PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

I.D. # 9255

ENERGY DIVISION **RESOLUTION G-3443**

April 8, 2010

R E S O L U T I O N

Resolution G-3443. Southern California Edison Company (SCE) requests approval to establish a credit/debit card payment option.

Proposed Outcome: SCE's proposal is approved.

Estimated Annual Cost: $580,000 for the customers that use the credit/debit option.

By SCE Advice Letter 160-G/2401-E filed on November 12, 2009.

SUMMARY

This Resolution approves Advice Letter (AL) 160-G/2401-E filed by Southern California Edison ("SCE") on November 12, 2009 requesting approval of the establishment of SCE's credit and debit card bill payment system at a customer convenience fee of $1.75 per transaction. SCE's proposal is in compliance with Resolution G-3427. That resolution denied an earlier SCE proposal because SCE's earlier proposed fees were too high and the proposal had included termination of SCE's pay-by-phone option.

The Division of Ratepayer Advocates' (DRA) protest is denied. DRA recommended that the Energy Division reject the advice letter because SCE had not justified a higher transaction fee than those assessed by Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company.

In their reply to DRA's protest, SCE explained some of the reasons why their fee might be higher than the other utilities.

BACKGROUND

PU Code Section 755 allows electric, gas, and water utilities to charge convenience fees to customers who pay their utility bills by credit or debit card. PU code 755 requires that the utility recover the transaction costs of payment by credit/debit card from only those customers choosing to use the credit or debit card payment option. These transaction costs can be rolled into other utility customer costs only if the Commission determines that the credit card payment option results in savings to ratepayers that exceed the net cost of accepting those cards.

SCE's ALs 152-G/2269-E and 67-W were filed on September 22, 2008 and proposed to replace SCE's free Pay-By-Phone option with a new credit/debit card bill payment system at a customer convenience fee of $3.50 per transaction. The convenience fee was based on SCE's agreement with a vendor (JP Morgan Chase, or "JPMC") who would process these card payments and accept Visa and MasterCard. The fees would go directly to JPMC and no portion would go to SCE.

The California Public Utilities Commission ("CPUC" or "Commission") denied SCE's ALs in Resolution G-3427, issued May 7, 2009.

The Commission found that SCE's proposed convenience fee of $3.50 was too high relative to the analogous fees set by the Pacific Gas and Electric Company ("PG&E"), the Southern California Gas Company ("SoCalGas"), and the San Diego Gas and Electric Company ("SDG&E"), and that SCE should renegotiate its proposed credit/debit card convenience fee down to the level offered by PG&E and SoCalGas/SDG&E. PG&E and SoCalGas/SDG&E's convenience fees for credit/debit cards were and are $1.50 and $1.45, respectively, chiefly because they accept MasterCard but not Visa. SCE's proposed convenience fee of $3.50 was higher mainly because Visa not only imposes a higher fee but also requires that no other payment option in the same payment channel have a lower fee.

The Commission also found that SCE had not adequately justified its proposed termination of Pay-By-Phone option, especially since SoCalGas and SDG&E had continued to offer free Pay-By-Phone options to their customers in addition to their credit/debit card options.

The Commission ordered SCE to continue its Pay-By-Phone option at no charge to customers. The Commission further ordered that SCE could submit a future AL that would keep the free Pay-by-Phone option and allow for a credit/debit card bill payment option at a lower transaction fee.

In response, SCE filed AL 160-G/2401-E on November 12, 2009, which is similar to ALs 152-G/2269-E and 67-W, except that AL 160-G/2401-E proposes a credit/debit card convenience fee of $1.75 per transaction, down from $3.50, and would not end SCE's free Pay-By-Phone option.

The proposed program will allow SCE's residential customers to pay their SCE bills using a MasterCard only. Customers who choose the credit/debit card payment option will need to call the program vendor's (JP Morgan Chase) Voice Response Unit to process their transaction. The customer's credit card will be assessed the $1.75 convenience fee for each transaction. SCE collects no portion of the convenience fee. The customer's payment will be immediately noted on the customer's account.

SCE indicates that it is working with the program vendor to add credit card payments via the Internet.

NOTICE

Notice of AL 160-G/2401-E was made by publication in the Commission's Daily Calendar. SCE states that copies of the Advice Letter were mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

SCE's Advice Letter AL 160-G/2401-E was timely protested by the Division of Ratepayer Advocates ("DRA") on November 24, 2009. DRA stated that SCE had not provided any cost justification for its proposed convenience fee. DRA requested a full cost justification for SCE's proposed convenience fee, demonstrating why SCE could not match the $1.50 convenience fee level that PG&E had negotiated for its customers. DRA recommended that the advice letter be rejected.

SCE timely responded to the protest of DRA on December 9, 2009. SCE believes that its proposal complies with Resolution G-3427. SCE lowered its proposed

convenience fee by eliminating the Visa card brand, and by reducing the level of vendor-supplied customer support services. While SCE stated that to fully explain the difference in their fee relative to the other utilities would require a comprehensive comparison to the other utilities' programs and contracts (which SCE does not have access to), SCE pointed out several differences they are aware of between its proposal and the programs offered by PG&E and SoCalGas/SDG&E. These differences include:

- SCE's program provides real-time balance inquiry, while the other utilities do not;
- SCE's program provides automatic implementation of reconnection of service or stoppage of a disconnect order, while PG&E's and SDG&E's programs require a second call to a Call Center;
- PG&E and SDG&E apply a $1.50 fee to e-check payments even though such payments shave significantly lower processing costs than credit card payments, while SCE does not charge a fee for e-check payments;
- SCE does not cap the payment amounts in a single transaction, while PG&E and SDG&E have transaction caps of $2000 and $1000 respectively.

SCE urges the Commission to reject DRA's protest and to approve SCE's proposal.

DISCUSSION

SCE's proposal for a credit/debit card payment option is in compliance with Resolution G-3427 and is approved. SCE lowered its convenience fee from its earlier proposal by 50%, and does not terminate the Pay-by-Phone payment option. Although still slightly higher than the fees assessed by PG&E and SDG&E, SCE's program offers some features that the other utilities do not.

In Resolution G-3427, we discussed the structure of SCE's original proposals (in SCE's ALs 152-G/2269-E and 67-W) to terminate its Pay-By-Phone Option and create a new credit/debit card payment option.

Our main objections to SCE's original proposals were due to: a) SCE's proposed termination of its Pay-By-Phone Option and b) the level of SCE's proposed convenience fee for credit/debit card bill payment transactions. The Commission ordered SCE to continue its Pay-By-Phone option at no charge to customers. The Commission further ordered that SCE may submit a future AL

consistent with the resolution, i.e. one that would keep the free Pay-by-Phone option and allow for a credit/debit card bill payment option at a lower transaction fee "comparable to the level proposed by PG&E, SoCalGas and SDG&E."

SCE's AL 160-G/2401-E addresses the problems with SCE's original proposals. AL 160-G/2401-E does not terminate the existing Pay-by-Phone option for customers, and SCE's proposed credit/debit card convenience fee has dropped from $3.50 to $1.75 per transaction, which is close to the $1.50 and $1.45 fees negotiated by PG&E and SoCalgas/SDG&E, respectively. SCE was able to lower its transaction costs in part by eliminating Visa as a payment option, similar to PG&E, SoCalGas, and SDG&E.

DRA protested AL 160-G/2401-E on the grounds that SCE failed to provide a "full cost justification" demonstrating why SCE was unable to exactly match or beat the $1.50 transaction fee that PG&E was able to negotiate for its customers.

DRA's protest is denied and SCE's proposal is approved for multiple reasons.

First, SCE responded to DRA's protest by highlighting several distinctions between SCE's credit/debit card payment service and the comparable services at PG&E and SoCalGas/SDG&E. These distinctions explain a slightly higher SCE convenience fee. SCE asserted that SCE's credit/debit card payment service:

a) would provide real-time balance inquiries regarding minimum amounts due, total account balances, and past due amounts, all without having to consult bills or call SCE's Call Center, in contrast to the comparable services at PG&E and SoCalGas/SDG&E which do not offer that service;

b) would automatically reconnect a customer's service or stop a disconnect order upon payment by credit or debit card, without the need to call SCE's Call Center or request that a disconnect order be cancelled, unlike the comparable services at PG&E and SoCalGas/SDG&E; and

c) would not cap payment amounts, in contrast to the $2,000 and $1,000 per transaction caps at PG&E and SDG&E.

Second, the fee proposed by SCE now is half the $3.50 fee that we rejected in Res. G-3427 and is comparable to the $1.50 fee we approved for PG&E and SDG&E

when differences in the service are taken into account. We stated in Res. G-3427 that SCE must lower its proposed transaction fee to a level "comparable" to that of PG&E and SoCalGas/SDG&E. (p.1) SCE has done so now.

Third, a credit/debit card payment is an additional payment method that SCE is proposing for its customers. It is being offered as a convenience and will not replace existing payment methods. Customers are not obligated to pay the credit/debit card fee and instead may pay by existing methods that do not require such a fee, e.g., check or phone. SCE will obtain no portion of the convenience fee, but the company and its customers could obtain benefits if customers are able to pay their bills more promptly, and some customers will find the credit/debit card payment method helpful.

Given the lowered convenience fee, we find SCE's overall proposal to be reasonable and in compliance with Resolution G-3427.

Therefore, we approve AL 160-G/2401-E as providing an additional payment method to SCE customers for a convenience fee that is comparable to those negotiated by PG&E and SoCalGas/SDG&E for their credit/debit card bill payment programs, all while preserving the existing SCE Pay-By-Phone option.

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 and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day 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.

FINDINGS AND CONCLUSIONS

1. SCE filed AL 160-G/2401-E requesting authority to offer its customers a credit/debit card bill payment option.

2. SCE's AL 160-G/2401-E would keep the Pay-By-Phone bill payment option that SCE customers currently use free of charge.

3. SCE's AL 160-G/2401-E would provide for an optional, for-fee payment method that its customers would not be obligated to use.

4. SCE's $1.75 per transaction fee is comparable to PG&E's $1.50 per transaction when differences in the service levels are accounted for.

5. SCE's proposed $1.75 per transaction fee is consistent with our guidance in Resolution G-3427.

6. SCE's AL 160-G/2401-E should be approved.

THEREFORE IT IS ORDERED THAT:

1. The request of Southern California Edison as requested in Advice Letter 160-G/2401-E is approved.

2. The Division of Ratepayer Advocate's protest of Southern California Edison's Advice Letter 160-G/2401-E is denied.

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 April 8, 2010; the following Commissioners voting favorably thereon:

_____
Paul Clanon
Executive Director

STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

March 3, 2010

I.D. # 9255
RESOLUTION G-3443
Commission Meeting April 8, 2010

TO: PARTIES TO SOUTHERN CALIFORNIA EDISON ADVICE LETTER NO. 160-G/2401-E

Enclosed is draft Resolution Number G-3443 of the Energy Division. It will be on the agenda at the next Commission meeting, which is held at least 30 days after the date of this letter. The Commission may then vote on this Resolution or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution.

An original and two copies of the comments, with a certificate of service, should be submitted to:

Honesto Gatchalian
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Fax: 415-703-2200

A copy of the comments should be submitted in electronic format to:

Franz Cheng and Richard Myers
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Email: fcc@cpuc.ca.gov and ram@cpuc.ca.gov

Any comments on the draft Resolution must be received by the Energy Division by March 29, 2010. Those submitting comments must serve a copy of their comments on 1) the entire service list attached to the draft Resolution, 2) all Commissioners, and 3) the Director of the Energy Division, 4) the Chief Administrative Law Judge, and 5) the General Counsel on the same date that the comments are submitted to the Energy Division.

Comments shall be limited to five pages in length and should list the recommended changes to the draft Resolution. Comments shall focus on factual, legal or technical errors in the proposed draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Replies to comments on the draft resolution will not be accepted.

Late submitted comments will not be considered.

Richard Myers, Program and Project Supervisor
Energy Division

Enclosure: Service List
Certificate of Service

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Draft Resolution G-3443 on all parties in these filings or their attorneys as shown on the attached list.

Dated March 3, 2010 at San Francisco, California.

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Honesto Gatchalian

NOTICE

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.

Service List for Resolution G-3443

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