



State of Utah

DEPARTMENT OF COMMERCE
Committee of Consumer Services

To: The Public Service Commission of Utah

From: The Committee of Consumer Services
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Date: March 28, 2008

Subject: Questar Transponder Issue,
Docket Numbers 08 – 057 – 03, 04, 05, 06, 07, 08, 09

1 Background

During the month of March, several formal complaints have been filed with the Utah Public Service Commission (Commission) against Questar Gas Company (Questar or the Company) regarding recent bills requesting payment for unbilled gas. It appears that Questar had a certain number of radio transponders that were programmed incorrectly. The programming error has existed for several years causing an under-collection on many customer accounts. Questar recently recognized this error and is now asking customers who were affected by this error to pay the uncollected amount dating back two years.

The Committee of Consumer Services (Committee) first heard of this issue last week when it was notified that several formal complaints had been filed. At first, our understanding was that the process was evolving into one where the complaints would be consolidated and a more complete investigation pursued. However, our current understanding is that at present these individual complaints are moving forward individually.

The Committee is the state agency given the responsibility of representing small consumers (i.e. residential, small commercial and irrigator customer classes) in utility matters before the Commission. Further, it has a statutory duty to “assist residential

consumers and those engaged in small commercial enterprises in appearing before the Public Service Commission of the state of Utah.” The Committee has serious concerns about this transponder issue with respect both to the individual consumers impacted by the retroactive bills as well as the potential impact on all other small ratepayers. We urge the Commission to consolidate all related complaints and open a new docket in which a more complete investigation is pursued. A consolidated case is the only manner in which fair and consistent treatment can be ensured.

This memo will outline some of the initial concerns the Committee has identified. However, we are uncertain as to the full extent of the impact of the transponder issue and emphasize the need for additional investigation. The Committee intends to fully participate in these proceedings, starting by issuing discovery to clarify the full scope and impact of this issue.

2 Issues

2.1 Utility Prudence

The fundamental question underlying this transponder issue is whether Questar’s actions have been prudent. The Committee has significant concerns as to whether adequate processes were in place associated with the installation of new meters. Did the Company have proper testing procedures? Did the Company have proper checks in its billing system to flag abnormalities? Did the Company have adequate risk controls in its dealings with any subcontractors with responsibilities related to the installation and programming of the transponders? The Committee needs to understand exactly when the Company knew about its transponder problems and when it should have known. These are one set of questions that would need to be addressed in the full investigation proposed by the Committee.

2.2 Impact on Individual Customers

The impact of such large retroactive bills for small consumers cannot be overstated. The suggestion that consumers should have recognized the significant shift in costs does not recognize many of the realities of residential consumer bills. For example, some consumers have indicated that by having levelized bills, the difference was not significant enough to be noticed. Others have indicated that the change in billing level coincided with efficiency improvements that were made in the home. Still others had only lived in the residence during the time period the faulty transponders were in place and had no point for comparison. The Company must not be allowed to shift the burden of responsibility when the Company has full control of the relevant information and consumers are not even given proper tools to accurately assess the situation.

Another unfortunate impact of this large Questar error is that it took away these individual

consumers' ability to conserve in response to unexpectedly high bills. Per customer usage has been declining for many years. This is clear evidence that natural gas consumers respond to the signals given through the magnitude of their bills and have been choosing more efficient appliances, making weatherization improvements to their home and taking other steps to manage their natural gas usage. This opportunity was taken away from the individual customers impacted by the transponder issue and must be factored into any potential resolution.

2.3 Potential Impact on all Small Ratepayers

In addition to the significant impact on individual ratepayers faced with large retroactive bills, there is potential for impact on all small ratepayers. The Committee is concerned with the specific accounting and regulatory treatment of the costs associated with the volumes of gas that went unbilled during the timeframe that the mis-programmed transponders have been in operation. Have these costs been accruing to the "lost and unaccountable" account or were they averaged into the 191 balancing account? Depending on what accounting and regulatory treatment they received, the Committee may also seek to determine how these costs relate to the decoupling program associated with the CET and whether it is appropriate to have revenue assurance for costs that may be attributable to Company errors.

2.4 Proper Regulatory Treatment

Finally, in the event that the Commission determines individual consumers are responsible for some portion of the retroactive bills, the Committee advocates that the Commission must incorporate a full review of what the appropriate treatment of these bills should be. For example, it is not entirely clear that under the circumstances, as known to date, the Company is entitled to back-bill for the full two years. The Committee intends to investigate this issue further.

3 Recommendations

The Committee makes the following recommendations:

- 1) The Commission should consolidate all existing formal and informal complaints regarding the Questar transponder issue into a new docket.
- 2) The Commission should determine the full scope of consumers impacted by this transponder issue and ensure that impacted consumers are given an opportunity to participate in the process.

- 3) The Commission should, in the newly consolidated docket, incorporate a complete investigation of the issues, including but not limited to:
- a. Number of consumers impacted by faulty transponders
 - b. Precise length of time of operation of faulty transponders
 - c. Volume and costs of gas unbilled due to faulty transponders
 - d. Precise accounting and regulatory treatment of unbilled gas associated with faulty transponders
 - e. Determination of existing utility processes related to testing of new equipment, checks within the billing system, and risk controls with outside contractors and how Questar's practices compare to industry standards
 - f. Potential adjustments to the CET and/or general rate case to ensure appropriate treatment of costs associated with unbilled gas due to the faulty transponders
 - g. Determination of appropriate regulatory oversight regarding potential customer obligations under the circumstances