



May 3, 2002

Advice No. 3148
(U 904 G)

Public Utilities Commission of the State of California

Subject: Credit/Debit Card Payment Option Program Continuation

Southern California Gas Company (SoCalGas) hereby submits this compliance filing to the Public Utilities Commission (Commission) at the end of a 12-month credit/debit card payment pilot program, in compliance with Resolution G-3310.

Purpose

The purpose of this filing is to seek approval to continue with SoCalGas' credit/debit card payment options on an indefinite basis and to provide a report to the Commission, pursuant to Resolution G-3310, which states:

“We will allow SoCalGas to file an advice letter at the end of 12 months for approval to continue its credit/debit card option. With that filing SoCalGas should include a report of any problems or customer complaints experienced with the credit/debit card payment option, the number of billing disputes, the amount of time required to resolve each dispute, the percentage of losses due to chargebacks, and the percentage of losses due to fraud.” This prior program was first authorized by the Commission on May 3, 2001 and implemented by SoCalGas on May 18, 2001.

Summary of Facts

On May 18, 2001 SoCalGas launched a one-year pilot program giving its core customers the additional option of paying their gas bills over the telephone using an authorized credit or debit card, via BillMatrix, a duly authorized independent service provider. A convenience fee of \$3.50/credit card transaction and \$1.95/debit card transaction, over and above the Utility bill amount, is currently charged to the customer by BillMatrix.

The program has been widely accepted by customers seeking bill payment alternatives and a way to manage natural gas bills. During the first 11 months of the program (as of 3/31/02), SoCalGas accepted over 101,000 debit/credit card payments, representing more than \$9 million dollars in transactions.

Customer complaints during the pilot period have been minimal. SoCalGas' internal customer comment tracking system reported only 20-30 complaints about this option. BillMatrix, which also handles customer inquiries, has tracked 521 education calls (teaching customers about the process), 735 troubleshooting calls (i.e. why customers were declined by their bank or credit card institution, billing disputes, reversals/chargebacks, questions about charges on their statements, etc.) and 43 complaints. In total, outright complaints, to both SoCalGas and BillMatrix, represent approximately 63-73 out of over 101,000 transactions (less than 1/10 of 1% of all transactions).

Customer complaints have focused on the following issues:

1. *The convenience fee charged for each transaction.* While some customers did not favor paying a processing fee, it is important to bear in mind that Credit/debit card payments are an option for customers. They have multiple alternate means of paying their gas bills without incurring a convenience fee. It is a matter of customer choice. Further, customers are advised of the applicable convenience fee three times before authorizing it, and have the option of discontinuing the transaction at any time. By volume alone, it is readily apparent that there is little or no customer resistance to this option.
2. *Calling BillMatrix and getting an interactive voice response unit (IVR).* The majority of service-oriented companies use IVRs, however some customers still prefer to speak with a live operator. The BillMatrix IVR is clear, easy to navigate, available in English & Spanish, and is the simplest way for customers to initiate an immediate payment from anywhere in the U.S. It also provides an 800 number for customers to reach a live agent, should they need additional assistance.
3. *System is unavailable.* Only on rare occasions have customers been unable to use the payment system due to unforeseen and unavoidable long distance carrier or BillMatrix system outages. Service was restored as quickly as possible, usually within a few short hours. In other instances, some customers may have tried to use the system while BillMatrix was performing systems upgrades and maintenance. Yet this type of work is restricted to early morning, or off-peak hours, when customers are least likely to access the system.

The exact number of billing disputes is difficult to quantify, since they are included in the total number of BillMatrix troubleshooting calls. However, even if it were assumed that all BillMatrix troubleshooting calls involved billing disputes, they would still represent only 0.7% of total transactions. Disputes are handled quickly and efficiently by SoCalGas' call center team in conjunction with BillMatrix customer support. BillMatrix issues electronic adjustments to customers' credit/debit cards to rectify transactions that customers themselves report they made in error or in duplicate. Customers gain resolution to their concerns within minutes and, in the majority of cases, within 24 hours. Only rarely, in relation to the sizable daily volume, do transactions need to be researched and adjusted within the course of a few days.

SoCalGas continues to afford its customers the same consumer protection standards that telecommunications utilities follow. BillMatrix has not placed unauthorized charges on customer credit cards or bank accounts, and has not charged customers more than the agreed upon convenience fees. SoCalGas, in conjunction with BillMatrix, has taken numerous precautions in protecting customers such as:

- Transmitting credit card charges to credit card processors as two line items to appear on the consumer's credit card statement: the first line identifies SoCalGas, its toll-free customer service number, plus the associated utility bill charge. The second line identifies BillMatrix, their toll free customer service number, plus the convenience fee amount charged by BillMatrix.
- Transmitting debit card transactions to banks as one combined line item to appear on the consumer's bank account statement: this single line item identifies both SoCalGas and BillMatrix, with the BillMatrix toll free customer service number, and provides the combined total of both the Utility bill charge, plus the convenience fee amount charged by BillMatrix.
- Implementing additional measures to combat fraud and reduce chargebacks and reversals. Fraud is an unfortunate by-product of credit card acceptance encountered by all merchants. Credit card companies work closely with merchants and consumers to prevent and root out fraud. VISA and Discover both have zero liability policies that continue to protect consumers from any financial responsibility for fraudulent activity or unauthorized charges on their accounts. SoCalGas has limited the number of transactions on any bill account from 3 per rolling 30-day period to 1 per rolling 7-day period. Since perpetrators of fraud try to max. out credit cards as quickly as possible, this has proven to be a powerful deterrent.
- Taking proactive steps to reduce the number of chargebacks, frequently related to fraud, back to an acceptable level (< 1%). A chargeback is processed when the consumer requests a refund through their credit card institution or when the credit card institution unilaterally reverses a fraudulent transaction. BillMatrix's percentage of losses due to fraud has ranged from 0.9% to 1.8%. Neither SoCalGas, nor its customers, have incurred any fines or losses as a result of fraud or chargebacks.
- Allowing customers with questions to contact either SoCalGas or BillMatrix by using the toll-free phone numbers provided on their credit card/bank statements or on the IVR.
- Providing the Commission's phone number on the back of the SoCalGas bill, for customers who may have any complaints about this option.

Therefore, SoCalGas believes that the performance of this credit/debit card payment option over the past year, as presented above, warrants the continuation of this offering indefinitely.

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 in writing and received within 20 days of the date of this Advice Letter. 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

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer (jir@cpuc.ca.gov) and Honesto Gatchalian (jnj@cpuc.ca.gov) of the Energy Division. A copy of the protest shall also 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: Sid Newsom
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-Mail: snewsom@semprautilities.com

Effective Date

Since this filing is being made in compliance with Resolution G-3310, it is respectfully requested that it become effective on May 3, 2002, which is the date of the filing.

Notice

In accordance with Section III.G of General Order No. 96-A, a copy of this advice letter is being sent to the parties shown on Attachment A.

J. STEVE RAHON
Director
Tariffs and Regulatory Accounts

Attachments