

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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

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

**COMMENTS OF THE UTILITY REFORM NETWORK ON THE
PROPOSED DECISION OF COMMISSIONER GRUENEICH**

July 7, 2010

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SUMMARY OF RECOMMENDATIONS

- The Proposed Decision should be modified to correct the omission of the following language, which was contained in the R.10-02-005 interim order on payment plans: “Each utility may implement a repayment plan schedule that exceeds twelve months, but we are not currently requiring any utility to extend the schedule beyond three months.”
- The Proposed Decision should be modified to correctly reflect all record evidence regarding the correlation between payment plan duration and risk of default, as presented by PG&E and SDG&E /SoCalGas.
- The Proposed Decision should be modified to correct the mischaracterization of PG&E’s pre-OIR policy on late-payment deposits.

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**COMMENTS OF THE UTILITY REFORM NETWORK ON THE
PROPOSED DECISION OF COMMISSIONER GRUENEICH**

I. Introduction

On February 5, 2010, the Commission issued *Order Instituting Rulemaking to Establish Ways to Improve Customer Notification and Education to Decrease the Number of Gas and Electric Utility Service Disconnections* (OIR). On June 17, 2010, the Commission issued Commissioner Grueneich's interim proposed decision, titled *Interim Decision Implementing Methods to Decrease the Number of Gas and Electric Utility Service Disconnections* (PD). Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, The Utility Reform Network (TURN) submits these comments on the PD.

The PD explains, "As the economic crisis in California continues, taking immediate action before winter 2010-2011 is necessary to help reduce gas and electric disconnections."¹ Accordingly, the PD would require Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Southern California Gas Company (SoCalGas) to implement certain customer service measures intended to reduce residential shutoffs for nonpayment, including measures pertaining to payment plans, customer deposits, and utility contact with customers prior to disconnection.² The PD would require that these measures be effective until January 1, 2012, and would additionally adopt expanded reporting requirements related to customer arrearages and disconnections.³ Finally, the PD would

¹ PD, p. 1.

² See PD, pp. 1-3.

³ PD, p. 3.

establish a second phase of this proceeding to address other important customer service measures proposed by parties in comments, as well as the process for reasonableness review and potential recovery of any significant costs associated with the requirements placed on the utilities in this proceeding.⁴

TURN is generally strongly supportive of the PD. While the PD would not adopt all of the practices advocated by TURN and the other consumer groups active in this proceeding, the PD would take very important steps to reduce gas and electric service disconnections in California. In the sections that follow, TURN recommends several modifications to the PD that should be incorporated prior to its adoption by the Commission.

II. Comments

A. The PD Should Not Limit the Discretion of Utility CSRs to Offer Payment Plans Longer than Twelve Months.

The PD would continue the interim measure regarding payment plans required by the Commission in the OIR. The PD would require:

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.⁵

The PD also provides that “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.”⁶

While this language is consistent with the requirements in the OIR that the PD

⁴ PD, pp. 25-26.

⁵ PD, p. 28, Ordering Paragraph 1.

⁶ PD, p. 28, Ordering Paragraph 1. See also PD, p. 2 and p. 11.

seeks to continue, the OIR contains one additional sentence missing from the PD. The OIR clarifies, “Each utility may implement a repayment plan schedule that exceeds twelve months, but we are not currently requiring any utility to extend the schedule beyond three months.”⁷ The PD likewise recounts that the OIR contains this clarification but then omits it from the discussion and ordering paragraph actually extending the OIR payment plan measure through January 1, 2012.⁸

The PD should be modified to continue to explicitly authorize each utility to extend to customers payment plans exceeding twelve months when circumstances may warrant such a plan. No party has taken the position that payment plans exceeding twelve months are never appropriate. The Commission’s decision in this proceeding should not lend support to such an unduly restrictive suggestion.

No changes to Findings of Fact or Conclusions of Law are necessary to correct this omission.

B. The PD Mischaracterizes the Record Evidence Regarding the Correlation Between Payment Plan Duration and Risk of Default.

The PD would find that “[i]nformation 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.”⁹ However, the PD overlooks other record evidence proffered by NCLC, which tends to undercut the usefulness of the utilities’ showing.

In reply comments filed on April 2, 2010, NCLC points out that neither PG&E nor the Joint Utilities provide any information about “key variables that may be related to

⁷ OIR, p. 2, fn. 1.

⁸ PD, p. 5 (discussing the interim measures adopted in the OIR), fn. 2.

⁹ PD, p. 26, Finding of Fact 5; *see also* PD, pp. 10-11.

the success of deferred payment agreements,” such as the payment requirement under the agreement, the level of pre-existing arrears, and the income level of customers entering into agreements of various lengths.¹⁰ These variables would influence the affordability of the monthly payment requirement. A large arrearage spread over a longer payment arrangement term could still require larger monthly payments than a smaller arrearage spread over a shorter payment term, and of course household circumstances are directly related to whether a household can keep up with monthly repayment terms that may not have been set at a truly affordable level.¹¹

Given NCLC’s showing, the PD errs in focusing only on what appears to be a simple correlation between payment plan duration and success rate, as interpreted by PG&E and SDG&E / SoCalGas. As a result, the PD oversimplifies the matter in concluding that “it does appear from the information provided that longer payment periods result in an increased likelihood that payment plans will be broken.”¹² The PD should be modified to strike the pertinent language on pages 10 and 11 and in Finding of Fact 5.

Alternatively, the PD should be modified to add language about the limitations of the utility’s information. The PD should note that it is difficult to reach any meaningful conclusions about the real drivers of what appears to be a correlation between payment plan duration and success rate, given the absence of information about other variables known to impact plan affordability, including total arrearage, installment payment amount, and income levels of customers entering into payment plans of various lengths.

¹⁰ NCLC Reply Comments, pp. 1-2.

¹¹ See NCLC Reply Comments, pp. 3-4.

¹² PD, p. 11.

TURN has proposed changes to Finding of Fact 5 in Appendix A to implement these recommendations.

C. The PD Mischaracterizes PG&E’s Pre-OIR Practices Regarding Late Payment Deposits.

The PD would prohibit the utilities from requiring a re-establishment of credit deposit for late-payment of bills, specifically requiring that SoCalGas and SDG&E “waive re-establishment of credit deposits for late payment of bills” and that PG&E and SCE “continue their practice of not collecting credit deposits for late payment of bills.”¹³ The PD explains that “PG&E and SCE do not require a credit deposit for late-payment of bills while the Joint Utilities [SDG&E and SoCalGas] require a credit deposit for late-payment of bills.”¹⁴ Accordingly, the PD assumes that this change in policy “only impacts the Joint Utilities.”¹⁵

The PD’s characterization of PG&E’s practice is incorrect; SCE is the only utility that did not charge late-payment deposits prior to the OIR. The PD should be modified to direct that SCE continue its practice and PG&E, SDG&E and SoCalGas join SCE in not collecting re-establishment of credit deposits for late-payment.

No changes to Findings of Fact or Conclusions of Law are necessary to correct this error, although Ordering Paragraphs 3 and 4 should be revised.

III. Conclusion

TURN greatly appreciates the attention the Commission has given to the urgent issue of assisting customers who are at risk of gas and/or electric utility service

¹³ PD, p. 2. *See also* PD, Ordering Paragraphs 3 and 4.

¹⁴ PD, p. 13.

¹⁵ PD, p. 13.

termination. TURN urges the Commission to adopt the PD with the modifications discussed herein.

Date: July 7, 2010

Respectfully submitted,

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Appendix A

Proposed Modifications to Findings of Fact and Conclusions of Law

Findings of Fact

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.~~

Alternatively:

5. Information from PG&E and the Joint Utilities ~~shows~~ suggests that the greater the payment period, the more likely it is that a customer will default on a pay plan. However, it is difficult to reach any meaningful conclusions about the correlation between payment plan duration and success rate, given our lack of information about other variables known to impact plan affordability, such as total arrearage, installment payment amount, and income levels of customers entering into payment plans of various lengths.

Conclusions of Law

None

CERTIFICATE OF SERVICE

I, Larry Wong, certify under penalty of perjury under the laws of the State of California that the following is true and correct:

On July 7, 2010, I served the attached:

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on all eligible parties on the attached list **R.10-02-005** by sending said document by electronic mail to each of the parties via electronic mail, as reflected on the attached Service List.

Executed this July 7, 2010, at San Francisco, California.

/S/
Larry Wong

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