing Practices for Electric and Natural Gas Service, R 460.101 *et seq.* MPSC Case No. U-20084

Dear Ms. Kunkel:

Attached for electronic filing in the above referenced matter is DTE Electric Company's and DTE Gas Company's Shut Off Compliance II (Final Audit Report).

Very truly yours,

David S. Maquera

DSM/lah
Encl.
cc: Service List



July 18, 2019

Final Audit Report

Shut Off Compliance II

Prepared For:

Angie M. Pizzuti

Vice President Customer Service

Prepared By:

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Shut Off Compliance II Audit Report

Shut Off Compliance II		NEEDS IMPROVEMENT
To: Angie M. Pizzuti		July 18, 2019
<p>To review DTE's shut off process for compliance with Michigan Public Service Commission's (MPSC) rules and regulations. This review was subsequent to the MPSC audits performed during Q2 2018 and the Shut Off Process Compliance I (formerly named Shut Off Compliance) audit issued on March 4, 2019.</p>		
Observation Non-Compliant with Michigan Public Service Commission (MPSC) Regulations	Rating	Target Implementation Date
<p>01. Reconnection Fee Overcharges - Steven Jackson, Manager-Customer Strategy Customers are overcharged reconnection fees, which is non-compliant with MPSC rules. Furthermore, overcharging results in customer dissatisfaction and Michigan Public Service Commission (MPSC) complaints. This is a repeat observation of an issue previously identified by the MPSC and included in the Shut Off Compliance I report issued on March 4, 2019.</p> <p>Management Response: The customer referenced in the finding has been refunded the duplicate fee as of June 28, 2019. Additionally, an analysis is underway to determine if other customers were missed as a part of the initial refund process for ALM 12633. If additional customers are discovered, they will be refunded immediately. However, if there is a separate root cause that created the issue, a new ALM will be created and go through the standard IT prioritization process by October 31, 2019.</p>	Major	October 31, 2019
<p>02. Multiple Security Deposits - Steven Jackson, Manager-Customer Strategy Multiple security deposits are being assessed to customers during restore transactions, which is non-compliant with MPSC rules. Furthermore, inconsistent creation of deposits results in customer dissatisfaction and Michigan Public Service Commission (MPSC) complaints.</p> <p>Management Response: Revenue Management & Protection (RM&P) created ALM 13970 on May 16, 2019 to resolve multiple deposits created during restoration. The customers were refunded for the multiple deposits on May 29, 2019. The scope analysis will be performed as part of the ALM resolution to quantify the number of accounts impacted. The fix is scheduled for deployment as part of the August 2019 release. After analysis and deployment, RM&P will validate the change and refund duplicate deposits to all impacted accounts by September 30, 2019.</p>	Moderate	September 30, 2019



**Shut Off Compliance II
Audit Report Appendix**

Section A..... Audit Overview

Section B.....Testing Details

Section CObservation Rating Definitions

Section DObservation Details



Shut Off Compliance II Section A - Audit Report Overview

Introductory Narrative

The Revenue Management & Protection Group (RM&P) is responsible for collections, disconnects, final disposition and recovery efforts for past due electric and gas accounts, which includes residential, commercial, and industrial accounts. As a result of Michigan Public Service Commission (MPSC) audits conducted earlier in 2018, there were identified issues in the Company's compliance with the MPSC rules on shut offs.

Objective / Scope

To review DTE's shut off process for compliance with MPSC rules and regulations. This review was subsequent to the MPSC audits performed during Q2 2018 and the Shut Off Process Compliance I (formerly named Shut Off Compliance) audit issued on March 4, 2019. Our audit procedures were consistent with those performed by the MPSC. Our findings from our procedures are included in two reports. This report addresses instances where DTE did not follow MPSC rules and requirements. A second report, labeled Shut Off Process Improvements II focuses its findings on instances where the company met the minimum requirements established by the MPSC but did not meet its own internal guidelines. It also includes opportunities for improvement.

Conclusion

Our overall rating of the controls around Shut Off Compliance II is "**Needs Improvement.**" Risk management practices are not fully effective in controlling the business risks evaluated to an acceptable level.




Our audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors. Sampling may have been used during the audit. Sampling provides reasonable, not absolute assurance. The documentation/data reviewed is as of a point-in-time, and subsequent events may have altered processes. We have identified areas where internal controls should be strengthened to mitigate risk, as noted herein.




Shut Off Compliance II
Section B – Testing Details

The observations noted in this section are from the Michigan Public Service Commission (MPSC) audits performed during Q2 2018 and the Shut Off Process Compliance I (formerly named Shut Off Compliance) audit issued on March 4, 2019 with a current status assessment. The observations are rated in accordance with the definitions noted in the table below.


Current Assessment Ratings Criteria

	Actions to remediate risks from the audits were put into place and sustained. No significant risks or issues were identified.
	Actions to remediate risks from the audits were put into place but are not completed or a similar observation was identified. Risks or issues remain that may negatively impact the quality assurance.
	Repeat observation from the audits. Significant risks or issues remain that will negatively impact internal audits compliance with standards.

Observation	Rating	Current Assessment
<p>Reconnection Fee Overcharges: MPSC staff found an issue where a customer was charged two reconnect fees of \$20. DTE Energy also investigated this issue and found 1,184 electric customers had the same issue.</p> <p>During the Shut Off Process Compliance I, Audit Services found an issue where four customers were overcharged gas reconnection fees of \$50. RM&P investigated this issue and</p>		<p>RM&P implemented ALM #10540 fix to prevent the system from applying two reconnect fees. Additionally, as of June 29, 2018 DTE Energy refunded \$25,795 in reconnection fees improperly collected. AML #12633 was deployed into production on February 22, 2019 to prevent the system from applying double gas reconnection fees. On March 5, 2019 the duplicate gas reconnection charges were reversed on 7,390 accounts, totaling \$388,400.</p> <p>The ALM's mentioned above did not correct all overcharges to customers. Audit Services</p>





Shut Off Compliance II
Section B – Testing Details

Observation	Rating	Current Assessment
<p>found 7,390 gas customers had the same issue.</p>		<p>identified one instance out of eighty-three (1%) where a customer was overcharged a reconnection fee. See observation #01 in section D.</p>
<p>Improper Shut Offs: During the period of November 2017 through January 2018 NOIs failed to print and DTE Energy self-identified 4,184 improper shut offs. The MPSC identified seven additional improper shut offs that were not included in DTE’s submission of 4,184. MPSC calculated a 5.64% error rate for improper shut offs.</p>		<p>RM&P implemented additional validation steps which includes a validation of nine separate criteria’s for shut offs. As of 2019, RM&P utilizes Robotic Process Automation (RPA) to perform the shut-off validation steps.</p> <p>Audit Services randomly selected a sample of sixty customers shut off during the period of September 1, 2018 through February 28, 2019 to review. Out of the sixty-customer accounts randomly selected, a total of eighty-three instances of starting the dunning process and ending in a shut off were reviewed. Based on the testing performed, no shut offs which did not meet the minimum MPSC requirements were identified. No exceptions noted.</p>



Shut Off Compliance II
Section B – Testing Details

Observation	Rating	Current Assessment
<p>Multiple Deposits: MPSC staff discovered DTE’s billing system asked multiple customers for a second deposit when a deposit was already on file for the customer. DTE Energy also identified 799 accounts impacted by this defect and refunded all customers that paid the additional deposit. The refunds for this defect total an estimated \$180,000.</p>		<p>RM&P initiated an IT fix (ALM #10072) to correct the system back in 2018.</p> <p>Audit Services randomly selected a sample of sixty customers shut off during the period of September 1, 2018 through February 28, 2019 to review. Out of the sixty-customer accounts randomly selected, a total of eighty-three instances of starting the dunning process and ending in a shut off were reviewed. Audit Services identified two instances out of eighty-three (2%) where upon reconnection the customers were requested to pay a full deposit when a deposit was on file. See observation #02 in section D.</p>
<p>Differences Between Red Bill and Notice of Intent (NOI): During the audit performed by the MPSC, it was discovered it was not uncommon for a customer’s shut off notice “Red Bill” and the NOI to reflect a different amount to be paid prior to being shut off for the same shut off date.</p>		<p>On July 13, 2018, the NOI notice was updated to include the following to help avoid confusion “The outstanding balance listed above required to avoid shut off. Note that this balance may be different from your previous bill (i.e., Red Bill).</p> <p>Audit Services noted the updated language included on NOIs after July 13, 2018 to address differences between balances on the Red Bill and NOI. No exceptions noted.</p>



Shut Off Compliance II
Section B – Testing Details

Observation	Rating	Current Assessment
<p>Waiving Fees: The MPSC commended the company for forgiving fees that were inadvertently reversed due to errors created in the billing system during conversion. However, MPSC was concerned that the forgiven amounts were charged to an uncollectible account and the rate payers will be held accountable for errors.</p>	<p>G</p>	<p>During the Shut Off Compliance I audit, Audit Services learned the general rule is if something is reversed it should go to the same account as the original charge. Currently, reconnection fees are posted against the Metered Accounts Receivable Customer 360 general ledger account (100522) not an uncollectible account. No changes have been made to this process.</p>



Shut Off Compliance II
Section C – Observation Rating Definitions

The issues noted herein have been classified in accordance with the definitions noted in the table below.

MAJOR	The issue poses significant risk to the business' ability to achieve corporate priorities. Effective compensating controls do not exist. Management must address this issue promptly.
MODERATE	The issue poses moderate risk to the business' ability to achieve corporate priorities. Compensating controls may exist but are not fully effective. Management must address this issue.
OTHER	The issue poses relatively minimal risk to the business' ability to achieve corporate priorities. Management should address this issue.
UNRATED CONTINUOUS IMPROVEMENT OPPORTUNITY	This issue was observed outside the scope of the audit and may be an opportunity for the business alignment with corporate priorities. At a minimum management should consider this issue and determine what improvement(s) could be made to the related processes.



Shut Off Compliance II
Section D – Observation Details

01. Reconnection Fee Overcharges

Major

Problem Statement:

Customers are overcharged reconnection fees, which is non-compliant with MPSC rules. Furthermore, overcharging results in customer dissatisfaction and Michigan Public Service Commission (MPSC) complaints. This is a repeat observation of an issue previously identified by the MPSC and included in the Shut Off Compliance I report issued on March 4, 2019.

Observation:

Per MPSC guidelines, for all customers billed on residential and general service rates the following reconnection fees should be charged to the account:

- \$20 for seasonal electrical reconnection charges and \$40 for reconnections outside of normal working hours
- \$25 for electrical reconnection from a pole and \$40 for pole reconnections outside of normal working hours
- \$50 for gas meter reconnections
- \$500 gas reconnections from the street

Audit Services randomly selected a sample of sixty customers shut off during the period of September 1, 2018 through February 28, 2019 to review. Out of the sixty-customer accounts randomly selected, a total of eighty-three instances of starting the dunning process and ending in a shut off were reviewed. Audit Services identified one instance out of eighty-three (1%) where an electric customer only, who opted out of AMI meters, was overcharged a reconnection fee on September 17, 2018. The customer was charged a \$20-dollar fee twice, one for electric and one coded for gas reconnection in the billing system. Since the customer only receives electric services, a gas reconnection fee was unnecessary. Additionally, gas reconnection fees typically range from \$4 to \$120, not \$20.

Per discussion with key process owners, ALM ticket #10540 was created on June 8, 2018 to address overcharges related to electric service reconnection fees as identified by the MPSC audits. At that time, Customer Service did not identify any electric reconnection overcharges after the date that the ticket was closed on July 13, 2018, however; Audit Services testing during the Shut Off Compliance I audit, identified gas service reconnection fee overcharges that were addressed with ALM ticket #12633. AML ticket #12633 was deployed into production on February 22, 2019 and on March 5, 2019 the duplicate gas reconnection charges were reversed on 7,390 accounts, totaling \$388,400. The ALM's mentioned above did not correct the overcharges to the



Shut Off Compliance II
Section D – Observation Details

customers included in our sample and the customer has yet to receive a refund June 7, 2019.

Management’s Response

Owner(s):
Steven Jackson, Manager- Customer Strategy

Response:
The customer referenced in the finding has been refunded the duplicate fee as of June 28, 2019. Additionally, an analysis is underway to determine if other customers were missed as a part of the initial refund process for ALM 12633. If additional customers are discovered, they will be refunded immediately. However, if there is a separate root cause that created the issue, a new ALM will be created and go through the standard IT prioritization process by October 31, 2019.

Target Implementation Date:
October 31, 2019



Shut Off Compliance II
Section D – Observation Details

02. Multiple Security Deposits

Moderate

Problem Statement:

Multiple security deposits are being assessed to customers during restore transactions, which is non-compliant with MPSC rules. Furthermore, inconsistent creation of deposits results in customer dissatisfaction and Michigan Public Service Commission (MPSC) complaints.

Observation:

To comply with MPSC residential rules (R 460.111), the company shall not request a deposit for more than twice the average monthly bill for the premises or, if the current customer's consumption history for the premises is unavailable, twice the utility's system average monthly bill for residential service.

The billing system will calculate a deposit for restoration of non-payment based on the following rules:

- For accounts without an existing deposit, the full deposit amount required based on premise and customer profile should be charged and posted to the account.
- For accounts with an existing deposit(s), the proposed deposit amount should be compared to the customer's total existing deposit(s) amount and premises usage.
 - If the proposed deposit is less than the existing deposit, no deposit should be charged
 - If the proposed deposit is greater than the existing deposit(s), the difference of the existing deposit and new proposed deposit amount should be created as an additional deposit.
 - The difference in the deposit should only be charged if the difference is greater than or equal to \$25.00.

Audit Services randomly selected a sample of sixty customers shut off during the period of September 1, 2018 through February 28, 2019 to review. Out of the sixty-customer accounts randomly selected, a total of eighty-three instances of starting the dunning process and ending in a shut off were reviewed. Audit Services identified two instances out of eighty-three (2%) where customers were asked to pay a full deposit and we collected when a deposit was posted to their account, and their utility usage remained stable upon reconnection for non-payment.

Per discussion with key process owners, the billing system is improperly calculating shut off deposits by requesting customers to pay a full deposit versus a deposit factoring in the previous deposit(s) against the usage at the residence. ALM ticket #13970 was



Shut Off Compliance II
Section D – Observation Details

created on May 16, 2019 to correct how the system is calculating deposits for nonpayment.

Management’s Response

Owner(s):
Steven Jackson, Manager- Customer Strategy

Response:
Revenue Management & Protection (RM&P) created ALM 13970 on May 16, 2019 to resolve multiple deposits created during restoration. The customers were refunded for the multiple deposits on May 29, 2019. The scope analysis will be performed as part of the ALM resolution to quantify the number of accounts impacted. The fix is scheduled for deployment as part of the August 2019 release. After analysis and deployment, RM&P will validate the change and refund duplicate deposits to all impacted accounts by September 30, 2019.

Target Implementation Date:
September 30, 2019