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July 21, 2010



Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
Capitol Building, 1<sup>st</sup> Floor  
500 East Capitol Avenue  
Pierre, SD 57501-5070

**RE: In the Matter of the Request to Amend Rules Regarding ARSD Chapter 20:10:17  
Gas and Electric Customer Billing  
Docket No. RM10-001**

Dear Ms. Van Gerpen:

This Letter is being filed by Otter Tail Power Company ("Otter Tail") to provide responses to the questions from the South Dakota Public Utilities Commission in Docket RM10-001. Otter Tail's responses to the questions are included in Attachment 1. Due to the way Otter Tail's current Customer Information System ("CIS") tracks and stores information relating to customer accounts, some of the information needed to be manually reviewed and compiled for purposes of responses to these questions. Due to the manual process of gathering information for some of the responses, the information may not be all inclusive. However, Otter Tail believes the information is as complete as possible given the manual process that was required to gather the information. In addition, Otter Tail's CIS keeps four years of information in the system at any given point in time. All data older than four years is archived and the details requested are not readily available without a considerable amount of additional manual work. Given this information is not readily available, Otter Tail has provided the details for the period of July 1, 2006 through June 30, 2009, the most recent four years of information available in Otter Tail's CIS.

Due to the amount of time involved in gathering this information, Otter Tail apologizes for the delay in responding to the questions in this matter.

Ms. Patricia Van Gerpen

July 21, 2010

Page 2

If you have any questions, regarding this filing, please contact me at 218 739-8838 or [rlspangler@otpc.com](mailto:rlspangler@otpc.com).

Sincerely,

*/s/ RON L. SPANGLER JR.*

Ron L. Spangler Jr.

Rate Case Manager

Tariff Application and Compliance

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Enclosures

By electronic filing

**SLOW OR FAST METERS: ARSD 20:10:17:06 and 20:10:17:07**

1. How many slow or fast meter errors, in the past 5 years, have you discovered? Please provide a list by year and the corresponding length of time the meter reading was in error.

**Table 1**

Year	Otter Tail Sample Meter Tests		Meter Test at Customer Request	
	Fast	Slow	Fast <sup>2</sup>	Slow <sup>2</sup>
2010 <sup>1</sup>	Not Available	Not Available	2	0
2009	0	1	1	2
2008	0	0	2	0
2007	0	0	0	0
2006	0	1	0	0

<sup>1</sup>As of the date of this response, Otter Tail's 2010 Sample Meter Test was not complete, so the results are not available.

<sup>2</sup>During the period of July 1, 2006 through June 30, 2010, Otter Tail had seven South Dakota customers requested to have meters tested for accuracy. All seven of the meter tested fell within the guidelines of plus or minus 2 percent accuracy. In fact, all seven fell within 1 percent accuracy.

2. Of those how many were fast? How many slow?

See Table 1 above.

3. How was each error discovered?

The slow or fast meters shown in Table 1 above were discovered by Otter Tail's Sample Meter Testing process or at a South Dakota customer's request. Please note the meters tested for those customers that requested a test all fell within the acceptable range. Slow or fast meters are at times discovered during the course of field employees reading meters or performing inspections of company-owned facilities, including the meter, at customer locations. Otter Tail's CIS does not track slow or fast meters that are discovered during the course of reading meters or performing inspections. So this information is not available.

4. What were the total monetary values of the error?

For the meters tested at a customer's request, the monetary value of errors was zero, because accuracy of the meters fell within the acceptable range of plus or minus 2 percent. For the two meters that failed Otter Tail's sample meter test, Otter Tail could not determine with reasonable certainty when the meters began to register slow and because the test results were just over 2 percent slow, Otter Tail did not rebill the customers for any consumption that was not recorded on the meter due to the meter being slow.

5. Please detail how each error listed above was resolved.

For the meters tested at a customer's request, the test results were presented and discussed with the customer and no further action needed to be taken as the meters we found to be within the acceptable range. For the meters that were part of Otter Tail's sample meter test that fell outside the acceptable range (slow) the meter was replaced and no further action was taken by Otter Tail.

6. Do you believe SDCL 15-2-13 (6 year contract statute of limitations) limits the refund due a customer if there is a 2% fast or more error discovered?

The limitation applies to when a civil action can be commenced. Effectively it limits a court's authority to order a utility to issue a refund.

7. If the error date is determined with "reasonable certainty", do you believe SDCL 15-2-13 limits the time you may back-bill and receive payment for a slow meter error?

Similar to 6 above, the statute limits the time frame within which a civil action may be commenced; for example, for purposes of seeking collection through a civil judgment. It is a limit on a court's authority, which effectively may make it difficult or, in some cases, impossible for a creditor to collect on an amount owed.

**METER FAILING TO REGISTER: ARSD 20:10:17:08**

1. Has it happened, in the past 5 years, where a meter failed to register? Please provide a list by year.

In order to obtain this information Otter Tail had to go through an extensive manual review of information from our CIS based on a meter adjustment code of "Dead Meter." Otter Tail's CIS does not track the length of time associated with meters that have failed to register. The number of and amount of the meter adjustments based on the code of Dead Meter are listed by year in Table 2 below. Please note the time period for the information in Table 2 below is from July 1, 2006 through June 30, 2010.

**Table 2**

<b>Year</b>	<b>No. failed to register</b>	<b>Amount</b>
<b>2010</b>	<b>9</b>	<b>(\$284.49)</b>
<b>2009</b>	<b>25</b>	<b>(\$443.13)</b>
<b>2008</b>	<b>22</b>	<b>(\$3,650.36)</b>
<b>2007</b>	<b>28</b>	<b>(\$2,959.07)</b>
<b>2006</b>	<b>14</b>	<b>(\$844.28)</b>
<b>Total</b>	<b>98</b>	<b>(\$8,181.33)</b>

## 2. How were the failures discovered?

The meter failures are identified by; 1) customers calling with questions about their usage or bill amount; 2) daily reports that list meters that may need to be reviewed for accuracy prior to sending the customer's bill; 3) periodic internal reports that list meters with zero use; 4) field employees performing inspections of company owned facilities, including the meter, at customer locations.

## 3. Please list the total monetary value of each failure and the corresponding length of time the meter reading was in error.

See the response to 1 in the Meter Failing to Register section above.

## 4. Please detail how each failure was resolved.

For all of the meter adjustments with a code of Dead Meter, we exchange the meter and estimate usage for the most recent billing period because in almost every case, it is difficult for Otter Tail to determine the date of the meter error with reasonable certainty. For this reason, Otter Tail will adjust only the months that we are reasonably certain that the meter was in error. This adjustment is based on the average usage per day, using periods of known normal usage for corresponding time periods in previous years. In many cases, the customer is contacted at the time the meter is exchanged or a follow-up phone call to inform the customer of the adjustment.

## 5. Do you believe SDCL 15-3-13 limits the utilities ability to back-bill if the meter fails to register?

As referenced above, SDCL 15-3-13 limits one's ability to bring a civil action. It does not prohibit back billing.

**OTHER METER ERRORS: ARSD 20:10:17:09**

## 1. How many meter errors of this type, in the past 5 years, have you discovered? Please provide a list (or all over and underbilling) by year.

Otter Tail's CIS tracks meter adjustments; however, it does not differentiate between customer requested meter checks or meter checks that are initiated by Otter Tail employees. However, Otter Tail's CIS does track those customers who received a Customer Service Guarantee, which is described in Question 2 of the General/Other section below, and would indicate that the customer received an inaccurate bill. Table 3 below shows the number and net amount of over or under billings for the period of July 1, 2006 through June 30, 2010.

Year	No. over or under billed	\$ amount of correction
2010	5	(\$1,263.89)
2009	19	(\$5,613.25)
2008	8	(\$2,506.49)
2007	20	(\$3,056.99)
2006	19	(\$1,416.22)
Total	70	(\$13,856.84)

2. Please detail the nature of the error and explain how each was discovered?

The majority of the billing errors would include meter readings (kWh and demand) that were either over or under read. These errors were discovered by customers contacting Otter Tail with a question about usage or bill amounts.

3. What was the total monetary value of each error and the corresponding length of time the meter reading was in error?

Please see Table 3 above for the total monetary value of the meter reading errors for the period of July 1, 2006 through June 30, 2010. Otter Tail's CIS does not track the length of time associated with meter reading errors.

4. Please detail how the error was resolved.

In situations where the customer inquired about a potential inaccurate billing, we would inform the customer that we would investigate the potential inaccurate bill and also let the customer know that it is determined that the billing was inaccurate, we would make an adjustment and send the customer the adjusted bill along with a Customer Service Guarantee. There may be situations where a follow-up phone call or personal contact will be made to discuss any billing adjustment that may take place.

5. Do you believe SDCL 15-3-13 limits the time you may back bill if a meter error cause is discovered with "reasonable certainty"?

As referenced above, SDCL 15-3-13 limits a court's jurisdiction over certain civil actions. It does not prohibit back billing.

6. Do you believe SDCL 15-3-13 limits a customer refund if a meter error were made such that the consumer were over-billed?

As referenced above, SDCL 15-3-13 limits a court's jurisdiction over certain civil actions. It does not prohibit refunding.

#### **GENERAL/OTHER**

1. Generally, does your tariff deviate from the administrative rules regarding these types of meter related issues?

Yes. Otter Tail Power General Rules and Regulations Section 4.04 – Meter Testing and Meter Failure are consistent with South Dakota Administrative Rules 20:10:17:06 and 20:10:17:08. Section 4.09 – Billing Adjustments is consistent with South Dakota Administrative Rules 20:10:17:09.

2. Please provide an example of the letter or other information you send a consumer if a meter error occurs.

Otter Tail has a program called Customer Service Guarantee, which is part of Otter Tail's commitment to provide customers with an accurate bill. If a customer's bill is inaccurate, in addition to correcting it, we'll credit the account \$25 for residential customers or \$150 for commercial customers. The Customer Service Guarantee does not apply to estimated or prorated bills or to self-read meters. When it is determined a customer should receive a Customer Service Guarantee, a phone or personal contact is made to the customer by an Otter Tail representative, and followed up with a Customer Service Guarantee letter, which is provided in Attachment 2.

3. Please detail any internal mechanism whether in your billing system or otherwise, that warns of abnormal usage (either high or low).

We have a Display System Ticklers report (CIS 899) internally known as the "Error Listing Report" that automatically prints each day in each Customer Service Center. This report is used by Otter Tail's trained Customer Service Representatives who review the accounts on the report to identify potential metering and billing errors. There are 44 error messages that relate to detecting meter or billing errors. For example, error message 31 advises the Customer Service Representative to review the billing because the usage on the meter fell outside the high and low parameters for each of the prior 2 monthly billings. The Customer Service Representatives review the meter usage history to determine if there is a potential problem with the meter reading or the meter. All of Otter Tail's new Customer Service Representatives attend comprehensive training when hired. In addition, all Customer Service Representatives attend more broad biannual training, known as our Customer Care Conference. During the Customer Care Conference, a variety of topics are discussed including the daily error list report and the process of identifying potential meter reading and billing errors. Weekly Customer Care Newsletters are also published to keep the Customer Service Representatives informed on customer service related items that may affect the work they perform on customer accounts.

4. Do you ever analyze like situated commercial consumers regarding usage? For example: does your system have a mechanism to compare like situated businesses such that a red flag is raised if one is consuming half the gas or electricity of another?

Due to differences in size of the buildings, heating and cooling systems, hours of operation, and location, Otter Tail's CIS system does not have such a mechanism in place. However, we do have Energy Management Representatives that periodically visit with commercial customers about Otter Tail's service and the customer's usage.

5. List by year, for the past 5 years, the number of meter checks performed on your system in South Dakota due to customer request.

Otter Tail's CIS does not differentiate between customer requested meter check or meter checks that are initiated by Otter Tail employees, therefore this information is not available.

6. Please explain your position regarding whether over-billing and under-billing should be handled different.

Otter Tail does not believe a change is necessary at this time.

7. Please provide the annual number of errant billings for each of the last 5 years where the date of the cause of the error can be fixed with reasonable certainty. Please provide the dollar amount of the refund or collection for each of the errant billings above separately identifying the base rate and FAC or PGA amount.

Otter Tail's CIS tracks meter adjustments; however, it does not differentiate between customer requested meter checks or meter checks that are initiated by Otter Tail employees. However, Otter Tail's CIS does track those customers who received a Customer Service Guarantee, which indicates that the customer would have received an inaccurate bill. Table 4 below lists the number and net amount of errant bills for the period of July 1, 2006 through June 30, 2010.

Year	No. of errant bills	\$ of base rate refund	\$ of FAC amount
2010	5	(\$ 1,263.89)	\$ (10.47)
2009	19	(\$ 5,613.25)	\$ (9.83)
2008	8	(\$ 2,506.49)	\$ (661.19)
2007	20	(\$ 3,056.99)	\$ (585.81)
2006	19	(\$ 1,416.22)	\$ (343.25)
Total	70	(\$13,856.84)	\$(1,610.55)

8. Please provide Company policy regarding the length of time allowed a customer to pay a collection for an errant billing where the date of the cause of the error can be fixed with reasonable certainty. How do you communicate this to the consumer?

When a customer is billed for an inaccurate bill that related to a meter reading or metering error, the customer would be contacted by the field representative or Customer Service Manager. Otter Tail will work with the customer to determine the best option for repayment of the inaccurate bill. For larger adjustments, one option for repayment is to include the amount of the inaccurate bill in Otter Tail's Even Monthly Payment (EMP) plan. Otter Tail's EMP plan helps customers manage monthly fluctuations of their electric bill by allowing the customer to pay the same amount each month. The monthly payment amount is based on the average of the customers last 12 months' electric usage. In this case, 1/12 of the inaccurate bill amount would be added to the EMP monthly payment amount. Once a year we'll settle any differences between the energy use billed to the customer and the energy paid for by the customer. Every 4 months Otter Tail reviews EMP plan accounts to ensure that the customer's usage is in line with what the customer is paying. If the customer's usage is significantly higher or lower, we will adjust it accordingly and let the customer know.



9. In the computation of the overbilling or under billing caused by meter error, explain how the fuel clause amount or PGA amount of the revised billing is calculated, ie. are historic FACs or PGAs used to determine to amount owed or refunded?

When a billing adjustment occurs, the FCA rate in effect at the time of the original bill is used when the bill is adjusted. For example, a March 2010 bill that is adjusted in June 2010 reflects the FCA rate in effect during the month of March 2010.

10. Please explain whether and how FAC or PGA amounts over or under collected due to meter error, are subsequently recovered from, or refunded to, all customer through the FAC or PGA or for natural gas service, through the lost and unaccounted for gas factor.

The FCA amounts for over or under collections due to billing adjustments for metering errors would be recovered from or refunded to all customers through Otter Tail's Energy Adjustment, which is in Otter Tail's tariff book Section 13.01, Energy Adjustment Rider.

11. If it is assumed each rate case test year includes some level of errant billings due to errant metering, explain why it is appropriate to subsequently go back and refund or rebill customers when meter errors are found if there has been an intervening rate case.

Otter Tail believes it is very important to provide customers with an accurate bill and has the processes in place to minimize billing errors. We believe the amount of errors is small when compared to the total revenue requirement in a rate case. We also believe it is fair to the customer and the company to refund or charge customers for billing errors regardless of the level of billing error adjustments that may be included in a rate case test year.

12. Please describe the Companies meter testing program including the timeframe of testing the entire population of the company's meters and whether certain meters are tested more often than others. Provide the average annual cost of meter testing and the numbers and types of meters tested. If testing costs differ between specific types or sizes of meters, provide the average cost of testing a meter of each type or size.

**New single-phase self-contained kwh meters:**

When a shipment of new single-phase self-contained kWh meters is received, a random sample of at least four meters is selected from each pallet of 96 meters and is tested to verify accuracy. Specification limits of 101 percent and 99 percent are used to determine acceptance or rejection of a shipment of meters. If the sample fails, then the entire shipment of meters is tested and calibrated as needed, or sent back to the supplier.

**In-service single-phase self-contained meters:**

In-service single-phase self-contained meters are annually random sample tested by group. Groups for random sample testing are chosen using attributes of age and various models by Manufacturer. Upper Specification Limit of 102 percent and Lower Specification Limit of 98 percent are used to determine sample size and acceptance or rejection of each group of Meters. If a group sample fails, then a second larger sample will be taken; if this fails, then all meters in that group will be removed from service for testing and calibration as needed, or retired within five years.

**New demand and polyphase meters:**

New demand and polyphase meters are tested and calibrated before installation. Meters are calibrated if test results show an error beyond 0.5 percent.

**In-service demand and polyphase self-contained meters:**

In-service polyphase self-contained meters are tested on a sixteen year schedule. Meters on the test schedule are removed and replaced with a new or reconditioned meter. The meter that was in-service will be reconditioned or retired.

**New instrument transformer rated meters and meter installations:**

New instrument transformer rated meters are tested before installation. Meters are calibrated if test results show an error beyond 0.5 percent. New instrument transformer rated meter installations are tested within sixty days from the time sufficient load is connected to the service to ensure an accurate evaluation of metering.

**In-service instrument transformer rated meters and meter installations:**

In-service instrument transformer rated meters are tested on a schedule that is based on annual kWh consumption. Meters on the test schedule are either tested at the customer premises or replaced with a new or reconditioned meter. Meters are calibrated if test results show an error beyond 0.5 percent. After a meter is placed in service, the meter installation is tested.

<u>Annual kWh Consumption</u>	<u>Test schedule</u>
2,000,000 and above	1 year
170,000 to 2,000,000	6 years
25,000 to 170,000	12 years
Less than 25,000	16 years

**Instrument transformer rated meter installation test:**

Instrument transformer rated meter installations are tested at the customer premises with a phase angle meter, ammeter, and voltmeter to ensure proper connections were made by the installer. If the current transformers or potential transformers are replaced, this procedure is repeated.

**Reconditioned meters:**

Reconditioned meters are tested before installation. Meters are calibrated if test results show an error beyond 0.5percent.

**Cost of In-service Meter Testing:**

Otter Tail does not have meter testing data by state readily available. The number of sample meters tested by year shown in Table 5 below are the total number of meters tested that were in service in the states of Minnesota, North Dakota and South Dakota. For 2010, the meter shop average labor cost associated with testing all meter types and sizes is \$8.91 per meter.

**Table 5**  
**Sample Meter Test by Year**  
**Minnesota, North Dakota and**  
**South Dakota**

<b>Year</b>	<b>Number of Meters tested</b>
2006	819
2007	929
2008	794
2009	882

13. Are large usage customers' meters checked more often, thus limiting the amount of time which error correction may need to be made, and also limiting the amount of potential over - and underbillings?

Yes. See the response to number 14 below.

14. If the answer to (13) is yes, what is your policy for checking those meters? If the answer is no, explain why that risk is not being mitigated by more frequent testing of large user meters, and also state whether you would suggest a separate refunding or rebilling policy for small v. large usage customers?

In-service instrument transformer rated meters are tested on a schedule that is based on annual kWh consumption. Meters on the test schedule are either tested at the customer premises or replaced with a new or reconditioned meter. Meters are calibrated if test results show an error beyond 0.5 percent. After a meter is placed in service, the meter installation is tested.

<u>Annual kWh Consumption</u>	<u>Test schedule</u>
2,000,000 and above	1 year
170,000 to 2,000,000	6 years
25,000 to 170,000	12 years
Less than 25,000	16 years

15. If it is decided to limit the time period to calculate customer rebilling for error correction, how would you propose to "make up" for forgone net revenues?

Due to the small amount of billing errors that have historically occurred, Otter Tail does not believe there is a need for a "make up" process.

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June 25, 2010



ACCT: 14

Dear Customer:

I'd like to apologize for the inaccurate statement that you received.

Otter Tail Power Company's Customer Service Guarantee states that if your bill is ever inaccurate, we will correct it and credit your account (\$25 for residential customers, \$150 for commercial customers). Accordingly, you will receive a \$25.00 credit on your next statement.

Again, I'd like to apologize for any inconvenience this may have caused you. If you have any questions concerning this or any other matter please call us at 800-257-4044 or stop by the office.

Thank you for giving us the opportunity to serve all your electrical needs.

Sincerely,

Dennis Mears  
Customer Service Manager

C: KEVIN BULLER