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Division of Public Utilities

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AMENDED ACTION REQUEST RESPONSE

To: **Public Service Commission**

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Doug Wheelwright, Technical Consultant
Carolyn Roll, Utility Analyst

Date: March 27, 2013

Subject: **Recommendation—Acknowledge Company's Transponder Report**
Docket No. 08-057-11, Questar Gas Company's (Company) Meter and Transponder Inspection Program (MTIP) final report.

RECOMMEND ACKNOWLEDGEMENT:

The Division recommends the Commission acknowledge the final report filed by the Company as meeting the Commission ordered requirements in this docket and that no further action is necessary

ISSUE:

On December 5, 2012, Questar Gas Company (Company) filed with the Utah Public Service Commission (Commission) a cover letter and a final MTIP report. On December 11, 2012, the Commission issued an Action Request to the Division of Public Utilities (Division) to review the report for compliance and to make a recommendation by January 4, 2013. On December 14, 2012, the Division requested an extension on the due date to February 4, 2012 which the Commission granted on December 18, 2012. On February 1, 2013 the Division filed its response

to the action request. On February 13, 2013, the Commission issued an Amended Action Request to the Division of Public Utilities to review and further clarify the report for compliance and to make a recommendation by March 27, 2013. This is the Division's response to that amended action request.

DISCUSSION:

The Division reviewed the final MTIP report and asked the following two data requests from information contained in the report.

FDR 1.01 The VRT stand alone meters had an exception rate of 6.25%. Most of these fall in the "other category". Please explain why these meters had such a high rate of failure and please describe what "Other" means.

Answer: "Other" refers to a variety of different reasons why a transponder read may not agree with the index read. The problem that was discovered with the VRT stand alone transponders was that some would "short out" and miss counts when the circuit boards got wet. This was due to a design problem. As a result of this discovery the transponders with this error prone design were removed and replaced with a new redesigned product.

FDR 1.02 The American 2 ft. meters had an exception rate of 2.22%. It looks like this was caused by pre-divides. Please explain why this meter group was more prone to exceptions than the other groups.

Answer: The predominant meter used by Questar Gas Company for residential customers is the American 1ft meter. The most common error that was made was to mis-program the less common 2ft meter as if it were the more common 1ft meter.

As shown in the table below, the original estimate for pre-divide errors was 0.07%¹ of all inspections. The final report for pre-divide errors was 0.11%² for all meter inspections. All other categories were lower than original estimated with the total error exceptions for all meters lower by 0.20% than originally estimated which is insignificant.

¹ Docket No. 08-057-11, Division Report, Transponder Pre-Divide Exceptions and Back-Billing Issues, July, 18, 2008, page 3.

² Questar Gas Company's (Company) Meter and Transponder Inspection Program (MTIP) final report. December 5, 2012.

	Programming Error	Pre-divides	Index Change	Other	Total Exceptions
Original Estimate	0.16%	0.07%	0.24%	0.17%	0.64%
Final Report	0.08%	0.11%	0.13%	0.13%	0.44%

The Commission order in this docket stated the following:

We conclude the Settlement Stipulation must be modified so that the natural gas volumes, that are not subject to back billing, are accounted for in a manner to be borne by Questar, rather than the split proposed in the stipulation. As we have noted, the Stipulating Parties have made a reasonable calculation upon which such accounting adjustments can be based and implemented. The Settlement Stipulation also requires Questar to give a final, complete report of the results of the MTIP and any and all transponder errors. Any true up between initial accounting adjustments based on calculations and actual results can be implemented when the MTIP is completed and reviewed.³

The Division also asked the following data request.

FDR 1.03 How much was ultimately refunded to customers and how much was ultimately written off by the Company?

Answer: Our records indicate that \$221,466 was refunded to customers due to incorrect transponder settings where customers were over-billed. \$719,264 was written off by Questar Gas Company for customers who were under-billed beyond the designated 6 month period that customers were responsible to pay for.

The Company reported that in November 2008, \$857,357 was written off below the line for customers who were under-billed beyond the designated 6 month period. After the final inspections were completed in 2009, an adjusting entry of \$138,093 was made in June 2009 for a net write-off \$719,264. When the original estimate was calculated the Company estimated the amount under-billed by doubling the bills, since the meters were reading one half of the gas consumed. One item that resulted in the higher estimate was that the Customer Charge was included in the estimate when the Company doubled the bills. The total estimated loss on these

³ Docket No. 08-057-11 ORDER APPROVING SETTLEMENT STIPULATION WITH MODIFICATION, page 11.

meters was refined to exact amounts by running these accounts through the billing system which resulted in the lower write-off amount (see attachment Exhibit No. DPU Exhibit 3).

As part of the MTIP and the Company's ongoing meter inspection process for the period 2006 through 2009, 3,796 meters were found to have errors or exceptions. A sub set of this was a total of 919 meters with Pre-Divide errors; the 561 meters with the under-billed pre-divide errors are included in this total. The 358 additional meters with pre-divide errors were detected and corrected within the allowed 6 month billing adjustment period. Questar Gas has made many improvements targeted at improving its error detection and billing processes. The Company's CIS software, implemented in July 2004, contains both custom and base package programs which currently flag over 50,000 possible billing errors on a monthly basis. A transponder recording error can be masked when the programming error occurs mid-month, therefore making the reduction in usage appear to be gradual, over a two-month period. Questar Gas continues to evaluate the CIS software to identify ways to enhance the current application(s) and, or develop a customer program that will further improve the Company's ability to identify potential billing errors.

Although not related to the transponder issues discussed above, the Company also reported that an additional \$15,540 was written off in December 2009 due to magnet issues on older meters that were discovered through the MTIP process. The total lost was \$16,886 of which \$1,246 was DNG on pre 2006 losses resulting in the write-off of \$15,540 (see attachment "Transponder Double Magnet Adjustment")

In conducting its audit, the Division met with the Company's Regulatory Accounting Department. The Division discussed in detail the MTIP Final Summary Report and the accounting entries and supporting documents were reviewed. The Division believes the responses to these data requests, review of accounting documents and the filing of the final report meets the Commission's requirements and that no further action is required in this docket.

Cc: Barrie McKay, Questar Gas Company

Kelly Mendenhall, Questar Gas Company
Michele Beck, Office of Consumer Services