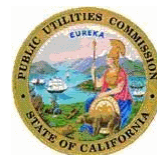


**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Order Instituting Investigation on the Commission's Own Motion into the Billing Practices of Southern California Gas Company (U904G); and Order to Show Cause Why the Commission Should not Revise Rule No. 14, Impose Penalties and/or Other Remedies for Extending Billing Periods and Issuing Untimely Monthly Bills.

I.17-04-021  
(Filed April 27, 2017)

**RESPONSE OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)  
TO ORDER INSTITUTING INVESTIGATION AND ORDER TO SHOW CAUSE**

CHRISTOPHER M. BISSONNETTE  
JOHNNY J. PONG

Attorneys for  
SOUTHERN CALIFORNIA GAS COMPANY  
555 West Fifth Street, Ste. 1400  
Los Angeles, California 90013  
Telephone: (213) 244-2946  
Facsimile: (213) 629-9620  
E-mail: [cbissonnette@sempra.com](mailto:cbissonnette@sempra.com)

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TO ORDER INSTITUTING INVESTIGATION AND ORDER TO SHOW CAUSE**

Pursuant to Rule 5.2 of the California Public Utilities Commission's ("Commission's") Rules of Practice and Procedure, and as directed by the Order Instituting Investigation and Order to Show Cause ("OII"), Southern California Gas Company ("SoCalGas") responds to the OII.

**I. OVERVIEW OF SOCALGAS' POSITION**

The allegations and recommendations made in a staff report authored by the Consumer Protection and Enforcement Division ("CPED") misinterpret facts, lack legal merit, include a flawed analysis of tariff authority, and therefore do not provide the Commission with an adequate basis to pursue this OII. Accordingly, SoCalGas objects to the entirety of the proposed scope of this OII, and otherwise provides no recommendation for procedural schedule. Regarding the need for evidentiary hearings, SoCalGas does not anticipate any dispute about the facts themselves, as the staff report largely relies on facts and data provided by SoCalGas. Rather, CPED misinterpreted data provided by SoCalGas. Therefore, SoCalGas believes evidentiary hearings will have limited value in enhancing the evidentiary record. To the extent additional facts (or clarification of facts) are warranted, SoCalGas believes written attestations and motions for official notice are the appropriate means of creating a record.

## II. SUMMARY OF THIS RESPONSE

The OII orders SoCalGas to show cause why the Commission should not order SoCalGas to: (1) revise its Rule 14 to place limits on the circumstances under which it may issue estimated bills; (2) pay penalties and/or other remedies for extending the billing period of approximately 140,000 customers in November and December 2015 and to over 13.57 million customers from 2014 to 2016; (3) pay penalties and/or other remedies for its failure to issue timely monthly bills to approximately 47,000 customers during the winter of 2015-2016; and (4) have SoCalGas' shareholders absorb all costs associated with the incremental meter reading workforce and the temporary workforce SoCalGas employed to address its bill validation system related issues.<sup>1</sup>

The OII was issued on the basis of CPED's staff report alleging tariff violations and deprivation of customers' rights.<sup>2</sup> Therefore, the foundation upon which this OII rests depends solely on the credibility of CPED's report. The Commission has held, "[i]n an investigatory proceeding launched by Commission staff in response to allegations of violations ... [the applicable division] bears the burden of proof."<sup>3</sup> The Commission has further held that the standard of proof its staff (in this case, CPED) must meet is a preponderance of evidence, which is defined in terms of probability of truth, *e.g.*, such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.<sup>4</sup> In other words, CPED must submit more evidence that supports the requested result than would support an alternative outcome. CPED fails to meet its burden of proof for a variety of reasons.

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<sup>1</sup> See OII at 12-13 (OP 2).

<sup>2</sup> See *Id.*, Attachment A: Staff Report, Investigation of Southern California Gas Company (U 904 G) Concerning Billing Practices (February 28, 2017) (hereafter "Staff Report"), p. 1.

<sup>3</sup> D.16-08-020 at p. 18.

<sup>4</sup> *Id.*

First, there are numerous instances where CPED draws erroneous and unsubstantiated conclusions from SoCalGas' facts and data. For example, when alleging the burden of bill estimates and subsequent adjustments on customers,<sup>5</sup> CPED relies on data that does not show adjustments resulting from estimates.<sup>6</sup> CPED also claims that the amount of SoCalGas' estimated bills are on the rise, when in fact they have declined to less than 1% as of December 2016.<sup>7</sup>

Second, tariff violations appear to be the primary basis for CPED's recommendation for fines and penalties. If no evidence proves that SoCalGas acted outside its tariff authority, CPED has no basis for recommending fines or penalties. This response will demonstrate that the facts do not establish that SoCalGas acted illegally, or outside of its tariff authority, when it issued estimated or delayed bills during the period in question.

Third, when attempting to justify a revision to SoCalGas' Rule 14, which allows the utility to issue estimated bills, CPED relies on a Pacific Gas and Electric Company ("PG&E") tariff to distinguish PG&E's estimated bill provision from SoCalGas' provision. In fact, the plain reading of both tariff provisions supports a case for consistency rather than distinction. Indeed, the tariffs at Southern California Edison Company ("SCE") and San Diego Gas & Electric Company ("SDG&E") are also consistent with SoCalGas' on bill estimating rules.

Lastly, there is no disputing that customer complaints deserve to be taken seriously. However, the billing complaints at the heart of the Staff Report do not give rise to any cause to investigate SoCalGas' billing practices themselves as contrary to law or tariff authority, or injurious to customers. Given the material deficiencies contained in the Staff Report, a

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<sup>5</sup> See Staff Report at 17-19.

<sup>6</sup> See Attachment A, Declaration of Ashok Lad, at paragraph 11.

<sup>7</sup> See Staff Report at 16, Table 3.

formal adjudicatory investigation into SoCalGas' billing practices (as CPED recommends) will not advance customer rights or the public interest.

In the following sections, SoCalGas will address the material allegations and underlying factual analyses contained in CPED's report, organized by CPED's four primary recommendations.<sup>8</sup> Given the factual misinterpretations and legal flaws in the Staff Report, SoCalGas urges the Commission to reconsider its issuance of an OII and dismiss its investigation.

### **III. REVISIONS TO SOCALGAS TARIFF RULE 14 ARE NOT WARRANTED**

#### **A. CPED's Tariff Analysis Is Flawed**

CPED recommends an order to show cause as to why SoCalGas should not be ordered to revise its Rule 14 to place limits on the circumstances under which it may issue estimated bills.<sup>9</sup> The impetus for this particular recommendation is the incorrect belief that Rule 14 contains a "loophole that appears to allow it to issue bills on an estimated rather than actual usage for any reason."<sup>10</sup> The "loophole" in question is described by CPED as being in Section C.3. of Rule 14, which states,

If, for reasons *within* the Utility's control, the meter cannot be read or accurate usage data are not available, the Utility will bill the customer for estimated consumption during the billing period, and make any necessary corrections when a reading is obtained in accordance with Rule No. 16 C. Such estimated bills shall be considered "billing error" for the purpose of applying Rule No. 16. Estimated consumption for this purpose will be calculated as described above.<sup>11</sup>

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<sup>8</sup> See Staff Report at 2.

<sup>9</sup> See Staff Report at 2.

<sup>10</sup> See Staff Report at 11.

<sup>11</sup> See Staff Report at 12.

CPED claims that in contrast, PG&E's Gas Rule 9 only allows PG&E to issue estimated bills for reasons beyond the utility's control.<sup>12</sup> CPED proceeds to cite PG&E's Gas Rule 9,

If, for reasons *beyond* the reading entity's control, the customer's meter cannot be read on the Scheduled Meter Reading Date, or if for any reason accurate usage data are not available, PG&E will bill the customer for estimated consumption during the billing period.<sup>13</sup>

However, PG&E's tariff plainly states that estimated billing is allowable "*if for any reason accurate usage data are not available*" (emphasis added). As is clear from its language, PG&E has the tariff authority to estimate customer bills for more than reasons that are solely beyond the control of the utility. Therefore, the distinction between SoCalGas' tariff and PG&E's tariff is merely structural, in that PG&E's tariff captures both scenarios (*i.e.*, within and beyond the utility's control) in one paragraph whereas SoCalGas presents these scenarios in two separate paragraphs.

The other major Investor Owned Utilities' tariffs are materially consistent. SCE's tariff Rule 17 provides,

Estimated Usage: When regular, accurate meter readings are not available or the electric usage has not been accurately measured, SCE may estimate the customer's energy usage for billing purposes on the basis of information including, but not limited to, the physical condition of the metering equipment, available meter readings, records of historical use, and the general characteristics of the customer's load and operation.

SDG&E's electric and gas tariff Rules 17 provides,

If, for reasons within the Utility's control, the meter cannot be read or accurate usage data are not available, the Utility will bill the customer for estimated consumption during the billing period, and make any necessary corrections when a reading is obtained in accordance with Rule 18 C. Such estimated bills shall be considered "billing error" for the purpose of applying Rule 18. Estimated consumption for this purpose will be calculated as described above.

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<sup>12</sup> See Staff Report at 12.

<sup>13</sup> See Staff Report at 12.

Even Southwest Gas Corporation’s gas tariff, which the Staff Report also references, contains a provision that allows for estimated bills under the condition of “[s]ome unusual circumstance which makes it impractical to read the meters.”<sup>14</sup> In other words, under circumstances not limited to being beyond the utility’s control.

Based on the plain reading of applicable tariffs, as demonstrated here, the Commission should not order SoCalGas to modify its Tariff Rule 14.

**B. The PG&E Billing Case (D.07-09-041) Does Not Support CPED’s Position**

The Staff Report cites to D.07-09-041 to assert its concern that “SoCalGas’ practice of issuing high numbers of estimated bills runs contrary to the Commission’s desire to provide customers with bills based on actual usage.”<sup>15</sup> That decision may have articulated the Commission’s general goals; however, the decision itself does not prohibit estimated billing. Importantly, the proper context of that PG&E decision is not provided by the Staff Report.

In the PG&E decision, the Commission was confronted with facts that the utility billed a customer for the wrong meter from June 2003 through January 2004, backbilled the customer for the entire period (in violation of its tariff), then erroneously disconnected service even though the customer had made payment arrangements for the illegal backbill.<sup>16</sup> In addition, the Commission referenced the instance of one customer who had not received a bill for twenty months.<sup>17</sup> In that decision, the Commission found that PG&E’s backbilling to certain customers was in violation of its tariff authority.<sup>18</sup> The Commission stated, “[i]t is

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<sup>14</sup> See Staff Report at 13.

<sup>15</sup> See Staff Report at 13.

<sup>16</sup> D.07-09-041 at 7-8.

<sup>17</sup> D.07-09-041 at 8.

<sup>18</sup> While the Commission ordered PG&E to refund customers for illegally backbilled amounts, the Commission also stated, “...we exercise our discretion to decline to impose a penalty, and conclude that a fine is not warranted in this case.” D.07-09-041 at 47 and 62 (OP 1).

beyond dispute that PG&E's systematic practice of backbilling due to delayed bills and estimated bills beyond the time limits in Rule 17.1 violated Commission policy and orders and PG&E's tariffs."<sup>19</sup> In contrast, CPED does not allege any backbilling violations against SoCalGas.

Furthermore, the decision recognized that PG&E's tariffs allow PG&E to issue estimated bills for reasons *within* its control, in stark contrast to CPED's reading of PG&E's tariff. The Commission stated,

As the Commission determined in Resolution G-3372 and affirmed on rehearing . . . delayed bills and estimated bills where the estimation is *for reasons within PG&E's control* are billing error for purposes of Rule 17.1 and its limits on backbilling.<sup>20</sup>

Therefore, D.07-09-041 provides no support that SoCalGas' Tariff Rule 14 should be modified.

#### **IV. THERE IS NO BASIS TO ASSESS PENALTIES OR OTHER REMEDIES FOR ISSUANCE OF ESTIMATED OR DELAYED BILLS TO CUSTOMERS**

CPED recommends an order to show cause as to why SoCalGas should not be ordered to pay penalties and/or other remedies for extending the billing period of approximately 140,000 customers in November and December 2015 and to over 13.57 million customers from 2014 to 2016, and for failure to issue timely monthly bills to approximately 47,000 customers during the winter of 2015-2016.<sup>21</sup> These next two recommendations are driven by CPED's investigation into customer billing complaints and SoCalGas' data request responses tendered during the course of that investigation. SoCalGas acted consistent with its tariff authority with respect to estimated billing and

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<sup>19</sup> D.07-09-041 at 10.

<sup>20</sup> D.07-09-041, mimeo., at 10 (emphasis added).

<sup>21</sup> See Staff Report at 2.

extended billing. Furthermore, the customer complaints reviewed by CPED do not evidence any abuse of SoCalGas' tariff authority nor has SoCalGas impinged on its customers' rights.

**A. Tariffs Are Clear that SoCalGas Can Issue Estimated and Delayed Bills**

SoCalGas' tariff Rule 12 states,

Bills for gas service will be rendered monthly, or as may otherwise be provided under applicable tariff schedules, and will be based on the measured quantity of gas delivered to the customer, except as provided in Section C below and as noted in Rule No. 14, Meter Reading, Section C.

Rule 14.A states,

Meters shall be read as nearly as possible at regular intervals.<sup>22</sup> The regular billing period for residential service shall be one month.<sup>23</sup>

However, Rule 14.D also states,

Except as otherwise provided in certain rate schedules and bills utilizing daily allowance billing, all bills, including opening and closing bills, for gas service rendered for a period of less than 27 days or more than 33 days will be computed in accordance with the applicable rate schedule and shall be prorated on the basis of the number of days service has been rendered to the number of days in an average month which shall be taken as 30 days.

Rule 16 states,

When regular, accurate meter readings are not available or the gas usage has not been accurately measured, the Utility may estimate the customer's gas usage for billing purposes on the basis of information, including, but not limited to, the physical condition of the metering equipment, available meter readings, records of historical use, and/or the general characteristics of the customer's load and operation.

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<sup>22</sup> The phrase "as nearly as possible" enables SoCalGas to account for situations when it is not possible, for whatever unknown reason, to read a meter on a regular interval. As the facts demonstrate, by and large SoCalGas reads meters on very regular schedules and certainly the new advanced meter technology continues to enable SoCalGas to read meters on regular intervals.

<sup>23</sup> "Monthly" here cannot mean exactly 30 or 31 days since Tariff Rule 14D clearly defines the normal range as between 27 and 33 days and also provides for shorter (less than 27) or longer (more than 33) billing days.

And later,

Billing error is an error by the Utility that results in incorrect billing charges to the customer. Billing error may include incorrect meter reads or clerical errors by a Utility representative such as applying the wrong rate, wrong billing factor, or an incurrent calculation. Billing error shall also include failure to deliver a bill, actual or estimate, in a timely manner in accordance with Rule No. 14.A.

In other words, SoCalGas' billing related tariffs read in their entirety and in relation to each other, clearly recognize and allow for billings that (1) are not at precise daily intervals during the course of a year, and (2) are estimated or delayed. Additionally, the tariffs take into account the fact that billing errors can and do happen in the ordinary course of business. While it is not disputed that customers should receive accurate bills – something SoCalGas takes very seriously – utility tariffs also account for the practical realities that billing discrepancies do happen and that a utility should not be subject to fines, penalties, and other remedies when those unanticipated events occur. SoCalGas' tariffs also address customer rights when customers dispute their bills. For example, Rule 11 outlines the process under which a customer can dispute a bill.

Based on the plain reading of the tariffs themselves, the Staff Report provides no evidence that SoCalGas in any way violated Rules 12, 14, or 16 by having issued delayed or estimated bills to customers during the period in question. Therefore, any recommendation based on that premise should be rejected.

**B. The Facts Do Not Support an Allegation of Improper Billing Practices**

As SoCalGas first explained to the Commission in May 2016, a number of factors, some anticipated and some not, resulted in an unusually high number of estimated bills, longer billing cycles, and higher than average bills (due to the cold winter) – which together created an uptick in customer complaints. Coupled with false media reports in early 2016 suggesting high bills were due to the Aliso Canyon leak, a larger than normal number of

customers called regarding high bills. As President Picker noted in a letter to Assemblyman Wilk, dated February 12, 2016:

While there has been speculation that bill increases were the result of the Aliso Canyon leak, SoCalGas is not authorized to collect any of the Aliso Canyon-related costs until those costs are presented to the CPUC by SoCalGas and are determined to be reasonable for collection from customers. \*\*\* Therefore, SoCalGas is not collecting any of the Aliso Canyon leak-related costs from customers at this time.

President Picker further correctly explained the source of the high bills to Assemblyman Wilk, as follows:

The increase in customers' bills in December is primarily due to the fact that winter weather in southern California in late 2015 was significantly colder than the past two winters, which had been recorded warm winters. In fact, from November 2015 to January 2016, Los Angeles, County experienced 40 "Heating Degree Days," which is way over the average number of 18 "Heating Degree Days for the period." "Heating Degree Days" are days when the temperature drops below 65 degrees and typically requires increased use of gas for heating. \*\*\* Another reason that December 2015/January 2016 bills were higher was that this billing cycle covered 35 days of consumption.<sup>24</sup>

Nonetheless, we experienced a brief spike in customer complaints as demonstrated by the following chart (bolded/highlighted) related to residential billing complaints and alerted the Commission in May 2016.

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<b>2014</b>	6,529	4,958	4,952	4,024	3,193	3,352	3,375	3,369	2,876	2,965	2,075	2,574
<b>2015</b>	5,950	5,029	3,544	2,807	2,420	3,036	2,382	2,206	2,197	2,128	1,801	3,214
<b>2016</b>	<b>7,229</b>	<b>10,119</b>	5,166	2,533	1,785	1,785	1,544	346				

<sup>24</sup> Letter from President Picker to Assemblyman Scott Wilk dated February 12, 2016, at p. 2, attached as Attachment B.

1. SoCalGas followed its historical billing practices regarding billing cycles and estimated bills

While SoCalGas' tariffs permit estimates and varying day billing periods, it is SoCalGas' practice to obtain meter reads monthly, bill within 2 days after the meter has been read and bill customers for actual usage – in order to provide predictability and stability to our nearly six million core customers.<sup>25</sup>

2. Historically, billing days in November, December, and January have been between 30-35 days

The Staff Report asserts, “SoCalGas issued over 13.57 million monthly bills with 34-60 billing days from 2014 to 2016.”<sup>26</sup> This is not a disputed fact, but it requires clarification. SoCalGas has explained to our customers and to the Commission that the regular billing month range of 29-32 days may be modified “when there are holidays in a month, when we have to adjust our meter reading schedule and/or billing procedures.”<sup>27</sup> The reason: each of our meters are read over the course of 21 work days so that we can deliver a monthly bill to a customer. While most 30/31 day intervals can accommodate a 21 work day meter reading schedule, some do not.<sup>28</sup> For example, this December 2017, there are 10 weekend days and 2 holidays. Thus, additional work days into the prior/next month may be added in order to read all 21 cycles, which for some customers may mean a bill cycle with more than 33 days. In line with this regular seasonal fact, the billing cycles are often extended during the months of November, December, and January, months that have a disproportionate number of holidays, to read meters and thus can range from 30-35 days. The data provided by SoCalGas to CPED confirms this billing day range for these winter months.<sup>29</sup>

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<sup>25</sup> See Attachment A, Declaration of Ashok Lad, at paragraph 26.

<sup>26</sup> See Staff Report at 22.

<sup>27</sup> SoCalGas Data Request Response to DR-GAS-00006-3, question 1, dated 9/7/2016.

<sup>28</sup> See Attachment A, Declaration of Ashok Lad, at paragraph 27.

<sup>29</sup> See Attachment A, Declaration of Ashok Lad, at paragraph 17.

Although CPED suggests that extended billing cycles between 2014-2016 were out of the norm,<sup>30</sup> the data does not validate CPED’s assertion. Data for the three-year period immediately preceding this timeframe (*i.e.*, 2011-2013) shows an estimated 11 million customers had bill cycles of greater than 33 days for this reason during the months of November, December, and January, as shown in the chart below.<sup>31</sup>

<b>MONTHS WITH CYCLES WITH MORE THAN 33 DAYS</b>			
Year	Month	Number of Cycles	Accounts Affected (Estimated)
2010	January	15	3,750,000
	December	4	1,000,000
2011	December	2	500,000
2012	January	15	3,750,000
	November	9	2,250,000
	December	4	1,000,000
2013	January	8	2,000,000
	December	7	1,750,000
		<b>Total</b>	<b>16,000,000</b>

Furthermore, a deeper dive into one of the tables provided to CPED regarding the number of bills issued within certain blocks of days (*i.e.*, 0-26, 27-33, 34-60, 61-90, and >90)<sup>32</sup> shows that the bulk of the bills longer than 33 days were for 34 or 35 billing days.<sup>33</sup> Further, the highlighted boxes in the following table illustrate that the highest concentration of these 34 or 35 billing day cycles fell in a December or January bill.<sup>34</sup>

<sup>30</sup> See Staff Report at 22.

<sup>31</sup> See Attachment A, Declaration of Ashok Lad, at paragraph 16.

<sup>32</sup> CPED turned this data into its Table 5 in the Staff Report, at p. 23. CPED requested the data be provided in these increments, although parsing out the 34-60 block shows most fall within 34-35 days.

<sup>33</sup> See Attachment A, Declaration of Ashok Lad, at paragraph 17.

<sup>34</sup> *Id.*

Monthly Number of Bills Issued Between 2014 and 2016							
Year	Month	Number of Billing Days					Total
		(0 - 26 Days)	(27 - 33 Days)	34 Days	35 Days	>35 Days	
2014	Jan	123,521	2,548,549	1,663,116	1,278,828	63,424	5,677,438
	Feb	117,019	5,447,248	34,053	29,527	8,534	5,636,381
	Mar	124,650	5,489,451	18,027	1,508	8,187	5,641,823
	Apr	135,255	5,499,485	1,818	757	7,443	5,644,758
	May	124,700	5,483,542	1,919	747	8,213	5,619,121
	Jun	130,343	5,451,236	33,873	1,241	8,324	5,625,017
	Jul	145,417	5,494,176	13,936	836	11,488	5,665,853
	Aug	148,219	5,472,534	2,054	595	10,908	5,634,310
	Sep	144,910	5,469,150	5,603	704	10,833	5,631,200
	Oct	145,338	5,518,288	967	667	12,649	5,677,909
	Nov	139,315	5,282,159	232,492	6,718	17,193	5,677,877
	Dec	108,680	4,258,218	1,155,311	120,945	12,534	5,655,688
2015	Jan	106,264	2,507,702	1,345,481	1,552,946	132,201	5,644,594
	Feb	118,002	5,449,174	54,453	14,314	14,632	5,650,575
	Mar	114,127	5,485,804	20,186	4,481	11,272	5,635,870
	Apr	125,045	5,517,938	4,342	2,886	11,797	5,662,008
	May	128,540	5,543,525	3,318	2,030	11,303	5,688,716
	Jun	131,997	5,502,924	7,479	1,185	11,421	5,655,006
	Jul	141,789	5,530,242	5,576	1,285	12,247	5,691,139
	Aug	144,436	5,496,295	1,965	981	12,628	5,656,305
	Sep	135,173	5,477,855	11,422	725	12,192	5,637,367
	Oct	153,164	5,485,528	4,280	1,644	13,549	5,658,165
	Nov	137,442	5,040,478	496,801	11,405	24,557	5,710,683
	Dec	112,737	4,482,167	1,033,282	38,909	17,097	5,684,192
2016	Jan	157,134	2,437,684	1,242,448	1,782,379	126,490	5,746,135
	Feb	225,317	5,327,754	37,869	18,732	102,830	5,712,502
	Mar	121,797	5,574,677	9,840	5,450	11,231	5,722,995
	Apr	128,993	5,620,017	6,009	5,685	11,831	5,772,535
	May	137,971	5,654,500	3,581	2,199	11,835	5,810,086
	Jun	140,575	5,612,041	9,055	1,187	12,149	5,775,007
	Jul	157,147	5,603,558	6,723	1,659	12,739	5,781,826
	Aug	150,940	5,603,487	1,875	709	11,897	5,768,908
	Sep	147,408	5,602,432	16,031	709	12,658	5,779,238
	Oct	141,123	5,603,055	1,113	485	11,740	5,757,516
	Nov	133,665	5,549,777	80,189	1,066	22,353	5,787,050
	Dec	123,693	5,253,305	403,825	5,328	9,802	5,795,953

Although December and January tend to have longer billing day cycles, it is still the case that the bulk of SoCalGas' bills cover 27-33 day cycles,<sup>35</sup> as demonstrated below.

	<i>(0 - 26 Days)</i>	<i>(27 - 33 Days)</i>	<i>34 Days</i>	<i>35 Days</i>	<i>&gt;35 Days</i>	<i>Total Bills</i>
<b>2014</b>	2.34%	90.60%	4.67%	2.13%	0.27%	67,787,375
<b>2015</b>	2.28%	90.50%	4.40%	2.40%	0.42%	67,974,620
<b>2016</b>	2.55%	91.67%	2.63%	2.64%	0.52%	69,209,751

Accordingly, during this three-year period, where more than 200 million bills were issued, only 822,181 bills were for more than 35 days, representing only 0.4% of bills.<sup>36</sup> Bills for 35 day periods accounted for 2% of all bills issued during this same three-year period, and bills for 34 day periods accounted for 4% of all bills issued.<sup>37</sup> Thus, 97% of all bills that were issued in 2014-2016 were for billing cycles of between 27 and 35 days.<sup>38</sup>

3. The Staff Report fails to demonstrate with facts that SoCalGas has a practice of over-estimating customer bills

CPED alleges that when SoCalGas estimates a bill, it estimates high.<sup>39</sup> To prove this, CPED relies on the “average bill adjustment” as an indicator of how accurate SoCalGas estimates in practice.<sup>40</sup> However, data on bill adjustments in dollars is not a fair indication of how well SoCalGas' algorithms estimate gas usage.

Further, in an attempt to use company data to prove over-estimation practices, CPED provides data in Table 4 of the staff report. However, this data does not represent adjustments due to over-estimates where SoCalGas does not read a meter. Instead, Table 4

<sup>35</sup> See Attachment A, Declaration of Ashok Lad, at paragraph 18.

<sup>36</sup> See Attachment A, Declaration of Ashok Lad, at paragraph 19.

<sup>37</sup> *Id.*

<sup>38</sup> *Id.*

<sup>39</sup> See Staff Report at 13.

<sup>40</sup> See Staff Report at 17.

represents average billing adjustments when the error corrected is due to a misread.<sup>41</sup> The source data CPED used to create Table 4 was provided on January 18, 2017<sup>42</sup> when CPED asked,

In response to question 3 of CPED data request DR-GAS-00006-1, SoCalGas provided the total number of bill adjustments along with the average bill adjustment amounts from January 2014 to March 2016. Please provide a detailed breakdown of this data by customer class (i.e. low income customer, residential customer, small-to-medium business customers, large commercial/industrial customers, etc.)

The original question to SoCalGas was,

Please provide a detailed description of SoCalGas' procedures for bill adjustments due to read errors.

a. Please provide, in an excel spreadsheet, the number of bill adjustments due to read errors each month from January 1, 2014 to present. Please provide a detailed breakdown for analog and advanced meters. Please also include the average bill adjustment amount for each month.<sup>43</sup>

Accordingly, SoCalGas provided the requested data for meter reading errors, in the format requested. However, the Staff Report erroneously applies this data to support its contention that SoCalGas habitually overestimates bills and burdens its customers with excessive overcharges. Consequently, CPED has provided no evidence of rampant high overestimates requiring big refunds.<sup>44</sup>

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<sup>41</sup> The data reflected in Table 4 was provided to CPED by the company in response to DR-GAS-00006-2, Question 4. A misread occurs when a meter reader incorrectly reads a number on the meter. When the number is earlier in the sequence, the mistake can translate to a large discrepancy and accordingly result in a high bill adjustment once discovered as the data shows. This issue is entirely unrelated to estimates when a meter is not read.

<sup>42</sup> Data Request No. DR-GAS-00006-4.

<sup>43</sup> Data Request No. DR-GAS-00006-1 (emphasis added).

<sup>44</sup> The actual average adjustments to bills from 2014-2016 due to estimates (for any reason) is only \$22.36. However, since SoCalGas is more focused on refunding overpayments than recouping possible under-estimated read payments and given the 3 months for undercharges versus 3 years for overcharges rule in our Tariff, it makes mathematical sense that we have a positive average refund amount. See, Attachment A, Declaration of Ashok Lad, at paragraph 14.

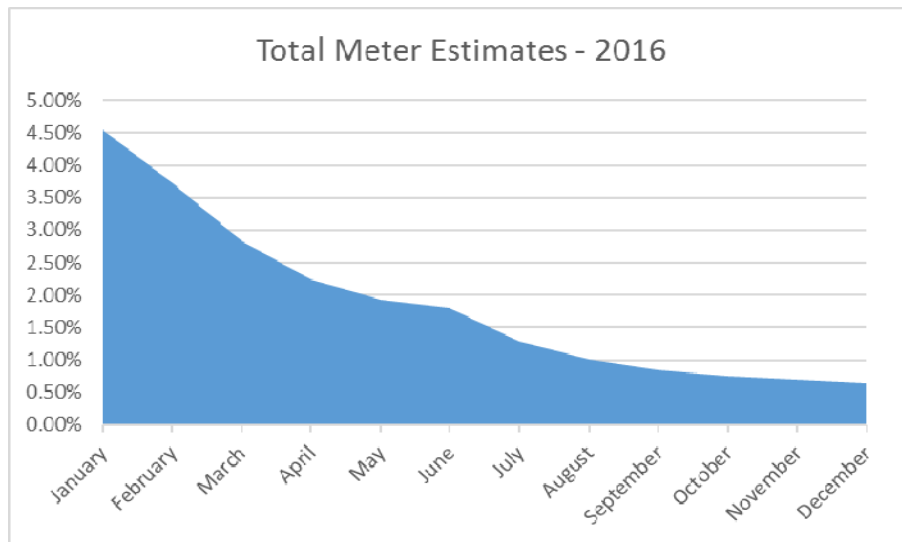
The Staff Report incorrectly claims the frequency of estimated bills has *increased* since advanced meter installation. In order to derive this conclusion, CPED reviewed data provided by SoCalGas and created Table 3 in its Staff Report. Although Table 3 actually shows that estimated reads have dropped dramatically each year from 2014 (estimating 3.7 million meters) to 2016 (estimating 1.3 million meters), CPED’s math compared total estimates against the rapidly declining number of *analog* meters only. This is flawed logic, since obviously such math would show increased percentages. In other words, for a ratio or percentage, no matter how small the numerator gets, using the wrong denominator will always produce a skewed and irrelevant figure. For example, if one estimates 500 meters out of 10,000 to generate a 5% rate, reducing the number of estimates to 100 meters would produce a 1% rate.

What CPED did in relaying the rate of estimates was to change the denominator from all meters, to just the limited number of analog meters in place, so the lower estimating of 100 meters was compared against 1000 meters incorrectly showing a 10% rate. CPED then suggested the Advanced Metering Initiative (“AMI”) process must not work since the rate of estimates is on the rise, failing to account for total number of meters, then arguing that an OII is needed because “AMI does not appear to be improving the accuracy and timeliness of SoCalGas’ bills at this time.”<sup>45</sup> As demonstrated, this logic does not hold. In just this three-year period, estimated reads decreased by 66%.<sup>46</sup> Table 3 of the Staff Report undermines CPED’s position. By May 2016, meter estimating dropped to its lowest point during this timeframe to less than 2% and that number continued to drop every month thereafter, as shown in the table below.

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<sup>45</sup> See Staff Report at 15.

<sup>46</sup> SoCalGas Data Request Response to DR-GAS-00006-4, question 3, dated 1/18/2017.



4. The AMI meter issue was a discreet and temporary circumstance that impacted customer bills during 2014-2016

As explained to CPED, January 2014 through May 2016 was a period of high advanced meter installation.<sup>47</sup> During this period, SoCalGas converted a number of analog meters to new advanced meters.<sup>48</sup> As a result of this conversion, SoCalGas had a higher number of estimated bills, delayed bills, and used extended billing cycles for AMI for the following reasons:

**Estimated bills**

SoCalGas needed to estimate more bills than usual between January 2014 and May 2016 as it was a period of high advanced meter installation. While the company anticipated it would need to estimate some bills during this transition, SoCalGas did not expect the high

<sup>47</sup> SoCalGas Data Request Response to DR-GAS-00006-2, question 3a, dated 8/12/2016.

<sup>48</sup> See Attachment A, Declaration of Ashok Lad, at paragraph 28.

attrition rate amongst our meter readers and some of the routing complications created due to mixed advanced and legacy analog meter routes.<sup>49</sup>

Because the transition to advanced meters meant that analog meter routes were being dismantled, the routes were far less efficient than the past. The same meter reader could no longer walk through a neighborhood and read a hundred meters in tandem. Instead, one route might now contain a meter on Main Street and another meter some distance away on Green Street and so on. This inefficiency problem is largely self-curing because once all the meters are switched, this problem no longer exists and opt-out customers will be on a bi-monthly read schedule.

Similarly, high turnover amongst newly hired meter readers contributed to the inefficiency problem. As quickly as SoCalGas hired and trained meter readers into “temporary” meter reading positions, those same employees used the stepping stone into a regular SoCalGas job as an opportunity to bid for full-time regular union-represented positions in other areas of the Company. That’s generally a good thing, but it created challenges for SoCalGas’ need to continue reading analog meters. From 2014 to 2016, the turnover rate amongst meter readers was 111% in 2014, 160% in 2015, and 159% from January through May in 2016.<sup>50</sup>

Recognizing this trend and its potential to disrupt regular operations, SoCalGas took several measures to mitigate the problem. SoCalGas created a route optimization team to continually revise meter route assignments in order to reduce drive time and other barriers and improve efficiency.<sup>51</sup> SoCalGas also continued hiring and training new employees needed as replacement meter readers and hired even more than it had planned, to help limit

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<sup>49</sup> SoCalGas Data Request Response to DR-GAS-00006-2, question 3a, dated 8/12/2016.

<sup>50</sup> SoCalGas Data Request Response to DR-GAS-00006-3, question 4a, dated 9/7/2016.

<sup>51</sup> SoCalGas Data Request Response to DR-GAS-00006-2, question 3c, dated 8/12/2016.

estimated bills.<sup>52</sup> The following table provides data on meter reading hires from 2010 through 2016, which was also provided to CPED:<sup>53</sup>

<b>Year</b>	<b>Employees Hired</b>
2010	244
2011	532
2012	742
2013	533
2014	447
2015	489
2016	55

SoCalGas also informed CPED of an additional 147 incremental hires.<sup>54</sup> These incremental hires were simply our effort to, based on higher attrition than expected, plan ahead and hire more than previously planned to meet future needs. Finally, SoCalGas implemented a six-month restriction on new meter readers' ability to bid for positions outside the department, slowing turnover and allowing more productive months of work for the new employees.

### **Delayed bills**

Bill validation is a consumer protection tool to facilitate customers receiving accurate bills. It can also at times lead to a delayed bill while the validation process is completed. SoCalGas' bill validation process works such that bills produced are as accurate and appropriate as possible by checking the integrity of the transactional data (*e.g.*, meter reads) against the customer's record. These checks occur each month and are performed

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<sup>52</sup> *Id.*

<sup>53</sup> See Attachment A, Declaration of Ashok Lad, at paragraph 29. At the time, SoCalGas provided information on meter reading hires from 2014 – May 2016 to CPED, but is supplementing here with data starting from 2010 through 2013 and the remainder of 2016.

<sup>54</sup> SoCalGas Data Request Response to DR-GAS-00006-3, question 4d(ii), dated 9/7/2016.

automatically by SoCalGas' computer system. Any account that fails the validation process is sent to the billing department for investigation and resolution.<sup>55</sup>

SoCalGas' accounts/meters are apportioned among 21 meter reading cycles to normalize the work load for all the processes and work groups involved or affected by the monthly reading and billing activities.<sup>56</sup> Each workday a new cycle of meters/accounts will attempt to bill for the new month. The billing process will receive and process the read and if the read is not available will estimate a read for billing.<sup>57</sup>

On May 9, 2016, SoCalGas notified the CPUC that 47,000 of our nearly 6 million customers had delayed bills of approximately 45 days or greater. Again, SoCalGas took proactive measures by sending these customers a notice explaining that, (1) their bill was delayed, (2) they should expect the next bill within 30 days, (3) their bill might include a longer billing period and could therefore be larger than normal, and (4) the company would work with customers on payment accommodations to alleviate potential hardship.<sup>58</sup> SoCalGas conveyed the same communication to its commercial customers.<sup>59</sup>

In order to resolve the issue, SoCalGas took a number of steps, including adding more billing analysts and authorizing overtime to clear up the queue. SoCalGas also implemented 21 new process enhancements reducing the volume transactions failing bill validations from 6,250 to 4,000 per day, a 37% decrease in this manual work. As a result of SoCalGas' quick work, by September 2016, the number of delayed bills decreased from

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<sup>55</sup> SoCalGas Data Request Response to DR-GAS-00006-1, question 7, dated 7/7/2016.

<sup>56</sup> *Id.*

<sup>57</sup> *Id.*

<sup>58</sup> SoCalGas Data Request Response to DR-GAS-00006-3, question 2c, dated 9/7/2016.

<sup>59</sup> *Id.*

47,000 to 12,000 in just a couple of months.<sup>60</sup> Although higher than historical averages, the number at the peak of complaints was less than 1% of total customers.

5. Extended billing periods were not aberrant during the period in question

As stated earlier, billing periods longer than 33 days are authorized in SoCalGas' Rule 14.<sup>61</sup> Except for the number of days billed, there is no impact to the customer's aggregate billing exposure from a longer period. For instance, customers are not billed at a higher tier and the additional days are subtracted from a subsequent billing period.

SoCalGas historically had longer billing periods in the months of November, December and January, as shown in a table provided to CPED, and the reason is primarily due to holidays.<sup>62</sup> With the imminent completion of advanced meter installation and automation of read collection, ultimately eliminating the problem caused by holidays, this practice of longer billing cycles is no longer required and was changed for winter 2016/2017.<sup>63</sup> In addition, as a result of the advanced meter installations, a smaller number of customers have experienced single month bills with longer billing periods.<sup>64</sup>

To keep the remaining manual meter reading as efficient as possible, SoCalGas optimized meter reading routes throughout the installation process.<sup>65</sup> This involves changing some customers' meter reading schedules from time to time, which for some

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<sup>60</sup> SoCalGas Data Request Response to DR-GAS-00006-3, question 2d, dated 9/7/2016.

<sup>61</sup> SoCalGas Rule 14 **D. Bills for Less Than 27 or More Than 33 Days**  
Except as otherwise provided in certain rate schedules and bills utilizing daily allowance billing, **all bills**, including opening and closing bills, for gas service rendered for a period of less than 27 days **or more than 33 days will be computed in accordance with the applicable rate schedule** and shall be prorated on the basis of the number of days' service has been rendered to the number of days in an average month which shall be taken as 30 days.

<sup>62</sup> SoCalGas Data Request Response to DR-GAS-00006-4, question 5, dated 1/18/2017.

<sup>63</sup> SoCalGas Data Request Response to DR-GAS-00006-2, question 3c, dated 8/12/2016.

<sup>64</sup> See Attachment A, Declaration of Ashok Lad, at paragraph 20.

<sup>65</sup> SoCalGas Data Request Response to DR-GAS-00006-3, question 4, dated 9/7/2016.

resulted in a longer or shorter billing period for the first cycle after the change.<sup>66</sup> This route optimization was identified in SoCalGas' AMI business case as a necessary activity to maintain meter reading efficiency during the installation period.<sup>67</sup>

Consistent with this strategy and as a result of route reviews in late 2015, SoCalGas realigned meter read dates for approximately 400,000 of our approximate 5.4 million customer accounts.<sup>68</sup> This change caused a one-time alteration of the number of billing days on the first bill issued after the change was made. SoCalGas identified about 140,000 customers who experienced billing periods longer than 35 days due to route optimization on a one-time basis.<sup>69</sup> As a result, SoCalGas immediately notified these customers of this one-time event and also let them know that their subsequent bills would return to a normal bill cycle of 29-32 days.<sup>70</sup>

**V. THERE IS NO ISSUE TO ADDRESS REGARDING WHO BEARS THE COSTS OF INCREMENTAL METER READERS**

The Staff Report requests the Commission to order SoCalGas to show cause as to why its shareholders should not absorb all the costs associated with the incremental meter reading workforce.<sup>71</sup> CPED bases this request on its analysis of a single data request response SoCalGas provided in response to Question 4e of DR-GAS-00006-3.

Question 4e asked:

Please provide a detailed breakdown of all ratepayers costs associated with the estimated billing issue.

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<sup>66</sup> SoCalGas Data Request Response to DR-GAS-00006-2, question 3a, dated 8/12/2016.

<sup>67</sup> See Prepared Direct Testimony of Mark Serrano, Chapter 3 in A.08-09-023 at p. 17.

<sup>68</sup> SoCalGas Data Request Response to DR-GAS-00006-3, question 1, dated 9/7/2016.

<sup>69</sup> *Id.*

<sup>70</sup> *Id.* A copy of this form letter was included in the data response.

<sup>71</sup> Staff Report at 2.

SoCalGas responded:

We may only include in our rates, our authorized revenue requirements regardless of actual costs. As mentioned above, SoCalGas' Meter Reading department added and trained 147 new meter reader to help mitigate estimated billing. The training costs associated with these 147 incremental employees totaled \$542,152 over a three-year period. However, we will not directly charge that to ratepayers – any ratepayer cost would be what if anything we count for purposes of our next GRC request, and only if our request is granted.

SoCalGas' response was intended to be a general description of future test year ratemaking, nothing more. That is, the response was explaining that the Commission adopts an authorized level of revenue requirement in a General Rate Case ("GRC"), and the utility operates its business accordingly until the next GRC.<sup>72</sup> Otherwise, the expectation is that, in general, a utility will operate within its authorized revenue requirement and any excess costs will be borne by shareholders, not ratepayers.

This concept is well established and has been articulated by the Commission in GRC decisions. For instance, in Southern California Edison Company's 2006 GRC decision, the Commission stated,

The general concept of test year ratemaking is to authorize a rate level based on a reasonable forecast of various revenues and costs. Once rates are set, the utility has the discretion and responsibility to spend its funds in the most cost effective manner to provide safe and reliable service.<sup>73</sup>

In the billing situation in question, SoCalGas has not sought such relief and is operating within its authorized revenue requirement. Since this is how regulated utilities in California operate, such that the Commission does not micro-manage how utilities operate their business or their costs, there is no detailed breakdown of all ratepayer (vs. shareholder) costs to provide to CPED.

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<sup>72</sup> Under certain circumstances, where the utility believes it needs to seek relief in between GRC cycles, it can file for some form of relief. Those circumstances are not at issue here.

<sup>73</sup> D.06-05-016, p. 223.

The majority of cost of service utility expenses are scrutinized, disputed, and defended in routine regulatory proceedings like a utility's GRC. Because these costs in question were incurred in between litigated GRCs,<sup>74</sup> these costs would have been managed within SoCalGas' authorized revenue requirements adopted in its Test Year 2012 GRC, and its GRC cycle (2012-2015). In other words, SoCalGas did not seek any incremental rate recovery for this ramp up of labor costs through a separate filing or request for relief.

In hindsight, the response tendered by SoCalGas could have been more clear. SoCalGas attempted to explain a fundamental ratemaking principle regarding future test year ratemaking. SoCalGas believes the Commission is well informed about this ratemaking principle and recommends that this issue be removed from any order to show cause.

## **VI. CONCLUSION**

SoCalGas has identified material defects in the Staff Report and maintains that it acted within its tariff authority. Furthermore, the underlying facts giving rise to the customer complaints that prompted CPED staff to investigate SoCalGas' billing practices fail to provide any evidence of unfair, harmful, or illegal billing practices. For these reasons, SoCalGas respectfully requests that the Commission reconsider this OII. If the Commission does not withdraw the OII, SoCalGas intends to demonstrate, with existing facts, and to the extent new ones are required, that the Staff Report is flawed and that SoCalGas can show cause that it did not violate its tariffs or otherwise engage in practices harmful to customers during the relevant time period.

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<sup>74</sup> As indicated in SoCalGas' response to Question 4d to DR-GAS-00006-3, meter reading staff and training costs incurred in 2014, 2016 and up to May 2016. SoCalGas' Test Year 2012 GRC (A.10-12-006) cycle spans from January 1, 2012 through December 31, 2015; and, its Test Year 2016 GRC (A.14-11-004) was filed in November 2014 (with 2013 as its base year) and was not authorized until the Commission rendered D.16-06-054 on June 23, 2016.

This response is accompanied by a declaration to attest to the material factual assertions contained herein.

Respectfully submitted on behalf of SoCalGas,

By:                   /s/ Christopher M. Bissonnette                    
Christopher M. Bissonnette

CHRISTOPHER M. BISSONNETTE  
JOHNNY J. PONG

Attorneys for  
SOUTHERN CALIFORNIA GAS COMPANY  
555 West Fifth Street, Ste. 1400  
Los Angeles, California 90013  
Telephone: (213) 244-2946  
Facsimile: (213) 629-9620  
E-mail: [cbissonnette@sempra.com](mailto:cbissonnette@sempra.com)

June 5, 2017

**ATTACHMENT A**

**DECLARATION OF ASHOK LAD**

**DECLARATION OF ASHOK LAD  
TO THE RESPONSE OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) TO  
ORDER INSTITUTING INVESTIGATION AND ORDER TO SHOW CAUSE  
I.17-04-021**

I, ASHOK LAD, declare as follows:

1. My name is Ashok Lad, and I am employed at Southern California Gas Company (“SoCalGas”) as the Technology Applications Manager in the Customer Operations Department. I have been employed by SoCalGas since 1989 and I have worked in the Customer Operations Department, which among other things, handles customer billing, since 1993. I have personal knowledge of the facts set forth in this declaration, and if called to testify under oath, could and would testify competently thereto.

2. I was involved in facilitating SoCalGas’ participation in, and response to, the California Public Utilities Commission (“CPUC”) Consumer Protection and Enforcement Division (“CPED”) inquiry into SoCalGas’ billing practices, beginning on or about June of 2016.

3. I facilitated SoCalGas’ responses to four sets of data requests issued by CPED, which included Data Request Nos. DR-GAS-00006-1 (issued June 22, 2016); DR-GAS-00006-2 (issued June 25, 2016); DR-GAS-00006-3 (issued August 23, 2016); and DR-GAS-00006-4 (issued January 3, 2017).

4. I have read the CPUC’s Order Instituting Investigation and Order to Show Cause issued May 4, 2017 (“OII”), as well as Attachment A to the OII entitled *Staff Report, Investigation of Southern California Gas Company (U 904 G) Concerning Billing Practices* dated February 28, 2017 (“Staff Report”).

5. I have identified several instances where the Staff Report requires clarification or correction regarding the facts SoCalGas provided to the CPED in 2016 and 2017 during its investigation.

6. The Staff Report (page 5) states, “CPED noted that bill adjustment, estimated bill, and meter accuracy accounted for a majority of the billing-related complaints.” However, in Table 1, bill adjustments accounted for 28 complaints, estimated billing accounted for 45 complaints, and meter inaccuracy accounted for 6 complaints. In total, 79 of the 691 complaints were for these stated reasons, which does not represent a majority.

7. The Staff Report (page 4) states, “Table 1 also shows that most of the high bill complaints were received during the first three months of 2016.” These months are considered winter months for billing purposes. This pattern of billing complaints is consistent with our weather patterns. Colder weather months generally result in higher monthly bills, and we tend to receive more customer billing inquiries related to the higher bills in January and February of each year.

8. Below is the Heating Degree Day (“HDD”) information for the SoCalGas territory for the applicable periods. Heating Degree is a measure of how cold it is on a given day relative to a standard of 65 degrees Fahrenheit. The difference between 65 degrees Fahrenheit and the average temperature for the day is used as the measure of the Heating Degree for that day. In calculating HDD, any negative difference is set to zero. The sum of HDDs in a given year can be indicative of how much colder the weather was in comparison to other years.

Date	Heating Degree Days
Dec-2014	110
Jan-2015	270
Feb-2015	108
Total	488
Dec-2015	221
Jan-2016	373
Feb-2016	190
Total	784

9. As shown in the HDDs chart in paragraph 8, there were 784 days in the three winter months of 2016, as compared to 488 days in the winter months of 2015. This contributed to higher bill amounts for the monthly bills received during the first three months in 2016.

10. The pattern of high bill investigations for 2010-2015 is shown below. This chart was provided in response to DR-GAS-00006-1, Question 1. Complaints are typically highest in January and February, which are bills for usage in December and January.

<b>High Bill Investigations 2010-2015</b>						
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Jan</b>	4,481	3,619	5,122	6,752	5,611	4,944
<b>Feb</b>	4,755	3,068	3,268	5,792	4,309	4,356
<b>Mar</b>	3,922	3,835	2,150	3,938	4,396	2,944
<b>Apr</b>	1,781	2,362	1,628	2,583	3,609	2,400
<b>May</b>	1,570	1,974	1,497	2,198	2,822	2,043
<b>June</b>	1,723	2,474	1,465	2,619	2,983	2,475
<b>July</b>	1,455	2,164	1,803	2,924	2,453	1,971
<b>Aug</b>	1,743	1,954	1,939	2,498	2,971	1,821
<b>Sept</b>	1,642	1,837	1,545	2,053	2,564	1,857
<b>Oct</b>	1,469	1,585	1,828	2,264	2,322	1,700
<b>Nov</b>	1,377	2,811	1,289	2,081	1,821	1,468
<b>Dec</b>	2,214	2,498	1,783	2,722	2,101	2,754
<b>YTD</b>	28,132	30,181	25,317	38,424	37,962	30,733

11. Table 4 in the Staff Report is used as the source for average billing adjustments and to quantify the impact of estimated bills for customers. The data in Table 4 of the Staff Report, while correct, actually represents average billing adjustments when the error being corrected is for a misread. A misread is a completely different circumstance and occurs when a meter is read incorrectly and not when a meter is not read at all and therefore estimated.

12. The data reflected in Table 4 was provided to CPED by SoCalGas in response to DR-GAS-00006-2, Question 4. CPED requested data on misreads, but when it was translated into its report, it represented the data as bill adjustments related to bill estimates – which it is not.

13. The data for billing adjustments related to estimates is reflected in the following table.

Number of Bill Adjustments for Estimates 2014 - 2016							
		Number of Adjustments (Residential)	Average Adjustment (Residential)	Number of Adjustments (CARE)	Average Adjustment (CARE)	Number of Adjustments (Non-residential)	Average Adjustment (Non-residential)
2014	Jan	10,262	\$ (15.71)	75	\$ 9.85	870	\$ (131.37)
	Feb	8,916	\$ (19.73)	76	\$ (2.63)	791	\$ (107.28)
	Mar	13,225	\$ (23.97)	133	\$ (11.82)	1,253	\$ (117.17)
	Apr	16,026	\$ (26.71)	144	\$ (15.17)	1,826	\$ (81.63)
	May	30,744	\$ (23.44)	196	\$ (14.31)	2,223	\$ (101.88)
	Jun	25,093	\$ (21.51)	222	\$ (13.92)	2,208	\$ (86.71)
	Jul	22,696	\$ (16.89)	202	\$ 27.38	1,959	\$ (61.18)
	Aug	19,306	\$ (20.09)	161	\$ (9.65)	1,428	\$ (58.72)
	Sep	19,128	\$ (20.87)	145	\$ (10.25)	1,287	\$ (72.29)
	Oct	23,833	\$ (15.42)	188	\$ (38.25)	1,525	\$ (60.23)
	Nov	12,479	\$ (14.71)	109	\$ (7.59)	851	\$ (88.06)
	Dec	9,727	\$ (16.73)	86	\$ (9.64)	781	\$ (102.58)
2015	Jan	8,033	\$ (24.10)	38	\$ (7.64)	676	\$ (136.10)
	Feb	14,057	\$ (37.81)	39	\$ (28.44)	1,000	\$ (154.37)
	Mar	13,500	\$ (29.96)	55	\$ (13.05)	969	\$ (88.66)
	Apr	21,304	\$ (28.87)	55	\$ (16.91)	1,874	\$ (80.03)
	May	16,766	\$ (24.61)	49	\$ (12.46)	1,321	\$ (70.03)
	Jun	10,403	\$ (17.92)	34	\$ (7.75)	704	\$ (55.60)
	Jul	23,639	\$ (23.55)	67	\$ (9.23)	1,729	\$ (104.25)
	Aug	18,258	\$ (18.99)	57	\$ (16.57)	1,352	\$ (46.85)
	Sep	18,770	\$ (17.22)	46	\$ (7.17)	1,141	\$ (91.23)
	Oct	25,573	\$ (16.95)	63	\$ (6.18)	1,325	\$ (61.83)
	Nov	17,299	\$ (16.90)	49	\$ (9.10)	893	\$ (54.68)
	Dec	15,217	\$ (15.19)	35	\$ (9.20)	944	\$ (49.87)
2016	Jan	18,952	\$ (19.20)	112	\$ (2.91)	1,298	\$ (62.62)
	Feb	23,057	\$ (25.38)	147	\$ (5.53)	1,431	\$ (28.06)
	Mar	25,337	\$ (35.64)	166	\$ (13.67)	1,658	\$ (39.50)
	Apr	20,496	\$ (25.28)	132	\$ (9.42)	1,454	\$ (85.71)
	May	14,743	\$ (33.43)	94	\$ (17.44)	985	\$ (92.98)
	Jun	13,005	\$ (25.80)	133	\$ (15.44)	1,170	\$ (58.10)
	Jul	10,361	\$ (25.32)	98	\$ (10.04)	861	\$ (5.50)
	Aug	8,405	\$ (22.40)	99	\$ 17.24	678	\$ (62.79)
	Sep	5,867	\$ (22.17)	54	\$ 1.57	439	\$ (51.09)
	Oct	4,215	\$ (15.69)	49	\$ (11.18)	315	\$ (62.64)
	Nov	2,596	\$ (16.55)	47	\$ (5.80)	210	\$ (134.13)
	Dec	1,667	\$ (30.30)	15	\$ (14.59)	150	\$ (51.52)

14. The data in the table shown in paragraph 13 shows that the average billing adjustments to correct for an estimate for any reason range between \$14.71 and \$37.81 for residential customers. On average, the adjustment was \$22.36 for residential customers. The median correction was \$21.84 for residential customers. However, since SoCalGas is more

focused on refunding overpayments than recouping possible under-estimated read payments and given the 3 months for undercharges versus 3 years for overcharges rule in our Tariff, it makes mathematical sense that we have a positive average refund amount.

15. The Staff Report (page 22) states, “Table 5 shows that SoCalGas issued over 13.57 million monthly bills with 34-60 billing days, with most being issued during the November to January holiday season.” This has also been true historically.

16. The table below shows when SoCalGas’ meter reading schedule included more than 33 days in a billing cycle for the years of 2010, 2011, 2012, and 2013. The number of accounts affected is estimated as approximately 250,000 per cycle, which is slightly less than our actual count of accounts per cycle.

<b>Months with Cycles with More than 33 Days</b>			
Year	Month	Number of Cycles	Accounts Affected (Estimated)
2010	January	15	3,750,000
	December	4	1,000,000
2011	December	2	500,000
2012	January	15	3,750,000
	November	9	2,250,000
	December	4	1,000,000
2013	January	8	2,000,000
	December	7	1,750,000

17. In the table below, SoCalGas provides greater detail into number of billing days at 34 days, 35 days, and greater than 35 days than what is reflected in Table 5 of the Staff Report. This table shows that most cycles with billing days exceeding 33 days fall just slightly over at either 34 or 35 days in the cycle.

Monthly Number of Bills Issued Between 2014 and 2016							
Year	Month	Number of Billing Days					Total
		(0 - 26 Days)	(27 - 33 Days)	34 Days	35 Days	>35 Days	
2014	Jan	123,521	2,548,549	1,663,116	1,278,828	63,424	5,677,438
	Feb	117,019	5,447,248	34,053	29,527	8,534	5,636,381
	Mar	124,650	5,489,451	18,027	1,508	8,187	5,641,823
	Apr	135,255	5,499,485	1,818	757	7,443	5,644,758
	May	124,700	5,483,542	1,919	747	8,213	5,619,121
	Jun	130,343	5,451,236	33,873	1,241	8,324	5,625,017
	Jul	145,417	5,494,176	13,936	836	11,488	5,665,853
	Aug	148,219	5,472,534	2,054	595	10,908	5,634,310
	Sep	144,910	5,469,150	5,603	704	10,833	5,631,200
	Oct	145,338	5,518,288	967	667	12,649	5,677,909
	Nov	139,315	5,282,159	232,492	6,718	17,193	5,677,877
	Dec	108,680	4,258,218	1,155,311	120,945	12,534	5,655,688
2015	Jan	106,264	2,507,702	1,345,481	1,552,946	132,201	5,644,594
	Feb	118,002	5,449,174	54,453	14,314	14,632	5,650,575
	Mar	114,127	5,485,804	20,186	4,481	11,272	5,635,870
	Apr	125,045	5,517,938	4,342	2,886	11,797	5,662,008
	May	128,540	5,543,525	3,318	2,030	11,303	5,688,716
	Jun	131,997	5,502,924	7,479	1,185	11,421	5,655,006
	Jul	141,789	5,530,242	5,576	1,285	12,247	5,691,139
	Aug	144,436	5,496,295	1,965	981	12,628	5,656,305
	Sep	135,173	5,477,855	11,422	725	12,192	5,637,367
	Oct	153,164	5,485,528	4,280	1,644	13,549	5,658,165
	Nov	137,442	5,040,478	496,801	11,405	24,557	5,710,683
	Dec	112,737	4,482,167	1,033,282	38,909	17,097	5,684,192
2016	Jan	157,134	2,437,684	1,242,448	1,782,379	126,490	5,746,135
	Feb	225,317	5,327,754	37,869	18,732	102,830	5,712,502
	Mar	121,797	5,574,677	9,840	5,450	11,231	5,722,995
	Apr	128,993	5,620,017	6,009	5,685	11,831	5,772,535
	May	137,971	5,654,500	3,581	2,199	11,835	5,810,086
	Jun	140,575	5,612,041	9,055	1,187	12,149	5,775,007
	Jul	157,147	5,603,558	6,723	1,659	12,739	5,781,826
	Aug	150,940	5,603,487	1,875	709	11,897	5,768,908
	Sep	147,408	5,602,432	16,031	709	12,658	5,779,238
	Oct	141,123	5,603,055	1,113	485	11,740	5,757,516
	Nov	133,665	5,549,777	80,189	1,066	22,353	5,787,050
	Dec	123,693	5,253,305	403,825	5,328	9,802	5,795,953

18. The following table summarizes the data presented in the table in paragraph 17 above.

	<i>(0 - 26 Days)</i>	<i>(27 - 33 Days)</i>	<i>34 Days</i>	<i>35 Days</i>	<i>&gt;35 Days</i>	<i>Total Bills</i>
<b>2014</b>	2.34%	90.60%	4.67%	2.13%	0.27%	67,787,375
<b>2015</b>	2.28%	90.50%	4.40%	2.40%	0.42%	67,974,620
<b>2016</b>	2.55%	91.67%	2.63%	2.64%	0.52%	69,209,751

19. The table shown in paragraph 17 shows that a total of 822,181 bills were for more than 35 days. This represents 0.4% of bills issued during this three-year period. The table shown in paragraph 18 shows that during this three-year period, just 4% of bills were for 34 day periods, 2% of bills were for 35 day periods, and 97% of bills were for periods between 27 and 35 days.

20. The main reason for bills of more than 35 days is because of an extended temporary break in service by the customer or to issue the first bill of the heating season for heat-only customers. Also, as a result of the advanced meter installations, a smaller number of customers have experienced single month bills with longer billing periods.

21. The Staff Report (page 26) states, “SoCalGas stated that the actions taken helped reduce the number of customers with delayed bills from the 47,000 initially reported in May 2016 to less than 12,000 by September 2016.” This information was taken from SoCalGas’ response to DR-GAS-00006-3, Question 2, which was submitted on September 9, 2016.

22. On January 3, 2017, SoCalGas submitted a response to DR-GAS-00006-4, Question 4. In that response, SoCalGas provided information regarding further actions taken, which reduced the volume of incoming work.

23. Below is a summary by month of the volume of bills flagged by SoCalGas' validation process, which is information contained in the responses mentioned in paragraphs 21 and 22. Because of the system enhancements, SoCalGas has less than 2,000 exceptions that are flagged due to the billing validations.

Number of Bills Flagged Due to Validation Checks Between 2014 and 2016						
Month	2014		2015		2016	
	Total	Daily Average	Total	Daily Average	Total	Daily Average
Jan	68,934	3,283	122,861	5,851	171,185	8,152
Feb	71,409	3,400	143,225	6,820	162,892	7,757
Mar	75,335	3,587	169,713	8,082	168,378	8,018
Apr	72,498	3,452	187,959	8,950	167,164	7,960
May	72,879	3,470	161,988	7,714	146,811	6,991
Jun	79,722	3,796	188,270	8,965	128,715	6,129
Jul	89,613	4,267	197,596	9,409	99,704	4,748
Aug	93,793	4,466	157,111	7,481	77,258	3,679
Sep	97,891	4,661	164,006	7,810	60,508	2,881
Oct	115,759	5,512	179,564	8,551	46,193	2,200
Nov	101,887	4,852	172,835	8,230	32,275	1,537
Dec	117,736	5,606	175,429	8,354	29,510	1,405

24. Some portion of the bills flagged for validation remain unprocessed and are reported as delayed billing when they remain unprocessed for over 30 days. SoCalGas submitted the following table in response to Question 8 in the CPED Data Request No. DR-GAS-00006-1, submitted July 7, 2016.

	2014	2015	2016
<b>Jan</b>	949	14,879	29,753
<b>Feb</b>	824	19,014	29,948
<b>Mar</b>	1,013	21,732	31,409
<b>Apr</b>	1,836	21,211	24,702
<b>May</b>	2,686	22,742	15,858
<b>Jun</b>	3,108	25,284	
<b>Jul</b>	4,872	24,883	
<b>Aug</b>	4,656	27,504	
<b>Sep</b>	4,388	30,615	
<b>Oct</b>	6,103	32,397	
<b>Nov</b>	9,523	31,091	
<b>Dec</b>	11,603	34,231	
<b>Average</b>	4,297	25,465	26,334

25. Even when slightly more than 34,000 flagged accounts remained unprocessed for more than 30 days, SoCalGas was still issuing bills for more than 99% of its nearly 6 million customers within the month.

26. SoCalGas mails customer bills within two (2) days from receiving a meter read. For example, a read received during the day on Monday is processed (validated) overnight Monday. On Tuesday afternoon, the validated read is used to calculate applicable charges. On Tuesday evening, the calculated charges and other customer information are formatted into a bill image. The bill image is printed early Wednesday for pickup by the Post Office later that day.

27. SoCalGas reads meters over the course of 21 work days. While most 30/31 day months can accommodate a 21 work day meter reading schedule, some do not.

28. 2014-2016 was a period of high advanced meter installation. SoCalGas converted 4.525 million analog meters to advanced meters during this time. As a result of this conversion, SoCalGas had a higher number of estimated bills, delayed bills, and used extended billing cycles for AMI.

29. SoCalGas took several measures to mitigate the problem as explained in our data request responses. SoCalGas also continued hiring and training new employees needed as replacement meter readers and hired even more than it had planned, to help limit estimated bills. We provided information on meter reading hires from 2014 through May 2016 to CPED but supplement our response here with data from 2010 through 2013 and the remainder of 2016:

<b>Year</b>	<b>Employees Hired</b>
2010	244
2011	532
2012	742
2013	533
2014	447
2015	489
2016	55

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on June 5, 2017, at Los Angeles, California.

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*/s/ Ashok Lad*  
ASHOK LAD

**ATTACHMENT B**

**LETTER FROM PRESIDENT PICKER TO ASSEMBLYMAN SCOTT WICKER**

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



**February 12, 2016**

Assemblyman Scott Wilk  
Assembly, California Legislature  
P.O. Box 942849  
Sacramento, CA 94249-0038

**SUBJECT:** Customer complaints about high SoCalGas bills

Dear Assemblyman Wilk:

Thank you for your recent letter concerning SoCalGas customer concerns that their monthly gas bills spiked in December. While there has been speculation that bill increases were the result of the Aliso Canyon leak, SoCalGas is not authorized to collect any of the Aliso Canyon-related costs until those costs are presented to the CPUC by SoCalGas and are determined to be reasonable for collection from customers. SoCalGas does not have authority to collect costs from customers as the costs are incurred. They must first be scrutinized by the Commission in formal, open and public proceedings. Therefore, SoCalGas is not collecting any of Aliso Canyon leak-related costs from customers at this time.

The CPUC has looked into the drivers of these bill increases. While there may be individual cases where a faulty meter or a billing error has occurred, most bill increase were due to cold weather and the resulting increases in gas usage.

Residential gas rates are primarily made up of three parts: cost of the gas purchased by SoCalGas from the market, the transportation charge to deliver gas to customers, and the Public Purpose Program (PPP) surcharge used to help subsidize low-income customers' gas costs.

The costs that go into the transportation charge are approved by the Commission during a triennial proceeding, or rate case. These rate cases authorize any increases that the utility is allowed to implement over the three year period. These rate changes are typically updated annually on January 1. Any change to PPP charges are also changed on January 1, based on the Commission-authorized costs for energy efficiency programs, gas research and development, and the low-income customer subsidy.

The cost of the gas purchased from the market (the procurement cost portion of the rates) changes from month to month. These costs depend on national gas market prices and are passed through to customers without any mark-up. Although the cost of gas changes from month to month, natural gas prices have actually been fairly low in recent months. SoCalGas' gas procurement rate in October 2015 decreased by 2.5% from the previous month and then in November 2015 decreased by an additional 16.1%. However, in December 2015, gas price did increase by 14.3%. In January 2016, gas cost decreased once again by 18.9% from the previous month. SoCalGas has no control over the market price of gas.

Gas customers receive a bill sometime during any given month for usage during the previous 28-35 day “billing period.” For example, if a customer receives a bill on November 5, that bill is likely for usage during the billing period from October 5- November 4. Therefore, the rates that customer pays would be made up of *pro rata* portions of the October rate (times 25 days of usage) plus the November rate (times 4 days of usage).

The overall gas rate (including the procurement rate, the transportation rate, and the PPP surcharge) for a typical SoCalGas residential customer did not significantly change going from late 2015 to January 2016. Therefore, changes in SoCalGas’ gas rates are not a major factor in explaining why some customers’ bills have increased recently. Please see the below chart for more detail.

	October '15	November '15	December '15	January '16
<b>Gas Procurement</b>	-2.5%	-16.1%	14.3%	-18.9%
<b>Gas Transportation</b>	0	0	0	8.50%
<b>Public Purpose</b>	0	0	0	-7%
<b>Total Monthly Rate: (\$/"therm" of natural gas)</b>	\$1.1459	\$1.1013	\$1.1477	\$1.1495
<b>% Change from previous month</b>	-0.7%	-4.0%	4.0%	0.2%

The increase in customers’ bills in December is primarily due to the fact that winter weather in southern California in late 2015 was significantly colder than the past two winters, which had been record warm winters. In fact, from November 2015 to January 2016, Los Angeles County experienced 40 “Heating Degree Days,” which is way over the average number of 18 “Heating Degree Days for this period.” “Heating Degree Days” are days when the temperature drops below 65 degrees and typically requires increased use of gas for heating. The colder weather increased demand for natural gas in SoCal Gas’ service territory and residential usage in December 2015 nearly doubled the usage of November 2015. Another reason that December 2015/January 2016 bills were higher was that this billing cycle covered 35 days of consumption.

Like electric rates, natural gas rates are tiered based on usage. Rates are designed such that as a customer’s consumption exceeds a certain level (called “baseline”), the rate for the additional usage increases. Therefore, increases in gas demand result in a disproportionately larger increase in bills because, due to the unusually cold weather in Southern California in December and January, many more customers had consumption above baseline. The problem of cold weather increasing demand could be compounded for some neighborhoods with older homes with less efficient furnaces and poor insulation .

While cold weather and resulting increased natural gas usage account for most increased bills, some individual customers could have other anomalies that require specific research into that individual bill. In these cases, the CPUC would be happy to work with customers and look into

Ltr to Asm. Wilk  
February 12, 2016  
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their specific billing issues. Your office should feel free to forward those customers' contact information and bills to our Consumer Affairs Branch.

To minimize the worst effects of increased demand during winter months, the CPUC also encourages all classes of customers to take advantage of their utilities' or Regional Energy Networks' Energy Efficiency programs. More information can be found at [energyupgradeca.org](http://energyupgradeca.org).

The CPUC will continue to closely monitor the Aliso Canyon situation and its impacts and take all necessary steps to ensure safe, reliable utility service at just and reasonable rates. Please see the attached Fact Sheet for more detailed information.

Sincerely,

Michael Picker  
President, CPUC

<Enclosure>