

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3192
January 15, 1991

R E S O L U T I O N

RESOLUTION E-3192. SAN DIEGO GAS AND ELECTRIC COMPANY REQUESTS AUTHORITY TO REVISE RULE NO. 7 - DEPOSITS, RULE NO. 9 - RENDERING AND PAYMENT OF BILLS, AND RULE NO. 11 - DISCONTINUANCE OF SERVICE, FOR BOTH GAS AND ELECTRIC TARIFFS FOR THE PURPOSE OF REDUCING LOSSES FROM UNPAID CLOSING BILLS.

BY ADVICE LETTERS 713-G AND 788-E, FILED ON MARCH 28, 1990.

SUMMARY

1. San Diego Gas and Electric Company (SDG&E) requests authority to modify its Tariff Rules 7, 9, and 11 for both gas and electric tariffs to (1) revise the calculation of the amount of the deposit required to obtain service, (2) permit a telephone contact with customers, at no cost to the customer, instead of the current practice of making a personal visit for which a customer is charged \$9.00, and (3) revise the present practice of applying a customer's deposit toward any outstanding bills before initiating the procedure for discontinuing the service, to a procedure of discontinuing the service and applying the deposit to the overdue charges with a refund of the remainder of the deposit. The revised amount of the required deposit would apply only to new business customers, and those residential customers whose service has been terminated for the nonpayment of charges. The new amount of the deposit to establish credit for non-residential customers and to re-establish credit for all customers would be changed from twice the estimated average monthly bill to twice the estimated maximum monthly bill. The initial deposit, if any, required of residential customers will remain the same.

2. This Resolution grants part of the request and denies part of the request.

BACKGROUND

1. The objective for the new rules of service is the reduction of uncollectibles. For ratemaking purposes "uncollectibles" are an expense item for regulated energy and water utilities while for the telecommunication utilities, uncollectibles are accounted

for as negative revenue. In a general rate case the amount of unpaid bills is estimated for the test year and included in the utility's revenue requirement. In essence, the utility is not at risk for the estimated uncollectibles, all ratepayers pay through the rates for those customers who fail to do so.

2. For the year 1989, SDG&E's uncollectibles were \$4.5 million or approximately one-third of one percent of its gross annual revenue. The situation was the same for some of the other major energy utilities (Pacific Gas and Electric Company [PG&E], Southern California Edison Company [SCE], and Southern California Gas Company [SoCalGas]) whose total uncollectibles reported for the 12 month period ending December 31, 1988, was approximately \$30 million. Because this is a major expense item for all ratepayers, the Commission encouraged the utilities to reduce this expense.

3. SDG&E's current tariff Rule 11, as well as the tariffs of Sierra Pacific Power Company (SPPC) and the electric tariff of Southern California Water Company (SoCal Water), provide that the deposit is to be applied to overdue bills before issuing a "discontinuance notice." The tariffs of CP National (CPN), PG&E, Pacific Power and Light Company (PP&L), SCE, SoCal Gas and Southwest Gas Corporation (Southwest) provide that the deposits are not to be applied before discontinuance of service, but that the deposit is to be applied to any unpaid charges remaining at the time of termination of service, with any residue returned to the customer with the accrued interest. The SDG&E proposal will bring both its tariffs and its practices into conformance with the tariffs and practices of most of the other energy utilities.

4. Recent Commission actions encouraging reduction of uncollectibles include:

1. Authorization of using the Telco (TM) centralized credit check system to the telephone utilities by D.85-03-017 on A.83-07-07 and OII 83-08-02,
2. Discussion of a centralized credit check system for the energy utilities in D.87-12-066 on A.86-12-047 (SCE General Rate Case) and OII 87-01-017, and
3. Approval of PG&E Advice Letter (A.L.) 1250-E & 1540-G approved by Resolution E-3159 dated July 19, 1989, PP&L A.L. 215-E approved by Resolution E-3141 dated April 12, 1989, SCE A.L. 817-E effective March 1, 1989 without a resolution, and Southwest A.L. 346 effective March 7, 1984 without a resolution, which introduce greater strictures in the deposit rules of various energy utilities.

NOTICE

1. Public notification of this filing has been made by notification on the Commission's calendar on March 30, 1990, and by mailing copies of the advice letter to other utilities, governmental agencies and consumer advocate organizations: CALPIRG, Toward Utility Rate Normalization (TURN) and Utility Consumer Action Network (UCAN).

PROTESTS

1. No protests to this Advice Letter have been received by the Commission Advisory and Compliance Division (CACD).

DISCUSSION

1. Proposed revision of Rule 7 - Deposits. The revision would change the amount of deposit for nonresidential customers from "twice the estimated average bill" to "twice the estimated maximum bill" for that customer. The average and the estimate refer to a twelve month period at the initial application for service. No change is proposed in the method of calculating a residential customer's deposit, which is twice the estimated periodic bill, at the initial application for service. SDG&E estimates this change will approximately double the amount of the required deposit. The deposits from all customers in good standing are returned, with interest, after a twelve month period of a good payment record. When service has been involuntarily discontinued because of non-payment, the deposit required to re-establish service would be changed to twice the estimated maximum bill for both residential and nonresidential customers.

2. The proposed revision of Rule 7 also discloses SDG&E's current practice of adjusting the amount of the deposit if the customer's actual periodic bills should prove to be higher or lower than the estimate upon which the original deposit amount was based. While this practice may have been reasonable at the level of deposit equal to twice the average monthly bill, it is not necessary that it be continued after the level of the required deposit is raised to twice the estimated maximum monthly bill. According to SDG&E, the maximum monthly bill is approximately twice the average monthly bill and at that level of deposit the utility will be in most cases adequately protected. Therefore, this change is not authorized.

3. Proposed revision of Rule 9 -- Rendering and Payment of Bills, Section B. SDG&E proposes to charge \$9.00 for the first and \$15.00 for a second visit to customers' premises in connection with its efforts to collect past due bills. These charges would be added to past due bills. However, the utility proposes that it may have the option of telephoning the customer instead of making a visit to his premises in which case the \$9.00 charge would not apply. If, following the telephone approach,

the utility follows up with a premises visit, that visit would be treated as the second visit for billing purposes. The proposed procedure deals strictly with the utility's attempts to collect its bills and, in case of the second visit, to combine the second and last attempt at collection with termination of service which requires an additional operation and thus incurs additional expense to the utility. Section 779.1 of the Public Utilities Code, which the utility quotes as implicitly suggesting the proposed procedure, deals strictly with the requirements to give adequate notice and not with charges for collection or attempted collection of bills. It would not be appropriate to consider a telephone call by the utility made in an effort to obtain payment of an overdue bill the equivalent of a first visit to the customer's premises and then charge the higher amount if that telephone call has to be followed by a visit to the customer's premises and at that visit the customer's debt is either settled or arrangements are made for its settlement without termination of service. Only when a visit to customer's premises results in actual termination of service is the higher amount justified.

4. CACD recommends the proposed Rule 9 be modified as follows: the charge for a visit at which the service is not terminated should be \$9.00 while the charge for a visit at which the service is terminated should be \$15.00. There should be no charge for telephone calls.

5. Proposed revision of Rule No. 11, - **Discontinuance of Service**, Section A. Under the present rule a customer's service is not discontinued for non-payment of bills until the amount of any deposit made to establish credit for service has been fully absorbed by past due and current charges. This practice can result in the deposit being exhausted before the service is terminated. SDG&E proposes to delete this part from Rule No. 11 and to add Section B. 2. to Rule No. 7 - **Deposits**, providing that deposits be not used as payment for past due bills to avoid discontinuance of service. Deposits are to be applicable to unpaid service only after it has been discontinued.

6. PP&L and Southwest have tariff provisions requiring that deposits be twice the estimated maximum monthly bill for both residential and commercial classes of customers and for both new and re-established service. Southwest's and PPL's rules were authorized by Resolutions G-2581, effective on March 7, 1984 and E-3141, effective April 26, 1989, respectively.

7. It appears desirable that the deposit rules of all utilities should be consistent throughout California. Four other major gas and electric utilities in California have similar provisions in their tariff rules which allow the maximum rather than average monthly bill to be the basis for determining deposits.

8. The other energy utilities in the state, SoCalGas, SPPC, SoCalWater and CPN use the estimated average periodic billing as

the basis for determining deposits. SoCalGas has filed Advice Letter 1933 which would incorporate more restrictive language similar to that proposed here.

FINDINGS

1. The revisions to Rules 7, 9 and 11 may reduce SDG&E's losses attributable to unpaid closing bills and would therefore reduce the burden to all other ratepayers.
2. The present rules allow customer deposits to be used to pay overdue bills delays the termination of service until the security deposit is depleted. This exposes the utility's ratepayers to the risk of unpaid balances after the termination of service.
3. The maximum monthly bill in any twelve month period is greater than the average bill and may be as high as twice the average bill.
4. Deposits greater than twice the average monthly bill may tend to provide greater protection to the utility against losses incurred because of failure of customers to pay. Additional protection that might accrue from a later upward adjustment of the original estimate is not likely to be significant.
5. Charging a higher fee for the first physical visit to a customer's premises when such visit is only preceded by a telephone call from the utility in lieu of a visit is justified only at the time service is actually terminated.
6. No change in rates will occur as a result of these Advice Letters. There will be an increase in deposit required from some customers.
7. The changes proposed in these advice letters, with modifications as recommended by CACD, are just and reasonable.

THEREFORE, IT IS ORDERED that:

1. San Diego Gas and Electric Company is authorized to place in effect the tariff sheets accompanying Advice Letters 713-G and 788-E, with Revised Cal. P.U.C. Sheets Nos. 6651-E, 6653-E, 4985-G and 4978-G, modified as specified below:

On the substitute sheets for the proposed Revised Cal. P.U.C. Sheets Nos. 6651-E and 4985-G delete the text:

"However, the utility may, at the time of application, take an estimated deposit amount which is subject to adjustment."

This deletion will preclude the utility from adjusting the amount of the deposit once the original estimate is made.

On the substitute sheets for the proposed Revised Cal. P.U.C. Sheets Nos. 6653-E and 4978-G delete the text:

"The collection charge for visits by the utility to a customer's premises will be \$9.00 for the first visit and \$15.00 for the second visit. These charges will be added to the customer's bill for each occurrence."

"Where the utility has telephoned the customer in lieu of the first visit, the next time the utility visits the customer shall be treated as the second visit for billing purposes."

Instead of the above, the following text shall be substituted:

"The collection charge for visits by the utility to a customer's premises will be \$9.00 for a visit made to collect the amounts owed or to effect a plan of payment and \$15.00 for a visit at which the attempt at collection has failed and the service is actually restricted or terminated. There shall be no charges for a telephone call."

This change will preclude the utility from making a higher charge for the first physical visit to customer's premises when such visit has been preceded by a telephone call in lieu of a physical visit when such visit does not include an actual restriction or termination of service.

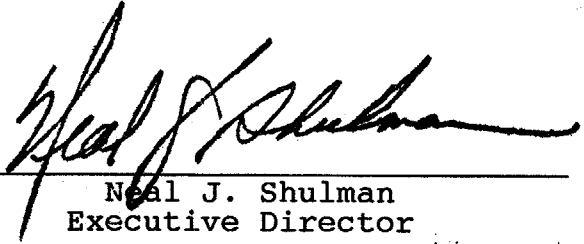
2. Advice Letters 713-G and 788-E, with the accompanying tariff sheets modified as directed above, shall be marked to show that they were approved for filing by Commission Resolution E-3182 and made effective on the fifth day after the filing of the substitute sheets.

3. If not exercised, the authority granted herein shall expire within 90 days after the effective date of this Resolution.

4. This resolution is effective today.

I hereby certify that this resolution as adopted by the Public Utilities Commission at its regular meeting on January 15, 1991. The following Commissioners approved it:

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



Neal J. Shulman
Executive Director