

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3208
JUNE 11, 1997

R E S O L U T I O N

RESOLUTION G-3208. SOUTHERN CALIFORNIA GAS COMPANY
REQUESTS PERMISSION TO REVISE ITS GAS RULE 6 --
ESTABLISHMENT AND RE-ESTABLISHMENT OF CREDIT.

THE REQUEST IS GRANTED.

BY ADVICE LETTER 2572 FILED ON MARCH 13, 1997.

SUMMARY

1. By Advice Letter (AL) 2572, Southern California Gas Company [SoCalGas] requests approval of its revisions to Rule 6, Establishment and Re-establishment of Credit.
2. SoCalGas proposes to remove property ownership as a waiver criterion for the establishment of credit for all customers.
3. There were no protests of AL 2572.
4. This Resolution grants the request.

BACKGROUND

1. On February 7, 1990, SoCalGas filed AL 1933 to clarify language on deposits, deposit interest, and requirements to establish or re-establish credit in Rule Nos. 5, 6, 7, 8 and 9. Since AL 1933 had not been acted upon and SoCalGas was preparing a new advice letter to solely address the establishment of credit; SoCalGas requested, in letter of March 7, 1997, the withdrawal AL 1933. That new advice letter is AL 2572.
2. SoCalGas has implemented a credit scoring system to develop a means of establishing credit and assessing the "credit worthiness" of its applicants. The "credit worthiness" is determined by a computer analysis of the responses to a set of questions presented to the applicant in conjunction with the utility's application. This advice letter filing would eliminate the automatic approval of applicant's credit if the applicant is the owner of the premises to which service is

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requested, or the owner of other real estate of value located within the utility's serving territory.

3. The computer graded credit scoring system determines whether or not the customer is required to pay a deposit. The deposit, however, may be waived if the new customer presents a letter of credit from another utility, or if the customer has a history of good credit at the previous address. The system assigns the same credit code as from the prior address. For the case where the customer had a history of poor credit, then the customer would be credit scored to determine the deposit requirements.

4. A non-property owner, applying for new residential service, would not get credit scored under the credit scoring system; a deposit is automatically required as to the provisions of Rule No.7.

5. Besides the usual questions of: name, whether applicant is the owner at current address, list previous address and length at previous address; questions regarding credit are asked. Questions such as whether applicant has a checking and/or savings account, a major credit card, and a major department store card are asked for determining credit worthiness.

6. Other Than Residential Customers, under Section B, stated that credit was established if the applicant is the owner and has a substantial equity in the premises to which the Utility is requested to furnish service. Providing proof of equity placed a burden on the customer. Time constraints of proving ownership and/or establishment of equity through appraisal, bank information or other means can be extremely costly to the potential customer, while at the same time, not providing SoCalGas with mortgage, environmental, or any other pertinent information that may be factors in the determination of the true value of the real estate. Additionally, owners can refinance or secure new or additional debt on real estate at any time without SoCalGas' knowledge, thereby nullifying any equity in the property.

7. Section B.1, has been rewritten to state that the applicant's credit will be deemed established if applicant completes a Non-Residential Credit Application and/or furnishes satisfactory financial information.

8. SoCalGas believes the credit worthiness of a non-residential customer can best be determined through analysis of financial information submitted by the potential customer using standard analysis/credit establishment techniques. It also believes the analysis of the company's financials allows the costs associated with determining credit worthiness to be absorbed by the utility and not by the customer.

9. Credit scoring or something similar is being used by the other major California energy utilities. The most recent was Pacific Gas and Electric Company's (PG&E) request approved by Resolution G-3203 (March 7, 1997) in PG&E's AL 1981-G/1616-E.

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NOTICE

1. SoCalGas served notice of AL 2572 by mailing its copies to other utilities, government agencies, and parties that requested such information. AL 2572 was noticed in the Commission Calendar.

PROTESTS

1. No party protested AL 2572.

DISCUSSION

1. Based on SoCalGas' experience in using the Credit Scoring System and the experiences several large and comparable California energy utilities have by similar programs, it has concluded that the credit scoring system is better for all creditworthy customers.

2. Energy Division is in agreement with SoCalGas' credit application procedure because establishing credit is based on the ability to handle debt payments, not necessarily ownership of property.

3. Energy Division notes that home-ownership as a credit consideration is not eliminated; if the customer owns the home and has not had prior service, the customer is credit scored to determine deposit requirements. Under the old credit establishment procedure, customers who claim to be homeowners automatically qualify for waiver of deposit requirement for new customers. SoCalGas had no timely and accurate way to verify home-ownership.

4. Credit scoring does not verify nor establish credit like those filed by San Diego Gas & Electric Company [SDG&E] and approved in Resolution E-3461 on July 17, 1996, and by Pacific Gas and Electric Company [PG&E] and approved in Resolution G-3203 on March 7, 1997; but it is similar to that which is being used by Southern California Edison Company [Edison] for a few years. SDG&E and PG&E use a credit check system verification process performed by an outside agency.

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FINDINGS

1. SoCalGas filed Advice Letter [AL] 2572 on March 13, 1997, requesting revisions in its Rule 6, Establishment and Re-establishment of Credit.
2. It is reasonable to remove property ownership as a criterion for residential and non-residential establishment of credit.
3. Other major energy utilities using more extensive credit checks have been approved by the Commission.
4. It is reasonable for SoCalGas to require deposits from high risk applicants.
5. Energy Division recommends approval of AL 2572.

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company's request in Advice Letter 2572 requesting revisions in its Rule 6 is approved.
2. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 11, 1997. The following Commissioners approved it:


WESLEY FRANKLIN
Executive Director

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