

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION\***

**RESOLUTION E-3525**

**MARCH 12, 1998**

**RESOLUTION**

**RESOLUTION E-3525. SOUTHERN CALIFORNIA EDISON COMPANY (SCE) SEEKS COMMISSION APPROVAL OF ITS PLAN TO REFUND TO CUSTOMERS DISALLOWANCES AND REFUNDS ORDERED BY THE COMMISSION. THE TOTAL AMOUNT TO BE REFUNDED IS APPROXIMATELY \$65 MILLION. SCE SHALL MAKE ITS REFUND USING THE CLASS AVERAGE REFUND ALLOCATION METHOD, AND SHALL NOT PROVIDE ANY OF THE REFUND TO SPECIAL CONTRACT CUSTOMERS WHO ARE SUPPLIED WITH ELECTRICITY AT OTHER THAN TARIFFED RATES.**

**BY ADVICE LETTER 1280-E, FILED ON JANUARY 2, 1998, AND  
ADVICE LETTER 1282-E, FILED ON JANUARY 12, 1998.**

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**SUMMARY**

1. By Advice Letter (AL) 1280-E, dated January 2, 1998, Southern California Edison Company (SCE) filed a proposed refund plan for disallowance amounts ordered by the Commission in D.97-12-040, related to the settlement of Canadian gas reasonableness issues between SCE and the Office of Ratepayer Advocates (ORA) in Application No. (A.) 93-05-044, et al. The total amount to be refunded is about \$61 million.
2. On January 12, 1998, SCE filed AL 1282-E with which SCE proposed its annual refund plan for amounts in its Electric Deferred Refund Account (EDRA), in compliance with D.96-12-025. In addition to the above SCE Canadian gas disallowance amounts, SCE proposes to refund to customers an additional \$4 million related to refunds from Pacific Gas and Electric Company (PG&E) ordered by the Commission in D.96-09-042 and D.96-08-033, as modified by D.96-12-027 and D.96-12-089. These refunds largely stem from the PG&E Canadian gas disallowance ordered by the Commission in D.94-03-050.
3. SCE requests approval of the refund plan to allow the refunds to be reflected in SCE customers' March 1998 bills and succeeding months, if necessary.
4. SCE requests that the refunds be based on an allocation of the refund to individual customers based on customers' average monthly energy usage for the period for 1997, as ordered in D.96-12-025.

5. A joint protest was filed against both AL 1280-E and 1282-E by ORA and The Utility Reform Network (TURN). There is no difference between the protest filed against AL 1280-E and that filed against AL 1282-E.

6. ORA/TURN's protest raises two points. First, ORA/TURN protested both ALs 1280-E and 1282-E on the grounds that SCE's refund allocation method is improper. ORA/TURN asserts that, while SCE uses a system average rate to allocate the refund to customers, the refund should first be allocated to customer classes in proportion to the revenues received by SCE from each customer class. Then, the class' refund should be allocated to customers within the class on an equal cents per KWH for the class. Second, ORA/TURN argues that discounted special contracts customers should be excluded from the refund because the price which these customers pay to SCE does not depend on SCE's costs, but is based on a bypass alternative.

7. In reply to the ORA/TURN protest, SCE states that its refund methodology is equitable because its refund allocation methodology provides a fairer compensation for customers' past overpayments. SCE also states that its refund allocation methodology has been used to allocate previous SCE refunds. Finally, SCE agrees with ORA and TURN that refunds should not be made to special contract customers who are supplied with electricity at other than tariffed rates.

8. ORA/TURN's protest is granted. We adopt the "class average" refund allocation methodology as a general EDRA refund allocation methodology for SCE. We also order that special contract customers who are supplied with electricity at other than tariffed rates not receive any of this or future EDRA refunds.

9. The EDRA refund plans proposed by SCE in ALs 1280-E and 1282-E shall be modified. SCE shall make its EDRA refund using the class average refund allocation methodology, and shall not provide any of the EDRA refund to special contract customers.

10. SCE shall make the EDRA refund in customers' March and April 1998 bills.

11. SCE shall provide a report summarizing the refund within 60 days of completion of the refund to the Director of the Energy Division.

## **BACKGROUND**

1. In D.96-12-025, the Commission established the EDRA for the three major California electric utilities to ensure that disallowances and certain refunds would be credited to electric customers directly rather than be used simply as an offset to electric transition costs. The Commission ordered that refunds be made through an annual refund, be based on each customer's average monthly electric usage for the prior calendar-year period, and

be returned in accordance with a refund plan filed by advice letter on or before January 31 of the succeeding year.

2. On December 20, 1996, SCE filed AL 1208-E, which established an EDRA for SCE, in compliance with D.96-12-025. That AL went into effect on its own motion.

3. On January 31, 1997, SCE filed its first annual EDRA advice letter, AL 1218-E, in compliance with D.96-12-025. SCE reported that no amounts were in the EDRA as of December 31, 1996, so no amounts were actually proposed for refund at that time. However, SCE proposed a refund plan, which included the same "system average rate" refund allocation method as in its current ALs 1280-E and 1282-E. AL 1218-E also went into effect on its own motion.

4. The amounts in SCE's current EDRA largely result from a disallowance ordered by the Commission in D.97-12-040. In that decision, the Commission found that a settlement between ORA and SCE resolving Canadian gas reasonableness issues in A.93-05-044, et al., was reasonable.

5. The basic elements of the settlement included:

- a \$39 million disallowance for Canadian gas costs incurred through December 31, 1996;
- a disallowance of \$257,000 per month for each of the four gas supply contracts at issue in the reasonableness review, for Canadian gas costs beginning after January 1, 1997 and continuing until each of the commodity contracts is terminated;
- a cost sharing mechanism in lieu of reasonableness review, whereby shareholders would absorb at least 20% of the termination or restructuring costs associated with the Canadian supply and transportation contracts at issue in the reasonableness review and at least 5% of the termination or restructuring costs associated with SCE's El Paso transportation contract.

6. The SCE Canadian gas disallowance amounts in SCE's EDRA balance at the end of 1997 which are being included with the refund plan proposed in ALs 1280-E and 1282-E include:

- \$13.4 million including interest to reflect 7% of the total Canadian gas supply and transportation contract termination costs of \$185.4 million incurred by SCE and recorded in the ECAC balancing account in 1997;
- \$41.6 million including interest for the \$39 million disallowance of gas costs through December 31, 1996;
- \$6.0 million including interest to reflect the disallowance of \$257,000 per month in equivalent payments for each of the four Canadian gas contracts beginning January 1, 1997 until the termination or buy-out of the four contracts.

The above amounts total \$61.0 million.

7. The first item noted directly above includes only 7% of the total Canadian gas contract termination costs because the settlement provided that only 7% of the contract termination, buy-down, or buy-out costs need be credited to the SCE EDRA. The settlement also provides that 87% of the termination costs could be recorded in the CTC and/or ECAC Balancing Account or successor recovery mechanism. The EDRA amount was then removed from the ECAC balancing account. Thus, at least 20% of these costs will be borne by SCE shareholders.

8. The contract termination costs of \$185 million are largely related to SCE's payment of \$80 million to PG&E for termination of the SCE transportation service contract on the PG&E Expansion, and additional termination payments of over \$90 million related to SCE's capacity holdings on the Alberta Natural Gas Pipeline and the Pacific Gas Transmission Pipeline. The remaining termination amounts are related to the Canadian gas supply contracts. SCE ratepayers pay for up to 80% of these termination costs.

9. In addition to the above amounts, SCE states that its EDRA also includes \$4.011 million including interest for refunds received from PG&E as ordered in D.96-02-074, and subsequent decisions. In D.96-02-074, the Commission found that the core portion of a PG&E disallowance refund should be made, as a one-time refund in core customers' March 1996 bill, based on terms billed over the March 1995 through January 1996 period. (This PG&E refund was related to the PG&E 1988-90 Canadian gas disallowance ordered by the Commission in D.94-03-050.) However, the Commission decided to address the refund for core transportation and core-elect customers at a later time.

10. In D.96-09-042, the Commission ordered the refund of the disallowed 1988-90 dollars allocated to the PG&E UEG Department, non-UEG core elect customers, and core transport customers. In that decision, we approved a PG&E-proposed refund plan for non-UEG core elect and core transport customers whereby the refund would be made by a one-time refund.

11. In PG&E AL 1973-G-A, filed December 23, 1996, PG&E proposed its refund plan for core elect and core transport customers for their share of the PG&E 1988-90 disallowance. The Energy Division concurred with the refund plan proposed in this advice letter, in a letter to PG&E dated March 26, 1997. Core elect and core transport customers were to receive their refunds in their April 1997 bills. SCE's portion of this refund was \$3.719 million. SCE has included this amount plus accumulated interest in its EDRA refund plan.

12. In D.96-08-033, the Commission conditionally approved a settlement (the "\$67 million settlement") between the Division of Ratepayer Advocates (DRA, the former name for ORA) and PG&E, which essentially disallowed \$67 million, mainly to resolve Canadian gas issues in the post-1990 period. (Final approval of the settlement was withheld until PG&E and DRA agreed to include interest in the disallowed amount.)

13. In D.96-12-027, we also required that the portion of the disallowed amounts to be returned to PG&E's retail electric customers be credited to the EDRA if the settlement was to be approved.

14. In D.96-12-089, the Commission adopted the modified settlement after PG&E and DRA agreed to include interest in the disallowed amount, and that the portion to be refunded to PG&E's electric customers would be credited to the PG&E EDRA. In that decision, we also ordered the non-UEG noncore portion of the settled amount to be refunded to noncore customers other than PG&E's electric department within 45 days of that decision. On January 10, 1997, PG&E filed AL 2000-G to propose a refund plan for this amount. The same Energy Division letter which concurred with the refund plan for PG&E AL 1973-G-A also concurred with the refund plan for AL 2000-G. SCE's share of this refund was \$111,000. SCE has included this amount plus accumulated interest in its EDRA refund plan.

15. SCE booked its PG&E refunds to its EDRA in May 1997. The total EDRA balance for these refunds at the end of 1997, including franchise fees and uncollectibles was \$4.011 million.

16. On February 19, 1997, the Commission issued Resolution E-3480, which conditionally adopted a PG&E EDRA refund plan proposed for its UEG Department in PG&E AL 1644-E-A. The refund plan adopted by the Commission in Resolution E-3480 used a "class average refund methodology", discussed below.

17. On March 20, 1997, the San Francisco Bay Area Rapid Transit District (BART) filed an Application for Rehearing or Modification of Resolution E-3480 (A.97-03-041). BART asserted that Resolution E-3480 had erroneously rejected BART's protest of AL 1644-E, and had adopted a refund plan which was not in compliance with D.96-12-025.

18. In AL 1644-E, PG&E had calculated the refund amount by first allocating the amount to be refunded to each customer class in proportion to the revenues collected from each class for the period March 1996 through February 1997. PG&E then distributed the class allocations to customers based upon each customer's March 1996 through February 1997 electric usage. BART asserted that this method was not in compliance with D.96-12-025 since D.96-12-025 simply ordered that usage should be the basis for the refund amount. A refund plan based strictly on energy usage increased BART's refund amount by about \$32,000.

19. PG&E and BART settled this issue in the fall of 1997, and BART sent a letter to the ALJ withdrawing its application for rehearing. The parties also agreed that the settlement was not precedential.

20. PG&E filed AL 1729-E on January 2, 1998 to comply with D.96-12-025. With that AL, PG&E proposed a refund plan for amounts in its EDRA at the end of 1997.

21. In its refund plan, PG&E proposed two alternative methods for allocating the refund to customers, discussed below. PG&E proposed its preferred method, the "class average" refund allocation method, as well as an alternative method, the "system average rate" method.

22. On January 2, 1998, PG&E filed a Petition to Modify D.96-12-025. As part of its Petition, PG&E requested that the Commission modify D.96-12-025, and adopt the class average refund allocation method for PG&E's EDRA refunds.

23. On January 21, 1998, the Commission issued D.98-01-056, in which we modified D.96-12-025 and ordered that PG&E specifically use the class average refund allocation method in making its EDRA refunds. We found that those customers with higher cost responsibilities on an aggregate basis should receive a greater proportion of the EDRA refund. However, we did not specifically order that SCE or SDG&E use that methodology for their EDRA refunds.

24. SCE provides service to a number of customers under special discounted contracts. The rates paid under these contracts are not tariffed rates. Such contracts have been authorized by the Commission in several decisions, for example D.95-06-055, in order to allow electric utilities the opportunity to retain service to certain customers who had bypass alternatives by offering economically attractive rates.

25. SCE has sixteen special contract customers. In 1997, those customers received 987,000 MWh from SCE.

### **NOTICE**

1. Public notice of AL 1280-E and 1282-E was made by publication in the Commission calendar, and by SCE mailing copies of the filing to interested parties on the mailing list attached to its advice letters.

### **PROTESTS**

1. A protest was filed by ORA and TURN jointly to both AL 1280-E and 1282-E on January 21, 1998.

2. ORA and TURN state two reasons for their protest. First, they argue that SCE's refund should be initially allocated to customer classes based on the amount of revenues SCE has received from those classes, and then the class' refund should be allocated to customers within the class based on the class average equal cents per kWh. ORA and

TURN argue that this is equitable, and is the most reasonable way to meet the requirements of Public Utilities Code Section 453.5.<sup>1</sup>

3. ORA/TURN also note that such a refund allocation method was just approved by the Commission for PG&E's 1998 EDRA refund at the Commission's January 21, 1998 conference. SCE's proposed refund plan employs a system average rate refund method.

4. Second, ORA and TURN argue that refunds should only be made to tariffed customers, and not to any special contract customer who is supplied with electricity at other than tariffed rates.

5. SCE filed a response to the ORA/TURN protest on January 28, 1998. In its response, SCE states that its proposal to allocate the refunds on an equal cents per kWh basis, with a relatively greater amount being allocated to the large customer groups, "...is equitable because these customers paid a disproportionate share of the amount to be refunded due to the fact that the EPMC [Equal Percent of Marginal Cost] allocation used to set rates was based on an overestimated gas price." SCE asserts that if a lower forecasted gas price had been used in the past in setting EPMC allocation factors, larger customers would have seen a larger reduction in rates than smaller customers.

6. SCE asserts that the Commission did not consider these concerns in its recent decision to adopt a "class average" refund allocation method for PG&E's EDRA refunds in D.98-01-056. SCE also notes that the Commission has adopted a system average rate methodology for a refund of an ECAC balancing account overcollection in D.96-02-071 and in a subsequent refund ordered in D.96-07-055.

7. SCE also notes that its initial EDRA advice letter filing, AL 1218-E, included a proposed system average rate refund methodology, and asserts that "...the Commission approved the filing effective March 12, 1997 pursuant to a letter from Kevin Coughlan, Chief, IMC Branch, Energy Division."

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<sup>1</sup> Public Utilities Code Section 453.5 states that "Whenever the commission orders rate refunds to be distributed, the commission shall require public utilities to pay refunds to all current utility customers, and, when practicable, to prior customers, on an equitable pro rata basis without regard as to whether or not the customer is classifiable as a residential or commercial tenant, landlord, homeowner, business, industrial, educational, governmental, nonprofit, agricultural, or any other type of entity. For purposes of this section, 'equitable pro rata basis' shall mean in proportion to the amount originally paid for the utility service involved, or in proportion to the amount of such utility service actually received. Nothing in this section shall prevent the commission from authorizing refunds to residential and other small customers to be based on current usage."

8. Finally, SCE "...agrees with ORA/TURN that EDRA refunds should not be made to special contract customers who are supplied with electricity at other than tariffed rates."

### DISCUSSION

1. On January 2, 1998, SCE filed AL 1280-E in compliance with D.97-12-040. AL 1280-E submits a refund plan for amounts related to a settlement between ORA and SCE which we adopted in that decision. The settlement mainly concerned reasonableness issues related to SCE's Canadian gas supply and transportation costs.

2. On January 12, 1998, SCE filed AL 1282-E in compliance with D.96-12-025. AL 1282-E submits a refund plan for amounts in SCE's EDRA as of the end of 1997.

3. The amounts in the SCE EDRA mainly include the disallowance we ordered in D.97-12-040 related to SCE Canadian gas supply and transportation costs, but also include other relatively smaller amounts for refunds received from PG&E for amounts related to PG&E disallowances we ordered in D.94-03-050 and D.96-12-089.

4. SCE and ORA/TURN agree that special contract customers who are supplied electricity at other than tariffed rates should not receive any of the EDRA refund. We also see no reason why such customers should receive any of the refund.

5. The only dispute we need to resolve here with regard to the SCE EDRA refund plan is the appropriate refund allocation method to use.

6. In D.96-12-025, we ordered the subject utilities to base EDRA refunds "...on each customer's average monthly energy usage for each [prior] calendar-year period."

7. In Resolutions E-3480 and E-3520, we approved PG&E EDRA refund plans which used the "class average" refund allocation method.

8. In Resolution G-3019, we approved another PG&E refund plan which used the "class average" method.

9. PG&E stated in its AL 1729-E, filed on January 2, 1998, that it could make the allocation of its 1998 EDRA refund in at least two ways: a) under what may be referred to as the "class average" allocation method, it could first allocate the total refund to customer classes in proportion to the revenue billed for each customer class, and then within each class allocate the refund based on each customer's average monthly energy usage for a twelve-month period, or b) it could allocate the total refund based on a system-wide per kilowatt-hour refund rate that applies to all customer classes. The latter method may be referred to as the "system average rate" method.



10. PG&E indicated that it favored the first methodology, based on the rationale that the allocation of refunds should be consistent with the allocation of costs to the established customer classes. PG&E asserted that "this is the traditional method for disbursement of refunds to customers and the Commission has on several occasions approved refund plans following these principles."

11. A PG&E Petition for Modification of D.96-12-025, filed on January 2, 1998, sought clarification on how EDRA refunds should be allocated to the various customer classes. In D.98-01-056 we modified D.96-12-025 and ordered PG&E to: a) allocate the total 1998 EDRA amount to be refunded to each customer class in proportion to revenues billed for each customer class during the period February 1997 through January 1998, and b) within each customer class, calculate individual customer refunds based on each customer's average monthly energy usage for the period February 1997 through January 1998. That is, we adopted the "class average" refund allocation method for PG&E EDRA refunds. That decision did not specifically order that the class average refund allocation method be used by SCE and SDG&E.

12. In our decision ordering that the EDRA be established, D.96-12-025, we stated that the EDRA refund plans should use the refund methodology established in D.96-02-071. The methodology established in D.96-02-071 indicated that a Southern California Edison ECAC overcollection was to be made essentially using a "system average rate" methodology.

13. In D.96-07-055, we ordered that a refund related to a settled disallowance amount related to the Mohave Generating Station accident in 1985 be calculated "...in the same manner that Edison calculated its June 1996 refund related to the Energy Cost Adjustment Clause balancing account." The June 1996 refund is the one which was ordered in D.96-02-071.

14. In its reply to ORA/TURN's protest, SCE asserts that the Commission approved its AL 1218-E effective March 12, 1997, which included a system average rate EDRA refund allocation method. The Investigations, Monitoring, and Compliance Branch of the Commission's Energy Division did send SCE a letter stating that "We are returning one copy of approved Advice Letter 1218-E effective March 12, 1997." While the Energy Division did send SCE a letter notifying the Company that AL 1218-E became effective on March 12, 1997, this did not necessarily indicate Commission approval of the refund methodology set forth therein, and the Energy Division action had no impact on any customer since no refund was to be made with that advice letter in any case.

15. PU Code Section 453.5 was established in 1977. In the 1980's, we established Equal Percent of Marginal Cost (EPMC) rate design methodology as an equitable method by which public utility customers would pay for their cost responsibilities. This resulted in some customer classes paying more for electricity than other customer classes. For

example, residential and small commercial customers pay higher rates than large industrial customers.

16. The bulk of the SCE EDRA balance is related to Canadian gas costs incurred by SCE during the period November 1993 through the end of 1997. The remainder of the EDRA balance is related to contract termination costs incurred in 1997, and to gas costs paid to PG&E during the period 1988 through the early 1990's.

17. In its reply to ORA/TURN, SCE agrees that the gas costs which are now being refunded were originally allocated to rate groups based on the EPMC methodology. However, SCE argues that the EPMC allocation factors used to establish rates were themselves a function of forecast gas costs, and if forecast gas costs had been lower (reflecting a lower, reasonable cost of gas), the EPMC allocation factors would have been different, and the corresponding revenues paid by rate groups would also have been different. With these different EPMC allocation factors, SCE asserts that larger customers would have seen a larger reduction in rates relative to the reduction in rates paid by residential and small commercial customers. Therefore, according to SCE, it is equitable now to base the EDRA refund on a system average rate, and give a larger relative refund to large customers than the class average method would indicate.

18. The Energy Division has found that the EPMC marginal energy cost allocation factors were calculated using several different methods for SCE during the 1993 to 1997 period. The gas price used to calculate the marginal energy cost has been generally adopted for SCE in SCE's annual ECAC proceedings. For 1993, in D.93-01-027, we used a gas price based on a joint recommendation by DRA and SCE. For 1994, in D.94-01-040, we employed a settled forecast of SCE's total gas price, which represented a compromise of parties' positions. For 1995, in D.94-12-046, we used a forecast based on SCE's average gas costs from all sources. For 1996, in D.96-02-071, we initially adopted a settlement, but then in D.96-04-050, we adopted a gas price based on forecasted Permian basin prices, and forecasted El Paso brokering prices. This latter price has been used for 1997 as well.

19. SCE asserts that, if SCE's actual Canadian gas costs had been lower and reasonable, this would have resulted in a corresponding change in the EPMC allocation factors used to calculate rates. This assertion appears to be speculative at best. For one thing, the EPMC allocation factors were based on forecasts and not actual gas costs, so it is difficult to now say whether the forecasts would have been noticeably decreased if SCE's actual Canadian gas costs had been lower, or if SCE's Canadian contracts had been structured differently. Second, the forecasted gas price used in calculating the EPMC allocation factors in past years were not directly based on Canadian gas prices, in some years were based on settled prices, and for some time were based on entirely different, e.g. Permian, prices. Third, 21% of the EDRA balance is related to contract termination costs incurred in 1997, when a Permian gas price was used to calculate the marginal energy cost. Finally, 6% of the EDRA refund amount is not related to disallowances of SCE gas

costs, but are related to refunds received in 1997 from PG&E for gas costs as far back as 1988. It is speculative that the expectation of slightly lower gas costs from PG&E would have had any impact on forecasted gas prices for use in the marginal energy cost.

20. According to an SCE response to an Energy Division data request, "domestic" customers would receive about \$5.4 million more under the class average refund allocation method, while large power customers would receive \$5.5 million less, compared to using the system average rate method.

21. No general refund method is likely to be perfect for all circumstances. Indeed, our refunds are allocated to current customers based on the usage over the last year, rather than to those individuals or businesses who were customers when most of the unreasonable costs were incurred, based on their usage at the time.

22. We have approved different refund methodologies for different utilities at different times. Both the "system average rate" method and the "class average" method have merits. However, as we recently found in D.98-01-056, the "class average method" allocates refunds back to customers in proportion to the amount of revenue they have paid to the utility, and those customers with higher cost responsibilities on an aggregate basis should receive a commensurately greater proportion of the EDRA refund. On the whole, we believe that the class average refund method is the most equitable means by which to allocate SCE's EDRA refunds, and the most appropriate method to use to meet the requirements of PU Code Section 453.5.

23. In response to an Energy Division data request, SCE indicated that an additional \$6.7 million was paid in 1997 to its four Canadian gas suppliers related to "audit costs". These costs were not included in the costs which SCE indicated were related to "contract termination", and so have not been included in the EDRA balance. SCE explained to the Energy Division in a subsequent phone conversation that these costs were gas costs paid in order to resolve various audit issues related to the four gas supply contracts. We do not yet have enough information to know if some of these "audit costs" were essentially traded off against "termination costs" during contract termination negotiations. We expect that these costs, along with all of the contract termination payments, will be examined in SCE's 1998 reasonableness review.

## **FINDINGS**

1. SCE filed AL 1280-E on January 2, 1998 requesting approval of its proposed refund plan for amounts related to a settlement between ORA and SCE which we adopted in D.97-12-040. The settlement mainly concerned reasonableness issues related to SCE's Canadian gas supply and transportation costs.

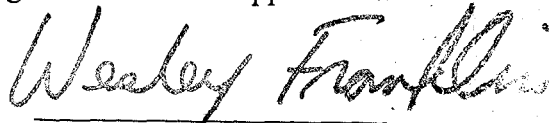
2. On January 12, 1998, SCE filed AL 1282-E in compliance with D.96-12-025. AL 1282-E submits a refund plan for amounts in SCE's EDRA as of the end of 1997.

3. The amounts in the SCE EDRA mainly include the disallowance we ordered in D.97-12-040 related to SCE Canadian gas supply and transportation costs, but also include other relatively smaller amounts for refunds received from PG&E for amounts related to PG&E disallowances we ordered in D.94-03-050 and D.96-12-089.
4. ORA and TURN filed a joint protest of both AL 1280-E and 1282-E. ORA and TURN recommend that: a) SCE make its EDRA refund using the class average refund allocation method, and b) no refund should be given to special contract customers who are supplied with electricity at other than tariffed rates.
5. SCE agrees with ORA and TURN that special contract customers should not receive any of the EDRA refund. SCE argues that its system average rate refund allocation method is equitable, because lower past gas price forecasts would have resulted in different EPMC allocation factors. This would have caused rates for large customers to decrease to a relatively greater degree than for smaller customers.
6. It is speculative that slightly lower actual Canadian and PG&E gas costs would have ultimately resulted in a change in past rates which would warrant the use of the system average rate refund allocation method.
7. In D.98-01-056, we found that customers with higher cost responsibilities on an aggregate basis should receive a commensurately greater portion of the EDRA refund, and ordered that PG&E make its EDRA refunds using the class average method.
8. The joint protest of ORA and TURN concerning the refund allocation method should be granted. The joint protest of ORA and TURN concerning special contract customers is moot, since SCE has agreed that such customers should not receive any of the EDRA refund.
9. SCE should make its EDRA refund using the class average refund allocation method, and should not allocate any of the refund to special contract customers.

**THEREFORE, IT IS ORDERED THAT:**

1. The refund plans proposed in SCE AL 1280-E, filed on January 2, 1998, and SCE AL 1282-E, filed on January 12, 1998 shall be modified as follows: a) SCE shall make its EDRA refund using the class average refund allocation method, and b) SCE shall not provide any of the EDRA refund to special contract customers who are supplied with electricity at other than tariffed rates.
2. SCE shall refund to its retail electric customers the EDRA amounts, including interest through the date of the refund, in customers' March and April 1998 bills.
3. The joint protest of ORA and TURN is granted with respect to the use of the class average refund allocation method. Their protest concerning refunds for special contract customers is moot, since SCE has agreed that such customers should not receive any of the EDRA refund.
4. SCE shall provide a report summarizing the refund within 60 days of completion of the refund to the Director of the Energy Division.
5. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 12, 1998. The following Commissioners approved it:



WESLEY M. FRANKLIN  
Executive Director

Richard A. Bilas, President  
P. Gregory Conlon  
Jessie J. Knight, Jr.  
Henry M. Duque  
Josiah L. Neeper  
Commissioners