

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**

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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.