

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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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 February 1, 2011)

**COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES  
ON ADMINISTRATIVE LAW JUDGE ROBERT BARNETT'S  
PROPOSED DECISION**

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May 14, 2012

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**I. INTRODUCTION**

Pursuant to Rule 14.3 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"), the Division of Ratepayer Advocates ("DRA") hereby files its comments on Administrative Law Judge ("ALJ") Robert Barnett's Proposed Decision ("PD") on Southern California Edison's ("SCE") Application ("A.") 10-11-009 for authority to increase its authorized revenues for its Santa Catalina ("Catalina") water operations and to reflect that increase in rates.

DRA would like to thank ALJ Barnett for his diligence and patience throughout this proceeding and for his detailed and thoughtful PD.

DRA would also like to acknowledge the important insights various intervenors provided in this proceeding. The Utility Reform Network ("TURN") and the group making up the City of Avalon, Catalina Island Chamber of Commerce, Santa Catalina Island Company, Santa Catalina Island Conservancy, Guided Discoveries, Conference of Catalina Condos & Apartments, and the

Hamilton Cove Homeowners Association provided active and passionate participation in this proceeding and gave the Commission a more complete record from which to make its decisions. All the parties learned a lot from each other during rate design settlement discussions.

## **II. DRA’S EXPERTISE, USUAL METHOD OF ANALYSIS & ITS DILEMMA IN THIS PROCEEDING**

DRA’s expertise lies primarily in reviewing large Class A water utilities, and unfortunately SCE’s Catalina system does not have a peer group to be compared with. Although, the Commission regulates many other Class C water utilities, there are no other Class C water utilities on an island with substantial demand swings based on tourism where DRA could compare the operations and investments.

DRA would also like to acknowledge that it does not rely heavily on annual reports, which is what SCE provided to the parties as part of its Application. DRA normally analyzes a company’s workpapers and has a Uniform System of Accounts (“USOA”) format in which to review historical data. This again normally provides DRA the ability to make general comparisons with the various utilities it reviews.

DRA endorses ALJ Barnett’s discussion on requiring utilities to follow the USOA format so that a reviewing body can track revenues and expenses year by year consistently. See PD, p.6. Elimination of any misleading references to Federal Energy Regulatory Commission accounting in future rate cases would be very helpful.

An additional helpful Finding of Fact (“FOF”) that would be helpful should state: “USOA is a California Public Utilities Commission requirement for regulated water utilities.” Another helpful Finding of Fact the Commission could add to the PD is: “SCE’s testimony and workpapers were confusing.”

**III. IF THE COMMISSION APPROVES OF THE PD'S ALTERNATE RATEMAKING PROPOSAL, IT SHOULD ENSURE THAT THIS APPROVAL DOES NOT PROVIDE ANY PRECEDENCE**

The PD discusses the extraordinary circumstances related to Catalina that warrant the PD approving SCE's alternate ratemaking proposal. See p.51-55. If the Commission approves of this subsidy proposal<sup>1</sup>, the Commission must ensure that this unique situation distinguishes itself from other water utilities that might be inclined to also ask other parties to subsidize higher rates.

Additional Findings of Fact and Conclusions of Law would help in ensuring that it is clear Catalina's circumstances here are so unique. DRA suggests a Finding of Fact that states: "The alternate rate proposal makes rates more affordable for the highest cost Catalina water rates and provides additional support for low-income customers and at a minimal cost to other Edison ratepayers."

Another Finding of Fact should include: "Cross Subsidies are generally to be avoided, but where they are truly needed, they need to be explicit." Lastly, another Finding of Fact should state: "Catalina Island has unique circumstances on the island that warrant implementing the alternate rate proposal."

And an additional Conclusion of Law should state: "The alternate rate proposal is pragmatic in that it avoids rate shock."

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<sup>1</sup> D.06-08-011 adopted a rate support fund for three high cost districts of California Water Service (Antelope Valley, Redwood Valley and Kern River Valley) citing in its FOF 2 that the RSF proposal makes rates more affordable for all Cal Water customers in the highest cost districts, and provides additional support for low-income customers, both at minimal cost to all CalWater ratepayers (24 districts). Note: DRA supported this settlement. The surcharge to the non-low income customers was \$.009 per ccf for the metered customers. When explaining its support, DRA explained that affordability, public comments, and letters to the Commission affected their willingness to sign on. The burden of high rate levels in districts that need critical infrastructure improvements was a factor.

#### IV. CONCLUSION

The unique attributes of a small island system for fewer than 2000 customers are challenging and the parties in this proceeding have done their best to balance the need for a safe and reliable system against the burden of rate shock.

Respectfully submitted,

/s/ SELINA SHEK

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