

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3438

DATE: January 21, 2010

R E S O L U T I O N

Resolution G-3438. Southern California Gas Company (SoCalGas) request for approval of revisions to its Rule 10 - Service Charges.

Proposed Outcome:

SoCalGas proposes to increase the charges for appliance connections and seismic valve services, add charges for some equipment pieces, and revise tariff language related to bill payment for these services.

- 1) SoCalGas' request to revise the fees related to seismic valve services is denied.
- 2) SoCalGas' request to reduce the amount of time that bills are due, if billing is done separately from the monthly gas bill, is denied.
- 3) SoCalGas' request to revise existing tariff language to enable it to terminate service for failure to timely pay for the seismic valve service and other appliance connection charges is denied.
- 4) All other aspects of SoCalGas' request are approved.

Estimated Cost: \$222,629

By Advice Letter 3995 filed on June 22, 2009.

SUMMARY

This Resolution partly approves SoCalGas' revisions to its service charges proposed in Advice Letter (AL) 3995 as summarized below:

- 1) SoCalGas' request to increase the charges for appliance connections, which are billed directly to the customers who request such services, is approved.

- 2) SoCalGas' request to expand the list of charges for certain pieces of equipment needed for these services and to charge for gas log installation is also approved.
- 3) SoCalGas' request to increase the fees for seismic valve services is denied. SoCalGas does not have the authority to request increases in fees for seismic valve services by advice letter.
- 4) SoCalGas' request to reduce the amount of time that bills are due, when billing is done separately from the monthly gas service bill, is denied. SoCalGas provided insufficient justification for this reduction.
- 5) SoCalGas' request to revise existing tariff language to enable it to terminate service for failure to timely pay for the seismic valve service and other appliance connection charges is denied.

BACKGROUND AND DESCRIPTION OF PROPOSALS

Resolution G-2972, dated November 20, 1991, approved SoCalGas' request to charge a fee for connecting its customers' gas appliances. Customers have the option to obtain this service from non-utility providers such as plumbers and contractors.

Resolution G-2972 (which addressed appliance connections and set-timed appointments) provided that SoCalGas "...may seek rate relief if these rates are not compensatory over time" and that SoCalGas may request rate relief for these services by an advice letter. SoCalGas submitted AL 3995 as a Tier 3 advice letter under GO 96-B, Energy Industry Rule 5.3.

In AL 3995, SoCalGas proposes to increase the charges for appliance connections. SoCalGas proposes to increase the charges for these services, add charges for specific pieces of equipment needed to provide these services, and to add a fee for the installation of "gas logs" in fireplaces. SoCalGas claims that these charges reflect the actual cost of providing these services in order to prevent rate subsidization and to provide more flexible options to SoCalGas' customers. SoCalGas states that customer demand compels them to add installation of gas logs to their program.

According to SoCalGas, the proposed increases in these charges are needed to reflect increases in labor, gasoline, administrative costs, modifications of

manufacturers' standards, technology advances and more challenging customer needs. SoCalGas states that the charges for appliance connections have not been changed since 1991, when they were first approved.

SoCalGas also proposes to increase the charges for restoring service after a seismic valve activates to reflect increases in costs over the past seven years.

The current charges have been in effect since 2002. Decision (D.) 01-11-068 authorized SoCalGas to directly charge customers who request seismic valve services. D.01-11-068 states that the installation, maintenance and removal of the earthquake valve are the responsibility of the owner and not the utility. In addition, the decision affirms that when the earthquake valve shuts off gas for any reason, the restoration of gas service should not be subsidized by the utility's ratepayers. Language in the tariff allows the utility the option to waive the charges for restoration of service after a major earthquake. SoCalGas Rule 10 states the charges for such services.

Customers currently may pay the charge for these services either at the time of service or by separate billing. SoCalGas now proposes to eliminate the option to pay at the time of service. SoCalGas currently gives its customers the option to pay for set-timed appointments, appliance connection charges, or seismic valve service at the time service is rendered or by separate billing. However, SoCalGas states that customers have conveyed to utility employees that a separate bill is the preferred payment option, and that SoCalGas has been unable to collect field payments 65% of the time. In addition, SoCalGas wishes to more clearly separate the billing function from its service function. Finally, SoCalGas claims that there is a safety issue associated with service employees collecting payments once the service has been provided.

SoCalGas proposes to revise the current language of Rule 10.F and G.5 to eliminate the option of bill payment at the time of service completion. Instead, SoCalGas will allow customers the option of having the bill included on their monthly gas bill or being billed separately.

SoCalGas proposes that payment will be due in 20 days if the customer is billed separately, in lieu of the current due date of 30 days. SoCalGas stated that the charges for the set-timed appointment and appliance connection charges are likely to be billed with the bill for gas service. Under paragraph C.1 of Rule Number 9, residential customers who are normally billed monthly have a

minimum of 34 calendar days between the date of mailing the bill and the date of service termination for non-payment. Non-residential customers must pay their gas bills within shorter time periods. SoCalGas asserts that this language aligns billing for all customers utilizing these service offerings.

SoCalGas also proposes to delete the current tariff language which states that the gas service will not be terminated for failure to pay for the seismic valve service. SoCalGas proposes to delete the language in Section 10.G.5 of Rule 10 stating "...but will not terminate gas service for failure to pay for any services rendered pursuant to this section." According to SoCalGas, the inability to terminate gas services for failure to pay for Seismic Valve Service places undue burden on other ratepayers which have to absorb any subsequent write-off amounts due to the non-payment by some customers. SoCalGas states that the inability to terminate gas services for failure to timely pay for the seismic valve service equates to subsidization which Resolution G-2972 explicitly prohibited.

NOTICE

Notice of AL 3995 was made by publication in the Commission's Daily Calendar. SoCalGas states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

Advice Letter 3995 was not protested.

DISCUSSION

SoCalGas' proposed increases in appliance connection charges are necessary to reflect cost increases due to inflation and expansion of its Appliance Connection Program which includes additional appliances and parts installations brought on by modifications of manufacturer's standards, technology advances, and greater customer needs. SoCalGas' charges reflect its costs for the appliance connection and seismic valve services. SoCalGas has not increased these fees since 1991. SoCalGas' addition of gas logs to its program is reasonable. SoCalGas' request to increase appliance connection fees and charge fees for specific pieces of appliance connection equipment is approved.

SoCalGas is not the sole provider of the appliance connection services for which the increases in charges are requested in this advice letter. Customers can obtain these services from other providers as well. Appliance connections and gas log installations are services which customers can obtain from other competitive sources, if they so desire. SoCalGas is not the monopoly provider of these services. The current and proposed tariffs state that “The Utility shall advise the customer that appliance services are also provided by plumbers and contractors.”

General Order (GO) 96-B does not allow utilities to seek approval for rate increases by advice letter except when that method has been specifically authorized by the Commission or statute. Resolution G-2972, which initially approved the fees for certain appliance connection services and set-timed appointments, authorized SoCalGas to seek subsequent rate changes related to these services by advice letter.

D. 01-11-068 did not provide for SoCalGas to use the advice letter process to seek approval for rate increases for Seismic Valve service. D.01-11-068 approved charges for certain seismic valve services, but the decision makes no mention of the method by which SoCalGas should seek subsequent changes in the fees for these services. A request to increase the rates for seismic valve services should be addressed in an application or in its next General Rate Case proceeding. Therefore, the request to increase fees for seismic valve services is denied.

SoCalGas’ proposal to eliminate the option to pay for appliance connection services and seismic valve services at the time of service is reasonable.

Adopting this proposal will lessen exposure of utility employees to crimes and allow SoCalGas to maintain separation of adequate system of business controls and separation of duties for its employees. Segregation of duties in connection with customer billings includes the provisions that “no one person serves the customer, prepares the billing, collects the customer payment and records the payment in the accounting system.”

Resolution G-2972 also stated in the discussion:

“1. There could be several problems with the proposal by SoCal to collect on the site for these services. Cash transactions may pose a problem by making field representatives more vulnerable to crimes.”

SoCalGas proposes to make payment due dates consistent with Rule 9.C.1 for customers billed on their regular gas service bill. This aspect of the SoCalGas proposal is reasonable.

This will essentially give all customers a convenient payment option for appliance connection services. (Customers already have the option to include payment for seismic valve services on the bill for regular gas service.) Under this option, residential customers must pay their bill within 34 days, if billed on the monthly bill for gas service. The billing time allowed for other customer classes will be the same as that allowed in Rule 9.C.1, which varies from five to as little as nineteen days, depending on the bill frequency

SoCalGas should maintain the billing due date at 30 days for customers choosing separate billing. The proposed revision to require payment in 20 days instead of the current 30 days when billing is done separately from the monthly gas bill is denied.

If customers choose to be billed separately, SoCalGas proposes to reduce the bill due date from 30 to 20 days. Generally, the customers who opt for separate billing do not receive a monthly bill from SoCalGas because they receive gas service through a master meter (i.e. apartment complex or mobile home park). These customers are not subject to the threat of having their gas service terminated. SoCalGas' sole justification for the changes in language related to billing due dates is that it "aligns billing for all customers utilizing these service offerings." It is unclear how the reduction in due date when billed separately helps to align customers' obligations any more than when the due date was within 30 days for all customers, particularly since Rule 9.C.1 allows residential customers to pay their normal monthly bill within 34 days. SoCalGas should maintain the billing due date at 30 days for separate billing.

We deny SoCalGas' proposal to revise existing tariff language to enable it to terminate service for failure to timely pay for the seismic valve service.

The current tariffs have language that does not allow SoCalGas to terminate gas service for failure to pay for seismic valve adjustment charges. We will not adopt SoCalGas' proposal to delete language that currently does not allow SoCalGas to terminate gas service for failure to pay for any seismic valve services rendered pursuant to Rule 10. To minimize the risk of non-payment for these services, we direct SoCalGas to inform the customer requesting service what its charges are for these services before service is provided. Additionally, SoCalGas must ensure that, in accordance with its current and proposed tariff, its staff advises the customer requesting the appliance connection service that these services can be obtained from other contractors and plumbers. Customers should be encouraged to compare the utility's cost of providing this service with other providers before making the final decision to have the utility provide the service. In case of non-payment for the appliance connection and seismic valve services, SoCalGas is free to pursue collection procedures and remedies provided by common law. Termination of gas service is not warranted as an appropriate remedy to force payment for the seismic valve service or the appliance connection service which are the subject of this advice letter.

There are several reasons why we are taking this approach. First, if a private business performed the appliance connection service, and payment was not made in a timely fashion, the customer's gas utility service would not be terminated. Second, a customer's utility gas service is extremely important, and should only be terminated for nonpayment of the utility-provided gas service. When a customer does not timely pay for appliance connection or seismic valve services, this should not also result in the termination of the much more important natural gas service. Third, SoCalGas has included the language (which it wants to now delete) in its tariff for many years, and has not now provided any significant reason why a change is necessary.

In order to avoid the subsidization of the costs for appliance connections and seismic valve services by ratepayers in general, we believe that SoCalGas should include in its fees for these services an uncollectibles charge. In response to an Energy Division data request, SoCalGas indicated that uncollectibles costs are not included in the appliance connection or seismic valve service fees. Including these costs would make SoCalGas' fees for these services more similar to the fees a private business would have to charge, in order to cover the costs for late or lack of payment. SoCalGas should include its uncollectibles charge in the fees it

proposes for appliance connections in the supplemental advice letter which we order in this resolution.

Tariff Changes

With the changes approved here to Rule 10 by this resolution, the tariff will now read:

Rule No. 10, E.:

"1. General. The Utility, for a charge, shall connect and/or install residential ~~free standing~~ gas appliances (such as gas ranges, dryers, and barbecues and gas logs) for customers ~~with existing accounts~~, provided all of the following conditions can be met:"

Rule No. 10, E.2:

Charges for connection of additional appliances will be limited to parts and materials.

~~Where a customer is turning on new residential service, the Utility will connect the gas range, dryer and barbecue at no charge when parts are not needed. The Utility will not connect gas ranges, dryers and barbecues that would normally be installed by the builder or contractor.~~

Rule No. 10, F:

All charges ~~Customers may elect to pay~~ for the Set-Timed Appointment and Appliance Connection Charge (s) will be included in the bill for gas at the time service, whenever possible. The charge (s) will be due and payable consistent with Rule No. 9, C.1. is rendered or by separate billing. If billed separately, payment is due within 30 days.

Rule No. 10, G.5:

All charges for services rendered pursuant to this section will be included in the bill for gas service, whenever possible. The charge (s) will be due and

payable consistent with Rule No. 9, C.1. If billed separately, payment is due within 30 days. Installment payments may be agreed to by the Utility and customer, if requested. ~~will be due on completion of the service provided, unless other options, such as installment payments, are agreed to by the Utility and the customer.~~ The Utility may bill for services rendered pursuant to this Section in its bill for gas service, but will not terminate gas service for failure to pay for any services rendered pursuant to this section.

Current and Proposed Rates

The table below shows current and proposed rates for Appliance Connection:

Service Program	Current Rate	Proposed Rate
Connection of residential gas appliance such as range, dryer or gas barbecue	\$38.00	\$82.00
Installation of a residential gas appliance such as gas logs - parts not included	n/a	\$122.00
Added cost of valve	\$5.00	\$16.00
Added cost of connector	\$11.00	\$18.00
Added cost of 3/8" gas barbecue kit, including connector, hose & fittings.	\$68.00	\$73.00
Added cost of Appliance Regulator	n/a	\$19.00
Added cost of 1/2" IPT Ball Valve (BBQ)	n/a	\$13.00
Added cost of 3/8" Barbeque Quick Disconnect	n/a	\$37.00
Added cost of 1/2" Barbeque Quick Disconnect	n/a	\$68.00
Added cost of 3/8" Barbeque Hose	n/a	\$28.00
Added cost of 1/2" Barbeque Hose	n/a	\$51.00
Added cost Dryer Vent duct	n/a	\$14.00
Added cost Dryer /Vent Clamps	n/a	\$4.00

In addition, the applicable Retail Sales Tax will be applied to all parts costs.

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. Section 311(g) (2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments. No comments were filed.

FINDINGS

1. SoCalGas submitted AL 3995 to revise its service charges for seismic valve services and gas appliance connection services, and revise tariff language related to bill payment for these services.
2. The charges for appliance connections have not been changed since 1991.
3. SoCalGas' proposed increases for these charges will compensate for increases in labor, gasoline, administrative costs, modifications of manufacturers' standards and technology advances.
4. SoCalGas' proposed fees for appliance connection services and pieces of equipment needed for appliance connections reflect actual costs and are reasonable.
5. Resolution G-2972 authorized SoCalGas to seek approval for increases in appliance connection fees and set-timed appointment by advice letter.
6. D.01-11-068, which authorized the fees for seismic valve services, did not provide SoCalGas with the authorization to seek approval for increases in seismic valve services by advice letter.
7. General Order 96-B does not allow utilities to seek approval for rate increases by advice letter except when authorized by Commission order or statute.

8. SoCalGas' request for approval of an increase in the fees for seismic valve service should be made in an application or General Rate Case proceeding.
9. SoCalGas' proposal to eliminate the option to pay for appliance connection services or seismic valve services at the time of service is reasonable. Doing so makes SoCalGas employees less vulnerable to crimes, and allows SoCalGas to better segregate employee duties.
10. Allowing customers the option to make payment on their monthly gas bill for appliance connection services is reasonable, as it provides a convenient payment option with tariffed bill payment due dates.
11. SoCalGas' proposal to reduce the payment due dates for separate billing from 30 days to 20 days should be denied. SoCalGas has not adequately justified the reduction.
12. SoCalGas should not remove language from Section 10.G.5 from Rule 10 that prevents termination of gas service for failure to pay for services rendered for appliance connections and seismic valve services.
13. SoCalGas should include the cost of uncollectibles as part of its fees for appliance connections and seismic valve services.
14. SoCalGas should include the cost of uncollectibles in the appliance connection fee set forth in the supplemental advice letter ordered in this resolution.

THEREFORE IT IS ORDERED THAT:

1. Southern California Gas Company (SoCalGas)'s proposals to increase the fees for appliance connection services and add new charges for pieces of equipment needed in providing such services are approved.
2. SoCalGas' proposal to increase the fees for seismic valve services in Advice Letter 3995 is denied.

3. SoCalGas' proposal to eliminate the payment option for appliance connection services and seismic valve services at the time that service is completed is approved.
4. SoCalGas' proposal to add the customer option of being billed for appliance connection services on the bill for gas service is approved.
5. SoCalGas' proposal to have payment due dates under the gas service bill payment option be in conformance with Rule 9.C.1 is approved.
6. SoCalGas proposal to reduce the due date for the separate billing option from 30 days to 20 days is denied.
7. SoCalGas' proposal to eliminate language from Rule 10 that prevents termination of gas service for failure to pay for services rendered for appliance connections and seismic valve services is denied.
8. SoCalGas shall include the cost of uncollectibles in the appliance connection fee set forth in the supplemental advice letter ordered in this resolution.
9. SoCalGas shall submit a supplemental advice letter with revised tariff pages that are in compliance with this resolution within 10 days of its effective date.

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 January 21, 2010, the following Commissioners voting favorably thereon:

/s/ Paul Clanon
Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
TIMOTHY ALAN SIMON
Commissioners