

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 _____

**ORDER INSTITUTING RULEMAKING
TO ESTABLISH WAYS TO IMPROVE CUSTOMER NOTIFICATION
AND EDUCATION TO DECREASE THE NUMBER OF GAS
AND ELECTRIC UTILITY SERVICE DISCONNECTIONS**

1. Summary

We open this rulemaking to continue our efforts to reduce the number of gas and electric utility service disconnections due to nonpayment by improving customer notification and education. The economic crisis currently existing in California and a recent increase in utility service disconnections has led us to reexamine utility disconnection rules and practices. We want to identify more effective ways for the utilities to work with their customers and develop solutions that avoid unnecessary disconnections without placing an undue cost burden on other customers.

In this rulemaking, we require Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) to implement the following interim practices no later than five business days of the mailing of this order:

- 1) All customer service representatives (CSRs) must inform any customer that owes an arrearage on a utility bill that puts them at risk for disconnection that the customer has a minimum of three months to arrange for a bill payment plan in which to repay the arrearage. CSRs may exercise discretion as to extending the three months up to twelve months¹ 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 continue to be 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) Any utility that has the electronic ability to disconnect service remotely, must not utilize the remote system to disconnect a customer because the customer is delinquent in bill payments. Utilities may initiate service or re-connect a customer remotely.
- 4) Each utility is authorized to file a Tier 1 advice letter to establish a memorandum account to track any significant additional costs associated with complying with the three new practices initiated with this rulemaking, including the operations and maintenance charges associated with implementing the practices as well as any uncollectables that are in excess of those projected in the utility's last general rate case. As part of this proceeding, the Commission will consider the process for determining the categories and amounts of costs in the memorandum account that should be considered reasonable for recovery, as well as the appropriate methods for recovery.

¹ 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 twelve months.

The utilities and parties will have an opportunity to comment on these interim practices and their efficacies, as well as sunset provisions if appropriate, while the parties continue to explore and dialogue about other solutions to assist customers to pay their utility bills and avoid disconnection of service. The Commission recognizes that each utility has been implementing its own respective program on outreach and education to reduce the number of unnecessary disconnections; however, there has been no consistency or uniformity across all utilities. The Commission is initiating this Rulemaking to incorporate the productive and effective practices that each utility can share so that all gas and electric utilities have the benefit of implementing best practices in this area.

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. (Petition (P.) 09-06-022.) In response to TURN's Petition, a proposed decision issued on September 25, 2009, which examined the existing low-income programs that are available to low-income customers, evaluated whether the utilities are performing outreach and education on the availability of the low-income programs, and considered whether any additional programs are necessary at this time. Upon initial examination, the proposed decision determined that existing programs and outreach were sufficient and that a rulemaking was not needed at this time.

On November 19, 2009, the Division of Ratepayer Advocates (DRA), who strongly supported TURN's Petition, 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 contained in DRA's Report, President Peevey announced that the Commission would hold an en banc on December 17, 2009.

Commissioners Peevey, Grueneich, Bohn and Simon participated in the en banc and listened to presentations from DRA, TURN, Greenling Institute and the four major utilities. From the en banc discussion, the Commission learned that the disconnection rate was rapidly rising for low-income households. In addition, the utilities reported that a very high percentage of customers who are disconnected are reconnected within 48 hours.

Following the en banc, all four utilities agreed to a moratorium on service disconnections beginning December 21 and extending through January 5.² The reasoning behind the moratorium was to enable customers and the utilities to have time to contact one another about arrearage repayment without fear of a disconnection during the holiday/winter period.

The Commission then held a workshop on January 5, 2010 to afford the utilities and other stakeholders an opportunity to discuss "best-practices" for customer outreach and education so that customers can address repayment of arrearages *before* they are disconnected. The emphasis by the Commission was on having the utilities work within their communities to get the word out that households having difficulty paying their utility bill should immediately contact their electric or gas company to discuss how to best repay the arrearage, prevent disconnection, and see whether there are ways to decrease the monthly bill through assistance programs or energy efficiency efforts.

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

The Commission had envisioned that through the en banc and workshop efforts that the utilities could individually, or jointly, develop innovations to their current bill collection practices that would assure the Commission that bill arrearages and disconnections were being thoroughly addressed by the utilities resulting in fewer residential disconnections. However, the Commission now believes it is appropriate to open a rulemaking to gather input from the utilities and consumer groups on ways to decrease the number of household disconnections while at the same time not shifting the burden of non-paying customers to other ratepayers.

3. Implementation of New Practices

Following the en banc and workshop, the Commission carefully considered the exchange of information between the utilities and the consumer advocates and determined that there are some interim practices the Commission can implement immediately that are aimed at addressing the Commission's primary focus: having the utilities work with their customers to address bill arrearages before disconnection. While we recognize that disconnections for non-payment of utility bills will never be completely obliterated, we find that the following procedures are intended to offer immediate help for customers to address bill arrearages and avoid disconnections. Therefore, we direct PG&E, SCE, SDG&E and SoCalGas to immediately implement the following practices no later than five business days after the mailing of this order:

- 1) All CSRs must inform any customer that owes an arrearage on a utility bill that puts them at risk for disconnection that the customer has a minimum of three months to arrange a bill payment plan in which to repay the arrearage. CSRs may exercise discretion as to

- extending the 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 re-payment plan, as long as the customer is informed of the three-month option. Customers must continue to be 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) Any utility that has the electronic ability to disconnect service remotely, must not utilize the remote system to disconnect a customer who is delinquent in bill payments. Utilities may initiate service or reconnect a customer remotely.
 - 4) Each utility is authorized to file a Tier 1 advice letter to open a memorandum account to track any significant additional costs associated with complying with the three new practices initiated with this rulemaking, including the operations and maintenance charges associated with implementing the practices as well as any uncollectables that are in excess of those projected in the utility's last general rate case. As part of this proceeding, the Commission will consider the process for determining the categories and amounts of costs in the memorandum account that should be considered reasonable for recovery, as well as the appropriate methods for recovery.

We recognize two important principals: (1) utility service is a matter of health and safety and we do not have the luxury of time to fully flush out best practices in a long proceeding before we take any action to address the current disconnection rate; and (2) we do not have a complete record to fully and finally

³ 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 twelve months.

determine if the above practices are sufficient to help the Commission meet its goal of reducing disconnections whenever some other method of bill payment can be arranged. Therefore, we ask the utilities and the consumer groups to continue their dialogue and efforts to determine what are the best practices, and to assess whether the interim practices we are establishing today are ones that will ultimately further our goals.

To ensure that the Commission and parties can fully evaluate the efficacy of these interim practices, and to assist the Commission in determining whether to maintain, expand, or modify these practices, and whether or if to sunset them, we will require the utilities to submit monthly reports of specific disconnection-related data including the number of disconnections experienced by each utility. Appendix A contains the additional data to be submitted on a monthly basis by each respondent investor-owned utilities.

In addition, it has come to our attention through reports on utility-sponsored focus groups that an anomaly occurs in the billing/accounting departments of the utilities when a customer owes both for an arrearage and a current bill. For illustration purposes, assume a customer owes an arrearage of \$150, is on a 3-month re-payment plan whereby the customer pays \$50 towards the arrearage, and the customer has a current monthly bill of \$100. If the customer makes a payment of \$150, representing the \$50 arrearage payment and the \$100 current bill payment, how does the utility ensure that the proper monies are credited to the appropriate accounts? If all \$150 is applied to the arrearage, the customer is delinquent on the current bill, whereas if all \$150 is applied to the current bill the customer has a credit, but is in default on the arrearage re-payment arrangement. We request that the utilities propose a uniform

billing/accounting methodology that ensures that the customer receives proper credit for monies paid.

4. Preliminary Scoping Memo

As required by Rule 7.1(d) of our Rules of Practice and Procedure (Rules), this order includes a preliminary scoping memo as set forth below. Unless a further Scoping Memo is deemed appropriate by the assigned Administrative Law Judge (ALJ) or the assigned Commissioner, the Preliminary Scope will be addressed in the first decision in this proceeding. As previously stated, the focus of this proceeding is to reduce the number of gas and electric utility service disconnections due to nonpayment by improving customer notification and education, including ways to help customers avoid disconnections while working with the utilities to pay arrearages and keep current on bills.

In addition to the practices we are implementing with the issuance of this Rulemaking, we also ask parties to consider the following issues as part of the scope of the proceeding and inform the Commission in your comments on whether to adopt any of the following practices:

- Best practices for contacting customers who are delinquent in their bill payments, including all methods such as bill inserts, special colored-bills, individualized messages on a bill, separate mailings, dropped-off notices, telephone calls [including whether live-voice or recorded messages], e-mails, text-messaging, third-party notification, etc.;
- Language options and how a utility would know what language would be appropriate for a particular household;
- Outreach and education about customer assistance programs, energy efficiency programs, bill management options, balanced payment plans, etc.;

- How customers are “targeted” for outreach and education information, and whether the customer should be required to initiate the first contact;
- Whether CSRs should have “scripts” or be left to their own discretion in how they communicate with each individual customer;
- How should the utilities tailor their automated call and written notices concerning disconnection so that customers who use telephone relay services and sight-impaired customers are receiving the notices;
- Whether the moratorium on the use of remote meters for disconnections should have a sunset date, and if so, what should the date be and why;
- If the moratorium on remote disconnections is lifted, should a utility charge a customer for a remote connection or disconnection;
- Whether the reporting requirements included in this rulemaking are sufficient or should they be eliminated or expanded;
- Whether the Commission should set a benchmark for the number of disconnections experienced and what such a benchmark should be; and
- If the utilities are not to collect post-service initiation deposits, are there other ways for the utilities to reduce future revenue losses from uncollectibles, such as financial institution guarantees;
- How does a utility distinguish between a payment extension and a payment installment plan and how is the difference communicated to the customer;
- If a customer requests a monthly billing date that is different from the date assigned by the utility, does the utility accommodate this request, and if so, how is the customer notified;

- How can the utilities strive to maintain the direct communication and personal contact that customers associate with in-person disconnection visits, when the utilities return to remote disconnections;
- How can all utilities incorporate best practices, such as those employed by SDG&E and SoCalGas, to work with community-based-organizations (CBO) and faith-based organizations to educated customers on the California Alternate Rates for Energy (CARE) and other assistance programs;
- Can the utilities explore utilizing data-sharing programs along the lines used by SDG&E to partner with school districts and use the free school lunch program data as a screen to enroll additional families in the CARE program, while protecting privacy issues.

5. Emergency Fund

Our regulated energy utilities have a unique opportunity to leverage available funds under the federal government's American Recovery and Reinvestment Act (ARRA) to provide critical payment assistance to eligible low-income customers. Under ARRA, funds were appropriated for the Temporary Assistance to Needy Families (TANF) Emergency Contingency Fund (Emergency Fund) over fiscal years 2009 and 2010. This Emergency Fund is in addition to the regular TANF Contingency Fund that needy families in California can access through established agencies during the economic downturn. Through this provision of ARRA, every one dollar of local contributions will be matched with four dollars from the Emergency Fund. Through this one time program that will expire on September 30, 2010, eligible low-income customers who have experienced an uncontrollable or unforeseen hardship may receive an energy credit on their utility bill.

To take advantage of this unique and fleeting opportunity, we direct respondent investor-owned utilities (IOUs) to file Tier 3 advice letters within 30 days of the effective date of this order outlining their proposed program to take advantage of the Emergency Fund. We envision that respondent IOUs will continue to use their shareholder and employee funded charitable contribution for this purpose, but may also present a proposal to transfer some funds collected in the CARE balancing account for this effort to leverage as much available ARRA funds as possible. We also expect that IOUs will keep administrative costs to a minimum in order to provide the greatest benefit to needy utility customers. And any unspent ratepayer amounts would be returned to the CARE balancing account.

This is not to be read as preapproval of the concept to transfer CARE dollars for this effort, but the Commission would like to consider this idea on an expedited basis in the advice letter process, so as to take full advantage of the limited time to access federal funding and to leverage as much money as possible to help needy families in California.

This advice letter filing should be utilized by all natural gas and electric utilities under the jurisdiction of this Commission, and not just by the respondents to this Rulemaking. The Commission's Executive Director will serve this OIR on all jurisdictional gas and electric utilities.

6. Schedule

We ask parties to comment on the three new practices we are adopting today, to suggest other practices that we should adopt, and to address the issues in Section 4. Opening comments are due March 12, 2010, and reply comments are due April 2, 2010. It is the Commission's intent to have a proposed decision on the Commission's agenda by June 2010. If parties suggest additional

workshops, parties should so state in their comments, specifying what topics should be covered in the workshop. Parties are also encouraged to meet on their own and present additional proposals within the scope of this proceeding, including a joint proposal agreed to by all utilities and consumer groups.

Consistent with Pub. Util. Code § 1701.5, we expect this proceeding to be concluded within 18 months of the issuance of the Scoping Memo, or if a Scoping Memo is incorporated into the final decision, within 18 months of the issuance of this rulemaking.

7. Category of Proceeding and Need for Hearing

Rule 7.1(d) provides that an order instituting rulemaking shall preliminarily determine the category of the proceeding and the need for hearing. Our preliminary determination is that this proceeding is quasi-legislative, as that term is defined in Rule 1.3(d). It is anticipated that the record for this proceeding will be developed through comments and reply comments, and no prehearing conference or evidentiary hearings will be necessary. However, the assigned ALJ or Commissioner may amend this determination.

Any person who objects to the preliminary categorization of this rulemaking as “quasi-legislative” or to the preliminary hearing determination shall state their objections in their opening comments described above. After considering the opening comments, the assigned Commissioner will issue a scoping ruling or decision making the final category determination.

8. Respondents

The respondents to this rulemaking are PG&E, SCE, SDG&E, and SoCalGas.

9. Becoming a Party; Joining and Using the Service List

We will provide for service of this order on the service list for P.09-06-022. Such service does not confer party status in this proceeding upon any person or entity, and does not result in that person or entity being placed on the service list for this proceeding. If you want to participate in the rulemaking or simply to monitor it, follow the procedures set forth below. To ensure you receive all documents, send your request within 30 days after the OIR is published. The Commission's Process Office will publish the official service list at the Commission's website (www.cpuc.ca.gov), and will update the list as necessary.

9.1. During the First 30 days

Within 30 days of the publication of this rulemaking, any person may ask to be added to the official service list. Send your request to the Process Office. You may use e-mail (Process_Office@cpuc.ca.gov) or letter (Process Office, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102). Include the following information:

- Docket Number of this Rulemaking;
- Name (and party represented, if applicable);
- Postal Address;
- Telephone Number;
- E-mail Address; and
- Desired Status (Party, State Service, or Information Only).⁴

⁴ If you want to file comments or otherwise actively participate, choose "Party" status. If you do not want to actively participate but want to follow events and filings as they occur, choose "State Service" status if you are an employee of the State of California; otherwise, choose "Information Only" status.

If the Rulemaking names you as respondent, you are already a party, but you or your representative must still ask to be added to the official service list.

9.2. After the First 30 Days

If you want to become a party after the first 30 days, you may do so by filing and serving timely comments in the Rulemaking (Rule 1.4(a)(2)), or by making an oral motion (Rule 1.4(a)(3)), or by filing a motion (Rule 1.4(a)(4)). If you make an oral motion or file a motion, you must also comply with Rule 1.4(b). These rules are in the Commission's Rules of Practice and Procedure, which you can read at the Commission's website. If you want to be added to the official service list as a non-party (that is, as State Service or Information Only), follow the instructions in Section 9.1 above.

9.3. Updating Information

Once you are on the official service list, you must ensure that the information you have provided is up-to-date. To change your postal address, telephone number, e-mail address, or the name of your representative, send the change to the Process Office by letter or e-mail, and send a copy to everyone on the official service list.

9.4. Serving and Filing Documents

When you serve a document, use the official service list published at the Commission's website as of the date of service. You must comply with Rules 1.9 and 1.10 when you serve a document to be filed with the Commission's Docket Office. If you use e-mail service, you must serve by e-mail any person (whether Party, State Service, or Information Only) on the official service list who has provided an e-mail address.

The Commission encourages electronic filing and e-mail service in this Rulemaking. You may find information about electronic filing at

<http://www.cpuc.ca.gov/PUC/efiling>. E-mail service is governed by Rule 1.10. If you use e-mail service, you must also provide a paper copy to the assigned Commissioner and ALJ. The electronic copy should be in Microsoft Word or Excel formats to the extent possible. The paper copy should be double-sided. E-mail service of documents must occur no later than 5 p.m. on the date that service is scheduled to occur.

If you have questions about the Commission's filing and service procedures, contact the Docket Office.

10. Public Advisor

Any person or entity interested in participating in this Rulemaking who is unfamiliar with the Commission's procedures should contact the Commission's Public Advisor in San Francisco at (415) 703-2074 or (866) 849-8390 or e-mail public.advisor@cpuc.ca.gov; or in Los Angeles at (213) 576-7055 or (866) 849-8391, or e-mail public.advisor.la@cpuc.ca.gov. The TTY number is (866) 836-7825.

11. Intervenor Compensation

Any party that expects to claim intervenor compensation for its participation in this rulemaking shall file its notice of intent to claim intervenor compensation no later than 30 days after the date of the issuance of this Rulemaking.

12. Ex Parte Communications

Communications with decisionmakers and advisors in this rulemaking are governed by Article 8 of the Rules of Practice and Procedure. Specifically, Rule 8 (a) allows ex parte communications without restriction or reporting requirement in "quasi-legislative" proceedings.

IT IS ORDERED that:

1. In accordance with Rule 6.1 of the Commission's Rules of Practice and Procedure (Rules), the Commission institutes this Order Instituting Rulemaking on its own motion to continue our efforts to reduce the number of gas and electric utility service disconnections due to nonpayment by improving customer notification and education.

2. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company are Respondents to this proceeding and are parties to this proceeding pursuant to Rule 1.4(d) of the Commission's Rules of Practice and Procedure.

3. No later than five business days after the mailing of this order, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company, and Southern California Gas Company must implement the following interim practices:

- (a) All customer service representatives (CSRs) must inform any customer that owes an arrearage on a utility bill that puts them at risk for disconnection that the customer has a minimum of three months to arrange for a bill payment plan in which to repay the arrearage. CSRs may exercise discretion as to extending the three months up to twelve months⁵ 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 continue to be current on their utility bills while repaying the arrearage balance.
- (b) Once a customer has established credit as a customer of that utility, the utility must not require that customer to pay

⁵ 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 twelve months.

additional reestablishment of credit deposits with the utility for either slow-payment/ no-payment of bills or following a disconnection.

- (c) Any utility that has the electronic ability to disconnect service remotely, must not utilize the remote system to disconnect a customer who is delinquent in bill payment. Utilities may initiate service or re-connect a customer remotely.
- (d) Each utility is authorized to file a Tier 1 advice letter to establish a memorandum account to track any significant costs associated with complying with the new practices initiated with this proceeding, including any operations and maintenance charges associated with implementation of the practices as well as any uncollectables that are in excess of those projected in the utility's last general rate case. As part of this proceeding, the Commission will consider the process for determining the categories and amounts of costs in the memorandum account that should be considered reasonable for recovery, as well as the appropriate methods for recovery.

4. The Executive Director will cause this Order Instituting Rulemaking to be served on Respondents Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company, and the service list of Petition 09-06-022. The Executive Director will also cause this Order Instituting Rulemaking to be served on all jurisdictional gas and electric utilities to notify them of the advice letter filing for emergency funds.

5. This Rulemaking is preliminarily determined to be a quasi-legislative proceeding as that term is defined in Rule 1.3 of the Commission's Rules of Practice and Procedure.

6. This proceeding is preliminarily determined not to need a hearing.

7. The expected timetable for this proceeding is as set forth in the body of this order. Opening comments are due March 12, 2010, and reply comments are due April 2, 2010.

8. Pursuant to Rule 6.2 of the Commission's Rules of Practice and Procedure, parties shall include in their Opening Comments any objections they may have regarding the category, need for hearing, issues to be considered, or schedule.

9. Interested persons must follow the directions in this Order Instituting Rulemaking to become a party or to be placed on the official service list as a non-party.

10. The Commission's Process Office will publish the official service list on the Commission's website (www.cpuc.ca.gov) as soon as practicable. Parties may also obtain the service list by contacting the Process Office at (415) 703-2021.

11. Any party that expects to claim intervenor compensation for its participation in this Order Instituting Rulemaking shall file its notice of intent to claim intervenor compensation no later than 30 days from the date of the issuance of this Rulemaking.

12. Respondents 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 specific disconnection data including the number of disconnections experienced by each of respondents. Appendix A contains the additional data to be submitted in each monthly report by each respondent. The first monthly report shall be filed on the same day that the Opening Comments are due, and further reports filed each month thereafter.

13. Respondents Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California

Gas Company are directed to file Tier 3 advice letters within 30 days of the effective date of this order outlining their proposed program to take advantage of the Emergency Fund.

14. The Assigned Commissioner or Assigned Administrative Law Judge has the authority to change the due dates in this order.

This order is effective today.

Dated _____, at San Francisco, California.

APPENDIX A

(Appendix A will follow)