

Decision 08-05-003 May 15, 2008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Authorization to Update and Revise the Direct Access and Other Service Fees in Schedules ESP-DSF, CC-DSF and ESP-NDSF.

Application 07-01-045
(Filed January 26, 2007)

**DECISION ADDRESSING SOUTHERN CALIFORNIA EDISON COMPANY'S
APPLICATION FOR AUTHORITY TO UPDATE AND REVISE ITS DIRECT
ACCESS AND OTHER SERVICE FEES**

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Appendix A - Proposed and Approved Services and Fees

**DECISION ADDRESSING SOUTHERN CALIFORNIA EDISON COMPANY'S
APPLICATION FOR AUTHORITY TO UPDATE AND REVISE ITS DIRECT
ACCESS AND OTHER SERVICE FEES**

1. Summary

Decision (D.) 97-10-087 approved tariff provisions and related agreements necessary to implement a statewide Direct Access (DA) program, as part of electric industry restructuring in California. The DA program was intended to facilitate a competitive marketplace for electric energy by permitting electric customers the choice to purchase “bundled service” from utility distribution companies (UDCs), or to buy electricity directly from competing non-utility suppliers, Electric Service Providers (ESPs) and purchase-related optional services from other market participants, such as aggregators, brokers, and marketers.¹

Under the approved tariffs, ESPs must purchase certain services (*i.e.*, non-discretionary services) to enable their market participation, and ESPs and end-use customers may purchase metering, billing and/or related services (*i.e.*, discretionary services) from UDCs.²

This decision (Decision) approves, in part, Southern California Edison Company's (SCE) request to add, delete and make revisions to the DA and other similar fees. The Decision denies SCE's request to re-title its DA and other service fees to eliminate the discretionary/non-discretionary categorization of

¹ D.01-09-060, as modified by D.01-10-036, suspended the right to enter into new contracts or agreements for DA service. That suspension remains in effect. However, customers with contracts or arrangements in effect at the time D.01-09-060 became effective remain eligible for DA service.

² ESPs may also provide their own metering, billing or other discretionary services, or obtain them from non-UDC providers.

fees because the Commission has a continuing interest in distinguishing discretionary from non-discretionary services, and separate tariffs help to reduce confusion about which services ESPs and customers have a choice in obtaining from alternate providers.

The Decision approves SCE's request to add, delete and make revisions to discretionary service fees, but denies SCE's request to add, delete and make revisions to non-discretionary service fees. The Decision concludes that the proceeding anticipated by D.97-10-087 to examine the appropriateness of all of the UDCs' DA service fees and tariffs should take place prior to approving revisions to non-discretionary service fees or before approving other changes to SCE's DA service fees and tariffs.

The Decision approves SCE's request to use the advice letter process to establish new discretionary services and fees. However, the Decision denies authority to use advice letters to establish new non-discretionary services and fees, or to modify existing discretionary or non-discretionary services and fees.

The Decision does not approve the incremental cost methodology SCE used to develop its proposed service fees because the methodology results in fees that assign costs to those who do not cause those costs to be incurred, and because the operational expert analysis estimates used by SCE have not been adequately validated to provide confidence in their accuracy or reliability.

Finally, the Decision directs the Energy Division to convene and facilitate a meeting between SCE, the Alliance for Retail Energy Markets (AReM), the California Manufacturers and Technology Association (CMTA), and other interested parties to consider issues surrounding SCE DA process improvements, including the timing for implementing any recommended improvements that may not be cost effective now at the presently low DA volumes but which may

become cost effective if the suspension on enrolling new DA customers is lifted and the volume of transactions increases.

2. Background

D.97-10-087 approved tariff provisions and related agreements necessary to implement a statewide DA program, as part of electric industry restructuring in California.³ That decision authorized the UDCs to begin charging interim fees for discretionary DA services.⁴ UDCs were authorized to book the interim fees and costs of providing discretionary DA services to a one-way memorandum account subject to refund.⁵ Although UDCs were allowed to collect interim fees for discretionary DA services, D.97-10-087 stated that the authority granted was not to be construed as a decision on the merits of the interim tariffs or approval of the fees charged by the UDCs.

D.97-10-087 did not authorize UDCs to charge fees for non-discretionary DA services. However, UDCs were allowed to book costs for non-discretionary DA services to a memorandum account,⁶ pending a later determination regarding the appropriateness of those costs and possible recovery under Pub. Util. Code § 376.⁷ D.97-10-087 anticipated that issues concerning the

³ D.01-09-060, as modified by D.01-10-036, suspended the right to enter into new contracts or agreements for DA service. That suspension remains in effect.

⁴ D.97-10-087 defines “discretionary services” as those services for which there are sufficient providers to ensure customer choice. “Non-discretionary services” are those services for which the Commission determines that there are insufficient providers to ensure customer choice. (Finding of Fact (FOF) 22 and Footnotes 11-12 (76 CPUC2d, 330, 377.)

⁵ D.97-10-087, Ordering Paragraph (OP) 7 (76 CPUC2d, 335).

⁶ D.97-10-087, OP 8 (76 CPUC2d, 335).

⁷ All statutory references are to the Public Utilities Code, unless otherwise noted.

appropriateness of the fees would be considered in a future ruling or decision.⁸ However, UDCs were authorized to charge fees for non-discretionary services related to ESP consolidated billing services, and Resolution E-3582 approved fees for those services.⁹

As with discretionary service, D.97-10-087 stated that the authority granted for memorandum account treatment of non-discretionary DA service costs was not a decision on the merits, and a subsequent decision would consider the appropriateness of those costs and their recovery.¹⁰ In D.99-09-064, the Commission approved a settlement of issues related to industry restructuring implementation costs pursuant to § 376 costs, including recovery of certain DA costs.¹¹

SCE offers discretionary and non-discretionary services to ESPs and primarily DA customers through three rate schedules: Schedule ESP-DSF (ESP - Discretionary Service Fees), Schedule CC-DSF (Customer Choice - Discretionary Service Fees), and Schedule ESP-NDSF (ESP - Non-Discretionary Service Fees).¹² Schedule ESP-DSF applies to ESPs who choose to receive certain metering, billing and other DA-related services from SCE. Schedule ESP-NDSF applies to ESPs who require certain services from SCE to offer optional services

⁸ 76 CPUC2d, 306 - 308.

⁹ D.98-09-070.

¹⁰ 76 CPUC2d, 307.

¹¹ 2 CPUC3d, 396.

¹² Unless otherwise indicated, "customer" or "end-use customer" refers to DA end-use customers, Community Choice Aggregator end-use customers and bundled service end-use customers who request certain additional billing and metering services which are not included or provided for in their applicable default rates.

to customers. Schedule CC-DSF applies to DA customers who request certain meter-related services from SCE. Schedule CC-DSF also applies to bundled service customers not participating in DA who request meter-related services which are not already provided for by their applicable default rates. If Community Choice Aggregation (CCA) is implemented in SCE's service territory, Schedule CC-DSF will also apply to any CCA customers who request additional meter-related services.

On January 26, 2007, SCE filed Application (A.) 07-01-045 (Application) requesting authority to add, delete and make revisions to the service fees in Schedules ESP-DSF, ESP-NDSF, and CC-DSF to reflect current processes and costs; to re-title the DA tariffs to eliminate the discretionary/non-discretionary categorization of fees, and to use the advice letter process for establishing new DA service fees. The Application also seeks approval of SCE's incremental cost methodology and cost-causation principles that were used in developing the DA and other service fees.

The Application states that SCE's existing DA service fees are outdated and require updating to reflect current costs and current DA processes which have changed since 1998. SCE previously sought in A.99-06-040 to revise its DA service fees and establish new fees. However, the Commission dismissed A.99-06-040 in 2003 without prejudice because no decision had been rendered, and the record had become stale as a result of attention diverted to the California energy crisis.¹³

¹³ D.03-01-072, p. 3.

SCE represents that its proposed changes to the rate schedules and service fees reflect current DA processes and costs. SCE is proposing to revise the existing DA service fees by increasing 11 and reducing 20 of the existing service fees, and changing five existing service fees from a fixed rate to a time and materials (T/M) basis. SCE is also proposing to remove 38 existing service fees, and add 47 new service fees.

SCE states that, because it is proposing that all DA service fees receive cost-of-service regulatory treatment, it also seeks to eliminate the “discretionary/non-discretionary” service fee classifications.¹⁴

Notice of A.07-01-045 appeared on the Commission’s Daily Calendar on January 30, 2007. A protest was received on March 1, 2007, from AReM, and a response to the Application was received from the Division of Ratepayer Advocates (DRA) on March 1, 2007.

A prehearing conference (PHC) was held on March 29, 2007, where SCE, AReM, DRA and other interested parties were in attendance.

On April 23, 2007, the assigned Commissioner issued a ruling and scoping memo (Scoping Memo) establishing a procedural schedule and identifying the following issues for consideration:

1. Should the Commission approve the proposed revised schedules and service fees?
2. Should SCE be authorized to add certain service offerings and fees that were not included in the original schedules?
3. Should SCE be authorized to remove certain offerings that are no longer relevant?

¹⁴ Application, p. 4.

4. Should the Commission approve SCE's incremental cost methodology for calculating the service fees? Is the methodology used for calculating the proposed fees appropriate? Does the methodology help reduce cost shifting? If so, which cross-subsidies are reduced, and which ones remain?
5. Is the cost information used to calculate the proposed fees reliable and accurate?
6. What impact, if any, will SCE's advanced metering infrastructure proposal have on the proposed fees or meter-related costs?
7. Do the proposed fee changes raise any issues related to potential impacts on SCE's revenue requirement that should be considered?
8. How will the proposed fees affect CCA customers, bundled service customers and/or residential DA customers in California?
9. Should the Commission authorize an advice letter procedure for establishing new service fees?

The Scoping Memo also determined that the proceeding should consider only SCE's proposed incremental costs, cost methodology, and the appropriateness of that methodology for calculating SCE's DA service fees. The proceeding would not consider what DA services and fees other utilities may have in place. The Scoping Memo determined that the DA services provided by other utilities or the costs of other utilities' DA services were not sufficiently relevant to SCE's DA program to justify the additional burden placed on parties to consider those other utilities' DA programs and the likelihood of doing so substantially delaying this proceeding. The Scoping Memo also determined that this proceeding would not consider the timing of when SCE's DA services and fees should be next examined, or whether SCE's proposed fees should be reexamined if and when the DA market reopens.

AReM and the CMTA served joint filed testimony on June 22, 2007. SCE served rebuttal testimony on July 16, 2007. An evidentiary hearing (EH) was held on August 28, 2007, where AReM, CMTA, DRA and SCE were in attendance.

In the EH, AReM, and CMTA requested, and SCE agreed to provide, additional exhibits after the close of hearings. On August 31, 2007, SCE served via electronic mail four documents in response to AReM's and CMTA's request.¹⁵ A September 5, 2007 Administrative Law Judge's (ALJ) ruling identified and marked the exhibits, and the exhibits were moved into the record on September 7, 2007 without objection.¹⁶

SCE, AReM, and CMTA filed opening briefs on September 21, 2007, and SCE and AReM filed reply briefs on October 5, 2007. No oral argument was held, and the proceeding was submitted upon the filing of reply briefs.

3. Should the Application be Considered at This Time?

In its opposition to considering the Application at this time, AReM states that SCE historically has been hostile to retail competition, and contends that SCE's proposed fees were designed with anticompetitive motives.¹⁷ AReM asserts that, because of SCE's antipathy to retail competition, the proposed fees are unduly discriminatory to residential DA customers, and, therefore, the Commission should reject the Application. AReM points to positions taken by SCE in earlier Commission proceedings as evidence that SCE is motivated to propose fees which are anticompetitive and harmful for DA customers.

¹⁵ TR 26 -28, 31.

¹⁶ These exhibits are identified as Exh. SCE-3 through Exh. SCE-6.

SCE states that its original DA service fees were established in 1997 before the implementation of DA in 1998, and that, according to SCE, the existing service fees need updating to reflect current costs and current DA processes.¹⁸ SCE also states that, since DA began in 1998, the cost of providing DA services has changed due to process changes in SCE's operations or in response to new services required by regulatory changes.

Although AReM recommends that the Commission reject the Application, it recommends that SCE be permitted to re-file after the proposed fees are determined by independently conducted analysis. AReM further recommends that SCE be required to demonstrate that it has worked cooperatively with the parties that will be subject to the new DA service fees so the proposed fees reflect their concerns.

CMTA does not go as far as AReM in attributing malevolent motives to SCE, but contends that, because of the potential for anticompetitive behavior and to avoid the perception of bias, SCE must be especially scrupulous in how it calculates fees charged to its ESP competitors and DA customers.¹⁹ Because SCE is calculating a cost that it directly imposes upon its retail competitors, CMTA contends SCE has no financial incentive to explore how it might provide DA services in a more reasonable and cost-effective manner.

CMTA recommends that the Commission not approve the proposed DA service fees, and that the Commission require SCE to perform an independent cost of service analysis prior to implementing new DA service fees. Although

¹⁷ AReM Opening Brief, pp. 5, 18-20, 22-23. AReM Reply Brief, pp. 4-5.

¹⁸ Application, p. 3.

¹⁹ CMTA Opening Brief, pp. 1-3.

CMTA and AReM recommend that the Application be rejected in its entirety, they also comment and make recommendations on specific fees, the costing methodology employed and other SCE proposals (*e.g.*, SCE's request for advice letter authority).

SCE responds that no bias entered into the creation of the proposed DA service fees.²⁰ SCE states that the proposed DA service fees were developed using a cost study in order to accurately and appropriately capture the incremental cost of providing DA services so that DA participants pay for the services they receive and to avoid cost-shifting to bundled service customers. SCE contends that AReM's and CMTA's reference to excerpts from SCE's legal pleadings are irrelevant, because its consistent arguments for fair DA rules that do not harm bundled service customers do not constitute bias.

SCE states that the original DA service fees were based on predictions of what DA services would be required, and not actual experience with DA or the additional DA activities that have evolved since that time.²¹ For example, SCE states that many of the existing service fees were developed with very little experience installing and maintaining solid state Interval Data Recorder meters.²² As a result, the existing DA service fees were prepared with little prior experience or data upon which to establish cost-based rates.

Discussion

SCE's existing DA service fees were developed when its DA service tariff was approved by D.97-10-087. D.97-10-087 anticipated that the appropriateness

²⁰ SCE Opening Brief, pp. 15-16.

²¹ SCE Opening Brief, pp. 2-3.

²² Exh. SCE-1, p. 8.

of the fees for all UDCs would be considered in a subsequent proceeding (Anticipated Proceeding). In the meantime, D.97-10-087 authorized the UDCs' DA tariffs on an interim basis.²³

Due to events such as the California energy crisis, the Anticipated Proceeding was delayed and has not yet commenced. Ideally, prior to approving permanent changes to SCE's DA service fees, the Anticipated Proceeding should take place because policy and other issues remain unresolved that apply to all UDC DA tariffs, and the Application implicates some of these issues. However, the passage of almost a decade since SCE's DA service fees were established persuades us to consider the Application at this time.

There have been two changes to SCE's DA service fees established by D.97-10-087. In SCE's 2003 general rate case (GRC), the Commission adopted a \$5 per month fee on an interim basis for large (*i.e.*, over 20 kilowatts (kW)) DA customers.²⁴ The Commission adopted this fee to reduce the subsidization of DA customers by bundled service customers. However, SCE eliminated Schedule DA-SF as part of a settlement agreement adopted by D.06-06-067 in A.05-05-023 (SCE's 2006 GRC Phase 2 Proceeding). In doing so, the \$5 fee established by D.04-07-022 was eliminated. In D.06-05-016, the Commission adopted a 25% increase in SCE's discretionary DA service fees to account for inflation which occurred since the DA fees were first established, because the Commission was concerned that SCE's bundled service customers were subsidizing DA customers.²⁵

²³ OPs 3, 7, and 8 (76 CPUC2d, 334).

²⁴ D.04-07-022, FOF 130.

²⁵ D.06-05-016, p. 106.

Except for these two Commission-ordered increases to SCE's DA service fees in 2004 and 2006, the first of which was subsequently eliminated, the fees have not been updated since they were originally established nearly a decade ago. However, because the Anticipated Proceeding to address the appropriateness of DA fees on a statewide basis has been delayed, we have not yet had an opportunity to determine the appropriateness of the UDCs' DA and other service fees or the underlying methodologies used to develop them.

The passage of so much time is possibly resulting in fees that are becoming less and less related to SCE's actual costs, and, if so, may be undermining our policy of sending accurate price signals that would allow a competitive market to develop. Although enrollment of new DA customers is currently suspended, the Commission is presently considering whether, when, or how the suspension of DA may be lifted.²⁶

AReM recommends that the Application be rejected because it is designed to be anticompetitive and harmful for DA customers. In support of its allegations, AReM submitted into evidence exhibits containing excerpts from:

- SCE's January 5, 2007 Opposition to Petition to Adopt, Amend or Repeal a Regulation Pursuant to Pub. Util. Code § 1708.5;²⁷

²⁶ The Commission has determined that the suspension of direct access cannot be lifted at the present time because the Department of Water Resources (DWR) is still supplying power pursuant to Assembly Bill (AB) 1X. However, the Commission will continue to consider possible approaches to expediting DWR's exit from its role of supplying power under AB 1X. See D.08-02-033 in R.07-05-025, Order Granting Petition for Rulemaking and Instituting Rulemaking As To Whether, When, Or How Direct Access Should Be Restored.

²⁷ Exh. AReM/CMTA-6.

- SCE's Comments on Draft Decision of ALJ Barnett (determining that DA should be suspended as of July 1, 2001);²⁸
- SCE's November 12, 2002 Reply to Petition of Albertsons, Inc., to Modify Decision 02-03-055;²⁹
- SCE's April 28, 2003 Comments on Alternate Proposed Decision of Commissioner Wood and Proposed Decision of ALJ Pulsifer (regarding switching exemption);³⁰ and
- SCE's July 9, 2003 Petition for Writ of Review in the Supreme Court of the State of California, Southern California Edison Company, Petitioner, versus California Public Utilities Commission, Respondent.³¹

AReM's arguments and exhibits purportedly evidencing SCE's bias do not persuade us that the Application is a malicious attempt to disadvantage ESPs or discourage DA customers. The exhibits do not show, for example, that SCE has stated the cost of an activity to be a particular amount in one proceeding and a different amount in this proceeding, or that SCE has otherwise made false or misleading representations to the Commission.

Instead, the exhibits show that SCE has consistently attempted to protect and promote its interests before this Commission and the courts; something that any reasonable person would do and something that all parties that come before this Commission attempt to do. The utilities we regulate are not required to agree with our decisions. They are required only to comply with them.

²⁸ Exh. AReM/CMTA-7.

²⁹ Exh. AReM/CMTA-8.

³⁰ Exh. AReM/CMTA-9.

³¹ Exh. AReM/CMTA-10.

While SCE may disagree with other parties or the Commission on DA issues, AReM and CMTA present no evidence that the Application was filed with the intent to disadvantage ESPs or DA customers, or that SCE has otherwise failed to comply with Commission orders. Therefore, AReM's and CMTA's arguments for rejecting the Application lack merit.

This does not mean that we do not have concerns with the proposed DA service fees or with the underlying methods used to develop them. However, AReM and CMTA have not shown that the Application is designed to undermine ESPs or the DA market.

Updating DA service fees at this time will help to ensure that they are based on current processes and cost studies that better reflect SCE's actual cost of providing services that facilitate DA. SCE states that the proposed service fees were developed using cost-causation principles and incremental costing methods in order to better align the service fees with the actual cost of the services provided. SCE contends this reduces cost-shifting among customers who utilize these services and those who do not.³² SCE's proposal to eliminate the 25% increase in discretionary DA service fees adopted in D.06-05-016, for example, will help to ensure that DA service fees more accurately reflect related costs.

In D.04-07-022 and D.06-05-016, the Commission adjusted DA service fees because of concerns that the fees were not aligned with costs, and, as a result, SCE's bundled service customers were subsidizing DA customers. While these prior adjustments were not based on SCE's actual cost data, with the passage of time the differences are likely increasing between the existing DA service fees

³² Exh. SCE-1, p. 2.

and SCE's actual cost of providing these services, even with the limited adjustments previously made.

While the right to acquire new DA service is currently suspended, current DA eligible customers may continue to participate and new ESPs may enter the market to serve current DA-eligible customers.³³ According to SCE, it is presently serving approximately 26,000 DA customers and 15 ESPs.³⁴ The Commission may at some point in the future lift the suspension on DA, and if so, ideally, accurate, up-to-date cost-based fees should be in effect.

The existing DA service fees were based on predictions of what DA services would likely be required (including some fees for services which have never been requested), and do not include fees for some activities that SCE contends have evolved since the tariffs were first established. Therefore, it is appropriate to consider the Application at this time, including SCE's proposals to add new DA services and fees that were not contained in the original schedules.

4. Should the Commission Approve the Incremental Cost Methodology for Calculating the Service Fees?

The Application asks the Commission to approve SCE's cost-causation principles and incremental costing methodology used to develop the proposed DA service fees. SCE states that its cost-causation principles "are simply that the individuals who cause the costs to the system should pay for those costs."³⁵ SCE contends that its proposed service fees were developed using the incremental

³³ D.01-09-060, as modified by D.01-10-036, p. 8; D.03-05-034, COLs 3, 4; and D.03-01-078, COL 4, OP 2.

³⁴ Exh. SCE-1, p. 5.

³⁵ SCE Opening Brief, Footnote 6, p. 2.

cost that SCE incurs to provide services to ESPs and DA customers. SCE defines incremental cost as “the cost to provide one incremental unit of service that is not already included in SCE’s base rates set by the [GRC] proceeding.”³⁶

SCE states that in determining the costs to provide billing services, for example, SCE excludes the costs of activities necessary to provide billing services to bundled service customers, such as the billing system’s hardware and maintenance costs, and billing envelopes. SCE states that it only includes those additional costs incurred solely for the purpose of providing additional billing services to ESPs, such as the additional work required when an ESP does not submit its billing information on a timely basis, and the cost of remitting customer payments to ESPs. SCE contends its incremental costing approach is consistent with the method used to develop its original DA service fees in 1997, and is also consistent with the methods used by PG&E and SDG&E to develop their DA service fees.³⁷

SCE states that it implemented its costing methodology in three steps.³⁸ According to SCE, it first identified all operational areas within the company involved in providing services to ESPs and DA customers. SCE identifies these operational areas as the Billing, Meter Reading, Call Center Operations, ESP Services, Meter Services, and Information Technology organizations. Each of these organizations identified all the activities they perform to support DA functions, the amount of time required to complete those activities, the frequency

³⁶ Exh. SCE-1, p. 11.

³⁷ The scope of this proceeding does not consider the DA services or fees of other utilities.

³⁸ Exh. SCE-1, p. 11.

with which each activity occurs, and the labor classification of the employees performing the identified activities.

SCE used one or more of three methods to determine the labor and other costs required to perform an activity. These methods are: (1) analyses of historical records; (2) time and motion studies; and (3) estimates derived from operational expert analysis (OEA).

The use of historical data relies on logs to track the time to complete a particular task. The time required to perform a task using historical data is determined by dividing the number of person-hours by the number of tasks completed. Time and motion studies rely on the direct observation and measurement of an employee performing the task by management personnel. OEA-derived estimates are based on the experience and judgment of personnel who perform the activity.

Once SCE has determined the amount of time required to perform the activities supporting DA functions, SCE calculates labor costs to perform each service. SCE does this by multiplying the amount of time to complete an activity by the activity's frequency of occurrence and by the labor rate for the personnel performing the activity. Labor rates consist of 2006 direct labor costs based on an employee's labor classification including related labor overhead costs.³⁹

Labor overhead costs include paid absence (vacation, sick time, jury duty, paid holiday, or other covered absence); pension and benefits (employee welfare and benefit plans, including the costs of post-retirement benefits), payroll taxes, workers' compensation; supervisory overheads; corporate administrative and

³⁹ Exh. SCE-1, p. 12.

general (A&G); vehicle costs (if applicable); and computer workstation costs (if applicable).⁴⁰ Corporate A&G includes Human Resources, Law, Financial, and other.

Finally, SCE identifies and quantifies the cost of equipment such as meters, or materials like postage, paper and envelopes needed to perform the identified activities.

4.1. Does the Methodology Used to Develop the Proposed Fees Ensure DA Services are Provided in an Efficient Manner?

SCE states that it used an in-depth, analytical process to determine the incremental costs to provide each DA service. AReM and CMTA contend that SCE has failed to determine the most efficient means of providing DA services.⁴¹ According to AReM, SCE's "tops down" approach simply assumes that its current staffing is appropriate and necessary and then seeks to spread those costs among DA customers based on various fees and charges.⁴² AReM and CMTA complain that SCE does not look at existing processes to find ways to improve and provide them more economically and efficiently.⁴³

AReM contends that the appropriate approach to developing DA service fees is to first identify the tasks needed to serve DA customers and ESPs, and then determine what level of staffing is required. AReM and CMTA state, for example, that notifying customers of the acceptance or rejection of a Disconnect

⁴⁰ Exh. SCE-1, pp. 16-17.

⁴¹ Exh. AReM/CMTA-1, pp. 4, 7-8. AReM Opening Brief, pp. 5-8, 11. CMTA Opening Brief, pp. 2-3. AReM Reply Brief, pp. 3, 7-10.

⁴² AReM Opening Brief, pp. 4-5.

⁴³ AReM/CMTA-1, pp. 9-10.

Direct Access Service Request (DASR) via email may be more efficient and cost effective than SCE's use of U.S. Mail. AReM and CMTA contend that SCE does not have the financial incentive to explore providing DA services more cost effectively.

SCE responds that it provides DA services in an efficient and effective manner, and that it looked at identifying ways to increase operational efficiencies, improve processes, and reduce costs.⁴⁴ SCE points to improvements it made in processing UDC Consolidated Billing exceptions as an example. SCE states that it investigated automating DA services, and did so when it was cost-effective. SCE contends, however, that it is not cost-effective at this time to automate many DA processes because of the low volume of transactions, and that automating would increase costs for DA participants.

Discussion

Although SCE contends that it provides DA services efficiently, we believe that further improvements can be made. For example, AReM's and CMTA's recommendation that notifying customers of the acceptance or rejection of a DASR via email rather than by U.S. Mail is an example of a process improvement that is likely possible, less costly than existing processes, and a more efficient means of providing notification. However, we do not have enough information at this time to conclude that SCE should be directed to implement this change.

D.97-10-087 recognized that additional changes and refinements to DA processes would be necessary, and established the Rule 22 Tariff Review Group (Working Group) to see how the adopted DA tariff provisions were working,

⁴⁴ TR 21:21-24:24. SCE Opening Brief, pp. 6-7.

and to make recommendations on how the tariffs should be changed.⁴⁵

D.97-10-087 directed the original Working Group to file a report with the Commission in the Anticipated Proceeding at least once every six months, and more frequently if needed.

The Working Group was to be terminated on December 31, 1999, unless extended by a Commission order. Although no Commission order formally extended the life of the Working Group, the Commission has convened the Working Group to address certain DA issues after the date the Working Group was originally scheduled to terminate.

For example, D.03-05-034 directed the Working Group to address and report on implementation details associated with the switching rules and the process of notifying grandfathered DA customers concerning their options for returning to DA.⁴⁶ D.03-05-034 also directed the Working Group to address the issue of developing a tariff-based solution to provide for repayment of an appropriate share of the accrued undercollection from DA customers returning to bundled service. The Working Group was later directed by D.04-07-025 to develop an affidavit form and process whereby DA customers beyond a designated minimum load must attest to their contractual DA load limits and that they have not exceeded contractual limits.

Advances in technology make it possible to continuously improve the processes used for delivering DA services efficiently, and such improvements are

⁴⁵ Among other things, the Working Group was tasked with looking into the feasibility of allowing new DA customers to contact UDCs directly to have the ESP of their choice provide DA service in the same way that new telephone customers do when selecting an interexchange carrier. (76 CPUC2d, 329.)

⁴⁶ D.03-05-034, pp. 14, 44-45.

among the issues that the Working Group was established to address. However, because the Working Group is comprised of utilities and other entities which have not participated in this proceeding, they have not had an opportunity to address the issue of reconvening the Working Group.

In addition, the process improvements that should be considered pursuant to this decision are specific to SCE's DA services, and focusing parties on SCE-specific process improvements at this time will likely be a more efficient and productive undertaking. Therefore, it is more appropriate at this time to direct SCE, AReM and CMTA to meet to consider issues surrounding DA process improvements, including the timing for implementing any recommended improvements that may not be cost effective now at the currently low DA volumes but which may become cost effective if the suspension on enrolling new DA customers is lifted and the volume of transactions increases.

Therefore, we will direct the Energy Division to convene and facilitate a meeting between SCE, AReM, CMTA, and other interested parties for this purpose within sixty (60) days of the effective date of this decision. Additional meetings may be scheduled thereafter, as appropriate. Participants will not be compensated for their participation or reimbursed for their out-of-pocket expenses.

We will also direct SCE, AReM and CMTA to submit a joint report that identifies specific potential process improvements, proposes recommendations for SCE's DA process improvements, and recommendations for an ongoing process to consider possible future process improvements that reflect the needs and interests of all DA market participants in SCE territory. Participants may submit with the report their comments addressing any disagreements or reservations that participants may have with any recommendations or other

aspects of the report. The report should be submitted in R.07-05-025, and will be considered if, and when, Phase III of that proceeding is commenced.

4.2. Is the Methodology Used for Calculating the Proposed Fees Appropriate?

AReM and CMTA agree with SCE's definition of incremental cost, but contend that SCE's methods for calculating incremental costs are neither reasonable nor consistent.⁴⁷ AReM and CMTA state that SCE's methodology is casual and discriminatory, that SCE's OEA is inadequate, and that SCE should not charge ESPs for its errors or SCE-initiated activities.⁴⁸

SCE responds that the service fees were calculated using valid, reliable and accurate methods to recover actual costs from those who cause those costs to be incurred, its OEA is sufficient, and that the proposed fees do not include allowances for SCE errors.⁴⁹

Discussion

Although SCE's cost-causation principles are generally consistent with the Commission's requirements, D.97-10-087 also determined that only those non-recurring costs that vary with the number of ESPs should be recovered in fees for non-discretionary services.⁵⁰ This is because all UDC customers were given the ability to choose as a result of the DA program, and, to the extent those costs are eligible for recovery, it is therefore appropriate to recover those costs

⁴⁷ Exh. AReM/CMTA-1, pp. 5-6.

⁴⁸ Exh. AReM/CMTA-1, pp. 4, 7-8. AReM Opening Brief, pp. 5-8, 11. CMTA Opening Brief, pp. 2-3. AReM Reply Brief, pp. 3, 7-10.

⁴⁹ SCE-2, pp. 1-13. SCE Opening Brief, pp. 4-13, SCE Reply Brief, pp. 2-15.

⁵⁰ 76 CPUC2d, 307.

from all customers. D.97-10-087 determined that requiring only those that exercise their choice to pay all the costs of having choice would result in unreasonable service fees for non-discretionary services and would impede the efficient operations of the market.

A proper incremental cost methodology should accurately identify costs and appropriately assign those costs to the cost causers. Accurate assignment of costs is necessary to send the appropriate price signals in a competitive market. These costs should be properly assigned to those who cause the costs so that customers are sent a true price signal of how much their electricity choices actually cost, and to avoid cost shifting or inappropriate cross-subsidization.

SCE's costing approach appropriately focuses initially on identifying costs attributable to DA services as distinguished from "bundled service."⁵¹ For example, SCE states that it is proposing certain DA service fees "so that the costs of providing DA services are recovered from those who cause the costs to be incurred rather than requiring other ratepayers to subsidize these services."⁵² SCE's costing approach appropriately identifies the operational areas providing services to ESPs and DA customers which incur DA-related costs.

SCE goes a step further in that, once a particular cost is identified as DA-related, SCE attributes those costs either to DA customers or to ESPs. However, in certain cases SCE's method of attributing costs either to DA customers or to ESPs inappropriately assigns to ESPs costs caused by end-use

⁵¹ Some discretionary services, including meter reading and metering services, apply to both DA participants and bundled service customers.

⁵² SCE-1, p. 19.

customers.⁵³ As such, SCE's methodology which imposes fees on ESPs when end-use customers independently exercise choice is not appropriate because it assigns costs to those who do not cause the costs to be incurred. This approach does not comply with D.97-10-087.

With respect to non-discretionary services and with few exceptions, once costs have been assigned to end-use customers or ESPs, SCE largely abandons its cost causation principles and does not further attribute costs to the cost causers within those groups.

SCE acknowledges that processing "exceptions" (processes that are not built into the Customer Service System) are more costly and time consuming than providing routine services. For example, SCE states that DA billing exceptions are more complex and time-consuming because of the need to interface with third parties.⁵⁴ Nevertheless, SCE embeds the costs of processing exceptions in the proposed DASR, Monthly Account Maintenance Fee (MAMF) and certain other fees regardless of whether those proposed to pay the fees cause the exception procedures to be required.⁵⁵

For example, SCE proposes to charge all ESPs the MAMF, of which the largest cost components of that fee represent costs for processing exceptions and providing other "as requested" services for individual ESPs that are not caused by all of the ESPs that are proposed to pay the fee. Recovering the costs for processing exceptions caused by particular ESPs or end-use customers equally from all ESPs is inconsistent with SCE's cost causation principles, and with the

⁵³ This issue is further discussed in Section 9 concerning the proposed DASR fees.

⁵⁴ SCE-1, p. 13.

⁵⁵ SCE-1, pp. 28, 29, 31, 32- 34, 36-38, 40-41, 46.

Commission's instructions to UDCs to develop fees that recover costs from those who cause those costs to be incurred.⁵⁶

Because the methodology SCE uses for developing certain proposed fees results in fees that assign costs to those who do not cause those costs to be incurred, SCE's methodology which imposes fees on all ESPs when only certain ESPs request or require the services included in those fees is unreasonable and should not be approved.

5. Is the Cost Information Used to Calculate the Proposed Fees Reliable and Accurate?

5.1. Costs Based on OEA Estimates

SCE states that its DA service fees are based on "cost-of-service regulatory treatment," and that the proposed service fees were developed with great detail to ensure that the fees are accurate and that costs are recovered from those who cause the costs to be incurred.⁵⁷

AReM states that SCE's costing methodology is deficient because the OEA SCE uses to determine the amount of time spent performing DA activities is nothing more than in-house discussions with current employees. AReM contends that this approach falls short of "operational expert analysis," and produces questionable results because interviewed employees will seek to justify their own existence in the interest of preserving their jobs.⁵⁸ AReM states that SCE has not demonstrated that the proposed fees which rely on OEA estimates

⁵⁶ For example, Resolution E-3582 states, "Fees for exception services send appropriate pricing signals and should apply statewide at the earliest possible date. (FOF 33.)

⁵⁷ SCE-1, p. 9. SCE Opening Brief, p. 3.

⁵⁸ AReM Opening Brief, pp. 6-8.

are cost-based. AReM recommends that an independent, qualified expert be used to recommend process improvements and to conduct time-and-motion studies where SCE's OEA was used.⁵⁹

SCE responds that its OEA is appropriate and sufficient for identifying the amount of incremental labor required to perform certain DA services, and that a full time-and-motion study is not required in every instance.⁶⁰ SCE states that it determined which estimation method was most applicable for each sub-task and used a combination of estimation methods to develop many of the proposed service fees. SCE states that OEA is frequently employed when activity durations are difficult to estimate and are influenced by a number of factors.

As an example, SCE states that there is significant variability in the frequency of DASR processing and the time needed to process a DASR. SCE states that, while the manual review of a DASR is estimated to take one minute, it will take more time to process a DASR for a service account that has switched multiple times between ESPs when compared to one that has stayed with the same ESP for a long time.

SCE contends that averages produced by time-and-motion studies showing this kind of variation will be skewed toward the high side due to the magnitude of the longer time durations in the sample. SCE states that time-and-motion studies on tasks with variability in duration or frequency could be misrepresented if the work observed by the study was not representative of the typical or normal work encountered.

⁵⁹ AReM Opening Brief, pp. 5, 8.

⁶⁰ SCE-2, pp. 6-7.

AReM responds that a time-and-motion expert would be accustomed to dealing with variability in task times.⁶¹ CMTA states that involving the employees who actually perform the associated activity is an appropriate first step in a cost study, but this is not sufficient. CMTA contends that an appropriate analysis requires a qualified expert to estimate the time required to perform tasks and to determine if there are more effective and efficient ways to accomplish those tasks.⁶²

Discussion

The development of accurate and reliable costs requires the underlying data to be reasonably accurate and based on actual, recorded operational information. Estimates based on historical records or time-and-motion studies are based on objective, quantified and easily verified measurement of the activities being performed or the cost of items purchased. However, costs based on SCE's OEA estimates are subjective and potentially less accurate because they are "best guess" approximations.

SCE explains that, while in some cases time was recorded to validate estimates, the OEA estimates were primarily developed through an interview process. Interviewed personnel were asked to identify the steps involved in an activity and the approximate time necessary to perform those steps. SCE states that some activities, such as ESP establishment, were not being performed, even though estimates were developed for those activities.⁶³

⁶¹ AReM Opening Brief, p. 7.

⁶² CMTA Opening Brief, pp. 2-3.

⁶³ TR 66:1-17.

When asked what approaches SCE used to verify the accuracy of OEA estimates, SCE states that the estimates were reviewed by an independent party/contract employee performing the overall study to ensure personnel used consistent estimating methods from fee to fee, and that the data was reviewed by the operational experts' managers and by the overall project management team.⁶⁴ SCE states that management's review would detect any overestimating of time as compared with productivity measurements for performance appraisal purposes.⁶⁵ However, SCE does not explain how an employee's performance productivity measurements are compared with task-specific estimates to ensure accurate, reliable OEA estimates. SCE states that because the OEA-derived estimates were approved by management and an outside consultant, they are accurate and reliable.⁶⁶

SCE states that, in some cases, measured recorded times were available, but in some cases, OEA estimates "are a little bit more of an educated guess."⁶⁷ However, no statistical methods were routinely used to validate the reliability of the OEA estimates. Thus, there is no objective basis for assessing the reliability and accuracy of the OEA estimates.

When asked about the level of precision of the OEA estimates (*i.e.*, their accuracy within a range of, for example, plus or minus 10%), SCE states that, "It's really hard to say." When asked what would be the effect of overstating or understating an OEA estimate, SCE states, "there would be cross-subsidization

⁶⁴ TR 66:25-67:18.

⁶⁵ TR 20:24-21:13.

⁶⁶ SCE-1, p. 12. SCE Opening Brief, p. 6. SCE Reply Brief, p. 4.

⁶⁷ TR 65:19-28.

going on between the different groups, between direct-access and the non-direct-access customers.”⁶⁸

We have identified unexplained inconsistencies in certain OEA estimates, and these inconsistencies cast doubt on the accuracy and reliability of the costs derived from OEA estimates. Several of the proposed fees, for example, are based, in part, on OEA-derived estimates involving two technical specialists who review work for quality control purposes.⁶⁹

According to SCE, one technical specialist “reviews the field tracking system to ensure the meter information and test results are input correctly, while the second technical specialist reviews the engineering tracking system to ensure that the correct information was input for the job.”⁷⁰ These quality control activities are described identically for each of the services for which they are performed, and in most cases were estimated to take the technical specialists each five minutes to perform their task.

However, SCE’s OEA results show that this particular activity requires 10 minutes when performed for one service but requires only five minutes when performed for the other services.⁷¹ The Application does not explain why it takes twice as long for a technical specialist performing tasks for one service as it takes for the same kind of technical specialist performing identical tasks for another service.

⁶⁸ TR 67:19-68:5.

⁶⁹ SCE-1, pp. 54, 63, 72, 73, 75.

⁷⁰ See SCE-1, p. 63.

⁷¹ The particular task in question is performed by the technical specialist reviewing the engineering tracking system to ensure that the correct information was input for the job.

In its comments on the proposed decision, SCE contends that the apparent inconsistency described above is because the tasks involved in providing Meter Maintenance Services include processing trouble reports to ensure that meter problems were corrected and the information in the system is clear so that the trouble ticket can be closed. However, the Application does not say this.

These inconsistent estimates cast doubt on the accuracy and reliability of SCE's OEA, especially since SCE has not taken steps, except in limited instances, to objectively verify the accuracy of its OEA estimates. This is of particular concern because, as shown in Table 1, most of the proposed fees for non-discretionary services are based on costs developed using OEA estimates.

Table 1 Portion of Non-Discretionary Fees Developed Using Operational Expert Analysis, Time & Motion Studies or Historical Records					
	Basis of Cost Estimate				
	Operational Expert Analysis	Time & Motion	Historical Records	Other (Non-Labor)	Total
ESP Establishment Fees	\$ 697.00	\$ 0.00	\$ 0.00	\$ 50.00	\$ 747.00
Percent of Fee	93%	0%	0%	7%	100%
Credit Establishment Fee	\$ 217.00	\$ 0.00	\$ 0.00	\$ 3.40	\$ 220.40
Percent of Fee	98%	0%	0%	2%	100%
Electronic Data Exchange Testing Fee (Fixed fee not developed because hourly rate is proposed)	NA	NA	NA	NA	NA
Customer Information Service Request (CISR) Fees	\$ 15.90	\$ 22.46	\$ 0.00	\$ 0.00	\$ 38.36
Percent of Fee	41%	59%	0%	0%	100%
Direct Access Service Request (DASR) Fees	\$ 30.13	\$ 0.00	\$ 33.75	\$ 3.79	\$ 67.67
Percent of Fee	45%	0%	50%	6%	100%
Percent of Total Non-Discretionary Service Fees	89.44%	2.09%	3.14%	5.33%	100.00%

Given that OEA estimates are used extensively throughout SCE's development of DA service fees, we are concerned about the accuracy and reliability of the information SCE is relying upon to price essential services to its competitors.

The OEA estimates have not been adequately validated or verified in a way that provides reasonable confidence in their accuracy or reliability, and, therefore, the accuracy of the OEA estimates is unknown. OEA estimates were developed for some activities, such as ESP establishment, even though those

activities were not being performed.⁷² The accuracy of an estimate of time required to perform an activity is even more questionable when that activity is not actually being performed.

The reliability of OEA-derived estimates could have been improved using various techniques to independently verify their accuracy and range of variation or error. For example, one way to verify or validate the accuracy of an OEA estimate would be to compare the OEA estimate with results derived from a time-and-motion study for the same activity in order to establish a benchmark and to determine the average deviation from that benchmark. Except in limited instances, SCE has not done this.⁷³

Another way to verify or validate the accuracy of OEA estimates would be to determine the average of the OEA estimates made by several individuals performing the same task, and the range of variation around that average. There is no evidence that SCE attempted to do this.

Because SCE's OEA estimates produce inconsistent results for identical activities, and because SCE has not objectively verified the accuracy and reliability of its OEA estimates, it is unknown whether SCE's OEA estimating method consistently produces accurate and reliable costs. Therefore, SCE's OEA methodology is unreasonable.

The Commission has an interest in ensuring that UDCs comply with its incremental cost policy, and that the costing methods used are reasonable. Although D.97-10-087 allowed each UDC to file its own DA tariff, the

⁷² TR 66:1-17.

⁷³ TR 65:25-28, SCE Opening Brief, p. 6.

Commission stated its intention to eventually adopt a uniform DA tariff for statewide use to eliminate inconsistent and differing rules among the utilities.⁷⁴ This requires consideration of, among other things, consistency in UDC costing methodologies and other issues affecting the appropriateness of DA service fees.

Although the Commission established the policy that non-discretionary fees should be based on incremental costs, the Commission has not heretofore considered or approved the UDCs' incremental costing methodologies to ensure the Commission's policy is appropriately and consistently applied. Such a review would necessarily consider how cost data is gathered and used to develop fees, including, for example, the appropriate use of historical records versus time-and-motion studies versus OEA-derived estimates.

Thus, the Commission should consider for all UDCs which costing methodologies are compatible with its policies. UDC costing methodologies have implications for DA statewide, and should be considered in the Anticipated Proceeding that intends to examine the appropriateness of all of the UDCs' DA service fees and tariffs. For all these reasons, SCE's costing methodology used to develop the proposed service fees should not be approved in this proceeding.

With respect to the inadequacies with SCE's OEA methodology and inconsistencies in identifying tasks performed for similar functions, SCE should be especially scrupulous in how it develops fees to be charged to its ESP competitors, and to its DA and other customers. SCE must take special care to avoid the appearance of bias, careless indifference toward competitors or anticompetitive conduct.

⁷⁴ 76 CPUC2d, 296, 329.

Before approving SCE's costing methodology, we should consider the appropriateness of charging ESPs for costs caused by end-use customers who directly contact the UDC, and we should have confidence that methods like OEA produce accurate and reliable costs. These issues have statewide implications for DA that should be addressed in a proceeding involving all UDCs and a broader spectrum of interested parties than have participated in this proceeding.

5.2. Cost Components – Inclusion of Corporate and Division Overhead Costs

SCE states that the labor costs included in the proposed service fees are based on 2006 direct labor costs for an employee's labor classification, and include related labor overhead costs (A&G and division overhead loadings). SCE states that these overhead costs are included to ensure that the associated costs of labor are included in its calculation of incremental costs to perform specific tasks.⁷⁵

CMTA and AReM contend that providing an incremental unit of DA service does not change SCE's corporate overhead costs. Therefore, according to CMTA and AReM, overhead costs are not incremental, and inclusion of these overhead costs in SCE's service fees is inappropriate.⁷⁶ CMTA and AReM state that the A&G costs represent 14.6% of the labor rates used in SCE's incremental cost calculations. CMTA and AReM state that SCE also inappropriately includes a division overhead loading that represents from 22.7% to 38.2% of loaded labor cost, and, when combined with the corporate A&G loading, these overhead loadings account for from 37.3% to 52.8% of the incremental labor rates.

⁷⁵ SCE-1, p. 16.

⁷⁶ Exh. AReM/CMTA-1, p. 7.

CMTA and AReM contend that these corporate and division overhead costs are already included in the base rates set in SCE's GRC proceeding, and that these costs are possibly being double-collected in both base rates and in the DA service fees. CMTA and AReM contend that this inappropriately shifts costs from bundled service customers to DA customers. CMTA and AReM assert that SCE's overhead costs should be collected only in base rates as determined in its GRCs, and recommend that the fees be recalculated to exclude these overhead loadings.⁷⁷

SCE responds that it incurs corporate A&G costs in support of all activities, including DA, and therefore a portion of those costs are appropriately recovered in DA fees through its A&G loadings. SCE states that SCE's administrative, financial, regulatory, legal, and human resources departments support DA services by tracking DA activities and costs, providing payroll and human resources support for the personnel working on DA activities, and responding to regulatory and intervenor inquiries. According to SCE, excluding corporate A&G costs from labor rates would understate the actual cost of providing services to DA participants, resulting in subsidization of DA services by SCE's bundled service customers.⁷⁸

Similarly, according to SCE, division overhead loadings recover costs for direct supervision and other non-labor costs necessary to support personnel in each operating organization. Division overhead rates are based on the supervisor-to-worker ratios and non-labor costs, and are specific to each

⁷⁷ Exh. AReM/CMTA-1, pp. 7-8. AReM Opening Brief, pp. 8-11. CMTA Opening Brief, p. 5.

⁷⁸ Exh. SCE-2, p. 3. SCE Opening Brief, pp. 8-9.

operating group performing services for DA customers, including the Customer Communication Organization, Revenue Services Organization and Meter Services Organization.

SCE asserts that CMTA and AReM overstate the percentage of incremental labor rates attributable to division and corporate loadings because the percentages cited by CMTA and AReM represent the ratio of corporate A&G and division overhead costs to unloaded direct labor.⁷⁹ SCE states that its approach is consistent with that used in similar proceedings where the Commission approved the application of division overhead and corporate A&G loadings for similar services, including D.05-12-041 and Resolution E-4013 (the CCA Proceeding).⁸⁰ SCE contends that, because it is proposing that the forecast revenue for DA service fees continue to be treated as Other Operating Revenue (OOR), there is no possibility that SCE would “double collect” for any of these services because OOR from the DA service fees will be credited against SCE’s overall revenue requirement.

SCE states that the forecast expenses for providing DA services are also included in SCE’s GRC forecast, and that it will propose continued OOR treatment of the DA service fee revenues in its 2009 GRC. This, according to SCE, reduces, dollar-for-dollar, the revenues that must be collected through base

⁷⁹ SCE represents that the corporate A&G and division loadings actually comprise only 20% of SCE’s total loaded labor, not the 37.3% cited by AReM and CMTA. SCE Reply Brief, pp. 8-9.

⁸⁰ Exh. SCE-2, pp. 3-4. SCE Opening Brief, pp. 8-9. SCE Reply Brief, pp. 7-8.

rates, and therefore, the costs of DA services (including overhead costs) are not collected twice.⁸¹

Discussion

D.97-10-087 requires that service fees be based only on recurring costs that recur each time a transaction is processed, but provides no guidance as to whether labor overhead costs should be reflected in DA service fees. However, DA services cannot be provided without paying the salaries and benefits, and providing the A&G support for the employees providing DA services. For example, the costs of administering the hiring of personnel to perform DA activities and the costs for preparing DA staff paychecks are among the costs included in A&G costs. Therefore, it is appropriate to reflect A&G costs in DA service fees. Similarly, division overhead costs support the employees providing DA services, and a share of those costs should be included in DA service fees. Excluding A&G and division overhead costs will understate the actual cost of providing DA services.

The A&G and division overhead loadings included in the service fees are similar to those applied to other SCE services, and we find them to be reasonable. We also find that inclusion of A&G and division overhead loadings does not result in a double collection of the costs for DA services because the revenue from the DA service fees will be included in OOR in SCE's next GRC.

6. Should the Commission Approve the Proposed Revisions to the Service Schedules?

SCE seeks to eliminate the discretionary/non-discretionary categorization of fees, and proposes to price all services according to SCE costs. We address

⁸¹ Exh. SCE-2, p. 4. SCE Opening Brief, p. 10. SCE Reply Brief, pp. 9-10.

this request first because the disposition of the request to eliminate the discretionary/non-discretionary categorization of fees issue underlies our disposition of SCE's other requests to establish new service fees and to revise or eliminate existing service fees.

SCE states that it originally established separate rate schedules for discretionary and non-discretionary services because each category received different regulatory treatment.⁸² SCE explains that, prior to D.04-07-022, the costs and revenues associated with discretionary services were subject to the Direct Access Discretionary Service Cost Memorandum Account (DADSCMA), a one-way memorandum account.⁸³

SCE states that D.04-07-022 adopted cost of service treatment for the costs and revenues associated with non-discretionary and discretionary service fees, and eliminated memorandum account treatment for costs associated with non-discretionary services.⁸⁴ SCE contends that, since D.04-07-022 adopted the same cost of service treatment for both categories, SCE no longer needs to separately track the costs and revenues associated with discretionary and non-discretionary services, and, therefore, the discretionary/non-discretionary nomenclature is no longer necessary.⁸⁵

No other party commented on SCE's request to eliminate the discretionary and non-discretionary service fee categories.

⁸² Exh. SCE-1, p. 9. Opening Brief, p. 17.

⁸³ SCE established the DADSCMA via Advice Letter 1264-E, which was approved by the Energy Division with an effective date of January 1, 1998.

⁸⁴ SCE Opening Brief, p. 17.

⁸⁵ *Id.*

Discussion

The Commission's efforts leading to retail competition for electricity and the DA program were designed to achieve customer choice and more effective competition in the electric industry.⁸⁶ The Commission considered, for example, competition in metering and billing as a means to achieve effective competition in DA. D.97-05-039 authorized ESPs to offer billing, metering, and related services, and ordered UDCs to provide three billing options to competing ESPs.⁸⁷

D.97-10-087 determined that the originally used term "competitive services" should be replaced by the term "discretionary services" because the customer has the right (*e.g.*, discretion) to choose a service provider.⁸⁸ The Commission also determined that the term "non-competitive services" should be changed to "non-discretionary services" because customers do not have a choice when services are available only through the UDC.

D.97-10-087 permitted UDCs to charge fees for discretionary services but not for non-discretionary services.⁸⁹ D.97-10-087 authorized UDCs to track the costs for non-discretionary services in a memorandum account pending a Commission decision regarding the appropriateness of such costs and possible

⁸⁶ See D.95-12-063, as modified by D.96-01-009.

⁸⁷ OP 1. (72 CPUC2d, 439.)

⁸⁸ D.97-10-087, Footnote 11 (76 CPUC2d, 377).

⁸⁹ D.98-09-070 authorized UDCs to charge fees for certain non-discretionary services required to support ESP consolidated billing services, and Resolution E-3582 approved fees for those services on January 20, 1999. However, no other fees have been approved for non-discretionary DA services.

recovery.⁹⁰ However, there is no evidence in the record to indicate that SCE ever established a memorandum account specifically for the purpose of tracking the ongoing costs of non-discretionary services, as authorized by D.97-10-087 and required by SCE's Rule 22 tariff, Section B.14.b.

The Commission permitted the costs associated with the development of a DASR processing system and other direct access start-up costs to be given § 376 treatment, if those costs met the conditions and requirements of that section, or be recovered in non-recurring charges imposed on ESPs for establishing the ability to provide direct access. If recovered through non-recurring charges imposed on ESPs, only those non-recurring costs that vary with the number of ESPs could be recovered in fees for non-discretionary services.

D.99-09-064 approved a settlement of issues related to industry restructuring implementation costs pursuant to § 376, including recovery of certain DA implementation costs. However, D.99-09-064 did not address the issue of fees for non-discretionary DASR processing or fees for discretionary services because PG&E, SCE, and SDG&E had filed applications to address such

⁹⁰ OP 8 authorizes UDCs to book the incremental costs of providing non-discretionary services to a memorandum account.

The UDCs were also authorized to file an advice letter to set up additional memorandum subaccounts to track the costs of providing non-discretionary services pending further Commission action. SCE previously tracked costs for non-discretionary services in its Industry Restructuring Memorandum Account. This memorandum account was discontinued by Advice Letter (AL) 1927-E, which became effective on 4/14/06 without a resolution. In allowing SCE to discontinue the Industry Restructuring Memorandum Account (IRMA) for reasons related to the termination of § 376 recovery, the Commission did not override its prior determination in D.97-10-087 that the non-discretionary service costs should be recovered, if at all, through a memorandum account and not through rates established prior to the Anticipated Proceeding.

fees.⁹¹ D.99-09-064 determined that only those costs incurred to accommodate implementation of the Independent System Operator, Power Exchange, and direct access through December 31, 1998 could receive § 376 treatment, and that costs incurred after 1998 or the costs of operating these programs on an ongoing basis were not eligible for § 376 treatment.⁹²

D.97-10-087 distinguished discretionary DA services from non-discretionary services, first, as a way to identify the services for which a customer could choose between an ESP or a UDC to provide, but also in its treatment of how costs and revenues for discretionary and non-discretionary services would be recovered.

In compliance with D.97-10-087, SCE established Schedule ESP-SF and Schedule CC-SF, which were approved by the Energy Division and became effective January 4, 1998.⁹³ Schedules ESP-SF and CC-SF, did not distinguish between discretionary and non-discretionary services.

In October 1998, SCE established Schedule ESP-NDSF (Energy Service Providers – Non-Discretionary Service Fees) via Advice Letter (AL) 1338-E to charge fees for certain billing services that are required to support ESP consolidated billing authorized by D.98-09-070.⁹⁴ Shortly thereafter, SCE filed

⁹¹ 2 CPUC3d, Footnote 6, 427.

⁹² COL 21 (2 CPUC3d, 412).

⁹³ SCE AL 1268-E, filed November 25, 1997, and subsequently modified by AL 1268-E-A and AL 1268-E-B.

⁹⁴ SCE AL 1338-E, as modified, was approved by Resolution E-3582 on January 20, 1999, and the filed tariffs became effective upon the Energy Division finding them in compliance with Resolution E-3582. These tariffs were subsequently modified pursuant to Resolution E-3582.

AL 1343-E to, among other things, rename Schedules ESP-SF and CC-SF to Schedule ESP-DSF (Energy Service Providers – Discretionary Service Fees) and Schedule CC-DSF (Customer Choice - Discretionary Service Fees), respectively.⁹⁵ SCE renamed its DA tariffs “to more accurately reflect the nature of these services (discretionary) in accordance with D.97-10-087.”⁹⁶

Subsequently, in A.99-06-040, SCE sought to change the terms “discretionary” and “non-discretionary,” and at that time proposed different procedures for addressing the fees in the different DA service fee categories.⁹⁷ A.99-06-040 asked to rename “discretionary services” to “competitive services” and “non-discretionary services” to “regulated services,” contending that SCE’s proposed terminology most accurately describes customers’ options and the Commission’s role in the new market.

Among other things, A.99-06-040 requested that the Commission rely on the market to set prices for what SCE proposed to call “competitive services,” and that SCE be permitted to price its competitive services freely in response to the market. A.99-06-040 also requested that SCE be allowed to use the advice letter process for setting and modifying fees for its competitive/discretionary services.⁹⁸ Thus, SCE’s reasoning for renaming the DA tariffs was based largely on its view of the role the Commission should play in approving changes for different categories of DA services in the competitive electric market.

⁹⁵ SCE AL 1343-E, filed October 19, 1998, became effective on December 31, 1999, with the approval of the Energy Division.

⁹⁶ SCE AL 1343-E, p. 3.

⁹⁷ A.99-06-040, p. 3.

⁹⁸ A.99-06-040, pp. 3-5.

Unlike in A.99-06-040, which was dismissed by D.03-01-072, SCE now explains that because, in its opinion, D.04-07-022 eliminated memorandum account treatment for costs associated with non-discretionary services, SCE no longer needs to separately track the costs and revenues associated with each category. That is, SCE's current reasoning for eliminating the discretionary and non-discretionary categories is based on its memorandum account tracking needs, and the fact, according to SCE, that it no longer needs to separately track discretionary and non-discretionary costs and revenues. SCE does not explain why it has now abandoned the reasoning it put forth in A.99-06-040.

Separate tariff schedules for discretionary and non-discretionary services help to reduce ambiguity and potential customer confusion as to which DA services are available from alternate providers. As SCE states in AL 1343-E when it established separate discretionary and non-discretionary tariffs, it renamed the tariffs to more accurately reflect the nature of DA services.

SCE's reasoning in this Application for eliminating the discretionary and non-discretionary categories is inconsistent with the reasoning it put forth in A.99-06-040 for changing the names of these categories. SCE's present reasoning is also inconsistent with that put forth in AL 1343-E when it established separate discretionary and non-discretionary tariffs. SCE's differing explanations for changing or eliminating the categorization of discretionary and non-discretionary DA services in this Application, A.99-06-040, and AL 1343-E,

underscore the need to consider this issue for all UDC tariffs in a wider forum, as anticipated by D.97-10-087.⁹⁹

A.99-06-040 requested that the Commission eliminate the requirement that interim fees for competitive/discretionary services be subject to refund, and to eliminate memorandum account treatment (*i.e.*, that the DADSCMA be closed).¹⁰⁰ A.99-06-040 also requested that the Commission authorize establishment of fees for regulated/non-discretionary services. However, D.03-01-072 dismissed A.99-06-040. Because D.03-01-072 dismissed A.99-06-040, SCE was not authorized to eliminate the subject-to-refund requirement for interim discretionary fees, close the DADSCMA, or to begin charging service fees for non-discretionary services as requested in A.99-06-040. Nevertheless, SCE filed AL 1808-E to eliminate the DADSCMA. Although AL 1808-E was approved to eliminate the DADSCMA for discretionary services, no authority was granted to eliminate memorandum account treatment for non-discretionary services.¹⁰¹

In this Application, SCE explains that, because (in its opinion) D.04-07-022 eliminated memorandum account treatment for costs associated with both discretionary and non-discretionary services, there is no memorandum accounting reason why both categories of services can not be offered through the same tariff schedule. We disagree.

⁹⁹ D.97-10-087 states, "With respect to the rate schedules for non-discretionary services, or the elements of the rate schedules which apply to non-discretionary services, those will be examined in a proceeding to be determined." (76 CPUC2d, 308.)

¹⁰⁰ A.99-06-040, SCE-1, p. 52.

¹⁰¹ AL 1808-E was approved by Resolution E-3895, effective January 27, 2005.

The DA tariffs adopted by D.97-10-087 provide that, during the interim period between the start of DA and a Commission decision approving specific fees for non-discretionary services, the UDC will charge the net incremental costs associated with providing non-discretionary services to a memorandum account pending the Commission's decision regarding service fees.¹⁰² This provision is also in SCE's currently effective Rule 22 tariff.¹⁰³

The Commission has not issued a decision approving specific fees for non-discretionary services. Therefore, SCE is currently required to charge the net incremental costs associated with providing non-discretionary services to a memorandum account. Thus, SCE continues to have an accounting reason for distinguishing between discretionary and non-discretionary services.

Importantly, the Commission has a continuing interest in differentiating discretionary and non-discretionary services, because the Commission has established a policy in favor of competition.¹⁰⁴ SCE may, in its opinion, no longer have a need to separately track costs and revenues for discretionary and non-discretionary services. Nevertheless, the distinction between discretionary and non-discretionary services remains important.

The Commission has decided that, where there is customer choice, there may be greater incentive for technological innovation, greater opportunity for providing value-added services, and a greater likelihood that competitive forces will help keep prices low.¹⁰⁵ The Commission has also found that

¹⁰² See D.97-10-087, Appendix A, Section B.14.b.

¹⁰³ See SCE Schedule Rule 22, Sheet 27752-E.

¹⁰⁴ See D.95-12-063.

¹⁰⁵ D.97-05-039, FOF 5.

non-discretionary services are those services for which the Commission determines that there are insufficient providers to ensure customer choice.¹⁰⁶ Thus, the Commission has an interest in ensuring that all customers can readily identify which DA services they have a choice in obtaining from alternate providers.

We believe that SCE should still ensure that it and its customers can distinguish discretionary from non-discretionary services. Offering discretionary and non-discretionary services through separate tariffs provides substantial clarity to ESPs, DA customers and others with respect to customer choice. That is, for example, while an ESP can choose not to use SCE's consolidated billing or metering services, the ESP has no choice but to use SCE's Service Establishment and DASR services, without which ESPs and end-use customers cannot participate in DA in SCE's territory. Thus, ESP and DA customers need to know the difference between discretionary and non-discretionary services, and that information should be available in SCE's tariffs.

The record in this proceeding shows that substantial confusion can occur in distinguishing between discretionary and non-discretionary services, even by the utility offering the services. For example, SCE's written testimony confuses discretionary with non-discretionary services in its citation of D.97-10-087.¹⁰⁷ Also, during evidentiary hearings, SCE's witness, a manager who has worked on DA implementation activities since 1997, confused discretionary with

¹⁰⁶ D.97-10-087, FOF 22.

¹⁰⁷ Exh. SCE-1, Footnote 25, p. 10. SCE eventually corrected this error in its Opening Brief (Footnote 90, p. 18).

non-discretionary services six different times.¹⁰⁸ Thus, there is substantial likelihood of confusion about the kinds of services for which ESPs and DA customers have a choice if the discretionary and non-discretionary categories in SCE's tariffs are eliminated.

Another example of potential confusion between discretionary and non-discretionary services is SCE's testimony stating that in A.04-12-004, "TURN proposed in SCE's 2006 GRC that all Service Fees (for all DA customers) be increased by 25%,"¹⁰⁹ and SCE's reference to "the 25% across-the-board increase in Service Fees currently in effect" ¹¹⁰ SCE's representations concerning the increase in DA service fees authorized by D.06-05-016 are incorrect.

D.06-05-016 adopted "TURN's proposed inflation adjustment to reflect a 25% increase in discretionary DA service fees" ¹¹¹ D.06-05-016 did not authorize an increase in non-discretionary DA service fees. Only in its briefs did SCE correctly state that the 25% increase approved in D.06-05-016 only applied to discretionary DA service fees.¹¹²

If SCE is confused about the category of services for which customers have a choice, customers will undoubtedly also be confused. Minimizing customer

¹⁰⁸ TR 40:17-26, 43:3-6, 43:13-17, 64:16-28, 65:1-2, 65:4-8. On September 17, 2007, SCE requested changes to the EH transcript where, according to SCE, the witness inadvertently switched the terms "discretionary" and "non-discretionary." SCE's request to change the transcript to reflect the witness's intended testimony was denied by the ALJ ruling of September 27, 2007.

¹⁰⁹ SCE-1, p. 6. *Emphasis added.*

¹¹⁰ SCE-2, p. 1. *Emphasis added.*

¹¹¹ D.06-05-016, p. 110. *Emphasis added. See, also, FOF 66.*

¹¹² SCE Opening Brief, p. 2, SCE Reply Brief, p. 12.

confusion will help further the Commission's goals for a competitive electric industry. Separate discretionary and non-discretionary DA service tariffs should help reduce confusion about which DA services customers have choice in obtaining from alternate providers.

Another reason for maintaining separate tariff schedules at this time is the UDCs' continuing desire and repeated requests to use the advice letter process to make changes to discretionary or any DA service fees.¹¹³ However, the Anticipated Proceeding to revisit the issue of advice letter treatment for the UDCs' DA tariffs has not yet commenced. If, in the Anticipated Proceeding, the Commission approves different procedures for obtaining approval to revise fees for discretionary and non-discretionary services, SCE could possibly be required to maintain separate discretionary and non-discretionary DA service tariffs. Thus, it is not reasonable to approve SCE's request at this time to eliminate from its tariffs the discretionary/non-discretionary categorization of services. Therefore, SCE's request to eliminate the discretionary/non-discretionary categorization of DA service fees should be denied.

7. Should SCE be Authorized to Remove Certain Offerings That are No Longer Relevant?

SCE proposes to eliminate 38 fees for services that have never been used or requested, are no longer necessary because SCE will no longer offer the service, or fees that are being consolidated into other service fees. No party opposes SCE's proposal to remove service offerings that are no longer relevant.

¹¹³ See D.97-10-087, Footnote 16. (76 CPUC2d, 377.) See, also, A.99-06-040.

Discussion

Because discretionary services are services for which there are sufficient providers to ensure customer choice, their elimination does not impede ESPs' ability to compete or to serve DA end-use customers in SCE territory. ESPs may provide these services themselves or obtain them from non-UDC providers. Therefore, SCE should be authorized to eliminate the discretionary billing and metering products and services as listed in Appendix A.

SCE should be authorized to file a Tier 2 advice letter to eliminate the discretionary billing and metering products and services listed in Appendix A. SCE should file the advice letter within 60 days of the effective date of this decision to become effective upon approval of the Energy Division.

However, some of the services proposed for elimination are non-discretionary services that are available only from SCE. These include all of the services related to Partial Consolidated ESP Billing, Full Consolidated ESP Billing services, and Exception Services.

The interim UDC DA tariff approved by D.97-10-087 provides that ESPs have the right to select from three billing service options, and may choose partial or, with the UDC's approval and consent, full consolidated billing.¹¹⁴ SCE does not explain why it proposes to eliminate all of the non-discretionary services related to Full and Partial Consolidated ESP Billing, and the Exception Services associated with Consolidated ESP Billing.

If SCE's proposal were approved, these non-discretionary exception services would no longer be in SCE's tariffs. As a result, SCE would presumably

¹¹⁴ Appendix A, Section N(1) and N(3) (76 CPUC2d, 351, 352)

bill for these services on a T/M (time and materials) basis as Special Service Requests, which it proposes when an ESP or customer requests a service that is not required by SCE or provided by an existing service. In the case of exception services that SCE provides due to an ESP's error, other customers may end up absorbing such costs if SCE does not charge the responsible ESP.

D.97-10-087 requires UDCs to develop service fees for non-discretionary services based on recurring incremental costs.¹¹⁵ Permitting SCE to determine costs on a T/M basis each time Full/Partial Consolidated ESP Billing or Exception Services are provided does not ensure that those costs will be computed consistently or that the costs for these non-discretionary services will be priced at their recurring incremental costs in compliance with D.97-10-087. Instead, we prefer to consider specific rates for approval before they are charged to customers. Therefore, SCE's request to eliminate non-discretionary Full Consolidated ESP Billing services, Partial Consolidated ESP Billing, and Exception Services should be denied.

8. Should SCE be Authorized to Add Certain Service Offerings and Fees That Were Not Included in the Original Schedules or to Revise Certain Service Offerings and Fees?

In addition to increasing or decreasing DA service fees for 31 existing services, SCE proposes to add 47 new service offerings and fees, and to recover from ESPs the costs for DA services performed for ESPs that were previously

¹¹⁵ 76 CPUC2d, 307.

recovered through a different regulatory mechanism established in D.99-09-064 pursuant to § 376.¹¹⁶

SCE proposes new or revised fees for establishing service with ESPs, processing Customer Information Service Requests (CISRs) and DASRs, providing UDC Consolidated Billing, performing meter reading, terminating service with ESPs, providing meter installation, testing and maintenance services, and for miscellaneous services.¹¹⁷ SCE also proposes to change five existing service fees from fixed fees to fees charged on a T/M basis. Appendix A lists the proposed services and fees, and identifies the fees that we approve.

As discussed above, AReM and CMTA object to the proposed service fees that were developed using OEA estimates, and to the inclusion of corporate and division overhead costs included in any of the proposed fees. AReM and CMTA also object to service fees for SCE-initiated activities, and do not want to pay for activities resulting from SCE errors.¹¹⁸ AReM and CMTA are particularly opposed to the proposed MAMF.¹¹⁹

SCE responds that the proposed service fees were developed using cost-causation principles, and were calculated using accepted and valid methods in order to better align them with the actual cost of the services provided, thereby reducing cost shifting among DA participants and bundled service

¹¹⁶ Exh. SCE-1, p. 8.

¹¹⁷ Fees for miscellaneous services include the MAMF, the ESP Non-Energy Billing Receivables Fee, the Special Services Request Fee and the Miscellaneous Customer Notification Fee.

¹¹⁸ Exh. AReM/CMTA-1, pp. 4, 10-11. AReM Opening Brief, p. 11.

¹¹⁹ Exh. AReM/CMTA-1, p. 5. AReM Opening Brief, pp. 13-16. AReM Reply Brief, pp. 7-10.

customers.¹²⁰ SCE states that AReM and CMTA do not deny that the services are necessary for DA participants, and agree that cross-subsidization is not desired. SCE contends that the service fees are appropriate and should be adopted.

Discussion

The following sections address proposed service offerings and fees requiring special discussion. Issues concerning OEA estimates and overhead loadings are discussed in Section 5 above.

8.1. Discretionary Services And Fees

As stated above, because discretionary services are services for which there are sufficient providers to ensure customer choice, proposals to add or revise these fees do not impede ESPs' ability to compete or to serve DA end-use customers in SCE territory. This is because ESPs may provide discretionary services themselves or obtain them from non-UDC providers.

As discussed in Sections 4 and 5 above, we have concerns with aspects of the methodology used to develop the service fees, and we are not confident that the costs underlying those fees are as accurate and reliable as we would prefer. However, because we wish to establish at this time, to the extent possible, up-to-date service fees, the proposed additions and revisions to discretionary service fees should be approved. We are less concerned with the accuracy of the costs underlying fees for discretionary services than with the costs for non-discretionary services. If the fees for discretionary services are in fact too high, ESPs and DA customers can obtain those services elsewhere. Therefore, SCE

¹²⁰ Exh. SCE-2, p. 1.

should be authorized to add new fees and to revise existing fees for discretionary billing and metering products and services as identified in Appendix A.

SCE should be authorized to file a Tier 2 advice letter to add new fees and to revise existing fees for discretionary billing and metering products and services listed in Appendix A. SCE should file the advice letter within 60 days of the effective date of this decision. The advice letter should become effective upon approval of the Energy Division.

8.2. DASR Fees

SCE proposes to charge ESPs fees for connecting, disconnecting, cancelling and rescheduling DASRs, updating DA customer accounts, or switching DA customers' ESPs.¹²¹ These are non-discretionary services. Customers may obtain these services by contacting an ESP or, in some cases, they may contact SCE directly. We are concerned with SCE's proposals to charge ESPs fees when a customer directly contacts the utility for disconnecting and cancelling DASRs, updating DA customer accounts, or switching DA customers' ESPs.

D.97-10-087 approved the interim DA tariff for the UDCs, including provisions permitting UDCs to assess a charge for accepted DASRs, if that fee was approved by the Commission.¹²² The Commission has not yet approved any DASR fees. The adopted interim tariff provides that any approved DASR charge will be billed to the ESP unless the customer is requesting to return to UDC service where the charge will be billed to the customer.¹²³

¹²¹ Exh. SCE-1, pp. 30-36.

¹²² OP 3. (76 CPUC2d, 334.)

¹²³ Appendix A, Section E.21 (76 CPUC2d, 345.) *Emphasis added.*

D.97-10-087 drew an analogy to the situation in competitive interexchange telecommunications where a new telephone customer is free to choose among the many interexchange carriers when the customer first signs up for service. Importantly, in the telecommunications industry, the customer is billed for changes in service providers, where here SCE proposes to instead charge ESPs when customers contact SCE directly to exercise their choice in selecting service providers.

D.97-10-087 left open the possibility of temporarily waiving initial DASR switching fees for existing customers to help to level the competitive playing field between ESPs and UDCs, but deferred this issue to the Anticipated Proceeding that would examine the appropriateness of non-discretionary fees. Although D.97-10-087 foresaw situations where end-use customers might return to bundled service or change from one ESP to another, it did not consider UDCs fees for facilitating these choices.¹²⁴

SCE's cost-causation principles state that "the individuals who cause the costs to the system should pay for those costs."¹²⁵ Because the customer is the cost causer when, for example, it chooses to return to bundled service and contacts SCE, the customer should be responsible for the cost resulting from its decision.

Consistent with provisions adopted by D.97-10-087 with respect to customer-initiated DASR disconnections, SCE's Disconnect DASR Fee should not

¹²⁴ Because DASR fees are for non-discretionary services, they were deferred to the Anticipated Proceeding that will examine fees for non-discretionary services. (76 CPUC2d, 315.)

¹²⁵ SCE Opening Brief, Footnote 6, p. 2.

be charged to ESPs when a customer chooses to return to bundled service. The proposed Disconnect DASR fee does not comply with the requirement in D.97-10-087 or the DA tariff,¹²⁶ and should not be approved.

As with the Disconnect DASR fee, the customer is the cost causer when it chooses to stay with its current ESP or SCE's bundled service and contacts SCE to cancel a DASR, or when a customer contacts SCE to update its account or switch ESPs.¹²⁷ SCE's proposal to charge ESPs in cases where a customer contacts SCE directly to request DASR services is inconsistent with SCE's cost-causation principles.

Although D.97-10-087 does not address situations where an end-use customer cancels a DASR that is not erroneous or unauthorized, or where a customer contacts SCE for other DASR services, we find the customer is the cost causer when the customer directly contacts SCE for DASR services. Therefore, consistent with provisions adopted by D.97-10-087, if DASR fees are eventually adopted, when a customer contacts SCE directly to request DASR services the applicable fee should be billed to the customer requesting the service.

However, we are reluctant to make a final determination on this issue in a proceeding that does not have the benefit of participation by other UDCs and a broader range of interested stakeholders. As stated above, we believe proposals to charge ESPs for end-use customer choices raise important policy issues that should be considered in a statewide context. Therefore, we will not authorize

¹²⁶ SCE Rules 22.E.20.b and 22.E.21.

¹²⁷ Although we would expect a customer switching to a different ESP to contact the ESP and not SCE, SCE does not state whether such requests can be made directly to SCE.

SCE to bill ESPs when a customer contacts SCE directly to request DASR services, but defer a final determination of this issue to the Anticipated Proceeding where the appropriateness of DA fees and costs will be considered.¹²⁸

8.3. ESP Termination of Service Fees

As stated above, D.97-10-087 requires UDCs to develop service fees for non-discretionary services based on recurring incremental costs.¹²⁹ Permitting SCE to determine costs on a T/M basis each time ESP Termination Services are provided does not ensure that those costs will be computed consistently or that the costs for these non-discretionary services will be priced at their recurring incremental costs in compliance with D.97-10-087. Instead, we prefer to consider specific rates for approval before they are charged to customers. Therefore, SCE's request to price ESP Termination services on a T/M basis should be denied.

SCE contends that the costs of returning a large volume of customers to bundled service on their respective scheduled meter read dates during a one-month billing cycle is difficult to estimate in advance because many of the processes needed to do this are manual, and some processes vary depending on the number of service accounts affected. However, many of the services for which SCE has proposed explicit fees involve manual processes or variations in processes depending on volume of service accounts involved. Therefore, these characteristics do not present insurmountable obstacles to developing explicit rates for ESP Termination services.

¹²⁸ Currently, SCE has no authority to bill DASR fees to ESPs either.

¹²⁹ 76 CPUC2d, 307.

For example, the same methods that SCE would use to develop a price for ESP Termination services “after-the-fact” can be used to develop rates for these services in advance because SCE knows the activities that are required to provide ESP Termination services, and what factors cause costs to vary. The Application states that ESP Termination of Service fees are not currently tariffed because the costs of this service were previously recovered through a regulatory mechanism consistent with Section 376.¹³⁰ Thus, SCE should have historical cost information for this service upon which to develop rates.

Rates for ESP Termination services that require manual processes can be developed using T/M studies of the activities involved, as SCE has done for many of the proposed service fees. SCE may also use an improved OEA that can be validated for reliability and accuracy, as discussed above. Where costs vary by the volume of service accounts affected, SCE should consider developing a sliding scale of rates for graduated volume levels. Similarly, where costs may vary by urgency of action (e.g., the need to return accounts to bundled service when scheduled meter read dates are imminent), a sliding scale based on required turnaround time should be considered.

8.4. Monthly Account Maintenance Fee

AReM states that the MAMF is a flat charge that is spread across all DA customers, regardless of which of those customers actually causes the utility to incur costs. AReM contends the MAMF does not comport with an incremental cost approach because it does not correctly attribute costs to the customer or the

¹³⁰ SCE-1, p. 44.

ESP that actually causes a service to be provided by the utility.¹³¹ AReM asserts that DA customers and ESPs should pay only those charges that reflect actual and reasonable costs incurred by SCE to provide DA services to them, and objects to intra-class subsidies among DA customers.¹³²

AReM states that, based on SCE's billing determinants, 47% of the projected total DA service fee revenues are attributable solely to the MAMF. AReM contends that imposition of what it describes as a "catch-all" MAMF will cause the few remaining ESPs that serve residential customers to abandon that service and deter other ESPs that serve residential customers from entering the California DA market when the market is reopened.¹³³

AReM states that SCE is able to determine who causes services to be performed and to bill accordingly, and therefore, the MAMF should be replaced with fees that reflect the costs associated with specific services performed, with the fee paid by the customer or ESP that requested the service.¹³⁴

SCE responds that it would be administratively burdensome to break out each component of the MAMF into separate fees, and that ESPs would ultimately be charged the same aggregate amount anyway. SCE states that ESPs would simply pay multiple fees rather than one combined monthly fee. SCE contends that it is equitable and appropriate to impose a monthly fee on all DA participants because several components of the MAMF are fixed costs that apply equally to each DA participant, citing as examples the cost of operating account

¹³¹ AReM Opening Brief, p. 16.

¹³² AReM Opening Brief, p. 15.

¹³³ AReM Opening Brief, p. 14.

¹³⁴ AReM Opening Brief, p. 16.

maintenance support systems, and producing reports SCE uses to perform DA services or to comply with DA reporting requirements.¹³⁵

SCE states that establishing separate fees for the MAMF components would require time-intensive and costly tracking in order to document each and every DA participant request or service required on behalf of a DA participant, and that it would be cost-prohibitive to do so. SCE contends requiring tracking of each and every credit inquiry or billing exception requires additional labor, and hence, additional costs that would be passed to DA participants.

SCE states that it does not currently have automated systems in place. SCE contends that creating a tracking system would be costly and is not cost-effective because of the low volume of DA participation, and that doing so would significantly increase costs to DA participants. SCE asserts that a fixed predictable monthly fee for all ESPs is convenient for ESPs because it allows ESPs and DA customers to contact SCE with credit and billing inquiries as needed without being charged for each contact, regardless of the number of inquiries.

According to SCE, the proposed MAMF of \$1.35 per service account includes the cost of processing billing and metering exceptions, notifying ESPs of changes to customers' service accounts, responding to credit inquiries, operating account maintenance support systems, and processing non-energy billing charges.¹³⁶ Table 2 displays SCE's computed cost for each component of the MAMF and each component's percentage of the total MAMF cost:

¹³⁵ SCE Opening Brief, p. 11.

¹³⁶ SCE-1, p. 46.

Table 2		
MAMF Components	Cost	% of Total
Billing and metering exceptions	\$0.45	33.33%
Notifying ESPs of changes to customers' service accounts	\$0.67	49.63%
Responding to credit inquiries	\$0.04	2.96%
Operating account maintenance support systems	\$0.01	0.74%
Processing non energy billing charges	\$0.18	13.33%
Total	\$1.35	100.00%

SCE's assertion that it is administratively burdensome to break out each component of the MAMF into separate fees implies that cost causation principles should be followed, except when it is administratively burdensome to do so. SCE does not explain how establishing four individual fees instead of one combined fee is administratively burdensome when the Application proposes to establish 47 separate new service fees.

If assigning costs to those who cause the cost is the principle to be followed, then it is irrelevant that ESPs and DA participants as a group will ultimately be charged the same aggregate amount. SCE's reasoning would justify, in the name of administrative simplicity, establishing a single combined fee for all metering, billing and other DA services without regard to which ESPs or customers cause those costs.

To justify applying the proposed MAMF equally to all ESPs, SCE points to its account maintenance support systems as an example of costs included in the MAMF which apply equally to each DA participant. However, Table 2 shows that less than 1% of the costs related to the proposed MAMF are attributable to

the support systems shared by all DA participants. In contrast, 33% of MAMF costs are attributable to billing and metering exceptions and 49% are attributable to the cost of notifying individual ESPs of changes to their particular customers' service accounts. Thus, most of the costs included in the MAMF are for processing exceptions or providing various levels of different services for some but not necessarily all ESPs.

D.97-10-087 determined that fees for non-discretionary services should be based only on recurring costs, and that only those non-recurring costs that vary with the number of ESPs should be recovered in fees for non-discretionary services.¹³⁷ D.97-10-087 states that, since all UDC customers have the ability to choose as a result of the DA program, recovery of costs associated with the development of a DASR processing system and other DA start-up costs, to the extent they are eligible for recovery, are appropriately recovered from all customers.

SCE contends that creating tracking systems for managing components of the MAMF would significantly increase costs to DA participants. However, D.97-10-087 specifies that non-recurring costs such as those costs associated with developing new systems and processes may not be included in fees for non-discretionary services, and directs that the fees for non-discretionary services include only costs that recur each time a transaction is processed in order to send the proper price signals to allow a competitive market to develop.

¹³⁷ D.97-10-087 identifies non-recurring costs such as those costs associated with developing new systems and processes, while recurring costs are those that recur each time a transaction is processed. (76 CPUC2d, 307.)

SCE's argument concerning tracking system costs that would be passed to DA participants is inconsistent with the requirements of D.97-10-087.

SCE contends that a predictable monthly fee for all ESPs is convenient for ESPs because it allows ESPs and DA customers to contact SCE with credit and billing inquiries as needed without being charged for each contact, regardless of the number of inquiries. This reasoning is contrary to SCE's cost causation principles because some ESPs or their end-use customers may make extensive use of credit or billing services or require billing or metering exceptions, while others will not use these or other services frequently or at all but will still be required to pay the same monthly fee.

The proposed MAMF should not be approved because it does not comply with the requirements of D.97-10-087, and is not consistent with cost causation principles.

SCE has identified the activities for each service addressed by the proposed MAMF, and therefore could develop separate fees for each of these components. However, we believe that fees for any services contained in the proposed MAMF should be considered in the Anticipated Proceeding where we expect to consider the appropriateness of non-discretionary costs.

Any proposed fees for services addressed by the components of the proposed MAMF should include only the incremental costs that recur each time a transaction is processed, and only those non-recurring costs that vary with the number of ESPs. Any proposed fees for MAMF components should also be consistent with cost causation. That is, fees for exception services, for example, should be proposed on a per occurrence basis to be applied only when an exception is requested or required.

8.5. Other Non-Discretionary Service Fees

The proposed ESP Service Establishment fees, CISR fees, ESP Non-Energy Billing Receivables Fee and Meter Establishment Fee are based in part or entirely on OEA, which we find above to be unreasonable. Therefore, we do not approve the proposed fees for these services.

9. Does the Incremental Cost Methodology Help Reduce Cost Shifting? If So, Which Cross-Subsidies are Reduced, and Which Ones Remain?

SCE states that its proposed changes will better align the service fees with the actual cost of the services and thereby reduce cost-shifting among customers who utilize these services and those who do not.¹³⁸ SCE contends that the proposed service fees provide accurate price signals to current and prospective DA participants about how much their electricity choices actually cost, and reduce cross-subsidies between DA and bundled service customers.¹³⁹ SCE states, for example, that the MAMF (Monthly Account Maintenance Fee) is necessary in order to align the service fees with the actual cost of services provided, and thereby reduce cost-shifting among DA participants and bundled service customers.¹⁴⁰

AReM contends that SCE's incremental cost methodology was not appropriately implemented.¹⁴¹ AReM states that the MAMF, in particular, is not based on an incremental cost approach and collects 47% of all DA fees through a flat charge spread across all customers, regardless of which customers actually

¹³⁸ SCE-1, p. 2.

¹³⁹ SCE Opening Brief, p. 3.

¹⁴⁰ SCE Reply Brief, p. 15.

cause the utility to incur those costs.¹⁴² AReM contends that by averaging the costs across all DA accounts SCE ensures that some DA accounts pay for costs and charges that they have neither requested nor required while others who actually required services pay less than the cost of their provision.¹⁴³

Discussion

SCE's methodology, for the most part, appears to reduce subsidies between DA customers and bundled service customers. However, overstating or understating an OEA estimate results in cross-subsidies between DA and other customers, with the direction of the cross-subsidy depending on whether the OEA estimate was overstated or understated. Because the accuracy of the OEA estimates is unknown, the extent of cross-subsidization between the DA and other customers, too, is unknown.

Also, combining costs for exception services and services for particular ESPs into a fee paid by all ESPs results in cross subsidies between ESPs. As discussed above, SCE's methodology does not adequately reduce cost shifting between DA participants who cause costs to be incurred and those who SCE proposes should pay those costs.

Until the shortcomings with SCE's methodology discussed above are corrected, we do not know the actual costs SCE incurs to provide non-discretionary services. SCE states that costs for non-discretionary services were previously recovered through a regulatory mechanism consistent with § 376, but does not state if, or how, costs are currently being recovered.

¹⁴¹ AReM Opening Brief, pp. 10-11.

¹⁴² AReM Opening Brief, p. 15. AReM Reply Brief, pp. 10-11.

¹⁴³ AReM Reply Brief, p. 9.

Our approval of the proposed discretionary service fees will reduce cross subsidization of DA services by bundled service customers. However, we are concerned that cross subsidy of DA services will continue to exist to the extent that costs for non-discretionary DA services are currently being recovered from SCE's bundled service customers. We do not want these costs to be included in general rates. Therefore, to the extent that rates for bundled service customers contain costs for non-discretionary DA services, SCE should be required in its current GRC and future GRCs to remove the costs for non-discretionary DA services from bundled service customer rates.

SCE should also be authorized, but not required, to book the incremental costs to provide non-discretionary services, including the costs of DASR services, voluntary and involuntary ESP Termination services, ESP Service Establishment services, CISR services, ESP Non-Energy Billing Receivables services, Meter Establishment services, and the non-discretionary services contained in the proposed MAMF services, to a memorandum account for possible recovery pending a Commission decision regarding the appropriateness of such costs. SCE may establish additional subaccounts for this purpose.

We expect to consider the appropriateness of these non-discretionary costs in the Anticipated Proceeding. Thus, authorization to establish a memorandum account and subaccounts is not a decision on the merits of the costs for providing non-discretionary services. Our discussion above concerning the defects in the methodology used to develop DA service costs and proposed fees should provide guidance to SCE in determining the non-discretionary DA service costs that may be booked to any memorandum account and subaccounts that SCE may establish.

SCE may file a Tier 2 advice letter to establish a memorandum account and subaccounts to track the costs of providing non-discretionary DASR services, voluntary and involuntary ESP Termination services, ESP Service Establishment services, CISR services, ESP Non-Energy Billing Receivables services, Meter Establishment services, and the non-discretionary services contained in the proposed MAMF services, pending further Commission action. If SCE chooses to establish a memorandum account or subaccounts for this purpose, SCE should file the advice letter within 60 days of the effective date of this decision. The advice letter should become effective upon approval of the Energy Division.

10. How Will the Proposed Fees Affect Community Choice Aggregator Customers, Bundled Service Customers and/or Residential Direct-Access Customers in California?

AReM and CMTA state that the proposed fees, and especially the MAMF, will have a harmful effect on DA in general and a detrimental impact on the availability of DA service to residential and small commercial customers.¹⁴⁴ AReM states that 47% of the revenues that will be collected for DA services under SCE's proposal are attributable solely to the MAMF.¹⁴⁵ According to AReM and CMTA, statewide, residential and small commercial customers make up less than 2% of the DA load but the MAMF will be primarily collected from ESPs serving residential and small commercial customers. AReM and CMTA contend that this disproportionate cost burden will further limit the availability of competitive options for small customers.¹⁴⁶

¹⁴⁴ AReM Opening Brief, pp. 12-16.

¹⁴⁵ *Ibid*, p. 14.

¹⁴⁶ Exh. AReM/CMTA-1, p. 5.

AReM contends the structure of the MAMF is especially problematic because it is based on a flat charge for numerous distinct services that is spread across all customers, regardless of whether customers actually require the services. AReM states that DA customers and ESPs should pay charges that reflect actual and reasonable costs incurred by SCE to provide DA-related services, and opposes what it describes as “intra-class subsidies” among DA customers.¹⁴⁷

According to SCE, the MAMF is necessary to capture the incremental costs of performing account maintenance activities for DA participants and includes costs of responding to credit inquiries, processing billing and metering exceptions, operating account maintenance support systems (*e.g.*, the DA tracking system), notifying ESPs of changes to customers’ service accounts and processing non-energy billing charges.¹⁴⁸

Discussion

The approved discretionary service fees apply primarily to DA customers. However, many of the discretionary service fees will also apply to bundled service customers who request certain additional billing and metering services which are not provided for in their applicable default rates, and to special metering or meter reading requests by CCA customers, if a CCA program is implemented in SCE’s service territory in the future. For example, Schedule CC-DSF (Customer Choice - Discretionary Service Fees) includes the same meter-related service fees as in Schedule ESP-DSF, but applies to requests

¹⁴⁷ AReM Opening Brief, p. 15.

¹⁴⁸ Exh. SCE-2, p. 12.

made by DA, CCA, and bundled service customers.¹⁴⁹ The proposed fees for these services include some new fees, and several existing fees which, in some cases, increase, and in other cases, decrease.

Fees for meter sales, installation and maintenance services represent most, but not all, of the fees applicable to CCA and bundled service customers. According to SCE, revenues from meter sales, installation and maintenance fees will decrease by a total of \$212,521.00.¹⁵⁰ Thus, while the discrete effect of these fee changes on bundled service or CCA customers is not known, it is likely minimal because these services are provided primarily to DA customers. Also, because the fees applicable to DA, CCA, and bundled service customers we approve are for discretionary services, those customers have the choice to obtain these services from other providers. Therefore, the proposed discretionary service fees will have little effect on residential DA, CCA and bundled service customers.

However, proposed non-discretionary fees that are based on cost estimates which have not been adequately verified for accuracy, if adopted, would likely result in cross-subsidies between direct-access and non-direct-access customers. Moreover, even if DA fees such as the MAMF are cost based, bundling costs for multiple services into a single flat fee inappropriately imposes costs on all DA customers that are attributable to only some DA customers. While SCE's concern with cost shifting is focused primarily on preventing cross-subsidization between DA and bundled service customers, cost shifting between different ESP

¹⁴⁹ SCE-1, p. 1.

¹⁵⁰ Exhibit SCE-5.

and DA customers is also undesirable. This is because we have determined that sending customers accurate price signals about the cost of their choices will help a competitive market develop.

Establishing a single monthly “catch all” fee for several DA services is undesirable because all DA customers would pay the fee regardless of whether they use all of the services whose costs are included in the fee. Bundling the costs for various services in a single mandatory MAMF will have a negative effect on DA customers, given the large proportion of DA service fee revenue it represents.

Because we do not approve the proposed non-discretionary service fees, such as the MAMF, residential DA customers are not negatively affected. However, this may result in bundled service customers potentially cross subsidizing DA services to an unknown extent, until verifiable non-discretionary costs are developed and appropriate fees established.¹⁵¹ Therefore, as discussed above, in order to minimize potential cross subsidization by bundled service customers, SCE should remove any costs for non-discretionary DA services from bundled service customer rates.

¹⁵¹ For example, SCE-5 indicates that the proposed MAMF was estimated to annually generate \$408,240.00 in fee revenue.

11. What Impact, if any, Will SCE's Advanced Metering Infrastructure Proposal Have on the Proposed Fees or Meter-Related Costs? Do the Proposed Fee Changes Raise any Issues Related to Potential Impacts on SCE's Revenue Requirement That Should be Considered?

No party addressed issues concerning the potential impact of SCE's advanced metering infrastructure proposal on the proposed fees or meter-related costs. Therefore, we have no record before us on this issue and make no determinations about it.

With regard to the potential impacts of the proposed service fees on SCE's revenue requirement, SCE states the effect of the proposed service fees on its OOR is *de minimus*, and it does not seek an increase in its authorized base revenue requirement. SCE states that it will include a forecast of its OOR for the service fees in its next GRC Application.¹⁵² Therefore, we find the proposed service fees do not affect SCE's revenue requirement.

12. Should the Commission Authorize an Advice Letter Procedure for Establishing New Service Fees?

SCE requests authority to establish new service fees through the advice letter process.¹⁵³ Because SCE also seeks to eliminate the “discretionary” and “non-discretionary” DA service fee categories, new DA services that would otherwise be categorized as “non-discretionary” would also be eligible for approval via the advice letter process.¹⁵⁴ SCE contends that the flexibility of an advice letter process is necessary to keep pace with improvements in technology.

¹⁵² SCE-1, p. 7. SCE Opening Brief, p. 15.

¹⁵³ Exh. SCE-1, p. 10.

¹⁵⁴ TR 43:17-18.

SCE states that, because new meter types are continually being developed with enhanced capabilities, it needs the ability to provide customers with new products and services more quickly than permitted by the three-year rate case cycle.¹⁵⁵

AReM and CMTA oppose SCE's request, stating that, while advice letters are appropriate for implementing Commission-approved changes in rates or for truing up balancing accounts, they are not appropriate for setting rates.¹⁵⁶ AReM and CMTA assert that cost-based tariffed rates are set in GRCs or special ratemaking applications and, because DA service fees are cost-based tariffed rates, they should be addressed in full applications and not through advice letter filings.

According to AReM and CMTA, given the lack of time-and-motion studies or objective measurements used in SCE's OEA, the rates proposed in the Application should not be used as a starting point for future rate adjustments, as would most likely result using the advice letter process.¹⁵⁷ AReM and CMTA contend that applications are more public than advice letters, receive greater attention and afford greater opportunities for parties to investigate and/or oppose utility proposals.

AReM and CMTA state that the advice letter process does not provide adequate time for discovery or other procedural guarantees afforded by the formal application process, such as cross-examination or the filing of briefs,¹⁵⁸

¹⁵⁵ Exh. SCE-1, p. 10. SCE Reply Brief, p. 18.

¹⁵⁶ Exh. AReM/CMTA-1, pp. 5, 16-17. CMTA Opening Brief, p. 5.

¹⁵⁷ Exh. AReM/CMTA-1, p. 17.

¹⁵⁸ AReM Opening Brief, pp. 20-21. CMTA Opening Brief, p. 5.

and AReM contends that the streamlined advice letter process is an insider's game that does not benefit ESPs or DA customers.¹⁵⁹ AReM is concerned that advice letters are not widely disseminated to those who will pay the increased fees, and will likely "fly under the radar."¹⁶⁰ AReM contends that SCE has not adequately justified use of the advice letter process, and recommends that SCE be required to file a formal application to revise existing or propose new service fees.¹⁶¹

SCE responds that the advice letter process is appropriate for implementing a new fee for a new DA product or service.¹⁶² SCE contends that the advice letter process will enable it to expeditiously offer new DA products and services, while the more lengthy formal application process can take more than a year.¹⁶³ SCE asserts that it does not intend to make changes to existing DA service fees through the advice letter process.¹⁶⁴ SCE states that it intends to request changes to, or elimination of, existing fees in its GRCs.¹⁶⁵

SCE also contends that the advice letter process is a more effective use of the Commission's and parties' time, and can accommodate the implementation of new fees, on a fee-by-fee basis, as new products and services arise.¹⁶⁶ SCE

¹⁵⁹ AReM Opening Brief, pp. 20-21.

¹⁶⁰ Exh. AReM/CMTA-1, p. 17. AReM Opening Brief, pp. 20-21.

¹⁶¹ AReM Opening Brief, p. 21. AReM Reply Brief, p. 12.

¹⁶² SCE Opening Brief, p. 18. SCE Reply Brief, p. 19.

¹⁶³ Exh. SCE-2, pp. 14-15.

¹⁶⁴ SCE Opening Brief, p. 17.

¹⁶⁵ TR., p. 40.

¹⁶⁶ Exh. SCE-2, p. 14.

states that it plans to use the advice letter process in limited circumstances where technological advances allow new, and potentially cost-saving, DA products and services to become available between GRCs.¹⁶⁷ SCE states that it does not expect the fees for new DA services or products introduced through advice letters to be controversial.¹⁶⁸

SCE states that advice letters are public documents that are served on relevant service lists, published on SCE's website when filed with the Commission, and may be reviewed and protested.¹⁶⁹ Also, according to SCE, parties may propound discovery, and may comment on any draft resolution concerning an advice letter.¹⁷⁰ Therefore, according to SCE, interested parties will have the opportunity to comment on any proposed new fees filed through an advice letter.

Discussion

Rules governing informal filings, including advice letters, are contained in General Order (GO) 96-B.¹⁷¹ Among other things, GO 96-B contains Energy Industry Rules and rules applicable to all informal filings.¹⁷² These rules identify matters appropriate for the use of advice letters versus those matters that must

¹⁶⁷ Exh. SCE-2, p. 14. SCE Opening Brief, pp. 17-18. SCE Reply Brief, p. 18.

¹⁶⁸ Exh. SCE-2, p. 14.

¹⁶⁹ Exh. SCE-2, pp. 14-15.

¹⁷⁰ SCE Opening Brief, pp. 17-18. SCE Reply Brief, p. 18.

¹⁷¹ "Informal" refers to an advice letter or other matter submitted to the Commission outside a formal proceeding at the Commission, and is either an uncontested matter or a matter for which a hearing is not required in order to resolve the contested issues. "Formal" refers to a proceeding initiated by an application, complaint, petition, order instituting investigation or rulemaking, or order to show cause. (Section 3.7.)

¹⁷² Section 1.1.

be addressed through formal applications.¹⁷³ GO 96-B sets forth filing requirements and procedures, and additional rules applicable to different industry areas.

The Energy Industry Rules apply to gas, electrical, pipeline, and heat corporations and to load-serving entities as defined in § 380, and classifies advice letters according to three tiers.¹⁷⁴ Tier 1 advice letters are effective when filed pending disposition, while Tier 2 and Tier 3 advice letters are effective upon Industry Division staff, or Commission approval, respectively.

The advice letter process provides a quick and simplified review of the types of utility requests that are expected neither to be controversial nor to raise important policy questions.¹⁷⁵ The primary use of the advice letter process is to review a utility's request to change its tariffs in a manner previously authorized by statute or Commission order, to conform its tariffs to the requirements of a statute or Commission order, to get Commission authorization to deviate from its tariffs, or to request modification of a Commission resolution addressing a prior advice letter of the utility. A matter that requires an evidentiary hearing may be considered only in a formal proceeding, and a utility may seek a rate increase via advice letter only if use of an advice letter for this purpose is authorized by statute or Commission order.¹⁷⁶

A utility must file an application, an application for rehearing, or a petition for modification, as appropriate, if the utility requests modification of a decision

¹⁷³ GO 96-B, Sections 5.1 and 5.2.

¹⁷⁴ GO 96-B, Energy Industry Rule 5.

¹⁷⁵ GO 96-B, Section 5.1.

¹⁷⁶ *Ibid.*

issued in a formal proceeding or otherwise seeks relief that the Commission can grant only after holding an evidentiary hearing, if the utility seeks Commission approval of a proposed action that the utility has not been authorized by statute or Commission order to seek by advice letter, or if the utility seeks to challenge a Commission resolution addressing an advice letter submitted by the utility.

Except as provided in General Rule 5.1, a utility must file an application to seek approval of a rate increase, a change to its tariffs, or an alteration of any classification, contract, practice, or rule that results in a new rate.¹⁷⁷

Pursuant to General Rule 5.1, SCE would be able to use the advice letter process to establish new DA service fees if this decision authorized it to do so. If the Commission were to grant such authority, those advice letters would be filed under Tier 3 and require Commission approval (*i.e.*, a Commission resolution) to become effective.¹⁷⁸ Thus, Commission rules permit the use of advice letters for the purpose SCE seeks. The question before us is whether the Commission should authorize SCE to use the advice letter process to establish new DA service fees.

As discussed above, we see important differences between discretionary and non-discretionary services. Discretionary products and services are somewhat less controversial than are non-discretionary services because ESPs and customers have a choice not to purchase such services from the UDC. If ESPs consider the UDC's price for discretionary services to be too high, ESPs can provide the service themselves or purchase products and services elsewhere.

¹⁷⁷ GO 96-B, Section 5.2.

¹⁷⁸ The Energy Industry Rules establish Tier 3 treatment of advice letters for a new product or service. *See* Energy Industry Rule 5.3(3).

SCE states that it does not expect the fees for new DA services or products introduced through advice letters to be controversial. However, we believe the level of controversy will depend in part on whether the services and proposed fees are discretionary or non-discretionary. As we have discussed, considerable controversy already surrounds certain non-discretionary service fees, due to the impact that the fees can have on facilitating or impeding competition for electric services. ESPs that compete with UDCs, their DA customers, and bundled service customers all have an interest in ensuring that non-discretionary DA service fees are appropriately priced in accordance with the established incremental costing standards.

If fees for non-discretionary services exceed the incremental costs of providing the service, ESPs and their customers will pay more than they should. Such a result could discourage competition for electric services (when competition becomes available) and send inaccurate price signals that non-discretionary services cost more than they actually do.

However, if a proposed new fee for a non-discretionary service is less than the incremental cost of providing that service the UDCs' bundled service customers could ultimately pay the shortfall, thereby unfairly subsidizing ESPs and DA customers and sending inaccurate price signals to the market that the non-discretionary service costs less than it actually does. Neither result is appropriate or desirable. Thus, interested parties will likely have a keen interest in ensuring that new fees proposed for non-discretionary services are appropriately priced.

Because GO 96-B limits the advice letter process to requests that are expected neither to be controversial nor to raise important policy questions, the advice letter process is not appropriate for establishing new non-discretionary

services. Therefore, SCE's request to use the advice letter process for establishing new service fees for non-discretionary services should be denied. Requests for establishing new service fees for non-discretionary services should be made by formal application, either in GRCs or other ratemaking applications.

Although important policy concerns could arise with respect to new discretionary products and services, these issues are likely to arise less frequently and be less controversial. SCE states that new meter types are continually being developed with enhanced capabilities, and contends it needs the flexibility of the advice letter process to keep pace with improvements in technology. Because technology changes rapidly and because we want new equipment to become available quickly, we believe the advice letter process is appropriate for introducing new discretionary products and services.

We recognize that controversies may arise if interested parties contend a proposed new product or service is, in fact, non-discretionary service, and as a result, whether the advice letter process has been used appropriately. However, we believe that these questions should be resolved in the resolution addressing the advice letter. Therefore, SCE's request to use the advice letter process for establishing new fees for discretionary products and services should be approved.

13. Comments on Proposed Decision

The proposed decision (PD) of the assigned ALJ in this matter was mailed to the parties in accordance with Public Utilities Code Section 311 and Rule 14.3 of the Rules of Practice and Procedure. Comments were received on April 1, 2008, from AReM, CMTA and SCE, and reply comments were received on April 7, 2008, from AReM and SCE. The PD has been revised to provide clarification in several areas.

The PD has been revised to make clear that SCE is permitted, but not required, to establish a memorandum account and subaccounts for non-discretionary service costs. The decision has also been revised to include a deadline by which SCE must exercise its option to establish the permitted memorandum account/subaccounts, if it decides to pursue that option. The PD has also been revised to include ESP establishment services, CISR services, ESP non-energy billing receivable services and meter establishment services among the services for which SCE may establish memorandum accounts.

Instead of directing that the Rule 22 Working Group be reconvened, the PD has been revised to direct the Energy Division to convene and facilitate a meeting between SCE, AReM and CMTA and other interested parties, to consider possible DA process improvements for SCE.

14. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Richard Smith is the assigned ALJ in this proceeding. ALJ Smith is the presiding officer in this proceeding.

Findings of Fact

1. SCE offers discretionary and non-discretionary DA services to ESPs and DA customers through three rate schedules: Schedule ESP-DSF, Schedule CC-DSF, and Schedule ESP-NDSF.

2. Schedule ESP-DSF applies to ESPs who choose to receive certain metering, billing and other DA-related services from SCE. Schedule ESP-NDSF applies to ESPs who require certain services from SCE to offer optional services to customers. Schedule CC-DSF applies to DA customers who request certain meter-related services from SCE. Schedule CC-DSF also applies to bundled

service customers not participating in DA who request meter-related services which are not already provided for by their applicable default rates.

3. If CCA is implemented in SCE's service territory, Schedule CC-DSF will also apply to any CCA customers who request additional meter-related services.

4. In A.99-06-040, SCE previously sought to revise its DA service fees and establish new fees.

5. SCE's existing DA service fees were developed when its DA service tariff was approved by D.97-10-087.

6. D.97-10-087 anticipated that issues concerning the appropriateness of the fees for all UDCs would be considered in a subsequent proceeding (Anticipated Proceeding). In the meantime, D.97-10-087 authorized UDCs' Discretionary Service Fees on an interim basis.

7. Due to events such as the California energy crisis, the Anticipated Proceeding was delayed and has not yet commenced.

8. Although enrollment of new DA customers is currently suspended, the Commission is presently considering whether, when, or how the suspension of DA may be lifted.

9. AReM's arguments and exhibits purportedly evidencing SCE's bias do not persuade us that A.07-01-045 is a malicious attempt to disadvantage ESPs or discourage DA customers.

10. In D.04-07-022 and D.06-05-016, the Commission adjusted DA service fees because of concerns that the fees were not aligned with costs, and, as a result, SCE's bundled service customers were subsidizing DA customers. However, these prior adjustments were not based on SCE's actual cost data.

11. While the enrollment of new DA customers is currently suspended, existing DA customers may continue to participate and new ESPs may enter the market.

12. The existing DA services and fees were based on predictions of what DA services would likely be required (including some services and fees which were never requested or used by DA service customers), and do not include some activities that have evolved since the tariffs were first established.

13. D.97-10-087 determined that only those non-recurring costs that vary with the number of ESPs should be recovered in fees for non-discretionary services.

14. D.97-10-087 determined that costs for non-discretionary services should be charged to a memorandum account pending a Commission decision regarding the appropriateness of such costs.

15. D.97-10-087 determined that requiring only those that exercise their choice to pay all the costs of having choice would result in unreasonable service fees for non-discretionary services and would impede the efficient operations of the market.

16. SCE's costing approach appropriately focuses initially on identifying costs attributable to DA services as distinguished from "bundled service."

17. Exceptions are processes that are not built into the Customer Service System, and are more costly and time consuming than providing routine services.

18. SCE embeds the costs of processing exceptions in the proposed DASR, MAMF and certain other fees regardless of whether those proposed to pay the fees cause the exception procedures to be required.

19. AReM's and CMTA's recommendation to notify customers of the acceptance or rejection of a DASR via email rather than by U.S. Mail is an

example of a process improvement that is likely possible, less costly than existing processes, and a more efficient means of providing notification.

20. SCE's proposal contains unexplained inconsistencies in certain OEA estimates.

21. The Application does not explain why it requires ten minutes for a technical specialist performing a particular activity for one service but requires only five minutes for the same kind of technical specialist performing identical tasks for another service.

22. Most of the proposed fees for non-discretionary services are based on costs developed using OEA estimates.

23. The accuracy of the OEA estimates is unknown.

24. Except in limited instances, SCE has not verified or validated the accuracy of an OEA estimate by comparing the OEA estimate with results derived from a time and motion study for the same activity in order to establish a "benchmark" and to determine the average deviation from that benchmark.

25. D.97-10-087 requires that service fees be based only on recurring costs that recur each time a transaction is processed, but provides no guidance as to whether labor overhead costs should be reflected in DA service fees.

26. D.97-10-087 determined that the originally used term "competitive services" should be replaced by the term "discretionary services" because the customer has the right (*e.g.*, discretion) to choose a service provider.

27. D.97-10-087 determined that the term "non-competitive services" should be changed to "non-discretionary services" because customers do not have a choice when services are available only through the UDC.

28. The DA tariffs adopted by D.97-10-087 provide that, during the interim period between the start of DA and a Commission decision approving specific

fees for non-discretionary services, the UDC will charge the net incremental costs associated with providing non-discretionary services to a memorandum account pending the CPUC's decision regarding service fees.

29. SCE's currently effective Rule 22 tariff, Sheet 27752-E, provides that, during the interim period between the start of DA and a Commission decision approving specific fees for non-discretionary services, SCE will charge the net incremental costs associated with providing non-discretionary services to a memorandum account pending the CPUC's decision regarding service fees.

30. The CPUC has only approved specific non-discretionary fees for services related to ESP consolidated billing services.

31. D.97-10-087 authorized UDCs to book the interim fees and costs of providing discretionary DA services to a one-way memorandum account subject to refund.

32. D.97-10-087 distinguished discretionary DA services from non-discretionary services, first, as a way to identify the services for which an ESP or a customer could choose between a competitive provider and a UDC, but also in its treatment of how costs and revenues for discretionary and non-discretionary services would be recovered.

33. In compliance with D.97-10-087, SCE established Schedule ESP-SF and Schedule CC-SF, which were approved by the Energy Division and became effective on January 4, 1998. Schedules ESP-SF and CC-SF did not distinguish between discretionary and non-discretionary services.

34. In October 1998, SCE filed AL 1338-E establishing Schedule ESP-NDSF for billing services, that are required to support ESP consolidated billing authorized by D.98-09-070, which was approved by Resolution E-3582 on January 20, 1999.

35. SCE filed AL 1343-E to, among other things, rename Schedules ESP-SF and CC-SF to Schedule ESP-DSF and Schedule CC-DSF, respectively. AL 1343-E was approved by the Energy Division and became effective on December 31, 1999. AL 1343-E renamed SCE's service fee tariffs to more accurately reflect the nature of discretionary and non-discretionary services in accordance with D.97-10-087.

36. A.99-06-040 sought to rename "discretionary services" to "competitive services" and "non-discretionary services" to "regulated services," contending that SCE's proposed terminology most accurately describes customers' options and the Commission's role in the new market.

37. A.99-06-040 requested that the Commission rely on the market to set prices for what SCE proposed to call "competitive services," and that SCE be permitted to price its competitive services freely in response to the market.

38. A.99-06-040 requested that the Commission eliminate the requirement that interim fees for competitive (discretionary) services be subject to refund, and that the DADSCMA be closed.

39. A.99-06-040 requested that the Commission authorize establishment of fees for regulated (non-discretionary) services.

40. D.03-01-072 dismissed A.99-06-040.

41. SCE filed AL 1808-E to eliminate the DADSCMA, which was approved by Resolution E-3895, effective January 27, 2005.

42. D.97-10-087 authorized UDCs to book the incremental costs of providing non-discretionary services to a memorandum account pending a Commission decision regarding the appropriateness of such costs and possible recovery under § 376 relating to restructuring costs.

43. D.99-09-064 approved a settlement of issues related to restructuring implementation costs pursuant to § 376, including recovery of certain DA

implementation costs. D.99-09-064 did not address the issue of fees for DASR processing or fees for discretionary services because PG&E, SCE, and SDG&E had filed applications to address such fees.

44. D.99-09-064 determined that only those costs incurred to accommodate implementation of the Independent System Operator, Power Exchange, and DA through December 31, 1998 could receive § 376 treatment, and that costs incurred after 1998 or the costs of operating these programs on an ongoing basis were not eligible for § 376 treatment.

45. SCE's written testimony confuses discretionary with non-discretionary services in its citation of D.97-10-087.

46. During evidentiary hearings, SCE's witness, a manager who has worked on DA implementation activities since 1997, confused discretionary with non-discretionary services six times.

47. D.06-05-016 adopted "TURN's proposed inflation adjustment to reflect a 25% increase in discretionary DA service fees ... " D.06-05-016 did not authorize an increase in non-discretionary DA service fees.

48. Some of the services proposed for elimination are non-discretionary services that are available only from SCE. These include all of the services related to Partial Consolidated ESP Billing, Full Consolidate ESP Billing services, and Exception Services.

49. If SCE's proposal were approved, Partial Consolidated ESP Billing, Full Consolidated ESP Billing services, and Exception Services would no longer be in SCE's tariffs. As a result, SCE would presumably bill for these services on a time and materials (T/M) basis as Special Service Requests, which it proposes to apply when an ESP or customer requests a service that is not required by SCE or provided by an existing service.

50. D.97-10-087 approved the interim DA tariff for the UDCs, including provisions permitting UDCs to assess a charge for accepted DASRs, if that fee was approved by the Commission.

51. The Commission has not yet approved any DASR fees.

52. The interim tariff adopted by D.97-10-087, and SCE tariff Rules 22.E.20.b. and 22.E.21, provide that any approved DASR charge will be billed to the ESP unless the customer is requesting to return to UDC service where the charge will be billed to the customer.

53. D.97-10-087 left open the possibility of temporarily waiving initial DASR switching fees for existing customers to help to level the competitive playing field between ESPs and UDCs, but deferred this issue to a future proceeding that would examine the appropriateness of non-discretionary fees.

54. Although D.97-10-087 foresaw situations where end-use customers might return to bundled service or change from one ESP to another, it did not consider UDC fees for facilitating these choices.

55. D.97-10-087 requires UDCs to develop service fees for non-discretionary services based on recurring incremental costs.

56. Less than 1% of the costs related to the proposed MAMF are attributable to the support systems shared by all DA participants.

57. Most of the costs included in the MAMF are for processing exceptions (33% of MAMF costs are attributable to billing and metering exceptions) or providing various levels of different services for some but not necessarily all ESPs (49% are attributable to the cost of notifying ESPs of changes to their particular customers' service accounts).

58. D.97-10-087 determined that fees for non-discretionary services should be based only on recurring costs, and that only those non-recurring costs that vary

with the number of ESPs should be recovered in fees for non-discretionary services.

59. D.97-10-087 specifies that non-recurring costs such as those costs associated with developing new systems and processes may not be included in fees for non-discretionary services, and directs that the fees for non-discretionary services include only costs that recur each time a transaction is processed in order to send the proper price signals to allow a competitive market to develop.

60. SCE has identified the activities for each service addressed by the proposed MAMF and could develop separate fees for each of these components.

61. There is no record before us on issues concerning the potential impact of SCE's advanced metering infrastructure proposal on the proposed fees or meter-related costs.

62. SCE does not seek an increase in its authorized base revenue requirement.

63. SCE will include a forecast of its OOR for the service fees in its next GRC Application.

64. The advice letter process provides a quick and simplified review of the types of utility requests that are expected neither to be controversial nor to raise important policy questions.

65. The primary use of the advice letter process is to review a utility's request to change its tariffs in a manner previously authorized by statute or Commission order, to conform its tariffs to the requirements of a statute or Commission order, to get Commission authorization to deviate from its tariffs, or to request modification of a Commission resolution addressing a prior advice letter of the utility.

66. ESPs that compete with UDCs, their DA customers, and bundled service customers all have an interest in ensuring that non-discretionary DA service fees

are appropriately priced in accordance with the established incremental costing standards.

67. Interested parties will have a keen interest in ensuring that new fees proposed for non-discretionary services are appropriately priced.

Conclusions of Law

1. Ideally, prior to approving changes to SCE's DA and other service fees, the Anticipated Proceeding should take place because policy and other issues remain unresolved that apply to all UDC DA tariffs, and A.07-01-045 implicates some of these issues.

2. The passage of so much time is possibly resulting in fees that are becoming less and less related to SCE's actual costs, and, if so, may be undermining our policy of sending accurate price signals that would allow a competitive market to develop.

3. With the passage of time, the differences are likely increasing between the existing DA service fees and SCE's actual costs of providing DA services.

4. The passage of almost a decade since SCE's DA service fees were established persuades us to consider A.07-01-045 at this time.

5. AReM's and CMTA's arguments for rejecting A.07-01-045 lack merit.

6. AReM and CMTA have not shown that A.07-01-045 is designed to undermine ESPs or the DA market.

7. Updating DA and other service fees at this time will help to ensure that they are based on current processes and cost studies that better reflect SCE's actual cost of providing these services.

8. Because the Anticipated Proceeding to address the appropriateness of DA and other fees on a statewide basis has been delayed, we have not yet had an

opportunity to determine the appropriateness of the UDCs' DA and other fees or the underlying methodologies used to develop them.

9. The Commission may at some point in the future lift the suspension on DA, and if so, ideally, accurate, up-to-date cost-based fees should be in effect.

10. Important statewide DA and other service fee issues have not yet been decided.

11. It is appropriate to consider A.07-01-045 at this time, including SCE's proposals to add new DA and other services and fees that were not contained in the original schedules.

12. D.97-10-087 stated the Commission's intention to eventually adopt one uniform, statewide DA tariff. This requires consideration of, among other things, consistency in UDC costing methodologies and other issues affecting the appropriateness of DA service fees.

13. The non-discretionary service fees and their underlying costing methodologies should be considered in the Anticipated Proceeding.

14. A proper incremental cost methodology should accurately identify costs and appropriately assign those costs to the cost causers.

15. Accurate assignment of costs is necessary to send the appropriate price signals in a competitive market. These costs should be properly assigned to those who cause the costs so that customers are sent a true price signal of how much their electricity choices actually cost, and to avoid cost shifting or inappropriate cross-subsidization.

16. SCE's costing approach appropriately identifies the operational areas providing services to ESPs and DA customers which incur DA-related costs.

17. In certain cases, SCE's method of attributing costs either to DA customers or to ESPs inappropriately assigns to ESPs costs caused by end-use customers.

18. The Commission has an interest in ensuring that UDCs comply with its incremental cost policy, while also ensuring that the costing methods used are administratively feasible.

19. Although D.97-10-087 allowed each UDC to file its own DA tariff, the Commission prefers a uniform DA tariff for statewide use to eliminate inconsistent and differing rules among the utilities.

20. SCE's methodology which imposes fees on ESPs when end-use customers independently exercise choice is unreasonable and should not be approved because it assigns costs to those who do not cause those costs to be incurred and does not comply with D.97-10-087.

21. Recovering the costs for processing exceptions caused by particular ESPs or end-use customers equally from all ESPs is inconsistent with SCE's cost causation principles, and with the Commission's instructions to UDCs to develop fees that recover costs from those who cause those costs to be incurred.

22. Advances in technology make it possible to continuously improve the processes used for delivering DA services efficiently, and such improvements are among the issues that the Working Group was established to address.

23. The Working Group is comprised of utilities and other entities which have not participated in this proceeding and which have not had an opportunity to address the issue of reconvening the Working Group.

24. We do not have enough information at this time to conclude that SCE should be directed to implement AReM's and CMTA's recommendation to notify customers of the acceptance or rejection of a DASR via email rather than by U.S. Mail.

25. The process improvements that should be considered pursuant to this decision are specific to SCE's DA services, and focusing parties on SCE-specific

process improvements at this time will likely be a more efficient and productive undertaking.

26. The Energy Division should convene and facilitate a meeting between SCE, AReM, CMTA, and other interested parties within sixty (60) days of the effective date of this decision to consider issues surrounding DA process improvements, including the timing for implementing any recommended improvements that may not be cost effective now at the currently low DA volumes but which may become cost effective if the suspension on enrolling new DA customers is lifted and the volume of transactions increases. Additional meetings should be scheduled thereafter as appropriate.

27. SCE, AReM and CMTA should be required to submit a joint report that identifies specific potential process improvements, proposes recommendations for SCE's DA process improvements, and recommendations for an ongoing process to consider possible future process improvements that reflect the needs and interests of all DA market participants in SCE territory. Parties should be allowed to submit with the report their comments addressing any disagreements or reservations that participants may have with any recommendations or other aspects of the report. The report should be submitted in R.07-05-025, and will be considered if, and when, Phase III of that proceeding is commenced.

28. The development of accurate and reliable costs requires the underlying data to be reasonably accurate and based on actual, recorded operational information.

29. Estimates based on historical records or time and motion studies are based on objective, quantified and easily verified measurement of the activities being performed or the cost of items purchased.

30. Costs based on SCE's OEA estimates are subjective and potentially less accurate because they are imprecise "best guess" approximations of those performing the activity being measured, and, in some cases, for activities that are not actually being performed.

31. The inconsistency in OEA estimates casts doubt on the accuracy and reliability of SCE's OEA estimates.

32. SCE has not taken steps, except in limited instances, to objectively verify the accuracy of its OEA estimates in a way that provides confidence in their accuracy or reliability.

33. OEA estimates were developed for some activities, such as ESP establishment, even though those activities were not being performed. The accuracy of an estimate of time required to perform an activity is questionable when that activity is not actually being performed.

34. In some cases, SCE's OEA estimates for the same tasks vary substantially, indicating that at least some of the OEA estimates are unreliable.

35. SCE's OEA estimating methodology is unreasonable because the methodology produces inconsistent results for identical activities, and because SCE has not objectively verified the accuracy and reliability of its OEA estimates.

36. Although the Commission established the policy that non-discretionary fees should be based on incremental costs, the Commission has not heretofore considered or approved the UDCs' incremental costing methodologies to ensure the Commission's policy is appropriately and consistently applied. Such a review would necessarily consider how cost data is gathered and used to develop fees, including, for example, the appropriate use of historical records versus time and motion studies versus OEA derived estimates.

37. UDC costing methodologies have implications for DA statewide, and should be considered in the Anticipated Proceeding that intends to examine the appropriateness of all of the UDCs' DA service fees and tariffs.

38. SCE's costing methodology used to develop the proposed service fees should not be approved.

39. SCE should be especially scrupulous in how it develops fees to be charged to its ESP competitors, and to its DA and other customers.

40. Before approving SCE's costing methodology, we should consider the appropriateness of charging ESPs for costs caused by end-use customers who directly contact the UDC.

41. DA and other services cannot be provided without paying the salaries and benefits, and providing A&G support for the employees providing DA services.

42. It is appropriate to reflect A&G costs in DA service fees.

43. Division overhead costs support the employees providing DA services, and a share of those costs should be included in DA service fees.

44. Excluding A&G and division overhead costs will understate the actual cost of providing DA services.

45. The A&G and division overhead loadings included in the service fees are similar to those applied to other SCE services, and are reasonable.

46. The inclusion of A&G and division overhead loadings does not result in a double collection of the costs for DA services because the revenue from the DA service fees will be included in OOR in SCE's next GRC.

47. Because D.03-01-072 dismissed A.99-06-040, SCE was not authorized in A.99-06-040 to eliminate the "subject to refund" requirement for interim discretionary fees, close the DADSCMA, or to begin charging service fees for non-discretionary services as requested in A.99-06-040.

48. SCE's currently effective Rule 22 tariff requires SCE to charge the net incremental costs associated with providing non-discretionary services to a memorandum account. Therefore, SCE continues to have an accounting reason for distinguishing between discretionary and non-discretionary services.

49. The Commission's efforts leading to retail competition for electricity and the DA program were designed to achieve customer choice and more effective competition in the electric industry.

50. If, in the Anticipated Proceeding, the Commission approves different procedures for obtaining approval to revise fees for discretionary and non-discretionary services, SCE could possibly be required to maintain separate discretionary and non-discretionary DA service tariffs.

51. The Commission has a continuing interest in differentiating discretionary and non-discretionary services, because the Commission has established a policy in favor of competition.

52. Minimizing customer confusion will help further the Commission's goals for a competitive electric industry.

53. Separate discretionary and non-discretionary DA service tariffs should help reduce confusion about which DA services ESPs and DA customers have choice in obtaining from alternate providers.

54. SCE's differing explanations for changing or eliminating the categorization of discretionary and non-discretionary DA services in this Application, A.99-06-040, and AL 1343-E underscore the need to consider this issue for all UDC tariffs in a wider forum, as anticipated by D.97-10-087.

55. SCE's request to eliminate the discretionary/non-discretionary categorization of DA service fees should be denied.

56. Because discretionary services are services for which there are sufficient providers to ensure customer choice, their elimination does not impede ESPs' ability to compete or to serve DA end-use customers in SCE territory. ESPs may provide these services themselves or obtain them from non-UDC providers.

57. SCE should be authorized to eliminate the discretionary billing and metering products and services as listed in Appendix A.

58. SCE should be authorized to file a Tier 2 advice letter to eliminate the discretionary billing and metering products and services as listed in Appendix A. SCE should file the advice letter within 60 days of the effective date of this decision. The advice letter should become effective upon approval by the Energy Division.

59. Permitting SCE to determine costs on a T/M (time and materials) basis each time Full/Partial Consolidated ESP Billing or Exception Services are provided does not ensure that those costs will be computed consistently or that the costs for these non-discretionary services will be priced at their recurring incremental costs in compliance with D.97-10-087. Instead, we prefer to consider specific rates for approval before they are charged to customers.

60. SCE's request to eliminate Full Consolidated ESP Billing services, Partial Consolidated ESP Billing, and Exception Services should be denied.

61. SCE's methodology, for the most part, appears to reduce subsidies between DA customers and bundled service customers. However, SCE's methodology does not adequately reduce cost shifting between DA users who cause costs to be incurred and those who SCE proposes should pay those costs.

62. Overstating or understating an OEA estimate will result in cross-subsidies between DA and other customers, with the direction of the cross-subsidy depending on whether DA costs were overstated or understated.

63. Because the accuracy of the OEA estimates is unknown, the extent of cross-subsidization between DA and other customers, too, is unknown.

64. We are not confident that the costs underlying the service fees are as accurate and reliable as we would prefer. However, because ESPs and DA customers can obtain discretionary services elsewhere we are less concerned with the accuracy of the costs underlying the fees for those services, the proposed additions and revisions to discretionary service fees should be approved.

65. SCE should be authorized to file a Tier 2 advice letter to add new fees and to revise existing fees for discretionary billing, and metering products and services as identified in Appendix A. SCE should file the advice letter within 60 days of the effective date of this decision. The advice letter should become effective upon approval of the Energy Division.

66. SCE's proposal to charge ESPs for customer requests made directly to SCE is inconsistent with its cost-causation principles which state that the individuals who cause the costs to the system should pay for those costs.

67. Because the customer is the cost causer when it contacts SCE to return to bundled service, the customer should be responsible for the cost resulting from its decision.

68. Consistent with provisions adopted by D.97-10-087 with respect to customer-initiated DASR disconnections, SCE's Disconnect DASR Fee should not be charged to ESPs when a customer chooses to return to bundled service.

69. The proposed Disconnect DASR fee does not comply with D.97-10-087 or the DA tariff and should not be approved.

70. SCE's proposal to charge ESPs for customer requested services in cases where a customer contacts SCE directly to request DASR services is inconsistent with its cost-causation principles.

71. The customer is the cost causer when the customer directly contacts SCE for DASR services.

72. When a customer contacts SCE directly to request DASR services, if DASR fees are eventually adopted, the applicable fees should be billed to the customer requesting the service.

73. Proposals to charge ESPs for end-use customer choices raise important policy issues that should be considered in a statewide context.

74. SCE's proposal to price ESP Termination services on a T/M basis does not ensure that these non-discretionary services will be priced at their recurring incremental costs and does not comply with D.97-10-087.

75. SCE's request to price ESP Termination services on a T/M basis should be denied.

76. If assigning costs to those who cause the cost is the principle to be followed, then it is irrelevant that ESPs and DA participants as a group will ultimately be charged the same aggregate amount.

77. Since all UDC customers were given the ability to choose as a result of the DA program, recovery of costs associated with the development of a DASR processing system and other DA start-up costs, to the extent they are eligible for recovery, are appropriately recovered from all customers.

78. To require only those that exercise their choice to pay all the costs of having choice would result in unreasonable service fees for non-discretionary services and would impede the efficient operations of the market.

79. SCE's argument concerning tracking system costs that would be passed to DA participants is inconsistent with the requirements of D.97-10-087.

80. SCE's reasoning that a predictable monthly fee for all ESPs is convenient for ESPs (because it allows ESPs and DA customers to contact SCE with credit and billing inquiries as needed without being charged for each contact regardless of the number of inquiries) is contrary to SCE's cost causation principles because some ESPs or their customers may make extensive use of credit or billing services or require billing or metering exceptions, while others will not use these or other services frequently or at all but will still pay the same monthly fee.

81. The proposed MAMF should not be approved because it does not comply with the requirements of D.97-10-087, and is not consistent with cost causation principles.

82. Fees for any services contained in the proposed MAMF should be considered in the Anticipated Proceeding where we expect to consider the appropriateness of non-discretionary costs.

83. Any proposed fees for services addressed by the components of the proposed MAMF should include only the incremental costs that recur each time a transaction is processed, and only those non-recurring costs that vary with the number of ESPs.

84. Any proposed fees for MAMF components should be consistent with cost causation. Fees for exception services should be proposed on a per occurrence basis to be applied when an exception is requested or required.

85. Until fees are approved for non-discretionary services, the incremental costs to provide these services may be booked to a memorandum account pending a Commission decision regarding the appropriateness of such costs and their recovery.

86. SCE should be required in its current GRC and future GRCs to remove the costs for non-discretionary DA services from bundled service customer rates.

87. SCE should be authorized, but not required, to file a Tier 2 advice letter to establish a memorandum account and subaccounts to track the costs of providing non-discretionary DASR services, voluntary and involuntary ESP Termination services, ESP Service Establishment services, CISR services, ESP Non-Energy Billing Receivables services, Meter Establishment services, and the non-discretionary services contained in the proposed MAMF services, pending further Commission action. If SCE chooses to establish a memorandum account or subaccounts for this purpose, SCE should file the advice letter within 60 days of the effective date of this decision. The advice letter should become effective upon approval of the Energy Division.

88. Authorization to establish a memorandum account is not a decision on the merits of any fees that may be developed for non-discretionary DASR services, voluntary and involuntary ESP Termination services, ESP Service Establishment services, CISR services, ESP Non-Energy Billing Receivables services, Meter Establishment services, or the costs for services addressed by the proposed MAMF.

89. Sending customers accurate price signals about the cost of their choices will help a competitive market develop.

90. Establishing a single monthly fee for several DA services is undesirable because all DA customers would pay the rate regardless of whether they use all of the DA services whose costs are included in the fee.

91. Bundling the costs for various services in a single mandatory MAMF will have a negative effect on DA customers, given the large proportion of DA service fee revenue it represents.

92. The effect of the proposed service fees on SCE's Other Operating Revenue is *de minimus*.

93. The proposed service fees do not affect SCE's revenue requirement.

94. Pursuant to GO 96-B, General Rule 5.1, SCE would be able to use the advice letter process to establish new DA service fees if this decision authorized it to do so. If the Commission were to grant such authority, those advice letters would be filed under Tier 3 and require Commission approval (*i.e.*, a Commission resolution) to become effective.

95. There are important differences between discretionary and non-discretionary services. Discretionary products and services are somewhat less controversial than are non-discretionary services because ESPs and customers have a choice not to purchase discretionary services from the UDC. If ESPs consider the UDC's price for discretionary services to be too high, ESPs can provide the service themselves or purchase products and services elsewhere at a lower cost.

96. The level of controversy concerning the fees for new DA services or products introduced through advice letters will depend in part on whether the services and proposed fees are discretionary or non-discretionary.

97. Considerable controversy already surrounds certain non-discretionary service fees, due to the impact that the fees can have on facilitating or impeding competition for electric services.

98. A matter that requires an evidentiary hearing may be considered only in a formal proceeding, and a utility may seek a rate increase via advice letter only if use of an advice letter for this purpose is authorized by statute or Commission order.

99. If fees for non-discretionary services exceed the incremental costs of providing the service, ESPs and their customers will pay more than they should. Such a result could discourage competition for electric services and send inaccurate price signals that non-discretionary services cost more than they actually do.

100. If a proposed new fee for a non-discretionary service is less than the incremental cost of providing that service the UDCs' bundled service customers could ultimately pay the shortfall, thereby unfairly subsidizing ESPs and DA customers and sending inaccurate price signals to the market that the non-discretionary service costs less than it actually does.

101. Because GO 96-B limits the advice letter process to requests that are expected neither to be controversial nor to raise important policy questions, the advice letter process is not appropriate for non-discretionary services.

102. SCE's request to use the advice letter process for establishing new service fees for non-discretionary services should be denied.

103. Requests for establishing new service fees for non-discretionary services should be made by formal application, either in GRCs or ratemaking applications.

104. Important policy concerns could arise with respect to new discretionary products and services. However, these issues are likely to be less frequent and less controversial.

105. Because technology changes rapidly and because we want new equipment to become available quickly, the advice letter process is appropriate for introducing new discretionary products and services.

106. Controversies may arise if interested parties contend a proposed new product or service is, in fact, non-discretionary, and as a result, whether the

advice letter process has been used appropriately. However, these questions should be resolved in the resolution addressing the advice letter.

107. SCE's request to use the advice letter process should be approved for establishing new discretionary products and services.

O R D E R

Therefore, **IT IS ORDERED** that:

1. The proposed discretionary service fees are adopted as indicated in Column D of Appendix A. Southern California Edison Company (SCE) is authorized to add the new fees and to revise existing fees for discretionary billing and metering products and services as indicated in Column D of Appendix A. SCE shall file a Tier 2 advice letter within 60 days of the effective date of this decision to add the new fees and to revise existing fees for discretionary billing and metering products and services listed in Appendix A. The advice letter shall become effective upon approval by the Energy Division.

2. SCE is authorized to eliminate those discretionary billing and metering products and services as indicated in Column D of Appendix A. SCE shall file a Tier 2 advice letter within 60 days of the effective date of this decision to eliminate those discretionary billing and metering products and services listed in Appendix A. The advice letter shall become effective upon approval by the Energy Division.

3. SCE request for approval of its costing methodology used to develop the proposed service fees is denied.

4. SCE's request for approval to eliminate the discretionary/non-discretionary categorization of DA and other service fees is denied.

5. SCE's request for approval to eliminate Full Consolidated Electric Service Provider (ESP) Billing services, Partial Consolidated ESP Billing, and Exception Services is denied.

6. SCE's request for approval of its proposed Direct Access Service Request (DASR) fees is denied.

7. SCE's request for approval to price ESP Termination services on a time and materials basis is denied.

8. Until fees are approved for the non-discretionary DASR services, voluntary and involuntary ESP Termination services, ESP Service Establishment services, CISR services, ESP Non-Energy Billing Receivables services, Meter Establishment services or the non-discretionary services contained in the proposed Monthly Account Maintenance Fee (MAMF), the incremental costs to provide these services may be booked to a memorandum account pending a Commission decision regarding the appropriateness of such costs and their recovery.

9. SCE is authorized to file a Tier 2 advice letter to establish a memorandum account and subaccounts to track the costs of providing non-discretionary DASR services, voluntary and involuntary ESP Termination services, ESP Service Establishment services, CISR services, ESP Non-Energy Billing Receivables services, Meter Establishment services, or the non-discretionary services contained in the proposed MAMF, pending further Commission action. If SCE chooses to establish a memorandum account or subaccounts for this purpose, SCE shall file the advice letter within 60 days of the effective date of this decision. The advice letter shall become effective upon approval of the Energy Division.

10. In its current GRC and future GRCs SCE shall remove the costs for non-discretionary DA services from bundled service customer rates, including costs

for Full Consolidated ESP Billing services, Partial Consolidated ESP billing services, Exception services, DASR services, voluntary and involuntary ESP Termination services, ESP Service Establishment services, CISR services, ESP Non-Energy Billing Receivables services, Meter Establishment services, and the non-discretionary services contained in the propose MAMF.

11. SCE's request for approval to use the advice letter process for establishing new service fees for non-discretionary services is denied.

12. SCE's request for approval to use the advice letter process for establishing new discretionary products and services is approved. SCE shall file a Tier 3 advice letter to request authority to establish new discretionary products or services.

13. The Energy Division shall convene and facilitate a meeting between SCE, AReM, CMTA, and other interested parties within sixty (60) days of the effective date of this decision to consider issues surrounding DA process improvements at SCE, including the timing for implementing any recommended improvements that may not be cost effective now at the currently low DA volumes but which may become cost effective if the suspension on enrolling new DA customers is lifted and the volume of transactions increases. Additional meetings should be scheduled thereafter, as appropriate. Participants shall not be compensated for their participation or reimbursed for their out-of-pocket expenses.

14. SCE, AReM and CMTA shall submit a joint report that identifies specific potential process improvements, proposes recommendations for SCE's DA process improvements, and recommendations for an ongoing process to consider possible future process improvements that reflect the needs and interests of all DA market participants in SCE territory. Participants may submit with the report their comments addressing any disagreements or reservations that

participants may have with any recommendations or other aspects of the report. The report shall be submitted in R.07-05-025 for consideration if, and when, Phase III of that proceeding is commenced.

15. Application 07-01-045 is closed.

This order is effective today.

Dated May 15, 2008, at San Francisco, California.

MICHAEL R. PEEVEY

President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners

Appendix A

Proposed and Approved Services and Fees

(A) Product/Service	(B) Current Fee	(C) Proposed Fee	(D) Adopted Fee ¹	(E) Category of Service
<u>ESP SERVICE ESTABLISHMENT FEES²</u>				
ESP Establishment Fee	New	\$747.00 per occ.	Not Approved	Non-discretionary
Credit Establishment Fee	New	\$221.00 per occ.	Not Approved	Non-discretionary
Electronic Data Exchange Testing Fee (hourly rate)	New	\$80.70 per occ.	Not Approved	Non-discretionary
<u>CUSTOMER INFORMATION SERVICE REQUEST (CISR) FEES³</u>				
Process Base CISR request	New	\$15.90 per occ.	Not Approved	Non-discretionary
Provide Cumulative Usage Data – Base	New	\$10.00 per occ.	Not Approved	Non-discretionary
Provide Cumulative Usage Data – per SA	New	\$0.52 per acct.	Not Approved	Non-discretionary
Provide Interval Usage Data – Base	New	\$5.87 per occ.	Not Approved	Non-discretionary
Provide Interval Usage Data – per SA	New	\$6.07 per acct.	Not Approved	Non-discretionary
<u>DIRECT ACCESS SERVICE REQUEST (DASR) FEES⁴</u>				
Connect DASR <20 kW	New	\$8.19 per occ.	Not Approved	Non-discretionary
Connect DASR >20 kW	New	\$16.80 per occ.	Not Approved	Non-discretionary
Disconnect DASR Fee	New	\$8.56 per occ.	Not Approved	Non-discretionary
Cancellation DASR Fee	New	\$8.22 per occ.	Not Approved	Non-discretionary
Reschedule DASR Fee	New	\$11.10 per occ.	Not Approved	Non-discretionary
Update DASR Fee	New	\$7.05 per occ.	Not Approved	Non-discretionary

¹ Adopted fees are approved as indicated in Column D, except for those fees previously approved in Res. E-3582.

² Services must be provided, but no fees may be charged for non-discretionary services except as authorized in Res. E-3582. Costs for non-discretionary services may be recorded in a memorandum account.

³ *Id.*

⁴ *Id.*

(A) Product/Service	(B) Current Fee	(C) Proposed Fee	(D) Adopted Fee ¹	(E) Category of Service
ESP to ESP Switch Fee	New	\$8.26 per occ.	Not Approved	Non-discretionary
<u>UDC CONSOLIDATED BILLING FEES</u>				
Bill by Mail Fee	\$0.63	\$0.18 per acct/mo.	\$0.18 per acct/mo.	Discretionary
Bill by Internet Fee	New	\$0.16 per acct/mo.	\$0.16 per acct/mo.	Discretionary
EDI VAN Charge Fee	New	\$0.26 per occ.	\$0.26 per occ.	Discretionary
Additional Page Charge Fee	New	\$0.26 per occ.	\$0.26 per occ.	Discretionary
Bill by EDI Fee	\$0.56	Remove	Remove	Discretionary
Summary by Mail Fee	\$0.69	Remove	Remove	Discretionary
Summary by Diskette Fee	\$0.56	Remove	Remove	Discretionary
<u>METER READING FEES</u>				
Meter and Data Management (MDMA) Service Fees				
IDR Meter MDMA Fees				
Zone 1	\$3.69	\$4.86 per acct/mo.	\$4.86 per acct/mo.	Discretionary
Zone 2	\$3.88	\$5.12 per acct/mo.	\$5.12 per acct/mo.	Discretionary
Zone 3	\$4.06	\$5.28 per acct/mo.	\$5.28 per acct/mo.	Discretionary
Zone 4	\$4.31	\$5.42 per acct/mo.	\$5.42 per acct/mo.	Discretionary
Zone 5	\$4.81	\$5.67 per acct/mo.	\$5.67 per acct/mo.	Discretionary
Unscheduled Meter Read Fees (Interval)				
Unscheduled Meter Read (IDR Meter)				
Zone 1	\$8.75	\$5.73 per occ.	\$5.73 per occ.	Discretionary
Zone 2	\$11.30	\$10.80 per occ.	\$10.80 per occ.	Discretionary
Zone 3	\$13.80	\$13.70 per occ.	\$13.70 per occ.	Discretionary
Zone 4	\$17.50	\$16.60 per occ.	\$16.60 per occ.	Discretionary
Zone 5	\$23.80	\$21.50 per occ.	\$21.50 per occ.	Discretionary
Unscheduled Meter Read (Cumulative Meter)				
Zone 1	New	\$4.46 per occ.	\$4.46 per occ.	Discretionary
Zone 2	New	\$9.50 per occ.	\$9.50 per occ.	Discretionary

(A) Product/Service	(B) Current Fee	(C) Proposed Fee	(D) Adopted Fee ¹	(E) Category of Service
Zone 3	New	\$12.50 per occ.	\$12.50 per occ.	Discretionary
Zone 4	New	\$15.30 per occ.	\$15.30 per occ.	Discretionary
Zone 5	New	\$20.30 per occ.	\$20.30 per occ.	Discretionary
3. Meter Data Posting Fee	New	\$0.25 per occ.	\$0.25 per occ.	Discretionary
<u>ESP TERMINATION OF SERVICE FEES</u> ⁵				
Voluntary Termination Fee	New	T/M	Not Approved	Non-discretionary
Involuntary Termination Fee	New	T/M	Not Approved	Non-discretionary
<u>MISCELLANEOUS FEES</u>				
Monthly Account Maintenance Fee	New	\$1.35 per acct/mo.	Not Approved	Non-discretionary
ESP Non-Energy Billing (NEB) Receivables Fee	New	\$5.79 per ESP/mo.	Not Approved	Non-discretionary
Special Services Request Fee ⁶	New	T/M	T/M	Discretionary
Miscellaneous Customer Notification Fee	\$0.41	\$0.46 per occ.	\$0.46 per occ.	Discretionary
<u>METERING FEES</u>				
IDR Meter Sales for Customer-Ownership Fees				
Basic I	\$490.00	\$194.00 per occ.	\$194.00 per occ.	Discretionary
Basic I with pulse	new	\$240.00 per occ.	\$240.00 per occ.	Discretionary
Basic I with modem	\$913.00	\$329.00 per occ.	\$329.00 per occ.	Discretionary
Basic I with pulse & modem	new	\$368.00 per occ.	\$368.00 per occ.	Discretionary
Advanced I	\$505.00	\$270.00 per occ.	\$270.00 per occ.	Discretionary
Advanced I with pulse	\$605.00	\$328.00 per occ.	\$328.00 per occ.	Discretionary

⁵ *Id.*

⁶ Fees shall not be applied to requests for non-discretionary services except as authorized in Res. E-3582. Costs for non-discretionary services may be recorded in a memorandum account.

(A) Product/Service	(B) Current Fee	(C) Proposed Fee	(D) Adopted Fee ¹	(E) Category of Service
Advanced I with modem	\$769.00	\$417.00 per occ.	\$417.00 per occ.	Discretionary
Advanced I with pulse & modem	\$828.00	\$455.00 per occ.	\$455.00 per occ.	Discretionary
Basic I+ special	\$584.00	Remove	Remove	Discretionary
Basic II+ with modem	\$1,923	Remove	Remove	Discretionary
Pulse Meter (includes installation)	\$1,228	Remove	Remove	Discretionary
Meter Installation Fees				
IDR Meter	\$119.00	\$232.00 per occ.	\$232.00 per occ.	Discretionary
IDR Meter with Pulse	\$119.00	\$300.00 per occ.	\$300.00 per occ.	Discretionary
IDR Meter with Modem	\$148.00	\$309.00 per occ.	\$309.00 per occ.	Discretionary
IDR Meter with Pulse and Modem	\$185.00	\$355.00 per occ.	\$355.00 per occ.	Discretionary
Basic I+ special	\$119.00	Remove	Remove	Discretionary
Basic II+ with modem	\$268.00	Remove	Remove	Discretionary
Advanced I	\$173.00	Remove	Remove	Discretionary
Advanced I (with Pulse Output)	\$173.00	Remove	Remove	Discretionary
Advanced I (with Modem)	\$185.00	Remove	Remove	Discretionary
Meter Establishment Fee²				
New		\$5.41 per occ.	Not Approved	Non-Discretionary
Meter Maintenance Service Fees				
IDR Meter Maintenance Service Fees for Billing Meters				
Basic I	\$5.94	\$2.30 per acct/mo.	\$2.30 per acct/mo.	Discretionary
Basic I with pulse	\$5.94	\$2.43 per acct/mo.	\$2.43 per acct/mo.	Discretionary
Basic I with modem	\$9.69	\$2.66 per acct/mo.	\$2.66 per acct/mo.	Discretionary
Basic I with pulse & modem	new	\$2.77 per acct/mo.	\$2.77 per acct/mo.	Discretionary

⁷ Services must be provided, but no fees may be charged for non-discretionary services except as authorized in Res. E-3582. Costs for non-discretionary services may be recorded in a memorandum account.

(A) Product/Service	(B) Current Fee	(C) Proposed Fee	(D) Adopted Fee ¹	(E) Category of Service
Advanced I	\$7.75	\$2.51 per acct/mo.	\$2.51 per acct/mo.	Discretionary
Advanced I with pulse	\$7.75	\$2.66 per acct/mo.	\$2.66 per acct/mo.	Discretionary
Advanced I with modem	\$10.40	\$2.90 per acct/mo.	\$2.90 per acct/mo.	Discretionary
Advanced I with pulse & modem	\$10.40	\$3.01 per acct/mo.	\$3.01 per acct/mo.	Discretionary
Basic I Special	\$3.94	Remove	Remove	Discretionary
Basic II+ (with Modem)	\$20.60	Remove	Remove	Discretionary
Pulse Meter	\$4.38	Remove	Remove	Discretionary
IDR Meter Maintenance Service Fees for Non-Billing Meters				
Basic I	New	\$3.39 per acct/mo.	\$3.39 per acct/mo.	Discretionary
Basic I with pulse	New	\$3.52 per acct/mo.	\$3.52 per acct/mo.	Discretionary
Basic I with modem	New	\$3.76 per acct/mo.	\$3.76 per acct/mo.	Discretionary
Basic I with pulse & modem	New	\$3.86 per acct/mo.	\$3.86 per acct/mo.	Discretionary
Advanced I	New	\$3.60 per acct/mo.	\$3.60 per acct/mo.	Discretionary
Advanced I with pulse	New	\$3.75 per acct/mo.	\$3.75 per acct/mo.	Discretionary
Advanced I with modem	New	\$3.99 per acct/mo.	\$3.99 per acct/mo.	Discretionary
Advanced I with pulse & modem	New	\$4.10 per acct/mo.	\$4.10 per acct/mo.	Discretionary
IDR Meter Test Fee				
Single Phase	\$110.00	Remove	Remove	Discretionary
Three Phase (kWh only)	\$128.00	Remove	Remove	Discretionary
Three Phase (kWh/kVARh)	\$203.00	Remove	Remove	Discretionary
Special IDR Meter Test	New	\$176.00 per occ.	\$176.00 per occ.	Discretionary
Meter Removal Service Fee				
Meter Removal Service Fee	\$123.00	\$119.00 per occ.	\$119.00 per occ.	Discretionary
Third Party Return of an SCE Meter Penalty Fee				
Third Party Return of an SCE Meter Penalty Fee	\$344.00 or Current Replacement Cost	Replacement Cost of the Removed Meter	Replacement Cost of the Removed Meter	Discretionary

(A) Product/Service	(B) Current Fee	(C) Proposed Fee	(D) Adopted Fee ¹	(E) Category of Service
Return to Third Party Single Phase Meter Fee	\$12.50	Remove	Remove	Discretionary
Return to Third Party 3 Phase Meter Fee	\$16.30	Remove	Remove	Discretionary
Meter Replacement with a Standard SCE IDR Meter Fee	New	\$228.00 per occ.	\$228.00 per occ.	Discretionary
Meter Replacement>200 kW & <500 kW	\$210.00	Remove	Remove	Discretionary
Meter Replacement>500 kW	\$268.00	Remove	Remove	Discretionary
Meter Replacement with Standard SCE Demand Meter Fee	New	\$185.00 per occ.	\$185.00 per occ.	Discretionary
Meter Replacement<200 kW	\$133.00	Remove	Remove	Discretionary
Engineering Estimate or Job Design Fee	New	\$44.00 per occ.	\$44.00 per occ.	Discretionary
Acceptance Testing of Customer-Owned Meters Fee	New	\$45.00 per occ.	\$45.00 per occ.	Discretionary
Incomplete Trip Fee	\$78.80	\$89.00 per occ.	\$89.00 per occ.	Discretionary
Investigation and Scheduling Fee	\$32.50	T/M	T/M	Discretionary
Material Handling Fee	\$28.80	T/M	T/M	Discretionary
Pulse Adapter Equipment and Installation Fee	New	\$245.00 per occ.	\$245.00 per occ.	Discretionary
Dual Socket Adapter Equipment and Installation Fee				
Dual Socket Adapter Device Fee	\$390.00	T/M	T/M	Discretionary

(A) Product/Service	(B) Current Fee	(C) Proposed Fee	(D) Adopted Fee ¹	(E) Category of Service
Dual Socket Adapter Device Installation Fee	\$368.00	T/M	T/M	Discretionary
A-Base Panel Equipment and Installation Fee	\$31.30	Remove	Remove	Discretionary
Temporary Metering Charge				
1 st Month	\$393.00	Remove	Remove	Discretionary
Each additional month	\$159.00	Remove	Remove	Discretionary
Partial Consolidated ESP Billing Service Fees⁸				
VAN Transmission of Data Charge	\$0.15	Remove	\$0.15	Non-Discretionary
EDI Bank Processing Charge	\$2.25	Remove	\$2.25	Non-Discretionary
EDI Van Fee for Payment Charge	\$2.75	Remove	\$2.75	Non-Discretionary
Daily Check for Payment Charge	\$73.80	Remove	\$73.80	Non-Discretionary
Full Consolidate ESP Billing Service Fees⁹				
Hourly Rate to Assist ESPs with Rates and Systems	\$106.00	Remove	\$106.00	Non-Discretionary
Billing Set-up and Ongoing Support	T/M	Remove	T/M	Non-Discretionary
Exception Services Fees¹⁰				
Retrieval of Account Information Charge	\$6.25	Remove	\$6.25	Non-Discretionary

⁸ Services must continue to be provided and charged as authorized by Res. E-3582. Costs for non-discretionary services may be recorded in a memorandum account.

⁹ *Id.*

¹⁰ *Id.*

(A) Product/Service	(B) Current Fee	(C) Proposed Fee	(D) Adopted Fee¹	(E) Category of Service
Routine Account Analysis Charge	\$12.50	Remove	\$12.50	Non-Discretionary
Complex Account Analysis Charge	\$56.30	Remove	\$56.30	Non-Discretionary
Resend File/Report Charge	\$18.80	Remove	\$18.80	Non-Discretionary
Investigate EDI Payments Charge	\$106.00	Remove	\$106.00	Non-Discretionary
Refund account credits due to overpayment EDI Charge	\$6.25	Remove	\$6.25	Non-Discretionary
Involuntary Billing Change Charge	\$10.00	Remove	\$10.00	Non-Discretionary

(End of Appendix A)