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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3159
July 19, 1989

R E S O L U T I O N

RESOLUTION NO. E-3159. PACIFIC GAS & ELECTRIC COMPANY
AUTHORIZED REVISIONS OF RULE 7, DEPOSITS, AND RULE 11,
DISCONTINUANCE AND RESTORATION OF SERVICE, FOR BOTH GAS
AND ELECTRIC TARIFFS FOR THE PURPOSE OF MINIMIZING
LOSSES FROM UNPAID CLOSING BILLS.

BY ADVICE LETTER 1540-G/1250-E, FILED MAY 16, 1989.

SUMMARY

1. Pacific Gas & Electric Company (PG&E) has requested authority to modify Rules 7 and 11 for both gas and electric tariffs in order to revise the calculation of the amount of a deposit and how that deposit may be applied to a customer's bill. The change in the amount of deposit required will apply to new business customers and residential customers who have been disconnected for the nonpayment of charges. The new amount of the deposit to establish credit for non-residential customers and to re-establish credit for all customers has been revised from twice the estimated average monthly bill to twice the estimated maximum monthly bill.
2. The other change requested is to clarify the practice of applying the deposit toward unpaid bills before starting "discontinuance" procedures.
3. This resolution grants PG&E's request.

BACKGROUND

1. "Uncollectibles" are a expense item for ratemaking purposes for regulated energy and water utilities. For telecommunication utilities, uncollectibles are considered as negative revenue. This means that during a "general rate case" the amount of unpaid bills are estimated for the test year and included in the utility's revenue requirement. In essence the utility is not at risk for uncollectibles but rather all ratepayers will pay for those customers that fail to pay their bill.

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2. This is not an insignificant amount. For test year 1990, PG&E uncollectibles were estimated to be \$13.7 million. For the other major energy utilities (San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCal Gas), and Southern California Edison Company (SCE)) the total for the 12 month period ending December 31, 1988, as reported by the utilities, is approximately \$25.3 million. In recognition that this is a major expense item for all ratepayers, the Commission has taken every opportunity to encourage the utilities to reduce this expense.

3. Examples of our actions include:
1. Telco centralized credit check system. (D.85-03-017).
 2. Discussion of a centralized credit check system for the energy utilities. (D. 87-12-066).
 3. Approval of several advice letters which tighten the deposit rules of various utilities. (SCE Adv. Ltr. 817-E, SouthWest Gas Corporation [Southwest] Adv. Ltr. 346 and Pacific Power & Light Company [PP&L] Adv. Ltr. 215-E).

NOTICE

1. Public notification of this filing has been made by mailing copies of the advice letter to other utilities, governmental agencies and to all interested parties who requested such notification.

PROTESTS

1. The Commission Advisory and Compliance Division (CACD) has received one protest from a residential customer (Protestant) in Fremont, CA. Protestant expressed concern over whether the utility was collecting bills adequately and whether the utility's proposal would result in unreasonably high deposits.

2. On June 28, 1989, PG&E filed a late response to the protest. The utility disputed the claims made by protestant and alleges that he had shown no compelling reasons for not authorizing the filing.

DISCUSSION

1. PG&E proposes to revise Rule 7 to change the amount of deposit for nonresidential customers from "twice the estimated average bill" to "twice the estimated maximum bill". No change is proposed in the method of calculating a residential customer's deposit at the initial application for service, which is twice the estimated periodic bill.
2. However, if service has been discontinued, for the non-payment of charges, the amount of deposit required to re-establish service will be twice the estimated maximum bill for both residential and nonresidential customers.
3. Rule 7 is also revised to reflect PG&E's current practice of adjusting the amount of the deposit if the customer's actual monthly bills prove to be higher or lower than the estimate upon which the original deposit amount was based.
4. Section A.2.e. of PG&E's existing Rule 11 states that: "A customer's service will not be discontinued for non-payment of bills until the amount of any deposit made to establish credit for service has been fully absorbed by past due and current charges."
5. By this filing, PG&E proposes to delete Section A.2.e. from Rule 11 and to add Section B.5. to Rule 7 to state that: "Deposits cannot be used to offset past due bills to avoid or delay discontinuance of service." PG&E intends to collect the credit deposit solely for the purpose of establishing a customer's credit, not to cover unpaid bills.
6. It is important to note at this point that the deposits for all customers are returned to the customer with interest after a twelve month period of a good payment record.
7. CACD believes that there should be a large degree of consistency among all similar utilities statewide concerning deposit rules. In other words, a residential customer seeking to re-connect or a business customer seeking new electrical service in Los Angeles should be afforded the same treatment as a similar customer in San Francisco. CACD has thus encouraged similar utilities to bring their deposit rules into a greater degree of conformity. Several of the utilities have responded.

8. Three other major gas and/or electric utilities in California have similar provisions in their respective tariff rules to allow for maximum rather than average monthly usage to be the basis for determining deposits.

9. Southern California Edison Company (SCE) has provisions identical to those proposed by PG&E in the Advice Letters considered in this resolution. SCE's rules have been in effect since March 1, 1989.

10. Pacific Power & Light Company (PP&L) and Southwest Gas Corporation (Southwest) both have provisions to base the amount of the deposit on twice the estimated maximum monthly bill in all cases (residential and business customers for both new and re-connected service). Southwest's provisions were authorized by Resolution G-2581 and became effective on March 7, 1984. PP&L's revised tariffs were adopted on April 26, 1989 by Resolution E-3141.

11. Of the remaining gas and/or electric utilities in the state, Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), Sierra Pacific Power Company (SPP) and CP National (CPN) all use the estimated average monthly billing as the basis for determining deposits. However, SDG&E has presented a proposed filing to revise its tariffs in the same manner that PG&E has done in this filing.

12. As can be seen from the discussion immediately above, only the energy utilities, as opposed to the telecommunication utilities, are mentioned as approaching consistency. In fact, the telecommunication utilities are fairly consistent among themselves. However, in the telecommunication tariffs comparable deposits are based on twice the average bill for a particular customer class for a particular company. The difference in deposit rules for the two different industry groups is appropriate because telephone bills in general do not vary seasonally to the extent that energy bills do.

13. Most of the energy utilities' tariffs are silent concerning the timing of the application of the deposit toward an unpaid bill. PG&E's current tariff provides that the deposit will be applied to overdue bills before issuing a "discontinuance notice". The tariff of Southwest Gas provides that the deposit will not be applied before discontinuance of service but that the deposit will be applied to any unpaid portion remaining at the

time of discontinuance of service with any remainder returned to the customer with interest from time of deposit. Other utilities seem to follow this practice. The PG&E proposal will bring both its tariffs and its practices in line with the practices of most of the other energy utilities.

14. The Protestant questions whether the utility loses money due to the current application of the deposit rules or due to inefficiency of the utility in collecting past due bills. He requests data from the utility to show that the present method of collecting deposits is insufficient to guarantee against losses due to uncollectible bills.

15. The protestant is further concerned that one high bill could result in an extremely high deposit in order to re-establish credit. Also, the protestant states that the utility might use this rule revision to extract higher deposits from existing customers.

16. The utility is not revising the deposit required upon an initial application for service by a residential customer. The only revision proposed in this advice letter is the deposit required when a former residential customer who has had service terminated involuntarily, applies for residential service the second time. For a current residential customer whose credit has deteriorated PG&E's policy is that the local Division Manager has the option (per the requirements of Rule 6.C.2. of PG&E's existing tariffs) to request a new deposit if he feels that a serious credit risk exists. PG&E's policy is to try and work with the customer in reaching an equitable payment arrangement and the request for a second deposit is rarely made.

17. Moreover, to re-establish service, the utility must first terminate service. This is done, as a rule, only after the utility has exhausted all possible opportunities to reach acceptable payment arrangements with the customer. Under such circumstances, CACD believes that the utility's proposal will not cause an undue burden upon the average residential customer.

CACD RECOMMENDATION

1. CACD has reviewed this filing and the protest. The proposed changes increase the deposits available to offset unpaid utility bills of customers who appear to be a greater credit

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risk. As a result, the proposed rule revisions will reduce revenue losses due to unpaid closing or other delinquent bills. This will reduce the burden on other all ratepayers who pay their bills.

2. Also, the new rules will increase the consistency of treatment among all ratepayers across the state. Finally the new rules will clarify the tariffs and PG&E's practices concerning the application of deposits to unpaid bills.

3. The utility alleges and CACD concurs that this filing will not increase any rate, cause the withdrawal of service or conflict with other schedules or rules.

4. The effect of this filing will be increased refundable deposit requirements for the establishment of credit for nonresidential customers and for the re-establishment of service for all customers. These rule revisions will apply for both gas and electric service.

5. For the above reasons CACD, therefore, recommends that the proposed rule revisions submitted by this filing be approved as presented.

FINDINGS

1. The proposed revision to Rules 7 and 11 will reduce the utility's losses due to unpaid closing bills and will thereby reduce the burden on all ratepayers.

2. The change from average to maximum monthly usage as a criteria for determining customer deposits will make the utility rules consistent with those previously approved by the Commission for several utilities.

3. The deletion of the provision allowing customer deposits to be used to pay overdue bills and thereby delay discontinuance will remove a provision in the utility's rules which is currently not consistent with those of other utilities. This current provision actually allows for discriminatory practices in that some customers would be able to use their deposit to pay their bills, thereby receiving service with no deposit, while others are required to retain a deposit.

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4. No changes in rates or charge will occur other than the increased deposit requirements which will help reduce utility losses due to unpaid closing bills.
5. For all of the above reasons, this filing is just and reasonable.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas & Electric Company is authorized to place Advice Letter 1540-G/1250-E and accompanying tariff sheets into effect on the effective date of this resolution.
2. Advice Letter 1540-G/1250-E and accompanying tariff sheets shall be marked to show that they were approved for filing by Commission Resolution E-3159.
3. The effective date of this resolution is the date hereof.

I hereby certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on July 19, 1989. The following Commissioners approved it.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
Commissioners

Executive Director

Commissioner Patricia M. Eckert,
being necessarily absent, did
not participate.