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Decision 98-07-032 July 2, 1998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company To Identify Cost Savings for Revenue Cycle Services Provided by Other Entities and to Propose Credits for End-Use Customers in Such Circumstances for Implementation No Later Than January 1, 1999.	Application 97-11-004 (Filed November 3, 1997)
Application of Southern California Edison Company To Identify Cost Savings for Revenue Cycle Services Provided by Other Entities and to Propose Credits for End-Use Customers in Such Circumstances for Implementation No Later Than January 1, 1999.	Application 97-11-011 (Filed November 3, 1997)
Application of San Diego Gas & Electric Company To Identify Cost Savings for Revenue Cycle Services Provided by Other Entities and to Propose Credits for End-Use Customers in Such Circumstances for Implementation No Later Than January 1, 1999.	Application 97-12-012 (Filed December 4, 1997)

O P I N I O N

I. Summary

This decision resolves outstanding matters in Phase I of the applications of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (Edison), and San Diego Gas & Electric Company (SDG&E) to unbundle portions of metering, billing and related services, which we have referred to as "revenue cycle services." In this decision, we determine appropriate specific categories of revenue cycle services and address bill formatting issues. We also authorize PG&E to defer the offering of revenue cycle services credits on customer bills and instead to offer checks to customers subscribing to the revenue cycle services of competitors except when the ESP directly bills the customer for PG&E's services by providing a consolidated ESP bill. In the case where the ESP sends a consolidated bill directly to the customer, the refund checks should go to the ESP.

II. Background

The Commission's "Preferred Policy Decision " on electric utility industry restructuring, Decision (D.) 95-12-063, as modified by D.96-01-009, recognized a policy framework that assumes entry by potential energy service providers (ESPs) into the new competitive electric generation market requires unbundling generation from transmission and distribution. The order also found that specific distribution support functions like metering and billing are a vital step in facilitating direct access, whereby customers may choose their generation providers.

D.96-10-074 endorsed a framework that identifies administrative and general (A&G) activities, customer service and support, meter reading, billing, and regulatory activities as examples of costs that have no unique relationship to any of the three major functional areas (generation, distribution, and transmission). D.96-10-074 asked parties to evaluate strategies that would provide opportunities for ESPs to compete in markets for revenue cycle services while protecting the integrity of billing and metering processes. In that regard, we found that parties should have "comparable access to the generation market through metering and billing" and that "such access implies fairness to all stakeholders which avoids cost shifting where, for example, lower costs to one group do not mean stranded costs borne by another." Accordingly, we found that competition in metering and billing is not an objective in itself but a means to achieve effective competition in generation markets.

Subsequently, D.97-05-039 identified specific issues for consideration in this proceeding and D.97-11-073 directed Edison, PG&E, and SDG&E to file applications to accomplish the Commission's unbundling objectives. Accordingly, the utilities filed these applications in November and December 1997. Following a prehearing conference on January 8, 1998, the assigned commissioners issued a ruling which established a procedural schedule and split the proceeding into two phases. Phase I would consider changes to utility billing systems required to implement billing credits by January 1, 1999. Phase II would resolve "the broader merits of the various proposals to distinguish credits by customer segment and examine competing methodologies for calculating those credits."

At the encouragement of the assigned commissioners and the administrative law judge (ALJ), the parties conferred to attempt to reach consensus on how to accomplish the Commission's objectives in Phase I of this proceeding. The parties' collaboration resulted in a common method with regard to credit categories, credit segments, units of measure, bill format, and proration methods. Consequently, the contested issues in Phase I of this proceeding are few. The Commission held a single day of hearings on April 1, 1998.

Prior to the scheduled hearing date on Phase I issues, PG&E contacted the Commission and the parties in this proceeding to inform them that PG&E's billing system would be unable to accommodate the revenue cycle services unbundling requirements until mid-1999, rather than January 1, 1999, as the Commission directed. Shortly thereafter, PG&E met with interested parties to consider options to mitigate the implementation problems posed by PG&E's system limitations. The Commission held a day of hearing on this matter on

April 7, 1998. The matter was submitted on May 1, 1998 with the receipt of reply briefs.

The Commission held two prehearing conferences which addressed Phase 1 issues, both of which were presided over by the assigned ALJ and attended by the assigned Commissioner. The assigned Commissioner attended one of the two days of evidentiary hearings. Consistent with SB 960, this decision is issued less than 18 months from the dates the applications were filed.

III. Phase I Issues

The purpose of Phase I is to provide each applicant the direction needed to implement revisions to computer and billing systems. Applicants have stated they need such direction no later than July 1, 1998, in order to ensure that revenue cycle services credits can be reflected on customer bills by year's end. Specifically, the applicants need to know (1) the number of credit categories they must offer, (2) the method by which each category will be segmented, (3) the units in which credits will be shown on the customer bill, (4) the appropriate bill format, and (5) the method for prorating credits. We address each of these below.

As several parties have commented, the purpose of this phase of the proceeding is not to approve final revenue cycle services unbundling. Rather, it is to provide some direction to the utilities with regard to how their computer and billing systems should be modified in order to accommodate the final resolution of issues in this proceeding. The implication is that this order may adopt requirements for computer and billing system capabilities that are ultimately not necessary in order for the utilities to comply with the unbundling requirements adopted in Phase II. In this context, we consider the very general comments of Mellon Bank to the effect that the Commission should not require the utilities to invest in technologies that may soon become obsolete with the evolution of electric industry restructuring. We appreciate this observation and, although the issue was not explored with any specificity, we state our intent here to be mindful of the issue in this order and in Phase II of this proceeding.

A. Identification of Credit Categories

The parties generally agree that the Commission should require the utilities to identify four revenue cycle services credit categories, which Edison and PG&E refer to as: (1) meter services, including planned and corrective maintenance; (2) meter ownership, including capital costs; (3) meter reading, such as measuring usage data and sending it to the computer system for billing and storage; and (4) billing and payments, including receiving the meter readings, processing payments, and collecting overdue payments. The parties have minor disagreements over what to call the credit categories. PG&E suggests all three utilities should employ the same terminology.

We adopt the following four revenue cycle services credit categories for each applicant:

Meter Services

Meter Ownership

Meter Reading

Billing and Payments

B. Segmentation of Credit Categories

1. Meter Services Credits

The parties do not dispute the proposals of PG&E and Edison to segment the meter services credit categories only by rate schedule. For example, a residential customer would receive a credit that is different from that received by a large industrial customer. We adopt the utility proposals to segment meter services according to rate schedules because of the different costs and services associated with different types of meters used by customers.

2. Meter Ownership Credits

For New Installations. The Office of Ratepayer Advocates (ORA) and Enron suggest that the utilities should segment the meter ownership credit for new installations where a utility meter is never installed. PG&E believes this issue should be addressed under the line extension rules. Edison does not oppose this recommendation with the condition that it be applied to all three utilities and with the understanding that where a customer receives a lump sum credit for a new installation, the customer's recurring meter ownership credit would be reduced. SDG&E does not support the proposal but is willing to modify its billing system to accommodate separate segments. SDG&E notes that the issue of whether such a credit would be cost-effective should be explored in Phase II.

PG&E observes the Commission has already addressed this issue to the extent required in D.97-12-098 regarding line extension rules. That decision requires the utility to provide an allowance that is revenue justified and permits the customer to apply the allowance to the cost of a transformer, service, and meter equipment. If an entity other than PG&E installs new meters in a development, the developer's allowance will not include the cost of the new meters but can, in most cases, be used for other costs of connection. PG&E argues the proposal of ORA and Enron to create a cost credit for new meters would duplicate and disrupt the line extension rules. PG&E also comments that its billing system can track whether a customer owns the meter but cannot track whether a PG&E meter was ever installed there.

We find some merit in the proposal of Enron and ORA but agree with SDG&E that whether it should ultimately be adopted will depend upon relative costs and benefits. For this reason, we will direct the utilities to arrange their billing systems to be able to accommodate a credit for new installations but will decide whether in fact the credit should be offered in Phase II. During Phase II, we will consider the extent to which the line extension rules might affect or be affected by a billing credit for new installations. We concur with Edison that all three utilities should be subject to the same unbundling requirements.

By Rate Schedule. PG&E and Edison propose to segment the meter ownership credit category by rate schedule only as a proxy for specific meter types. No party disputes this recommendation and we adopt it.

For Existing Utility Meters. Enron and ORA propose that customers be allowed to purchase existing meters from the utilities. PG&E argues such a proposal is appropriately considered in other proceedings. Edison does not oppose ORA and Enron's suggestion as long as it is applied equally to all three utilities.

While we believe Enron and ORA's proposal may have merit, we find that the issue is better considered at a later date, as PG&E proposes. We believe the costing and implementation issues may be complex enough that they would extend this proceeding beyond the time period we have set for resolving other issues. We will direct the utilities to file separate applications to address this issue in 1999.

3. Meter Reading

By Rate Schedule. PG&E and Edison propose that meter reading should be segmented according to the customer's rate schedule because different types of services may impose different costs. No party objects to this recommendation and we adopt it.

Electric vs. Dual Commodity. Enron proposes that the Commission direct the utilities to accommodate billing segments for circumstances where the utility competitor reads only the gas meter and where the competitor reads both the gas and electric meters. University of California / California State University / Department of General Services (UC / CSU / DGS) concurs with Enron's proposal. Similarly, ORA believes the utilities should be permitted to contract with ESPs to provide gas meter reading services to dual commodity utilities, that is, PG&E and SDG&E. PG&E opposes this change, observing that its "Gas Accord" D.97-08-055, deferred the possibility of gas billing and metering unbundling through 2003. It also argues that its contracts with labor unions do not permit this work to be "outsourced" to others. SDG&E includes a credit calculation for situations where the ESP reads both the electric and gas meters or processes both bills but proposes that the issue of revenue cycle services unbundling for gas only meter reading be resolved in the Commission's gas strategy proceeding, Rulemaking (R.) 98-01-011.

We will require SDG&E and PG&E to modify their billing systems so as to accommodate circumstances where the ESP reads both the gas and electric meters. We remind PG&E that the provisions of its Gas Accord may be modified, in order to comport with industry restructuring, as stated in D.97-08-055. We will not at this time require any accommodation for instances where the ESP reads only the gas meter. That is a matter which is appropriately resolved in our natural gas strategy rulemaking, R.97-01-011. While we understand that the matter before us addresses itself only to billing capabilities and not the more general policy question, we are not inclined at this time to direct the utilities to make system modifications that are the subject of another proceeding and which may ultimately be unnecessary.

By Geographic Zones. PG&E proposes to segment the meter reading credit category into three geographic zone to reflect the cost variations between high-density and low-density neighborhoods. Edison and SDG&E propose five such zones. PG&E observes that, although the Commission should rule on the number of zones in this order, it has decided to rule on the merits of geographic segmentation in Phase II of this proceeding. UC/CSU/DGS argues the Commission should adopt the highest possible number of geographic zones in this order so it has the maximum flexibility in Phase II to adopt the higher number or something less.

We herein require the utilities to acquire the capability to segment meter reading into five geographic zones determined on the basis of zip codes. We may collapse or eliminate these zones in Phase II, depending on our findings there with regard to geographic costs, implementation issues, and related matters.

Streetlights and Traffic Control Signals. The California City County Street Light Association (CAL/SLA) recommends that street light and traffic control signal customers should receive appropriate credits for meter reading and other credit categories. Edison opposes this proposal, stating that it grouped such customers with other customers using less than 20 kilowatts (kW) because there are no cost savings to justify further differentiation. Edison also argues that unmetered electric streetlight schedules LS-1 and LS-2 should not receive any meter credit.

We agree with Edison that CAL/SLA has not justified a separate segmentation for streetlight and traffic control signal customers. We also find that an account for an unmetered service should not receive a meter reading credit.

By Retrieval Mode. PG&E proposes that the meter reading credit category should be segmented according to whether the meter reading is retrieved manually or by modem. No party objects to this proposal and we adopt it for all utilities.

4. Billing and Payments Credit Category

By Rate Schedule. Edison and PG&E propose to segment the billing and payments credit category by rate schedule to reflect that costs vary according to customer type. No party opposes this recommendation and we adopt it.

By Commodity Type. PG&E proposes that the credit be segmented by commodity, or account type, meaning single commodity (electric only) or dual commodity (electric and gas). In so doing, PG&E assumes it will be the sole provider of gas billing and payment services. We discussed this assumption in more depth previously in this order. We will adopt PG&E's proposal to segment the credit by commodity type for PG&E and SDG&E.

5. Consolidated ESP Billing. Enron and ORA propose both "full" and "partial" consolidated billing by ESPs. Partial consolidated billing refers to a circumstance in which the utility bills the ESP for services provided by the utility to the customer and the ESP in turn supplies a consolidated bill to the customer that reflects both utility and ESP charges. Full consolidated billing refers to a circumstance in which the ESP also computes the utility's charges.

PG&E does not oppose segmentation of the billing and payment credit category between partial ESP billing and full ESP billing. Similarly, Edison assumes the Commission will require segmentation between full and partial consolidated ESP billing. We will direct the utilities to modify their systems to accommodate both full and partial consolidated ESP billing.

6. Bill Format and Customer Communications. In general, PG&E recommends that all three utilities implement a uniform bill format for revenue cycle services credits in order to avoid confusion among ESPs and customers. Edison, SDG&E, and PG&E propose the customers' bills include four lines, one for each credit category. ORA suggests a single line item for all four types of credits, believing that the larger number of revenue cycle services line items, in combination with the many other line items on customers' bills such as those for transmission, public purpose programs, and distribution, will dilute the information on the bill. Edison responds that collapsing four credit categories into a single line item on the bill obscures information which is critical to good decision-making by customers and will impair customer choice. SDG&E makes similar comments but states it is able to accommodate either format by January 1, 1999.

With the many regulatory changes in the electric industry taking place over a short period, customer bills have become increasingly complicated. At this time, we find that adding four more lines to customer bills will create more confusion than is reasonable under the circumstances. Sophisticated customers, that is, those most likely to benefit from revenue cycle services unbundling, will be motivated to understand their revenue cycle services options and how their choices may affect their bills. Customers who are not so highly motivated are unlikely to benefit from the additional information. We will reconsider this issue at the request of any party one year after implementation of revenue cycle services unbundling. By then, customers will have had some time to digest the many changes to their services and bills, and the provision of additional billing information may be appropriate. In the meantime, we will nevertheless require the utilities to develop the systems capability to include four lines of information regarding revenue cycle services so that there will be no delay between the date of a future order and final implementation.

ORA also suggests that the utilities rely on ESPs to explain the credits to their revenue cycle services customers, a proposal which PG&E supports. We adopt this proposal.

7. Units and Proration. PG&E proposes to use "dollars per account per month" as the unit for billing and payments credits and "dollars per meter per month" as the unit for meter services, meter ownership, and meter reading categories. We adopt these units as reasonable for all three utilities.

PG&E and Edison propose that credits for meter services and meter ownership should be prorated, while credits for meter reading and billing, and payments should not be prorated but just given on a monthly basis. PG&E explains the basis for the distinction is that meter services and meter ownership are a function of the number of days in a month, while the costs of meter reading and billing are not. No party opposes this recommendation and we adopt it.

IV. PG&E's Billing Problem

Like Edison and SDG&E, PG&E originally proposed to incorporate revenue cycle services credits into customers' bills beginning no later than January 1, 1999. On March 20, 1998, PG&E's attorney notified the parties and the Commission by electronic mail that PG&E would be unable to implement customer bill credits by January 1, 1999, as the Commission ordered in D.97-05-039. Following a prehearing conference, PG&E met with interested parties at a workshop to address options for implementing revenue cycle services unbundling. Subsequently, parties submitted testimony and the Commission held a day of hearing on this issue.

PG&E explains that its billing system will be unable to identify revenue cycle services on customer bills by January 1, 1999 as a result of delays in implementing major changes to the billing system. It proposes a temporary solution for the problem as it affects this proceeding, which would be in place from January 1, 1999 through the end of 1999 when PG&E would implement its main proposal, discussed earlier. Specifically, PG&E proposes to send one check in advance for 1999 revenue cycle services credits to each eligible customer opting for unbundled revenue cycle services. Customers who opt for unbundled revenue cycle services in months following January 1999 would receive a check for the remaining months in 1999. PG&E will assume the risk if the customer returns to bundled service or discontinues service.

In support of its interim proposal, PG&E argues that D.97-05-039 does not order the utilities to incorporate revenue cycle services credits on customers' bills. Instead, it orders each utility to propose a "means for ensuring that customers are not charged by the distribution utilities for those services in such circumstances." PG&E believes its interim proposal satisfies this requirement.

ORA supports PG&E's proposal, believing it to be the simplest and fairest result for customers except that in its comments to the Proposed Decision ORA clarifies that it prefers an "up-front" bill credit to sending checks to customers as a means to provide flexibility to ESPs regarding billing options. ORA suggests that PG&E be required to assume the cost of this proposal. PG&E concurs with this suggestion and states that these costs are not included in PG&E's general rate case. ORA also suggests that PG&E make clear to its customers that the revenue cycle services credit exists because of services provided by the customer's ESP, and that it is not a PG&E offering extended to bundled service customers. PG&E also agrees that this is a reasonable condition. To this end, PG&E suggests the Commission require PG&E to work with ORA regarding 1999 bill format and customer communication, and designate Energy Division staff to review and approve the plan.

Enron opposes PG&E's proposal. First, Enron observes that PG&E would be able to implement the billing system changes according to the Commission's schedule by dedicating more internal resources to the system changes. UC/CSU/DGS makes similar comments, observing that PG&E's problems have been known for some time. UC/CSU/DGS proposes that PG&E be required to present a detailed explanation of its billing system upgrade plans and priorities, possibly by way of an independent audit, in order to foreclose a later emergence of the arguments made here to delay revenue cycle services credit implementation. If the delay is required, UC/CSU/DGS favors PG&E's interim proposal.

QST, an energy service provider, also opposes PG&E's proposal, arguing that PG&E has not sufficiently justified its deferral of the billing credits. QST recommends that if it accedes to PG&E's proposed delay, the Commission should require PG&E to credit ESP accounts for the difference rather than pay customers directly. QST explains that some ESPs may have contracts with ESPs that would be incompatible with the procedure proposed by PG&E, creating additional confusion and raising ESPs' costs. QST believes PG&E's interim solution is anticompetitive because it would require that ESPs offering bundled services with guaranteed discounts would either have to forgo the credit or require a new customer to pay a switching charge. The reason for this is that the ESP would no longer have access to the credit amounts by way of the customer's bill. QST refers to this circumstance as a barrier to market entry.

Discussion. As described during the hearing, PG&E suspended work on the billing system until March 1998. The result will be additional confusion for customers and more complicated marketing for PG&E's competitors. We share the frustration of Enron and QST with the delay PG&E proposes.

Nevertheless, the harm from delaying changes to the billing system is short-lived in the grander scheme of things. We are convinced that PG&E could implement the billing changes required by January 1, 1999 only by diverting substantial resources to this single task, possibly at the expense of other operational requirements. We will not order PG&E to divert resources to assure a quicker implementation.

Having found that we will not hold PG&E to including credits on customers' bill by the original implementation date of January 1, 1999, we must decide how PG&E should credit those customers who choose to use competitors' revenue cycle services. We reject QST's proposal to provide the customer credits to ESPs with the exception of those ESPs that provide a consolidated bill to their customers. Under consolidated ESP billing it is the ESP that bills and collects from the end-use customer. The ESP is required to pay the full utility charges regardless of whether the customer actually pays the ESP. Therefor, because it is the ultimate responsibility of the ESP to guarantee payment, the ESP should receive the refund check. Otherwise, we would have the possibility that customers that have not paid the ESP will receive a refund check from the utility for service that they have not paid for. Also we agree, in the case of consolidated billing by ESPs, that it is anti-competitive to have the refund go directly to ESP end-use customers for which the UDC does not directly send a bill.

We have considered requiring ESPs to include the credits on consolidated bills and, in those cases, allowing the ESPs to flow through the cost savings to customers rather than having PG&E provide a check to the customer. In comments to this proposal, however, PG&E convinces us that we do not have a record to permit a finding that ESPs' billing systems could accommodate such credits or that there is a reasonable method to assure the ESPs actually provide the credits. PG&E also reiterates that the billing system limitations which make it unable to provide customer credits in l999 apply also to an arrangement where the ESP would provide the credit and forward the net billed amounts to the PG&E.

For these various reasons and during this interim period, PG&E will be authorized to provide credits to customers who elect the revenue cycle services of competitors by providing such customers a check except in the case of customers that are billed directly by the ESP using consolidated ESP billing. In these cases it is not PG&E that is responsible for the billing and collection from end-users but rather the ESP. Therefor, ESPs that provide consolidated ESP billing shall be issued refund checks for the revenue cycle service credits that they have overpaid to PG&E.

We also adopt the conditions suggested by ORA regarding PG&E's assumption of the costs and the development of customer information about the circumstances under which the rebate checks are offered. PG&E's proposal here, while not optimal, is not inconsistent with the overall intent of D.97-05-039. Of the options before us, it appears to be the simplest for customers to understand.

We do not believe this interim resolution of PG&E's billing problem will compromise the ESPs or their customers as QST suggests, except in the case of consolidated ESP billing. While we find such a method to be preferable to others we have considered, D.97-05-039 specified only that the utility should propose "a means for ensuring that customers are not charged by the distribution utilities for those (revenue cycle) services" provided by another utility. While we do not wish to understate the disruption that PG&E's proposal here may impose on ESPs, we nevertheless do not find convincing the ESPs' argument that we must order PG&E to implement billing credits by January 1999 on the basis of a ruling which addressed itself to the procedural aspects of reviewing utility applications. In this regard, QST submits comments to demonstrate the ways in which PG&E's proposal may harm ESPs. We do not take these concerns lightly. Nevertheless, our first concern lies with protecting customers, a concern which is not adequately addressed by QST's proposal to receive funds from PG&E, therefor we prefer that refund checks be issued directly to end-use customers where PG&E directly bills the customer; in the case of customers billed directly for both

PG&E and ESP charges by the ESP (ESP Consolidated Billing) we prefer to have the refund checks issued directly to the ESP.

We do not adopt the recommendation of Enron and UC/CSU/DGS to conduct an audit of PG&E's billing system planning at this time. We accept PG&E's assertion that such an audit could impose additional strain on the implementation process. We put PG&E on notice, however, that we will not accept delays extending beyond the end of 1999 for PG&E's implementation of revenue cycle services billing credits.

Issues for Future Consideration.

After reviewing the record in Phase I of this proceeding, the comments on the ALJ's proposed decision, and comments on an alternate decision sponsored by Commissioner Knight, we are interested in exploring two broad issues for resolution and possible implementation in the future. First, we will consider whether at some future date we should direct the electric utilities to stop billing for those services it does not provide rather than provide credits for them. In such cases, the utility would bill all customers for basic services and add charges for revenue cycle services provided by the utility. This more complete form of "unbundling" would render utility bills comparable to those of firms in most markets, which bill only for those services they provide and therefore do not need to provide customers with credits or checks for services they do not provide. Second, we will consider the extent to which we should regulate the information provided on an ESP's consolidated bill with regard to revenue cycle services. Arguably, the ESP should not have to identify the savings a customer realizes from not taking the services of another firm, in this case, the distribution utility. By this, we are not considering changes to the requirements of the distribution utilities with regard to their operations or billing systems. Instead, our inquiry concerns requirements of ESPs undertaking consolidated billing.

Appendix A to this decision presents specific questions on these two topics. We will direct the Applicants and invite other parties to comment on them within 30 days of the effective date of this order. In their comments, parties may propose methods for proceeding further to resolve the issues, for example, separate utility applications, further hearings or comments, or the immediate issuance of a Commission order.

Findings of Fact

1. The Commission resolved to issue an order in Phase I of this proceeding which would permit the applicants time to modify and plan their computer and billing systems in order to be able to comply with the requirements adopted in Phase II of this proceeding regarding unbundled elements, prices, and related matters. The computer and billing system capabilities ordered in Phase I may not ultimately be required by the Phase II order.

2. The record in this proceeding thus far does not permit a determination of whether the benefits of requiring a credit for new installations will justify the costs.

3. The Commission is considering the unbundling of gas revenue cycle services in R.98-01-011.

4. The Commission has decided to rule in Phase II on the merits of the number of geographic zones to be applied to meter reading.

5. The Commission has directed the utilities to provide information regarding full and partial ESP consolidated billing.

6. A single billing line for revenue cycle services will provide needed information to customers in the initial stages of revenue cycle services unbundling. Four line items on the bill would create too much confusion for

customers partly because of the many other changes on their bills resulting from the introduction of direct access.

7. PG&E notified the Commission and the parties on March 20 , 1998, that it would be unable to incorporate revenue cycle services credits on customers' bills beginning January 1, 1999 because of delays associated with modifications to its billing system. PG&E subsequently stated that it would be able to meet that deadline only by diverting internal resources to the task at the expense of other work.

8. PG&E's proposal to offer checks to customers receiving revenue cycle services from ESPs is not inconsistent with D.97-05-039. Accordingly, in contracting for services with customers, ESPs had no basis to assume that PG&E would offer credits on customer bills during 1999.

9. It is reasonable to assume that PG&E could implement customer billing credits in 1999 only by diverting resources from other operational tasks at a cost that is not demonstrated to be offset by the benefits of offering billing credits rather than checks to customers who subscribe to competitors' revenue cycle services.

10. ESP's that provide consolidated bills to their customers, (i.e. provide a bill that includes both the amount charged by the UDC and the ESP's charges in the same bill) act as billing and collection agents to the utility and are required to pay the full amount billed regardless of whether the end-use customer actually pays.

11. Among the proposals on the record, PG&E's proposal to provide checks to customers who receive revenue cycle services from ESPs during 1999 is the least confusing for customers and best protects customer interests, unless that customer is billed directly by the ESP for all services under consolidated ESP billing. In that case it is reasonable to issue the refund checks directly to ESP.

12. The record does not support a finding that an audit of PG&E's billing system is required at this time to assure reasonable implementation of Commission requirements.

Conclusions of Law

1. The Commission should order the applicants to modify their systems to accommodate a credit for new installations but defer to Phase II the issue of whether the utilities should be ordered to unbundle that element.

2. The Commission should require the utilities to file applications to explore the issue of whether the utilities should offer customers the opportunity to purchase existing meters.

3. The utilities should be directed to acquire the capability to segment meter reading into five geographic zones based on zip codes pending the Commission's review of how many geographic zones into which meter reading should be segmented.

4. PG&E and SDG&E should be ordered to modify their computer and billing systems to accommodate circumstances in which a competitor reads the electric meter and the gas meter simultaneously. The Commission should defer to R.97-01-011 the issue of whether gas-only meter reading should be unbundled and whether associated billing changes are required.

5. The applicants should be directed to modify their computer and billing systems to accommodate credits for both full and partial consolidated ESP billing.

6. The applicants should modify their billing systems to accommodate the addition of a single line item on customer bills for revenue cycle services.

7. Except as set forth in this order, the Commission should adopt the utilities' uncontested proposals in Phase I of this proceeding as reasonable unless determined otherwise in Phase II of this proceeding.

8. The Commission should adopt PG&E's proposal to provide checks to customers who elect revenue cycle services from competitors during 1999 for customers PG&E bills directly. This arrangement is simple, relatively easy for customers to understand and does not unduly compromise other Commission policy objectives for the period in question. However, for customers billed directly for both ESP and PG&E charges by the ESP using consolidated ESP billing, the refund should go directly to the ESP. PG&E should be required to implement credits on customer bills no later than January 1, 2000.

9. PG&E, Edison, and SDG&E shall and other parties may, within 30 days of the effective date of this order, respond to the questions set forth in Appendix A of this order.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (Edison), and San Diego Gas & Electric Company (SDG&E) shall modify their computer and billing systems to accommodate the following, pending a final determination of these matters in Phase II of these consolidated applications:

A credit for new installations;

The segmentation of meter reading into five geographic zones;

Circumstances in which a competitor reads the electric meter and the gas meter simultaneously;

Credits for full and partial consolidated ESP billing; and

The addition of four line item on customer bills for revenue cycle services.

2. Except as set forth in Ordering Paragraph 1, the uncontested proposals of Edison, PG&E, and SDG&E are adopted until and unless they are modified in Phase II of this proceeding for the implementation of revenue cycle services unbundling.

3. PG&E's proposal to provide checks to customers who elect revenue cycle services from competitors is adopted, except that refund checks should be issued directly to ESPs when an ESP provides its customers with a consolidated bill. PG&E shall nevertheless implement credits on customer bills no later than January 1, 2000 consistent with this decision and the order issued in Phase II of this proceeding and subsequent orders.

4. PG&E, Edison, and SDG&E shall each file an application no later than June 1, 1999 which proposes prices and conditions for the purchase by customers of their existing meters.

5. This proceeding shall remain open for the Commission's review of matters identified as within the scope of Phase II.

This order is effective today.

Dated July 2, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

We will file a joint concurring opinion.

/s/ Richard A. Bilas
President
/s/ Josiah L. Neeper
Commissioner

I will file a concurring opinion.

/s/ P. Gregory Conlon
Commissioner

APPENDIX A
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1. Should the electric utilities continue to bill for revenue cycle services and then provide billing credits to those customers who receive revenue cycle services from competitors? What are the effects on customers and customer understanding of providing customer bill credits compared to simply reducing the utility bills of customers who receive revenue cycle services from competitors? What are the effects of this latter approach, that is, more complete “unbundling,” on market efficiency and competition?

2. How does more complete revenue cycle services unbundling compare with the existing arrangements for bill credits (or checks to customers, in the case of PG&E) in terms of costs and implementation?

3. How long would it take to make the billing system changes and operational changes required to unbundle revenue cycle services from utility bills, assuming the utility system is designed to accommodate customer bill credits (or, in PG&E’s case, checks to customers)?

4. Could unbundled billing for revenue cycle services be accomplished by creating a new tariff schedule for customers who do not take any revenue cycle services from the utility, with added charges for each unbundled revenue cycle services purchased from the utility? Is this arrangement in any way limited by AB 1890 or the Public Utilities Code?

5. Should the Commission explore further unbundled billing for utility services other than revenue cycle services?

6. Should the Commission require ESPs to reflect revenue cycle service credits on the consolidated ESP bills sent to customers? Is such a credit

comparable to a wholesale price and, if so, should it be included on ESPs' consolidated bills to customers?

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7. What effect does requiring ESP to reflect revenue cycle service credits on the consolidated bills have on customer behavior, prices, competition, customer understanding, and supply of revenue cycle services offered by utilities and competitive providers?

8. How, if at all, would relieving ESPs from reflecting revenue cycle services bill credits on consolidated bills affect costs? How does the associated cost compare to other options?

9. What proportion of customers taking revenue cycle services from ESPs are billed directly by ESPs?

(End of Appendix A)

"See Formal Files for Joint Concurring Opinion of Commissioners. Bilas and Neeper; and Commissioner Conlon's Concurring Opinion".