

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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PUBLIC SERVICE COMMISSION

In the Matter of an Investigation into Northern States Power Company d/b/a Xcel Energy Inaccurate Gas Meters, Recalculation of Bills, and Related Issues

ISSUE DATE: October 26, 2009

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

DOCKET NO. E,G-002/M-09-224

In the Matter of the Petition of Northern States Power Company for Approval of Modifications to the Service Rules in the Company's Natural Gas and Electric Tariffs

ORDER REQUIRING REFUND AND OTHER MEASURES TO ADDRESS ISSUES IDENTIFIED IN INVESTIGATION

PROCEDURAL HISTORY

On July 17, 2008, Xcel personnel informed Commission staff of problems with certain gas metering equipment registering little or no usage in the Saint Cloud area.

On July 28, 2008, the Commission opened the above docket to investigate issues relating to Xcel's re-billing of natural gas customers to recoup revenue uncollected due to the failure of natural gas metering equipment.

On July 29, 2008, Xcel personnel informed the Commission that it had suspended re-billing customers, would not commence re-billing without Commission approval, and had suspended for 60 days credit and collections activities on accounts which had already been re-billed.

On August 1, 2008, the Commission issued a notice requiring Xcel to provide information and answer an extensive list of questions relating to this matter.

On August 21, 2008, Xcel filed a petition seeking authority to rebill.

On November 14, 2008, the Commission issued an Order rejecting Xcel's August 21, 2008 request to resume billing and directing the Company to file additional information responding to the Commission's questions and concerns.

On December 19, 2008, staff of the Commission, the Department of Commerce's Office of Energy Security (the OES), and the Residential and Small Business Utilities Division of the Office of the Attorney General (collectively referred to as State Agency staff) met with Xcel personnel to

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discuss the status of this matter, with a focus on Xcel's actions to answer the Commission's concerns and improve its future processes.

On January 12, 2009, Xcel formally responded to the Commission's November 14, 2008 Order Requiring Filings. Among other things, Xcel requested that the Commission hold its request to rebill in abeyance pending further efforts by the Company to fully understand the scope of the module failure related issues.

On March 6, 2009, Xcel filed its Amended Petition and Proposed Resolution in the investigation docket (G-002/CI-08-871) as well as a petition proposing revisions to its service rules in its natural gas and electric tariffs. The Company's petition to modify its service rules was assigned to Docket No. E,G-002/M-09-224.

On April 3, 2009, the OES, OAG-RUD, and the Suburban Rate Authority (SRA) filed comments on Xcel's March 6 filings. Xcel filed reply comments on April 17, 2009.

On July 15, 2009, Xcel filed its request to withdraw its August 21, 2008 request to rebill and its March 6, 2009 amended petition to rebill. The OES filed comments on Xcel's request to withdraw on August 7, 2009. The SRA and Xcel filed reply comments on August 14, 2009. At that point, the only issue in dispute between Xcel and the OES was the treatment of customers currently in the rebilling hold queue who Xcel has determined are not affected by the meter module failures.

The Commission met on September 17, 2009 to consider this matter.

FINDINGS AND CONCLUSIONS

I. Background

Xcel contracts with Cellnet Technology Midwest, Inc. to provide automated meter reading (AMR) services for its electric and natural gas meters. For gas meters, an electronic module is fitted over the existing mechanical meter which sends readings to Cellnet. In 2007, Cellnet provided approximately 64,500 of what Xcel has designated as 1074 v.2 model modules for natural gas meters for deployment in Minnesota.

Cellnet began widespread installation of the new meter modules in August 2007 in the Saint Cloud, Fargo/Moorhead, and Grand Forks/East Grand Forks areas. By early February 2008, Xcel determined in response to customer inquiries that an unusual number of the modules were failing. A mechanical failure in the module affected the meter index, such that the shaft and drive pin were not turning with the flow of natural gas. The AMR system was sending readings, but the readings were generally the same as the previous reading, i.e. the reading would show zero consumption. As a consequence, Xcel did not bill a significant number of customers for the gas they consumed for many months. More than 4,000 of the meter modules failed in North Dakota and 20,000 in Minnesota during the 2007-2008 heating season.

II. Xcel's Refund Plan

As part of its July 15, 2009 Request to Withdraw, Xcel included a refund and communications plan. Xcel proposed to refund to approximately 1,330 customers affected by the Cellnet 1074 v.2 meter module failures rebilled amounts collected without Commission permission prior to July 29, 2008. The Company's proposed refund and communications plan includes the following features:

- Refunds would be credited to customer accounts within 60 to 90 days of Commission approval;
- Refunding would be achieved by bill credit to customers still on the Xcel system and by check to those who have moved out of the Xcel service area;
- Interest would be applied at the rate referenced in the Commission's billing error rules;
- Xcel would send to customers a letter explaining the refund process approximately 10 days prior to the billing statement on which the bill credit would appear;
- Xcel would call customers on various payment programs and low income customers to discuss the refund process;
- Xcel would provide a dedicated toll-free number staffed by specially trained billing specialist to answer customer questions;
- Xcel would file with the Commission a post-refund report after completing the refund process.

Xcel outlined various training, quality assurance, and other actions to help ensure accurate refunds and good customer service, and provided drafts of various customer communications materials.

The OES suggested some edits to Xcel's proposed customer communications and recommended that Xcel be directed to work with the Commission's Consumer Affairs Office staff to ensure that the communications are clear, accurate, and effective. In addition, the OES recommended that Xcel be required to include in its post-refund report additional information on the effect of the rebilling and subsequent refunding on customer participation in various payment plans. With those additional recommendations, the OES supported Xcel's refund and communications plan. The SRA filed comments agreeing with the OES's recommendation.

In its reply comments, Xcel agreed with these OES recommendations.

The Commission finds that Xcel's refund and communications plan is generally reasonable and will approve it as modified by the minor modifications suggested by the OES and agreed to by Xcel.

III. Rebilling Queue and Future Rebilling Procedures

As of July 29, 2008, Xcel halted rebilling all customers whose billing problem resulted from either a module or meter-related issues. From that point forward, the Company stated, it placed all candidates for rebilling on hold, or in a "billing queue," regardless of whether the customer's underpayment was related to the systemic failure of the 1074 v.2 model or due to some other cause. In this section, the Commission addresses whether, when and to what extent Xcel should be allowed to resume rebilling under the Commission's rules and the Company's tariffs.

In its July 15, 2009 Request to Withdraw, Xcel withdrew its March 6, 2009 request to begin rebilling customers in the rebilling queue starting 30 days after Commission approval. The Company clarified in reply comments, however that it needed to resume rebilling for routine issues (unlike the systemic issues such as the 1074 v.2 model failures) and would work with the parties to determine an appropriate cut-off date or other resolution to address the customers in the rebilling queue.

The OES recommended that Xcel not be allowed to rebill any of the customers currently in the rebilling queue, whether identified as being affected by the 1074 v.2 module failures or not, due to the time lag for rebilling that all customers in the queue have experienced. In the alternative, the OES recommended that before rebilling any of those customers, Xcel should be directed to file a report with the Commission detailing why rebilling these customers is justified, how many customers it intends to rebill, the reason for and amount of each proposed rebill, and a proposed customer notice.

At the hearing on this matter, Xcel stated that it would prefer to resume rebilling customers determined to be not affected by the 1074 v.2 meter module issue and who were placed in the rebilling queue beginning January 1, 2009, the date by which, according to the Company, it had replaced almost all of the 1074 v.2 meter modules in Minnesota. The Company acknowledged, however, that there were sound practical and public policy reasons for selecting other, later resumption dates. The Company clarified that its primary goal at this point was to secure a clearly defined cut-off/resumption date for rebilling customers when routine, non-systemic underbilling occurred.

The Commission finds it appropriate that Xcel be allowed to resume rebilling customers for routine, non-systemic underbilling pursuant to Commission rules and Company tariffs as of the date of the hearing on this matter, September 17, 2009. This decision provides the Company the clear marker it sought and avoids the time-intensive process of analyzing each account to determine which Xcel stated were not impacted by the 1074 v.2 meter module issue. This resolution also avoids the confusion and potential ill-feelings created by treating the 1074 v.2 meter module customers more favorably than the other under-billed customers, especially since all experienced a significant time-lag while all the issues associated with the 1074 v.2 meter module failure were sorted out.

IV. Cost Recovery Issues

In its July 15, 2009 Petition to Withdraw, Xcel committed to adjust its natural gas supply costs in its gas true-ups to ensure that this issue does not affect other customers and to forego any future cost recovery from customers associated with remediation of the malfunctioning 1074 v.2 modules.

In addition to being required to honor these commitments, the OES recommended that Xcel be required to file a report summarizing the results of the dispute resolution process with Cellnet and the Company's proposed disposition of any proceeds. The SRA supported the OES recommendations. In its August 14, 2009 reply comments, Xcel agreed to file such a report.

The Commission finds that Xcel's commitments on these issues, along with the additional commitments made at the hearing, provide an appropriate way to resolve these issues. The Commission will formalize all these commitments in Order Paragraph 3.

V. Future Rebilling and Overall Revenue Cycle Process Improvements

In its January 12, March 6, April 17, July 15, and August 14, 2009 filings in the docket, Xcel made a number of commitments to improve its billing, metering, service quality, communications, and other aspects of its revenue cycle systems, processes, and activities. A number of the commitments in the earlier filings were made in the context of, and limited to, committing adequate resources to rebilling customers affected by the 1074 v.2 meter module failures. In its March 6 and later filings, Xcel expanded its commitments to include improvements to these processes that would apply to all future activities.

The Commission finds that these commitments by Xcel are appropriate. They provide a reasonable manner for moving forward to avoid recurrence of the circumstances encountered in the course of this investigation. The Commission will reinforce these commitments in Order Paragraph 4, formalizing them into Company requirements.

VI. Xcel's Metering and Billing Tariffs

Xcel's March 6, 2009 Petition to Modify its Metering and Billing Tariffs has been assigned to Docket No. E,G-002/M-09-224. Having reviewed the language Xcel has proposed for these tariffs in light of this investigation (Docket No. G-002/CI-08-871), the Commission finds it reasonable and appropriate that the tariffs' wording with respect to the replacement of malfunctioning meters should be modified to 1) set a specific deadline for investigating a faulty meter that is shorter than 10 calendar days; 2) set a specific deadline for remediation (such as replacement or repair) of malfunctioning metering equipment and not allow rebilling for the period between a report of malfunction and the remedy if not timely; and 3) allow other sources, including Xcel's internal controls, to trigger the timing requirements for meter investigation and remediation.

Xcel has agreed to make these modifications. The Commission will direct Xcel to file, for Commission review and approval, revised gas and electric tariffs reflecting these requirements within 90 days of the date of this Order.

ORDER

1. The Commission hereby approves Xcel's refund and communications plan (Attachment B to the July 15, 2009 petition, copy attached) subject to the following:
 - (a) when determining eligibility for refunds, Xcel shall assume that a customer was affected by the 1074 v.2 module failure and thus is eligible for a refund if there is any doubt on the issue;
 - (b) Xcel shall consider the edits suggested by the OES to its customer communications materials, and shall work with Commission staff to finalize these materials to ensure that they are accurate, clear, and effective; and
 - (c) within 30 days of completing the refund process, Xcel shall file a report with the Commission as outlined in its July 15 plan, with the addition of information on whether the rebilling and refund actions affected customers' continued enrollment in the Automatic Pay Plan, E-billing, and the Averaged Monthly Payment Plan.
2. Xcel shall not rebill any of the customers who were placed in the rebilling queue (customers who have been classified by Xcel as not affected by the Cellnet meter module 1074 v.2 failures) prior to September 17, 2009. Xcel is authorized to resume rebilling customers for routine, non-systemic underbilling pursuant to Commission rules and Company tariffs as of September 17, 2009.
3. Regarding cost recovery and Cellnet Dispute Resolution proceeds, Xcel shall not collect from ratepayers any direct or indirect investments, costs, expenditures, or lost revenues resulting from this docket or the investigation, remediation, or replacement of the faulty meter modules or related litigation. In addition, Xcel shall
 - (a) calculate its annual PGA true-up adjustments (Docket Nos. G-002/AA-08-1054 and G-002/AA-09-1044) so as to exclude any unbilled gas costs resulting from this docket from being collected from ratepayers;
 - (b) in its initial filing in its next natural gas general rate case, Xcel must include testimony, and any necessary supporting schedules, to demonstrate that no costs, expenditures, or lost revenues related to this docket or to the investigation, remediation, or replacement of the faulty meter modules or related litigation are directly or indirectly being collected from ratepayers; and
 - (c) within 60 days of the final resolution of the dispute resolution process with Cellnet, file a report with the Commission which summarizes the results of the dispute resolution; the filing shall include a proposed disposition of any proceeds, including monetary payments, goods, and services, and any other type of compensation, for Commission review and approval.
4. Regarding rebilling process improvements, other revenue cycle process improvements, and reporting requirements, Xcel shall
 - (a) file the GEM Revenue Cycle Review Report with the Commission within 30 days of the completion of the Report;

(b) continue to meet with Commission, OES, and RUD-OAG staff to review outstanding billing and metering issues and its activities in implementing billing, metering, and related revenue cycle improvements; and

(c) file status reports on its progress in implementing its commitments with respect to billing, metering, and general revenue cycle improvements by March 1, 2010 and September 1, 2010, and make subsequent presentations to the Commission when requested; the status reports should include information on:

1) Xcel's 90 day plans on billing and metering and Executive Committee initiatives;

2) Xcel's plans and actions to address future rebillings processes and communications to customers on payment plans;

3) Xcel's implementation of the recommended actions and process improvement opportunities identified in the GEM revenue cycle review report, and

4) the status of its dispute resolution process with Cellnet and any significant changes to its contracts, agreements, or oversight of Cellnet; and

(d) work with Commission staff, OES, RUD-OAG, and any other interested stakeholders to develop billing and metering service quality metrics to be incorporated into Xcel's service quality tariffs addressed in E,G-002/CI-02-2034; and

5. Regarding Xcel's March 6, 2009 Xcel Petition to Modify its Metering and Billing Tariffs (assigned to Docket No. E,G-002/M-09-224), the Commission

(a) finds that the wording in Xcel's natural gas and electric tariffs with respect to the replacement of malfunctioning meters needs to be modified to:

1) set a specific deadline for investigating a faulty meter that is shorter than 10 calendar days;

2) set a specific deadline for remediation (such as replacement or repair) of malfunctioning metering equipment and do not allow rebilling for the period between a report of malfunction and the remedy if not timely; and

3) allow other sources, including Xcel's internal controls, to trigger the timing requirements for meter investigation and remediation; and

(b) requires Xcel to file, for Commission review and approval, revised gas and electric tariffs reflecting this requirement within 90 days of the date of this Order.

6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

A handwritten signature in black ink, appearing to read "Burl W. Haar". The signature is written in a cursive style with a large initial "B".

Burl W. Haar
Executive Secretary

(SEAL)

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Xcel Energy
Proposed Refund and Communication Plan

Our proposed refund process to resolve the 1074 v.2 model AMR module failure will notify and credit the approximately 1,330 already rebilled Minnesota customers for their payment of unrecorded natural gas usage during the months that the modules recorded no customer consumption, or intermittent usage. We will refund these customers with interest as provided by our natural gas tariff and the Commission's Rules. As part of our Proposed Refund and Communication Plan, we will not notify customers that have not been rebilled of the refund process. We believe communicating the refund process to these customers would cause confusion, as we had not previously notified them that they would be rebilled for their natural gas usage during the months that the 1074 v.2 model AMR module failed.

We have identified a dedicated team of Billing Specialists that will be specially-trained on any Commission-approved Refund and Communication Plan, and will solely focus on providing service to customers affected by this module failure. We are additionally preparing specific internal communications and procedures for all customer-assisting employees to assure the best possible customer service.

The Refund Implementation section details how we will proceed with refunding and communicating with all the previously rebilled customers impacted by the AMR module failure. We additionally outline our plan to ensure the refunds are accurate and will not impact customer participation in various Company programs.

The last component of our proposed plan is the Refund Reporting. We will provide the Commission with a report when our refunding efforts are complete. In this section, we outline the information that we will provide in the final report.

-REFUND PREPARATION

We have developed a refund process that we are prepared to implement – with the first customer receiving notification of the Company’s decision not to rebill and having a billing credit applied to their account within 60-90 days of receiving the Commission’s Order approving the Refund and Communication Plan. We outline below what we are doing to prepare for the refund effort.

A. DEDICATED TEAM OF BILLING SPECIALISTS

We have identified a group of experienced Billing Specialists who will make up our Dedicated Billing Specialist Team (the “Dedicated Team”). The Dedicated Team will be responsible for implementing the details of the refund process from start to finish, as outlined in the REFUND IMPLEMENTATION PLAN section.

To prepare our Dedicated Team and assure the Refund and Communication Plan will be implemented accurately and consistently, we will provide training regarding the specific details of the Refund Plan, as approved by the Commission, refund mechanics and payment programs such as LIHEAP, Average Monthly Payment (AMP) and Automatic Pay Plan (APP) programs. This training will be provided in addition to the special training the Dedicated Team has already received on working directly with customers impacted by the AMR module failure.

B. INTERNAL COMMUNICATIONS

Because we will be providing affected customers with a dedicated toll-free phone number for their questions, we expect calls to our general customer service numbers or other customer service employees will be minimal. But to ensure those calls are properly handled and directed to the Dedicated Team, we are developing specific internal communications for all customer service employees that will instruct them to direct impacted customers to our Dedicated Team.¹

Specifically, we have developed call scripts that will be used by the Dedicated Team when customers call the dedicated toll-free phone number. Customer Care representatives will also be provided these scripts so that they will be prepared to

¹ If the customer calls outside the Dedicated Team hours of 7:00 a.m. to 5:00 p.m., Customer Service employees will receive training and update internal communications so that they will be able to address any questions regarding the refund process.

respond to customers who call after hours. A draft of the inbound, outbound and Customer Care call scripts are included as Attachment D.

We will also provide directions for how to identify a customer as receiving a refund because he/she was rebilled for the 1074 v.2 model module failure, samples of the customer letters, high-level FAQs, and directions for guiding customer inquiries to the Dedicated Team of Billing Specialists.

In advance of implementing our refund effort, we will provide a copy of the internal communications that will be provided to all of our customer service employees.

REFUND IMPLEMENTATION PLAN

We recognize that it is important for us to execute this refund effort so as to minimize any confusion to our customers. We outline below the details of how we will execute any Refund and Communication Plan as approved by the Commission. This plan applies to the approximately 1,330 Minnesota customers who were previously rebilled prior to the suspension of our rebilling effort. Thus, this section outlines the actions we will take in regards to these customers.

A. Refund Plan Mechanics

If the Commission approves our Refund and Communication Plan, we will perform an analysis of all customer accounts previously rebilled to verify the billing credit to be applied to their accounts. Specifically, the Dedicated Team will manually review each of the approximately 1,330 accounts to verify the amount previously rebilled and amount paid during the AMR module failure, and the Company Plans (such as Auto-Pay, Budget, Pay Arrangements, E-Bill/EDI or Low-Income) associated with the account. The Dedicated Team will then credit the refund amount plus interest as provided by Commission Rules.

By manually reviewing each account, the Dedicated Team will be able to identify any already rebilled customers who have moved since paying the rebilled amount. We will provide a refund check to those customers that are no longer our customers but who had previously paid the rebilled amount. For those customers that moved during this period but remained a customer and paid the rebilled amount, we will credit the new Xcel Energy account.

B. Ensure Accurate Refunds

In addition to our standard Billing quality assurance and controls, and focusing the refund process by using the specially trained Dedicated Team, we will add the following steps to check and review the accuracy of the refunds:

- Billing Service Specialists will manually sample 1 out of 10 accounts worked by his/her peer to verify that the refund is accurate.
- Billing Service Leadership Team will randomly audit 1 out of 25 accounts to ensure that the refund has been calculated consistent with the terms of any Commission-approved Refund and Communication Plan.

C. Customer Communication

The approximately 1,330 Minnesota customers that have already been rebilled for the 1074 v.2 model AMR module failure will receive a letter notifying them about the refund process approximately 10 days prior to their next billing statement. The letter will explain the circumstances surrounding the Company's decision to refund the rebilled amounts, with interest, and provide the dedicated toll-free phone number for contacting the Dedicated Team with questions or concerns. A draft of the letter is included as Attachment C. We will work with Commission Staff and the State Agencies to incorporate their respective comments.

We will not communicate about the refund process to the approximately 12,500 Minnesota customers that will not be rebilled. To date, these customers have not been told by the Company that they could be rebilled for their natural gas consumption during the AMR module failure period. We believe providing the yet-to-be rebilled customers with information about a refund process, that is not applicable to them, could likely cause customer confusion.

While we do not foresee any impact to customers enrolled in the following Programs, we will proactively contact them to discuss the refund process:

- Averaged Monthly Payment ("AMP" or "budget billing")
- Automatic Pay Plan ("APP")
- E-Bill (online statement)
- Payment Arrangements
- Low Income Customers

For the programs listed above, we will use the draft outbound Calling Scripts provided as Attachment D.

D. Low Income Customers

Some of the customers affected by this 1074 v.2 model AMR module failure are or may be eligible for LIHEAP grants, low-income CIP programs, our Gas Affordability Program (“GAP”) and potentially other energy assistance. 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 refund efforts. We anticipate working with Commission Staff and the State Agencies to ensure that our refund efforts do not negatively impact our low income customers’ ability to qualify for assistance for the upcoming heating season.

REFUND REPORTING

Once we have completed the refund process, we propose to provide the Commission with a report that contains the information below:

- Number of customers refunded.
- Average refund volume and amount per customer.
- Number of customers enrolled in Company programs that received a refund.
- Deviations from any Commission-approved Refund and Communication Plan and how they were remedied.