BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to Address the Issue of Customers' Electric and Natural Gas Service Disconnection.	Rulemaking 10-02-005 (Filed February 4, 2010)

JOINT UTILITY FILING OF SAN DIEGO GAS & ELECTRIC COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY AND PACIFIC GAS & ELECTRIC COMPANY TO PROPOSE UNIFORM DISCONNECTION PRACTICES AND ACCOUNTING AND BILLING PRACTICES

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October 1, 2010

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In Decision (D.)10-07-048, Ordering Paragraph 10, the California Public Utilities Commission ("Commission") directed Pacific Gas & Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) (together referred to as the "IOUs") to "meet and recommend to the Commission uniform notice of disconnection procedures and the estimated costs and estimated time to implement uniform notice of disconnection procedures by October 1, 2010." The Decision also directed the IOUs to meet and recommend potential uniform billing and accounting practices. The IOUs' joint proposals are attached herein as Appendix A and Appendix B.

Respectfully submitted,

/s/ Kim F. Hassan

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Appendix A

Introduction

In Decision (D.)10-07-048, Ordering Paragraph 10, the California Public Utilities Commission ("Commission") directed Pacific Gas & Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) (together referred to as the "IOUs") to "meet and recommend to the Commission uniform notice of disconnection procedures and the estimated costs and estimated time to implement uniform notice of disconnection procedures by October 1, 2010." The IOUs' joint proposal is described below.

Background

The Commission opened Rulemaking (R.)10-02-005 to establish ways to improve customer notification and education to decrease the number of gas and electric utility service disconnections. In R.10-02-005, the Commission also directed the IOUs to immediately implement various measures in order to limit the number of disconnections while the Commission sought to "identify more effective ways for the utilities to work with their customers and develop solutions that avoid unnecessary disconnections without placing an undue cost burden on other customers."[1] In D.10-07-048, the Commission outlined various measures it required the IOUs to implement prior to October 1, 2010. While doing so, the Commission stated that "[t]here are potentially many other practices which might prove useful in reducing utility disconnections. However, these other practices may result in significant costs and before they are implemented, we intend to analyze the cost effectiveness of these practices."[2] Additionally, the Commission noted that "[d]espite receiving monthly reports from the four utilities, it is too soon to assess the costs of these two interim practices, or whether the practices will ultimately reduce

[1] R.10-02-005, p. 1.
[2] D.10-07-048, p. 3.

residential disconnections."[3] The IOUs urge the Commission to continue with its measured approach to implementing any new and potentially costly measures at this time, until the effects of the measures currently being implemented are known.

In D.10-07-048, the Commission also ordered the IOUs to "confer and jointly recommend, by October 1, 2010, best practice notice procedures that can be uniformly applied to these four IOUs. In addition, the IOUs should provide estimates of the costs and time necessary to implement uniform notice procedures."[4] As the Commission outlined, the IOUs have each developed notice procedures prior to disconnecting a customer.[5] Although each of these procedures provides a slightly different timeframe, along with similar but not identical language on disconnection notices, the Commission also noted that the intervenors "generally agree with the current notice practices to non-sensitive customers. . ." [6] The Commission also stated that "[i]t is not clear which of these notice procedures, if any, is the most effective in preventing customer disconnections."[7] The IOUs make a proposal below which they believe will benefit customers who move from one territory to another and make it easier for consumer groups and representatives at the Commission to respond to customer questions about disconnection.[8]

Proposal:

This proposal focuses on two key areas of uniformity. First, it creates uniform language that the four IOUs would include in customer notices related to late payment and disconnection. The IOUs propose uniform language on the notice of pending disconnection, as well as the pertinent language contained in the initial late payment

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[3] *Id.*, p. 9.
[4] D.10-07-048, p. 20.
[5] *Id.*, p. 19.
[6] *Id.*
[7] *Id.*
[8] D.10-07-048, p. 20.

notice. The IOUs also agree to be consistent in placing the initial late payment notice on the customer's subsequent bill. The language proposed by the IOUs for both notices is contained in Attachment A.

Second, this proposal provides uniform timeframes for all IOUs with respect to these customer notices. In developing this proposal and determining date ranges for the various steps in the process, the IOUs followed the Commission's suggestion that PG&E and SCE consult with the Sempra Utilities (SDG&E and SoCalGas) to implement similar practices.[9] The IOUs chose dates that were similar to the Sempra Utilities' current collection path dates.

The IOUs note that it is impossible to select a specific number of days after the bill is presented on which all customers will receive specific notices, due to the variation in number of days in a billing cycle. Consequently, the IOUs are providing a range for each option.[10] Specifically, the IOUs provide that the bill is due no later than the 19th day[11] after it is issued. In this proposal, all IOUs would provide late payment notification on the customer's subsequent bill, which occurs on Day 27-33, pursuant to the utility tariffs.[12] Then, if a customer still has not paid, all IOUs will provide the customer with a notice of pending disconnection on Day 40-48, which will inform the customer of a pending disconnection. This proposed common timeline is contained in Attachment B.

For SCE, due to pending system enhancements that require a hold on any modifications to bills and notices, the earliest SCE could implement these changes is the second quarter of 2011, following which, the cost to implement would not be significant. For PG&E, the cost to implement this proposal would not require additional cost recovery as expected cost savings will provide an offset. As a result of pending upgrades being made to PG&E's customer information system, PG&E does not anticipate being

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[9] *Id.*, p. 10.
[10] The IOUs note that there may be exigent circumstances at certain times which will necessitate that the IOUs diverge from the ranges provided for certain customers.
[11] See PG&E Electric Rule 11C, SCE Rule 11A, SDG&E Rule 11, and SoCalGas Rule No. 09 C
[12] *See* SCE Tariff Rule 9(A)(4)(a) ,PG&E Rule 9A, SDG&E Rule 11, and SoCalGas Rule No. 09 C.2

able to implement these changes until possibly the fourth quarter of 2011. For SoCalGas, the cost to implement this proposal would not require additional cost recovery as expected cost savings will provide an offset and SoCalGas does not anticipate being able to implement these changes until possibly the second quarter of 2012. For SDG&E, it will cost approximately $110k to implement the changes. SDG&E anticipates that the earliest the changes could be made is the first quarter of 2011.

Attachment A
Uniform Minimum Language on Initial Late Payment Notice and Notice of Pending Disconnection

Initial Late Payment Notice

All four IOUs will include, at a minimum, the following language on the initial late payment notice. The IOUs may include additional information that varies among the IOUs.

Your bill includes a past due balance. To avoid disconnection of your [gas / electric / utility] service, please pay the past due amount ***on or before XX/XX/XXXX.*** *For assistance or to make a payment, please call Customer Service at 1-800-XXX-XXXX.*

Notice of Pending Disconnection

All four IOUs will include, at a minimum, the following language on the notice of pending disconnection. The IOUs may include additional information that varies among the IOUs.

Our records indicate that your account has an overdue balance. To avoid disconnection of your [gas /electric / utility] service, please pay the past due amount of $[amount] on or before XX/XX/XXXX. For assistance or to make a payment, please contact Customer Service at 1-800-XXX-XXXX. We are available to help you. You may also be eligible for financial assistance and income-qualified energy assistance programs.

PLEASE NOTE: If your utility service is disconnected for non-payment, there will be additional service charges and you will be required to pay all past due amounts before service is restored. In addition, a deposit may be required to re-establish your credit, whether or not your service is terminated.

Attachment B
Uniform Collections and Disconnection Timeline

Proposal #2			
Day 0	Day 19	Day 27-33	Day 40-48
Bill Issued	Bill Due	Subsequent Monthly Bill Issued-Provides Notification of Delinquency	Notification of Pending Service Disconnection

Appendix B

Introduction

In Rulemaking (R.)10-02-005, Ordering Paragraph 7, the California Public Utilities Commission ("Commission") directed Pacific Gas & Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) (together referred to as the "IOUs") to "propose a uniform accounting / billing methodology that ensures that the customer receives proper credit for monies paid." The Commission reiterated this request in the Administrative Law Judge's (ALJ) Ruling Providing Opportunity for Comments and Addressing Other Phase II Issues and required that the IOUs submit their proposal by October 1, 2010. The IOUs' joint proposal is described below.

Background

The Commission opened Rulemaking (R.)10-02-005 to decrease the number of residential gas and electric utility service disconnections by improving customer notification and education. In R.10-02-005, the Commission also noted a concern with the way in which the IOUs apply credit for monies paid by customers and asked that the four IOUs propose a uniform accounting methodology.[1] In Decision (D.)10-07-048, the Commission also outlined various measures it required the IOUs to implement prior to October 1, 2010. While doing so, the Commission stated that "[t]here are potentially many other practices which might prove useful in reducing utility disconnections. However, these other practice may result in significant costs and before they are implemented, we intend to analyze the cost effectiveness of these practices."[2] The

[1] R.10-02-005, p. 7.
[2] D.10-07-048, p. 3.

IOUs urge the Commission to continue this measured approach in weighing the costs and benefits of any of the IOUs modifying their accounting methodology.

Discussion

There are three scenarios to consider regarding how monies from customer payments are applied to their outstanding bills. The first scenario is when a customer pays his/her monthly bill on time. The second scenario is when a customer falls behind on his/her monthly bill and, thus, has more than one bill outstanding at a time. The third scenario is similar to scenario #2 except the customer enters into a payment arrangement with the utility. The accounting for each of these scenarios is discussed below.

Scenario #1: Customer Pays Monthly Bill on Time

In this scenario, the four IOUs consistently apply the same accounting methodology. When a customer submits the payment for his/her monthly bill on time, the IOUs credit that payment against the lone outstanding bill.

Scenario #2: Customer Falls Behind on Monthly Payments

In this scenario, the four IOUs consistently also apply the same accounting methodology. When a customer falls behind on monthly payments (absent a payment arrangement), the IOUs credit any payment received first to the oldest bill. Any remainder of the payment is applied to the next oldest bill, and then the next oldest bill, and so on, until the payment is exhausted.

Scenario #3: Customer Falls Behind on Monthly Payments and Establishes a Payment Arrangement

When a customer has fallen behind on his/her normal monthly bills, and establishes a payment arrangement, the four IOUs differ in how they apply customer payments. PG&E and SDG&E/SoCalGas apply a customer payment first to the oldest bill. Any remainder of the payment is applied to the next oldest bill, and then the next oldest bill, and so on, until the payment is exhausted. SCE has a different procedure. Upon establishing a payment arrangement with a customer, SCE combines all of the past-due bills included in the arrangement into a single past-due amount. When future payments are received, SCE applies the payment to the oldest due date which could be either the most recent bill that was sent out or the next installment in the payment arrangement, whichever is older. For all four IOUs, if the customer enters into a payment arrangement, collection action is suppressed for charges included in the payment arrangements as long as the customer pays the arrearages as agreed and remains current on his/her subsequent monthly bills. Also, for all four IOUs, customers who break a payment arrangement are subject to collection activity

Ultimately, both accounting methodologies accomplish the same objective. Neither methodology affects the outcome for customers who honor their payment arrangements. All payments by a customer are fully credited to his/her account once the term of the payment arrangement ends. The example below illustrates this fact.

Example

Assume a customer received Bill 1 on January 2nd for $50. He/she does not pay it and then receives Bill 2 on February 2nd for $100. Later in February, he/she contacts the utility to make a payment arrangement. He/she agrees to pay $50 per month for three months. During the period of the payment arrangement, the customer receives Bill 3 for $100 on March 2nd, Bill 4 for $100 on April 2nd, and Bill 5 for $100 on May 2nd. The table below shows how the IOUs would apply the customer payments:

		Bill 1 Issued - 1/2 Amt = $50		Bill 2 Issued - 2/2 Amt = $100		Payment Arrangement Created - 2/22 Amt - $150		Bill 3 Issued - 3/2 Amt = $100		Bill 4 Issued - 4/2 Amt = $100		Bill 5 Issued - 5/2 Amt = $100	
		Payments Applied:		Payments Applied:		Payments Applied:		Payments Applied:		Payments Applied:		Payments Applied:	
Date	Action	*SCE*	*PG&E SDG&E SCG*	*SCE*	*PG&E SDG&E SCG*	*SCE*	*PG&E SDG&E SCG*	*SCE*	*PG&E SDG&E SCG*	*SCE*	*PG&E SDG&E SCG*	*SCE*	*PG&E SDG&E SCG*
10-Mar	Customer makes payment of $150		$50 Bill 1 Paid		$100 Bill 2 Paid	$50		$100 Bill 3 Paid					
10-Apr	Customer makes payment of $150					$50			$100 Bill 3 Paid	$100 Bill 4 Paid	$50		
10-May	Customer makes payment of $150					$50 Plan Paid					$50 Bill 4 Paid	$100 Bill 5 Paid	$100 Bill 5 Paid

In both scenarios, a total of $450 is applied to the customer's account over the term of the payment arrangement.

Proposal

The four IOUs suggest that any perceived benefits of all the IOUs having a uniform methodology would not be worth the expenditure and resources required to implement uniform practices when the end result of the existing practices is the same. The IOUs recommend not burdening other ratepayers with these significant expenditures because the variances described above are limited only to those customers who have payment arrangements and will not add value to the way customer accounts are credited. If, however, the Commission were to require the IOUs to have uniform practices, SCE could modify its practices to match the other IOUs. This would cost SCE $750,000 to $1 million and take 10-12 months[3] to implement. [4]

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[3] This is a high-level estimate. If ordered to make this change, SCE would need to develop a refined estimate based on detailed scope and business requirements

[4] SCE currently has a plan to enhance its entire CSS system in 2013-14. This enhancement will include an Accounts Receivable Post Billing Redesign Project

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **JOINT UTILITY FILING OF SAN DIEGO GAS & ELECTRIC COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY AND PACIFIC GAS & ELECTRIC COMPANY TO PROPOSE UNIFORM DISCONNECTION PRACTICES AND ACCOUNTING AND BILLING PRACTICES** on all parties identified in Docket No. R.10-02-005 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 1st day of October, 2010.

/s/ JOEL DELLOSA
Joel Dellosa