

4/1995

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3458*
Date July 17, 1996

R E S O L U T I O N

RESOLUTION E-3458. SAN DIEGO GAS & ELECTRIC COMPANY
REQUESTS COMMISSION AUTHORIZATION TO ELIMINATE THE
CREDIT CARD PAYMENT BY PHONE OPTION AND TO MODIFY
LANGUAGE OF ELECTRIC AND GAS RULE 9.

BY ADVICE LETTER 982-E/1007-G, FILED ON MARCH 22, 1996.

SUMMARY

1. By Advice Letter 918-E/924-G, approved by the Commission on July 26, 1994, San Diego Gas & Electric Company (SDG&E) offered three additional bill payment options to its customers. One of the options offered was credit card payment by phone.
2. SDG&E seeks to eliminate the credit card payment by phone option, and to modify the language of electric and gas Rule 9, "Rendering & Payment of Bills," to include all payment methods defined in its Tariff Rule 1.
3. The Commission grants SDG&E's request. Since SDG&E offers numerous, equally-convenient payment alternatives, the administrative and security problems posed by the credit card option are not justified under the circumstances. Altering the language of SDG&E's rules will reflect the elimination of this particular option, and allow SDG&E greater flexibility in the future to add new payment options within the existing guidelines set forth in Rule 1.

BACKGROUND

1. Effective July 26, 1994, SDG&E obtained approval (Advice Letter 918-E/924-G) from the Commission to offer three additional bill payment options to its customers. The three new services were (1) automatic electronic transfer from customer's bank account, (2) electronic transfer by phone, and (3) credit card payment by phone. SDG&E began offering the additional services in the fourth quarter of 1994.
2. SDG&E has experienced problems with credit card vendor stability since the payment option was implemented. Although the credit card option has been in existence less than two years, SDG&E has employed three different credit card vendors to process payments. SDG&E's latest vendor, Telepay, was retained for approximately one month, from Dec. 28, 1995, to Feb. 7, 1996. Telepay and SDG&E agreed to terminate their relationship on Feb. 8, 1996, after unsuccessfully attempting to renegotiate

fundamental contract issues, including an appropriate processing fee. Telepay claimed that the contract was not profitable.

3. SDG&E also has experienced problems with stolen credit card numbers. SDG&E alleges that its credit card vendors lack adequate system safeguards to control or prevent fraud against its customers.

4. SDG&E seeks to modify the language of Rule 9, "Rendering and Payment of Bills," to eliminate the credit card payment option.

5. This modification would broaden the scope of authorized payment options to include all those defined in Rule 1.

NOTICE

1. In accordance with General Order 96-A, SDG&E served notice of AL 982-E/1007-G to the required utilities and agencies, and to all other interested parties that requested such information.

PROTESTS

1. No protests of AL 982-E/1007-G were filed.

DISCUSSION

1. Although SDG&E's latest credit card vendor, Telepay, contended that its contract was unprofitable, this contention is not supported by the data submitted by the utility. SDG&E's initial description of the credit card payment option indicated the customer would pay a separate transaction charge directly to the third party agent. Telepay may have accepted an unprofitable contract, but there does not seem to be anything inherently unprofitable in the structure.

2. Despite the uncertainty with respect to the profitability of the credit card option, there is a serious problem with the credit card plan. Stolen credit card numbers have resulted in fraud against SDG&E's consumers. It is unlikely SDG&E will be able to substantially abate this problem.

3. The credit card payment option is not essential. Eliminating this option will have little impact on consumers' ability to render timely payment. According to SDG&E, the credit card plan had the lowest consumer participation rate of the available payment options. Last December and January, less than 1,000 people used SDG&E's credit card option each month. Absent the credit card option, consumers may continue to make payment by mail, or by direct payment to the utility collection office or its authorized agents. Consumers also may elect to transfer funds electronically, either automatically or manually by phone. The credit card option is advantageous only to consumers that desire to post their payment by phone while delaying the actual transfer of funds from their savings account until the end of the credit card billing period. Thus, the benefit is narrowly construed; it does not justify the security and administrative

costs associated with maintaining the program. The program unreasonably increases the overall operating expenses of SDG&E while providing only a minimal benefit to a select number of customers.

4. SDG&E seeks to modify Rule 9 to permit payment "as defined in Rule 1." The relevant portion of Rule 1 permits SDG&E to collect funds by mail, direct payment, authorized agent, or by electronic transfer into the utility's bank account. The proposed modification will increase SDG&E's flexibility to add new payment options; SDG&E will no longer have to rewrite Rule 9 when it seeks to add payment options that fall within the Rule 1 definition of authorized forms of payment. The modification will not allow SDG&E to evade regulatory oversight, since Rule 1 is sufficiently specific to appropriately govern SDG&E's collection efforts. As before, Commission approval will still be required for SDG&E to decrease the services offered at a given rate.

FINDINGS

1. San Diego Gas & Electric Company filed Advice Letter 982-E/1007-G on March 22, 1996, requesting termination of the credit card payment option.

2. The benefits of the credit card payment option advantage only a fraction of SDG&E's consumers, and the marginal benefits are outweighed by the administrative costs and security problems of the service.

3. SDG&E's modification of electric and gas Rule 9 to reflect the definition of "payment" given in Rule 1 is reasonable. Rule 1 is sufficiently specific in scope to guide SDG&E's future collection efforts. This modification will eliminate an overly-rigid compliance rule; it will have no detrimental impact on future consumers.

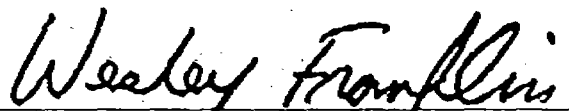
4. SDG&E's request is reasonable.

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THEREFORE, IT IS ORDERED that:

1. San Diego Gas & Electric Company is hereby authorized to eliminate the "credit card payment by phone option."
2. San Diego Gas & Electric Company is hereby authorized to modify the language of electric and gas Rule 9 to permit the creation of new payment options within the definition of Rule 1 without prior Commission approval.
3. San Diego Gas & Electric Company's Advice Letters 982-E and 1007-G and attached tariff sheets are approved.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 17, 1996. The following Commissioners approved it:


WESLEY FRANKLIN
Executive Director

P. GREGORY CONLON
President
DANIEL Wm. Fessler
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners