

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2972
November 20, 1991

R E S O L U T I O N

RESOLUTION G-2972. SOUTHERN CALIFORNIA GAS COMPANY REQUEST FOR AUTHORITY TO: (1) IMPLEMENT TWO NEW PILOT TEST SERVICE OFFERINGS TO ITS RESIDENTIAL CUSTOMERS, WRAPPING AND STRAPPING OF GAS HOT WATER HEATERS, AND CONNECTING GAS APPLIANCES; (2) CHARGE \$25.00 PER SERVICE CALL WITH A SET-TIME APPOINTMENT OPTION.

BY ADVICE LETTERS NOS. 2078 AND 2079, FILED ON OCTOBER 18, 1991.

SUMMARY

1. The Southern California Gas Company (SoCal) filed Advice Letters (AL) 2078 and 2079 on October 18, 1991 requesting authority to offer two pilot services to residential customers - (1) wrapping and strapping of water heaters and various appliance connections for a fee (AL 2078); (2) offer a set-time appointment service call within one-half hour, plus or minus, of the time requested for \$25.00 per visit (AL 2079).

2. This Resolution approves the requests with modifications, and requires SoCal to file tariffs for the services as well as maintain a memorandum account as requested.

BACKGROUNDWRAP & STRAP and Appliance Connection (AL 2078)

1. AL 2078 was filed by SoCal to promote energy conservation and minimize the possible movement of water heaters during an earthquake. SoCal would install water heater blankets and anchor (strap) 20 to 50 gallon residential water heaters at the following estimated costs:

- (1) Strapping of hot water heater not anchored to the structure.....\$79.00
- (2) Wrapping of hot water heater where water heater is not insulated to at least an R-6 value.....\$42.00
- (3) Strapping of water heater and installation of the blanket.....\$93.00

Site specific estimates may vary in cost depending on labor time expended by service representatives and the complexity of the job.

2. Currently, SoCal will connect residential appliances (gas ranges and dryers) at no charge when turning on new service. This service will continue. AL 2078 would provide the connection of gas appliances for existing customer accounts at the following charges:

| | |
|--|----------|
| To connect a gas range or dryer, standard connection, if parts are not needed..... | \$38.00 |
| Installation and valve..... | \$43.00 |
| Installation, connector and valve... | \$53.00 |
| Installation for a Bar-B-Que..... | \$106.00 |

3. SoCal proposes that a written estimate approved by the customer must be executed before any service is rendered.

4. Billing for the services rendered under the wrap and strap and appliance connection service offerings is proposed by SoCal to be due and payable upon completion of work. SoCal also proposes that if the customer is unable to pay the fee at the time service is rendered, payment will be made on a deferred payment basis. Customers will be billed and required to remit payment within 30 days. Billings for the wrap and strap and appliance connection service is proposed to be processed separately from the regular gas bill.

5. SoCal proposes that net revenues from these service offerings (revenues net of expenses for parts and supplies) should be accounted for separately and held for disposition by the Commission in SoCalGas' next cost allocation proceeding. The experience from this interim program will provide the basis for establishing appropriate revenue credits in conjunction with SoCal's next general rate case.

APPOINTMENT SERVICE (AL 2079)

6. AL 2079 would provide for set-time appointment service calls at \$25.00 per visit. The new policy of offering set-time appointment service calls would provide customers specifically scheduled appointments, upon request, for authorized types of non-emergency service calls. These set-time appointment service calls would be available with the mid-points for expected arrivals on the hour or half-hour (e.g. with an appointment at 12:30, SoCal could arrive between 12:00 and 1:00) Monday through Friday from 8:00 a.m. to 7:00 p.m. for days subsequent to the day when the customer books an appointment. The service would not be available on week-ends and legal holidays.

7. The agreed-upon time shall be deemed to have been met and the charge of \$25.00 will be assessed if the representative arrives at the customer's premise within plus or minus 30 minutes (or a one hour span of time) of the agreed-upon time.

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8. SoCal proposes that the customer will be advised at the time the service call is scheduled that the \$25.00 charge will be collected when service is rendered. If the customer indicates they will be unable to make payment, no work would be performed by SoCal.

9. SoCal will continue to offer, at no charge, morning appointments where the representative would arrive at the customer's premise between 7:00 a.m. and noon, and afternoon appointments, where the representative would arrive at the customer's premise between 1:00 p.m. and 5:00 p.m. In addition, for the first time and at no charge, SoCal will offer early evening appointments between the hours of 5:00 p.m. and 8:00 p.m.

10. SoCal's service representatives will still offer service between 9:00 a.m. and 1:00 p.m. and 1:00 p.m. to 5:00 p.m. as required by Senate Bill 101. These four hour appointment windows (compared to the new one hour appointment) continue to be offered without charge.

11. San Diego Gas & Electric Company (SDG&E) was authorized by Commission Decisions 85-12-108 and 85-12-104 to charge \$60.00 for service established at a specified time during regular workdays. For SDG&E customers, work must begin within 30 minutes (half the interval of SoCal's new appointment) after the time specified in the request. Other energy utilities such as CP National and Southwest Gas Company have tariff provisions similar to SDG&E's.

NOTICE

1. The advice letters were noticed by publication in the Commission Calendar. Southern California Gas Company also provided direct notice to other parties as required by Commission practices and rules. In addition, SoCal has published notice of the intended service offerings in local newspapers.

PROTESTS

1. Adee Plumbing & Heating, Inc. protests Advice Letter 2078 by letter dated October 28, 1991. Jack Oal Stephan, President, objects to what he terms unfair competition as exemplified by SoCal's advertisement of its proposed services. Similar protests and informal letters, quite numerous and citing the same essential issue, are listed in Appendix A.

2. In response, SoCal asserts that no installations will require permit work, and therefore the service representatives will only install and will do no plumbing. After a review of SoCal's costs, it does not appear it will use an unfair advantage for the wrap and strap and the appliance connection services.

3. The Division of Ratepayer Advocates (DRA) protested both advice letters by a letter dated November 7, 1991. DRA believes

there could be potential conservation benefits to the wrap and strap service and that seismic safety benefits exist. It is concerned about the intertwining of this service with Demand Side Management (DSM) programs. SoCal has stated that DSM programs do not include wrap and strap in its territory.

4. DRA recommends that for services under Advice Letter 2078, "(1) the Commission authorize the new services on an interim basis with a termination date of December 31, 1993, (2) the revenues generated be returned to ratepayers, and (3) the pilot programs be fully evaluated in the next general rate case."

5. DRA recommends the rejection of Advice Letter 2079 stating "(c)ustomers will benefit from the increased flexibility as a result of the expanded service. Although some customers would benefit from the additional flexibility provided by Set-Time Appointments, a \$25 fee for Set-Time Appointments raises highly controversial equity questions." DRA does not elaborate or describe the equity questions nor does it say why they are controversial. DRA recommends this be in a general rate proceeding where all parties have an opportunity to voice their concerns.

6. Toward Utility Rate Normalization (TURN) filed a protest on the \$25 set-time appointment service calls proposed by SoCal in AL 2079. TURN's concern is that the utility will provide a higher quality of service based upon the customer's ability to pay. Historically, service calls provided by SoCal has never been based on cost. The quality of the proposed service has always been the same for all consumers within a given customer class. TURN is concerned that the quality of the existing free service will begin to deteriorate over time if a fee-for-service plan is adopted. TURN does support SoCal's proposal to offer evening appointments with a 5:00 p.m. to 8:00 p.m. time window at this time. This may preempt the need for set-time appointments at a cost of \$25.00. TURN submits that the proposed \$25.00 fee for set-time appointments should be rejected.

7. CACD believes the \$25.00 set-time appointment should be accepted because it offers customers an option to the four-hour wait customer's typically endure. The cost of the set-time appointment program will not be borne by residential or non-residential ratepayers, with the charge to the customer offsetting all costs incurred by SoCal. This program is already in place and effective in San Diego Gas & Electric Company and other utilities, and there does not appear to be any reason why it should not be available in SoCal territory as well.

DISCUSSION

1. There could be several problems with the proposal by SoCal to collect on the site for these services. Cash transactions may pose a problem by making field representatives more vulnerable to crimes. In its initial response to a request for further information by the Commission Advisory & Compliance

Division (CACD) SoCal indicated that for wrap and strap and appliance installation "customers may pay at the time the service is provided or be billed". But for set-time 60 minute appointments, "the following are reasons for collecting at the time of the field call: (a) To reduce any losses from uncollectible debt; (b) Since this charge is not associated with gas usage our collection leverage is minimal; and (c) The revenue collected under this program will be held in a special account and returned to the CPUC."

2. Clearly, SoCal does not have a consistent view on collecting the charges. These should be tariffed services and neither should require payment at the time of service. In the case of set time appointments where customers might later try to deny that they were informed of the charge and dispute their billing, SoCal should instead require that customers sign a release acknowledging responsibility for the charge. CACD sees no significant equity question to delay offering this service now. Customers will have the added choice of evening appointments at no charge in addition to the four hour morning and afternoon appointments. The shorter time appointment is entirely optional and no harm has been suggested by its offering.

3. These programs, wrap and strap and appliance connections, and set-time appointment field service call should not result in unfair use of monopoly power over other service providers. The common thread in the formal protests and informal letters to the Commission concerning mainly Advice Letter 2078 is that SoCal will provide services at a lower charge than licensed plumbers. SoCal states the company will perform no service which requires a building permit, inspection or license. CACD believes that as long as SoCal prices its service at or above its full cost then the customers are entitled to the choice of a plumber or SoCal. That is true competition; if SoCal fully covers its costs then there is a benefit to the ratepayer by it offering the service. The Commission should shelter neither the utility nor the independent plumbers.

4. CACD has no objection to enhanced service with a tariff rate based on recovering the full cost of providing the enhanced services. The fully allocated cost should include the depreciation and return on rate base for fixed assets such as trucks, inventory, and the service dispatch center, etc., to ensure that there is no cross subsidy which would allow SoCal to compete unfairly with other service providers. We have reviewed SoCal's rates for the wrap and strap services compared with four contractors providing water heater strapping services. An evaluation of SoCal's pricing does not reflect monopolistic pricing below the SoCal cost of service with the objective to eliminate competition even though SoCal's costs could be less than the contractors' full charge. The contractors selected were:

| | <u>Name</u> | <u>Hourly Rate</u> 1 hour minimum | <u>Trip Charge</u> |
|----|--|--------------------------------------|--------------------|
| 1. | Adee Plumbing and Heating | \$45.00 | No Trip Charge |
| 2. | Mike Diamond | \$59.95 | No Trip Charge |
| 3. | George Brazil | \$59.95 | No Trip Charge |
| 4. | Santa Maria Appliance Residential Appliance Services | \$36.00 | \$26.00 |

CACD firmly believes that SoCal should not be granted authority to charge customers based solely upon its representation of estimated charges but that SoCal should be required to charge at fixed rates on file in its tariff books. SoCal could seek subsequent rate changes by advice letter or in its subsequent general rate cases or other application.

5. SoCal should prepare proper accounting records and procedures to segregate these new services and accumulate the fully loaded costs for direct time and materials as well as all overhead loadings to record the cost of providing these services. SoCal should also prepare an annual cost study and a detailed report for these programs due on March 1, 1993 and sent to CACD's Energy Branch. SoCal should also report the number of services performed for wrap and strap, and appliance connection as well as the costs of the set-time appointment service in the Annual Report.

6. As regulated services, the rates for wrap and strap, appliance connection and set-time appointment service should be filed in SoCal's Tariffs under the authority of General Order 96-A, Section V.

7. The service to new order customers at no charge for gas ranges and dryer appliance connections will not be changed. For existing customers, wrap and strap and appliance connections will be offered at the tariffed rates.

8. SoCal proposes a memorandum account for the "net revenues" and proposes that the Commission review that account later. CACD recommends that SoCal maintain a full cost of service and revenue memorandum account to ensure the services are never cross-subsidized. The next general rate case seems to be the most appropriate vehicle to review these costs and either incorporate them into base rates or terminate them based upon the record at that time.

FINDINGS

1. San Diego Gas & Electric Company, by Decision 85-12-108, dated January 1, 1986 was authorized to offer a time-specific appointment of one-half hour within a specified time for residential customers at a charge of \$60.00 per visit. By Commission Decision 85-12-103 dated December 20, 1985, Southwest Gas Corporation was authorized to offer time specific appointments at a cost of \$40.00 to customers.

2. CACD believes that as long as SoCal prices the service at or above its cost to provide the service its customers will benefit and there would be no unfair competition. SoCal is also restricting the service to minor connections which do not require permits or licensing.

3. Ratepayers will not subsidize these programs. The advice filings indicate that the service charges adopted will not increase any existing rate or charge, conflict with any rule or schedule, or cause the withdrawal or reduction of any existing service.

4. This programs will enhance customer service, safety and conservation. Service will be expanded to 8:00 p.m. for non-emergency services. A wrapped gas hot water heater has been shown to be more efficient as well as being safer.

5. SoCal has not shown that it is reasonable to demand payment upon service. SoCal should allow customers to sign a release for inclusion of charges for both set-time appointments and the wrap and strap and appliance connections.

6. SoCal has not shown that it should only indicate estimated costs but that the services should be offered at fixed tariffs. SoCal may seek rate relief if these rates are not compensatory over time.

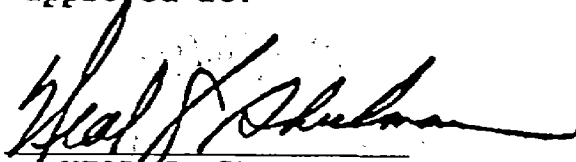
7. SoCal should maintain a full cost of service and revenue memorandum account with the disposition of the account and the future of these services determined in the next general rate case.

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THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company's Advice Letters 2078 and 2079 should be approved as modified.
2. Southern California Gas Company should submit a report on March 15, 1993 citing the costs and revenues on a fully allocated cost basis of wrap and strap and appliance connection programs and the set-time appointments.
3. Southern California Gas Company shall submit a supplement to both Advice Letters 2078 and 2079 to include tariff sheets and full descriptions for both the wrap and strap and appliance installation program and the set-time appointment service and to allow customers to authorize inclusion of the service charge in their monthly bills.
4. Southern California Gas Company shall maintain a memorandum account containing the fully allocated cost of service as well as the revenues for both the wrap and appliance installation services and the set-time appointment services.
5. Southern California Gas Company must file the supplemental Advice Letters 2078 and 2079 before it begins to offer these services.
6. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 20, 1991. The following Commissioners approved it:


NEAL J. SHULMAN
Executive Director

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

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

APPENDIX A

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Institute of Heating and
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William Delucchi
Plumbing, Heating and Solar
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Village Plumbing & Appliance Co., Inc.
P.O. Box 84035
Los Angeles, CA 90073

LPC Plumbing-Heating
8928 State Street
South Gate, CA 90280

The Plumbing Company
1130 N. Kraemer Blvd., Suite D
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Confidence Comfort Co.
29 E. Santa Clara
Arcadia, CA 91006

Ken's Air Conditioning & Heating, Inc.
17349 Hatteras St.
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TURN
625 Polk Street, Suite 403
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SoCal AL 2078, AL 2079/dog/dug

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P.O. Box 1263
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Free Flow Plumbing
17727 Chatsworth Street
Granada Hills, CA 91344

The Drain Surgeon, Inc.
6910 Hayvenhurst Ave., Suite 103
Van Nuys, CA 91406

NOTE: LATE FILED PROTESTS, NOT INCLUDED IN THE APPENDIX A,
WERE ALSO RECEIVED.