BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Authority to, Among Other Things, Increase its Authorized Revenues For Santa Catalina Island Water Operations, and to Reflect That Increase In Rates.	Application 10-11-009 (Filed November 15, 2010)

DECISION ADOPTING THE ALL-PARTY SETTLEMENT ON REVENUE REQUIREMENT AND RATE DESIGN ISSUES FOR SOUTHERN CALIFORNIA EDISON COMPANY'S SANTA CATALINA ISLAND WATER OPERATIONS

Summary

This decision grants the joint motion for adoption of a settlement between Southern California Edison Company (SCE), the Division of Ratepayer Advocates, The Utility Reform Network and a group of protestants which constitutes a cross section of Santa Catalina Island Water Operations customers including the City of Avalon, the Chamber of Commerce, Catalina Island's principal land owners and condominium associations, and campgrounds. This decision adopts the settlement's proposed $4.130 million annual revenue requirement, which is an increase of $288,000 over the present rate revenues of $3.842 million dollars. The $288,000 revenue requirement increase represents a 7.5 per cent increase over the present revenue requirement. The adopted revenue requirement is based on a one-time transfer of $8.895 million of Catalina Water rate base to SCE's electric customers and SCE's shareholders will incur a capital disallowance of $2.485 million. The one-time transfer of rate base is for a

twelve-month period only, resulting in SCE's electric customers paying $.09 per month for a total of $1.08. This one-time transfer is part of the adopted all-party Settlement, and therefore not precedential in other proceedings.

This decision also adopts the settlement's proposed rate design adjustments allocating cost recovery among the different customer classes according to historical water usage levels.

Based on the adopted settlement's increased revenue requirement, coupled with the adjusted rate design, the average residential customer with average monthly water use will see an increase of 31.37 percent, resulting in an increase of their monthly water bill from $74.04 to $97.27. At the same time, the average commercial customer will see a monthly water bill decrease of 2%, from $549.98 to $538.35.

This decision grants parties' March 18, 2014, motion for admission of additional evidence into the record. All other outstanding motions in this proceeding are denied. This proceeding is closed.

1. Overview of the Settlement

1.1. Revenue Requirement

Southern California Edison Company (SCE), the Office of Ratepayer Advocates (ORA),[1] The Utility Reform Network (TURN) and the City of Avalon, the Chamber of Commerce, Santa Catalina Island's principal land owners and condominium associations, and campgrounds, (Protestants) filed a joint motion

[1] Subsequent to the filing of the settlements, the Division of Ratepayer Advocates changed its name to Office of Ratepayer Advocates.

on August 16, 2013, for adoption of a settlement[2] that includes proposals for the revenue requirement and rate design.

Table 1 below illustrates each party's initial position on the total revenue requirement, the dollar amount increase and the percentage increase over the present revenue requirement (PRR), and the settlement's proposed figures.

Table 1

	Total Revenue Requirement	**Dollar Amount Increase Over PRR**	**Percentage Increase Over PRR**
SCE	$7.118 million[3]	$3.726 million	85%
ORA	$6.320 million	$2.478 million	64%
TURN	$4.842 million	$1 million	26%
PROTESTANTS	$0	$0	0%
SETTLEMENT	**$4.130 million**	**$288,000**	**7.5%**

The total revenue requirement of $4.130 million represents settlement by all parties to the proceeding on all the revenue requirement issues in the general rate case.

The settled revenue requirement issues we approve include, but are not limited to:

- Administrative and General Expenses;
- All taxes;
- Utility Plant in Service;
- Working Cashing;

[2] The full settlement can be found at http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M076/K851/76851159.PDF

[3] SCE's initial revenue requirement request was $7.221 million but it was later modified to $7.118 million.

- Conservation;
- Water Quality;
- Low Income Programs;
- Consumption and Revenues;
- Customer Service;
- Operations and Maintenance;
- Production;
- Operating Expense;
- Capital Projects;
- Escalation;
- Depreciation; and
- Rate Base.

Given the water affordability issues on Santa Catalina Island, the settlement proposes a one-time recovery of $8.895 million of Catalina Water Rate Base from SCE's Electric customers over a one-year period. According to the settlement, SCE waives earning any return on the recovery of the one-time transfer and will only recover dollar for dollar from SCE's electric customers the total transfer amount of $8.895 million. In addition to this one-time recovery, SCE shareholders will incur a $2.485 million capital disallowance, and the remaining rate base will be $10.709 million. SCE's electric customers were provided notice and an opportunity to comment on the settlement. Few comments were received by the Public Advisors Office opposing the rate base transfer to SCE's electric customers.

1.2. Rate of Return

Parties agree that SCE's rate of return should be set at 7.9%, lower than any parties' litigated position. The litigated positions were developed when SCE's authorized rate of return for its electric utility operations was 8.74%, but

subsequent to the close of this proceeding, SCE's authorized rate of return was reduced to 7.9%.[4]

1.3. Rate Design

One goal of the parties' discussion of rate design was to correct the disparity in the cost recovery between residential and non-residential customers in the current rate design. The parties recognized that this could be achieved by adjusting: 1) the amount of revenue recovered through fixed charges as opposed to volumetric charges; 2) the allocation of volumetric revenue recovered from the residential and non-residential classes; and, 3) the differential between the summer and winter volumetric rates. By adjusting the parameters for rate design, the parties ensured that the overall revenue allocation is representative of the usage distribution across rate classes. The result is that settlement proposes recovering 49 percent of revenues from residential classes who use 49 percent of the water and recovering 51 percent of revenues from non-residential classes who use 51 percent of the water.

Table 2 below compares current Bills to the settlement's proposed Bills for each customer class. The comparison includes the dollar and percentage amount difference between the current and proposed Bills.

[4] *See* Decision (D.) 12-12-034.

Table 2

Customer Type	Current Average Monthly Bills	Settlement's Proposed Average Monthly Bills	Dollar Difference	Percentage Difference
Residential (Res)	$74.04	$97.27	$23.23	31%
Res – Dual	$195.58	$$221.75	$26.17	13%
Res – CARE*	$74.00	$95.00	$21.00	28%
Res – CARE-Dual	$65.16	$83.39	$18.23	28%
Res – DE**	$89.35	$114.36	$25.01	28%
Res – DE- Dual	$105.99	$126.01	$20.02	19%
Res – MM***	$881.54	$593.72	-287.82	-33%
Commercial (Comm)	$549.98	$538.35	-$11.63	-2%
Comm-CARE	$27.92	$44.45	$16.53	59%
Irrigation	$345.00	$351.14	$6.14	2%
Fire	$44.76	$$52.79	$8.03	18%

* California Alternate Rates for Energy
** Domestic Employee
** Master Meter

1.4. Domestic Employee Rates

The settlement also proposes to continue rate Schedule W-10-Domestic Employee Rates, which provides for discounted water rates to SCE employees. According to the figures in Table 2 above, the average monthly discounted bill for SCE employees is higher than the average residential customer's monthly bill; this discrepancy may be due to higher consumption by SCE employees.

1.5. Memorandum Accounts

In its testimony, SCE requested cost recovery of the expenses recorded in its Power Expenses Memorandum Account (PPEMA) and the Catalina Water CARE Memorandum Account (CWCMA) from the date of the inception of these memorandum accounts to the date of the final decision in this Application. In accordance with Resolution W-4665, SCE proposes to recover the undercollected balances in the PPEMA and CWCMA, over a one-year period, through rates effective upon the issuance of a decision in this proceeding. No party objected, and the settlement proposes that the memorandum account balances as of the effective date of this decision be recovered through filing a Tier 2 advice letter.

1.6. Compliance with Uniform System of Accounts (USOA)

The parties agree that for future Catalina water service annual reports and rate request proceedings, SCE will present its application or advice letter in a format consistent with the USOA for water utilities that does not contain references to Federal Energy Regulatory Commission.

2. Settlement Standard of Review

As the applicant, SCE bears the burden of proof to show that the regulatory relief it requests is just and reasonable and the related ratemaking mechanisms are fair.

In order for the Commission to consider any proposed settlements in this proceeding as being in the public interest, the Commission must be convinced that the parties had a sound and thorough understanding of the application, and all of the underlying assumptions and data included in the record. This level of understanding of the application and development of an adequate record is necessary to meet our requirements for considering any settlement. These requirements are set forth in Rule 12.1(a)[5] which states:

> Parties may, by written motion any time after the first prehearing conference and within 30 days after the last day of hearing, propose settlements on the resolution of any material issue of law or fact or on a mutually agreeable outcome to the proceeding. Settlements need not be joined by all parties; however, settlements in applications must be signed by the applicant….

[5] All referenced Rules are the Commission's Rules of Practice and Procedure. (http//docs.cpuc.ca.gov/published/RULES_PRAC_PROC/707311.htm)

> When a settlement pertains to a proceeding under a Rate Case Plan or other proceeding in which a comparison exhibit would ordinarily be filed, the motion must be supported by a comparison exhibit indicating the impact of the settlement in relation to the utility's application and, if the participating staff supports the settlement, in relation to the issues staff contested, or would have contested, in a hearing.

Rule 12.1(d) provides that:

> The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

Rule 12.5 limits the future applicability of a settlement:

> Commission adoption of a settlement is binding on all parties to the proceeding in which the settlement is proposed. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.

In short, we must find whether the settlement comports with Rule 12.1(d), which requires a settlement to be reasonable in light of the whole record, consistent with law, and in the public interest." We address below whether the settlement meets these three requirements.

2.1. Waiver of Rule 12.1 Timing Requirement for Settlements

Settling Parties requested, and we grant, a waiver of the Rule 12.1 timing requirement that proposed settlements be filed within 30 days after the last day of evidentiary hearings. Parties state that they diligently negotiated the complex and important issues involved in this proceeding and ultimately achieved an all-party settlement. Parties also state that because it is an all-party settlement, granting the waiver will prejudice no parties.

We agree and hereby waive the Rule 12.1(a) timing requirement and deem the settlement timely filed. All other outstanding motions are denied.

2.2. Does the Settlement Meet the Standard of Review for Settlements

The record consists of all filed documents, the testimony, the proposed settlement and the motion for its adoption. The settlement resolves all issues in SCE's general rate case filing and all issues raised by the other parties.

The settling parties represent a broad spectrum of interests. SCE represents the interest of the utility and its shareholders, while ORA TURN and Protestants represent the interests of the various classes of ratepayers. The settling parties are experienced in public utility litigation and the settlement is the result of extensive and vigorous negotiations. The parties to the settlement have a sound and thorough understanding of the issues, and all of the underlying assumptions and data and could therefore make informed decisions in the settlement process. The settlement is reasonable in light of the whole record because the settling parties fairly reflect the affected interests, these parties actively participated in this proceeding, and the settlement fairly and reasonably resolved the issues in the general rate case.

The Commission could have resolved the issues in favor of any of the parties. Accordingly, the settling parties have balanced a variety of issues of importance to them and have agreed to the settlement as a reasonable means by which to resolve the issues. Thus, for the reasons discussed above, and taken as a whole, the settlement is reasonable in light of the whole record.

In agreeing to the terms of the settlement, the parties explicitly considered the relevant statutes and Commission decisions. The settlement does not violate applicable statues or prior Commission decisions. Therefore, we find the settlement consistent with the law.

The settling parties addressed and resolved the issues identified in the proceeding. The settlement terms ensure that customers have access to an affordable, safe and reliable water supply. As previously noted, the settling parties represent a broad spectrum of utility and consumer interests. We may therefore conclude that the settlement is in the public interest.

There is public policy favoring the settlement of disputes. [6] The settlement satisfies this public policy preference for the following reasons.

The sponsors of the settlement represent the interests of SCE and its customers. Thus, the settling parties represent the interests of shareholders and ratepayers that have an interest in the services provided by SCE.

The settlement serves the public interest by resolving competing concerns in a collaborative and cooperative manner. By reaching agreement, the parties eliminate the possible litigation costs for rehearing and appeal.

Approval of the settlement provides a complete resolution of the issues. Thus, the settlement meets the applicable settlement requirements and does not bind or otherwise impose a precedent in this or any future proceeding. We specifically note, therefore, that SCE must not presume in any subsequent application that the Commission would deem the outcome adopted herein to be presumed reasonable and it must, therefore, fully justify every request and ratemaking proposal without reference to, or reliance on, the adoption of the settlement.

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[6] D.88-12-083, 30 CPUC 2d 189, 221.

3. Procedural Background

On November 15, 2010, SCE filed its Application to Increase Rates for Water Service (Application). On December 17, 2010, ORA protested the application. On December 28, 2010, Protestants protested the Application.

A prehearing conference was noticed and held on January 14, 2011 and an Assigned Commissioner's Scoping Memo and Ruling was issued on March 16, 2011. The scoping memo determined the issues, set a procedural schedule and determined the category as ratesetting and the need for hearing. On April 22, 2011, TURN filed a motion to become a party. On April 27, 2011, a public participation hearing was held on Santa Catalina Island.

ORA served intervenor testimony on May 16, 2011. Protestants and TURN served intervenor testimony on May 23, 2011. SCE served rebuttal testimony on June 13, 2011. The parties filed concurrent opening briefs on November 1, 2011 and concurrent reply briefs on November 18, 2011.

On December 12, 2011, the parties filed a joint motion for approval of rate design issues addressing all rate design issues except Domestic Employee Rates and annual revisions in SCE's water sales.

On May 23, 2012 then-assigned Administrative Law Judge (ALJ) Robert Barnett issued a Proposed Decision (PD). On May 14, 2012, the parties filed concurrent opening comments on the PD and on May 21, 2012, parties filed concurrent reply comments on the PD.

On June 13, 2012, ALJ Barnett released a revised PD. On June 15, 2012, Commissioner Sandoval convened an all-party meeting on Santa Catalina Island to consider the issues. At its June 21, 2012 meeting, the Commission discussed and consider the revised PD, but did not vote on it. Instead, the Commission

urged the parties to engage in settlement discussions on the remaining disputed issues.

On August 1, 2012, SCE and Protestants filed a joint motion to set aside submission for 60 days to engage in settlement discussions. On August 16, 2012, ALJ Barnett granted the motion. On August 10, 2012, President Peevey, the assigned Commissioner, issued an order amending the scoping memo to extend the deadline for resolution of the case to December 28, 2012. On December 13, 2012, President Peevey issued an extension order extending the deadline for resolution to June 28, 2013. On June 28, 2013, a third revised scoping memo was issued.

On February 12, 2014, ALJ Linda Rochester was assigned to the proceeding.

4. Waiver of Comment Period

This decision adopts an all-party settlement and therefore grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) the otherwise applicable 30-day period for public review and comment is waived.

5. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Linda A. Rochester is the assigned ALJ in this proceeding.

Findings of Fact

1. On August 13, 2013, SCE, ORA, TURN and Protestants filed a motion to adopt an all-party settlement agreement on revenue requirement issues, rate of return, rate design, memorandum accounts and compliance with the Uniform System of Accounts.

2. Parties diligently negotiated the all-party settlement and request that the Commission waive the Rule 12.1(a) requirement that settlements be filed within 30 days of the last day of evidentiary hearing.

3. The record for the proposed settlement is composed of the application, the testimony of the parties and all other filings.

4. The parties to the settlement adopted by this decision have a sound and thorough understanding of the issues and all of the underlying assumptions and data and could therefore make informed decisions in the settlement process.

5. The proposed all-party settlement is a balance between the original positions as otherwise litigated in the prepared testimony of the parties.

Conclusions of Law

1. Applicant alone bears the burden of proof to show that its requests are reasonable.

2. A waiver of the Rule 12.1(a) settlement filing requirements will prejudice no parties, and is therefore granted.

3. Rule 12.1(d) provides that the Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

4. The proposed settlement is reasonable in light of the whole record because it fairly balances the interests of the utility and its customers.

5. The proposed settlement is consistent with law and does not contravene or compromise any statutory provisions or Commission decision.

6. The all-party settlement is in the public interest because it represents the interests of all affected parties, avoids the litigation costs of a possible rehearing and ensures that customers have access to an affordable, safe and reliable water supply.

7. The settlement should be adopted.
8. All outstanding motions are denied.

O R D E R

IT IS ORDERED that:

1. The joint motion of Southern California Edison Company, the Office of Ratepayer Advocates, The Utility Reform Network and Protestants that include the City of Avalon, the Chamber of Commerce, Catalina Island's principal land owners and condominium associations, and campgrounds, to adopt the August 16, 2013 Settlement is granted.

2. Southern California Edison Company is authorized to file by Tier 1 advice letter the revised tariff schedules for its Santa Catalina Island Water Operations attached to this order as Appendices B, C, D, E, and F, and to concurrently cancel its present schedules for such service. This filing shall be subject to approval by the Commission's Division of Water and Audits. The effective date of the revised schedule shall be no earlier than five days after the effective date of this decision and shall apply only to service rendered on or after the effective date of the tariff schedules.

3. Within 30 days of the effective date of this decision, Southern California Edison Company is authorized to file a Tier 2 advice letter to amortize the balances in the Purchased Power Expenses Memorandum Account and the Catalina California Alternatives Rates for Energy Memorandum Account through water rates over a one-year period. Southern California Edison Company's advice letter will request cost recovery of the expenses recorded in the above named memorandum accounts from their inception through the date of a final decision in this application.

4. Applications 10-11-009 is closed.

   This order is effective today.

   Dated _____, at San Francisco, California.

APPENDIX A

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Southern California Edison
Catalina Water
Comparison Exhibit
(Nominal $000)
From March 18, 2014 Joint Motion of SCE, PROTESTANTS, TURN, and ORA for Admission of Additional Evidence

Results of Operation	Ratemaking Items	SCE Litigation Position	Protestants Litigation Position	ORA Litigation Position	TURN Litigation Position	ALJ Barnett PD	ALJ Barnett PD (Revised)	Settlement	SETTLEMENT SOURCE / NOTES
TOTAL OPERATING REVENUES	**Revenue Requirement**	**$7,222**	**$3,948**	**$6,320**	**$4,948**	**$3,948**	**$3,842**	**$4,130**	**SETTLEMENT AGT SECTION D. PARA 1.; See also EXHIBIT C**
	Proposed Rev Req Increase	85%	0%	64%	26%	0%	0%	7.50%	INCREASE FROM PRR OF $3.842M; NEGOTIATED IN SETTLEMENT (See Joint Motion p. 8)
	Phase-In	No	Yes (3 yrs)	Yes (3 yrs)	Yes (3 yrs)	No	No	No	
OPERATING EXPENSES									
Other:	Account 615	$291	$19	$291	NA	$291	$291	NA	
	Account 630	$819	$635	$819	NA	$819	$819	NA	
	Account 640	$251	$0	$251	NA	$251	$251	NA	
	Account 650	$1,017	$0	$1,017	NA	$600	$600	NA	
	Account 660	$49	$1	$41	NA	$49	$49	NA	
Subtotal Other		**$2,428**	**$655**	**$2,419**	**NA**	**$2,010**	**$2,010**	**$2,228**	**SETTLEMENT AGT EXHIBIT C**
Uncollectables	Account 676	$16	$0	$14	NA	$9	$9	$9	SETTLEMENT AGT EXHIBIT C
Administrative & General:	Account 670	$110	$13	$110	NA	$110	$110	NA	
	Account 671	$35	$0	$35	NA	$35	$35	NA	
	Account 681	$15	$1	$13	NA	$10	$10	NA	
	Account 689	$31	$0	$31	NA	$0	$31	NA	
	A&G Allocation	$635	$0	$0	$540	$0	$535	NA	
	Account 800 (Minus Expenses Capitalized)	($148)	NA	NA	NA	($148)	($147)	NA	
Subtotal Administrative & General		**$678**	**$14**	**$189**	**$540**	**$7**	**$574**	**$573**	**SETTLEMENT AGT EXHIBIT C**

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From March 18, 2014 Joint Motion of SCE, PROTESTANTS, TURN, and ORA for Admission of Additional Evidence

Franchise Requirements	Accounts 689-927	$71	NA	$63	NA	$39	$38	$41	SETTLEMENT AGT EXHIBIT C
Revenue Credits	Account 480	($154)	($1,000)	($154)	NA	($154)	($154)	($154)	SETTLEMENT AGT EXHIBIT C
Subtotal		**$3,039**	**($331)**	**$2,531**	**NA**	**$1,911**	**$2,477**	**$2,697**	**SETTLEMENT AGT EXHIBIT C**
Escalation	Escalation	$152	NA	$126	NA	$157	$135	$144	SETTLEMENT AGT EXHIBIT C
Depreciation	Account 403	$774	NA	$713	$574	$789	$592	$667	SETTLEMENT AGT EXHIBIT C
Taxes Other Than Income	Account 408	$282	NA	$286	NA	$282	$180	$214	SETTLEMENT AGT EXHIBIT C
Taxes Based on Income	Income taxes	$890	NA	$792	NA	$322	($360)	($439)	SETTLEMENT AGT EXHIBIT C
TOTAL OPERATING EXPENSES		**$5,137**	**NA**	**$4,448**	**NA**	**$3,461**	**$3,024**	**$3,284**	**SETTLEMENT AGT EXHIBIT C**
RATE BASE									
Capital Projects were all completed before filing of GRC (Results in Rate Base R/O Figures Below):	Catalina Fire Watershed Rest.	$3,204	$0	$920	NA	$0	$0	NA	Unlike in many GRCs, all capital projects at issue in this proceeding have previously been completed and put into service.
	Water SCADA	$2,187	$0 - $500	$2,187	$500	$0	$500	NA	
	Pumphouse #2 Replacement	$4,568	$1,500 - $1,800	$4,568	NA	$2,510	$2,510	NA	
	Pebbly Beach Water Line Repl.	$393	$393	$0	NA	$393	$393	NA	
	Middle Ranch Cyn. Piezometers	$392	$392	$392	NA	$392	$392	NA	
	West End Pipeline Replacement	$755	$377	$755	NA	$755	$755	NA	
	Isthmus Area Projects	$975	$0	$975	NA	$390	$390	NA	
	Thompson Reservoir Siphon	$2,160	$0	$2,160	$799	$2,160	$2,160	NA	
	Station Office Betterment	$1,296	$0	$1,296	NA	$0	$0	NA	

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From March 18, 2014 Joint Motion of SCE, PROTESTANTS, TURN, and ORA for Admission of Additional Evidence

Total Capital		**$15,930**	**$2,663 - $3,463**	**$13,252**	**NA**	**$6,600**	**$7,100**	**$11,144**	**Result of SCE's $15.93M original capital request minus $2.3M reduction in Fire Watershed Restoration Project and NEGOTIATED SETTLEMENT capital disallowance of $2.485M (See SETTLEMENT AGT SECTION D, PARA 2)**
RATE BASE	**Remaining Water Rate Base**	**$23,780**	**NA**	**$21,398**	**NA**	**$5,566**	**$9,357**	**$10,709**	**SETTLEMENT AGT SECTION D. PARA 2.; See also EXHIBIT C**
RATE BASE RECOVERED FROM ELECTRIC CUSTOMERS	**Transfer to Electric**	**Was alternate proposal**	**Supported**	**Opposed**	**Opposed**	**$10,700**	**$7,780**	**$8,796**	**SETTLEMENT AGT SECTION D. PARA 2.; See also EXHIBIT C**
RATE OF RETURN		**8.75%**	**NA**	**8.75%**	**8.11%**	**8.75%**	**8.74%**	**7.90%**	**SETTLEMENT AGT SECTION D. PARA 3.; See also EXHIBIT C**

Notes:
NA refers to either no position taken or Not Negotiated in Settlement.
SCE's original proposed revenue requirement was $7.222 million, which SCE subsequently revised its request to $7.118 million in Rebuttal, and then to $6.703 million in Comments.
SCE's original proposed A&G Allocation was $635k, but SCE subsequently agreed with TURN/ORA to reduce it to $535k. Settlement RO model line item 6 for Administrative and General of $573k includes Accounts 670, 671, 681, 689, and A&G Allocation and Minus Expenses Capitalized ratemaking line items.
SCE's original proposed capital expenditure for the Fire Watershed Restoration project was $3.2 million. SCE subsequently revised its request in Comments to $0.9 million.
SCE's original Present Rate Revenue (PRR) amount was $3.948 million but was subsequently reduced to $3.842 million.

(END OF APPENDIX A)

APPENDIX B

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Southern California Edison
Catalina Water
Results of Operation
(Nominal $000)
From Exhibit C to the Settlement Agreement

Line No.	Item	Settlement
1.	**TOTAL OPERATING REVENUES**	4,130
2.	**OPERATING EXPENSES:**	
3.	Other	2,228
4.	Subtotal Other	2,228
5.	Uncollectibles 1/	9
6.	Administrative & General	573
7.	Franchise Requirements 1/	41
8.	Revenue Credits	(154)
9.	Subtotal	2,697
10.	Escalation	144
11.	Depreciation	667
12.	Taxes Other Than On Income	214
13.	Taxes Based On Income	(439)
14.	Total Taxes	(225)
15.	**TOTAL OPERATING EXPENSES**	3,284
16.	**NET OPERATING REVENUE**	846
17.	**RATE BASE**	10,709
18.	**RATE BASE RECOVERED FROM ELECTRIC CUSTOMERS 2/**	8,796
19.	**RATE OF RETURN**	7.90%

1/ 0.229% for Uncollectable expenses and 1% for Franchise Fees

2/ $8,796 thousand of Catalina Water rate base recovered from electric customers to be grossed-up for FF&U

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Southern California Edison
Catalina Water
Summary of Rate Base*
(Nominal $000)
From Settlement Agreement Results of Operation Models

Line No.	Item	Settlement
1.	**Fixed Capital**	
2.	Plant in Service (Avg)	28,497
3.	Total Fixed Capital (Avg)	28,497
4.	**Working Capital**	
5.	Working Cash (Avg)	368
6.	Total Working Capital (Avg.)	368
7.	Total Before Deductions for Reserves (Avg)	28,865
8.	**Deductions for Reserves**	
9.	Depreciation Reserve (Avg)	(21,455)
10.	Taxes Def. - Plant (Avg)	3,168
11.	Capitalized Interest (Avg)	130
12.	Total Deductions for Reserves (Avg)	(18,156)
13.	**Total Rate Base (Avg)**	**10,709**

*$8,796 thousand of Catalina Water rate base to be recovered from electric customers over a 1-year period

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Catalina Water
Summary of Income Taxes
(Nominal $000)
From Settlement Agreement Results of Operation Models

Line No.	Item	Settlement
1.	**California Income Tax Adjustments**	
2.	Tax Depreciation	826
3.	Interest On Long-Term Debt	253
4.	Interest On Accumulated Deferred ITC	(2)
5.	Uniform Capitalization	(2)
6.	Ad Valorem Lien Date Adjustment	(41)
7.	Total CCFT Adjustments	1,034
8.	**Federal Income Tax Adjustments**	
9.	Tax Depreciation	1,199
10.	Interest On Long-Term Debt	253
11.	Uniform Capitalization	(2)
12.	Ad Valorem Lien Date Adjustment	(41)
13.	Section 199 Manufacturer's Deduction	4
14.	Total FIT Adjustments	1,413
15.	**California Corporation Franchise Tax**	
16.	Operating Revenues	4,130
17.	Operating Expenses	2,841
18.	Taxes Other Than Income	214
19.	Subtotal Expenses	3,055
20.	Income Tax Adjustments	1,034
21.	California Taxable Income	40
22.	CCFT Tax Rate	8.5409%
23.	CCFT	3
24.	California Alternate Minimum Tax	11
25.	Total State Income Taxes	14
26.	**Federal Income Tax**	
27.	Operating Revenues	4,130
28.	Operating Expenses	2,841
29.	Taxes Other Than Income	214
30.	Total State Income Taxes	14
31.	Less: Current Year's CCFT	3
32.	Plus: Prior Year's CCFT	1,374
33.	Subtotal - Expenses	4,440
34.	Income Tax Adjustments (Sch M)	1,413
35.	Federal Taxable Income	(1,724)
36.	FIT Tax Rate	35%
37.	Federal Income Tax	(603)
38.	Taxes Deferred-current (Plant)	153
39.	Taxes Deferred-current (AFUDC Debt)	(2)
40.	Taxes Deferred-current (Cap. Int.)	5
41.	Investment Tax Credit Amortization	(6)
42.	Total Federal Income Taxes	(453)
43.	**Total Taxes-Income (State and Fed)**	**(439)**

(END OF APPENDIX B)

APPENDIX C

APPENDIX C
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Southern California Edison
Catalina Water
Quantities
From Rate Design Settlement Agreement

Customer Type	**Annual Usage Forecast (gallons)**									**Total**
Meter / Pipe Size* >>>	5/8 in.	3/4 in.	1 in.	1.5 in.	2 in.	3 in.	4 in.	6 in.	8 in.	
Res	34,234,177	416,393	2,263,759	872,223	1,730,080	0	0	0	0	39,516,632
Res-Dual	56,488	0	2,546,429	740,143	1,622,926	0	0	0	0	4,965,986
Res-CARE	6,231,652	0	0	0	0	0	0	0	0	6,231,652
Res-CARE-Dual	18,678	0	37,391	0	0	0	0	0	0	56,069
Res-DE	1,380,769	0	53,924	0	0	0	0	0	0	1,434,693
Res-DE-Dual	0	0	47,432	0	0	0	0	0	0	47,432
Res-MM	188,282	0	2,912,224	2,646,721	3,256,105	0	0	0	0	9,003,332
Com	8,969,402	0	10,590,347	9,505,537	28,039,150	1,055,009	0	142	117,770	58,277,357
Com-CARE	475	0	0	0	0	0	0	0	0	475
IRRI	2,675,280	0	395,125	794,068	2,252,809	0	0	0	0	6,117,283
FIRE	0	0	0	0	0	0	0	0	0	0
Total	53,755,203	416,393	18,846,631	14,558,693	36,901,071	1,055,009	0	142	117,770	125,650,912

Customer Type	**Number of Services by Customer Type and Meter/Pipe Size**									**Total**
Meter / Pipe Size* >>>	5/8 in.	3/4 in.	1 in.	1.5 in.	2 in.	3 in.	4 in.	6 in.	8 in.	
Res	1,179	8	38	4	9	0	0	0	0	1,238
Res-Dual	2	0	53	7	6	0	0	0	0	68
Res-CARE	166	0	0	0	0	0	0	0	0	166
Res-CARE-Dual	1	0	1	0	0	0	0	0	0	2
Res-DE	30	0	2	0	0	0	0	0	0	32
Res-DE-Dual	0	0	1	0	0	0	0	0	0	1
Res-MM	2	0	7	13	4	0	0	0	0	26
Com	159	0	57	19	50	4	0	1	1	289
Com-CARE	1	0	0	0	0	0	0	0	0	1
IRRI	35	0	6	3	4	1	0	0	0	49
FIRE	0	1	3	7	27	4	38	3	1	84
Total	1,575	9	168	53	99	8	38	4	2	1,956

* Private Fire Protection is based on pipe size

(END OF APPENDIX C)

APPENDIX D

APPENDIX D
Page 1 of 2
Southern California Edison
Catalina Water
Comparison of Average Monthly Bills
From Exhibit D to the Settlement Agreement

Table – A-1: Average Monthly Bills ($) by Customer Type Under Current Rates, Present Rate Revenue Requirement of $3.842M and Settled 125.65 Million Gallon Sales Forecast

Customer Type	**Meter/Pipe Size**									Average Monthly Bill
	5/8 in.	3/4 in.	1 in.	1.5 in.	2 in.	3 in.	4 in.	6 in.	8 in.	
Res	65.72	127.00	158.61	580.14	526.24					$ 74.04
Res-Dual	62.41		127.03	273.65	743.05					$ 195.58
Res-CARE	74.00									$ 74.00
Res-CARE-Dual	42.30		88.01							$ 65.16
Res-DE	90.30		75.54							$ 89.35
Res-DE-Dual			105.99							$ 105.99
Res-MM	181.43		1,058.62	496.25	2,173.92					$ 881.54
Com	139.75		491.10	1,390.64	1,587.80	976.00		367.16	866.38	$ 549.98
Com-CARE	27.92									$ 27.92
IRRI	199.67		170.05	789.44	1,811.16	184.49				$ 345.00
FIRE		9.54	12.27	16.39	21.86	45.69	62.16	103.23	153.55	$ 44.76
Average	$ 77.66	$ 114.14	$ 295.33	$ 739.34	$ 1,044.94	$ 451.19	$ 62.16	$ 163.36	$ 488.24	$ 165.34

Table – A-2: Average Monthly Bills ($) by Customer Type Under Settled Rate Structures, Present Rate Revenue Requirement of $3.842 million and Settled 125.65 Million Gallon Sales Forecast

Customer Type	**Meter/Pipe Size**									Average Monthly Bill	% Diff. from Table A-1
	5/8 in.	3/4 in.	1 in.	1.5 in.	2 in.	3 in.	4 in.	6 in.	8 in.		
Res	81.30	149.74	185.91	598.14	603.94					90.49	22%
Res-Dual	79.59		137.63	296.81	738.07					206.30	5%
Res-CARE	88.38									88.38	19%
Res-CARE-Dual	56.02		99.14							77.58	19%
Res-DE	106.80		100.48							106.39	19%
Res-DE-Dual			117.23							117.23	11%
Res-MM	143.49		711.60	326.35	1,212.54					552.34	-37%
Com	155.78		457.91	1,171.49	1,359.36	998.93		536.92	1,168.42	500.84	-9%
Com-CARE	41.36									41.36	48%

APPENDIX D
Page 2 of 2
Southern California Edison
Catalina Water
Comparison of Average Monthly Bills
From Exhibit D to the Settlement Agreement

IRRI	195.64		195.67	711.48	1,591.92	269.77				326.67	-5%
FIRE		11.44	14.72	19.66	26.21	54.78	65.63	108.99	184.10	49.11	10%
Average	$92.67	$134.60	$280.27	$620.34	$891.95	$474.10	$65.63	$206.48	$646.27	165.65	0%

Table – A-3: Average Monthly Bills ($) by Customer Type Under Settled Rate Structures, Settled Revenue Requirement of $4.130 Million and Settled 125.65 Million Gallon Sales Forecast

Customer Type	**Meter/Pipe Size**									Average Monthly Bill	% Diff. from Table A-1
	5/8 in.	3/4 in.	1 in.	1.5 in.	2 in.	3 in.	4 in.	6 in.	8 in.		
Res	87.39	160.95	199.84	642.94	649.17					97.27	31%
Res-Dual	85.55		147.93	319.05	793.35					221.75	13%
Res-CARE	95.00									95.00	28%
Res-CARE-Dual	60.22		106.57							83.39	28%
Res-DE	114.79		108.00							114.36	28%
Res-DE-Dual			126.01							126.01	19%
Res-MM	154.24		764.90	350.80	1,303.36					593.72	-33%
Com	167.45		492.21	1,259.24	1,461.18	1,073.75		577.13	1,255.93	538.35	-2%
Com-CARE	44.45									44.45	59%
IRRI	210.29		210.33	764.77	1,711.16	289.97				351.14	2%
FIRE		12.30	15.82	21.13	28.17	58.89	70.55	117.16	197.89	52.79	18%
Average	$99.61	$144.68	$301.27	$666.80	$958.75	$509.61	$70.55	$221.95	$694.67	178.06	8%

(END OF APPENDIX D)

APPENDIX E

APPENDIX E
Page 1 of 1
Southern California Edison
Catalina Water
Current Rates
AL 82-W-A approved rates effective Jan. 1, 2011

SCHEDULE:
W-1 (General Service - All)

Meter Size	$/meter/month
5/8 in.	24.21
3/4 in.	33.93
1 in.	43.65
1.5 in.	58.29
2 in.	77.72
3 in.	162.47
4 in.	221.04
6 in.	367.06
8 in.	545.98

Volumetric Rates
($/thousand gallons)

Tier	Summer (May-Sept)	Winter (Oct-Apr)
0 - 2,500 gallons (T1)	10.23	9.11
2,501 - 10,000 gallons (T2)	27.48	20.81
Over 10,000 gallons (T3)	37.61	28.02

SCHEDULE:
W-4 (Private Fire Protection)

Pipe Size	$/pipe/month
5/8 in.	6.23
3/4 in.	8.74
1 in.	11.24
1.5 in.	15.01
2 in.	20.01
3 in.	41.83
4 in.	56.91
6 in.	94.51
8 in.	140.58

Volumetric Rates
($/thousand gallons)

N/A

(END OF APPENDIX E)

APPENDIX F

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Southern California Edison
Catalina Water
Adopted Rates
From Exhibit B to the Settlement Agreement

SCHEDULES:
W-1-R (Residential)
W-10 (DE)
W-1-RM (Residential Multi-Family)

Pipe Size	$/meter/month	% change
5/8 in.	43.21	78%
3/4 in.	60.56	78%
1 in.	77.90	78%
1.5 in.	104.04	78%
2 in.	138.72	78%
3 in.	289.97	78%
4 in.	347.39	57%
6 in.	576.88	57%
8 in.	974.44	78%

Volumetric Rates* ($/thousand gallons)		
Tier	**Summer (June-Sept)**	**Winter (Oct-May)**
0 - 2,000 gallons (T1)	15.12	8.90
2,001 - 6,500 gallons (T2)	29.72	17.27
Over 6,500 gallons (T3)	44.31	25.65
% change		
T1	48%	-2%
T2	8%	-17%
T3	18%	-8%

* Includes CARE surcharge of $0.41 per thousand gallons

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SCHEDULE:
W-1-RDS (Residential Dual Service)

Pipe Size	$/meter/month	% change
5/8 in.	43.21	78%
1 in.	62.32	43%
1.5 in.	83.23	43%
2 in.	110.97	43%

Volumetric Rates*
($/thousand gallons)

Tier	Summer (June-Sept)	Winter (Oct-May)
0 - 2,000 gallons (T1)	15.12	8.90
2,001 - 6,500 gallons (T2)	29.72	17.27
Over 6,500 gallons (T3)	44.31	25.65
% change		
T1	48%	-2%
T2	8%	-17%
T3	18%	-8%

* Includes CARE surcharge of $0.41 per thousand gallons

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Southern California Edison
Catalina Water
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SCHEDULE:
W-4 (Private Fire Protection)

Pipe Size	$/meter/month	% change
5/8 in.	8.77	41%
3/4 in.	12.30	41%
1 in.	15.82	41%
1.5 in.	21.13	41%
2 in.	28.17	41%
3 in.	58.89	41%
4 in.	70.55	24%
6 in.	117.16	24%
8 in.	197.89	41%

Volumetric Rates
($/thousand gallons)

N/A

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Southern California Edison
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SCHEDULES:
W-1-GS (Commercial)
W-3 (Irrigation)

Pipe Size	$/meter/month	% change
5/8 in.	43.21	78%
3/4 in.	60.56	78%
1 in.	77.90	78%
1.5 in.	104.04	78%
2 in.	138.72	78%
3 in.	289.97	78%
4 in.	347.39	57%
6 in.	576.88	57%
8 in.	974.44	78%

Volumetric Rates*
($/thousand gallons)

Tier	Summer (June-Sept)	Winter (Oct-May)
All Usage	36.75	18.39
% change		
T1	259%	102%
T2	34%	-12%
T3	-2%	-34%

* Includes CARE surcharge of $0.41 per thousand gallons

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Southern California Edison
Catalina Water
Adopted Rates
From Exhibit B to the Settlement Agreement

SCHEDULE:
W-1-R-CARE (Residential-CARE)*

Pipe Size	$/meter/month	% change
5/8 in.	34.56	43%
3/4 in.	48.45	43%
1 in.	62.32	43%
1.5 in.	83.23	43%
2 in.	110.97	43%
3 in.	231.98	43%
4 in.	277.91	26%
6 in.	461.51	26%
8 in.	779.56	43%

Volumetric Rates**
($/thousand gallons)

Tier	Summer (June-Sept)	Winter (Oct-May)
0 - 2,000 gallons (T1)	11.77	6.79
2,001 - 6,500 gallons (T2)	23.44	13.49
Over 6,500 gallons (T3)	35.12	20.19
% change		
T1	15%	-25%
T2	-15%	-35%
T3	-7%	-28%

*CARE customers receive a discount of 20% off the monthly meter charge and volumetric rates

**Volumetric rates also exclude the CARE surcharge

APPENDIX F
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Southern California Edison
Catalina Water
Adopted Rates
From Exhibit B to the Settlement Agreement

SCHEDULE:
W-1-RDS-CARE (Residential Dual Service-CARE)*

Pipe Size	$/meter/month	% change
5/8 in.	34.56	43%
1 in.	49.85	14%
1.5 in.	66.59	14%
2 in.	88.78	14%

Volumetric Rates**
($/thousand gallons)

Tier	Summer (June-Sept)	Winter (Oct-May)
0 - 2,000 gallons (T1)	11.77	6.79
2,001 - 6,500 gallons (T2)	23.44	13.49
Over 6,500 gallons (T3)	35.12	20.19
% change		
T1	15%	-25%
T2	-15%	-35%
T3	-7%	-28%

*CARE customers receive a discount of 20% off the monthly meter charge and volumetric rates
**Volumetric rates also exclude the CARE surcharge

(END OF APPENDIX F)