



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

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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 No. A.20-10-018
(Filed October 30, 2020)

REPLY BRIEF OF INTERVENORS CATALINA PARTIES

**INTERVENORS: City of Avalon, Catalina Island Chamber of
Commerce, Santa Catalina Island Company, Santa Catalina Island
Conservancy, Guided Discoveries, and Hamilton Cove Homeowners
Association (Catalina Parties)**

BISHTON • GUBERNICK
Norris J. Bishton, Jr. - SBN 49160
Jeffrey S. Gubernick - SBN 139590
6701 Center Drive West, Suite 925
Los Angeles, CA 90045
Telephone: (310) 337-4866
Fax: (310) 337-4860
E-mail: norris@bishgub.com
bishgub@aol.com
Attorneys for Intervenors Catalina Parties

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SUMMARY OF CATALINA PARTIES' RECOMMENDATIONS

Catalina Parties made twenty-eight recommendations in their Opening Brief and Cal Advocates made twenty-two recommendations in its Opening Brief, many of which Catalina Parties agree with and support. Nothing contained in the Opening Briefs of SCE, Cal Advocates or TURN has caused Catalina Parties to change their original recommendations, which are incorporated herein by reference.

I. Introduction.

Catalina Parties have substantial issues with how SCE has operated its water utility over the last 60 years, which has led to the many problems identified in this proceeding. Because of the way it is operated, SCE's water utility is not only an anomaly it is, in Catalina Parties' opinion, a nightmare to regulate. In its Opening Brief, Catalina Parties characterized SCE's water utility as "barely a department."¹ In truth, it is not even "barely a department." A department would have some type of separation from the rest of the entity within which it exists and some type of accounting system which would accurately reflect its revenue and costs. SCE's water utility has none of these aspects.²

SCE's water utility is run by SCE's employees who run SCE's gigantic electric generating and distribution business. It is only a part of their job, often a small part. Many employees are not located on Catalina Island and there is no evidence as to who they are, what their compensation is or how much time they devote to the water utility. There is not one full time employee dedicated to the water utility.

As SCE points out in its testimony³ and in its Opening Brief,⁴ since the Previous GRC SCE has eliminated whatever autonomy the water utility had by merging the water operation into SCE's Generation organization. As a result, it is impossible to know exactly who the part time employees are and to which USOA account they are being charged, let alone whether any amount charged is the actual cost incurred and whether the amount charged is reasonable.

¹ Catalina Parties ("CP") Opening Brief, p. 4.

² Evidence Hearing Testimony 2/24/22, 2/25/22, 2/28/22, 3/2/22 and 3/7/22 ("EHT"), pp. 229-231.

³ SCE-10, pp. 31, 43-44.

⁴ SCE Opening Brief, pp. 9, 19-21.

SCE included its 2019 Annual Report in its Workpapers.⁵ The Annual Report contains the following footnote:

Footnote #1: Catalina Water Operations is not a separate legal entity. Catalina Water Operations is part of SCE's Generation organization unit. The information requested is not available on a Catalina Water Operations Standalone basis.⁶

In its 2019 Annual Report, SCE cites this footnote **thirteen times** as the reason it cannot provide the requested information. But that is only half of it. The remaining footnotes, which are cited throughout the Annual Report, also indicate why SCE cannot provide requested information:

Footnote #2: SCE cannot provide billing on a California Water Standalone Basis because bills are combined for water, electric and gas services.

Footnote #3: SCE does not maintain a separate cash account for Catalina so it cannot provide any information.

Footnote #4: SCE does not maintain a separate retained earnings account for its water operation.

Footnote #5: SCE's "accounts payable department receives and processes bills from the vendor which is not identified separately for Catalina Water Operations."⁷

In simple terms, SCE does not maintain its financial information in such a manner so as to provide accurate information to the Commission so that the Commission can properly regulate SCE in order to ensure that the rates paid by water ratepayers are just and reasonable.

Because SCE's rates cannot be determined in the same manner as rates are determined for other Class B and C water utilities due to the fact that accurate underlying information is not available, perhaps a hybrid solution should be considered. Allow SCE to consolidate its electric

⁵ WPSCE-01, pp. 164-205.

⁶ *Id.* at p. 205.

⁷ *Id.*

and water operations in one Rate Base. Then, establish just and reasonable rates based on an average of revenue per customer charged by other Class B water utilities. The Commission would still have to determine whether costs SCE wants to add to the combined Rate Base are reasonable and ensure that SCE is adequately providing service to its water customers.

Cal Advocates has identified numerous SCE shortcomings in its Report and Recommendations, including a failure to serve and a totally unacceptable water loss ratio which has gone on for years and years, to name a few. Catalina Parties and the ratepayers they represent are not happy with the way SCE has operated its water utility over the last 60 years. The Commission also cannot be happy with the way SCE has operated its water utility. Something must be done.

II. Evidentiary Standards and Burden of Proof.

All Parties to this GRC agree on one thing: SCE has the burden of proving that its requests are just and reasonable by a preponderance of the evidence. What is unclear is what is to be done when SCE fails to meet this burden. Cal Advocates asserts that SCE has failed to meet its burden of proof as to many of SCE's financial requests by either pointing this out or by proposing that the Commission approve a different and always lower amount. Catalina Parties also assert that SCE has failed to meet its burden of proof as to many of SCE's financial requests. SCE's failure to meet its burden as to a financial request does not require Intervenor to propose an alternative amount. The Commission can deny the request when SCE fails to meet its burden simply because an Intervenor raised the issue as to burden.⁸

⁸ D.96-01-011 (SCE 1995 GRC), 1996 Cal. PUC LEXIS 23, 81-85. The Commission denied cost recovery of SCE's share of the abandoned California-Oregon Transmission project because the utility failed to meet its burden of proof. No party presented testimony opposing SCE's request, but The Utility Reform Network (TURN) and the Division of Ratepayer Advocates (DRA) raised issues regarding the insufficiency of the utility's showing in support of that request. The Commission agreed with TURN and DRA, and denied cost recovery.

What is unclear is what should the Commission do if it determines that SCE has failed to meet its burden as to a financial request. In the Proposed Decision that underlies the All Party Settlement in the Previous GRC,⁹ ALJ Robert Barnett repeatedly found that SCE had failed to meet its burden of proof as to its financial requests:

- a) Contract Work¹⁰
- b) Office Salaries¹¹
- c) Station Office Betterment¹²
- d) Capital Improvement - Pump House No. 2¹³
- e) Isthmus Water Supply and SCADA¹⁴
- f) Office Supplies¹⁵
- g) SCADA System¹⁶

However, instead of denying the requests when SCE failed to meet its burden, ALJ Barnett **estimated** what he considered “reasonable” and awarded that amount.¹⁷ With no disrespect of ALJ Barnett intended, Catalina Parties believe that SCE’s failure to meet its burden of proof should result in no change to the existing authorized amount.

SCE cannot meet its burden of proof with confusing and contradictory evidence. ALJ Barrett summed up SCE’s approach to providing evidence in the Previous GRC:

SCE continues to attempt to meet its burden of proof with testimony it admits is, at best, confusing. Throughout SCE’s testimony it uses historical data going back to 2005 to justify the amount SCE seeks in its proposed revenue requirement. Unfortunately, SCE’s testimonial historical data and the historical data contained in SCE’s annual reports substantially differ. And that difference raises serious concerns.

Every annual report filed with the Commission must be on a form provided by the Commission, with the appropriate USOA accounts, and a declaration under penalty of perjury by an officer of the company that the

⁹ CP-10.

¹⁰ *Id.* at p. 14.

¹¹ *Id.* at p. 17.

¹² *Id.* at p. 29.

¹³ *Id.* at p. 37.

¹⁴ *Id.* at pp. 44-45.

¹⁵ *Id.* at p. 63.

¹⁶ *Id.*

¹⁷ *Id.* at pp. 15, 21, 62, 63.

information provided is complete and correct. We have the annual reports from 2005 through 2010. They markedly differ from each other and from the testimony offered by SCE; especially the difference between the 2010 Annual Report and the testimony of SCE's witness regarding the 2010 actual number.

Protestants contend that the historical data used by SCE to justify the expenses it seeks to include in its revenue requirement are totally at odds with the data it has provided the Commission in its annual reports, and, as a consequence, do not form any basis for meeting SCE's burden of proof. Protestants raise a valid point.

When there is a discrepancy between the amounts shown in the annual reports and the amounts testified to by the expert at the hearing, that in itself raises a conflict in the evidence, causes confusion, and goes to the essence of SCE's meeting its burden of proof. Such a discrepancy raises two questions: 1) whether this is a result of shoddy record keeping, or 2) whether there are merely two ways to consider raw data to reach a conclusion. In either case, it reflects poorly on SCE and ineluctably affects our findings.¹⁸

The same has been said by Cal Advocates about the evidence offered by SCE in this proceeding:

SCE relies on recorded 2019 data for its test year (TY) forecast of both operations and maintenance (O&M) and administration and general office (A&G) expenses. The result is that with limited exceptions, SCE's forecasts do not accurately reflect historical data trends. SCE's use of last recorded year data, especially considering that 2019 expenses were unusually high for several accounts, generally offers inadequate data for a reasonable estimate of typical recurring expenses.¹⁹

SCE's forecast for Account 618 consists of the 2019 recorded expenses for this account, plus \$50,000 for labor and materials for replacement of filtering and treatment equipment. This forecast is problematic for two reasons: first, due to unusually high recorded 2019 expenses, a five-year average of Account 618 expenses would provide more historical data points for estimating future expenses.²⁰

The Commission should approve a TY forecast of \$7,267 for Account 676 based on the five-year average of the Catalina water ratepayers' uncollectible expenses, rather than SCE's proposed forecast based on electric customers.²¹

¹⁸ CP-10, pp. 7-8.

¹⁹ Cal Advocates ("CA") Opening Brief, p. 4.

²⁰ *Id.* at p. 6.

²¹ *Id.* at p. 14.

Second, SCE incorrectly assigned \$23,000 in labor expenses to Account 618. In itemizing the \$50,000 adjustment, SCE identified labor expenses for maintenance, adding chemicals, and replacing filters.²² In accordance with Standard Practice (SP) U-39-W and per USOA requirements, labor expenses should be assigned to Account 630 – Employee Labor.²²

Catalina Parties also flagged discrepancies in data SCE provided the Commission in its Annual Reports. For example, Exhibit CP-16E2 is a spreadsheet reflecting SCE Water Produced, Water Sold and Water Loss as reported by SCE in its Annual Reports from 2004 to 2020 with the relevant pages from the Annual Reports attached. For 2007 through 2009 SCE reported the same amount of water produced from for the same sources, an obvious impossibility. SCE did the same for the years 2010 and 2011 and the years 2012 and 2013.²³ Again an impossibility.

The axiom data-in determines data-out applies. SCE has the obligation of providing good and accurate data. The poor quality of the data provided by SCE makes regulation even that more difficult.

III. Revenue Requirement.

a. Forecast for Operation & Maintenance and Administration & General Expenses.

For a number of the Operation & Maintenance and Administration & General Expense accounts SCE uses what it recorded as spent in 2019 as a basis and justification for its requests for TY2022. Cal Advocates rejects this approach and substitutes a five-year average in recommending what should be approved - specifically as to Account 618 - Other Volume

²² *Id.* at p. 6.

²³ In some years, one number was slightly different.

Related Expenses,²⁴ Account 660 -Transportation,²⁵ and Account 678-Office Services and Rentals.²⁶ Both SCE's approach and Cal Advocates' approach have a flaw - each accepts costs reported by SCE without any evidence that the amounts charged for 2019 or for the five- year period were reasonable and justified. There is no examination of the prior costs. They are simply accepted as correct. Even with this flaw, Cal Advocates recommendations with regard to O&M and A&G USOA budgets²⁷ appear to be much more realistic and reasonable than those proposed by SCE. Catalina Parties support Cal Advocates' recommendations.

b. Historical Water Capital Expenditures.

i. Million Gallon Tank (MGT) Renovation and Rebuild.

SCE first addressed the problem of the MGT lined with an epoxy that was flaking off in 2015. SCE claims in its written testimony that it first learned of the problem in 2013 and 2014.²⁸ Catalina Parties presented testimony of a former SCE employee, Vicki Rogers, whose job was to deal with hazardous materials, detailing how SCE knew of the problem as early as 1998 and unquestionably knew about the problem in 2005.²⁹ Ms. Rogers identified 13 SCE employees, including top management, who were aware of the problem:

James A. Kelly ("Kelly"), SCE's Senior Vice President of Transmission & Distribution

Rosemary Rohaley ("Rohaley"), SCE's Region Manager for Catalina Island

Ron Jensen ("Jensen"), Manager, Water/Waste Group, Corporate Environmental, Health and Safety Division

Ron Hite ("Hite"), SCE's District Manager for Catalina Island

²⁴ CA Opening Brief, p. 6.

²⁵ *Id.* at p. 10.

²⁶ *Id.* at p. 13.

²⁷ *Id.* at pp. 5, 10-11.

²⁸ SCE-03, p 28; SCE Opening Brief, p. 35.

²⁹ CP-01, p. 23.

Dennis Bauern

Brice Babbitt

Joshua Nichols

Richard Asti

Richard Tom

William Messner

John Slayton

Ken Bomgrebe

Beverly McCormick³⁰

None of the current and former employees identified by Ms. Rogers testified in this proceeding to dispute Ms. Rogers's testimony. One of the employees identified by Ms. Rogers is Ron Hite, who testified extensively both in writing and live. Mr. Hite did not dispute Ms. Rogers's testimony. Yet SCE has the temerity to characterize Ms. Rogers's testimony as "unsupported":

The Catalina Parties seek disallowance of the costs of the project in reliance on unsupported allegations that SCE did not properly address PCB issues associated with the tank.³¹

What is unsupported is SCE's claim that it first learned of the problem with the MGT in 2013 and 2014 as it asserted throughout its written testimony. SCE knew of the problem at least as early as 2005. Mr. Hite who testified elsewhere in his written testimony admitted that SCE learned of the problem in 2005 in his live testimony.³² Mr. Hite claims that despite learning of

³⁰ CP-01, p. 32; CP-02, p. 008.

³¹ SCE Opening Brief, p. 36.

³² EHT, p. 429.

the problem in 2005, it was more important to take care of the outside of the tank than the inside PCB problem.³³ This is an absurd assertion.

SCE also seeks to mislead the Commission into believing that it had the blessing of the State's Division of Drinking Water and the United States Environmental Protection Agency (EPA) to continue serving water from the MGT to its customers despite the presence of PCBs:

SCE timely and reasonably responded to the PCB-related issues at the MGT in accordance with applicable regulations and in **collaboration** with the State's Division of Drinking Water and the United States Environmental Protection Agency (EPA).
(Emphasis added)³⁴

This statement implies that the State's Division of Drinking Water and the United States Environmental Protection Agency (EPA) knew the facts and gave their blessing, allowing SCE to provide water from the PCB lined tank for ten years before dealing with the problem. SCE presented no documentary evidence that either agency knew the facts or blessed supplying water from the MGT to its customers. As "evidence," SCE cites to the following testimony:

SCE timely and reasonably responded to the PCB-related issues at the MGT to maintain compliance with applicable regulations. SCE worked closely with the United States Environmental Protection Agency (EPA) throughout completion of the project and EPA was satisfied with the investigation and remediation activities performed by SCE.³⁵

Saying the same thing more than once does not make it true. Note that there is nothing in the testimony regarding the State's Division of Drinking Water. In turn, SCE cites to its Workpapers to support the testimony.³⁶ The Workpapers are devoid of any written communication of any kind with the State's Division of Drinking Water. Additionally, the only

³³ *Id.*

³⁴ SCE Opening Brief, p. 36.

³⁵ SCE-10, p. 63.

³⁶ *Id.*

communications with the EPA regarding the MGT contained in the Workpapers concern testing the soil around the MGT for PCBs during the renovation.³⁷

This brings us to the only evidence that any governmental agency blessed continuing providing customers water from the MGT for ten years from the discovery of the problem in 2005—Mr. Hite’s live testimony:

ALJ TOY:· Mr. Hite, when you communicated with the Department of Drinking Water, is that -- what was the nature of those communications?· Was there an official document sent to you?

· · · WITNESS HITE:· No.· It was all by telephone.· This happened to be, I believe, if I recall, on Christmas Eve, the evening of Christmas Eve.· We had a lot of trouble reaching the relevant folks over there, but we finally did.· We explained to them what we had and that we were initiating, you know, response options of sending water -- bottled water to the island, et cetera.

We were advised to stand down, that this was not an acute health hazard, and to take a very measured long-term approach to this because there are many, many, many of these tanks around the country that are in the same situation.³⁸

Mr. Hite would have the Commission believe that one telephone call to the State’s Division of Drinking Water on Christmas Eve³⁹ when it was hard to reach “relevant folks,” justified providing water from the PCB lined tank for the next ten years. One telephone call with the State’s Division of Drinking Water on Christmas Eve is hardly “collaboration with the State’s

³⁷ SCE-10 WP, pp. 94-98.

³⁸ EHT, pp. 431-432.

³⁹ The time of the call coincides with Ms. Rogers’s Testimony as reflected in CP-02, p. 008, to the effect that the laboratory report reflecting the presence of PCBs in the MGT sediment was received December 15, 2005. CP-02, pp. 008-0010.

Division of Drinking Water and the United States Environmental Protection Agency (EPA).”⁴⁰

Notably missing from any of SCE’s written or live testimony is any evidence that SCE ever informed the CPUC’s Water Division of the problem.

PCBs in water are a serious health threat. In 1998, the U.S. Environmental Protection Agency established a maximum contaminant level goal (MCLG) of zero ug/L and a MCL of 0.5 ug/L for drinking water for PCBs. Regulations require that the water quality value for PCBs not exceed the Specific MCL of 0.5 ug/L.⁴¹

The PCB lined tank was installed by SCE in 1967. The use of such PCB epoxies was banned in 1977. SCE knew the epoxy lining was a problem as early as 1998. It did nothing to remedy the problem until 2015. SCE’s request that any ratepayers, electric of water, pay for any costs related to the MGT should be denied. It is totally inequitable to require current and future ratepayers to bear any of the costs SCE’s seeks.

c. Other Costs and Issues to Be Addressed.

i. Water Loss.

SCE does not simply have a water loss problem, it has a “staggering” water loss problem.⁴² SCE is not losing water, as SCE suggests, because its SCADA system is inadequate or because it has underground pipes, hardly a novelty for a water utility. SCE is not losing water because it is just learning how to use the AWWA software to measure water loss or because it did not have pressure recorders which it recently installed. SCE is not losing water because its meters are inefficient. SCE is losing water because it has, **by its own admission, leaks -**⁹⁵

⁴⁰ SCE Opening Brief, p. 36.

⁴¹ https://www.epa.gov/sites/default/files/2015-06/documents/ny_hh_227_w_03121998.pdf

⁴² CP-01, p. 19.

leaks per year or approximately one leak every four days.”⁴³ As pointed out by Cal Advocates, SCE has:

operated the Catalina water utility for 60 years and water loss is not a recent problem. Increasingly high losses indicate that SCE’s actions have been inadequate or ineffective thus far.⁴⁴

Catalina Parties documented SCE’s water loss each year from 2004 through 2020 using the data provided to the Commission by SCE in its Annual Reports.⁴⁵ The average water loss for the period is 38%, which coincides with Cal Advocates’ determination that 39.1% is reflective of the extent of SCE’s water loss.

Water ratepayers pay for producing the water lost, not SCE. SCE wants the Commission to ignore its water loss and to accept its vague plan for dealing with the problem. SCE has had sixty years to deal with the problem. The Commission should conclude that the problem is a result of SEC’s inadequate maintenance and upgrading of its system and accept Cal Advocates’ recommendations as a wake-up call that unacceptable levels of water loss will not be tolerated in the future.

ii. Failure to Serve.

Cal Advocates detailed the evidence establishing that SCE for years has been failing to adequately serve customers seeking water allocations.⁴⁶ Catalina Parties pointed out how the denial of permits has stymied growth and left the Island with inadequate housing.⁴⁷ SCE’s answer to all of this is that it has played by the book in denying applications for service

⁴³ SCE-01, Appendix B, p. 6.

⁴⁴ CA Opening Brief, p. 33.

⁴⁵ CP-16E2. Some of the data is corrupt because SCE reported the same amount of water produced in a number of years.

⁴⁶ CA Report, pp. 1-1 to 1-6.

⁴⁷ CP-01, p. 9.

when the book - its Tariffs - provides that SCE can deny applications “for any other reason.”⁴⁸

SCE also asserts that it should be allowed to continue denying applications “for any other reason.”

No water allocations have been issued since 2014 and SCE has denied at least 26 requests.⁴⁹ In fact, denied requests go back to 2003 as is reflected in the list of pending requests SCE is required to maintain by Rule 3.⁵⁰ The Commission should note the type of requests denied. Here are examples:

- Add a bedroom - .09 acre feet per year (AFY) - Ten Requests⁵¹
- Add a hot tub - .002 AFY
- Add a washer - 0.30 AYF
- Add Additional Dwelling Unit - 0.09 AFY
- Add 1 hose bib - 0.0009 AFY⁵²

SCE denied these and similar requests requiring very small amounts of water because Rule 3 provides requests will be honored on a first come first served basis.⁵³ The first two pending requests called for a large amount of water:

- Vineyard and Resort - 8.81 AFY
- 48 apartment units - 8.62 AFY⁵⁴

Until these requests are handled, a customer wanting a hose bib or to add a bedroom is left hanging.

⁴⁸ Rule 3. CP-15.

⁴⁹ EHT, Barcinas, p. 166.

⁵⁰ CP-13.

⁵¹ *Id.*

⁵² *Id.*

⁵³ EHT, Barcinas, pp. 268-269.

⁵⁴ CP-13.

SCE concedes that Rule 3 was adopted in 1979, which was 43 years ago, but insists that it does not need to be reexamined.⁵⁵ Apparently, nothing was learned in 43 years that would justify revision. However, as detailed by Cal Advocates and Catalina Parties, SCE has consistently wrongfully denied service relying on the language of Rule 3 that allows SCE to deny service “for any other reason.”⁵⁶ SCE wants to continue to deny service “for any other reason.”

SCE references AL 123-W-B, which indirectly involved Rule 3. However, the Commission did not revise any of the language in Rule 3 in approving AL 123-W-B. All the Commission did was to increase the Safe Annual Yield (SAY) as reflected in Schedule FWY.⁵⁷

Avalon, where 85% or more of SCE’s customers reside in a 2.6 square mile area, is a tiny, close-knit community. There is one grocery store. There is no mail delivery. Everyone must visit the post office for mail. It is a well-known fact in the community that SCE has not approved requests for service in years and that it will not approve requests for service. This has the effect of discouraging any project that requires a water allocation and has prevented and continues to prevent the development of much needed affordable housing.

SCE makes no mention in its Opening Brief of Schedule 14.1, which is used to determine when mandatory rationing can be imposed and request for water denied, in total disregard of the capacity of SCE’s two desalination plants. Rationing should not be determined by the level of a reservoir from which SCE draws no water. Schedule 14.1 needs to be revised to reflect the capacity of the desalinations plants.

⁵⁵ SCE Opening Brief, p. 82.

⁵⁶ CP-15.

⁵⁷ Commission Letter approving AL 123-W-B dated 12/3/2021.

IV. Recovery from Electric Customers.

a. Commission Authority.

Intervenors agree as to SCE's request to recover costs from its electric ratepayers. The request should be denied. Cal Advocates' reasons that Section 451 of the Public Utilities Code "implies a nexus between just and reasonable rates charged to rate payers and the services and commodities provided to ratepayers."⁵⁸ Cal Advocates does not provide any reason why Section 451 implies a "nexus" or a particular kind of "nexus." Cal Advocates goes on to assert that SCE's evidence does not meet SCE's burden to establish sufficient "nexus." TURN reasons that there is no "nexus" because different commodities are involved - electricity and water, though it also mentions the lack of "nexus" between SCE's water ratepayers and its electric ratepayers apparently forgetting that SCE's water ratepayers on the Island are also SCE electric ratepayers.

Both Cal Advocates and TURN seem to be limiting the very general word - "nexus" - to what they want it to mean. The accepted definition of "nexus" is that it means "connection." Any connection provides "nexus." There are many connections between SCE's electric and water ratepayers. Both utilities are operated by the same employees and in the case of SCE's water utility, part time SCE employees, who also work for SCE's electric or gas utilities or both. Decisions regarding both SCE's electric operation and its water operation are made by the same employees and electric and water customers are serviced by the same employees. There is very little that is not connected between the two utilities other than one is producing and distributing electricity and one is producing and distributing water.

SCE itself is an example of how a minimum connection can justify cross-subsidization. The only connection between SCE's mainland electric ratepayers and Catalina Island electric ratepayers is that a single company provides both groups' electricity. Yet both groups pay the

⁵⁸ CA Opening Brief, p. 35.

same rates. The same is true with regard to regulated water companies on the mainland. Some serve multiple and diverse geographical areas with greatly differing costs, yet customers in multiple areas are charged the same rates. The connection is that they are served by the same company and provide the same product - water.

Catalina Parties question Cal Advocates' and TURN's analyses because the Catalina Parties do not believe this is a case where the Commission should determine it has no authority. Catalina Parties contend that the Commission has broad authority to permit cross-subsidization in order to provide "adequate water at reasonable rates," even if declines to do so in this GRC.

b. Should the Commission Allow Recovery from Electric Customers?

The answer to this question is "No." There are plenty of reasons other than lack of authority to deny SCE's requests seeking costs from its electric ratepayers rather than basing a denial on a Commission lack of authority.⁵⁹ For example, SCE has indiscriminately recorded in its two memorandum accounts costs it deemed related to the drought. Cal Advocates has pointed out that many of the costs recorded could have been avoided or were not authorized by the Commission.⁶⁰

The act of recording costs does not answer the question - why should electric or water ratepayers suffer the effects of the drought considering that water ratepayers reduced their usage by 40%, but SCE should be made whole? As pointed out by Cal Advocates, part of the need to ration water comes from SCE's unreasonable water loss. Further, as pointed out by Catalina Parties, for a fraction of the money SCE seeks from electric ratepayers, SCE could have long ago

⁵⁹ CP Opening Brief, pp. 19-27.

⁶⁰ CA Opening Brief, pp. 22-24.

installed a complete desalination system with adequate intake wells and storage that would have mitigated the effects of the drought and made rationing unnecessary.⁶¹

Other costs SCE has included in its request to be paid by electric ratepayers, such as the cost related to the Howland Landing Well and the MGT, are a result of SCE's failure to timely deal with problems or its failure to timely recognize a developing problem. It is simply not just and reasonable to allow any recovery of costs recorded in the two memorandum accounts from electric ratepayers.

c. What Cost Recovery Approach Should the Commission Adopt?

The Commission should consider combining SCE's electric and water Rate Basis and adopting a hybrid method of determining just and reasonable rates for Catalina water ratepayers.

V. Proposed Rates for Test Year and Escalation Years.

SCE continues to seek the same rate increases it initially sought. No evidence or arguments presented by Cal Advocates or Catalina Parties has altered SCE's demands. Catalina Parties' expert pointed out that SCE's current annual revenue per customer is \$1,882 or 184% higher than the average of other Class C water utilities.⁶² SCE's current Revenue Requirement is \$4,130 million. SCE seeks to increase its Revenue Requirement for TY2022 to \$9,214 million. Conspicuous by its absence in SCE's Opening Brief is any information as to the effect such an increase would have on Catalina ratepayers who are already paying the highest rates in California. It would be a disaster for a community that struggles as it is.

VI. Conclusion.

Over the 60 years SCE has operated its water utility it has largely escaped review by the Commission by rarely seeking a rate increase. SCE acquired the water operation in 1962. From

⁶¹ CP Opening Brief, p. 20.

⁶² CP-01, pp. 1-2.

1962 to the present, SCE sought rate increases only four times: 1980, 1985, 2007, and 2010.⁶³ Many of the conditions and problems identified by Cal Advocates and Catalina Parties could have been avoided by frequent reviews with input from the predecessors of Cal Advocates and from water ratepayers. Catalina Parties believe that over the 60 years SCE operated its water utility, the Commission did not really know what was going on. Hopefully, the testimony provided in this GRC by Cal Advocates' witnesses and Catalina Parties' witnesses provides the Commission with enough information to take a hard look at SCE's water operation and to call for changes which will result in adequate service and just and reasonable rates for Catalina ratepayers.

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Respectfully submitted,

BISHTON • GUBERNICK

By: /s/ Norris J. Bishton, Jr.
Norris J. Bishton, Jr.
Attorneys for Intervenors
Catalina Parties

⁶³ *Id.* at p. 9.