

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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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

**OPENING COMMENTS OF THE PUBLIC ADVOCATES OFFICE
ON THE PROPOSED DECISION**

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November 29, 2023

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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.

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's (Commission's) Rules of Practice and Procedure, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits the following comments on the *Proposed Decision on Southern California Edison Company Application to Recover Costs and Increase Rates for the Catalina Water Utility* (PD) issued on November 9, 2023. The PD is well-reasoned and supported by the record with a few exceptions. Cal Advocates comments herein on those specific errors and urges that the PD be revised to incorporate the remedies outlined and discussed below.

The PD denies Southern California Edison Company's (SCE) request for cost recovery of \$30.5 million from SCE electric ratepayers and authorizes recovery of revenue requirements solely from Catalina Water Utility (Catalina Water) ratepayers.¹ To reduce rate shock, the PD requires amortization and deferral of recovery of certain memorandum accounts and other costs.² Further, the PD states that the current water supply loss of 39.1 percent in the Catalina Water system requires remediation and

¹ Proposed Decision, pp. 69, 74.

² Proposed Decision, p. 74.

increased Commission oversight.³ However, the PD requires SCE to submit an application by December 31, 2024 with a new plan to reduce Catalina water supply losses to the Class A standard of seven percent by 2030, “or future escalation and WRAM recovery requests shall be denied.”⁴ Cal Advocates agrees that the Commission should require SCE to remediate Catalina’s water supply loss.⁵ However, the approach to remediation in the PD errs in two respects: 1) it was not raised during this proceeding and as such has no factual or legal support in the record; and 2) it is not rationally related to the problem it purports to address, that is, the scope and urgency of the water loss problem. Accordingly, the PD should be revised to include Cal Advocates’ proposal, impose immediate consequences, and appropriate staff oversight tailored to the facts in this case. These measures will ensure Catalina Water customers receive adequate, efficient, just, and reasonable service.

II. DISCUSSION

A. The PD Should Hold SCE Accountable for Unreasonable Water Supply Loss in the Catalina System

The PD directs SCE to submit an application by December 2024 with a plan for addressing the Catalina water loss problem over a six-year period.⁶ Despite the history of water loss documented in the record and SCE’s failure to “apply sufficient focus” on the issue of water loss, the PD does not hold SCE sufficiently accountable for remediation of the 39.1 percent loss rate.⁷

Ordering Paragraph 11 (OP11) of the PD states that if SCE fails to submit a plan for water loss reduction by December 2024, such failure “shall subject SCE to denial of

³ Proposed Decision, p. 65.

⁴ Proposed Decision, p. 65.

⁵ Proposed Decision, p. 65.

⁶ Proposed Decision, p. 65.

⁷ Proposed Decision, p. 90, Finding of Fact no. 91; *see* Cal Adv-01 (Report), p. 11-4, Table 11-2; Cal Advocates Opening Brief, p. 29, Table 8.

both future escalation requests and Water Revenue Adjustment Mechanism recovery.”⁸ Thus, despite finding that Catalina’s water loss is a neglected issue requiring remediation, the PD imposes no requirement on SCE to reduce water loss and no consequences for failing to reduce water loss. The only consequences would be for failing to submit some sort of a plan to reduce some amount of water loss a year from now.² In the meantime, SCE is free to leave its increasing water loss conditions unmitigated while continuing to collect the same revenue requirement it would if its operations were reliable and efficient. OP11 merely puts off compliance, remediation or enforcement without any assurance that known water loss conditions will be addressed. This approach has no record support and has no rational relationship to the water industry regulations it is intended to implement.

SCE is obligated to ensure that Catalina Water provides adequate, efficient, just, and reasonable service, the Commission has broad discretion and authority to enforce this obligation, and it is unreasonable to fail to do so in a reasonable manner.¹⁰ Moreover, in failing to address the water loss problem over the five years tracked in the record, SCE has failed to provide adequate, efficient, just, and reasonable service. OP11 should be removed and, at a minimum, the Commission should adopt Cal Advocates proposed reduction in revenue requirement proportionate to the water loss that actually occurred in the five years tracked in the record.¹¹ In addition, within 30 days of the effective date of this decision, the Commission should direct the Consumer Protection and Enforcement Division to initiate appropriate compliance and enforcement action in response to the water loss addressed in the record in this proceeding.¹² Cal Advocates urges inclusion of

⁸ As discussed further in these comments, the term “Water Revenue Adjustment Mechanism” in this statement should be corrected to read “Monterey-style Water Revenue Adjustment Mechanism” (M-WRAM) to accurately reflect SCE’s transition to an M-WRAM conservation pricing adjustment mechanism.

² Proposed Decision, p. 102, Ordering Paragraph 11 (stating that SCE’s “[failure] to submit the application shall subject SCE to denial of both future escalation requests and Water Revenue Adjustment Mechanism recovery”).

¹⁰ Pub. Util. Code Sections 451 and 701.

¹¹ Proposed Decision, p. 90, Finding of Fact no. 91; *see* Cal Adv-01 (Report), p. 11-4, Table 11-2; Cal Advocates Opening Brief, p. 29, Table 8.

¹² Resolution M-4846. *See, also*, Resolution W-4799.

the proposed Conclusion of Law #77 as shown in the Appendix A attached to these comments, and the following proposed replacement of OP11:

Replacement OP11: Within 30 days of the effective date of this decision, the Consumer Protection and Enforcement Division is directed to initiate appropriate compliance and enforcement action regarding unreasonable water losses from SCE's Catalina Water Utility.

B. The PD Mistakenly Uses the Term “Water Revenue Adjustment Mechanism” or “WRAM” Interchangeably with “Monterey-style WRAM”

The PD grants SCE's request to transition from its pilot program Water Revenue Adjustment Mechanism/Modified Cost Balancing Account (WRAM/MCBA) to a Monterey-style WRAM with an Incremental Cost Balancing Account (M-WRAM/ICBA).¹³ This terminology inherently invites confusion, as WRAM fully decouples authorized revenues from sales and M-WRAM does not.¹⁴ Further, D.20-08-047 prohibits SCE from continuing to have a WRAM.¹⁵ and the PD should avoid any ambiguity by accurately distinguishing between WRAM and M-WRAM in authorizing SCE's M-WRAM/ICBA balancing accounts.¹⁶ Accordingly, the text of the PD and relevant Ordering Paragraphs (OP) should be revised as follows to remove any ambiguity:

- P. 57: SCE seeks authority to establish a Monterey-style Water Revenue Adjustment Mechanism/Incremental Cost Balancing Account (M-WRAM Balancing Account) to track costs in implementing a Monterey-Style Water Revenue Adjustment Mechanism. SCE is directed to close its Water Revenue Adjustment Mechanism/Modified Cost Balancing Account.

¹³ Proposed Decision, p. 101, Ordering Paragraph 9.

¹⁴ Proposed Decision, p. 57. Unlike WRAM, M-WRAM targets conservation more specifically by allowing the utility to recover the difference between its tiered conservation rates and a calculated single quantity rate.

¹⁵ Public Utilities Code section 727.5(d)(2) overturned the Commission's prohibition on future requests for WRAM in D.20-08-047 only as to water utilities having more than 10,000 service connections (i.e., Class A water utilities).

¹⁶ Proposed Decision, p. 58.

- P. 58: SCE is also authorized to establish the Monterey-style WRAM Balancing Account, and to continue the CAM. SCE shall close its Water Revenue Adjustment Mechanism/Modified Cost Balancing Account.
- P. 65: SCE shall submit an application by December 31, 2024, stating a plan to reduce water supply losses..., or future escalation and M-WRAM recovery requests shall be denied.
- P. 101, OP 9: Southern California Edison Company (SCE) is authorized to establish the Monterey-style Water Revenue Adjustment Mechanism/Incremental Cost Balancing Account....
- P. 102, OP 11 (if retained): Southern California Edison Company (SCE) shall submit by December 31, 2024, an application providing a plan for reducing water loss rates for the Santa Catalina Water utility to seven percent by December 31, 2030. Failure to submit the application shall subject SCE to denial of both future escalation requests and Monterey-style Water Revenue Adjustment Mechanism recovery.

III. CONCLUSION

For all the foregoing reasons, Cal Advocates urges the Commission to modify the PD to remove and replace OP 11, adopt Cal Advocates' proposed revenue requirement adjustment in proportion to water loss increases, and initiate compliance and enforcement oversight to ensure water loss remediation in the near term. In addition, the errors in reference to the M-WRAM in the PD should be corrected as described herein.

Respectfully submitted,

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APPENDIX A

Proposed Changes to Findings of Fact and Conclusions of Law

FINDINGS OF FACT

New Finding of Fact (FOF) inserted after current FOF 93:

Cal Advocates' proposal to reduce Catalina Water's revenue requirement based on system water loss percentages is reasonable.

CONCLUSIONS OF LAW

Existing PD language proposed for removal shown in strikeout:

76. Cal Advocates' proposal to reduce Catalina Water's revenue requirement based on water loss should be ~~denied~~ granted.

77. ~~SCE should be required to submit a plan to reach Commission-accepted water loss levels. The Commission should direct the Consumer Protection and Enforcement Division to initiate appropriate compliance and enforcement action within 30 days of the effective date of this decision in response to the five years of water loss addressed in the record in this proceeding.~~