

Hamre, John G.

From: Rafferty, Tom D.
Sent: Monday, August 04, 2008 10:31 AM
To: -Grp-PSC Commissioners; -Grp-PSC Legal; -Grp-PSC Public Utilities
Subject: FW: 08-871 Update on Xcel Gas Meter Failures/Re-bill Situation in Saint Cloud and Fargo areas
Attachments: XcelGasbillingnoticeAug1.2008.pdf

Here's a very detailed set of questions MN is asking Xcel about their meter problems.

From: Deborah Motz [mailto:Deborah.Motz@state.mn.us]
Sent: Friday, August 01, 2008 1:07 PM
To: Rafferty, Tom D.
Subject: 08-871 Update on Xcel Gas Meter Failures/Re-bill Situation in Saint Cloud and Fargo areas

Attached is the notice sent out today. The Notice requires Xcel to file a plan for rebilling by August 21, 2008. It includes a detailed list of questions to which Xcel is to respond. The notice sets September 9, 2008 for comments from the Office of Energy Security, Residential Utilities Division – Office of the Attorney General and any other interested parties, and a reply comment date of September 19, 2008.

As far as I know, we have received no inquiries on this matter from the press.

Watch for comments filed at <https://www.edockets.state.mn.us/EFiling/search.jsp> by typing in Year = 08 and Number = 871

Deb motz



STATE OF MINNESOTA PUBLIC UTILITIES COMMISSION

August 1, 2008

TO: Xcel Energy and Potentially Interested Parties

FROM: Burl W. Haar, Executive Secretary

SUBJECT: In the Matter of an Investigation into Northern States Power Company d/b/a Xcel Energy Inaccurate Gas Meters, Recalculation of Bills, and Related Issues
Docket No. G-002/CI-08-871

**NOTICE DIRECTING XCEL ENERGY TO MAKE A FILING
AND ESTABLISHING COMMENT PERIODS**

On July 17, 2008, Xcel personnel informed Commission staff of problems with certain gas metering equipment registering little or no usage in the Saint Cloud area. On July 18, 2008 Xcel personnel forwarded an article from the Saint Cloud Times newspaper about the issue, which consisted primarily of information provided by, and quotes from, Xcel. Commission staff followed up informally via e-mail, phone, and meetings with Xcel over the next several days attempting to get more complete information on the nature and scope of the issues and on Xcel's plans to resolve the issues.

On July 28, 2008, the Commission opened the above docket to investigate issues relating to the re-billing of Xcel natural gas customers due to the failure of natural gas metering equipment. On July 29, 2008, Xcel personnel informed Commission staff that Xcel had suspended re-billing customers, would not commence re-billing without Commission approval, and had suspended for 60 days credit and collections activities on accounts which had already been re-billed.

Xcel Energy is hereby directed to submit a filing to the Commission for approval of its plan for re-billing affected customers no later than **Thursday, August 21, 2008**. The filing should clearly explain: the nature and scope of the metering equipment failures; the proposed method(s) for estimating usage; the proposed methods for calculating re-billings; the terms and conditions for repayment by customers; and how Xcel is complying with Minn. Rules, Part 7820.3900, including subp. 4. The filing should include answers to the questions attached to this notice.

Comments from interested parties are due **Tuesday, September 9, 2008** and reply comments from Xcel and parties are due on **Friday, September 19, 2008**.

Questions on this matter may be directed to Janet Gonzalez at 651.202.2231, Bob Harding at 651.201.2237, or Christopher Fittipaldi at 651.201.2232.

This document can be made available in alternative formats (large print or audio tape) by calling 651-202-2202 (voice). Persons with hearing or speech disabilities may call us through Minnesota Relay at 1-800-627-3529 or by dialing 711.

Questions on Xcel Saint Cloud Gas Metering Issues

- I. Nature and Scope of Problem
 - A. Provide a general narrative description of the overall situation with respect to the CellNet AMR meter module failures.
 - B. Provide a general time line showing when the AMR units were purchased, tested, and installed, when failures were detected, and when actions were taken by Xcel.
 - C. Provide detailed answers to the following questions relating to the deployment and replacement of the AMR modules:
 1. When were the new CellNet modules purchased?
 2. On how many Minnesota Xcel natural gas meters were the new CellNet AMR modules installed? Provide the data by customer class and by area (Saint Cloud area, Fargo area, any other identified areas, by city or zip code).
 3. Over what period of time were the new modules installed? Provide the data by month and year, and area.
 4. Who installed the new AMR modules?
 5. How many modules have failed in Minnesota? Provide the data by month and year, customer class, and area.
 6. What was the average failure rate of CellNet modules on Xcel's gas and electric meters prior to installation of the new type modules?
 7. What is the average failure rate of the gas meters themselves on Xcel's system?
 8. How many modules have been replaced in Minnesota? Provide the data by month and year, customer class, and area.
 9. Are modules continuing to fail?
 10. What steps has Xcel taken, and is it taking, to monitor the remaining modules for potential failure?
 11. Does Xcel plan to replace all the remaining modules in the Saint Cloud and Fargo areas, or only those that fail?
 - D. Provide detailed answer to the following questions related to the failure of the AMR modules:
 1. When were the first module failures noted? How were they discovered?
 2. When did Xcel determine that there was a wide-spread problem with the modules? How was that determination made?
 3. Why did the modules fail? Whether or not the cause(s) are known, what steps have Xcel and CellNet taken to determine the cause(s)?

4. In what way are the replacement AMR units different from the failure-prone units? How are Xcel and CellNet monitoring these replacement units for potential failure?
5. Xcel has stated that the new AMR units placed on electric meters have not been affected.
 - a. Are the AMR modules for electric meters a different model than those placed on gas meters?
 - b. What steps have Xcel and CellNet taken to monitor electric AMR modules for potential failure?
6. Were the type and model of AMR units installed in the Fargo area and Saint Cloud new products from CellNet? Had they been deployed by any other utility? Had they been deployed by Xcel in any other of its service territories?
7. Describe the roles and responsibilities of Xcel and CellNet in managing the AMR service, including operations, meter readings, and meter maintenance.
8. List and describe all reports that CellNet provides to Xcel, for example, tamper and outage flag reports.

II. Estimation of Customer Usage and Re-billing Calculations

- A. Can Xcel identify the exact date of failure of a particular meter module?
- B. In its usage estimation procedures, is the starting point the first billing period that shows a zero level of natural gas consumption?
If the answer is no, explain how the starting point for the estimate is determined and address the following hypothetical questions:
 1. Assume that a meter failed on the second day of the billing cycle (even if there is no way of knowing when it actually failed). The meter reading at the end of that cycle would show some usage, although presumably significantly lower than normally would be expected. How would Xcel estimate billing?
 2. Assume that the meter failed on the second-to-last day of the billing cycle (even if there is no way of knowing when it actually failed). The meter reading at the end of that cycle would presumably show a level of usage that would not differ significantly from expected usage. How would Xcel estimate billing?
 3. If the meter reading dates changed in the last three years, due to reroutes or other reasons, how will the estimates be determined?
 - 4.
- C. In the July 18, 2008 article in the Saint Cloud Times, Xcel's Credit Policy Manager is quoted as stating that "Xcel will estimate the customer's bill by

looking at the two previous years' bills and using the year with the least usage. That should benefit customers because last winter was significantly colder than 2006 and 2007, so most customers' 2008 bills were probably higher."

1. Provide comparison tables of heating degree days by month for September through May for 2006, 2007, and 2008 in the Saint Cloud area, the Fargo area, and any other areas where there have been meter module failures that have affected Minnesota customers.
 2. Provide a more detailed description of how Xcel compares the usage amounts from 2006 and 2007 to arrive at the lower amount for the usage estimate. For example, does Xcel compare the whole unbilled period with the whole corresponding period in each of the last two years, or is the comparison made in some other manner?
- D. How is Xcel estimating usage for affected customers who do not have a two-year usage history? Include consideration of new construction where the premise has no usage history for the relevant period or where there is only a one year history.
- E. How is Xcel estimating usage for affected customers who have moved into existing premises but may have significantly different usage than past occupants, customers who have made significant changes such as installing energy efficient furnaces, and other similar circumstances?
- F. Once the total estimated usage for the period of the meter failure is determined, how is the estimated total usage allocated to specific days for re-billing purposes, and how does the re-billing process apply the proper base rates, fuel clause, CIP rider, other adjustments, taxes, franchise fees, etc.?
- G. Final rates as a result of Xcel's 2006 Minnesota natural gas rate case, Docket No. G-002/GR-06-1429 became effective on February 1, 2008.
1. How will Xcel assure that affected customers will be re-billed correctly for interim and final rates?
 2. How will Xcel assure that affected customers will receive the refunds or credits associated with any re-billed usage during the interim rate period?
- H. How are the payments the customer did make during the failure period, such as the customer charge, any usage, and associated riders, taxes, franchise fees, etc., taken into account in the re-billing?
- I. Affected customers who were on Xcel's budget billing plan would presumably have been billed the budget amount, not the consumption shown through meter readings.
1. How many of the affected customers are on budget billing plans?

2. One presumes that without some explicit adjustment by Xcel, the normal annual resetting of budget payment amounts would include the inaccurate consumption information during the meter failure period, thus lowering the future budget payment amount compared to what it would have been in absence of the meter failure. What actions, if any, has Xcel taken with respect to setting future budget payment plan amounts to correct for this?

III. Customer Service and Related Issues

- A. Have all the affected Minnesota customers served out of the Fargo office been re-billed? When was the re-billing started and when was it completed?
- B. Xcel has told Commission staff that they stopped re-billing customers in Minnesota as of July 29, 2008.
 1. Has Xcel stopped credit and collections activity for all such accounts, including those in the Fargo area?
 2. For how far back have customer's been re-billed? In at least one complaint received in Minnesota, the customer was back-billed to November 2007.
 3. Provide a copy of any bill inserts, bill messages, and other customer communications that Xcel plans to use to inform customers who have already received recalculated bills of this suspension.
 4. Provide the talking points, scripts, and related materials that Xcel's customer service representatives will use when talking to customers who have been re-billed about this suspension.
- C. Other communications with customers:
 1. Provide a copy of any bill inserts, bill messages, press releases, and other customer communications that Xcel used in conjunction with its re-billing to Minnesota customers in the Fargo area and in any other areas where it has already re-billed customers.
 2. Provide a draft copy of customer communications materials Xcel plans to use for customers who have not yet been re-billed.
 3. Provide the talking points, scripts, and related materials that Xcel's customer service representatives used when talking to customers who have been re-billed.
 4. Provide a copy of talking points, scripts, and related materials that Xcel's customer service representatives used when talking to customers who have not yet been re-billed.
- D. What is the average unbilled consumption (in MCFs or therms) and what is the average dollar amount unbilled for residential customers in each area? For

commercial customers?

- E. What are the higher 5 residential unbilled consumption amounts and dollar amounts for residential customers in each area? For commercial customers?
- F. Provide a detailed description of the payment arrangements that Xcel has offered and plans to offer for affected customers. Include in this description whether and how the dollar amount of the back-billing owed by the customer affects the payment terms offered.
- G. What provisions and process has Xcel established to adjust the re-billing for customers who challenge the usage estimate because they have installed new energy-efficient equipment, have had a significant change in the number of people living in the premise, have not occupied the premise during all or some of the estimated billing period (for example spent the winter in Florida for the first time), or other changes in circumstances?
- H. Minnesota Rules, part 7820.3900, Subp. 4, **Failure to check faulty meter**, states: “If a customer has called to the utility’s attention doubts as to the meter’s accuracy and the utility has failed within a reasonable time to check it, there shall be no back billing for the period between the date of the customer’s notification and the date the meter was checked.”
 - 1. How many of the affected customers contacted Xcel to inquire about their low bills, meter failure, or other issues reasonably related to the inaccurate meters?
 - 2. If Xcel intends to re-bill any of the customers identified in H1 above, and for each it already has rebilled, provide a table showing the date of each customer contact, the corresponding date that the meter was checked by Xcel, and the date the meter module was replaced by Xcel.
- I. It is likely that some affected customers would have been eligible for LIHEAP grants, low-income weatherization programs, low-income CIP programs, Xcel’s Gas Affordability Program (GAP), and/or other assistance had they received accurate bills during the meter failure period in the winter months. Also, some customers who received LIHEAP grants may have qualified for larger grants had they been billed accurately.
 - 1. How does Xcel intend to address the needs and circumstances of these customers in its re-billing process?
 - 2. Has Xcel identified the affected customers who received LIHEAP grants and other assistance in 2006 or 2007? Affected customers who received some level of LIHEAP or other assistance in 2008?

- J. What impact may the incomplete and inaccurate consumption data have on the LIHEAP program, both on an individual customer level and program-wide level, since LIHEAP uses aggregate consumption data to help develop benefit matrices?
- K. Have any affected customers been taken off budget billing or other payment plans? Has any affected customer's service been disconnected for non-payment? Have any affected customer accounts been sent to collections?
- L. If and when credit and collection activity resumes on the affected accounts, how does Xcel intend to treat partial payments of outstanding balances on re-billed accounts, including:
 - 1. Will the payments be credited first to current billings before being applied to the past re-billed amounts?
 - 2. Will non-payment of past re-billed amounts impact a customer's Cold Weather protections going into the 2008-9 heating season?

IV. Financial Implications and Reporting

- A. Provide the estimated quantity of natural gas and the dollar amounts of the under-billings due to the meter failures, in Minnesota and for Xcel as a whole, by month and in total.
 - 1. How did Xcel reflected the under-collections on its books? Has the accounting treatment changed since Xcel discovered the meter module failures? Include the calculations supporting any adjusting journal entries.
 - 2. How have the under-collections been disclosed in its 10-Q and/or other public financial reports? Include calculations supporting the adjustments. If not reported, explain why.
- B. Has CellNet provided replacement meter modules at no cost to Xcel?
 - 1. If not, how much has Xcel spent to-date on replacements for faulty meter modules?
 - 2. How much does each meter module cost?
 - 3. If the cause of the failures were to be determined to be faulty hardware, software, or installation provided by CellNet, what recourse does Xcel have under its contract with CellNet for replacement modules, recovery of other associated costs, or other remedies?
- C. Identify any costs (other than replacement meters noted above) that Xcel incurred that are attributable to the meter failures.
- D. Does the under collection of gas costs and associated revenues affect Xcel's CIP

tracker and cost recovery filing, its monthly PGA, the calculation of the annual PGA true-up for 2007-2008, the calculation of lost and unaccounted for gas, and/or any other rate adjustments? Identify the dockets and any plans Xcel has for supplementing or changing any pending filings that may be affected.

- E. Does the under-collection of gas costs and associated revenues affect the calculation and use of revenue per customer data for any other purpose?

V. Billing System and Internal Controls

- A. Describe Xcel internal controls in place to detect abnormal meter readings, billing amounts, and revenue levels. Include discussion of the CRS system, including customer contacts; how the meter reading systems interact with the CRS and other systems; the billing system (including exception reports); the gas purchasing and accounting function, including reconciliation of purchases versus sales and metered usage versus sales; and the overall financial reporting system.
1. Did any of these control systems detect the effects of the meter failures? If so, when and how did they do so. If not, why did they not do so?
 2. Explain Xcel's use of what may be called the "dead register," i.e. the list of meters that show zero usage that staff understands is generated automatically. How many gas meters were on this list on average in 2006 and 2007? How many gas meters were on this list by month from November 2007 through July 2008?
 3. Was any information that did come out of the control systems shared with other personnel and systems within Xcel who needed this information?
 4. Describe how these apparent control failures comport with Xcel's policy on Sarbanes/Oxley compliance.
 5. As a result of the issues surrounding the gas meter failures, what new controls, systems, or other actions is Xcel taking to help ensure that such problems in the future would be detected more quickly?
- B. It appears from customer calls to the Minnesota PUC, as well as the North Dakota PSC, that some customers have received two bills on the same day, or within a few days of each other, with no explanation, and that some of the re-billings may be inaccurate.
1. What processes and procedures does Xcel have in place to assure that the re-bills are accurate?
 2. What processes and procedures does Xcel have in place to assure that customers receive an explanation of the re-billing prior to, or at least along with, the new bills?
 3. What additional monitoring will Xcel do to assure these types of re-billing errors are not repeated?

- C. It appears that Xcel personnel knew at least by late January 2008 that there was a potential problem with the AMR modules. Xcel personnel in North Dakota sent an informal report on the AMR failures to North Dakota PSC staff on March 20, 2008 (which mentions the late January 2008 time period as when Xcel became aware of the issue). The North Dakota PSC sent a formal letter to Xcel on July 2, 2008 requesting information and raising concerns about the implementation of the re-billing. Xcel began sending out a small number of re-bills in late February and had worked up to over a hundred re-bills a day starting on July 14, 2008.
1. Why was the first Xcel contact with Minnesota regulators about this issue not until July 17, 2008, the day before an article was to appear in the Saint Cloud paper?
 2. Why were the Xcel personnel who were sent to meet with Minnesota PUC staff in the next several days able to provide so little information, some of which was inaccurate, given that Xcel had been aware of, and presumably was investigating, this issue for the past six months and significant re-billing activity had already taken place ?

VI. Other Issues

- A. Send us a copy of your response to the July 2, 2008 letter from the North Dakota PSC to Mr. Sederquist of Xcel.
- B. Future AMR Plans
 1. Provide a description and schedule of Xcel's plans for deploying AMR technology in Minnesota communities that currently do not have automated meter reading.
 2. Provide a description and schedule of Xcel's plans for replacing older AMR modules with newer modules in Minnesota.
 3. Does Xcel intend to continue to use CellNet AMR modules? Explain why or why not.