



COM/MGA/mef 1/29/2021

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01/29/21
10:25 AM

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

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

This Scoping 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 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.

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. After considering the application filed by SCE and protests filed by the California Pub. Util.

Commission's Public Advocates Office (Cal Advocates), The Utility Reform Network (TURN), and the Joint Catalina Parties (Catalina Parties), as well as discussion at the PHC, I have determined the issues and initial schedule of the proceeding to be as set forth in this scoping memo.

2. Issues

The issues to be determined or otherwise considered are:

- 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 \$29 million dollars in 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 from 20% to 32.5% 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. Need for Evidentiary Hearing

The parties agreed that evidentiary hearing would be needed. I confirm the preliminary determination in Resolution ALJ-176-3475 and find that evidentiary hearing is needed.

4. Schedule

The following schedule is adopted here and may be modified by the Administrative Law Judge (ALJ) as required to promote the efficient and fair resolution of the Application:

Event	Date
Supplemental Testimony with Additional Cost Recovery Proposal Filed by SCE	February 26, 2021
Concurrent Limited Opening Briefs on Issues 2-B-i and 2-C-i, above.	March 5, 2021
Concurrent Limited Reply Briefs on Issues 2-B-i and 2-C-i, above.	March 19, 2021
Public Participation Hearings	March 30, 2021
Commissioner's or ALJ's Ruling on Issues 2-B-i and 2-C-i, above.	Targeted for April 2021
Additional SCE Supplemental Testimony, if necessary (to be set by ruling)	Targeted for June 2021
Intervenor Testimony	July 9, 2021
Rebuttal Testimony	4 Weeks after Intervenor Testimony due
Status Conference	To Be Determined
Evidentiary Hearings	Targeted for September 2021
Opening Briefs	30 Days After Evidentiary Hearings
Reply Briefs	15 Days After Opening Briefs
Water Division Technical Conference	Targeted for October 2021
Proposed Decision	Targeted for February 2022

The parties shall file Concurrent Limited Opening Briefs by March 5, 2021, on issues 2-B-i and issue 2-C-i, not to exceed 20 pages. Concurrent Limited Reply Briefs shall be due on these limited issues by March 19, 2021, not to exceed 10 pages. Upon review of the filed briefs on issues 2-B-I and 2-C-i, the assigned Commissioner or ALJ intends to issue a ruling providing further guidance concerning the need for additional cost recovery proposals along with an updated proceeding schedule.

The proceeding will stand submitted upon the filing of reply briefs, unless the ALJ requires further evidence or argument. Based on this schedule, the proceeding will be resolved within 18 months as required by Pub. Util. Code Section 1701.5.

5. Alternative Dispute Resolution (ADR) Program and Settlements

The Commission's Alternative Dispute Resolution (ADR) program 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.

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

6. Category of Proceeding and Ex Parte Restrictions

The Application submitted by SCE proposed that this application be categorized as ratesetting;² no party objects to this proposal. This ruling confirms the Commission's preliminary determination³ that this is a ratesetting proceeding. Cal Advocates, TURN, and Catalina Parties proposed a ban on individual *ex parte* communications in this proceeding. These parties argue that such a ban would increase efficiency and allow for more fulfilling discussion.

After much consideration, the potential benefits of a ban on *ex parte* communications in this proceeding do not outweigh the benefits gained from being able to discuss and exchange perspectives of various parties and differing positions directly. Accordingly, the proposal to ban *ex parte* communication is denied. As this is a ratesetting matter, *ex parte* communications remain restricted and must be reported pursuant to Article 8 of the Rules.

7. Public Outreach

Pursuant to Pub. Util. Code Section 1711(a), I hereby report that the Commission sought the participation of those likely to be affected by this matter by noticing it in the Commission's monthly newsletter that is served on communities and businesses that subscribe to it and posted on the Commission's website. As noted in a ruling issued by the Assigned ALJ on January 21, 2021, the Commission will also be holding Public Participation Hearings for this proceeding on March 30, 2021. Please refer to the ruling on the docket card for this proceeding for participation details.

² Application, at 11.

³ Resolution ALJ-176-3475.

8. Intervenor Compensation

Pursuant to Pub. Util. Code Section 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by February 8, 2021, 30 days after the PHC.

9. 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.

10. 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 866-849-8390 or 866-836-7825 (TTY), or send an e-mail to public.advisor@cpuc.ca.gov.

11. 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).

12. Assignment of Proceeding

Martha Guzman Aceves 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. Evidentiary hearing is needed.
5. The category of the proceeding is ratesetting.
6. The proposal by Cal Advocates, TURN, and Catalina Parties to ban *ex parte* communication is denied.

This order is effective today.

Dated January 29, 2021, at San Francisco, California.

/s/ MARTHA GUZMAN ACEVES

Martha Guzman Aceves
Assigned Commissioner