BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

FILED
09/12/23
03:18 PM
A2010018

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	A.20-10-018

COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON UPDATES ON FORECASTED CAPITAL PROJECTS

CLAIRE E. TORCHIA
PAUL I. SUNG

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2985
E-mail: Paul.Sung@sce.com

Dated: **September 12, 2023**

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	A.20-10-018

COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON UPDATES ON FORECASTED CAPITAL PROJECTS

Pursuant to the Administrative Law Judge's (ALJ's) Ruling Directing Southern California Edison Company (SCE) to Provide Updates on Forecasted Capital Projects dated August 18, 2023 (Ruling) and the ALJ's subsequent email ruling granting SCE's request for a two-week extension dated August 25, 2023, SCE hereby submits the following comments.

I.
INTRODUCTION

On October 30, 2020, SCE filed its Catalina Water Test Year 2022 General Rate Case (GRC) Application. The proceeding for this Application was submitted when Reply Briefs were filed on June 10, 2022,[1] over 14 months ago, consistent with the procedural schedule set forth in the April 8, 2022 Amended Commissioner's Scoping Memo and Ruling's (Amended Scoping Ruling). The Amended Scoping Ruling targeted a Proposed Decision (PD) to be issued in September 2022. On March 16, 2023, the Commission extended the statutory deadline for completion of this proceeding until December 29, 2023.

[1] No oral argument was requested or held in this proceeding. *See* Rule of Practice and Procedure 13.15(a) ("A proceeding shall stand submitted for decision by the Commission after the taking of evidence, the filing of briefs, and the presentation of oral argument as may have been prescribed.").

On August 13, 2023, the ALJ Ruling directed SCE to file comments discussing the project status of any forecasted capital expenditures submitted for recovery by SCE in order to "update the record."[2] For any projects already complete, the Ruling directed SCE to provide the final total cost, and an explanation for any cost totals above what is already in the record.[3] As set forth below, SCE provides information as directed by the Ruling, but also submits that the Commission should issue a PD based on the information already established in the record, not on the new information provided here in these comments.

Although some forecasted capital projects have been completed since the filing of this GRC Application—while some projects are still ongoing—it would not be appropriate to update the record with this new information sought by the Ruling. Under the Rate Case Plan (RCP), updates to information in pending GRC applications are limited only to ***recorded data*** within 45 days of a GRC filing with the approval of the assigned ALJ.[4] The Commission has made clear in its RCP that "any new or additional items or forecasted costs are ***not updates to recorded data*** and ***will not be accepted***."[5] The Ruling seeks new information on forecasted capital costs—including project status, final total costs, and explanations for cost totals—which are not updates to existing recorded data and therefore fall outside the scope of permissible updates. Further, the new information is not being provided within 45 days of the GRC application filing; rather, it is being submitted over 14 months after the submission of this proceeding.

The Commission should decline to incorporate updated forecast data into the record. The Commission has held that any rate case plan requires a data termination date, or else no rate case plan would ever be completed. Specifically, the Commission concluded:

> The temptation to wait for additional historical data, i.e., updates, upon which to base a forecasted test year cannot be indulged when

---

2 Ruling at p. 1.

3 *Id*.

4 D.07-05-062 at p. 12. Though the RCP governs Class A water utilities and is not binding on Catalina, which is a Class C water utility, the RCP and the related forecast-based ratemaking principles underlying general rate cases are instructive and applicable on this issue.

5 *Id*. (emphasis added).

> we face a statutory requirement for getting rates in place by a specific date. Any rate case plan requires a data collection termination date; otherwise, no rate case with a forecasted test year would ever be completed. For this reason, our Rate Case Plans have always included a limitation on updates. In this RCP, we have set the general limitation date as the filing of the application for all parties. We will allow two exceptions to this limitation: (1) updates of recorded data, and (2) with the approval of the Principal Hearing Officer based on standards set out in the Appendix.[6]

Although SCE is providing the requested information below, the Commission's stated rationale for limiting data updates applies here and should be followed. SCE appreciates and thanks the Commission for its careful consideration of the important issues presented in this proceeding, and respectfully requests that the forthcoming PD be based on the information already established in the litigated record, and not based on new information provided here in these comments.

In addition, since the filing of this GRC, SCE has invested and is investing additional capital on the Catalina Water system that is *not* reflected in SCE's original forecasts. However, the Ruling does not permit SCE to "true-up" or otherwise update the record to include this additional invested capital in this GRC. Updating the record in a one-sided manner, as the Ruling contemplates, would upend the inherent tradeoff that has underpinned forecast-based GRCs at the Commission for many decades. If the Commission updates the record to include the revised forecast shown below—and it should not—basic fairness dictates that SCE also be afforded the opportunity to further update the record with additional capital costs for 2020-2024 that were not included in its original forecast. Rather than reopening the record and litigating the scope of updates 14 months after the proceeding was submitted, all of which is impermissible under the Commission's RCP, the Commission should instead bring this proceeding to a conclusion based on the litigated record already submitted for consideration.

---

[6] D.04-06-013 at pp. 9-10.

II.

PROJECT STATUS UPDATE FOR CAPITAL PROJECTS FORECAST 2020-2024

In its opening testimony, SCE forecasted eight major system projects between 2020 and 2024 to support the continued safe, compliant, and reliable operation of the Catalina water system.[7] The status of these eight projects proposed to be completed from 2020 through 2024 are described below and summarized in Table 1. Table 1 provides a summary of the in-service date, cost, and contributed capital estimates as shown in Table I-25[8] of SCE-03 along with the current (estimated or recorded) in-service date, cost and contributed capital amounts.

Table 1
Capital Expenditure Forecast (2020-2024)
October 2020 vs. September 2023 Forecast

	October 2020 Forecast				September 2023 Forecast (Recorded through July 2023)					
Project Name	In-Service Date	Total	Contributed Capital	Project Cost	In-Service Date	Recorded	Forecast	Total	Contributed Capital	Project Cost
Desalination Enhancements - Phase 1 (SW Well System, Desal Facility, Distribution System)	Dec 2022	$ 12,710,000	$ 10,000,000	$ 2,710,000	Aug - Oct 2024	$ 2,640,298	$ 10,069,702	$ 12,710,000	$ 10,000,000	$ 2,710,000
Desalination Communication Line Replacement	Dec 2020	$ 350,000	$ 300,000	$ 50,000	Mar 2021	$ 406,351	$ -	$ 406,351	$ -	$ 406,351
Desalination Building Upgrade	Dec 2023	$ 250,000		$ 250,000	Dec 2023	$ 30,910	$ 369,090	$ 400,000	$ -	$ 400,000
Water Meter Replacement Program	Dec 2021 - Dec 2024	$ 368,269		$ 368,269	Blanket	$ 127,473	$ 113,016	$ 240,488		$ 240,488
Water Valve Replacement Program	Nov 2020 - Nov 2024	$ 1,318,805		$ 1,318,805	Blanket	$ 386,141	$ 368,315	$ 754,457		$ 754,457
Versify Operator Rounds and Logs	Dec 2021	$ 100,000		$ 100,000	Jan 2022	$ 98,845	$ -	$ 98,845	$ -	$ 98,845
Water System Control Valve Replacements	Dec 2020	$ 100,000		$ 100,000	Dec 2020	$ 98,715	$ -	$ 98,715		$ 98,715
Wildfire Mitigation	Apr 2022	$ 303,600		$ 303,600	Jun 2020	$ 27,104	$ -	$ 27,104		$ 27,104
TOTAL		**$ 15,500,674**	**$ 10,300,000**	**$ 5,200,674**		**$ 3,815,837**	**$ 10,920,123**	**$ 14,735,960**	**$ 10,000,000**	**$ 4,735,960**

As seen in Table 1, four of the eight projects have been completed, while four projects are still in progress. In the sections below and in accordance with the Ruling, SCE provides a status update of all eight projects including material changes to scope, schedule, and costs as well as the final recorded costs and an explanation, where applicable, for any final costs above the estimates included in SCE's opening testimony for those projects that have been completed.

[7] SCE-03, pp. 53-74.
[8] SCE-03, p. 53.

A. Desalination Enhancements – Phase 1

The Desalination Phase 1 Enhancements project planned significant improvements at three locations within the water distribution system: (1) quarry seawater wells (Quarry); (2) Desalination Plants 1 and 2 (Desal Facility); and (3) storage and distribution system. The project anticipated to add approximately 130 acre-feet per year (AFY) in incremental potable supply, effectively offsetting the reliance on groundwater for the same amount.

1. Scope

SCE continues toward making significant improvements at the Quarry, Desal Facility, and Storage and Distribution System, and the project is still anticipated to provide approximately 130 AFY in incremental potable supply, and effectively offset reliance on groundwater for up to this amount. However, there have been material changes to the scope. The project's original scope was based on the Desal Feasibility Study (Study), issued in April 2017, and amended in August 2017, which assessed alternatives and recommended a phased approach to expand desal production capacity over time to meet the future water demands while reducing the reliance on groundwater supplies. A 30% design informed the scope, schedule, and budget included in the Study.

Since filing the application, design efforts progressed the project to a 60% definition. During this period, additional field visits, pot holing, and surveying further developed the project constraints, predominantly at the Quarry and Storage and Distribution System. This required additional time to revise the engineering design and conduct a value engineering assessment to meet the project objectives and stay within the original cost estimate. At the Quarry, the current design targets installing one additional saltwater well estimated to produce up to 350 gallons per minute (gpm), set approximately one hundred feet from the existing (2) saltwater wells. Within the Storage and Distribution System, the current design targets increasing desalination distribution storage via a 0.125 million-gallon (MG) tank adjacent to the existing Baker Tanks installed in Falls Canyon. Relevant scope elements are summarized below.

a) Desalination Facility

- Inlet Control Valve modifications
- Upgrading the cartridge filtration system to reduce downtime and improve safety during maintenance
- Adding a bulk bag calcite media unloader to reduce downtime and improve safety during maintenance
- Upgrade the calcite contactor system from (2) tanks to (3) tanks to accommodate the higher treatment capacity, reduce downtime, and improve safety during maintenance, while also utilizing the existing reverse osmosis permeate pressure and flow for normal operation, as well as tank backwash and rinse cycles
- Upgrade the carbon dioxide tank system to improve onsite storage and temperature control
- Upgrading and rerouting plant piping to improve water transmission efficiency

b) Storage and Distribution System

- Removing the installation of an enlarged reservoir
- Adding a new 0.125-million gallon storage tank adjacent to the Baker Tanks that are installed in Falls Canyon
- Upgrading Pressure Reducing Station E control valve to be monitored and adjusted through the control system

c) Saltwater Well System

- Removes the redundant (fourth) well installation, while maintaining up to 350 GPM production benefit via one new saltwater well

- Spacing the new well 100 feet away from the existing wells to target the location of greatest well production potential based on soil resistivity results

2. Schedule

The project is now anticipated to be ready for service in 2024 with operational permits being granted in 2025. The delays have been largely due to engineering design changes, permitting, and impacts related to the COVID-19 pandemic. As noted above, engineering design changes were required which impacted the overall schedule. SCE finalized the 60% engineering design in August 2021. Subsequently, SCE began developing and submitting permit applications. For example, SCE submitted its permit application to the California State Lands Commission (CSLC) in April 2022 and the CSLC approved SCE's request in June 2023. Similarly, the California Coastal Commission recently approved SCE's permit in July 2023. SCE is now completing final engineering design, preparing permit conditions (such as a Marine Mammal Protection Plan and a Spill Prevention and Response Plan), obtaining real property rights, and preparing construction plans, e.g., due to permit conditions, salt water well work can only be performed outside of the March 1 through July 31 breeding and spawning season for Garibaldi damselfish. SCE is also in process of obtaining permits from the California Regional Water Quality Board and the Army Corps of Engineers for work within waters. SCE anticipates both these permits by November 2023. Construction will begin shortly after all permits are received and is anticipated to be completed in 2024. Once construction is complete and the facilities are ready for service, operational permits for the new wells and Desalination enhancements from the Division of Drinking Water will be needed and are anticipated to be obtained in early 2025.[9]

[9] Once operational, SCE plans to submit an Advice filing to revise Schedule No. FWY to incorporate the new incremental potable water taking into account reductions in reliance on groundwater.

3. Cost

SCE has recorded approximately $2.64 million through July 2023. The project cost forecast remains at approximately $12.71 million with the bulk of the spend to be incurred during the construction phase. SCE has also confirmed that the project is eligible to receive up to $10.0 million of grant contributions from the California Department of Water Resources (DWR) for the project, as the grant funding agreement was completed in September 2021.

B. Water Valve Replacement

This project includes the programmatic replacement of aged water valves throughout the Catalina water distribution system. The program prioritizes the replacement of broken, frozen, or otherwise inoperable valves and factors in valve age and criticality of location/function in the water distribution system.

1. Scope

The scope of this project has increased. As SCE crews initiated the planned replacements, other valves were identified as also needing to be replaced or rebuilt. Additionally, SCE's engineers identified a few additional areas that should have new valves. As such, this project now includes additional planned valve replacements and rebuilds as well as new valves.

2. Schedule

SCE has replaced and/or installed approximately 25 valves and rebuilt 23 valves since 2020 and through July 2023. SCE forecasts replacing and/or rebuilding additional valves through 2024 and beyond this GRC period. Also, instead of an every-other-year planned work approach, SCE is doing replacements and rebuilds every year.

3. Cost

SCE has recorded approximately $386,141 for water valve installs, replacements and rebuilds and forecasts an additional approximately $368,315 to complete additional valves. The total cost forecast for this program has been reduced by approximately $564,000 over this GRC period. The reduction in costs is due to lower recorded installation costs from SCE's original estimate.

C. Water Meter Replacement Program

The Water Meter Replacement Program is intended to replace 1,173 water meters that exceed the maximum service periods and 163 water meters expected to exceed the maximum service periods over this GRC period per General Order (GO) 103-A. SCE planned to perform the meter replacements at a rate of 350 meters per year from 2021 to 2023, and 286 meters in 2024.

1. Scope

The scope of this project has changed from that described in SCE-03.[10] As SCE crews performed the planned replacements, other meter installations were also needed due to water services being newly installed or upgraded. As such, this project now includes planned meter replacements as well as new or upgraded meter installations.

2. Schedule

SCE has replaced approximately 548 meters since 2020 and through July 2023. SCE originally forecast approximately 900 meters to be replaced over this same time period. The reduction in replacements is due to supply chain challenges as a result of the COVID-19 pandemic and product quality issues, and reallocating SCE's limited water staff to other

[10] SCE-03, p. 62-64.

emergent work. SCE forecasts completing approximately 300 meters by December 2024 subject to material costs and funding. Remaining meters would then be deferred to the next GRC cycle.

3. Cost

SCE has recorded approximately $127,500 in replacing the 548 meters. SCE's forecast has changed, and SCE anticipates spending approximately $240,500 total, by deferring approximately 488 meters to the next GRC cycle. SCE is in the process of procuring mechanical meters with an electronic display due to the direct read meters no longer being available in the market. These material costs are anticipated to be more expensive than previous meter purchases (up to more than double of previous meter costs). Should these material costs change from our current estimates, SCE may complete more or less than the current 300 meter forecast consistent with the authorized funding over this GRC period.

D. Desalination Building Upgrade

SCE's Desal Building Upgrade project is to replace the outer shell of the desal building and refurbish the existing structural steel frame. The building shell will be replaced with new walls and roof with materials able to withstand the challenging marine conditions.

1. Scope

The scope of this project has changed from that described in SCE-03.[11] SCE determined that it needs to relocate and/or remove electrical and other infrastructure that are either affixed to the building being replaced or hindering access to contractors performing the work. This scope addition is the basis for the higher cost estimate.

2. Schedule

The project is still anticipated to be in-service in December 2023.

---

[11] SCE-03, pp. 64-66.

3. Cost

The cost estimate of $250,000 has increased to $400,000 due to the additional scope for relocating and/or removing infrastructure necessary to complete the project.

E. Versify Operator Rounds and Logs

The scope of this project was to replace the current obsolete version of eSOMS with the Versify shift operations management system at all SCE Generation facilities, including the Catalina water utility facilities. By extending these functionalities to the water utility, this project is intended to improve operational recordkeeping and datalogging capabilities for the water utility.

1. Scope

The scope of this project has not materially changed from that described in SCE-03.[12] SCE implemented the project and obtained a license and support contract for the Versify tool that covers the water department positions. In addition to the user license, several tablets were purchased and implemented to allow water department personnel to log data while performing rounds throughout the system.

2. Schedule

SCE completed the portion of the project for Catalina Water in January 2022 compared to its forecast December 2021 in-service date.

3. Cost

The final recorded cost for this project was $98,845 which is an underrun of approximately $1,155 compared to the $100,000 project estimate.

---

[12] SCE-03, pp. 66-68.

F. Desalination Communication Line Replacement

The Desal Communication Line Replacement project provides a reliable communications link between the Desalination Plants' programable logic controller (PLC) and the saltwater wells PLC's located approximately one mile away. The communications link provides Transmission Control Protocol/Internet Protocol (TCP/IP) capability to all endpoints at the saltwater wells. The communication link serves modest PLC telemetry needs of no more than 32 kilobytes per second for each of the two wells allowing the wells to connect with the desalination plant PLC and human machine interface (HMI). Additionally, the communications link provides network capability at the saltwater wells motor control center building for administrative network access supporting a telephone and laptop workstation connectivity for operations. Previously, there was no telephone or radio communication coverage at the saltwater wells which created a safety issue when crews were working remotely with no line of communication.

1. Scope

The scope of this project has not materially changed from that described in SCE-03.[13]

2. Schedule

This project was completed in March 2021, three months beyond the estimated December 2020 in-service date. The short delay was due to final commissioning taking longer than anticipated.

3. Cost

The final recorded cost of this project was $406,351. The approximate $66,351 overrun was due to information technology labor and expenses (e.g., travel) to integrate the power systems controls that were not accounted for in the initial forecast. In addition, the

[13] SCE-03, pp 68-70.

estimated $300,000 cash contribution was not able to be confirmed and is now not anticipated to be obtained.

G. Water System Control Valve Replacements

The Water System Control Valve Replacement project planned to replace 10 automatic control valves to maintain proper hydraulic control within the water system. The automatic control valves identified for replacement are located at four locations within the water system: (1) Desalination Plants 1 and 2; (2) Howlands Landing Well #3 (HL-3) treatment system; (3) Pressure Reducing Station (PRS) D; and (4) the Five Corners and Tremont pressure stations. Due to the deterioration of existing control valve components, SCE is replacing all brass internal components and pilot controls with stainless steel to promote proper operation over a longer service period.

1. Scope

The scope of this project changed to include control valve replacements and rebuilds. SCE replaced/rebuilt 27 control valves as part of this project.

2. Schedule

The work for the 27 replaced/rebuilt control valves was completed in 2020.

3. Cost

The final recorded cost for this project was $98,715 which is an underrun of approximately $1,285 compared to the $100,000 project estimate.

H. Wildfire Mitigation

The Wildfire Mitigation project was to perform multiple improvements to reduce the risk of potential wildfire-causing ignitions associated with SCE water infrastructure. These improvements included High Fire Risk Inspections (HFRI) and remediations, creating expanded

clearances around facilities in heavily vegetated areas, system hardening efforts, and Public Safety Power Shutoff (PSPS) preparedness.

1. Scope

The scope of the Wildfire Mitigation project has been reduced over this GRC period. SCE completed wildfire mitigation work of conducting the High Fire Risk Inspections (HFRI). These inspections led to remediating an electrical panel for the water facilities located at the Airport in the Sky, which was completed in 2020. Further wildfire mitigation work has been done to support Catalina Water; however, these costs were O&M and not capital, e.g., PSPS Preparedness assessment. The remaining projected wildfire mitigation capital work has been deferred to the next GRC cycle, including fencing around selected water facilities, further system hardening, and additional PSPS Preparedness. The basis for deferring scope is due to other emergent work as well as achieving appropriate considerations for SCE's Catalina Water Operations amidst SCE's electric utility's PSPS program. Wildfire Mitigation planning, though, is a constant everyday function at SCE, with coordination between SCE's Catalina Water Utility Operations and SCE's Electric Utility services to help manage wildfire risks. Should new wildfire risk reduction needs arise for the Catalina Water utility, SCE will implement remediations on a risk-informed basis to reduce wildfire risk.

2. Schedule

SCE completed the remediation work at the Airport in the Sky in 2020. The remaining capital work has been deferred to the next GRC cycle.

3. Cost

SCE recorded approximately $27,104 to complete the remediation work at the Airport in the Sky.[14]

III.

CONCLUSION

SCE thanks the Commission for its consideration of these comments and SCE's pending GRC Application.

Respectfully submitted,

CLAIRE E. TORCHIA
PAUL I. SUNG

/s/ Paul I. Sung
By: Paul I. Sung

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2985
E-mail: Paul.Sung@sce.com

Dated: September 12, 2023

[14] SCE originally forecast $303,600 total for the wildfire mitigation project. Because of the significant reduction in scope and recorded costs for this project over this GRC period, SCE believes an exception is warranted and that it would be appropriate for the Commission to adjust and reduce the forecast for this project from $303,600 to $27,104 to match the actual recorded costs.