MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

June 28, 2010

Ms. Kara Semmler
Staff Attorney
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501

RE: RM10-001-Amend Rules Regarding ARSD Chapter 20:10:17 Gas and Electric Customer Billing

Dear Ms. Semmler:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. herewith submits our responses to the South Dakota Public Utilities Commission staffs request for information regarding ARSD Chapter 20:10:17 gas and electric customer billing, specifically ARSD Chapter 20:10:17:06 through 20:10:17:09 Rules.

If you need any additional information or have follow-up questions please contact me at 701-222-7856.

Sincerely,

Tamie A. Aberle
Pricing and Tariff Manager

Attachment
cc: Dave Jacobson

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
DOCKET NO. RM10-001
DATA REQUESTS DATED MAY 5, 2010

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.**

   Response:
   Montana-Dakota does not track this type of information.

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

   Response:
   Please see Response No. 1.

3. **How was each error discovered?**

   Response:
   As noted in Response No.1, Montana-Dakota does not track specific information relating to billing errors caused by meter errors. Generically, errors relating to inaccurate meters are discovered by the following means:
   - A meter check read is performed based on a customer contact where a change in billed consumption cannot be readily addressed based on historical consumption patterns or changes in weather. In some instances this review results in a meter test.
   - A pre-audit function within the Company's Customer Information System (CIS) identifies accounts that fall outside of established parameters prior to billing. Such accounts are evaluated by a Company customer service representative to determine if a check read is required.
   - Another CIS review process occurs after billing where billed amounts are compared to maximum parameters established for residential accounts and bills falling outside of those parameters are reviewed prior to mailing.
   - Through reporting tools that provide information relative to meters with zero consumption and abnormal reads, and gas and electric multipliers applied to meter reads for billing.

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

   Response:
   See Response No. 1.

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

   Response:
   As noted in Response No.1, Montana-Dakota does not track specific information relating to billing errors caused by meter errors. When a billing error is discovered

because of a meter error, Montana-Dakota evaluates the situation and refunds any over billed amounts to the customer back to the time the error can be fixed with reasonable certainty. If a specific date cannot be determined, then refunds are made for a period of six months. If a customer has been under-billed because of a slow meter or a non-registering meter Montana-Dakota back bills from the date of error but no longer than a six month period.

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?**

Response:
If a specific error is discovered where Montana-Dakota has over billed consumption, and this error can be traced back to a date certain, even if the period of billing error is greater than the six year period, Montana-Dakota is currently refunding back to the date certain in which the error occurred. However, instances of billing errors dating back beyond 6 years are rare and Montana-Dakota could not find an example of this occurring in South Dakota.

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?**

Response:
As noted in Response No. 5, Montana-Dakota currently back bills for a maximum period of six months.

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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.**

   Response:
   This information is not tracked by Montana-Dakota.

2. **How were the failures discovered?**

   Response:
   Please see Response No. 3 under the responses to ARSD 20:10:17:06 and ARSD 20:10:17:07.

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

   Response:
   This information is not available.

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

   Response:
   Please see Response No. 5 under the responses to ARSD 20:10:17:06 and ARSD 20:10:17:07.

5. **Do you believe SDCL 15-2-13 limits the utilities ability to back-bill if the meter fails to register?**

   Response:
   Please see Response No. 7 under the responses to ARSD 20:10:17:06 and ARSD 20:10:17:07.

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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 under billing) by year.**

   Response:
   This information is not tracked by Montana-Dakota.

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

   Response:

   Other meter errors are not necessarily associated with an inaccurate meter but affect billing units being charged such as an incorrect meter multiplier or where a meter index does not match the electronic read transmitter (ERT) used in the automated meter reading process. These types of errors are discovered through various means as stated in Response No. 3 regarding ARSD 20:10:17:06 and 20:10:17:07. These errors may also be discovered when the premise is visited by a Montana-Dakota representative, or when completing meter orders for installations, read transfers/exchanges.

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

   Response:
   This information is not tracked by Montana-Dakota.

4. **Please detail how the error was resolved.**

   Response:
   Please see Response No. 5 regarding ARSD 20:10:17:06 and ARSD 20:10:17:07.

5. **Do you believe SDCL 15-2-13 limits the time you may back bill if a meter error cause is discovered with "reasonable certainty"?**

   Response:
   Please see Response No. 7 regarding ARSD 20:10:17:06 and ARSD 20:10:17:07.

6. **Do you believe SDCL 15-2-13 limits a customer refund if a meter error were made such that the consumer were over-billed?**
   Response:
   Please see Response No. 6 regarding ARSD 20:10:17:06 and ARSD 20:10:17:07.

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GENERAL/OTHER

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

   Response:
   Montana-Dakota does not address the administrative rules regarding the meter related issues in its tariffs on file with the South Dakota Public Utilities Commission.

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

   Response:
   Montana-Dakota does not currently use a form letter to advise a customer if a meter error resulting in a billing adjustment has occurred. Montana-Dakota's practice is to contact the customer via telephone and discuss the billing adjustment and payment arrangements, if applicable, with the customer. In some instances, followup information specific to the account and the meter error is included with the corrected billing statement or a separate letter.

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

   Response:
   Please see Response No. 3 in regard to ARSD 20:10:17:06 and 20:10:17:07,

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?**

   Response:
   No, Montana-Dakota does not have a mechanism within its current CIS to compare account usage based on business type.

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.**

   Response:
   This information is not available.

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

   Response:
   Montana-Dakota's position is that refunds should be made back to the date of the error

if the date is known with certainty. It would be reasonable to limit this refund to the statute of limitations. With regard to back billing, Montana-Dakota's position is that a maximum one-year period is appropriate.

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.**

   Response:
   This information is not available.

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?**

   Response:
   Payment arrangements are developed on a case by case basis, dependent upon the amount of the adjustment and the customer's ability to pay.

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, i.e. are historic FACs or PGAs used to determine to amount owed or refunded?**

   Response:
   Montana-Dakota uses the historical FAC's or PGA's to determine the amount owed or the amount refunded to the customer.

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 customers through the FAC or PGA or for natural gas service, through the lost and unaccounted for gas factor.**

    Response:
    Meter errors will affect amounts over or under collected through the FAC or PGA balancing accounts because volumes of energy or natural gas actually delivered to customers will be different than the amounts measured resulting in a difference between purchases/generation and sales.

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.**

Response:
Montana-Dakota's position is that refunds should be made back to the date of the error if the date is known with certainty to be fair to the customer. Limiting this time period to the Statue of Limitations would minimize the likelihood of an intervening rate case and minimize the dollar value of the adjustments. With regard to back billing, Montana-Dakota's position is that a maximum one-year period is appropriate which would also minimize the likelihood of an intervening rate case and minimize the dollar value of the adjustments. Also, adjustments of a significant magnitude are typically normalized in the rate case process.

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.**

Response:
All new meters (100%) are tested at the factory before being shipped to Montana-Dakota. When new meters are received, a minimum of 5% of the meters are also tested in the Company's meter test shops.

To accomplish ongoing testing of the entire meter population; meters are tested by either a random test program or a periodic test program. The residential and small commercial meters are subdivided into random test groups based on meter vintage or meter installation date with random test samples made from each group. A statistical analysis is completed on all tests from the random program. If groups of meters within the random sample are found to be defective, those groups may be retested. If certain types of meters or vintages of meters are identified as defective and causing the groups to fail the criteria, the identified defective meters are removed from active service.

Larger commercial and industrial meters are periodically tested based on size of meter. The testing frequency for the large meters can vary from every 2 years to every 10 years depending on the utility (gas or electric) size and type of meter. The maximum time frame to test all meters in the periodic groups is 10 years.

Overall the cost to test electric and gas meters is approximately $350,000 annually for South Dakota customers. Below is the cost to test meters in each program, new, random and periodic.

Summary of approximate cost/test:

Utility	New	Random	Periodic
Gas	$9.00	$54.00	$90.00
Electric	$6.75	$31.50	$36.00

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?

Response:
Yes, large usage customers' meters are checked more frequently because generally the meter is more complex from the standpoint of mechanical, electrical and electronic components.

14. If the answer to (16) 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?

Response:
Please see Response No. 12 for the test plan/policy for large meters.

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?

Response:
The non-fuel related costs not recovered through either the Purchased Gas Cost Balancing Account or the Fuel Cost Adjustment Balancing Account would be considered a cost of doing business and not tracked separately with the exception of an event or situation that may cause the Company to request Commission approval to rebill for a longer period.