

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298**FILED**  
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January 8, 2021

**Agenda ID #19118**  
**Ratesetting**

TO PARTIES OF RECORD IN APPLICATION 20-04-010:

This is the proposed decision of Administrative Law Judge Marcelo L. Poirier. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's February 11, 2021 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ ANNE E. SIMON  
Anne E. Simon  
Chief Administrative Law Judge

AES:avs

Attachment

Decision **PROPOSED DECISION OF ALJ POIRIER** (Mailed 1/8/2021)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) to Establish a Memorandum Account to Record and Track System-Wide Pipeline Assessment Costs for the Catalina Water Utility.

Application 20-04-010

**DECISION AUTHORIZING ESTABLISHMENT OF THE CATALINA WATER PIPELINE ASSESSMENT MEMORANDUM ACCOUNT**

**Summary**

This decision grants the request of the Southern California Edison Company to establish a memorandum account to track the costs of a system-wide assessment of the Catalina Island water utility's infrastructure and sets the effective date for the memorandum account as April 13, 2020. This decision does not provide authority for rate recovery, which will require Commission authorization in a separate proceeding. This decision closes the proceeding.

**1. Background**

Southern California Edison Company's (SCE) Santa Catalina Island water utility (Catalina Water) is a Class C utility serving approximately 2,000 customer accounts throughout Catalina Island that SCE has operated since 1962.

SCE asserts that an assessment of the system's pipes is necessary because portions of Catalina Water's Two Harbors Water Pipeline have coal-tar interior lining and exterior wrap that contain hazardous material, including

polychlorinated biphenyls (PCBs) and asbestos. SCE has already removed most of the above-ground decommissioned pipe in early 2020 to meet the requirements under the Toxic Substance Control Act (TSCA) and South Coast Air Quality Management District Rule 1403.

However, SCE states that it still needs to address the disposition of buried or partially buried pipe. However, prior to any such disposition, SCE first must fully identify and characterize the pipe, which may require obtaining permits and the completion of environmental review under the California Environmental Quality Act (CEQA). However, SCE indicates that these activities have been hampered by the lack of a single set of records fully mapping and characterizing the entire Catalina Water system. Therefore, it plans to conduct a system-wide assessment to fully map and characterize in-service and decommissioned pipe in the Catalina Water system.

SCE submitted Advice Letter 116-W to the Commission's Water Division on January 28, 2020, seeking authority to establish a memorandum account to record and track all environmental remediation costs relating to the identification, characterization, removal and disposal of decommissioned pipe in the Catalina Water system. On February 26, 2020, Water Division suspended the advice letter, indicating that the criteria for establishing a memorandum account was not met, additional information was required and that an application may be necessary.<sup>1</sup>

On April 13, 2020, SCE filed the instant application requesting authority to establish a Catalina Water Pipeline Assessment Memorandum Account (CWPAMA) to record and track costs associated with SCE's completion of a

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<sup>1</sup> SCE subsequently withdrew Advice Letter 116-W on May 7, 2020.

system-wide assessment of the Catalina Water's infrastructure. The assessment would include both in-service and decommissioned pipelines. SCE also requested that the Commission set an effective date of January 28, 2020, for the CWPAMA, which was the submittal date of Advice Letter 116-W.

On April 23, 2020, SCE filed a motion requesting that the Commission issue an order setting January 28, 2020, as the effective date for the CWPAMA. The Commission's Public Advocates Office (Cal Advocates) filed an opposition to SCE's motion on May 8, 2020. Cal Advocates also filed a timely protest to the application on May 15, 2020. SCE filed a reply to the protest of Cal Advocates on May 22, 2020.

A prehearing conference (PHC) was held on June 9, 2020, with SCE and Cal Advocates participating. The Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued on June 19, 2020. The Scoping Memo determined the scope and schedule of the proceeding. The Scoping Memo also denied SCE's motion requesting the issuance of an order setting January 28, 2020, as the effective date of the CWPAMA.

SCE served opening testimony on July 16, 2020. Cal Advocates served its responsive testimony on July 30, 2020. SCE served rebuttal testimony on August 14, 2020. On August 21, 2020, SCE and Cal Advocates submitted a Joint Status Report, where they agreed that: (1) the issues in this proceeding are primarily legal in nature; (2) evidentiary hearings are not needed; and (3) the proceeding should proceed to briefing. The parties jointly proposed submitting a motion to move their testimony and data request responses into the evidentiary record, indicating those were sufficient for the parties to prepare briefs on the outstanding disputed issues.

On August 24, 2020, an informal status conference occurred, during which SCE and Cal Advocates confirmed that evidentiary hearings were not necessary and that the proceeding should proceed to briefing. On September 1, 2020, SCE and Cal Advocates filed a joint motion to enter evidence into the record. The joint motion was granted via e-mail ruling on September 14, 2020. SCE and Cal Advocates filed concurrent opening briefs on September 11, 2020, and concurrent reply briefs on September 28, 2020.

## **2. Discussion**

There are two issues for the Commission to determine in this proceeding. The first issue is whether the Commission should authorize SCE to establish the CWPAMA to record and track costs associated with SCE's completion of a system-wide assessment of SCE's Catalina Water's infrastructure. This first issue calls for a determination as to whether SCE has met the requirements for establishing a memorandum account set forth in Standard Practice (SP) U27W. The second issue is what should be the effective date of the CWPAMA if it is authorized by the Commission.

### **2.1. Authorization to Establish the CWPAMA**

The first issue under consideration is whether the Commission should authorize SCE to establish the CWPAMA to record and track costs associated with SCE's completion of a system-wide assessment of SCE's Catalina infrastructure. SP U27W requires that, in order to qualify for memorandum account treatment, costs must be due to events of an exceptional nature that: (1) are not under the utility's control, (2) could not have been reasonably foreseen in the utility's last general rate case (GRC), (3) will occur before the utility's next scheduled GRC, (4) are of a substantial nature such that the amount of money

involved is worth the effort of processing a memorandum account, and (5) have ratepayer benefits.<sup>2</sup>

SCE contends that the CWPAMA should be authorized because SCE has met the requirements set forth in SP U27W for establishing memorandum accounts.<sup>3</sup> Cal Advocates argues that the Commission should deny SCE's request to establish the CWPAMA, contending that SCE has not met the requirements of SP U27W.

### **2.1.1. Control of the Costs**

The first requirement under SP U27W is that the costs for which the utility is seeking memorandum account treatment are not under the utility's control.

SCE asserts that the first requirement is met because costs for the system-wide assessment are not under SCE's control. SCE contends that "the activities and associated costs that will be recorded in the CWPAMA are necessary for SCE to meet its commitments to the United States Environmental Protection Agency (U.S. EPA) and comply with regulatory requirements, and are not activities and costs SCE can ignore, avoid, or defer."<sup>4</sup> SCE indicates that TSCA and U.S. EPA regulations require that once PCB waste is generated, it must be disposed of within one year of the date it was removed from service.<sup>5</sup> SCE indicates it identified a potential TSCA violation related to the decommissioned pipe segments in December, 2019, and submitted a disclosure of the violation to the

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<sup>2</sup> Standard Practice U27W, at 6 (available at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M090/K002/90002198.pdf>)

<sup>3</sup> SCE Opening Brief, at 4.

<sup>4</sup> *Id.* at 8.

<sup>5</sup> Exh. SCE-01, at 2, 4, and 8.

U.S. EPA on December 13, 2019.<sup>6</sup> Following this disclosure, SCE began to identify and properly dispose of the decommissioned pipe and was granted an extension until December 11, 2020, by the U.S. EPA to perform additional corrective actions.<sup>7</sup> Therefore, SCE asserts that the system-wide assessment must be done in 2020 to deal with the waste in compliance with applicable laws and regulations.

Cal Advocates disputes that the system-wide assessment costs are outside the SCE's control. Cal Advocates alleges that the need to perform system-wide assessment of decommissioned and in-service pipeline is a result of "years of inadequately responding to a known, ongoing problem" and are not in response to a recent discovery or unanticipated event.<sup>8</sup> Cal Advocates argues that SCE had notice of the issue in 2005, when testing of the Million Gallon Tank and the Two Harbors Pipeline found PCBs in the tank and pipeline lining.<sup>9</sup> Cal Advocates further contends that SCE had additional notice of PCB issues in 2014 and 2015.<sup>10</sup> Therefore, Cal Advocates asserts that SCE has had the opportunity to determine an appropriate course of action for a number of years.

Cal Advocates also asserts that comprehensive water utility system records and maps, including pipeline location and materials, are required under General Order (GO) 103-A.<sup>11</sup> Therefore, Cal Advocates argues the costs related

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<sup>6</sup> Exh. SCE-01, at 9.

<sup>7</sup> Exh. SCE-03 (WPS-SCE-01), at 31-37.

<sup>8</sup> Cal Advocates Opening Brief, at 7.

<sup>9</sup> Cal Advocates Opening Brief, at 7; Exh. SCE-03 (Advice Letter 116-W, at 2-3).

<sup>10</sup> *Ibid.*

<sup>11</sup> Cal Advocates Opening Brief, at 7; GO 103-A (Sept. 10, 2009), Part VII.4.A-B.

to system assessment and mapping are routine and ongoing, and not beyond the SCE's control.

We find that the first requirement under SP U27W is met in that the costs for which SCE is seeking memorandum account treatment are not under its control. SCE is subject to TSCA and U.S. EPA regulations and those regulations require that once PCB waste is generated, it must be disposed of within one year of the date it is removed from service. The activities and associated costs that the CWPAMA will record are necessary for SCE to meet its commitments to the U.S. EPA and comply with regulatory requirements. Although SCE may have had notice that some portions of the Catalina Water's infrastructure had PCB issues, the system-wide assessment will help ensure that the entire Catalina Water utility system is in full compliance with TSCA and U.S. EPA laws and regulations under current required timelines.

### **2.1.2. Foreseeability of the Costs in the Last GRC**

The second requirement under SP U27W is that the costs for which the utility is seeking memorandum account treatment could not have been reasonably foreseen in the utility's last GRC.

SCE contends that the second requirement is met based on the timeline of events leading to the request for the CWPAMA. SCE indicates it filed its last Catalina Water GRC application in November 2010, which was nearly a decade before it identified the issue regarding the potential violation of TSCA regulations resulting from its handling of PCB-containing decommissioned pipe.<sup>12</sup> SCE indicates that the 2010 GRC application could not have reasonably

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<sup>12</sup> SCE Opening Brief, at 9; Exh. SCE-01, at 9.



foreseen the issue regarding PCB-containing pipe because it was not identified until December 2019.<sup>13</sup>

Cal Advocates counters that the second requirement of SP U27W is not satisfied because SCE should have foreseen the system-wide assessment costs before filing the Catalina Water GRC in 2010. Cal Advocates cites the requirement of GO 103-A that water utilities maintain comprehensive and up-to-date maps and records of all system facilities. Cal Advocates indicates that SCE should have foreseen the deficiency in system maps and record and the attendant system-wide assessment costs since SCE has owned and operated the Catalina water utility since 1962 and GO 103-A has been in effect since September 10, 2009.<sup>14</sup> Cal Advocates further argues that SCE's discovery of PCBs in parts of the system in 2005 warranted the inclusion of the costs in the 2010 Catalina Water GRC or other prior rate proceedings.<sup>15</sup>

We find that the second requirement under SP U27W is met because the costs for which SCE is seeking memorandum account treatment could not have been reasonably foreseen in the Catalina Water's last GRC. Although SCE may have had notice that some portions of the Catalina Water utility infrastructure had PCB issues, the issue with the decommissioned pipe was not identified until December 2019. Since the last Catalina Water GRC was filed in November 2010, we agree that the present circumstances with the decommissioned pipe could not have been reasonably foreseeable by SCE. Although SCE recently filed an application for a Test Year 2022 GRC for Catalina Water, we find that the filing of

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<sup>13</sup> SCE Opening Brief, at 9; Exh. SCE-01, at 9.

<sup>14</sup> Cal Advocates Opening Brief, at 8-9.

<sup>15</sup> Cal Advocates Opening Brief, at 9; Exh. SCE-03 (Advice Letter 116-W, at 2).

the instant application for memorandum account authorization was reasonable given the timing requirements of TSCA and U.S. EPA laws and regulations.<sup>16</sup>

### **2.1.3. Timing of the Costs**

The third requirement of SP U27W is that the costs for which the utility is seeking memorandum account treatment will occur before the utility's next scheduled GRC.

SCE asserts that it satisfies the third requirement because it must incur the costs before the next Catalina Water GRC application is filed and the Commission issues a decision authorizing the work. SCE indicates that as a Class C water utility, Catalina Water is not subject to a rate case plan or a set GRC filing schedule, but expects to file its next GRC in 2020.<sup>17</sup> SCE further contends that the timing of the memorandum account is appropriate because of the potential timing of a final Commission decision on the GRC even if it files a GRC application in 2020. SCE cites to the 2010 Catalina Water GRC, which took approximately four years to resolve.<sup>18</sup> Additionally, SCE argues that it must incur costs before filing its next GRC application in order to complete the system-wide assessment and satisfy the EPA compliance deadline of December 11, 2020.<sup>19</sup>

Cal Advocates argues that SCE has a high level of control over the timing of a Catalina Water GRC application and could have filed an application since

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<sup>16</sup> On October 30, 2020, SCE filed Application (A.) 20-10-018 for authority to increase rates for water service on Santa Catalina Island and recover costs from water and electric customers.

<sup>17</sup> SCE Opening Brief, at 9.

<sup>18</sup> SCE Opening Brief, at 9; D.14-10-048.

<sup>19</sup> SCE Opening Brief, at 9.

the last GRC proceeding closed in 2014.<sup>20</sup> Cal Advocates also contends that SCE has other rate relief alternatives, including “the option to submit an advice letter in lieu of filing a rate case application when appropriate.”<sup>21</sup>

We find that the third requirement of SP U27W is met because the costs for which SCE is seeking memorandum account treatment will occur before the Catalina Water’s next scheduled GRC. While SCE does have substantial control over the timing of its Catalina Water GRC applications, the Commission does not have a set GRC filing schedule as is required for Class A water utilities. We agree that even though SCE filed its GRC application on October 30, 2020, the resolution date of that application would be uncertain. Although the next Catalina Water GRC application may be completed in less time than the approximately four years needed for A.10-11-009, the timing cannot be predicted, especially under the current circumstances. Furthermore, we agree that SCE must incur costs before filing its next GRC application in order to complete the system-wide assessment and satisfy the EPA compliance deadline.

#### **2.1.4. Nature of the Costs**

The fourth requirement of SP U27W is that the costs for which the utility is seeking memorandum account treatment are substantial in nature such that the amount of money involved is worth the effort of processing a memorandum account.

SCE argues that substantial cost requirement is satisfied due of the magnitude of the estimated costs for the system-wide assessment when compared to the authorized revenue requirement for Catalina Water. The estimated costs to perform the system-wide assessment is \$0.9 million, which is

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<sup>20</sup> Cal Advocates Reply Brief, at 10.

<sup>21</sup> *Ibid.*

approximately 22 percent of Catalina Water's current \$4.130 million authorized revenue requirement.<sup>22</sup> SCE argues that these estimated costs are substantial when considered in light of Catalina Water's current authorized revenue requirement.

While Cal Advocates does not dispute that the costs are substantial, it argues that the costs lack sufficient detail. Cal Advocates is also concerned that costs may rise above the estimated \$0.9 million and that memo account treatment will not afford the same protections to ratepayers as a review in a GRC.<sup>23</sup>

We find that the fourth requirement of SP U27W is satisfied because the costs associated with system-wide assessment are substantial in nature when considered in the context of Catalina Water's current authorized revenue requirement. The estimated cost to perform the system-wide assessment is 0.9 million, which is approximately 22 percent of the Catalina Water's \$4.130 million authorized revenue requirement. This cost level is substantial for the Catalina Water. Cal Advocates' concerns regarding the accuracy of the cost estimates may be valid, but can be addressed via the reasonableness review process when SCE requests recovery of the memorandum account balance.

#### **2.1.5. Ratepayer Benefit**

The fifth requirement of SP U27W is that the costs for which the utility is seeking memorandum account treatment have ratepayer benefits.

SCE contends the fifth requirement is met because the system-wide assessment benefits customers by allowing it to properly catalogue the Catalina Water's infrastructure "utilizing new technology, methods, and

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<sup>22</sup> Exh. SCE-01, at 10-11; D.14-10-048, Appendix A.

<sup>23</sup> Cal Advocates Opening Brief, at 10.

information unavailable in prior decades.”<sup>24</sup> SCE also claims the system-wide assessment also will enable SCE to accurately and efficiently characterize waste, and improve SCE’s water facilities documentation and mapping data.<sup>25</sup> SCE also cites as a ratepayer benefit: (1) support of asset management programs and (2) improved efficiency of utility operations requiring pipeline location and identification.<sup>26</sup>

Cal Advocates argues that SCE failed to satisfy the fifth requirement because it does not demonstrate how memorandum account treatment of the system-wide assessment costs will benefit ratepayers. Cal Advocates contends that because the system assessment involves capital costs, memorandum account treatment could negatively affect ratepayers and that the GRC process would provide more effective incentive to control those costs.<sup>27</sup> Cal Advocates also asserts that “the [GRC] process, in contrast to memorandum account treatment, offers a more transparent and comprehensive review of potential ratepayer impacts within the framework of an evidentiary record and robust decision-making process.”<sup>28</sup>

We find that the fifth requirement of SP U27W is met because the costs for which the utility is seeking memorandum account treatment have ratepayer benefits. Ratepayers will benefit because the system-wide assessment will allow SCE to properly catalogue the Catalina Water’s infrastructure. The memorandum account will benefit ratepayers by allowing the system-wide

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<sup>24</sup> Exh. SCE-01, at 11.

<sup>25</sup> *Ibid.*

<sup>26</sup> *Ibid.*

<sup>27</sup> Cal Advocates Opening Brief, at 11.

<sup>28</sup> *Ibid.*

assessment to go forward at this time, but preserving the ability of the Commission to review the reasonableness of those costs prior to any recovery by SCE.

#### **2.1.6. Authority to Establish the CWPAMA is Granted**

Based on the foregoing, we authorize SCE to establish the CWPAMA. We find that SCE has adequately met the five requirements of SP U27W in order to qualify for memorandum account treatment for the system-wide assessment costs. We acknowledge Cal Advocates' contention that review in the GRC may provide more effective cost control. However, memorandum accounts are a well-established ratemaking mechanism at the Commission and the use in this case is adequately justified under the circumstances. Authorizing SCE to establish the CWPAMA does not allow SCE incur cost related to the system-wide assessment in an undisciplined manner. We expect the costs to be in line with the estimates in this application and the costs will be subject to a reasonableness review prior to recovery.

#### **2.2. Effective Date of CWPAMA**

This decision grants authorization for the establishment of the CWPAMA. Therefore, the remaining question is the appropriate effective date of the CWPAMA. SCE requests that January 28, 2020, the date it filed Advice Letter 16-W, be the effective date of the CWPAMA. Cal Advocates opposes the authorization of the CWPAMA, but recommends an effective date of April 13, 2020, the filing date the application, if the Commission grants the requested authority.

##### **2.2.1. SCE's Position**

SCE argues that an effective date of January 28, 2020, for the CWPAMA, is consistent with Commission policy as well as GO 96-B, Water Industry

Rule 7.2(2).<sup>29</sup> SCE also cites Public Utilities Code Section 1731(a), which states that the [C]ommission may set the effective date of a decision before the date of issuance of the decision. SCE cites several decisions where the Commission has set an effective date prior to the date of its final decision.<sup>30</sup> SCE asserts that approval of an effective date before the final decision is “particularly warranted when a utility must incur costs to meet regulatory requirements prior to the Commission’s final decision on cost recovery of those costs.” SCE argues that a similar situation exists in this proceeding because it must perform the system-wide assessment and incur costs prior to a final decision in this proceeding in order to comply with required environmental remediation activities and regulatory requirements.

SCE also claims that an effective date January 28, 2020 is justified because it followed guidance from Water Division, which recommended that the project and memorandum account request be reviewed through a formal application.<sup>31</sup> SCE argues that the scope of activities included in A.20-04-010 are a subset of the “identify and assess” activities described in Advice Letter 116-W.<sup>32</sup>

### **2.2.2. Cal Advocates’ Position**

Cal Advocates argues that if the Commission authorizes the CWPAMA, the effective date should be April 13, 2020, the filing date of SCE’s application.

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<sup>29</sup> Water Industry Rule 7.2(2) states that: “Upon request and justification by the Utility, Staff may allow a Tier 2 advice letter to be made effective, subject to refund, in less than 30 days.”

<sup>30</sup> SCE Opening Brief, at 19 (*citing* D.19-09-026, at 10; D.18-11-051, at 8; D.18-06-029, at 11-15; D.19-01-019, at 6-8, 10).

<sup>31</sup> SCE Opening Brief, at 20; Exhibit SCE-03, at A-67 (Water Division Email Suspending Advice Letter 116-W).

<sup>32</sup> SCE Opening Brief, at 21.

Cal Advocates contends that SCE's requested effective date of January 28, 2020 is not supported by the record or by legal authority.

Cal Advocates asserts that SCE's reliance on Water Division's recommendation as the basis for a January 28, 2020 effective date is inaccurate and without merit.<sup>33</sup> Cal Advocates indicates that Water Division did not advise SCE to narrow the scope but recommended in the email cover letter with its Notice of Suspension that SCE should make the request through a formal application or in the upcoming Catalina Water GRC due to the significant costs of the project. Therefore, Cal Advocates argues that SCE should not benefit from an earlier effective date since SCE is "solely responsible for its decision to file an Application rather than correcting deficiencies in [Advice Letter] 116-W."<sup>34</sup>

Cal Advocates further argues that SCE's reliance on Public Utilities Code Section 1731(a) for Commission authority to establish a January 28, 2020 effective date is misplaced. Cal Advocates states that none of the instances where the Commission relied on Public Utilities Code Section 1731(a) cited by SCE support an effective date that precedes the filing date of the application.<sup>35</sup>

### **2.2.3. April 13, 2020 is the Appropriate Effective Date for the CWPAMA**

Based on Commission precedent and statutory authority, we find it appropriate to establish the CWPAMA's effective date as April 13, 2020, which is the date the Application was filed.

SCE cites several decisions to support its position that the Commission can and should authorize an effective date of January 28, 2020, which is the date SCE

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<sup>33</sup> Cal Advocates Opening Brief, at 12-13.

<sup>34</sup> Cal Advocates Opening Brief, at 13.

<sup>35</sup> Cal Advocates Opening Brief, at 14.



filed Advice Letter 116-W.<sup>36</sup> However, none the cases cited by SCE support authorization of an effective date for a memorandum account prior to the application filing date. The Commission may set the effective date of a decision before the date of issuance of the decision pursuant to Public Utilities Code Section 1731(a) and has done so in several decisions. However, in all of the decisions cited by SCE, the Commission set the effective date as the application filing date, not a date prior to that filing date. SCE has not provided adequate for justification for the Commission to depart from precedent in this proceeding.

Therefore, we find that CWPAMA should be effective as of April 13, 2020, the filing date of A.20-04-010. The granting of SCE's CWPAMA effective as of the application's filing date does not constitute retroactive ratemaking. The memorandum account shall be dissolved after recovery is sought.

### **3. Comments on Proposed Decision**

The proposed decision of Administrative Law Judge (ALJ) Poirier in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3 of the Rules. Comments were filed on \_\_\_\_\_ and reply comments were filed on \_\_\_\_\_.

### **4. Assignment of Proceeding**

Martha Guzman Aceves is the assigned Commissioner and Marcelo L. Poirier is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. SCE's Catalina Water utility is a Class C water utility serving approximately 2,000 customer accounts throughout Catalina Island.
2. SCE has operated the Catalina Water system since 1962.

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<sup>36</sup> D.19-09-026, at 10; D.18-11-051, at 8; D.18-06-029, at 11-15; D.19-01-019, at 6-8, 10.

3. An assessment of the Catalina Water system's pipelines is necessary because portions of the Two Harbors Water Pipeline on Catalina Island have coal-tar interior lining and exterior wrap that contain hazardous material, including PCBs and asbestos.

4. SCE identified a potential TSCA violation related to the decommissioned pipe segments in December 2019 and submitted a disclosure of the violation to the U.S. EPA on December 13, 2019.

5. The TSCA imposes restrictions on the time, location and conditions for the storage and disposal of PCBs.

6. Disposition of buried or partially buried pipe on Catalina Island may require obtaining permits and the completion of environmental review under the CEQA.

7. SCE submitted Advice Letter 116-W to the Commission's Water Division on January 28, 2020, seeking authority to establish a memorandum account to record and track all environmental remediation costs relating to the identification, characterization, removal and disposal of decommissioned pipe.

8. On February 26, 2020, Water Division suspended the advice letter, indicating that the criteria for establishing a memorandum account were not met, additional information was required and that an application may be necessary.

9. On April 13, 2020, SCE filed an application requesting authority to establish a CWPAMA to record and track costs associated with SCE's completion of a system-wide assessment of the Catalina Water utility's water distribution pipelines.

### **Conclusions of Law**

1. The costs associated with a system-wide assessment of the Catalina Water utility's pipe meet the requirements of SP U27W because they are due to events

of an exceptional nature that: (1) are not under the utility's control, (2) could not have been reasonably foreseen in the utility's last general rate case, (3) will occur before the utility's next scheduled GRC, (4) are of a substantial nature such that the amount of money involved is worth the effort of processing a memorandum account, and (5) have ratepayer benefits.

2. SCE has satisfied the requirements of SP U27W to establish a memorandum account treatment to record and track costs associated with a system-wide assessment of the Catalina Water utility's water distribution pipelines.

3. SCE's request for CWPAMA should be approved.

4. Establishing the memorandum account does not provide an approval of the proposed costs.

5. Pursuant to Public Utilities Code Section 1731(a), the CWPAMA should be effective as of the application's filing date, April 13, 2020.

6. This proceeding should be closed.

## **O R D E R**

IT IS ORDERED that:

1. Southern California Edison Company is authorized to establish the Catalina Water Pipeline Assessment Memorandum Account for its Catalina Water system. Southern California Edison Company is authorized to file a Tier 1 advice letter to establish the Catalina Water Pipeline Assessment Memorandum Account.

2. The effective date of the authorized memorandum account shall April 13, 2020.

3. Application 20-04-010 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.