

November 5, 2001

PUC 110
PUC 120

ADVICE LETTER 1323-E-A/1251-G-A
(U 902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: SUPPLEMENTAL FILING – CREDIT/DEBIT CARD PAYMENT OPTION
PILOT PROGRAM**

San Diego Gas & Electric Company (SDG&E) hereby transmits for filing this request for approval to offer an additional payment option for SDG&E's electric and gas customers.

PURPOSE

The purpose of this filing is to clarify that SDG&E's request for authority to implement a credit/debit card payment option pilot program complies with the provisions of Resolution G-3310, dated May 3, 2001. This Supplemental Advice Letter is being filed at the request of the California Public Utilities Commission's (Commission) Energy Division, and replaces Advice Letter 1323-E/1251-G, dated May 8, 2001, in its entirety.

BACKGROUND

Southern California Gas Company filed Advice Letter 2965-G, dated October 10, 2000, which requested approval of a credit/debit card pilot program very similar to the program being requested by this filing. On May 3, 2001, Southern California Gas Company's program was approved with modifications by Resolution G-3310. This Supplemental filing complies with the program provisions adopted by Resolution G-3310, as requested by the Energy Division.

SDG&E proposes to implement a one-year pilot program in which its customers will be given the additional option of paying their gas and electric bills by telephone using an authorized credit card or debit card. Payment by credit/debit cards will provide customers with a useful tool for managing gas and electric bills that are higher than in previous years. In addition, this option will meet previous customer demand for a credit card acceptance program for payment of utility bills. Therefore, SDG&E would like to launch this pilot as soon as possible to address customer needs.

SDG&E will mail customers' bills as it has traditionally. Customers can then make credit/debit card payments in any given month on a one-time basis or in any month of the customer's choice. The customer will initiate the transaction by calling the service provider's toll-free telephone number. When customers call the service provider's toll-free number, they will immediately be informed that they have reached an independent service provider that is authorized by SDG&E to accept electric and gas bill payments by credit and debit cards.

Customers will be advised that there is a transaction fee charged by the service provider for card payments and the amount of the transaction fee (the current range for credit card payments is \$3.00 to \$6.00; the current range for debit card payments is \$1.50 to \$3.00). At this point, the customer can choose to terminate or proceed with the transaction. Should the customer choose to proceed by inputting card information (Visa, American Express or Discover) and desired payment amount, a second advisory will provide the specific transaction fee associated with making a card payment. And, again, the customer can choose to either terminate or authorize payment. After the customer enters the card information and the payment amount, the customer will be notified for a third time of the fees charged by the service provider if the transaction is successful. By incorporating this type of redundancy, customers will have a clear understanding of these options and their responsibility should they elect to make a card payment.

This proposal complies with 1) SDG&E's electric and gas Rule 1, Definitions, under "Paid or Payment," and 2) electric and gas Rule 9, Rendering and Payment of Bills, Section B.1, which states that "Payment shall be received at the office of the utility, or by an authorized agent of the utility."

Consumer Protection:

SDG&E will require, through a written agreement, that the service provider employ stringent consumer protections. These protections will ensure that consumers are well informed about the service they are using, protected from cramming and other forms of fraud, have adequate access to customer service support, and can be secure in the knowledge that their customer information is being kept strictly confidential. A description of the consumer protection measures is included herein as Attachment A.

Customer Notification:

SDG&E will notify customers of credit/debit card payment option through various channels including bill inserts, website and SDG&E customer service representatives. Sample informational material associated with the proposed pilot program is included as Attachment B to this Advice Letter.

Impact on Rates

SDG&E's base rates are set under the Performance Based Ratemaking mechanism and would not be affected by current expenses of implementing the credit/debit card payment option. To the extent that implementation costs are more than offset by savings in collection costs, rates in 2002 would be lower. A net cost reduction in 2001 would result in higher shareable earnings and the ratepayer portion would be reflected as a rate reduction in 2002. To the extent that collection cost savings are permanent, they would be reflected in lower rates following SDG&E's next Cost of Service/Performance Based Ratemaking proceeding.

Program Continuation

SDG&E will file an advice letter for authority to continue its credit/debit card payment option within twelve months of the effective date of the program. SDG&E will include a report with its advice letter that provides: 1) any problems or customer complaints experienced with the credit/debit card payment option, 2) the number of billing disputes, 3) the amount of time required to resolve each dispute, 4) the percentage of losses due to chargebacks, and 4) the percentage of losses due to fraud. If SDG&E does not file an advice letter within 12 months, the program will terminate at 12 months. If SDG&E files

an advice letter within 12 months, the service shall continue until the Commission approves continuation of the program, terminates the program, or modifies the program.

EFFECTIVE DATE

SDG&E respectfully requests that this Supplemental Advice Letter become effective on November 5, 2001, which is the date filed.

PROTEST

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made either in writing and received within 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

Energy Division – IMC Branch
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

It is also requested that a copy of the protest be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: C. Richard Swanson
Regulatory Tariff Manager
101 Ash Street, HQ-14B
San Diego, CA 92101-3017
Facsimile No. (619) 696-4027
E-mail: rswanson@sempra.com

NOTICE

In accordance with Section III-G of General Order 96-A, a copy of this filing has been served on the utilities and interested parties shown on the attached list, by providing them a copy electronically or by mailing the a copy hereof, properly stamped and addressed.

Address changes should be directed to Martha Ulloa by facsimile at (619) 696-4027 or by e-mail at mulloa@sempra.com.

LEE SCHAVRIEN
Director - Regulatory Case Management
and Tariff Administration

Enclosure
(cc list attached)

ATTACHMENT A

Advice Letter 1323-E-A/1251-G-A

Consumer Protection Measures

Service Provider:

SDG&E issued a Request for Proposal from a number of independent service providers. SDG&E will select a service provider based on their experience, low transaction fee, financial strength, ease of implementation, customer satisfaction, and consumer protection measures.

SDG&E will require, through a written agreement that the service provider employs stringent consumer protections as described below. These protections will ensure that consumers are well informed about the service they are using, protected from cramming and other forms of fraud, have adequate access to customer service support, and can be secure in the knowledge that their customer information is being kept strictly confidential.

While SDG&E will undertake commercially reasonable efforts to screen potential service providers, and require stringent contractual obligations from the selected service provider, SDG&E will not act as guarantor of, or bonding company for, the service provider. The service provider will remain ultimately liable to its customers.

SDG&E will not permit outsourcing without its prior written consent, except in the case of a merger where assets of the service provider are acquired by another party.

Any evidence of misconduct will constitute a breach of contract with the service provider, and if not resolved would likely lead to the termination of the contract.

SDG&E will ensure, through contract negotiations, that an SDG&E representative may conduct an audit of the service provider's records at any time.

SDG&E will have the right to object to an increase in the service provider's transaction fee. However, in the event there is an increase in the transaction fee, SDG&E will notify active participants.

Cramming:

To prevent cramming, the service provider will not be permitted to place any charges on SDG&E's bills. In fact, the service provider will only be able to charge customers its stated transaction fee, which will appear on the customer's bank or credit card statement – not on SDG&E's bill -- as a separate and distinct line item next to the vendor's name (e.g., ABC Payments \$4.95). Debit card transactions will be limited to one line, but will show the convenience fee, the service provider's toll-free telephone number, and will indicate that the payment was made to SDG&E.

Lost or Stolen Cards:

Equally important will be various transaction screening safeguards employed by the service provider to mitigate the possibility of unauthorized card use, such as use of a lost or stolen card, or use of a credit card number from a receipt imprint. Before a transaction can be completed, the credit or debit card will go through several steps of real-time authentication and verification.

If the service provider's system determines that the card being used was reported lost or stolen, the transaction will be terminated immediately. Further, credit card transactions will not be completed unless the customer inputs either one, or several, of the following: the correct ZIP code associated with the card billing address and the expiration date of the card.

Customer Support Services:

Customers opting to utilize the designated service provider to make card payments may also call that service provider with any service inquiries related to card payments. Consequently, SDG&E will require the service provider to maintain adequate customer service resources to handle service inquiries expeditiously and professionally. The customer will be able to contact the service provider in three ways: 1) toll-free customer service number located on the customer's credit/debit card statement next to the vendor's name, 2) SDG&E's customer service representatives can provide customers with the service provider's toll-free number, and 3) should the customer encounter a problem when making a payment, the vendor's voice menu will provide the customer with the service provider's toll-free customer service telephone number.

Disputed Charges:

If a customer believes a charge is erroneous, the service provider will be required to research the transaction with the credit card company or bank and provide details to the customer. If the details do not seem familiar, and the customer still wishes to dispute that they made the transaction, the dispute will become a "charge-back" and the customer's card will be credited for the disputed bill amount. SDG&E will guarantee any payments made by the service provider and any excessive charge-back fees imposed by the service provider based on SDG&E's percentage of transactions and number of charge-back claims.

In the event of excessive charges to the customer, the customer could contact the credit card issuer.

If a third party error is brought to SDG&E's attention, SDG&E will investigate and discuss the matter with the service provider. If the matter is not resolved, SDG&E will not be obligated to use the service provider's services and could, if necessary, take action to recoup any excess charges.

Customer Information:

Finally, SDG&E will require the service provider to strictly maintain confidentiality of customer information, and to establish and maintain procedures to safeguard that information.

ATTACHMENT B

Advice Letter 1323-E-A/1251-G-A

Customer Notification

SDG&E will notify customers of credit/debit card payment option through various channels including bill inserts, website and SDG&E customer service representatives. Generally, when notifying customers of the credit/debit card payment option, SDG&E will state the following messages:

“San Diego Gas & Electric Company now allows you to pay your gas and/or electric bill by credit or debit card through a duly authorized independent service provider.”

“To pay your bill with a credit or debit card, all you need is a touch-tone phone, your San Diego Gas & Electric Company account number and a credit card or debit card.”

“A fee of \$4.95 for each credit card transaction and \$1.95 for each debit card transaction will be charged by ‘ABC Payments,’ the independent service provider.”

“Simply call the service provider at their toll-free number, 1-800-555-1234, to pay by credit or debit card.”

Modifications to these messages may be necessary depending on the means of communication.