

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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.

**FILED
PUBLIC UTILITIES COMMISSION
APRIL 27, 2017
SAN FRANCISCO
I.17-04-021**

**ORDER INSTITUTING INVESTIGATION AND
ORDER TO SHOW CAUSE**

I. INTRODUCTION AND STATEMENT OF PURPOSE

By this order, the California Public Utilities Commission ("Commission") institutes a formal investigation to determine whether named Respondent, Southern California Gas Company ("SoCalGas"), violated any provision(s) of the California Public Utilities Code, Commission General Orders or decisions, or other applicable rules or requirements pertaining to billing practices between 2014-2016 by repeatedly failing to issue timely monthly bills, extending the billing period for a significant number of customers, and issuing over nine million estimated bills. Pursuant to the Commission's Rules of Practice and Procedure, Rule 5.1, the Commission opens this Order Instituting Investigation ("OII" or "Order") on its own motion.

SoCalGas is a natural gas distribution utility serving approximately 21.6 million customers through 5.9 million meters throughout Central and Southern California, stretching from Visalia, California to the Mexican border. SoCalGas is a regulated subsidiary of Sempra Energy. SoCalGas is subject to the Commission's jurisdiction by virtue of its acceptance of those conditions that governed its formation in addition to several provisions of the Public Utilities Code that give the Commission

broad authority to act to protect ratepayers in a variety of circumstances, to enforce the constitution, statutes, and Commission rules, orders, and decisions, and to remedy violations thereof.¹

This Order provides notice that the Commission will determine whether SoCalGas has violated the California Public Utilities Code, Commission General Orders or decisions, or other applicable rules or requirements pertaining to billing practices. This Order also directs SoCalGas to show cause as to why the Commission should not order revisions to SoCalGas' gas tariff rule ("Rule") 14 and/or impose penalties and/or other remedies, including requiring SoCalGas shareholders to absorb all costs associated with incremental meter read workforce and the temporary work force SoCalGas employed to address bill validation system issues.

This Order is in response to nearly 700 billing-related complaints received by the Commission's Consumer Affairs Branch ("CAB") and the following investigation conducted by the Consumer Protection and Enforcement Division's ("CPED") Utility Enforcement Branch ("UEB"). After conducting its investigation, CPED staff developed a report: Investigation of Southern California Gas Company (U 904 G) Concerning Billing Practices ("Staff Report").² Based on the Staff Report, the Commission finds it has sufficient evidence and good cause to commence a formal investigation to determine whether SoCalGas violated its customers' right to receive accurate bills at regular intervals and its Rules 12 and 14. By initiating this Order, the Commission seeks to

¹ These provisions include, but are not limited to, Public Utilities Code § 451 (requiring public utilities to furnish and maintain adequate, efficient, just and reasonable service as necessary to promote the safety, health, comfort, and convenience of its patrons, employees and the public); § 701 (Commission may do all things necessary and convenient to exercise its power and jurisdiction to regulate public utilities); § 761 (Commission may adopt order or rule to remedy unjust or unreasonable practices of a public utility); § 798 (provides for remedies against a utility that makes imprudent payments to its holding company); and §§ 2101 - 2113 (authority to enforce Constitution, statutes, and violations of Commission orders, rules, and decisions).

² The Staff Report is Attachment A to this OII.

investigate and address deficiencies in SoCalGas' billing practices which may adversely impact customers.

II. BACKGROUND AND SUMMARY OF CPED'S INVESTIGATION REPORT

Between June 2015 and May 2016, CAB, a branch primarily designed to answer consumer questions and resolve informal complaints against utility providers subject to the Commission's authority, received over a thousand customer complaints against SoCalGas.³ The majority of these complaints, 691 or 61% were categorized as billing-related. Within this general category, high bills (513), estimated billing (45), and bill adjustments (28) ranked at the top of the complaints. CAB attempted to resolve these complaints by working with SoCalGas and the complaining customer. In response, SoCalGas sent letters to its customers to explain the potential causes of higher than normal bills, clarify that delayed bills only included actual usage, and describe the mechanics of estimated billing.⁴

CAB also referred the complaints to the Commission's Energy Division, which followed up with SoCalGas by submitting data requests and holding meetings with SoCalGas representatives during the first half of 2016. On May 18, 2016, CPED's UEB began investigating the matter, relying on data provided by SoCalGas, CAB, and Energy Division, in addition to publicly available information. CPED also submitted four data requests to SoCalGas, and SoCalGas provided responses to these requests. The findings of CPED's investigation are set forth below.

A. CPED Alleges that SoCalGas Violated its Gas Tariff Rule 12 by Failing to Issue Timely Monthly Bills.

CPED alleges that SoCalGas violated Rule 12, "Payment of Bills," which requires bills to be "rendered monthly" and "based on the measured quantity of gas delivered to the customer"⁵

³ Staff Report at 4.

⁴ Staff Report at 7-11.

⁵ Staff Report at 24.

The Staff Report indicates that in May 2016, SoCalGas admitted to billing delays caused by a multitude of factors affecting its bill validation process during the winter of 2015-2016.⁶ Bills were delayed by over 45 days for approximately 47,000 customers, resulting in higher than normal bills that included several months of natural gas usage. SoCalGas' response to CPED's data requests stated that SoCalGas had taken several remedial actions to address this issue, including increasing staff, prioritizing system enhancements to help reduce the volume of transactions needing manual review, and improving workload management tools.⁷ Data request responses also revealed that SoCalGas has not directly charged ratepayers for the incremental costs of the temporary workforce, but may include them in its next general rate case application.⁸

B. CPED Alleges that SoCalGas Violated its Gas Tariff Rule 14 by Failing to Issue Bills Based on a One-Month Duration.

Rule 14 states that meters "shall be read as nearly as possible at regular intervals" and mandates that the "regular billing period for residential service shall be one month."⁹ SoCalGas identified a typical billing cycle as between 29 and 32 days.

In a data request response, SoCalGas admitted that in January 2016 approximately 140,000 customers had been issued bills with more than 35 billing days, exceeding the typical billing cycle.¹⁰ The response also indicated that these instances were a result of realigning meter reads for around 400,000 customers who opted-out of the advance meter program and for customers who had not yet received their advance meters. SoCalGas asserted this was a one-time event for those customers and subsequent bills reflected the typical 29-32 day bill cycle.¹¹ However, the Staff Report claims that

⁶ Staff Report at 24-25.

⁷ Staff Report at 25-26.

⁸ Staff Report at 26.

⁹ Staff Report at 21.

¹⁰ Staff Report at 21.

¹¹ Staff Report at 22.

SoCalGas' violations of Rule 14 are widespread and sustained, reporting that SoCalGas issued over 13.57 million monthly bills with 34-60 billing days from 2014 to 2016.¹² The Staff Report also found that most of these bills were issued during the holiday months of November through January, and the longer billing period resulted in higher than normal bills.¹³ SoCalGas cited contractually mandated seasonal company holidays and limited weekend meter reading as the reasons for the increased number of billing days.¹⁴

C. CPED Claims that a Loophole in Rule 14 Appears to Allow SoCalGas to Deprive its Customers Their Right to Receive Accurate Bills at Regular Intervals.

According to CPED, SoCalGas issued over 9.29 million gas bills from 2014 to 2016 using estimated usage rather than actual usage.¹⁵ SoCalGas claims that this high number of estimated bills was a result of staffing shortages and meter read routing complications.¹⁶ Although CPED does not disagree with SoCalGas' assessment, CPED also interprets language in Rule 14 as not placing limitations on SoCalGas' ability to issue estimated bills. CPED therefore believes the Commission should review Rule 14.¹⁷

SoCalGas Rule 12, "Payment of Bills," requires bills to be "rendered monthly" and "based on the measured quantity of gas delivered to the customer ..." except as noted in Rule 14, Section C.¹⁸ Rule 14, Section C governs estimated bills, allowing such bills for reasons "beyond the Utility's control" and "within the Utility's control."¹⁹ The difference between the two is that the former is not considered a "billing

¹² Staff Report at 21-24.

¹³ Staff Report at 22-24.

¹⁴ Staff Report at 24.

¹⁵ Staff Report at 13.

¹⁶ Staff Report at 20-21.

¹⁷ Staff Report at 11-13.

¹⁸ Staff Report at 11.

¹⁹ Staff Report at 11-12.

error” for purposes of applying Rule 16, discussed below, while the latter is considered a billing error.

Rule 16, “Adjustment of Bills,” describes the process for estimating and adjusting bills, and establishes the requirements and timelines for the utility to refund overcharges and collect undercharges when a billing error has occurred.²⁰ Specifically, when an estimated bill does not reflect actual usage, SoCalGas is required to refund overcharges for a period of up to three years and is allowed to collect undercharges for up to three months. Rule 16 defines “billing error” as “an error by the Utility that results in incorrect billing charges to the customer.”²¹

When read together, CPED interprets Rule 14 Sections C.1 and C.3 to not place any limitations on SoCalGas’ ability to issue estimated bills because it may issue estimated bills for reasons “beyond” and “within” its control.²² CPED asserts that this unconstrained ability to issue estimated bills is inconsistent with other utilities’ billing rules.²³ For comparison, the Staff Report identifies estimated billing rules for Pacific Gas and Electric Company (“PG&E”) and Southwest Gas Corporation, which limit estimated billing to reasons “beyond” the utility’s control.²⁴

In addition, CPED asserts that SoCalGas’ practice of issuing high numbers of estimated bills runs contrary to established Commission consumer protection policies.²⁵ In Commission Decision (“D.”) 07-09-041, the Commission found that PG&E systematically violated its Rule 9A by failing to issue bills at the required regular intervals based on actual data. The Commission also found that PG&E erroneously failed to treat estimated bills or delayed bills as “billing errors” in order to avoid triggering time

²⁰ Staff Report at 5-7.

²¹ Staff Report at 5.

²² Staff Report at 11-13.

²³ Staff Report at 12-13.

²⁴ Staff Report at 12.

²⁵ Staff Report at 13.

limitations on backbilling.²⁶ The Decision identified some key consumer protection and utility business practice principles.

The Commission explained that “receiving accurate bills issued at regular intervals is a basic consumer right,” emphasizing that “[c]ustomers, particularly those with low or fixed monthly incomes, must have accurate monthly bills in order to properly budget their expenses.”²⁷ The Commission elaborated that “[t]hese concerns apply equally to estimated bills. ... [because u]nless customers are given bills that are based on actual usage, their ability to budget and/or adjust their electricity usage in response to accurate price signals is hampered.”²⁸

The Commission highlighted that the “timely collection of money actually owed is the cornerstone of a sound business ... and neither the individual customer nor ratepayers as a whole should pay a penalty for the failure of a basic business function that is uniquely within the control of the utility.”²⁹ The Commission explained that meter reading and billing “is not a new venture; it is the bread and butter of [the utility’s] business.”³⁰

CPED also claims consumer protection issues are raised because SoCalGas’ estimated bills generally overestimate gas usage, which may cause undue financial burden because a high estimate usually results in overpayment.³¹ CPED reported that the average refund amount was between \$19.33 to \$100.69 (56-319%) for residential customers and from \$13.71 to \$88.88 (49-319%) for California Alternate

²⁶ Backbilling is a utility practice of issuing a single bill to cover usage for previous month(s) not billed. *See* D.07-09-041, p. 4.

²⁷ D.07-09-041, p. 8; *see also id.* at 9 (“categorically reject[ing]” PG&E’s argument that “customers are only harmed if they were made worse off economically than they would have been had the same bills issued timely”).

²⁸ D.07-09-041, p. 8.

²⁹ *Id.* at p. 9.

³⁰ *Id.*

³¹ Staff Report at 17-18.

Rates for Energy (“CARE”) customers.³² The Staff Report concluded that overcharges could be burdensome for customers with limited means because the full amount is due regardless of whether the bill is disputed or later adjusted when an actual read is obtained.³³

According to the Staff Report, there is additional evidence in support of the Commission’s review of SoCalGas Rule 14 in this investigation. First, the Staff Report concludes that there is a correlation between high bills and the number of estimated bills.³⁴ According to CPED, although SoCalGas sent letters to its customers asserting that the high bills resulted from increased usage during cold weather and extended billing periods, estimated billing significantly contributed to the volume of high bills.³⁵ Secondly, CPED alleges that, contrary to SoCalGas’ assertion that advanced meters will reduce the frequency of estimated bills, the number of estimated bills actually increased as more advanced meters were installed.³⁶ The Staff Report therefore concludes that these additional factors contributing to the high bills may be indicative of an ongoing problem warranting Commission review.³⁷

Thirdly, CPED found that SoCalGas incurred incremental costs related to estimated billing. In a data request response, SoCalGas contended that it experienced an extreme annualized turnover rate among meter readers from 2014 to 2016; however, SoCalGas also indicated that it continued to hire and train new meter readers. SoCalGas also indicated that 147 of the meter readers were incremental to the number needed as replacement hires. The costs associated with the 147 incremental employees totaled \$542,152 over a three-year period. SoCalGas said it has not charged ratepayers directly

³² Staff Report at 17-18.

³³ Staff Report at 18.

³⁴ Staff Report at 7-8.

³⁵ Staff Report at 7-11.

³⁶ Staff Report at 13-16.

³⁷ Staff Report at 18.

for this cost, but it may count these costs for purpose of its next General Rate Case request.

III. INITIATION OF INVESTIGATION

The Commission institutes this formal proceeding pursuant to Rule 5.1 of the Commission's Rules of Practice and Procedure ("Commission Rules"). We will consider the allegations in CPED's Staff Report to determine if SoCalGas violated any provision(s) of the California Public Utilities Code, Commission General Orders or decisions, or other applicable rules or requirements pertaining to billing practices by repeatedly failing to issue timely monthly bills, extending the billing period for significant numbers of customers, and issuing over nine million estimated bills.

The Staff Report provides us with sufficient evidence and good cause to commence a formal investigation to determine if such violations have occurred and, if so, to consider the proper remedy for such violations. We will specifically consider whether monetary fines are warranted and, if so, the appropriate amount of monetary fines. In addition, we will consider whether other remedies are appropriate, including whether Rule 14 should be revised and whether SoCalGas shareholders should absorb costs related to incremental meter read workforce and the temporary workforce SoCalGas employed to address bill validation problems.

This OII places SoCalGas on notice and provides an opportunity for SoCalGas to be heard. SoCalGas may submit evidence, information or documents on its behalf in this proceeding.

IV. ORDER TO SHOW CAUSE

CPED's Staff Report establishes sufficient grounds for the Commission to order SoCalGas to show cause why it should not be required 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 its shareholders absorb all costs associated with the incremental meter read workforce and the temporary work force it employed to address its bill validation system related issues.

This OII places SoCalGas on notice and provides an opportunity for SoCalGas to be heard. SoCalGas may submit evidence, information or documents on its behalf in this proceeding.

V. PRELIMINARY SCOPING MEMO

Commission Rule 7.1(c) provides that an OII shall attach a preliminary scoping memo. The following discussion meets this requirement.

A. Issues

The scope of the issues to be determined in this proceeding shall be (1) whether SoCalGas deprived its consumers of their right to receive accurate bills at regular intervals by issuing over 9.29 million gas bills based on estimated usage rather than actual usage from 2014 to 2016, (2) whether SoCalGas violated Section A of its Gas Tariff Rule 14 by failing to issue over 13.57 million bills based on a monthly duration between 2014 and 2016, resulting in higher than normal customer bills, (3) whether SoCalGas violated Section A of its Rule 12 by failing to issue timely monthly bills to approximately 47,000 customers during the winter of 2015-2016 because of delays in its bill validation process; (4) whether Rule 14 should be revised to limit the circumstances under which SoCalGas may issue estimated bills; and (5) whether SoCalGas shareholders should absorb all costs associated with incremental meter read workforce and the temporary work force SoCalGas employed to address bill validation system issues.

B. Category of Proceeding and Need for Hearing

Commission Rule 7.1 (c) specifies that an “order instituting investigation shall determine the category of the proceeding [and] preliminarily determine the need for hearing.” This investigation is categorized as adjudicatory as defined in Rule 1.3 (a). We expect disputed issues of material fact and therefore preliminarily determine that evidentiary hearings will be necessary.

C. Schedule

Pursuant to Commission Rule 7.6, appeals of the categorization of this investigation, if any, are to be filed within 10 days of the date this OII is issued.

Within 30 days of the mailing date of this Order, Respondent shall file and serve a response to this OII.

Responses on this preliminary scoping memo may also be filed and served within 30 days of the date this OII is issued. Pursuant to Commission Rule 5.2, responses shall state “any objections to the preliminary scoping memo regarding the need for hearing, issues to be considered, or schedule.” Replies to responses may be filed and served within 10 days of the due date for responses.

Pursuant to Commission Rule 7.2, the Assigned Commissioner shall set a prehearing conference for 45 to 60 days after the initiation of this proceeding or as soon as practicable after the Commission makes the assignment. The Assigned Commissioner will also issue a scoping memo setting forth the scope of the proceeding and establishing a procedural schedule.

| | |
|---|---|
| Appeal of Categorization | 10 days after issuance of this OII |
| SoCalGas response to OII | 30 days after issuance of this OII |
| Responses on scope and issues in Preliminary Scoping Memo due | 30 days after issuance of this OII |
| Replies to Comments on issues in Preliminary Scoping Memo due | 10 days after Responses on scope and issues in the Preliminary Scoping Memo are due |
| Prehearing Conference | To be scheduled by the assigned Administrative Law Judge |
| Commission Decision issued | To be determined in the final scoping Memo |

VI. PARTIES AND SERVICE LIST

SoCalGas is named as a respondent to this investigation. CPED is named as a party to this proceeding. The initial service list for this proceeding is set forth in an

Ordering Paragraph and includes SoCalGas and CPED. The official list may be updated with additional parties.

VII. PUBLIC ADVISOR

Any person or entity interested in participating in this investigation who is unfamiliar with the Commission's procedures should contact the Commission's Public Advisor's Office in San Francisco at (866) 849-8390, or email public.advisor@cpuc.ca.gov. The TTY number is (866) 836-7825. Written communication may be sent to the Public Advisor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102.

VIII. INTERVENOR COMPENSATION

A party that expects to request intervenor compensation for its participation in this rulemaking shall file its notice of intent to claim intervenor compensation in accordance with Commission Rule 17.1.

IX. EX PARTE COMMUNICATIONS PROHIBITED

Article 8 of the Commission's Rules of Practice and Procedure applies to all communications with decision makers and advisors regarding the issues in this proceeding. This proceeding is categorized as adjudicatory and Rule 8.3(b) prohibits all *ex parte* communications.

Therefore, **IT IS ORDERED** that:

1. In accordance with Commission Rule 5.1, the Commission institutes this Order Instituting Investigation and Order to Show Cause on its own motion to evaluate the report of the Consumer Protection and Enforcement Division ("CPED") and to determine whether Southern California Gas Company ("SoCalGas") violated any provision of the California Public Utilities Code, Commission General Orders or decisions, or other applicable standards, laws, rules or regulations in connection with its billing practices.

2. SoCalGas is ordered order 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 read workforce and the temporary work force SoCalGas employed to address its bill validation system related issues.

3. SoCalGas is a respondent to this Investigation and shall be subject to Commission orders in this matter.

4. SoCalGas shall file and serve a response to this OII within 30 days of the mailing date of this Order.

5. A copy of CPED's report entitled: "Investigation of Southern California Gas Company (U 904 G) Concerning Billing Practices" is included as Attachment A of this OII.

6. The preliminary scope of issues for this Investigation is as stated in the body of this Order.

7. SoCalGas is hereby given notice that fines or other remedies may be imposed in this matter.

8. SoCalGas is hereby given notice that the Commission may order the implementation of operational and policy measures designed to prevent future billing practice violations.

9. This proceeding is classified as adjudicatory, as that term is defined in Commission Rule 1.3(a). Under Commission Rule 7.6, this Order is appealable only as to category no later than 10 days after the date of this Order.

10. Parties shall file responses on the scope and issues identified in the preliminary scoping memo within 30 days of the date this Order is issued.

11. Parties may file replies to responses on the scope and issues identified in the preliminary scoping memo within 10 days of the date the responses are due.

12. The assigned Commissioner or Administrative Law Judge ("ALJ") may adjust the schedule identified herein.

13. A party that expects to request intervenor compensation for its participation in this investigation shall file its notice of intent to claim intervenor compensation in accordance with Commission Rule 17.1.

14. *Ex parte* communications are prohibited as set forth in Commission Rule 8.2(b).

15. The service list for this proceeding is set forth below. This list includes the respondent SoCalGas and CPED. Persons may seek party status by oral motion at the Prehearing Conference or hearing, by written motion, or as directed by the ALJ.

16. The Executive Director shall cause a copy of this Order to be served by certified mail on Respondent SoCalGas and a hard copy to each person listed below:

Ronald Van Der Leeden,
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This Order is effective today.

Dated April 27, 2017 at San Francisco, California.

MICHAEL PICKER

President

CARLA J. PETERMAN

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

Commissioners

ATTACHMENT A



**CALIFORNIA PUBLIC UTILITIES COMMISSION
CONSUMER PROTECTION AND
ENFORCEMENT DIVISION**

STAFF REPORT

**INVESTIGATION OF SOUTHERN CALIFORNIA
GAS COMPANY (U 904 G)
CONCERNING BILLING PRACTICES**

**BY KE HAO OUYANG
FEBRUARY 28, 2017**

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1 **I. EXECUTIVE SUMMARY**

2 This report by the Consumer Protection and Enforcement Division (CPED) of
3 the California Public Utilities Commission (Commission) documents the results of
4 CPED’s investigation of Southern California Gas Company’s (SoCalGas) (U 904 G)
5 billing practices.

6 CPED alleges that:

- 7 • SoCalGas deprived its consumers of their right to receive accurate bills
8 at regular intervals by issuing over 9.29 million gas bills based on
9 estimated usage rather than actual usage from 2014 to 2016.¹
- 10 • SoCalGas violated Section A of its Gas Tariff Rule No. 14 (Rule 14) by
11 failing to issue bills based on a monthly duration, resulting in higher
12 than normal customer bills.² SoCalGas reported to the Commission that
13 it issued bills covering more than 35 billing days to approximately
14 140,000 customers in November and December of 2015. CPED’s
15 investigation uncovered a more widespread and sustained
16 noncompliance with Rule 14 by SoCalGas, as demonstrated by the over
17 13.57 million bills it issued with 34-60 billing days from 2014 to 2016.³
- 18 • SoCalGas violated Section A of its Rule 12 by failing to issue timely
19 monthly bills to approximately 47,000 customers during the winter of
20 2015-2016 because of delays in its bill validation process. These
21 customers received bills that include several months of natural gas
22 usage.

¹ SoCalGas issued 209,941,617 total gas bills from 2014 to 2016.

² According to SoCalGas’ response to question 1a of CPED data request DR-GAS-00006-03, the typical bill cycle is between 29-32 days. (Attachment C)

³ Most of the bills with 34-60 billing days were issued during the November to January holiday season.

1 The Commission has acknowledged that receiving accurate bills issued at
2 regular intervals is a basic consumer right.⁴ The Commission also acknowledged that
3 unless customers are given bills that are based on actual usage, their ability to budget
4 and/or adjust their usage in response to accurate price signals is hampered.⁵
5 Therefore, CPED recommends the Commission open an Order Instituting
6 Investigation (OII) based on CPED’s findings and order SoCalGas to show cause as
7 to why it should not be ordered to:

- 8 1. Revise its Rule 14 to place limits on the circumstances under which it
9 may issue estimated bills;
- 10 2. Pay penalties and/or other remedies for extending the billing period of
11 approximately 140,000 customers in November and December 2015
12 and to over 13.57 million customers from 2014 to 2016;
- 13 3. Pay penalties and/or other remedies for its failure to issue timely
14 monthly bills to approximately 47,000 customers during the winter of
15 2015-2016;
- 16 4. Absorb all costs associated with the incremental meter read workforce
17 and the temporary work force it employed to address its bill validation
18 system related issues.

⁴ D.07-09-041, p. 8.

⁵ D.07-09-041, p. 9.

1 **II. CPED INVESTIGATION**

2 CPED initiated this investigation after the Commission’s Consumer Affairs
3 Branch (CAB) received hundreds of billing-related complaints against SoCalGas from
4 June 2015 to May 2016.

5 In January 2016, SoCalGas notified Energy Division that it issued bills with
6 more than 35 billing days to approximately 140,000 customers during a transition to
7 advanced meter billing in November and December of 2015.⁶ SoCalGas contends
8 that this was a one-time event for affected customers and their subsequent bills
9 reflected a typical cycle of 29-32 days. However, as discussed in details below,
10 CPED’s investigation reveals that SoCalGas actually issued 13.57 million monthly
11 bills with 34-60 billing days from 2014 to 2016, a widespread violation of its tariff.

12 In May 2016, SoCalGas also notified Energy Division that due to a number of
13 factors affecting its bill validation process during the winter of 2015-2016,⁷ the bills
14 for approximately 47,000 customers were delayed 45 days or greater.⁸ Therefore,
15 these customers received a higher than normal bill that include several months of
16 natural gas usage.

17 CPED’s Utility Enforcement Branch (UEB) began its investigation into
18 SoCalGas’ billing practices on May 18, 2016 to determine if its billing practices
19 violated any applicable laws and regulations. In its analysis, UEB staff relied on
20 confidential and non-confidential data provided by SoCalGas, CAB and Energy
21 Division, as well as publicly available information including SoCalGas’ Tariff Rules
22 and Advanced Meter Semi Annual Reports, Commission decisions, and the Public
23 Utilities Code (PU Code).

⁶ See SoCalGas response to question 1 of CPED data request DR-GAS-00006-3. (Attachment C)

⁷ See SoCalGas response to question 7 of CPED data request DR-GAS-00006-1 regarding the factors affecting its bill validation process. (Attachment A)

⁸ See SoCalGas response to question 2 of CPED data request DR-GAS-00006-3. (Attachment B)

1 **III. CONSUMER COMPLAINTS WITH CAB**

2 The Commission has a process in place to handle informal complaints against
3 regulated utilities. This process involves the intake of an informal customer
4 complaint against a utility, and CAB staff attempting to resolve the complaint by
5 working with the utility and the customer. Based on CPED’s review of CAB’s
6 complaint data, the Commission received 1,137 complaints against SoCalGas from
7 June 2015 to May 2016.² CPED found that 691 (or 61%) of the complaints were
8 categorized as billing-related.

9 Table 1 provides a detailed breakdown of the 691 billing-related complaints by
10 sub-category. Table 1 shows that 513 (or 74.2%) of the billing-related complaints
11 during the one-year period from June 2015 to May 2016 involved high bills. Table 1
12 also shows that most of the high bill complaints were received during the first three
13 months of 2016. This complaint pattern is consistent with SoCalGas’ admission that
14 it extended the billing period for approximately 140,000 customers and failed to issue
15 timely monthly bills to approximately 47,000 customers during the winter of 2015-
16 2016, which resulted in higher than normal bills.

17

² CAB response to UEB data request dated May 20, 2016.

| Sub-Category | 2015 | | | | | | | 2016 | | | | | Total | |
|----------------------------------|-----------|-----------|-----------|----------|-----------|-----------|-----------|-----------|------------|-----------|-----------|-----------|------------|-------------|
| | June | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | | |
| Backbilling | 1 | 2 | - | - | - | - | - | - | - | - | 1 | - | 4 | 0.6% |
| Balance/Level Pay Plan | - | - | - | - | - | - | - | - | 1 | - | - | - | 1 | 0.1% |
| Bill Adjustment | 3 | 2 | 1 | 1 | 2 | 1 | 1 | 4 | 6 | 1 | 5 | 1 | 28 | 4.1% |
| Bill Not Received | 1 | - | 1 | - | - | - | 1 | 1 | 1 | 2 | 2 | 1 | 10 | 1.4% |
| Deposits | 2 | 1 | - | - | - | - | - | - | 1 | 1 | - | 2 | 7 | 1% |
| Disputed Customer of Record | 1 | - | 3 | 2 | 3 | 2 | 1 | 2 | 2 | 1 | 1 | 2 | 20 | 2.9% |
| Estimated Billing | | 4 | 2 | 1 | 3 | 1 | 1 | 7 | 7 | 14 | 2 | 3 | 45 | 6.5% |
| High Bill | 5 | 7 | 11 | | 4 | 4 | 4 | 28 | 335 | 75 | 31 | 9 | 513 | 74.2% |
| Late Payment Charge - LPC | - | - | - | - | - | - | - | - | - | - | 1 | - | 1 | 0.1% |
| Master/Sub Meters (Mobile Homes) | - | 1 | - | - | - | - | - | - | 3 | - | - | - | 4 | 0.6% |
| Meter Inaccuracy | - | - | - | - | - | 1 | 1 | 1 | 2 | 1 | - | - | 6 | 0.9% |
| Meter Reading Issue | 2 | - | 1 | 1 | - | 1 | 3 | 1 | - | 1 | 1 | - | 11 | 1.6% |
| Other Charges | 2 | - | 2 | - | - | 3 | 1 | | 1 | 2 | - | 1 | 12 | 1.7% |
| Payment Arrangements | 3 | 4 | 5 | - | 1 | 1 | - | 2 | 2 | - | 3 | 2 | 23 | 3.3% |
| Payment Error | 1 | 1 | - | - | - | - | 1 | - | 1 | - | 1 | 1 | 6 | 0.9% |
| Total | 21 | 22 | 26 | 5 | 13 | 14 | 14 | 46 | 362 | 98 | 48 | 22 | 691 | 100% |

1

2 CPED noted that bill adjustment, estimated bill, and meter accuracy accounted
3 for a majority of the billing-related complaints. CPED believes these complaints
4 could be related to billing and meter errors as defined in SoCalGas’ Rule 16.¹⁰
5 SoCalGas’ tariff contains consumer protection provisions for billing and meter errors,
6 which are intended to true-up undercharges while making customers whole when they
7 are overcharged. Specifically, Sections C.1 and C.2 of SoCalGas’ Rule 16 allows the
8 utility to bill residential and small nonresidential customers for a period of up to three

¹⁰ Section C of SoCalGas’ Rule 16 states: “Billing error is an error by the Utility that results in incorrect billing charges to the customer. Billing errors may include incorrect meter reads or clerical errors by a Utility representative such as applying the wrong rate, wrong billing factor, or an incorrect calculation. Billing error shall also include failure to deliver a bill, actual or estimate, in a timely manner in accordance with Rule 14.A.” (Attachment I)

Section D of SoCalGas’ Rule 16 states: “A meter error is incorrect gas registration resulting from a malfunctioning or defective meter or pressure correction device. A meter error does not include billing errors, unauthorized use, or errors in registration caused by meter tampering by an unauthorized person. It also does not include conditions such as incorrect meter reading, meter dial overs, accounting errors, meter configuration errors, incorrect meter sizing, or switched meters.” (Attachment I)

1 months for undercharges due to billing errors, but requires the utility to refund
2 customers for up to three years for overcharges due to billing errors.¹¹

3 Section C.1 of SoCalGas' Rule 16 states:

4 "If either a residential or nonresidential service is found to have been
5 overcharged due to a billing error, the Utility shall calculate the amount
6 of the overcharge, for refund to the customer, for a period of three years.
7 However, if it is known that the period of billing error was less than
8 three years, the overcharge shall be calculated for only those months
9 during which the billing error occurred."

10 Section C.2 of SoCalGas' Rule 16 states:

11 "If either a residential or nonresidential service is found to have been
12 undercharged due to a billing error, the Utility may bill the customer for
13 the amount of the undercharge for a period of three months for
14 residential service or small nonresidential service, as defined in Rule
15 No. 1, and three years for all other nonresidential service. However, if it
16 is known that the period of billing error was less than three months for
17 residential or small nonresidential service, as defined in Rule No. 1, and
18 three years for all other nonresidential service, the undercharge shall be
19 calculated for only those months during which the billing error
20 occurred."

21 Similarly, Sections D.1 and D.2 of SoCalGas' Rule 16 allows the utility to bill
22 residential and small nonresidential customers for up to three months for meter errors,
23 but requires the utility to refund customers for up to three years for overcharges due to
24 meter errors.¹²

25 Section D.1 of SoCalGas' Rule 16 states:

26 "If a meter is found to be registering more than two percent (2%) fast,
27 the Utility shall refund to the customer the amount of the overcharge
28 based on the corrected meter reading or the Utility's estimate of the gas
29 usage either for the known period or meter error or, if the period of error
30 is not known, for the period during which the meter was in use, not to
31 exceed three years."

32 Section D.2 of SoCalGas' Rule 16 states:

¹¹ See Sections C.1 and C.3 of SoCalGas' Rule 16. (Attachment I)

¹² See Sections D.1 and D.2 of SoCalGas' Rule 16. (Attachment I)

1 “If a meter for residential service is found to be registering more than
2 25% slow, or a meter for nonresidential service is found to be
3 registering more than two percent (2%) slow, the Utility may bill the
4 customer for the amount of the undercharge based on the corrected
5 meter readings or the Utility’s estimate of the gas energy usage either
6 for the known period of meter error or, if the period of meter error is not
7 known, for the period the meter was in use, not exceeding three months
8 in the case of residential service or small nonresidential service, as
9 defined in Rule No. 1, and three years for all other nonresidential
10 service.”

11 Customers concerned about the accuracy of the meter serving them may
12 request that SoCalGas test the accuracy of the meter pursuant to Rule 15. Rule 15
13 requires that meter tests be conducted in accordance with the Commission’s gas
14 standards requirements, using National Institute of Standards and Technology
15 traceable standard metering apparatus.

16 **A. CPED’s Review of Consumer Complaints and**
17 **Resolutions**

18 In response to consumer complaints referred by CAB, SoCalGas sent letters to
19 customers to help them understand what may have caused one of more of their bills to
20 be higher than expected. SoCalGas’ letters explain that increased usage during cold
21 weather and higher number of billing days are factors that contributed to higher
22 winter bills. SoCalGas’ letters also states that customers were only billed for gas
23 which actually registered on their meter. The following are standard language from
24 SoCalGas’ letters to customers:

25 “High winter bills are due to a combination of factors, but are most
26 often the result of increased use of natural gas during cold weather. We
27 had a colder winter this year compared to prior years. Heating is often
28 the number one energy expense for most customers, and a heating
29 system can dramatically affect how much gas you use. During the
30 colder weather, gas consumption can average four to seven times more
31 than warmer temperatures ...

32 Another factor for higher bills is the number of billing days included in
33 a bill. There are typically 29-32 days in a billing cycle, depending on
34 when meters are read for a particular area. Our records indicate you
35 were billed for XX days during the January billing period in question ...

1 My review indicates you were only billed for the gas which actually
2 registered on your meter”¹³

3 Based on its review and analysis of the CAB complaints and resolutions,
4 CPED agrees that increased usage during cold weather and higher number of billing
5 days contributed to higher than normal bills. However, CPED found that estimated
6 billing is also a significant factor contributing to higher than normal bills.
7 Specifically, when a utility overestimates a consumer’s natural gas usage, the bill is
8 higher than normal because it includes charges for natural gas the consumer may not
9 have actually used. Conversely, when a utility underestimates a consumer’s natural
10 gas usage, the “catch-up” bill is higher than normal because it includes actual natural
11 gas usage from a prior month. CPED provides several examples of CAB complaint
12 and resolutions involving estimated bills, extended billing period, and meter tests
13 below.

14 In the following cases, SoCalGas admits to overestimating the customer’s
15 natural gas usage and made subsequent adjustments to make the customer whole:

16 “On June 5, 2015, when you called to inquire why you hadn’t received
17 a bill for the last 2-months, your complaint was referred to our Billing
18 Department. When the account was subsequently reviewed on June 7,
19 2015, it was obvious from the read obtained on May 27, 2015 that the
20 billing had been previously over-estimated in February and March. As
21 a result, the account was rebilled from January 28, 2015 to May 27,
22 2015 to align the consumption with your actual usage, using your
23 average per day usage.”¹⁴

24 “Review of your account shows it was necessary to estimate your
25 05/29/15 meter read. An accurate meter read obtained on 06/18/15
26 verified the account was over estimated in May. As a result, our Billing
27 Department corrected the billing reads on your account by prorating the
28 verified amount of gas usage. The rebilling gave you the maximum
29 amount of gas at the lowest rate (baseline) and redistributed your usage
30 properly. Upon further review, I discovered the 03/31/15 reading was
31 also over estimated. I have rebilled your account by prorating the

¹³ SoCalGas resolution letter for Commission complaint numbers 380239, 380656, 380738, 380740, 380742, etc. (Attachment L)

¹⁴ SoCalGas resolution letter for Commission complaint number 358267. (Attachment L)

1 verified amount of actual gas usage to redistribute your usage properly
2 for March and April. Accordingly, your account was corrected as
3 shown below ...”¹⁵

4 “We acknowledge estimating the reads due to authorized reads
5 deferment related to staffing ... The October estimated read was in line
6 with your historical usage meriting no rebill. However, November,
7 December, and January billings have been rebilled based on the actual
8 reading taken on January 8, 2016. The monthly cost factor and baseline
9 allowance were the bases of your rebill, resulting in a billing reduction
10 ... “¹⁶

11 In the following cases, SoCalGas admits to underestimating customer’s natural
12 gas usage, so the “catch-up” bills appear higher than normal because it includes
13 natural gas usage from prior months:

14 “We analyzed your history of gas usage and determined we under-
15 estimated your previous billing reads. The meter routes were estimated
16 4 consecutive months due to a workforce shortage. To ensure you
17 received benefit of the Baseline Allowance and the modified rates in
18 effect when the gas was actually used, we recalculated your gas bills as
19 follows ...”¹⁷

20 “My review of your account and usage history indicates the meter was
21 underread on April 22, 2015. Normally, a misread is discovered the
22 next time the meter is read. However, that did not happen as it was
23 necessary to estimate your meter read on May 21, 2015 due to internal
24 changes in our Meter Reading Department. The meter reader for your
25 area was not available on your scheduled meter read date. We of course
26 try to obtain actual monthly meter reads; however, this may happen
27 again. We are in the process of converting gas meters in our serving
28 territory to Advanced Meters, which allows us to obtain meter reads
29 electronically rather sending someone to manually read the meter. Our
30 system estimated the usage according to the prior month’s consumption
31 which was unfortunately an underread. When an accurate meter read
32 was obtained on, June 22, 2015, it caused that bill to appear too high as
33 it included gas usage from a prior month.”¹⁸

¹⁵ SoCalGas resolution letter for Commission complaint number 359207. (Attachment L)

¹⁶ SoCalGas resolution letter for Commission complaint number 380733. (Attachment L)

¹⁷ SoCalGas resolution letter for Commission complaint number 380168. (Attachment L)

¹⁸ SoCalGas resolution letter for Commission complaint number 363503. (Attachment L)

1 “When your account was subsequently reviewed, we could see the
2 billing reads had been under-estimated during the prior 4 months
3 (December 22, 2014 to April 14, 2015), due to an inaccessible meter
4 (can’t read: bushes, vegetation and or locked). The large bill you
5 received for \$151.54 on May 14, 2015, billed you for the prior unbilled
6 usage.”¹⁹

7 In the following cases, SoCalGas admits to extending the customer’s billing
8 period, which resulted in higher than normal bills:

9 “Another factor for higher bills is the number of days in the billing
10 period. There are typically 29-32 days in a billing cycle, depending on
11 when meters are read for a particular area ... On January 4, 2016, your
12 billing cycle was realigned from Cycle 9 to Cycle 12. This change
13 increased the number of days to 40 for the billing period of December
14 11, 2015 to January 20, 2016.”²⁰

15 “Another factor for higher bills is the number of days in the billing
16 period. There are typically 29-32 days in a billing cycle, depending on
17 when meters are read for a particular area ... Our records indicate you
18 were billed for 36 days during the billing period in question. This
19 contributes to why your bill was higher than normal in addition to cold
20 weather.”²¹

21 “Another factor for higher bills is the number of days in the billing
22 period. There are typically 29-32 days in a billing cycle, depending on
23 when meters are read for a particular area. Our records indicate you
24 were billed for 35 days during the January billing period in question.”²²

25 In the following cases, SoCalGas performed meter tests at the customer’s
26 request and determined that the meters are operating within the accuracy limit set by
27 the Commission:

28 “The test results indicate the meter was operating within the limits of
29 accuracy set by the California Public Utilities Commission (CPUC). In
30 order for a meter to be considered accurate, it must be registering no

¹⁹ SoCalGas resolution letter for Commission complaint number 360335. (Attachment L)

²⁰ SoCalGas resolution letter for Commission complaint number 380239. (Attachment L)

²¹ SoCalGas resolution letter for Commission complaint number 380742. (Attachment L)

²² SoCalGas resolution letter for Commission complaint number 380656. (Attachment L)

1 more than 2.0 percent fast or slow. These results indicate that the meter
2 was recording your gas usage accurately.”²³

3 “The meter in question was removed on May 14, 2015 and on May 27,
4 2015 and given a special accuracy test. The test verified the final actual
5 meter read was correct. The test results are within the limits of accuracy
6 set by the CPUC which means the meter was recording your gas usage
7 accurately.”²⁴

8 “Your meter was removed on September 22, 2015, as part of the
9 investigation on your account, in order to be tested to determine if it was
10 measuring your gas usage accurately. On October 21, 2015, the meter
11 received a special accuracy test at our meter shop in Pico Rivera ... The
12 test results indicate the meter was operating within the limits of
13 accuracy set by the CPUC.”²⁵

14 **IV. SOCALGAS DEPRIVED ITS CONSUMERS OF THEIR RIGHT**
15 **TO RECEIVE ACCURATE BILLS AT REGULAR INTERVALS**
16 **BY ISSUING OVER 9.29 MILLION GAS BILLS BASED ON**
17 **ESTIMATED USAGE RATHER THAN ACTUAL USAGE FROM**
18 **2014-2016**

19 SoCalGas’ Rule 12 requires that bills for gas service be based on actual natural
20 gas usage.²⁶

21 Section A.1 of SoCalGas’ Rule 12 states:

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

27 CPED believes that SoCalGas’ estimated bill exception creates a loophole that
28 appears to allow it to issue bills based on estimated rather than actual usage for any
29 reason. Specifically, Section C.1 of Rule 14 allows the utility to issue estimated bills

²³ SoCalGas resolution letter for Commission complaint number 360009. (Attachment L)

²⁴ SoCalGas resolution letter for Commission complaint number 361470. (Attachment L)

²⁵ SoCalGas resolution letter for Commission complaint number 363800. (Attachment L)

²⁶ See Section A.1 of SoCalGas’ Rule 12. (Attachment G)

1 for any reason **beyond** the utility’s control, while Section C.3 of Rule 14 allows the
2 utility to issue estimated bills for any reasons **within** the utility’s control.²⁷

3 Section C.1 of Rule 14 states:

4 “If, for any reasons *beyond* the utility’s control, the meter serving the
5 customer cannot be read on the scheduled reading date or accurate usage
6 data are not available, the utility will bill the customer for estimated
7 consumption during the billing period, and make any necessary
8 corrections when a reading is obtained.”

9 Section C.3 of Rule 14 states:

10 “If, for reasons *within* the utility’s control, the meter cannot be read or
11 accurate usage data are not available, the utility will bill the customer
12 for estimated consumption during the billing period, and make any
13 necessary corrections when a reading is obtained in accordance with
14 Rule No. 16 C.”

15 In contrast, Section C of Pacific Gas and Electric’s (PG&E) Gas Rule 9 only
16 allows the utility to issue estimated bills for reasons beyond the utility’s control.²⁸

17 Section C of PG&E’s Rule 9 states:

18 “If, for reasons *beyond* the reading entity’s control, the customer’s
19 meter cannot be read on the Scheduled Meter Reading Date, or if for
20 any reason accurate usage data are not available, PG&E will bill the
21 customer for estimated consumption during the billing period.”

22 Similarly, Southwest Gas Corporation’s (Southwest Gas) Gas Rule 9 only
23 allows the utility to issue estimated bills for limited reasons beyond the utility’s
24 control.²⁹

25 “If, for reasons *beyond* its control, the Company is unable to read the
26 customer’s meter on the scheduled reading date, the Company may bill
27 the customer for estimated consumption during the billing period,
28 subject to adjustment following the time the meter is next read.

29 Gas Bills may be estimated only when one of the following conditions
30 exist:

²⁷ See Section C.1 and C.3 of SoCalGas’ Rule 14. (Attachment H)

²⁸ See Section C of PG&E Rule 9. (Attachment J)

²⁹ See Section C.1 of Southwest Gas’ Rule 9. (Attachment K)

- 1 a. Severe weather accompanied by heavy snow.
- 2 b. A vicious and dangerous animal.
- 3 c. Some unusual circumstance which makes it impractical to read the
- 4 meter.”

5 In reviewing SoCalGas’ responses to CPED’s data requests, CPED identified
6 over 9.29 million gas bills from 2014 to 2016 that were based on estimated usage
7 rather actual usage. SoCalGas admitted that a high number of estimated bills were
8 issued from January 2014 through May 2016 due to inadequate staffing and meter
9 read routing complications.³⁰ SoCalGas’ tariffs appear to not place limits on
10 SoCalGas’ ability to issue estimated bills. CPED is concerned that SoCalGas’
11 practice of issuing high numbers of estimated bills runs contrary to the Commission’s
12 desire to provide customers with bills based on actual usage.³¹ The Commission has
13 indicated the importance of requiring utilities to issue accurate bills so that their
14 customers can budget and/or adjust their usage in response to accurate price signals.³²
15 Incidentally, the high number of estimated bills has so far contradicted SoCalGas’
16 assertion that advanced meters will reduce the frequency of estimated bills.³³ In
17 addition, SoCalGas generally overestimates its customers’ gas usage when issuing
18 estimated bills, which can cause an undue financial burden on customers, albeit
19 arguably transitory. Therefore, CPED recommends the Commission order SoCalGas
20 to revise its Rule 14 to place limits on the circumstances under which it may issue
21 estimated bills.

22 **A. The frequency of estimated bills increased despite**
23 **increased advanced meter installation.**

24 D. 10-04-027 authorized funding for SoCalGas’ Advanced Meter
25 Infrastructure (AMI) program and established reporting requirements for the AMI

³⁰ See SoCalGas response to question 3a of CPED data request DR-GAS-00006-2 and question 4a of CPED data request DR-GAS-00006-3. (Attachment C)

³¹ D.07-09-041, p. 8.

³² D.07-09-041, p. 9.

³³ September 29, 2008 Prepared Direct Testimony of Mark L. Serrano in A. 08-09-023, p. 43. (Attachment F)

1 program.³⁴ As part of its business plan, SoCalGas claimed that advanced meters will
2 improve the accuracy and timeliness of bills since meter data will be available on a
3 more frequent basis.³⁵ SoCalGas also claimed that the frequency of estimated bills
4 will decline because meter access issues under customer control or forces of nature
5 will become less relevant. Contrary to this assertion, CPED found that SoCalGas
6 issued over 9.29 million estimated bills from 2014 to 2016 despite the fact that over
7 five million advanced meters were installed and provided meter reads for billing
8 during this time period.³⁶

9 Table 2 provides a detailed breakdown of the number of advanced meters
10 installed and number of advanced meters providing data for billing in SoCalGas’
11 service territory from 2013 to 2016. Table 2 shows that over five million advanced
12 meters were installed and provided meter reads for billing from June 30, 2013 to June
13 30, 2016. Therefore, manual reads are only needed for a declining number of analog
14 meters and a small number of advanced meters that have been installed but not yet
15 providing meter reads for billing.³⁷ However, CPED found that the number of
16 estimated bills actually increased as more advanced meters are installed.

17

³⁴ D.10-04-027, ordering paragraph (OP) 5 established reporting requirements for SoCalGas’ AMI program.

³⁵ Attachment F, p. 43.

³⁶ According to SoCalGas’ August 30, 2013 Advanced Meter Semi-Annual Report, before a module is used for billing, it must pass a “Billing Ready” test, which consists of the following three elements: (1) the module must communicate data successfully for 7 consecutive days; (2) over the 7 days, the ‘per day average’ is calculated and compared to the prior month’s consumption; and (3) a follow up manual read is compared to the automated read. (Attachment E)

³⁷ See Table 3 for a breakdown of the number of advanced and analog meters.

| Table 2: Advanced Meters Utilized For Billing³⁸ | | | | | | | |
|---|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| | 6/30/13 | 12/31/13 | 6/30/14 | 12/31/14 | 6/30/15 | 12/31/15 | 6/30/16 |
| Modules Installed | 384,041 | 1,127,389 | 2,055,691 | 2,877,639 | 3,688,605 | 4,572,006 | 5,435,846 |
| Modules in 'Billing Ready' Status | 295,219 | 1,032,451 | 1,881,742 | 2,753,839 | 3,528,864 | 4,409,242 | 5,296,738 |
| Advanced Meter Reads Requested for Billing | 202,133 | 931,031 | 1,809,542 | 2,691,241 | 2,928,814 | 4,507,245 | 5,190,823 |
| Billing Data Provided by Advanced Meter | 201,971 | 890,527 | 1,807,166 | 2,687,238 | 2,923,035 | 4,502,357 | 5,178,544 |
| Billing Data Not Provided by Advanced Meter | 162 | 40,504 | 2,376 | 4,003 | 5,779 | 4,888 | 12,279 |
| Percent Provided by Advanced Meter – Actual Read | 99.60% | 99.73% | 99.63% | 99.60% | 99.57% | 99.89% | 99.60% |
| Percent Provided by Advanced Meter – Estimated Read | 0.30% | 0.20% | 0.24% | 0.25% | 0.23% | 0.01% | 0.10% |
| Percent Not Provided by Advanced Meter | 0.10% | 0.07% | 0.13% | 0.15% | 0.20% | 0.10% | 0.20% |

1

2

Table 3 provides a detailed breakdown of SoCalGas' monthly estimated bills from 2014 to 2016. Table 3 shows the number of estimated bills increased from about 171,000 in January 2014 to over 529,000 in October 2015 despite the installation of nearly three million advanced meters during the same time period. The 529,000 estimated bills in October 2015 represent more than 9 percent of total meters and 28 percent of analog meters in SoCalGas' service territory. CPED is concerned with the extremely high number (9.29 million) of estimated bills issued. CPED believes the Commission should consider these issues in an OII because of the scope of customers affected and because AMI does not appear to be improving the accuracy and timeliness of SoCalGas' bills at this time.

12

³⁸ Information from Table 8 of SoCalGas' 2013-2016 Advanced Meter Semi Annual Reports. (Attachment F)

Table 3: Number of Estimated Bills 2014-2016

| Year | Month | Analog Meters | Advanced Meters | Total Meters | Estimated Bills | Estimate/ Total Meters | Estimate/ Analog Meters |
|--------------|--------------|----------------------|------------------------|---------------------|------------------------|-------------------------------|--------------------------------|
| 2014 | Jan | 4,738,281 | 1,080,197 | 5,818,478 | 171,810 | 2.95% | 3.60% |
| | Feb | 4,604,478 | 1,226,550 | 5,831,028 | 201,818 | 3.46% | 4.30% |
| | Mar | 4,479,607 | 1,361,168 | 5,840,775 | 239,329 | 4.10% | 5.30% |
| | Apr | 4,322,636 | 1,514,874 | 5,837,510 | 317,271 | 5.44% | 7.30% |
| | May | 4,191,063 | 1,652,257 | 5,843,320 | 396,926 | 6.79% | 9.40% |
| | Jun | 4,032,057 | 1,807,166 | 5,839,223 | 414,052 | 7.09% | 10.27% |
| | Jul | 3,888,824 | 1,928,191 | 5,817,015 | 407,895 | 7.01% | 10.49% |
| | Aug | 3,748,638 | 2,091,266 | 5,839,904 | 420,955 | 7.21% | 11.23% |
| | Sep | 3,579,840 | 2,259,202 | 5,839,042 | 385,670 | 6.61% | 10.77% |
| | Oct | 3,344,117 | 2,432,272 | 5,776,389 | 366,330 | 6.34% | 10.95% |
| | Nov | 3,255,867 | 2,602,601 | 5,858,468 | 271,861 | 4.64% | 8.35% |
| | Dec | 3,138,426 | 2,723,197 | 5,861,623 | 200,324 | 3.42% | 6.38% |
| 2015 | Jan | 3,096,016 | 2,769,290 | 5,865,306 | 157,904 | 2.69% | 5.10% |
| | Feb | 2,991,522 | 2,875,030 | 5,866,552 | 186,121 | 3.17% | 6.22% |
| | Mar | 2,830,203 | 3,040,685 | 5,870,888 | 293,339 | 5.00% | 10.36% |
| | Apr | 2,691,504 | 3,178,352 | 5,869,856 | 330,626 | 5.63% | 12.28% |
| | May | 2,560,666 | 3,313,594 | 5,874,260 | 332,857 | 5.67% | 13.00% |
| | Jun | 2,402,554 | 3,456,656 | 5,859,210 | 344,696 | 5.88% | 14.35% |
| | Jul | 2,280,166 | 3,582,479 | 5,862,645 | 355,405 | 6.06% | 15.59% |
| | Aug | 2,152,222 | 3,717,585 | 5,869,807 | 357,056 | 6.08% | 16.59% |
| | Sep | 1,994,019 | 3,871,038 | 5,865,057 | 509,609 | 8.69% | 25.56% |
| | Oct | 1,849,791 | 3,990,935 | 5,840,726 | 529,041 | 9.06% | 28.60% |
| | Nov | 1,724,928 | 4,134,358 | 5,859,286 | 446,374 | 7.62% | 25.88% |
| | Dec | 1,576,292 | 4,289,198 | 5,865,490 | 353,108 | 6.02% | 22.40% |
| 2016 | Jan | 1,446,724 | 4,436,450 | 5,883,174 | 267,347 | 4.54% | 18.48% |
| | Feb | 1,284,302 | 4,588,801 | 5,873,103 | 219,419 | 3.74% | 17.08% |
| | Mar | 1,103,105 | 4,740,387 | 5,843,492 | 166,049 | 2.84% | 15.05% |
| | Apr | 1,000,603 | 4,869,624 | 5,870,227 | 131,639 | 2.24% | 13.16% |
| | May | 814,017 | 5,032,966 | 5,846,983 | 112,793 | 1.93% | 13.86% |
| | Jun | 661,630 | 5,082,790 | 5,744,420 | 103,974 | 1.81% | 15.71% |
| | Jul | 513,463 | 5,241,902 | 5,755,365 | 74,014 | 1.29% | 14.41% |
| | Aug | 434,570 | 5,330,811 | 5,765,381 | 58,288 | 1.01% | 13.41% |
| | Sep | 328,746 | 5,445,026 | 5,773,772 | 48,211 | 0.84% | 14.67% |
| | Oct | 249,247 | 5,528,457 | 5,777,704 | 43,795 | 0.76% | 17.57% |
| | Nov | 201,575 | 5,463,382 | 5,664,957 | 39,768 | 0.70% | 19.73% |
| | Dec | 164,478 | 5,606,703 | 5,771,181 | 36,647 | 0.64% | 22.28% |
| Total | | 83,676,177 | 126,265,440 | 209,941,617 | 9,292,321 | - | - |

1 **B. SoCalGas’ estimation methods overestimated natural**
2 **gas usage.**

3 According to SoCalGas, if a meter read is not available, SoCalGas will issue
4 an estimated bill using the Heating Degree Days/Base Load method (HDD/BLD) and
5 the Prior Month History Method (PMH) for accounts with analog meters, and the E7
6 method (Seven Day Estimate) for accounts with advanced meters.³⁹ Since a high
7 estimated bill usually results in overpayment, while a low estimate often require a
8 “catch up” bill later, the average bill adjustment amount is a good indicator for the
9 accuracy of a utility’s estimation methodology.

10 The average natural gas usage varies by customer class, so the adjustment
11 amounts represent a different proportion of an average customer’s bill.⁴⁰ According
12 to SoCalGas’ Schedule No. GR for residential service effective January 10, 2017, the
13 baseline charge is \$0.92969 per therm, so the average bill is expected to be \$34.40 for
14 a residential customer and \$27.89 for a residential CARE customer.⁴¹

15 Table 4 provides a detailed breakdown of SoCalGas’ monthly number of bill
16 adjustments and average bill adjustment amounts from 2014 to 2016.⁴² Negative bill
17 adjustment amounts reflect refunds while positive bill adjustment amounts reflect
18 undercharges. Table 4 shows that on average, SoCalGas refunded customers because
19 it overestimated customers’ natural gas usage. Table 4 shows average refund amounts

³⁹ See SoCalGas response to question 5 of CPED data request DR-GAS-00006-1. The HDD/BLD method is SoCalGas’ preferred method, but it requires a minimum of 180 days of historical consumption with at least 75 days of summer time (non-temperature sensitive) usage. The PMH method is used for accounts that do not have sufficient consumption history for use of the HDD/BLD method, and it requires a minimum of one month of billing history. The E7 estimate method accesses advanced meter interval read data to calculate an estimated read value for billing, but it requires that the account be equipped with an activated advanced meter and has at least seven days of consumption history within the billing period being estimated. (Attachment A)

⁴⁰ According to SoCalGas’ natural gas price outlook, the average natural gas usage is 30 therms for low income customers, 37 therms for residential customers, 300 therms for small-to-medium business customers, and 6,250 therms for large commercial/industrial customers.
<https://www.socalgas.com/pay-bill/understanding-your-bill/natural-gas-prices-explained>.

⁴¹ The procurement charge is \$0.41687 per therm and the transmission charge is \$0.51282 per therm.
<https://www.socalgas.com/regulatory/tariffs/tariffs-rates.shtml>.

⁴² The adjustments include both billing and meter errors for residential and nonresidential customers. Pursuant to SoCalGas’ Rule 14, estimated bills are considered billing errors.

1 of \$19.33 to \$100.69 for residential customers and \$13.71 to \$88.88 for residential
2 CARE customers.⁴³ The refund amounts represent 56% to 293% of an average
3 residential customer's bill and 49% to 319% of an average residential CARE
4 customer's bill. The overcharge could be extremely burdensome for financially
5 strapped customers because the full amount must be paid whether they dispute the bill
6 or wait for SoCalGas to make the corrections after obtaining an actual read.⁴⁴ This
7 concern provides further support for why the Commission should order SoCalGas to
8 revise its Rule 14 to place limits on the circumstances under which it may issue
9 estimated bills.
10

⁴³ SoCalGas' response to question 2 of CPED data request DR-GAS-00006-4 states that it was unable to provide a breakdown for nonresidential customers between small-to-medium and large non-residential customers. (Attachment D)

⁴⁴ The disputed bill process is laid out in SoCalGas Rule 11. Customers disputing the amount of any bill must remit the full amount billed to the Commission pending resolution of the dispute.

Table 4: Number of Bill Adjustments 2014-2016

| | | Number of Adjustments (Residential) | Average Adjustment Amount (Residential) | Number of Adjustments (CARE) | Average Adjustment Amount (CARE) | Number of Adjustments (Non-residential) | Average Adjustment Amount (Non-residential) |
|------|------------|--|--|-------------------------------------|---|--|--|
| 2014 | Jan | 2,776 | (\$56.49) | 1,104 | (\$24.55) | 252 | (\$104.20) |
| | Feb | 2,372 | (\$47.61) | 874 | (\$59.27) | 191 | (\$99.23) |
| | Mar | 3,075 | (\$57.84) | 1,144 | (\$34.03) | 276 | (\$103.21) |
| | Apr | 3,474 | (\$57.72) | 1,203 | (\$41.50) | 296 | (\$46.38) |
| | May | 3,901 | (\$53.62) | 1,283 | (\$39.24) | 395 | (\$74.17) |
| | Jun | 4,030 | (\$45.48) | 1,400 | (\$25.65) | 447 | (\$50.40) |
| | Jul | 4,791 | (\$37.87) | 1,558 | (\$27.65) | 544 | (\$37.34) |
| | Aug | 4,558 | (\$44.63) | 1,558 | (\$22.14) | 474 | (\$25.31) |
| | Sep | 3,991 | (\$45.43) | 1,413 | (\$30.55) | 427 | (\$11.02) |
| | Oct | 5,166 | (\$36.86) | 1,702 | (\$17.20) | 560 | (\$26.30) |
| | Nov | 3,004 | (\$29.02) | 997 | (\$34.94) | 459 | (\$30.26) |
| | Dec | 2,860 | (\$47.64) | 909 | (\$47.99) | 361 | (\$60.94) |
| 2015 | Jan | 1,919 | (\$48.50) | 689 | (\$37.59) | 193 | (\$51.87) |
| | Feb | 2,069 | (\$110.69) | 690 | (\$88.88) | 202 | (\$29.06) |
| | Mar | 2,626 | (\$51.54) | 937 | (\$22.94) | 216 | (\$68.36) |
| | Apr | 5,075 | (\$19.33) | 1,449 | (\$23.45) | 325 | (\$197.53) |
| | May | 2,716 | (\$75.49) | 843 | (\$35.25) | 230 | (\$142.44) |
| | Jun | 1,495 | (\$71.29) | 457 | (\$36.63) | 133 | (\$18.56) |
| | Jul | 3,510 | (\$57.22) | 1,111 | (\$40.89) | 315 | (\$390.92) |
| | Aug | 3,348 | (\$43.90) | 916 | (\$22.82) | 321 | (\$31.23) |
| | Sep | 2,805 | (\$40.44) | 877 | (\$24.09) | 267 | (\$1,070.27) |
| | Oct | 3,313 | (\$36.85) | 913 | (\$29.81) | 308 | (\$131.60) |
| | Nov | 2,370 | (\$43.00) | 716 | (\$13.71) | 275 | (\$67.13) |
| | Dec | 1,962 | (\$50.50) | 578 | (\$44.57) | 202 | (\$631.57) |
| 2016 | Jan | 1,901 | (\$64.78) | 582 | (\$16.63) | 187 | \$13.16 |
| | Feb | 1,808 | (\$53.17) | 475 | (\$20.75) | 160 | (\$19.90) |
| | Mar | 1,443 | (\$69.27) | 431 | (\$54.20) | 125 | (\$309.90) |
| | Apr | 1,995 | (\$61.50) | 540 | (\$78.27) | 147 | (\$95.98) |
| | May | 2,182 | (\$75.18) | 603 | (\$54.63) | 168 | (\$105.63) |
| | Jun | 2,762 | (\$99.26) | 719 | (\$58.25) | 306 | (\$3.98) |
| | Jul | 3,187 | (\$55.01) | 1,005 | (\$24.75) | 319 | (\$21.62) |
| | Aug | 2,777 | (\$46.42) | 879 | (\$37.82) | 382 | \$2.04 |
| | Sep | 2,180 | (\$54.36) | 705 | (\$31.79) | 317 | (\$2.75) |
| | Oct | 1,669 | (\$30.85) | 540 | (\$77.84) | 300 | \$39.27 |
| | Nov | 1,028 | (\$30.27) | 312 | (\$31.60) | 242 | \$44.97 |
| | Dec | 487 | (\$82.29) | 133 | (\$33.22) | 74 | (\$139.40) |

1 **C. SoCalGas incurred incremental estimated bill related**
2 **costs.**

3 SoCalGas admits that the number of estimate bills were higher than
4 anticipated.⁴⁵ SoCalGas indicated that it anticipated the need to estimate because
5 advanced meters installation leads to less optimal meter reading routes. However,
6 SoCalGas contends that the attrition in the meter reading workforce,⁴⁶ combined with
7 meter read routing complication created during the advanced meter installation
8 process,⁴⁷ resulted in a higher than anticipated number of estimated bills. SoCalGas
9 did not explain why it didn't notify the Commission about the high meter reading
10 workforce turnover and meter read routing complication issues.⁴⁸

11 SoCalGas asserted that it regularly reviews its meter reading processes to
12 optimize the meter reading routes.⁴⁹ SoCalGas contends that these reviews include
13 consideration for reading the meters of customers who have opted-out of the advanced
14 meter program as well as those customers who have not yet received their advanced
15 meter. SoCalGas also indicated that it created a Route Optimization Team to revise
16 the routes to maximize efficiency based on the progress of advanced meter
17 installations.⁵⁰

18 SoCalGas contends that it experienced an extreme annualized turnover rate
19 among meter readers from 2014 to 2016.⁵¹ However, SoCalGas also indicated that it

⁴⁵ See SoCalGas response to question 3a of CPED data request DR-GAS-00006-2 and question 4a of CPED data request DR-GAS-00006-3. (Attachments B and C)

⁴⁶ According to SoCalGas response to question 3a of CPED data request DR-GAS-00006-2 and question 4a of CPED data request DR-GAS-00006-3, its annualized turnover rate among meter readers was 111% in 2014, 160% in 2015 and 159% from January through May in 2016. (Attachments B and C)

⁴⁷ According to SoCalGas response to question 3a of CPED data request DR-GAS-00006-2 and question 4a of CPED data request DR-GAS-00006-3, advanced meter installation led to mix and less optimal meter reading routes, which required optimizing to mitigate the lowered productivity of the meter reading workforce. (Attachments B and C)

⁴⁸ See SoCalGas response to question 4b of CPED data request DR-GAS-00006-03. (Attachment C)

⁴⁹ See SoCalGas response to question 1a of CPED data request DR-GAS-00006-03. (Attachment C)

⁵⁰ See SoCalGas response to question 4d of CPED data request DR-GAS-00006-03. (Attachment C)

⁵¹ See SoCalGas response to question 4b of CPED data request DR-GAS-00006-03. (Attachment C)

1 continued to hire and train new meter readers. In fact, SoCalGas indicated that it
2 hired 447 meter readers in 2014, 489 in 2015 and 45 from January to May in 2016.⁵²
3 SoCalGas also indicated that 147 of the meter readers were incremental to the number
4 needed as replacement hires. The costs associated with the 147 incremental
5 employees totaled \$542,152 over a three-year period.⁵³ SoCalGas said it has not
6 charge ratepayers directly for this cost. However, it may count these cost for purpose
7 of its next General Rate Case (GRC) request.⁵⁴ CPED requests the Commission to
8 order SoCalGas to show cause as to why its shareholder should not absorb all the
9 costs associated with the incremental meter reading workforce.

10 **V. SOCALGAS VIOLATED ITS RULE 14 BY FAILING TO ISSUE**
11 **BILLS BASED ON A MONTHLY DURATION, RESULTING IN**
12 **HIGHER THAN NORMAL CUSTOMER BILLS.**

13 SoCalGas' Rule 14 established a one month billing period for gas service,⁵⁵
14 with a typical bill cycle between 29-32 days.⁵⁶

15 Section A of SoCalGas' Rule 14 states:

16 "The regular billing period for residential service shall be one month.
17 The regular billing period for all other classes of service shall be one
18 month unless credit relations or collection difficulties make shorter
19 periods advisable. In such cases, the billing period may be reduced to
20 two weeks or to one week at the Utility's discretion."

21 On January 22, 2016, SoCalGas notified the Commission's Energy Division
22 that it issued bills with more than 35 billing days to approximately 140,000
23 customers.⁵⁷ SoCalGas indicated that it notified affected customers that the extended
24 billing period may result in higher bills.⁵⁸

⁵² See SoCalGas response to question 4d of CPED data request DR-GAS-00006-03. (Attachment C)

⁵³ See SoCalGas response to question 4e of CPED data request DR-GAS-00006-03. (Attachment C)

⁵⁴ See SoCalGas response to question 4e of CPED data request DR-GAS-00006-03. (Attachment C)

⁵⁵ See Section A of SoCalGas' Rule 14. (Attachment H)

⁵⁶ See SoCalGas response to question 1a of CPED data request DR-GAS-00006-03. (Attachment C)

⁵⁷ See SoCalGas response to question 1b of CPED data request DR-GAS-00006-03. (Attachment C)

⁵⁸ See SoCalGas response to question 1c of CPED data request DR-GAS-00006-03. (Attachment C)

1 SoCalGas stated that the utility regularly reviews its meter reading processes to
2 optimize the meter reading routes.⁵⁹ The reviews include consideration for reading
3 the meters of customers who have opted-out of the advanced meter program as well as
4 those customers who have not yet received their advanced meter. SoCalGas indicated
5 that reviews in late 2015 led the utility to realign the meter reading dates for
6 approximately 400,000 customer accounts.⁶⁰ However, the realignment altered the
7 number of billing days for the first bill issued after the implementation. Specifically,
8 approximately 140,000 customers received a bill for more than 35 billing days, which
9 resulted in higher than normal bills. SoCalGas indicated that this was a one-time
10 event for affected customers since their subsequent bills reflected a typical bill cycle
11 of 29-32 days.⁶¹ However, staff's investigation reveals that SoCalGas issued over
12 13.57 million monthly bills with 34-60 billing days from 2014 to 2016.⁶²

13 Table 5 provides a detailed breakdown of the SoCalGas monthly bills by the
14 number of billing days. Table 5 shows that SoCalGas issued over 13.57 million
15 monthly bills with 34-60 billing days, with most being issued during the November to
16 January holiday season. The longer billing period resulted in higher than normal bills
17 and violated Section A of SoCalGas' Rule 14.

18

⁵⁹ See SoCalGas response to question 1a of CPED data request DR-GAS-00006-03. (Attachment C)

⁶⁰ See SoCalGas response to question 1b(iv) of CPED data request DR-GAS-00006-03 regarding the factors that led to SoCalGas realigning the meter read dates for approximately 400,000 customer accounts. (Attachment C)

⁶¹ The longer billing cycle does not change the baseline rate for residential customers since the baseline is established on a daily basis rather than a monthly basis.

⁶² Most of the bills with 34-60 billing days were issued during the November to January holiday season.

| Year | Month | Number of Billing Days | | | | | Total |
|--------------|-------|------------------------|-------------|------------|------------|-----------|-------------|
| | | 0-26 Days | 27-33 Days | 34-60 Days | 61-90 Days | > 90 Days | |
| 2014 | Jan | 123,521 | 2,548,549 | 3,002,730 | 2,561 | 77 | 5,677,438 |
| | Feb | 117,019 | 5,447,248 | 68,541 | 3,531 | 42 | 5,636,381 |
| | Mar | 124,650 | 5,489,451 | 25,080 | 2,590 | 52 | 5,641,823 |
| | Apr | 135,255 | 5,499,485 | 8,775 | 1,206 | 37 | 5,644,758 |
| | May | 124,700 | 5,483,542 | 10,049 | 812 | 18 | 5,619,121 |
| | Jun | 130,343 | 5,451,236 | 41,206 | 2,204 | 28 | 5,625,017 |
| | Jul | 145,417 | 5,494,176 | 22,209 | 3,697 | 354 | 5,665,853 |
| | Aug | 148,219 | 5,472,534 | 10,493 | 2,692 | 372 | 5,634,310 |
| | Sep | 144,910 | 5,469,150 | 14,052 | 2,876 | 212 | 5,631,200 |
| | Oct | 145,338 | 5,518,288 | 11,914 | 1,901 | 468 | 5,677,909 |
| | Nov | 139,315 | 5,282,159 | 253,341 | 1,877 | 1,185 | 5,677,877 |
| | Dec | 108,680 | 4,258,218 | 1,284,840 | 3,889 | 61 | 5,655,688 |
| 2015 | Jan | 106,264 | 2,507,702 | 3,026,578 | 3,966 | 84 | 5,644,594 |
| | Feb | 118,002 | 5,449,174 | 78,322 | 4,989 | 88 | 5,650,575 |
| | Mar | 114,127 | 5,485,804 | 32,005 | 3,848 | 86 | 5,635,870 |
| | Apr | 125,045 | 5,517,938 | 16,703 | 2,257 | 65 | 5,662,008 |
| | May | 128,540 | 5,543,525 | 14,974 | 1,612 | 65 | 5,688,716 |
| | Jun | 131,997 | 5,502,924 | 16,725 | 3,287 | 73 | 5,655,006 |
| | Jul | 141,789 | 5,530,242 | 15,061 | 3,918 | 129 | 5,691,139 |
| | Aug | 144,436 | 5,496,295 | 11,510 | 3,313 | 751 | 5,656,305 |
| | Sep | 135,173 | 5,477,855 | 20,474 | 3,274 | 591 | 5,637,367 |
| | Oct | 153,164 | 5,485,528 | 17,207 | 1,876 | 390 | 5,658,165 |
| | Nov | 137,442 | 5,040,478 | 529,807 | 2,136 | 820 | 5,710,683 |
| | Dec | 112,737 | 4,482,167 | 1,085,903 | 3,237 | 148 | 5,684,192 |
| 2016 | Jan | 157,134 | 2,437,684 | 3,147,388 | 3,751 | 178 | 5,746,135 |
| | Feb | 225,317 | 5,327,754 | 155,530 | 3,763 | 138 | 5,712,502 |
| | Mar | 121,797 | 5,574,677 | 23,141 | 3,238 | 142 | 5,722,995 |
| | Apr | 128,993 | 5,620,017 | 21,311 | 2,064 | 150 | 5,772,535 |
| | May | 137,971 | 5,654,500 | 16,060 | 1,457 | 98 | 5,810,086 |
| | Jun | 140,575 | 5,612,041 | 19,046 | 3,243 | 102 | 5,775,007 |
| | Jul | 157,147 | 5,603,558 | 16,128 | 4,785 | 208 | 5,781,826 |
| | Aug | 150,940 | 5,603,487 | 9,736 | 3,837 | 908 | 5,768,908 |
| | Sep | 147,408 | 5,602,432 | 24,257 | 4,570 | 571 | 5,779,238 |
| | Oct | 141,123 | 5,603,055 | 11,386 | 1,521 | 431 | 5,757,516 |
| | Nov | 133,665 | 5,549,777 | 99,836 | 2,856 | 916 | 5,787,050 |
| | Dec | 123,693 | 5,253,305 | 416,358 | 2,536 | 61 | 5,795,953 |
| Total | | 4,901,846 | 186,375,955 | 13,578,676 | 105,170 | 10,099 | 204,971,746 |

1 SoCalGas stated that due to safety and effective labor relations purposes, the
2 utility generally conducts meter reading activities from Monday through Friday.⁶³
3 However, to ensure 21 meter reading cycles each month, two Saturdays have been
4 inserted into the processing schedule each year. SoCalGas also stated that it is
5 contractually required to honor seasonal company holidays in November, December
6 and January for the represented workforce. The seasonal holidays caused an
7 imbalance in meter read days in the affected cycles, which increased the number of
8 billing days for some customers. Given SoCalGas’ obligations, customers are likely
9 to continue receiving bills for more than the typical bill cycle of 29-32 days in the
10 November to January holiday season going forward, which may result in higher than
11 normal bills.

12 CPED believes SoCalGas’ extension of the billing period reflects a widespread
13 and sustained violation of Section A of its Rule 14. Therefore, CPED recommends
14 the Commission consider imposing the appropriate fines/penalties and ordering
15 SoCalGas to review its meter reading processes to determine how it plans to comply
16 with Rule 14 going forward, especially during the November to January holiday
17 season.

18 **VI. SOCALGAS VIOLATED ITS RULE 12 BY FAILING TO ISSUE**
19 **TIMELY MONTHLY BILLS DURING THE WINTER OF 2015-**
20 **2016.**

21 SoCalGas’ Rule 12 requires that bills for gas service be issued monthly.⁶⁴

22 Section A of SoCalGas’ Rule 12 states:

23 “Bills for gas service will be rendered monthly, or as may otherwise be
24 provided under applicable tariff schedules ...”

25 On May 9, 2016, SoCalGas notified the Commission’s Energy Division and
26 CAB that due to a number of factors affecting its bill validation process,⁶⁵ the number

⁶³ See SoCalGas response to question 6 of CPED data request DR-GAS-00006-02. (Attachment B)

⁶⁴ See Section A of SoCalGas’ Rule 12 states. (Attachment G)

⁶⁵ See SoCalGas response to question 7 of CPED data request DR-GAS-00006-1 regarding the factors affecting its bill validation process. (attachment A)

1 of customers with bills delayed 45 days or greater grew to approximately 47,000.⁶⁶
2 These customers will now receive a bill that includes several months of natural gas
3 usage, not to exceed the three month limit for residential and small nonresidential
4 customers established by SoCalGas' Rule 16.⁶⁷

5 SoCalGas contends that delays in billing for a small number of customers are
6 normal and is expected due to the many billing validations it has in place to ensure the
7 accuracy of a customer's bill.⁶⁸ However, SoCalGas admits that the number of
8 affected customers was larger than historical norms.⁶⁹ Therefore, SoCalGas sent
9 letters informing customers about the delayed billing issue.

10 According to SoCalGas, the utility's bill validation process seeks to ensure that
11 bills produced are accurate and appropriate.⁷⁰ After a meter read is received, the bill
12 validation process checks for the integrity of the transactional data. SoCalGas
13 indicated that these checks are performed automatically by its billing systems and any
14 account that either fails the checks or are not set to bill automatically is sent to the
15 billing department for investigation and resolution.⁷¹

16 SoCalGas indicated that it has taken the following actions to address issues
17 related to delayed bills and to prevent delayed bills in the future:⁷²

- 18 1. Increased the staffing level in Billing Operations by hiring 8 contract
19 employees to augment the current workforce.
- 20 2. Hired and trained 15 additional full-time Billing Analysts since the beginning
21 of 2015 and planned additional rounds of recruiting and training for 2016.

⁶⁶ See SoCalGas response to question 2 of CPED data request DR-GAS-00006-03. (Attachment C)

⁶⁷ See Sections C.1 and C.2 of SoCalGas Rule 16. (Attachment I)

⁶⁸ See SoCalGas response to question 2a of CPED data request DR-GAS-00006-03. (Attachment C)

⁶⁹ See SoCalGas response to question 2a of CPED data request DR-GAS-00006-03. (Attachment C)

⁷⁰ See SoCalGas response to question 7 of CPED data request DR-GAS-00006-01. (Attachment A)

⁷¹ See SoCalGas response to question 7 of CPED data request DR-GAS-00006-01. (Attachment A)

⁷² See SoCalGas response to question 2d of CPED data request DR-GAS-00006-03. (Attachment C)

- 1 3. Authorized 18 hours of overtime weekly to all Billing Analysts and any former
2 Billing Analysts working in a different department.
- 3 4. Prioritized system enhancements to help reduce volume of transactions
4 needing manual review. Twenty-one significant enhancements were
5 implemented that have helped reduced the daily volume of incoming work
6 from an average of 6,250 to around 4,000.
- 7 5. Improved current workload management tools allowing management increased
8 visibility to trends and additional flexibility to allocate work based on these
9 trends.

10 SoCalGas stated that the actions taken helped reduce the number of customers
11 with delayed bills from the 47,000 initially reported in May 2016 to less than 12,000
12 by September 2016.⁷³ SoCalGas also stated that the incremental cost of the temporary
13 workforce to augment the current workforce is \$150,000.⁷⁴ SoCalGas indicated that it
14 did not directly charge ratepayers for the incremental cost of the temporary
15 workforce. However, it may include this cost in its next GRC request.⁷⁵ CPED
16 requests the Commission to order SoCalGas to show cause as to why its shareholder
17 should not absorb all costs associated with the temporary workforce it employed to
18 address its bill validation system related issues.

19 CPED believes SoCalGas' failure to issue monthly bills on a timely basis
20 violated Section A of Rule 12. Therefore, CPED recommends the Commission
21 consider imposing appropriate fines/penalties and ordering SoCalGas to monitor,
22 analyze, and implement system changes to help prevent delayed bill issuance in the
23 future.

⁷³ See SoCalGas response to question 2d of CPED data request DR-GAS-00006-03. (Attachment C)

⁷⁴ See SoCalGas response to question 2e of CPED data request DR-GAS-00006-03. (Attachment C)

⁷⁵ See SoCalGas response to question 2e of CPED data request DR-GAS-00006-03. (Attachment C)

1 **VII. CONCLUSION AND RECOMMENDATIONS**

2 SoCalGas’ Rule 12 requires that bills for gas service be based on the measured
3 quantity of gas delivered to the customers, with exceptions for level pay plan and
4 estimated bill as noted in Rule 14. However, the estimated bill exceptions in Sections
5 C.1 and C3 of Rule 14 created a loophole that effectively allows the utility to issue
6 estimated bills for any reason. SoCalGas issued a high number of bills based on
7 estimated usage rather than actual usage due to inadequate staffing and meter read
8 routing complications. SoCalGas’ tendency to overestimate gas usage for the purpose
9 of calculating estimate bills further aggravates the consumer impact, although
10 arguably transitory. SoCalGas’ high number of estimated bills runs contrary to the
11 Commission’s goal to require utilities to provide bills that are based on actual usage to
12 allow customers to budget and/or adjust their usage in response to accurate price
13 signals.

14 Section A of SoCalGas’ Rule 14 established a one month billing period, with a
15 typical billing cycle of 29-32 days.⁷⁶ SoCalGas issued bills with more than 35 billing
16 days to approximately 140,000 customers in November and December 2015.⁷⁷ Staff’s
17 investigation also reveals that SoCalGas issued over 13.57 million monthly bills with
18 34-60 billing days from 2014 to 2016. SoCalGas’ sustained reliance on extended
19 billing periods result in higher than normal customer bills and represent an ongoing
20 violation of its Rule 14.

21 Section A of SoCalGas’ Rule 12 requires that bills for gas service be issued
22 monthly.⁷⁸ SoCalGas issued bills to approximately 47,000 customers that include
23 several months of natural gas usage because of delays in its bill validation system.
24 These customers ended up receiving bills that include several months of natural gas
25 usage, in violation of SoCalGas’ Rule 12.

⁷⁶ See Section A of SoCalGas’ Rule 14. (Attachment H)

⁷⁷ See SoCalGas response to question 1b of CPED data request DR-GAS-00006-03. (Attachment C)

⁷⁸ See Section A of SoCalGas’ Rule 12. (Attachment G)

1 The Commission acknowledged that receiving accurate bills issued at regular
2 intervals is a basic consumer right.⁷⁹ Customers, particularly those with low or fixed
3 monthly incomes, must have accurate monthly bills in order to properly budget their
4 expenses. The Commission also acknowledged that unless customers are given bills
5 that are based on actual usage, their ability to budget and/or adjust their usage in
6 response to accurate price signals is hampered.⁸⁰ Therefore, CPED recommends the
7 Commission open an OII and order SoCalGas to show cause as to why it should not
8 be ordered to revise its Rule 14 and why penalties and/or other remedies should not be
9 imposed for any violations found.

⁷⁹ D.07-09-041, p. 8.

⁸⁰ D.07-09-041, p. 9.