

MICHIGAN PUBLIC SERVICE COMMISSION

STAFF REPORT ON

COMPLAINT VOLUMES

SEPTEMBER 13, 2002

SUMMARY

In 2001, the Commission received 28,894 complaints and inquiries (collectively referred to as complaints) regarding utility service. During the period from 1987 through 1991, the annual average was 8,387. Since 1991, the number of complaints has increased by 245%.

Individual utilities vary greatly in the number of complaints received relative to their size. In order to determine the relative number of complaints received by company, this report measures the number of complaints per \$100 million of revenues, excluding industrial revenue. Using this metric, a company's performance is then compared to other companies of similar size.¹ This analysis was conducted for each of the years 1999, 2000, and 2001, as well as for the three-year average. The actual number of complaints handled by the Commission for each of the companies for 1999, 2000 and 2001 is also included in this report. As a result of the analysis, staff recommends that the Commission consider initiatives designed to reduce the number of complaints received regarding those utilities who have the most number of complaints and/or complaints that substantially exceed the industry average.

¹ Four categories are used: (1) \$500 million or more in revenues, (2) revenues between \$100 million and \$500 million, (3) revenues between \$10 million and \$100 million, and (4) revenues less than \$10 million.

Introduction:

In 2001, the Public Service Commission received 28,894 complaints and inquiries (complaints) regarding utility service. For historical comparison, from 1987 (the first year that statistics were kept) through 1991, the annual average was 8,387. Since 1991, the number of complaints has increased by 245%. At the current rate, the number of complaints in 2002 will be approximately 30,000. Moreover, this increase in complaints has occurred during a period of declining Staff resources. During the 1987-91 time period, the Commission Staff numbered 240. After early retirements this year and anticipated replacements, the number is expected to be 132. From 1991 to 2002, the number of complaints per Staff employee has increased by increased by approximately 500%.

There have been many highly publicized service quality problems in recent years, such as:

- Issuance of 480,000 incorrect bills by Michigan Consolidated Gas Company and other related billing problems.
- Extremely long waiting periods to obtain service or repairs from Ameritech in 2000.
- Allegations of misrepresentation and slamming by Energy America.

Although these “horror stories” get considerable public attention, more troubling are the numerous complaints that get little public attention. Every day, the Staff receives numerous calls from customers regarding all manner of service quality problems. It is these day-to-day concerns that make up the bulk of the increase in complaint calls.

In Staff’s opinion, improving utility service quality and, thereby, reducing the number of complaints should be a priority. This report is designed to contribute to this

goal by providing insight into the sources of complaints. For each company, it measures the number of complaints received compared to the relative size of the company. That metric is then compared to other similarly situated companies to assess the relative number of complaints received for each company. Actual complaint numbers for each of the companies for 1999, 2000 and 2001 are also included in this analysis.

Methodology:

The Commission regulates diverse types of utilities that vary greatly in size and also receives complaints regarding unregulated utility-related services (for example, suppliers of gas choice customers). Accordingly, it is necessary to analyze complaint volumes using an available measure of size that is suitable for the different types of companies. The measure used in this report is the number of complaints per \$100 million of intrastate revenues, excluding revenues from industrial customers. The reason that industrial revenues are excluded is that the number of complaints received from industrial customers is minimal.² Consequently, if industrial revenues were not excluded, the statistical analysis would be skewed for utilities with large amounts of industrial revenues.

The use of revenues as the preferred measure rather than number of customers was done for largely pragmatic reasons. Data on the number of customers for gas and electric utilities is available and would likely provide comparable measures for these types of companies. However, for local telecommunications providers, the number of access lines would not be reasonably comparable to the number of gas or electric customers. For example, it is not uncommon for a single-family residence to have more

² Even though the number of industrial complaints is very small, those that are received tend to be the most complicated and often require substantial amounts of effort to resolve.

than one telephone access line, but it would be rare for a home to have more than one gas or electric service line. Moreover, the Commission Staff does not have data regarding customers or access lines for most telecommunication providers, but normally has information regarding intrastate revenues for these and other companies.

For each company, the number of complaints per \$100 million revenues was calculated for the years 1999, 2000, and 2001, as well as the three-year weighted average. For comparison purposes, the companies were grouped into four categories by size: (1) annual revenues of \$500 million or more, (2) annual revenues between \$100 million and \$500 million, (3) annual revenues between \$10 million and \$100 million, and (4) annual revenues less than \$10 million.

Category 1 (Greater than \$500 million):

The companies in this category are The Detroit Edison Company, Ameritech Michigan, Michigan Consolidated Gas Company (MichCon), and Consumers Energy Company. Collectively, these four have more than 75% of the intrastate revenues for all companies included in the study. Ameritech (a subsidiary of SBC Communications) is by far the largest local exchange telecommunications provider in the state. Detroit Edison is the largest electric utility in Michigan and serves the southeast quarter of the state. MichCon provides natural gas service to the Detroit area and various other portions of the state. In 2001, Detroit Edison and MichCon were involved in a merger as subsidiaries of DTE Energy. The operational aspects of this merger were not complete during the time period studied. Consumers Energy is a combined gas and electric utility serving large portions of Michigan. Because gas and electric complaints have been

processed separately, this report treats Consumers Energy’s gas and electric operations as distinct units.³

For each of these companies, Table 1 shows the number of complaints per \$100 million during the years 1999, 2000 and 2001, as well as the three-year weighted average. During 1997 and 1998, the Commission implemented a computerized complaint tracking system that allows determination of the number of complaints by company. Only limited data by company would be available prior to this period. Data from the computerized system provides perspective on how well each company is responding to customer needs. For example, Ameritech’s complaint ratio was exceptionally high in 2000 due to significant and well-publicized service quality problems that the company was experiencing at that time. In Table 1 and in following tables, companies having a 2001 complaint ratio or a three-year average complaint ratio that exceeds the group average by more than 50% are shown in **bold** and all complaint ratios more than 50% above the group average are marked with **.

Table 1

Company	2001 Ratio	2000 Ratio	1999 Ratio	3-Year Average ⁴
Ameritech Michigan	*238*	*411*	*173*	*275*
Michigan Consolidated Gas	*216*	182	*198*	199
Detroit Edison	93	77	87	85
Consumers Energy (Gas) ⁵	87	50	50	64
Consumers Energy (Electric)	52	47	52	50
Group Average ⁶	138	177	113	142

³ With the merger of Detroit Edison and MichCon, this approach will be reviewed in future editions of this report.

⁴ Computed by dividing the total number of complaints for three years by the total revenues for three years, not by averaging the ratios for the three years.

⁵ If the gas and electric data for Consumers Energy were combined into a total company number, the complaint ratio would be 66 in 2001, 48 in 2000, 51 in 1999, and the three-year average would be 55.

⁶ Computed by dividing the total complaints for the group by the total revenues for the group.

Table 1a shows the actual number of complaints received by the Commission for these companies over the three-year period.

Table 1a

Company	1999 Complaints	2000 Complaints	2001 Complaints
Ameritech Michigan	4893	11528	6287
Detroit Edison	2548	2247	2535
Michigan Consolidated Gas	1794	1663	1941
Consumers Energy (Gas)	531	541	1066
Consumers Energy (Electric)	920	834	913

Category 2 (\$100 million to \$500 million):

There are eight companies in this category – four telecommunications companies (AT&T Communications of Michigan, Inc.; MCI WorldCom Communications, Inc.; Sprint Communications Company, LP; and Verizon North Inc.); two gas utilities (SEMCO Energy Gas Company and Aquila Networks – MGU, formerly known as Utilicorp United, but doing business in Michigan as Michigan Gas Utilities); one electric utility (Indiana Michigan Power Company, a subsidiary of American Electric Power Company); and one alternative natural gas supplier (Energy America – Michigan).⁷ Collectively, the total annual intrastate revenue of these eight companies is approximately \$1.5 billion, which is less than the average individual company in Category 1. Complaint ratios are shown in Table 2.

⁷ An alternative natural gas supplier provides gas commodity under a distribution utility’s gas customer choice program. There are also alternative electric suppliers licensed by the Commission, but electric customer choice did not become generally available until January 1, 2002, which was after the period covered by this study.

Table 2

Company	2001 Ratio	2000 Ratio	1999 Ratio	3-Year Average
MCI WorldCom	*1430*	306	*510*	*717*
AT&T Communications	712	*569*	316	511
Energy America – Michigan	557	36	*1961*	*732*
Sprint Communications	372	252	324	318
Aquila Networks – MGU	303	54	55	149
Verizon North	272	149	163	185
Indiana Michigan Power Co.	156	130	94	126
SEMCO Energy Gas Co.	81	66	102	82
Group Average	540	246	305	356

Table 2a shows the actual number of complaints received by the Commission for these companies over the three-year period.

Table 2a

Company	1999 Complaints	2000 Complaints	2001 Complaints
MCI WorldCom	1400	894	3542
AT&T Communications	1271	2065	2023
Verizon North	839	753	954
Energy America – Michigan	1116	27	577
Aquila Networks – MGU	64	80	490
Sprint Communications	288	236	387
Indiana Michigan Power Co.	114	140	172
SEMCO Energy Gas Co.	147	110	138

Category 3 (\$10 million to \$100 million):

There are 25 companies in this category, consisting of 11 telecommunications companies (Brooks Fiber Communications of Michigan, Inc.; CenturyTel of Michigan,

Inc.⁸; Coast to Coast Telecommunications, Inc.; LDMI Telecommunications, Inc.; Level 3 Communications, LLC; McLeodUSA Communications Services, Inc.; Qwest Communications Corporation; Suretel, Inc.; Talk America, Inc; TCG Detroit Holdings I, Inc.; and US Xchange of Michigan, LLC, d/b/a Choice One Co.); 11 electric utilities (Alpena Power Company, Cherryland Electric Cooperative, Cloverland Electric Cooperative, Edison Sault Electric Company, Great Lakes Energy Cooperative, Midwest Energy Cooperative, Presque Isle Electric & Gas Co-op, Thumb Electric Cooperative, Tri-County Electric Cooperative, Upper Peninsula Power Company, and Wisconsin Electric Power Company); one gas utility (Citizens Gas Fuel Company⁹); and two alternative natural gas suppliers (CMS Marketing, Services & Trading and Nicor). The information for these companies is shown on Table 3.

⁸ Also includes CenturyTel Midwest – Michigan, Inc.; CenturyTel of Northern Michigan, Inc.; CenturyTel of Upper Michigan, Inc.; and CenturyTel Solutions, LLC.

⁹ This utility is not regulated by the Commission.

Table 3¹⁰

Company	2001 Ratio	2000 Ratio	1999 Ratio	3-Year Average
Talk America, Inc.	*3366*	N/A¹¹	N/A	*3366*
Qwest	*1483*	*737*	*692*	*896*
Suretel	*599*	*268*	N/A	*434*
McLeodUSA	*415*	33	67	179
LDMI	298	100	N/A	205
Thumb Electric Co-op	153	144	133	144
CenturyTel	143	143	*281*	189
Presque Isle Co-op	131	126	168	142
Midwest Energy Co-op	123	108	70	103
Great Lakes Energy Co-op	104	104	158	122
Coast to Coast	103	90	40	74
Cherryland Electric Co-op	67	29	52	50
Tri-County Electric Co-op	59	104	44	69
Alpena Power Co.	51	21	42	39
Cloverland Electric Co-op	45	44	75	55
Wisconsin Electric Power Co.	37	42	17	32
Upper Peninsula Power Co.	34	68	18	40
US Xchange	27	71	N/A	46
Brooks Fiber	15	25	69	40
Edison Sault Electric Co.	12	28	29	23
Citizens Gas Fuel Co.	12	11	0	8
TCG Detroit	6	11	0	5
CMS MS&T	0	0	0	0
Level 3 Communications	0	0	0	0
Nicor	0	0	0	0
Group Average	226	105	149	162

Table 3a shows the actual number of complaints received by the Commission for these companies over the three-year period.

¹⁰ For a few companies in Categories 3 and 4, 2001 revenue information had not yet been received even though it was due in April. For these companies, 2000 revenues were used as a proxy for 2001.

¹¹ Not available.

Table 3a

Company	1999 Complaints	2000 Complaints	2001 Complaints
Talk America, Inc.	12	20	488
Qwest	296	151	304
CenturyTel	264	135	135
Suretel	5	55	124
McLeodUSA	26	5	115
LDMI	24	29	99
Great Lakes Energy Co-op	128	83	87
Midwest Energy Co-op	16	29	39
Presque Isle Co-op	32	23	26
Thumb Electric Co-op	13	15	17
Cherryland Electric Co-op	12	7	17
Upper Peninsula Power Co.	8	32	16
Coast to Coast	8	13	15
Tri-County Electric Co-op	9	22	13
Wisconsin Electric Power Co.	4	10	9
Alpena Power Co.	6	3	8
Cloverland Electric Co-op	8	5	5
Brooks Fiber	31	8	5
US Xchange	3	6	3
Edison Sault Electric Co.	7	7	3
TCG Detroit	0	2	1
CMS MS&T	0	0	0
Citizens Gas Fuel Co.	2	2	0
Level 3 Communications	0	0	0
Nicor	0	0	0

Category 4 (Less than \$10 million):

There are numerous companies in this category; however, the complaint data for an individual company tends to be less meaningful than in other categories. Because of their size, a small change in the number of complaints received can translate into a seemingly large change in complaint ratio. Consequently, this report will omit companies for consideration unless they have over 100 complaints registered with the Commission. This group consists of two telecommunications providers (Global Crossing

Telemanagement, Inc. and Comcast Telecommunications of Michigan, LLC) and The New Power Company (an alternative gas supplier) as companies with over 100 complaints. The specific complaint numbers for these companies are shown on Table 4.

Table 4

Company	1999 Complaints	2000 Complaints	2001 Complaints
New Power	239	12	201
Global Crossing	14	19	103
Comcast Telecommunications	4	41	103

Relationship with Service Quality:

A fundamental assumption in this study is that there is an underlying relationship between the service quality provided by a utility and the number of complaints received by the Commission regarding the utility. Thus, efforts designed to reduce the number of complaints received will have the beneficial effect of improving utility service quality in Michigan. In Staff’s opinion, the validity of this assumption is obvious. Moreover, the existing public data on service quality clearly supports this view.

The University of Michigan Business School, in cooperation with the American Society for Quality and an international consulting firm, the CFI Group, conducts a national survey of customer satisfaction and publishes the American Customer Satisfaction Index. This index is a measure (from 0 to 100, with 100 being the best) of the satisfaction experienced by customers of 190 large national companies.¹² Included in this index are CMS Energy (the parent of Consumers Energy), DTE Energy (the parent of Detroit Edison and Michigan Consolidated Gas Company), and SBC (the parent of

¹² Although the theoretical range is 0 to 100, very few companies have an index below 60 or above 80, so that for most purposes, the relevant practical range is 60 to 80.

Ameritech Michigan) – all of the companies in Category 1 of this study.¹³ Table 5 compares the 2001 Complaint Ratios for these companies with the most recent Satisfaction Index for each. The table strongly suggests the obvious – the fewest complaints are received regarding companies who provide the highest quality service and have the most satisfied customers.

Table 5

Corporation	Complaint Ratio	Satisfaction Index
CMS (Consumers Energy)	66	76
DTE (Detroit Edison/MichCon)	123	68
SBC (Ameritech)	238	67

Conclusions and Recommendations:

This study demonstrates that there is a significant variation in the number of complaints received among different utilities serving in Michigan. Staff recommends that the Commission consider initiatives designed to reduce the number of complaints received regarding those utilities who have the most number of complaints and/or complaints that substantially exceed the industry average.

¹³ The index also includes companies whose subsidiaries are included in the smaller categories of this study; however, these subsidiaries are so small that data regarding the parent are not likely to be meaningful.