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August 21, 2008

Gloria A. Geiger, Interim Director  
North Dakota Public Service Commission  
State Capitol Building, Dept. 408  
600 East Boulevard  
Bismarck, ND 58505-0480

SUBJECT: Response to Minnesota Public Utilities Commission Notice regarding  
mechanical failure of natural gas automated meter-reading (“AMR”) modules

Dear Ms. Geiger:

Today, Northern States Power Company, a Minnesota corporation (“Xcel Energy” or “the Company”), provided its response to the Minnesota Public Utilities Commission’s *Notice Directing Xcel Energy to Make a Filing and Establishing Comment Periods* in Docket No. G-002/CI-08-871.

The Company is hereby providing a copy of this response, as previously requested by the North Dakota Public Service Commission (the “Commission”). Trade secret information has been excluded. On September 2, 2008 Xcel Energy intends on filing with the Commission supplemental North Dakota data for those questions that asked for state-specific responses.

We look forward to meeting with the Commission in Bismarck on September 9, 2008 to discuss more fully the AMR module failures, our rebilling efforts, and our plans to resolve the issue going forward.

Please do not hesitate to call me if you have any questions. Thank you.

Sincerely,

A handwritten signature in blue ink that reads 'David H. Sederquist'.

David H. Sederquist  
Sr. Consultant, Regulation & Finance  
Xcel Energy

Cc: Tom Rafferty  
Public Outreach Specialist



414 Nicollet Mall  
Minneapolis, Minnesota 55401

**PUBLIC DOCUMENT  
TRADE SECRET DATA HAS BEEN EXCISED**

August 21, 2008

**—VIA ELECTRONIC FILING—**

Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, Minnesota 55101

RE: RESPONSE TO COMMISSION NOTICE AND REBILLING PLAN  
DOCKET NO. G-002/CI-08-871

Dear Dr. Haar:

Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”), hereby submits to the Minnesota Public Utilities Commission (the “Commission”) the public version of our Response to the Commission’s *Notice Directing Xcel Energy to Make a Filing and Establishing Comment Periods* in the above referenced docket.

Portions of our filing contain trade secret information as defined under Minn. Stat. § 13.37(1)(b). This information derives an independent economic value from not being generally known or ascertainable by third parties who could obtain a benefit from its use. Based on its value, Xcel Energy maintains the information as non-public.

We have served a copy on the Attorney General’s Office- Residential Utilities Division and all parties on the attached service list.

Please contact me at (612) 330-6270 if you require any additional information.

Sincerely,

/s/

AL KRUG  
DIRECTOR, REGULATORY ADMINISTRATION

ENCLOSURES

STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

David Boyd	Chair
J. Dennis O'Brien	Commissioner
Thomas Pugh	Commissioner
Phyllis Reha	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF AN INVESTIGATION  
INTO NORTHERN STATES POWER  
COMPANY, A MINNESOTA CORPORATION,  
INACCURATE GAS METERS,  
RECALCULATION OF BILLS, AND RELATED  
ISSUES

DOCKET NO. G-002/CI-08-871

**RESPONSE TO COMMISSION  
NOTICE AND PROPOSED  
REBILLING PLAN**

**INTRODUCTION**

Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”), provides this response to the Minnesota Public Utilities Commission’s (the “Commission”) *Notice Directing Xcel Energy to Make a Filing and Establishing Comment Periods* (the “Notice”) in the above referenced docket.

This proceeding stems from a mechanical failure of one model of our natural gas automated meter-reading modules (the “1074 v.2 model module”). The 1074 v.2 model module failure impacted our ability to bill some customers for their actual natural gas usage during the 2007/2008 heating season, requiring a subsequent rebill once the module had been replaced. This filing describes the problem, its resolution, and our Proposed Rebilling Plan.

We recognize that this problem created inconvenience and confusion for customers, the Commission, and stakeholders, which we sincerely regret. Additionally, we wish to apologize for the lack of timely communication to the Commission and State Agencies regarding this issue.

We have organized our response in three major sections:

- A general background on the situation to help facilitate understanding of the 1074 v.2 model module failure, and our proposed response;

- Our Proposed Rebilling Plan for affected customers is provided as Attachment 1; and
- Our responses to the specific questions contained in the Notice is provided as Attachment 2.

We appreciate this opportunity to provide this information. We are eager to work with the Commission, State Agencies and stakeholders to resolve issues arising from this situation.

## OVERVIEW

The Company contracts with Cellnet Technology Midwest, Inc. (“Cellnet”) for automated meter reading (“AMR”) of electric and natural gas meters in Minnesota and other states. Xcel Energy has approximately 485,000 natural gas meters in the overall Northern States Power Company, Minnesota (“NSPM”) system (Minnesota North Dakota, South Dakota) with nearly 400,000 of them being read using the AMR technology. Xcel Energy decided to expand its use of AMR technology, and used the new 1074 v.2 model module for new build and routine maintenance. Cellnet supplied approximately 64,500 1074 v.2 model modules for installation in Minnesota. Most of these modules were installed beginning in August 2007 in the St. Cloud, Fargo/Moorhead and Grand Forks/East Grand Forks areas as part of specific deployment or replacement efforts. A smaller number of installations also occurred in the Twin Cities Metropolitan area for new build and routine maintenance.

By January 2008, Xcel Energy identified suspect natural gas meter readings that were later determined to be associated with the 1074 v.2 model module mechanical failure. Field investigations began initially in the Fargo/Moorhead area to correspond with specific customer inquiries and flags generated by our system. In early February, as a result of these field investigations, we determined that an unusual number of the 1074 v.2 model modules were experiencing a specific mechanical failure.<sup>1</sup> As discussed below, this significant

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<sup>1</sup> The specific mechanical failure that occurred with the 1074 v.2 model module is that the pins that attached the module’s drive shaft to the meter are sheared off, or in a few instances, bent. The drive pins are the mechanical component that connects and turns the meter index. When the drive pin shears off, the meter does not register any usage until the module is replaced.

module failure rate has had a large impact on our customers by creating the necessity for rebilling.

We believe the Company's response to identify and replace the malfunctioning 1074 v.2 model modules was largely successful. Most of these modules were installed in late 2007, and in January 2008, we had some indication of a problem, which was subsequently confirmed in early February. Our first priority was to fix the problem in the field as promptly as possible, to ensure that we began to again measure actual customer usage. Subsequently, we developed a plan to retrofit all remaining 1074v.2 model module that were installed on our system.

Despite problems with the 1074 v.2 model module, we believe that there are benefits in using an AMR system. We have a total of over 2.2 million gas and electric meters on our NSPM system and rely on over 1.6 million AMR readings each month. We believe that AMR offers cost savings and typically improves billing accuracy, and may provide a platform for additional cost-saving services that we can offer our customers in the future.

### **BILLING ISSUE**

The mechanical failure in the 1074 v.2 model module affected the meter index. Although the module would continue to send electronic readings to the AMR collection system, the readings would repeat the last consumption reading (indicating no incremental usage) because the module's shaft and drive pin no longer turned with the flow of gas through the meter. Likewise the meter index would also stop recording usage as it depended upon the same shaft.<sup>2</sup>

As a result of the mechanical failure of the 1074 v.2 model module, affected customers' meter readings reflected either no consumption or intermittent usage during the period between module failure and replacement. As we completed replacing the affected modules, we began rebilling affected customers for their estimated gas consumption during the period of time that the 1074 v.2 model module was malfunctioning.

Xcel Energy began rebilling customers in both North Dakota and Minnesota in accordance with our natural gas tariff and the Commission's rules. Since the

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<sup>2</sup> We also discovered some instances where the pin did not break, but bent resulting in the meter only intermittently recording natural gas usage. This would result in some natural gas usage being reported to the Company, but not an amount equal to the customer's actual usage.

problem was initially identified in North Dakota, we commenced rebilling those customers first, and rebilling was largely completed in mid-July of this year. Xcel Energy also commenced rebilling its Minnesota customers on a parallel path and had completed rebilling approximately 1,300 Minnesota customers between February and July of 2008. Additional rebilling efforts have been suspended pursuant to Commission Staff's request, and subsequently, the Commission's Notice. We currently estimate that approximately 8,300 additional customers will require rebilling.<sup>3</sup>

### **PROPOSED REBILLING PLAN**

Attachment 1 to this Response contains Xcel Energy's Proposed Rebilling Plan, which we respectfully request to be implemented so that we can fully identify and resolve any remaining issues with our customers.

Our rebilling process will correct for the unrecorded natural gas usage during the months that no consumption or intermittent usage was recorded by the affected customers' meters. We will employ the process provided by our gas tariff and the Commission's rules to estimate usage, based largely on the individual customer's consumption history.

Using data in our system, we will identify the dates of both module failure and replacement, giving us a reasonably defined period for rebilling each affected account. This step must be performed manually through observance of daily customer usage data to ensure an accurate period for rebilling. Actual account consumption will then be analyzed from the same time period during the previous two years. The lower historical usage will then be used to obtain an estimate of the unrecorded usage for rebilling. Xcel Energy will apply the actual rates in effect during the applicable period to obtain the total amount of revenue owed for the estimated consumption in the rebilling process. This process is consistent to the process we use whenever we experience any other type of meter or module failure affecting the measurement of customer consumption.

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<sup>3</sup> This estimate is as of the end of July 2008. This number will change after the rebill process establishes who will be rebilled, and confirm those customers that will not be rebilled. The Company plans to supplement this information as updated information in our proposed quarterly report.

Our rebilling plan also addresses situations that may complicate rebilling calculations and potentially require deviation from the process described above. As described in Attachment 1 and in our responses to various Commission questions in Attachment 2, we will work to determine reasonable estimates of prior usage, and will incorporate information from our customers where appropriate.

Our rebilling plan also addresses steps we will take to mitigate the potential negative impacts on our customers. These steps will include the offer of payment arrangements and the waiver of late charges during a payment arrangement period. We believe these steps are required to assist our customers, particularly those that may be rebilled during the winter heating season.

Finally, we plan to address the needs of our low-income customers who may be affected by the rebilling process. For these customers, we request flexibility to allow us to address potential unique situations that these customers may face.

### **COMMUNICATION PLAN**

If the Commission approves our Proposed Rebilling Plan, we will send a letter to those customers we are rebilling in advance of their receipt of the bill. We have proposed an updated customer letter that offers the customer the option to set-up a payment arrangement, which provides them protection from charges for late fees and interest. It additionally outlines any impact to their participation in various programs. We have provided a proposed customer letter as Attachment 3 and look forward to working with Staff to help ensure this communication meets our customers' needs. We will also provide additional instruction to our call center and billing employees so that they understand the specifics of the plan. Finally, we intend to communicate fully with the Commission's Office of Consumer Affairs and the other State Agencies to ensure that they can provide timely and accurate responses to customer inquiries they may receive regarding this process.

### **REMEDATION EFFORTS**

Xcel Energy's processes and controls worked reasonably well to detect the 1074 v.2 model module problem. Once it was detected, we acted to promptly replace the known malfunctioning modules and to work out a plan for retrofitting the remaining 1074 v.2 model modules on our system. However, we acknowledge that our communication with the Commission and State Agencies regarding this issue was inadequate, given the magnitude of the

problem. We have since implemented improvements to more proactively detect and respond to situations to help identify similar problems that affect our customers, including:

- We developed certain reports that attempt to identify the existence and scope of problems such as these;
- We have implemented system changes to help make our rebills easier to understand for our customers;
- We are performing a controls review to confirm that our processes are appropriate, and we will implement the changes that are suggested by that review;
- We are working with Cellnet to ensure that adequate and timely communications are occurring in order to ensure that problems such as these are quickly identified; and
- All of the 1074 v.2 model modules installed on our system are being retrofitted. The overall retrofit effort has already begun and is expected to be completed in January 2009. We will monitor this situation closely to ensure Cellnet's timely completion of the work. Prior to Cellnet's completion of the remediation, we will also monitor the remaining 1074 v.2 model modules to quickly identify any additional incidences of the problem.

These improvements are described more fully in our responses to Commission Questions in Attachment 2.

Finally, the Company is reviewing its processes to ensure that, in the future, we identify issues of this nature and communicate them to the appropriate regulatory agencies and stakeholders in a timely manner.

### **REPORTING**

We propose to provide the Commission with quarterly reports on the Company's efforts to resolve this situation, as well as our efforts to complete rebilling of our customers. We will additionally work with stakeholders to develop information that will enable the Commission to review our activity during the rebilling process. At a minimum, the Company proposes to provide the following:

- Number of customers rebilled;
- Average rebilled volume and amount per customer;

- Number of customers excluded from rebilling, including those pursuant to Minn. R. 7820.3900, subpt. 4; and
- Affected low-income customers, and the Company’s efforts to mitigate negative impacts for these customers.

## COMPLIANCE WITH COMMISSION RULES

The Minnesota Public Utilities Act, Xcel Energy’s natural gas tariff, and the Commission’s rules for natural gas utilities all govern our rebilling plan.<sup>4</sup> The Commission’s rules and our tariff recognize that metering and billing errors occur in a variety of contexts and in the normal course of utility business. The Commission’s rules contemplate a process that will allow refunds and rebills of customers to correct mistakes and address equipment malfunctions. Likewise, the Company’s tariff contemplates the scenario where the malfunction results in an unreliable reading for billing purposes. For meters which do not register and for which we cannot determine the amount of natural gas used, Xcel Energy may recalculate the customer’s bill and charge for an estimated amount of usage.<sup>5</sup> Such estimated billing cannot cover a period longer than one year from the date of discovery.<sup>6</sup> The recalculated bill must be separate from the regular bill, and contain a detailed explanation of the charges.<sup>7</sup> Xcel Energy must offer a payment agreement for residential customers who have been undercharged, which will allow the customer to pay back the underbilled amount over time.<sup>8</sup>

The Commission’s Notice directs that we discuss how our proposed rebilling efforts will comport with Minn. R. 7820.3900, subpt. 4. This rule requires that we address meter problems within a “reasonable time” after a customer contacts us regarding meter performance and if we failed to do so, we are precluded from back billing for the period of time between the customer contact until the metering problem was checked.

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<sup>4</sup> See Section 3, Metering and Billing of the General Rules and Regulations in the Minnesota Gas Rate Book; Minn. R. 7820.3900 (Inaccurate Meters); Minn. R. 7820.4000 (Billing Errors).

<sup>5</sup> Minn. R. 7820.3900, subpt. 2.

<sup>6</sup> *Id.*

<sup>7</sup> Minn. R. 7820.3900, subpt. 3.

<sup>8</sup> Minn. Stat. § 216B.098, subd. 4.

Step 3 of our Proposed Rebilling Plan (described in Attachment 1) includes specific action items to ensure compliance with this rule. We have cross-referenced the population of potentially-affected customers to our call-center logs and determined the approximate number of people who contacted us and compared that data with our records of when the malfunctioning module was remedied. Summary statistics of that inquiry are found in response to the Commission's Question III. H. As we go through the rebilling process we will review these customer records and assess whether our response to customer inquiries was reasonable. While Minn. R. 7820.3900, subpt. 4 does not define what is a "reasonable" amount of time to respond to a customer inquiry, the Company proposes to exclude from rebilling all customers who contacted us regarding meter performance and where we failed to investigate the meter problem within 10 days. This is consistent with the standard provided in the rules governing electric utilities and our electric tariff. If we find instances where our investigation did not take place within this time period, the Proposed Rebilling Plan provides that we will not rebill for the period of time between when the customer called us regarding a concern with their meter and the meter was checked.

### **CONCLUSION**

Xcel Energy recognizes that the large number of customers affected as well as our communications related to this situation has created concern and confusion for our customers, the Commission and stakeholders. We regret creating that confusion and we are eager to work with the Commission, State Agencies and others to provide all necessary information to resolve this situation.

We further request the ability to complete the rebilling process as promptly as possible. Our Rebilling Plan is consistent with our tariff and the Commission's rules. The circumstances giving rise to this rebilling are consistent with other types of situations that typically result in the need to rebill customers. While this incidence of rebilling is significant, we believe our tariff and rules contemplate rebilling under these circumstances. Finally, we believe it is important that affected customers be given the opportunity to pay for an equivalent amount of the natural gas that they actually used as promptly as possible to help mitigate against having the rebillings coincide with the next heating season.

We appreciate the opportunity to address this situation with the Commission. Xcel Energy is willing to work with the Commission, State Agencies and



## Proposed Rebilling Plan

Our Proposed Rebilling Plan is consistent with applicable Commission rules and our natural gas tariff. Our Proposed Rebilling Plan corrects for the unrecorded natural gas usage during the months that no (or little) consumption was recorded on the affected customers' natural gas meters. Except as modified in this proposal, we recommend using the process provided by our natural gas tariff and Commission rules to estimate usage based on customer history.

### 1. *Rebilling Steps*

Our first step is to estimate each customer's natural gas usage during the period determined by our billing specialists to apply. We propose to use customer-specific consumption information from the prior two years. This process is consistent with the process we use whenever we experience a meter or module failure at a customer premise.

- Using data contained our meter reading data repository, in most instances we should be able to reasonably identify the dates of both module failure and replacement, giving us a defined period for rebilling.
- We will use actual customer consumption information for the same period in the prior two years, and then take the actual consumption from the lower of those two years to estimate usage for the period of time that the meter module was malfunctioning.
- We will apply the actual rates in effect during this period to obtain a total amount for use in our cancel/rebiling process.

Our second step is to take into consideration other information when determining how to rebill customers. Several separate scenarios exist that may affect the way this step is implemented. As described more fully in response to some of the Commission's questions, scenarios can include: (i) customer does not have two years of consumption data at the premises; (ii) customer has less than two years of consumption data but coupled with prior customers at the premises, two years of data can be reconstructed; and (iii) in situations such as new construction or tenant changes less than two years of consumption data exists for the premises. Taking these scenarios into account:

- If the customer can provide us with information supporting a change in their natural gas usage pattern from previous years (new energy efficient furnace, etc.) we will adjust our estimate.
- Where we do not have historical usage for the customer, we will use data from the premise and prior occupants' use. This information will be adjusted for known or verifiable usage differences.
- If insufficient data exists for the premise (i.e., new construction) we will not rebill the customer.
- If our response to a customer inquiry did not occur within 10 days, we will not rebill for the period between the customer's call and the date we checked the meter.

Our third step is to prepare a rebill for each affected customer. The process for rebilling is largely manual and requires billing specialists to investigate each customer's specific history, including the dates of 1074 v.2 model module failure and replacement, past usage, and customer contact records to determine the appropriate amount for rebilling. Please refer to our specific responses in Attachment 2 for more details.

## 2. *Mitigation Measures*

We will also attempt to mitigate the impact on customers in the following ways:

- We will use historical consumption data from the prior two years to calculate an estimated amount for the rebill. Given that this past winter was colder than previous years, we believe that customers will generally pay less than their actual usage would have cost during last winter.
- We will offer customers the opportunity for payment arrangements up to twelve months in duration for the rebilled amounts.
- We will not assess late charges for the initial rebill or the duration of any repayment plan.
- We will work with customers in situations where the estimated usage is demonstrated to exceed the customer's expected use for this period.

### 3. *Billing Adjustments*

#### *a. Customers Who Contacted Us About A Possible Faulty Meter*

We will review customer records to ensure compliance with Minn. Stat. 216B.098, subd. 4(c) and Minn. R. 7820.3900 subpt. 4. These provisions require that we address meter problems within a reasonable time after a customer contacts us. If we failed in addressing the metering problem with a reasonable time then these provisions call for the utility to forfeit any rebillings from the time of the customer contact until the meter was checked.

- If we conclude that we did not address a customer communication in a reasonable timeframe, we will not bill for the period after the customer contacted us until we investigated the meter and will limit rebillings for any period of time prior to the customer contact.
- Our response to the Commission's Question III. H provides summary data on customer contacts.
- We are willing to provide the Commission and the State Agencies additional information about customer contacts but note that such data will contain private customer data that must be restricted pursuant to the Minnesota Data Practices Act and disclosure will need to be provided pursuant to those requirements.

#### *b. Low Income Customers*

Some of our customers in the St. Cloud, Fargo/Moorhead, and Grand Forks/East Grand Forks areas are or may be eligible for LIHEAP grants, low-income CIP programs, Xcel Energy's Gas Affordability Program ("GAP") and potentially other assistance. We believe that a relatively small number of low-income customers could have been impacted by this problem. We recognize that the circumstances surrounding these customers and the design of some of the heating assistance programs may present unique issues as we work through our rebilling efforts.

Several potential scenarios may exist that may require additional analysis. Some of these scenarios are addressed in the Commission's questions. Xcel Energy is willing to work with the specific circumstances of a low-income customer's situation and requests that the Commission allow us flexibility to address low-income situations appropriately under the circumstances.

## **I. Nature and Scope of Problem**

Our answers to this response will require us to discuss the interplay of various operating companies and business areas within Xcel Energy Inc. When we refer to “Xcel Energy” we are referring to enterprise wide operations related to of Xcel Energy Inc. and its subsidiaries. References to the “Company” refer to the Minnesota operations of Northern States Power Company, a Minnesota corporation, the operating company regulated by the Minnesota Public Utilities Commission. Likewise, when we are referring to the operations of the Company in all three of its state jurisdictions (Minnesota, North Dakota and South Dakota), we will refer to this as “NSPM” to describe the combined operations. If we are making references to the Xcel Energy Inc. operating company in Wisconsin and Michigan, we will refer to this as “NSPW” to describe these combined operations.

### **A. Provide a general narrative description of the overall situation with respect to the CellNet AMR meter module failures.**

Please see the Company’s accompanying response to the Commission’s Notice.

### **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.**

Please see Attachment A.

### **C. Provide detailed answers to the following questions relating to the deployment and replacement of the AMR modules:**

This next group of questions seeks specific data and reports tracking the unique problem that we encountered – the mechanical malfunction of some 1074 v.2 model modules. We did not, however, foresee this problem and generally have not maintained data in a way that would facilitate tracking and reporting specific module problems. Since this situation arose, we are developing mechanisms and processes as described in the response to these questions to better track data, to make it easier to provide information in the event any further mechanical problems should arise.

#### **1. When were the new CellNet modules purchased?**

We began using the 1074 v.2 model modules for new installations and maintenance replacements in 2006. We introduced the 1074 v.2 model module to our system in

significant numbers starting in August 2007, primarily for the St. Cloud area automation expansion project (“St. Cloud Expansion Project”), and continuing through early 2008 both for the St. Cloud Expansion Project and also for the Fargo/Moorhead and Grand Forks/East Grand Forks area module upgrade projects (“Fargo Upgrade Project”).

**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).**

Approximately 64,500 of the 1074 v.2 model modules were installed in Minnesota. The 1074 v.2 model module was only installed on natural gas meters serving residential or small commercial customers.

See Attachment B to our Response for a list of 1074 v.2 model modules installed by zip code.

**3. Over what period of time were the new modules installed? Provide the data by month and year, and area.**

We began installing the 1074 v.2 model module on a new account/maintenance basis beginning in March 2006, and continued until the mechanical failure was identified in early 2008, at which time we instructed Cellnet to cease using the 1074 v.2 model module for installations because of the problems we were experiencing.

The majority of the 1074 v.2 model modules were installed beginning in August 2007 as part of the St. Cloud Expansion Project and the Fargo Upgrade Project.

We have provided the number of installations, by month, for both projects as Attachment C. Data on new business and maintenance installations is not available.

**4. Who installed the new AMR modules?**

Cellnet Technology Midwest, Inc. (“Cellnet”) was predominantly responsible for the installation and maintenance of all 1074 v.2 model modules, with the exception of the modules that were installed along with meters in the case of new business or other meter installations and exchanges. In the case of new meter installations or a meter exchanges, the meters are shipped from the manufacturer with the modules already installed, and Xcel Energy employees do all meter installation work.

**5. How many modules have failed in Minnesota? Provide the data by month and year, customer class, and area.**

According to our July 28, 2008 Work Management Report, approximately 20,500 natural gas Automated Meter Reading (“AMR”) modules (including 1074 v. 2 and other model modules) have been flagged as not registering any usage during a relevant time period. While this report does not identify the specific cause for the flag, we believe this report is an appropriate proxy.

Data regarding when specific modules failed is determined on a premise-by-premise basis during the rebilling process.

**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?**

Prior to the current situation, we did not track the rates of AMR module failures on Xcel Energy gas and electric meters. We have since developed and are continuing to refine reports that more specifically track AMR module failures. We will be able to use this newly developed information to analyze why a maintenance visit was triggered (*i.e.*, module failure or premise vacancy), and to understand the specific reason why the module failed (*i.e.*, mechanical or battery).

In addition to developing new reports, we now have access to the AMR modules replaced during maintenance visits. This gives us the option to visually inspect the AMR modules to ascertain the possible reasons why they were taken out of service.

**7. What is the average failure rate of the gas meters themselves on Xcel’s system?**

We do not track failure rates of our gas meters, but we do, however, conduct random testing to assess the accuracy of our meters in measuring usage to determine whether they are performing within an average error rate of +/- 2 percent. While not the same as a natural gas meter failure rate, the random sample process enables us to track the approximate percentage of meters that are not accurately measuring natural gas consumption.

For 2007, approximately 0.87 percent of our NSPM natural gas meters may have been performing outside of the accuracy performance criteria.

**8. How many modules have been replaced in Minnesota? Provide the data by month and year, customer class, and area.**

As of the end of July 2008, approximately 23,100 of the 1074 v.2 model modules have been replaced. Our efforts to remediate all of the 1074 v. 2 model modules is ongoing, and will likely continue into January 2009.

Because Cellnet does not track the specific reason for its module replacement, some portion of the replacements may have occurred for reasons other than the mechanical failure of the 1074 v.2 model module. Reasons include damage caused by storms, electrical issues, and/or communication problems.

We do not have the information by month and year, or area.

### **9. Are modules continuing to fail?**

Yes, we are continuing to see module failures, though not at the levels we saw earlier in 2008. In the normal course of business, we expect to see some level of module failure for various reasons, and we respond accordingly.

Please see our response to Question I.C. 11 for information regarding our remediation plan for the 1074 v.2 model modules.

### **10. What steps has Xcel taken, and is it taking, to monitor the remaining modules for potential failure?**

We are in the process of retrofitting all remaining 1074 v.2 model modules on the NSPM and NSPW systems. In the meantime, we are taking a number of steps to monitor the remaining 1074 v.2 model modules that are still in service, which include:

Work Management Report: We now obtain, on an on-going basis, additional data indicating natural gas AMR modules installed throughout NSPM that show no consumption. From this data, our system creates the Work Management Report to monitor the field investigation of potentially dead natural gas AMR modules (“DREG” flag). Concurrently, we expanded the Work Management Report to monitor field investigations of “DREG” flagged AMR modules. This report identifies the customer premises potentially affected by the 1074 v.2 model module failure, but it is possible that not all premises affected by this issue are represented on this report, and it could include premises with zero consumption for reasons other than the 1074 v.2 model module failure.

Billing Controls: We continue to use reports and Stop Billing Rules to monitor the 1074

v.2 model modules that remain in service until retrofitted. Please see our response to Question V.A. for additional information on the Billing Controls.

**11. Does Xcel plan to replace all the remaining modules in the Saint Cloud and Fargo areas, or only those that fail?**

We plan to retrofit all of the remaining 1074 v.2 model modules located in all Xcel Energy jurisdictions. This replacement began on August 19, 2008, and is projected to be completed in January 2009.

**D. Provide detailed answers to the following questions relating to the deployment and replacement of the AMR modules:**

**1. When were the first module failures noted? How were they discovered?**

In January 2008, Xcel Energy Billing Services began to notice billing anomalies in the Fargo/Moorhead area. Customer inquiries pertaining to the meter readings on bills, and flags generated by our Stop Billing rules worked by our Billing Services team helped lead other personnel to inquire further to determine whether a problem existed. As a result, Billing Services generated service orders to the Meter department, which initiated field investigations. Upon investigation, it was determined that these anomalies were tied to the 1074 v.2 model module.

**2. When did Xcel determine that there was a wide-spread problem with the modules? How was that determination made?**

Due to the potential issue discovered in January 2008, we worked to develop a way to identify possible 1074 v.2 model module failures in the St. Cloud, Fargo/Moorhead and Grand Forks/East Grand Forks areas. We suggested Cellnet use a no-consumption measurement. Please note, analyzing for no consumption would typically be over-inclusive, and would identify customers whose lack of gas consumption is normal for a variety of reasons (*i.e.*, seasonal property use, vacation, electric heating, etc). This process, however, may not identify all customers potentially affected by the 1074 v.2 model module failure.

In early February 2008, we received data indicating AMR modules installed as part of the St. Cloud, Fargo/Moorhead, Grand Forks/East Grand Forks expansion that showed no consumption. Based upon this information, we initiated fieldwork orders for Cellnet to investigate.

Please refer to our response to Question I.D.1 for more information on our detection of the issue.

**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)?**

The mechanical failure in question relates to drive pins bending or breaking off within the 1074 v.2 model module. When these pins break, it results in the meter not registering any usage until the module is replaced. The module continues to transmit readings at its regular intervals, but keeps transmitting the same readings so it results in a zero marginal increase in consumption over the last transmitted reading. When the pins bend (but does not break) the module transmits intermittent usage.

Cellnet believes it has identified the root cause of the problem and a plan to address the issues. **[TRADE SECRET STARTS**

**TRADE SECRET ENDS]**

Xcel Energy additionally engaged an outside testing lab to conduct our own tests on the module. The external tester generally verified Cellnet's specifications for the problem.

**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?**

Cellnet has informed us that they have made the following modifications to the 1074 v.2 model module to address the believed root cause the 1074 v.2 model module failures.

**[TRADE SECRET STARTS**

**TRADE SECRET ENDS]**

Please see our response to Question I.C 10 for the methods Xcel Energy and Cellnet employ to monitor the modules 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?**

Yes. Electric AMR modules are a completely different product than those used for natural gas meters. AMR modules for natural gas meters have mechanical components, and are mounted outside of the meter between the index and the meter, making it a separate device from the meter. The mechanical drive pin within the module is necessary to turn the meter index with the flow of gas through the meter. As a result, a mechanical failure of a natural gas AMR module can affect the ability to measure natural gas consumption.

In contrast, AMR modules for solid state electric meters consist of electronic circuitry, and are directly integrated into the meter itself, with the AMR module directly registering the meter's consumption. AMR modules on electromechanical electric meters count disk revolutions, accumulating data, and do not interface with the meter's function. As a result, the failure of an AMR module in an electric meter does not affect the operation of the meter itself, or its ability to measure electric consumption. To date, we have not detected abnormally high failure rates for the AMR modules used for electric meters.

**f b. What steps have Xcel and Cellnet taken to monitor electric AMR modules for potential failure?**

In addition to our random and periodic testing of our electric meter population, the controls and Stop Billing Rules discussed in our response to Question V.A. would apply.

**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?**

The 1074 v.2 model module installed in the Fargo/Moorhead, Grand Forks/East Grand Forks and St. Cloud areas was modified from the prior Cellnet product previously installed in the Xcel Energy system. On the 1074 v.2 model module, Cellnet changed the shape of the module casing to accommodate a larger battery with longer life (from 8 to 15 years), and changed the shape and size of the dial that drives the meter index.

Cellnet has not shared specific information with us regarding their use of the 1074 v.2 model module with their other customers, but they have told us that they have implemented remediation plans with other utilities where the 1074 v.2 model module was also used.

The 1074 v.2 model modules may have been installed in any part of the NSPM operating area that serves natural gas customers (Minnesota and North Dakota). Also, in early 2008 we began installing gas meters equipped with AMR modules in our NSPW operating area on a new growth or maintenance basis, so a limited number of the 1074 v.2 model modules may have been installed in Wisconsin and Michigan; at this time, we have not implemented AMR meter reading so continue to manually read meters in Wisconsin and Michigan.

**7. Describe the roles and responsibilities of Xcel and Cellnet in managing the AMR service, including operations, meter readings, and meter maintenance.**

While Xcel Energy retains overall responsibility to its customers and the Commission for providing reasonable service to our customers and for complying with relevant regulations, we contract with Cellnet for many of the day-to-day services necessary for the success of our AMR operations. Specifically, Cellnet provides meter reading, maintenance and deployment services for Xcel Energy.

Meter Reading: The core function of the AMR service is to facilitate the reading of meters on a timely basis. Cellnet provides approximately 87% of the total monthly meter reads we use for billing our customers in NSPM. Xcel Energy's AMR data

controls verify that the monthly read matches our premise records, ensuring the usage information is attributed to the correct customer. Any data inconsistencies are flagged for a maintenance field visit (see Maintenance below). Cellnet also provides meter reading metrics on a more frequent basis, such as the percentage of meters read each day.

Maintenance: As of July 30, 2007, Cellnet generally provides maintenance on all residential and most small commercial electric meters and gas meter reading modules with Cellnet AMR modules in Minnesota. Prior to 2007, Xcel Energy had all module maintenance responsibilities. Currently, should a meter or module be flagged as potentially problematic, regardless of the Xcel Energy work group that identifies the anomaly, a work order is created for Cellnet to go into the field and investigate the AMR module. If the AMR module or electric meter is malfunctioning, Cellnet will repair or replace it in the field. Should Cellnet's investigation of the module show that there is an issue with a gas meter, and not the module, Cellnet informs Xcel Energy who then send meter maintenance crews to investigate and repair the malfunctioning meter.

Deployment: Cellnet is responsible for deploying all residential and most small commercial new modules into the field as we add more AMR modules into service to expand our AMR program.

Management: We use metrics to monitor Cellnet's performance.

For meter reading, some metrics include the percent of meter reads whose data integrity is sufficient to send to our billing function, and the success of Cellnet in reading every meter every day. Also included in this metric is the Work Management report, which tracks the completion of Cellnet's field investigations of dead register flagged AMR gas meter modules. This flag is created by an evaluation on consumption provided by Cellnet. Please refer to our response to Question I.C.10 for a discussion of the Work Management Report.

For maintenance, we keep track of Cellnet's results in completing its maintenance responsibilities. We monitor Cellnet's performance in meeting agreed upon deployment schedules.

**8. List and describe all reports that Cellnet provides to Xcel, for example, tamper and outage flag reports.**

Please see Attachment D to this response.

**II. Estimation of Customer Usage and Re-billing Calculations**

**A. Can Xcel identify the exact date of failure of a particular meter module?**

Generally, yes. In the case where the module pins shear off we are able to review an AMR data repository for the last date that the module transmitted a change in usage, and can reasonably identify the day the meter stopped registering usage and the date the module was replaced. Thus, we can establish the period for which usage was not recorded, and have a defined period during which the customer was not billed for the natural gas consumed.

When the drive pins within the 1074 v.2 model module bend, but not break, the module may continue to transmit intermittent usage. In this circumstance, the module may register usage less than the period before the drive pins bent. When this occurs, we use our billing records to pinpoint when the unusual usage pattern may have started for purposes of determining a point to begin estimating full usage for rebilling.

**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?**

For the rebill process, we will examine the customer's consumption pattern to reasonably determine the point at which to start estimating usage. Depending upon the starting point for rebilling, we may cancel a prior bill that included partial consumption for that billing period and include that period in our corrected billing to the customer.

**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.**

The 1074 v.2 model module was installed in a number of communities in our service territory. However, we believe that this module only experienced abnormal failure rates in the Fargo/Moorhead, Grand Forks/East Grand Forks and St. Cloud areas. While the 1074 v.2 model module was installed in the Twin Cities Metropolitan area on a new build and maintenance basis, we are not aware of abnormal failure rates in this area.

We provide here the requested comparison tables for those regions, but can provide such data for other areas as well if desired. Please see the below comparison tables of heating degree days by month for the most recent winter, as well as the previous two years:

**Fargo area**

<b>Month</b>	<b>2007-2008</b>	<b>2006-2007</b>	<b>2005-2006</b>
September	86.67	103.61	46.11
October	224.44	341.67	250.78
November	525.56	502.22	509.44
December	903.67	636.94	782.50
January	964.67	856.94	665.83
February	885.67	873.50	816.67
March	686.39	538.17	607.50
April	371.11	343.22	215.28
May	165.28	81.89	113.33

**St. Cloud area**

<b>Month</b>	<b>2007-2008</b>	<b>2006-2007</b>	<b>2005-2006</b>
September	80.56	120.83	41.39

October	212.22	332.78	238.89
November	520.00	482.22	483.33
December	879.50	638.06	774.17
January	914.67	778.06	640.78
February	834.83	814.83	747.78
March	649.39	499.06	521.39
April	360.56	323.61	213.61
May	168.33	71.28	119.44

**Metro area:**

Month	2007-2008	2006-2007	2005-2006
September	45.00	91.67	18.33
October	167.50	296.39	200.56
November	471.67	427.78	432.78
December	800.72	579.17	748.06
January	849.11	739.17	589.17
February	768.33	771.22	668.33
March	594.72	419.11	509.17
April	314.72	275.28	165.56
May	125.56	43.06	87.78

**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?**

When analyzing an account for rebilling, we review the same period of time when the meter was not working with the same corresponding time in 2006 and 2007. This comparison is done on an aggregate basis, meaning that the overall usage during the entire period in question is compared with the comparable time period from each of the previous two years. We do not take into account daily or other fluctuations. If we find there is not enough data to make a comparison, we will go back to the next year, which would be 2005.

**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.**

Xcel Energy's rebilling practice takes into account the particular circumstances of the situation, such as:

New customer at existing premises: When rebilling a customer who has a consumption history of less than two years, we use whatever usage data we have available from the current customer along with consumption data from prior customers at the same premise. If the current customer has a significantly different consumption pattern than a past customer (for example, a part time residence v. full time), we compare the consumption of the current customer to the previous customer for corresponding time periods, and calculate the percent difference between the two, by month, to determine the estimated consumption for the current customer. That percentage difference is then applied to adjust the amount of the rebill.

New customer at new premises: If the account is new construction, or we otherwise do not have sufficient consumption history for a customer at a specific premise, our general practice is to not rebill because we do not have sufficient data to accurately create an estimated rebill.

**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?**

Existing Premises:

In cases where we do not have a full year of consumption history for a customer at a specific premise, and the current customer has a significantly different consumption pattern than a past customer at that same premise, we compare the consumption of the current customer to the previous customer for corresponding time periods and calculate the percent difference between the two, by month, to determine the estimated consumption for the current customer.

Significant Changes:

If a customer thinks that our rebill estimate is too high based on changes in their usage, we will consider any information that the customer can offer in support of a change in their usage patterns in our evaluation of the estimate. Situations that would typically cause us to consider adjusting our original estimate include:

- The customer can provide acceptable proof that they have modified their natural gas usage relative to the two-year history used in the estimate. An example of such proof would be a receipt for the recent installation of a new, high-efficiency furnace.

- The customer has both natural gas and electric service with Xcel Energy, and we can confirm that there is also a demonstrable drop in recent electric usage compared to the recent past. This would indicate, for example, that the customer had been away for seasonal reasons.
- The customer indicates they are using electricity instead of natural gas to heat their home or business, and we are able to confirm that their electric consumption has increased correspondingly.

**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.?**

In addition to estimating usage and rebilling for the applicable period, all customer billings back to the affected period must be cancelled and then rebilled. When a billing is cancelled, all riders, rates, taxes, purchased gas adjustment and franchise fees are also cancelled for that billing. When we subsequently establish the estimate and rebill the account, each month is rebilled, and goes through daily processing which applies all applicable rates, fees, riders, franchise fees, etc., to the billing that were in effect at that time.

**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?**

The Company will use the same process that it utilizes for any cancel/rebiling that goes back to the interim period. All usage that is rebilled for the interim time period will include the interim charge (11.53%) along with an offsetting credit (-24.92%) to reflect the amount of interim charges that would have been refunded. The credit of -24.92% reflects the approved interim refund factor. Both interim items are on separate lines on the customer's bill. The positive charge is titled "Interim Rate Adj.", and the credit is labeled "Final Interim Rate Adj." All usage for the period beginning February 1, 2008 will be billed at 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?**

Please see above response.

**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?**

As part of the cancel and rebill process, all customer payments to-date are applied to the customer's account and against the new, rebilled amount. These amounts are reflected in the summary of each bill, and allocated to the customer's total balance outstanding.

**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?**

We estimate that approximately 200 Minnesota customers whose actual usage was not recorded as a result of the 1074 v. 2 model module mechanical failure and who were on the Averaged Monthly Payment Plan ("AMP") at the time they were rebilled. There are an additional approximately 800 Minnesota customers enrolled in AMP that are potentially affected. These numbers will change after the rebill process establishes who will be rebilled, and confirm those customers that will not be rebilled.

**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?**

AMP billing amounts are automatically calculated within the Company's Customer Resource System (CRS), which generally works as follows:

- Budget amounts are reviewed and calibrated every three months, based on the consumption information on the customer's account and other information such number of months remaining in the budget year, current budget amount, current cost of gas, and the forecasted consumption (based on consumption for the same period last year) to forecast the new budget amount.
- If the calculated budget amount is more than a \$50 change from the existing budget amount, the customer's AMP amount will be adjusted. This is done in an

effort to minimize the potential for the customer to receive a large true-up amount in their settlement month.

For customers who are rebilled, the system will review the consumption history on the account, which would now have accurate usage information, and the go-forward budget amount would be recalculated and adjusted, if appropriate.

### **III. Customer Service and Related Issues**

#### **A. Have all the affected Minnesota customers served out of the Fargo office been rebilled? When was the re-billing started and when was it completed?**

We do not track billing by service centers. Generally, we have rebilled Minnesota customers affected by the 1074 v.2 model module failure from February through July 28, 2008, at which time we ceased rebilling at the request of Commission staff.

#### **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?**

The Company has placed a hold on all collection activities for a period of 60 days, for all customers who were rebilled as a result of this 1074 v.2 model module issue, which includes customers in the Fargo/Moorhead area. This hold can be extended if the circumstances require. The Company will provide payment options to customers beyond the 60 days, if needed.

##### **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.**

Prior to identifying the 1074 v.2 model module mechanical failures, we did not separately track the reason for customer rebillings at the level of detail such as the type of mechanical failure or other issue. In the normal course of business with approximately 400,000 automated natural gas meters in the NSPM system, it is expected that AMR modules will occasionally fail or register inaccurately, resulting in the necessity of a customer rebill.

As explained in our response to I. C. 1, the 1074 v.2 model module was first introduced in March of 2006 on a maintenance or new construction basis. So, it is possible that

some of these modules could have failed prior to identifying the 1074 v.2 model module mechanical failure, but we would not have tracked it at that level of detail.

**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.**

Beginning the week of August 11, 2008, the Company began calling customers that were rebilled prior to July 29, 2008 and were a participant in the following programs: APP (Automatic Pay-Plan), AMP, or on a Payment Arrangement, to offer to reestablish their participation in these programs, as part our rebilling process requires that we terminate customer participation in these plans.

Please see our response to Question III. C. 3 for a copy of this outbound contact process and script.

**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.**

Please see Attachment E to this response.

**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.**

Provided as Attachment F is the letter that the Company used until July 20, 2008 to communicate the rebilling to customers affected by the 107 v.2 model module mechanical failure.

Attachment G is the letter that the Company developed and implemented on July 21, 2008 in an effort to improve our customer communication about the rebilling process.

There have been no press releases, bill inserts, bill messages or other customer communications related to this issue.

**2. Provide a draft copy of customer communications materials Xcel plans to use for customers who have not yet been re-billed.**

We have proposed an updated customer communication as part of our Proposed Rebilling Plan, and have provided it as Attachment 3 to this filing. We are open to working with Staff to ensure this communication meets our customers' needs.

**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.**

Please see Attachment H to this response.

**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.**

Please see Attachment I to this response.

**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?**

Minnesota Residential

Estimated Average Therms—226

Estimated Billing – \$258

Minnesota Commercial

Estimated Average Therms – 592

Estimated Billing – \$648

Please note that the estimated consumption is based on a programmatic effort, and the proposed actual rebillings may differ because they would be done manually on an account-by-account basis. The estimated billing in dollars are estimated by multiplying the estimated usage by the applicable monthly distribution rate, cost of gas, Conservation Improvement Program (CIP) Rider, State Energy Policy (SEP) Rider and low-income affordability charge. To estimate consumption, the program identified the potential period where the module did not transmit actual usage. From there, the program compared it to prior periods to determine an estimation of the customer's usage during this period.

**E. What are the higher 5 residential unbilled consumption amounts and dollar amounts for residential customers in each area? For commercial customers?**

The highest 5 estimated Minnesota Residential unbilled consumption and dollar amounts are as follows:

<b>Estimated Consumption (therms)</b>	<b>Estimated Billing</b>
2,761	\$3,060.48
2,172	\$2,436.08
2,079	\$2,436.48
3,001	\$3,383.78
2,106	\$2,411.48

The highest estimated Minnesota Commercial unbilled consumption amounts and dollar amounts are as follows:

<b>Estimated Consumption (therms)</b>	<b>Estimated Billing</b>
8,532	\$9,091.18
5,487	\$6,115.90
6,600	\$7,499.65
4,821	\$5,553.52
4,611	\$5,216.32

Please note that the estimated consumption is based on a programmatic effort, and the proposed actual rebillings may differ because they would be done manually on an account-by-account basis. In this programmatic analysis, the top five residential customers had more days of rebillings than the average unbilled customer, and a higher use per day history. The estimated billing in dollars are estimated by multiplying the estimated usage by the applicable monthly distribution rate, cost of gas, Conservation Improvement Program (CIP) Rider, State Energy Policy (SEP) Rider and low-income affordability charge. To estimate consumption, the program identified the potential period where the module did not transmit actual usage. From there, the program compared it to prior periods to determine an estimation of the customer's usage during this period.

**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.**

The Company routinely offers a number of payment plans for customers, which will be made available to all customers affected by the 1074 v.2 model module failure. In situations where rebilling of charges occur, the Company typically offers customers (at minimum) a like timeframe for repayment. In response to the rebilling referenced here, if we proceed with rebilling the Company will offer up to 12 months for repayment of the rebilled amount. The Company will also refer customers to any assistance agencies should there be a need.

**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?**

Please see our response to Question II. E.

**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?**

Our records indicate that we received calls from approximately 550 customer premises. Our query used terms that would be commonly noted by our call center agents in response to a typical dead register type call. It is possible, however, that some calls were not captured. This number will change after the rebill process establishes who will be rebilled, and confirm those customers that will not be rebilled.

**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.**

The approximately 550 premises break down into two basic categories: 1) 193 customer premises who contacted us and have been rebilled, and 2) 357 customer premises who contacted us and have not yet been rebilled. These numbers will change after the rebill process establishes who will be rebilled, and confirm those customers that will not be rebilled. The following chart provides further detail on these customer contacts.

	Work Complete Prior to Customer Contact	Work Complete Same Day Customer Contact	Work Complete 1-10 days After Customer Contact	Work Completed 11-30 Days After Customer Contact	Work Completed 31-60 Days After Customer Contact	Work Completed 61+ Days After Customer Contact
Already Rebilled	179	2	5	3	1	3
Not Yet Rebilled	103	2	41	58	65	88

Per our Proposed Rebilling Plan, we will refund those customers that fall outside the 10-day period.

**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?**

Please see Attachment 1 for our Proposed Rebilling Plan.

**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?**

Yes. We identified approximately:

- 720 customers that applied for assistance in the 2005-06 heating season.
- 650 customers that applied for assistance in the 2006-07 heating season.
- 600 customers that applied for assistance in the 2007-08 heating season.

These numbers will change after the rebill process establishes who will be rebilled, and confirm those customers that will not be rebilled.

**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?**

We are not aware of overall LIHEAP program impacts. On an individual customer level, we have met with the Department of Commerce (“Department”) and confirmed a process to approximate usage to be used for the 2008-09 heating season applications. This consumption information will be provided to the Department prior to their usage analysis for this upcoming heating season.

**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?**

AMP:

The Company has identified approximately 200 Minnesota customers that were removed from the AMP plan as a result of rebilling activities associated with 1074 v.2 model module failure.

Payment Plans:

The Company identified that 2 customers had their payment plans removed. These plans would have been established prior to the rebill of the account.

Disconnections:

The Company identified 9 customers that were disconnected for non-payment that had been rebilled as a result of the 1074 v.2 model module failure. The following is offered as a breakdown:

- 7 accounts were rebilled prior to being disconnected:
  - 2 accounts have since been restored due to payment;
  - 3 remain disconnected; and
  - 2 confirmed vacant.

- 2 accounts were rebilled after service disconnected:
  - 1 was vacant at the time of disconnect; and
  - 1 account restored due to payment.

Collection Efforts:

We are not aware of any customers referred to collections.

These numbers may change after the rebill process establishes who will be rebilled, and confirm those customers that will not be rebilled.

**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:**

Typically, we offer payment plans that run for the period for which the customer was rebilled. As outlined in our Proposed Rebilling Plan, we propose to offer payment plans of up to 12 months in duration. No credit or collection activities will be undertaken for any amount associated with the rebilling prior to expiration of the payment plan.

**1. Will the payments be credited first to current billings before being applied to the past re-billed amounts?**

Our normal process is that payments posted to a customer account are allocated to the oldest debt first. For customers requesting payment plans, they will be tied specifically to the amounts that are rebilled.

**2. Will non-payment of past re-billed amounts impact a customer's Cold Weather protections going into the 2008-9 heating season?**

The Company has a long-standing practice of working with all customers during the Cold Weather Rule (CWR) period, and avoiding any heat affected disconnections of service.

**IV. Financial Implications and Reporting**

**A. Provide the estimated quantity of natural gas and the dollar amounts of the underbillings 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.**

Estimated Consumption:

262,000 DKT. Supporting analysis to follow.

Unbilled Revenue:

Our normal method for estimating unbilled revenue consists of two components. First, we start with counts of customers who were “not-billed” in a month (that is customers who received no bill in the current month). For each such customer, we estimate one month's usage to be included as a component of the total estimate of unbilled revenue. The balance of the unbilled estimate is based on an estimate of the percentage of the current month's sales that were not billed during the current month for all customers before the end of the month (due to cycle billing). Due to the 1074 v.2 model module mechanical failure, the “not-billed” estimates were low because customers had been billed for zero consumption. Because these customers were still billed for service and facilities charges (even though the bill included natural gas usage as zero reads), they were not included in our “not-billed” counts and no amount was originally included in our unbilled estimates for the consumption that was not billed to these customers.

Changed Treatment

In June 2008, the Accounting Function became aware of the impact of unbilled consumption. We then attempted to estimate the amount of consumption that had been missed in order to revise the “not-billed” estimates to reflect that consumption. When affected customers were sent estimated bills, the “not-billed” counts go down and the billed amount is then considered an account receivable. Normally, all the estimated “not-billed” amounts would eventually get billed and become accounts receivables effectively reversing the estimated “not billed” component of the overall estimate of unbilled revenue. When the Commission opened the instant docket, the re-billing stopped, and the incremental accrual for the missed consumption related to the 1074 v.2 model module issue was reversed in July. All amounts that have been re-billed to date remain in the Company's accounting records as Accounts Receivable.

Supporting Analysis

We used two methods to try and estimate consumption for accounting purposes. The first method was to have the Business Analytics group perform an estimate based on queries of our billing system data. These queries yielded differing results based on changing parameters but the estimates ranged from about 200,000 DKT to 400,000 DKT.

The second method we used was to look at our Unbilled Days Analysis. At the end of June, the Unbilled Days Analysis showed that we were approximately 135,000 DKT under accrued for the residential class. In looking at this analysis we also recognized that one of the key drivers in this analysis is an estimate of "Use per Customer" which we recognized would have been understated.

We then combined the information obtained from these sources and applied our judgment in arriving at an estimate that resulted in our accruing an additional 262,000 DKT at the end of June as an estimate of the consumption that remained unbilled at that time.

**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.**

Pursuant to our ability to rebill under the rebilling rules of Minnesota and North Dakota, we will eventually reflect the unbilled consumption, which resulted from the 1074 v.2 model module failure as accounts receivable on our books. Therefore, the rebilling process allows our books to be true-up to reflect the missed consumption. The true-up alleviates materiality issues for our 10Q reporting. Due to the inquiries by the Commission and the North Dakota Public Service Commission, we continue to review the materiality of the 1074 v.2 model module failure.

**B. Has CellNet provided replacement meter modules at no cost to Xcel?**

Cellnet has replaced the 1074. v.2 model modules that have failed. A plan is in place to retrofit all of the 1074 v.2 model modules that have been installed on NSPM and NSPW systems. We are reviewing our contract with Cellnet to determine what remedies may be available to address the situation.

**1. If not, how much has Xcel spent to-date on replacements for faulty meter modules?**

At this time the final outcome under our contract with Cellnet is under discussion internally and between Xcel Energy and Cellnet. The final outcome of those discussions and the remedies that may be available are not yet finalized.

**2. How much does each meter module cost?**

An individual gas meter module costs [TRADE SECRET STARTS  
TRADE SECRET ENDS]

- 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?**

We are working with Cellnet to determine what, if any, additional remedies may be appropriate under the circumstances. To the extent Xcel Energy and Cellnet ultimately do not agree upon the appropriate remedies available to us, we can invoke the contractually-prescribed dispute resolution mechanism.

**C. Identify any costs (other than replacement meters noted above) that Xcel incurred that are attributable to the meter failures.**

We have not yet determined all of the costs associated with the mechanical failure experienced with the 1074v.2 model module.

**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.**

#### CIP

The CIP tracker filed April 1, 2008 includes costs and recoveries for calendar year 2007. The tracker revenue recovery is based on calendar month sales. As a result, the filing for 2007 is missing sales for approximately 632 therms that will be corrected in 2008 if the billings occur before end of the year. Assuming the rebill is completed by the end of 2008 there should not be an impact to the April 1, 2009 filing.

#### PGA

The monthly PGA is calculated based on forecasted sales and gas costs; therefore any actual unbilled revenue does not impact the PGA.

#### Natural gas true-up/Lost and Unaccounted For (LAUF) gas

The 2007-2008 natural gas true-up will be filed by September 2, 2008. The true-up reconciles actual gas expense with actual gas cost revenue from July 2007 to June 2008. The unbilled gas cost revenue from customers affected by the 1074 v.2 model module will impact the true-up and lost and unaccounted for gas calculations unless an

adjustment is made. The Company is evaluating the possibility of including an estimate of potential gas cost rebillings in the true-up to be filed on September 1 and supplementing the filing with actual results once this matter is resolved.

#### Other Rate Adjustments

The State Energy Policy (“SEP”) Rider rate was filed on March 3, 2008 in Docket E,G002/M-08-261. The rate calculation is based on a forecast of expenses and sales for the July 2008 – June 2009 time frame, however there is a true-up component with actual revenues through December 2007, and forecasted revenues from January through June 2008. The actual SEP revenues through December 2007 would have been missing revenues from customers affected by the 1074 v.2 model module, but since the SEP rate was only \$0.00007 per therm during this period (or \$0.06 per year for the average residential customer), the missing revenues would not have had a material impact on the proposed SEP rate. Therefore, the Company does not have plans to supplement or change the pending filing. Our March 2009 filing would reflect any rebillings that occur before the end of the year in the true up component.

The Affordability surcharge became effective February 1, 2008. Since this charge is based on usage, the tracker account balance is less than it would have been otherwise. If our proposed rebillings occur before the end of the year, the tracker balance will reflect the additional dollars.

#### **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?**

To the extent sales or revenues were not billed in a period, average revenue per customer and sales per customer calculations would be lower. We do not use actual revenue per customer for any pricing or accounting purpose; however, the Company does use sales per customer and use per service.

The Company analyzes actual sales per customer and uses actual class sales as an input in the sales forecasting process. The understating of actual billed sales could lead to a lower sales forecast. The sales forecast is used in numerous corporate planning and regulatory processes, including gas purchase planning, revenue forecasting, rate cases, PGA filings, and CIP filings. When the actual use per customer and actual class sales data from this time period is used in the next sales forecast, the Company will evaluate whether an adjustment needs to be made.

The accounting area also produces an unbilled sales estimate that includes a calculated volumetric use per service. Use per service is calculated by summing by customer class total billed sales divided by customer count by class. The use per service is then applied

to all our active customers to calculate the unbilled sales for the current accounting period. We adjusted the use per service in June to increase the estimate of unbilled revenue based on our best estimate of the impact of the 1074 v.2 model module failure issue. We again adjusted the use per service in July to remove any incremental unbilled accrual for amounts remaining unbilled related to the 1074 v.2 model module failures.

## **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.**

Generally speaking the internal controls that detect abnormal meter readings, billing amounts, and revenue levels are located in the following three Xcel Energy functions: Billing; Meter Reading/Meter Maintenance; and Accounting.

### Billing

The Billing function is responsible for processing all billing statements, which includes application of rates, payments, billing calculation and statement generation. From November 2007 to June 2008, the Billing Function processed an average of 1.22 million statements per month for Minnesota, and a total of 27.98 million statements for all Xcel Energy jurisdictions.

The backbone of the Billing function is the Customer Resource System (“CRS”). The CRS is an automated billing system that houses rate information, customer and account information, generates customer letters and notices, generates statements, and provides data for internal reporting. CRS also serves as the communication hub for our back-office and operational systems as it directly interfaces with approximately fifty systems and data repositories.

The Customer Care function, for example, relies upon the CRS for accessing customer contact information. Customer Care includes Xcel Energy’s Call Centers through which our customers can communicate with us to retrieve account information, pay a bill, report service issues, discuss billing matters, and speak with a customer contact agent. Our Call Center fields calls from customers in our entire service territory. During this past winter season (November 2007 to March 2008), an average of 31,162 calls were received by our Call Centers each day.

When a customer contacts a Call Center, he/she is first greeted by the Interactive Voice Response (IVR) system, which accesses CRS so that the customer can access account information, pay a bill or report outages. If a customer chooses to speak to a customer contact agent, the agent will also utilize CRS to access customer and account information and to generate service orders requiring further investigation. Our Customer Care personnel serve as a control in such circumstances. When the customer contact agent receives inquiries about anomalous billing or meter matters, he/she can notify the Billing Function or the Meter Reading Function to follow-up.

In addition to being a communication hub, another critical function of CRS is to house a number of internal controls that detect billing and meter reading abnormalities. For example, CRS validates the accuracy of bills by comparing the meter readings it receives from the Meter Reading Acquisition System ("MRAS") to Stop Billing Rules. When readings are evaluated against the Stop Billing rules, they are either stopped and held for further action or passed on to be invoiced. The Billing Department is responsible for analyzing and processing stopped readings so that they pass through all of the rules. After the reading is analyzed and corrections are applied, when necessary, the reading is re-evaluated against all the Stop Billing rules. When the reading has passed all rules, it is ready to be billed and a statement is sent to the customer. The most commonly utilized Stop Billing Rules, are as follows:

Stop the Bill if: **[TRADE SECRET STARTS**

**TRADE SECRET ENDS]**

Quality assurance controls are another example of CRS controls that detect billing and meter reading abnormalities. We use internal controls to validate CRS functions, including the following:

- CRS performs automated billing calculations, which we re-perform manually each day on a sample basis.
- CRS application algorithms calculate the estimated bills based on defined formulas, fields and tables, which we re-perform quarterly on a sample basis.
- CRS application stop bill rules perform reasonableness checks on the meter reading, premise conditions, pending synchronized bill date, and errors in the route, which the system performs daily. Perform a quarterly review to ensure the system performs as expected.
- CRS application generates reading requests for meters in a reading route to ensure each customer gets a read request.

The Billing Function also has other controls that detect billing and meter reading abnormalities. Specifically, there are manual exception reports (including the zero consumption report), interface error handling exception reports, no-billed exception reporting and Process Tracking Jobs (“PTJs”).

There are a number of manual exception reports that help various areas within the Business Function detect meter reading or billing anomalies. These include approximately 30 codes, including High-Low (designed to detect unusual deviations in usage and zero-read (designed to detect long-term absence of usage)

Interface exception handling reports capture data transfer discrepancies between the CRS, MRAS and Meter Data Management System (“MDMS”) systems. The interface exception handling reports can serve as controls for detecting billing, meter and meter reading data discrepancies by monitoring the rate of corrections of meter reading and meter data that do not match across Xcel Energy’s systems.

No-Billed Exception reporting is another control used by the Billing Function. This reporting mechanism contains service details for premises that have not had a recent meter reading and is used to ensure that the accounts are billed on a routine basis.

### Meter Reading

Our meter reading function gathers the information vital to any utility, the amount of the commodity consumed. Xcel Energy reads nearly 5.2 million meters each month. The meter reading process uses different methods of collecting this information depending on the meter reading infrastructure in place for a particular area. In Minnesota, we read meters either by sending our personnel to walk the reading routes and read the meters with handheld devices, or through our AMR. Meters are read on 21-day cycles. Our CRS system generates the routes that our meter readers will walk each day, or identifies the meters with AMR modules that will be read for billing purposes.

Once CRS has generated the meter routes, it transmits this data to MRAS, which manages the meter read information. Meter readers are then dispatched to read the meters or automated reads are collected to read the meters on the workday list. The MRAS then collects and sends the meter reading data to CRS for our billing and business analytics functions to use. The MRAS system is also coordinated with MDMS, which is used to track each meter and where it is located, either at a specific premise or in the storeroom.

The accuracy and integrity of meter reads is of vital importance to us. The systems interfacing between MRAS, MDMS, CRS and Cellnet’s system are actively monitored and managed. Each read is automatically crosschecked for data integrity. The crosschecks include verifying that the meter was read at the premise where it belongs. If the integrity of the data is sound, our billing function will then analyze the data to detect abnormalities. For our AMR read meters, meter number and premise are all crosschecked to ensure a read was obtained. Xcel Energy and Cellnet synchronize systems on a regular basis to keep information up-to-date.

We process any data errors (“interface exceptions”) moving across the systems in an efficient manner. The processing of such interface exceptions is a key control point.

Another key area for systems integrity is monitoring our relationship with Cellnet. We monitor Cellnet through operational scorecards that provide certain metrics against which we measure their performance. System integrations and module maintenance are key metrics. We require that all interface exceptions be processed in a timely manner and use maintenance goals to monitor the performance of maintenance work order completion.

Other control points, which the meter reading function employs to ensure accurate and efficient meter readings, include:

- The Director of Meter Reading reviews the “Monthly Statistic Report” for the statistics of meter reading obtained versus meter reading requested each month. Meter reading success rates less than 95% are investigated, explained and action plans developed to resolve identified issues.
- IT Meter Reading Support investigates the cause of interface exceptions and identifies and implements the actions required to correct the data in the master files or databases.
- The interface exceptions record is investigated and corrections made in the source applications and/or databases in a timely manner.
- CRS application logic generates a reading request file by meter and for the route.
- Meter Reading Support reviews a Comparison Report, Installed Meter Compare Report, and Missing Meters Report, investigates critical exceptions and makes corrections to the appropriate master file or database.
- Meter Reading Supervisors, Coordinators and Technicians review the Route Summary reports for completeness to ensure they contain all scheduled routes each day. Any missing routes are communicated to and resolved with the assistance of Meter Reading Support.
- MRAS security restricts access to perform meter attributes updates, meter installation and meter exchange transaction. Information Technology processes transfers data between the various applications, databases, and collection methods.

## Revenue Controls

We rely on analysis of various metrics as the primary controls over financial reporting of revenue within Xcel Energy.

Our accounting function reviews a host of metrics to determine if revenue levels are consistent with operational expectations, financial performance projects, and other analytics. The accounting function analyzes revenue from year to year on a rolling basis to determine if there appear to be any abnormalities, taking into account customer base, weather and other parameters. Throughout the process of these analytics, all unexpected variances are investigated to determine the causes. Accounting coordinates with Billing, Metering, the Business Analytics Group and other Company resources to research these variances. Business analytics and the resulting variance explanations are subjected to multiple levels of review in the accounting close process.

One specific metric is the reconciliation of the amount of gas purchased and the amount of gas sold. We compare gas purchased for the system for the month with our calendar month sales and determine an implied loss percentage for the month and on a rolling 12 month basis. These implied losses are then compared to our overall expected losses for the system and significant differences are investigated. This metric is a good way to detect if there is unaccounted for gas or electric consumption or if our estimate of unbilled sales may be too high or too low.

The purchased versus sold metric should be distinguished from the metered usage versus sales metric. Because it is the metered usage that is billed to the customers, metered usage and sales should equal roughly the same amount.

The accounting function is also responsible for the financial reporting and is sensitive to items that may require them to restate our financials. They monitor and audit our Sarbanes-Oxley compliance controls and other triggers to ensure compliance with company policy and accounting and other corporate laws.

In addition to the specific analysis discussed above, additional metrics and analysis that are tracked and evaluated as part of the monthly accounting close process include the following:

- Comparisons of monthly billed sales volumes to same month prior year data by customer class on both a total and a weather-normalized basis. (including % differences);

- Comparisons of monthly billed sales volumes to original budget data by customer class (including % differences);
- Comparisons of monthly billed sales volumes to updated forecast data by customer class (including % differences);
- Comparisons of monthly calendar sales volumes to same month prior year data by customer class on both a total and a weather normalized basis (including % differences);
- Comparisons of monthly calendar sales volumes to original budget data by customer class (including % differences);
- Comparisons of monthly calendar sales volumes to updated forecast data by customer class (including % differences);
- Comparisons of YTD billed sales volumes to YTD prior year data by customer class on both a total and a weather normalized basis (including % differences);
- Comparisons of YTD billed sales volumes to original YTD budget data by customer class (including % differences);
- Comparisons of YTD billed sales volumes to updated YTD forecast data by customer class (including % differences);
- Comparisons of YTD calendar sales volumes to YTD prior year data by customer class on both a total and a weather normalized basis (including % differences);
- Comparisons of YTD calendar sales volumes to original YTD budget data by customer class (including % differences);
- Comparisons of YTD calendar sales volumes to updated YTD forecast data by customer class (including % differences);
- Unbilled Days Analysis (described in response to question IV.A.1.);
- Gross Unbilled Sales as a percentage of Calendar Month Sales by Customer Class
- Customer Count Statistics including the alignment of sales growth with growth in customer counts; and
- Non-weather use per day by customer class.

**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?**

Yes, the control systems embedded into the Company's Billing function coupled with the efforts of our Customer Care personnel detected the effects of the 1074 v.2 model module failure. Customer Care and Billing personnel, in January 2008, observed and communicated the possibility of a meter reading issue, and the High-Low Stop Billing Rule identified billing anomalies caused by apparent suspect gas consumption patterns. Subsequent, field investigation confirmed the cause was the 1074 v.2 model module mechanical failure.

**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?**

Xcel Energy’s internal dead register report, known as the “Zero Consumption report” (this name better reflects the data analyzed), identifies those meters on our system (total Xcel Energy) that show no consumption for a period of 90 days. This 90-day time period was instituted to attempt to minimize the amount of false positive dead registers that would be identified through the report. We believe this timeframe minimizes the number of usage patterns that may otherwise appear if a shorter time period were used (*i.e.* extended vacation, seasonal use of property, vacancy, etc.), which have nothing to do with a dead register.

Below is a summary of the numbers of natural gas meters on this report for Minnesota during the requested time period:

2006 Monthly Average: 113

2007 Monthly Average: 122

Month	Number of Meters
Nov-07	76
Dec-07	144
Jan-08	308
Feb-08	347
Mar-08	453
Apr-08	329
May-08	187
Jun-08	93
Jul-08	72

**3. Was any information that did come out of the control systems shared with other personnel and systems within Xcel who needed this information?**

Yes. Our internal systems are designed to allow the different functions inside Xcel Energy to communicate with each other. This is accomplished through a PTJ (described

earlier), which is an internal communications process to alert our systems or personnel to perform a certain job. For example, the billing anomalies that triggered the field investigations that discovered the 1074 v.2 model module failure were communicated from our billing team to our meter shop through a PTJ.

This PTJ process facilitated our ability to focus on remedying the situation for our customers. But, we acknowledge that this process did not result in timely communication across other functions; this resulted in our not providing the Commission's Consumer Affairs Office and other State Agencies with timely communication so that they can provide appropriate responses to customer inquiries they may receive.

#### **4. Describe how these apparent control failures comport with Xcel's policy on Sarbanes-Oxley compliance.**

It is Xcel Energy's policy to design financial reporting controls to reduce to a low likelihood the possibility of a more than insignificant error in its financial statements. To meet this policy goal and comply with Sarbanes-Oxley requirements, the Company institutes internal controls to prevent and detect a material misstatement of its financial statements.

Internal controls that are in the scope of the Sarbanes-Oxley requirements are subject to self-assessment by management and review by Internal Audit for effectiveness. Every Company employee who is responsible for managing one of these controls must quarterly assess the controls and report if they are operating effectively. When a control within the scope of Sarbanes-Oxley is not in compliance, or when an error is identified, the Company evaluates the issue to assess whether an existing control has an operating deficiency, or there is a gap in the design of existing controls that prevents the breakdown from being detected. All deficiencies, whether in operating effectiveness or design, are communicated to Company management. Events may from time to time trigger a reassessment of certain Sarbanes-Oxley controls.

There are no Sarbanes-Oxley controls that are designed to directly identify the types of anomalies of which the 1074 v.2 model module failure is an example. Therefore, no Sarbanes-Oxley controls were out of compliance due to the 1074 v.2 model module failure. Due to the 1074 v.2 model module failure, Xcel Energy is evaluating its Sarbanes-Oxley controls that identify relevant metering issues. This specific issue is considered a design deficiency in the existing controls as a result of current controls not being designed to detect this type of breakdown. However, it is not considered either a significant deficiency or a material weakness due to low potential dollar impact to

reported financial results of Xcel Energy as a whole. Of the controls in scope, two were out of compliance during 2008:

**[TRADE SECRET STARTS**

**TRADE SECRET ENDS]**

These control deficiencies were likely due to the expansion of Cellnet modules into the Fargo/Moorhead and St. Cloud areas and the lag in processing the installations.

The following Sarbanes-Oxley controls are currently considered key controls and part of the Company's ongoing validation and review process.

**[TRADE SECRET STARTS**

**TRADE SECRET ENDS]**

- 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?**

In addition to our existing controls, discussed in our responses to Questions V.A. 1-4, we have or are implementing the following additional actions:

- We continue to work with Cellnet to develop enhancements, such as additional flags or improved methods to utilize customer consumption patterns that provide the Company indicators of potential issues with the equipment that impact our customers;
- We have established weekly meetings with Cellnet to discuss operational issues and better coordinate our systems and activities;
- We have proposed to meet monthly with Cellnet to review their performance scorecard results and determine ways which they can improve their service to us;
- Meetings between senior level management for Xcel Energy and Cellnet; and
- Development of a process that facilitates uniform notification of issues to the Regulatory function, so that timely and appropriate communications occur to State Agencies.

We will additionally continue to take action to develop and enhance our controls and processes to identify potential issues that affect our customers, such as the 1074 v.2 model module mechanical failure.

**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?**

As outlined in our response to Question V.A., we have controls in place to accurately bill our customers, and believe the rebillings we issued were correctly calculated. In addition to these controls, we took the following steps to maximize accuracy in response to this circumstance:

- We identified a select group of experienced Billers to work specifically on this issue. This provides both consistency of application, and takes advantage of their previous experience in handling complex customer billing.
- As the volume of pending rebilling work grew with the unusual number of 1074 v.2 model module replacements, we developed and implemented one-on-one training, delivered by our most experienced billers, so that the additional billing employees assigned to work on this these rebillings would be equipped

to perform their work accurately.

In addition to using our most experienced employees, and ensuring all billers assigned to these rebillings are fully trained on the process, we additionally employ a Process Quality Monitoring program on all of our billings that requires Supervisors to monitor the work product of their teams. The controls on our Quality Monitoring program are completed quarterly, with the following criteria:

- Two audits for the month selected were performed on every employee/contractor;
- The audits were scored;
- There should not be missing audits for no more than 5% of the population tested; and
- The audited error rate should not exceed 8%.

Any errors that are found are corrected, and the employee is coached to ensure a similar error does not repeat in the future. When an error is found the Supervisor will work with the biller to make any necessary corrections and to coach them to understand the correct process for future application.

**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?**

In general, to assist customer understanding of the rebill process and details, we send all customers a letter that they would typically receive 1-2 days in advance of receiving the rebilling statements from the Company. Recognizing that customers may wish to have someone explain the rebilling statements further, we also provide instructions to our call center agents regarding the cancel/rebills to ensure that we can effectively respond to the customer inquiry.

Please see our response to Question III.C.1 for copies of the letters we have provided customers affected by this 1074 v.2 model module issue. We are additionally proposing an updated customer communication as part of our Proposed Rebilling Plan. Please see Attachment 3 for our proposed communication.

**3. What additional monitoring will Xcel do to assure these types of re-billing errors are not repeated?**

We believe our process calculated the rebillings in an accurate manner. We acknowledge, however, the billing statements sent to our customers may have been confusing, particularly because two billing statements are required to complete this process. This is necessary to provide the customer a detailed explanation of the charges.

While we provided customers a letter to explain the rebilling, we recognize that this communication was not as clear as it could have been. We have proposed an updated customer communication (Attachment 3) as part of our Proposed Rebilling Plan, and are open to working with Staff to ensure this communication meets our customers' needs.

**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?**

We recognize that communication with our regulators was neither timely nor sufficient, and did not meet either the Company's or the Commission's expectations. We apologize for this shortcoming.

- 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 rebilling activity had already taken place ?**

We sought to provide additional high-level information to the Commission's CAO staff within several days of the initial communication during an already-scheduled meeting designed to discuss other matters. We had not intended for that meeting to be either focused exclusively on the Cellnet issue or to be where we made our subject matter experts available to respond to any questions; rather, we sought to provide general

information and offered to follow-up in a way most convenient to the Commission. We provided additional follow-up that same week at Staff's request, and suggested a forum where we made our subject matter experts available to respond to any questions, but Commission staff subsequently determined that notice and filing would provide the most direct and comprehensive means for doing so.

## **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.**

Please see Attachment J copy of our August 1, 2008 response to the North Dakota PSC is attached to this response.

### **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.**

In our current agreement with Cellnet, we plan to deploy AMR equipment to approximately 342,000 electric and gas meters in NSPM by 2011.

Please see Attachment K to this response for the AMR implementation schedule that lists the communities and corresponding target deployment dates.

#### **2. Provide a description and schedule of Xcel's plans for replacing older AMR modules with newer modules in Minnesota.**

Other than the remediation of the 1074 v.2 model modules, we do not plan to replace AMR modules for reasons other than maintenance.

Please see our response to Question I.C.11 for additional information on the remediation plan.

#### **3. Does Xcel intend to continue to use Cellnet AMR modules? Explain why or why not.**

Yes. This situation involved a specific mechanical malfunction of a specific module (the 1074 v.2 model). While this model did not perform as we would have expected based on

our experience with previous models, we believe that the overall performance and potential of our AMR system will continue to offer value for our customers.

We have a total of approximately 2.2 million electric and gas meters in the NSPM system, and we rely on over 1.6 million AMR readings each month. The AMR modules that are used to read the electric meters have not malfunctioned at abnormal levels, and have not required excess maintenance. Similarly, the natural gas AMR modules installed prior to the 1074 v.2 model module have not malfunctioned at abnormal levels, and have not required excess maintenance. Cellnet has agreed to replace or update all remaining 1074 v.2 model modules that have been installed on our system. Cellnet has assured us that the replacement module has been redesigned to overcome the likely root cause for the mechanical malfunction that gave rise to the current situation.

Overall we believe that the overall performance and potential for our AMR system will continue to offer value to our customers. We continue to believe that the AMR program offers cost savings and typically improves billing accuracy, as well as providing a platform for additional services, such as time-of-use rates and other innovative rate designs.

August 21, 2008

**Customer Name**

**Address**

**Address**

Account :                      Number

Premise:                      Number

Dear [Customer Name],

We have identified that your gas meter has not been registering your energy usage accurately. We have installed new metering equipment and confirmed that it is now functioning correctly. We apologize for any inconvenience this has caused you.

Since little or no usage was registered on your meter after the reading on 1/26/2008 we have made a correction to your account, estimating gas usage for the period from 1/26/2008 through 2/14/2008 when the new equipment was installed. The estimated usage was calculated based on previous consumption at the property. Below is a summary that outlines the information used to estimate usage during this period:

<b>Meter Service Address</b>	
<b>Address</b>	
<b>Address</b>	
<b>New Meter Equipment Installation Date</b>	<b>2/14/2008</b>
<b>New Meter Equipment Type</b>	<b>gas</b>
<b>Number of Days Used for Billing Correction</b>	<b>19</b>
<b>Usage Per Day Last Year</b>	<b>3.73</b>
<b>Usage Per Day Two Years Ago</b>	<b>3.21</b>
<b>Estimated Usage Per Day Utilized for Corrected Billing</b>	<b>3.21</b>
<b>Total Estimated (CCF/KWH) Usage for Corrected Billing</b>	<b>61</b>
<b>Corrected Bill Amount for 1/26/2008 - 2/14/2008</b>	<b>\$ 61.82</b>

**You will receive two billing statements:**

One statement shows the rebilling calculations of the estimated usage and includes a Bill Message located below the Current Charges box to assist you in identifying that this is the rebilled period bill. Please note that there could be an amount in the "Please Pay Amount" box but you should not pay this amount.

The other billing statement shows the recalculation of the billings subsequent to the new equipment being installed, and *is the statement you should use to submit payment.*

***You may need to contact us to re-establish your participation in some programs.***

If you were a participant in our Averaged Monthly Payment or Auto-Pay Programs, we had to cancel your enrollment as a result of this rebilling. We would like to reestablish your enrollment and ask that you call us at the phone number below and speak with one of our customer representatives.

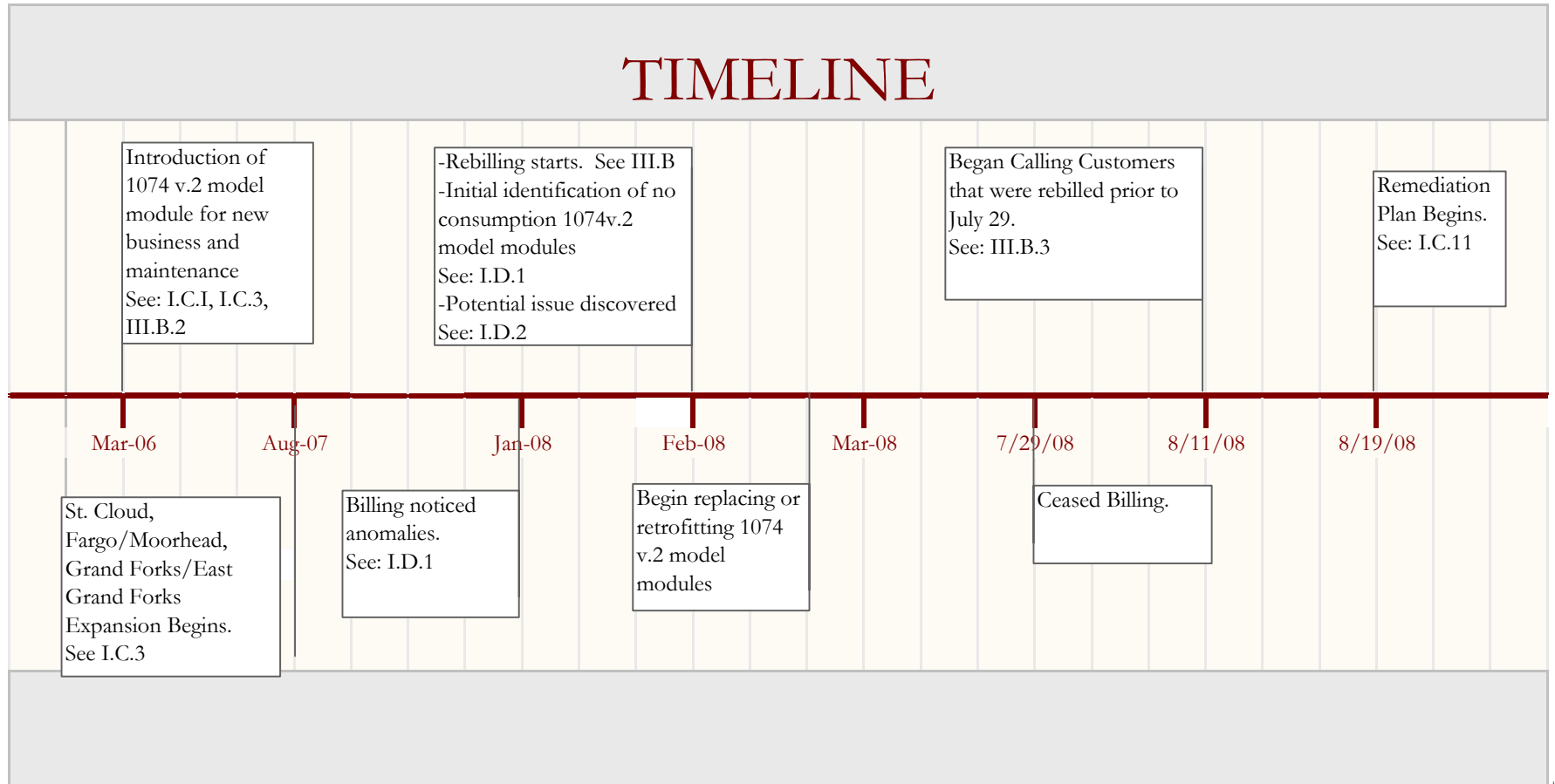
If you were on a Payment Arrangement at the time of this account correction, we need you to contact us to set up a new Pay Arrangement. Because your bill might reflect charges for multiple months, you have the option to set up a new payment arrangement. If you choose to set up a payment arrangement, you will not be charged interest or late fees. \*\*

Please accept our apologies for any inconvenience this has caused you. If you have any questions about our estimate of your usage, to re-establish your participation in a program, or general questions, please contact a Customer Service Representative at **1-800-895-4999**, and select "Billing" from the main menu and then follow the prompts.

Sincerely,  
Xcel Energy Billing Services

*\*\*Per Xcel Energy credit guidelines, interest and late fees are waived so long as payments are received during the prescribed timeframe of the payment program. If payments are not received by the due date, interest and late fees may be charged.*

# TIMELINE



**Installed 1074 Gas Module Population in Minnesota by Zip Code**

ZIP Code	Total
	Installed
55001	2
55003	49
55005	28
55008	172
55011	58
55012	25
55013	112
55014	16
55016	470
55017	4
55019	25
55021	75
55025	355
55033	28
55038	539
55040	649
55042	166
55045	94
55047	48
55055	57
55056	72
55057	84
55066	2
55068	81
55071	58
55073	43
55074	33
55075	287
55076	245
55077	118
55079	159
55082	648
55084	18
55090	7
55092	211
55101	76
55102	319
55103	150
55104	405

55105	301
55106	504
55107	176
55108	94
55109	422
55110	583
55112	315
55113	486
55114	52
55115	181
55116	203
55117	457
55118	350
55119	439
55120	63
55121	1
55122	7
55123	36
55124	2
55125	426
55126	179
55127	174
55128	245
55129	718
55130	114
55150	5
55155	1
55304	133
55305	1
55308	1,909
55309	2,334
55313	109
55319	888
55320	755
55324	25
55325	67
55328	1,291
55330	195
55338	1
55339	29
55349	6
55359	57
55363	775

55370	1
55371	724
55376	354
55378	1
55379	2
55388	170
55390	627
55398	791
55449	101
55959	5
55969	1
55987	40
56017	6
56028	1
56050	1
56078	1
56080	2
56228	3
56251	129
56263	1
56273	527
56288	1,182
56289	1
56301	6,015
56303	6,464
56304	2,769
56329	765
56367	1,401
56369	14
56373	345
56374	1,590
56375	263
56377	4,138
56379	3,459
56387	1,639
56392	1
56442	1
56529	923
56547	12
56560	6,877
56561	1
56563	1
56721	2,009

56734	1
56621	1
<b>Total</b>	<b>64,457</b>

Note: installations through 08/06/08

	<b>North Dakota</b>	<b>St. Cloud</b>
	<b>Gas</b>	<b>Gas</b>
Aug-07	-	675
Sep-07	274	6297
Oct-07	12861	12626
Nov-07	16289	9993
Dec-07	13684	7436
Jan-08	197	10164
Feb-08	-	3278
Mar-08	-	591
Apr-08	-	267
May-08	-	150
Jun-08	-	108
Jul-08	-	41
<b>Totals</b>	<b>43,305</b>	<b>51,626</b>

<b>Crossdock Location</b>		
	<b>North Dakota</b>	<b>St. Cloud</b>
<b>Cities Included in Crossdock</b>	Fargo	St. Cloud
	Moorhead	Howard Lake
	East Grand Forks	Monticello
	Grand Forks	Albany
	All surrounding small towns	Paynesville
		Glenwood
		Montevideo
		Bird Island



**August 13, 2008**

**MINNESOTA AND NORTH DAKOTA UPDATE:**

**OUTREACH TO CUSTOMERS AFFECTED BY CELLNET METER MODULE FAILURE.** Billing Services this week began to coordinate telephone contacts to Minnesota and North Dakota customers who were part of the Cellnet gas meter cancel/rebill process. As a result of the process to cancel invoices and issue corrected bills, customers may have been removed from such programs as Averaged Monthly Payment and Auto Pay, and from payment arrangements.

Customer Contact Representatives need to be aware of these contacts because Billing Services is leaving messages when they aren't able to reach customers by phone. If you happen to receive a call from affected Minnesota or North Dakota customers, please analyze the account for notes from Billing Services and offer to reset payment arrangements or reestablish them in AMP and/or Auto Pay. If the customer was called, the billing notation starts with "CNDRC."

This outreach project is expected to last for about a week, depending on our ability to connect with affected customers.

Questions? Please see your team leader.

**July 31, 2008**

**XCEL ENERGY - MINNESOTA, NORTH DAKOTA UPDATE:**

Note: Starting the week of Aug. 4, we will be calling customers affected by the rebilling process to explain our cancel/rebiling procedures and offer to reenroll them in such programs as Auto Pay and Averaged Monthly Payment and to reset payment arrangements.

We're taking this step to ensure customer satisfaction and maintain enrollments in convenient payment programs that benefit our customers.

**TALKING POINTS - GAS METER CELLNET MODULE FAILURE**

**CANCEL/REBILL.** We have suspended the cancel/rebiling process for customer accounts in the St. Cloud, MN, and Fargo and Grand Forks, ND, areas that were affected by gas meter Cellnet module failures. The suspension will give us time to review our business rules and procedures for rebilling prior to any additional customer rebilling.

However, Billing Services continues to work on routine dead register cancel/rebills on accounts **not** affected by this problem.

If affected St. Cloud, Fargo or Grand Forks-area customers who recently received a corrected billing contact you, please do the following:

- Apologize for any inconvenience and explain that we have suspended our rebilling to review our processes.
- Explain that the rebilling was necessary because their meter failed and no usage was registering. Once a new module was installed, we created the new invoice by using previous history to rebill usage. Indicate that the customer may choose at this time to decline paying the rebilled amount without being subject to credit action.
- Clarify that the customer should continue to pay the bill for current charges and assist the customer in determining this amount.
- If the customer wishes to make a payment on the rebilled amount, but inquires about two invoices and isn't sure which to pay, examine the usage periods using the Bill Image Tool. Advise the customer to pay the invoice that bills through the most current date.
- If the customer disputes the rebilled amount, indicate again that they may choose to decline to pay the rebilled amount at this time and won't be immediately subject to any credit action.
- If a customer who has been rebilled was previously on Averaged Monthly Payment, please explain that they have been removed from the program to accommodate the rebilling process. Ask if they would like to be reenrolled on the program (budget + fixed) and apologize for any inconvenience.
- If the customer was previously on a payment arrangement, please explain that it was canceled to accommodate the rebilling process, and that they are eligible for a new arrangement.

If you receive general inquiries about the dead register issue, please explain that we are continuing to identify affected accounts in the St. Cloud, Fargo and Grand Forks areas, but any rebilling of customers will not take place until we finish our review. We are not yet certain of our timeline for completing the review.

If you have questions, please see your team leader.

8/20/2008

**Customer Name**  
**Customer Address**  
**Customer Address**  
**Customer Address**

Re: Dead Meter Estimate  
Account : Account Number  
Premise: Premise Number

Dear Customer Name:

We have identified that your gas meter has not been registering your energy usage correctly. This malfunction occurred after the meter reading date of 1/31/2008 and was corrected on 4/15/2008.

Because little or no usage was registering on your meter during the period list above, we estimated your bill based upon your past usage. Attached is a summary that outlines the usage we used to estimate your bill along with the actual usage data we used to re-bill your account. You will be receiving a corrected billing within a few days

Your next bill will reflect your actual energy usage since your meter stopped registering. In the Current Balance line item, your bill will reflect the credits for any amount you overpaid in this time period or the difference between the amounts you have already paid and the current changes.

To minimize the impact of this bill, we are providing you with two payment options:

1. Pay your bill in full or
2. Contact Xcel Energy to arrange an installment payment plan. While on an installment payment plan, you will not be charged interest or late charges.

We apologize for any inconvenience this has caused you and want to assure you that your meter is now functioning correctly. Please feel free to contact any of our customer service specialists at 1-800-895-4999 if you have any questions or concerns. Please select "Billing" from the main menu and then follow the prompts to ask a billing question.

Sincerely,

Xcel Energy Billing Services

Attachment

*If you would like to set up a payment arrangement, please call 1-800-895-4999*

Today's Date 8/20/08

**CUSTOMER INFORMATION**

Customer Name **Customer Name**  
 Service Address **Customer Address**  
 City / Zip Code **Customer Address**  
 Mailing Address Line 1 **Customer Address**  
 Mailing Address Line 2 **Customer Address**  
 Mailing Address Line 3 **Customer Address**  
 Account Number **Account Number**  
 Premise Number **Premise Number**

**OLD METER INFORMATION #1**

Meter Exchange Date	<b>4/15/08</b>	Date	<b>4/15/08</b>
Last reading mtr registering ok	<b>04652</b>	Date	<b>1/31/08</b>
Last yr ending comparison	<b>04135</b>	Date	<b>4/1/07</b>
Last yr beginning comparison	<b>03860</b>	Date	<b>1/31/07</b>
Constant	<b>1.00</b>	Total Cons	<b>275</b>

**OLD METER INFORMATION #2**

Previous yr ending comparison	<b>03356</b>	Date	<b>4/2/2006</b>
Previous yr beginning comparison	<b>03162</b>	Date	<b>2/1/06</b>
Constant	<b>1.00</b>	Total Cons	<b>194</b>

**NEW METER INFORMATION**

New meter reading		Date	
Install reading		Date	<b>4/15/08</b>
Constant	<b>1.00</b>	Total Cons	

**METER FACTS**

Days meter registered no usage	75	\$	<b>283.39</b>	Estimated dollar amount
Usage per day last year	4.58			
Usage per day previous yr	3.23			
Usage per day new meter				
Estimated Usage per Day	<b>3.23</b>			
KWH or CCF	<b>CCF</b>		<i>00242</i>	
Gas or Electric Meter	gas			
Estimate removal reading	04894			

This is an estimated figure.  
 Your next bill will include the actual amounts.

#####

**CUSTOMER ADDRESS  
CUSTOMER ADDRESS  
CUSTOMER ADDRESS**

Account : ACCOUNT NUMBER  
Premise: PREMISE NUMBER

Dear :

We have identified that your gas meter has not been registering your energy usage accurately. We have installed new metering equipment and confirmed that it is now functioning correctly. We apologize for any inconvenience this has caused you.

Since little or no usage was registered on your meter after the reading on 1/19/2008 a correction has been made, estimating gas usage for the period from 12/29/2007 through 2/21/2008. The estimated usage was calculated based on previous consumption at the property and has been used to calculate a corrected bill.

Below is a summary that outlines the information used to estimate usage during the affected period.

<b>Meter Service Address</b>	
<b>CUSTOMER ADDRESS</b>	
<b>CUSTOMER ADDRESS</b>	
<b>New Meter Equipment Installation Date</b>	<b>2/21/2008</b>
<b>New Meter Equipment Type</b>	<b>gas</b>
<b>Number of Days Used for Billing Correction</b>	<b>54</b>
<b>Usage Per Day Last Year</b>	<b>4.73</b>
<b>Usage Per Day Two Years Ago</b>	<b>4.11</b>
<b>Estimated Usage Per Day Utilized for Corrected Billing</b>	<b>4.11</b>
<b>Total Estimated (CCF/KWH) Usage for Corrected Billing</b>	<b>222</b>
<b>Corrected Bill Amount for 12/29/2007 - 2/21/2008</b>	<b>\$ 266.59</b>

You should receive an itemized statement within the next week. Because your bill might reflect charges for multiple months, you have the option to set up a payment arrangement. If you choose to set up a payment arrangement, you will not be charged interest or late fees. \*\*

Please accept our apologies for any inconvenience this has caused you. Feel free to contact our customer service representatives at **1-800-895-4999** if you have any questions or to set up a payment arrangement. Please select "Billing" from the main menu and then follow the prompts.

Sincerely,

Xcel Energy Billing Services

*\*This time frame is in accordance with rules on file with the appropriate state entity.*

*\*\*Per Xcel Energy credit guidelines, interest and late fees are waived so long as payments are received during the prescribed timeframe of the payment program. If payments are not received by the due date, interest and late fees may be charged.*

**March 19, 2008**

**XCEL ENERGY - MINNESOTA AND NORTH DAKOTA UPDATE:  
REPAIR OF GAS METER MODULES ALMOST COMPLETE.**

The repair of a number of AMR natural gas meter modules in the St. Cloud, MN, and Fargo and Grand Forks, ND, service areas is nearing completion.

**Background Information:**

The problem occurred during an installation/upgrade of natural gas meter modules in the St. Cloud, Fargo and Grand Forks service areas. The problem created dead meter registration, which caused estimated billing.

**Problem Resolution:**

Repairs are under way in the affected areas and are almost complete. We are developing a proactive plan to identify meters that might fail in the future and are considering possible courses of action.

Affected customer accounts have received a Cellnet flag that initiated a system-generated DR PTJ noted in the Process History to trigger work sent to the field.

**If you receive customer inquiries about a rebill or about Cellnet appointments for maintenance on meter modules or dead registers:**

- **Apologize.** Reassure the customer that corrective actions are being taken to repair the meter and make billing adjustments.
- If the account has been rebilled due to estimated usage, offer payment arrangements to eligible customers.
- Assure customers that any late payment charges assessed because of an estimated bill will be reversed.
- Review Process History for references to DR PTJs.
- If an order has already been issued, and the customer is inquiring about the status, contact a specialist.
- The specialist will escalate the issue through contacts in the Meter Department.
- **Don't** call the Meter Department or Cellnet to help customers. Specialists will assist.

**April 07, 2008**

**XCEL ENERGY NORTH: CELLNET METER READ ERROR  
CORRECTED.**

Customer Contact Representatives might receive inquiries from St. Cloud, MN; and Fargo and Grand Forks, ND, customers who do not understand their corrected gas billing. Carefully review Process History for the **MDMS field notes PTJ** and the **Billing Notes PTJ** while explaining the correction.

**Background:**

About 7,000 customers in the St. Cloud, MN; and Fargo and Grand Forks, ND, areas were incorrectly charged when a mechanical failure occurred during an installation upgrade to natural gas meter modules. The failure created dead meter registrations.

**Problem Resolution:**

- Affected customer accounts received a Cellnet flag that initiated a system-generated DR PTJ noted in the Process History to trigger work sent to the field.
- After the defective modules were replaced, the meters started registering usage again. For each module that was replaced, a PTJ was entered by field personnel.
- Billing began processing the PTJs by using an index to reset and correct the read back to actual read, which generated corrected billing.
- Affected customers are being sent a corrected billing statement, a letter and worksheet explaining the correction.

Please keep in mind that gas consumption during this heating season increased overall for our customers -- up 20 percent from last year. However, we used the previous year's history to rebill these accounts. In addition, there might be two weeks at the beginning of the "Dead Register" period that the customer is not being rebilled for.

**Do not reverse any invoices associated with these Dead Meter rebills.**

Questions? Please see a specialist or your team leader.

**July 8, 2008**

*From Customer Care Quick Reference-CCQR  
Cellnet Project - Meter Update/Exchange Process Project Description*

See also:

- **Automated Meter Reading**
- **Project Schedule Spreadsheet**

<ul style="list-style-type: none"> <li>• Project Schedule             <ul style="list-style-type: none"> <li>• Schedule Summary</li> <li>• Field Deployment</li> <li>• Attempted Customer Contact/Access Requirements</li> <li>• Door Hanger Information</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• How to Identify a Cellnet Meter on a Customer's Account</li> <li>• Customer Complaints/Inquiries</li> <li>• Network Maintenance</li> <li>• Additional Related AMR/Cellnet Topics</li> </ul>
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The intent of information is to provide a general overview of project information related to the meter exchange process to expand the automated metering fixed network throughout NSP-MN and NSP-WI territory.

*Project Schedule*

The meter exchange process began 7/16/2007 with a completion target date of 6/20/2010. Approximately 711,000 electric and gas meters will be exchanged geographically in planned stages. The process will include an additional 44,780 module exchanges in North Dakota areas.

Project Schedule Spreadsheet

*Schedule Summary*

Location	Start Period	End Period
St Cloud – Electric	07/16/2007	03/30/2008
St Cloud – Gas	07/16/2007	03/16/2008
ND Re-retrofits	08/13/2007	12/30/2007
Eau Claire – Electric	03/31/2008 06/22/2009	03/29/2009 12/27/2009
Eau Claire – Gas	03/31/2008	10/26/2008
Winona – Electric	06/23/2008 09/28/2009	04/26/2009 10/25/2009
Winona – Gas	06/23/2008 10/18/2009	03/29/2009 12/27/2009
Faribault – Electric	03/30/2009	12/27/2009
Faribault – Gas	03/30/2009	06/21/2009
Hudson – Electric	12/28/2009	06/20/2010

Hudson – Gas	12/28/2009	03/28/2010
Hayward – Electric	12/28/2009	04/18/2010
Hayward – Gas	02/22/2010	04/18/2010
Ironwood – Electric	05/03/2010	06/20/2010
Ironwood – Gas	04/19/2010	06/06/2010

### *Field Deployment*

Cellnet is working with Corix, a subcontractor, coordinating the electric and gas meter exchanges. The Corix Installer will make an **‘on-site visit’** at the customer's premise according to daily work assignments to make the meter exchange.

The Corix Installer will knock on the customer's door in an attempt to make customer contact prior to initiating the meter exchange. With or without customer contact both gas and electric meter exchange will be completed whenever possible.

The existing electric meter is removed from the meter socket causing a momentary power interruption then replaced with a new meter. A Cellnet module replaces the existing index on gas meters without the need to shut the gas off. However there will be times when the old gas meter needs to be replaced and customer contact will be required to complete the exchange process.

**Vehicles** - The name of the contractor will be displayed on the vehicle with “Authorized Contractor for Xcel Energy”.

**Identification** - Xcel Energy will issue ID cards to contract Installers. The ID card must be worn and be visible at all times during the installation process.

**Customer Requests** - If further identification is requested by a customer the Installer should provide **1-877-202-8303, Corix Field Office**, [Mon – Fri 7:30 am to 5 pm], or **1-800-895-4999 Xcel Energy Customer Service** (24hrs) to verify the Installer is authorized to exchange the meter.

**Uniforms** - The contractor will provide uniforms. The uniform will include labeling “Authorized Contractor for Xcel Energy”.

**Hours of Installation/Operation** - Normal business hours: Monday - Friday 7am to 5pm [10-hour days are frequently scheduled]. Off hours: Monday - Friday 5pm to 9pm and Saturday 7am to 9pm (Sunday if necessary). Call Reps should watch alternative notification tools for weekend install scheduling.

**Emergency Calls** - Emergency – Gas or Electric: Follow standard procedure for electric or gas emergencies. See Emergency Situations.

*Attempted Customer Contact/ Access Requirements*

The following process outlines the customer contact attempts to exchange an electric meter and/or the gas meter index (on some occasions the gas meter will need to be replaced and customer contact is required).

1. The Corix Installer, Cellnet's sub-contractor, will make an **'on-site visit'** to the premise and will knock on the customer's door to make contact. With or without customer contact both the gas module and electric meter exchange will be completed whenever possible.
2. A door-hanger (yellow in color), with a toll free number, 1-877-202-8303, is left for the customer to arrange an appointment after each failed field attempt when a meter upgrade is not completed.
3. If the meter upgrade was not completed on the first attempt, a second unannounced visit will be made to the premise. Again, if the meter upgrade was not made the yellow door hanger will be left for the customer to arrange an appointment.
4. Following the second failed field attempt, Corix will place 2 phone calls to the customer in an attempt to arrange an appointment for the meter exchange.
5. If the customer still has not responded Xcel Energy will send the customer a letter requesting that the customer call and arrange an appointment for the meter upgrade. AES Upgrade Letter.
6. If after 14 days the customer has not responded to the letter, the meter becomes an "inaccessible meter". No further attempts will be made to exchange the meter until customer contact has been established.

If the customer calls to arrange an appointment please direct the customer to call the toll free number **1-877-202-8303**. The customer may call due to a door

hanger, a voice message left in a phone call attempt, or after receiving a meter upgrade notification letter.

#### *Door Hanger Information*

Below is a link to an example of the door-hanger information, left by the Installer for the customer that provides contact/appointment instructions in both English and Spanish.

Door Hanger Brochure

#### *How to identify a Cellnet meter on a customer account*

The Readings window (select service) will indicate a recent Meter Removal/Installation.

Additional locations that may show the **CN ROLLOUT** has exchanged a meter are: The **Customer Enquiry Overview window, Premise Enquiry Process History window**, and the **MRAS Meter Reading history**. See the Identify customers with Cellnet.

The MRAS Meter Reading history window shows if the readings are automated readings with Cellnet, CellnetEMED, or CellnetAdv source codes.

**NOTE:** Once the Cellnet meter is installed there could be several billing periods before automated reads are used for billing the Customer even though Cellnet read may show in MRAS.

#### *Customer Complaints/Inquiries*

Listen carefully to the customer to identify the problem, is it related to the meter upgrade? Verify how closely the Project Schedule matches the situation timeframe.

All emergency situations and/or issues not related to the meter upgrade/exchange need to be addressed following appropriate standard procedures.

Customer complaints should be forwarded for follow-up by e-mail to dl Cellnet Rollout Complaint. In the body of the e-mail include the customer name, full address, contact phone number, incident time/date, and complaint details. Typically, customer's can expect a response with in two business days.

Some common complaint examples may be related to a pilot relight on a gas meter exchange or property claims such as flower bed or shrub damage, siding repair, etc.

Escalated customer calls should follow the normal CCC Escalation Process

Account Notation — whenever a complaint or inquiry is received from a customer, note the account using a Customer Contact > EMPL > Other PTJ.

*Network Maintenance*

As the Rollout Project moves through the rollout schedule there will be three distinct phases that will occur:

- The first phase involves mass meter and module exchanges by route; Corix a licensed subcontractor conducts this work.
- The second phase is the clean up phase where Corix installers will attempt to clean up the route to complete exchanges where we had access or installation issues that could not be completed in the first phase of the rollout.
- The third phase or maintenance phase of the project is where routes are automated and in the maintenance mode. A small contingent of Corix installers will be staffed centrally to perform module and meter maintenance activities. Lastly some installation and maintenance work will continue to be supported by Xcel, this would include large C&I gas installations and large C&I electric customers.

Review the Customer's account for assigned and/or completed meter related work notations and/or PTJs that should indicate field activity at a premise.

*Additional Related AMR/Cellnet Topics*

<ul style="list-style-type: none"> <li>• Automated Meter Reading</li> </ul>	<ul style="list-style-type: none"> <li>• Frequently Asked Questions: Automated Meter Reading</li> </ul>
<ul style="list-style-type: none"> <li>• Automated Meter Reading - Telephone Numbers</li> </ul>	<ul style="list-style-type: none"> <li>• Who Does the Cellnet Work?</li> </ul>
<ul style="list-style-type: none"> <li>• Installation of Cellnet</li> </ul>	<ul style="list-style-type: none"> <li>• Identify Customers with CellNet</li> </ul>
<ul style="list-style-type: none"> <li>• Cellnet Overview</li> <li>• CellNet Meter Reading</li> </ul>	<ul style="list-style-type: none"> <li>• Why Cellnet Meters Occasionally Estimate</li> </ul>

<ul style="list-style-type: none"> <li>• How Automatic Meter Reading Impacts Customers</li> </ul>	<ul style="list-style-type: none"> <li>• AES PTJ</li> </ul>

### July 17, 2008

#### **XCEL ENERGY UPDATE: ST. CLOUD, MN, NATURAL GAS METER ISSUE.**

This afternoon, Thursday, July 17, Xcel Energy representatives spoke with a reporter from the St. Cloud Times regarding an issue with some of our new automated natural gas meters in the St. Cloud area. Approximately 8,700 automated natural gas meters in the area failed in January and February resulting in the meters showing no usage for the following 1-3 months. All customers affected by this issue have been identified and Xcel Energy is now undertaking the process of issuing a cancel/re-bill for those accounts. The affected customers will receive a letter in the next 60 days along with calculations prior to receiving their re-bill.

#### **Key points to remember:**

This does not affect any electric customers.

All affected natural gas customers will be notified by the end of September.

The affected meters have been replaced and Xcel Energy is now in the process of re-billing customers for consumption during the time the meters were not calculating usage.

A customer's average consumption will be based off their lowest annual average from the previous two years. This approach ensures customers will pay no more than they otherwise would have had the meters been working properly.

Customers will not be charged any late fees due to this issue and Xcel Energy will work with customers who need to make payment arrangements.

### Friday, July 18, 2008

#### **News to Use - Update on St. Cloud natural gas meter issue**

Billing Services would like to remind employees that it may be difficult to determine at a glance whether a customer falls into a category for rebilling. When speaking to St. Cloud-area, natural gas customers, please do the following:

Open the Premise Enquiry > Process History screen.

Review all meter work orders from December 2007 forward.

If a work order displays "DR" for dead register and a "Y" for yes, it means that this account will be rebilled.

Don't rely on usage to determine whether the account will be rebilled. Usage could have displayed on the account before the register failed and again after the meter was replaced.

**If you don't see a "Y" on one of the work orders, the caller may or may not be subject to rebilling.** Billing Services needs to assess individual accounts.

**July 28, 2008**

### **XCEL ENERGY UPDATE: DEAD REGISTER GAS METER BILL CALCULATION.**

After Billing Services completes its analysis and calculates a corrected bill, the following (sample) letter is mailed to customers whose gas meter was identified as dead register.

<http://xpressnet/CandFOCustomerCare/NewsToUse/NewsToUse2008/DRRebillSpreadsheetwithLetter.xls>

#### **Letter specifics include:**

- Time period the gas meter was dead register, the date the new meter was set; and
- Factors used to calculate usage during the dead register timeframe, which include
  - Number of days used for the billing correction
  - Usage per day during the same time period last year
  - Usage per day during the same time period two years ago
  - Estimated usage per day used for correcting billing, and
  - Total estimated ccf usage for corrected bill

Customers receive the corrected bill shortly after this letter is mailed.

Because dead register meters are considered the fault of Xcel Energy, customers are eligible to enter into a pay arrangement.

Please reference this sample letter when discussing with customers dead register corrected bill charges.

Questions? Contact your team leader.

**Thursday, July 31, 2008**

**TALKING POINTS – FOR INQUIRIES REGARDING NATURAL GAS METER CELL NET MODULE FAILURE CANCEL/REBILL.**

Starting the week of Aug. 4th, we will be calling customers affected by the rebilling process to explain our cancel/rebiling procedures and offer to reenroll them in such programs as Auto Pay and Averaged Monthly Payment and to reset payment arrangements. We're taking this step to ensure customer satisfaction and maintain enrollments in convenient payment programs that benefit our customers.

We have suspended the cancel/rebiling process for customer accounts in the St. Cloud, MN, and Fargo and Grand Forks, ND, areas that were affected by gas meter Cell Net module failures. The suspension will give us time to review our business rules and procedures for rebilling prior to any additional customer rebilling.

However, Billing Services continues to work on routine dead register cancel/rebills on accounts **not** affected by this problem.

If affected St. Cloud, Fargo or Grand Forks-area customers who recently received a corrected billing contact you, please do the following:

- Apologize for any inconvenience and explain that we have suspended our rebilling to review our processes.
- Explain that the rebilling was necessary because their meter failed and no usage was registering. Once a new module was installed, we created the new invoice by using previous history to rebill usage. Indicate that the customer may choose at this time to decline paying the rebilled amount without being subject to credit action.

- Clarify that the customer should continue to pay the bill for current charges and assist the customer in determining this amount.
- If the customer wishes to make a payment on the rebilled amount, but inquires about two invoices and isn't sure which to pay, examine the usage periods using the Bill Image Tool. Advise the customer to pay the invoice that bills through the most current date.
- If the customer disputes the rebilled amount, indicate again that they may choose to decline to pay the rebilled amount at this time and won't be immediately subject to any credit action.
- If a customer who has been rebilled was previously on Averaged Monthly Payment, please explain that they have been removed from the program to accommodate the rebilling process. Ask if they would like to be reenrolled on the program (budget + fixed) and apologize for any inconvenience.
- If the customer was previously on a payment arrangement, please explain that it was canceled to accommodate the rebilling process, and that they are eligible for a new arrangement.

If you receive general inquiries about the dead register issue, please explain that we are continuing to identify affected accounts in the St. Cloud, Fargo and Grand Forks areas, but any rebilling of customers will not take place until we finish our review. We are not yet certain of our timeline for completing the review.

### August 7, 2008

#### **XCEL ENERGY MINNESOTA, NORTH DAKOTA UPDATE: *MINNEAPOLIS STAR TRIBUNE* ARTICLE FOCUSES ON CELLNET GAS METER MODULE FAILURE.**

An article in today's *Minneapolis Star Tribune* focuses on recent Cellnet gas meter module failures in the St. Cloud, MN; and Fargo and Grand Forks, ND, areas and Xcel Energy's actions in rebilling a portion of affected accounts. This article may prompt customer inquiries about this issue and concerns about increased natural gas prices for the upcoming heating season.

#### **Main points included in the article:**

- About 9,000 malfunctioning meters registered zero gas consumption from about January through March 2008

- Corrected bill amounts ranged from about \$200 to \$800 for the approximate 1,300 accounts that were canceled/rebilled.
- Xcel Energy suspended cancel/rebill on remaining accounts last week following regulatory commission inquiries and will respond to the commissions with next steps by Aug. 21.

### **August 11, 2008 (outbound calls began)**

#### **Cellnet outbound contact process and script**

##### **Background:**

To accommodate the cancel/rebill process, customers who were enrolled in Auto Pay and/or Averaged Monthly Payment or those on a payment arrangement may have been removed from the programs. To ensure higher levels of customer satisfaction, we will contact affected customers by phone to reenroll them in programs or reset their payment plans. All accounts that were canceled and rebilled as part of the Cellnet meter module failure will be classified with codes: “call” or “no call”. Phone calls will be made first to “call” customers who were on payment plans. Courtesy calls will be made to those removed from Auto Pay and Averaged Monthly Payment to offer assistance or reenrollment.

##### **Recommended script for outbound calls-payment plan:**

“Hello. This is \_\_\_\_\_ from Xcel Energy. (Ask to speak with account holder.) I’d like to speak with you about your bill, which we recently corrected due to a gas meter module failure. A new module was installed and we estimated your usage based on your consumption history. Unfortunately, we removed you from your payment plan to accommodate the correction. I’d like to help reset your payment arrangement today.” (Continue the process by stating the rebilled amount and the current balance and recommend a downpayment and monthly installment amount. Complete process and document account using special instructions below.)

“Please accept our apologies for any confusion or inconvenience. I’d glad I had a chance to talk with you today.”

**Note:** Here are specific instructions regarding payments.

- Indicate that the customer may choose at this time to decline paying the rebilled amount without being subject to credit action.
- Clarify that the customer should continue to pay the bill for current charges and assist the customer in determining this amount.
- If the customer disputes the rebilled amount, indicate again that they may choose to decline to pay the rebilled amount at this time and won't be immediately subject to any credit action.

**Recommended script for outbound calls-AP and AMP (EPP) - customer already reenrolled:**

“Hello. This is \_\_\_\_\_ from Xcel Energy. (Ask to speak with account holder.) I’d like to speak with you about your bill, which we recently corrected due to a gas meter module failure. A new module was installed and we estimated your usage based on your consumption history. Unfortunately, we removed you from (Auto Pay and/or Averaged Monthly Payment) to accommodate the correction. I see from your account, that you’ve already contacted us to reenroll in our (Auto Pay and/or Averaged Monthly Payment program). If there anything else that I can help with or explain to you?”  
(Handle any issues.)

“Please accept our apologies for any confusion or inconvenience. Thanks for taking the initiative to reenroll.”

Recommended script for outbound calls-AP and AMP (EPP) - customer has not reenrolled:

“Hello. This is \_\_\_\_\_ from Xcel Energy. (Ask to speak with account holder.) I’d like to speak with you about your bill, which we recently corrected due to a gas meter module failure. A new module was installed and we estimated your usage based on your consumption history. Unfortunately, we removed you from (Auto Pay and/or Averaged Monthly Payment.) to accommodate the correction. I’d be happy to start the process to reenroll you in (Auto Pay and/or Averaged Monthly Payment.” (Respond to customer needs and initiate processes. Document account per special instructions below.)

“Thanks for your help with this reenrollment. Please accept our apologies for any confusion or inconvenience.”

**Special Instructions:**

When entering a billing note PTJ for those customers on Auto Pay, Averaged Monthly Payment (EPP) and payment arrangements, please use the following text in the first characters of the PTJ notes field so the call data can be retrieved.

- CNDRNC – Used when the biller analyzed the account and determined no call was necessary.
- CNDRC – Used when the biller called the customer.

**August 13, 2008****XCEL ENERGY - MINNESOTA AND NORTH DAKOTA UPDATE:**

**OUTREACH TO CUSTOMERS AFFECTED BY CELLNET METER MODULE FAILURE.** Billing Services this week began to coordinate telephone contacts to Minnesota and North Dakota customers who were part of the Cellnet gas meter cancel/rebill process. As a result of the process to cancel invoices and issue corrected bills, customers may have been removed from such programs as Averaged Monthly Payment and Auto Pay, and from payment arrangements.

Customer Contact Representatives need to be aware of these contacts because Billing Services is leaving messages when they aren't able to reach customers by phone. If you happen to receive a call from affected Minnesota or North Dakota customers, please analyze the account for notes from Billing Services and offer to reset payment arrangements or reestablish them in AMP and/or Auto Pay. If the customer was called, the billing notation starts with "CNDRC."

This outreach project is expected to last for about a week, depending on our ability to connect with affected customers.

Questions? Please see your team leader.

August 13, 2008

**XCEL ENERGY UPDATE: HANDLING CELLNET COMPLAINTS.**

When handling a customer complaint or claim regarding the Cellnet Project, please be sure to follow the procedures listed in the CCQR topic, Cellnet Project - Meter Update/Exchange Process Project Description. If you are unsure if a customer has a Cellnet meter on their account, please review the How to identify a Cellnet meter topic.

Customer complaints should be forwarded for follow-up by e-mail to dl Cellnet Rollout Complaint. In the body of the e-mail include the following:

- Customer name
- Full address
- Contact telephone number
- Incident time/date
- Complaint details

Typically, customers can expect a response within two business days.

**Note:** Cellnet complaints are **not** handled by the Claims Department.

Questions? Please see your team leader.

**March 19, 2008**

**XCEL ENERGY - MINNESOTA AND NORTH DAKOTA UPDATE:  
REPAIR OF GAS METER MODULES ALMOST COMPLETE.**

The repair of a number of AMR natural gas meter modules in the St. Cloud, MN, and Fargo and Grand Forks, ND, service areas is nearing completion.

**Background Information:**

The problem occurred during an installation/upgrade of natural gas meter modules in the St. Cloud, Fargo and Grand Forks service areas. The problem created dead meter registration, which caused estimated billing.

**Problem Resolution:**

Repairs are under way in the affected areas and are almost complete. We are developing a proactive plan to identify meters that might fail in the future and are considering possible courses of action.

Affected customer accounts have received a Cellnet flag that initiated a system-generated DR PTJ noted in the Process History to trigger work sent to the field.

**If you receive customer inquiries about a rebill or about Cellnet appointments for maintenance on meter modules or dead registers:**

- **Apologize.** Reassure the customer that corrective actions are being taken to repair the meter and make billing adjustments.
- If the account has been rebilled due to estimated usage, offer payment arrangements to eligible customers.
- Assure customers that any late payment charges assessed because of an estimated bill will be reversed.
- Review Process History for references to DR PTJs.
- If an order has already been issued, and the customer is inquiring about the status, contact a specialist.
- The specialist will escalate the issue through contacts in the Meter Department.
- **Don't** call the Meter Department or Cellnet to help customers. Specialists will assist.

**April 07, 2008**

**XCEL ENERGY NORTH: CELLNET METER READ ERROR  
CORRECTED.**

Customer Contact Representatives might receive inquiries from St. Cloud, MN; and Fargo and Grand Forks, ND, customers who do not understand their corrected gas billing. Carefully review Process History for the **MDMS field notes PTJ** and the **Billing Notes PTJ** while explaining the correction.

**Background:**

About 7,000 customers in the St. Cloud, MN; and Fargo and Grand Forks, ND, areas were incorrectly charged when a mechanical failure occurred during an installation upgrade to natural gas meter modules. The failure created dead meter registrations.

**Problem Resolution:**

- Affected customer accounts received a Cellnet flag that initiated a system-generated DR PTJ noted in the Process History to trigger work sent to the field.
- After the defective modules were replaced, the meters started registering usage again. For each module that was replaced, a PTJ was entered by field personnel.
- Billing began processing the PTJs by using an index to reset and correct the read back to actual read, which generated corrected billing.
- Affected customers are being sent a corrected billing statement, a letter and worksheet explaining the correction.

Please keep in mind that gas consumption during this heating season increased overall for our customers -- up 20 percent from last year. However, we used the previous year's history to rebill these accounts. In addition, there might be two weeks at the beginning of the "Dead Register" period that the customer is not being rebilled for.

**Do not reverse any invoices associated with these Dead Meter rebills.**

Questions? Please see a specialist or your team leader.

**July 8, 2008**

*From Customer Care Quick Reference-CCQR  
Cellnet Project - Meter Update/Exchange Process Project Description*

See also:

- **Automated Meter Reading**
- **Project Schedule Spreadsheet**

<ul style="list-style-type: none"> <li>• Project Schedule <ul style="list-style-type: none"> <li>• Schedule Summary</li> <li>• Field Deployment</li> <li>• Attempted Customer Contact/Access Requirements</li> <li>• Door Hanger Information</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• How to Identify a Cellnet Meter on a Customer's Account</li> <li>• Customer Complaints/Inquiries</li> <li>• Network Maintenance</li> <li>• Additional Related AMR/Cellnet Topics</li> </ul>
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The intent of information is to provide a general overview of project information related to the meter exchange process to expand the automated metering fixed network throughout NSP-MN and NSP-WI territory.

#### *Project Schedule*

The meter exchange process began 7/16/2007 with a completion target date of 6/20/2010. Approximately 711,000 electric and gas meters will be exchanged geographically in planned stages. The process will include an additional 44,780 module exchanges in North Dakota areas.

Project Schedule Spreadsheet

#### *Schedule Summary*

Location	Start Period	End Period
St Cloud – Electric	07/16/2007	03/30/2008
St Cloud – Gas	07/16/2007	03/16/2008
ND Re-retrofits	08/13/2007	12/30/2007
Eau Claire – Electric	03/31/2008 06/22/2009	03/29/2009 12/27/2009
Eau Claire – Gas	03/31/2008	10/26/2008
Winona – Electric	06/23/2008 09/28/2009	04/26/2009 10/25/2009
Winona – Gas	06/23/2008 10/18/2009	03/29/2009 12/27/2009
Faribault – Electric	03/30/2009	12/27/2009
Faribault – Gas	03/30/2009	06/21/2009
Hudson – Electric	12/28/2009	06/20/2010

Hudson – Gas	12/28/2009	03/28/2010
Hayward – Electric	12/28/2009	04/18/2010
Hayward – Gas	02/22/2010	04/18/2010
Ironwood – Electric	05/03/2010	06/20/2010
Ironwood – Gas	04/19/2010	06/06/2010

### *Field Deployment*

Cellnet is working with Corix, a subcontractor, coordinating the electric and gas meter exchanges. The Corix Installer will make an **‘on-site visit’** at the customer's premise according to daily work assignments to make the meter exchange.

The Corix Installer will knock on the customer's door in an attempt to make customer contact prior to initiating the meter exchange. With or without customer contact both gas and electric meter exchange will be completed whenever possible.

The existing electric meter is removed from the meter socket causing a momentary power interruption then replaced with a new meter. A Cellnet module replaces the existing index on gas meters without the need to shut the gas off. However there will be times when the old gas meter needs to be replaced and customer contact will be required to complete the exchange process.

**Vehicles** - The name of the contractor will be displayed on the vehicle with “Authorized Contractor for Xcel Energy”.

**Identification** - Xcel Energy will issue ID cards to contract Installers. The ID card must be worn and be visible at all times during the installation process.

**Customer Requests** - If further identification is requested by a customer the Installer should provide **1-877-202-8303, Corix Field Office**, [Mon – Fri 7:30 am to 5 pm], or **1-800-895-4999 Xcel Energy Customer Service** (24hrs) to verify the Installer is authorized to exchange the meter.

**Uniforms** - The contractor will provide uniforms. The uniform will include labeling “Authorized Contractor for Xcel Energy”.

**Hours of Installation/Operation** - Normal business hours: Monday - Friday 7am to 5pm [10-hour days are frequently scheduled]. Off hours: Monday - Friday 5pm to 9pm and Saturday 7am to 9pm (Sunday if necessary). Call Reps should watch alternative notification tools for weekend install scheduling.

**Emergency Calls** - Emergency – Gas or Electric: Follow standard procedure for electric or gas emergencies. See Emergency Situations.

*Attempted Customer Contact/ Access Requirements*

The following process outlines the customer contact attempts to exchange an electric meter and/or the gas meter index (on some occasions the gas meter will need to be replaced and customer contact is required).

1. The Corix Installer, Cellnet's sub-contractor, will make an **'on-site visit'** to the premise and will knock on the customer's door to make contact. With or without customer contact both the gas module and electric meter exchange will be completed whenever possible.
2. A door-hanger (yellow in color), with a toll free number, 1-877-202-8303, is left for the customer to arrange an appointment after each failed field attempt when a meter upgrade is not completed.
3. If the meter upgrade was not completed on the first attempt, a second unannounced visit will be made to the premise. Again, if the meter upgrade was not made the yellow door hanger will be left for the customer to arrange an appointment.
4. Following the second failed field attempt, Corix will place 2 phone calls to the customer in an attempt to arrange an appointment for the meter exchange.
5. If the customer still has not responded Xcel Energy will send the customer a letter requesting that the customer call and arrange an appointment for the meter upgrade. AES Upgrade Letter.
6. If after 14 days the customer has not responded to the letter, the meter becomes an "inaccessible meter". No further attempts will be made to exchange the meter until customer contact has been established.

If the customer calls to arrange an appointment please direct the customer to call the toll free number **1-877-202-8303**. The customer may call due to a door

hanger, a voice message left in a phone call attempt, or after receiving a meter upgrade notification letter.

#### *Door Hanger Information*

Below is a link to an example of the door-hanger information, left by the Installer for the customer that provides contact/appointment instructions in both English and Spanish.

Door Hanger Brochure

#### *How to identify a Cellnet meter on a customer account*

The Readings window (select service) will indicate a recent Meter Removal/Installation.

Additional locations that may show the **CN ROLLOUT** has exchanged a meter are: The **Customer Enquiry Overview window, Premise Enquiry Process History window**, and the **MRAS Meter Reading history**. See the Identify customers with Cellnet.

The MRAS Meter Reading history window shows if the readings are automated readings with Cellnet, CellnetEMED, or CellnetAdv source codes.

**NOTE:** Once the Cellnet meter is installed there could be several billing periods before automated reads are used for billing the Customer even though Cellnet read may show in MRAS.

#### *Customer Complaints/Inquiries*

Listen carefully to the customer to identify the problem, is it related to the meter upgrade? Verify how closely the Project Schedule matches the situation timeframe.

All emergency situations and/or issues not related to the meter upgrade/exchange need to be addressed following appropriate standard procedures.

Customer complaints should be forwarded for follow-up by e-mail to dl Cellnet Rollout Complaint. In the body of the e-mail include the customer name, full address, contact phone number, incident time/date, and complaint details. Typically, customer's can expect a response with in two business days.

Some common complaint examples may be related to a pilot relight on a gas meter exchange or property claims such as flower bed or shrub damage, siding repair, etc.

Escalated customer calls should follow the normal CCC Escalation Process

Account Notation — whenever a complaint or inquiry is received from a customer, note the account using a Customer Contact > EMPL > Other PTJ.

*Network Maintenance*

As the Rollout Project moves through the rollout schedule there will be three distinct phases that will occur:

- The first phase involves mass meter and module exchanges by route; Corix a licensed subcontractor conducts this work.
- The second phase is the clean up phase where Corix installers will attempt to clean up the route to complete exchanges where we had access or installation issues that could not be completed in the first phase of the rollout.
- The third phase or maintenance phase of the project is where routes are automated and in the maintenance mode. A small contingent of Corix installers will be staffed centrally to perform module and meter maintenance activities. Lastly some installation and maintenance work will continue to be supported by Xcel, this would include large C&I gas installations and large C&I electric customers.

Review the Customer's account for assigned and/or completed meter related work notations and/or PTJs that should indicate field activity at a premise.

*Additional Related AMR/Cellnet Topics*

<ul style="list-style-type: none"> <li>• Automated Meter Reading</li> </ul>	<ul style="list-style-type: none"> <li>• Frequently Asked Questions: Automated Meter Reading</li> </ul>
<ul style="list-style-type: none"> <li>• Automated Meter Reading - Telephone Numbers</li> </ul>	<ul style="list-style-type: none"> <li>• Who Does the Cellnet Work?</li> </ul>
<ul style="list-style-type: none"> <li>• Installation of Cellnet</li> </ul>	<ul style="list-style-type: none"> <li>• Identify Customers with CellNet</li> </ul>
<ul style="list-style-type: none"> <li>• Cellnet Overview</li> <li>• CellNet Meter Reading</li> </ul>	<ul style="list-style-type: none"> <li>• Why Cellnet Meters Occasionally Estimate</li> </ul>

<ul style="list-style-type: none"> <li>• How Automatic Meter Reading Impacts Customers</li> </ul>	<ul style="list-style-type: none"> <li>• AES PTJ</li> </ul>

**July 17, 2008**

**XCEL ENERGY UPDATE: ST. CLOUD, MN, NATURAL GAS METER ISSUE.**

**This afternoon, Thursday, July 17, Xcel Energy representatives spoke with a reporter from the St. Cloud Times regarding an issue with some of our new automated natural gas meters in the St. Cloud area.**

**Approximately 8,700 automated natural gas meters in the area failed in January and February resulting in the meters showing no usage for the following 1-3 months. All customers affected by this issue have been identified and Xcel Energy is now undertaking the process of issuing a cancel/re-bill for those accounts. The affected customers will receive a letter in the next 60 days along with calculations prior to receiving their re-bill.**

**Key points to remember:**

This does not affect any electric customers.

All affected natural gas customers will be notified by the end of September.

The affected meters have been replaced and Xcel Energy is now in the process of re-billing customers for consumption during the time the meters were not calculating usage.

A customer's average consumption will be based off their lowest annual average from the previous two years. This approach ensures customers will pay no more than they otherwise would have had the meters been working properly.

Customers will not be charged any late fees due to this issue and Xcel Energy will work with customers who need to make payment arrangements.

**Friday, July 18, 2008****News to Use - Update on St. Cloud natural gas meter issue**

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Review all meter work orders from December 2007 forward.

If a work order displays "DR" for dead register and a "Y" for yes, it means that this account will be rebilled.

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**If you don't see a "Y" on one of the work orders, the caller may or may not be subject to rebilling.** Billing Services needs to assess individual accounts.

**July 28, 2008****XCEL ENERGY UPDATE: DEAD REGISTER GAS METER BILL CALCULATION.**

After Billing Services completes its analysis and calculates a corrected bill, the following (sample) letter is mailed to customers whose gas meter was identified as dead register.

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**Letter specifics include:**

- Time period the gas meter was dead register, the date the new meter was set; and
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- Estimated usage per day used for correcting billing, and
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Customers receive the corrected bill shortly after this letter is mailed.

Because dead register meters are considered the fault of Xcel Energy, customers are eligible to enter into a pay arrangement.

Please reference this sample letter when discussing with customers dead register corrected bill charges.

Questions? Contact your team leader.

**Thursday, July 31, 2008**

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### August 7, 2008

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An article in today's *Minneapolis Star Tribune* focuses on recent Cellnet gas meter module failures in the St. Cloud, MN; and Fargo and Grand Forks, ND, areas and Xcel Energy's actions in rebilling a portion of affected accounts. This article may prompt customer inquiries about this issue and concerns about increased natural gas prices for the upcoming heating season.

**Main points included in the article:**

- About 9,000 malfunctioning meters registered zero gas consumption from about January through March 2008
- Corrected bill amounts ranged from about \$200 to \$800 for the approximate 1,300 accounts that were canceled/rebilled.
- Xcel Energy suspended cancel/rebill on remaining accounts last week following regulatory commission inquiries and will respond to the commissions with next steps by Aug. 21.

**August 13, 2008**

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Customer complaints should be forwarded for follow-up by e-mail to dl Cellnet Rollout Complaint. In the body of the e-mail include the following:

- Customer name
- Full address
- Contact telephone number
- Incident time/date
- Complaint details

Typically, customers can expect a response within two business days.

**Note:** Cellnet complaints are **not** handled by the Claims Department.

Questions? Please see your team leader.



2302 Great Northern Drive  
P O Box 2747  
Fargo, ND 58108-2747  
(701) 241-8632  
dave.sederquist@xcelenergy.com

August 1, 2008

Gloria A. Geiger, Interim Director  
North Dakota Public Service Commission  
State Capitol Building, Dept. 408  
600 East Boulevard  
Bismarck, ND 58505-0480

Re: North Dakota Public Service Commission inquiry on automated meter reading device malfunctions affecting Company's natural gas customers

Dear Ms. Geiger:

Attached please find the Company's responses to questions raised by the Commission in a letter dated July 2, 2008.

Xcel Energy appreciates this opportunity to provide the North Dakota Public Service Commission additional information regarding the failure of automated meter reading modules for a large number of natural gas customers in the Fargo and Grand Forks areas. Our reply provides additional detail regarding the situation, our responsive actions to date and planned further actions, as well as our responses to the specific questions posed by the Commission.

Please do not hesitate to call me if you have any questions. Thank you.

Sincerely,

A handwritten signature in blue ink that reads 'David H. Sederquist'.

David H. Sederquist  
Sr. Consultant, Regulation & Finance  
Xcel Energy

Cc: Tom Rafferty  
Public Outreach Specialist

**Xcel Energy's Response to  
North Dakota Public Service Commission Inquiry  
Regarding the Automated Meter Reading Module Failure  
August 1, 2008**

Xcel Energy appreciates this opportunity to provide the North Dakota Public Service Commission additional information regarding the failure of automated meter reading modules for a large number of natural gas customers in the Fargo and Grand Forks areas. Below we provide additional detail regarding the situation, our responsive actions to date and planned further actions, and our responses to the specific questions posed by the Commission in its July 2, 2008 letter. We also look forward to scheduling a meeting with the Commission where we can bring the appropriate Xcel Energy staff to provide further information and respond to any additional questions you may have.

**A. Situation Overview**

We determined in early February that an abnormally high number of automated meter reading (AMR) modules used for our natural gas customers had potentially failed. Our field investigations subsequently confirmed that we experienced approximately 4,000 actual module failures out of this initially identified pool.

The failed modules were updated equipment installed in late 2007 as either replacements to prior AMR units, or as new units in an expansion of our AMR system. They are located primarily in the Fargo and Grand Forks area (affecting customers in both North Dakota and Minnesota), as well as the St. Cloud, Minnesota area. The failure rate for these new modules is higher than our historical experience with gas AMR modules.

The failure appears to stem from a mechanical failure of the module that also affected the meter index. Specifically, the shearing of pins located on a drive shaft within the AMR module that caused both the module and the meter index to stop recording natural gas usage. While the module continued to send readings to the AMR collection system after the failure, the readings indicated zero consumption because the module's drive shaft no longer turned. The meter index also stopped recording usage as it depended on the same shaft.

As a result, affected customers' meter readings reflected no usage during for the period between module failure and replacement. Given the timing of our

billing cycles, our meter reading did not initially pick up readings of no consumption since the pre-failure consumption for that billing period was recorded on the meter and transmitted through the Cellnet signal. Once we identified the failure and its cause, we undertook both replacement of the module to ensure accurate, prospective meter readings and rebilling of the previously unbilled natural gas consumption in a manner consistent with our tariff and Commission rules. We completed the replacement of the initial failures in the Fargo and Grand Forks areas mid-March, and completed the associated rebilling in mid-July.

Cellnet, our third-party vendor, provides us the AMR modules and services via service contracts. While the modules that failed were updates that had been designed and expected to be an improvement over the prior module, the equipment failed to meet our performance expectations. Since our initial identification of the failed modules, we have continued to experience failures, although at a lower rate.

We are currently negotiating with Cellnet to remedy the situation and develop a plan for addressing the other modules of this type remaining on our system. We have also incorporated third-party testing of module performance as provided by the service contract to satisfy ourselves that it will perform to acceptable standards.

Despite problems with this new module, we believe that AMR has and will continue to benefit our customers. We have a total of over 2.2 million meters on our system and rely on over 1.6 million AMR readings each month (total Company, gas and electric). We believe that AMR offers costs savings and typically improves billing accuracy, as well as providing a platform for additional services, such as time-of-use and innovative rate designs. While this situation involved the failure of a specific module to perform as expected, we believe that the overall performance and potential of our AMR system will continue to offer value for our customers.

## **B. Rebilling Process**

Our rebilling process corrected for the unrecorded natural gas usage during the months that no usage was recorded on the affected customers' meters. This situation is thus a "dead register," in that the meter index failed to record consumption and there is no way to retrieve actual usage data for the period.

We thus employed the process provided by our tariff and Commission rules to estimate usage based on customer history.

Specifically, to estimate each customer's usage during this period, we examined customer-specific information from the prior two years. Using data contained in the Cellnet data collection system, we were able to identify the dates of both module failure and replacement, giving us a clearly defined period for rebilling. We obtained actual customer usage information for the same period in the prior two years, and used the lower of the two as an estimate of the unrecorded usage for rebilling. We then applied the actual rates in effect during this period to obtain a total amount for use in our cancel/rebiling process. This process is identical to the process we use whenever we experience a meter failure at a customer premise.

We undertook the rebilling process as the modules were replaced, launching a comprehensive effort to complete the rebilling of affected North Dakota customers in late March – July. The process for performing this rebilling is manual and requires billing specialists to investigate each customer's specific history, including the dates of module failure and replacement, past usage, and customer contact records to determine the appropriate amount for rebilling. The rebilling took several months to complete due to the large number of modules that failed in this time period and the amount of time involved to investigate and implement the cancel/rebiling process.

We believe the new billings are accurate and consistent with our tariffs and Commission rules governing meters that are found to not register usage. We are also attempting to mitigate the impact on customers in the following ways:

- Given that this past winter was colder than previous years, we believe that customers will pay no more than their actual usage would have cost during this period.
- We offer customers the opportunity for payment arrangements for the rebilled amounts.
- We do not assess late charges for the rebilled amounts.
- We are willing to work with customers in situations where the estimated usage is demonstrated to exceed the customer's expected actual usage.

We recognize the inconvenience this situation causes affected customers, but believe the process used protects customers and ensures that they do not pay

more than they otherwise would have had the meter properly recorded their usage. While we agreed to the Commission's recent request to stop issuing new rebillings associated with failed modules, we respectfully request the ability to reinitiate this process, as we believe our approach is appropriate and consistent with requirements. We believe it was important to issue the rebillings such that customers can pay the previously unbilled amounts prior to next year's heating season, where natural gas prices are expected to be unusually high.

As noted in our responses to the Commission's questions below, we recognize that the cancel/rebilling process can be confusing. We are open to hearing additional suggestions for improving customer understanding.

### **C. Responses to NDPSC Questions**

Below we provide our responses to the 15 questions posed in the Commission's July 2 letter.

#### **Q1: How often do you read the meters?**

A1: We read meters for billing purposes approximately once a month (using a typical 28-day billing cycle).

#### **Q2: If you read the meters at least once a month, why has it taken 3 months to fix some of these meters that malfunctioned?**

A2: It has taken us time to repair the failed modules primarily due to the volume of failures that occurred in a short period of time and the time required to identify both the failure cause and affected customers.

We first became aware of the failed modules in early February. After investigating customer inquiries, we required Cellnet to provide us a report of unusual usage patterns to identify customers potentially affected by a module failure. Based on that information, we found that we were experiencing a high failure rate in a short period of time. The majority of these failures occurred in December 2007 - January 2008.

By early February 2008, we identified the specific mechanical failure that occurred, determining that it was due to a break within the module that halted the recording of gas through the meter – thus, gas could be consumed without the meter recording that consumption. We directed Cellnet to repair the failing modules; we subsequently confirmed that

Cellnet should cease installing the problem module in any installation on our system. Cellnet undertook this comprehensive replacement effort, and all of the originally identified failed Fargo and Grand Forks area modules investigated and replaced as necessary by March 15.

Due to the large volume of failures occurring in a brief timeframe, the replacement effort was slower than would be expected under more normal conditions. The average replacement time was faster for the customers experiencing failures in February, as we understood the problem by then and were underway with the replacement effort.

The failure rate experienced with these modules is higher than expected and does not meet our performance expectations. We are in negotiations with our vendor on remedies and a plan for correcting this situation with remaining problem modules. We will provide information regarding the outcome of those negotiations once completed.

Despite these problems, we believe that having the automated meter reading system offers benefits to our customers. It also allowed us to more rapidly identify the affected customers than a traditional metering system would provide in the event of a comparable equipment failure. By analyzing the daily data gathered by the AMR system, we could more readily identify the affected customers and begin to take corrective action. Without such information, it would have taken several months to identify the problem, as it could take several cycles to obtain readings of zero consumption, depending on the timing of the failure relative to the monthly, manual meter-reading cycle.

**Q3: Does Xcel Energy have a system that alerts someone when hundreds or thousands of meters show a substantial drop in usage?**

A3: Yes, we employ several systems to monitor our system performance and alert us to problems. In this case, our process of investigating customer inquiries raised our concern that modules were failing at an abnormally high level. We then requested Cellnet to develop a report to identify unusual usage patterns; that report, received in early February, allowed us to recognize the scope of the problem. Based on that information we undertook further investigation and corrective action. We also now require regular reports from Cellnet that identify potential meter reading issues promptly so they can be field verified and corrected, as appropriate.

In addition, we have a standard reports that flag potential metering or billing issues on a customer-specific basis. These reports help us to identify and correct more common billing issues. One of these reports addresses accounts with three consecutive readings of zero consumption. We set this parameter in light of the seasonal usage on our system that makes readings of zero consumption not uncommon or inaccurate. While this report would have eventually flagged the problem, it was not designed to quickly identify large system failures such as the one experienced this year.

**Q4: Why has it taken until June to backbill people for meter problems that occurred in the winter?**

A4: Our efforts first focused on identifying the problem and taking corrective action through replacement modules. This approach minimized the period that meter did not record usage and would facilitate accurate billing as quickly as possible.

Once the module was replaced, we could undertake rebilling. With the specific time period identified (the period between module failure and replacement), we could begin the manual process of gathering historic usage to obtain an estimate of the unmetered usage for rebilling purposes, calculate the estimated under-billed amount, and perform the cancel/rebill process. Company billing specialists were able to process, on average, three to four accounts per hour, not including the time spent analyzing unique customer circumstances that called for a customized response. We completed the rebilling process for the initial North Dakota customers affected by the module failure issue on July 11, 2008. Replacement of any new failed modules is ongoing, but – as we recently committed – we have stopped rebilling any additional North Dakota customers. We are monitoring the situation closely, and taking responsive action once any new failures occur.

**Q5: Why are some people getting two bills on the same day that show different amounts due?**

A5: The first bill shows the cancellation of all prior billings and calculation of the estimated charges for the previously unbilled period; the second bill shows the recalculation of the billings subsequent to the module being

replaced. This two-step approach is necessary for ensuring we retain the estimated usage information in our system.

We recognize that this process can be confusing for customers. To assist understanding of the process, we provided all customers with a letter in advance of rebilling explaining the situation; we have since developed and are currently using a modified letter that we believe communicates this information more effectively. We provide a sample of this letter as Attachment A. We also provide instructions to our call center agents regarding cancel/rebills so that we can effectively respond to customer inquiries.

**Q6: Why are there mathematical errors on some of the bills? One bill shows this for a meter reading:**

Company reading on 03/03	5650
Company reading on 03/03	5810
Total usage in 0 days ccf	9840

A6: These readings stem from our manual insertion of the estimated unbilled usage into the billing system. In this case, we estimated that usage during the unbilled period was 160 ccfs. We thus first add this amount to the last accurate reading before the module failure (5650) to obtain a new, estimated reading (5810, or 5650 plus 160) for the date of the replacement.

When performing the overall rebilling, we calculated back to the date of the meter failure. When doing so, the billing system sees a beginning reading that is higher than the ending reading and assumes that the ending reading “rolled over” to the next 10,000 units of usage. Thus, in this case the system assumed that the ending reading was 15650 as opposed to 5650, and calculated a false usage of 9840 (15650 – 5810).

While we recognize the confusion this process can for customers, we believe our process calculated the rebillings in an accurate manner.

**Q7: Staff has seen at least one bill due in June that said the next meter reading will be in March. Why is this happening?**

A7: The first of the two bills issued in the rebilling process will show an erroneous next scheduled meter reading date since our billing system assigns this date based on the “Gas Charges Usage Period” shown on the invoice. Because the first bill was needed to incorporate the estimated usage up to the date of module replacement, it provides a next scheduled read date for March or April, depending on the date of replacement.

The second of the two bills issued in the rebilling process reflects an accurate date for the next meter reading.

**Q8: Some of the meters showed some usage, while others showed no usage. Can the meters be tested to see how slow they were? (Our rules for slow meters are slightly different than the rules for meters that are totally dead). How do you know what exact day the meter stopped? Did some meters stop and then start working again?**

A8: We have confirmed that the predominant module failure resulted in no usage being recorded; in some cases it may have resulted in the recording of usage on an intermittent basis, but in no case have we found it to cause slow usage or that it began operating normally after the failure. The AMR failure caused the meter index to stop functioning, thus no usage was recorded during the period between module failure and replacement.

When investigating a potential failed module and determining whether rebilling is necessary, we are able to query the exact dates of the failure and replacement through the AMR data repository. While we typically only pull meter reading information monthly for billing purposes, the modules send information to the collection system daily. Through investigation of that information, we can clearly identify the day of the failure, and we know from both Cellnet field records and this information system the date the module was replaced. Thus, we have a clearly defined period during which the customer was not billed for the natural gas consumed, providing us an accurate foundation for the rebilling process.

We expect that some bills could suggest low usage, instead of the actual period of no usage, depending on the customer’s billing cycle. Customers would not receive a bill indicating zero gas consumption until the first full billing cycle after the module failure – prior to that time, the bill would reflect usage up to the time of the module failure. To

illustrate, if the module failed in the middle of a customer's billing cycle, the first bill after the failure would reflect one-half month of usage, as opposed to zero consumption. We note that this timing issue contributed to the delay in identifying the large-scale nature of the problem in January through our regular reporting and monitoring systems.

As we improved on the speed of our response to indications of potential failed modules, however, customers may have received two consecutive bills with partial consumption and not received any bills with zero consumption. That situation occurred whenever module failure, identification, and replacement all occurred within two consecutive billing cycles.

We do have processes for identifying and testing whether meters are running either too fast or too slow. As indicated above, however, we have confirmed that the module failures did not cause meters to simply read too slowly.

**Q9: Are there other issues in addition to the modules malfunctioning? Has Xcel's billing system malfunctioned?**

A9: No. We do not believe there are any other issues. We are working to negotiate remedies with our vendor as well as an effective resolution to address this problem going-forward. We are committed to ensuring accurate bills and taking appropriate corrective action with problem modules remaining in the field. We will provide additional information on these plans as they are developed.

We also note that our billing system has not malfunctioned; rather, it produced bills accurately using the information provided (either readings of zero consumption through the automated meter reading system or the manual insertion of estimated usage during the cancel/rebilling process). We recognize that the information provided customers in the rebilling process can be confusing, and will continue to work to improve our communication with customers who receive such bills.

**Q10: In addition to basic subtraction errors on the bills, are there other errors on bills?**

A10: No, not to our knowledge. Please see our response to Q9 above.

**Q11: When will Xcel be done backbilling for these errors?**

Q11: We completed the investigation, initial module replacement and associated rebilling process on July 11, 2008 for the North Dakota customer accounts originally identified with potential module failure. We are in negotiation with our vendor regarding appropriate corrective action for the remaining modules installed on our system that may be susceptible to failure. We believe we have the processes in place to promptly identify, replace, and rebill when appropriate new failures that occur until a more comprehensive remedy is implemented.

**Q12: Xcel initially stated there were about 4,400 bad modules in North Dakota and that the company was still investigating the root cause. Has that number increased? Is there more information about the cause?**

Q12: Our initial assessment indicated that about 5,100 Fargo and Grand Forks area customer accounts had the potential for being affected by a failed AMR module; we subsequently field-verified that approximately 4,000 of these were actual failures. Since then, modules have continued to fail, but at a lower rate, and we are continuing to investigate and respond to these in a timely manner.

At this time, Cellnet has been unable to offer any conclusive findings regarding the root cause of the module failures.

**Q13: How much did Xcel spend on the new customer information system and what is North Dakota's share?**

A13: Our Customer Resource System (CRS) processes bills for customer accounts across the four Xcel Energy utility operating companies (Northern States Power Company (Minnesota), Northern States Power Company (Wisconsin), Public Service Company, and Southwest Public Service). Our total investment in this system was approximately \$153.5 million.

Our North Dakota jurisdiction is allocated a proportionate share of these costs, which amounted to approximately \$2.8 million for the electric utility and \$1.5 million for the gas utility.

**Q14: Where and how are the bills developed and mailed to North Dakota customers?**

A14: We contract with a third-party vendor (DST Output) to prepare and print our bills. We send the appropriate meter reading and other data electronically to this vendor, who then processes, prints, and mails our bills to our customers. Bills are sent from Kansas City, Kansas.

**Q15: What is Xcel's policy when a customer asks for a reduced estimate because of factors such as being away on vacation, changes in use patterns or home improvements designed to save energy?**

A15: We will consider the circumstance and evidence the customer can provide in support of the claim that our estimate is too high. Situations that would cause us to consider adjusting the estimate include:

- The customer can produce acceptable proof that they have modified their natural gas usage relative to the two-year history used in the estimate. An example of such proof would be the submitting of receipts for the recent installation of a new, high-efficiency furnace.
- The customer has both natural gas and electric service and there is also a demonstrable drop in recent electric usage compared to the recent past.
- The customer indicates they are using electricity instead of natural gas to heat their home or business, and their electric consumption has increased correspondingly.

We believe the process used for developing estimated usage is fair and reasonable for the customer, as it relies on the lowest of two year's prior usage for the same period. Because this winter was colder than prior years, we believe customers will not overpay due to the rebilling. However, we will consider appropriate evidence that the estimate is overstated, should the customer provide it.

August 1, 2008

**PRIVATE DATA**  
**1/0/1900**  
**1/0/1900**

Account : PRIVATE DATA  
Premise: PRIVATE DATA

Dear :

We have identified that your gas meter has not been registering your energy usage accurately. We have installed new metering equipment and confirmed that it is now functioning correctly. We apologize for any inconvenience this has caused you.

Since little or no usage was registered on your meter after the reading on 1/19/2008 a correction has been made, estimating gas usage for the period from 12/29/2007 through 2/21/2008. The estimated usage was calculated based on previous consumption at the property and has been used to calculate a corrected bill.

Below is a summary that outlines the information used to estimate usage during the affected period.

<b>Meter Service Address</b>	
<b>New Meter Equipment Installation Date</b>	<b>2/21/2008</b>
<b>New Meter Equipment Type</b>	<b>gas</b>
<b>Number of Days Used for Billing Correction</b>	<b>54</b>
<b>Usage Per Day Last Year</b>	<b>4.73</b>
<b>Usage Per Day Two Years Ago</b>	<b>4.11</b>
<b>Estimated Usage Per Day Utilized for Corrected Billing</b>	<b>4.11</b>
<b>Total Estimated (CCF/KWH) Usage for Corrected Billing</b>	<b>222</b>
<b>Corrected Bill Amount for 12/29/2007 - 2/21/2008</b>	<b>\$ 266.59</b>

You should receive an itemized statement within the next week. Because your bill might reflect charges for multiple months, you have the option to set up a payment arrangement. If you choose to set up a payment arrangement, you will not be charged interest or late fees. \*\*

Please accept our apologies for any inconvenience this has caused you. Feel free to contact our customer service representatives at **1-800-895-4999** if you have any questions or to set up a payment arrangement. Please select "Billing" from the main menu and then follow the prompts.

Sincerely,

Xcel Energy Billing Services

*\*This time frame is in accordance with rules on file with the appropriate state entity.*

*\*\*Per Xcel Energy credit guidelines, interest and late fees are waived so long as payments are received during the prescribed timeframe of the payment program. If payments are not received by the due date, interest and late fees may be charged.*

2008	St Cloud	Winona
	Electric	Electric
1st Qtr Totals	47,839	0
2nd Qtr Totals	9,523	0
3rd Qtr Totals	3,367	0
4th Qtr Totals	0	59,560
<b>Total Project 2008</b>	<b>60,729</b>	<b>59,560</b>

2009	Faribault		Winona		North Dakota	
	Electric	Gas	Electric	Gas	Electric	Gas
2009 1st Qtr Totals	0	0	17,790	11,900	0	0
2009 2nd Qtr Totals	0	0	0	41,320	0	0
2009 3rd Qtr Totals	1,000	400	12,700	2,650	4,850	11,680
2009 4th Qtr Totals	46,340	17,445	0	0	0	0
<b>Total Project 2009</b>	<b>47,340</b>	<b>17,845</b>	<b>30,490</b>	<b>55,870</b>	<b>4,850</b>	<b>11,680</b>

2010	Faribault		Metro and SDakota	
	Electric	Gas	Electric	Gas
2010 1st Qtr Totals	27760	0	1780	0
2010 2nd Qtr Totals	0	0	23805	0
2010 3rd Qtr Totals	0	0	0	0
2010 4th Qtr Totals	0	0	0	0
<b>Total Project 2010</b>	<b>27760</b>	<b>0</b>	<b>25585</b>	<b>0</b>

Total Project NSPM 2008-2010	Type		341,709
	Electric	Gas	
<b>Total Project NSPM 2008-2010</b>	<b>256,314</b>	<b>85,395</b>	

**NOTE:** Deployment schedules in any project are not static, but rather very dynamic. This schedule is subject to change due to project needs.

**CERTIFICATE OF SERVICE**

I, James G. Erickson, hereby certify that I have this day served copies of the foregoing document on the attached list of persons by e-filing, delivery by hand or by causing to be placed in the U.S. mail at Minneapolis, Minnesota.

**Docket No. G-002/CI-08-871**

Dated this 21st day of August 2008

/s/

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James G. Erickson

Investigation into Northern States Power for  
Inaccurate Gas Meters, Recalculation of Bills  
and Related Issues.  
G002/CI-08-871

7-31-2008

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