PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Consumer Protection and Enforcement Division **Resolution UEB-017**
September 3, 2026

R E S O L U T I O N

RESOLUTION UEB-017: ADMINISTRATIVE CONSENT ORDER AND AGREEMENT OF THE CONSUMER PROTECTION AND ENFORCEMENT DIVISION AND AAA NATURAL GAS, A CORE TRANSPORT AGENT, REGARDING AAA'S FAILURE TO COMPLY WITH ESTABLISHED RULES.

PROPOSED OUTCOME:

Approve Administrative Consent Order and Agreement (ACO) between the Consumer Protection and Enforcement Division (CPED) and AAA Natural Gas (AAA), a core transport agent, to resolve all issues involving AAA's failure to comply beginning in 2023 for total penalty amount of $300,000.

SAFETY CONSIDERATIONS:

There are no safety considerations associated with this resolution.

ESTIMATED COST:

Pursuant to the Administrative Consent Order and Agreement, AAA agrees to pay $300,000 in penalties to the State's General Fund to resolve the alleged violations.

SUMMARY

In this Resolution, the California Public Utilities Commission (Commission) approves an Administrative Consent Order (ACO) and Agreement, included as Exhibit A, between the Consumer Protection and Enforcement Division (CPED) and AAA Natural Gas (AAA), a core transport agent, to resolve all issues involving AAA's failure to comply with the standards for Change in Providers requirements established in the Commission's Decision (D.) 18-02-002 and Resolution UEB-003 beginning in 2023. To resolve CPED's allegations, AAA agreed to pay a total penalty amount of $300,000. This Resolution includes an analysis of the Penalty Assessment Methodology.

BACKGROUND

AAA is a registered core transport agent (CTA) with the Commission and offers gas services to residential and small commercial customers statewide. CPED, through its Utilities Enforcement Branch (UEB), obtained customer data from AAA for all of its enrollments between February 19, 2021 and April 9, 2024. Based on the information provided by AAA, CPED concluded that AAA failed to obtain the date of the customer's request to change providers by either voice, electronically, or in writing and in the customer's primary language prior to switching the customers' gas service as required in D.18-02-002 and Resolution UEB-003 for 9,424 customers between March 22, 2023, and April 9, 2024 - a span of 385 days. Furthermore, AAA's Third-Party Verification (TPV) company failed to obtain the customer's oral confirmation regarding the date of the customer's request to change the providers and record that confirmation as required in D.18-02-002 and Resolution UEB-003

Consequently, CPED alleged that AAA's failures violated D.18-02-002 and Resolution UEB-003. These alleged violations are explained in greater detail in the ACO.

DISCUSSION

Resolution M-4846, issued in November 2020, adopted the Commission Enforcement and Penalty Policy (Enforcement Policy) and authorized Commission staff to negotiate and propose an ACO to resolve an enforcement matter, subject to review and consideration by the Commission.[1] CPED and AAA executed the attached ACO,[2] pursuant to and consistent with the Enforcement Policy, which resolves all issues related to AAA's failure to comply 2023 and 2024 and any enforcement action CPED might have brought related to or arising from this failure. In accordance with the Enforcement Policy, the proposed settlement between CPED and AAA (collectively, Parties) is memorialized in the attached ACO and Agreement. The ACO includes information consistent with the requirements of Section III.A.7 of the Enforcement Policy.

The Enforcement Policy provides that "the following general considerations should be evaluated as part of any proposed settlement to be submitted for Commission review: (1) Equitable factors; (2) Mitigating circumstances; (3) Evidentiary issues; and (4) Other weaknesses in the enforcement action[.]"[3] The Parties explicitly considered these factors in their confidential settlement communications under Rule 12.6 of the Commission's Rules of Practice and Procedure. CPED acknowledges AAA's cooperation with CPED on the negotiation of the ACO, and CPED explicitly considered a range of evidentiary and other matters that would bear upon its pursuit of enforcement actions seeking

[1] Resolution M-4846, Findings and Conclusions #8; Enforcement Policy, p. 11.

[2] The ACO is attached as Attachment A.

[3] Enforcement Policy, p. 15.

penalties or citations on disputed issues of fact and law. When taken as a whole, the Parties agree that the ACO amounts are within the range of reasonable outcomes had the matters proceeded to formal litigation.

The Penalty Assessment Methodology sets forth five factors that staff and the Commission must consider in determining the amount of a penalty for each violation: "[s]everity or gravity of the offense, conduct of the regulated entity, financial resources of the regulated entity, including the size of the business, totality of the circumstances in furtherance of the public interest, and the role of precedent."[4] These factors are addressed here.

A. Severity or Gravity of the Offenses

The Commission has stated that the severity of the offense includes several considerations, including economic harm, physical harm, and harm to the regulatory process.

1. Physical and Economic Harm

The Commission has described the physical and economic harm criteria as follows:

> Economic harm reflects the amount of expense which was imposed upon the victims. In comparison, violations that cause actual physical harm to people or property are generally considered the most severe, followed by violations that threaten such harm.[5]

CPED is unaware of any economic harm caused by AAA's violations. CPED does not believe any of the 9,424 customers were enrolled without their authorization. CPED has not issued any unauthorized enrollment citations for the 9,424 enrolled customers that AAA failed to orally obtain the date of the customer's request to change providers. Therefore, no economic harm was discovered.

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[4] Enforcement Policy, pp. 16-21.

[5] Enforcement Policy, p. 16.

2. Harm to the Regulatory Process

As part of the severity of the offense factor, the Commission has described the harm to the regulatory process criterion as follows:

> "Every public utility shall obey and comply with every order, decision, direction, or rule made or prescribed by the Commission in the matters specified in this part, or any other matter in any way relating to or affecting its business as a public utility, and shall do everything necessary or proper to secure compliance therewith by all of its officers, agents, and employees." (Public Utilities Code § 702).
>
> Such compliance is essential to the proper functioning of the regulatory process. For this reason, disregarding a statutory or Commission directive, regardless of the effects on the public, will be accorded a high level of severity.[6]

On February 10, 2021, CPED staff issued an Informal Warning to AAA regarding its TPV recordings not being in compliance with D.18-02-002. Specifically, AAA's TPVs did not obtain the date of the customer request to change providers by either voice, electronically, or in writing and in the customer's primary language. On February 19, 2021, AAA updated its TPV script and added an oral question regarding customer's request to change providers, complying with D.18-02-002. CPED staff confirmed and validated the new script was applied and AAA's TPVs were in compliance in the following years.

However, in 2024, CPED again found AAA's TPVs no longer contained the date of the customer's request to change providers by either voice, electronically, or in writing and in the customer's primary language. AAA informed CPED its former TPV vendor was acquired and the date of the customer's request to change providers question was removed from its TPV script without AAA's knowledge and between March 22, 2023, and April 9, 2024 -a span of 385 days - AAA enrolled 9,424 customers without adhering to the guidelines established in D.18-02-002 by failing to obtain the customer's request to change providers by either voice, electronically, or in writing and in the customer's primary language. This marks AAA's second offense of noncompliance with these requirements, indicating a recurring failure to follow mandated enrollment procedures.

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[6] Enforcement Policy, p. 17.

3. Number of Violations

"The number of the violations is a factor in determining the severity."[7] CPED staff determined 9,424 customers were enrolled between March 22, 2023, and April 9, 2024, where the TPV did not obtain the customer's oral confirmation regarding the change, and record that confirmation by obtaining appropriate verification data as required. AAA's number of alleged violations is relatively high.

B. The Conduct of the Utility

In evaluating the conduct of the utility, the Commission has described the following considerations in evaluating the utility's conduct: (1) actions taken to prevent a violation; (2) actions taken to detect a violation; (3) actions taken to disclose and rectify a violation; (4) actions taken to conceal, hide or cover up a violation; and (5) prior history of violations.[8]

AAA was not aware that its TPV recordings failed to capture the date of the customer's request to change provider in 2021 until CPED staff notified AAA on February 10, 2021. After CPED identified the reoccurring problem, AAA informed CPED that its former TPV company was purchased by Answernet in 2022. On or about March 23, 2023, Answernet deleted the oral question regarding the customer's request to change providers from its TPV script. AAA further states it was unaware of any TPV script changes by Answernet. AAA's new TPV failed to capture the date of the customer's request to change provider between March 22, 2023, and April 9, 2024, until CPED staff notified AAA on March 29, 2024.

CPED staff has reviewed all AAA TPV recordings completed on or after March 29, 2024, that were submitted to the Commission during its periodic reviews, and verified the date of enrollments have continued to be orally obtained as required in D.18-02-002 and Resolution UEB-003.

C. Financial Resources of the Utility

The Commission has described this criterion as follows:

> Effective deterrence also requires that staff recognize the financial resources of the regulated entity in setting a penalty that balances the need for deterrence with the constitutional limitations on excessive penalties. . . . If appropriate, penalty levels will be adjusted to achieve the objective of deterrence,

[7] Enforcement Policy, p. 17.

[8] Enforcement Policy, p. 17.

> without becoming excessive, based on each regulated entity's financial resources.[9]

The Parties agree for purposes of this ACO that AAA should be required to pay a total of $300,000 to the State's General Fund. Within 30 calendar days of the Commission's approval of this ACO, AAA will pay the total penalty amount. Based on AAA's current financial resources, a penalty in the amount of $300,000 to the General Fund is reasonable and appropriate to achieve the objective of deterrence, without being excessive.

D. Totality of Circumstances in Furtherance of Public Interest

The Commission has described this criterion as follows:

> Setting a penalty at a level that effectively deters further unlawful conduct by the regulated entity and others requires that staff specifically tailor the package of sanctions, including any penalty, to the unique facts of the case. Staff will review facts that tend to mitigate the degree of wrongdoing as well as any facts that exacerbate the wrongdoing. In all cases, the harm will be evaluated from the perspective of the public interest.
>
> An economic benefit amount shall be estimated for every violation. Economic benefit includes any savings or monetary gain derived from the act or omission that constitutes the violation.14F[10]

The Commission must evaluate penalties in the totality of the circumstances, with an emphasis on protecting the public interest. AAA's penalties for the alleged violations should be tailored to the limited harm and mitigating factors of this case.

AAA's has engaged in good faith efforts to rectify its failure. For example, CPED ordered AAA to immediately cease and desist from enrolling customers until its TPV process fully complied with the requirements of D.18-02-002 and Resolution UEB-003.25. On the same day, AAA modified its TPV script informing CPED "AAA immediately took action to make sure the telephone verification states the date and time. This has been corrected within an hour of the cease and desist being received."

[9] Enforcement Policy, p. 19.

[10] Enforcement Policy, p. 19.

E. Consistency with Precedent

The Commission has described the role of precedent as follows:

> Penalties are assessed in a wide range of cases. The penalties assessed in cases are not usually directly comparable. Nevertheless, when a case involves reasonably comparable factual circumstances to another case where penalties were assessed, the similarities and differences between the two cases should be considered in setting the penalty amount.

While not binding precedent, prior settlements are useful for comparison, with the acknowledgement that settlements involve compromise positions. CPED and AAA are unaware of prior settlements between CPED and a utility related solely to violations of D.18-02-002 and Resolution UEB-003.

The closest comparable case is with another CTA - Bolt Energy Services, LLC (Bolt) - that back billed early termination fees for 2,597 customers totaling $452,103; and 206 customers paid back bills totaling $33,194. The Commission adopted Resolution UEB-016 on April 24, 2025, and ordered Bolt to pay $150,000 in penalties to the State's General Fund. AAA had 9,424 affected customers, compared to Bolt's 2,597 in Resolution UEB-016 — a difference of more than threefold, reflecting a 3-to-1 ratio. However, unlike the Bolt case that resulted in customers allegedly being back billed by Bolt for early termination fee, CPED is unaware of AAA customers experiencing similar economic harm.

Thus, the alleged violations at issue present a matter of first impression, and the Parties have cooperated in the settlement negotiation process to determine a penalty believed to be fair and reasonable, and the Parties believe the Agreement resolves UEB's allegations and resolves the issues raised in an expeditious manner, thus resolving CPED's safety concerns and benefiting the public.

The Parties mutually believe that, based on the terms and conditions stated above, this ACO is reasonable, consistent with the law, and in the public interest.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 30 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 30-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

No comments were received.

FINDINGS AND CONCLUSIONS

1. Resolution M-4846 authorized Commission staff to negotiate and propose an ACO to resolve an enforcement matter, subject to review and consideration by the Commission.
2. CPED and AAA have engaged in settlement negotiations and, consistent with Resolution M-4846 and the Enforcement Policy, have memorialized their proposed settlement in the attached ACO.
3. CPED and AAA have agreed that the attached ACO resolves all issues related to CPED's investigations of and any enforcement action CPED might have brought related to or arising from AAA's failure to comply.
4. The agreed-upon fines and remedial actions appropriately resolve all issues related to CPED's investigations and any enforcement action CPED may have brought, are reasonable in light of the circumstances, consistent with the law, and in the public interest.
5. Based on the analysis under the Penalty Assessment Methodology, the agreed-upon fines, safety measures and disallowances are reasonable in light of the circumstances.

THEREFORE, IT IS ORDERED that:

1. The ACO between CPED and AAA relating to AAA's failure to comply with D.18-02-002 and Resolution UEB-003 is adopted.
2. AAA shall pay a monetary penalty of $300,000 within 30 calendar days after the date that this Resolution is final and no longer subject to appeal. Payments must be with a certified check made or wire transfer payable to the ***California Public Utilities Commission*** to:

California Public Utilities Commission
Attn: Fiscal Office
505 Van Ness Avenue
San Francisco, CA 94102-3298

AAA shall state on the face of the check or on the wire transfer: "For deposit to the General Fund per Resolution UEB-017."

3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 3, 2026; the following Commissioners voting favorably thereon:

Shao Pat Tsen
Deputy Executive Director
Consumer Policy, Transportation, and Enforcement

ATTACHMENT A
Administrative Consent Order