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Decision 92-08-038 August 11, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

CORONA CITY COUNCIL; Mayor AL LOPEZ, )  
City of Corona; Mayor Pro Tem and )  
City Council Member WILLIAM )  
FRANKLIN, City of Corona; Mayor )  
WILLIAM PENDLETON, City of )  
Bellflower; Mayor ROBERT HANSON, )  
City of Banning; LOS ANGELES BLACK )  
WOMEN FOR WAGES FOR HOUSEWORK; )  
WAGES FOR HOUSEWORK; INTERNATIONAL )  
BLACK WOMEN FOR WAGES FOR HOUSEWORK; )  
HISPANIC BUSINESS COUNCIL OF )  
CORONA; JAMES EARLE CHRISTO; )  
ENCARNACION MUNOZ; RAMON REYNOSA; )  
SYLVIA ORTIZ; UTILITY WORKERS )  
UNION OF AMERICA, AFL-CIO, LOCAL )  
132, )

Complainants,

vs.

SOUTHERN CALIFORNIA GAS COMPANY,

Defendant.

ORIGINAL

Case 91-05-042  
(Filed May 20, 1991)

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O P I N I O N

On May 31, 1991, Southern California Gas Company (SoCalGas) closed 12 branch offices (the "12 offices") within its service territory.<sup>1</sup> The 12 offices were primarily in the rural and outlying areas of SoCalGas' service territory.

The complainants, a coalition of local elected representatives, individual customers, community groups, and a utility workers union, allege that the utility's decision to close the 12 branch offices was unlawful, unjustified and irrational. Complainants request an order from this Commission directing SoCalGas to reopen the 12 offices.

The Division of Ratepayer Advocates (DRA) believes that the closure of the 12 offices resulted in an unacceptable degradation of service to SoCalGas customers. DRA recommends that the 12 offices be reopened and kept open until SoCalGas can provide adequate service alternatives.

SoCalGas, in support of its decision to close the 12 offices, contends that closure did not unreasonably diminish service. SoCalGas believes that the closure of the 12 offices properly balances the factors enumerated in Public Utilities (PU) Code § 451.<sup>2</sup>

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1 The 12 branch offices closed by SoCalGas were located in Alhambra, Banning, Bellflower, Corona, Covina, Dinuba, Fontana, Hanford, Lompoc, Monrovia, San Luis Obispo and Visalia.

2 PU Code § 451 requires that all charges demanded or received by a public utility be just and reasonable. Section 451 further provides:

"Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service...and facilities...as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees and the public."

We find that SoCalGas, in closing the 12 offices, has failed to maintain adequate, just or reasonable service within significant portions of its service territory. The closures were not the result of a rational decision-making process. The formula upon which SoCalGas' decision was based is simply a mathematical expression of a predetermined policy decision to reduce customer services in rural and outlying portions of the service territory. The impact of the office closures fell disproportionately on poor, elderly and minority customers. Offices were closed without adequate notice to customers and without safeguards in place to maintain an adequate level of service.

Under these extraordinary circumstances of inadequate and unjust service, we will order SoCalGas to promptly reopen the 12 offices, or to open new branch offices in the 12 communities which provide an equivalent level of service.

Is Quality of Service, Including Payment Services, a Matter of Concern to This Commission?

At the outset we are compelled to address SoCalGas' contention that this Commission should not "intervene" in the question of whether these offices should be closed. In SoCalGas' view, "Commission intervention in whether SoCalGas should have closed these offices (or should close offices in the future) is micro-management of the highest order." (SoCalGas Opening Brief, p. 3.) SoCalGas characterizes the exercise of our statutory duty to ensure just service as "usurpation" of the utility's responsibility.

In fact, the quality of service provided by SoCalGas to its customers is of serious concern to this Commission. The requirement that a utility provide service which is adequate, efficient, just and reasonable has been a cornerstone of the Public Utilities Code for more than eight decades. Over these past 80 years, this Commission has had numerous opportunities to define the

level or quality of service which we deem to be adequate, efficient, just and reasonable.

In a 1913 decision authored by Commissioner Eshleman, the Commission addressed a complaint regarding Pacific Telephone's practice of requiring all customers within a wide area of Santa Clara County to make payments at the office in San Jose:

"The defendant disclaims this as a practice and I believe arrangements can very readily be made whereby no complaint will be justified in this regard without making any formal order with reference thereto. I believe, however, that at the various centers served by this exchange opportunity for payment of amounts due should be afforded the patrons, and likewise a reasonable time be given between the default of the patron and the taking out of the instrument...." (City of San Jose v. Pacific Telephone and Telegraph Co. (PT&T) (1913) 3 CRC 720, 734; emphasis added.)

The principle that ratepayers should be afforded an opportunity to pay at various centers served by the utility has been reaffirmed in subsequent decisions. In a 1926 complaint case, the Commission ordered a water utility to arrange an authorized payment facility in Hawthorne:

"One other matter has been the source of considerable inconvenience to many of the customers on this system, and that is the fact that there is at present no provision on or near the area served whereby the water bills may be paid. The present practice of the company is to mail the monthly water bills to the consumers from its Los Angeles office. The bills must be paid by mail or by calling upon the company's office in Los Angeles. Arrangements should be made at once to have some store or resident located on or near the tract authorized to receive water bills for the company." (Leatherman v. Consolidated Water and Development Company (1926) 27 CRC 536, 538.)

Our concern with the need to provide adequate payment facilities has continued through the years. In Decision (D.) 85287, we ordered Pacific Bell's predecessor, PT&T, to undertake a study of public payment agencies, and to report on an annual basis on the establishment, termination, or relocation of such agencies. (App. of PT&T Co. (1975) 79 CPUC 240, 264, 285.) In D.88232, we went one step further and directed PT&T to attempt to establish a payment location in the Portola District of San Francisco. (App. of PT&T Co. (1977) 83 CPUC 149, 244-245.)

In D.85-03-023, we considered a complaint concerning Pacific Bell's payment offices. Although we dismissed the complaint because the complainant lacked standing, we emphasized that "the Commission will continue to review Pacific's operations to ensure that Pacific provides adequate, sufficient, just and reasonable service," including payment office services.<sup>3</sup> (Sinclair v. Pacific Bell (1985) Cal.P.U.C. Lexis 90.)

In short, as we said in D.88232, the utility "should not be the sole and final arbiter of where and when public payment agencies are to be established." (83 CPUC 244.)

**Has SoCalGas Demonstrated a Rational Basis for Its Decision to Close 12 Branch Offices?**

Toward the end of 1990, SoCalGas retained CRESAP, a general management and consulting firm, to recommend the appropriate level and methods for delivering customer services at company branch offices. CRESAP's charge was to determine and

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<sup>3</sup> In light of the foregoing authorities, we view with incredulity the assertion in SoCalGas' opening brief that SoCalGas has not found a single case where the Commission has defined the utility's responsibility to provide payment offices. (SoCalGas Opening Brief, p. 5.)

justify the services SoCalGas wants to make available to customers and the general public. CRESAP examined 47 branch offices.<sup>4</sup>

In a report dated February 7, 1991, CRESAP recommended that SoCalGas close 36 of the 47 offices it studied. CRESAP proposed that 11 offices be closed in 1991<sup>5</sup> and that 25 more offices be closed in 1992-93.

CRESAP also recommended that SoCalGas reduce the services provided by the remaining branch offices. As currently configured, branch offices perform a variety of services as "one-stop shops." The branch offices process routine payments and deposits, process late payments, provide information on energy conservation measures and products, correct information on customer accounts, grant extensions, assist with low-income ratepayer assistance (LIRA) applications, handle minor bill complaints and inquiries, prepare customer inquiry forms for the billing department on more complex billing questions, and prepare customer orders. CRESAP recommended that branch offices focus entirely on processing payments from "needy" customers. CRESAP recommended that all service and inquiry functions, other than bill payments, be transferred to a centralized service bureau, whereby customers would receive service by phone or by mail.

To determine which branch offices, if any, should remain open to receive payments from "needy" customers, CRESAP proposed a formula. For each branch office, CRESAP estimated two factors:

1. The average number of monthly payments made at the office, and

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4 At the time of the CRESAP study, SoCalGas operated 50 branch offices. However, the branch offices in downtown Los Angeles (Flower Street), Ventura and Monrovia were already slated for closure at the time the study began.

5 The 12 branch offices which are the subject of this complaint (see footnote 1) include Monrovia and the 11 offices which CRESAP recommended for closure in 1991.

2. The number of households with incomes less than \$15,000 living within three miles of the office.

If the sum of these two factors exceeded 35,000, CRESAP proposed that the branch office remain open. Eleven offices received a "passing" score. CRESAP recommended closure of the remaining 36 offices with scores of less than 35,000.

CRESAP recognized that if 36 offices were closed immediately, such closure might create "community backlash." To avoid this backlash, CRESAP suggested that SoCalGas immediately close only those branch offices in the least "politically sensitive" communities. In the more "politically sensitive" communities, CRESAP recommended that the offices be closed in 1992-1993, after some "stage-setting" has been accomplished.

Which communities were most "politically sensitive"? To answer this question, CRESAP conducted a survey of SoCalGas District Managers and Division Managers. District Managers were given a written survey. The survey asked the managers to rank 8 issues in importance, and the branch office's ability to have an impact on the issue.<sup>6</sup> If the branch office was rated as having a strong beneficial impact on issues rated of most importance by a District Manager, it would receive a higher score.

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<sup>6</sup> The issues in CRESAP's study concerned the ability of branch offices to:

- Provide necessary community presence,
- Minimize city tax increases,
- Forestall the threat of gas service municipalization.
- Promote access to local political leaders and community opinion makers,
- Build local strategic alliances,
- Promote economic development and growth in the community,
- Provide a meeting place in the community, and
- Provide jobs in the community.



The Division Manager survey was based on an oral interview by CRESAP. Notes of these interviews were not retained. Division Managers were asked to score each office either "open" or "close."

CRESAP then combined the District Manager and Division Manager scores. Based on CRESAP's review of these scores, it determined that 11 offices were in less "politically sensitive" areas. Pursuant to CRESAP's recommendation, SoCalGas closed these offices on May 31, 1991.

We have taken great care to understand the criteria by which SoCalGas decided to close these 11 offices. We conclude that the CRESAP analysis is arbitrary, and based on improper criteria.

The first factor in CRESAP's closure formula is the number of households with income less than \$15,000 who live within three miles of each office. CRESAP's use of a three-mile radius to define the service area of the branch offices has two pernicious effects. On one hand, it overstates the number of low-income customers<sup>7</sup> in the south-central Los Angeles metropolitan area. Nine of the eleven offices which CRESAP proposes to keep open are tightly clustered in the densely populated area of south-central Los Angeles. Each of these nine offices is within three miles of

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<sup>7</sup> We find the \$15,000 income level to be an extremely restrictive definition of "needy customers." SoCalGas' LIRA rates are based on income levels which range (effective March 8, 1990) from \$13,600 for households of 1-2 people, to \$28,800 for households of 7. CRESAP's criteria of \$15,000 for households of all sizes is considerably more restrictive than the Commission's adopted income levels. Thus, CRESAP's definition of "needy" customer embraces only the lowest income customers and excludes many other low-income customers.

another office. As a result of the overlapping radii, CRESAP's methodology double-counts many of the customers. In the area of greatest overlap, some customers were counted four times.<sup>8</sup>

On the other hand, the three-mile criterion understates the number of low-income customers in outlying, lower density portions of SoCalGas' service territory.<sup>9</sup> In suburban and rural communities many customers live more than three miles from a branch office. As a result, customers outside of a three-mile radius of a particular branch office are not counted as customers of any office.<sup>10</sup>

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8 CRESAP counted 376,489 people within a three-mile radius of the Southgate branch. However, because this office is within 2.5 to 4 miles of three other branch offices, approximately 230,000 people counted by CRESAP actually live closer to another branch office.

9 CRESAP assumed a three-mile radius in its formula because this criterion was consistent with its recommendation that branch offices only serve neighborhoods with large numbers of "hard core impoverished" people. (Tr. 10/1166, 1168.) CRESAP and SoCalGas assumed for the purposes of its recommendations, that even in rural areas low-income customers would not travel more than three miles to transact business at a branch office. This assumption contrasts sharply with the testimony of SoCalGas' Manager of Customer Services, regarding one branch office: "Palm Springs is a fairly isolated area that serves in a fairly nonpopulous region in southern California, as compared to some of the other regions, and there are a lot of people who come from distances to Palm Springs, great distances to Palm Springs, to transact their business." (Tr. 8/887.) Similarly, he testified, for Dinuba "as with many rural communities, people come from outside of that city...to pay their gas bills." (Tr. 8/870.) Acting under CRESAP's recommendations, Dinuba was one of the 12 offices closed in 1991. Palm Springs, viewed as more politically sensitive, is proposed for the second phase of closures.

10 Under CRESAP's criteria, Santa Monica serves only 18,093 low-income households. Actually, Santa Monica is the closest branch office to approximately 45,000 low-income households, assuming CRESAP's definition of low-income customers.

Although the CRESAP formula projects an appearance of objectivity, the core of the formula was entirely subjective. The determination that 35,000 should be a "passing" score was made by Andrew Patterson, director of the CRESAP study. However, Patterson was completely unable to describe any factual or measurable basis for choosing this particular numerical value.

We conclude that the CRESAP formula was neither an accurate nor objective basis for making decisions about branch offices. The formula was simply a mathematical expression of a predetermined policy decision to close all branch offices in smaller, rural communities. Under CRESAP's criteria, it is mathematically impossible for a branch office in a low-density, rural community to receive a score of 35,000, even if every household in that community met CRESAP's low-income criteria and even if every household paid its bill at the branch office.

CRESAP's branch office formula suffers from numerous other methodological flaws. Other than low-income customers, the formula did not take into consideration categories of disadvantaged customers (elderly and disabled) who may have special needs for branch offices. Furthermore, the formula focused only on the number of payments made at a branch office, and did not quantify the other services provided by a branch office. Nor did the formula consider the costs of operating a branch office. As a result, SoCalGas closed even those offices, such as Dinuba, Visalia and Banning, which were rated by CRESAP as most efficient.

Another equally disturbing aspect of the CRESAP analysis is the criteria used to phase the closures. CRESAP recommended closure based upon the perceived "political sensitivity" of the community. Political sensitivity was a composite of several factors, most of which pertained to corporate, rather than customer interests. For example, one of the issues listed in the District Manager survey was the ability of a branch office to "forestall the threat of gas service municipalization."

The threat of potential municipalization, as we found in D.91-05-028, is an important spur to utilities to operate efficiently and reduce costs. It is also an important spur to provide a high quality of service. It is therefore understandable that SoCalGas would hesitate to precipitously close branch offices in those communities where it perceived a high threat of municipalization. However, it should be the goal of SoCalGas to provide the same high quality of service throughout its service territory, regardless of the perceived threat of municipalization.

Another issue listed in the District Manager survey was the ability of a branch office to "promote access to local political leaders." We note the frank testimony of one senior district manager regarding the Oxnard office. This branch office was given a high political sensitivity ranking because it was directly across the street from City Hall. While Oxnard remained open, other offices, which had a higher score from CRESAP but which were not in direct view of a City Hall, were closed. In other words, SoCalGas based its decision on the closure of branch offices more on the proximity of the office to City Hall, than upon the number of customers served.

**Did Closure of 12 Offices on May 31, 1991  
Result in a Significant Diminution of Service?**

The 12 branch offices which were closed had provided a wide range of services to ratepayers. The services included: (1) the receipt of routine and late payments; (2) processing customer orders for service turn-on and turn-off, gas appliance repair, adjustment, leakage, and various other orders; (3) advising customers on energy conservation measures; (4) handling various complaints, inquiries and extension requests; (5) preparing customer account inquiry forms on more complex billing questions; (6) providing customers with duplicate bills; (7) receiving bill deposit and merchandise payments; (8) making cash refunds; and (9) providing assistance to low-income ratepayers, such as

providing LIRA applications, assisting customers in filling out the forms, and referring indigent customers to community service agencies. Five of the closed offices had bilingual service representatives.

SoCalGas contends that it has adequate alternative measures planned or in place to ensure a just and reasonable level of service in each of the 12 communities where a branch office was closed. SoCalGas believes that equivalent service will be provided by a combination of (1) authorized payment agencies (APAs), (2) telephone service, (3) payment or service by mail, or (4) other branch offices.

Complainants and DRA contend that when 12 branch offices were closed in May 1991, SoCalGas failed to provide reasonable alternatives to the services which had been provided by these offices. Some services cannot be adequately provided by phone, mail or at an APA. As a consequence, complainants contend, the closure of these branch offices resulted in a significant degradation in service.

The evidence in this record overwhelmingly supports the complainant's position.

Routine Bill Payments

One of the primary services of the branch office is the receipt of routine bill payments. On average, the 12 closed offices received a total of 68,000 payments each month.

An APA is a local business which is authorized by SoCalGas to collect routine payments from utility customers.<sup>11</sup>

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<sup>11</sup> An unauthorized payment facility, unlike an APA, typically charges the customer a fee for collecting payment of the utility bill and forwarding the payment to the utility. This form of payment is risky. These facilities are not authorized by the utility to collect the payment. The facilities do not guarantee

(Footnote continues on next page)

Authorized payment agencies can be a reasonable alternative to a branch office for routine bill payments.<sup>12</sup> However, to provide equivalent payment service to a branch office, they must be as conveniently located as the branch office and must be capable of assuming the payment volume of the closed office. When CRESAP recommended closing these branch offices, the proposal was premised on the assumption that each closed branch office would be replaced by an APA located nearby. Yet, in May 1991, SoCalGas closed eight branch offices<sup>13</sup> without first opening an APA within these communities. In these communities, customers were required to travel to another city, as much as nine miles away, to make a routine payment in person.

When SoCalGas closed the Hanford office, the closest APA agency was in Lemoore, a distance of nine miles. When Dinuba closed, the closest payment agency was in Reedley, five miles away. When Corona closed, the closest payment agency was in Riverside, four miles away.

For those who own an automobile, these distances may seem insignificant. On the other hand, for those who do not own a car and where public transportation options are limited, distances of more than a mile can pose a significant hardship. We have been

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(Footnote continued from previous page)

that payment will be forwarded in a timely manner. If payment is not forwarded, the customer has no recourse against the utility. Unauthorized payment facilities are not reasonable alternatives to a branch office or APA.

12 Most APAs accept only routine payments. APAs do not accept late payments. APAs do not provide any of the other services of the branch office.

13 Fontana, Corona, Alhambra, Bellflower, Hanford, Visalia, Dinuba and Banning.

presented with moving testimony in this proceeding of the hardships posed by the closure of branch offices where alternative payment locations were not made available in reasonable proximity to the closed offices. The testimony of Encarnacion Munoz typified the new burdens caused by the closure of the Corona Branch office. Her round trip on public transportation, from her home in Corona to the nearest branch office in Riverside, took four hours.

SoCalGas characterizes the testimony of customers such as Ms. Munoz as "anecdotal tales." (SoCalGas Reply Brief, p. 6.) SoCalGas' characterization is untrue and unfair.

The testimony of customer hardship cannot be dismissed as anecdotal. The evidence is overwhelming that the impact of the office closures fell disproportionately on poor, elderly and minority customers. Seventy-one percent of the customers who use the 12 offices are nonwhite. Over half of the customers who use the 12 offices earn \$15,000 or less and 30% have annual incomes of less than \$10,000. Thirty percent of the customers do not have checking accounts. Twelve percent do not have phones; 16% do not have cars; and 20% were over age 50.<sup>14</sup> Thus, we may reasonably conclude that a substantial portion of the 68,000 customers who paid their bills each month at the 12 offices suffered hardship and inconvenience similar to that of Ms. Munoz.

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<sup>14</sup> This profile of the branch office customer is drawn from two SoCalGas "surveys." Both surveys are flawed and are likely to understate the use of these offices by low-income customers. One "survey" was a questionnaire distributed to all branch offices. The survey was not scientifically conducted, and the results are not statistically significant. The other survey was conducted predominately over the telephone. Therefore, customers who did not own a phone (and were therefore most in need of a branch office) were not proportionately represented.

Nor is it fair to characterize the testimony of customer hardship as "tales." We find the testimony of SoCalGas customers in this proceeding to be sincere, specific, accurate and credible. SoCalGas itself could have verified the extent of customer hardship if it had taken time to talk to its low-income and minority customers before it decided to close these offices. However, SoCalGas did not do so. Because of severe time constraints on the CRESAP study imposed by SoCalGas, CRESAP did not have time to talk to even a single disadvantaged customer before it recommended closure of 36 branch offices.<sup>15</sup>

SoCalGas also dismisses the testimony of hardships by disadvantaged customers on the grounds that any customer who chooses to pay at a branch office is not acting in a rational or "cost-efficient" manner. SoCalGas argues it is more cost-effective for a customer to pay by mail, than to pay in person at a branch office. However, for many low-income customers without cars or checking accounts, payment by mail actually requires greater time and expense because it requires purchase of a money order,<sup>16</sup> purchase of a stamp, and mailing of the bill. For these customers, payment in cash at a branch office or alternative payment agency is the most convenient and least costly method of payment.

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15 Instead, CRESAP's understanding of customer needs was gained through (1) a sketchy questionnaire which was not statistically valid and did not inquire as to customer needs or impacts, (2) general demographic data, (3) transaction volume in a linear program as a "proxy" for why customers visit, and (4) interviews of SoCalGas managers.

16. In the last 12 months, the Commission has had two occasions to order regulated utilities to accept money orders for payment of utility bills, where the money orders were issued by companies which had become insolvent. (Res. E-3241, E-3252.) Although only a small portion of utility bills are presently paid by money orders, closure of the 12 branch offices is likely to increase the frequency of this form of payment.



Late payments

When a customer account becomes delinquent, SoCalGas issues a notice warning of an impending shut-off in service. When the customer receives the notice, the customer has 48 hours in which to make payment in order to avoid shut-off. Most APAs do not accept 48-hour payments. A customer can mail payment, but there is no assurance that it will be received in time to avoid shut-off. As a result, for a customer to ensure continuation of service, he or she must deliver a late payment in person to a branch office within the 48-hour period provided in the notice.<sup>17</sup>

CRESAP recognized that the elimination of branch offices in certain communities would significantly increase the time and effort required to make late payments. When the Dinuba payment office closed, the nearest branch office to the Dinuba area was in Porterville, 45 miles away. For Hanford, the closest office was in Porterville, 40 miles distant. Despite the knowledge that the closure of branch offices would create new significant burdens to customers making late payments, particularly in communities such as Hanford and Dinuba, neither CRESAP nor SoCalGas "developed a

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<sup>17</sup> In lieu of taking a payment to a branch office, SoCalGas suggests that the customer can give the payment to the field collector who comes to turn off the gas. This is obviously not a practical alternative. The field collector does not make an appointment to turn off the gas. The field collector may come to the residence at any time after the payment deadline. To meet the field collector with a late payment, the customer would have to remain at his or her residence for an indefinite period of time.

SoCalGas also suggests that if a customer receives a 48-hour notice and cannot pay the bill in person in this time period, they may call SoCalGas and request an extension. However, this option is not explained in the notice provided to the customer; thus, most customers may be forced to unnecessarily drive great distances to pay the bill in person prior to shut-off.

definitive understanding of the issue before closing the offices."  
(Tr. 10/1226.)<sup>18</sup>

Restoring Service

If a customer's service is turned off for nonpayment of a bill, a customer must make full payment before service is restored. Such payment cannot be made at an APA. Therefore, the only practical means for a customer to obtain prompt restoration of service is to take payment to a branch office. As with late payments, this service was much more difficult to obtain in those communities, such as Hanford and Dinuba, where the nearest branch office was many miles away. As with late payment procedures, SoCalGas closed the 12 offices before developing alternative procedures to service these customer needs.

Low Income Rate Assistance

Branch offices have performed a variety of services for low-income customers. Branch offices will assist customers in signing up for the LIRA program. In a branch office, a SoCalGas employee will provide the form, offer assistance in filling it out, and review it for completeness. If the customer fills out the application at the office, the customer becomes eligible for LIRA rates as of the date the completed application is received at the branch office.

SoCalGas argues that LIRA applications can as easily be requested by telephone and submitted by mail. However, when a

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18 As Patterson, Director of the CRESAP study, testified, "We were aware, and that is why there is language in the report to indicate that we were concerned about those policies and we felt they had to be addressed....(T)here were a number of things that needed to be accomplished in order to achieve closures. And these other things were of equal importance to the closings themselves." (Tr. 10/1151-52.) Unfortunately, SoCalGas closed the 12 offices before it addressed the other questions, such as late payment procedures, which were of equal importance to the closures.

customer applies by mail for LIRA rates, the customer becomes eligible only when a completed application is received by SoCalGas. This may be days or weeks after the customer initially requests the form. First, SoCalGas must mail out the application. There is conflicting evidence in this record as to how promptly this is accomplished. Second, the customer must fill out the application. While assistance is available over the telephone, it is doubtful that this type of assistance is as effective as face-to-face contact with the SoCalGas employee. If a customer makes an error on the application, it will be returned by mail to the customer. Thus, it may take much longer for customers to apply and become eligible for LIRA assistance by mail, than if they do so in person at a branch office.

#### Other Services

SoCalGas contends that other services performed by a branch office can be performed as efficiently and effectively by the telephone bureau. The difficulty with SoCalGas' argument is that some services simply cannot be performed by the telephone bureau: Assistance with coded accounts, replacing lost bills, services which require customer identification, and cash refunds.

For these services, the only practical alternative is for a customer to travel to the nearest branch office, at distances up to 45 miles from the closed facilities.

#### Was Notice of the Closures Timely or Adequate?

The burdens imposed on customers by the closure of these 12 offices were compounded by SoCalGas' failure to provide timely or adequate notice of the closures. Although SoCalGas decided to close 12 offices in February 1991, SoCalGas did not first provide notice to customers until mid-April, approximately six weeks before the offices were closed.

Notice consisted of 8-1/2" X 11" announcements posted in each branch office. In some communities, SoCalGas also issued a press release regarding the closures. SoCalGas did not place any

paid advertisements prior to closure. SoCalGas did not notify customers through bill inserts.

SoCalGas' limited notice was too little and too late. Six weeks is simply too short a period of time to provide effective notice. Some offices had been operating for decades. Yet, the only customers who were apprised of the closures were those who came personally to the office in the six-week period prior to closure and who happened to see the posted notice. As a result of the limited notice, many customers came to closed offices in the months following May 31, 1991.

The notice which was posted reflects a utility which is largely indifferent to the needs of its customers. For those customers who came to the branch office to pay a bill, the notice provided only the address of the nearest branch office and/or payment agency and a map roughly depicting the location of these offices. The notice did not provide information intended to easily guide the customer to the new office, such as actual distances, directions, or information on public transportation.

For those customers who came to the branch office for a purpose other than bill payment, the notice provided no information at all. Although SoCalGas claims that most other branch office services could be "readily" provided by phone, the notice failed even to provide a phone number.

**Did the Closure of 12 Branch  
Offices Violate PU Code § 451?**

SoCalGas argues that PU Code § 451 requires a balancing of the four factors: adequate, just, reasonable and efficient. We agree with SoCalGas that to determine the proper level of utility service we must carefully balance all four factors. We find, however, that the CRESAP formula did not consider, much less balance, these criteria.

CRESAP did collect some data on the efficiency of the branch offices. It compared, for example, the cost per transaction

of 50 offices. However, this information was not incorporated into the closure formula. As a result, Visalia, Dinuba and Flower Street were closed in 1991, despite the fact that these offices received a high (100%) efficiency ranking from CRESAP.<sup>19</sup>

Neither CRESAP nor SoCalGas considered, much less balanced, the adequacy or reasonableness of service after these offices were closed. In order to determine whether a reasonable level of service is maintained after closure of the 12 offices, it is necessary to understand the costs or burdens to the customer of making alternative service and payment arrangements. The cost to the customer was not considered in the CRESAP analysis. Instead, SoCalGas assumed that the cost to the customer of closing branch offices is "not terribly relevant to the determination of whether a just, reasonable, adequate, and efficient level of service can be maintained." (SoCalGas Reply Brief, pp. 15-16.) As a consequence of its belief that the cost to customers of closing offices is not relevant, neither SoCalGas nor CRESAP made any attempt to determine the value of these services to its customers, or the costs and burden borne of customers when these services were discontinued. CRESAP did not undertake a cost-benefit analysis to compare the costs of providing branch office services against the benefits to customers who received the service.<sup>20</sup>

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19 While we find no rational basis for SoCalGas' decision to close the most efficient offices, we do not mean to imply that SoCalGas was justified in closing less efficient offices. The goal of efficiency may often conflict with the goal of providing just service. A rational decision-making process will understand and weigh both goals. In contrast, CRESAP's formula fails to incorporate either goal.

20 Instead, CRESAP conducted a risk/benefit analysis. In this analysis, CRESAP compared the savings to be realized from closure against the risk of community backlash or CPUC "interference."

The cost to the customer of the closed offices is not merely relevant to the determination of reasonable and adequate service; it is essential to this determination. SoCalGas' failure to consider, much less balance, the actual hardship incurred by customers in these communities is a violation of PU Code § 451. Although the closure of a branch office itself does not constitute the elimination of a basic service (such as shutting off the gas to a home), our concern is that SoCalGas' closure of branch offices in rural communities, without having adequate alternative services firmly in place at the time of closure, whittles away a right to obtain and pay for basic services in a manner no less disturbing than an outright physical embargo of these customers.

In defense of its decision to close these offices, SoCalGas offers several arguments. First, SoCalGas contends that the closure of an office in a community is not an unreasonable diminution of service, because SoCalGas cannot have an office in every city in its service area. However, no one in this proceeding has suggested that SoCalGas should have an office in every community. Instead, the requirement has been that the utility receive payments at locations at or near the customers it serves. (27 CRC 538.)

When SoCalGas closed the 12 offices, it significantly increased the distance a customer would be required to travel to the next closest office, particular in outlying rural portions of its service territory. For example, SoCalGas serves approximately 30 communities along the coast between Oxnard and Paso Robles, a distance of approximately 170 miles. Until 1988 SoCalGas served the area with five branch offices spaced approximately equidistant along the coast.

In 1988, SoCalGas closed the branch office in Paso Robles. As a consequence, customers in Paso Robles who needed a branch office were required to drive 33 miles to San Luis Obispo. Then, in 1991 SoCalGas closed the San Luis Obispo office. Now

customers in Paso Robles must drive another 33 miles south to the nearest branch office in Santa Maria. If, as CRESAP proposes, Santa Maria is closed in 1993, customers in San Luis Obispo County will be required to drive all the way to Los Angeles to receive service from a branch office.

Second, SoCalGas contends that it has plans to provide equivalent service. SoCalGas believes that the location of an APA in the same community, a branch office no more than a one-hour drive away, and expanded telephone service meets the level of service anticipated in the last general rate case and fully complies with PU Code § 451.

DRA contends that SoCalGas' proposed service standards are inadequate. In particular, DRA catalogued chronic, serious problems of delay and confusion in SoCalGas' computerized answering system.<sup>21</sup>

DRA also disputed the reasonableness of the one-hour drive-time standard proposed by SoCalGas. DRA suggested that branch offices should be placed so that no customer would be required to drive more than half an hour to a branch office.

The distance to be traveled to a branch office cannot alone define an adequate level of service. The number of customers which is affected and the frequency of their travel are equally vital factors. If, for example, all customers in San Bernardino County were required to travel to a branch office in downtown Los

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21 The quality of telephone services offered by SoCalGas' centralized customer service bureau is not directly the subject of this complaint proceeding. However, the evidence offered by DRA is sufficient to raise serious concerns about the quality of these services. DRA reports confusing computerized messages and long delays in response time. SoCalGas reports that some commercial customers are given priority access to the system, so that they need not be inconvenienced by the delays suffered by residential customers.

Angeles, it could be said with certainty that SoCalGas has not provided an adequate level of service. Because SoCalGas' "one-hour drive" standard focuses exclusively on the question of distance, it is not a prudent basis for evaluating the adequacy of service.

Moreover, even if we assume for the sake of argument that SoCalGas' proposed alternatives could satisfy the requirements of just and adequate service, the evidence is overwhelming that SoCalGas had not met its own standards at the time it closed these 12 offices. APAs were not in place in each community. The phone service was not fully operational. The drive from Paso Robles to Santa Maria exceeds one hour.

Third, SoCalGas argues the "millions of ratepayers who do not use the payment offices" should not be "forced to subsidize" these facilities. SoCalGas' argument represents a fundamental misconception of its obligation as a public utility. The fact that a majority of customers may have the ability to pay their bills by mail does not justify a decision to deny payment facilities for the "minority."

Because utility rates are based on average costs, subsidies are an inherent part of the rate structure. Old customers subsidize new customers. High-volume customers subsidize low-volume customers. Customers in high-density areas subsidize customers in low-density areas. Customers who obtain service by mail subsidize both those who use a branch office and those who use the phone.

Thus, we are not troubled by the fact that the cost of delivering service to one group of customers may exceed the cost of service to another group. However, we are troubled by the fact that SoCalGas seeks to arbitrarily eliminate "subsidies" which benefit the rural poor and disadvantaged.



Also, troubling is the extraordinary amount of money which SoCalGas has spent to rationalize and defend its decision to close these offices. CRESAP was paid approximately \$130,000 for a shoddy, hastily assembled study to "determine and justify the services SoCalGas wants to continue." (Ex. 3, Tab 24, p. 2) CRESAP was paid another \$200,000 for "litigation support" in this proceeding. Another consultant, Harold Daume, was paid approximately \$35,000 to conduct a telephone survey and to prepare a report, portions of which were so offensive that SoCalGas declined to offer the report into evidence.<sup>22</sup> Thus, SoCalGas has expended at least \$365,000 for consultant studies which are essentially worthless. In an era that SoCalGas characterizes as a time of "scarce resources" we find these expenditures to be a waste of ratepayer money. \$365,000 would have been better spent to operate the Banning office for the next three years.

Fourth, SoCalGas argues that it has more branch offices for the size of its service territory than either Pacific Gas and Electric Company or Southern California Edison Company. In other words, SoCalGas argues, on a system-wide basis, SoCalGas provides a higher level of payment office service than two of the other major utilities in the state.

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<sup>22</sup> We find that the rebuttal testimony of Dr. Weismantel correctly describes Daume's report. Daume's report describes customers using branch offices in negative, stereotypical language.

Complainants, on the other hand, argue that on a population basis, SoCalGas has fewer payment offices than either Pacific Gas and Electric Company or Southern California Edison Company.

Neither statistic standing alone is conclusive proof that SoCalGas has or has not complied with PU Code § 451. The critical question is not the total number of offices, but rather, how are these offices distributed in relation to the customers they serve? No matter how many total offices SoCalGas may have, we would find the service provided by SoCalGas to be unjust and unreasonable if, as CRESAP proposed, all offices were concentrated in Los Angeles County.

Fifth, SoCalGas argues that it "has been charged to find ways to deliver essentially the same level of services for lower cost" (see, for example, D.85-12-076 issued December 18, 1985, pp. 33-34). SoCalGas alleges that if the Commission ordered SoCalGas to close no more offices, it would contradict the Commission's charge that SoCalGas "do-it-for-less."

SoCalGas has misread D.85-12-076. Our charge was clear and specific. We did not order the utility to reduce costs by eliminating essential services. Instead, our admonition is that "utilities should constantly seek to minimize costs commensurate with high levels of service." (19 CPUC 2d 473; emphasis added.)

In the instant case, SoCalGas' decision to close these offices failed to adequately consider either costs or the necessary level of service. The CRESAP formula entirely ignored the questions of cost and efficiency. The formula also ignored the cost and hardship to customers of the closures.

Eight years ago, SoCalGas had 62 branch offices. SoCalGas closed two offices in 1984, two in 1986, six in 1988, and one more office in 1990, bringing the total number of payment offices down to 50. In May 1991, SoCalGas closed 14 more

offices.<sup>23</sup> In the span of eight years, SoCalGas has reduced the number of branch offices by 43%.

Moreover, at the time this complaint was filed, SoCalGas was giving active consideration to closing up to 25 additional offices. If the recommendations of CRESAP were given full effect, SoCalGas would close all branch offices outside of central Los Angeles.<sup>24</sup> Absent significant reforms in SoCalGas' system of service delivery, a customer in Dinuba who needed to make a late payment would be required to drive not just 40 miles, but 240 miles, to find the closest branch office.

SoCalGas' failure to have adequate notice and alternatives in place at the time it closed these 12 offices raises serious questions regarding the prudence of its decision to close the prior offices. These failures also give rise to grave concern for the welfare of all customers outside of Los Angeles, if the CRESAP plan were fully implemented.

In summary, we find that SoCalGas' closure of 12 branch offices, with inadequate notice and without reasonable alternative services in place, was unjust and unreasonable and a clear violation of PU Code § 451. To remedy these violations, SoCalGas is ordered to take the following actions:

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23 In addition to the 12 offices listed in footnote 1, SoCalGas closed the branch offices located in Los Angeles (Flower Street) and Ventura. These two offices are not the subject of this complaint.

24 SoCalGas states that it has no "final plans" to close the additional 25 offices recommended by CRESAP. However, SoCalGas' witnesses stressed that the decision to close the first phase of offices in 1991 was a question of "sequencing" (when, not whether, to close these 36 offices). (Tr. 8/865.) Thus, those 25 offices, which remain open, are open only because it will be more difficult to "cover for these offices" once they are closed. (Tr. 8/867.)

First, we order SoCalGas to immediately reopen each of the 12 closed offices which are the subject of this complaint. SoCalGas shall fully restore to each office the full range of services which were available in that office prior to January 1, 1991. All offices shall be reopened within 90 days of the effective date of this decision.

In the event that SoCalGas cannot reopen a branch office at any of the 12 locations for reasons outside of its control, SoCalGas shall open a new branch office in the same community at a location which is at least as convenient and accessible as the office which was closed. Such office shall be opened within 120 days of the effective date of this order. Such office may be located in facilities shared with another utility.<sup>25</sup>

Second, beginning September 1, 1992, SoCalGas shall file and serve monthly compliance reports with this Commission describing its efforts to restore branch office services in each of the 12 communities. Each report shall be verified by an officer of SoCalGas. The reports shall continue until service is restored in each of the 12 communities.

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<sup>25</sup> According to Patterson, there is not a significant cost reduction when utilities share payment facilities because the major cost of the office is labor and each utility would have its own cadre of employees. As a practical matter, according to the witness, utilities will not accept "generic" representatives to collect cash "without some rather onerous policies and procedures in place to make sure they weren't being shorted out of their portion of the cash." (Tr. 10/1267.) In effect, Patterson testified, SoCalGas doesn't trust Southern California Edison to collect a cash payment from a SoCalGas customer. We find such testimony to be very troubling. If SoCalGas can trust an APA (such as a convenience store) to collect and forward cash payments, surely it ought to be able to arrange economical payment arrangements with another regulated utility. No ratepayer should suffer as a consequence of petty rivalry or irrational mistrust.

Third, we order SoCalGas to file and serve, no later than October 1, 1992, a detailed report describing the closure of all branch offices since 1937. The report shall include:

- The specific facts or information which SoCalGas relied upon when it decided to close each office;
- The nature, extent, and duration of notice which SoCalGas provided to customers served by each office;
- The service alternatives which were available in these communities on the day the offices closed;
- The service alternatives, if any, which were added in or near these communities after closure of the offices; and
- The nature and extent of customer input, if any, which SoCalGas solicited or received before or after the closure of these offices.

Fourth, SoCalGas shall not close any branch office nor materially diminish the services provided in any branch office without the express prior authorization of the Commission.

Finally, we believe the time has come to make a broader inquiry into the payments services provided by the major electric, gas and telecommunication utilities in this state. For example, if it is true, as one witness testified, that petty competitive rivalries prevent utilities from sharing payment facilities and labor, there is a need for Commission direction. In the same vein, if there are major differences in the quality of payment services between utilities or between areas within a particular service territory, Commission direction may be required. In the near future, we will convene a workshop to review these questions on a statewide basis. Following this workshop, the Commission will, if necessary, issue an order instituting investigation into these matters.

Findings of Fact

1. On May 31, 1991, SoCalGas closed 12 branch offices within its service territory. SoCalGas closed the branch offices in Alhambra, Banning, Bellflower, Corona, Covina, Dinuba, Fontana, Hanford, Lompoc, Monrovia, San Luis Obispo, and Visalia.

2. The CRESAP formula was neither an accurate nor objective basis for making decisions about branch offices. The formula was simply a mathematical expression of a predetermined policy decision to close all branch offices in smaller, rural communities.

3. SoCalGas closed even those offices, such as Dinuba, Visalia, and Banning, which were rated by CRESAP as most efficient.

4. CRESAP recommended closure based upon the perceived "political sensitivity" of the community.

5. The distance from the closed offices to the closest open branch office ranges from 3 to 45 miles. The distance to the nearest APA ranges from one mile to nine miles away.

6. For many low-income customers without cars or checking accounts, payment of cash at a branch office or alternative payment agency is the most convenient and least costly method of payment.

7. The impact of the office closures fell disproportionately on poor, elderly, and minority customers.

8. The elimination of branch offices in certain communities significantly increased the time and effort required of customers to make late payments.

9. The only customers who were apprised of the closures were those who came personally to the office in the six-week period prior to closure and who happened to see the posted notice. As a result of the limited notice, many customers came to closed offices in the months following May 31, 1991.

10. In the span of eight years, SoCalGas has reduced the number of branch offices by 43%.

11. Neither CRESAP nor SoCalGas considered, much less balanced, the cost or inconvenience to customers which would occur after these offices were closed.

Conclusions of Law

1. SoCalGas' closure of 12 branch offices, with inadequate notice and without reasonable alternative services in place, was unjust and unreasonable and a clear violation of PU Code § 451.

2. Because immediate action is necessary to correct the adverse effects of the office closures on the public convenience and necessity, this order should be effective today.

ORDER

IT IS ORDERED that:

1. Southern California Gas Company (SoCalGas) shall immediately reopen its branch offices in Alhambra, Banning, Bellflower, Corona, Covina, Dinuba, Fontana, Hanford, Lompoc, Monrovia, San Luis Obispo and Visalia. SoCalGas shall fully restore to each office the full range of services which were available in that office prior to January 1, 1991. Each office shall be reopened within 90 days of the effective date of this order. SoCalGas shall publish notification of the reopening in newspapers of general circulation, post notices in community centers, and notify agencies serving the poor and elderly prior to the reopening.

2. In the event that SoCalGas cannot reopen a branch office at any of the 12 locations, for reasons outside of its control, SoCalGas shall open a new branch office in the same community at a location which is at least as convenient and accessible as the office which was closed. Such office shall be opened within 120 days of the effective date of this order.

3. Beginning September 1, 1992, SoCalGas shall file monthly compliance reports with this Commission describing its efforts to

restore branch office services in each of the 12 communities to the service level rendered prior to closure. Each report shall be verified by an officer of SoCalGas. The reports shall continue until service is restored in each of the 12 communities.

4. No later than October 1, 1992, SoCalGas shall file with the Docket Office and serve a detailed report describing the closure of all branch offices since 1987, other than the 12 offices which are the subject of this complaint. The report shall include:

- The specific facts or information which SoCalGas relied upon when it decided to close each office;
- The nature, extent, and duration of notice which SoCalGas provided to customers served by each office;
- The service alternatives which were available in these communities on the day the offices closed;
- The service alternatives, if any, which were added in or near these communities after closure of the offices; and
- The nature and extent of customer input, if any, which SoCalGas solicited or received before or after the closure of these offices.

5. Until further notice, SoCalGas shall not close any branch office nor materially diminish the services provided in any branch office without the express prior authorization of the Commission.



6. This proceeding shall remain open for review and possible further action on the compliance reports specified in this decision.

This order is effective today.

Dated August 11, 1992, at San Francisco, California.

DANIEL Wm. FESSLER  
President  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
Commissioners

Commissioner John B. Ohanian,  
being necessarily absent, did  
not participate.

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY

  
NEAL J. SCHULMAN, Executive Director