

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the  
Commission's Own Motion to Consider  
Revising Energy Utility Tariff Rules Related to  
Deposits and Adjusting Bills as They Affect  
Small Business Customers.

Rulemaking 10-05-005  
(Filed May 12, 2010)

**REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY  
(U 902 E) AND SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)**

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June 28, 2010

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**I. INTRODUCTION**

Pursuant to Rule 6.2 of the Rules of Practice and Procedure of the California Public Utilities Commission (the “Commission”), San Diego Gas & Electric Company (“SDG&E”) and the Southern California Gas Company (“SoCalGas”), (collectively, the “Joint Utilities”), provide their Reply Comments in the above-captioned Rulemaking.

**II. DISCUSSION**

In Opening Comments to the *Order Instituting Rulemaking on the Commission’s Own Motion to Consider Revising Energy Utility Tariff Rules Related to Deposits and Adjusting Bills as They Affect Small Business Customers* (“Order”),<sup>1</sup> parties seem to agree on one fundamental point: California’s small businesses are currently in financial peril and need additional assistance. Parties, however, cannot seem to agree on the best means to define small businesses,

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<sup>1</sup> In the Order, the Commission reexamines the utility tariff rules governing adjustments of customer bills due to meter and/or billing errors and customer deposit requirements, with the purpose of “considering whether to treat small business customers, as defined in Government Code Section 14837 under the definition of micro-business, the same as residential customers for certain billing and deposit purposes.” Order, at p.1. The Commission believes such considerations are warranted because of recent concerns that small business customers are receiving increased back-bills due to utility billing and meter errors, which can consequently subject small business customers to significant and burdensome re-establishment of credit deposit requirements.

in large part, because the term small business is meaningless without further context. The Order notes that the Commission’s Business and Community Outreach Program “received an increasing number of calls about billing/metering errors” from small businesses and that many small businesses have been financially burdened by high amounts of back-billing.<sup>2</sup> However, the Order does not provide more specific demographic information regarding who these small business customers are, such as their usage levels, metering type, business type, etc. As such, parties do not have adequate information regarding the class of small customers this proceeding was instituted to address, and consequently parties do not have the requisite information upon which to make a more informed opinion regarding the appropriate definition of small business. For these reasons and to ensure that the proposed definition applies to the intended class of customers, the Joint Utilities recommend that parties discuss the characteristics of this new class of small business customers during the July 6, 2010 workshop.

To effectively and efficiently identify small business customers, the Joint Utilities propose that the Commission define small business customers as customers who use no more than 40,000 kWh/year or 10,000 therms/year.<sup>3</sup> The Joint Utilities propose a usage-based definition because it provides numerous advantages:

- 1) It is clear and easily administrable because the utilities already have the relevant information to identify and qualify customers as small business;
- 2) It helps to facilitate the immediate implementation of the Commission’s policy to provide immediate assistance to small business customers without placing additional administrative burden on these customers to prove their qualification;
- 3) It ensures the inclusion of most sole proprietorship/mom-and-pop businesses;

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<sup>2</sup> Order, at p. 5.

<sup>3</sup> Energy consumption should be measured at the customer facility, and in cases of dual commodity customers, each commodity should stand on its own.

- 4) It provides customers further incentive to be cognizant of their energy usage and activities and to take necessary remedial steps to reduce their energy usage;
- 5) It is relevant to the utility industry; and
- 6) It avoids the issues associated with the use of the Government Code’s definition, such as administrative costs, customer privacy concerns, and the under-inclusion of small businesses who do not apply with the Department of General Services for government contract work.

Once identified, the Joint Utilities propose to treat small businesses similarly, but not the same, as residential customers, such that SDG&E and SoCalGas will limit corrected bills for under-charges to three monthly billing periods for small business customers and waive re-establishment deposits requested from small businesses for slow payment/no payment/disconnection due to a billing or metering error. The Joint Utilities, however, do not propose to waive all instances of re-establishment deposits or modify the amount of re-establishment deposits because, as DRA stated, “[b]efore pursuing changes to deposit policies for micro-business customers, the Commission should first consider data and analysis on the impacts of deposits and service termination on micro-businesses, and the impact of changing such policies on utility uncollectibles and on ratepayers.”<sup>4</sup> In cases of fast meters, the Joint Utilities clarify that when they know the time period for which the meter ran fast, it is their practice to refund for the full time period for which the meter ran fast— up to three years of overcharges. In instances when the Joint Utilities do not know the time period for which the meter ran fast, they will continue their practice of refunding six months of overcharges.

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<sup>4</sup> DRA Opening Comments, at p. 4. Likewise, SCE recommends that any revisions to the utilities’ deposit rules must strike the proper balance between small commercial customers’ interests and the utilities’ legitimate interest in avoiding unreasonably high bad debt that ultimately is borne by all other ratepayers. SCE Opening Comments, at pp. 11-12.

As a number of parties noted in their Opening Comments, R.10-02-005 is still ongoing. Accordingly, it is premature for the Commission to consider whether to apply the deposit rules adopted in R.10-02-005 to this proceeding when the deposit rules for residential customers has not been finalized. If and when the Commission does adopt R.10-02-055's finalized deposit rules, the Joint Utilities recommend that the Commission provide the parties in this proceeding an additional opportunity to provide final comment on the applicable deposit rules for small business customers.<sup>5</sup>

Cost recovery is an important component of this proceeding because it ensures that costs stemming from this proceeding are properly recovered in rates. For that reason, and irrespective of how the Commission ultimately decides to define small business customers, the Joint Utilities recommend that the Commission adopt the Joint Utilities' cost recovery proposal, as detailed in their Opening Comments.<sup>6</sup> Specifically, the Joint Utilities propose that the utilities be allowed to record and recover additional bad debt write-offs and Operating and Maintenance ("O&M") costs experienced as a result of limiting small business back-bills to three months, and placing a ban on all re-establishment deposits for small businesses should the Commission elect to take this action.<sup>7</sup>

### **III. CONCLUSION**

SDG&E and SoCalGas appreciate this opportunity to share their reply comments, and look forward to providing further input at the upcoming workshop.

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<sup>5</sup> The customer service disconnection practices ordered in the Proposed Interim Decision are proposed to be effective until January 1, 2012. Proposed Interim Decision, at p. 23.

<sup>6</sup> See Joint Utilities Opening Comments, at pp. 9-10.

<sup>7</sup> This proposal is similar to the Commission's cost recovery provision in the Proposed Interim Decision, which authorizes the utilities to charge any significant costs associated with complying with the new practices in the decision to their memorandum accounts. See Proposed Interim Decision, at p. 25.

Sincerely,

/s/ Kim F. Hassan

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June 28, 2010

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of **REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) AND SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)** has been electronically mailed to each party of record of the service list in R.10-05-005. Any party on the service list who has not provided an electronic mail address was served by placing copies in properly addressed and sealed envelopes and by depositing such envelopes in the United States Mail with first-class postage prepaid.

Copies were also sent via Federal Express to the assigned Administrative Law Judges and Commissioner.

Executed this 28th day of June, 2010 at San Diego, California.

          /s/ Jenny Norin          

Jenny Norin