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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Authority to Increase Rates for its Class C Catalina Water Utility and Recover Costs from Water and Electric Customers.

Application 20-10-018

AMENDED COMMISSIONER'S SCOPING MEMO AND RULING

This Amended Memo and Ruling sets forth the issues, need for hearing, schedule, category, and other matters necessary to scope this proceeding pursuant to Public Utilities (Pub. Util.) Code Section 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure (Rules).

1. Procedural Background

On October 30, 2020, Southern California Edison Company (SCE) filed the instant application (Application) for approval of a Test Year 2022 general rate case (GRC) for its Santa Catalina Water utility (Catalina Water). The Application seeks recovery of costs from Catalina Water customers and system-wide electric customers. The Application proposes to recover these costs via phased-in increases in Catalina Water customer rates, as well as collecting \$28.969 million from SCE electric customers. The Utility Reform Network (TURN), a group of Catalina businesses (Catalina Parties), and the Commission's Public Advocates Office (Cal Advocates) filed protests to the Application.

A prehearing conference (PHC) was held on January 7, 2021, to address the issues of law and fact, determine the need for hearing, set the schedule for

resolving the matter, and address other matters as necessary. An initial Scoping Memo was issued January 29, 2021 (Scoping Memo) and required that the parties file preliminary briefing on the limited issue of SCE's proposal to recover Catalina water utility costs from its electric ratepayers. Opening briefs on this issue were filed March 5, 2021, and reply briefs were filed March 19, 2021, by all parties. A public participation hearing was held virtually on March 30, 2021. On May 27, 2021, the assigned Administrative Law Judge (ALJ) issued a ruling instructing SCE to provide testimony on alternative cost recovery proposals by August 5, 2021, given the outstanding question of Commission authority to grant cost recovery in the manner proposed by SCE. Following a granted request for extension by SCE, supplemental testimony with additional alternatives was served August 19, 2021. Reply testimony was served October 19, 2021 by TURN, the Catalina Parties, and Cal Advocates. Rebuttal testimony was served by SCE on December 3, 2021. Evidentiary Hearings were held from February 24 to March 7, 2022.

2. Issues

The issues to be determined or otherwise considered are as follows:

- A. Whether SCE's requested revenue requirement for Catalina Water is reasonable;
 - i. Whether SCE's forecast for its operation and maintenance and administration and general expenses is reasonable;
 - ii. Whether SCE's proposed additions to plant are necessary, accurate, reasonable, and justified;
 - iii. Whether SCE's forecast of rate base is reasonable;
 - iv. Whether SCE's costs recorded in two drought-related memorandum accounts (The Catalina Water Rationing Memorandum Account, and the Catalina Water Lost Revenue Memorandum Account) are reasonable;

- v. Whether SCE has established the reasonableness of the historical water capital expenditures it seeks to recover; and
 - vi. Whether any other costs should be added to SCE's revenue requirement or otherwise addressed in this proceeding.
- B. With respect to SCE's proposal to recover water utility costs from its electric utility customers:
- i. Does the Commission have the authority to charge SCE's water utility service costs to SCE's electric utility customers who do not receive said water service?
 - ii. If the Commission does have the authority to charge these water utility service costs to its electric utility customers who do not receive said water service, should the Commission allow SCE to charge its electric utility customers for Catalina Island's water service, and what would be the reasonable amount; and
 - iii. Whether SCE's proposed "Deferred revenue requirement tracking account," a five-year phased in recovery mechanism, is reasonable.
- C. Which cost recovery approach for Catalina Island Water utility costs should be adopted?
- i. What cost recovery approaches should be considered other than SCE's proposal to recover water utility costs from Catalina Island water utility customers and SCE's electric utility customers; and
 - ii. Which cost recovery approach for Catalina Island water utility costs should be adopted?
- D. Whether SCE's proposed rates for the Test Year and Escalation Years are just and reasonable;
- i. Whether SCE's forecast for water sales is reasonable;
 - ii. Whether SCE's proposed rate design is reasonable;
 - iii. Whether a proposed Tier-1 breakpoint to promote affordable rates is reasonable; and

iv. Whether the proposed California Alternate Rates for Energy (CARE) increase is reasonable.

E. Whether SCE's proposed transition from Water Revenue Adjustment Mechanism (WRAM) to a Monterey-style, incremental cost balancing account (ICBA) is reasonable.

3. Schedule

Since Evidentiary Hearings have concluded, the proceeding schedule for the remainder of the proceeding is amended as shown below and may be modified by the ALJ as required to promote the efficient and fair resolution of the Application:

Event	Date
Briefing Outline Due	April 1, 2022
Opening Briefs	May 13, 2022
Reply Briefs	June 10, 2022
Water Division Technical Conference	Targeted for July 2022
Proposed Decision	Targeted for September 2022

Based on this schedule, the proceeding will require additional time to complete beyond April 30, 2022, the 18 months deadline as required by Pub. Util. Code Section 1701.5. The statutory deadline for this proceeding is therefore extended until March 30, 2023.

4. Alternative Dispute Resolution (ADR) Program and Settlements

On February 9, 2022, SCE provided notice to the service list that the parties had met and conferred as required by Commission's Rules 13.9(a). Although the parties so far have been reluctant to consider settlement, the parties should consider utilization of the Commission's ADR program, which offers mediation, early neutral evaluation, and facilitation services, and uses ALJs who have been

trained as neutrals. At the parties' request, the assigned ALJ can refer this proceeding to the Commission's ADR Coordinator. Additional ADR information is available on the Commission's website.¹

Any settlement between parties, regarding all or some of the issues, shall comply with Article 12 of the Rules and shall be served in writing. Such settlements shall include a complete explanation of the settlement and a complete explanation of why it is reasonable in light of the whole record, consistent with the law and in the public interest. The proposing parties bear the burden of proof as to whether the settlement should be adopted by the Commission.

5. Category of Proceeding and *Ex Parte* Restrictions

As noted in the January 29, 2021 Scoping Memo, this is a ratesetting proceeding. As this is a ratesetting matter, *ex parte* communications remain restricted and must be reported pursuant to Article 8 of the Rules.

6. Public Outreach

Extensive outreach has been conducted for this proceeding, including the holding of public participation hearings. The Commission will continue to focus on receiving public comment going forward, especially on any proposed decision.

7. Response to Public Comments

Parties may, but are not required to, respond to written comments received from the public. Parties may do so by posting such response using the "Add Public Comment" button on the "Public Comment" tab of the online docket card for the proceeding.

¹ See Decision (D.) 07-05-062, Appendix A, § IV.O.

8. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao/> or contact the Commission's Public Advisor at 1-866-849-8390 or 1-866-836-7825 (TTY), or send an e-mail to public.advisor@cpuc.ca.gov.

9. Filing, Service, and Service List

The official service list has been created and is on the Commission's website. Parties should confirm that their information on the service list is correct and serve notice of any errors on the Commission's Process Office, the service list, and the ALJ. Persons may become a party pursuant to Rule 1.4.

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocol set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur.

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must not send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at process_office@cpuc.ca.gov to request addition to the "Information Only" category of the official service list pursuant to Rule 1.9(f).

10. Receiving Electronic Service from the Commission

Parties and other persons on the service list are advised that it is the responsibility of each person or entity on the service list for Commission proceedings to ensure their ability to receive emails from the Commission. Please add “@cpuc.ca.gov” to your e-mail safe sender list and update your e-mail screening practices, settings and filters to ensure receipt of e-mails from the Commission.

11. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Garrett Toy is the assigned ALJ.

IT IS RULED that:

1. The scope of this proceeding is described above and is adopted.
2. The schedule of this proceeding is set forth above and is adopted.
3. The presiding officer is Administrative Law Judge Garrett Toy.
4. The category of the proceeding is ratesetting.
5. The statutory deadline is extended until March 30, 2023.

This order is effective today.

Dated April 8, 2022, at San Francisco, California.

/s/ GENEVIEVE SHIROMA

Genevieve Shiroma
Assigned Commissioner