PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION **RESOLUTION W-5192**
May 16, 2019

R E S O L U T I O N

(RES. W-5192) SOUTHERN CALIFORNIA EDISON, SANTA CATALINA ISLAND. ORDER AUTHORIZING A SALES FORECAST ADJUSTMENT AND A PILOT PROGRAM TO DECOUPLE WATER SALES FROM THE REVENUE REQUIREMENT FOR TEST YEAR 2019 RESULTING IN AN AVERAGE MONTHLY BILL INCREASE BETWEEN $7.93 TO $30.40, OR 12% TO 22%, FOR CATALINA CUSTOMERS USING THE PREVIOUSLY ADOPTED REVENUE REQUIREMENT OF $4.13 MILLION AUTHORIZED IN D.14-10-048, TO BE PAID BY THE RATEPAYERS.

SUMMARY

By Advice Letter (AL) 107-W, filed on December 5, 2018, Southern California Edison (SCE), Santa Catalina Island (Catalina) seeks a general rate case to adopt a revised sales forecast using its most recently authorized revenue requirement[1] and a pilot program to decouple water sales from the revenue requirement. The pilot program consists of two main components: 1) a Water Revenue Adjustment Mechanism (WRAM) with a Modified Costs Balancing Account (MCBA) to true up authorized sales revenue to recorded sales revenue and adjust for savings or additional variable costs related to water production; and 2) a Consumption Adjustment Mechanism (CAM) to update the sales forecast and rates annually.

This Resolution grants SCE's request to update its sales forecast based on the revenue requirement adopted in Decision. (D) 14-10-048. The rates authorized in this Resolution will result in an average monthly bill increase of 12 percent for Residential Service and

[1] Catalina was authorized $4.13 million in revenue requirement pursuant to Decision 14-10-048.

16 percent for Residential Service-CARE[2] customers; and 22 percent for Commercial Service customers as shown in the table below:

Average Monthly Bill and Usage by Customer Type for 5/8" Meters
Current Compared to the 2019 Proposed

Line #	Customer Type	2019 Forecast at Current Rates	2019 Forecast at Proposed Rates	Difference	
				Amount	%
1	Residential	$ 63.89	$ 71.82	$ 7.93	12%
2	Residential-CARE	$ 59.81	$ 69.21	$ 9.40	16%
3	Commercial	$ 138.71	$ 169.11	$ 30.40	22%

This Resolution also grants SCE's request for a pilot program to decouple water sales from its revenue requirement consisting of a WRAM/MCBA and a CAM.

BACKGROUND

SCE has requested authority under General Order (GO) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to adopt a revised sales forecast using its most recently authorized revenue requirement of $4.13 million and a pilot program to decouple water sales from the revenue requirement. SCE's last general rate increase was granted on October 16, 2014 by Commission Decision (D.) D.14-10-048 which authorized a rate increase of $288,000, or 7.50%, for Test Year 2015. SCE's Catalina domestic water system is classified as a Class C water utility serving approximately 2,000 residential and commercial accounts on Catalina Island, located roughly 22 miles off the coast of southern California in Los Angeles County. The median household income for the city of Avalon on Catalina is $62,986.[3]

Catalina derives its water supply from a system of wells, springs, reservoirs, and two desalination plants. SCE's water facilities consist of 10 groundwater wells and 13 storage tanks spread throughout the island. The two main reservoirs are the Middle Ranch or Thompson Reservoir (Middle Ranch) with a capacity of approximately 1,065 acre-feet and the Wrigley Reservoir with a capacity of approximately 29 acre-feet. The water level in Middle Ranch is the determining factor for SCE's activation of mandatory water conservation in times of drought or significant water supply shortfalls. Stage 1 of

[2] CARE stands for California Alternate Rates for Energy, which is a program that reduces energy bills for eligible customers by about 30 percent
[3] https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml?src=bkmk

Mandatory Conservation from SCE's Tariff Schedule 14.1 include restrictions and prohibitions on discretionary water use when Middle Ranch reaches 600 acre-feet or approximately 50% of its capacity. Further Stages of Conservation and Rationing follow the decreasing levels in Middle Ranch as well.

SCE operates Catalina as an isolated water system in a semi-arid climate with no economically feasible means to import large quantities of water from outside the island. Thus, Catalina is highly susceptible to the effects of prolonged low rainfall or in recent years, the effects from the drought. On June 1, 2013, SCE activated Stage 1 of its Mandatory Water Conservation and Rationing Plan (Water Rationing Plan), imposing mandatory conservation requirements for all Catalina water customers as described in its Tariff Schedule 14.1. On January 17, 2014, following the driest year experienced by the state of California in over 100 years, former Governor Brown proclaimed a statewide drought emergency (Emergency Drought Declaration). On August 11, 2014, SCE activated Stage 2 of its Water Rationing Plan imposing a 25 percent mandatory reduction in water usage on its customers as the drought continued to worsen. After more than two years in Stage 2, Stage 3 of the Water Rationing Plan was activated on September 6, 2016, increasing the mandatory conservation level to 40-50 percent for most customers and greater than 50 percent reductions for high-use customers. In November 2016, the Middle Ranch Reservoir (MRR) level fell to a historic recorded low of 121 acre-feet, or 11 percent of the total capacity. During the winter of 2016-2017, the combination of water production from the new desalination plant (Plant 2) and substantial rainfall allowed the water level in the MRR to be replenished to approximately 70 percent capacity, which allowed SCE to lower the level of conservation back to Stage 1 on March 7, 2017. SCE continued to operate in Stage 1 until February 15, 2019 when the MRR reached its full capacity of 1,054 feet following multiple rain events through the winter of 2018-2019. This feat has not been achieved since June 2011. Although SCE deactivated Stage 1 of its Water Rationing Plan, SCE continues to advise its customers to maintain a state of voluntary conservation and to eliminate wasteful water use as outlined in SCE's Tariff Rule 14.1.

NOTICE, PROTESTS, AND PUBLIC MEETING

In accordance with GO. 96-B, SCE served a copy of AL 107-W to its service list on December 5, 2018. A notice of the proposed rate increase was mailed to each customer and to the general service list on December 5, 2018 as well.

On December 10, 2018, Avalon Hotel, a commercial customer filed a protest to AL 107-W. On December 20, 2018, a consortium of island stakeholders, including the City of Avalon, Santa Catalina Island Company, Catalina Island Conservancy, Hamilton Cove Homeowners Association, Chamber of Commerce and Visitors Bureau, USC Wrigley Marine Science Center, Catalina Island Medical Center, Catalina Express, and Guided Discoveries (collectively referred to as the "Catalina Island Stakeholders" or "CIS") also filed protests to AL 107-W. Five letters and two emails of support joining the CIS protest were separately filed on December 20, 2018. On December 26, 2018, Campus by the Sea also filed a protest joining the CIS protest. Lastly, a protest letter from two residents dated December 20, 2018 was sent to SCE's General Office in Rosemead. These protests do not oppose the updated sales forecast and its related rate increase. CIS even stated that it supported the rate increase and that SCE should have requested this sooner. The objections to SCE's AL 107-W consist of SCE's calculation of the estimated impacts on customer bills and the perceived large magnitude of the proposed rate increase. CIS also objects to the proposed decoupling pilot program on the grounds that it will not provide the conservation benefits cited by SCE. CIS also provided recommendations outside the scope of AL 107-W in its protest.

On January 3, 2019, SCE submitted to the Water Division its reply to each of the protests. In its reply, SCE responded to each objection made in the protests and acknowledged the recommendations put forth by CIS in its protest. SCE states in its reply that its proposed Pilot Program to decouple the sales forecast from revenues will minimize the financial impact from the differences that arise in sales forecasts compared to recorded sales, and SCE will only collect the authorized revenues according to its most recently adopted revenue requirement in D.14-10-048. SCE will also need to submit these balances from the Pilot Program to the Commission for a reasonableness review when it requests recovery of these balances. The purpose of this Pilot Program is to mitigate the large accumulation of balances that accrued in SCE's Catalina Water Lost Revenues Memorandum Account (CWLRMA) and Catalina Water Rationing Memorandum Account (CWRMA) during the drought. In its response, SCE also addressed the estimated bill impact by stating that AL 107-W presents the average bill impact for commercial customers based on both summer and winter usage. SCE corrects the proposed calculation raised in one of the protests regarding commercial rates in accordance with the proposed rates listed in AL 107-W and reiterates that the estimated bill impacts are presented simply for illustrative purposes as the actual bill impact will depend on future usage by customers. With regard to the magnitude of the increase, SCE contends that the sales forecast update is necessary at this time to prevent further large accumulations of lost revenues in its current memo accounts.

In setting rates in this resolution, the WD has balanced the financial requirements of SCE with the rate concerns of its customers.

DISCUSSION

Revised Sales Forecast

In reviewing SCE's rate increase request to adopt a revised sales forecast using its most recently authorized revenue requirement, the WD made an independent analysis of the utility's rate increase request and its operations. SCE's previous general rate increase was granted on October 16, 2014 by D.14-10-048[4] which authorized rates effective January 1, 2015 in the midst of a historic state-wide drought. SCE's conservation and rationing plan was in effect at the time, and customer concerns regarding rationing levels and water supplies were extremely high as well. The authorized forecast of water sales from the GRC Decision of 125.7 million gallons (MG) did not match the recorded sales in the applicable years prior to and following the Decision as evidenced in the below table.

Recorded to Authorized Forecast Sales Comparison
2011- 2017
In Millions of Gallons (MG)

Year	Recorded Water Sales	Authorized Forecast Water Sales*	*Recorded to Authorized Sales Volume Difference*		Drought Stage Level
			MG	%	
2011	120.9	125.7	-4.8	-4%	-
2012	122.5	125.7	-3.2	-3%	-
2013	120.5	125.7	-5.2	-4%	Stage 1, Jun.
2014	100.9	125.7	-24.8	-20%	Stage 2, Aug.
2015	71.8	125.7	-53.9	-43%	Stage 2
2016	72.1	125.7	-53.6	-43%	Stage 3, Sep.
2017	78.8	125.7	-46.8	-37%	Stage 1, Mar.

** Authorized Forecast per 2011 GRC Decision*

[4] SCE originally filed its last GRC as an AL in July 2010 for a 2011 Test Year rate increase. This AL was rejected, and SCE filed its GRC as an Application in November 2010 with a 2011 Test Year.

In years 2011–2013, recorded sales were less than the authorized forecast by three to four percent. In 2014, an additional reduction of sales in the amount of 24.8 MG or 20 percent occurred as mandatory rationing requirements went into effect with the implementation of Stage 2 in August 2014.[5] Customer conservation continued to increase in 2015, and sales further decreased to 71.8 MG or 43 percent less than the authorized forecast of 125.7 MG. For 2016, sales leveled out at 72.1 MG increasing just 0.3 MG or less than one percent higher than 2015. In March 2017, drought Stage 3 was lifted, and SCE returned to Stage 1 following operation of the new desalination plant and substantial winter rains. The return to Stage 1 in 2017 resulted in 2017 sales of 78.8 MG that were 6.7 MG or 9.3 percent higher than 2016. Stage 1 includes mandatory conservation measures but no mandatory reductions in water usage. Throughout 2017, there was a residual rationing effect where consumer conservation behaviors were maintained for a period of time.

These large differences between authorized sales forecasts and actual recorded water sales lead to accumulations of large balances in SCE's CWLRMA that records the difference between authorized and recorded revenues resulting from customer conservation efforts required under SCE's Water Rationing Plan in times of drought. The below table summarizes the accumulated $5.5 million SCE recorded in its CWLRMA.

Catalina Water Lost Revenue Memorandum Account
August 11, 2014 – August 2018
In Dollars ($)

Line #	Description	Aug.-Dec. 2014	2015	2016	2017	Jan.-Aug. 2018
1	Beginning Balance	0	(893,611)	(2,377,104)	(3,723,457)	(4,800,391)
2	Adjusted Authorized Revenue Requirement	1,802,878	4,110,736	4,110,736	4,110,736	2,791,649
3	Recorded Revenue	910,148	2,629,341	2,771,144	3,044,680	2,122,498
4	(Under)/ Over Collection (Line 3 less Line 2)	(892,730)	(1,481,395)	(1,339,592)	(1,066,056)	(669,151)
5	Interest	(881)	(2,098)	(6,761)	(10,878)	(13,237)
6	Ending Balance	(893,611)	(2,377,104)	(3,723,457)	(4,800,391)	(5,482,779)

[5] The Decision, which established the sales forecast amount of 125.7 MG, was issued approximately two months after SCE entered Stage 2 water rationing.

SCE continues to incur amounts[6] recorded in its CWLRMA based on the outdated sales forecast from its previous GRC Decision, so updating the sales forecast and adjusting rates accordingly in this present case will mitigate further accumulation of lost revenues.

To develop the 2019 Sales Forecast, SCE first calculated the 2018 forecast using the actual recorded customer usage for the first eight months of 2018 and estimated the last four months of 2018 using 2017 recorded sales plus a 12 percent escalation factor. The 12 percent escalation factor represents the net year-over-year sales growth for the months of April through August.[7] 2018 represents the first full year of sales under Stage 1 water conservation since 2013 and shows an increase in sales from 78.8 MG in 2017 to a 2018 year-end forecast of 92.5 MG, or an increase of 17 percent. The table below shows the calculation of the 2018 sales forecast.

[6] Based on the 2018 sales forecast, the additional lost revenues will be approximately $735,000 for 2018.
[7] Recorded sales for April through August 2018 were 12 percent higher than the same period for 2017.

2018 Sales Forecast Calculation
In Gallons

Line	Recorded Sales		Forecast Method
1	January	6,234,320	2018 Actual Sales January-August
2	February	4,585,700	
3	March	6,341,931	
4	April	6,273,508	
5	May	7,730,221	
6	June	8,054,300	
7	July	10,255,500	
8	August	11,910,000	
9	Subtotal	61,385,480	
10	**Forecast Sales**		2017 Actual Sales with 12% Escalation September-December
11	September	9,304,298	
12	October	8,603,517	
13	November	6,689,872	
14	December	6,542,491	
15	Subtotal	31,140,179	
16	**2018 Forecast Total**	**92,525,659**	

SCE proposes to keep the 2019 forecast the same as the 2018 year-end forecast of 92.5 MG due to the following reasons: 1) no change is expected in the Stage 1 level of its Water Rationing Plan throughout 2019; 2) the number of visitors to Catalina Island in 2019 is expected to stay at the 2018 level of approximately 1,000,000 visitors[8]; 3) customer growth on the island is expected to be less than one-half of a percent.[9] Thus, SCE's Test Year 2019 water sales forecast of 92.5 MG should be adopted by the Commission in consideration of the stable visitor count and lack of customer growth on the island. This revised sales forecast also reflects the most current recorded sales that take into account increased customer response to conservation pricing and lower overall demand compared to the previously authorized sales forecast from SCE's last GRC decision.

[8] The 2019 Catalina visitor forecast is based on the recorded September 2017 to August 2018 visitor count data published by the Catalina Island Chamber of Commerce.
[9] Customer growth is based on the recorded five-year annual average across all customer classes, excluding accounts for dedicated fire protection services.

Proposed 2019 Rates

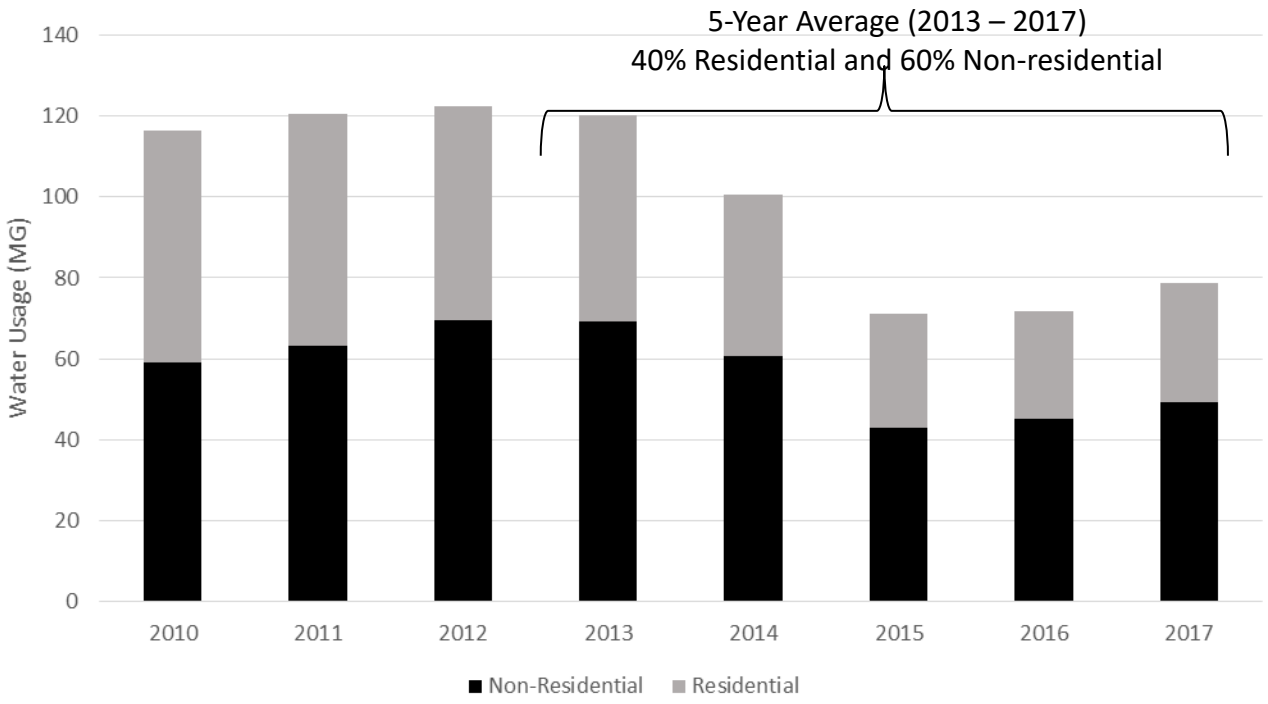
SCE developed its Test Year 2019 rates based on the current five-year average distribution of water usage among its customers on Catalina, which differs from the usage distribution adopted in the previous GRC Decision.

The current authorized distribution is summarized below:

- Fixed/Volumetric Ratio: 30% Fixed, 70% Volumetric
- Seasonal Recovery: 55% Summer (4 months), 45% Winter (8 months)
- Overall Revenue Allocation: 49% Residential, 51% Non-Residential

This revenue allocation was determined at the time of the previous GRC Settlement Agreement when the usage distribution of Catalina Water customers was 49 percent Residential and 51 percent Non-Residential. Since then, customer usage has shifted to approximately 40 percent Residential and 60 percent Non-Residential, and this change is illustrated in the below figure:

Water Customer Usage Distribution
Residential and Non-Residential
2010-2017



For 2019, SCE proposes a forecast of 2,007 customers based on the recorded number of customers at the end of 2017 with no significant customer growth expected in 2018 and 2019.[10] SCE also proposes a volumetric sales forecast of 92.5 MG with a revenue allocation of 40 percent Residential and 60 percent Non-Residential. This represents a decline in Residential usage from the last GRC Decision as conservation led to a decrease in overall usage for Residential customers to approximately 40 percent of total system use. Combined with that factor, SCE adjusted the Non-residential sales forecast as the amount of Non-Residential usage on Catalina increased relative to Residential usage, since the last economic recession in the US ended in 2010 and since the last GRC application was filed in November 2010. This coincides with a relatively steady increase in visitor counts from 2010 through 2017 contributing to an increase in overall water usage for Commercial customers. As these new figures better align the sales forecast with current usage, SCE's proposed rate design using these revised sales forecasts should be adopted. The below table shows the comparison between the

[10] The five-year average customer growth from 2013-2017 is less than 0.5%

proposed 2019 rates and the previous GRC Decision, and Appendix B provides a complete breakdown of the 2019 rates.

Average Monthly Bill and Usage by Customer Type
Decision Compared to the 2019 Proposed Rates

Line #	Customer Type	Decision	Proposed 2019	Difference	
				Amount	%
1	Residential	$ 87.39	$ 71.82	$ (15.57)	-18%
2	Residential-CARE	$ 76.00	$ 69.21	$ (6.79)	-9%
3	Commercial	$ 167.45	$ 169.11	$ 1.66	1%

Note: The table above shows the three largest customer tariff groups that use a 5/8" meter and comprise approximately 72 percent of the customers on Catalina. The average bill and usage amounts for the other nine customer tariff groups by meter size are available in Attachment B.

Pilot Decoupling Program

SCE proposes a pilot Decoupling Program with two main components: 1) a Water Revenue Adjustment Mechanism (WRAM) with a Modified Cost (MC) Balancing Account (BA) to true-up authorized sales revenue to recorded sales revenue and adjust for savings of additional variable costs related to water production, and 2) a Consumption Adjustment Mechanism (CAM) to update the sales forecast and rates annually. The WRAM/MCBA will record any volumetric (quantity) revenue over- or under-collections resulting from variations in recorded sales compared to the adopted forecast, and any changes in variable production costs related to the variation in recorded water sales. The WRAM/MCBA will combine both the sales revenue and variable production cost differences prior to seeking collection through a surcharge or sur-credit.

Recovery of WRAM/MCBA under-collections will be passed through to customers via a volumetric surcharge. The surcharge amount will be calculated in accordance with Standard Practice (SP) U-7-W,[11] which includes the following formula to calculate surcharge amounts:

$$\text{Surcharge} = \frac{\text{Lost Revenue}}{\text{Water Consumption x Years to Recover}}$$

[11] SP U-7-W, Section J – Recovery of Past Revenues.

The volumetric surcharge will be applied to customer bills on a per thousand-gallon basis. The surcharge amount will be discounted for CARE customers to maintain the authorized CARE discount rate.

Refunds of WRAM/MCBA over-collections will be passed through to customers via a flat sur-credit applied to the monthly service charge.[12] The refunding of over-collections via sur-credit on the monthly service charge prevents an inequitable refund to customers who are less conservation-minded.

The WRAM/MCBA recovery amount will have an annual cap of 10 percent of the authorized revenue requirement in accordance with D.12-04-048.[13] For SCE, the annual WRAM/MCBA cap is a maximum surcharge revenue of $0.413 million ($4.13 M x 10 percent). This cap limits bill increases and prevents customers from paying higher surcharge amounts. SCE will request amortization when the WRAM/MCBA balance is at or above two percent of the authorized revenue requirement.[14] The WRAM/MCBA will record authorized forecast sales against recorded sales revenues from January 1 through December 31 by rate schedule and tier. The recorded sales will be compared to the authorized forecast sales to determine that period's over- or under-collections. The over- or under-collection along with the beginning balance, surcharge revenues collected, and interest will be used to calculate the surcharge for the applicable rate schedules and recovered consistent with the alternative amortization schedule authorized by D.12-04-048 and shown in the below table.[15]

WRAM/MCBA Balance Recovery Periods
D.12-04-048, Appendix A

Line #	Net WRAM/MCBA Over/Under-Collection	Amortization Period (Months)	Surcharge Cap
1	2% - 5%	12	The annual net WRAM/MCBA surcharge amount will be capped at 10% of the last authorized revenue requirement.
2	5% - 15%	18	
3	15% - 30%	19-36	
4	Over 30%	36	

[12] D.12-04-048, Section 3.5 – How Surcharge/Sur-credit should be Applied to Customer's Bill.
[13] D.12-04-048, OP#3.
[14] D.12-04-048. OP#2 and General Order 96-B, Water Industry Rule 8.5.
[15] D.12-04-048, OP#3

The Commission's policy for decoupling of water revenues from sales is intended to facilitate water conservation while providing adequate financial resources to water utilities to operate their systems safely and reliably. The Commission previously outlined these goals for decoupling when it authorized these decoupling mechanisms for its Class A Water Utilities, and SCE is seeking like treatment here. The goals are listed below:[16]

1. Eliminate the relationship between sales and revenues to remove any disincentive for [water utilities] to promote water conservation rates and programs.
2. Provide a mechanism to ensure that water utilities and their customers are proportionately impacted when conservation rates are implemented.
3. Ensure any cost savings resulting from conservation (i.e., purchased power, purchased water) are passed on to ratepayers.
4. Reduce overall water consumption by water customers.

Overall, the goal of decoupling is to set rates to collect the revenue requirement so that neither customers nor the utility pays for more or less of the utility's cost of service established by the authorized revenue requirement.

SCE also proposes to implement a CAM to update the water sales forecast and adjust rates annually. Without the use of an accurate sales forecast in a decoupling mechanism, significant true-ups of under- or over-collections will need to be collected from or refunded to customers in the following year(s). The accuracy of an annual sales forecast is typically better than a multi-year forecast because of the availability of more current information (drought stage, number of island visitors, and customer conservation) to set the following year's forecast versus projected water sales forecasted two or three years in advance. Thus, with greater forecast accuracy, there should be timelier rate adjustments resulting in smaller WRAM true-up surcharges or credits. In drought situations, like the recent statewide drought that significantly impacted Catalina, the result of not having an annual sales forecast update is seen in the year-after-year accumulation of large revenue under-collections. The annual CAM sales forecast update and rate adjustment will provide the best opportunity to collect the authorized revenue requirement, while reducing WRAM surcharges through annual updates.

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[16] D.09-05-005, Attachment A, Part V (Golden State Water Settlement Agreement); and D.09-07-021, Attachment A, Part XIV (California American Water Settlement Agreement).

The CAM proposed by SCE uses the same approach as the pilot CAM true-up program recently authorized in D.18-05-027 for California-American Water Company's (Cal-Am) Monterey District, and SCE is seeking like treatment here. D.18-05-027 approved Cal-Am's pilot program to true-up annual sales variances through a WRAM/MCBA surcharge, reset the sales forecast, and update rates annually to improve the likelihood of collecting the authorized revenue requirement, while moderating WRAM balances and surcharges. This Decision approved the CAM based on the history of WRAM/MCBA balances under-collected in Cal-Am's Monterey District, which is similar to the history of SCE's CWLRMA tracking high balances due to under-collections as well. The Decision also cited to the proposed CAM as increasing the likelihood of collecting the authorized revenue requirement and moderating lost revenue balances. These updated rates will also provide more rate and customer bill stability with improved pricing information to customers so that conservation rate signals are more timely and consistently provided to customers. This will also address intergenerational equity concerns with more timely recovery of costs in rates (i.e. not deferring cost recovery of large lost revenue balances to future customers, but improving the alignment of that cost recovery with current customers). In addition, reduced interest costs will result from shortening the period that the lost revenue balances accrue interest. It will be reasonable for the CAM to use the latest annual consumption numbers because customer usage has been, and continues to be, unpredictable. This is due to many factors including promoted conservation activities and increased customer response to conservation rates. The annual true-up adjustment process will use updated consumption data to improve revenue recovery and stabilize rates compared to existing procedures. Overall, this mechanism will moderate the lost revenue balances that have continued to accrue for SCE.

The decoupling mechanism currently in place is the CWLRMA, in which SCE is authorized to track lost revenues associated with activating its Water Rationing Plan. As discussed earlier, the CWLRMA has recorded approximately $5.5 million in under-collections (recorded sales lower than forecast sales) from August 2014 through August 2018. The proposed pilot Decoupling Program will be a significant improvement by replacing the CWLRMA with annual rate adjustments and surcharges or credits that together will reduce future accumulations of revenue under- or over- collections. Thus, it is reasonable for the Commission to adopt SCE's proposed pilot Decoupling Program to mitigate current and any future under-collections of lost revenues. The proposed pilot Decoupling Program should be adopted according to the Tariff Schedules attached in Appendix C that outlines the rate update methodology of the CAM and the revenue adjustment from the WRAM/MCBA.

Rates and Rate Design

SCE's rate structure consists of six rate schedules: Schedule W-1-R-CARE, Residential CARE Service; Schedule W-1-R, Residential General Service; Schedule W-1-RDS, Residential Dual Service; Schedule W-1-RM, Residential Multifamily Service; Schedule W-1-GS, Non-residential Service; and Schedule W-3, Irrigation Service. The Sales Forecast adjustment will primarily affect the Residential, Residential-CARE, and Commercial rates as the three largest tariff groups that use a 5/8" meter and comprise approximately 72 percent of the customers on Catalina. The average bill impact for these classes is shown below with the other tariff groups broken down by meter size according to their Tariff Schedules attached in Appendix B.

Average Monthly Bill and Usage by Customer Type for 5/8" Meters
Current Compared to the 2019 Proposed Rates

Line #	Customer Type	2019 Forecast at Current Rates	2019 Forecast at Proposed Rates	Difference	
				Amount	%
1	Residential	$ 63.89	$ 71.82	$ 7.93	12%
2	Residential-CARE	$ 59.81	$ 69.21	$ 9.40	16%
3	Commercial	$ 138.71	$ 169.11	$ 30.40	22%

Although comparisons between California water utilities are difficult to present due to different mixes of customer classes and cost variables such as availability of water sources, an average bill comparison of Commission-regulated water utilities is presented below. In addition, SCE must manage its own geographic and hydrologic isolation on Catalina Island while only charging rates to recover its cost of service so Catalina faces its own unique challenges in keeping bills affordable to customers. The simple comparison below just shows that Catalina's proposed bill falls within a range of California water utilities' bills that do not share the same difficulties in providing water service on an island.

Proposed 2019 Catalina Average Bill Compared to Other California Water Utilities
Average Monthly Bill and Usage For Residential Customers

Line No.	Water Utility Name	Monthly Service Charge	Average Monthly Bill	Source
1	Catalina Water - Current Rates (2018 estimate)	$ 43.21	$ 63.89	
2	Catalina Water - 2019 Proposed Rates	$ 43.21	$ 71.82	
3	San Gabriel Valley Water Co. - LA County Div.	$ 22.43	$ 70.23	D.17-07-006, Appendix A
4	California Water Service - Kern River Valley	$ 51.39	$ 84.44	D.16-12-042, Table 3
5	California Water Service - Palos Verdes	$ 16.94	$ 120.90	D.16-12-042, Table 3
6	California Water Service - East LA	$ 17.15	$ 64.12	D.16-12-042, Table 3
7	California-American Water - Monterey Main	$ 16.80	$ 76.03	D.15-04-007, Attachment D-1
8	California-American Water - Ambler	$ 10.31	$ 89.08	D.15-04-007, Attachment D-1
9	Average monthly bill for the above California	$ 22.50	$ 84.13	

Note: The amounts shown represent a typical average monthly bill for the water system, based on a 5/8" x 3/4" meter. Average bill amounts were taken from most recent GRC decisions for non-SCE water utilities and may differ from current day actual average bills.

Affordability of Proposed Rates

As discussed above at the recommended rates for TY 2019, a customer's bill for an average residential customer with a 5/8 x 3/4 -inch meter size using 1,378 gallons will increase from $63.89 to $71.82, or 12.41%, which is 1.37% of the median household income (MHI) of $62,986 for the city of Avalon on Catalina where SCE's service area is located.

It should be noted that no affordability criteria has been developed and adopted in any Commission Decision or legislation. However, in October 2017, the Health and Safety Code in the California Code of Regulations (Sec. 116760.50) was amended to establish an affordability threshold of 1.50% of MHI for average water bills in Severely Disadvantage Communities, as defined (60.00% of California Statewide MHI of $60,818, or $37,091).[17] The Commission adheres to cost-of-service regulatory principles in developing rates for its jurisdictional utilities, and the WD's recommended rates for SCE are at the minimum required to satisfy the utility's technical, managerial and financial capacity, and operational capability. The discussion regarding affordability is

[17] See Assembly Bill 560 (Salas); Chaptered by Secretary of State on October 7, 2017- Chapter 552, Statutes of 2017.

presented to indicate to the Commission the relationship between the proposed rates and local incomes.

UTILITY SAFETY

Safety for water utilities considers a number of factors such as water quality, system design, operation and maintenance, and service, including adequate source supply and capacity to meet maximum day demands and for public fire protection. The Commission's General Order (G.O.) 103-A provides the rules for water service, minimum standards for operation, maintenance, design and construction for the regulated water utilities. One of the highest safety priorities for the Commission however is ensuring that water utilities serving water for human consumption provide water that is not harmful or dangerous to health. This resolution provides adequate revenues to the utility so that it can provide safe and reliable water service to its customers.

COMPLIANCE

SCE has no outstanding compliance orders and has been filing annual reports as required. SCE meets all applicable primary water quality standards set forth by the State Water Resources Control Board, Division of Drinking Water (SWRCB, DDW).

COMMENTS

Public Utilities Code section 311(g)(1), provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, the draft resolution was mailed to the service list, protestants, and made available for public comment on April 12, 2019.

Two comments were received on the draft resolution, with one being from the Hamilton Cove Homeowners Association and another from a Catalina Island resident. These comments reiterated points raised in the initial protests to AL 107-W that have been previously acknowledged by SCE and have been addressed in this Resolution.

FINDINGS

1. By Advice Letter (AL) 107-W, filed on December 5, 2018, Southern California Edison (SCE), Santa Catalina Island (Catalina) requested a General Rate Case (GRC) for Test Year (TY) 2019 to adopt a revised sales forecast using its most recently authorized revenue requirement from Decision (D). 14-10-048 and a pilot program to decouple water sales from the revenue requirement.

2. The pilot program proposed by SCE consists of two main components: i) a Water Revenue Adjustment Mechanism (WRAM) with a Modified Costs Balancing Account (MCBA) to true up authorized sales revenue to recorded sales revenue and adjust for savings or additional variable costs related to water production; and ii) a Consumption Adjustment Mechanism (CAM) to update the sales forecast and rates annually.

3. SCE filed its previous GRC as an AL in July 2010 for a TY 2011 rate increase. This AL was rejected, and SCE filed its GRC as an Application in November 2010 with a 2011 Test Year.

4. SCE's previous GRC was granted on October 16, 2014 by D.14-10-048 which authorized rates effective January 1, 2015 in the midst of a historic state-wide drought. SCE's conservation and rationing plan was in effect at the time, and customer concerns regarding rationing levels and water supplies were extremely high as well.

5. SCE's recorded water sales from 2011 through the current year failed to match the authorized 125.7 Million Gallons (MG) authorized by D.14-10-048, with some years reaching a deficit of over 40 percent.

6. SCE currently has a decoupling mechanism in place called the Catalina Water Lost Revenue Memorandum Account (CWLRMA), in which SCE is authorized to track lost revenues associated with activating its Water Rationing Plan.

7. The CWLRMA has recorded approximately $5.5 million in under-collections (recorded sales lower than forecast sales) from August 2014 through August 2018 and continues to accrue balances.

8. SCE continues to incur amounts recorded in its CWLRMA based on the outdated sales forecast from its previous GRC Decision, so updating the sales forecast and adjusting rates accordingly in this present case will mitigate further accumulation of lost revenues.

9. The 2019 Sales Forecast of 92.5 Million Gallons (MG) represents the current conditions on Catalina based on actual 2018 water sales, stable visitor counts to the island, and customer growth of less than one-half percent.

10. The 2019 Sales Forecast of 92.5 MG should be adopted as this revised sales forecast also reflects the most current recorded sales that take into account increased customer response to conservation pricing and lower overall demand compared to the previously authorized sales forecast from SCE's last GRC decision.

11. SCE's proposed revenue allocation of 40 percent Residential and 60 percent Non-Residential water sales reflects current customer usage patterns and should be adopted.

12. SCE's proposed WRAM/MCBA will record any volumetric (quantity) revenue over- or under-collections resulting from variations in recorded sales compared to the adopted forecast, and any changes in variable production costs related to the variation in recorded water sales.

13. The Commission's policy for decoupling of water revenues from sales is intended to facilitate water conservation while providing adequate financial resources to water utilities to operate their systems safely and reliably.

14. The Commission previously outlined these goals for decoupling when it authorized these decoupling mechanisms for its Class A Water Utilities, and SCE is seeking like treatment here.

15. SCE's proposed WARM/MCBA should be adopted consistent with the amortization schedule adopted in D.12-04-048.

16. SCE also proposes to implement a CAM to update the water sales forecast and adjust rates annually.

17. The CAM proposed by SCE uses the same approach as the pilot CAM true-up program recently authorized in D.18-05-027 for California-American Water Company's (Cal-Am) Monterey District, and SCE is seeking like treatment here.

18. The annual true-up adjustment process of the proposed CAM will use updated consumption data to improve revenue recovery and stabilize rates compared to existing procedures.

19. The CAM will moderate the lost revenue balances that have continued to accrue for SCE by aligning the sales forecast with actual consumption.

20. The proposed pilot Decoupling Program should be adopted according to the Tariff Schedules attached in Appendix C that outline the rate update methodology of the CAM and the revenue adjustment from the WRAM/MCBA.

21. The Summary of Earnings (Appendix A) previously adopted in D.14-10-048 with a revenue requirement of $4.13 million is reasonable and should be used in setting the revised sales forecast.

22. The rates recommended by the WD (Appendix B) are reasonable and should be adopted.

23. The water rate increase authorized herein is justified and the resulting rates are just and reasonable.

24. The water served by SCE meets all applicable water quality standards set-forth by State Water Resources Control Board, Division of Drinking Water.

25. SCE should be allowed to file a supplement to Advice Letter No. 107-W to incorporate the revised rate schedules (Appendix B) and to concurrently cancel its presently effective rate schedules.

THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454, for Southern California Edison to file a supplement to Advice Letter 107-W to incorporate the rate schedules attached to this Resolution as Appendix B and C, and concurrently cancel its presently effective rate Schedules: Schedule W-1-R-CARE, Residential CARE Service; Schedule W-1-R, Residential General Service; Schedule W-1-RDS, Residential Dual Service; Schedule W-1-RM, Residential Multifamily Service; Schedule W-1-GS, Non-residential Service; and Schedule W-3, Irrigation Service. The effective date of the revised schedules shall be five days after the date of filing.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held May 16, 2019; the following Commissioners voting favorably thereon:

ALICE STEBBINS
Executive Director

APPENDIX A

Page 1 of 3
Southern California Edison
Catalina Water
Comparison Exhibit
(Nominal $000)
From March 18, 2014 Joint Motion of SCE, PROTESTANTS, TURN, and ORA for Admission of Additional Evidence

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

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

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

APPENDIX A

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

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

(END OF APPENDIX A)

APPENDIX B

Schedule W-1-R-CARE
SANTA CATALINA ISLAND CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE)
RESIDENTIAL WATER SERVICE
(Continued)

APPLICABILITY

Applicable to fresh water service to separately metered, eligible residential customers residing in a permanent single-family residence where the customer meets all the Special Conditions of this Schedule. This Schedule is not applicable to customers served under Schedule W-1-RM.

TERRITORY

Santa Catalina Island, Los Angeles County.

RATES

Quantity Rates:

	Per Meter Per Month		
	Summer Season June through September	Winter Season October through May	
			(I)
Tier 1: First 2,000 gallons, per 1,000 gallons	$ 17.35	$ 8.52	(I)
Tier 2: Between 2,001 and 6,500 gallons, per 1,000 gallons	$ 34.70	$ 17.04	(I)
Tier 3: Over 6,500 Gallons, per 1,000 gallons	$ 52.06	$ 25.56	

Service Charge for Schedules W-1-R:

For 5/8 x 3/4-inch meter	$ 34.56
For 3/4-inch meter	$ 48.45
For 1-inch meter	$ 62.32
For 1-1/2-inch meter	$ 83.23
For 2-inch meter	$ 110.97
For 3-inch meter	$ 231.98
For 4-inch meter	$ 277.91
For 6-inch meter	$ 461.51
For 8-inch meter	$ 779.56

Service Charge for Schedules W-1-RDS:

For 5/8 x 3/4-inch meter	$ 34.56
For 1-inch meter	$ 49.85
For 1-1/2-inch meter	$ 66.59
For 2-inch meter	$ 88.78

The Service Charge is a readiness-to-serve charge applicable to all metered service which is added to the quantity charge computed at the Quantity Rates.

In addition to the Rates and Charges above, the PUCRF identified in Schedule UF-W also applies.

Schedule W-1-R
GENERAL METERED FRESH WATER SERVICE
RESIDENTIAL SERVICE
(Continued)

APPLICABILITY

Applicable to fresh water service to single-family residential customers separately metered by SCE.

TERRITORY

Santa Catalina Island, Los Angeles County.

RATES

Quantity Rates:*

		Per Meter Per Month		
		Summer Season June through September	Winter Season October through May	
Tier 1:	First 2,000 gallons, per 1,000 gallons	$ 22.21	$ 11.17	(I)
Tier 2:	Between 2,001 and 6,500 gallons, per 1,000 gallons	$ 43.90	$ 21.82	(I)
Tier 3:	Over 6,500 Gallons, per 1,000 gallons	$ 65.59	$ 32.47	(I)

Service Charge:

For 5/8 x 3/4-inch meter	$ 43.21
For 3/4-inch meter	$ 60.56
For 1-inch meter	$ 77.90
For 1-1/2-inch meter	$ 104.04
For 2-inch meter	$ 138.72
For 3-inch meter	$ 289.97
For 4-inch meter	$ 347.39
For 6-inch meter	$ 576.88
For 8-inch meter	$ 974.44

The Service Charge is a readiness-to-serve charge applicable to all metered service which is added to the quantity charge computed at the Quantity Rates.

In addition to the Rates and Charges above, the PUCRF identified in Schedule UF-W also applies.

SPECIAL CONDITION

1. Residential service is the provision of water for domestic use at a dwelling premises, including water used on the premises for sprinkling of lawns; gardens and shrubbery; washing vehicles; and other similar and customary purposes pertaining to single or multifamily dwellings.

2. In situations where a meter serves a combination of residential, general service, and irrigation water usage, SCE will work with the customer to determine the most appropriate rate schedule.

* Includes CARE surcharge of $0.50 per thousand gallons.

Schedule W-1-RDS
GENERAL METERED FRESH WATER SERVICE
RESIDENTIAL DUAL SERVICE
(Continued)

APPLICABILITY

Applicable to fresh water service to separately metered single-family residential customers with automatic fire sprinkler systems served through a single meter.

TERRITORY

Santa Catalina Island, Los Angeles County.

RATES

Quantity Rates:*	Per Meter Per Month Summer Season June through September	Winter Season October through May	
Tier 1: First 2,000 gallons, per 1,000 gallons	$ 22.21	$ 11.17	(I)
Tier 2: Between 2,001 and 6,500 gallons, per 1,000 gallons	$ 43.90	$ 21.82	(I)
Tier 3: Over 6,500 Gallons, per 1,000 gallons	$ 65.59	$ 32.47	(I)

Service Charge:

For 5/8 x 3/4-inch meter	$ 43.21
For 1-inch meter	$ 62.32
For 1-1/2-inch meter	$ 83.23
For 2-inch meter	$110.97

The Service Charge is a readiness-to-serve charge applicable to all metered service which is added to the quantity charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. Residential service is the provision of water for domestic use at a dwelling premises, including water used on the premises for sprinkling of lawns; gardens and shrubbery; washing vehicles; and other similar and customary purposes pertaining to single or multifamily dwellings.

2. Dual Service is defined as service to residential customers who require a larger meter size to accommodate the potential larger flow of water associated with an installed fire sprinkler system.

3. For the purpose of fire protection under this Schedule, SCE will supply only such water at such pressure as may be available from time-to-time as a result of its operation of the system. Section 774 of the Public Utilities Code limits the liability of SCE resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. Acceptance of service under this tariff is acknowledgment of notice of the provisions of Section 774 of the Public Utilities Code.

4. If customers request service for a meter connection size not reflected above, SCE will apply the sizing relationship established in A.10-11-009 for the requested connection size to determine a service charge for the non-standard Dual Service connection, upon field verification of the base and connected pipe size.

5. In situations where a meter serves a combination of residential, general service, and irrigation water usage, SCE will work with the customer to determine the most appropriate rate schedule.

* Includes CARE surcharge of $0.50 per thousand gallons.

Schedule W-1-RM
MASTER METERED FRESH WATER SERVICE
RESIDENTIAL MULTIFAMILY ACCOMMODATION
(Continued)

APPLICABILITY

Applicable to fresh water service to a master metered multifamily accommodation, where each single-family residence is not separately metered by SCE.

TERRITORY

Santa Catalina Island, Los Angeles County

RATES

Quantity Rates:*

	Per Meter Per Month		
	Summer Season June through September	Winter Season October through May	
Tier 1: First 2,000 gallons, per 1,000 gallons	$ 22.21	$ 11.17	(I)
Tier 2: Between 2,001 and 6,500 gallons, per 1,000 gallons	$ 43.90	$ 21.82	(I)
Tier 3: Over 6,500 Gallons, per 1,000 gallons	$ 65.59	$ 32.47	(I)

Service Charge:

For 5/8 x 3/4-inch meter	$ 43.21
For 3/4-inch meter	$ 60.56
For 1-inch meter	$ 77.90
For 1-1/2-inch meter	$ 104.04
For 2-inch meter	$ 138.72
For 3-inch meter	$ 289.97
For 4-inch meter	$ 347.39
For 6-inch meter	$ 576.88
For 8-inch meter	$ 974.44

The Service Charge is a readiness-to-serve charge applicable to all metered service which is added to the quantity charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. Residential service is the provision of water for domestic use at a dwelling premises, including water used on the premises for sprinkling of lawns; gardens and shrubbery; washing vehicles; and other similar and customary purposes pertaining to single or multifamily dwellings.

* Includes CARE surcharge of $0.50 per thousand gallons.

Schedule W-1-GS
GENERAL METERED FRESH WATER SERVICE
GENERAL SERVICE
(Continued)

APPLICABILITY

Applicable to fresh water service to separately metered General Service customers where the fresh water is used for purposes other than for residential, private fire protection, or irrigation purposes.

TERRITORY

Santa Catalina Island, Los Angeles County.

RATES

Quantity Rates:*	Per Meter Per Month		
	Summer Season June through September	Winter Season October through May	
All Usage per 1,000 gallons	$ 52.48	$ 21.31	(I)

Service Charge:

For	5/8 x 3/4-inch meter	$ 43.21
For	3/4-inch meter	$ 60.56
For	1-inch meter	$ 77.90
For	1-1/2-inch meter	$ 104.04
For	2-inch meter	$ 138.72
For	3-inch meter	$ 289.97
For	4-inch meter	$ 347.39
For	6-inch meter	$ 576.88
For	8-inch meter	$ 974.44

The Service Charge is a readiness-to-serve charge applicable to all metered service which is added to the quantity charge computed at the Quantity Rates.

SPECIAL CONDITION

1. General Service customers are defined as all service to any individually metered customer except those eligible for service on single-family and multifamily residential, private fire protection, or irrigation schedules.

* Includes CARE surcharge of $0.50 per thousand gallons.

Schedule W-3
WATER SERVICE FOR IRRIGATION

(Continued)

APPLICABILITY

This Schedule is applicable to water service through supply lines that provide water solely for irrigation purposes.

TERRITORY

Santa Catalina Island, Los Angeles County.

RATES

Quantity Rates:*	Per Meter Per Month		
	Summer Season June through September	Winter Season October through May	
All Usage per 1,000 gallons	$ 52.48	$ 21.31	(I)

Service Charge:

For 5/8 x 3/4-inch meter	$ 43.21
For 3/4-inch meter	$ 60.56
For 1-inch meter	$ 77.90
For 1-1/2-inch meter	$ 104.04
For 2-inch meter	$ 138.72
For 3-inch meter	$ 289.97
For 4-inch meter	$ 347.39
For 6-inch meter	$ 576.88
For 8-inch meter	$ 974.44

The Service Charge is a readiness-to-serve charge applicable to all metered service which is added to the quantity charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. Water used for irrigation service is defined as fresh water used solely for commercial agricultural, floricultural, or horticultural use.

2. In situations where a meter serves a combination of residential, general service, and irrigation water usage, SCE will work with the customer to determine the most appropriate rate schedule.

* Includes CARE surcharge of $0.50 per thousand gallons.

END OF APPENDIX B

APPENDIX C

Preliminary Statement

Q. Water Revenue Adjustment Mechanism / Modified Cost Balancing Account (WRAM/MCBA)

1. Purpose

The purpose of the Water Revenue Adjustment Mechanism / Modified Cost Balancing Account (WRAM/MCBA or WRAM Balancing Account) is to record: 1) the difference between SCE's authorized sales revenue and actual recorded revenue collected through sales; and 2) to record the difference between authorized variable production expense and the actual variable production expense incurred. The use of the WRAM/MCBA are intended to fully decouple water revenue from sales in SCE's Catalina water utility. The WRAM/MCBA is established in accordance with Resolution W-XXXX.

2. Applicability

The WRAM/MCBA decoupling mechanisms as outlined in this Preliminary Statement apply to all customers supplied by the Catalina water utility whose service includes volumetric billing. This includes all Residential (W-1-R, etc.), Commercial (W-1-GS, etc.), and Irrigation (W-3) customer classes.

3. Definitions

a. WRAM-eligible revenue: all revenue collected from customers on a rate schedule with a volumetric billing element, subject to decoupling. This includes all Residential, Commercial, and Irrigation customer classes.

b. Adopted WRAM-eligible revenue: the revenue amount authorized by the Commission to be collected from customers on rate schedules subject to volumetric billing and decoupling.

c. Recorded WRAM-eligible revenue: the actual sales revenue collected from customers on rate schedules subject to volumetric billing and decoupling.

d. MCBA-eligible expenses: all variable production related expense, including purchased power and other volume related expenses (e.g., water treatment chemicals and consumables).

e. Adopted MCBA-eligible expenses: the volume related operating expenses authorized by the Commission based on the quantity of water produced.

f. Recorded MCBA-eligible expenses: the actual volume related operating expenses incurred related to the quantity of water produced.

4. Operation of the WRAM/MCBA

a. The following entries will be recorded monthly to the WRAM Balancing Account:

(1) Actual Recorded WRAM-eligible revenue
(2) Adopted WRAM-eligible revenue
(3) Total Net WRAM balance (b – a)

Q. Water Revenue Adjustment Mechanism / Modified Cost Balancing Account (WRAM/MCBA) (Continued)

4. Operation of the WRAM/MCBA (Continued)

b. The following entries will be recorded monthly to the MCBA:

(1) Actual Recorded Volume Related Production Expense
(2) Adopted Volume Related Production Expense
(3) Total Net MCBA balance (a – b)

Total Net WRAM/MCBA Balance (a + b)

c. Any drought related penalties and fines collected in accordance with Schedule 14.1 in the Catalina Water System will be tracked in the WRAM/MCBA. Any fines collected will be applied against the WRAM/MCBA balance prior to seeking recovery.

d. The WRAM/MCBA will accrue interest expense monthly by applying one-twelfth of the most recent Federal Reserve's three-month Commercial Paper Rate – nonfinancial, from the Federal Reserve's Statistical Release H.15 (expressed as an annual rate) to the monthly balance in the WRAM/MCBA. If a nonfinancial rate is not published by the Federal Reserve in a given month, SCE shall use the Federal Reserve's three-month Commercial Paper Rate – financial.

5. Rate Adjustments

a. By March 31st of each year, SCE will submit to the Water Division a report on the status of the WRAM/MCBA. The report will show the recorded consumption compared to the authorized sales forecast for the period of January 1st through December 31st of the previous year. The report will also show the recorded volume related production costs compared to the authorized volume related production costs for the period of January 1st through December 31st of the previous year.

b. If the net WRAM/MCBA balance included in the report exceeds 2% of the authorized revenue requirement as of December 31st of the prior calendar year, SCE will file an advice letter to amortize the WRAM/MCBA balance as follows per D.12-04-048:

Line #	Net WRAM/MCBA Over/Under-Collection	Amortization Period (Months)	Surcharge Cap
1	2% - 5%	12	The annual net WRAM/MCBA surcharges are capped at 10% of the last authorized revenue requirement.
2	5% - 15%	18	
3	15% - 30%	19-36	
4	Over 30%	36	

Q. Water Revenue Adjustment Mechanism / Modified Cost Balancing Account (WRAM/MCBA) (Continued)

5. Rate Adjustments (Continued)

c. Before seeking recovery of the net WRAM/MCBA balance, SCE will subtract from the balance a revenue requirement amount equal to a 20-basis point reduction in SCE's most recently adopted return on equity for the Santa Catalina Island Water Utility. Then, if necessary, will further reduce the amount to be recovered to a level sufficient to ensure that such recovery does not cause SCE's Santa Catalina Island Water Utility to exceed its authorized rate of return for the period covered by the WRAM/MCBA.

d. Recovery of under-collections will be passed through to customers via a surcharge on volumetric rates. Refunds of over-collections will be passed through to customers via a flat surcredit on the monthly service charge.

6. Effective Date

The effective date of the WRAM/MCBA shall be the effective date of Advice Letter 107-W. Upon creation of the WRAM/MCBA the Catalina Water Lost Revenue Memorandum Account will be closed to new entries.

WRAM/MCBA Detail

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	WRAM			MCBA		
Month	**Adopted WRAM-Eligible Revenue**	**Recorded WRAM-Eligible Revenue**	**Total Net WRAM Balance**	**Adopted Variable Production Expense**	**Recorded Variable Production Expense**	**Total Net MCBA Balance**
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						
12 Month Total	$ -	$ -	$ -	$ -	$ -	$ -

Authorized Quantities

Total Net WRAM Balance	$	-
Total Net MCBA Balance	$	-
Total Net WRAM/MCBA Balance	**$**	**-**

(in thousands of Dollars)

Preliminary Statement

R. Consumption Adjustment Mechanism (CAM)

1. Purpose

The purpose of the Consumption Adjustment Mechanism (CAM) is to: 1) record the difference between actual water sales and the most recent adopted sales forecast; and 2) update the sales forecast and adjust rates on an annual basis for SCE's Catalina water utility customers. The updated sales forecast and rates will serve as the new adopted quantities for the following year. The CAM will ensure the sales forecast used in the setting of rates is up to date and reflects the current water use in SCE's Catalina Water System. The CAM is intended to minimize the potential for large multi-year accumulation of revenue under-collection, working in connection with the Water Revenue Adjustment Mechanism/Modified Cost Balancing Account (WRAM/MCBA) revenue decoupling mechanism as described in Part Q of the Preliminary Statement. These timelier and smaller rate adjustments will result in lower net WRAM/MCBA balances and resulting true-up surcharges or surcredits. The CAM is established in accordance with Resolution W-XXXX.

2. Applicability

The CAM annual sales forecast update and rate adjustment as outlined in this Preliminary Statement applies to all customers in SCE's Catalina Water System whose service includes volumetric billing. This includes all Residential (W-1-R, etc.), Commercial (W-1-GS, etc.), and Irrigation (W-3) customer classes. Catalina water customers whose service does not include volumetric billing (i.e., Dedicated Water Service for Private Fire Protection Systems) will only be impacted by changes in customer count within the W-4 rate class during annual rate adjustments to maintain the appropriate overall revenue allocation.

3. Definitions

a. Adopted Water Sales Forecast: the combined 12-month water sales forecast for all Catalina water customers most recently approved by the Commission;

b. Actual Recorded Water Sales: the actual combined 12-month water sales for all Catalina water customers;

c. Proposed Water Sales Forecast: the projected combined water sales for all Catalina water customers for the upcoming forecast period;

d. Forecast Period: the forecast period will be from October 1st of the current year through September 30th of the following year;

e. Adopted Revenue Requirement: the current adopted revenue requirement authorized for recovery via rates from Catalina water customers;

f. Net WRAM/MCBA Balance: the net balance of the sales revenue over- or under-collection and any difference in variable production expense as a result of a change in sales;

g. WRAM/MCBA Surcharge or Surcredit: the surcharge or surcredit amount to be recovered from Catalina water customers consistent with Part Q - Water Revenue Adjustment Mechanism (WRAM)/Modified Cost Balancing Account (MCBA) of the Preliminary Statement;

h. Proposed Rate Revenue: the proposed revenue necessary to recover the Adopted Revenue Requirement from Catalina water customers via rates, by service class and meter size, based on the Proposed Water Sales Forecast;

4. Annual Water Sales Forecast Update

SCE will submit a Tier 2 Advice Letter in November of each year providing the Actual Recorded Water Sales amounts from October 1st of the prior year through September 30th of the current year. The CAM will use the most recent year's sales data to update the Proposed Water Sales Forecast for the upcoming Forecast Period. The process for updating the Proposed Water Sales Forecast will be as follows:

a. Calculate the percent difference in actual water sales to forecast water sales as follows:

(1) Actual Recorded Sales
(2) Minus Adopted Water Sales Forecast
(3) Divide Difference by Adopted Water Sales Forecast
(4) Multiply by 100 to obtain the percent difference

	[1]	[2]	[3]	[4]
Customer Class	**Adopted Sales Forecast**	**Actual Recorded Sales**	**Difference [3]=[2]-[1]**	**Percent Difference [4]=[3]÷[1]*100**
Res				
Res-Dual				
Res-CARE				
Res-CARE-Dual				
Res-DE				
Res-DE-Dual				
Res-MM				
Res-MM-Dual				
Com				
Com-CARE				
IRRI				
FIRE				
Total				

b. The Actual Recorded Sales for the current year will serve as the base year sales for the Proposed Water Sales Forecast for the upcoming Forecast Period;

Adjust the base year sales for economic, environmental, or other factors suspected to impact the upcoming year's water sales, such as:

(1) Visitor counts;
(2) Change in Water Conservation and Rationing Stage in accordance with Schedule 14.1; and
(3) General rate increases

c. Determine the Proposed Water Sales Forecast

d. Alternate forecasting methods may be employed by SCE during the CAM annual sales forecast update process to obtain a reasonable and accurate sales forecast value.

5. Annual Rate Adjustments

The Proposed Water Sales Forecast will then be entered into the Commission approved rate design model to calculate the proposed rates for the upcoming year. The process for adjusting rates using the Commission approved rate design model is as follows:

a. Input the Proposed Water Sales Forecast into the Commission approved rate design model, sorted by:

(1) Customer rate class
(2) Meter size
(3) Usage tier
(4) Season (Summer/Winter)

b. Input the updated customer count into the Commission approved rate design model, sorted by:

(1) Customer rate class
(2) Meter size

c. The rate design model will use the Adopted Revenue Requirement to compute the Proposed Rate Revenues and updated rates.

d. The rate design may be adjusted to reflect the principle of overall revenue allocation established in D.14-10-048 adopting the All-Party Settlement of SCE's 2011 Test Year Catalina Water General Rate Case. This provision will ensure that the amount of revenue collected from the Residential and Non-Residential customer classes will be proportionate to the usage distribution between the Residential and Non-Residential classes.

6. WRAM/MCBA Surcharge or Surcredit

Any WRAM/MCBA surcharge or surcredit resulting from a sales revenue over- or under-collection calculated in accordance with Part Q – Water Revenue Adjustment Mechanism (WRAM)/Modified Cost Balancing Account (MCBA) of the Preliminary Statement will be included when computing and communicating the proposed rate adjustment in terms of average monthly bills.

7. Effective Date

The effective date of the CAM shall be the effective date of Advice Letter 107-W. Upon approval of the Tier 2 Advice Letter to update the annual water sales forecast and adjust rates, SCE will subsequently file at Tier 1 Advice Letter to implement the new rates. Unless otherwise specified in the Tier 1 Advice Letter, the effective date of the proposed rate adjustment will be the Tier 1 Advice Letter submittal date.

END OF APPENDIX C

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PROPOSED RESOLUTION

Resolution W-5192 **May 16, 2019 (Rev. 1)**
WD

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