

**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) ON THE  
SMALL BUSINESS PROGRAM STAFF REPORT: WORKSHOP ON  
BACK-BILLING & DEPOSITS RULEMAKING 10-05-005**

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August 17, 2010

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**I. INTRODUCTION**

Pursuant to the *Administrative Law Judge's Ruling Providing Opportunity for Comments on Staff Report*, San Diego Gas & Electric Company ("SDG&E") and the Southern California Gas Company ("SoCalGas"), (collectively, the "Joint Utilities"), provide their Reply Comments regarding the *Small Business Program Staff Report: Workshop on Back-billing & Deposits* ("Workshop Report").

In opening comments, parties provide input regarding the Workshop Report's proposal to treat small business customers similarly to residential customers, for purposes of backbilling and deposit requirements. In general, parties support the requirement that small business customers should be treated the same as residential customers with respect to back-billing caused by utility billing and metering errors. However, parties disagree about the appropriate deposit requirement for small business customers. The Joint Utilities offer additional Reply Comments on this issue as well as a clarification on the current tariff requirements in the case of an overcharge resulting from a meter error.

## II. DISCUSSION

### A. Reducing the Amount of the Re-Establishment Deposit Will Likely Increase Utility Gross Uncollectibles.

SDG&E estimates that the uncollectible amount paid by other ratepayers could increase by as much as \$519,000, if the deposit amount was reduced to twice the average monthly bill.<sup>1</sup> However, DRA claims that such an increase will not occur, and even if it did it will have little or no impact on the utilities' gross uncollectibles, "[d]ue to the interest requirement on holding deposits."<sup>2</sup> DRA is mistaken and erroneously assumes that deposit interest paid to customers is an expense that is part of each utility's overall operational cost and is ultimately passed on to ratepayers. This is not the case. Deposits are not a form of utility working cash<sup>3</sup> and interest paid on customer deposits is not part of the Joint Utilities' revenue requirements. Customer deposits are not considered a source of working cash for ratemaking purposes because the utilities pay interest on the outstanding balances, and that interest is not directly recovered from ratepayers.<sup>4</sup>

Additionally, DRA's claim that a decrease in deposit requirements will not affect utility uncollectible expenses is erroneous and should be rejected because the utilities use a segment of total deposits collected to reduce uncollectible expense, by applying the deposit amount against the unpaid bill amount. Thus, any reduction in deposits collected will result in an increase to uncollectible expenses. For this reason, the Joint Utilities request that the Commission allow the

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<sup>1</sup> Joint Utility Opening Comments, at p. 5.

<sup>2</sup> DRA Opening Comments, at p. 6. DRA also makes the ambiguous statement that "ratepayers are more likely to default if deposit requirements are increased since their limited financial resources will be tied up in deposits." However, this proceeding does not propose to increase the deposit amount.

<sup>3</sup> In fact, all interest bearing accounts, including deposits, are specifically excluded from the Commission's definition of working cash pursuant to Standard Practice ("SP") 16.

<sup>4</sup> Rather, utility shareholders use a portion of their authorized return on ratebase to pay for all financing costs, including deposit interest.

utilities to recover any unanticipated and unforeseen costs should the Commission make this new change.<sup>5</sup>

**B. The Joint Utilities' Tariffs Currently Ensure That When the Time Period Is Known, Small Business Customers Receive a Full Refund for Up to Three Years.**

The Workshop Report proposes that the utilities modify their tariffs to state that in the case of an overcharge resulting from a metering error, commercial customers will receive a refund for up to three years. The Joint Utilities agree with this proposal, and clarify that this proposal is currently supported by the Joint Utilities' current tariffs and is applicable to both residential and ALL non-residential service. The Joint Utilities' current tariffs state that in cases of fast meters, and when the time period for which the meter ran fast is known, the utilities provide a 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 continue their practice of refunding six months of overcharges. With the addition of the appropriate clarifying language, all customers should better appreciate the Joint Utilities' actual practice in this regard.

**III. CONCLUSION**

Because the end of this economic crisis is nowhere in sight, the Joint Utilities urge the Commission to remain mindful of the need to evaluate the cost implications of this proceeding to ratepayers—especially residential customers, who are also facing significant financial distress. SDG&E and SoCalGas commend the Commission for using this Rulemaking to address its stated goals in the very near term and strongly urge the Commission to order that the measures

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<sup>5</sup> In their Opening Comments, Pacific Gas & Electric, Southern California Edison, and PacificCorp all addressed the need for the utilities to be able to recover the costs associated with the changes in backbilling and deposit policies for small business customers.

implemented in this proceeding should be in effect until the effective date of utilities' next general rate case, or January 12, 2012. This is particularly essential if the Commission's fundamental objectives in this proceeding are to provide timely assistance to small business customers, without overly burdening other ratepayers with the resulting costs of these efforts.

The Joint Utilities appreciate this opportunity to share their Reply Comments and look forward to engaging in further discussions during this proceeding.

Respectfully submitted,

/s/ KIM F. HASSAN

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August 17, 2010

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of the foregoing **REPLY**  
**COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) AND**  
**SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) ON THE SMALL BUSINESS**  
**PROGRAM STAFF REPORT: WORKSHOP ON BACK-BILLING & DEPOSITS**  
**RULEMAKING 10-05-005** on all parties identified in Docket No. R.10-05-005 by U.S. mail  
and electronic mail, and by Federal Express to the assigned Commissioner(s) and Administrative  
Law Judge(s).

Dated at San Diego, California, this 17<sup>th</sup> day of August, 2010.

/s/ JOEL DELLOSA

Joel Dellosa