

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3492  
NOVEMBER 5, 1997

R E S O L U T I O N

RESOLUTION E-3492. APPROVAL OF SAN DIEGO GAS & ELECTRIC COMPANY'S PROPOSAL TO CHANGE ITS "DELINQUENT NOTICES-CLOSING ACCOUNTS (101-321) FORM; AND ITS PROPOSAL TO REDUCE THE NUMBER OF NOTICES MAILED TO CLOSING BILL CUSTOMERS FROM THREE TO TWO; ET. AL.

BY ADVICE LETTER 950-E/975-G, FILED ON JULY 11, 1995.

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SUMMARY

1. By Advice Letter (A/L) 950-E/975-G, San Diego Gas & Electric Company (SDG&E) proposes to replace its Form 101-32L entitled "Delinquent Notices-Closing Accounts" with two new notices entitled "Notice Of Past Due Closing Bill", Form 101-32/2, and "Notice of Past Due Closing Bill Final Notice", Form 101-32/3.
2. SDG&E's proposal would reduce the number of notices mailed to closing bill customers from three to two; place comparatively stronger language for messages to its customers on the proposed notices; request competitive proposals from collection agencies; refer a portion of the accounts directly to credit reporting bureaus; and change the color of the paper from a pastel to red.
3. A timely protest was received from Mr. Edward Duncan stating that the utility did not adequately justify the benefits that would result from the reduced customer notice and from related changes in the utility proposal. After SDG&E provided additional information, Energy Division evaluated SDG&E's request and recommends approval of A/L 950-E/975-G. The protest is denied.

BACKGROUND

1. SDG&E filed A/L 950-E/975-G submitting a "Notice of Past Due Closing Bill", Form 101-32/2 and "Notice of Past Due Closing Bill Final Notice", Form 101-32/3. These new forms would replace an older three-part form entitled "Delinquent Notices-Closed Accounts" Form 101-32L.
2. Under the current process, SDG&E sends out three past due notices (23 days, 37 days and 51 days) after a closing bill is mailed to a customer. According to SDG&E, these current notices

are gently worded notices printed on pastel paper.

3. Accounts that remain unpaid 120 days after sending the closing bill are presently referred to three different collection agencies, each agency receiving one-third of the outstanding accounts. SDG&E's collection agencies collect about 11% of the accounts referred to them. This step would remain unchanged under SDG&E's proposal as would the writing off of accounts that remain unpaid 145 days after sending the closing bill.

4. Under the proposed process, SDG&E intends to: 1) reduce the number of notices mailed to closing bill customers from three to two, 2) strengthen the messages on the notices through the use of stronger language, 3) print the past due notices on red paper stock, 4) request competitive proposals from collection agencies, and 5) refer a portion of the accounts directly to credit reporting bureaus. SDG&E contends that it will collect the same dollars with a lower payout, and that it will collect on accounts sooner.

#### NOTICE

1. Notice of SDG&E A/L 950-E/975-G appeared in the Commission's Daily Calendar on July 18, 1995.

#### PROTESTS

1. A timely protest, dated July 28, 1995, to this A/L was filed by Mr. Edward Duncan who alleged that SDG&E's support for its A/L is inadequate and that the proposed collection processes may be inappropriate for certain disadvantaged individuals.

2. SDG&E responded to the protest on August 9, 1995, stating that it fully complies with all laws governing both commercial and consumer credit, and that wording on the proposed notices appropriately includes all legal information regarding referrals to collection agencies and credit reporting bureaus.

#### DISCUSSION

1. The closing notices at issue here are used exclusively for unpaid closed accounts. The accounts have "gone to final", and customers are no longer receiving either gas or electricity from SDG&E. The customers, in most cases, have moved out of SDG&E's service territory. There is no issue of adequate notice to an active account customer that service may be discontinued. Service has already been shut off, and the customer has left an unpaid closing bill.

2. The Energy Division staff requested information regarding the proposal's impact on uncollectibles, operation and maintenance expenses, cash flow, and other utility experience

with credit bureaus and collection agencies. SDG&E's response is discussed below.

3. SDG&E does not believe that eliminating the third notice would constitute unfair treatment of a former customer. It is SDG&E's belief that two past-due closing bill notices would be sufficient to advise a former customer that SDG&E has not received payment of their closing bill. The closing bill would still be sent after service termination but would be followed 23 days later by a past due closing bill reminder notice and about 14 days after that by a final notice of past due closing bill. If the bill remained unpaid, the account would be written off as are all unpaid closing bills 145 days after the final notice is mailed. These new notices are designed to have a positive effect in that they give the former customer a clear and thorough understanding of how important it is to pay the closing bill.

4. The utility asserts that it will save money by eliminating the last of its three closing bill notices. SDG&E estimates that by reducing the number of notices sent on past due closed accounts, there would be a minimum savings in operation and maintenance expenses (e.g., mailing costs) of approximately \$7,000 per year. This does not include any savings of administrative costs which would be difficult to estimate.

5. SDG&E estimates an increase in cash flow of as much as one-third (\$300,000 to \$400,000) annually. This is based on a review of total dollars outstanding on closing bills from one 12-month period to another. This would result from customers paying more quickly and being encouraged to pay by the potential adverse effect on their ability to get credit in the future from other vendors.

6. The reduction in notices from three to two does not affect the date that referrals are made to collection agencies or credit reporting bureaus. SDG&E's intention is to save ratepayer money by avoiding an outstanding debt. This money will be saved by referring the unpaid closed account directly to credit reporting bureaus such as TRW. Direct reporting to the credit reporting bureaus is considered the most successful passive collection tool available because consumers must demonstrate a clean credit history to be eligible for future loans. Since SDG&E started direct reporting in mid-1996, SDG&E's overall recoveries have doubled and credit reporting bureaus raised SDG&E's revenues by \$53,000 in 1996 alone.

7. The Energy Division agrees with SDG&E that eliminating the third notice would not constitute unfair treatment of a former customer, and that the language in the proposed notices may be slightly harsher than the current notice. None of it is illegal, however, nor does anything prohibit the tenor of the proposed language, or the use of red paper stock, and it may encourage more customers to pay their closing bills.

8. The Energy Division agrees with Mr. Duncan that the advice letter analysis initially provided by SDG&E was inadequate to

support substantial changes to SDG&E's past-due closing bill forms.

9. Based on SDG&E's responses, however, to the protest and to Energy Division data requests, and on further discussion, the Energy Division now considers this advice letter to be adequately substantiated and therefore recommends that Mr. Duncan's protest be denied as moot.

10. Based on the advice letter filing and all additional information and correspondence, the Energy Division recommends that this advice letter be approved.

#### FINDINGS

1. SDG&E's A/L 950-E/975-G, filed on July 11, 1995, requests, in part, the deletion of a final notice leaving customers with only two notices.

2. Under the current process, SDG&E sends out three past due notices (23 days, 37 days and 51 days) after a closing bill is mailed to a customer.

3. Accounts that remain unpaid 120 days after mailing a closing bill are referred to collection agencies and this step would remain unchanged under SDG&E's proposal as would the writing off of accounts that remain unpaid 145 days after sending the closing bill.

4. Under the proposed process, SDG&E intends to: 1) reduce the number of notices mailed to closing bill customers from three to two, 2) strengthen the messages on the notices through the use of stronger language, 3) print the past due notices on red paper stock, 4) request competitive proposals from collection agencies, and 5) refer a portion of the accounts directly to credit reporting bureaus.

5. Notice of SDG&E A/L 950-E/975-G appeared in the Commission's Daily Calendar on July 18, 1995.

6. A timely protest, dated July 28, 1995, to this A/L was filed by Mr. Edward Duncan.

7. SDG&E responded to the protest on August 9, 1995, stating that it fully complies with all laws governing both commercial and consumer credit.

8. The closing notices at issue here are used exclusively for unpaid closed accounts.

9. The Energy Division staff requested information regarding the proposal's impact on uncollectibles, operation and maintenance expenses, cash flow, and other utility experience with credit bureaus and collection agencies.

10. SDG&E does not believe that eliminating the third notice would constitute unfair treatment of a former customer.

11. SDG&E estimates that by reducing the number of notices sent on past due closing accounts, there would be a minimum savings in operation and maintenance expenses (e.g., mailing costs) of approximately \$7,000 per year.

12. SDG&E estimates an increase in cash flow of as much as one-third (\$300,000 to \$400,000) annually.

13. The reduction in notices from three to two would not affect the date that referrals are made to collection agencies or credit reporting bureaus.

14. The Energy Division agrees with SDG&E that eliminating the third notice would not constitute unfair treatment of a former customer, and that the language in the proposed notices may be slightly harsher than the current notice but not unduly so nor illegal.

15. The Energy Division agrees with Mr. Duncan that the advice letter analysis initially provided by SDG&E was inadequate to make substantial changes to SDG&E's past-due closing bill forms.

16. SDG&E's response to the protest and answers to Energy Division data requests now adequately substantiate SDG&E's request and therefore Energy Division recommends that Mr. Duncan's protest be denied as moot.

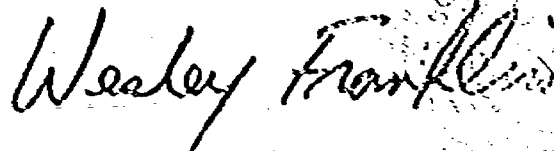
17. Based on the advice letter filing and all additional information and correspondence, the Energy Division recommends that this advice letter be approved.

November 5, 1997

THEREFORE, IT IS ORDERED that:

1. San Diego Gas & Electric Company's A/L 950-E/975-G is approved.
2. The protest by Mr. Edward Duncan is denied as moot.
3. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 5, 1997. The following Commissioners approved it:



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WESLEY FRANKLIN  
Executive Director

P. Gregory Conlon, President  
Jessie J. Knight, Jr.  
Henry M. Duque  
Josiah L. Neeper  
Richard A. Bilas  
Commissioners