

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION E-3461\*\*  
July 17, 1996

R E S O L U T I O N

RESOLUTION E-3461. SAN DIEGO GAS & ELECTRIC COMPANY REQUEST TO REVISE ELECTRIC AND GAS RULES 3, 6 AND 11 TO IMPROVE CUSTOMER IDENTIFICATION, VERIFICATION AND CREDIT SCORING PROGRAMS.  
BY ADVICE LETTERS 935-E AND 949-G, FILED FEBRUARY 22, 1995.

SUMMARY

1. San Diego Gas & Electric Company (SDG&E) requests authority to revise its Electric and Gas Tariff Rules 3, 6, and 11. The revisions would enhance the utility's procedures for identifying and verifying applicants for service. The revisions would also substitute a credit scoring program for the current method of determining the necessity for deposits to establish credit.
2. This Resolution grants SDG&E's request.

BACKGROUND

1. SDG&E's tariff rules include; Rule 3 - Application for Service, Rule 6 - Establishment and Re-establishment of Credit, and Rule 11 - Discontinuance of Service. By this filing, SDG&E would modernize, standardize and increase the objectivity of its credit establishment policies and procedures for new residential customers. The following paragraphs indicate the specific proposed tariff changes.
2. Tariff Rule 3. SDG&E would revise Section A, Applications, to explicitly state SDG&E's policy on intent to evade its credit policies. Section B, Information Required on Application, would be revised to indicate that each applicant for service may be required to provide information to establish identity. The rule would be changed by inserting the following language (insertions are in bold and underlined):

A. Application

"The utility may refuse or discontinue electric (gas) service if the acts of the applicant indicate an intent to evade the credit practices of the utility or if the conditions on the applicant's premises indicate an intent to evade payment of the utility bill. If an applicant knowingly furnishes false, incomplete, misleading or inaccurate information or refuses to provide required information to the utility, it shall be deemed to be an

intent to evade the credit practices of the utility. Upon written request of the applicant, the utility shall provide a written statement of the reason for such refusal or discontinuance."

B. Information Required on Application

In addition to the information the utility may require from applicants in order to establish credit in accordance with Rule 6 and to establish the identity of the applicant, all applicants shall...."

3. Tariff Rule 6. SDG&E would change Section 1 of the rule from the current establishment criteria of "being owners of record and tenants in fact" to an empirically derived credit scoring system. The text change would be as follows:

A. Establishment of Credit

"The applicant's credit will be deemed established:

1. If credit information satisfactory to the utility is provided.

B. Re-establishment of Credit

2. A domestic customer who fails to pay bills before they become past due as provided in Rule 9 and who further fails to pay such bills within 15 days of the mailing date of a written notice of discontinuance of service, may be required to pay said bills and re-establish credit by depositing in cash the amount provided in Rule 7. Rule 6 will apply regardless of whether or not service has been disconnected for such non-payment. (Reference to a seven day period for non-domestic customers deleted - see 3. below).

3. A non-domestic customer who fails to pay bills before they become past due as provided for in Rule 9, and upon the mailing of a written notice of discontinuance of service, may be required by the utility to pay said bills and re-establish credit by depositing in cash the amount provided for in Rule 7. Rule 6 will apply regardless of whether or not service has been disconnected for such non-payment. (New).

4. Tariff Rule 11. SDG&E would delete its current Section D - Fraud. In its place it would add a new section entitled "Refusal or Discontinuance of Service" in which the phrase "intent to defraud the utility" would be replaced by the phrase "intent to evade payment of the utility bill or the credit practices of the utility". The new section would set forth the basis upon which SDG&E may refuse or discontinue service. The text of the new Rule 11 is as follows:

D. Refusal or Discontinuance of Service

The utility may refuse or discontinue electric (gas) service if the acts of the applicant or the customer indicate an intent to evade the credit practices of the utility or if the acts of the customer or conditions on the customer's premises indicate an intent to evade payment of a utility bill or the credit practices of the utility. If an applicant or customer knowingly furnishes false, incomplete, misleading or inaccurate information or refuses to provide required information to the utility, it shall be deemed to be an intent to evade the credit practices of the utility. Upon written request of the applicant or customer, the utility shall provide a written statement of the reason for such refusal or discontinuance.

5. SDG&E proposes to reorganize, simplify and clarify its Tariff Rules 3, 6, and 11. In addition, the utility would change its credit establishment policies and procedures. The change would involve the implementation of a two step process for verifying identity and credit scoring an applicant for service.

6. The first step in the identification process would be an attempt to match customer's names to their social security numbers. This activity would be undertaken in concert with the firm of TRW. Applicants may also establish their identity using driver's licenses or passports.

7. The second step in the process would be the use of a predictive credit risk score from TRW for each applicant. Applicants whose score indicates high risk, or those without credit scores will be asked to pay a deposit as part of the service establishment process. SDG&E claims that determining creditworthiness based on an empirically derived risk profile is an improvement over the current method. The current method arbitrarily qualifies homeowners for a credit waiver. Use of this criterion may unduly prejudice non-homeowners or customers who do not claim home ownership.

8. SDG&E claims that benchmarking its bad debt ratio experience with other energy utilities and telecommunications utilities indicates that using an empirically-based system to confirm customer identity and to determine deposit requirements are the two related and most significant factors in reducing uncollectibles. Two of the benefits cited by SDG&E for the proposed change are that good credit risk customers with good credit ratings will not be arbitrarily required to make deposits. Also, a reduction in uncollectibles may flow through to ratepayers.

9. According to SDG&E, effectively identifying high risk and potentially fraudulent customers will reduce write-offs by approximately 3.5% (\$175,000) in the first full year after

implementation. SDG&E expects additional benefits in future years as high risk accounts are secured.

10. In response to an inquiry by CACD, SDG&E researched its cancelled tariff files to determine if the proposed tariff language changes were established by Commission order. SDG&E indicates its belief that the existing text was approved without Commission order. SDG&E further believes that the proposed changes are not in conflict with any prior Commission orders.

#### **NOTICE**

1. Public notification of this filing has been made by placing it on the Commission calendar and by mailing copies of the filing to other utilities, governmental agencies, and to all interested parties who requested such notification.

#### **PROTESTS**

1. The Commission Advisory and Compliance Division (CACD) has received no protests to the advice letter filing.

#### **DISCUSSION**

1. CACD has reviewed SDG&E's filings. Credit scoring has been authorized for other utilities such as Southern California Edison Company. SDG&E alleges and CACD agrees that revised procedures may identify credit risks more accurately and reduce write-offs. Therefore CACD recommends that SDG&E's filings be approved.

#### **FINDINGS**

1. SDG&E filed Advice Letters 935-E and 949-G on February 22, 1995.

2. By the Advice Letters, SDG&E would amend its Tariff Rule 3 - Application for Service, Tariff Rule 6 - Establishment and Re-establishment of Credit, and Tariff Rule 11 - Discontinuance of Service.

3. The purpose of the amended tariff rules is to allow SDG&E to implement procedures to verify the identity of applicants for service and to determine creditworthiness based upon an empirically derived credit scoring system.

4. SDG&E anticipates a reduction in write-offs in the first year of approximately 3.5% or \$175,000. Additional benefits in following years are anticipated as high risk accounts are secured.

5. A benefit to the utility's ratepayers with good credit scores is that they will not be required to make deposits for service.

July 17, 1996\*\*

6. CACD recommends that the Advice Letters be authorized.

7. SDG&E's Advice Letter filings 935-E and 949-G would result in changes to the utility's credit practices that could result in more restrictive conditions for the utility's customers. This change requires Commission authorization.

**THEREFORE, IT IS ORDERED that:**

1. San Diego Gas & Electric Company is authorized to change its credit practices as set forth in Advice Letters 935-E and 949-G.

2. Advice Letters 935-E and 949-G and associated tariff sheets shall be marked effective and a copy returned to the utility.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 17, 1996. The following Commissioners approved it:



WESLEY FRANKLIN  
Executive Director

P. GREGORY CONLON  
President  
DANIEL Wm. Fessler  
JESSIE J. KNIGHT, Jr.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners