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

**PROTEST OF**

**CITY OF AVALON  
CATALINA ISLAND CHAMBER OF COMMERCE  
SANTA CATALINA ISLAND COMPANY  
SANTA CATALINA ISLAND CONSERVANCY  
GUIDED DISCOVERIES  
HAMILTON COVE HOMEOWNERS ASSOCIATION**

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**LIST OF EXHIBITS FILED SEPARATELY**

EXHIBIT 1	BRIAN BRADY RESUME
EXHIBIT 2	1962 WATER RIGHTS AGREEMENT
EXHIBIT 3	ANSWER TO INTERROGATORY NO. 30
EXHIBIT 4	60-DAY NOTICE OF VIOLATION
EXHIBIT 5	DRAFT PROPOSED DECISION

## PROTESTANTS

According to its Application, Southern California Edison Company ("SCE") has 1,475 Residential service connections, 346 Commercial connections, 66 Irrigation service connections and 112 dedicated Fire Protection connections for a total of 1,999 water accounts on Catalina Island (the "Island").<sup>1</sup> Protestants represent virtually all of the connections. The Protestants are as follows:

**City of Avalon.** The 2000 census showed that the City of Avalon had a population of 3,127. The current number is 4,090. Population has grown at the rate of 1% per year for the last 20 years. Little growth is anticipated in the coming years.

**Catalina Island Chamber of Commerce.** The Catalina Island Chamber of Commerce (the "Chamber") has 220 members. It represents the vast majority of SCE's Commercial connections.

**Santa Catalina Island Company.** The Santa Catalina Island Company ("SCICO") owns 11% of the Island. Wells on land owned by SCICO are a secondary source of water sold by SCE. SCICO operates hotels, restaurants and other commercial enterprises. It also leases property to other commercial enterprises. SCICO and its tenants account for a large portion of the Commercial connections. SCICO employees constitute a large number of residential connections.

**Santa Catalina Island Conservancy.** The Santa Catalina Island Conservancy (the "Conservancy") owns 88% of the Island. Wells on land owned by the Conservancy are the primary source of the ground water sold by SCE.

**Guided Discoveries, Inc.** Guided Discoveries, Inc. ("Guided Discoveries") operates three of the eight youth camps located on the Island and has been designated by the remaining youth camps to represent the interests of all eight youth camps in these proceedings.

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<sup>1</sup> Exhibit SCE-07, p. 10.

**Hamilton Cove Homeowners Association.** The Hamilton Cove Homeowners Association (“HCHOA”) is the largest condominium development on the Island. It represents 190 or 13% of SCE’s residential accounts and 30 or 6% of SCE’s non-residential connections.

All of the Protestants participated in the Previous GRC, A.10-11-009, filed on November 15, 2010 (the “Previous GRC”), which resulted in an All-Party Settlement approved October 20, 2014. Subsequent to that date, the Protestants have continued to meet from time to time, together with other interested parties, to work on water issues on the Island including meetings with SCE. In the Previous GRC, Protestants retained Brian Brady, a highly qualified expert on water utilities. Brian Brady has again been retained by Protestants and will participate in this proceeding. Mr. Brady’s Resume can be found in **EXHIBIT 1**.

Protestants seek party status.

## **I. INTRODUCTION**

**An adequate fresh water supply is the life blood of Catalina Island.** Other than service business supporting the approximate 4,000 permanent residents, the **sole** business activity providing revenue and employment for the residents is tourism. As the current situation with the COVID-19 pandemic has demonstrated, cutting off tourism is devastating to the economy of the Island. Without fresh water, the tourism business dies and without tourism, the Island dies. Water ratepayers have no control over their water supply. That is solely in the hands of SCE. SCE literally holds the life of the Island in its hands. How SCE has met this responsibility in the past and how it will meet it in the future are the fundamental questions raised by this GRC.

Excluding the 112 Fire Protection ratepayers, there are 1,887 water ratepayers. From this miniscule number of ratepayers, SCE wants to extract:

- An increase to its Rate Base of **\$10,984,766** for capital expenditures already incurred.
- An additional \$15,500,674 increase in its Rate Base for amounts to be expended between 2020 and 2024, less contributions totaling \$10,300,000 from the Department of Water Resources (the “DWR”), or a net of **\$5,200,674**.
- An increase in SCE’s Revenue Requirement to **\$9,303,000**, which is currently \$4,130,000.
- An increase in the CARE discount percentage from 20% to 32.5% to support low-income ratepayer assistance and affordability. One hundred forty-four or 7.6% of SCE’s 1,887 customers use CARE.

In addition to the above, SCE may seek to have its 1,887 ratepayers pay the following amounts **if it is unable to pass them on to their mainland electrical ratepayers:**

Drought related memo accts	<b>\$11,599,000</b>
Emergency capital expenditures	<b>\$ 7,024,000</b>
Deferred and uncollected revenue going forward	<b><u>\$10,364,000</u></b>
<b>TOTAL</b>	<b>\$28,987,000</b>

**But that is not all.** SCE may seek to have the 1,887 ratepayers pay the costs associated with assessing and mapping the entire Catalina water system, including in-service and decommissioned pipeline, and pipeline composition, for an estimated cost of **\$900,000**.<sup>2</sup>

**It does not stop there.** SCE may seek to have the 1,887 ratepayers pay for certain environmental remediation activities that SCE will be taking in connection with the Catalina Water system, including assessment, removal, and disposal of decommissioned pipeline, both below and above-ground. SCE estimates **\$28 million** for this project.<sup>3</sup>

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<sup>2</sup> A.20-04-010 - SCE seeks to establish a memorandum account for these expenses.

<sup>3</sup> A-116-W filed January 28, 2020, subsequently withdrawn.

**Nor does it stop there.** As noted by the Public Advocates Office (“Cal Advocates”), SCE has not complied with basic regulations applicable to all water utilities:

SCE has control over meeting its obligations to maintain up-to-date maps and records of the Catalina water system. General Order 103-A, Section VII, 4. A., states that all water and wastewater systems utilities are required to have on file at their principal or local office plans, maps, drawings, or other records of all system facilities. “The plans, maps, drawings or other records shall be clear and legible. At a minimum, these records will include:

- a) Location of all pumping stations, diversion works, water or sewer treatment plants, sources of supply,
- b) Location, size and material of each service line,
- c) A schematic drawing or map of all pumping stations, water or wastewater treatment plants to show the size and location of all major equipment, pipelines, connections, valves and other equipment and
- d) The date of construction of all plant.”<sup>4</sup>

One cannot imagine what the cost of complying will be.

**And there is more.** SCE has indicated it may seek to have its 1,887 ratepayers pay COVID-19 related costs of an unknown amount.

**All in all, a staggering sum facing 1,887 ratepayers.**

## **II. CATALINA WATER UTILITY OPERATIONS**

SCE goes to great lengths to describe its Catalina Water Utility Operations.<sup>5</sup> Not mentioned is the fact that SCE owns the rights to nearly all of the groundwater on the Island. In 1962, at a time when the Island (with the exception of some lots in Avalon) was owned by SCICO, SCICO entered into an agreement with SCE granting SCE the water rights to the entire Island, with few exceptions (the “1962 Water Rights Agreement”). See **EXHIBIT 2**. The Conservancy, as an example, cannot dig a well to supply water for some of its far-flung activities.

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<sup>4</sup> A.20-04-010; Public Advocates Office Report. P 1-8.

<sup>5</sup> SCE 01, pp. 1-3 and Appendix B, pp. B-3 to B-5.

SCE's water utility is not a system. It is five independent systems, only one of which, the largest according to SCE accounting for 85% of the water usage, is served by desalinated water.<sup>6</sup> This number is not correct. Hamilton Cove, representing 190 or 13% of SCE's residential accounts and 30 or 6% of SCE's non-residential connections, is **not** served by the desalination plants. Additionally, because the systems are independent, if the source of water for a particular system goes down, there is no backup supply. Hence, the failure of the Howland Landings Well, discussed below, was an unmitigated disaster.

SCE's description of Storage Volume is also misleading. SCE includes "one raw water reservoir" ("Thompson Reservoir") as part of its storage volume.<sup>7</sup> **SCE draws no water from the Thompson Reservoir and has no treatment facility which would permit it to sell water from the reservoir.** The Thompson Reservoir located in Middle Canyon presumably feeds the aquifer from which the Middle Ranch Wells draw groundwater. Additionally, there is no description as to the availability of storage to a particular system. Protestants believe that the lack of storage hampers the effective use of the two desalination plants, as will be discussed below.

Missing from SCE's description of its water utility operation is a discussion of the role electricity plays in its operation. Protestants believe that SCE is as unhappy with the challenges it faces supplying electricity to the Island as it is with the challenges it faces supplying water. The Island is an "end of the line service." As Protestants have learned, utility companies are always unhappy with the cost of "end of the line service." However, utilities are required to provide such service, resulting from the fact that they receive a franchise to serve a geographic area and not just the areas that are easy or profitable.

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<sup>6</sup> Appendix B, p. B-3.

<sup>7</sup> Appendix B, p. B-4.



Desalination requires a great deal of electricity. Protestants believe that the cost of supplying electricity to the Island, and the anticipated future cost to do so as SCE complies with regulations regarding the production of electricity, has impeded and impedes the full utilization of the only long-term solution to the Island's water challenges -- desalination that is impervious to the Island's periodic droughts.

SCE emphasizes the challenges it faces, and Protestants do not downplay those challenges. **However, the challenges SCE face are the same challenges that existed in 1962 when SCE obtained its Certificate of Public Convenience and Necessity allowing it to be the sole provider of fresh water on Catalina Island.** The basic issue between Protestants and SCE is how SCE has met or failed to meet those challenges over the last 58 years.

There has been no growth on Catalina Island since the Previous GRC. There cannot be growth if the water provider cannot or does not issue permits for additional connections, which has largely been the case since the Previous GRC. SCICO, the principal employer on the Island for its tourist related businesses, is particularly frustrated as it has been unable to build the housing it needs for its employees. This is not a chicken and egg problem. The chicken is there. It needs to lay the egg. It is the responsibility of a water utility to supply the reasonable needs of the residents and businesses in the area where it holds a monopoly over the sale and distribution of water.

Protestants and the ratepayers they represent cannot solve the problems SCE faces. They are the proverbial turnips from which blood does not flow.

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### III. COST RECOVERY HISTORY

SCE has been the primary provider of utility services (including water distribution, electricity and gas) since 1962.<sup>8</sup> Over this 58-year period, SCE has been authorized to increase its water base distribution rates only four times. In 1980, 18 years after acquiring the water utility, the Commission authorized a small increase due to an increase in operating expenses.<sup>9</sup> In 1985, five years later, the Commission authorized a second increase.<sup>10</sup> **Twenty-two years later**, in 2007, SCE obtained a large increase through an Advice Letter with no input from the community or ratepayers.<sup>11</sup> The large increase in their water bills woke up the ratepayers. When SCE again tried to raise rates by means of an Advice Letter in 2010, ratepayers protested, the Water Division took notice and SCE was required to proceed by means of a GRC, which was resolved in 2014 by the All-Party Settlement.<sup>12</sup>

**SCE does not deserve credit for only seeking to increase its Revenue Requirement four times in a span of 58 years.** It is impossible for an any water utility, and particularly a small Class C water utility, to maintain and upgrade its distribution system, meet ever changing regulations and meet service needs while only seeking to increase its Revenue Requirement four times in 58 years. By not seeking rate increases on a regular basis, a utility, particularly a Class C Water Utility, avoids the scrutiny of the Water Division. The Water Division has only recently learned that SCE never complied with General Order 103-A, Section VII, Paragraph 4.A., and that it has a serious environmental problem involving PCB contaminated pipe because SCE finally came forward and told the Water Division what was going on.

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<sup>8</sup> D.64420 authorized SCE to purchase all the water, gas, and electric service facilities in Catalina.

<sup>9</sup> D.91561

<sup>10</sup> D.83-10-045

<sup>11</sup> Resolution W-4665

<sup>12</sup> D.14-10-048

From 1985 to 2002, SCE not only recovered its revenue requirement, but SCE also made a profit of \$5,420,852:<sup>13</sup>

SCE WATER UTILITY	
YEAR	NET PROFIT/LOSS
1985	\$283,762
1986	\$320,437
1987	\$323,399
1988	\$287,720
1989	\$297,947
1990	\$219,109
1991	-\$46,670
1992	\$56,539
1993	\$226,487
1994	\$183,648
1995	\$221,200
1996	\$274,227
1997	\$452,381
1998	\$449,969
1999	\$513,150
2000	\$439,920
2001	\$547,819
2002	\$369,808
<b><u>TOTAL</u></b>	<b>\$5,420,852</b>

One way to make a profit is to not maintain and upgrade the utility's system on an ongoing basis.

The current needs of the system are a result of SCE's failure, starting in 1962 to maintain and upgrade the system on an ongoing basis. Current ratepayers should not be required to pay the costs of this failure.

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<sup>13</sup> EXHIBIT 3 - Answer to Interrogatory No. 30, *Curtin, et al. v. Southern California Edison Company*, Los Angeles Superior Court Case No. BC417712.

#### **IV. OPERATING AND MAINTENANCE (O&M) EXPENSES**

The current Revenue Requirement includes \$2.995 million for Operating and Maintenance Expenses (“OEM”). SCE seeks to more than double this amount to \$6.171 million.<sup>14</sup> Since the previous GRC, for the years 2015 to 2019, OEM has averaged \$4.107 million. The proposed increase is 1.55 times higher than the five-year average.<sup>15</sup> Costs go up, but Protestants question the size of the increase SCE seeks. The increases for each category should be carefully reviewed during this proceeding. SCE’s Testimony and Workpapers do not make that easy.

In Resolution No. 4665, dated November 1, 2007, SCE was ordered to use the Uniform System of Accounts (“USOA”).<sup>16</sup> SCE did not comply with that order in the period leading up to the Previous GRC or in the Previous GRC’s Application, Testimony and Workpapers. In the Proposed Decision that underlies the All-Party Settlement, the ALJ held:

If the Commission approves this re-allocation, SCE will in the future report the allocated components in its water annual reports in the appropriate accounts, in compliance with USOA guidelines. This will apply to Accounts 618 [Other Volume Related Expenses], 674 [Employee Pension and Benefits] and 676 [Uncollected Accounts Expense].<sup>17</sup>

Protestants believe that SCE still has yet to fully comply with the order in Resolution No. 4665 or with what the ALJ held in the Proposed Decision underlying the All-Party Settlement. This makes dealing with the current GRC even that more difficult. For example, SCE has not used Account 674 to record pensions and benefits. The USOA requires:

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<sup>14</sup> SCE Application p 2.; SCE 02, p 4. There is some conflict in the amounts between the Application and SCE 02.

<sup>15</sup> SCE 02, p. 4.

<sup>16</sup> Ordering Paragraph 14. “Southern California Edison Company, Catalina Island Water System, shall follow the USOA in its annual reports submitted to the Commission.”

<sup>17</sup> Exhibit 5, Proposed Decision issued 6/21/2012, p.22.

#### 674. Employee Pensions and Benefits

This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits, or insurance therefore. Include also expenses for medical, educational or recreational activities of employees.

SCE still includes pensions in Administrative & General Expense (“A&G”) arrived at by assigning a portion of SCE’s gigantic A&G Expense to its tiny water utility. By continuing to include employee pensions and benefits in A&G and not in account 674, SCE prevents the Protestants and the Commission from evaluating their reasonableness.

Expenses for 2019, as reflected in SCE’s 2019 Annual Report, are the most current reflection of SCE’s actual O&M expenses. The following exhibit compares those expenses with what SCE forecast for 2022:

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ACCT	ACCOUNT NAME	2022 FORECAST	2019	FORECAST AS (%) OF 2019
	<b>Operations &amp; Maintenance Expense</b>			
615	Power for Pumping	267	267	100%
618	Other Volume Related Expense	144	94	<b>153%</b>
630	Employee Labor	1,801	1,677	107%
640	Materials	208	108	<b>193%</b>
650	Contract Work	1,650	503	<b>328%</b>
660	Transportation Expense	161	161	100%
	Subtotal	4,231	2,810	151%
	<b>Administrative &amp; General Expense</b>			
670	Office Salaries	396	90	<b>440%</b>
671	Management Salaries	154	154	100%
676	Uncollectible Accounts Expense	17	8	213%
678	Office Service and Rentals	48	1	<b>4800%</b>
681	Office Supplies and Expenses	97	97	100%
682	Professional Services	361	361	100%
689	General Expenses	464	434	107%
A&G	A&G Expenses	1,081	1,081	100%
800	Capitalized Expenses	-770	-533	144%
689	Franchise Fees	93	30	<b>310%</b>
	Subtotal	1,940	1,723	113%
	Total	6,181	4,533	<b>136%</b>

Some of the differences are startling. SCE seeks \$144,000 for Acct 618, Other Volume Related Expense, which is 1.53 times more than was spent in 2019. In the Previous GRC, these expenses were included in Acct 640, Materials. This change was to conform to the USOA. at least as to this account. Because of the change, the two accounts have to be considered together. The amount of \$261,000 was authorized for Acct 640, Materials, which included Other Volume Related Expense. SCE seeks \$352,000 for these two accounts, which is 1.35 times more than what was authorized. However, when the two accounts are compared to 2019, the increase is larger:

	<b>2022 FORECAST</b>	<b>2019</b>	<b>FORECAST AS (%) OF 2019</b>
Other Volume Related Expense	144	94	<b>153%</b>
Materials	208	108	<b>193%</b>
	352	202	<b>174%</b>

Also startling is the 328% increase sought for Acct 650, Contract Work, from what was spent in 2019.

The amount of \$870,000 is currently authorized for Acct 630, Employee Labor. SCE seeks to increase this to \$1.801 million, or 2.07 times higher. Employees assigned to the water utility are paid electric utility employee union rates, which are much higher than their water compatriots on the mainland. Compared to the residents of the Island, SCE's employees are by far the highest paid employees on the Island at every level. Additionally, it would seem that as Contract Work goes up, Employee Labor should go down. Not the case.

The amount of \$51,000 is authorized for Transportation Costs. SCE seeks to increase this to \$110,000, or 2.16 times higher.

A&G is authorized at \$660,000. SCE seeks to double it, to \$1.280 million. Apparently, this account continues to include Employee Pensions and Benefits because SCE has again failed to use Acct 674 which exists for that purpose. This is a 194% increase from what was authorized six years ago. Assuming the water utility is being assessed the same percentage of SCE's total A&G, that amount has almost doubled. A possible cause -- fires on the mainland.

SCE seeks to increase General Expenses from an authorized \$33,000 to \$464,000, an increase of 1305%. We know little about this account:

Most general expenses charged to this account related to the travel and lodging expenses for Catalina employees attending meetings and training on the mainland and other SCE employees temporary stay on the island to assist with water utility operations.<sup>18</sup>

SCE has closed the office it had on the Island that served water ratepayers. Water ratepayers now must handle all matters including bill paying with SCE employees on the mainland. Despite this change, SCE seeks a 241% increase in Acct 670, Office Salaries, and an 870% increase in Office Supplies and Expenses. It also seeks \$361,000 for a new account, Acct 678, Office Services and Rentals. In the Previous GRC, the cost for the space occupied by water utility employees in SCE's offices on the Island was apparently included in A&G. SCE now wants rental for that space but the same percentage A&G.

As was learned in the Previous GRC, it is not simple to analyze SCE's OEM expenses. Protestants will try again to obtain an Organizational Chart that truly reflects who does what. Another problem is that some employees perform work for all three utilities, even on the same day. How that is accounted for is still not clear.

## V. DROUGHT

**Drought is not a new condition on Catalina Island.** The Island is in a permanent state of drought with occasional periods of severe drought. It is a desert island where plants and animals have adapted to the low freshwater state of affairs. Humans have not adapted as well and the way SCE has met or not met the drought challenges it describes, **which have not changed since 1962**, is part of the problem.

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<sup>18</sup> SCE 02, p. 35.



The recent drought was not a surprise to SCE. In 1977, SCE adopted a Staged Mandatory Conservation and Rationing Plan (the “Water Rationing Plan”).<sup>19</sup> This is a plan to force ratepayers to use less and less of the available ground water causing SCE to lose revenue, not a plan to solve the problem that droughts represent.

SCE is seeking an astronomical sum of money related to drought from electrical ratepayers on the mainland -- **\$11.599** million in drought related memorandum account balances and **\$10.364** million in deferred and under-collected revenues.<sup>20</sup> These amounts could have been greatly reduced if not eliminated had SCE taken steps during the 58 years it has operated the water system to anticipate recurring periods of drought, a fact of life on the Island which SCE recognizes.<sup>21</sup> Had even a fraction of the sums sought by SCE been spent over the 58 years to develop and distribute desalinated water, ratepayers on the Island would have weathered the drought without a problem. During the most recent drought, ratepayers reduced their water use by **40%, double the mandated reduction of 20%.**<sup>22</sup> Ratepayers are not profligate water users. What is the reward for conserving water? SCE seeks **\$10.364** million in lost revenue resulting from the fact that ratepayers greatly reduced the amount of water they used.

Catalina Island is surrounded by water. The real solution to drought has always been desalination. Hamilton Cove represents the largest growth in connections that has occurred in 58 years, approximately 210 connections. Development of Hamilton Cove commenced in 1971. Construction began in the early 1980s and the last of the 185 condominiums was completed in 1991.<sup>23</sup> The developers of Hamilton Cove were required to build and turn over a desalination plant

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<sup>19</sup> Advice 16-W

<sup>20</sup> SCE 01, p. 6.

<sup>21</sup> Application, p. 5.

<sup>22</sup> SCE-01, p. 20.

<sup>23</sup> Since 1991, five additional single-family residences have been built and an additional 88 may be built in the future if water permits are obtained.

built to SCE's specifications **free of charge**. SCE used the plant intermittently and by 1992, SCE had let its licenses to operate expire. Later, when it was obvious that desalination was desperately needed, SCE had to upgrade the plant and go through the permitting process for a second time. It took until 2003 to complete the relicensing process. The cost was added to SCE's Rate Base by Resolution No. 4665.

In 2016, SCE built a second desalination plant at a cost of \$3,623,932. SCE received a grant of \$2,100,000, leaving \$1,523,932, which SCE seeks in this GRC. **What SCE did not build was adequate storage for the water generated by the two desalination plants.** Desalination plants are not something you can readily turn on and off. If the water being generated exceeds demand, storage for the excess water is needed. Protestants have been advised that because of the lack of storage, desalinated water had to be returned to the ocean. In addition, the desalinated water does not serve all of Avalon. None of the desalinated water reaches Hamilton Cove or any of the other areas outside of Avalon because they are not part of the system that serves the rest of Avalon.

SCE's history and the future of desalination on the Island must be carefully examined in this GRC. The challenges SCE faces to produce electricity in the future, a costly and vital requirement to produce desalinated water, must be reviewed.

A great amount of money has been spent on desalination and SCE wants to spend another large amount. SCE must present a clear plan for the role of desalination for review in this GRC. Only if done correctly, with adequate storage, will desalination solve the problem of inevitable droughts.

A related subject must also be carefully examined in this proceeding -- water loss, or the difference between water produced and water sold. In 2019, according to its Annual Report, SCE

pumped 424 acre-feet of water but only delivered 257 acre-feet to ratepayers, a staggering loss.

Protestants believe this is a clear indication that something is wrong.

SCE states that the Howland Landing Well, the main source of groundwater for the West End of the Island, failed in June 2014 because of the prolonged drought conditions.<sup>24</sup> Protestants question if that is the real reason the well failed. Should a second well have been dug as a backup to “the main source of ground water for the West End of Catalina” long before the Howlands Landing Well failed? Was the amount of water drawn over time from the Howlands Landing Well the real cause of the well’s failure? Was it reasonable for SCE to rely on a single well dug in the 1930s, 85 years ago, to serve nine percent of its customers? Protestants also question whether this 85-year-old well was adequate for the West End and should have been replaced long ago. Prior to being replaced, the well produced the following, according the SCE’s Annual Reports:

<b>HOWLANDS LANDING WELL PRODUCTION--ACRE FEET</b>			
<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>8.8</b>	<b>8.8</b>	<b>10.6</b>	<b>10.6</b>

In 2019, the new well produced 23.4 acre-feet.

The failure of the Howlands Landing Well was a disaster. Prior to the well’s failure, SCE had spent a minuscule amount of money digging new wells. SCE seeks \$1,653,457 for the Howlands Landing Well 3 Well and Pipeline and \$1,574,450 for Howlands Landing Well 3 Treatment System, for a total of **\$3,227.457**. The failure of the well with no backup necessitated a costly temporary water supply and delivery system for the entire West End. That alone cost another **\$3,222,988** which SCE seeks to transfer to its electric customers as part of its Catalina Water Rationing Memo

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<sup>24</sup> SCE 03, p. 3.

Account.<sup>25</sup> The total cost of replacing an 85-year-old well servicing nine percent of SCE's customers was **\$6,450,895**. And it is not a particularly large well. It is only a 4-inch, 126 foot deep well, producing 40 gpm.

## VI. ENVIRONMENTAL

SCE seeks \$2.451 million, net of a reimbursement of \$2.166 million from the University of Southern California ("USC"), for removing the PCB lining and otherwise rehabilitating the Million Gallon Tank ("MGT") **that it constructed in 1967**. (Coal Tar containing PCBs was long used to line tanks and to coat the inside and outside of pipes before it was banned in 1977.) The MGT primarily exists to provide 900,000 gallons of water for fire suppression at USC's facilities. One-tenth of its capacity is allegedly intended to provide storage for use by customers on the West End.<sup>26</sup> Protestants believe that the MGT is rarely, if ever, filled to capacity. As a consequence, its sole function is fire suppression for the USC facilities.

The \$2.451 million is sought from water ratepayers. SCE seeks an additional \$7.024 million from electric ratepayers for emergent environmental capital expenditures.<sup>27</sup>

SCE has sought to set up memorandum accounts, first to record what it estimated would be \$28 million to remove nine miles of PCB lined and coated pipe reaching from just below the Thompson Dam in the Middle Ranch area to the MGT.<sup>28</sup> SCE also sought to set up a memorandum account just to evaluate the what pipe needs to be removed.<sup>29</sup> Cal Advocates opposed both requests

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<sup>25</sup> SCE 05, p. 26.

<sup>26</sup> SCE 03, p. 28.

<sup>27</sup> SCE 01, p. 6.

<sup>28</sup> SCE Application, p 6; AL 116-W.

<sup>29</sup> A.20-04-010

and SCE withdrew its request for the \$28 million memorandum account. Its second request is still pending.

Cal Advocates summed up the problem as follows:

Since the 1970's, SCE has known, or should reasonably have known, that pipe containing PCBs may be in the Catalina Water system, having installed the Million Gallon Tank and Two Harbors Pipeline using coal tar-lined components in 1967. SCE notes that coal-tar lined and/or wrapped pipe was the industry standard prior to TSCA, so the need for replacement and disposal of this product in accordance with EPA regulations is unexceptional. By SCE's own account, when it has replaced various components of the Catalina Water system since TSCA took effect in 1976, it has done so using non-PCB components.<sup>30</sup>

When did SCE first learn of its PCB problem? The following are what SCE claims in this proceeding:

During the completion of the MGT project in 2015, SCE identified similar environmental conditions in the Two Harbors Pipeline supplying the MGT.<sup>31</sup>

In September 2013, an internal inspection of the MGT showed delamination of the internal protective coating resulted in significant corrosion on the tank floor. An external inspection conducted in June 2014 revealed up to 70 percent thinning of the tank floor material in some areas.<sup>32</sup>

In 2019, SCE identified an issue associated with the existence of above- and below ground (i.e., partially buried and buried) PCB and/or asbestos-containing water pipes near the Two Harbors Pipeline and other areas on the island that had been decommissioned but not removed.<sup>33</sup>

**To begin with, SCE has always known that the MGT was lined with Coal Tar containing PCBs. SCE installed the MGT in 1967.** It is not something it inherited when it acquired the water utility in 1962. However, the saga is much worse than that.

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<sup>30</sup> A 20-04-010; Public Advocates Office Report, pp. 1-7 - 1-8.

<sup>31</sup> SCE Application, p. 6; SCE 01, p. 11.

<sup>32</sup> SCE 03, p. 28.

<sup>33</sup> SCE 01, p. 11.

The PCB problem was repeatedly brought to SCE's attention as early as 1998. Vicki L. Rogers was employed by SCE on the Island from 1983 until she was terminated in 2012. Starting in 2004, Ms. Rogers was the SCE employee charged with dealing with Hazardous Material and Hazardous Waste Management. On January 16, 2014, Ms. Rogers filed a statutory 60-Day Notice of Violation which was served on SCE, the Los Angeles District Attorney, the City Attorney of Avalon, California, and three offices of the United States Environmental Protection Agency (the "60-Day Notice") **EXHIBIT 4**.<sup>34</sup> In the 60-Day Notice, Ms. Rogers detailed SCE's failures to properly deal with Hazardous Materials and Hazardous Waste. With regard to the MGT, Ms. Rogers details how it has been necessary ever since the MGT was installed to remove epoxy material which flaked off the interior walls and settled to the floor. In November 1998, a dive inspection determined that problems existed with the interior coating of the MGT. In 2005, Aquatic Inspections, Inc. confirmed that the interior lining was in poor condition, blistering and laminating. Details of the inspection are contained in the 60-Day Notice.

In 2005, Ms. Rogers discovered three 55-gallon drums in the storage yard at SCE's Pebbly Beach facility containing waste from the floor of the MGT. Ms. Rogers obtained permission to have the waste tested so it could properly be disposed of. The test results demonstrated that the waste contained PCBs. In the 60-Day Notice, Ms. Rogers identified 13 SCE employees, including top management, who were informed of the test results. Ms. Rogers detailed what then occurred. Not only was the testing information concealed, but samples were also doctored and sent to labs to determine whether water from the MGT contained PCBs. Ms. Rogers witnessed SCE employees picking chips out of samples to be sent to labs. Ms. Rogers independently retained samples of the

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<sup>34</sup> 60-Day Notice of Violation, EXHIBIT 4.

material from the floor of the MGT. After Ms. Rogers was terminated, the samples were tested. **The 2005 MGT Sediment Sample contained 18,900 ppm of PCB (Arochlor 1254).**

In 2008, Ms. Rogers was ordered to falsely label 55-gallon drums of sediment on their way to being disposed of. Ms. Rogers took a sample, which was also tested after she was terminated. **The sample contained 19,700 ppm of PCB (Arochlor 1254).**

Also, in 2008, SCE prepared an Engineering Assessment of the MGT which is detailed in the 60-Day Notice. The Engineering Assessment failed to note the prior test reports which had found that the interior lining of the MGT contained PCBs.

During the eight years Ms. Rogers was in charge of Hazardous Material and Hazardous Waste, she supervised the shipping of such materials off the Island. She does not believe that all of the sediment taken from the floor of the MGT was shipped off of the Island. She believes such material was spread on the ground somewhere on the Island. Protestants have never been able to locate where that may have occurred.

The 60-Day Notice did not just deal with the MGT. Ms. Rogers detailed other problems, including the existence and disposal of asbestos coated pipes, which SCE may seek \$28 million to dispose of.

In light of the history detailed above, Protestants do not believe that current ratepayers, electric or water, should pay any of the amount SCE seeks. Protestants further do not believe that current ratepayers, water or electric, should pay the \$28.900 million SCE may seek for identifying and removing pipe lined and coated with PCBs if and when SCE seeks that amount.

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## VII. COST RECOVERY PROPOSAL

SCE seeks to transfer substantial costs to its electric ratepayers:

SCE proposes transferring the combined balances of the drought-related memorandum accounts, estimated to be \$11.599 million as of December 31, 2021, historical Catalina water capital expenditures, estimated to be \$7.024 million in as of December 31, 2019, and the balance of the DRRTA, estimated to be \$10.364 million over the five-year phase-in period, to the distribution sub-account of the Base Revenue Requirement Balancing Account (BRRBA) for recovery in electric rates.<sup>35</sup>

In the previous GRC, SCE made a similar proposal but offered no testimony or evidence to support it. The only evidence supporting the proposal was presented by Protestants. This time around, SCE offers evidence to support its proposal which conforms to evidence that Protestants will offer.<sup>36</sup> While Catalina Island is a tourist destination, it is largely a tourist destination for people who live in Southern California and the areas in which SCE provides electricity.

In the Previous GRC, Protestants viewed the proposal as a “red-herring,” but it did induce some ratepayers to support the GRC. Protestants share the same concern with regard to the proposal in this GRC. SCE was asked if its proposal to shift \$28.987 million in costs to electric ratepayers was denied or if only a portion was approved by the Commission, would SCE subsequently seek the unapproved amount from water ratepayers. SCE refused to commit that it would not do so.

There are 1,887 water ratepayers, of which 346 are commercial accounts. The water systems do not just support the 1,887 ratepayers or the 4,000 residents. There are 1,000,000 visitors from the mainland every year, principally from the areas where SCE provides electricity. There are 50,000 or more young people who come to the campgrounds every year, spending an average of four days. There are over 5,000 people, more than the population of the Island, who come to USC’s facilities on

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<sup>35</sup> SCE Application, p. 9.

<sup>36</sup> SCE 01, p. 23.



the Island. The water system must support all of these people and activities. **There is no way the 1,887 ratepayers can pay for a water system to support all of the people who come to the Island.**

Needless to say, it is tempting for Protestants to look the other way so long as someone else is paying the bill. Protestants support the concept of shifting **some** of the water costs to SCE's electric ratepayers, but not necessarily all of the costs that SCE has included. All of the costs that make up the \$28.987 million are not necessarily properly incurred costs. The costs that make up the \$28.987 million need to be carefully examined. For example, as discussed above, had SCE taken proper steps years ago to deal with reoccurring droughts, such as desalination with sufficient storage instead of forced conservation which, by its very nature, causes revenue loss, many of the costs making up the \$28.987 million would not have been incurred.

Passing on water costs to SCE's electric ratepayers was the sticking point that held up the settlement of the previous GRC. Protestants participated in what seemed like endless meetings before the issue was resolved in favor of transferring some costs to SCE's electric ratepayers but disallowing \$2.485 million in capital costs.<sup>37</sup> Protestants are well aware that in approving the settlement, the Commission stated that "[t]his one-time transfer is part of the adopted all-party Settlement, and therefore not precedential in other proceedings."<sup>38</sup> However, Protestants maintain that the circumstances in this particular GRC are without precedent, and allowing a transfer is not somehow setting a general precedent applicable to any combined water and electric utility that asks to transfer water costs to its electric ratepayers.

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<sup>37</sup> Decision 14-10-048. p. 1.

<sup>38</sup> *Id.* at p.2.

Protestants have discussed with SCE some of the cost recovery alternatives detailed by SCE.<sup>39</sup> All should be considered in this proceeding. However, Protestants do not believe the Visitor Boat Fee is feasible for the reasons set out by SCE.

One cost recovery alternative proposed by SCE seems to Protestants to have particular merit - Rate Base Consolidation.<sup>40</sup> As described above, SCE's electric service on the Island is "end of the line service." Because desalination is so dependent on electricity, SCE's water utility is really part of that "end of the line service." SCE does not have a clear distinction between electric employees and water employees. There are not separate pay rates for electric employees and water employees. There is a single union, which is determinate of the compensation paid to most of the employees. As a result, water employees are paid considerably more than comparable employees on the mainland. In a real sense, SCE's water utility is part of its electric utility. In other words, SCE operates its water utility in the same manner it operates its gigantic electric utility. Joining them makes sense. However, Rate Base Consolidation will only make sense if it results in reasonable water rates for the Island's ratepayers who already pay some of the highest rates in the State.

Acquisition by a Multi-District (Class A) Water Utility is not a feasible solution. It would not solve SCE's problems by transferring the problems to another entity. It would only solve SCE's problems. Protestants are aware that SCE has shopped its water utility to other water utilities and even to a non-water utility which supplies it with certain meters, without success. A Class A Water Utility would not touch SCE's water utility with a 100-foot pole.

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<sup>39</sup> SCE 01, pp. 23-26.

<sup>40</sup> SCE 01, pp. 26-27.

## VIII. CAPITAL PROJECTS

As was learned in the Previous GRC, each item that makes up SCE's proposed Revenue Requirement requires careful scrutiny. As described above, expenses related to the environment require particular scrutiny. Protestants object to the inclusion of costs for environmental remediation that should have been undertaken by SCE years ago and at considerably less cost. Current ratepayers should not be required to pay for past failures. Protestants particularly object to the costs related to Howlands Landing Well 3 and Pipeline, Howlands Landing Well 3 Treatment System and Howlands Landing Well 3 Replacement and Pump Modification. As described above, the unprecedented cost related to the Howland Landings Well arose from a failure to timely anticipate a deteriorating well and from not having had a backup well many years ago. Protestants also object to costs related to the MGT Renovation and Rebuild for the reasons stated above.

SCE seeks \$1,413,362 to refurbish its SCADA Systems to which the Protestants object. In the Previous GRC, SCE sought \$2,327,000 for the SCADA system it had already installed. Protestants, ORA and TURN objected. After detailing at great length the evidence presented by all parties, which evidence is equally valuable in this GRC, the assigned ALJ disallowed all but \$500,000 of the request in the Draft Proposed Decision which underlies the All-Party Settlement that ended the Previous GRC.<sup>41</sup> **EXHIBIT 5.**

In our opinion the SCADA system is too expensive for this small water company. Therefore, we will allow only \$500,000 of capital expenditure for the SCADA system. It is a system that cost \$2,327,000 for a company whose water revenue in 2009 was \$3,843,870, a cost of almost \$1,200 per customer. The SCADA system may be convenient but it is not necessary. However, it is useful and for that reason we will allow \$500,000. Merely because SCE spent \$2,327,000 does not make the expenditure reasonable. That is why we have reasonableness review hearings. SCE must demonstrate that the expenditure is reasonable: in our opinion, the conflicting evidence shows that \$500,000 is a reasonable expense for the SCADA system.<sup>42</sup>

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<sup>41</sup> Draft Proposed Decision, A.10-11-009, EXHIBIT 5.

<sup>42</sup> *Id.* at p 36.

Nothing has changed to justify the proposed expenditure of \$1,413,362 to upgrade a system “too expensive for this small water company,” even if it is useful. The “upgrade” is 61% as expensive as the original installation. Protestants believe that the original system was poorly designed, that it never properly functioned, and that the “upgrade” is intended to try to make the system functional.

The additional capital projects already completed must be carefully reviewed: They are:

- a) Desalination Plant 2
- b) Disinfection Byproduct Mitigation
- c) Airport Tank Lead-Based Paint Abatement and Demolition
- d) Water System Fall Protection Improvements
- e) Wrigley Road Terrace Water Main Relocation
- f) Vieudelou Water Main Relocation
- g) Mt. Ada Tank Fall Protection Improvements
- h) Water Valve Replacement
- i) Middle Ranch Well 5A New Pump and Motor
- j) Middle Ranch Water Supply Improvements
- k) Hamilton Cove “C” Station Pipeline Spool and Isolation Valves
- l) Seawater Well Pump Replacements
- m) Mt. Ada Pump Electrical Panel and Pump Controls Replacement
- n) Sweetwater Well New Pump and Motor

Some or all may have been necessary. However, as was learned in the Previous GRC, where engineering costs were disallowed or reduced, SCE is prone to incur excessive engineering costs,

often because it uses in-house engineers as against independent engineers with the particular expertise needed for the given project. The Catalina water utility is SCE's only water utility. Its in-house engineers are trained to provide engineering for the production of electricity, not for the needs of a tiny Class C water utility.

Some costs are highly questionable. The Wrigley Road Terrace Water Main Relocation and the Vieudelou Water Main Relocation involved replacing 367 feet of 1-inch, 2-inch and 4-inch of distribution line for \$124,000, or \$338 per foot.<sup>43</sup> That does not seem reasonable.

SCE also seeks approval for capital expenditures in the future.<sup>44</sup> Just as the capital projects already completed require close scrutiny, the projected capital projects need the same scrutiny, including a determination that the proposed way of carrying out the project is the most efficacious.

Three future projects involve desalination:

- Desalination Enhancements – Phase 1
- Desalination Communication Line Replacement
- Desalination Building Upgrade

The total cost is \$13.310 million. of which \$10.300 million is to be provided by DWR and \$3.010 million by ratepayers.<sup>45</sup> As discussed above, desalination is the long-term salvation of the Island.

The project will provide much needed storage by utilizing the existing covered Wrigley Reservoir. This, in turn, will bring desalinated water to Hamilton Cove. However, the rest of the Island will not benefit from the project.

As discussed above, SCE currently operates two desalination plants without adequate storage, which greatly reduces their ability to mitigate the effects of drought. The desalination plants are at

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<sup>43</sup> SCE 06, pp. 22-26.

<sup>44</sup> SCE 03, pp. 53-75.

<sup>45</sup> \$10 million is to be provided by the California Department of Water Resources ("DWR"). The source of the remaining \$300,000 is not identified. SCE 03, pp. 53, 59-60.

sea level. The proposed storage, the Wrigley Reservoir, is considerably uphill and at a substantial distance from the desalination plants.<sup>46</sup> Pumping desalinated water that far will consume substantial electricity and add to the cost. As discussed above, the cost of electricity on the Island is a problem as SCE must make substantial production changes to meet current clean air regulations. The feasibility of the desalination projects must be reviewed in this proceeding. It is unclear why the project cannot be paid for by the grant from the DWR.

Most importantly, what is the plan for desalination during non-drought periods?

Groundwater is far cheaper than desalinated water. The only treatment required for groundwater is chlorination. According to SCE, between 2009 and 2019 drought conditions existed 54% of the time. During non-drought periods, it will be very tempting to resort to ground water and abandon desalination because it will be much cheaper to do so.

SCE was given Desal Plant No. 1 by the developers of Hamilton Cove at the commencement of an extended non-drought period. SCE stopped using the desalination plant and lost its permits and licenses. Protestants do not want to go through that cycle again. Protestants seek a commitment from SCE as to how it will use desalination in non-drought periods.

The Conservancy owns 88% of the Island. Much of the groundwater used by SCE comes from wells and aquifers located on the Conservancy's land. Drawing water from the ground is not without consequences to the flora and fauna on the surface which the Conservancy is charged to preserve and improve. This is another reason to use desalinated water in non-drought periods.

Protestants question the Water Meter Replacement Program. With everything on SCE's plate, Protestants believe that now is not the time to replace the vast majority of meters on the Island. SCE has considerable water loss, defined as the difference between water produced and water paid for.

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<sup>46</sup> SCE 03, pp. 56-57.

Protestants are not convinced that the loss is necessarily generated by inaccurate meters. Protestants believe that the principal cause of water loss is the failure to timely replace and maintain the pipeline systems. Apparently, SCE has not performed any actual tests of meters to make certain its assumptions are correct. Also, SCE has not provided any information as to the replacement meters. If they are so-called “Smart Meters,” it raises issues. Also, is this part of a program to replace electric meters? Will the new meters reduce manpower? If the replacement meters are not Smart Meters, the cost of \$275 per meter, is very high.<sup>47</sup> As pointed out by SCE, “GO 103-A allows water utilities to request an extension of the maximum service periods via advice letter based on relevant economic factors and meter accuracy.”<sup>48</sup> That appears to be the better path at the present time.

Protestants believe that the Water Valve Replacement and Water System Control Valve Replacements projects are long overdue. Protestants are not aware of any program to replace valves that was detailed in earlier SCE requests to raise rates. This concentrated effort to replace valves seems to be the product of neglect over the prior 58 years. Valves need to be replaced and upgraded periodically. Delayed maintenance is more costly than maintenance done on a continual and ongoing basis. This raises the issue of who should pay the cost of delayed maintenance. **More importantly, the cost of replacing 14 valves which cost a few hundred dollars was a whopping \$31,600 apiece.**<sup>49</sup>

SCE seeks \$100,000 for Verify Operator Rounds and Logs. This appears to be an attempt to pass on electric costs to water ratepayers. There are cheaper alternatives.

The proposed Wildfire Mitigation project raises the following question: Is this project water related or electric related? The threat of wildfire is from an electric spark. And to the extent parts of

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<sup>47</sup> SCE 03, p 64.

<sup>48</sup> General Order 103-A, IV.6.A(2).

<sup>49</sup> SCE 03, p 36.

the water system operate with electricity, well pumps as an example, they need to be properly wired. It would seem that the real threat of a wildfire comes from the wires bringing electricity to the locations where water equipment is located, rather than the water equipment powered by electricity. This project should be reviewed from the standpoint of separating what is the responsibility of the water utility and what is the responsibility of the electric utility. Protestants believe it is an electric expense.

## **IX. ADDITIONAL AND RELATED REQUESTS**

### **1. Preservation of Evidence.**

Demand is hereby made that SCE, its employees, agents, attorneys and all others under the direct or indirect control of SCE maintain all written and electronic evidence in any way relevant to the subject matter of the above-referenced Application and Protest, including but not limited to any and all internal and external audits and evaluations of SCE's water utility. The evidence to be maintained includes but is not limited to any and all written documents, including drafts and handwritten notes, reports and studies in any way relevant to the subject matter of the Application and this Protest. The evidence to be maintained also includes but is not limited to any and all electronic evidence, email and files however maintained, including any and all backup copies, and all data underlying any document or file in any way relevant to the subject matter of the Application and Protest. The evidence to be maintained also includes any sound recordings, including any voice mail related to the subject matter of the Application and this Protest maintained or controlled by SCE or its employees, agents, attorneys, and all others under the direct or indirect control of SCE. In simple terms, SCE, its employees, agents, attorneys and all others under the direct or indirect control of SCE



should not erase any relevant electronic data and should take adequate steps to ensure that relevant data is not erased by any program designed to automatically erase data.

**2. *Ex Parte* Requirements (Rules 8.1 through 8.5)**

SCE, which has offices a short distance from the Commission's offices in San Francisco, has a much better opportunity to contact the Commission and its Staff than do Protestants. SCE has advised Protestants that it has already had contact with the Commission and its Staff regarding aspects of its Application. Protestants request that the provisions of Rules 8.1 through 8.5 be strictly enforced during the pendency of these proceedings.

**X. STATUTORY AND REGULATORY REQUIREMENTS**

**1. Statutory and Other Authority (Rule 1.4)**

Rule 1.4(a)(2) provides that a person may become a party to a proceeding by filing a protest to an application.

**2. Legal Name and Correspondence**

CITY OF AVALON, a municipal corporation  
City of Avalon  
P.O. Box 707  
Avalon, CA 90704  
Ann Marshall, Mayor  
[amarshall@cityofavalon.com](mailto:amarshall@cityofavalon.com)

Cinde MacGugan, Mayor Pro Tem  
[ccassidy@cityofavalon.com](mailto:ccassidy@cityofavalon.com)

Denise Radde, City Manager/City Clerk  
(310) 510-0220, Ext. 122  
[dradde@cityofavalon.com](mailto:dradde@cityofavalon.com)

CATALINA ISLAND CHAMBER OF COMMERCE, Inc.,  
a California mutual benefit corporation  
Catalina Island Chamber of Commerce  
P.O Box 217  
Avalon, CA 90704  
Jim Luttjohann, President/CEO  
(310) 510-7643  
[jim@lovecatalina.com](mailto:jim@lovecatalina.com)

SANTA CATALINA ISLAND COMPANY, a Delaware corporation  
Santa Catalina Island Company  
P.O Box 737  
Avalon, CA 90704  
Karl Schmeck, COO  
310 510 2000  
[jschmeck@scico.com](mailto:jschmeck@scico.com)

SANTA CATALINA ISLAND CONSERVANCY,  
a California not for profit corporation  
Catalina Island Conservancy  
P.O. Box 2739  
Avalon, CA 90704  
Tony Budrovich, President/CEO  
(310) 510-2595, ext. 105  
[tbudrovich@catalinaconservancy.org](mailto:tbudrovich@catalinaconservancy.org)

GUIDED DISCOVERIES, INC., a California not for profit corporation  
Guided Discoveries  
P.O. Box 1360  
Claremont, CA 91711  
Ross Turner, Executive Director  
(909) 625-6194  
[ross@gdi.org](mailto:ross@gdi.org)

HAMILTON COVE HOMEOWNERS ASSOCIATION,  
a California mutual benefit corporation  
Hamilton Cove Homeowners Association  
P.O. Box 1573  
Avalon, CA 90704  
(310) 510-9500  
Bart Glass, Executive Vice President  
(310) 510-0190  
[bart@hamiltoncove.com](mailto:bart@hamiltoncove.com)

### **3. Proposed Categorization, Need for Hearings, Issues to be Considered, Proposed Schedule**

SCE proposes that the Application be designated a “ratesetting” proceeding. Protestants agree with SCE’s proposal. Protestants request that the Application be assigned to an Administrative Law Judge (“ALJ”) for formal hearings.

Protestants have been advised that the Public Advocates Office will protest the Application and participate in this proceeding as it did in the Previous GRC under its former names, Department then Office of Ratepayer Advocates (“ORA”). Protestants worked with the ORA on the Previous GRC and will work with Cal Advocates on this GRC.

SCE has spent many months, if not years, preparing the Application, the Supporting Testimony, the Exhibits and the Workpapers, which are voluminous. The issues are complex and involve matters and events covering many years. SCE has proposed a Schedule.<sup>50</sup> Protestants do not believe the proposed Schedule is realistic and request that the assigned ALJ be allowed to set the schedule after input from all parties at the Prehearing Conference. Unlike SCE, which has a large staff to prepare the Application, Testimony and Workpapers, Protestants have just the person signing this Protest and Brian Brady.

Protestants hope that this GRC can be resolved through alternative dispute resolution as, ultimately, the Previous GRC was resolved. The current pandemic dictates that virtual hearings be utilized to the extent possible. Protestants join SCE in requesting that if in-person hearings are held, that they be held in Southern California.

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<sup>50</sup> SCE Application, pp. 12-13.

#### **4. Anticipated Discovery**

As described above, Protestants have retained Brian Brady, a highly qualified expert with engineering, legal, water utility, water rights and local governance expertise. Mr. Brady participated in the Previous GRC and is already familiar with the issues raised by this GRC.

Catalina Island is small and most of SCE's water utility employees live in Avalon. Protestants have information regarding SCE that they will be working to verify through discovery. It is the intention of Protestants to first utilize document discovery and interrogatories to seek the information they believe is relevant. However, once that phase of discovery is completed, Protestants may need to take the depositions of certain present and former SCE employees.

### **CONCLUSION**

Protestants do not pretend that resolution of this GRC will be easy. Protestants acknowledge that the challenges identified by SCE are real. Although it took four years and much effort to resolve the Previous GRC, resolution was reached by an All-Party Settlement. Perhaps this GRC can be resolved in the same manner.

Protestants respectfully request the Commission to do the following;

1. In accordance with Rule 7.1, categorize the Application as "ratesetting" and determine that a hearing is required;
2. Cause the Application to be assigned to an Administrative Law Judge to conduct the hearing;
3. Order SCE, its employees, agents, attorneys and all others under the direct or indirect control of SCE to maintain all written and electronic evidence in any way relevant to the subject

matter of the Application and Protest, including but not limited to any and all internal audits and evaluations of SCE's water utility.

4. Order all parties to comply with Rules 8.1 through 8.5.

DATED: December 2, 2020

Respectfully submitted,

BISHTON • GUBERNICK

By: /s/ Norris J. Bishton, Jr.  
Norris J. Bishton, Jr.  
Attorneys for Protestants