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

05/09/25

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A2312011

May 9, 2025

**Agenda ID #23493**  
**Ratesetting**

TO PARTIES OF RECORD IN APPLICATION 23-12-011:

This is the proposed decision of Administrative Law Judge Garrett Toy. 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 June 12, 2025 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).

/S/ MICHELLE COOKE

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Michelle Cooke  
Chief Administrative Law Judge

MLC: avs

Attachment

Decision PROPOSED DECISION OF ALJ TOY (Mailed 5/9/2025)

**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 Gas Service for Santa Catalina Island and to Reflect that Increase in Rates.

Application 23-12-011

**DECISION ADOPTING SETTLEMENT AGREEMENT, AS MODIFIED, AND RESOLVING UNDISPUTED ISSUES IN A GENERAL RATE CASE FOR SOUTHERN CALIFORNIA EDISON COMPANY'S SANTA CATALINA GAS UTILITY OPERATIONS**

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**Appendix A** – Settlement Agreement Between the Public Advocates Office and  
Southern California Edison Company

**Appendix B** – Adopted Revenue Requirement and Rate Base

**Appendix C** – Modified Settlement Agreement Between the Public Advocates  
Office and Southern California Edison Company

**DECISION ADOPTING A SETTLEMENT AGREEMENT, AS MODIFIED, AND  
RESOLVING UNDISPUTED ISSUES IN A GENERAL RATE CASE FOR  
SOUTHERN CALIFORNIA EDISON COMPANY'S SANTA CATALINA ISLAND  
GAS UTILITY OPERATIONS**

**Summary**

This decision approves and adopts the Settlement Agreement between Southern California Edison Company and the Public Advocates Office, as modified. The Settlement Agreement terms modified by this decision relate to the proposal to begin electrification activities on Catalina Island, and requires Southern California Edison Company to work with the Commission's Energy Division to consider participating in ongoing Commission proceedings instituting gas corporation electrification pilots, and meet related documentation requirements. Appendix A is the Settlement Agreement, and Appendix C reflects the Settlement Agreement, as modified by this decision.

This decision resolves all issues in this proceeding, including the capital projects, revenue requirements, and all other issues related to general rate cases and adopts rates for Southern California Edison Company's Santa Catalina Island Gas Utility for Test Year 2025 and attrition years 2026, 2027, and 2028. For the test year, Southern California Edison Company is authorized to increase its revenue by \$350,000, or 20.2 percent overall.

This proceeding is closed.

**1. Background**

On December 15, 2023, Southern California Edison Company (SCE) filed the instant application for approval of a Test Year 2025 General Rate Case (GRC) for its Santa Catalina Island gas service (Catalina Gas). SCE provides gas service to 1,400 commercial and residential gas customers on Catalina Island, limited to the City of Avalon. Catalina Gas utilizes a propane-fueled gas production and distribution system. Propane is stored in three 30,000 gallon storage tanks.

SCE's most recent Catalina Gas GRC was filed in 2008. SCE's Application proposed a 2025 Test Year revenue requirement of \$2.062 million, increasing to \$2.402 million in 2028. SCE recorded revenue requirements of \$1.259 million in 2022.

On January 19, 2024, Wild Tree Foundation (Wild Tree) filed a Protest to the Application. On January 22, 2024, the Public Advocates Office (Cal Advocates) and The Utility Reform Network (TURN), filed protests to the Application. On February 1, 2024, SCE filed its Reply to the Protests. TURN later stated it would not be participating in the proceeding going forward.

A prehearing conference (PHC) was held on February 28, 2024, to discuss the scope, schedule, and other procedural matters. Virtual Public Participation Hearings were held on May 29, 2024, to afford opportunity for comments from the public.

Wild Tree and Cal Advocates served direct testimony on June 28, 2024. SCE served rebuttal testimony on July 26, 2024. No party sought evidentiary hearing, and the evidentiary hearing was therefore cancelled on August 16, 2024. SCE, Cal Advocates, and Wild Tree together filed a Joint Motion to Offer Prepared Testimony into Evidence on September 6, 2024.

Over a series of party requests and Administrative Law Judge (ALJ) rulings, the deadline to file briefs was delayed from September 23, 2024, to October 28, 2024. On October 28, 2024, SCE and Cal Advocates filed a Joint Motion for Approval of Settlement Agreement, which included Appendix A, the terms of the settlement agreement (Settlement Agreement). Wild Tree filed comments in opposition to the Settlement Agreement on November 27, 2024. SCE filed reply comments in support of the Settlement Agreement on December 12, 2024.

On November 12, 2024, SCE filed a motion to establish a 2025 Catalina Gas General Rate Case Revenue Requirement Memorandum Account, which was granted via ALJ ruling on December 6, 2024. The account tracks any difference between collected revenues and approved revenues between January 1, 2025, and the date a rate increase is implemented.

### **1.1. Entering of Testimony into Evidence**

In lieu of evidentiary hearing and as sought by the September 6, 2024 Joint Motion to Offer Prepared Testimony into Evidence, all testimony and exhibits, marked and identified below, as served by SCE, Wild Tree, and Cal Advocates, are admitted as noted below. In the Joint Motion, SCE also moved its workpapers into evidence; no parties objected; and they are also marked and identified below, and admitted.

Exhibit SCE-01, or SCE-01	SCE's served initial Testimony with the Application
Exhibit CA-1	Cal Advocates' Report on Southern California Edison Company's Catalina Gas utility General Rate Case, which was served on June 28, 2024
Exhibit WTF-01	Wild Tree's Direct Testimony of Robert Freehling, which was served on June 28, 2024
Exhibit SCE-02	SCE's Rebuttal Testimony, which was served on July 26, 2024
Exhibit CA-1A	Cal Advocates' Errata to Report on Southern California Edison Company's Catalina Gas utility General Rate Case, which was served on September 6, 2024
Exhibit SCE-03	SCE's Book A, Catalina Gas Utility Workpapers
Exhibit SCE-04	SCE's Book B, Catalina Gas Utility Workpapers

### **1.2. Submission Date**

This matter was submitted on December 12, 2024, upon filing of final comments on the proposed Settlement Agreement.

## 2. Issues

The issues in this proceeding are:

1. Whether SCE's requested revenue requirement for its Catalina Gas service from 2025 to 2028 is reasonable.
  - a. Whether SCE's forecast for its operation and maintenance and administration and general expenses is reasonable;
  - b. Whether Edison's proposed additions to plant are necessary, accurate, reasonable, and justified;
  - c. whether Edison's forecast of rate base is reasonable; and
  - d. whether Edison has established the reasonableness of the historical capital expenditures it seeks to recover.
2. Whether SCE's proposed electrification plan for Catalina Gas is reasonable.
  - a. Whether SCE should be authorized to completely exit the gas distribution business by 2045 or sooner; and
  - b. Whether SCE's proposed method of tracking and recovering electrification costs is reasonable.
3. Whether SCE's proposed rate design and cost recovery methods are reasonable.

## 3. Legal Principles

In reviewing the above issues, and as necessary in adopting a just and reasonable revenue requirement, the Commission considers and applies its prior decisions and considers long-established general practices as appropriate to the facts and circumstances presented in this proceeding. Below is an overview of the applicable legal principles.

### 3.1. Just and Reasonable Rates

Pub. Util. Code § 451 provides that "all charges demanded or received by any public utility ... shall be just and reasonable." Pub. Util. Code § 454(a) requires that "... a public utility shall not change any rate or so alter any classification, contract, practice, or rule as to result in any new rate, except upon



a showing before the commission and a finding by the commission that the new rate is justified.”

### **3.2. Burden of Proof**

It is well-established that an applicant, such as SCE, must carry the burden of proving that it is entitled to the relief it is seeking. Thus, SCE initially has the burden of affirmatively establishing the reasonableness of its position on each individual issue in its application.<sup>1</sup> Although the utility bears the ultimate burden to prove the reasonableness of the relief it seeks and the costs it seeks to recover, the Commission has held that when other parties propose a different result, they too have a “burden of going forward” to produce evidence to support their position and overcome the utility’s evidence.<sup>2</sup>

### **3.3. Settlement Agreement Review Standard**

As part of this proceeding, the Settlement Agreement was presented to be approved by the Commission under Rule 12.1 of the Commission’s Rules of Practice and Procedure (Rule(s)). A settlement may only be approved under Rule 12.1, if the Commission finds it to be reasonable in light of the whole record, consistent with the law, and in the public interest.

Here, SCE and Cal Advocates jointly moved for approval and adoption of their Settlement Agreement, and they must demonstrate that their settlement meets the requirements of Rule 12.1. Only upon meeting those requirements is a

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<sup>1</sup> Decision (D.) 21-08-036, Decision on Test Year 2021 General Rate Case for Southern California Edison Company (August 19, 2021) at 9, citing to D.09-03-025, Alternate Decision of President Peevey on Test Year 2009 General Rate Case for Southern California Edison Company (March 13, 2009) at 8; D.06-05-016, Opinion on Southern California Edison Company’s Test Year 2006 General Rate Increase Request (May 11, 2006) at 7.

<sup>2</sup> D.21-08-036, Decision on Test Year 2021 General Rate Case for Southern California Edison Company (August 19, 2021) at 10; D.20-07-038 at 3-4; D.87-12-067 at 25-26, 1987 Cal. PUC LEXIS 424, \*37.

settlement agreement eligible for adoption by the Commission.<sup>3</sup> Settlements need not be joined by all parties to the proceeding.<sup>4</sup> Wild Tree opposes adoption of the Settlement Agreement, disputing the reasonableness of SCE's plan to begin Phase 1 electrification activities and stop providing gas service on Catalina Island.

Rule 12.4(c) also provides that:

The Commission may reject a proposed settlement whenever it determines that the settlement is not in the public interest ... [and p]ropose alternative terms to the parties to the settlement which are acceptable to the Commission and allow the parties reasonable time within which to elect to accept such terms or to request other relief.

#### **4. Uncontested Issues**

The Settlement Agreement, discussed and reviewed for its compliance with Article 12 of the Commission's Rules in Section 5 of this decision, did not address the uncontested issues, and instead identified how the parties settled issues for which there was a dispute or disagreement between the party positions in the protests, testimony, and the Application. Therefore, before we examine the Settlement Agreement, we first review and address a number of uncontested issues concerning capital projects and accounting, as proposed in the Application and for which no party opposed SCE's position.

##### **4.1. Operations and Maintenance Expense**

The Application projected operations and maintenance (O&M) expenses of \$1.240 million in 2025, with \$845,000 being labor expenses and \$395,000 being

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<sup>3</sup> D.12-10-019, Order Denying Rehearing of D.08-08-030 (October 11, 2012) at 14-15; D.09-11-008, Decision Denying Motion to Adopt Contested Settlement and Dismissing Application (November 20, 2009) at 6.

<sup>4</sup> Rule 12.1(a).

non-labor expenses.<sup>5</sup> This is a two percent decline from 2022 recorded and adjusted expense amounts, and a 17 percent increase over the \$1.057 million authorized in 2009. SCE reviewed O&M data from 2018-2022 in making its forecast, and its projected 2025 Test Year O&M expenses are below the inflation-adjusted spend in 2019, 2020, 2021, and 2022.<sup>6</sup>

Catalina Gas employees are shared between the gas and water utility on the island. Employees are required to maintain the gas distribution system, which includes gas mains, service lines, and 1,400 gas meters. Activities include customer service requests, leak detection, valve operation, and accident investigations.<sup>7</sup> Gas employees also monitor and maintain the Pebbly Beach Generating Station. Federal and state regulations require periodic training and testing of the propane tanks utilized by SCE on the island.<sup>8</sup>

Non-labor expenses related to Catalina Gas include maintenance and material expenses to operate and maintain the gas production plant and distribution system, as well as training and audit expenses.

No party presented any evidence challenging SCE's O&M projected expenses. SCE's calculation of operations and maintenance expenses in the Application are reasonable and represent decreases from actual recorded expenses in prior years, and below inflation-adjusted spend for prior years. The projections are therefore reasonable and should be approved.

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<sup>5</sup> SCE-01, at 28.

<sup>6</sup> SCE-01, at 29, Figure IV-2.

<sup>7</sup> SCE-01, at 30-31.

<sup>8</sup> SCE-01, at 31.

#### 4.2. Capital Projects Used and Useful

Since 2010, a number of capital projects have been put into operation to support safety and reliability on Catalina Island, at a total cost of \$2.4 million.<sup>9</sup>

The Application would add these projects to rate base. These projects included:

- A Storage Tank Pressure De-Rating Project, to maintain compliance with fire regulations;
- Installation of a Liquid Petroleum Natural Gas (LPG) Deluge System and Firewall, for fire protection;
- Gas Plant Chromatograph system, to monitor gas composition at Pebbly Beach Generating Station (PBGS) prior to distribution;
- Replacement of two gas rectifiers and anode beds for cathodic protection systems for the gas distribution steel pipelines;
- Gas valve installations and replacements;
- Gas system servicing and replacements;
- Installation of a remote workstation to create monitoring redundancies in case of employee unavailability on the island; and
- Updates to the Versify system for operations monitoring.

The cost recovery requests for these above identified used and useful projects are undisputed and their capitalization and addition to rate base is likewise undisputed. Cal Advocates reviewed the documentation for these projects, and did not oppose SCE's request for capital recovery of the projects' remaining useful life.<sup>10</sup> These projects addressed needed repairs and upgrades to SCE's gas delivery system, and also enhanced safety.<sup>11</sup> These capital project costs

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<sup>9</sup> SCE-01, at 36-53.

<sup>10</sup> CA-1A, at 2-1:18-20.

<sup>11</sup> SCE-01, at 36:6-8.

are therefore reasonable and should be approved. SCE shall not seek additional recovery for them in a future GRC.

### **4.3. Gas Sales Forecast**

SCE forecasts growth in sales from 517,000 therms in 2022 to 693,000 therms in 2025, and 763,000 therms by 2028. The forecast was created using an average of the five most recent years, minus 2020 due to COVID-19's impact on commercial activity on the Island. The increase in sales is mainly due to the proposal by SCE, discussed more below, to begin charging SCE Electric for the gas utilized by the microturbines to power the electric power plant.<sup>12</sup> Customer counts are not expected to change much during the pendency of this rate period. SCE's assumptions regarding forecasted gas sales are reasonable and should be approved.

### **4.4. Cost Escalation**

Cost Escalations are used to forecast O&M, administrative and general expenses (A&G), and inflation. For labor, SCE considered its internal payroll data and hourly earnings, collective bargaining agreements for wages, and the S&P Global Market Intelligence for historical data and forecasts of wages and prices for the U.S. economy.<sup>13</sup> These methodologies are consistent with SCE's 2025 electric GRC. For non-labor, SCE utilizes S&P Global Market Intelligence indices of O&M combined materials and services costs. Capital escalation is based on S&P's Global Market Intelligence "Gas Utility Construction - Total Plant" index for the Pacific Region, and a "Gas Meters" national cost index. These escalation methods are reasonable.

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<sup>12</sup> SCE-01, at 85-86.

<sup>13</sup> SCE-01, at 89-91.

#### **4.5. Utility Plant**

As of 2022, SCE recorded total gross plant of \$6,631,000.<sup>14</sup> A 13-month weighted average basis is utilized to calculate rate base. Monthly plant is adjusted to include estimated capital expenditures and forecasted retirements. SCE follows the Allowance for Funds Used During Construction (AFUDC) accounting procedures to capitalize cost of debt and equity funds used to finance capital projects.<sup>15</sup> SCE proposes to transition to an operating rent structure where the gas utility will rent office space from the electric utility, as opposed to the current situation where such spaces are treated as common plant amongst all three utilities on Catalina Island. The effect will be to reduce rate base impacts of electric plant improvements and operating costs on the gas and water utilities. The gas utility would be charged \$672 per month, paid to SCE Electric.<sup>16</sup> Previously, the revenue requirement impact of the same SCE common plant was \$13,000 per month for the gas utility. The charge will be recorded as a debit to a gas general ledger expense account, and a credit to the electric general ledger expense account. SCE's treatment of utility plant and proposed change to a rent structure for Catalina Gas office space will have the effect of lowering bills for Catalina Gas customers, and is in line with the treatment of office space by the Catalina Water utility. The changes are reasonable and should be approved.

#### **4.6. Rate Base**

Catalina Gas recorded a total weighted average rate base of \$3,026,000 in 2022.<sup>17</sup> This decision would approve a number of projects for recovery that will

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<sup>14</sup> SCE-01, at 92-93.

<sup>15</sup> SCE-01, at 93.

<sup>16</sup> SCE-01, at 93.

<sup>17</sup> SCE-01, at 95, Table XI-36.

be added to rate base, with SCE's Application projecting that rate base would climb to \$4,652,000 in 2027 if all capital projects were approved for recovery. For working cash, SCE estimates 1/8<sup>th</sup> of its O&M expenses to calculate the investor return on capital to meet day to day utility operations. SCE projects weighted average working cash at levels ranging from \$236,000 to \$194,000 during the GRC period, similar to 2022 recorded levels of \$214,000. SCE also includes depreciation reserves and accumulated deferred income taxes in its rate base. SCE's accounting treatment of rate base is reasonable.

#### **4.7. Taxes**

SCE's Application projected forecasted tax benefits of \$25,000 for 2025, and costs of \$148,000, \$136,000, and \$156,000 in 2026-2028,<sup>18</sup> subject to change based on modifications to revenue requirement and capital expenditures in the Settlement Agreement. These taxes include payroll taxes, income taxes, and property taxes. SCE will return to ratepayers excess deferred income taxes annually going forward, pursuant to federal law. SCE's proposed changes and tax calculation methods are reasonable.

#### **4.8. Depreciation Expense**

SCE recorded depreciation expenses of \$258,000 in 2022, and projected totals increasing from \$205,000 to \$227,000 from 2025-2028.<sup>19</sup> Depreciation is the recovery of the original cost of fixed capital less estimated net salvage over the useful life of an asset. SCE does not propose any changes to the currently authorized average service lives or net salvage estimates. The updated totals are

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<sup>18</sup> SCE-01, at 102.

<sup>19</sup> SCE-01, at 108.

only due to updated recorded plant and accumulated depreciation.<sup>20</sup> SCE's depreciation expense calculations are reasonable.

#### **4.9. Rate Design and Bill Impacts**

A number of SCE's rate design proposals in the Application are undisputed and otherwise unaddressed in the Settlement Agreement. They relate to SCE's recovery of revenue from customers through three bill components: Customer Charges, Base Usage Rate, and Gas Cost Adjustment Billing Factors (GCABF). SCE currently utilizes a few different rates on Catalina Island. The bulk of customers fall within three rates: the normal residential rate, G-1, the low income customer rate, G-1 CARE, and the normal commercial rate, G-2. SCE proposes a number of rate design changes to take effect in the 2025 Test Year. Specifically, SCE proposes to:

- Reduce the bill impacts on customers by charging to its SCE Electric generation operations the G-2 non-residential rate for costs associated with the production of electricity;<sup>21</sup>
- Increase the California Alternate Rates for Energy (CARE) discount level for the 169 participating Catalina gas customers (Schedule G-CARE) from 20 percent to 32.5 percent, to match SCE's current electric rate discount;<sup>22</sup>
- Increase revenue collection during summer months from May to October by utilizing seasonal volumetric rates in the G-2 commercial class to shift costs away from more costly winter heating bills and towards summer visitors;<sup>23</sup>
- Introduce seasonal meter charges, increasing the current standard residential \$12.68 per month meter charge to \$22.81 per month in the summer and \$15.21 per month in

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<sup>20</sup> SCE-01, at 107.

<sup>21</sup> SCE-01, at 110:8-15.

<sup>22</sup> SCE-01, at 114-115.

<sup>23</sup> SCE-01, at 113-114.



the winter, while also greatly increasing the charge for customers with larger meters;<sup>24</sup>

- Alter residential baseline allowances to 7 therms/month in the summer and 20 therms/month in the winter to reflect current residential consumption;<sup>25</sup> and
- Reduce the volumetric base revenue requirement allocated to residential customers to 16 percent, to maintain a 1 to 1.15 ratio with commercial customers (counteracting the reduced baseline allowances).<sup>26</sup>

No party commented on the above proposed rate design changes. The effect of these proposed changes will keep residential bills lower while also shifting costs to commercial tourism, which reduces rate shock given the large revenue requirement increase in the 15 years since SCE last submitted a GRC for Catalina Island. These proposed changes are also necessitated by the Public Utilities Code, as current charges, such as the baseline allowances, are out of compliance. These changes should have the effect of ensuring that residential bills are minimally impacted by rate increases, reducing rate impacts for Catalina Island residents. The changes are therefore reasonable and should be approved.

#### **4.10. Cost Recovery and Proposed Memorandum Accounts**

In addition to rate design changes, SCE proposes to implement decoupling in this GRC and establish a memorandum account to do so. SCE also proposes to establish a memorandum account to track costs that have a match funding

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<sup>24</sup> SCE-01, at 111-112. SCE also proposes to establish a 1.5 to 1 ratio to establish the difference between summer and winter customer charges. The full list of proposed meter charges can be found in SCE-01, Appendix B, at B-2.

<sup>25</sup> SCE-01, at 111. SCE's current residential baselines were last adjusted in its 1987 Catalina Gas GRC. SCE recalculated the baselines that would reflect 50 to 60 percent of average consumption in the summer and 60 to 70 percent in the winter, as required by Code Section 739.

<sup>26</sup> SCE-01, at 112-113.

requirement in order to receive federal funding, and another memorandum account to track electrification costs (discussed in the Electrification Section). SCE currently maintains a Gas Cost Adjustment Clause balancing account to track fluctuations in the cost of liquefied petroleum and associated transportation expenses for Catalina Gas. As discussed in the following sections, SCE requests to submit attrition year adjustments, recover undercollections, and establish a memorandum account to obtain federal funding are reasonable.

#### **4.10.1. Attrition Year Ratemaking**

SCE proposes to submit an annual Tier 1 Advice Letter before December 1 of each year, effective January 1 of the next year, to update authorized revenue requirements after the test year.<sup>27</sup> Attrition year adjustments are based on changes due to inflation, capital investments, and changes in customer growth, as discussed in the cost escalation and capital forecast sections. It is reasonable to allow SCE to submit a Tier 1 Advice Letter to update revenue requirements post test-year through 2028, to ensure that the Catalina Gas utility is collecting a sufficient amount of revenue to maintain safe operations and reduce rate shock in a future GRC. SCE shall propose the attrition year ratemaking mechanism in a Tier 1 Advice Letter 60 days after the issuance of this decision, to add the mechanism as a new tariffed preliminary statement.

#### **4.10.2. Gas Base Revenue Requirement Balancing Account (GRRBA)**

SCE proposes to establish the GBRRBA to remedy potential undercollections between Catalina Gas' authorized revenue requirement and the amount of revenue actually recovered.<sup>28</sup> The effect of the balancing account will

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<sup>27</sup> SCE-01, at 84.

<sup>28</sup> SCE-01, at 80-81.

be to allow SCE to recover any undercollection in the following year or return any revenue overcollections in the following year. SCE states that it has under recovered \$1.5 million since the last Catalina Gas GRC.<sup>29</sup> SCE proposes to file a Tier 1 Advice Letter annually in March to recover or return any under or overcollection recorded in the GBRRBA. Such costs shall not include costs tracked in the GCAC. It is reasonable to allow SCE to establish the GBRRBA to remedy any under or overcollections, in order to ensure that Catalina Gas has sufficient income to meet its revenue requirements and operate safely and reliably.

#### **4.10.3. Catalina Gas Federal Grant Memorandum Account (CGFGMA)**

SCE proposes to establish the CGFGMA to record match funding costs and associated tax impacts for projects seeking and/or awarded federal funding that have a match requirement.<sup>30</sup> Federal legislation has been passed that provides funding for projects that reduce carbon emissions, increase grid reliability and safety, and increase affordability for customers. Costs recorded in the CGFGMA will be recovered via Tier 3 Advice Letter, and once approved will be transferred to the GBRRBA to be recovered from customers. It is reasonable to allow SCE to establish this account to ensure it can take advantage of available federal funding.

### **5. Settlement Agreement on Disputed Issues**

A settlement may only be approved under Rule 12.1, if the Commission finds it to be reasonable in light of the whole record, consistent with the law, and in the public interest.

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<sup>29</sup> SCE-01, at 81, Table VII-29.

<sup>30</sup> SCE-01, at 83.

We examine the Settlement Agreement below for compliance with Rule 12.1. The Settlement Agreement proposed by SCE and Cal Advocates provided resolution of all disputed issues in the proceeding and addressed and identified how they settled on issues for which there was a dispute or disagreement between the party positions in the Protests and the Application. The Settlement Agreement states that the Application should be approved as filed subject to the modifications and clarifications, which are the settled terms as described in this Settlement Agreement. This includes the negotiated and settled terms regarding revenue requirement, capital project recovery, rate of return, and proposed Catalina Zonal Electrification Phase I proposal and associated memorandum account, as summarized below.

### **5.1. Capital Forecast**

SCE's Application and testimony requested \$2.732 million in its capital forecast for 2023-2028.<sup>31</sup> SCE proposed the following nine different capital projects for recovery:

- Pebbly Beach Anode Bed and Anode Probe Replacement - \$230,000<sup>32</sup>
- Tremont Gas System Anode Bed Replacement - \$50,000
- Gas Valves and Piping Relocation (also known as the Five Corners Project - \$280,000
- Gas Vaporizer Replacement - \$238,000
- LPG Storage Tank Permanent Catwalk - \$300,000<sup>33</sup>
- LPG Storage Tank PSV/Manifold Replacement - \$180,000
- Gas Valves Replacement - \$528,000

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<sup>31</sup> SCE-01, at 58, Table V-16.

<sup>32</sup> Amount was updated to \$274,000 in rebuttal testimony, SCE-02, at 30.

<sup>33</sup> Amount was updated to \$374,500 in rebuttal testimony, SCE-02, at 32.

- Gas Meters Replacement - \$92,000
- Gas Piping and Other Facility Replacements - \$834,000

Cal Advocates reviewed the testimony and work papers, and determined that most of these projects were needed to resolve urgent safety issues.<sup>34</sup>

Cal Advocates recommended deductions for the Gas Pipeline and Facility Replacement budget and Gas Vaporizer Replacement budget, for a total capital forecast of \$2,031,311.

The proposed Settlement Agreements resolves the issue of the reasonable capital budget for this proceeding. In Appendix A, Table 4, Cal Advocates and SCE (the Settling Parties) summarized the agreed upon capital budgets incorporated into the Settlement Agreement's revenue requirements. The total Capital Forecast agreed upon for 2023-2028 is \$1,814,167.<sup>35</sup> This amount is lower than Cal Advocates' initial position as stated in testimony. The Settlement Agreement also listed the specific agreed upon budgets by project. SCE shall have the option to file a Tier 3 Advice Letter to seek recovery for any non-grant funded portion of the Five Corners Project, as such project costs were removed from the Settlement Agreement's Capital Forecast, due to uncertain project timeline.

The Settling Parties further agreed that given the low agreed-to capital forecast and aging gas infrastructure, SCE shall have the option to file a Tier 3 Advice Letter seeking recovery of additional costs for the approved projects that exceed the capital forecast, a practice known as Rate Base Offset filings (typically used for water utilities).<sup>36</sup> This process shall only be available when the

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<sup>34</sup> CA-1 at 2-1 to 2-7.

<sup>35</sup> Settlement Agreement Section 2a, at A-7, Table 4.

<sup>36</sup> Settlement Agreement Section 2a, at A-7.

approved capital project costs exceed the forecast of \$1,814,167, not counting the Five Corners Project. We note that no cap is provided on the amount available to be requested, and that SCE must justify any additional costs. However, if the total forecasted capital project costs (minus the Five Corners Project) exceeds the amount projected in SCE's testimony, \$2,570,500, then SCE shall be required to explain why the total costs exceeded the forecast in the testimony.

The Tier 3 Advice Letter must be noticed per General Order (GO) 96-B, General Rule 4.2, and be related to used and useful utility plants. SCE shall also include contractor invoices or a listing of the invoices by date paid, company, and service provided with individual amounts, interest accrued, and the total requested. SCE must also show that the capital projects were needed, its costs were reasonable, and that those costs have exceeded or will exceed the capital forecast agreed to over the 2023-2028 period, with exception for the Five Corners Project.<sup>37</sup>

The capital forecast approved by the Settlement Agreement is significantly less than that proposed in the Application and shows that the parties thoughtfully considered what projects were likely to become used and useful in during this GRC cycle. The approved capital forecast is reasonable and should be approved.

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<sup>37</sup> *Ibid.*

## 5.2. Revenue Requirement

	Present Rates	2025	2026	2027	2028
Revenue Requirement	\$1,729,000 <sup>38</sup>	\$2,079,000	\$2,262,000	\$2,294,000	\$2,340,000
Annual Increase		\$350,000	\$183,000	\$32,000	\$46,000
Percentage increase		20.2%	8.8%	1.4%	2.0%
Rate Base		\$3,833,000	\$3,856,000	\$3,960,000	\$3,681,000
Rate of Return		7.87%	7.87%	7.87%	7.87%
Average G-1 Residential Bill	\$66.69 per month	\$71.49 Per month	\$74.68 per month	\$75.19 per month	\$75.94 per month

Table 1, above, summarizes the revenue requirement resulting from the Settlement Agreement in Appendix A to be recovered from SCE's Catalina Gas customers.

SCE's Application and testimony proposed revenue requirements of \$2.062 million in 2025, \$2.309 million in 2026, \$2.357 million in 2027, and \$2.402 million in 2028, for a total of \$9.13 million.<sup>39</sup> These figures were updated in SCE's rebuttal testimony, and the total was increased to \$9.231 million.<sup>40</sup> Cal Advocates, in its testimony, proposed revenue requirements of \$2.064 million, \$2.267 million, \$2.302 million, and \$2.341 million, for a total of \$8.975 million.<sup>41</sup> The Settlement Agreement presented settled revenue requirements of \$2.079

<sup>38</sup> Estimated 2024 operating revenues as found in SCE-01, at 77.

<sup>39</sup> SCE-01, at 76, Table VI-27.

<sup>40</sup> SCE-02, at 35, Table V-8.

<sup>41</sup> Settlement Agreement, at 7.

million in 2025, \$2.262 million in 2026, \$2.294 million in 2027, and \$2.340 million in 2028, for a total of \$8.975 million.

The revenue requirements presented in the Settlement Agreement are below that proposed by SCE in its Application and are similar to that proposed in Cal Advocates' testimony. No other parties objected to or protested the reasonableness of SCE's initial proposed revenue requirements or the settled amounts presented in the Settlement Agreement. Although the revenue requirement has significantly increased, there exist drivers that have increased the cost to run the system, including safety requirements in the wake of the San Bruno pipeline explosion.<sup>42</sup> SCE recorded a loss of \$438,000 in 2022. Additionally, as discussed earlier, some of this revenue increase is due to charging SCE Electric for its usage, as opposed to individual Catalina Gas customers. It is therefore reasonable to grant this increase in revenue requirements. SCE is authorized to update the revenue requirement annually through advice letter.<sup>43</sup>

### **5.3. Rate of Return**

SCE's rebuttal testimony proposed to revise its rate of return (ROR) to 7.87 percent for its total 2024 company operations. Cal Advocates proposed a ROR of 7.03 percent.<sup>44</sup> SCE noted that its water and gas operations on Catalina Island have historically used the company-wide rate of return, and that when it finances projects for Catalina Gas it utilizes the company-wide rate.<sup>45</sup> The Settlement Agreement presented 7.87 percent as the settled rate. It is reasonable to allow

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<sup>42</sup> SCE-01, at 5-7.

<sup>43</sup> Settlement Agreement, at A-8-A-9; SCE-02, at 23.

<sup>44</sup> CA-1, at 1-2:13.

<sup>45</sup> SCE-02, at 23-25.



SCE to utilize the company-wide ROR of 7.87 percent for the Catalina Gas utility, and to utilize any updated company-wide rate in attrition years.

#### 5.4. Bill Impacts

With the proposed rate design changes and the Settlement Agreement, the estimated bill impacts for customers are summarized below:

Year	G-1 (Residential)		G-1 CARE		G-2 (Non-residential)	
	Average \$/month	Year over Year % Increase	Average \$/month	Year over Year % Increase	Average \$/month	Year over Year % Increase
Current	\$66.69		\$47.61		\$1,501.14	
2025	\$71.49	7.2%	\$42.77	-10.2%	\$1,619.09	7.9%
2026	74.68	4.5%	\$44.72	4.6%	\$1,691.09	4.4%
2027	75.17	0.7%	\$45.06	0.8%	\$1,646.03	-2.7%
2028	75.94	1.0%	\$45.56	1.1%	\$1,611.68	-2.1%
Overall		13.9%		-4.3%		7.4%

The percentage increase from 2025 to 2028 is approximately 2 percent lower than that proposed in SCE's rebuttal testimony, for all customer classes. These proposed rates are reasonable, consistent with the law, and in the public interest of ensuring that the Catalina Gas utility has sufficient funds to maintain safe, reliable operations. As discussed earlier, SCE has taken steps to ensure that its rate design reduces impacts on low-income and residential customers, to reduce affordability concerns.

## **5.5. Rule 12.1 Review**

A settlement may only be approved under Rule 12.1, if the Commission finds it to be reasonable in light of the whole record, consistent with the law, and in the public interest. In this section we review the terms of the Settlement Agreement for compliance with Rule 12.1.

### **5.5.1. The Settlement Agreement is Reasonable in Light of the Whole Record**

With one exception discussed in Section 6 of this decision, we find that the settling parties have demonstrated that they both had a sufficient understanding of the above issues to reach a reasonable settlement. Both SCE and Cal Advocates presented reasoned, differing positions in the Application, workpapers, and testimony on these issues. Both SCE and Cal Advocates are experienced practitioners at the Commission, and each party made concessions in the course of drafting the Settlement Agreement as seen in the compromises on different issues. We therefore find that the Settlement Agreement is reasonable in light of the whole record, except as to the electrification proposal (as discussed in Section 6).

The Settlement Agreement settled on a negotiated revenue requirement that gives SCE the discretion to reallocate revenue by spending either more or less in various categories as necessary. However, the settled expense allowances are not a cap that would justify SCE not spending what is actually necessary to provide safe and reliable service.

### **5.5.2. The Settlement Agreement is Consistent with the Law**

SCE and Cal Advocates in their motion for approval of the Settlement Agreement contend that the Settlement Agreement complies with all applicable statutes, rules, and prior Commission decisions. No party presented arguments

that the Settlement Agreement conflicts with applicable statutes, tariffs, or prior Commission decisions, except Wild Tree as discussed in Section 6 below. We find that the Settlement Agreement, with one exception discussed in Section 6 of this decision, is consistent with the law.

### **5.5.3. The Settlement Agreement is in the Public Interest**

Approval of a Settlement Agreement would conserve resources for the parties and the Commission by avoiding the costs, burden, and uncertainty of additional litigation. We also note that the settled rates in this particular Settlement Agreement are closer to those proposed by intervenor Cal Advocates than those of SCE. As Cal Advocates represents ratepayers in Commission proceedings, this provides us with confidence that the settled rates in the Settlement Agreement were a reasonable compromise between the parties and are in the public interest. We find the Settlement Agreement, with one exception discussed in Section 6 of this decision, is in the public interest.

### **5.5.4. Conclusion**

The Settlement Agreement's resolution of the settled issues, excluding the one issue discussed in Section 6 below, is a reasonable compromise between the parties in light of the whole record, consistent with the law, and in the public interest, and should be approved.

## **6. Catalina Electrification**

As discussed below, we find the Settlement Agreement terms regarding the electrification proposal discussed below unreasonable and not in the public interest. As such, we adopt modified terms as detailed below.

### **6.1. SCE Proposal and Party Positions**

SCE's Application proposed to take steps to begin electrification of Catalina Island with the Catalina Zonal Electrification Study Phase 1 (Phase 1),

with a goal of exiting the gas distribution business. Specifically, SCE proposed to<sup>46</sup>:

- Begin Phase 1 of its zonal electrification, consisting of electrification conversions of ten residential locations and one non-residential location, a community survey, and engineering report, at an estimated cost of \$830,000;
- File a Tier 2 Advice Letter when a location was determined to be cost-effective to replace gas infrastructure and customer equipment with electric, as part of the Phase 1 conversion activities;<sup>47</sup>
- Create a memorandum account to track capital costs for the targeted conversion projects; and
- Alter its tariffs to preclude new gas connections and upgrades; and
- Exit the gas distribution business by 2045.

In support of its proposal, SCE provided a Catalina Zonal Electrification Study, discussing three scenarios: business as is (continue the gas utility), rapid electrification, and targeted electrification, with the results and calculations showing that targeted electrification would save customers money in the long term.<sup>48</sup> SCE also stated that electrification would reduce greenhouse gas emissions by 1.5 percent.<sup>49</sup>

Both Wild Tree and Cal Advocates disputed the electrification proposals in testimony. Wild Tree noted that SCE's proposal for electrification of Catalina Island in its Building Electrification Application, A.21-12-009, was significantly more detailed, with a proposed budget, defined number of electrifications, time

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<sup>46</sup> SCE-01, at 21-26.

<sup>47</sup> SCE-01, at 82-83.

<sup>48</sup> SCE-03, at 258, Table 22.

<sup>49</sup> SCE-01, at 19-20, SCE-02 at 17..

frame, evaluation and reporting goals, and cost recovery plan.<sup>50</sup> Wild Tree also noted that switching to electric would not significantly reduce greenhouse gas emissions, if at all, due to the use of gas to power Catalina's electric plant, and claims that SCE has not provided evidence for its claims that a future power mix would include additional renewables on the Island.<sup>51</sup> Wild Tree also takes issue with lack of commitment by SCE with regard to installation of high efficiency appliances, and efficiency audits and retrofits. Wild Tree states that SCE should not need pilot programs for this information, as there is ample building electrification information available to SCE, as can be seen in its prior Building Electrification Proposal in A.21-12-009. Cal Advocates stated that the proposal was costly and ill-defined, with no explanation of customer interest or project feasibility.<sup>52</sup> Wild Tree also notes that this will reduce redundancy for customers of Catalina Gas, as they will now be reliant on electric service for all of their energy needs.<sup>53</sup> Cal Advocates also noted that SCE did not provide any plan for exiting the business over the next twenty years, and that the Commission could not effectively assess the cost and benefits of an electrification transition based on the scenarios provided.<sup>54</sup>

In the Settlement Agreement, SCE and Cal Advocates agree that SCE should be allowed to proceed with the proposed activities listed in the Application, which include the Phase 1 zonal electrification activities, establishment of a memorandum account to track electrification activity capital

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<sup>50</sup> WTF-01, at 6-7.

<sup>51</sup> WTF-01, at 13.

<sup>52</sup> CA-01, at 1-4.

<sup>53</sup> WTF-01, at 19.

<sup>54</sup> *Ibid.* at 1-5.

costs, tariff changes, and submittal of Tier 2 Advice Letters when locations are selected for electrification. However, the Settlement Agreement slightly modifies SCE's proposal as listed in its Application, by requiring that as part of Phase 1, SCE will commit to submitting a full-scale electrification plan with its next Catalina Gas GRC (targeted for 2029) or other stand-alone application, conducting workshops and meetings to receive feedback from residents and stakeholders, and will not seek cost recovery within the Tier 2 Advice Letters for the electrification projects. The Settlement Agreement also seemingly denies SCE's request to exit the gas distribution business by 2045.<sup>55</sup> Wild Tree, in comments to the Settlement Agreement, raised the same concerns as in its testimony.

## **6.2. Analysis**

Below, we evaluate SCE's proposal to begin studying whether and how electrification of Catalina Island should occur and Wild Tree's opposition to the Settlement Agreement terms regarding this electrification issue.

Based on replacement of aging gas infrastructure on Catalina Island, SCE provided some calculations in its Catalina Zonal Electrification Study showing that the projects executed during Phase 1 would be cost-effective.<sup>56</sup> However, SCE's Phase 1 electrification proposal lacks sufficient detail as to the information that will be gathered from the targeted projects, and the pilot overall. SCE's proposal does not include a concrete formula by which it will determine whether a project for targeted electrification is cost-effective, nor has it provided significant detail about what metrics will be used to determine post-facto

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<sup>55</sup> Settlement Agreement, at A-10, noting that approval of SCE's electrification proposal in this Application is not an approval for transitioning all gas customers to electric service.

<sup>56</sup> SCE-03, at 258, Table 22.

whether a project was in fact cost-effective. SCE's proposal also fails to specify how it plans to convert those customers who may be unwilling or unable to eliminate their gas connection and how the findings of the Phase 1 activities will be used to inform a later full-scale electrification plan.

SCE's proposed method of recovery of these costs, via memorandum account to potentially be recovered in SCE's electric GRC, also raises concerns with regard to whether such costs will be given sufficient review for reasonableness.

It is also not reasonable at this time to approve SCE's request to exit the gas distribution business on Catalina Island by 2045. SCE's proposal and plans are still in the planning stages and SCE has not yet proven that electrification of all Catalina gas customers is in the interests of ratepayers. SCE, however, may proceed with changing its tariffs to deny new gas connections, as new gas connections are rare on Avalon and SCE will work with customers to electrify new customer locations, which should reduce the need to install new gas infrastructure.<sup>57</sup> It will also allow SCE to further inform the Phase I Proposal by disallowing new gas connections and instead providing new service connections with all-electric service.

Based on the foregoing, we find the Settlement Agreement terms regarding the electrification issue unreasonable and not in the public interest. Accordingly, we adopt alternate terms as discussed in the next section of this decision.

### **6.3. Modified Settlement Agreement**

As discussed above, the terms of the Settlement Agreement related to SCE's proposed electrification activities are not reasonable. Pursuant to Rule

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<sup>57</sup> SCE-01, at 25.

12.4(c), this decision instead proposes modified settlement terms (Modified Settlement Agreement) for party consideration, as it pertains to the proposal to begin Phase 1 electrification activities, and related changes. Although SCE's proposal does not provide sufficient implementation information, it is reasonable to begin gathering information so that a full-scale electrification plan to be proposed in the future is sufficiently informed. SCE's Phase 1 Electrification Proposal is therefore approved, as modified here.

Rulemaking (R.) 24-09-012 is currently addressing implementation of Senate Bill (SB) 1221 (2024, Min) which requires gas corporations to generate distribution line maps and map out pipeline replacements, with a goal of determining areas that should be targeted for decarbonization pilot projects. In comments in R.24-09-012, SCE states that it already plans to satisfy SB 1221's mapping requirements.<sup>58</sup> These maps would aid both SCE and the Commission in plotting a timeline and plan for electrification.

We therefore adopt modified Settlement Agreement terms that require SCE to (1) provide such maps in any future electrification proposal, and (2) contact the Commission's Energy Division to assess the possibility of participating in the SB 1221 pilot process, in order to potentially provide the Commission with more information for its whole-island electrification proposal. In its future proposal, SCE must also discuss the subsidies sought to defray the costs to electrify, surveys of customers on the Island to determine the favorability of electrification, targeted project costs and savings, and other factors that will aid the Commission in determining the viability, cost, and time frame for electrification of some or all Catalina gas customers.

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<sup>58</sup> Reply Comments of Southern California Edison Company on the ALJ's Ruling on SB 1221 Mapping Staff Proposal and Directions to Utilities, March 18, 2025, R.24-09-018, at 1.e



SCE is authorized to establish the Catalina Electrification Transition Memorandum Account (CETMA) and track costs related to any electrification activities, as described in the Application and approved in this decision. However, the Settlement Agreement terms are modified to state that with regard to cost recovery, SCE shall file the costs for review and approval with its full-scale electrification proposal, whether that be in the next SCE Catalina Gas GRC Application or in a standalone application for approval to begin full-scale electrification activities. This change eliminates an unnecessary requirement that SCE submit its targeted Phase 1 electrification activities for Tier 2 review, and ties such costs to the information gained from the related activities, helping ensure that the money is reasonably spent.

We find it is unreasonable to approve SCE's request to exit the gas distribution business until SCE has a concrete plan for electrification that is viable. The Settlement Agreement terms are therefore also modified to state that SCE is not authorized to exit the gas distribution business by 2045.

#### **7. Adoption of Settlement Agreement, as Modified**

With the above modifications to the Settlement Agreement, as reflected in the attached Modified Settlement Agreement (Attachment C), we find the Settlement Agreement, as modified, reasonable in light of the record, consistent with the law, and in the public interest, and approve it, with the assumption that the Settling Parties elect to accept the modifications.

In their comments to the proposed decision, SCE and Cal Advocates may include their election to accept the above modified terms or to request other relief, as permitted under Rule of Practice and Procedure 12.4(c).

## 8. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the “Public Comment” tab of the appropriate online Docket Card for that proceeding on the Commission’s website.

From December 15, 2023 through May XX, 2025, one public comment was submitted on this proceeding and is available on the Commission’s web site. The comment was unrelated to Catalina Gas.

## 9. Comments on Proposed Decision

The proposed decision 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 Commission’s Rules of Practice and Procedure.

Comments were filed on \_\_\_\_\_ by \_\_\_\_\_ and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

## 10. Assignment of Proceeding

Karen Douglas is the assigned Commissioner and Garrett Toy is the Presiding Officer and assigned ALJ in this proceeding.

### Findings of Fact

1. Catalina Gas is a natural gas utility subject to the jurisdiction of this Commission.
2. Catalina Gas serves approximately 1,400 customers on Catalina Island.
3. SCE and Cal Advocates entered into a comprehensive Settlement Agreement that resolved all disputed issues.
4. Wild Tree Foundation protested and disputed only the portion of the Settlement Agreement related to the electrification proposal.
5. Undisputed proposals in the Application are reasonable.
6. SCE seeks to add to rate base historic capital projects that are used and useful and help ensure system reliability and safety.

7. The Application's proposed operation expenses are less than recorded 2022 amounts and below inflation-adjusted spend from 2019-2022.
8. SCE forecasts gas sales similar to those recorded in 2022, plus additional sales related to the electric power plant.
9. SCE forecasts that customer counts will not change much during this rate cycle.
10. SCE uses market indices to forecast O&M, administrative and general expenses, and inflation cost escalations.
11. SCE's proposal to begin charging rent for facility use to the Catalina Gas utility as opposed to capital costs will reduce revenue requirements for Catalina Gas, enhancing affordability for the utility.
12. SCE uses standard accounting treatments for working cash, taxes, and depreciation expenses.
13. SCE's proposed forecasted capital projects help ensure system safety and reliability.
14. The Five Corners Project should not be allocated for recovery until construction begins.
15. The Settlement Agreement does not address funding for the Five Corners Project.
16. The Settlement Agreement settled on a total Capital Forecast of \$1,814,167, significantly lower than the \$2.732 million initially requested in SCE's Application.
17. Charging SCE Electric for electric generation costs reduces rate shock.
18. SCE proposes to increase the CARE discount to match SCE's current electric rate discount.
19. SCE proposes to introduce seasonal commercial rates.

20. SCE proposes to introduce seasonal meter charges.
21. Shifting towards seasonal rates and charges has the effect of increasing affordability for Catalina Gas residential customers by shifting costs towards summer tourism periods, as well as leveling out bill spikes in the winter.
22. SCE is required by Code Section 739 to adjust its residential baselines to reflect certain average consumption levels.
23. SCE's current residential baselines are out of compliance with Code Section 739.
24. SCE's proposed residential baseline rates satisfy Code Section 739.
25. SCE proposes to reduce the volumetric base revenue requirement allocated to residential customers to 16 percent, to maintain cost allocation ratios with commercial customers.
26. It is reasonable to maintain a 1 to 1:15 cost allocation ratio between residential and commercial customers.
27. The bill impacts of the Settlement Agreement are less than those of SCE's Application and rebuttal testimony.
28. SCE's proposed GBRRBA would allow SCE to recover undercollections, or return overcollections, the following year.
29. If a utility undercollects revenue, it can lead to operational difficulties.
30. The CGFGMA would allow SCE to track matching costs for purposes of obtaining federal grants.
31. SCE's proposal to submit a Tier 3 Advice Letter to transfer CGFGMA funds to the GBRRBA for recovery ensures Commission oversight of the funding.
32. SCE's proposal to submit a Tier 1 Advice Letter for attrition year ratemaking helps prevent Catalina Gas from running at a deficit.
33. SCE has not supplied the attrition year ratemaking mechanism for review.

34. The Settlement Agreement settled on authorizing SCE to recover revenue requirements of \$2.079 million in 2025, \$2.262 million in 2026, \$2.924 million in 2027, and \$2.34 million in 2028.

35. The settled revenue requirement figure in the Settlement Agreement is less than the amount initially proposed in SCE's Application and matches the amounts proposed in Cal Advocates' testimony.

36. Catalina Gas utility has maintained a deficit for a number of years.

37. Utilities running a deficit threaten reliability and safety.

38. The Settlement Agreement uses SCE's company-wide ROR of 7.87 percent.

39. When SCE finances projects for Catalina Gas it uses the company-wide ROR.

40. SCE has provided data showing that it may be cost-effective to electrify targeted locations on Catalina Island, where gas infrastructure needs replacement.

41. SCE's Catalina Phase 1 Electrification Activities proposal did not provide sufficient detail, including a proposed budget, evaluation and reporting goals, defined number of electrifications, or cost recovery plan.

42. SCE has not provided maps of its service lines and corresponding estimated service/retirement plans.

43. Changing SCE's tariffs to prevent new gas connections will not affect many customers given the low amounts of development on Avalon.

44. Preventing new gas connections will help SCE to determine the cost of electrification via its Phase 1 Proposal.

45. SCE has not proposed a full-scale electrification proposal for Catalina Island.

46. SCE's proposal to submit a Tier 2 Advice Letter when a targeted electrification project is selected is unnecessary, as it does not seek approval to recover any money until a later application.

47. SCE, Cal Advocates, and Wild Tree served testimony and filings in support of their positions in this proceeding.

48. The Settlement Agreement positions were compromises between the positions held by SCE and Cal Advocates.

49. The Settlement Agreement's resolution of all disputed issues is reasonable, except as to the Phase 1 Electrification Activities.

### **Conclusions of Law**

1. The Settlement Agreement in general, except its terms regarding electrification of Catalina Island with the Catalina Zonal Electrification Study Phase 1 and associated memorandum account, is reasonable in light of the whole record, consistent with law, and in the public interest.

2. With the following modifications to the Settlement Agreement regarding electrification of Catalina Island with the Catalina Zonal Electrification Study Phase 1 and associated memorandum account, the Settlement Agreement, as modified (attached as Appendix C to this decision), is reasonable in light of the whole record, consistent with law, and in the public interest and should be approved and adopted, assuming SCE and Cal Advocates elect to accept the modifications. Those modifications are to:

- (a) Require SCE to provide significant detail in its future electrification proposal;
- (b) Deny SCE's request to exit the gas distribution business;
- (c) Deny SCE's request to submit Tier 2 Advice Letters when it decides to proceed with a targeted electrification project in Phase 1;

- (d) Require SCE to seek recovery of its Phase 1 electrification activities in a future proceeding in which SCE submits a full-scale plan to electrify Catalina Island; and
- (e) Require SCE to submit a full-scale plan to electrify Catalina Island in either the next Catalina Gas GRC or a standalone application.

3. In their comments to the proposed decision, SCE and Cal Advocates are afforded opportunity to accept the above modified terms or to request other relief, as permitted under Rule of Practice and Procedure 12.4(c).

4. The assumptions and calculations used to calculate SCE's proposed initial revenue requirements in its Application, including those related to O&M, rate base, depreciation expense, taxes, sales forecasts, cost escalation, and utility plant, are reasonable.

5. It is reasonable to require SCE to provide documentation to prove Capital Forecast Project overruns.

6. It is reasonable to allow SCE to submit rate base offset filings via Tier 3 Advice Letter if the cost of forecasted capital projects (not including the Five Corners Project) exceeds \$1,814,167.

7. SCE's proposed Capital Forecast, as proposed in the Settlement Agreement, is reasonable.

8. SCE's ratemaking adjustments, as proposed in the Settlement Agreement, are reasonable.

9. It is reasonable to shift revenue collection to summer months to increase affordability for residents.

10. It is reasonable for SCE to adjust its residential baselines.

11. It is reasonable to allow SCE to recover its full revenue requirement by use of a balancing account to recover undercollections for a prior year.

12. It is reasonable to allow SCE to submit a Tier 1 Advice Letter by December 1 of each year for implementation of the GBRRBA by January 1 of the following year.

13. SCE's proposed memorandum account to track under and overcollections, the GBRRBA, is reasonable.

14. SCE should be authorized to recover the GBRRBA through Tier 1 Advice Letter.

15. SCE's proposed memorandum account to track matching costs for purposes of obtaining federal grants, the CGMGMA, is reasonable.

16. SCE should be authorized to recover the CGMGMA via Tier 3 Advice Letter.

17. It is reasonable for SCE to submit a Tier 1 Advice Letter for attrition year revenue requirement adjustments through 2028.

18. SCE should file a Tier 1 Advice Letter within 60 days after the issuance of this decision explaining its attrition year revenue requirement adjustment mechanism.

19. The Settlement Agreement's proposed revenue requirements are reasonable.

20. It is reasonable to utilize the company-wide ROR for SCE's Catalina Gas utility.

21. The issue of full-scale electrification of Catalina Island would remain to be determined in a future proceeding, regardless of approval of any Phase 1 activities here.

22. It is reasonable to approve SCE's requests to alter its tariff to prevent new gas connections.



23. It is not reasonable to approve SCE's request to exit the gas distribution business by 2045.

24. It is not reasonable to approve the Catalina Electrification Phase 1 activities, including associated memorandum account, without modifications.

25. SCE should be required to provide information with its future electrification proposal that helps the Commission determine the viability of the plan.

26. Recovery for any Phase 1 electrification projects should be determined after SCE can show what information was obtained from those projects, in the proceeding in which its Catalina Gas electrification proposal is filed.

27. A full-scale electrification plan for Catalina Island should be considered in a Catalina Gas GRC or in a standalone application, to ensure sufficient review.

28. The September 6, 2024 Joint Motion for Submission of Testimony, consisting of SCE-01, SCE-02, SCE-03, SCE-4, CA-01, CA-01A, and WTF-01, should be granted and the testimony should be admitted into evidence.

29. The Assigned Commissioner's Scoping Memo's categorization of hearings may be changed to hearings not needed.

30. All rulings issued to date by the Commissioner and Administrative Law Judge should be affirmed.

31. All motions not expressly ruled on to date should be denied.

32. A.23-12-011 should be closed.

## **O R D E R**

**IT IS ORDERED** that:

1. The Settlement Agreement, as modified, between Southern California Edison Company and the Public Advocate's Office of the Public Utilities Commission, attached as Appendix C, is adopted.

2. Southern California Edison Company and the Public Advocate's Office of the Public Utilities Commission, in their comments to the proposed decision may accept or reject the above modified terms of the Settlement Agreement, as reflected in the attached Appendix C, or request other relief.

3. Southern California Edison Company is granted \$2,079,000 in revenue requirement for Test Year 2025 in this general rate case and \$2,262,000, \$2,294,000, and \$2,340,000 for attrition years 2026, 2027, and 2028, respectively.

4. Southern California Edison Company shall submit a Tier 1 Advice Letter to implement the rates and charges as detailed in its Application and adopted in the Modified Settlement Agreement.

5. SCE is authorized to submit a Tier 3 Advice Letter for a rate base offset pursuant to General Order 96-B, if the costs for the approved forecasted capital projects not including the Five Corners Project exceeds \$1,814,167.

6. SCE is authorized to submit a Tier 3 Advice Letter to add any non-grant funds for the Five Corners Project to rate base, once the project is used and useful.

7. Southern California Edison Company (SCE) is authorized to establish the Catalina Electrification Transition Memorandum Account, to track costs related to electrification activities approved in this decision, by submitting a Tier 1 Advice Letter within 30 days after the issuance of this decision. SCE is authorized to recover these costs when it submits its full-scale electrification plan for Catalina Island, either in the next SCE Catalina Island Gas general rate case or a standalone application.

8. Southern California Edison Company (SCE) is authorized to establish the Gas Base Revenue Requirement Balancing Account (GBRRBA) by submitting a Tier 1 Advice Letter within 30 days after the issuance of this decision. SCE is

authorized to submit a Tier 1 Advice Letter annually by March 30 to recover or return any undercollections or overcollections tracked in the GBRRBA, as authorized in this decision.

9. Southern California Edison Company (SCE) is authorized to establish the Catalina Gas Federal Grant Memorandum Account (CGFGMA) to record matching funds to obtain federal grants. SCE shall file a Tier 1 Advice Letter within 30 days after the issuance of this decision establishing the CGFGMA. SCE is authorized to submit a Tier 3 Advice Letter for approval to transfer costs tracked in the CGFGMA to the Gas Base Revenue Requirement Memorandum Account.

10. Southern California Edison Company is authorized to submit a Tier 1 Advice Letter before December 1 of each year, to be effective January 1 of the following year, to update its attrition year revenue requirements through 2028. SCE shall submit a Tier 1 Advice Letter within 60 days of the issuance of this decision, establishing the ratemaking mechanisms that will be utilized in its attrition year calculations.

11. All rulings issued to date by the Commissioner and Administrative Law Judge are affirmed.

12. All motions not expressly ruled on to date are denied.

13. Application 23-12-011 is closed.

This order is effective today.

Dated June \_\_, 2025, at Sacramento, California.

# **APPENDIX A**

**Settlement Agreement Between the Public Advocates Office  
and Southern California Edison Company**

**APPLICATION NO. 23-12-011: CATALINA GAS GRC**  
**SETTLEMENT AGREEMENT BETWEEN SOUTHERN CALIFORNIA EDISON**  
**COMPANY AND PUBLIC ADVOCATES OFFICE**

### **1.1. Parties**

The Parties to this Settlement Agreement are Southern California Edison Company (“SCE”) and Public Advocates Office at the California Public Utilities Commission (“Cal Advocates”). SCE and Cal Advocates are collectively referred to as the “Settling Parties.” The Settling Parties comprise all active parties to the proceeding except Wild Tree Foundation (“Wild Tree”).<sup>59</sup> Execution of this Settlement Agreement shall be complete as of the last signature date of the Settling Parties.

### **1.2. Definitions**

When used in initial capitalization in this Settlement Agreement, whether in singular or plural, the following terms shall have the meanings set forth below. If the definition is not set forth below, then the term shall have the meaning as specifically defined elsewhere in this Settlement Agreement:

1. “AL” refers to Advice Letter.
2. “ALJ” refers to Administrative Law Judge Garrett Toy.
3. “Application” refers to Application No. (A.)23-12-011, SCE’s Application for Authority to, Among Other Things, Increase its Authorized Revenues for Gas Service for Santa Catalina Island and to Reflect that Increase in Rates filed with the Commission on December 15, 2023, and SCE’s direct testimony, Exhibit SCE-01.
4. “CARE” refers to California Alternate Rates for Energy.
5. “Catalina” refers to Santa Catalina Island.

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<sup>59</sup> The Utility Reform Network filed a protest to SCE’s Application but has not actively participated in the proceeding.

6. “Catalina Gas” refers to SCE’s gas utility on Catalina. Catalina Gas is a propane-fueled gas production and distribution system that serves approximately 1,400 residential and commercial customers who reside primarily in the city of Avalon.
7. “Catalina Gas GRC” refers to the CPUC proceeding A.23-12-011, docketed to consider SCE’s Application.
8. “CPUC” or “Commission” refers to the California Public Utilities Commission.
9. “CETMA” refers to the Catalina Electrification Transition Memorandum Account.
10. “CGFGMA” refers to the Catalina Gas Federal Grant Memorandum Account.
11. “Commission” refers to the California Public Utilities Commission.
12. “GBRRBA” refers to the Gas Base Revenue Requirement Balancing Account.
13. “GRC” refers to general rate case.
14. “O&M” refers to operations and maintenance expense.
15. “Phase 1” refers to Phase 1 of SCE’s electrification plan for Catalina, as described in Exhibit SCE-01, Chapter III, and in Exhibit SCE-02, Chapter II.
16. “ROE” refers to return on equity.
17. “ROR” refers to rate of return.
18. “Test Year” refers to calendar year 2025.
19. “PTYRs” refers to the attrition years of 2026, 2027, and 2028.

### 1.3. Recitals

1. In its Application, SCE sought approval of an authorized gas base revenue requirement for the 2025 Test Year and three post-test years, as well as approval of a proposal to electrify gas service on Catalina and of various ratemaking and rate design proposals as follows:

- Revenue Requirement: SCE requested approval of an authorized gas base revenue requirement of \$2.062 million in the Test Year and \$2.309 million, \$2.357 million, and \$2.402 million in post-Test Years of 2026, 2027, and 2028, respectively. SCE’s request included Test Year O&M of \$1.240 million (2022 \$), \$2.4 million of recorded direct capital additions since SCE’s last GRC submission in 2008, and \$2.7 million in direct capital expenditures that SCE expects to incur

during the 2023-2028 period. SCE requested its then-current, Commission-authorized ROR (7.44%) be applied to Catalina Gas, and requested attrition year ratemaking largely based on cost escalation and capital forecasts. SCE proposed to update its ROR based on the then-current ROR in the attrition years.

- Electrification: SCE sought approval of Phase 1 of a multi-phase zonal electrification plan as well as the Commission's support to completely exit the gas distribution business by 2045 or sooner. Phase 1 of the electrification plan includes: (1) establishment of a memorandum account (the CETMA) that will allow SCE to gradually, cost-effectively, and opportunistically begin the necessary steps to transition gas customers to all-electric service, (2) a simplified process via a Tier 2 Advice Letter to review and approve cases where instead of repairing, replacing, and/or relocating gas infrastructure, SCE can electrify customers in a cost-neutral or cost-effective way, and (3) revisions to certain gas tariffs to prohibit new gas service connections, changes, or upgrades unless an exception is granted by SCE for safety or emergency reasons.
- Ratemaking and Rate Design: SCE proposed three new balancing and memorandum accounts: (1) the GBRRBA, which is a revenue decoupling mechanism; (2) the CETMA, in which SCE will record Phase 1 costs of electrifying Catalina's gas infrastructure; and (3) the CGFGMA, in which SCE will record match funding costs for projects seeking and/or awarded federal funding. SCE also made new rate design proposals, including to introduce seasonal meter charges and to allocate a greater percentage of SCE's revenue requirement to the summer months. SCE also proposed to increase the Catalina gas residential CARE discount from 20% to 32.5%, consistent with SCE's electric service and Catalina water service.

2. In direct testimony, Cal Advocates recommended modifications to SCE's revenue requirement request and rejection of its electrification proposal as follows:

- Revenue Requirement: Cal Advocates proposed that SCE's capital expenditure forecast for two projects—the Gas Vaporizer Replacement and the Pipeline and Other Facility Infrastructure Replacement—be reduced. Cal Advocates proposed SCE recover \$2,031,311 in capital expenditures over the 2023 to 2028 period. Cal Advocates capital expenditure forecast is presented in Table 1, below.

**Table 1**  
**Cal Advocates' 2023-2028 Capital Forecast**  
(Nominal \$)

Project / Program Name	In Service Date	2023	2024	2025	2026	2027	2028	Total
PB Anode Bed and Anode Probe Replacement (Cathodic Protection)	Jun-24	\$ 31,000	\$ 243,000	\$ -	\$ -	\$ -	\$ -	\$ 274,000
Tremont Gas System Anode Bed Replacement	Dec-24	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Gas Valves and Piping Relocation (Five Corners City Project)	Dec-24	\$ 16,000	\$ 264,000	\$ -	\$ -	\$ -	\$ -	\$ 280,000
Gas Vaporizer Replacement	Jun-25	\$ -	\$ -	\$ 63,427	\$ -	\$ -	\$ -	\$ 63,427
LPG Storage Tank Permanent Catwalk	Dec-24	\$ 55,500	\$ 319,000	\$ -	\$ -	\$ -	\$ -	\$ 374,500
LPG Storage Tank PSV/Manifold Replacement	Jan-24	\$ -	\$ 180,000	\$ -	\$ -	\$ -	\$ -	\$ 180,000
Gas Valves Replacement	Blanket	\$ -	\$ -	\$ 238,000	\$ -	\$ 290,000	\$ -	\$ 528,000
Gas Meters Replacement	Blanket	\$ -	\$ 16,000	\$ 17,000	\$ 18,000	\$ 19,000	\$ 21,000	\$ 91,000
Gas Piping and Other Facility Replacements	Blanket	\$ -	\$ -	\$ 47,162	\$ 47,480	\$ 47,750	\$ 47,992	\$ 190,384
<b>Total</b>		<b>\$102,500</b>	<b>\$1,072,000</b>	<b>\$365,589</b>	<b>\$ 65,480</b>	<b>\$356,750</b>	<b>\$ 68,992</b>	<b>\$2,031,311</b>

Cal Advocates also recommended that SCE's ROR be reduced to 7.03%, which reflects a downward adjustment to SCE's ROE. Cal Advocates calculated the downward adjustment by reducing the national average ROE for gas distribution companies (9.64%) by 50 basis points. SCE subsequently modeled Cal Advocates' revenue requirements recommendations and determined they would result in a Test Year revenue requirement of \$2.064 million, and PTYR revenue requirements of \$2.267 million in 2026, \$2.302 million in 2027, and \$2.341 million in 2028, for a total of \$8.975 million.

- Electrification: Cal Advocates recommended that Phase 1 be rejected in its entirety, including SCE's requested changes to its gas tariffs and SCE's request to establish a new advice letter process for approval of electrification projects, as well as establishment of the CETMA.

3. On July 26, 2024, SCE submitted its rebuttal testimony (Exhibit SCE-02). SCE responded to the modifications to its Application recommended by Cal Advocates and provided updated cost forecasts for two capital projects and updated results of operations outputs. In light of its updated capital forecasts, SCE explained that it seeks recovery of \$2,711,304 in capital expenditures over the 2023 to 2028 period. SCE's capital expenditure forecast is presented in Table 2 below.



**Table 2**  
**SCE's 2023-2028 Capital Forecast**  
*(Nominal \$)*

Project / Program Name	In Service Date	2023	2024	2025	2026	2027	2028	Total
PB Anode Bed and Anode Probe Replacement (Cathodic Protection)	Jun-24	\$ 31,000	\$ 243,000	\$ -	\$ -	\$ -	\$ -	\$ 274,000
Tremont Gas System Anode Bed Replacement	Dec-24	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Gas Valves and Piping Relocation (Five Corners City Project)	Dec-24	\$ 20,000	\$ 260,000	\$ -	\$ -	\$ -	\$ -	\$ 280,000
Gas Vaporizer Replacement	Jun-25	\$ -	\$ -	\$ 99,000	\$ -	\$ -	\$ -	\$ 99,000
LPG Storage Tank Permanent Catwalk	Dec-24	\$ 55,500	\$ 319,000	\$ -	\$ -	\$ -	\$ -	\$ 374,500
LPG Storage Tank PSV/Manifold Replacement	Jan-24	\$ -	\$ 180,000	\$ -	\$ -	\$ -	\$ -	\$ 180,000
Gas Valves Replacement	Blanket	\$ -	\$ -	\$238,209	\$ -	\$289,609	\$ -	\$ 527,818
Gas Meters Replacement	Blanket	\$ -	\$ 16,062	\$ 17,172	\$ 18,341	\$ 19,442	\$ 20,597	\$ 91,614
Gas Piping and Other Facility Replacements	Blanket	\$ -	\$ -	\$178,657	\$196,153	\$217,207	\$242,357	\$ 834,373
<b>Total</b>		<b>\$106,500</b>	<b>\$1,068,062</b>	<b>\$533,038</b>	<b>\$214,494</b>	<b>\$526,257</b>	<b>\$262,954</b>	<b>\$2,711,304</b>

4. On August 16, 2024, the ALJ issued a ruling cancelling evidentiary hearings, directing SCE to e-file as supporting documents its workpapers for the proceeding, and directing the parties to submit a joint motion to offer prepared testimony into evidence.

5. On September 6, 2024, SCE, Cal Advocates, and Wild Tree filed a joint motion to offer prepared testimony into evidence. The parties jointly moved to admit their direct and rebuttal testimonies into evidence, as well as two SCE workpapers (Exhibits SCE-03 and SCE-04) and an errata to Cal Advocates' direct testimony (Exhibit CA-01A). SCE also indicated it had e-filed as supporting documents its workpapers for the proceeding.

6. On September 20, 2024, the ALJ issued an email ruling extending the deadline for submittal of briefs to October 14, 2024. The ALJ issued the email ruling in response to a request from SCE to extend the deadline for submission of briefs because SCE and Cal Advocates had reached an agreement in principle on a settlement that would resolve all contested issues between them.

7. The ALJ issued additional email rulings extending the deadline for submittal of briefs on October 10, 2024 (extending the deadline to October 21, 2024) and October 21, 2024 (extending the deadline to October 28, 2024).

8. After multiple rounds of settlement negotiations, and to avoid the expense and uncertainty of further litigation, the Settling Parties wish to resolve the contested issues between them. Accordingly, the Settling Parties have reached agreement on all issues contested between them as described herein.

#### **1.4. Agreement**

In consideration of the mutual obligations, covenants, and conditions contained herein, the Settling Parties agree to the terms of this Settlement Agreement. Nothing in this Settlement Agreement shall be deemed to constitute an admission by any Settling Party that its position on any issue lacks merit or that its position has greater or lesser merit than the position taken by any other Settling Party. This Settlement Agreement is subject to the express limitation on precedent described in Commission Rule of Practice and Procedure 12.5 and as set forth in Section G of this Settlement Agreement.

##### **1.4.1. Approval of SCE's Application**

The Settling Parties agree that the Application should be approved as filed subject to the modifications and clarifications described in this Settlement Agreement.

##### **1.4.2. Revenue Requirements**

The Settling Parties agree that SCE's authorized gas base revenue requirements shall be as follows:

**Table 3**  
**SCE / Cal Advocates Revenue Requirements Agreement**  
(Nominal \$000)

Revenue Requirement	2025	2026	2027	2028	Total
SCE/Cal Advocates Agreement	2,079	2,262	2,294	2,340	8,975

### 1.4.2.1. Capital

SCE and Cal Advocates agree to a lower capital forecast over the 2023-2028 period than their litigation positions. This capital forecast results in SCE being authorized \$1,814,167 in capital expenditures over the 2023-2028 period, as shown in Table 4 below. This compromise capital agreement together with the adoption of SCE's systemwide ROR results in a total four-year revenue requirement that matches Cal Advocates' testimony total revenue requirement.

**Table 4**  
**SCE and Cal Advocates 2023-2028 Capital Forecast Agreement**  
(Nominal \$)

Project / Program Name	In Service Date	2023	2024	2025	2026	2027	2028	Total
PB Anode Bed and Anode Probe Replacement (Cathodic Protection)	Jun-24	\$ 31,000	\$ 243,000	\$ -	\$ -	\$ -	\$ -	\$ 274,000
Tremont Gas System Anode Bed Replacement	Dec-24	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Gas Valves and Piping Relocation (Five Corners City Project)	Dec-25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas Vaporizer Replacement	Jun-25	\$ -	\$ -	\$ 99,000	\$ -	\$ -	\$ -	\$ 99,000
LPG Storage Tank Permanent Catwalk	Dec-24	\$ 55,500	\$ 319,000	\$ -	\$ -	\$ -	\$ -	\$ 374,500
LPG Storage Tank PSV/Manifold Replacement	Jan-24	\$ -	\$ 180,000	\$ -	\$ -	\$ -	\$ -	\$ 180,000
Gas Valves Replacement	Blanket	\$ -	\$ -	\$ 89,209	\$ -	\$ 289,609	\$ -	\$ 378,818
Gas Meters Replacement	Blanket	\$ -	\$ -	\$ -	\$ 18,341	\$ 19,442	\$ 20,597	\$ 58,380
Gas Piping and Other Facility Replacements	Blanket	\$ -	\$ -	\$ -	\$ 121,816	\$ 132,478	\$ 145,174	\$ 399,469
<b>Total</b>		<b>\$ 86,500</b>	<b>\$ 792,000</b>	<b>\$188,209</b>	<b>\$140,158</b>	<b>\$441,529</b>	<b>\$165,771</b>	<b>\$1,814,167</b>

Given that the Parties agree to a lower capital forecast than proposed in both SCE's and Cal Advocates' original forecasts; that the agreed-to capital forecast is relatively small; and that Catalina Gas is a very small gas utility with aging infrastructure, the Settling Parties also agree that if one or more new capital requirements exceeding the agreed-to total capital forecast (\$1,814,167) are needed before SCE's next Catalina Gas GRC, SCE would then be allowed to

file a Tier 3 AL to seek recovery of the capital project(s). Additionally, the parties removed costs for the Five Corners City Project (Five Corners project) from the forecast because the project is driven by the City of Avalon (the City) and has been delayed. SCE is working with the City to obtain grant funds that could offset some or all costs of the Five Corners project. Should the project move forward, and should SCE not obtain grant funding for the total cost of the Five Corners project, SCE may file a Tier 3 AL to seek recovery for any non-granted-funded portion of the project regardless of whether the Five Corners project has exceeded the agreed-to total capital forecast.

SCE and Cal Advocates base this capital forecast agreement on the CPUC's Standard Practice (SP) U-27-W for water utilities and its requirements for a Rate Base Offset filing. A Rate Base Offset allows a utility to adjust its rates to account for a change in utility plant in service that affects rate base. SCE and Cal Advocates agree to the following requirements, consistent with SP U-27-W:

- SCE may file a Tier 3 AL to request recovery for capital projects in which the costs exceed the total capital forecast of \$1,814,167 per the Parties' capital forecast agreement, except for the Five Corners project, for which SCE may file a Tier 3 AL to recover costs once the project is complete.
- The Tier 3 AL must be noticed per GO 96-B, General Rule 4.2.
- The capital project(s) must be used and useful utility plant.
- The filing should include all contractor invoices for the project, or, if that would be too voluminous, a listing of the invoices by date paid, company, and service provided with individual amounts, interest accrued, and the total requested.
- In its showing, SCE has the burden to prove the capital project(s) was/were needed, that its costs are reasonable, and that those costs have exceeded or will exceed the capital forecast agreed to over the 2023-2028 period, with exception for the Five Corners project (because it has been removed from the capital forecast budget).

### **1.4.2.2. Rate of Return**

In its rebuttal testimony, SCE seeks to update its ROR to 7.87 percent, the current effective ROR for SCE's total company operations in 2024. Cal Advocates proposes a lower ROR of 7.03 percent. For purposes of this proceeding, the parties agree to SCE's current effective ROR for SCE of 7.87 percent in consideration of capital related concessions. The parties also agree that SCE should reflect the then-current ROR in the test year<sup>60</sup> and each attrition year's revenue requirement, which will be implemented annually (through 2028) via an AL as set forth in SCE's Rebuttal testimony.

### **1.4.2.3. Bill Impacts**

Based on the updated revenue requirements in Table 3 above, Table 5 below shows the average monthly bill impacts compared to current average monthly bills.

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<sup>60</sup> A final Phase 2 Commission Decision in A.22-04-008, A.22-04-009, A22-04-011, and A.22-04-012 could result in changes to SCE's current ROR for 2025.

*Table 5*  
*SCE / Cal Advocates Agreement Bill Impacts*  
*(Nominal \$)*

Year	G-1 (Residential)		G-1-CARE		G-2 (Non-Residential)	
	Average \$ / Month	Year over Year % Increase	Average \$ / Month	Year over Year % Increase	Average \$ / Month	Year over Year % Increase
Current	\$ 66.69		\$ 47.61		\$1,501.14	
2025	\$ 71.49	7.2%	\$ 42.77	-10.2%	\$1,619.09	7.9%
2026	\$ 74.68	4.5%	\$ 44.72	4.6%	\$1,691.09	4.4%
2027	\$ 75.19	0.7%	\$ 45.07	0.8%	\$1,646.03	-2.7%
2028	\$ 75.94	1.0%	\$ 45.56	1.1%	\$1,611.68	-2.1%
Overall		13.9%		-4.3%		7.4%

### 1.4.3. Electrification

As part of the Catalina Gas 2025 GRC request, SCE proposes to begin a multi-phase process to transition gas customers to electric service over a period of 20 years or sooner, if feasible. In its Application, SCE seeks approval of 1) Phase 1 of the multi-phase effort, 2) tariff rule changes, 3) a new AL process for Commission Staff review of opportunistic electrification projects, and 4) a new memorandum account, the CETMA, to track costs.<sup>61</sup> SCE is not seeking cost recovery of the electrification proposal in this Application. At the conclusion of Phase 1, SCE will submit a new application (or as part of the next Catalina Gas GRC application) and request approval of the remaining phases to transition gas customers to electric service. Approval of SCE's electrification proposal in this Application is not an approval for transitioning all gas customers to electric service.

In its testimony, Cal Advocates proposes that the Commission deny SCE's proposed tariff changes, new AL process, and memorandum account, and proposed that SCE should

<sup>61</sup> Application, at 6-7; Exhibit SCE-01, at 15-27.

submit a detailed long-term plan for Catalina gas service to transition gas customers to all electric service in a separate application.<sup>62</sup> Cal Advocates also recommends SCE engage with stakeholders and the Energy Division to receive input, while developing a comprehensive and transparent plan.

SCE and Cal Advocates agree to, and incorporate by reference into this Settlement Agreement, SCE's electrification proposal as stated in its Application,<sup>63</sup> subject to the following clarifications and modifications:

- As part of Phase 1, SCE commits to developing a detailed implementation plan for electrification. As part of the development of the implementation plan, SCE will hold workshops and/or meetings with stakeholders and the Energy Division to elicit their feedback.
- After the completion of Phase 1, SCE will file an application, either standalone or as part of the next Catalina Gas GRC (targeted for a 2029 test year), for approval of its electrification proposal.
- As part of the new AL process for opportunistic electrification projects, SCE will not seek cost recovery within the AL. The new AL process is only intended to confirm the opportunistic electrification project is at least cost neutral compared to the gas project. If Commission Staff confirm that the electrification project is at least cost neutral, SCE would track the costs in the new CETMA and seek recovery either in a future standalone application, Catalina Gas electrification application, Catalina Gas GRC (if combined with its electrification proposal), or in SCE's Electric GRC. Approval of the AL does not create a presumption that the electrification costs were reasonable. SCE has the burden to prove the reasonableness of its costs in the subsequent cost recovery application.

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<sup>62</sup> A.23-12-011, *Public Advocates Office Report on SCE Catalina GRC* (Exhibit CA-01), at 1-5.

<sup>63</sup> See Exhibit SCE-01, at 21-27, for a description of SCE's electrification proposal, including Phase 1 vendor selection, project management and forecast costs, as well as the new AL process and tariff changes. SCE's Catalina Gas Zonal Electrification Study and proposed tariff changes are provided in Exhibit SCE-03, at 221-267 and 269-277, respectively.

### **1.5. Regulatory Approval**

1. The Settling Parties, by signing this Settlement Agreement, acknowledge that they pledge support for Commission approval and subsequent implementation of all provisions of this Settlement Agreement. The Settling Parties shall jointly request that the Commission approve the Settlement Agreement without change, and that the Commission make a finding that this Settlement Agreement is reasonable, consistent with law, and in the public interest.

2. This Settlement Agreement shall become effective upon execution of this Settlement Agreement by the Settling Parties, and binding on the date it is approved by the Commission. If the Commission fails to approve this Settlement Agreement as reasonable and refuses to adopt it unconditionally and without modification, the Parties agree to renegotiate this Settlement Agreement in good faith with regard to any Commission-ordered changes in order to preserve the balance of benefits and burdens. In the event such negotiations are unsuccessful, either Settling Party may, in its sole discretion, elect to terminate the Settlement Agreement.

3. If the Settlement Agreement is terminated, the signatories shall be released from any and all obligations and representations set forth in the Settlement Agreement and shall be restored to their positions prior to having entered into the Settlement Agreement.

### **1.6. Compromise of Disputed Positions**

This Settlement Agreement represents a compromise of disputed positions between the Settling Parties after arm's-length negotiations. The Settling Parties have reached this Settlement Agreement after considering the possibility that each Settling Party may or may not prevail on any given issue. The Settling Parties assert that this Settlement Agreement is reasonable, consistent with law, and in the public interest.

### **1.7. Settlement Adoption is Binding, Not Precedential**

Consistent with Rule 12.5 of the Commission's Rules of Practice and Procedure, 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.

### **1.8. Previous Communications**

The Settlement Agreement contains the entire agreement and understanding between the Settling Parties as to the resolution of all issues raised by the Settling Parties in the Catalina Gas GRC. In the event there is any conflict between the terms and scope of this Settlement Agreement and the terms and scope of the accompanying joint motion in support of the Settlement Agreement, the Settlement Agreement shall govern.

### **1.9. Term of the Agreement**

This Settlement Agreement shall be valid and in full force from the date of Commission approval of this Settlement Agreement.

### **1.10. Incorporation of Complete Settlement Agreement**

This Settlement Agreement is to be treated as a complete package and not as a collection of separate agreements on discrete issues. The Settling Parties acknowledge that changes, concessions, or compromises by a Settling Party in one section of this Settlement Agreement resulted in changes, concessions, or compromises by a Settling Party or in other sections. Consequently, the Settling Parties agree to affirmatively oppose any modification of this Settlement Agreement unless the Settling Parties jointly agree in writing to support such modification.

### **1.11. Non-Waiver**

None of the provisions of this Settlement Agreement shall be considered waived by any Settling Party unless such waiver is given in a writing signed by that Settling Party. The failure of a Settling Party to insist in any one or more instances upon strict performance of any of the provisions of this Settlement Agreement or take advantage of any of their rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

### **1.12. Effect of Subject Headings**

Subject headings in this Settlement Agreement are inserted for convenience only and shall not be construed as interpretations of the text.

**1.13. Governing Law and Jurisdiction**

This Settlement Agreement shall be interpreted, governed, and construed under the laws of the State of California, including Commission decisions, orders, and rulings, as if executed and to be performed wholly within the State of California, notwithstanding otherwise applicable conflict-of-law principles. The Settling Parties agree that the Commission retains jurisdiction to enforce the terms of this Settlement Agreement and resolve any disputes regarding the Settling Parties' performance under the Settlement Agreement.

**1.14. Execution and Number of Originals**

This Settlement Agreement can be executed in counterparts, each of which shall be deemed an original. The undersigned represent that they are authorized to sign on behalf of the Settling Party represented. Execution of this Settlement Agreement shall be complete as of the last signature date of the Settling Parties.

**1.15. Performance**

The Settling Parties agree to perform diligently, and in good faith, all actions required hereunder, including, but not limited to, the execution of any other documents and the taking of any other actions reasonably required to effectuate the terms of this Settlement Agreement, and the preparation of exhibits reasonably required for, and presentation of witnesses reasonably required at, any required hearings to obtain approval and adoption of this Settlement Agreement by the Commission.

October 28, 2024

SOUTHERN CALIFORNIA EDISON COMPANY

*/s/ Jill Anderson*

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y:     Name: Jill Anderson  
          Title: Executive Vice President and Chief  
          Operating Officer, Operations

October 28, 2024

PUBLIC ADVOCATES OFFICE AT THE CALIFORNIA  
PUBLIC UTILITIES COMMISSION

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y:     Name: Michael Campbell  
          Title: Energy Assistant Deputy Director,  
          Public Advocates Office

**(END OF APPENDIX A)**

# **APPENDIX B**

## **Adopted Revenue Requirement and Rate Base**

## APPENDIX C

Southern California Edison  
 2025 Catalina Gas GRC  
Summary of Earnings | 2025 - 2028

\$ in Thousands

Summary of Earnings   2025 - 2028		CPUC				Total
Line	Item	2025	2026	2027	2028	2025-2028
1.	<b>Total Operating Revenues</b>	<b>2,079</b>	<b>2,262</b>	<b>2,294</b>	<b>2,340</b>	<b>8,975</b>
2.	<b>Operating Expenses:</b>					
3.	Production O&M	1,220	1,220	1,220	1,220	
4.	Uncollectibles	4	4	4	4	
5.	Administrative & General	199	199	199	199	
6.	Franchise Requirements	21	23	23	23	
7.	Revenue Credits	–	–	–	–	
8.	Escalation	129	167	206	246	
9.	<b>Total O&amp;M</b>	<b>1,574</b>	<b>1,613</b>	<b>1,653</b>	<b>1,694</b>	
10.	<b>Depreciation</b>	<b>200</b>	<b>203</b>	<b>207</b>	<b>212</b>	
11.	Taxes Other Than On Income	81	84	88	92	
12.	Taxes Based On Income	(77)	59	35	53	
13.	<b>Total Taxes</b>	<b>4</b>	<b>143</b>	<b>123</b>	<b>145</b>	
14.	<b>Total Operating Expenses</b>	<b>1,777</b>	<b>1,959</b>	<b>1,983</b>	<b>2,050</b>	
15.	<b>Net Operating Revenue</b>	<b>302</b>	<b>303</b>	<b>312</b>	<b>290</b>	
16.	Rate Base	3,833	3,856	3,960	3,681	
17.	Rate of Return	7.87%	7.87%	7.87%	7.87%	

(END OF APPENDIX B)

# **APPENDIX C**

**Modified Settlement Agreement Between the Public Advocates Office  
and Southern California Edison Company**

**APPLICATION NO. 23-12-011: CATALINA GAS GRC**  
**SETTLEMENT AGREEMENT BETWEEN SOUTHERN CALIFORNIA EDISON**  
**COMPANY AND PUBLIC ADVOCATES OFFICE**

**1.1. Parties**

The Parties to this Settlement Agreement are Southern California Edison Company (“SCE”) and Public Advocates Office at the California Public Utilities Commission (“Cal Advocates”). SCE and Cal Advocates are collectively referred to as the “Settling Parties.” The Settling Parties comprise all active parties to the proceeding except Wild Tree Foundation (“Wild Tree”).<sup>64</sup> Execution of this Settlement Agreement shall be complete as of the last signature date of the Settling Parties.

**1.2. Definitions**

When used in initial capitalization in this Settlement Agreement, whether in singular or plural, the following terms shall have the meanings set forth below. If the definition is not set forth below, then the term shall have the meaning as specifically defined elsewhere in this Settlement Agreement:

20. “AL” refers to Advice Letter.
21. “ALJ” refers to Administrative Law Judge Garrett Toy.
22. “Application” refers to Application No. (A.)23-12-011, SCE’s Application for Authority to, Among Other Things, Increase its Authorized Revenues for Gas Service for Santa Catalina Island and to Reflect that Increase in Rates filed with the Commission on December 15, 2023, and SCE’s direct testimony, Exhibit SCE-01.
23. “CARE” refers to California Alternate Rates for Energy.
24. “Catalina” refers to Santa Catalina Island.
25. “Catalina Gas” refers to SCE’s gas utility on Catalina. Catalina Gas is a propane-fueled gas production and distribution system that serves approximately 1,400 residential and commercial customers who reside primarily in the city of Avalon.

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<sup>64</sup> The Utility Reform Network filed a protest to SCE’s Application but has not actively participated in the proceeding.

26. “Catalina Gas GRC” refers to the CPUC proceeding A.23-12-011, docketed to consider SCE’s Application.
27. “CPUC” or “Commission” refers to the California Public Utilities Commission.
28. “CETMA” refers to the Catalina Electrification Transition Memorandum Account.
29. “CGFGMA” refers to the Catalina Gas Federal Grant Memorandum Account.
30. “Commission” refers to the California Public Utilities Commission.
31. “GBRRBA” refers to the Gas Base Revenue Requirement Balancing Account.
32. “GRC” refers to general rate case.
33. “O&M” refers to operations and maintenance expense.
34. “Phase 1” refers to Phase 1 of SCE’s electrification plan for Catalina, as described in Exhibit SCE-01, Chapter III, and in Exhibit SCE-02, Chapter II.
35. “ROE” refers to return on equity.
36. “ROR” refers to rate of return.
37. “Test Year” refers to calendar year 2025.
38. “PTYRs” refers to the attrition years of 2026, 2027, and 2028.

### **1.3. Recitals**

1. In its Application, SCE sought approval of an authorized gas base revenue requirement for the 2025 Test Year and three post-test years, as well as approval of a proposal to electrify gas service on Catalina and of various ratemaking and rate design proposals as follows:

- Revenue Requirement: SCE requested approval of an authorized gas base revenue requirement of \$2.062 million in the Test Year and \$2.309 million, \$2.357 million, and \$2.402 million in post-Test Years of 2026, 2027, and 2028, respectively. SCE’s request included Test Year O&M of \$1.240 million (2022 \$), \$2.4 million of recorded direct capital additions since SCE’s last GRC submission in 2008, and \$2.7 million in direct capital expenditures that SCE expects to incur during the 2023-2028 period. SCE requested its then-current, Commission-authorized ROR (7.44%) be applied to Catalina Gas, and requested attrition year ratemaking largely based on cost escalation and capital forecasts. SCE proposed to update its ROR based on the then-current ROR in the attrition years.



- Electrification: SCE sought approval of Phase 1 of a multi-phase zonal electrification plan as well as the Commission's support to completely exit the gas distribution business by 2045 or sooner. Phase 1 of the electrification plan includes: (1) establishment of a memorandum account (the CETMA) that will allow SCE to gradually, cost-effectively, and opportunistically begin the necessary steps to transition gas customers to all-electric service, (2) a simplified process via a Tier 2 Advice Letter to review and approve cases where instead of repairing, replacing, and/or relocating gas infrastructure, SCE can electrify customers in a cost-neutral or cost-effective way, and (3) revisions to certain gas tariffs to prohibit new gas service connections, changes, or upgrades unless an exception is granted by SCE for safety or emergency reasons.
- Ratemaking and Rate Design: SCE proposed three new balancing and memorandum accounts: (1) the GBRRBA, which is a revenue decoupling mechanism; (2) the CETMA, in which SCE will record Phase 1 costs of electrifying Catalina's gas infrastructure; and (3) the CGFGMA, in which SCE will record match funding costs for projects seeking and/or awarded federal funding. SCE also made new rate design proposals, including to introduce seasonal meter charges and to allocate a greater percentage of SCE's revenue requirement to the summer months. SCE also proposed to increase the Catalina gas residential CARE discount from 20% to 32.5%, consistent with SCE's electric service and Catalina water service.

2. In direct testimony, Cal Advocates recommended modifications to SCE's revenue requirement request and rejection of its electrification proposal as follows:

- Revenue Requirement: Cal Advocates proposed that SCE's capital expenditure forecast for two projects—the Gas Vaporizer Replacement and the Pipeline and Other Facility Infrastructure Replacement—be reduced. Cal Advocates proposed SCE recover \$2,031,311 in capital expenditures over the 2023 to 2028 period. Cal Advocates capital expenditure forecast is presented in Table 1, below.

**Table 1**  
**Cal Advocates' 2023-2028 Capital Forecast**  
(Nominal \$)

Project / Program Name	In Service Date	2023	2024	2025	2026	2027	2028	Total
PB Anode Bed and Anode Probe Replacement (Cathodic Protection)	Jun-24	\$ 31,000	\$ 243,000	\$ -	\$ -	\$ -	\$ -	\$ 274,000
Tremont Gas System Anode Bed Replacement	Dec-24	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Gas Valves and Piping Relocation (Five Corners City Project)	Dec-24	\$ 16,000	\$ 264,000	\$ -	\$ -	\$ -	\$ -	\$ 280,000
Gas Vaporizer Replacement	Jun-25	\$ -	\$ -	\$ 63,427	\$ -	\$ -	\$ -	\$ 63,427
LPG Storage Tank Permanent Catwalk	Dec-24	\$ 55,500	\$ 319,000	\$ -	\$ -	\$ -	\$ -	\$ 374,500
LPG Storage Tank PSV/Manifold Replacement	Jan-24	\$ -	\$ 180,000	\$ -	\$ -	\$ -	\$ -	\$ 180,000
Gas Valves Replacement	Blanket	\$ -	\$ -	\$ 238,000	\$ -	\$ 290,000	\$ -	\$ 528,000
Gas Meters Replacement	Blanket	\$ -	\$ 16,000	\$ 17,000	\$ 18,000	\$ 19,000	\$ 21,000	\$ 91,000
Gas Piping and Other Facility Replacements	Blanket	\$ -	\$ -	\$ 47,162	\$ 47,480	\$ 47,750	\$ 47,992	\$ 190,384
<b>Total</b>		<b>\$102,500</b>	<b>\$1,072,000</b>	<b>\$365,589</b>	<b>\$ 65,480</b>	<b>\$356,750</b>	<b>\$ 68,992</b>	<b>\$2,031,311</b>

Cal Advocates also recommended that SCE's ROR be reduced to 7.03%, which reflects a downward adjustment to SCE's ROE. Cal Advocates calculated the downward adjustment by reducing the national average ROE for gas distribution companies (9.64%) by 50 basis points. SCE subsequently modeled Cal Advocates' revenue requirements recommendations and determined they would result in a Test Year revenue requirement of \$2.064 million, and PTYR revenue requirements of \$2.267 million in 2026, \$2.302 million in 2027, and \$2.341 million in 2028, for a total of \$8.975 million.

- Electrification: Cal Advocates recommended that Phase 1 be rejected in its entirety, including SCE's requested changes to its gas tariffs and SCE's request to establish a new advice letter process for approval of electrification projects, as well as establishment of the CETMA.

3. On July 26, 2024, SCE submitted its rebuttal testimony (Exhibit SCE-02). SCE responded to the modifications to its Application recommended by Cal Advocates and provided updated cost forecasts for two capital projects and updated results of operations outputs. In light of its updated capital forecasts, SCE explained that it seeks recovery of \$2,711,304 in capital expenditures over the 2023 to 2028 period. SCE's capital expenditure forecast is presented in Table 2 below.

**Table 2**  
**SCE's 2023-2028 Capital Forecast**  
*(Nominal \$)*

Project / Program Name	In Service Date	2023	2024	2025	2026	2027	2028	Total
PB Anode Bed and Anode Probe Replacement (Cathodic Protection)	Jun-24	\$ 31,000	\$ 243,000	\$ -	\$ -	\$ -	\$ -	\$ 274,000
Tremont Gas System Anode Bed Replacement	Dec-24	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Gas Valves and Piping Relocation (Five Corners City Project)	Dec-24	\$ 20,000	\$ 260,000	\$ -	\$ -	\$ -	\$ -	\$ 280,000
Gas Vaporizer Replacement	Jun-25	\$ -	\$ -	\$ 99,000	\$ -	\$ -	\$ -	\$ 99,000
LPG Storage Tank Permanent Catwalk	Dec-24	\$ 55,500	\$ 319,000	\$ -	\$ -	\$ -	\$ -	\$ 374,500
LPG Storage Tank PSV/Manifold Replacement	Jan-24	\$ -	\$ 180,000	\$ -	\$ -	\$ -	\$ -	\$ 180,000
Gas Valves Replacement	Blanket	\$ -	\$ -	\$ 238,209	\$ -	\$ 289,609	\$ -	\$ 527,818
Gas Meters Replacement	Blanket	\$ -	\$ 16,062	\$ 17,172	\$ 18,341	\$ 19,442	\$ 20,597	\$ 91,614
Gas Piping and Other Facility Replacements	Blanket	\$ -	\$ -	\$ 178,657	\$ 196,153	\$ 217,207	\$ 242,357	\$ 834,373
<b>Total</b>		<b>\$106,500</b>	<b>\$1,068,062</b>	<b>\$533,038</b>	<b>\$214,494</b>	<b>\$526,257</b>	<b>\$262,954</b>	<b>\$2,711,304</b>

4. On August 16, 2024, the ALJ issued a ruling cancelling evidentiary hearings, directing SCE to e-file as supporting documents its workpapers for the proceeding, and directing the parties to submit a joint motion to offer prepared testimony into evidence.

5. On September 6, 2024, SCE, Cal Advocates, and Wild Tree filed a joint motion to offer prepared testimony into evidence. The parties jointly moved to admit their direct and rebuttal testimonies into evidence, as well as two SCE workpapers (Exhibits SCE-03 and SCE-04) and an errata to Cal Advocates' direct testimony (Exhibit CA-01A). SCE also indicated it had e-filed as supporting documents its workpapers for the proceeding.

6. On September 20, 2024, the ALJ issued an email ruling extending the deadline for submittal of briefs to October 14, 2024. The ALJ issued the email ruling in response to a request from SCE to extend the deadline for submission of briefs because SCE and Cal Advocates had reached an agreement in principle on a settlement that would resolve all contested issues between them.

7. The ALJ issued additional email rulings extending the deadline for submittal of briefs on October 10, 2024 (extending the deadline to October 21, 2024) and October 21, 2024 (extending the deadline to October 28, 2024).

8. After multiple rounds of settlement negotiations, and to avoid the expense and uncertainty of further litigation, the Settling Parties wish to resolve the contested issues between

them. Accordingly, the Settling Parties have reached agreement on all issues contested between them as described herein.

#### **1.4. Agreement**

In consideration of the mutual obligations, covenants, and conditions contained herein, the Settling Parties agree to the terms of this Settlement Agreement. Nothing in this Settlement Agreement shall be deemed to constitute an admission by any Settling Party that its position on any issue lacks merit or that its position has greater or lesser merit than the position taken by any other Settling Party. This Settlement Agreement is subject to the express limitation on precedent described in Commission Rule of Practice and Procedure 12.5 and as set forth in Section G of this Settlement Agreement.

##### **1.4.1. Approval of SCE's Application**

The Settling Parties agree that the Application should be approved as filed subject to the modifications and clarifications described in this Settlement Agreement.

##### **1.4.2. Revenue Requirements**

The Settling Parties agree that SCE's authorized gas base revenue requirements shall be as follows:

*Table 3*  
*SCE / Cal Advocates Revenue Requirements Agreement*  
*(Nominal \$000)*

Revenue Requirement	2025	2026	2027	2028	Total
SCE/Cal Advocates Agreement	2,079	2,262	2,294	2,340	8,975

##### **1.4.2.1. Capital**

SCE and Cal Advocates agree to a lower capital forecast over the 2023-2028 period than their litigation positions. This capital forecast results in SCE being authorized \$1,814,167 in capital expenditures over the 2023-2028 period, as shown in Table 4 below. This

compromise capital agreement together with the adoption of SCE's systemwide ROR results in a total four-year revenue requirement that matches Cal Advocates' testimony total revenue requirement.

**Table 4**  
**SCE and Cal Advocates 2023-2028 Capital Forecast Agreement**  
(Nominal \$)

Project / Program Name	In Service Date	2023	2024	2025	2026	2027	2028	Total
PB Anode Bed and Anode Probe Replacement (Cathodic Protection)	Jun-24	\$ 31,000	\$ 243,000	\$ -	\$ -	\$ -	\$ -	\$ 274,000
Tremont Gas System Anode Bed Replacement	Dec-24	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Gas Valves and Piping Relocation (Five Corners City Project)	Dec-25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas Vaporizer Replacement	Jun-25	\$ -	\$ -	\$ 99,000	\$ -	\$ -	\$ -	\$ 99,000
LPG Storage Tank Permanent Catwalk	Dec-24	\$ 55,500	\$ 319,000	\$ -	\$ -	\$ -	\$ -	\$ 374,500
LPG Storage Tank PSV/Manifold Replacement	Jan-24	\$ -	\$ 180,000	\$ -	\$ -	\$ -	\$ -	\$ 180,000
Gas Valves Replacement	Blanket	\$ -	\$ -	\$ 89,209	\$ -	\$ 289,609	\$ -	\$ 378,818
Gas Meters Replacement	Blanket	\$ -	\$ -	\$ -	\$ 18,341	\$ 19,442	\$ 20,597	\$ 58,380
Gas Piping and Other Facility Replacements	Blanket	\$ -	\$ -	\$ -	\$ 121,816	\$ 132,478	\$ 145,174	\$ 399,469
<b>Total</b>		<b>\$ 86,500</b>	<b>\$ 792,000</b>	<b>\$188,209</b>	<b>\$140,158</b>	<b>\$441,529</b>	<b>\$165,771</b>	<b>\$1,814,167</b>

Given that the Parties agree to a lower capital forecast than proposed in both SCE's and Cal Advocates' original forecasts; that the agreed-to capital forecast is relatively small; and that Catalina Gas is a very small gas utility with aging infrastructure, the Settling Parties also agree that if one or more new capital requirements exceeding the agreed-to total capital forecast (\$1,814,167) are needed before SCE's next Catalina Gas GRC, SCE would then be allowed to file a Tier 3 AL to seek recovery of the capital project(s). Additionally, the parties removed costs for the Five Corners City Project (Five Corners project) from the forecast because the project is driven by the City of Avalon (the City) and has been delayed. SCE is working with the City to obtain grant funds that could offset some or all costs of the Five Corners project. Should the project move forward, and should SCE not obtain grant funding for the total cost of the Five Corners project, SCE may file a Tier 3 AL to seek recovery for any non-granted-funded portion of the project regardless of whether the Five Corners project has exceeded the agreed-to total capital forecast.

SCE and Cal Advocates base this capital forecast agreement on the CPUC's Standard Practice (SP) U-27-W for water utilities and its requirements for a Rate Base Offset filing. A Rate Base Offset allows a utility to adjust its rates to account for a change in utility plant in service that affects rate base. SCE and Cal Advocates agree to the following requirements, consistent with SP U-27-W:

- SCE may file a Tier 3 AL to request recovery for capital projects in which the costs exceed the total capital forecast of \$1,814,167 per the Parties' capital forecast agreement, except for the Five Corners project, for which SCE may file a Tier 3 AL to recover costs once the project is complete.
- The Tier 3 AL must be noticed per GO 96-B, General Rule 4.2.
- The capital project(s) must be used and useful utility plant.
- The filing should include all contractor invoices for the project, or, if that would be too voluminous, a listing of the invoices by date paid, company, and service provided with individual amounts, interest accrued, and the total requested.
- In its showing, SCE has the burden to prove the capital project(s) was/were needed, that its costs are reasonable, and that those costs have exceeded or will exceed the capital forecast agreed to over the 2023-2028 period, with exception for the Five Corners project (because it has been removed from the capital forecast budget).

#### **1.4.2.2. Rate of Return**

In its rebuttal testimony, SCE seeks to update its ROR to 7.87 percent, the current effective ROR for SCE's total company operations in 2024. Cal Advocates proposes a lower ROR of 7.03 percent. For purposes of this proceeding, the parties agree to SCE's current effective ROR for SCE of 7.87 percent in consideration of capital related concessions. The parties also agree that SCE should reflect the then-current ROR in the test year<sup>65</sup> and each

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<sup>65</sup> A final Phase 2 Commission Decision in A.22-04-008, A.22-04-009, A.22-04-011, and A.22-04-012 could result in changes to SCE's current ROR for 2025.

attrition year's revenue requirement, which will be implemented annually (through 2028) via an AL as set forth in SCE's Rebuttal testimony.

### 1.4.2.3. Bill Impacts

Based on the updated revenue requirements in Table 3 above, Table 5 below shows the average monthly bill impacts compared to current average monthly bills.

**Table 5**  
**SCE/Cal Advocates Agreement Bill Impacts**  
(Nominal \$)

Year	G-1 (Residential)		G-1-CARE		G-2 (Non-Residential)	
	Average \$ / Month	Year over Year % Increase	Average \$ / Month	Year over Year % Increase	Average \$ / Month	Year over Year % Increase
Current	\$ 66.69		\$ 47.61		\$1,501.14	
2025	\$ 71.49	7.2%	\$ 42.77	-10.2%	\$1,619.09	7.9%
2026	\$ 74.68	4.5%	\$ 44.72	4.6%	\$1,691.09	4.4%
2027	\$ 75.19	0.7%	\$ 45.07	0.8%	\$1,646.03	-2.7%
2028	\$ 75.94	1.0%	\$ 45.56	1.1%	\$1,611.68	-2.1%
Overall		13.9%		-4.3%		7.4%

### 1.4.3. Electrification

As part of the Catalina Gas 2025 GRC request, SCE proposes to begin a multi-phase process to transition gas customers to electric service over a period of 20 years or sooner, if feasible. In its Application, SCE seeks approval of 1) Phase 1 of the multi-phase effort, 2) tariff rule changes, 3) a new AL process for Commission Staff review of opportunistic electrification projects, and 4) a new memorandum account, the CETMA, to track costs.<sup>66</sup> SCE is not seeking cost recovery of the electrification proposal in this Application. At the conclusion of Phase 1, SCE will submit a new application (or as part of the next Catalina Gas GRC application) and

<sup>66</sup> Application, at 6-7; Exhibit SCE-01, at 15-27.

request approval of the remaining phases to transition gas customers to electric service.

Approval of SCE's electrification proposal in this Application is not an approval for transitioning all gas customers to electric service.

In its testimony, Cal Advocates proposes that the Commission deny SCE's proposed tariff changes, new AL process, and memorandum account, and proposed that SCE should submit a detailed long-term plan for Catalina gas service to transition gas customers to all electric service in a separate application.<sup>67</sup> Cal Advocates also recommends SCE engage with stakeholders and the Energy Division to receive input, while developing a comprehensive and transparent plan.

SCE and Cal Advocates agree to, and incorporate by reference into this Settlement Agreement, SCE's electrification proposal as stated in its Application,<sup>68</sup> subject to the following clarifications and modifications:

- As part of Phase 1, SCE commits to developing a detailed implementation plan for electrification. As part of the development of the implementation plan, SCE will hold workshops and/or meetings with stakeholders and the Energy Division to elicit their feedback. SCE shall utilize its targeted electrification projects to collect information related to project cost and savings, available subsidies, customer participation concerns, and other information that will aid the Commission in determining whether electrification of all gas customers is viable.
- SCE shall, in a future electrification proposal for Catalina Island, provide pipeline mapping and other information as dictated in Rulemaking 24-09-012, addressing implementation of Senate Bill (SB) 1221 (2024, Min). SCE shall also work with the Commission's Energy Division to consider participation in the SB 1221 electrification pilot program.
- After the completion of Phase 1, SCE will file an application, either standalone or as part of the next Catalina Gas GRC (targeted for a 2029 test year), for approval of its

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<sup>67</sup> A.23-12-011, *Public Advocates Office Report on SCE Catalina GRC* (Exhibit CA-01), at 1-5.

<sup>68</sup> See Exhibit SCE-01, at 21-27, for a description of SCE's electrification proposal, including Phase 1 vendor selection, project management and forecast costs, as well as the new AL process and tariff changes. SCE's Catalina Gas Zonal Electrification Study and proposed tariff changes are provided in Exhibit SCE-03, at 221-267 and 269-277, respectively.



electrification proposal. SCE shall seek cost recovery for costs tracked in the CETMA in the proceeding in which it files its electrification proposal.

- SCE is not approved to exit the gas distribution business by 2045.

### **1.5. Regulatory Approval**

1. The Settling Parties, by signing this Settlement Agreement, acknowledge that they pledge support for Commission approval and subsequent implementation of all provisions of this Settlement Agreement. The Settling Parties shall jointly request that the Commission approve the Settlement Agreement without change, and that the Commission make a finding that this Settlement Agreement is reasonable, consistent with law, and in the public interest.

2. This Settlement Agreement shall become effective upon execution of this Settlement Agreement by the Settling Parties, and binding on the date it is approved by the Commission. If the Commission fails to approve this Settlement Agreement as reasonable and refuses to adopt it unconditionally and without modification, the Parties agree to renegotiate this Settlement Agreement in good faith with regard to any Commission-ordered changes in order to preserve the balance of benefits and burdens. In the event such negotiations are unsuccessful, either Settling Party may, in its sole discretion, elect to terminate the Settlement Agreement.

3. If the Settlement Agreement is terminated, the signatories shall be released from any and all obligations and representations set forth in the Settlement Agreement and shall be restored to their positions prior to having entered into the Settlement Agreement.

### **1.6. Compromise of Disputed Positions**

This Settlement Agreement represents a compromise of disputed positions between the Settling Parties after arm's-length negotiations. The Settling Parties have reached this Settlement Agreement after considering the possibility that each Settling Party may or may not prevail on any given issue. The Settling Parties assert that this Settlement Agreement is reasonable, consistent with law, and in the public interest.

### **1.7. Settlement Adoption is Binding, Not Precedential**

Consistent with Rule 12.5 of the Commission's Rules of Practice and Procedure, 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.

### **1.8. Previous Communications**

The Settlement Agreement contains the entire agreement and understanding between the Settling Parties as to the resolution of all issues raised by the Settling Parties in the Catalina Gas GRC. In the event there is any conflict between the terms and scope of this Settlement Agreement and the terms and scope of the accompanying joint motion in support of the Settlement Agreement, the Settlement Agreement shall govern.

### **1.9. Term of the Agreement**

This Settlement Agreement shall be valid and in full force from the date of Commission approval of this Settlement Agreement.

### **1.10. Incorporation of Complete Settlement Agreement**

This Settlement Agreement is to be treated as a complete package and not as a collection of separate agreements on discrete issues. The Settling Parties acknowledge that changes, concessions, or compromises by a Settling Party in one section of this Settlement Agreement resulted in changes, concessions, or compromises by a Settling Party or in other sections. Consequently, the Settling Parties agree to affirmatively oppose any modification of this Settlement Agreement unless the Settling Parties jointly agree in writing to support such modification.

### **1.11. Non-Waiver**

None of the provisions of this Settlement Agreement shall be considered waived by any Settling Party unless such waiver is given in a writing signed by that Settling Party. The failure of a Settling Party to insist in any one or more instances upon strict performance of any of the provisions of this Settlement Agreement or take advantage of any of their rights hereunder shall

not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

### **1.12. Effect of Subject Headings**

Subject headings in this Settlement Agreement are inserted for convenience only and shall not be construed as interpretations of the text.

### **1.13. Governing Law and Jurisdiction**

This Settlement Agreement shall be interpreted, governed, and construed under the laws of the State of California, including Commission decisions, orders, and rulings, as if executed and to be performed wholly within the State of California, notwithstanding otherwise applicable conflict-of-law principles. The Settling Parties agree that the Commission retains jurisdiction to enforce the terms of this Settlement Agreement and resolve any disputes regarding the Settling Parties' performance under the Settlement Agreement.

### **1.14. Execution and Number of Originals**

This Settlement Agreement can be executed in counterparts, each of which shall be deemed an original. The undersigned represent that they are authorized to sign on behalf of the Settling Party represented. Execution of this Settlement Agreement shall be complete as of the last signature date of the Settling Parties.

### **1.15. Performance**

The Settling Parties agree to perform diligently, and in good faith, all actions required hereunder, including, but not limited to, the execution of any other documents and the taking of any other actions reasonably required to effectuate the terms of this Settlement Agreement, and the preparation of exhibits reasonably required for, and presentation of witnesses reasonably required at, any required hearings to obtain approval and adoption of this Settlement Agreement by the Commission.

**(END OF APPENDIX C)**