FILED
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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, Among Other Things, Increase Its Authorized Revenues For Santa Catalina Island Water Operations, and to Reflect That Increase In Rates.	**A.10-11-009** (Filed November 15, 2010)

PROTESTANTS' CORRECTED NOTICE OF EX PARTE COMMUNICATIONS

PROTESTANTS: City of Avalon, Catalina Island Chamber of Commerce, Santa Catalina Island Company, Santa Catalina Island Conservancy, Guided Discoveries, Conference of Catalina Condos and Apartments, and Hamilton Cove Homeowners Association

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

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Pursuant to California Public Utilities Commission (the "Commission") Rule of Practice and Procedure 8.4, Protestants respectfully file this notice of ex parte communication in the above-captioned proceeding.

On June 14, 2012, at approximately 11:00 A.M., the following representatives of Protestants met with Commission President Peevey and his advisor Lester Wong, as follows: President Peevey and his advisor Lester Wong were present at the Commission's Los Angeles office; Wayne Griffin, President of Protestant Catalina Island Chamber of Commerce, appeared in person at the Commission's Los Angeles office; Norris J. Bishton, Jr., attorney for the Protestants, appeared by telephone; Ann Muscat, President of Protestant Santa Catalina Island Conservancy, appeared by telephone; Russ Turner, President of Protestant Guided Discoveries, appeared by telephone; and Jared Ficker, consultant to Protestants, appeared by telephone. The communication was a combination of oral and written communications. Protestants initiated the communication.

The Protestants' representatives discussed Administrative Judge Barnett's Proposed Decision in the proceeding. Wayne Griffin delivered two handouts, copies of which are attached as Exhibits A and B.

DATED: June 18, 2012

BISHTON • GUBERNICK

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

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EXHIBIT A

PROTESTANTS' RESPONSE TO SCE'S PRESENTATION REGARDING ALJ BARNETT'S PROPOSED DECISION IN A. 10-11-009

SCE'S SLIDES IDENTIFIED

Protestants

The protestants are the following organizations:

- City of Avalon
- Santa Catalina Island Company
- Santa Catalina Island Conservancy
- Catalina Island Chamber of Commerce
- Conference of Catalina Condos and Apartments
- Hamilton Cover Homeowners Association
- Guided Discoveries

The organizations represent nearly all of the various ratepayers on Catalina Island.

SCE SLIDE: 2011 Test Year Revenue Requirement

- THE PD IS BASED UPON ALJ BARNETT'S DECISIONS AS TO WHETHER OR NOT SCE MET ITS BURDEN OF PROOF AS TO ITS OPERATING EXPENSES AND ITS RATE BASE.
- SCE'S "NEW PROPOSAL" SIMPLY ASUMES THAT IT IS ENTITLED TO WHATEVER IT ASKED FOR WITHOUT REGARD TO WHETHER OR NOT IT MET ITS BURDEN OF PROOF.
- THE GRAPH COMPARES APPLES TO COMQUATS. THE PD PROVIDES THAT $10.7 MILLION OF SCE'S RATE BASE BE SHIFTED TO SCE'S ELECTRIC CUSTOMERS. IF THIS IS APPLIED TO DRA'S AND TURN'S PROPOSAL, THEY ARE COMPARABLE TO THE PD.
- SCE'S "NEW PROPOSAL" WAS NEVER PRESENTED TO ALJ BARNETT.
- SCE'S "NEW PROPOSAL" WOULD COST THE 2000 RATEPAYERS AN AVERAGE $1430 MORE A YEAR IF THEY SIMPLY USE THE SAME AMOUNT OF WATER.

SCE SLIDE: Concerns with PD

- **COMMISSION POLICY:"ENCOURAGE AFFORDABLE RATES"**
  - THE RATES ON CATALINA ISLAND ARE ALREADY THE HIGHEST IN THE STATE BY FAR AND THE PD SO FOUND. (PD PP. 3,54; FINDING OF FACT NO. 1 P. 64.)
  - CURRENT AVERAGE RATE IS **$25.43 PER CCF**. SCE WANTS TO RAISE RATES TO **$55.67 PER CCF**.
- **SCE PRESENTED NO EVIDENCE WITH REGARD TO THE DIFFERENTIAL BETWEEN COSTS ON THE MAINLAND AND COSTS ON CATALINA ISLAND**
  - NO EVIDENCE OF THE COST OF CONCRETE, GASOLINE OR BREAD
  - SCE PAYS ITS EMPLOYEES $156,153.69 PER YEAR, 2.6 TIMES WHAT AN AVERAGE WATER UTILITY EMPLOYEE IS PAID ON THE MAINLAND.
- **WATER SYSTEM IS NOT COMPLEX. THIS WAS SCE'S CONTENTION. ALJ BARNETT HEARD THE EVIDENCE AND FOUND THAT "THE WATER SYSTEM ON CATALINA IS NOT COMPLEX." (PD P. 3)**

SCE SLIDE: O&M and A&G

- **CERTAIN O&M EXPENSES WERE REJECTED BECAUSE SCE FAILED TO MEET ITS BURDEN OF PROOF**
- **PD HOLDS RE CONTRACT WORK**
  - ESTIMATED AT MORE THAN DOUBLE SCE'S ENTIRE WORKFORCE TO DO WORK USUALLY PERFORMED BY EMPLOYEES
  - SCE HAS NOT SHOWN WHY THE SPECIFIED CONTRACT WORK CANNOT BE PERFORMED BY ITS OWN EMPLOYEES
  - SCE HAS NOT MET ITS BURDEN OF PROOF
  - STILL AWARDED $600,000
  - (PD P. 15)

SCE SLIDE: O&M and A&G (cont.)

- **PD HOLDS RE A&G (A NON USOA ACCOUNT)**
  - SCE DID NOT MEET ITS BURDEN OF PROOF
  - INCLUDED IN ELECTRIC RATES SINCE 1962
  - NO ADEQUATE REASON FOR CHANGE
  - EVIDENCE SCE PRESENTED WAS CONFUSING
  - DRA FOUND THE EVIDENCE CONFUSING
  - "IT IS NOT REASONABLE TO EXPECT A SMALL GAS AND WATER UTILITY TO BEAR A FRACTIONAL PORTION OF EXPENSES THAT IN NO WAY BENEFIT THEM" (PD P. 25)
  - SCE'S EVIDENCE DOES NOT SHOW THAT DUPLICATION WITH SCE'S ELECTRIC GRC HAS NOT OCCURRED (PD PP. 26)

SCE SLIDE: CAPITAL ($millions)

- **SCADA**
  - PD DOES NOT DIRECT SCE "TO REMOVE AND SELL FOR SCRAP"
  - PD HOLDS:
    - THE SCADA SYSTEM IS TOO EXPENSIVE FOR THIS SMALL WATER COMPANY. COST $2,327,000 WHEN ANNUAL REVENUES WERE $3,843,370.
    - NOT NECESSARY
    - SCE PRESENTED ENGINEERING STUDY THAT THE PROJECTED SCADA SYSTEM HAD A $4.3 MILLION NET PRESENT VALUE BENEFIT, WHICH IS A BENEFIT-TO-COST RATIO OF MORE THAN 2 TO 1 AS JUSTIFICATION FOR THE SYSTEM.
      - SCE HAS NOT SHOWN THE SYSTEM SAVED RATEPAYERS ONE DOLLAR (PD P. 33, 35)
    - SCE FAILED TO PROVE THE EXPENDITURE IS REASONABLE
    - (PD PP. 35)

SCE SLIDE: CAPITAL ($MILLIONS) (cont.)

- **REPLACEMENT PUMPHOUSE**
- **PD HOLDS:**
  - SCE CHARGED $2,267,000 FOR IN HOUSE ENGINEERING AND PROJECT MANAGEMENT OUT OF A COST OF OVER $4,500,000
    - THIS WAS NOT PART OF THE COMPETITIVE BID
    - A CLASS C UTILITY OPERATOR WOULD HAVE CONSTRUCTED THE PUMP HOUSE AT MUCH LESS COST
    - SCE SHOULD AVOID SADDLING RATEPAYERS WITH FACILITIES THEY CANNOT AFFORD
    - (PD PP. 42-43)

SCE SLIDE:CAPITAL ($millions) (cont.)

- **Isthmus Area Water Supply & SCADA**
  - **PD HOLDS:**
    - MILLION GALLON TANK EXISTS TO PROVIDE 900,000 GALLONS FOR FIRE PROTECTION FOR USC'S FACILITIES
    - 100,000 GALLONS BENEFIT OTHER RATEPAYERS
    - CONTRACT WITH USC REQUIRES USC TO PAY FOR 90% OF UPKEEP
    - RATEPAYERS SHOULD NOT BE CHARGED WITH MAINTAINING USC'S FIRE PROTECTION TANK
    - RATEPAYERS CHARGED FOR 10%
    - (PD PP. 45-46)

SCE SLIDE:CAPITAL ($millions) (cont.)

- **CATALINA ISLAND FIRE RESTORATION**
- **SCE RECOVERED $8,600,000 FROM THIRD PARTIES AFTER HEARING COMPLETED**
  - **PD HOLDS:**
    - SCE'S FIRE POLICY HAD A $5,000,000 DEDUCTIBLE
    - THE DEDUCTIBLE MAKES THE RATEPAYERS SELF-INSURERS
    - DRA PROVIDED EVIDENCE OF THE DEDUCTIBLE FOR EIGHT WATER UTILITIES. BASED UPON THIS INFORMATION THE DEDUCTIBLE SHOULD HAVE BEEN $5000.
    - BECAUSE OF THE $5,000,000 DEDUCTIBLE, NOT REASONABLE TO INCLUDE ANY AMOUNT IN THE RATE BASE
    - (PD PP. 48-49)

SCE SLIDE: CATALINA WATER BILLS ARE AFFORDABLE

- **SCE PRESENTED NO EVIDENCE REGARDING THE AFFORDABILITY OF CATALINA WATER BILLS COMPARED TO ANY OTHER WATER UTILITY**

- **PROTESTANTS' EXPERT PRESENTED EVIDENCE OF BORREGO WATER DISTRICT (BWD) RATES. BWD IS A DESSERT WATER DISTRICT SERVING 2200 RATEPAYERS WHICH GETS ITS WATER FROM WELLS.**
  - PROTESTANTS' EXPERT IS A CONSULTANT TO BWD
  - BWD SERVICE CHARGES--70% OF SCE'S PROPOSED SERVICE CHARGES
  - BWD'S HIGHEST CHARGE IN 2012 PER CCF IS **$2.19,**
  - SCE'S CURRENT AVERAGE CHARGE PER CCF IS **$25.43**
  - SCE'S PROPOSED CHARGE PER CCF IS **$55.67**
  - SCE COMPLAINS THAT CATALINA RATEPAPERS USE TOO LITTLE WATER
  - AT SCE'S PROPOSED RATES, IF CATALINA RATEPAYERS USED THE SAME AMOUNT OF WATER AS BWD RATEPAYERS, **THE AVERAGE MONTHLY BILL WOULD BE $1920 PLUS A SERVICE CHARGE**

EXPERT WITNESSES: O&M and CAPITAL EXPENDITURES

MAJOR DIFFERENCE BETWEEN EXPERTS

- **SCE'S EXPERT**
  - SCE'S DISTRICT MANAGER FOR CATALINA
  - NO TRAINING OR EXPERIENCE WITH WATER UTILITES OTHER THAN OJT ON CATALINA ISLAND
  - TRAINING AND WORK EXPERIENCE LIMITED TO ELECTRIC GENERATION
  - PD EVALUATES SCE EXPERT'S TESTIMONY AS "CONFUSING" TEN TIMES AND AS FAILING TO MEET SCE'S BURDEN OF PROOF ELEVEN TIMES
- **PROTESTANT'S EXPERT**
  - 21 YEARS AS AN ENGINEER AND MANAGER FOR SCE
  - TRAINED IN WATER RESOURCE MANAGEMENT
  - GENERAL MANAGER OF A NUMBER OF WATER UTILITIES
  - CURRENTLY GENERAL MANAGER OF A WATER UTILITY
  - BOARD MEMBER OF A NUMBER OF WATER DISTRICTS
  - CONSULTANT TO A NUMBER OF WATER DISTRICTS

TURN AND DRA COMMENTS RE: THE PD

- DRA COMMENTS SUPPORT THE PD. SCE REFERENCES DRA'S REPORT ISSUED BEFORE IT HAD AN OPPORTUNITY TO REVIEW ALL THE TESTIMONY AND TO HEAR THREE DAYS OF LIVE TESTIMONY
- DRA DOES NOT OPPOSE SCE'S ALTERNATIVE RATEMAKING PROPOSAL
- TURN WANTS EVEN FURTHER REDUCTIONS PARTICULARLY IN CAPITAL EXPENDITURES ADDED TO RATE BASE

SCE'S ALTERNATIVE RATEMAKING PROPOSAL

- SCE SOUGHT $19 MILLION SHIFT OF ITS WATER RATE BASE TO ITS ELECTRIC CUSTOMERS
- ADVERTISED ITS PROPOSAL TO RATEPAYERS
- PD HOLDS THAT SCE NEVER IDENTIFIED THE $19 MILLION IT WANTED SHIFTED
- PD SHIFTS $10.7 MILLION
- SCE NOW DOWNPLAYS ITS PROPOSAL APPARENTLY BECAUSE IT DID NOT GET THE $19 MILLION IT SOUGHT

SCE'S POSITION

- REJECT THE PD
- THE MANY PAGES OF PREPARED TESTIMONY REVIEWED BY ALJ BARNETT, THE TWO PUBLIC HEARINGS, THE THREE DAYS OF LIVE TESTIMONY, THE EXTENSIVE BRIEFING AND THE CAREFULLY CONSIDERED PROPOSED DECISION WERE A WASTE OF EVERYONE'S TIME
- GIVE US WHAT WE ASKED FOR WITHOUT REGARD TO WHETHER THE EXPENDITURE IS REASONABLE

PROTESTANTS' POSITION

- **ALJ BARNETT SAID IT BEST:**
  - "MERELY BECAUSE SCE SPENT THE MONEY DOES NOT MAKE THE EXPENDITURE REASONABLE. THAT IS WHY WE HAVE REASONABLENESS REVIEW HEARINGS. SCE MUST DEMONSTRATE THAT THE EXPENDITURES IS REASONABLE.***IT IS NOT PROTESTANTS' RESPONSIBILITY TO PROVE OR DISPROVE SCE'S CASE." (PD PP. 4,35-36)
- **THE PD DISALLOWS EXPENDITURES THAT WERE AND ARE NOT REASONABLE**
- **THE COMMISSION SHOULD ACCEPT THE PD**

EXHIBIT B

Catalina Island
Chamber of Commerce & Visitors Bureau

Catalina Island Visitors

Approximately 74% Live in Southern California

75% of those live in Los Angeles & Orange Counties

Catalina Island, with approximately 3,800 full-time residents, hosts just under 900,000 visitors annually:

- Visitors arriving by cross-channel carriers (like Catalina Express) make up about 600,000 of the total, and an estimated 75% of them live in the Southern California region.
- Student Youth Camp visitors make up about 68,000 of the total visitors to Catalina Island, and approximately 75% of these are from the Southern California School Districts.
- Fly-in visitors make up about 40,000 of the total visitors to Catalina Island, and nearly all of these visitors are from the Southern California Region.
- Personal Boat visitors make up about 40,000 of the total visitors to Catalina Island, and nearly all of these visitors are from the Southern California Region.
- Other Conservancy visitors make up about 6,000 of the total visitors to Catalina Island.
- Cruise Ship visitors make up about 124,300 of the total visitors to Catalina Island. Most of these visitors are on a cruise beginning and ending in Long Beach. About 60% of these visitors live in Southern California.

	TOTAL	% SO CAL	# SO CAL
Cross-channel carrier visitors	600,000	75%	450,000
Youth Camp visitors	68,000	75%	51,000
Fly-in visitors	40,000	90%	36,000
Private Boaters	40,000	90%	36,000
Conservancy visitors	6,000	75%	4,500
Cruise Ship Visitors	124,300	60%	74,580
	878,300		652,080
			74%