

Decision **PROPOSED DECISION OF COMMISSIONER GRUENEICH**

(Mailed 6/17/2010)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to Address the Issue of Customers' Electric and Natural Gas Service Disconnection.

Rulemaking 10-02-005
(Filed February 4, 2010)

**INTERIM DECISION IMPLEMENTING METHODS
TO DECREASE THE NUMBER OF GAS AND
ELECTRIC UTILITY SERVICE DISCONNECTIONS**

1. Summary

Today's interim decision continues our efforts to identify cost-effective methods to reduce the number of customer utility service disconnections in the territories of Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), Southern California Edison (SCE), and Southern California Gas (SoCalGas) Companies. As the economic crisis in California continues, taking immediate action before winter 2010-2011 is necessary to help reduce gas and electric disconnections.

This decision:

- Continues the requirement that all PG&E, SDG&E, SCE, and SoCalGas customer service representatives (CSRs) must inform any customer that owes an arrearage on a utility bill that puts the customer at risk for disconnection that the customer has a right to arrange a bill payment plan extending for a minimum of three months the period in which to repay the arrearage.

- Continues to allow these CSRs the discretion to extend the period in which to pay the arrearage from three months up to twelve months.
- Provides that California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA)¹ customers in the PG&E, SDG&E, SCE, and SoCalGas service territories are not required to pay additional reestablishment of credit deposits with a utility for either slow-payment/no-payment of bills or following a disconnection.
- Provides that medical baseline or life support customers shall not be disconnected without an in-person visit from a utility representative.
- Directs SDG&E and SoCalGas to develop an automatic payment plan that allows new customers or reconnecting customers a payment option that is in lieu of a cash deposit for credit. Requires PG&E and SCE to continue to offer their non cash credit deposit options to all new customers and those required to post a reestablishment of credit deposit following a disconnection.
- Directs PG&E, SDG&E and SCE to collect from customers a reestablishment of credit deposit following a disconnection based on twice the average monthly bill, rather than twice the maximum monthly bill. Requires SoCalGas to continue its current reestablishment of credit deposit amount of a two-month average bill.
- Directs SoCalGas and SDG&E to waive reestablishment of credit deposits for late payment of bills. Requires PG&E and SCE to continue their practice of not collecting credit deposits for late payment of bills.
- Directs PG&E and SCE to provide a field representative who can collect on a bill during an in-person visit prior to disconnection for

¹ See www.cpuc.ca.gov/puc/energy/low-income/fera.htm.

medical baseline or life support customers. Requires SDG&E and SoCalGas to continue this practice.

- Directs PG&E, SCE, SDG&E and SoCalGas to implement these customer service disconnection practices by October 1, 2010.
- Directs SoCalGas, SDG&E, SCE and PG&E to recommend to the Commission, by October 1, 2010, uniform notice of disconnection procedures.
- Authorizes PG&E, SCE, SDG&E and SoCalGas to charge significant costs associated with complying with the new practices in this decision to their memorandum accounts.

The adopted measures do not appear to have significant cost implications which would otherwise be borne by other ratepayers. All interim customer service disconnection measures approved in this decision will be in effect until the effective date of the next general rate cases for three of the four respondent utilities, which is anticipated to be January 1, 2012. For the fourth utility, PG&E, we will determine in Phase II an effective sunset date similar to the other three utilities. We continue the disconnection data reporting requirements adopted in Rulemaking (R.) 10-02-005 and add other data reporting in order to better understand whether the additional customer service practices adopted below are successful, and set forth certain issues to be addressed in the second phase of this proceeding. Because of its value in understanding the success of the adopted practices, we do not set a sunset date for the reporting requirements.

There are potentially many other practices which might prove useful in reducing utility disconnections. However, these other practices may result in significant costs and before they are implemented, we intend to analyze the cost effectiveness of these practices. This decision does not address any additional significant costs or cost recovery associated with compliance with the customer service practices initiated in this decision, and recorded in memorandum

accounts authorized by R.10-02-005. Although these costs will be addressed in the second phase of this proceeding, cost recovery will be determined in the next general rate case for each utility.

2. Background

On June 19, 2009, The Utility Reform Network (TURN) filed a Petition to initiate a rulemaking (Petition) to address arrearage management and shutoff prevention for residential customers. In response to TURN's Petition, the Commission issued a proposed decision on September 25, 2009, which determined that existing low-income programs and outreach were sufficient and that a rulemaking was not needed at that time.

On November 19, 2009, the Division of Ratepayer Advocates (DRA) released a report, "Status Report on Energy Utility Service Disconnections," that discussed data regarding service disconnections and reconnections from January 2006 through August 2009. Based on the data in DRA's Report, Commission President Michael Peevey announced that the Commission would hold an en banc on December 17, 2009. At the en banc DRA, TURN, the Greenlining Institute (Greenlining), PG&E, SCE, and SoCalGas and SDG&E (collectively Joint Utilities) made presentations on the disconnection rate for low-income households. Immediately following the en banc, the four utilities agreed to a moratorium on service disconnections through January 5, 2010.²

On January 5, 2010, the Commission held a workshop to provide utilities and other stakeholders an opportunity to discuss best-practices for customer outreach and education so that customers could address repayment of arrearages

² SCE voluntarily extended its moratorium through January 21, 2010.

before disconnection. Although the Commission envisioned that the en banc and workshop would result in the development of innovations to reduce customer disconnections, it concluded that a rulemaking was necessary to gather input from the utilities and consumer groups on ways to decrease the number of household disconnections while not shifting the cost burden of non-paying customers to other ratepayers.

3. Rulemaking (R.) 10-02-005

On February 5, 2010, the Commission issued R.10-02-005. In addition to encouraging utilities to identify their best practices to reduce customer disconnections, the Commission required PG&E, SoCalGas, SDG&E and SCE to immediately implement three interim practices:

1. Customer service representatives (CSRs) must inform any customer that owes an arrearage on a utility bill that puts the customer at risk for disconnection that the customer has a right to arrange a bill payment plan extending for a minimum of three months the period in which to pay the arrearage. CSRs may exercise discretion as to extending the period in which to pay the arrearage from three months up to twelve months³ depending on the particulars of a customer's situation and ability to repay the arrearage. CSRs may work with customers to develop a shorter repayment plan, as long as the customer is informed of the three month option. Customers must keep current on their utility bills while repaying the arrearage balance.
2. Once a customer has established credit as a customer of that utility, the utility must not require that customer to pay additional reestablishment of credit deposits with the utility for either slow-payment/no-payment of bills or following a disconnection.

³ Each utility may implement a repayment plan schedule that exceeds twelve months, but no utility is required to extend the schedule beyond three months.

3. Utilities were authorized to establish memorandum accounts using Tier 1 Advice Letters (AL) to track any significant additional costs, including operations and maintenance charges associated with implementing the customer practices, and any uncollectable expenses that exceed those projected in the utility's last general rate case.⁴

The utilities were directed to implement the three practices within five business days. R.10-02-005 also directed utilities to propose a uniform billing/accounting methodology that ensures that the customer receives proper credit for monies paid.⁵

R.10-02-005 established a Preliminary Scoping Memo which outlined issues to be considered, required the utilities to file monthly reports of specific disconnection data and provided utilities and parties an opportunity to comment on the interim practices and address other issues in the Preliminary Scoping Memo.

Furthermore, R.10-02-005 directed utilities to file Tier 3 Advice Letters (ALs) to establish a new fund using California Alternate Rates for Energy (CARE) funds as matching funds to apply for federal funds available through the Temporary Assistance to Needy Families (TANF) Emergency Contingency Fund (Emergency Fund).⁶ The Emergency Fund is in addition to a current TANF

⁴ PG&E, SCE, SDG&E and SoCalGas have established memorandum accounts to track additional costs.

⁵ R.10-02-005 at 7.

⁶ The Emergency Fund was established through the American Recovery and Reinvestment Act (ARRA) to provide critical payment assistance to eligible low-income customers. Eligibility for TANF includes legal residency, children and employment in addition to other criteria.

Contingency Fund that needy California families can access through established agencies.⁷ The Emergency Fund program expires on September 30, 2010.

4. Temporary Energy Assistance for Families (TEAF)

As previously discussed, R.10-02-005 directed PG&E, SCE, SoCalGas and SDG&E to file Tier 3 ALs to establish a new fund using CARE funds as matching funds in order to apply for federal grants available through the TANF Emergency Fund. The purpose of these funds is to assist CARE and TANF eligible families in PG&E, SCE, SoCalGas and SDG&E service territories with their past due utility bills in order to help reduce and avoid service disconnections.

In March 2010, the four utilities submitted Tier 3 ALs proposing a total of \$10 million in CARE funds be allocated to the new CARE/TANF fund. On April 8, 2010, the Commission approved a resolution allowing PG&E to transfer \$5 million to the CARE/TANF fund. On April 22, 2010 the Commission approved a subsequent resolution directing SCE, SoCalGas and SDG&E to transfer an additional \$5 million to the CARE/TANF fund.⁸ These funds would be used to obtain an additional \$40 million in matching funds from the TANF Emergency Fund.

⁷ Separately, PG&E, SCE, SDG&E and SoCalGas assist customers in paying bills through other assistance programs. These programs are PG&E's Relief for Energy Assistance through Community Help (REACH). SCE's Energy Assistance Fund Program (EAF), SDG&E's Neighbor to Neighbor program and SoCalGas' Gas Assistance Fund (GAF) program.

⁸ See, Resolution (Res.) G-3444, adopted April 8, 2010, for PG&E, and Res. E-4327, Res. E-4328, and Res. G-3446, adopted April 22, 2010, for SCE, SDG&E and SoCalGas, respectively.

DRA and the four utilities worked cooperatively to assist the California Department of Social Services (DSS) in developing an application for the TANF funds. Simultaneously, DRA and the four utilities worked with DSS to develop a contract with The Salvation Army to be the agency administering the newly named TEAF program. On June 30, 2010, DSS signed a contract with The Salvation Army to administer TEAF.

We applaud the utilities and DRA for their efforts in assisting DSS to implement this project. We anticipate receiving notification from the DSS soon regarding the outcome of California's application for Emergency funds.

5. Parties' Comments

Opening and reply comments were filed by PG&E, SCE, the Joint Utilities, TURN, DRA, Greenlining and Disability Rights Advocates (DisabRA) (Joint Comments), The City and County of San Francisco (the City), and the National Consumer Law Center (NCLC), on March 12, and April 2, 2010, respectively.

Non-utility parties recommend that utilities adopt changes in contacting customers including, automated calls, language options, outreach proposals, training for CSRs, and improvements in communications with disabled customers. Non-utility parties also recommend changes in customer deposit requirements, use of remote service disconnections, incorporation of best practices used to work with community and faith-based organizations, and billing practices. DRA and TURN recommend that the two interim customer service disconnection practices adopted in R.10-02-005 be continued into 2011.

Utility comments explain the customer service practices currently employed by each utility and how these practices notify customers of the potential for disconnection due to arrearages in unpaid bills. Utilities contend that they provide numerous notices to customers and that they desire to avoid

disconnections when possible. Utilities recommend various cost mechanisms resulting from changes in current customer disconnection practices, and request that any modifications to current practices identify sunset dates.

Although the comments provided a significant number of recommended practices for addressing customer disconnections, with few exceptions, the comments did not provide the costs of implementing changes. Therefore, on April 16, 2010, the Assigned Administrative Law Judge (ALJ) issued a ruling (ALJ Ruling) which requested utility information necessary to analyze the complexities and costs of new and proposed practices affecting customer disconnections. The utilities provided responses on April 28, 2010.

6. Discussion

Only a few months have elapsed since the adoption of R.10-02-005 and implementation of the two interim practices intended to reduce customer disconnections. Despite receiving monthly reports from the four utilities, it is too soon to assess the costs of these two interim practices, or whether the practices will ultimately reduce residential disconnections. While the monthly reports show a decrease in the number of customer service disconnections across all four utilities, the reports also show a continuance of two disconcerting trends.

First, the reports show a discrepancy in the number of service disconnections for CARE customers versus those for non-CARE customers. While this disconnection discrepancy has decreased, we are concerned that low income customers continue to experience higher rates of disconnection as compared to non-CARE customers. This decision directs utilities to implement certain measures to limit this difference. Additionally, we will review this anomaly during the second phase of this proceeding to determine the causes and any further corrective measures.

Secondly, the monthly reports show higher rates of service disconnections for PG&E and SCE customers as compared to SDG&E and SoCalGas customers. However, the monthly reports do show improvements for May 2010 and we applaud the utility efforts leading to those improvements. But while we acknowledge the improvements by PG&E and SCE, we look to them to achieve further improvements. We encourage PG&E and SCE to consult closely with the Joint Utilities and implement similar if not exact customer service practices so as to limit significant discrepancies among customer service disconnection rates.

Finally, California's economic problems persist and there is the potential for continued disconnections beginning in the fall as a result of high summer cooling bills. In consideration of all of the above circumstances, it is important that we act now to implement other disconnection practices with minimal cost implications.

We have determined that utilities can implement certain reasonable and low cost modifications to existing customer communications, service, and billing practices to reduce customer disconnections. These measures may not impact all utilities equally since some of the measures are currently used by one or more of the utilities. In this way, this decision adopts certain utility best practices across all affected utilities.

We apply two important criteria in adopting these practices to reduce customer disconnections. First, any changes in customer service practices should have a short implementation period to be effective by winter 2010-2011. Therefore, we will require that these practices be implemented on or before October 1, 2010. Second, in keeping with our stated intent that any solutions that

avoid unnecessary disconnections not place an undue cost burden on other customers,⁹ the modifications discussed below consider the estimated costs of implementation and seek to adopt customer service, billing, and communication practices which have minimal cost implications. The utilities may include any significant additional costs of the adopted changes in their memorandum accounts.

The additional practices adopted by this decision as well as a sunset date for these and the two interim practices are discussed below.

7. Adopted Practices to Reduce Customer Disconnections

7.1. Bill Payment Extensions

R.10-02-005 directs CSRs to inform any customer that owes an arrearage on a utility bill that puts them at risk of disconnection that the customer has a right to arrange a bill payment plan extending for a minimum of three months the period in which to repay the arrearage. CSRs may work with customers to extend this payment period for up 12 months.¹⁰

DRA recommends extending this interim practice through April 2011, and that thereafter companies be required to disclose the availability of the 12-month term.¹¹ NCLC offers that even a three to twelve month repayment period may be unreasonable, and that the Commission should specify how CSRs should extend payment plans by adopting a reasonableness standard.¹²

⁹ R.10-02-005 at 1.

¹⁰ Each utility may implement a plan schedule that exceeds 12 months, but no utility is required to extend the schedule beyond three months.

¹¹ Opening Comment of DRA at 7.

¹² Opening Comments of NCLC at 2-4.

In response, PG&E points out that the greater the number of payments, the more likely it is that a customer will default on a payment plan.¹³ Joint Utilities note a similar correlation between broken or cancelled payment plans and the length of the payment period.¹⁴ SCE argues that payment plan periods should not be mandated but that CSRs should continue to have discretion over this period.¹⁵

Providing customers with a longer period to repay an arrearage provides a financial alternative to immediate payment and potential disconnection. However, data collected by the utilities show that customers are more likely to break or cancel a payment agreement with longer payment periods, particularly beyond the three-month period. At this time, the information is inconclusive regarding our interim practice of offering a three-month payment period. As the utilities continue to gather and report disconnections, we will gain additional understanding regarding this interim practice. Therefore, we agree with DRA and will continue this practice of providing customers that are at risk of disconnection the right to arrange a bill payment plan extending for a minimum of three months the period in which to repay the arrearage.

Although it appears from the information provided that longer payment periods result in an increased likelihood that payment plans will be broken, there may be other variables affecting these payment agreements. Therefore, we do not require CSRs to provide extensions beyond three months. Instead, we expect

¹³ PG&E Reply Comments at 6-7.

¹⁴ Response of Joint Utilities at 28-29.

¹⁵ SCE Reply Comments at 4.

that CSRs will utilize discretion to extend payment periods when such an extended period may help a customer to successfully pay an arrearage.

7.2. Customer Deposits

7.2.1. Reestablishment of Credit Deposits (CARE and FERA customers)

The second interim measure adopted by R.10-02-005 directs that utilities not require customers to pay additional reestablishment of credit deposits for slow payment or no payment of bills. Continuation of this measure is supported by TURN, DisabRA, DRA and Greenlining.

TURN and DisabRA¹⁶ propose that disconnected customers not be required to provide a separate deposit in order to be reconnected and also propose a ban on post-shutoff deposits for CARE customers. Greenlining recommends that all customer deposits should be eliminated as this will help customers maintain timely payments and avoid disconnection.¹⁷

DRA provides three alternative deposit recommendations. First, DRA recommends continuation of the policy adopted in R.10-02-005 regarding additional reestablishment of credit deposits. Second, DRA recommends collection of 1.5 months deposit rather than the two months deposit, and return a portion of the deposit as an incentive to complete a payment plan. Third, DRA recommends using the deposit to avert a service disconnection.¹⁸

The Joint Utilities contend that the purpose of customer deposits is to protect utilities from bad debt expenses due to a customer who does not pay for

¹⁶ Reply Comments of TURN, at 7-8; Reply comments of DisabRA at 19.

¹⁷ Reply Comments of Greenlining at 6.

¹⁸ Opening Comments of DRA at 4-7.

services they use. Further, the Joint Utilities claim that the additional costs of not collecting deposits from customers who fail to pay their bills ultimately falls to bill-paying customers. The utilities state this practice is in contradiction to the Commission's stated goal that decreasing the number of disconnections should not shift the burden to other ratepayers.¹⁹ PG&E contends discontinuation of reestablishment of credit deposits would not help struggling customers and places a further uncollectible burden on other customers.²⁰ SCE recommends ending this measure entirely.²¹

While we are concerned for all customers with financial hardships, the ability of CARE and FERA customers to provide utility deposits following a disconnection is especially problematic since these are the lowest income residential customers. Continuation of this measure for all customers is estimated to have a significant cost on other customers. PG&E estimates the cost is \$11 million annually,²² while SCE estimates the cost at \$6-7 million annually.²³ Given these competing concerns, we will modify this requirement to apply to CARE and FERA customers only.²⁴ However, we will reduce the burden of the

¹⁹ Reply Comments of Joint Utilities at 11-12.

²⁰ PG&E Reply Comments at 6.

²¹ SCE Reply Comments at 2.

²² PG&E Response to Ruling at 7

²³ SCE Response to Ruling at A-6.

²⁴ Prohibiting a deposit requirement for CARE customers is consistent with the Commission's California LifeLine Telephone program whereby General Order 153 [section 7.4] prohibits companies from requiring a LifeLine customer to post a deposit once the Customer is deemed eligible for LifeLine.

reestablishment of service deposit required for non-CARE customers by reducing the deposit amount as discussed below.

7.2.2. Reestablishment of Credit Deposits (Non-CARE Customers)

Tariff Rule 7 provides that the four utilities may collect establishment of credit deposits equal to twice the average monthly bill. In addition, Tariff Rule 7 for PG&E, SCE and SDG&E provides reestablishment of credit deposits equal to twice the maximum monthly bill for disconnections. SoCalGas requires reestablishment of credit deposits for disconnections equal to twice the average bill.

PG&E and SCE do not require a credit deposit for late-payment of bills while the Joint Utilities require a credit deposit for late-payment of bills.

Application of Tariff Rule 7 to non-CARE customers should be uniform for the four utilities. Therefore, we will limit reestablishment of credit deposits to twice the average monthly bill for disconnections only, a change that only impacts PG&E, SCE and SDG&E. Also, we will waive the reestablishment of credit deposits for late-payment of bills, a change that only impacts the Joint Utilities. These changes will reduce the financial effects on non-CARE customers, provide more uniform tariff practices and provide a balance between the concerns of parties requesting no deposit requirements, and the needs of the utilities and other customers for a showing of security.

7.2.3. Automated Payment Service (APS)

PG&E states that, in December 2009, it initiated APS which provides that new customers who elect to use the APS option may do so in lieu of cash

deposits.²⁵ PG&E also states that it has taken several steps to improve notification and education of this deposit option to customers, and one notable impact has been that applications for APS are up over 145% in the first quarter of 2010 compared to the first quarter 2009.²⁶ PG&E notes that while many customers have taken advantage of this option, PG&E believes that it is too early to determine the efficacy of the program.

SCE indicates that it offers a similar program (DirectPay), although it is too early to evaluate the effectiveness of the program. SCE's DirectPay program is offered on an ad hoc basis by CSRs. SCE states that although this program may cause increased operational costs, SCE considers it a viable alternative to cash deposits.²⁷

While it is too soon to know whether PG&E's APS or SCE's DirectPay programs are valuable in reducing disconnections, such programs appear to provide a worthwhile alternative to cash deposits for some customers. Given the apparent growth of this program reported by PG&E, such a utility program may be one method for assisting customers who have difficulty in providing a cash deposit. Therefore, we will require that PG&E maintain its APS program, that the Joint Utilities implement a similar program, and the SCE's DirectPay program be modified to offer this program to all new utility customers, and to those customers requesting reestablishment of credit after being disconnected, rather than on an ad hoc basis. Although we will not direct the specific elements of the program, the Joint Utilities' program should provide that enrollment in the

²⁵ PG&E Response to ALJ Ruling at 8.

²⁶ PG&E Reply Comments at 10.

program is in lieu of cash deposits for reestablished service and is offered to all new customers and existing customers that are required to post a reestablishment of credit deposit after being disconnected.

We also direct all of the utilities to provide clear language to customers explaining the limitations and requirements of automatic bill pay programs.

7.2.4. Alternate Language Services Offered to All Customers

Greenlining/DisabRA point out that many customers who do not speak English have difficulties in understanding utility communications and therefore need alternate language options.²⁸ A similar experience is reported by TURN as a result of work with a Chinese focus group. TURN reports that Chinese customers experience problems with utility communications, and that warning notices and information about payment plans are not effective when communicated only in English. TURN also notes the need for phone calls in the language of the customer.²⁹

SCE states that in 2010 it is focusing on its ability to reach customers by expanding communication efforts to provide customers relevant information in their preferred language. Once information is available regarding language preference, SCE provides its future communications in the indicated language.³⁰ PG&E states that it currently does not have any practical means to determine language preference options. PG&E uses the AT&T language line to provide

²⁷ SCE Response to Ruling at 7.

²⁸ Joint Opening Comments of Greenlining/DisabRA at 8-11.

²⁹ Opening Comments of TURN at 6-7.

³⁰ SCE Opening Comments at 9.

third party translation services in virtually any language, and provides some communications in Spanish, Chinese, Vietnamese, Hmong, Russian and Korean.³¹ The Joint Utilities indicate their CSRs utilize language line services.³²

We agree that many important communications may not be received when there is a language barrier. Consequently, communications directed at some customers faced with potential disconnection may be either ignored or not understood. We applaud SCE's efforts to identify a preferred language for its customers, and encourage the Joint Utilities and PG&E to determine the language preference of customers at the first opportunity and then use that language preference in their communications. Determination of language choice may be accomplished through indication of a language choice on the bill, as suggested by TURN,³³ or in some other manner. As discussed below, a topic of the next workshop in this proceeding will be identification of language choice by the customer. We expect that all of the utilities will continue to utilize their alternative language procedures in a greater effort to reach customers who are not proficient in English.

In order to further the concept of using alternative language communications, we direct the utilities to investigate the use of a single third-party language service entity for outsourced language reference services. This matter will be considered in a workshop to be held in the next phase of this proceeding. The use of a single third-party language service would only be used if it would result in overall lower costs, service parity, and is effective.

³¹ PG&E Response to Questions at 12-13.

³² Joint Utilities's Response to Ruling at 6.

7.2.5. Notices to Customers (Non-Sensitive)³⁴

The four utilities have each developed notice procedures prior to disconnecting a customer. After a 42-day delay from the issuance of the bill, PG&E provides customers with a 15-day notice, a 48-hour mailing, a 48-hour outbound call and an additional outbound call prior to disconnection.³⁵ SCE delivers an outbound call notice approximately 41-46 days after initial bill presentation, and a final call notice prior to disconnection.³⁶ SCE follows this with a 48-hour notice, and a courtesy call as a further attempt to prevent disconnection.³⁷ SDG&E provides a 48-hour notice in person, and a 48-hour notice and phone call to CARE customers after delivery of the 48-hour notice. SoCalGas provides 48-hour notices to seniors and special needs customers, and two attempts to contact the customer prior to disconnection.³⁸

Non-utility parties generally agree with the current notice practices to non-sensitive customers, but recommend some changes including allowing customers to choose their billing date and language preference, an issue discussed above.

It is not clear which of these notice procedures, if any, is the most effective in preventing customer disconnections. At the January 5, 2010 workshop,

³³ Opening Comments of TURN at 6.

³⁴ “Non-Sensitive” customers are all other customers who are not sensitive as identified below.

³⁵ PG&E Response to Ruling at 2-14.

³⁶ SCE Response to Ruling at A-13.

³⁷ SCE Opening Comments at 6.

³⁸ Joint Utilities Response to Ruling at 10.

utilities explained their customer disconnection practices; however, there was no agreement on a specific means of notifying customers that disconnection was imminent.³⁹ Although we could mandate uniform specific notice requirements, we do not yet have sufficient information to make that choice. There is value, however, in having a single set of notification procedures among the four utilities, particularly for customers who move from one service territory to another and to assist Commission consumer representatives responding to disconnection questions. Therefore, we direct the four investor-owned utilities (IOUs) to confer and jointly recommend, by October 1, 2010, best practice notice procedures that can be uniformly applied to these four IOUs. In addition, the IOUs should provide estimates of the costs and time necessary to implement uniform notice procedures.

7.2.6. Notices to Customers (Sensitive)⁴⁰

Communicating with sensitive customers who have disabilities is a challenge for all utilities. Greenlining/DisabRA explain why many customers who are deaf, hard of hearing, blind or sight impaired, may not receive a utility's communications regarding the potential for disconnections.⁴¹

Currently, utility notices provided to sensitive customers such as those on medical baseline and life support are more detailed, and most importantly,

³⁹ As a related matter, Greenlining commends the Joint Utilities for their program to reach out to the newly unemployed by working with various companies, associations, and employment agencies to target their outreach efforts.

⁴⁰ Sensitive customers are those who are on medical baseline or life support as these customers are currently identified on utilities' billing systems. We will consider the definition of sensitive customers in Phase 2 of this proceeding.

⁴¹ Joint Opening Comments of Greenlining and DisabRA at 2-8 and 18-24.

provide actual in-person visits prior to disconnection. PG&E provides an outbound call including an opportunity to speak with a CSR, a phone attempt, a certified letter notifying the customer of the date of service disconnection, and a phone attempt and/or letter from the Customer Relations Department for a final pay plan. PG&E also states it provides an in-field visit prior to disconnection of medical baseline and life support customers.⁴² SCE states that it also employs additional measures for disabled customers, including an urgent notice as well as a written final call notice and two outbound call attempts. As a final measure, SCE indicates it attempts to reach these customers through phone calls, third-party contact, a field delivered notice and a certified letter. The Joint Utilities similarly provide additional notices to senior citizens and special needs customers including a 48-hour notice in person, and a minimum of two attempts by phone, mail or in person. Although all of the utilities provide additional communication and notices and an in-person visit before disconnection occurs, only the Joint Utilities provide a field collector who can take a payment so the customer can avoid disconnection.⁴³

We are mindful that customers on medical baseline or who are on life support may not respond to the utilities' various notices, letters, or phone calls. Furthermore, this vulnerable customer group represents a very small portion of all residential customers. Therefore, we will require that as an interim practice, all utilities must provide a field representative who can collect a payment in-person or make arrangements for payment from those customers who are on

⁴² PG&E Reply Comments at 13.

⁴³ Joint Utilities Opening Comments at 4.

medical baseline or life-support prior to any disconnection.⁴⁴ Utilities may determine how to implement this practice most efficiently, but a final in-person visit for customers on medical baseline or who are on life support is reasonable for this vulnerable customer group because it provides an opportunity for bill collection prior to disconnection.

7.2.7. Remote Disconnections

Non-utility parties, including NCLC and Greenlining/DisabRA, oppose remote disconnection of customers.⁴⁵ TURN and DRA contend remote disconnections should be prohibited while PG&E's Smart Meter program is being investigated. TURN recommends that if remote disconnections are permitted, customers should not be charged for disconnection activities and that remote shutoffs should not be permitted for customers vulnerable to health and safety risks.⁴⁶ The City recommends more study of remote disconnections and associated costs.⁴⁷

In addition to its recommendation to prohibit remote shutoffs while the PG&E Smart Meter program is being investigated, DRA offers other proposals regarding remote shutoffs. DRA recommends that the Commission establish consumer protections to offset the potential harm and hardship of remote disconnections, and that restoration charges and deposit requirements be waived

⁴⁴ We do not require utility field employees to collect cash as this may result in safety and security problems. However utilities should develop procedures which allow collection of non-cash payments by utility field employees.

⁴⁵ Opening Comment of NCLC at 15; Joint Opening Comments of Greenlining/DisabRA at 31.

⁴⁶ Opening Comments of TURN at 10-18.

⁴⁷ Comments of the City at 3-4.

during a 12-month grace period for all customers after remote shutoff is functional at the customer premise. DRA also proposes a complete waiver of restoration charges for CARE customers who are remotely shutoff, lowering of restoration charges for non-CARE customers and utility justification, including cost effectiveness of remote disconnections.⁴⁸

PG&E is the only respondent utility with remote shutoff capability through the use of SMART Meters, and it has installed over 5.2 million SMART Meters. PG&E contends that its SMART Meters are accurate and that using Smart Meters to remotely shutoff or restore service provides significant cost savings. PG&E states that the cost of restoring a disconnection using Smart Meter technology is about \$8, while the cost of physically restoring a disconnected customer is about \$66.50, during regular working hours. PG&E states that it ensures vulnerable customers including those on life support and medical baseline, are protected by in-field visits before any disconnection.⁴⁹ While Joint Utilities do not have remote shutoff capability, they support the concept and “obvious benefits of this technology.”⁵⁰

At this time, we will not prohibit the use of remote shutoff technology to disconnect customers, except those who are on medical baseline or life support. The reasons for disconnection remain the same regardless of the disconnection technology employed. PG&E points out that its disconnection policy remains the same regardless of the type of meter installed.⁵¹ In addition, customers who

⁴⁸ Opening Comments of DRA at 18-22.

⁴⁹ PG&E Reply Comments at 11-13.

⁵⁰ Reply Comments of Joint Utilities at 15.

⁵¹ PG&E Reply Comments at 12.

have been remotely disconnected can have service restored more quickly than restoration through field personnel which is a benefit during periods, such as the winter season, when service staff are likely to be very busy. Finally, the significant cost savings that PG&E estimates are available through employing remote shutoff technology as discussed above. Using PG&E's estimates, the cost of restoring a disconnection using remote technology is only about 12% of the cost of using field personnel. These savings will accrue to all PG&E ratepayers through increased efficiencies. As an additional protection to inadvertent remote shutoff, we are reviewing the adoption of uniform notice procedures, as discussed above, which should provide ample warning to all customers facing the potential for disconnection.

8. Sunset Date for Interim Practices⁵²

The Joint Utilities recommend that the two interim customer service disconnection practices adopted in R.10-02-005 should be effective only until the next general rate case (GRC).⁵³ SCE recommends that the measure prohibiting the utilities from charging customers deposits to re-establish credit following disconnection be ended, but that the first measure which directs utilities to inform customers that they may have at least three months to pay an arrearage be continued.⁵⁴ PG&E requests that a final decision in this matter identify a closing date for adopted modifications.⁵⁵

⁵²R.10-02-005 provides parties an opportunity to comment on sunset provisions, if appropriate.

⁵³ Joint Utilities Opening Comments at 12.

⁵⁴ SCE Reply Comments at 2.

⁵⁵ PG&E Reply Comments at 16.

DRA recommends that the two interim customer service practices be continued for a year.⁵⁶ Greenlining offers that the interim practices become permanent.⁵⁷

As noted above, we have only four months of reported data and therefore can not conclude whether the two interim measures adopted in R.10-02-005 are effective or whether the implementation costs are significant. In addition, and most significantly, the economic crisis and related disconnections which initially caused us to reexamine utility disconnection rules and practices continues today. Therefore, we will maintain the interim measures as revised in this decision along with the new requirements until the effective dates for GRCs, which is anticipated to be January 1, 2012 for SDG&E, SoCalGas and SCE. This will provide ample time to monitor and collect data (as discussed below) on these requirements to determine their efficacy.

Since the effective date of PG&E's next GRC is not expected until January 2014 a sunset date for PG&E's disconnection practices will be addressed in Phase 2 of this proceeding.

9. Monthly Data Reporting

R.10-02-005, Ordering Paragraph 12, directed the respondent utilities to file monthly reports of specific data including the number of disconnections experienced by each of the respondents.⁵⁸ Appendix A to R.10-02-005 required

⁵⁶ Reply Comments of DRA at 4.

⁵⁷ Reply Comments of Greenlining at 2.

⁵⁸ On March 12, 2010, the Joint Utilities filed a Motion for Leave to File Under Seal the Unredacted Version of Their Monthly Disconnection Data Reports (Joint Utilities' Motion) pursuant to Rule 11.4 of the Commission's Rules of Practice and Procedure.

Footnote continued on next page

additional data. In order to determine the effectiveness of both the two measures adopted in R.10-02-005, and those measures directed in this decision, further data reports are necessary. Attached to this decision as Appendix A is a template which sets forth the new data required in monthly reports. Appendix A to this decision replaces the data required by Appendix A to R.10-02-005. Information required in Appendix A should be provided to the Energy Division by the 25th day of each month. The utilities shall continue to file these reports past January 1, 2012 until we direct otherwise.

10. Implementation of New Interim Customer Service Disconnection Practices

This decision continues the two interim customer service practices, with modifications, and directs that utilities implement additional practices. In order that these measures assist in reducing electric and gas customer disconnections, these practices should be quickly implemented.

R.10-02-005 directed respondent utilities to implement the three interim practices within five business days following the issuance of R.10-02-005. We do not have information that provides estimates of the time needed to implement the new practices adopted in this decision. We recognize the newly adopted practices may be more complex and difficult to implement than those adopted in

The Joint Utilities state that confidential treatment of aging data from their Disconnection Data Reports is necessary to prevent public disclosure which could place the utilities at an unfair business advantage. This motion is unopposed and we grant the Joint Utilities Motion. Also on March 12, 2010, DRA filed a motion for leave to file under seal its opening comments as those comments include utility information identified as confidential. This motion is unopposed and we grant DRA's motion.

R.10-02-005. Therefore, we will order PG&E, SCE and the Joint Utilities to implement the provisions of this decision by October 1, 2010.

11. Phase II of the Proceeding

As discussed previously, many other measures proposed in comments could provide a reduction in utility disconnections but could also result in significant costs. The Commission plans to continue to analyze the costs and benefits of these alternate measures. In the second phase of this proceeding we will address the following issues:

- a. What is causing the discrepancy between the disconnection rates of CARE versus non-CARE customers? How can we limit this discrepancy? For example, should the recertification of CARE customers be waived for some period and, if so, for how long?
- b. What is causing the discrepancy between the disconnection rates of PG&E and SCE as compared to SDG&E and SoCalGas? Are there certain customer service policies or practices of SDG&E and SoCalGas that PG&E and SCE should adopt in order to further decrease the number of customer service disconnection in the PG&E and SCE service territories?
- c. What is the role of CSRs in educating customers about assistance programs and assisting in completing CARE applications and what are the costs of this additional work?
- d. Should utilities provide an opportunity for customers to select a language for utility communications, and what are the associated costs?
- e. Should the utilities establish a uniform protocol for remote disconnections?
- f. Have utilities established a uniform billing and accounting methodology that ensures that the customer receives proper credit for monies paid as discussed in R.10-02-005 at 7.
- g. Have utilities established a uniform billing and accounting methodology that ensures that the customer receives proper credit for monies paid as discussed in R.10-02-005 at 7.

- h. Should particular disconnection notice practices be adopted for all utilities?
- i. What should be the sunset date for PG&E's interim practices?
- j. Should there be exceptions to deposit rules for certain customers demonstrating continued fraud or bad check activities?
- k. Should customers be allowed to choose a monthly billing date for their payments?
- l. How should sensitive customers be defined, and how can utilities identify such customers?

12. Memorandum Accounts

Each IOU has established a memorandum account for the significant additional costs associated with the new practices initiated in R.10-02-005. R.10-02-005 indicated that the process for determining the categories and amounts of costs in the memorandum account should be addressed in this proceeding. However, it is too early in the proceeding to address the costs of these interim measures. In order to minimize reporting requirements and for consistency with data reporting in Appendix A, we will order that the amounts and categories recorded in the memorandum accounts be provided to the Commission's Energy Division by the 25th of each month.

The second phase of this proceeding will address the categories and significant costs associated with compliance with the practices in this proceeding. However, memorandum account cost recovery will be determined in the next GRC for each utility.

13. Comments on Proposed Decision

The proposed decision of the Commissioner in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and

comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure.

Comments were filed by PG&E, the Joint Utilities, SCE, DRA, TURN, Greenlining, NCLC, DisabRA, and the City.

We have carefully considered the comments on the issues addressed in today's decision. In response to comments, we have modified the proposed decision to:

- Include FERA customers in the revised deposit rules affecting CARE customers;
- More clearly define sensitive customers as those on medical baseline or life support;
- Define the sunset date for all interim disconnection practices as the effective dates of GRCs for SCE and the Joint Utilities. The sunset date for PG&E will be addressed in Phase 2 of this proceeding;
- Change the reporting date for data to the Commission to the 25th of each month, rather than the 20th of each month;
- Revise the reporting template;
- Include additional issues in Phase 2 of this proceeding; and
- Include additional language to clarify certain adopted disconnection practices.

14. Assignment of Proceeding

Dian M. Grueneich is the assigned Commissioner and Bruce DeBerry is the assigned ALJ in this proceeding.

Findings of Fact

1. The economic crisis in California is continuing.
2. There is the potential for increased disconnections of customers in winter 2010-2011.

3. In order to minimize continued customer disconnections in winter 2010-2011, it is necessary for changes in existing customer service disconnection practices to have a short implementation period.

4. Changes in existing customer service disconnection practices should consider the estimated costs of implementation.

5. Information from PG&E and the Joint Utilities shows that the greater the payment period, the more likely it is that a customer will default on a pay plan, however other variables may effect those payment agreements.

6. A purpose of customer deposits is to protect utilities from providing service to a customer who does not pay for those services.

7. Additional costs of not collecting deposits fall to customers who pay their bills.

8. CARE and FERA customers are the lowest income customers and are least likely to be able to fund a reestablishment of service credit deposit.

9. Reestablishment of service credit deposits are based on twice the maximum monthly bill for PG&E, SCE and SDG&E, while SoCalGas requires twice the average monthly bill

10. PG&E's APS and SCE's DirectPay provide alternatives for customers who do not want to make a cash credit deposit.

11. It is desirable that utilities offer to communicate with customers using the customer's language of choice.

12. PG&E, SCE, and the Joint Utilities have developed similar notice procedures prior to disconnecting a customer.

13. Sensitive customers on medical baseline and life support may not receive utility communications regarding the potential for disconnection.

14. Sensitive customers on medical baseline or on life support or who have physical limitations are a very small portion of all residential customers.

15. Sensitive customers on medical baseline or on life support should have an in-person visit including a field person who could provide an opportunity for bill collection before disconnection.

16. Customers who have been remotely disconnected can be reconnected more quickly during times when field personnel are very busy.

17. Remote disconnection and reconnection provides significant cost savings compared to the costs of disconnection and reconnection using field staff.

18. GRCs are appropriate proceedings for considering customer service disconnection practices and costs.

Conclusions of Law

1. The changes in customer service disconnection practices in this order should be adopted.

2. PG&E, SCE, SDG&E and SoCalGas may include any significant additional costs, including operations and maintenance charges and any uncollectable expense that exceed those projected in their last GRCs associated with implementing the customer practices ordered in this decision, in the memorandum accounts established for this purpose.

3. The Joint Utilities' Motion and DRA's motion should be granted.

4. This order should be effective immediately so that the changes in customer service practices may be implemented by October 1, 2010.

INTERIM ORDER

1. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company shall

continue to implement the customer service disconnection practice adopted in the Order Instituting Rulemaking 10-02-005 which provides that all customer service representatives (CSRs) must inform any customer that owes an arrearage on a utility bill that puts the customer at risk for disconnection that the customer has a right to arrange for a bill payment plan extending for a minimum of three months the period in which to repay the arrearage. CSRs may exercise discretion as to extending the period in which to pay the arrearage from three months up to twelve months depending on the particulars of a customer's situation and ability to repay the arrearage. CSRs may work with customers to develop a shorter repayment plan, as long as the customer is informed of the three-month option. Customers must keep current on their utility bills while repaying the arrearage balance.

2. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company shall implement the following interim practices by October 1, 2010:

- a. Once a California Alternate Rates for Energy or Family Energy Rate Assistance customer has established credit as a customer of that utility, the utility must not require that customer to pay additional reestablishment of credit deposits with the utility for either slow-payment/no-payment of bills or following a disconnection.
- b. No customer who is on medical baseline or life support shall be disconnected without an in-person visit from a utility representative.

3. Southern California Gas Company and San Diego Gas & Electric Company shall file a Tier 1 Advice Letter within one month of the effective date of this decision. The Advice Letter shall indicate that reestablishment of credit deposits for customers for late payment of bills are waived.

4. Pacific Gas and Electric Company and Southern California Edison shall continue to not charge reestablishment of credit deposits to customers for late payment of bills.

5. Southern California Gas Company and San Diego Gas & Electric Company shall develop and implement an automatic payment program within three months of the effective date of this decision that allows new customers a payment option that is in lieu of a cash deposit for credit. This automatic payment program shall clearly explain to customers the implications of participation.

6. Pacific Gas and Electric Company shall continue to provide to their new customers the option of using its Automatic Payment Service in lieu of a cash deposit for credit. This payment service should clearly explain to customers the implications of participation.

7. Southern California Edison Company shall provide to all their new customers and to those customers requesting reestablishment of credit after being disconnected, the option of using its DirectPay program in lieu of a cash deposit for credit. This program should clearly explain to customers the implications of participation.

8. Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas and Electric Company shall file a Tier 1 Advice Letter within one month of the effective date of this decision. The Advice Letter shall indicate changed tariff rules to provide that reestablishment of credit deposits for customers is based on twice the average monthly bill.

9. Southern California Gas Company shall continue to provide that reestablishment of credit deposits for customers is based on twice the average monthly bill.

10. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall meet and recommend to the Commission uniform notice of disconnection procedures and the estimated costs and estimated time to implement uniform notice of disconnection procedures by October 1, 2010.

11. Pacific Gas and Electric Company and Southern California Edison Company shall provide a field person who can collect on a bill during an in-person visit prior to disconnection for medical baseline and life support customers.

12. San Diego Gas and Electric Company and Southern California Gas Company shall continue to provide a field person who can collect on a bill during an in-person visit prior to disconnection for medical baseline or life support customers.

13. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company are authorized to charge significant costs associated with complying with the new practices continued or initiated in this proceeding to their established memorandum accounts. Memorandum account information shall be provided to the Energy Division by the 25th day of each month.

14. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company are directed to file monthly reports in this proceeding of additional data as shown on Appendix A. The monthly reports shall be filed by the 25th day of each month commencing with the first month following the effective date of this decision and continuing until directed otherwise by the Commission.

15. The customer service disconnection practices ordered in this decision shall be effective until the effective dates of the next general rate cases for Southern California Edison Company, Southern California Gas Company, and San Diego Gas and Electric Company.

16. The customer service disconnection practices ordered in this decision for Pacific Gas and Electric Company shall be effective until January 1, 2012, unless otherwise ordered.

17. San Diego Gas and Electric Company and Southern California Gas Company's request to have their monthly disconnection data reports kept under seal is granted for two years from the effective date of this decision. During that period the information shall not be made accessible or disclosed to anyone other than the Commission staff except on the further order or ruling of the Commission, the Assigned Commissioner, the assigned Administrative Law Judge (ALJ), or the ALJ then designated as Law and Motion Judge.

18. If San Diego Gas and Electric Company and Southern California Gas Company believe that further protection of the information kept under seal is needed, they may file a motion stating the justification for further withholding of the information from public inspection, or for such other relief as the Commission rules may then provide. This motion shall be filed no later than one month before the expiration date.

19. This order is effective today.

Dated _____, at San Francisco, California.

APPENDIX A

[Grueneich Appendix A](#)