

DE 02-011

EXETER AND HAMPTON ELECTRIC COMPANY

Misapplication of Transformer Credits to Rate G2 Rate Class

Order Nisi Regarding Unbilled Revenues

O R D E R N O. 24,049

September 9, 2002

I. BACKGROUND AND SUMMARY OF PETITION

On January 17, 2002, Exeter and Hampton Electric Company (E&H) filed a request relative to unbilled revenues with the New Hampshire Public Utilities Commission (Commission). E&H is seeking permission from the Commission to retroactively collect, from 319 of its rate G2 customers, revenues which it failed to bill as the result of an erroneous application of a transformer credit. The 319 customers affected represent 5.3% of E&H's Rate G2 customers.

As provided for in the E&H tariff, customers taking service under Rate G2, who provide all transformers that may be required for service, receive a credit against the demand charge. The credit is equal to 36 cents per kilowatt of monthly demand or kilovolt-ampere of monthly demand. According to E&H, on February 1, 1998, E&H implemented a rate change in the Administrative Service Charge component of its rates. In order to effect rate changes, company personnel manually enter rate changes for each of the rate codes in the Customer Information System. During this manual entry of rates, company personnel inadvertently

eliminated the computer "flag" which determines whether the customer should receive a transformer credit for the G2 rate code. From that time on, all customers taking service under Rate G2 received the transformer credit regardless of whether they qualified for the credit. E&H discovered the error when reviewing a customer account in December 2001 and investigated and corrected the error on all applicable customer accounts by January 7, 2002.

E&H proposes to adjust customer billings back to February 1999 to remedy its improper application of the transformer credit. E&H is not seeking recovery for unbilled revenues which resulted from the programming error prior to February 1999. The bill adjustments would affect 319 commercial customers and would range from 36 cents to \$3,170.67 per customer for a total adjustment of \$148,224.93. The distribution of the adjustments is shown below.

Unbilled Revenues	Number of Customers	Total Amount Unbilled
\$0 - 100	124	\$3,103
\$101 - 200	20	\$2,675
\$201 - 300	14	\$3,466
\$301 - 400	13	\$4,659
\$401 - 500	16	\$7,390

\$501 - 600	23	\$12,406
\$601 - 700	23	\$14,894
\$701 - 800	13	\$9,657
\$801 - 900	10	\$8,510
\$901 - 1,000	13	\$12,336
\$1,001 - 1,100	9	\$9,573
\$1,101 - 1,200	11	\$12,638
\$1,201 - 1,300	7	\$8,644
\$1,301 - 1,400	4	\$5,369
\$1,401 - 1,500	4	\$5,814
\$1,501 - 1,600	4	\$6,174
\$1,601 - 1,700	3	\$4,874
\$1,701 - 1,800	2	\$3,534
\$1,801 - 1,900	4	\$7,360
\$1,901 - 2,000	1	\$1,979
Over \$2,000	1	\$3,171
Total	319	\$148,225

E&H has proposed that the unbilled revenues be recovered from its customers as follows. For those customers with unbilled revenues less than \$300, a one-time adjustment will be made. For customers with unbilled revenues ranging from \$301

to \$500, the unbilled amounts will be recovered over a 2-month period. Recovery from customers with unbilled revenues ranging from \$501 to \$1,000 would be done over a 3 month period, from \$1,001 to \$2,000 over a 4 month period, and, for customers with unbilled revenues over \$2,000, recovery would be done over a 6 month period.

II. COMMISSION ANALYSIS

Allowing E&H to recover unbilled revenue is consistent with RSA 378:14, which prohibits utilities from charging a lesser or different compensation for any service rendered other than the compensation fixed by the tariffs on file with the Commission. New Hampshire Rules of Admin. Pro. Puc 1203.05 (e) requires a utility seeking approval to collect unbilled revenues to provide, in writing, the following information:

- (1) A description of the failure to bill;
- (2) An explanation of why the failure occurred;
- (3) The proposed time period over which the utility proposes to recover the unbilled, unpaid balance and the utility's rationale for same;
- (4) The impact on the monthly bills of customers; and
- (5) The number and percentage of customers included in the approved rate change who are affected by the error.

Our administrative rules also provide some guidance to utilities regarding when they would not and, conversely, when

they would be allowed to seek recovery of unbilled revenues.

N.H. Rules of Admin. Pro. Puc 1203.05 (f) states the Commission

shall not approve collection of unbilled revenues unless the commission determines that:

- 1) the utility's error was inadvertent;
- 2) the time period for collection of the unbilled revenues does not impose undue hardship on ratepayers; and
- 3) the proposed collection meets the standards contained in RSA 378:7.

We have reviewed E&H's filing with Puc 1203.05 in mind.

E&H has: described the failure to bill and explained why the failure occurred; proposed a time period over which to recover the unbilled revenues; provided the range of dollar impacts on the monthly bills of customers; and provided the number and percentage of customers that were affected by the error.

The case presents two separate issues. First, we must determine the extent to which the Company may recover unbilled revenues in this case. Second, to the extent the Company may recover unbilled revenues, we must determine the time period during which the underbillings may be recovered. Ultimately, we must determine whether the Company's proposed recovery comports with our rule, and results in just and reasonable rates. RSA 378:7.

With respect to the initial cause of the underbilling, E&H has stated the error was inadvertent, and we find no evidence to the contrary. We see no advantage to be gained by the company from intentionally misapplying the transformer credit to this group of customers.

The Company states that the billing error took place during a February 1, 1998 rate change, but that the Company did not discover its error until December 2001, and only discovered the error when conducting a separate billing review on behalf of a G-2 customer. Exeter & Hampton is a large utility, with a sophisticated billing system and a number of staff members whose primary function is to prepare accurate billings and to recover those revenues permitted under valid tariffs on file with the Commission. The total amount of the underbilling in this case is roughly \$50,000 per year. This amount, while a small percentage of the Company's revenues, is not insubstantial. The Company should have in place internal audit functions that are likely to identify such billing errors on a timely basis. In this case, the error was not identified for almost 4 years, and then only by happenstance during the course of an unrelated billing review.

The Company itself has recommended that it not recover the unbilled amounts from February 1, 1998 to February 1, 1999, primarily because the Company lacks sufficient billing records to recalculate accurate bills for affected customers for this

period. We find it reasonable to limit recovery further, because of the extensive time it took the Company to identify the underbilling problems. We will permit the Company to recover the underbillings for the period from February 1, 1999 through January 31, 2001. This time period is not inconsistent with RSA 365:29, which limits a utility's liability for refunds to two years. We do not have a specific calculation of this amount on the record, but it will be less than \$148,225 sought by the Company, and close to the amount reflected in Staff's proposed recovery plan. Thus, we have sufficient evidence on the record to determine the appropriate recovery mechanism.

With respect to the time period over which the rebilling should be permitted, the Company has proposed a six month period, and Staff proposes a two year period. The recovery period proposed by the Company would result in average monthly charges to customers ranging from \$179 to \$528.50. E&H has stated that the proposed two to six months for recovery would mitigate the impact on customers and allow customers to avoid large one-time expenditures and better manage their payments.

In resolving individual consumer complaints in which it is determined that the customer has been underbilled, the practice of the Consumer Affairs Division is to establish arrangements that provide consumers the same amount of time to become current based on accurate rebilling as the amount of time

over which the error occurred. Given the relatively small amounts of underbilling relative to G-2 customers' total bills, we do not find it necessary to require that the backbilling be extended over a lengthy period, although the six month period proposed by the Company appears unduly compressed. Accordingly, we find it reasonable to allow the Company to charge customers such that the repayments of the unbilled revenue will occur over a 12-month period with one exception. For those customers with unbilled revenues less than or equal to \$30, E&H may assess a one-time charge to the customer's bill. All adjustments greater than \$30 shall be recovered in equal installments over twelve months. We believe limiting the recovery to the first twenty-four months of underbilling and allowing customers a reasonable time to pay the unbilled revenues better mitigates the impact on customers and will result in more manageable and affordable bills than the Company's proposal.

Because the amount of unbilled revenues to be recovered differs from the Company's proposal and because we have changed the length of time over which the Company can charge customers for the unbilled revenues, we direct the Company to file a report with this Commission summarizing the results of this correction to its prior billings. We also direct the Company to meet with Staff and discuss the details of said report.

Based upon the foregoing, it is hereby

ORDERED NISI, that E&H shall be authorized to recover those unbilled revenues without interest which resulted from the misapplication of the transformer credit to 319 rate G2 customers and which accrued from February 1, 1999 to January 31, 2001; and it is

FURTHER ORDERED, that such recovery shall be done via a one time bill adjustment for those customers where the total unbilled revenues is less than or equal to \$30. For those customers with total unbilled revenues in excess of \$30, the unbilled revenues shall be collected over 12 months in equal bill adjustments; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than September 19, 2002 and to be documented by affidavit filed with this office on or before October 3, 2002. In addition, E&H shall separately notify all affected customers via first class mail of the error, of the Commission's decision, the customer's right to ask for a hearing and of the total amount of the billing adjustment applicable to that customer as well as the monthly billing adjustment; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than September 26, 2002; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than October 1, 2002; and it is

FURTHER ORDERED, that this Order Nisi shall be effective October 9, 2002, unless the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this ninth day of September, 2002.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary