



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

FILED

12/04/23

04:59 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.

Application 20-10-018

**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY COMMENTS ON
PROPOSED DECISION ON ITS APPLICATION TO RECOVER COSTS AND
INCREASE RATES FOR THE CATALINA WATER UTILITY**

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Dated: **December 4, 2023**

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I.

INTRODUCTION

Pursuant to Rule 14.3(d) of the California Public Utilities Commission’s (Commission or CPUC) Rules of Practice and Procedure, Southern California Edison Company (SCE), respectfully submits its reply comments to the November 29, 2023 opening comments¹ on the *Proposed Decision on Southern California Edison Company Application to Recover Costs and Increase Rates for the Catalina Water Utility*, dated November 9, 2023 (PD).

II.

CAL ADVOCATES’ WATER LOSS PROPOSALS SHOULD BE REJECTED

Without any precedent or legal support, Cal Advocates has untenably argued throughout this proceeding that nearly *one-third* of SCE’s *entire revenue requirement* should be reduced based on SCE’s water loss figures from a *single* year.² In its opening comments, Cal Advocates renews its recommendation, but fails to demonstrate that the PD committed any factual or legal

¹ SCE is replying to opening comments submitted by Public Advocates Office (Cal Advocates) and The Utility Reform Network (TURN).

² See, e.g., Cal Advocates Opening Brief at p. 31 (arguing for a 32.1% reduction of SCE’s entire revenue requirement).

error in reaching this determination.³ SCE has thoroughly demonstrated the faults with this recommendation.⁴ The PD considered and correctly rejected this proposal, finding that “[i]t would be unreasonable to reduce SCE’s revenue requirement by 32 percent due to a one- or two-year string of high water losses, when SCE already has proposed actions attempting to remediate these concerns.”⁵ The PD further concludes, “[i]t is unreasonable to reduce revenue requirement due to non-revenue water loss, where the water utility has not been put on notice of such possibility.”⁶ The Commission should affirm the PD’s correct rejection of this proposal.

Having lost on this issue, Cal Advocates now pivots and proposes a brand-new recommendation even more extreme and unwarranted than its previous proposal. Specifically, Cal Advocates now proposes that the Commission direct the Consumer Protection and Enforcement Division to initiate enforcement action against SCE relating to its water loss figures.⁷ The Commission should decline to do so for several reasons. First, there is no factual basis to warrant such an action. Throughout this proceeding, no party has ever alleged any violation of Commission regulation, statute, or compliance order that could trigger a potential enforcement action, nor is there any record evidence to suggest otherwise. The record demonstrates the opposite: as the PD correctly finds, SCE’s operation of the Catalina water utility has been “generally prudent and reasonable,”⁸ SCE’s water loss rates are reasonable when compared to other similarly sized utilities,⁹ and the record is replete with SCE’s ongoing and future efforts to lower water loss.¹⁰ As SCE recommends in its opening comments, the Commission should direct SCE to submit a plan to reduce water loss levels compared to other similarly sized utilities as a part of SCE’s next General Rate Case, not as a separate application.¹¹

Furthermore, it would be unreasonable and overly punitive to subject water utilities to potential Administrative Consent Orders and/or Administrative Enforcement Orders for increased water loss experienced over limited years. Water loss is a shared issue that all water

³ Cal Advocates Opening Comments at p. 5.

⁴ See, e.g., SCE Opening Brief at pp. 52-57.

⁵ PD at p. 65.

⁶ PD at Conclusion of Law No. 75.

⁷ Cal Advocates Opening Comments at p. 3.

⁸ PD at p. 72.

⁹ SCE-10 at pp. 9-10.

¹⁰ SCE-10 at pp. 11-13; SCE, Barcinas, Tr. Vol. 2 at pp. 198:12-20, 245:24 – 246:2.

¹¹ SCE Opening Comments at pp 20-21; Appendix A, Conclusion of Law No. 77.

utilities confront and continually work to improve upon. When addressing water loss issues with other utilities, Commission practice is to require utilities to submit plans to address unaccounted water, not subject them to enforcement actions. For example, even where a Class A utility experienced water loss rates between 20-50 percent across many years, the Commission declined to adopt any disallowances because of the progress the utility made in reducing its losses.¹² Penalties should be assessed for clear and flagrant violations of Commission orders. They are not appropriate to initiate here—without any prior notice—for water losses that SCE is already working towards improving. The Commission should reject Cal Advocates’ proposed modifications on these issues as unreasonable and unwarranted.

III.

TURN’S PROPOSED MODIFICATIONS ARE INAPPROPRIATE, UNNECESSARY, AND PROBLEMATIC

TURN proposes two modifications: (1) a new Finding of Fact to “encourage SCE to seriously consider and, as feasible, begin to implement the discussed alternative recovery sources, especially the visitor boat fee discussed,” and (2) a new Conclusion of Law that would direct SCE to implement any alternative recovery during this GRC period “in a manner that would most benefit Catalina water utility customers in terms of reducing the rates and revenue requirements authorized in this decision.”¹³

Neither of these proposed modifications is appropriate nor necessary. As a threshold matter, the Finding of Fact TURN proposes is neither a fact nor a finding. Instead, it is a “statement of encouragement,” as TURN itself notes.¹⁴ It is inappropriate to include such language as a separately stated Finding of Fact material to the decision. The proposed addition is also unnecessary because this language is already provided for earlier in the body of the decision itself.¹⁵ Furthermore, SCE has demonstrated throughout the record that it has actively sought

¹² See GRCs of Golden State Water Company regarding the city of Clearlake, D.08-01-043 at p. 46; D.13-05-011, pp. 77-78.

¹³ TURN Opening Comments at p. 3 (TURN also requests an addition in page 71 of the PD consistent with its proposed Finding of Fact).

¹⁴ TURN Opening Comments at pp. 1-2 (requesting the Commission include its “statement of encouragement” as a Finding of Fact).

¹⁵ See PD at p. 71.

alternative means of recovery to help defray the costs that our water customers must pay. Indeed, the PD notes, “[w]e have also not been presented any evidence that SCE is declining to take advantage of any non-ratepayer funding sources available to Catalina Water.”¹⁶ It is not necessary to include an encouragement when it is evident that SCE already has and will continue to take such action already.

TURN’s proposed Conclusion of Law is also unnecessary for similar reasons. SCE will, of course, continue to seek alternative recovery means in a manner that would benefit Catalina water customers. Therefore, the proposed language is simply not needed. Moreover, the language is problematic because it clearly implicates the prohibition against retroactive ratemaking. TURN proposes that “**during this GRC period,**” SCE’s alternative recovery should “benefit Catalina water utility customers ***in terms of reducing the rates and revenue requirements authorized in this decision.***”¹⁷ SCE agrees that affordability is a very important concern, but the Commission must not include language that could, in any way, be misinterpreted and allow for the reduction of the revenue requirement set by the Commission in this proceeding.

Respectfully submitted,

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Dated: December 4, 2023

¹⁶ PD at p. 72.

¹⁷ TURN Opening Comments at p. 3 (emphasis added).