

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 13th day of
May, 2008.

Regarding an Investigation into the Service and)	
Billing Practices for Residential Customers of)	<u>Case No. GW-2007-0099</u>
Electric, Gas, and Water Utilities)	

**ORDER ACCEPTING STAFF'S REPORT, AUTHORIZING STAFF TO
FILE COMPLAINT, AND CLOSING INVESTIGATIVE CASE**

Issue Date: May 13, 2008

Effective Date: May 23, 2008

The Commission opened this case in September 2006 because of its concern about the service and billing issues that had been revealed by public complaints regarding Laclede Gas Company's estimated billing practices. The Commission directed its Staff to investigate the extent of problems with estimated billing practices, and in particular, whether those problems extended to Missouri's other gas, electric, and large water utilities.

Staff conducted an investigation and filed a report on September 4, 2007. Staff indicated the problems with estimated billings are generally confined to Laclede, and do not reveal a general problem with Missouri's utilities. Staff explained that Laclede has a substantial number of meters located inside the homes of its customers. As a result, Laclede has a high number of meters that are difficult to access to obtain actual meter readings. That means that Laclede has had to issue more estimated bills than other utilities. Laclede has nearly completed a project to install automated meter reading equipment on all its meters, reducing the need for a human meter reader to be able to get

inside a customer's home to obtain an actual meter reading. The number of estimated bills issued by Laclede has fallen accordingly as Laclede has installed automated meter reading equipment.

Staff's September 2007 report states that Staff would be better able to monitor utilities' ongoing estimated billing practices and procedures if each utility would provide Staff with quarterly reports that include 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, and the number of consecutively estimated reads for 3 or more months per month. Staff also recommends that all utilities annually provide Staff with a detailed description of their procedures and formulas used to calculate estimated and true-up bills.

The Office of the Public Counsel responded to Staff's September 2007 report on September 19, 2007. Public Counsel questioned some of Staff's findings and requested more time to investigate and prepare a response to Staff's report. The Commission allowed Public Counsel the additional time it requested and on February 19, 2008, Public Counsel filed its second response to Staff's September 2007 report.

In its second response, Public Counsel reported that the frequency of estimated bills is declining, particularly for Laclede. In September 2006, 14.9 percent of Laclede's bills were estimated. By November 2007, Laclede's percentage of estimated bills had declined to 4.8 percent, likely due to Laclede's installation of automated meter reading equipment. Public Counsel agreed that a high number of estimated bills is not an industry-wide problem. However, Public Counsel expressed concern that Laclede is violating three particular provisions of the Commission's estimated billing rules.

First, Public Counsel claims Laclede is violating a provision of the rule that allows a utility to back-bill a customer for undercharges for no more than a twelve-month period, “calculated from the date of discovery, inquiry or actual notification of the utility, whichever was first.”¹ Laclede’s practice is to back-bill a customer for undercharges up to twelve months before the date of discovery, up to the date the meter is repaired and an actual reading obtained. For example, if a customer’s meter stopped registering in January, and Laclede discovered the problem in March, but did not fix the meter and obtain an actual reading until July, Laclede would send the customer an estimated bill for each month beginning in January and running through July.

Public Counsel contends the rule allows Laclede to send an estimated bill only for the time before it discovered the problem with the meter. In the previous example, that would mean Laclede should only be able to send an estimated bill to the customer for the January through March period. After that, it is Laclede’s responsibility to promptly repair the meter. Public Counsel contends Laclede should be required to forego any revenues from additional usage after it should have repaired the meter.

Second, Public Counsel contends Laclede is violating Commission Rule 4 CSR 240-13.02(2)(A), which allows a utility to render an estimated bill: 1) to seasonally billed customers; 2) when extreme weather conditions, emergencies, labor agreements or work stoppages prevent actual meter readings; and 3) when the utility is unable to obtain access to the customer’s premises for the purpose of reading the meter or when the customer makes reading the meter unnecessarily difficult. Laclede has issued estimated bills due to a failure of its meter, which is not one of the three circumstances in which the rule allows a

¹ Commission Rule 4 CSR 240-13.025(1)(B).

utility to issue an estimated bill. Hence, Public Counsel contends Laclede is violating the rule.

Third, Public Counsel takes issue with the method Laclede uses to determine estimated usage when calculating a customer's estimated bill. Public Counsel contends the formula for estimating usage, which is established in Laclede's tariff, is not well explained, and appears to inflate the usage estimate to the consumers' detriment and Laclede's advantage. Public Counsel reports it has requested more information from Laclede and is continuing to evaluate Laclede's formula.

Because of the concerns raised by Public Counsel, the Commission directed Staff to reply to Public Counsel's response. Staff did so on April 25. Staff's reply indicates its agreement with Public Counsel's interpretation of the "date of discovery" provision of the Commission's rule and asks the Commission to issue an order establishing that interpretation as correct. Staff also agrees that Laclede has improperly sent estimated bills to customers after failing to promptly repair or replace malfunctioning meters. Staff reports it has been working with Laclede to improve the company's efficiency in repairing or replacing non-functioning meters. Finally, Staff agrees that Laclede's formula for estimating usage is more complicated than the formulas used for that purpose by other gas utilities. Staff indicates it has been discussing alternative tariff language with Laclede to improve the estimating formula, and asks the Commission to order Laclede to file a revised tariff to incorporate such a simplified estimated usage formula.

Laclede and Union Electric Company d/b/a AmerenUE filed responses on May 5, in which they dispute the proposed interpretation of the estimated billing rules offered by Staff and Public Counsel.

The Commission appreciates Staff and Public Counsel's concerns about Laclede's estimated billing practices. However, this is an investigatory case, opened to examine the billing practices of all large utilities in Missouri. It is not a complaint case against Laclede in particular. As a result, Laclede has not had a full opportunity to defend its practices. Therefore, it would not be appropriate for the Commission to issue any order in this case that would find that Laclede or any other utility has violated any rule, or require Laclede, or any other utility to take any action. Similarly, this is not the proper proceeding for the Commission to issue any binding interpretation of its rules.

If Public Counsel believes Laclede, or any other utility, has violated any Commission regulation, it may file an appropriate complaint before the Commission and those concerns will be addressed in that proceeding. The Commission authorizes Staff to file a complaint against Laclede to address the concerns raised by Staff and Public Counsel regarding the appropriate interpretation of the "date of discovery" provisions of the Commission's rule, estimated bills sent to customers after failing to promptly repair or replace malfunctioning meters, the appropriateness of Laclede's formula for estimating gas usage, and any other concerns Staff would like to address, provided Staff believes there is a sufficient basis for bringing a complaint.

The Commission cannot now implement Staff's recommendation in its September 2007 report that would require the various utilities to submit additional quarterly and annual reports. As a rule of generally applicability, such a requirement would have to be promulgated through the administrative rule-making process set out in Chapter 536, RSMo. If Staff or Public Counsel believes such a rulemaking is necessary, either may bring a proposed rule to the Commission for consideration.

At this time, the Commission will simply accept Staff's report of the results of its investigation. With that investigation having been completed, the Commission will close this case.

IT IS ORDERED THAT:

1. The Commission accepts Staff's report regarding its investigation into the service and billing practices of Missouri's electric, gas, and large water utilities.

2. Staff is authorized to file a complaint against Laclede to address the concerns raised by Staff and Public Counsel regarding the appropriate interpretation of the "date of discovery" provisions of the Commission's rule, estimated bills sent to customers after failing to promptly repair or replace malfunctioning meters, the appropriateness of Laclede's formula for estimating gas usage, and any other concerns Staff would like to address, provided Staff believes there is a sufficient basis for bringing a complaint.

3. Staff is authorized to commence a rulemaking to implement its recommendations regarding the filing of additional quarterly and annual reports if it believes there is a sufficient basis for doing so.

4. This order shall become effective on May 23, 2008.

5. This case shall be closed on May 24, 2008.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Clayton, Jarrett,
and Gunn, CC., concur.

Woodruff, Deputy Chief Regulatory Law Judge