

Roger J Ball
Chancellor and Moderator
Utah Ratepayers Association
1375 Vintry Lane
Salt Lake City, Utah 84121
(801) 998-8511

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Consolidated
Docket of Formal Complaints
Against Questar Gas Company
Relating to Back-billing

Docket No 08-057-11

COMMENTS IN RESPONSE TO THE 18 JULY 2008
REPORT OF THE UTAH DIVISION OF PUBLIC UTILITIES

EXPLANATORY NOTE

For simplicity, throughout this *Response*, the Utah Ratepayers Association will refer to: the Public Service Commission of Utah as “Commission” or “PSC”; the Utah Division of Public Utilities as “Division” or “DPU”; the Utah Committee of Consumer Services as “Committee” or “CCS”; Questar Gas Company as “Questar”, “Company”, or “QGC”; and itself as “Association” or “URA”. Dates that appear without the year are 2008.

Also for simplicity, the Association will refer to data requests to, and responses from, QGC using the formats *DPU1DR*, *CCS1DR01*, and *Jt1DR02R*, where: the first set of alpha characters identifies to the requesting entity (Jt refers to a DPU and CCS Joint Data Request); the first numeral refers to the set of requests; *DR* means *Data Request*; the second group of numerals refers to a specific numbered request; and a final letter *R* means *Response*. So, in the examples given: *DPU1DR* means *DPU’s First Set of Data Requests to QGC*, dated 20 February; *CCS1DR01* means Request 1.01 of CCS’s First Set of Data Requests to QGC; and *Jt1DR02R* means QGC’s response to Request 1.02 of the *CCS’s and DPU’s 1st Joint (set of) Data Request(s) to QGC*, dated 24 April 8;

QGC Back-billing Complaints
Utah Ratepayers Association

RESPONSE COMMENTS

Docket No 08-057-11
9 September 2008

all *In the Matter of the Consolidated Docket of Formal Complaints Against Questar Gas Company Relating to Back-billing*, Docket 08-057-11. (The Committee has repeatedly declined to provide the URA with copies of its data requests to QGC in any form, so we are unable to properly cite the captions or dates of those requests; we have taken the numbers of each CCS request from QGC's responses, available only on its data response website.)

BACKGROUND

The Commission created this Docket on 1 April, directing the Division to conduct an investigation into issues surrounding Questar's incorrectly reporting remote meter reading transponders, in response to numerous formal and informal complaints filed with the Commission and Division by ratepayers who had been back-billed for previously under-reported consumption and a 28 March recommendation from the Committee.

The Association requested intervention on 2 April, and the Commission granted the request by Order on 18 April. During a 17 April Procedural Conference, the Division presented its *Proposed Scope of Investigation and Procedural Schedule*, the Association its *Proposals Regarding the Scope and Timing of the Investigation ... and the Manner and Timing of the Adjudication of individual Complaints*, and Administrative Law Judge Steven F Goodwill said that formal complainants are parties to this Docket. On 21 April, the Division issued its *Revised Scope of Investigation and Procedural Schedule* and, on 18 July, its *Report*. On 26 August, the Commission issued its *4th Scheduling Order*, requiring the filing of rebuttal testimony or response comments to the Division's *Report* by 9 September. This *Response* contains Association comments regarding the *Report*.

ANALYSIS

THE OBJECTIVE AND PROBLEM DEFINITION ADOPTED BY THE DIVISION FOR ITS INVESTIGATION

Following an *Executive Summary*, the Division in its *Report* provides an *Introduction*. Under the heading *Objective of Investigation*, it writes in part:

The purpose of this report is to investigate issues associated with transponders with a specific installation problem known as a “pre-divide error”¹

Under the next heading, *Definition of Problem*, it provides a footnoted sub-heading, thus:

Definition of Problem^A

^A The following discussion is adopted from, “Answer of Questar Gas Company,” Docket No. 08-057-11, April 15, 2008; Questar Gas Company’s response to data requests; and information provided at a Commission-scheduled technical conference held on May 16, 2008.

The Definition is cast entirely in terms of Questar’s perspective, its transponder installation project: what a transponder is; the need to set it correctly; the two types of transponders used by QGC, 3.4 and VRT; what a pre-divide is on a VRT transponder; types of meters; how a pre-divide incorrectly set for certain particular types of meters may affect the reading transmitted by a VRT; and some analysis of 517 billing mistakes that QGC has identified since the beginning of August 2005.

It is the Association’s position that what the Division has defined as the problem are in fact a number of its causes, the root cause of which is Questar’s managerial ineptitude in implementing the transponder installation project. The problem is more appropriately defined in terms of the effects on ratepayers: over-billing, and how the Commission is to ensure that everyone affected by it has been reimbursed; under-billing, and how the Commission is to ensure that everyone affected by that is treated justly, reasonably, without discrimination, and comparably with the expectations they would have in dealing with a supplier in the competitive sector; and cost-shifting to ratepayers-

¹ *Division Report*, 18 July 2008, *In the Matter of the Consolidated Docket of Formal Complaints Against Questar Gas Company Relating to Back-billing*, Docket 08-057-11, (hereinafter, *Report*): page 10, fourth sentence under the heading *Objective of Investigation*.

at-large, and how the Commission is to ensure that they are fully reimbursed that part of the bills they have paid for which they received no benefit.

TABLE 1 – BILLING MISTAKES IDENTIFIED BY QUESTAR FROM AUGUST 2005 TO MARCH 2008²

Month	No of Accounts Discovered in Error in Month	Cumulative No of Accounts Discovered in Error	No of Accounts Discovered Over-billed in Month	Cumulative No of Accounts Discovered Over-billed	No of Accounts Discovered Under-billed in Month	Cumulative No of Accounts Discovered Under-billed
a	b	c	d	e	f	g
Aug-05	1	1			1	1
Sep-05		1				1
Oct-05		1				1
Nov-05		1				1
Dec-05		1				1
Jan-06		1				1
Feb-06		1				1
Mar-06		1				1
Apr-06	1	2			1	2
May-06		2				2
Jun-06		2				2
Jul-06	4	6	2	2	2	4
Aug-06	13	19	2	4	11	15
Sep-06	2	21		4	2	17
Oct-06	1	22	1	5		17
Nov-06		22		5		17
Dec-06	5	27		5	5	22
Jan-07	15	42	1	6	14	36
Feb-07	7	49	2	8	5	41
Mar-07	7	56		8	7	48
Apr-07	3	59		8	3	51
May-07	13	72	1	9	12	63
Jun-07	3	75	1	10	2	65
Jul-07	8	83		10	8	73
Aug-07	15	98	8	18	7	80
Sep-07	16	114	3	21	13	93
Oct-07	21	135	4	25	17	110
Nov-07	34	169	2	27	32	142
Dec-07	16	185	2	29	14	156
Jan-08	14	199		29	14	170
Feb-08	276	475	1	30	275	445
Mar-08	42	517	1	31	41	486

(The transponders implicated in all 517 of the billing mistakes to which the Division's *Definition of Problem* and TABLE 1 refer are all identified as VRTs.)

² Data extracted from the attachment to *Jt1DR27R*.

It will be readily seen from TABLE 1 – BILLING MISTAKES IDENTIFIED BY QUESTAR FROM AUGUST 2005 TO MARCH 2008, above, that, prior to August 2005, Questar didn't identify a single customer whose bill was impacted by an incorrect transponder pre-divide setting. By that time, however, as can be seen from TABLE 2 – TRANSPONDER INSTALLATION TIMETABLE, below, more than 700,000 transponders had been installed, regardless of which of the conflicting datasets provided by QGC you consider.

TABLE 2 – TRANSPONDER INSTALLATION TIMETABLE³

Year	25 March 2008 <i>DPU1DR06R</i>		8 May 2008 <i>Jt1DR25R</i>	
	Installations	Cumulative Installations	Installations	Cumulative Installations
1996	500	500	1,149	1,149
1997	7,500	8,000	571	1,720
1998	30,000	38,000	17,674	19,394
1999	60,000	98,000	17,522	36,916
2000	105,000	203,000	113,833	150,749
2001	110,000	313,000	163,980	314,729
2002	105,000	418,000	67,510	382,239
2003	135,000	553,000	154,911	537,150
2004	140,000	693,000	153,704	690,854
2005	145,000	838,000	119,594	810,448
2006	37,000	875,000	44,467	854,915

³ Data extracted from the attachments to *DPU1DR06R* and *Jt1DR25R*.

Further analysis of the data regarding the 517, and looking in particular at those billing mistakes identified during 2005 and 2006, showed that there had been 5 cases of over-billing. The first was found in July 2006, and had apparently persisted for 23 months, since the transponder was installed in August 2004. This analysis is summarised in TABLE 3 – OVER-BILLED RATEPAYERS IDENTIFIED 2005-06, below.

TABLE 3 – OVER-BILLED RATEPAYERS IDENTIFIED 2005-06

Amount Over-billed	Date Over-billing Discovered	Date Transponder Added	Months Over-billed
a	b	c	d
\$1,601.86	27-Jul-06	25-Aug-04	23
\$1,021.95	27-Jul-06	29-Sep-04	22
\$869.42	18-Aug-06	19-Apr-05	15
\$1,418.05	24-Aug-06	21-Sep-04	23
\$1,443.48	5-Oct-06	22-Sep-05	12

(All had American 1ft meters to which VRT transponders were added while they were in service by contractors.)

22 ratepayers were over-billed during the same period. The first, identified in August 2005, had been under-billed for 15 months, since a transponder was added to their meter in May 2004. Five accounts identified in August 2006 had been incorrectly billed since June 2004. This analysis is summarised in TABLE 4 – UNDER-BILLED RATEPAYERS IDENTIFIED 2005-06, below.

Ratepayers' problems began long before 2005. TABLE 4 clearly demonstrates that ratepayers-at-large have been picking up at least part of the tab for under-billing since at least May of 2004. As will be shown later in this Response, VRTs began to be installed not less than a year before that, and there is no credible evidence to show that 3.4s could not be incorrectly set and give rise to billing mistakes.

TABLE 4 – UNDER-BILLED RATEPAYERS IDENTIFIED 2005-06

Amount Under-billed	Date Under-billing Discovered	Date Transponder Added	Months Under-billed	Meter Type
a	b	c	d	e
\$1,144.51	8-Aug-05	1-May-04	15	American
\$686.90	4-Apr-06	1-Oct-04	17	American
\$1.83	21-Jul-06	1-May-06	3	American
\$77.41	28-Jul-06	17-Mar-06	3	American
\$18.43	1-Aug-06	5-May-06	5	Rockwell
\$1,509.71	1-Aug-06	1-Jun-04	33	American
\$1,316.15	1-Aug-06	6-Apr-05	15	American
\$563.55	1-Aug-06	2-Feb-05	18	Rockwell
\$3,023.74	3-Aug-06	4-Apr-05	17	American
\$361.30	8-Aug-06	7-Apr-05	17	Rockwell
\$948.07	24-Aug-06	18-Jun-04	26	American
\$1,230.72	24-Aug-06	18-Jun-04	27	American
\$1,204.19	24-Aug-06	18-Jun-04	26	American
\$722.81	24-Aug-06	21-Sep-04	23	American
\$492.99	31-Aug-06	23-Jun-04	27	American
\$1,612.48	15-Sep-06	3-Dec-04	21	American
\$704.30	22-Sep-06	14-Apr-05	18	Sprague
\$1,221.45	11-Dec-06	9-Nov-04	26	American
\$907.42	19-Dec-06	15-Dec-07	12	American
\$421.68	19-Dec-06	15-Dec-04	24	American
\$1,453.80	19-Dec-06	16-Nov-04	25	American
\$1,461.85	20-Dec-06	22-Mar-05	21	American

(All had 2ft meters to which VRT transponders were added while they were in service by contractors.)

If Questar and the Division want the Commission to believe, among many things, that: there was no over- or under-billing of customers, or cost-shifting to ratepayers-at-large, before May 2004; that all incidences of such billing and accounting blunders have been identified and quantified; and that 3.4 transponders were incapable of transmitting incorrect readings; then they have some way to go to prove it.

The period over which consideration of the problem needs to extend must begin no later than 1 January 1996, just before QGC says the first transponders were installed, although the Company is apparently unable to say exactly when that happened or to which of its customers.

INVESTMENT APPRAISAL OF THE TRANSPONDER INSTALLATION PROJECT

On 15 April, QGC wrote:

An extensive and thorough evaluation showed that AMR technology would provide a substantial benefit by increasing the efficiency and accuracy of meter reading and reducing costs.⁴

But there is no evidence to support QGC's claim that it prepared a business case to justify its investment in transponders.

On 24 April, CCS and DPU asked QGC:

Please provide Company or other studies and analyses that the Company relied upon to support the decision to convert to AMR at the time the decision was made;⁵

and:

Provide a copy of all writings or records including emails discussing or documenting the evaluation and conclusions upon which Questar Gas relies to support the allegation that automated meter reading would increase the efficiency and accuracy of meter reading as stated in its Answer of Questar Gas Company, Background, 1. Automated Meter Reading and Transponders (page 3).⁶

On 8 May QGC responded, including:

⁴ *Answer of Questar Gas Company*, 15 April 2008, *In the Matter of the Consolidated Docket of Formal Complaints Against Questar Gas Company Relating to Back-billing*, Docket 08-057-11, (hereinafter, *Answer*): page 3, first paragraph under the heading *Automated Meter Reading and Transponders*, third sentence.

⁵ *Jt1DR01*.

⁶ *Jt1DR02*.

early analysis was based upon projections of how the product would perform in the field. Documents related to these early analyses (to the extent that they existed) could not be found. However, a summary of projected NPV and IRR data is attached;⁷

and:

Typically, the Company does not keep the requested information for such a lengthy period of time. However, a search among the records produced few documents related to this request.⁸

On 5 June, URA asked:

In its 15 April 2008 *Answer*, Questar Gas Company wrote:

During the mid-1990s due to the ever-increasing number of meters, and a desire to increase the accuracy and reduce the costs of meter reading, Questar Gas evaluated the use of AMR technology. An extensive and thorough evaluation showed that AMR technology would provide a substantial benefit by increasing the efficiency and accuracy of meter reading and reducing costs. The preferred technology for AMR involved the use of devices known as “transponders.”

Please provide copies of all documents and records pertaining to the very first and growing awareness by Questar of this issue, explaining why nothing earlier is available, and the evaluation of AMR technology, including the alternatives considered and the data and qualitative reasons taken into account in determining the preferred technology.

On 20 June, QGC responded:

The original evaluation and analysis to consider AMR technology was performed over 10 years ago and there are no longer any records or documentation of those studies or discussions. The benefits of AMR and other considerations were presented and discussed at length during a Technical Conference held May 16, 2008. Also, the advantages and realized benefits of AMR were included in handouts of the presentation that were distributed at that conference.

Just as it claimed in its *Application to Remove GSS and EAC Rates from (its) Tariff*, Docket 06-057-T04, QGC supposedly conducted an investment appraisal, but again is unable to document it, or provide a reasonable comparison of the outcomes with its business case. No conscientious board of directors would swallow this; nor should the Commission. If a pre-installation assessment of the

⁷ *Jt1DR01R*.

⁸ *Jt1DR02R*.

costs and savings associated with transponders cannot be produced and authenticated, then the Commission can reasonably only conclude that one never existed.

TRANSPONDER INSTALLATION

On 20 February, DPU asked:

Please provide a timeline for the project. When did the meter installation begin, when did the installation end or estimate when it will end, when did the inspection of these meters begin, and when will the inspection of these meters end;⁹

and, on 24 April, CCS and DPU asked:

Since beginning the conversion process in 1996, please provide by year the following for each year and with the greatest geographic granularity that is possible for each year:

- a Number of meters installed;¹⁰

On 25 March, QGC responded:

The attached file ... shows the cumulative number of transponders installed each year since the inception of the project in 1996;¹¹

and then, on 8 May:

the attached file ... contains a close *approximation*.¹² (Emphasis added.)

The numbers provided are shown in TABLE 2 – TRANSPONDER INSTALLATION TIMETABLE, above.¹³

⁹ *DPU1DR06*.

¹⁰ *Jt1DR25*.

¹¹ *DPU1DR06R*.

¹² *Jt1DR25R*.

¹³ The quantities of transponders installed provided in *DPU1DR06R* were clearly and at best rounded, and perhaps less accurate than that, so the URA regards those which accompanied *Jt1DR25R* as probably a better reflection of what actually happened, although QGC itself characterises them as an “approximation”. Moreover, there are 4 arithmetical errors of ± 1 , summing to 2, in the column totals of the data provided with *Jt1DR25R*. The final entry in the last column of TABLE 2 has been amended to correct the arithmetical errors, assuming that all the other values in the data response were correct. The unattributed content of Table 2 on page 14 of the Division’s *Report* appears to be an exact copy of the numbers provided in *DPU1DR06R*. *Jt1DR25R* provided revised numbers, but those were not incorporated by the Division in its *Report* published

“The installation of transponders was essentially complete by the first part of 2006.”¹⁴

TRANSPONDER MODELS

QGC’s 15 April *Answer* informed us:

Initially, Questar Gas installed a particular transponder known as a “3.4” model. Between 1998 and 2002, Questar Gas installed 3.4-model transponders on approximately 40% of the natural gas meters in its service areas, mostly outside the Wasatch Front. However, in 2002, the transponder vendor ... stopped producing the 3.4-model transponder, and introduced the “VRT” transponder model.

Between 2002 and March 2008, Questar Gas installed approximately 500,000 VRT transponders on existing meter sets. Since that time, new meter sets and meter replacements include VRT transponders.¹⁵

It also said:

VRT transponders also use an internal adjustable setting called a “pre-divide,” not used in the 3.4 model. The transponder’s pre-divide setting represents a multiplier value to correctly equate a number of revolutions of the meter drive mechanism to a specific quantity of gas. The pre-divide can be set differently to correspond with different meter sizes, allowing a VRT transponder to work with more than one meter size.^B The pre-divide must be set properly for the type of meter on which it is installed. An incorrectly set pre-divide can result in a transponder recording error.¹⁶

^B Questar Gas uses several different sizes of gas meters, depending on customer gas requirements and usage. Meter size is determined by the customer’s natural gas requirements. The most common sizes, used mostly for residential and small commercial customers, have natural gas flows of either one or two cubic feet and are known respectively as “1-foot” or “2-foot” meters.

Was QGC aware that “(a)n incorrectly set pre-divide can result in a transponder recording error” before it started installing VRTs? If not, it is guilty of disingenuity in its *Answer*, but if it knew, it was culpably negligent in failing to take the appropriate preventative measures.

ten weeks later. QGC has not updated its *DPU1DR06R*, nor did it point out or explain the variance from that *Response* when answering *Jt1DR25*.

¹⁴ *DPU1DR06R*.

¹⁵ *Answer*: pages 3 & 4, under the heading *Transponder Installation*, first paragraph, third through fifth sentences; and third paragraph, first and second sentences.

¹⁶ *Answer*: page 4, second paragraph.

In *DPU1DR04R* on 25 March, QGC said it had 880,778 installed transponders: 362,090 3.4s, and 518,688 VRTs. By 8 May in *Jt1DR05R* there were 886,188 installed transponders: 350,217 3.4s, and 535,971 VRTs. No dates were offered for these counts, nor explanations for the variations.

On 5 June, URA asked:

Please ... provide data showing how many (VRT Transponders) were installed, when (by month since January 1996), and where, compared with each other kind;¹⁷

and on 10 July, QGC responded:

In its response to JDR 1.25 the Company *estimated* the number of transponders installed by year and by area. There is no further information available to refine that estimate to a monthly value or whether the transponder was corrected or replaced. All transponders installed before 2003 were the 3.4 type while the transponders installed after 2002 were the VRT type.¹⁸ (Emphasis added.)

On 16 June, DPU asked for more detailed information in response to *Jt1DR17*, *Jt1DR18*, and *Jt1DR19*.¹⁹ On 1 July, QGC responded:

Though Questar Gas Company began installing transponders on its meters in 1998, it did not begin installing the type of transponders with pre-divides, known as VRT transponders, until 2002.^c Between 2002 and March of 2008, Questar Gas installed approximately 500,000 VRT transponders on existing meter sets. After 2002, all new meter sets and meter replacements were equipped with VRT transponders.

^c Initially, Questar Gas installed a particular transponder known as the 3.4 model. Between 1998 and 2002, Questar Gas installed 3.4 model transponders on natural gas meters in its service areas, mostly outside the Wasatch Front. In 2002, the transponder vendor, Elster Integrated Solutions, LLC ("Elster") stopped producing the 3.4 model transponders and introduced the VRT transponder model. ... The VRT model also has an adjustable setting known as a "pre-divide," which is not present in the 3.4 model. The pre-divide is used to establish the relationship between the volume of gas that passed through the meter, and the amount recorded in the transponder. The errors in the settings of the pre-divide are the source of the billing errors at issue in this docket, and only exist with respect to the later-installed VRT transponders.

It's difficult to form a clear picture from these ambiguous, non-specific, and conflicting QGC responses.

¹⁷ *URA5DR08*.

¹⁸ *URA5DR08R*.

¹⁹ *DPU2DR10*.

When the Company said “Between 2002 and March 2008, Questar Gas installed approximately 500,000 VRT transponders on existing meter sets”,²⁰ was that intended to mean *after 31 December 2002 and before 1 March 2008, or from 1 January 2002 to 31 March 2008 inclusive*, or something else? Did it mean meters modified by the addition of a transponder after they had been measuring gas at particular customers’ premises for some time without a transponder, or did it include meters newly placed with transponders added, or something else?

“All transponders installed before 2003 were the 3.4 type while the transponders installed after 2002 were the VRT type”²¹ is a bit more specific. If we take that literally, we can see from TABLE 1 – TRANSPONDER INSTALLATION TIMETABLE, above, that 382,239 3.4 transponders were installed between 1 January 1996 and 31 December 2002. Also, we can calculate that 540,186 VRT transponders were installed between 1 January 2003 and the end of the project in 2006. That’s a very bright dividing line, however. Are we to believe that not one 3.4 was installed during 2003, nor one VRT in 2002?

QGC’s most recent response on this issue seems to say that the Company isn’t sure:

Everything prior to *approximately* December 2002 was a 3.4 transponder and everything after that date was a VRT transponder. (Emphasis added.)

When you add up all the “estimated” and “approximately” adjectives, it’s clear that QGC hasn’t kept records of what it did, when, or where, so the Division is in the dark, too.

Why does it matter? Because neither QGC nor the DPU have really addressed whether over- or under-billing of individual customers, or cost-shifting to ratepayers-at-large, occurred as a result of the operation of 3.4 transponders. The URA is not convinced that none did; more later.

²⁰ Answer: page 4, last paragraph, first sentence; and DPU2DR10R.

²¹ URA5DR08R.

And because QGC didn't identify any customers over- or under-billed, or any cost-shifting to ratepayers-at-large, as a result of the operation of VRT transponders prior to August 2005. Just 1 then, and only 26 in 2006. 158 were identified in 2007, and 1191 in the first quarter of 2008.

No party appears to be suggesting that over- and under-billing and cost-shifting to ratepayers-at-large commenced as recently as August 2005, or even May or August 2004 (see TABLES 3 and 4, above). That's just as well, because perhaps only 94,000 were installed from 1 August 2005 until the project was completed,²² while as many as 378,000 VRTs were installed during the period 1 January 2003 to 31 July 2005.²³ Since no technical explanation has been advanced why earlier VRTs would not have been as prone to wrongly-set pre-divides as later ones, URA concludes that there is none. And QGC apparently has no record of noticing any over- or under-billing before July 2006, contemporaneous with commencement of the MTIP. URA concludes that QGC's apparent slowness to recognise that there was a problem, and inability so far to produce records that would permit its scope to be evaluated, is not evidence that there wasn't a problem before August 2005, or even that the full scope of the problem from 1 August 2005 to 1 July 2006, and to date, has been defined.

To the extent that there may have been cost-shifting to ratepayers-at-large prior to August 2005, and in the period 1 August 2005 to 1 July 2006, it will apparently have to be estimated in order to see the extent to which ratepayers subsidised QGC's blunder.

Much the same arguments apply to the 3.4 transponders, assuming they are susceptible to the same kind of under- and over-reporting of consumption. Might they be? It isn't entirely clear based upon the record and discovery in this proceeding. However, QGC has written:

²² Number of transponders installed in 6, plus five-twelfths of 2005, from *Jt1DR25R* in TABLE 1 – TRANSPONDER INSTALLATION TIMETABLE, above [44,467 + 5(119,594)/12], rounded.

²³ Number of transponders installed in 2003 and 2004, plus seven-twelfths of 2005, from *Jt1DR25R* in TABLE 1 – TRANSPONDER INSTALLATION TIMETABLE, above [154,911 + 153,704 + 7(119,594)/12], rounded.

VRT transponders also use an internal adjustable setting called a “pre-divide,” not used in the 3.4 model.²⁴

The “VRT” transponder differs from the 3.4 type in a number of ways but some of the more significant are that: 1) The VRT transponder always has a single magnet mounted on a rotating shaft while the 3.4 has one or two magnets depending on the type of meter it is installed on. In the VRT type, the relationship between the electronic impulses that count the revolutions of the meter and the volume of gas that passes through the meter is determined by an electronic setting in the transponder while in a 3.4 the relationship is determined by the number of magnets mounted on the shaft.²⁵

The URA is of the opinion that there is the potential for a technician installing a 3.4 to set it up to over- or under-report consumption, just as there is for the VRT. It appears that the number of magnets on the rotating shaft of a 3.4 can be changed by the installer, just as the pre-divide setting of a VRT can. The Commission really should require the DPU to enquire into that.

It seems entirely possible that customers may have been over- or under-billed, and that there may have been cost-shifting to ratepayers-at-large, as a result of incorrectly-installed 3.4s. Just because QGC hasn't come up with any information doesn't mean it didn't happen; it does mean that the DPU needs to dig deeper. There are similar possibilities with regard to VRTs installed before 2006, and those should be vigorously probed, too. In all of these cases it may be too late to back-bill under-billed customers, but it is not too late to make refunds to over-billed ones, and it certainly isn't too late to reimburse ratepayers-at-large who have paid more than they should as a result of QGC's mistakes.

Another unknown is whether the 517 include all customers who terminated service before the errors in their bills were identified. Such cases do need to be included in the analysis to ensure that ratepayers-at-large are not left picking up their tabs.

²⁴ *Answer*: page 4, second paragraph, first sentence.

²⁵ *URA5DR08R*.

QUALITY MANAGEMENT SYSTEM

First, it is important to understand that quality means conformance to requirements, not goodness or elegance. Internationally-recognized quality gurus – such as Dr W E Deming and Dr J M Juran, who played important roles in vitalizing Japanese industry after WWII, as well as in the US manufacturing industry (eg, Ford Taurus) – and evangelists – such as Phil Crosby and Tom Peters – played important roles in developing and making known a framework for concepts such as quality control and quality assurance. The framework, known as a Quality Management System, comprehends every aspect from determining customers' requirements, to assuring that they are met; from the commitment of top-level management, to the engagement of everyone in working to eliminate defects; from measuring the cost of failure in order to reduce it, to establishing standards and auditing performance against them to ensure that gains are held. A competent strategic quality professional would be acquainted with all these concepts, and many more.

The URA asked about QGC's policies and procedures regarding: the acquisition, calibration, verification of the accuracy, installation, and bringing into service of meters and transponders; the testing and recalibration of meters and transponders, including what happens when a meter or transponder is found to be inaccurate; the history of each and every meter and transponder; measuring and recording gas volumes from the point of its receipt from transmission companies onward throughout the distribution system; measuring and recording the heat values of gas from the point of its receipt from transmission companies onward throughout the distribution system;²⁶ and then:

²⁶ URA3DR01-05.

Please provide copies of all Questar Gas Company's policies and procedures regarding the quality management – including but not limited to quality control, quality assurance and audit – of the foregoing policies and procedures.²⁷

QGC objected to each of these requests:

to the extent that it seeks information that is irrelevant to this proceeding and beyond the scope of the Order Consolidating Dockets and Notice of Procedural Conference dated April 1, 2008 (the Order). The Order defines the scope of the investigation to include matters raised in the formal complaints and related to incorrect transponder settings.²⁸

In particular, QGC additionally objected to *URA3DR07* “on the grounds that it is vague and ambiguous as to the terms ‘quality management’” (sic).²⁹

The purpose of the URA in making this series of requests was to explore the depth and breadth of QGC's quality management system, and in particular to assess whether it had been applied to the transponder project in a similar fashion to other technical aspects of QGC's business operations that bear on ratepayers' requirement to be billed in a just and reasonable, rather than an arbitrary and capricious, way. The URA has concluded that QGC lacks the expertise to recognise the essential concepts, and that explains the Company's failure to manage the project competently or efficiently, so that millions of dollars have been improperly accounted for.

QGC claims to value its customers and believe that it must provide high quality service at just and reasonable rates.³⁰ Ratepayers are more impressed by what the utility does than by what it says, and the absence of a quality plan for the transponder project until the number of billing errors began to escalate does not bespeak either valuing customers or high quality service.

²⁷ *URA3DR07*.

²⁸ *URA3DR01R-05R & 07R*.

²⁹ *URA3DR07R*.

³⁰ *Answer*: page 1, first sentence under the heading *Introduction*.

What's missing is commitment from the top, of both Questar Corporation and QGC, not least to behaving as a utility should in balancing ratepayers' requirements with those of stockholders.

In its 15 April 2008 *Answer*, QGC stated that it:

has procedures in place to prevent meter reading errors, if possible, and to find the errors that inevitably occur.³¹

URA wanted to find out more about those longstanding practices in order to see what bearing they might have had on preventing and finding transponder-related errors, so on 4 June it asked QGC to:

Please describe and document the procedures which are in place: 1) to prevent meter reading errors, and 2) to find the errors that occur, including but not limited to training, supervision and quality management; in but not limited to the meter reading, billing and customer service departments; and provide data regarding the outcomes of these procedures and activities in these departments, including successes and failures.³²

On 17 June, QGC *responded*:

Please see the Company's responses to DPU Data Request Nos. 1.02, 1.03, 1.04, 1.07, and 1.08, CCS Data Request Nos. 1.05 and 1.06, and item (4) of the Company's Answer filed April 15, 2008.³³

With two exceptions, the responses to the DPU and CCS data requests to which QGC pointed all referred to transponders and the MTIP, which the URA had not asked about, rather than to the procedures in place to prevent and find meter reading errors, which it specifically had:

The MTIP is not the same as the meter sampling program approved by the Commission in Docket No. 00-057-06. In the sampling program, statistical samples of meters from different meter families are removed and taken to the meter shop and tested for accuracy. The meter shop is testing the meter, not the transponder, for accuracy;³⁴

and:

³¹ *Answer*, page 2, lines 3 & 4.

³² *URA2DR04*.

³³ *URA2DR04R*.

³⁴ *DPU1DR02R*.

the Customer Care and Billing CIS system, implemented in July 2004, does have edits in place to detect when there is a significant change in a customer's usage pattern. Consumption estimation is done for each customer for the purpose of meter read validity. The system uses base load and usage per degree day factors to calculate the high / low values. Meter reads that fall outside the high / low limits are flagged for a billing representative to analyze. If it is determined that the read appears inconsistent with the customer's usage history a service order is generated to send someone to the premises to check the meter and transponder. The billing representative receives auto-notification of the field personnel's findings upon completion of the service order and the account is adjusted as necessary.³⁵

The Association agrees with Questar that an effective meter sampling programme may contribute to preventing and finding over- and under-metering of gas consumption, but is not sure how it contributes to errors in reading what the meter says, and QGC has provided no evidence that the meter-sampling programme has identified any transponder errors. It is the URA's position that it is questionable whether QGC's metering technology and the Commission's rules regarding meter calibration and testing are adequate to ensure that ratepayers are charged just and reasonable rates in an age of high natural gas prices, and when measurement of so many things is moving from analogue to digital.

CCS1DR05R reveals that QGC's Customer Care and Billing CIS system has been in place only since July 2004, by which time some 614,000 transponders had been installed, the MTIP would not commence for more than two more years³⁶, and we don't know how many incorrect bills there had already been.

No party has asked QGC how many incorrect bills have been issued as a result of the transponder blunder, and so it is not surprising that the Company has neither offered the information nor explained why it cannot or will not. *DPU1DR* focused on meter (QGC surmised, apparently

³⁵ *CCS1DR05R*.

³⁶ QGC's *Jt1DR18R*, 8 May 2008: "The MTIP began in the fall of 2006." But cf the unattributed statement in the DPU's *Report*, page 21, first line: "Questar Gas began it (sic) Meter and Transponder Inspection Program (MTIP) in July 2006."

correctly, it meant transponder) installation, inspection and testing, and back-billing. *CCS1DR* addressed several issues, including customers found to have faulty transponders, accounting and regulatory treatment of the unbilled gas, and aspects of QGC's quality management plan regarding the transponder project.

Some of the data provided by QGC in this proceeding has been quite unreliable, and some of the information provided in the Division's *Report* is questionable.

The unattributed content of Table 2 on page 14 of the *Report* appears to be an exact copy of numbers provided by QGC in its 25 March 2008 *DPU1DR06R*. QGC provided revised numbers in its 8 May *Jt1DR25R*, but those were not incorporated by the Division in its *Report* published ten weeks later.

QGC has not updated its *DPU1DR06R*, nor did it point out or explain the variance from that *Response* when answering *Jt1DR25*. Moreover, there are 4 arithmetical errors of ± 1 , summing to 2, in the column totals of the data provided with the latter.

TABLE 2, above, enables the comparison of the numbers of transponders installed in each calendar year, and cumulatively, according to the two QGC data responses: first, QGC's 25 March 2008 *DPU1DR06R*; and second, QGC's 8 May 2008 *Jt1DR25R*. The number of cumulative installations through 2006 from the latter has been amended to correct the arithmetical errors, assuming that all the other values in the data response were correct.

The numbers provided by the Company in its *DPU1DR06R* were clearly and at best rounded, and perhaps less accurate than that, so the URA has estimated the number of transponders installed by the end of June 2004 based upon those provided in *Jt1DR25R*, which are sufficiently precise to suggest accuracy.

By the end of 2003, 537,150 had been installed, and another 153,704 during 2004, similar to the number installed in 2003. It seems reasonable to assume that a steady installation rate had been achieved, so perhaps 77,000 were added during the first six months of 2004, giving about 614,000 when the CIS system came on-line in July.

The CCS asked QGC to: "Please identify the full set of customers found to have a faulty transponder." The Company replied that: "approximately 500 customers ... have been affected by the pre-divide issues related to transponder errors."³⁷

On 16 May, the utility provided a spreadsheet with details of the 517 customers' accounts identified with either an over or under reading error due to an incorrectly set transponder, including in Column k for each case the date when the problem had been discovered.³⁸ TABLES 1, 2 and 3 above are derived from that response.

The *Report* has nothing to say about QGC procedures to detect and prevent meter reading errors prior to July 2004.

It is the URA's position that the Commission needs to know what procedures QGC had in place to detect and prevent meter reading mistakes over time – before the introduction of remote meter-reading, throughout the installation period of transponders, and subsequently – in order to assess the problems at the root of this proceeding adequately.

³⁷ *CCS1DR01* and *CCS1DR01R*.

³⁸ *Jt1DR27* and *Jt1DR27R*

ARGUMENT

Questar Gas Company is a monopoly, granted an exclusive certificate of public convenience and necessity by the State of Utah to supply natural gas in a service territory within which ratepayers may receive the fuel from no other supplier.³⁹ The Company is regulated by the Commission in order to ensure that it charges ratepayers only just and reasonable rates for its services.

The Commission is meant to act as a surrogate for the competitive forces that would moderate the natural instincts of most businesses to maximise profits

The elephant in the room is the fact that ratepayers are expected to pay for everything, reasonably necessary or not. The 191 Account and Pass-through mechanism facilitate it. Commission Rules enshrine it. But it isn't the job of the Commission to protect shareholders. They have managerial and professional employees, and can hire outside experts and attorneys, to do that for them – all at ratepayer expense. Ratepayers need the Commission to protect ratepayers. (And it shouldn't be forgotten that the Commission, Division and Committee all operate at ratepayer expense, too!)

When utility management botch a project, as QGC's has done with transponders, why should ratepayers carry the can?

The Division argues they should carry much – perhaps almost all – of it because UCA 54-3-7 says so. The Association strongly disagrees. That statute allows the Commission “by rule or order, (to) establish such exceptions ... as it may consider just and reasonable.” It is neither just nor reasonable for ratepayers to bear the cost of utility incompetence.

The Division points to Commission rules limiting back-billing to 24, or even 6, months. Those are examples of exceptions by rule. It references a number of precedents. Each of them essentially involved one utility customer, some of whose exposure to back-billing was limited as a result of

³⁹ There are sound economic reasons why utilities

exceptions by rule. The Division sees only precedent, where the Association sees the effects of new technology not anticipated in Commission rules. In this case, there are at least 486 customers, and the Association takes the position that this is a case meriting an exception by order.

Questar says transponders aren't meters, so it should be able to back-bill 24 months. But it already back-billed some similarly situated customers only 6 months, and UCA 54-3-7 and -8 bar privilege, preference, advantage, prejudice, disadvantage, and unreasonable difference. Its earlier actions make its more recent ones unlawful.

The Division quotes the Commission: "It is the long established policy of this Commission that customers should pay for the power they consume." But 24, 6, or even 3, months after they have consumed it? And not as a result of some isolated error, but because of a wide-spread system failure for which nobody but the utility is to blame? And what about all the ratepayers-at-large, who have unknowingly been paying more than their fair share for years, while QGC has benefited from increasing profits as it prematurely re-deployed and said farewell to its meter-readers.

In the competitive sector, owners and managers want to retain existing customers and attract new ones from their rivals. They treat people accordingly; they don't try to bill them for goods or services 24, or 6, or even 3, months after they have been used up, especially when it is the supplier who failed to charge correctly in the first place. No, they work to correct the process problems and swallow their losses.

This case is not about a collection of unrelated billing errors; the mistakes here all derive from a common source. QGC says it first identified an under-billing problem in August 2005. The URA says QGC wasn't paying attention, even then, but even so the Commission should start the clock from that point if it intends to apply a time-limit on back-billing, so that the time has already expired under its rules.

The Association cannot emphasise too strongly its position that the Commission's rules do not reflect ratepayers' needs for utility management to be held financially accountable for corporate blunders. Large corporations routinely erect barriers to compensating customers for poor service and billing mistakes, but utilities are unique in being able to fob their ratepayers off by quoting statutes, administrative rules, and precedents. More and more, it appears that they are actually exposed to no business risks at all.

Respectfully submitted on 9 September 2008,

/s/

Roger J Ball
Chancellor and Moderator for the Utah Ratepayers Association

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Response Comments of the Utah Ratepayers Association in Docket 08-057-11 was e-mailed on 9 September, or will be sent by USPS on 10 September, 2008 to the following:

QUESTAR GAS COMPANY

Barrie L McKay
barrie.mckay@questar.com
Evelyn Zimmerman
evelyn.zimmerman@questar.com
Colleen Larkin Bell (5253)
colleen.bell@questar.com
C Scott Brown (4802)
scott.brown@questar.com

UTAH DIVISION OF PUBLIC UTILITIES

Philip Powlick, Director
philippowlick@utah.gov
William Powell
wpowell@utah.gov
Dennis Miller
dennismiller@utah.gov
Michael Ginsberg (4516)
mginsberg@utah.gov
Patricia E Schmid (4908)
pschmid@utah.gov

UTAH COMMITTEE OF CONSUMER SERVICES

Michele Beck, Director
mbeck@utah.gov
Dan Gimble
dgimble@utah.gov
Cheryl Murray
cmurray@utah.gov
Paul Proctor (2657)
pproctor@utah.gov

SALT LAKE COMMUNITY ACTION PROGRAM

Betsy Wolf
bwolf@slcap.org

FORMAL COMPLAINANTS

Margaret McMain
by USPS

Arthur & Shirley Wasek
awasek@earthlink.net

Michael Garcia
mgarcia@skyviewmail.com
Lori Garcia
lgarcia@skyviewmail.com

Unlimited Designs
by USPS

Steven Robert Francis
by USPS

George & Nancy Mitchell
nem3747@aol.com

Paul Kardish
pkardish@inftech.com

Brian DeHaan
brianbonnie70@msn.com

Russell N Larsen
by USPS

Robert & Susan Slattery
by USPS

Lawrence Stella
by USPS

/s/

Roger J Ball