PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Item 43, I. D. #5621

ENERGY DIVISION **RESOLUTION E-3991**

May 25, 2006

R E S O L U T I O N

Resolution E-3991. San Diego Gas & Electric Company's (SDG&E) notice of intent to close the Mountain Empire and San Clemente Branch Offices on May 1, 2006 and to relocate its San Diego Branch Office. Approved.

By Advice Letter 1779-E, filed on February 28, 2006.

SUMMARY

SDG&E's request to close the Mountain Empire and the San Clemente branch offices is granted.

This Resolution approves the closure of the Mountain Empire and the San Clemente branch offices and allows SDG&E to move the San Diego branch office to another site in the San Diego downtown area

- SDG&E has provided sufficient public notice of the closures.
- SDG&E has provided alternative payment and non-payment options for residential customers.
- SDG&E has addressed employee impacts.
- SDG&E, the California Building Industry Association, and the Building Industry Association of Orange County have agreed to an alternative payment transaction process to resolve issues raised by the proposed closure of the San Clemente branch office.

BACKGROUND

SDG&E proposes to close branch payment operations at its Mountain Empire and San Clemente branch offices.

SDG&E currently has nine branch offices throughout its service territory. After a detailed assessment, SDG&E concludes that it is appropriate to close branch payment operations at its Mountain Empire (ME) and San Clemente (SC) branch offices on May 1, 2006 due to declining activity and fewer payment transactions over the past ten years. SDG&E also notes that on approximately May 1, 2006, it plans to relocate its San Diego branch office from the Sempra headquarters building to the City of San Diego Treasurer's Office, about two blocks away. In its comments on the draft resolution, SDG&E states that its earlier plans to move to the City of San Diego Treasurer's office have been delayed. Instead, this office will be relocated within the branch of the Financial 21 Credit Union, about four blocks from its current location on June 1, 2006.

SDG&E proposes to close branch offices due to declining transactions.

SDG&E reports that the ME and SC offices have been experiencing a long term trend in declining payment transactions since 1987. The payment volume in the ME office has declined by 41% from 1997 to 2005; the payment volume in the SC office has declined by 57% over the same period. The number of transactions per office in 2005 was only 2,060 for ME, but was 19,166 for SC. Other branch office payment transactions ranged from 48,805 to 234,737.

SDG&E states that the reduced activity has led to its incurring unnecessary expenses operating the stand-alone payment facilities. SDG&E notes that Authorized Payment Locations (APLs) are available as an alternative in the branch office regional areas and provide an expanded level of services, with more convenient locations and operating hours. Of over one million payment transactions in 2005, 526,586 were made using APLs.

SDG&E states that APL transaction costs provide a cost effective payment alternative.

SDG&E states that its average cost per payment transaction at an APL is $0.61, while the average cost per payment transaction at the ME facility is $20.48 and at

the SC facility is $5.25. SDG&E notes that the range of the other facilities' payment transaction costs is $2.02 to $4.49, with a weighted average cost of $2.49.

According to SDG&E there is currently one person assigned to each branch office to handle payment transactions. SDG&E intends to reassign these employees to other positions within the company after closing the branch offices. SDG&E advises that any cost savings associated with the ME and SC branch closings will be included in SDG&E's General Rate Case (GRC) for test year 2008. SDG&E expects those savings to be equivalent to two full-time employees.

SDG&E advises that it has established two APLs in the Mountain Empire area and another five APLs in the San Clemente area to provide alternative payment facilities for customers. The APL facilities also have direct lines to SDG&E's call center to provide personal communications for other customer services[1]. In all other respects, the branch offices will remain open to provide other SDG&E functions, such as providing line extension consultations and operational dispatching.

SDG&E states that customer notification of the closures has been extensive.

SDG&E states it has taken extensive efforts to inform customers of the payment operation closures and of service alternatives in advance of the closures. SDG&E has posted notices in the affected offices, met with local public officials and business leaders, advertised in local newspapers and provided announcements in local newsletters (in English and Spanish), and has notified affected customers and regular patrons of the particular offices by mailings. SDG&E reports that it will run more announcements during the end of April 2006. SDG&E states that it also has briefed Commission staff in the Customer Service and Information Division and the Division of Ratepayer Advocates on August 22, 2005, November 9, 2005, and February 16, 2006. SDG&E also briefed the Utility Consumer Action Network (UCAN) on two separate occasions.

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[1] The two APLs in the Mountain Empire area and the five in the San Clemente area are open on Saturdays and later than 5 p.m. during the week. Their locations are placed in the neighborhoods of customers that frequently use the current branch offices to make payments in person.

SDG&E states that its notification of the branch office closures made in AL 1779-E is in compliance with D.05-10-044.

In its advice letter SDG&E states that it is providing notice to the Commission of its intent to close the ME and SC branch offices in compliance with D.05-10-044. In that decision the Commission approved various emergency programs for low income customers in light of anticipated high natural gas prices in the winter of 2005-2006. SDG&E notes that D.05-10-044 endorsed SDG&E's commitment made in R.04-01-006 that it would not close any branch offices during the winter of 2005-2006. SDG&E also states that prior to the issuance of D.05-10-044 it had not been subject to any Commission decision requiring a filing with the Commission prior to closing a branch office. However, D.05-10-044 clarified that all energy utilities subject to that decision, which included SDG&E, require Commission approval prior to closing local offices.

D.98-07-077 established procedures for closing offices applicable to Southern California Edison Company.

SDG&E cites the most recent decision involving branch office closings, D.98-07-077 for Southern California Edison, as providing the procedural guidance it has followed for closing its branch offices.

NOTICE

Notice of AL 1779-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

Advice Letter 1779-E was protested by the California Building Industry Association (CBIA) and the Building Industry Association of Orange County (BIAOC) on March 16, 2006. CBIA and BIAOC withdrew their joint protest on May 9, 2006 conditioned on SDG&E's written acceptance and support of the Customer Payment Remittance Processing statement appended to the May 9 letter withdrawing the protest.

CBIA and BIAOC (or "the builders") object to the closure of the San Clemente Branch Office in that it will delay the timely processing of line extension payments and the release of project work orders by at least two to four days. As a consequence CBIA and BIAOC argue that closure of the SC branch office to them will cause costly delays in the coordination of utility joint-trench construction timetables, impacting residential development and housing costs in the area. CBIA and BIAOC state that while AL 1779-E addresses the impacts and alternatives provided for rural, elderly, bilingual, and low-income customers for conducting transactions, it fails to address the impact of closure of the SC office upon local builders and developers.

CBIA and BIAOC state that they would not object to the closure of the San Clemente branch office if other means were implemented to allow them to pay for line extensions in person elsewhere in southern Orange County with an equal turnaround in line extension permit processing. Since APLs do not accept large payments as are usually due under line extension contracts, a builder's only current alternative is to overnight-mail a payment to San Diego or to drive 50 miles to an SDG&E bill payment office in San Diego County.

SDG&E had not found a workable solution for the builders prior to May 9, 2006.

SDG&E replied to CBIA and BIAOC's protest on March 27, 2006, stating that it has investigated what options might exist to provide the builders with a better alternative, but has not found a workable solution. One alternative considered was to allow the builders to continue to make their payments for line extensions at the SC office. However, this idea was ruled out because it would be improper for the existing SDG&E personnel who provide the line extension services to builders to also accept payments for the line extensions[2].

In support of its reply to the protest, SDG&E submitted data identifying the line extension payments made in the SC office over the past six calendar months. Fifty-one line extension transactions were made ranging from $415 to $144,311, with the majority of transactions in the thousands, overall averaging $19,953.

[2] SDG&E's practices for compliance with the federal Sarbanes-Oxley Act of prohibit personnel in the same group generating invoices to receive invoice payments.

SDG&E argues that causing at most a one-day delay in processing of line extension work for an average of only eight transactions a month does not justify the cost to customers generally of keeping the San Clemente branch office open. In AL 1779-E, SDG&E explains that keeping the SC branch open would require retaining the one SDG&E employee currently handling branch transactions, and adding enhanced security (cameras, bullet-proof glass, etc.) at a cost of $190,000. Relocating the transaction operations to another facility would cost $350,000.

In its reply to the builders' protest, SDG&E argues that the builder's estimates of a two to four day delay are incorrect. SDG&E states that "the closure will add only one day to the process if the builder or developer uses the option it has to make payment by overnight delivery to SDG&E's headquarters in San Diego. SDG&E adds that most line extension payments to SDG&E are received by mail, including overnight delivery, and that wherever payments are received SDG&E personnel receiving the payments notify SDG&E line extension project management by telephone of the receipt of the payment on the same day.

On May 12, SDG&E submitted comments on the draft resolution stating that "SDG&E confirms that the Builders' May 9, 2006 (letter), correctly describes the undertaking that SDG&E has made that resolved their concerns and allowed them to withdraw their protest. In summary, SDG&E will accept faxed or emailed evidence that a person paying for a line extension in Orange County has sent the payment by overnight delivery service, and treat the payment has (sic) having been received that day for purposes of authorizing the start of the line extension work."

DISCUSSION

Public Utilities Code §451 (PU Code) provides that "Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service . . . and facilities . . … as are necessary to promote the safety, health, comfort and convenience of its patrons, employees, and the public."

The Commission has reviewed similar office closures for other California utilities under formal proceedings, but not for SDG&E. In its comments on the draft resolution, SDG&E suggests that with the protest withdrawal, Energy Division should lift the suspension of the advice letter, withdraw the resolution, and issue a letter of approval because there is no requirement for the Commission to issue

a resolution where there is no protest. Rule 4.7, appended to D.05-01-032 states that an advice letter is subject to staff disposition whenever such disposition would be a ministerial act. Staff disposition of SDG&E's advice letter would not be a ministerial act in this case. The Commission has not established a specific process whereby SDG&E may close an office by filing an advice letter that is subject to staff disposition.

In D. 92-08-038, the Commission found that Southern California Gas Company's (SoCalGas) "closure of 12 branch offices with inadequate notice and without reasonable alternative services in place was unjust and unreasonable and clear violation of PU Code §451." D.92-09-038 required SoCalGas to reopen its offices and to file reports demonstrating that it had provided adequate notice and alternative services prior to any office closure.

In a Pacific Gas and Electric Company (PG&E), General Rate Case decision (D.95-12-055) the Commission required PG&E to seek the authorization required of SoCalGas in D.92-08-038 prior to closing a local business office. It further required PG&E to submit an advice letter describing customer notice and local service alternatives prior to closing a local business. D.98-07-077 established branch office closure procedures for Southern California Edison (SCE), which instituted procedures already in place for PG&E and SoCalGas to insure a proper public notice and information process for service quality. Energy Division notes that in its current GRC, PG&E has proposed to close all branch offices in favor of APLs.

SDG&E has followed standards for branch office closures applicable to other utilities.

The standards developed for the other utilities for assessing business office closures, listed below, have been followed by SDG&E. The other utilities' have been required by decision to file advice letters detailing their actions; they must demonstrate a rational basis for the closure and must provide no discriminatory impact of closure upon poor, elderly, minority or rural customers.

- Payment and non-payment transaction alternatives must be provided.
- Customer notices must be made through mailings, prominent postings, and should be bilingual.
- Community briefings should be made.
- Responses received by the company should be identified.

- Employee impacts should be addressed.
- Utility costs should be addressed.

SDG&E's AL 1779-E contains examples of its office postings in English and Spanish and the letters it has sent to customers. Customers have been provided a list of APL locations in their areas; a map is also attached. SDG&E reports that it has contacted the Pine Valley, Boulevard and Campo-Lake Morena community planning groups in the ME area. SDG&E states that it has addressed the San Clemente office closure in the televised City Council public meeting on February 7, 2006, and has discussed the closure with the San Clemente Chamber of Commerce and the South County Senior Services agency, also in February 2006. Finally, SDG&E states that it has had three meetings with UCAN regarding the closures.

There have been few customer comments to the office closures proposed by SDG&E.

SDG&E reports that it received eight comments at the two branch offices regarding the closures and that these customers were informed of the nearby APLs for payments and the call center phone lines available for other transactions. The Commission's Consumer Affairs Branch and Public Advisor have received no complaints. Energy Division requested copies of the comments SDG&E transcribed from customers regarding the branch office closures. Overall, there are few transcribed comments. Eight out of the ten comments received concerning the San Clemente office closure are negative (opposed to closure). No negative comments were received regarding the Mountain Empire office closure.

Other alternatives were suggested.

Energy Division requested that SDG&E assess the costs of using wire transfers as an alternative to overnight payment delivery or traveling to another branch office for the affected building association customers. SDG&E responded that wire transfers require the customer to pay a $25- $50 fee to the customer's bank transferring funds to SDG&E. In addition, SDG&E states that it must also pay a $10-$15 fee for receiving a wire transfer in an SDG&E bank account. It does not appear that a wire transfer is a viable option for either SDG&E or the business community.

Closure of the Mountain Empire office is reasonable.

Weighing the supportive evidence filed with AL 1799-E, closing the Mountain Empire branch office appears to be a reasonable business decision, saving a $20+ per transaction cost. There were no complaints or negative comments from customers regarding this office closure and no party has protested AL 1779-E on the grounds that SDG&E intends to close the ME office. SDG&E has taken appropriate steps to notify its customers and local community groups of the closures, and reasonable alternatives have been established.

Similarly, moving the San Diego office from the Sempra Headquarters building appears to be a reasonable decision. This move will relocate the office within the downtown San Diego area, closer to public transportation and shopping corridors, and should improve customer service.

Closure of the San Clemente office is reasonable.

With the withdrawal of the builders' protest on May 9, 2006 and SDG&E's acceptance and support of the alternative payment option referenced above, Energy Division recommends Commission approval of SDG&E's San Clemente office closure. The new procedures provide specific instructions for the Orange County builders, enabling a short turnaround in payment options in addition to the established procedures in place since June 1, 2004.

SDG&E filed AL 1779-E on its own initiative to provide notification of its intent to close offices.

SDG&E filed AL 1779-E on its own initiative, not in compliance with any Commission order. SDG&E states in AL 1779-E that it provides notice to the Commission of its intent to close the ME and SC offices in compliance with D.05-10-044. D.05-10-044 stated that the utilities' pledges not to close local offices during the winter of 2005-2006 are appropriate, and clarified that the utilities require the Commission's approval prior to closing offices. That decision did not establish specific procedures applicable to SDG&E or specifically authorize SDG&E to notify the Commission of its intent to close offices by advice letter. Although SDG&E has followed procedures for branch office closures cited in other decisions applicable to SoCalGas, PG&E and SCE, it may not claim compliance with D.05-10-044.

In its comments on the draft resolution, SDG&E requests an explanation of the above paragraph and why AL 1779-E does not comply with D.05-10-044.

Decision 05-10-044 addressed the impacts of very high natural gas prices during the 2005-6 winter season. At page 30, the decision states:

> ***Local Offices***
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> In response to inquiries from various consumer parties, each utility has pledged that it will not close any local offices or pay centers during the winter months. This is appropriate, and important, since more ratepayers than normal may need assistance in establishing payment schedules, or may need the benefit of an in-person payment option to help control costs. In the past, this Commission has directed most utilities to close no local offices without prior Commission approval. We make it clear, here that this restriction applies to all of the energy utilities that are the subject of this order.

SDG&E and all other utilities subject to D.05-10-044 were held to their pledges to not close any local offices or pay centers during the winter months. D.05-10-044 further clarifies that the Commission has directed most utilities to close no local offices without prior Commission approval. Specifically, there is no order in D.05-10-044 directing SDG&E to file an advice letter in compliance with D.05-10-044 so that it may close its local offices.

As the quote above from D.05-10-044 shows, the Commission treats closures of local offices as an important matter. It is appropriate for staff to present a resolution on this matter for the Commission's approval.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, a draft resolution was mailed to parties for comments. SDG&E submitted comments on the draft resolution on

May 12, 2006. Some changes were made to the draft resolution based on SDG&E's comments.

FINDINGS

1. By Advice Letter 1779-E filed on February 28, 2006, SDG&E proposes to close branch payment operations at its Mountain Empire and San Clemente Branch Offices on May 1, 2006 due to declining activity and fewer payment transactions.

2. SDG&E intends to relocate its San Diego Branch Office to a nearby, downtown location.

3. Authorized Payment Locations are available in the branch office regional areas and provide an expanded level of services, with more convenient locations and operating hours.

4. The average SDG&E cost per payment transaction at an APL is $0.61.

5. The average cost per payment transaction at the ME facility is $20.48 and at the SC facility is $5.25.

6. Upon closure of the branch offices, SDG&E intends to reassign the ME and SC employees to other positions within the company.

7. SDG&E proposes to include any cost savings associated with the ME and SC branch closings in its General Rate Case for test year 2008.

8. Two APLs have been established in the Mountain Empire area and another five APLs in the San Clemente area which also have direct lines to SDG&E's call center to provide personal communications for other customer services.

9. SDG&E has posted notices in the affected offices, met with local public officials and business leaders, advertised in local newspapers and provided announcements in local newsletters (in English and Spanish), and has notified affected customers and regular patrons of the particular office closures by mailings.

10. SDG&E has relied on D.98-07-077 for the procedural guidance to close its branch offices.

11. CBIA and BIAOC submitted a protest dated March 16, 2006 on SDG&E's AL 1977-E. CBIA and BIAOC object to the closure of the San Clemente Branch Office because it will delay the timely processing of line extension payments and the release of project work orders by at least two to four days.

12. CBIA and BIAOC claim that closure of the SC branch office will cause costly delays in the coordination of utility joint-trench construction timetables, impacting residential development and housing costs in the area.

13. CBIA and BIAOC would not object to the closure of the San Clemente branch office if other means were implemented to allow them to pay for line extensions in person elsewhere in southern Orange County with an equal turnaround in line extension permit processing.

14. APLs do not accept large transaction payments as are usually due under line extension contracts.

15. The builders' only current alternative is to overnight-mail a payment to San Diego or to drive 50 miles to an SDG&E bill payment office in San Diego County.

16. SDG&E has investigated what options might exist to provide the builders with a better payment alternative, but has not found a workable solution.

17. CBIA and BIAOC withdrew their joint protest on May 9, 2006 conditioned upon SDG&E's acceptance and support of the Customer Payment Remittance Processing statement appended to its notification of withdrawal letter.

18. SDG&E confirms that the Builders' May 9, 2006 letter withdrawing their protest, correctly describes the undertaking that SDG&E has made that resolved their concerns and allowed them to withdraw their protest.

19. PG&E, SCE, and SoCalGas have been required by separate decisions to file advice letters detailing their actions regarding office closures; they must demonstrate a rational basis for the closure and must provide no

discriminatory impact of closure upon poor, elderly, minority or rural customers.

20. A wire transfer is not a viable option for either SDG&E or the business community.

21. Closing the Mountain Empire branch office appears to be a reasonable business decision, saving a $20+ per transaction cost.

22. Moving the San Diego office from the Sempra Headquarters building is reasonable.

23. The San Clemente office closure is reasonable given that the builders withdrew their protest and SDG&E has accepted the Customer Payment Remittance Processing statement appended to the builders' May 9, 2006 letter withdrawing the protest.

24. The San Clemente office provides services to a large community segment within SDG&E's territory.

25. D.05-10-044 does not specifically order or authorize SDG&E to provide notification to the Commission of its intent to close its branch offices by filing an advice letter.

THEREFORE IT IS ORDERED THAT:

1. The request of SDG&E to close its Mountain Empire and San Clemente branch offices and to move its San Diego Branch Office as notified in Advice Letter AL 1779-E is approved effective as of the date of this resolution.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on May 25, 2006; the following Commissioners voting favorably thereon:

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STEVE LARSON
Executive Director