

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 26, 2006

/s/ Gay Fred 9/26/06 /s/ Kevin A. Thompson 9/26/06
Consumer Service Department/Date General Counsel/Date

Background

On September 14, 2006, the Commission issued an order establishing an investigative case and directing Staff to file an initial report regarding the extent of service and billing issues for residential customers of electric, gas and water utilities. The Commission requested that Staff make recommendations concerning the scope and nature of the investigation. It also directed Staff to offer recommendations on how the public and the affected utilities should be notified of this investigation. Following are Staff's findings and recommendations concerning the scope and nature of an investigation.

Findings and Discussion

In reviewing historical documentation, Staff has found that the current concern regarding service and billing issues recently revealed by public complaints regarding Laclede Gas Company on estimated billing practices is not new to the Commission.

In April 1995, Staff filed a Billing & Customer Services Investigation of Missouri Gas Energy (MGE) report, in Case No. GO-95-177, in which case Staff was directed to review MGE's billing and customer practices, particularly regarding how they related to the compliance with provisions of Commission rule 4 CSR 240-13. In this report, the Commission's Management Services Department Staff listed 37 audit recommendations with a request that the company submit an implementation plan for monitoring achievements of the plan.

On July 22, 1996, the Staff filed a complaint (GC-97-33) which alleged MGE had unlawfully billed certain residential customers and had engaged in numerous billing practices inconsistent with Commission rule 4 CSR 240-13 and MGE's tariff. This case was the result of hundreds of consumer complaints to the Commission's Consumer Services Department, regarding the various billing errors associated with MGE's Purchase Gas Adjustment (PGA) rate application, estimated billing procedures, unauthorized delinquent charges and Cold Weather Rule amounts. This case resulted

in an Unanimous Stipulation and Agreement, which the Commission approved effective September 30, 1997.

In August 2000, in Case No. GR-2000-512, Staff witness Gary R. Bangert filed direct testimony which indicated that in the Fall of 1999, the Commission handled a number of customer complaints regarding AmerenUE's service and billing practice errors that occurred when AmerenUE began its installation of Automatic Meter Reading (AMR) devices on its gas meters. AmerenUE found 1,100 meters were delivering incorrect meter readings to its billing system. AmerenUE's AMR installation involved approximately 54,200 gas meters in the Columbia and Jefferson City service territory, which comprised approximately half of the meters in AmerenUE's gas system. Field investigations indicated an error rate of approximately 1%. There were 228 instances that were identified by the Company in which incorrect bills were produced and mailed to its customers. The errors consisted of meter reading errors caused by field personnel, field installers not recording the correct scaling constant and a miss-applied PGA rate when the company attempted to correct bills for its customers. AmerenUE took corrective measures to apply a credit to the bill of each affected customer once they had completed a field investigation of all meters.

As noted in the previous cases, Staff recommended corrective measures, required implementation plans to be filed by the utility, conducted follow-up reviews and issued reports associated with corrective measures, as directed by the Commission or agreed to in a Stipulation and Agreement. All of these activities were to ensure that the utility had made improvements to its billing and customer service processes and were in compliance with 4 CSR 240.13.

Beginning October 13, 2004, the Commission's Consumer Services Department Manager initiated quarterly collaborative meetings with electric, gas and water utility representatives, the Office of Public Counsel and other interested Commission Staff, to discuss current issues, hot topics, billing and service processes and recent rule revisions that had been enacted (Denial of Service and Cold Weather Rule). The collaborative meetings eventually led to discussions regarding possible broader revisions to 4 CSR 240-13. Many of the proposed amendments were driven by consumer complaints received by the Consumer Services Department. Following numerous meetings, a training seminar on a specific subject matter and hours of discussion and negotiations, a proposed draft for amendments to the Chapter 13 rules was produced on November 14, 2005.

On April 18, 2006, the Commission's Consumer Services Department Manager placed an Issue Paper and a Request for Rulemaking for amendments to Chapter 13 rules related to service and billing issues on the Commission's Agenda for discussion. As pointed out in the Issue Paper, 4 CSR 240-13 had not been reviewed in its entirety for approximately 20 years and had not been updated to incorporate new technology since many economic and societal changes occurred.

Staff noted in the Issue Paper that several collaborative meetings with all gas, electric and the state's largest regulated water company and the Office of Public Counsel resulted in a draft amendment to Chapter 13. The Commission during the Agenda discussion asked if other interest groups representing low-income and elderly persons had had an opportunity to review the proposed draft and make recommendations. After hearing that no interest group other than the Office of Public Council had been

involved, the Commission directed its Consumer Services Manager to seek other consumer interest group input. On April 18, 2006, the Consumer Services Department Manager contacted Elaine West, Director for the Community Action Agencies (CAAs) in the state and John Coffman with AARP, explaining the process and requesting feedback on the proposed Chapter 13 amendment by May 9, 2006.

Following the initial May 9, 2006, due date for feedback, both Elaine West and John Coffman requested additional time to review and provide comment. The deadline was then extended to May 15, 2006. This was followed by a request from Elaine West asking that the Commission's Consumer Services Manager meet with the CAA Energy Chair on June 15, 2006, to discuss the proposed changes and request for feedback. Following the June 15, 2006, meeting, a new date of August 30, 2006, was set for comments from all parties. On August 17, 2006, Elaine West provided comments from the CAA Energy Chair, Penny Miles. On September 5, 2006, Mr. Coffman contacted the Consumer Services Department Manager acknowledging the due date had passed, but explaining that he had mistakenly understood that it was going to be a collective response from OPC, CAA Director and AARP, and so did not timely respond. The Commission Consumer Services Department Manager indicated that AARP's comment would still be welcome. On September 18, 2006, the Commission's Consumer Services Department Manager provided AARP with a deadline date of September 26, 2006, to provide feedback on amendments to 4 CSR 240-13. To date, AARP has not yet submitted any feedback and OPC has not submitted any additional comments.

Staff Recommendation

To address the Commission's September 14th directive to determine the possible scope of service and billing issues statewide for residential customers of electric, gas and water utilities, the Staff reviewed all complaint data for calendar years 2005 and 2006 to date. Following is information on record for electric, gas and water utility complaints:

	2005	Electric, Gas and Water Only Complaints (% of Total)	Jan.1 – Sept. 18, 2006	Electric, Gas and Water Only Complaints (% of Total)
Total MPSC Complaints	5203	3305 (64%)	5091	3816 (75%)
Billing	1712	1079 (21%)	2521	2135 (42%)
Rules/Regs	1535	1383 (27%)	1303	1205 (24%)
Rates/Tariff	150	39 (.75%)	111	31 (.6%)
Service Quality	1425	699 (13%)	757	386 (8%)
Other/Misc	381	105 (2%)	399	59 (1.2%)

As illustrated in the table above, there appears to be an approximately 100% increase in electric, gas and water billing complaints for nearly nine months of 2006 compared to the number of billing complaints for twelve months for 2005. In addition, billing complaints comprise 42% of the total complaints to date, compared with 21% for 2005. Complaints related to rules and regulations received in 2005 compared to 2006

indicate that they are coming in at about the same rate this year as last, and will comprise a similar percentage of total complaints this year as last year.

The reasons for the increased number of billing complaints appear to be two-fold: one, the higher-than-previous cost of gas for the winter period of 2005-2006, and two, Laclede Gas Company's initiative to transition to Automatic Meter Readers (AMRs) (similar to those of MGE and AmerenUE), for all of their gas meters within the St. Louis County and Metropolitan service area. Given these two known occurrences and the supporting evidence of the Commission's consumer complaint data maintained by company, 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. However, Staff does not rule out other possible service and billing issues with other electric, gas and water utilities, in light of its findings of rule violations stated in Commission's case GC-2006-0318 (Staff vs. Laclede Gas Company). Also, if Staff felt there were absolutely no issues of statewide concern in this area, Staff would not have recommended to the Commission in April 2006 the need to establish a rulemaking docket to address revisions to Chapter 13 rules on service and billing practices for residential customers of electric, gas and water utilities.

Therefore, to more thoroughly examine possible rule violations or issues with service and billing practices on a statewide basis, the Staff strongly recommends that the Commission establish a Commission task force to review 4 CSR 240-13 and its application to residential customers of electric, gas and water utilities. Staff would recommend that this task force consist of members from the General Assembly and its staff, consumer advocate groups, individual consumers, the Office of the Public Counsel, and the Staff. Staff further recommends that the Commission direct that the current draft of amendments to Chapter 13 be used as the starting point. Staff's final recommendation is that the Commission charge the task force with completing a final report listing all issues, findings, recommendations, and any proposals for resolution regarding service and billing practices of 4 CSR 140-13, as well as suggested revisions to those rules, by no later than August 1, 2007.