Application	:	A.05-12-002
Exhibit Number	:	DRA-9
Commissioner	:	Bohn
Admin. Law Judges	:	Kenney, Econome
Witness	:	Phan

DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report on the Results of Operations Electric and Gas Distribution Electric Generation for Pacific Gas and Electric Company

General Rate Case
Test Year 2007

Customer Service Issues and Office Closures

San Francisco, California
April 14, 2006

CUSTOMER SERVICE ISSUES AND OFFICE CLOSURES

I. INTRODUCTION

This exhibit presents DRA's analysis and recommendations regarding PG&E's proposal to close front counters at local offices, as presented in Exhibit PG&E-5, Chapter 6, 6A and 6B, and the following customer service issues as presented in: Exhibit PG&E-5, Chapter 8, Uncollectible Account Expense Factor as discussed, Late Payment Fee, and Restoration for Non-payment Fee (Reconnect Charge); and Chapter 11, Emissions Reduction Customer Services.

II. SUMMARY OF RECOMMENDATIONS

- DRA recommends an Uncollectible Accounts Expense factor of 0.002582 rather than 0.002917 as PG&E requests. DRA's lower uncollectible factor is consistent with the recent historical rate.
- DRA does not object to the adoption of a Late Payment Fee of 1%. DRA recommends that PG&E have safeguards in place to ensure timely billing practices and accurate late payment fee implementation. DRA also recommends that the Late Payment Fee be tracked in a balancing account and treated as Other Operating Revenues.
- DRA recommends a normalized amount of $88,000 for 2007 tracked in MWC DB, to complete the implementation of the Late Payment Fee. This amount is $393,000 lower than PG&E's request. DRA opposes PG&E's request for additional funding to re-test its billing system.
- DRA objects to PG&E's request to combine and increase the Restoration for Non-Payment Fee from $20 during business hours and $30 during off hours to a single fee of $55 per commodity, effectively increasing the reconnect fee 83% to 175%. DRA recommends a 25% increase per reconnect charge. DRA's recommendation is $25 per reconnect during

business hours and $37.50 per reconnect during after hours. DRA also recommends a 20% discounted rate for CARE customers, which is $24 and $36, for a reconnect during business hours and after hours, respectively.

- DRA recommends a $3.8 million reduction to MWC GM. PG&E has not provided adequate support for the Low Emission Energy Services Program. DRA opposes PG&E's request to provide financial incentives for customers required to follow California laws regarding pollution control.
- DRA recommends a $2 million reduction to MWC 31. DRA recommends the construction of two, instead of four, compressed and/or liquefied natural gas fueling facilities each year at a unit cost of $750,000 each, resulting in an adjustment of $2 million. DRA also recommends a lower unit cost for the construction of ten electric vehicle charging stations, resulting in an adjustment of $45,000.
- DRA opposes the closure of all 84 of the front counters at PG&E's local offices and the resulting reduction of payment locations from 444 to 430 in this proceeding. DRA recommends that PG&E develop an implementation plan for closing, and/or relocating its front counters, as recommended by Verdi and Company, to be filed in a separate proceeding or with the next GRC.

Table 9-1 compares DRA's recommended with PG&E's proposed estimates:

Table 9-1
Customer Services Costs
(in Thousands of Nominal Dollars)

Description	DRA Recommended	PG&E Proposed	Difference PG&E>DRA	Percentage PG&E>DRA
MWC DB	$20,801	$21,194	$393	1.9%
MWC GM (FERC Acct. 912)	$8,600	$12,401	$3,801	44.2%
MWC 31	$1,555	$3,575	$2,020	129.9%
Total Adjustments	$30,956	$37,210	$6,254	20.2%

III. DISCUSSION: CUSTOMER SERVICE ISSUES

A. Uncollectible Accounts Expense

PG&E uses an "uncollectible factor" to determine uncollectible accounts expense. The uncollectible factor is calculated by dividing the total unpaid closed energy accounts, less any collections received, by the revenue billed for a defined period. This factor is applied to forecasted revenues to estimate uncollectible accounts expense. In its Application, PG&E is proposing an uncollectible factor of 0.002917. This is based on the average historical recorded uncollectibles for the period 1986-2004, which is 0.002772, and a factor of 0.000145 to accommodate an additional write-off as a result of the implementation of the late payment fee (LPF). PG&E believes that using a nineteen-year average is more representative of the current level of uncollectibles than averages from more recent years.[1]

PG&E's request in this rate case is excessive relative to historical levels. In the 1999 GRC, PG&E was authorized an uncollectible factor of 0.00267, and in the 2003 GRC, PG&E agreed to a factor of 0.00200. PG&E's 2007 request is 31.4% higher than the factor adopted in the last GRC. For the 1999 rate case, PG&E proposed the most recent recorded data at the time, the 1996 recorded uncollectible rate, and eventually accepted an alternate recommendation of using the 1992-1997 six-year average rate. For the 2003 rate case, PG&E proposed using the 1997-2001 five-year average as its test year factor.

In this Application, PG&E proposes to incorporate the effect of the 1% Late Payment Fee to the 2007 uncollectible factor. PG&E does this by adding an additional write-off factor of 0.000145 (derived by multiplying 1% LPF to the total uncollectible amount estimated for the month of April 2004) to the nineteen-year adjusted average factor, 0.002772 to derive the 2007 uncollectible factor of 0.002917.

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[1] Exhibit PG&E-5, p. 8-7

DRA opposes PG&E's request to include the additional write-off factor from the 1% LPF in its calculations of the 2007 uncollectible factor. The additional write off factor yields an inflated uncollectible factor for 2007 because PG&E uses an estimate of its accounts receivable for the month of April 2004 and does not adjust it to reflect additional revenues to be collected from the late payment fee (both in receivables and the 1% LPF).[2] Also, PG&E has not taken into consideration the downward impact that LPFs will have on the net write-off or uncollectible amount. For example, the implementation of a LPF increases PG&E's revenues from collectibles.[3] As such, the net-write off will decrease by some factor. PG&E has not included this impact in its forecast.

DRA recommends that the LPF impact not be incorporated in the 2007 uncollectible rate. This will eliminate the possibility that the uncollectible rate could be overstated. DRA also recommends using the most recent five-year average from 2001-2005 of uncollectibles and revenues to determine the 2007 uncollectible factor. DRA's methodology and uncollectible factor is consistent with PG&E's proposal and Commission decisions in PG&E's previous two rate cases. The five-year average of uncollectible to revenue billed is 0.002582. This is a difference of 0.000335 compared to PG&E's request of 0.002917.

B. Late Payment Fee

PG&E requests the adoption of a late payment fee (LPF) of 1 percent per month applied to the total amount of unpaid energy-related charges if the customer's payment is not received in a timely manner in accordance with PG&E's tariffs. The LPF would apply to both residential and non-residential customers beginning in 2007.

In the 1996 GRC decision the Commission granted conditional approval to PG&E for the assessment of a one percent late payment. The Commission had

[2] See PG&E's workpapers, Exhibit PG&E-5, Chapter 8, pages 8-15 and 8-16

[3] PG&E's response to Data Request ORA-213, Question 3e and 3f.

concerns regarding the efficacy of PG&E's prior billing system, which was replaced in December 2002. PG&E states that the company has completed testing of the late payment fee functionality in its new customer information system in late 2004 and has demonstrated the efficacy of this functionality in PG&E's new billing system.[4]

Similar utilities[5] have been granted the authorization to impose a late payment fee on unpaid past-due balances. SCE charges 0.9 percent for residential customers who fail to pay their bill within 19 days of its receipt. PG&E is planning to charge the 1% late payment fee 24 calendar days after the date the bill is mailed.[6]

Although DRA does not object PG&E's proposal to implement a late payment fee of 1%, DRA is concerned about timely and accurate late fee implementation given the problems in PG&E's recent history. PG&E states in its testimony that there were system limitations that prevented PG&E from implementing the late payment fee.[7] Also, DRA understands that the Commission has issued an Order Instituting Investigation into PG&E's past billing and collection practices. (See I.03-01-012.) Therefore, PG&E needs to have safeguards in place to enable accurate and timely late payment fee implementation. PG&E's tariff rules need to reflect these safeguards and provide ways for customers to resolve LPF billing issues, should they arise, in an efficient manner and such that the customers are not inconvenienced or penalized for PG&E's mistakes.

DRA also recommends that PG&E begin tracking the revenues generated from the LPF in a balancing account at the onset of its implementation and record the LPF revenues as "Other Operating Revenues." PG&E estimates that the LPF will generate

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[4] Exhibit PG&E-5, page 8-13, footnote 3.

[5] Southern California Edison, San Diego Gas and Electric, and Southern California Gas, (PG&E's response to Data Request ORA-213, Q. 3b)

[6] PG&E's response to Data Request ORA-213, Q. 3d

[7] Exhibit PG&E-5, p. 8-13

$5.5 million (for the 5 months) in 2007[8] and $13.3 million in 2008.[9] Although the LPF will generate revenues, PG&E has not recorded LPF fees as revenues in its Application. DRA incorporates the $5.5 million in its 2007 forecast for "Other Operating Revenues." (See Exhibit DRA-3) The LPF should be recorded in a balancing or memorandum account so that PG&E can track and properly reflect the actual revenue associated with the LPF through rates.

PG&E requests $481,000 in 2007, tracked in MWC DB, to complete the implementation of the late payment fee and cover re-testing, customer notification, and employee training costs. DRA objects to $218,000 of the $481,000 requested, which PG&E estimates for re-testing. PG&E states that the company had successfully completed testing of the LPF functionality prior to the issuance of the OII.[10] As such, ratepayers should not have to pay for any additional testing in 2007. The remaining amount, $263,000, ($481,000 less $218,000) consists of new one-time costs (see Exhibit PG&E-5, page 8-18) and should be normalized over a three-year period. DRA recommends an increase of $88,000 ($263,000/3=$88,000) in 2007, which is $393,000 lower than PG&E's request of $481,000.

C. Restoration for Non-payment Fee

PG&E is requesting to change the cost of restoring service for non-payment in 2007. PG&E is requesting to charge a single reconnection fee of $55 per reconnect. At this time, PG&E's tariffs allow the company to impose a $20 reconnect charge per commodity for service restoration during business hours. Customers who call to request service restoration after hours are charged $30 per commodity. PG&E requests a single reconnect fee because, "…the vast majority of service reconnections are performed by field personnel within their regularly scheduled work hours."[11]

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[8] The LPF will be imposed on July 1, 2007. (Exhibit PG&E-5, p. 8-14)

[9] PG&E's response to Data Request ORA-213, Q. 3e.

[10] See Exhibit PG&E-5, p. 8-14, lines 21-22.

[11] Exhibit PG&E-5, Chapter 8, p. 8-13

PG&E's request is 175% higher than what the company currently charges for a reconnect during business hours and 83% over the after hours fee. But costs are not the only element that should be considered in ratemaking. The Commission stated this, in deciding SCE's TY 1996 GRC (and citing a still earlier opinion):

> "However, cost is not the sole factor relevant to our inquiry. As we stated in D.91-12-075, 42 CPUC2d 566, 591-592:
>
> "Our past decisions have never held that just and reasonable rates, the statutory standard (PU Code SS 451 and 728), had only one component – costs. We have always held that factors such as conservation, affordability, market price and equity had to be factored into the rates. Cases which most strongly supported cost-based rates invariably tempered those statements with language which showed our concern for other ratemaking factors. ...
>
> "A reading of the PU Code leaves no doubt that the Commission must look beyond costs when setting rates. ... There is nothing in the Code which equates cost-based rates as being a synonym for just and reasonable rates, or as the sole standard by which rates are considered just and reasonable." [D.96-01-011, pp. 70-71]

DRA takes particular note of the above mentioned term "affordability," as one of the important factors that the Commission has stated must play a role in ratemaking. DRA recommends that, in setting the restoration for non-payment fee, the Commission balances PG&E's 2004 cost with considerations of affordability so that fee increases over time are reasonable. As such, DRA recommends an increase of 25% in charges for reconnects during business hours as well as after hours. DRA recommends a $25 reconnect charge during business hours and a $37.50 charge after hours. It is especially important that the restoration for non-payment fee remains affordable and not be raised too quickly. DRA recommends that PG&E continue to have two separate charges for reconnects during business hours and after hours. PG&E has not demonstrated the need to combine the charges into a single fee. In fact, a single fee would shift away from a cost basis, which PG&E is using to forecast the 2007 single reconnect fee.[12] As noted earlier, the vast majority of service reconnections are performed by field personnel within their regularly scheduled work hours. Therefore it is unnecessary to combine the charges and increase the reconnect fee at the same time.

DRA also recommends that CARE customers be provided a 20% discount for this service, consistent with the discount they are receiving on their energy bills. CARE customers would be charged $24 for a reconnect during business hours and $36 after hours.

DRA recommends keeping the current business and after-hours fee structure and a lower increase of 25% in reconnect fees as compared with PG&E's 83%-175% request. DRA's recommendations are consistent with past Commission precedent and the reconnect fees charged by other comparable utilities, such as SCE and SoCalGas.

D. Emissions Reduction Customer Services, MWC GM and MWC 31

PG&E requests $12.4 million in expenses, tracked under MWC GM, and $3.6 million in capital expenditures, tracked under MWC 31, to cover 2007 costs to operate the Emission Reduction Customer Service Program. Previously some costs for the Low Emission Vehicles (LEV) program were captured under balancing accounts. The Commission ordered future funding requests for LEV programs be addressed in GRC proceedings beginning in 2007.[13] Therefore, in this rate case PG&E combines expenses previously tracked in balancing accounts (MWC CG) with those non-balancing accounts, recovered in GRC budgets, and presented these costs in MWC GM. DRA obtained historical costs tracked under the balancing and non-balancing accounts for the LEV program and compared them to PG&E's request. The

[12] PG&E is forecasting $55 as the cost per reconnect. This is based on the unit cost for dispatch, and the unit cost per live agent as well as an overall blended cost. See workpapers for PG&E-5, chapter 8, p. 8-24.

[13] D.05-05-010

five-year average combined expenses from 2001-2005 is $5.9 million.[14] Between years 2001 and 2003, expenses for this program were steady. The LEV program increased from $7 million in 2004 to $8.4 million in 2005.[15]

The main reason for the increase in 2007 is attributable to PG&E's request of $4.5 million in expenses to initiate a new program called the Low Emission Energy Services Program (LEESP). PG&E created this program in response to increasing concern about climate change effects, transportation-caused pollution, and California's growing dependence on petroleum fuels.[16] Specifically PG&E is requesting funding for four programs: (1) Truck Stop Electrification, (2) Truck Refrigeration Unit Electrification, (3) Marine Port Electrification, and (4) the Back-Up Generator Conversion Program.

Of the $4.5 million, PG&E is requesting $3 million for the Back-up Generator Conversion Program and $1.5 million for the Truck Stop & Port Electrification programs. PG&E breaks down the expense into two categories: (1) labor and (2) Other Expenses. The total labor request is $506,122 annually for 3.15 full time employees (FTEs) and the total other expenses is $4 million.[17] DRA requested that PG&E provide a detailed breakdown of the $4.5 million and include a copy of all calculations and supporting documents relied upon for its forecast. No adequate support was provided by PG&E for its request.[18] PG&E simply responded by providing a formula used to calculate labor rates, "#employees x hours/yr x $/hr x (0.000001) = Labor Cost in millions $"[19] and allocating "1 FTE for Truck Stop

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[14] Comparisons are in nominal SAP dollars.

[15] PG&E's response to DRA Data Request, ORA-200, Question 2(c)

[16] Exhibit PG&E-5, p. 11-10

[17] PG&E's response to DRA Data Request 208-2(a). PG&E revised the Other Expense category from $3.9 million in the Application to $4 million in this data response.

[18] PG&E's response to DRA Data Request, ORA-208, Question 1.

[19] Ibid.

Electrification/Electric Transport Refrigeration Units, 0.5 FTE for Port electrification, 1.65 FTE for back-up Generator/Pump Conversions to Natural Gas" as support for labor expenses.[20] While customers' demand for lower emitting electricity and natural gas alternatives may increase as PG&E suggests in its testimony [21] the company has not presented adequate support for the 3.15 FTEs in its forecast. Therefore, DRA recommends two FTEs, one to be allocated to gas issues and one to electric issues, at a total cost of $160,000 annually, based on PG&E's estimated labor cost per FTE.[22]

With regard to PG&E's request of $4 million for other expenses associated with the LEESP, DRA recommends that this amount be removed from the forecast for two reasons. First, PG&E has not provided adequate support for the inclusion of these costs in the 2007 forecast. PG&E provided the following response to DRA's data request for additional information: "Gas-back up generator/pump conversions to natural gas =$2,735,000 (assumes <5% of ~1700 MW Customer-owned gen./pump converted/year @$50/kw PG&E cost share)…Elec—Truck stop/electric transport refrigeration unit & Port Electrification = $1,259,000 (assumes (5) demos/technology application assessment/yr.)"[23] PG&E's response does not address how PG&E derived each estimate or cite the source the company relied upon for the assumptions used in the estimate. Second, PG&E states, "Under LEESP, the non-labor portion of the Other Expense Gas amounts to a revised figure of $2,735,000 *targeted as incentive dollars for customer retrofits or conversions of their diesel back-up generators and or pumps to natural gas*. These requested dollars are not intended to purchase or retrofit PG&E owned and operated capital plant."[24] (Emphasis added) DRA opposes PG&E's use of ratepayer funding as incentive dollars for this purpose.

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[20] PG&E's response to DRA Data Request ORA-208, Question 2(a).

[21] Exhibit PG&E-5, pager 11-10.

[22] PG&E's response to DRA Data Request ORA-208, question 2(a)

[23] Ibid.

[24] PG&E's response to DRA Data Request ORA-222, question 2.

As PG&E states in its testimony, customers such as truck drivers, truck stop owners, marine vessel owners as well as owners of back-up generators are required by California law to reduce emissions from diesel engines and other sources. Ratepayers should not have to provide financial incentives for these customers to obey the law. As such, PG&E's request of $4 million for other expenses should be removed from its forecast.

DRA's total recommendation for MWC GM is $8.1 million ($12.4 million - $4 million + $160,000) compared to PG&E's request of $12.4 million.

As for capital expenditures, PG&E requests $3.6 million annually to install additional compressed and/or liquefied natural gas (CNG/LNG) fueling facilities as well as charging facilities to support the demonstration and used of plug-in hybrid electric vehicles in its fleet operations. Although DRA does not object to PG&E's request for these infrastructure additions, DRA does object to PG&E's forecast of the number for compressed and/or liquefied natural gas fueling facilities each year, as well as the unit cost used in its forecast. DRA also objects to the unit cost for the electric vehicle charging facilities. DRA will first discuss the compressed and/or LNG fueling facilities followed by the electric vehicle charging stations.

PG&E states in its testimony that at the end of 2004, the company had 37 compressed natural gas fueling stations, plus four portable back up compressors. PG&E projects a need for more stations in 2007 and beyond.[25] The company plans to construct an average of four CNG/LNG fueling stations annually beginning in 2007 at a cost of $868,750 each. PG&E's workpapers, however, do not provide support for this request. Instead, the workpapers read "Design and installation of two, three, or four compressed and liquefied natural gas fueling facilities each year…Cost of each station built is $500,000 to $1,000,000 depending on type."[26] PG&E appears to be uncertain of the actual number of units that the company will construct. As for the

[25] Exhibit PG&E-5, Chapter 11, p. 11-7

[26] PG&E's workpapers, Exhibit PG&E-5, Chapter 11, page 11-17.

unit cost, PG&E does not appear to have an accurate estimate of the cost as the construction is dependent on the type of facilities and this can range from $500,000 to $1 million each.[27] Yet, PG&E's forecast uses the top range of the number of units as well as unit cost.

Because PG&E does not appear to have a specific forecast and because the cost for each is substantial and varies by 100%, DRA recommends that PG&E receive authorization to design and install two CNG/LNG fueling facilities each year, half the number of PG&E's forecast, at a unit cost of $750,000 each. DRA's unit cost is the average of PG&E's cost range of $500,000 to $1million as shown in PG&E's workpapers.[28]

As for the electric vehicle charging stations, DRA does not object to the ten charging stations PG&E requests. However, the unit cost of $10,000 each, as presented by PG&E in its workpapers is the top of the range of costs, which range from $1,000 to $10,000 depending on type. DRA recommends using the average of this cost range, which is $5,500 each. For ten units, DRA's recommendation is $55,000.

DRA's overall recommendation for MWC 31 is $1.6 million, of which $1.5 million is for the compressed LNG fueling facilities and $55,000 is for the electric vehicle charging stations. This recommendation is $2 million lower than PG&E's forecast of $3.6 million.

[27] Ibid.

[28] Ibid.

IV. DISCUSSION: LOCAL OFFICE AND PAY STATION OPERATIONS

PG&E requests the authority to close all of the 84 front counters at its local offices and service centers on June 30, 2007. According to PG&E, about 40 percent of the front counters are physically located in PG&E service centers, which are used to accommodate employees and equipment.[29] PG&E is proposing to close only the front counters of these offices, where customers interact with PG&E's customer service representatives, while keeping the service centers opened. The remainder of the front counters are located in office space either owned by PG&E or leased from others.[30] For clarification and simplification purposes, DRA's discussion below will use the phrase "local offices" when referring to front counters and local offices in its analysis of PG&E's proposal.

PG&E provides only three reasons to support its request[31]:

- Fewer than 10 percent of all customer service transactions take place in the local offices.
- Customers' alternatives to conducting business in local offices are comparable, and in many cases better than serving customer needs at the local offices; and
- Front counter service at the local offices represents the most costly method for customers to conduct business with PG&E.

Customers may go to PG&E's local offices to make payments on their PG&E accounts or to request other PG&E services such as starting or stopping service. With the proposal to close all these offices, PG&E plans to increase the number of pay stations from 360 to 430 in 2007, which reduces the total number for locations to pay in person from 444 to 430.

[29] Exhibit PG&E-5, Chapter 6, p. 6-4.
[30] Exhibit PG&E-5, p. 6-4 through 6-5
[31] Exhibit PG&E-5, Chapter 6, p. 6-3.

DRA opposes the closure of all 84 front counters at PG&E's local offices in this proceeding for the following reasons:

- PG&E has not demonstrated why all offices must be closed at the same time, on June 30, 2007,
- PG&E has not demonstrated that its current proposal serves the best interests of ratepayers,
- Only 21 of the 84 local offices show a downward trend in the number of payment transactions from 1999-2005,
- The transaction volume at the majority of PG&E's local offices remains high,
- PG&E has no recent experience regarding office closures and therefore, customer impact has not been measured. No office closers have occurred over the past 10 years, and
- Pay stations, PG&E's alternative accommodations for local offices, do Not provide comparable services.

PG&E cites, as one of the main reasons the company is proposing the closure of all 84 local offices, the 2001 Verdi and Company (Verdi) report that it included in its 2003 GRC.

PG&E engaged Verdi to do the following in the 2001 report:

> Develop a delivery network plan to improve the efficiency of their primary market in northern and central California. The project focuses on determining the best configuration of location-based (those with a physical site) or staffed channels (e.g., customer service offices, retail sites) in order to provide maximum convenience to all customers at a reasonable cost of development and operation to the company. [Management Summary-Objectives, VERDI Study, 6AB-34][32]

[32] PG&E's response to DRA Data Request ORA-14, Question 3.

The Verdi study was comprehensive and included of a detailed analysis of consumers' preferences for payments, service, sales and information; demographic, income, wealth, segmentation analysis, retail and employment centers and activity in the market. The study also looked at PG&E's customer base and assessed deployment scenarios that would improve the efficiency for both location based and direct/electronic payment channels. (Verdi study, management summary, page 6AB-35) The Verdi study did not recommend the closure of all 84 local offices.

Verdi recommended the following implementation plan:

> A phased implementation plan, which will prevent interruption of service for PG&E customers, has been developed. The initial phase of the plan addresses the following issues: consumer education, customer service office activity, employee incentive programs, a plan to reopen exterior drop boxes at the customer service offices, and a customer survey regarding preference of office hours. Transformation of the customer service offices, including the addition of pay station terminals (pay stations) and educational kiosks, as well as, closure of offices and downsizing of hours in specified locations.(Verdi Study, Management Summary, Scope of Project, p. 6AB-40)

Specifically, Verdi recommended four self-explanatory categories of change: (1) closure, (2) downsize, (3) status quo, and (4) transformation. The criteria for closure included low demand for location based service along with the existence of alternative sites in the same area. Only twelve offices were recommended for closure. The criteria for downsize was based on low customer demand. Twenty-eight offices were recommended for downsizing. Twenty-two offices were found to have adequate customer coverage and no change was recommended. Twenty-one offices were recommended for improvements. Verdi recommended the addition of options and enhancements, or transformations that would most benefit the customer and PG&E.

Subsequent to the Verdi report, PG&E conducted its own studies for which it engaged Hiner and Partners to survey local offices and pay stations in July 2005.[33]

[33] Exhibit PG&E-5 workpapers p. 6AB-160

The objectives of these studies were to better understand in-person payments and to help PG&E better meet customer needs regarding bill payments. However, it is unclear how the results of these studies provide support for PG&E's proposal to close all offices at once. PG&E's own study, the Payment Channel Study—Phase 1 Deliverable, ranked the 84 local offices for closure from "least likely" to "most likely."[34]

PG&E's request to simultaneously close all of 84 local offices has not been supported in this Application. The Verdi report recommended a phased implementation plan in which PG&E close, downsize, and improve some of its local offices. PG&E's own study does not indicate that it is necessary to close all 84 local offices at once.

A. Number of Payment Transactions at Local Offices Trend Upward from 1999-2005

PG&E claims that fewer than 10 percent of all customer service transactions take place in the local offices and that most customers never use local offices. While 10 percent may not seem significant in this sense, PG&E's actual number of payments and non-payment transactions tell another story. In 2005, there were 4,560,387 payment transactions and 1,080,918 non-payment transactions that took place at local offices.[35] DRA's analysis of the number of payment transactions that took place at local offices between the years 1999-2005 reveals that only 21 of the 84 local offices show a downward trend.[36] It is not possible to compare the number of non-payment transactions over the same period because PG&E had not tracked the number of non-payment transactions at local offices in the past and has only started to collect this information in 2004.[37] The non-payment transactions data for year 2005 show a

[34] PG&E's response to Data Request ORA-014, Question 16, p.6AB-46

[35] PG&E's response to Data Request ORA-146, Question 1

[36] PG&E's response to Data Request ORA-014, Question 12 and ORA-146, Question 1.

[37] Ibid.

decrease compared to 2004 for most offices. However, five local offices[38] in particular show an increase from twice to five times as many number of transactions compared to 2004.

B. Transaction Volume at Local Offices Remain High

The transaction volume at PG&E's local offices remains high. PG&E's data shows approximately 4.5 million payment transactions took place at PG&E's local offices in 1999 and continued in 2005. Table 9-2 below summarizes the annual payment transactions volume at the 84 local offices between 1999 and 2005, with the exception of four offices in 2005, Geyserville, Mariposa, Tracy, and Willow Creek, which PG&E states data was unavailable.[39] The appendix at the back of this exhibit presents the payment transaction volume details for each of the offices during the 1995-2005 time periods.

Table 9-2
Summary of Annual Payment Transactions at PG&E's Local Offices
(1999-2005)

1999 - 2005 PAYMENT TRANSACTIONS							
Year	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Total	4,488,565	3,759,499	4,375,591	4,362,756	4,160,619	4,711,933	4,560,387

C. PG&E has no Recent Experience Regarding Office Closures and Therefore, has not Measured Customer Impacts

In the past ten years, PG&E has not closed a local office.[40] Therefore, PG&E cannot rely on any recent history to gauge the impact that the simultaneous closures of all offices will have on its customers. Therefore, there is no evidence of whether the elimination of all in-person services throughout PG&E's entire service area is in the

[38] The five local offices are Cocoran, San Carlos, San Jose, San Luis Obispo, and Willits (DRA #146, question 1)

[39] PG&E's response to DRA Data Request ORA-146, Question 1.

[40] PG&E's response to Data Request ORA-014, Question 14

best interest of the customers who, in the past, have relied on the local offices for more than 5.6 million transactions each year. These customers continue to use PG&E's local offices for service today, and PG&E's own survey shows that customers were mostly likely to continue to use their current method of payment with the likelihood ranging from 90 percent to 100 percent.[41] Furthermore, based on transaction trends, the number of transactions that occur at the local office could continue to increase. Historical data for local office payment transactions shows an upward trend for years 1999-2005, while the number of payment transactions at pay stations has declined from 2000-2005.[42]

D. Pay Stations, PG&E's Alternative Accommodations for Local Offices, Do Not Provide Comparable Services

PG&E claims that its alternative accommodations for customers who depend on local offices for service will be comparable. For payment transactions, PG&E proposes that these customers use pay stations. For non-payment transactions, these customers will have to call PG&E's call centers for service.

A central principle in PG&E's proposal to close all local offices is that customers have or will have comparable or better service alternatives to replace the in-person services provided at local offices. Regarding payment services, DRA asserts that pay stations simply do not provide comparable services compared to a local office. First, customers can only make payments at pay stations, and pay stations do not provide any other form of services. Yet, even payment transactions at pay stations are not comparable to PG&E's local office transactions. Whereas payments made at a local office are posted to PG&E's system the same day, payments made at a pay station are not posted to PG&E's system until the next day. PG&E explains that, "…the customer presents his or her bill to the clerk at the retailer that

[41] Exhibit PG&E-5, p. 6B-9

[42] PG&E's responses to Data Requests ORA-014, Q. 12, and ORA-146, Q. 1

serves a pay station…the clerk accepts the payment and prints a receipt for the customer… At the end of each day, the pay station transmits the date to PG&E; the customer's payment is posted to PG&E's system by 11:34 a.m. the next business day."[43]

Payments that are placed in drop boxes located at PG&E local offices are processed by 2 p.m. on the same day. If, for some reason, PG&E is unable to process the payments on the day they are received, then they are processed by the next business day.[44] Payments placed in drop boxes at the 70 pay stations that have them are processed at the owner's discretion and the timing varies.[45] PG&E does not have a policy regarding pay station drop box payment processing.[46] According to PG&E's contract with its pay station vendor, CheckFreePay, it does not have any control over the processing of drop box payments, either.

For those customers at risk of shutoff or that have been shutoff, PG&E requires the customer to first make their payments at the pay station, and then call PG&E's call center and provide the number on his or her receipt to prevent shutoff or restore service. However, PG&E does not require pay stations to provide phone access to PG&E's call center. DRA visited several pay stations in urban and suburban areas and none of these locations has a dedicated phone or phone line connecting them to PG&E's call center. On the other hand, PG&E's local offices have phones directly connected to PG&E's call center dedicated specifically for customers' use.

PG&E does not require pay stations to be seismically safe or accessible for disabled customers. PG&E uses a vendor, CheckFreePay, to site and contract with pay stations directly. According to PG&E, CheckFreePay has its own criteria for siting in addition to general criteria provided by PG&E. A review of PG&E's

[43] Exhibit PG&E-5, pages 6-6 to 6-7

[44] Exhibit PG&E-5, p. 6B-5

[45] PG&E's response to Data Request ORA-187, Q.3

[46] Ibid.

contract with CheckFreePay shows that the vendor is not required to meet any safety or accessibility standards. PG&E admits that it has not regularly inspected its pay stations. "Prior to the addition of dedicated pay station personnel at PG&E in 2005, PG&E's inspections of pay stations were ad hoc. PG&E did not keep records of the time and frequency of such inspections."[47] PG&E states that the company has been working with CheckFreePay, to ensure that existing and future pay stations provide reasonable access to disabled customers. CheckFreePay is expected to work with a nationally-recognized ADA compliance expert in early 2006 to audit existing pay stations. As for the seismic condition of each pay station, PG&E has not identified any for study.[48]

PG&E has not demonstrated that customers will have comparable or better service to replace the in-person services provided at local offices. Pay stations do not meet the needs of PG&E customers who rely on local offices for service: (1) pay stations are not required to be accessible for disabled customers, (2) pay stations do not have dedicated phone lines connected to PG&E's call center for customer use, (3) payments made at a pay station are not processed until the next day, and (4) only 70 pay stations have drop boxes for payments and PG&E has no control over the processing of these payments.

E. Non-Payment Transactions are Routed to PG&E's Call Center

As for non-payment transactions, customers who preferred to use local offices in the past would be directed to call PG&E's call center for service. Currently, there are six non-payment transactions that require an in-person visit to a local office for resolution. These six transactions are: (1) New Business Non-CIS Payments, (2) Bill Guarantor (Residential), (3) Rental Agreements/ID Validation, (4) Switched Meters, (5) Customer Satisfaction Recovery Process, and (6) Mobile Home Park. In 2004,

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[47] PG&E's response to Data Request ORA-130, Q. 2

[48] PG&E's response to Data Request ORA-127, Q. 5

there were a total of 103,439 of these transactions that required local office involvement.[49] As with all other non-payment transactions, PG&E did not track this type of information prior to 2004.

PG&E states that it is currently re-designing these transactions so that, in the future, customers will no longer need to visit a local office for these services. PG&E's re-designed process will direct people to mail certain non-energy payments associated with new service connections to its Mailing and Payment Processing Center in West Sacramento; to process notarized applications by faxing or mailing to PG&E's Credit and Collections Center; to resolve issues relating to wrongly billed gas and/or electric usage due to switched meters by contacting PG&E's Records Department, or to call the call center to resolve these issues. PG&E states it is currently working on a way to handle issues regarding mobile home park owners who required assistance with the calculation of their master metered accounts for the individual usage of their tenants.[50]

PG&E does not indicate how its various departments and customer service representatives located offsite will adequately process all of the transactions currently provided by an in-person service at a local office. A 2005 study entitled, "Pacific Gas and Electric Company 2005 Local Office and Pay Station Survey," conducted by PG&E's consultant, Hiner & Partners, Inc., shows that 41.4% of PG&E's customers tried first to call the Call Center prior to going to the local office for a non-payment issue.[51] PG&E explains that it suspects customers who used the local office after calling the call center may have experienced long wait times to reach a customer service representative, or had difficulty using the automated system.[52] It is unlikely a customer would spend the time to go to the local office for an in-person service

[49] Exhibit PG&E-5, p.6B-5

[50] PG&E's response to Data Request ORA-127, Q. 6

[51] Exhibit PG&E-5 workpapers p. 6AB-160

[52] PG&E's response to Data Request ORA-198, Q. 8

simply because of a long phone wait or a difficult to use automated system. But, in any case, PG&E does not know why these customers used the local office.

PG&E's proposal would decrease these customers' access to in-person payment service locations. Currently PG&E's customers can go to 444 locations (84 local offices and 360 pay stations) in PG&E's territory for in-person payment service. If PG&E's proposal is accepted, it would increase the number of pay stations to 430 locations. This is 14 locations less than the current number of local offices and pay stations in PG&E's territory.

DRA recommends that PG&E develop an implementation plan based on the Verdi study to be filed in a separate proceeding or with the next rate case.

PG&E should re-evaluate each of its offices and develop a plan to gradually close or relocate offices. Perhaps PG&E can begin by proposing to close local offices with low transaction volume, and/or those located in areas with a high concentration of payment stations or local offices, as Verdi suggested. PG&E should continue to track the level of non-payment transactions as well as payment transactions so that it can establish usage volume over time. Most importantly, PG&E should determine why 41% of customers go back to the local office for in-person service after having first called PG&E's call center.

Before granting PG&E the authority to close any local offices, the Commission should require PG&E to ensure pay stations are comparable to local offices. Therefore, PG&E should identify pay stations where comparable service is lacking and take steps to provide comparable service. Specifically, PG&E should ensure that each station has a direct phone line to its Call Center. This would enable customers to contact PG&E directly with minimum hassle to resolve payment issues that retail clerks cannot handle. PG&E should contractually require timely processing of all payments received by the cashier and those that are deposited in drop boxes. All pay stations should be contractually required to have drop boxes located outside their establishments for payments deposited after hours. Additionally, PG&E should contractually require pay stations to have disabled access and to make sure that they are as seismically safe as possible. If PG&E continues to allow its vendor, CheckFreePay, to sub-contract with individual pay stations, then PG&E must amend its contract with CheckFreePay so that comparability issues can be addressed and resolved before closing any local offices. A phased closing plan would minimize the impact on its customers and enable PG&E to assess and improve the closing process as it happens.

PG&E should review San Diego Gas and Electric's (SDG&E) proposal on the closure of two of its local offices, the Mountain Empire Branch office and the San Clemente Branch office, as presented in Advice Letter 1779-E. After a detailed assessment, SDG&E decided that it was appropriate to close branch operations at these two offices because they represent the two lowest volumes in its territory and because both offices have been experiencing a long term trend in declining payment transactions since 1997. SDG&E states that it also considered nearby pay stations to ensure that customers will continue to be provided a fully adequate level of service in its proposal. SDG&E customers can make payments at the nearby pay stations and they can conduct non-payment transactions because of direct connect phones available at these locations. (SDG&E Advice Letter 1779-E, filed February 28, 2006) See Table 9-3 below for the annual payment transactions for Mountain Empire Branch office and the San Clemente Branch office from 1997-2005 and Table 9-4 for more recent transaction volumes at these two offices as presented by SDG&E in Advice Letter 1779-E.

Table 9-3
Annual Payment Transactions for Mountain Empire Branch and San Clemente Branch (1997-2005)

Annual Transactions										
Annual Volume	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**% Change 1997 to 2005**
Mountain Empire	3468	3050	3184	2607	2465	3066	3237	2931	2060	**-41%**
San Clemente	44940	37749	28835	20766	20703	26852	24349	22338	19166	**-57%**

Source: SDG&E Advice Letter 1779-E, Attachment C

Table 9-4
Payment Transaction Volume for Mountain Empire Branch and San Clemente Branch (August 2005 and January 2006)

August 2005 to January 2006 Payment Volume			
Branch Office	**August 2005**	**January 2006**	**% Change August 2005 to January 2006**
Mountain Empire	178	60	-66%
San Clemente	1665	1132	-32%

Source: SDG&E Advice Letter 1779-E, Attachment D

At the same time, PG&E should continue to increase customer awareness of other payment options. The Verdi study shows that over 65% of all respondents in the survey mentioned mail as the only payment option they were aware of and over 73.6 % were unaware of Automatic Payment Systems (APS, now CheckFreePay) as a payment option.[53] PG&E's own research also indicates that many local office customers are simply unaware of the possibility of using pay stations to pay their bills in-person.[54] If PG&E plans to close local offices in the future, then customer awareness of other payment choice and options would be a valuable convenience to the customer. PG&E should also be able to show a declining trend in payment transactions before it closes a local office, similar to the evidence provided by

[53] PG&E's workpapers, Verdi Report, Management Summary, P. 6AB-39
[54] Exhibit PG&E-5 Workpapers, p.6AB-31

SDG&E in Advice Letter 1779-E. As a prerequisite to closing a local office, PG&E should build and verify (by using surveys) such customer awareness.

Appendix

Annual Payment Transactions at PG&E's Local Offices
(1999-2005)

1999 - 2005 PAYMENT TRANSACTIONS							
Office	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Alameda	17819	17615	21999	21217	25091	24806	21206
Angels Camp	11109	10289	12137	13992	13864	15340	18427
Antioch	69119	63653	75122	78263	81012	95903	86648
Auburn	30411	22589	26935	27522	27837	33128	43647
Bakersfield	266493	233801	246639	220065	226077	251416	204788
Berkeley	86859	84937	98137	86745	71388	74082	68131
Burney	13229	11545	14046	14815	13690	13929	9813
Capitola	80254	70924	75398	75549	73740	81553	77426
Chico	63350	54430	69719	68722	71933	84280	69401
Clear Lake	21460	21366	26071	29541	27753	33592	28667
Coalinga	8881	8451	14403	17286	18107	21083	17852
Colusa	27691	26670	32173	30205	28029	29683	27066
Concord	130121	112501	122089	119453	110859	129729	92169
Corocran	10288	4789	6527.15	6306	6326	6853	30915
Cupertino	71372	59669	68654	69712	70822	83620	54290
Davis	42296	37040	40993	35174	23494	22009	18712
Dinuba	45287	43744	54936	61084	63982	74214	32053
E. Oakland	160566	137295	144546	139052	120572	128806	91921
Eureka	56995	42933	40521	62160	61219	66954	92171
Fort Bragg	27808	25047	26448	29577.54	27554	30036	35764
Fortuna	27844	25043	29895	30374	34637	39825	25761
Fremont	66009	57846	65139	61224	58033	66575	46584
Fresno	319723	271234	256636	251073	234333	274982	290794
Garberville	10674	8789	9862	10610	10609	11945	11011
Geyserville	6458	5863	6480	7502	10759	12179	N/A
GrassValley	42236	35113	37974	37303	35116	39840	46032
Guerneville	14541	11052	13075	14426	14273	15514	16001
Half Moon Bay	23555	21191	22059	23627	23388	23875	18374
Hayward	127545	101684	112456	112699	92069	114974	74491
Hollister	35093	32607	49221	49647	48898	54145	42395
Jackson	18728	14131	18008	19581	20219	22732	8050
Kerman	21227	16975	24236	30089	31690	34081	31236
King City	25625	23443	26707	30887	30282	32637	28811
Lakeport	24755	22461	26611	28875	28294	31702	32821
Lemoore	28413	27076	32931	39512	37649	52346	33125
Livermore	56784	49359	66545	65889	63518	72286	70831
Lodi	30559	13763	31195	35232	35700	41628	36260
Los Banos	40898	41558	60740	66614	67914	73214	70723
Madera	46353	37580	47623	48017	48930	53966	13194

Manteca	77278	67034	76870	72883	73549	87400	70308
Mariposa	18276	16729	20469.4	22277	23141	23882	N/A
Marysville	91881	82554	97357	96744	93980	111731	88894
Merced	93755	70130	86557	87832	90849	111301	121233
Modesto	75268	52404	89229	72355	66453	75498	58563
Napa	36588	32048	37867	36764	36161	41176	18287
Newman	14136	11606	14185	15048	17194	17246	18353
Oakdale	41832	38193	45223	46702	48234	53442	53612
Oakhurst	14921	12898	15788	17658	18253	20852	17604
Oakland	223544	166311	169148	154524.4	133831	151046	151342
Orland	No Data	No Data	No Data	6494	8337	11166	25087
Oroville	61635	56900	79342	74970	70811	78185	66191
Petaluma	18141	16601	28204	30018	31153	35935	22870
Placerville	32988	31097	38919	42486	39100	43020	43156
Quincy	8089	6606	8509	9287	9050	11808	9901
Red Bluff	20770	18194	21235	17272	18307	22025	18248
Redding	39609	31605	37116	35052	33925	38083	37195
Richmond	100544	84730	101544	119658	95795	109347	87232
Ridgecrest	29877.34	25223	41687	37638	35043	36538	36678
Roseville	38559	30192	47979	42663	32703	38834	26385
S.F.- Mission St	122675	85854	109972	115722	114459	121329	121329
SF-Chinatown	102800	54092	55535	53084	32993	47893	58478
Sacramento	86981	62408	74392	71895	53674	65553	103292
Salinas	99478	87831	90656	87898	90146	105604	102818
San Carlos	100289	84781	88815	90859	90374	103239	109013
San Jose	136698	110506	126413	129861	125246	144679	150668
San Luis Obispo	65275	61087	60651	62760	60565	65140	34472
San Rafael	41275	38511	47528	48731	46149	55515	43970
Sanger	42990	35451	60841	49723	54371	53583	38132
Santa Rosa	84556	71872	88547	100863	102421	115791	132039
Selma	56014	48568	57759	58431	56837	64200	64085
Sonoma	22007	10554	13013	18653	23495	28146	21623
Sonora	35667	30565	34896	37401	38642	44737	30381
Stockton	212465	193570	221658	196141	175864	177547	233082
Taft	31277	24738	30799	30785	27851	28996	22666
Tracy	36184	29255	37302	40612	47329	53925	N/A
Turlock	60689	42874	63782	67964	73077	78459	68127
Ukiah	23417	25038	25524	26096	25611	30771	28060
Vacaville	52750	51125	69925	81291	80777	89718	68642
W. Sacramento	17752	16605	26774	35983	43909	47904	15197
Walnut Creek	57784	52024	54890	56881	47445	54880	43518
Wasco	28349	27565	29446	32062	32698	40356	31485
Willits	6062	3424	5623	6026	7470	9382	10317
Willow Creek	9514	8457	14214	8895	8160	10724	N/A
Woodland	42066	39730	47095	48596	50123	57962	60607
Total:	**4,488,565**	**3,759,499**	**4,375,591**	**4,362,756**	**4,160,619**	**4,711,933**	**4,560,387**

Source: PG&E's response to DRA data request ORA-014, Question 12 and ORA-146, Question 1