

## **REPORT OF THE STAFF**

TO: Missouri Public Service Commission Official Case File  
Case No. GW-2007-0099 Staff Report Regarding an Investigation into the  
Service and Billing Practices for Residential Customer of Electric, Gas and  
Water Utilities

FROM: /s/ Gay Fred, Consumer Services Manager

DATE: September 4, 2007

/s/ Gay Fred  
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### **Answers to Commission Directed Questions**

On October 19, 2006, the Commission issued an Order Directing Staff to Proceed With Investigation examining the estimated billing practices of Missouri's electric, gas and water utilities. The Commission directed, as a first step, for Staff to survey the various utilities to determine the extent of the possible problem of estimated billing. To comply with the Commission's directive, Staff sent a number of data requests to all involved utilities in an effort to gather information to respond to the Commission's ordered questions. Following are the questions asked and the answers obtained.

#### **1. How many estimated monthly bills did each utility issue in the past year?**

To address the Commission's question on how many estimated monthly bills each utility issued, the Staff requested and gathered data from all involved utilities for the annual period of October 2005 through September 2006. This data included the number of customers billed and the number of estimated bills issued by month (see Schedule 1). Per Schedule 1, the number of estimated bills issued by the utilities vary significantly, for example in October 2005, there were as many as 110,102 estimated monthly bills for customers of Laclede Gas

Company but for Southern Missouri Natural Gas Company there were none. However, as the year progressed the number of estimated bills for Laclede Gas Company declined and for all other utilities the numbers fluctuated up and down slightly over the course of the 12 months.

From Staff's review of the data received and its discussions with the utilities, the trending decline in estimated bills appears to be an indicator that the utilities' attempt to obtain access to the meter for purposes of obtaining an actual read has been successful and effective. The decline in estimated reads would also indicate that the utilities are making efforts to comply with Commission Rule 4 CSR 240-13.020(3), which outlines the process that utilities must follow for issuing notices to consumers regarding their estimated bills and the utility's need to secure an actual reading.

Staff has also confirmed that the utilities are fully aware of their need to comply with Commission Rule 4 CSR 240-13.020, Billing and Payment Requirements. Specifically, they know the requirement that bills shall be based on actual usage during the billing period. However, this rule also provides for a number of exceptions, specifically, 4 CSR 240-13.020(2)(B), which states that a utility shall not render an estimated bill for more than three (3) consecutive billing periods or one (1) year, whichever is less, except under conditions described in the rule on seasonally-billed customers, extreme weather conditions, labor agreements or work stoppages, or if the utility is unable to obtain access to the customer's premises for the purpose of obtaining an actual meter reading.

As shown in Schedule 1, the overall number of estimated monthly bills compared to the number of customers billed is rather small. In fact, for all utilities, the number of estimated bills was ten percent (10%) or less.

Staff also reviewed the various factors that have caused estimated bill numbers to fluctuate from time to time. Staff found that estimated bills may be issued due to the lack of access to the customer's premises to read the meter, obstacles blocking the meter, weather conditions that prevent access to the meter, and workforce availability due to illness or scheduled annual leave. Staff recognizes that some of these factors are beyond the utility's control; however,

utilities are responsible for ensuring that, to the extent possible, customer bills are based upon actual usage.

Staff's review has also expanded its knowledge of Laclede Gas Company's ongoing project to install Automated Meter Reading (AMR) devices to reduce the number of estimated bills the utility has generated over many years. This issue was previously addressed in Staff's initial report in GW-2007-0099, filed on September 26, 2007. Staff continues to closely monitor Laclede's progress with the AMR project and continues to support Laclede in its efforts to fully deploy AMR installation throughout its service area to reduce estimated monthly bills.

**2. How often did each utility obtain actual meter readings for accounts for which it issued an estimated bill in the last year?**

Under Case No. GW-2007-0099, regulated utilities submitted the following data to the staff: estimated reads by month, consecutively estimated reads by month and the total number of meters read by month, presented in Schedules 1, 2 and 3. This data demonstrates for all reporting utilities, complete monthly actual read and estimated bill activity. Utilities consistently use actual meter readings obtained unless actual reads fall outside of expected read parameters, which include historical usage. In those cases, meters may be reread prior to customer billing so that bills include actual usage, or bills may be estimated until additional actual reads can be obtained.

Rule 240-13.020 provides Missouri Public Service Commission rules regarding meter reading and meter reading estimates. While the rule permits billing statements to be based upon estimated reads in some circumstances, the intent of the rule is that customer utility bills be based upon actual usage.

In fact, when reviewing the numbers shown on Schedule 2, it appears Laclede's and Aquila's consecutively estimated bills for 12+ months are high; however, compared to the total number of customers billed, the numbers are less than one percent (1%).

**3. How often did each utility true-up estimated bills with actual meter readings in the last year?**

It appears from the Staff's review that each utility will true-up an estimated bill as soon as an actual meter reading is obtained.

The real question may be how long it takes a utility to true-up a customer's bill once an actual reading is obtained. As previously stated, utilities consistently use actual meter readings obtained, with an exception in the event the actual reads fall outside of expected read parameters, which includes historical usage. In such cases, where the actual reading is obtained, the utilities have responded to Staff that the true-up is managed through their Computer Information System (CIS) programs, which allows the company to render the true-up bill during the billing cycle.

For example, Laclede Gas Company has stated that after the initial CIS true-up, if there is a thirty percent (30%) decrease or increase in set parameters, Laclede will manually review the account to determine if there are factors that account for the 30% difference. These factors may include comparison to historical usage, weather influences, or account notes that reflect changes in housing stock, number of people living within the household or appliance changes. With this type of manual review to true-up a customer's account from an estimated read to that of an actual read, the true-up could potentially take a few weeks.

In Commission Rule 4 CSR 240-13.025(1)(A)(B)<sup>1</sup> Billing Adjustments, provisions are listed by which a utility may true-up a customer's bill following

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<sup>1</sup> 4 CSR 240-13.025 Billing Adjustments

PURPOSE: This rule establishes billing adjustments in the event of an overcharge or an undercharge.

(1) For all billing errors, the utility will determine from all related and available information the probable period during which this condition existed and shall make billing adjustments for the estimated period involved as follows:

(A) In the event of an overcharge, an adjustment shall be made for the entire period that the overcharge can be shown to have existed not to exceed sixty (60) consecutive monthly billing periods, or twenty (20) consecutive quarterly billing periods, calculated from the date of discovery, inquiry or actual notification of the utility, whichever comes first;

(B) In the event of an undercharge, an adjustment shall be made for the entire period that the undercharge can be shown to have existed not to exceed twelve (12) monthly billing periods or four (4)

estimated billing. There are two provisions, one based on whether the customer has been overcharged and the other based on whether or not the customer has been undercharged.

**4. Staff shall conduct spot audits to read customer meters to determine the extent to which estimated bills reflect actual meter readings for the various utilities.**

The Commission stated in its September 14, 2006, order establishing this investigative case that it was “concerned about the service and billing issues recently revealed by public complaints regarding Laclede Gas Company’s estimated billing practices.” The following discussion summarizes the Staff’s response to the Commission’s October 19, 2006, order directing the Staff to conduct spot-audits of select electric, gas, and water utilities. The order identified the major focus of these spot-audits as seeking to determine the extent to which estimated bills reflect actual meter readings for the various utilities.

The Commission’s Engineering and Management Services Department (EMSD) Staff incorporates a review of estimated meter reading and billing practices within the scope of every customer service review it performs of Missouri’s electric, gas, and water utilities. The EMSD Staff has conducted customer service reviews at six of the seven largest electric and gas utilities. In addition, the EMSD Staff performs customer service and business office reviews in the context of all small water and sewer rate cases. These small water and sewer company reviews also include an evaluation of estimated meter reading and billing practices.

The EMSD Staff performs a variety of analyses in its customer service reviews related to the estimation of meter readings and the production of accurate bills. These actions include a review of Company tariffs, the analysis of documentation related to estimation procedures and the ability to produce accurate bills, interviews with key meter reading and billing personnel, and observations of meter readers and billing department personnel. These analyses are performed to ensure that companies effectively minimize

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quarterly billing periods, calculated from the date of discovery, inquiry or actual notification of the utility, whichever was first;

inaccurate, estimated, and consecutively estimated meter readings. An effort is also made to make sure that adequate controls and testing procedures are in place to ensure the production of accurate bills. The EMSD Staff identifies for “findings” any deficiencies that are related to inefficient practices or noncompliance with Commission-approved tariffs or Utility Billing Practices Rule, 4 CSR 240-13. Recommendations for corrective actions are then made to address these deficiencies. Per Rule 4 CSR 240-13.020(2)(C)(1), procedures must first be approved by the Commission before a water, gas or electric utility renders a bill based on estimated usage.

The EMSD Staff also uses its follow-up process as a means to ensure that utilities implement corrective actions related to deficiencies, including those findings related to deficient estimating and billing procedures. Information requests, interviews, and continued telephone and e-mail contact are used to monitor the companies’ actions. During the handling of meter reading or billing customer complaints, the Commission Staff frequently requests meter reading information, including actual reads.

In addition to the efforts previously described, the EMSD Staff has pursued the reporting of estimated meter reading data from certain utilities when areas of concern have arisen. This documentation is specifically related to the number of estimated meter readings and the number of consecutive estimated bills. These companies include Aquila, Inc., Atmos Energy Corporation, Laclede Gas Company, and Missouri Gas Energy. The EMSD Staff monitors these reports for any unusual or unexpected results and follows up with the appropriate company personnel, as necessary.

Based on an analysis of customer service review findings, follow-up activity results, and the documentation in company-provided reports, the EMSD Staff concurs with a statement by Gay Fred, Consumer Services Department Manager, in an initial Staff report filed on September 26, 2006. “Staff’s opinion is that the current situation largely reflects Laclede Gas Company’s problems and is not indicative of a larger industry-wide billing problem.” Relative to other electric, gas and water utilities regulated by the Commission, Laclede Gas Company has had a substantial number of inside meters creating an unusually

high number of accessibility problems. Based on EMSD Staff observations of companies' meter reading activity, the main reasons for estimated meter readings are: 1) no access, 2) weather, and 3) mean dogs.

The EMSD Staff makes two additional observations regarding the issues of estimated meter readings and inaccurate billings. The implementation of AMR technology at several large utilities, including Kansas City Power & Light, AmerenUE, and Missouri Gas Energy, has dramatically reduced the number of estimated meter readings and the associated billing problems. Based on information supplied by Laclede Gas Company, as of April 1, 2007, 627,058 out of about 650,000 active meters had been converted to AMR. However, Laclede management stated that a large majority of the meters remaining to be installed were inside meters where there has been difficulty obtaining access. The EMSD Staff anticipates that the completion of Laclede's AMR conversion process should result in a significant reduction in the problems with a large number of estimated meter readings, which have, historically, been an issue for Laclede.

The EMSD Staff has also observed that Missouri utilities generally place a high priority on obtaining accurate, actual meter readings. Estimated meter readings and billing errors do not appear to be widespread, ongoing problems. The Staff will continue to monitor the issue of estimated meter readings through the complaints that are received, customer service reviews, company-supplied reports, and additional follow-up activity.

## **Conclusion**

Staff concludes that, based on its review of the information requested on estimated billing practices of Missouri's electric, gas and water utilities, there does not appear to be a violation of a Commission rule or company tariffs on estimated billing practices.

If any issue exists, it may be the length of time it takes for a utility company to process a true-up bill. It appears from Staff's observation that the time necessary to make a billing adjustment from an estimated read to an actual one may vary by company from a few days to a few weeks. This delay or lag time to handle the bill true-up, from a customer's perspective, can appear to reflect a company's insensitivity or

ineptitude (or both) in handling bill adjustments. However, as found in Laclede Gas Company's case, the Company was rejecting actual reads generated by its AMR devices in some cases because the readings fell outside of expected parameters that had been based upon numerous prior estimated reads. Laclede has assured the Staff it is in the process of reviewing and making corrections to its past practice of rejecting actual reads.

As indicated previously, the Staff has pursued the reporting of estimated meter reading data from certain utilities when areas of concern have arisen. The Staff presently receives such data from: Aquila, Inc., Atmos Energy Corporation, Laclede Gas Company, and Missouri Gas Energy. In the recent context of Case No. WR-2007-0216, Missouri American Water Company has also agreed to provide quarterly meter reading reports to the Staff. The Staff recommends that, to better monitor the remaining utilities' ongoing estimated bill practices and procedures, it would be beneficial for the Staff to obtain quarterly reports from the other utilities including the total number of bills rendered per month, the number of estimated and the number of actual read bills rendered per month by customer class. In addition, utilities should also provide the number of consecutively estimated reads for 3+ months per month, on a quarterly basis. Staff would also recommend that, on an annual basis, all involved utilities provide a detailed description of their procedures and formulas used to calculate estimated and true-up bills. These reports would further assist Staff in tracking any possible trends or problems that can then be addressed more expeditiously.