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

Application of Southern California Edison
Company (U 338-E) for Authority to Increase
Rates for its Class C Catalina Water Utility and
Recover Costs from Water and Electric Customers

Application 20-10-018

**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY TO PROTESTS
OF ITS APPLICATION FOR AUTHORITY TO INCREASE RATES FOR ITS CLASS C
CATALINA WATER UTILITY AND RECOVER COSTS FROM WATER AND
ELECTRIC CUSTOMERS**

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Dated: **December 14, 2020**

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Pursuant to Rule 2.6(e) of the California Public Utilities Commission’s (“Commission or CPUC”) Rules of Practice and Procedure, Southern California Edison Company (“SCE”) submits this reply (“Reply”) to the Protests of The Utility Reform Network (“TURN”); City of Avalon, Catalina Island Chamber of Commerce, Santa Catalina Island Company, Santa Catalina Island Conservancy, Guided Discoveries, Inc., Hamilton Cove Homeowners Association (jointly, “Island Protestants”); and the Public Advocates Office (“Cal Advocates”) (collectively the “Parties”) to SCE’s Application for Authority to Increase Rates for its Class C Catalina Water Utility and Recover Costs from Water and Electric Customers (“Application”). While SCE does not agree with all the factual assertions and statements in the Protests, SCE’s Reply appropriately focuses on scheduling, scoping and other procedural issues.

I.

SCE'S PROPOSED SCOPE FOR THE PROCEEDING IS REASONABLE

A. Issues to Be Determined

SCE's Application and concurrently served testimony comprehensively support the requested Catalina water revenue requirement and cost recovery proposal. The reasonableness of SCE's proposed costs for recovery should be the overall issue to be determined in this proceeding. SCE's operation and management of the Catalina water system has been prudent and reasonable given the considerable and historical challenges facing the system. SCE's cost recovery proposal strikes a reasonable balance between recovering the normal costs of service for the Catalina water system from Catalina water customers and recovering one-time exceptional costs SCE incurred during historically difficult circumstances from SCE's electric customers. Both TURN and Island Protestants mention the cost recovery alternatives that SCE has considered in its Application. While SCE submits that its cost recovery proposal is reasonable and within the Commission's authority, SCE would be open to discussions with the parties to further consider these cost recovery alternatives. SCE generally agrees with Cal Advocates' summation of the issues to be resolved in the proceeding.

B. Out of Scope Issues

The scope of this proceeding should be limited to requests in SCE's Application and supporting testimony. Specifically, in their Protest to SCE's Application, the Island Protestants raise numerous issues that are outside the scope of this proceeding.

1. Two Harbors Pipeline and Other Ongoing Environmental Activities

SCE does not seek any authorization for the project or cost recovery related to the Two Harbors pipeline, in-service and decommissioned pipe, or other ongoing environmental projects in its Application. Any discussion of these projects, including cost recovery, should be excluded

as outside the scope of this proceeding. SCE clearly states in its Application that SCE plans to file a subsequent, separate application requesting authorization to recover the costs of the Two Harbors pipeline replacement and other environmental remediation projects.¹ The Island Protestants spend significant time discussing these issues, citing to comments made by Cal Advocates in response to SCE's request for a memorandum account to track and record certain environmental costs.² Such costs are not at issue here and can be addressed in the separate application SCE will file. Because SCE does not seek recovery of costs relating to these projects in its Application, the Commission should exclude these issues as outside the scope of this proceeding.

2. Costs Related to the COVID-19 Pandemic

SCE also does not request any recovery of costs related to the COVID-19 pandemic in its Application. The Island Protestants state that SCE has "indicated it may seek to have its 1,887 ratepayers pay COVID-19 related costs of an unknown amount."³ SCE has only indicated that it is tracking costs related to the COVID-19 pandemic in its recently authorized Catastrophic Event Memorandum Account ("CEMA"). However, SCE is not seeking authorization to recover any COVID-19 related costs in its Application. Any discussion of COVID-19 related costs is therefore outside of the scope and should not be considered in this proceeding.

¹ A.20-10-018 at p.7.

² Island Protestants cite to Cal Advocates' Report on Southern California Edison's Request to Establish a Memorandum Account to Record and Track System-Wide Pipeline Assessment Costs for the Catalina Water System (A.20-04-010).

³ Island Protestants Protest at p.7.

II.

SCE'S OVERALL PROPOSED SCHEDULE IS REASONABLE

SCE's proposed proceeding schedule is reasonable for a water utility with a single ratemaking district, as is the case for SCE's Catalina water utility. This schedule is based, in part, on the model schedule adopted in the Rate Case Plan for Class A Water Utilities.⁴ SCE appreciates the consideration given to the proceeding schedule by Cal Advocates and finds their proposed schedule to be fairly similar to SCE's proposed schedule in timing and content, such that a mutually agreeable schedule can likely be established.

SCE disagrees with Island Protestants' assertion that the proceeding schedule is unrealistic.⁵ SCE filed its prior Catalina water GRC in November 2010 and did not receive a final decision until October 2014. Such an extended proceeding schedule does not benefit any party and should be avoided.

TURN suggests the Commission consider conducting this proceeding in phases, with the initial phase focusing on the issue of cost recovery from electric customers.⁶ SCE believes the issues of reasonableness and cost recovery should be resolved in a single phase. However, should the Commission elect to conduct the proceeding in phases, SCE recommends that the initial phase be focused on the reasonableness of SCE's costs as opposed to its proposal to recover certain costs in electric rates. Consideration of SCE's cost recovery proposal in an initial stage could unduly and unintentionally prejudice an assessment of the reasonableness of SCE's costs in a subsequent phase. This logic follows that of the general rate case process for energy

⁴ A.20-10-018 at pp.12-13.

⁵ Island Protestants Protest at p.35. SCE also objects to the Island Protestants' statement that they may need to take the depositions of SCE employees following the discovery phase of this proceeding. The Island Protestants will have the opportunity in this proceeding to issue data requests and cross-examine SCE witnesses during evidentiary hearings. The Island Protestants therefore cannot establish a need for a highly irregular deposition of a party witness outside the normal course of this regulatory proceeding. Such a request, if made, should be rejected.

⁶ TURN Protest at p.5.

utilities, with an initial phase dedicated to reasonableness review and a subsequent phase considering rate design and revenue allocation.

III.

EX PARTE COMMUNICATIONS

In its Protest, Cal Advocates requests of the Commission to prohibit individual ex parte communications in this proceeding and to permit only all-party meetings.⁷ Cal Advocates states that requiring only all-party meetings would enhance efficiency and transparency, and support the requirement that the Commission's decisions are based on the evidentiary record.

SCE does not believe that a departure from the Commission's established ex parte rules is required. The Commission's rules on individual ex parte communications already provide for clear transparency, requiring both an advance notice and an ex-post notice containing the details and substance of each communication. Requiring only all-party meetings, as opposed to tailored individual meetings, would also work against efficiency because of the time and resources required to coordinate an all-party meeting for each ex parte communication. Finally, the Commission's requirement to base its decision on the record is not affected whether ex parte communications are individual, all-party, or a combination of both.

Because there is no need to depart from the Commission's established ex parte requirements, the Commission should elect to enforce its existing rules and procedures on ex parte communications.

IV.

NEED FOR EVIDENTIARY AND PUBLIC PARTICIPATION HEARINGS

All Parties agree that evidentiary hearings will be necessary. SCE anticipates that certain restrictions on public gatherings resulting from the COVID-19 pandemic may still be in place

⁷ Cal Advocates Protest at p.4.

when evidentiary hearings are held and requests that the Commission adopt a schedule to accommodate virtual hearings. In the event in-person hearings are permitted, SCE requests that those evidentiary hearings be in southern California, as proposed by SCE in its Application.⁸ This request is reasonable, justified, and consistent with the approach taken in SCE's prior rate case for the Catalina water utility. This position is supported by both Cal Advocates and the Island Protestants.

V.

CONCLUSION

SCE appreciates the Commission's consideration of these procedural issues and looks forward to discussing these issues at the upcoming Pre-Hearing Conference.

Respectfully submitted,

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⁸ A.20-10-018 at p.12.