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(U 338-E)

Testimony in Support of Southern California Edison Company's Application for Authority To, Among Other Things, Recover Costs for its Class C Water Utility and Small Gas Utility

Before the

Public Utilities Commission of the State of California

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SCE-01: Testimony in Support of Southern California Edison Company’s Application for Authority To, Among Other Things, Recover Costs for its Class C Water Utility and Small Gas Utility

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I.

INTRODUCTION

Southern California Edison Company (SCE) respectfully submits this testimony in support of its Application for Authority to, Among Other Things, Recover Costs for its Class C Water (SCE Water or Water) and small Gas (SCE Gas or Gas) utilities. SCE requests that the California Public Utilities Commission (CPUC or Commission) authorize SCE to recover costs recorded in the following memorandum accounts:¹

- Catastrophic Event Memorandum Account (CEMA);
- Catalina Water Pipeline Assessment Memorandum Account (CWPAMA);
- Catalina Water Decommissioned Pipe Memorandum Account (CWDPMA);
- Catalina Water Rationing Memorandum Account (CWRMA); and
- Lead and Copper Rule Memorandum Account (LCMA).

A. Summary

SCE requests that the Commission approve the following as just and reasonable:

- (1) COVID-19 costs as recorded to the CEMA for both the Water and Gas utilities;² February and March 2023 Severe Winter Storm Water costs as recorded to the CEMA; pipeline assessment Water costs as recorded to the CWPAMA; costs to remove decommissioned Water pipe as recorded to the CWDPMA; Stage 1 mandatory conservation Water costs as recorded to the CWRMA; and lead and copper testing Water costs recorded to the LCMA. The total Operations and Maintenance (O&M) costs are \$6.207 million (\$5.779 million for Water and \$0.428 million for Gas). These amounts do not include interest or Franchise Fees

¹ SCE also seeks approval of related tariff changes.

² For efficiency and judicial economy, SCE includes both SCE Water and SCE Gas costs recorded to the CEMA for COVID-19 in this Application. This is due to the fact that SCE's Water and Gas utilities share employees. As further discussed in Chapter II of this testimony, SCE took special precautions to protect the public and SCE employees and to comply with public health guidelines during the COVID-19 global pandemic. These safety-driven measures did not differ by utility. The costs were allocated to SCE Water and SCE Gas in a manner consistent with labor allocations approved in recent SCE Water and Gas General Rate Case (GRC) decisions.

1 and Uncollectibles (FF&U). For all of the referenced memorandum accounts, the Labor costs
 2 that SCE seeks to recover are for premium time labor, not normal-time labor.

3 Table I-1 below breaks down the O&M amounts for each specific memorandum account.

Table I-1
Memorandum Account Names and Incremental O&M Amounts³
 (Nominal \$ thousands)

Description	Incremental O&M
Water	
Catastrophic Event Memorandum Account (CEMA) - COVID-19	\$ 2,570
Catastrophic Event Memorandum Account (CEMA) - Storm Events	\$ 863
Catalina Water Pipeline Assessment Memorandum Account (CWPAMA)	\$ 765
Catalina Water Decommissioned Pipe Memorandum Account (CWDPMA)	\$ 1,462
Catalina Water Rationing Memorandum Account (CWRMA)	\$ 17
Lead and Copper Rule Memorandum Account (LCMA)	\$ 102
Subtotal	\$ 5,779
Gas	
Catastrophic Event Memorandum Account (CEMA) - COVID-19	\$ 428
Total	\$ 6,207

4 (2) Interest accrued at the Commercial Paper (CP) rate⁴ through December 2025 in the amount
 5 of \$866.7 thousand (\$791.0 thousand for Water and \$75.7 thousand for Gas) as well as
 6 ongoing interest until the authorized memorandum accounts balances are fully recovered.

7 (3) FF&U expenses until the authorized memorandum account balances are fully recovered.
 8 FF&U expenses are to be calculated based on the then-current Water and Gas franchise fee
 9 rates and the uncollectible rates pursuant to the methodology adopted in SCE's 2025 Electric

³ O&M amounts shown do not include interest accrued, forecast interest, nor FF&U. Including interest accrued through December 31, 2025, forecast interest through 2031 (for Water) and 2028 (for Gas) and forecast FF&U, the total amount is \$7.926 million (\$7.382 million for Water and \$0.544 million for Gas). See Chapters III and V.

⁴ The CP rate refers to the most recent Federal Reserve's three-month CP Rate – nonfinancial, from the Federal Reserve's Statistical Release H.15 (expressed as an annual rate).

1 GRC decision. These rates are then multiplied by the Water and Gas revenue requests to
2 determine the FF&U expenses and are added to the Water and Gas revenue requirements.

3 (4) A *reduction* in the Water revenue requirement in the amount of approximately \$93.3
4 thousand for 2024 due to the Earnings Test. Standard Practice (SP) U-27-W⁵ requires an
5 Earnings Test to ensure that a utility is not over-earning should the requested revenues be
6 adopted. Earnings Tests for Water and Gas for all other applicable years besides 2024 for
7 Water demonstrate that the requested Water and Gas revenue produce Rates of Return
8 (RoRs) below authorized RoRs.

9 (5) In light of the unique affordability challenges for Water customers on Santa Catalina Island
10 (Catalina or Island), and strictly on a non-precedential basis,⁶ SCE proposes to recover the
11 recorded balances in the relevant Water memorandum accounts over a five-year period
12 beginning 30 days after a final decision in this proceeding. A five-year recovery period is
13 consistent with the revenue requirement phase-in set forth in Decision (D).23-12-007, which
14 approved SCE's most recent Water GRC.⁷

15 (6) SCE proposes to recover the recorded balance in the relevant Gas memorandum account over
16 two years, beginning 30 days after a final decision is issued in this proceeding.

17 (7) Rate design proposals that – among other changes – seek to recover this Application's
18 revenue increases from non-residential customers. *In other words, SCE's proposed rate*
19 *design is intended to maintain customers' residential rates as authorized in SCE's last Water*
20 *and Gas GRC decisions. The requested rate design is aimed at ensuring that SCE's proposed*

⁵ SP U-27-W is intended to provide guidance and procedures to the CPUC's Water Division, the public, and water and sewer utilities for preparing and processing rate offsets and establishing and amortizing memorandum accounts. SP U-27-W does not apply to energy utilities. However, SCE has applied this SP to SCE Gas in this Application because the Application concerns, among other things, a small gas utility and to help ensure consistency with the proposals and supporting evidence for SCE Water.

⁶ See SP U-27-W, Section G – Recovery Periods, Part 56.b. The Commission's typical amortization period for Water memorandum account balances is between 12 and 36 months.

⁷ D.23-12-007, pp. 55-56 and Conclusion of Law 92.

1 *revenue increases do not lead to a rate increase for SCE's Water and Gas residential*
2 *customers.*

3 (8) The establishment of a new one-way balancing account for SCE Water to track Water
4 revenue pursuant to the proposed addition of: (1) a requirement for new applicants requesting
5 water service to pay for the cost of completing a water distribution planning study; and (2) a
6 new special rate for the use of non-potable water. SCE's request seeks to then take any funds
7 received from this new study charge and non-potable water special rate and apply them to
8 (i.e., act as an offset to) the incremental Water revenue requirement authorized in this
9 Application. This offset would occur via the annual advice letter to implement new rates.⁸ In
10 essence, SCE's proposal here functions similarly to how Other Operating Revenue (OOR)
11 serves to partially offset the approved revenue requirement in an electric GRC. Depending on
12 the amount of funds collected in any given year from these new revenue sources, this
13 proposal should help mitigate the proposed Water rate increase in this Application.

14 **B. Background**

15 SCE filed its last Water GRC (A.20-10-018) in October 2020 for a Test Year 2022 and for two
16 attrition years (2023 and 2024). SCE received the final Water GRC decision (D.23-12-007) in December
17 2023. SCE filed its last Gas GRC (A.23-12-011) in December 2023 for a Test Year 2025 and three
18 attrition years (2026 – 2028). SCE received the final Gas GRC decision (D.25-06-010) in June 2025.
19 Below, we explain the relevant context of the Water and Gas utilities' recent GRCs.

20 **1. Water**

21 In the Water GRC decision, the Commission ordered the following:

- 22 • A five-year phase-in of the GRC-related revenue requirement increase
23 commencing in 2024;
- 24 • Recovery of memorandum account balances beginning in 2026 over a 10-
25 year period; and

⁸ Even in the absence of the relief requested in this Application, pursuant to D.23-12-007, SCE will file an annual advice letter to adjust Water rates for the beginning of each year (i.e., January 1st) through 2039.

- Recovery of the deferred revenues from the five-year phase-in beginning in 2025 over a 15-year period.⁹

In authorizing the revenue and rate increase, the Commission noted that Affordability Ratios (ARs)¹⁰ for residential customers are a concern, but also stated that such rate increases are necessary to pay for water system costs and there is no other readily available option to recover costs.¹¹ Due to affordability concerns, the Commission encouraged SCE, in advance of future GRCs, to carefully consider the alternative recovery sources presented in the proceeding, in particular the visitor boat fee.¹²

Under a traditional GRC schedule, SCE would have filed its next Water GRC for a Test Year of 2025 or 2026. However, given the complex nature of the SCE Water 2020 GRC Application, the extended time to complete that proceeding, and the extended five-year phase-in ending in 2028, SCE anticipates it will file its next Water GRC for a Test Year of 2029 or 2030. In the interim, SCE plans to file applications and/or advice letters for cost recovery that are narrow in scope, on an as-needed basis. This cost recovery Application, for example, is limited to the recovery of recorded memorandum account balances.

2. Gas

In the Gas GRC decision, the Commission adopted a Settlement Agreement, with modifications, between the Public Advocates Office (Cal Advocates) and SCE. In this decision, the Commission authorized revenue increases for years 2025 through 2028 that were agreed to in the Settlement Agreement and supported by an uncontested sales forecast developed in 2023. The sales

⁹ The Commission declined to implement SCE's request to transfer approximately \$30.5 million in costs to electric customers. *See* D.23-12-007, Conclusion of Law 85, p. 99.

¹⁰ The AR metric quantifies the percentage of a representative household's income that would be used to pay for an essential utility service, after non-discretionary expenses such as housing and other essential utility service charges are deducted from the household's income. The higher an AR, the less affordable the utility service.

¹¹ D.23-12-007, pp. 77-78.

¹² D.23-12-007, p. 70.

1 forecast was based on a ramp-up in propane usage for the microturbines.¹³ The resulting average
2 monthly bill increase in the Gas GRC decision for non-residential customers was estimated (based on
3 the decision) to be approximately 7.9 percent for 2025 and 4.4 percent for 2026; this would be followed
4 by estimated reductions of 2.7 percent for 2027 and 2.1 percent for 2028.¹⁴ The non-residential average
5 bill decreases in 2027 and 2028 were driven by large increases in the sales forecasts for the
6 microturbines in those years. A larger sales forecast for the microturbines results in more revenue
7 collected from SCE Electric and correspondingly less revenue needing to be collected from other
8 customers.

9 After the Settlement Agreement in the Gas GRC was filed, SCE revised the 2025 and
10 2026 sales forecast for the microturbines' propane usage upward by a significant amount. As a result,
11 the estimated monthly bill impact implemented in 2025 resulted in a *reduction* of approximately 1.5
12 percent for residential and non-residential customers, as opposed to the estimated, authorized 7-to-8%
13 increase.¹⁵ Also, the estimated monthly bill impact implemented in 2026 for non-residential (and
14 residential) customers is *still lower* than the estimated 2025 average monthly bills in the Gas GRC
15 decision.

16 SCE anticipates its microturbine propane usage to continue to be higher than what was
17 estimated in SCE's last Gas GRC Application. We thus anticipate lower average monthly bills for
18 residential and non-residential customers compared to the estimated average monthly bills included in
19 the Gas GRC decision.

20 **C. Cost Recovery Proposal**

21 For SCE Water, on a strictly non-precedential basis, SCE proposes to recover the memorandum
22 account balances over a five-year period. In making this proposal, SCE is particularly focused on the

¹³ SCE Gas serves SCE Electric propane gas that fuels microturbines that generate electricity for SCE Electric customers on the Island.

¹⁴ D.25-06-010, Table 2, p. 24. Average monthly bill increases for residential customers were forecast to increase by approximately 7.2 percent for 2025, 4.5 percent for 2026, 0.7 percent for 2027, and 1.0 percent for 2028.

¹⁵ Advice 270-G Table 4, pp. 7-8.

1 unique affordability challenges that exist for Water customers on Catalina. As the Commission stated in
2 D.23-12-007, in 2022, SCE Water faced an AR₂₀¹⁶ of 9.26 percent.¹⁷ The projected rate increases
3 authorized in D.23-12-007 would increase the AR₂₀ for CARE Catalina customers to 10.34 percent in
4 2024, with a further projected climb to 13.51 percent in 2028. For non-CARE customers, the AR₂₀ in
5 2024 was 16.25 percent, and is projected to be 32.79 percent in 2028.¹⁸

6 The Commission also explained that “any percentage above 10 percent reflects an inflection
7 point where water affordability concerns are more severe than most of the rest of the state.”¹⁹
8 Furthermore, the Commission encouraged SCE, in advance of future GRCs, to seriously consider the
9 alternative recovery sources discussed in the 2022 Test Year GRC proceeding, especially the visitor boat
10 fee.²⁰ Given the affordability concerns and direction from the Commission, SCE investigated alternative
11 revenue sources such as a cross-channel boat fee and several other rate design changes. For reasons
12 described in Chapter V below, SCE does not propose a cross-channel boat fee at this time; however, we
13 are proposing to recover the incremental revenue at issue in this Application only from non-residential
14 customers, and we also propose new sources of offsetting revenue.

15 Conceptually, SCE believes the non-residential (mostly commercial) customers have a
16 reasonable ability to pass on a rate increase to their own customers. In many if not most instances, these
17 customers are tourists visiting Catalina, and not residents. In Chapter VI, SCE describes the rate design
18 and alternative revenue options we evaluated, the rate design and new revenue sources we propose to
19 recover the costs, and the other revenue options we evaluated and ultimately determined were not
20 suitable to propose at the current time. The rate design SCE proposes would allow SCE to recover its
21 costs *without increasing the AR₂₀* for residential customers. Additionally, with the proposed two new

¹⁶ AR₂₀ represents households with income at the 20th percentile in a given geography. This metric essentially measures the impact of utility charges for lower-income households.

¹⁷ D.23-12-007, p. 77.

¹⁸ D.23-12-007, pp. 77-78.

¹⁹ *Id.*

²⁰ D.23-12-007, p. 70.

1 sources of revenue, SCE anticipates the proposed Water revenue and rate increase in this Application
2 can be further mitigated.

3 For SCE Gas, we propose recovering the memorandum account balance over a two-year period
4 to mitigate a relatively larger rate increase. This would “smooth out” the increase compared to
5 recovering over a typical 12-month amortization period. In a manner similar to SCE’s Water proposal,
6 SCE proposes recovering the memorandum account balance from non-residential customers. These
7 categories of customers appear to have the ability in most instances to pass the increase on to their own
8 customers (who, as stated above, are largely tourists).

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II.

MEMORANDUM ACCOUNTS

SCE respectfully requests recovery of the incremental costs recorded to five memorandum accounts, consisting of a CEMA covering Water and Gas COVID-19 and February and March 2023 Severe Winter Storm Water costs, and four other Water memorandum accounts. SCE seeks to recover O&M expenses totaling \$6.207 million, excluding interest expenses and FF&U. This amount includes an offset of \$0.123 million based on a contribution from the University of Southern California (USC) as described in Section II.C.4 below. These memorandum accounts are as follows:

- SCE Water and Gas COVID-19 costs recorded to the CEMA
- SCE Water February and March 2023 Severe Winter Storm costs recorded to the CEMA
 - Sweetwater retaining wall erosion
 - Million Gallon Tank (MGT) pipeline supports
 - Other charges to SCE Water storm event costs
- Other memorandum accounts
 - Catalina Water Pipeline Assessment Memorandum Account (CWPAMA)
 - Catalina Water Decommissioned Pipe Memorandum Account (CWDPMA)
 - Catalina Water Rationing Memorandum Account (CWRMA)
 - Lead and Copper Rule Memorandum Account (LCMA)

A. Incremental Costs

The costs for which SCE is seeking recovery in this Application are incremental to existing GRC-authorized rates. SCE followed Standard Practice (SP) U-27-W and its general practices for its electric utility to identify, track and seek recovery for reasonable incremental costs recorded to the memorandum accounts.²¹ When SCE establishes a work order to track costs to a memorandum account, SCE uses pre-determined incremental-eligible / non-incremental codification of cost elements. For the

²¹ SCE has filed numerous memorandum account cost recovery applications for its electric utility; however, this is the first instance in which SCE is filing a separate such application for its Water and Gas utilities. As such, SCE generally followed the incrementality practices it uses for its electric operations.

1 CEMA, SCE identifies the specific events and dates for which federal or state emergency or disaster
2 declarations were made. Costs that would not have been incurred “but for” the qualified CEMA events
3 are considered incremental. Also, only costs that are not part of SCE’s normal business operations and
4 that are not funded through existing rates are included.

5 Examples of incremental costs recorded to the CEMA event accounts include: the cost of
6 overtime pay for performing CEMA event-related work, contractor costs for CEMA event-related work,
7 and material costs related to the CEMA events. In contrast, the normal salaries for non-hourly
8 employees, the normal-time labor costs for non-salaried employees, and the cost of employee benefit
9 programs *are considered non-incremental*, as they would have been incurred regardless of the CEMA
10 events and are already recovered through existing rates.

11 For other memorandum accounts, SCE follows the Commission’s decisions/resolutions, the
12 Commission’s Industry Division’s disposition authorizing the memorandum accounts, or the
13 Preliminary Statements for pre-established memorandum accounts for determining when it can begin
14 recording costs. In SCE’s requests to establish new memorandum accounts,²² generally SCE describes
15 the scope of work, how the work could not have been reasonably forecast in previous authorized or
16 current GRCs, and how the work will occur before the next GRC.²³ Similar to CEMA, costs that would
17 not have been incurred “but for” the scope of work outlined in the memorandum account filing (or event
18 for pre-established memorandum accounts) are considered incremental. Likewise, only costs that are not
19 part of SCE’s normal business operations and that are not funded through existing rates are included, as
20 described above.

21 SCE conducted a final review of the costs charged to each memorandum account. SCE reviewed
22 the recorded costs and made changes where the cost element code had changed from incremental-
23 eligible to non-incremental after the costs were recorded and removed any costs that did not meet the
24 “but for” test.

²² In this Application, the CWPAMA, CWDPMMA, and the LCMA were newly established, whereas the CWRMA is pre-established.

²³ See D.21-02-009, Conclusion of Law 1, D.22-09-008, Conclusion of Law 2, and Advice 142-W, pp.3-4.

1 To further demonstrate the costs are incremental to amounts authorized in past GRCs, SCE
2 conducted Incrementality Tests using a “portfolio” methodology. For a portfolio approach, incremental
3 costs are determined by examining the collective total of recorded costs across a portfolio of related
4 activities (such as the suite of mitigations to address a given enterprise-level risk). The total of recorded
5 costs is then compared to the total collective amounts authorized for those activities.

6 For SCE Electric, CEMA incremental costs are compared to the GRC-authorized “Storm”
7 activity. However, Water and Gas GRC costs are authorized based on accounts, not activities. For
8 Water, SCE uses the Uniform System of Accounts (USOA) to forecast costs in its Water GRCs. For
9 Gas, prior to the recent Gas GRC, SCE forecast costs by Federal Energy Regulatory Commission
10 (FERC) account.²⁴

11 The Commission did not authorize all expenses by the Water and Gas accounts on which SCE
12 based its forecasts. For example, in Water GRC D.14-10-048, the Commission adopted an All-Party
13 Settlement that included Operating Expenses and A&G amounts for groups of USOAs.²⁵ For Gas, in
14 D.09-09-034, the Commission authorized production and distribution amounts by higher-level cost
15 categories.²⁶

16 Therefore, to simulate an Incrementality Test across a portfolio of accounts here, for each
17 applicable year, SCE compared recorded costs with authorized amounts per the Decisions’ authorized
18 cost categories and related accounts for the costs recorded to each of the memorandum accounts. For
19 Water, D.14-10-048 applies to years 2020-2023 and D.23-12-007 applies to years 2024-2025.²⁷ For Gas,

²⁴ While not applicable for this Incrementality Test due to the fact that the Gas memorandum account costs were recorded in 2020 and 2021, in SCE’s recent Gas GRC, SCE forecast the Gas O&M expenses as a whole.

²⁵ See D.14-10-048, Appendix A. Adopted Operating Expenses – Other of \$2,228 thousand was a black box settled amount for USOAs 615, 630, 640, 650, and 660. Likewise, the adopted A&G of \$573 thousand was a black box settled amount for USOAs 670, 671, 681, 689, 800 (Minus Expenses Capitalized) and A&G Allocation.

²⁶ See D.09-09-034, Table - 2009 Catalina Gas Operations Results of Operation, p. 4. This decision is applicable for Gas for years 2020-2021.

²⁷ D.23-12-007 authorized amounts by USOA.

1 only D.09-09-034 applies for the Gas incrementality analysis, because the Gas costs recorded to the
2 CEMA – COVID-19 event were incurred in 2020 and 2021.

3 Over the 2020-2024 period, SCE recorded Water costs to the memorandum accounts to the
4 following USOAs:

- 5 • USOA 630 – Employee Labor
- 6 • USOA 640 – Materials
- 7 • USOA 650 - Contract
- 8 • USOA 682 – Professional Services
- 9 • USOA 689 – General Expenses
- 10 • USOA 408 – Taxes Other Than Income

11 For 2024,²⁸ SCE grouped and compared the authorized and recorded Water amounts by these
12 USOAs. For 2020-2023, SCE used the following cost categories to compare authorized versus recorded
13 Water amounts:

- 14 • Operating Expenses – Other (USOAs 615, 630, 640, 650, 660)
- 15 • A&G (USOAs 670, 671, 681, 689, 800, and A&G Allocation)
- 16 • USOA 682 – Professional Services²⁹
- 17 • USOA 408 – Taxes Other Than Income

18 For 2020-2021, SCE grouped and compared the authorized and recorded Gas amounts by the
19 following cost categories:

- 20 • Production – Other
- 21 • Distribution
- 22 • Taxes Other Than Income

²⁸ SCE will construct an Incrementality Test for 2025 for Water when its annual reports are completed near the end of April 2026. Only the LCMA actually incurred costs in 2025. SCE plans to then submit supplemental testimony during the first week of May 2026 with this additional information. SCE intends to make appropriate adjustments to the costs and proposed surcharges should the Incrementality Test demonstrate that any of the SCE Water costs recorded to the LCMA in 2025 are not incremental.

²⁹ USOA 682 was not included in the All-Party Settlement because SCE forecast zero dollars for this account and as such no party contested this forecast.

1 Table II-2 and Table II-3, below, show the authorized Water amounts for 2020-2024 and
 2 authorized Gas amounts for 2020-2021 compared to recorded amounts and the memorandum accounts'
 3 recorded amounts by year, respectively.³⁰ For example, in year 2024 for Water, the authorized amount
 4 per the cost categories described above was \$4,898 thousand. SCE recorded \$7,764 thousand or \$2,867
 5 thousand above authorized for the same cost categories. SCE also recorded \$1,428 thousand to its
 6 memorandum accounts in 2024, as part of the same cost categories. Given the \$1,428 thousand is less
 7 than the difference between recorded and authorized, this amount is incremental to authorized amounts.
 8 On a portfolio-of-accounts basis, for years 2020-2024 for Water and years 2020-2021 for Gas, the
 9 Incrementality Tests demonstrate the Water and Gas costs recorded to the memorandum accounts are
 10 incremental to the costs authorized in the GRCs.

Table II-2
Water 2020-2024 Incrementality Tests
(Nominal \$000)

Year	Authorized	Recorded	Delta (Recorded - Authorized)	Memorandum Account Incremental Costs
2020	\$ 3,159	\$ 10,650	\$ 7,491	\$ 2,164
2021	\$ 2,945	\$ 6,769	\$ 3,824	\$ 529
2022	\$ 2,945	\$ 7,335	\$ 4,389	\$ 10
2023	\$ 2,945	\$ 6,311	\$ 3,365	\$ 904
2024	\$ 4,898	\$ 7,764	\$ 2,867	\$ 1,428

³⁰ See Appendix C for the Incrementality Test tables for each year for Water and Gas.

Table II-3
Gas 2020-2021 Incrementality Tests
(Nominal \$000)

Year	Authorized	Recorded	Delta (Recorded - Authorized)	Memorandum Account Incremental Costs
2020	\$ 543	\$ 2,224	\$ 1,682	\$ 337
2021	\$ 543	\$ 985	\$ 442	\$ 96

1 As a final assessment, SCE conducted Earnings Tests for each year pursuant to SP U-27-W. An
2 Earnings Test is essentially a version of a whole company Incrementality Test, as it compares the
3 authorized RoR to a recorded/requested RoR (refer to Chapter IV for a more detailed explanation).
4 Except for 2024 for Water, the Earnings Tests demonstrate SCE would not earn its authorized RoR even
5 with the additional requested revenue in this Application. As discussed in Chapter IV, a downward
6 adjustment was made for Water for year 2024 due to the Earnings Test. The processes, tests and checks
7 SCE conducted to ensure the costs are incremental are reasonable, and the Commission should find that
8 the costs that SCE presents in this Application are incremental.

9 **B. SCE Water and Gas COVID-19 Costs Recorded to the CEMAs**

10 SCE asks the Commission to authorize recovery of Water and Gas costs recorded to the
11 CEMAs due to COVID-19. Below, SCE describes the COVID-19 Global Pandemic event, CEMA
12 activation, and the prudent actions SCE took and the costs it reasonably incurred to respond to the
13 Governor’s Stay Home Order and the Los Angeles County Safer at Home Order as a result of the
14 COVID-19 global pandemic.

15 Importantly and as discussed below, *the Commission has already approved similar*
16 *COVID-19 employee sequestration and other costs for SCE’s electric utility in CEMA cost recovery*
17 *proceedings.*³¹ In D.23-11-089, the Commission concluded that “we consider SCE’s COVID-19
18 expenses incremental, reasonable, and properly recoverable.”³²

³¹ See D.23-11-089, OP 3.

³² D.23-11-089, pp. 24-25.

1 **1. CEMA COVID-19 Global Pandemic Event**

2 In December 2019, the novel coronavirus (COVID-19) broke out. As of March 4, 2020,
3 the pandemic had spread widely, impacting more than 77 countries, including the United States.³³ The
4 virus was found to spread readily from person to person through respiratory droplets that are released
5 when someone with the COVID-19 virus sneezes, coughs, or even talks. As a result of the COVID-19
6 global pandemic, the Governor and the President took the following actions:

- 7 • On March 4, 2020, Governor Newsom issued an Emergency Proclamation
8 across California due to the effects of the novel coronavirus as part of the
9 state’s response to address the global COVID-19 outbreak.³⁴
- 10 • On March 13, 2020, President Trump declared a National Emergency
11 Concerning the Novel Coronavirus Disease (COVID-19).³⁵
- 12 • On March 19, 2020, an Executive Order and a Public Health Order instructed
13 all Californians to stay-at-home except to go to an essential job or shop for
14 essential needs such as food and/or medicine (Stay Home Order).³⁶

15 SCE undertook special precautions and modified its operations to protect
16 employee and public safety and comply with public health guidelines.

17 **2. CEMA Activation**

18 In Resolution E-3238, dated July 24, 1991, the Commission authorized SCE to establish a
19 CEMA to record costs associated with: (1) restoring utility service to its customers; (2) repairing,
20 replacing, or restoring damaged utility facilities; and (3) complying with governmental agency orders
21 from declared disasters.

³³ World Health Organization: Critical preparedness, readiness and response actions for COVID-19: interim guidance, 7 March 2020, at <https://apps.who.int/iris/handle/10665/331422>.

³⁴ See <https://www.gov.ca.gov/2020/03/04/governor-newsom-declares-state-of-emergency-to-help-state-prepare-for-broader-spread-of-COVID-19/>.

³⁵ Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak: Proclamation 9994 by the President of the United States of America, March 13, 2020, 85 FR 15337, available at <https://www.govinfo.gov/content/pkg/FR-2020-03-18/pdf/FR-2020-03-18.pdf>.

³⁶ See State of California Executive Order N-33-20, March 19, 2020, at <https://www.gov.ca.gov/wp-content/uploads/2020/03/3.19.20-attested-EO-N-33-20-COVID-19-HEALTH-ORDER.pdf>.

1 On April 14, 2020, SCE submitted Advice Letter 231-G and Advice Letter 119-W to
2 establish a Catastrophic Event Memorandum Account (CEMA) for both the Gas and Water utilities,
3 respectively, in accordance with Resolution E-3238 to record the costs associated with a catastrophic
4 event for restoring service to water and gas customers; repairing, replacing, or restoring damaged utility
5 facilities; and complying with governmental agency orders. Also, as noted in the advice letters, SCE
6 notified the Commission that it will record costs associated with emergency customer protections in the
7 CEMA pursuant to D.19-07-015.

8 **3. Background**

9 As a result of the COVID-19 global pandemic, the Governor and the President issued
10 several proclamations, as discussed above.

11 On August 28, 2020, to permit gradual reopening of the state's economy, the Stay Home
12 Order was further modified and the roadmap was replaced with the Blueprint for a Safer Economy,³⁷
13 under which counties were assigned to one of four Blueprint tiers based upon the county's case rates and
14 positivity rates. On a weekly basis, counties were assigned to one of the tiers. Based upon the county's
15 tier status, restrictions on activities would be loosened or tightened and designated businesses would be
16 allowed to reopen or be required to remain closed.³⁸ This Blueprint for a Safer Economy remained in
17 effect for the remainder of 2020.³⁹

18 Given these orders, SCE undertook reasonable precautions and appropriately modified its
19 operations. These measures were intended to protect the safety and well-being of the public and SCE
20 employees, and to comply with public health guidelines.

³⁷ See Blueprint for a Safer Economy at <https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/COVID19CountyMonitoringOverview.aspx>.

³⁸ *Id.*

³⁹ *Id.* (noting that on June 15, 2021, California met the criteria to fully reopen the economy and move beyond the Blueprint).

1 **4. Scope of Work**

2 In preparation for SCE’s response to the COVID-19 pandemic affecting the state and
3 SCE’s customers and operations, SCE activated a COVID-19 Incident Management Team (IMT) on
4 March 9, 2020, and a Future Planning Cell (FPC) on March 15, 2020,⁴⁰ to help maintain the safety and
5 well-being of SCE employees and customers while continuing to reliably deliver service to our
6 customers. The IMT engaged in tactical and quick response to COVID-19 activities, while the FPC
7 handled scenario assessment and planning. The IMT and FPC focused on activities that would help
8 prevent or address near- to mid-term COVID-19-related issues and help ensure that SCE would maintain
9 an adequate workforce to continue to provide reliable service to customers at a crucial time when state
10 residents and non-critical workers sheltered in place and stayed home (and in very many cases, worked
11 or went to school from home).

12 SCE determined that losing the ability to maintain operations on Catalina presented an
13 undue risk to public safety. Therefore, critical operations and maintenance personnel needed to be
14 “sequestered.” Sequestration in this instance involves separating and isolating a group of personnel from
15 the general population. The sequestration was undertaken and enforced to prevent these individuals from
16 contracting COVID-19. Sequestration helped safeguard against loss of, or lengthy interruption of,
17 essential services to our customers that might be triggered by COVID-19 spread or exposure within the
18 ranks of these key operational facility employees.

19 SCE’s Catalina organization operates three utilities (electric, water, and gas) with a
20 limited number of qualified personnel in each enterprise. SCE previously sought and obtained cost
21 recovery for costs it recorded to the CEMA in response to the COVID-19 pandemic for its electric
22 employees and operations.⁴¹ SCE’s Water and Gas employees are shared between the gas and water

⁴⁰ “Incident Management Team” is a nationally recognized term to refer to a comprehensive resource team that responds to catastrophic events such as the COVID-19 global pandemic. SCE established a Future Planning Cell that works with the IMT to focus on mid- and long-term planning for impacts to the company from COVID-19, along with assessing broader corporate-level impacts.

⁴¹ D.23-11-089, Ordering Paragraph No. 3.

1 operations on the Island.⁴² The routine compliance requirements for delivering safe drinking water
2 include water sample collection and analysis from across the system, and daily monitoring, maintenance,
3 and sample collection and analysis from the desalination plant. The routine compliance requirements for
4 the delivery of gas include customer service requests, leak detection, valve operation, and monitoring,
5 maintaining, and testing the propane tanks at the Pebble Beach Generating Station. These operations are
6 critical to the provision of safe and reliable water and gas services. At the time that SCE sequestered
7 employees, none of the operations could be performed remotely from off the Island. They also could not
8 have been performed by individuals who do not carry the necessary qualifications or who were not
9 intimately familiar with the Island's systems. Sequestration mitigated risks of system or performance
10 failure in these operations. In this Application, SCE is only seeking to recover the costs incurred for
11 sequestration related to its water and gas utilities.

12 Sequestration efforts were developed following recommendations from SCE Corporate
13 Health & Safety and the Center for Disease Control (CDC) guidelines to keep critical workers safe from
14 COVID-19. Employees were initially quarantined and sequestered in Avalon at two hotels. SCE then
15 moved these employees to the Catalina Sea Camp in Toyon Bay, which is located approximately six
16 miles outside of Avalon on the Island's coastline. During non-working hours, the sequestered employees
17 individually resided in the company-provided housing to protect against COVID-19 exposure and
18 transmission. Under the sequestration program, sequestered employees could not have visitors, nor were
19 they able to leave their assigned sequestration facilities to visit with any family or friends, or to
20 participate in any social occasion or activity. Their only contact with family and friends occurred
21 through electronic means. During work hours, these employees were permitted to interact with other
22 sequestered employees as mandated by job duties and responsibilities. These employee interactions
23 required that each employee wear masks and maintain social distancing.

24 At the time sequestration was implemented, Water treatment, distribution, and plant
25 operations, and Gas distribution and plant operations work that the sequestered employees performed

⁴² Additionally, plant operators and other personnel charge a small percent of their time to Water and Gas.

1 could not readily be performed by third-party contractors. This was primarily because there were no
2 temporary contracting service agreements in place, and even if there were, third-party contractors may
3 not possess the specific operational knowledge required to operate and maintain these Catalina facilities
4 in a safe and reliable manner.

5 Beginning on April 6, 2020, the sequestered employees were separated from their
6 families for up to 60 days and began 12-hour working shifts on a 7-days-per-week basis for the duration
7 of the assignment. Prior to sequestration, these employees (depending on their position and work
8 location) typically worked 8-, 10-, or 12-hour shifts as their normal work schedule, with the total not to
9 exceed 80 hours of normal time worked in a two-week pay period.

10 But for the pandemic, the sequestration measures and associated incremental costs would
11 not have been undertaken. The costs include, but are not limited to, the following:

- 12 • Hotel rooms for the Catalina employees and shuttle vans to transport
13 employees between the hotel and work sites;
- 14 • Food (meals, snacks, and beverages);
- 15 • Meal delivery stipend of \$100 per day⁴³ for the sequestered employees’
16 family during the quarantine period, in recognition of the hardship to the
17 employee’s family;
- 18 • Laundry services;
- 19 • Cleaning services for trailers and company housing;
- 20 • Medical wellness checks for the sequestered employees, and COVID-19
21 testing for the sequestered employees;
- 22 • Reasonable costs for modest entertainment;
- 23 • Video chat connection between employee and family during sequestration
24 only, should the employee’s primary residence not have internet access;

⁴³ See Workpapers, COVID-19 Pandemic Planning Employee Sequestration Overview, “Care for Immediate Family (Spouse and/or Dependents).”

- Exercise/gym equipment provided to help maintain health and well-being, particularly since the employees were isolated;
- Barge transportation fees for transporting goods to and from the Island. This includes packages and items the sequestered employees required (exercise equipment, medicine, and other items not available on the Island);
- Costs to fairly compensate sequestered employees:⁴⁴ double time (DT) for all hours worked, 4 hours DT (Off Shift), and 8 hours DT (Sleep/Rest Period). These compensation measures were appropriate given the burden on the employees, who were effectively unavailable for personal, family, community, or other obligations.

Moreover, circumstances unique to Catalina made ongoing sequestration of critical employees necessary. All Catalina employees live on the Island and typically in very small homes in Avalon, making separation from family members or roommates difficult. The Island also has limited options for basic services including healthcare, grocery shopping, restaurants, etc. This necessitates either potential exposure by travel off the Island (typically by public ferry) or potential exposure by going to these facilities as available on the Island. As a tourist Island, Catalina also had a steady influx of visitors, exacerbating exposure.⁴⁵

As mentioned previously, with no physical connections to the mainland, none of the three utilities SCE operates on the Island are interconnected to other systems. This makes the Catalina systems single points of failure for reliability purposes. As such, SCE determined that sequestration needed to continue. SCE thus initiated a second phase of sequestration involving the minimum number of critical resources necessary to operate the Island's electric, gas and water utilities at the most basic level and to meet regulatory compliance requirements. To help reduce the cost of the second phase, volunteers were

⁴⁴ The terms of sequestration for represented employees were agreed to between SCE and their union.

⁴⁵ Despite tourism on Catalina dropping significantly during the COVID-19 pandemic, over 500,000 tourists traveled to Catalina in 2020 and over 800,000 tourists went in 2021. Pre- and post-COVID, over 1.0 million tourists visit Catalina annually.

1 tested for antibodies and COVID-19 presence to help minimize the initial 14-day mandatory quarantine
2 time. In parallel, SCE implemented enhanced employee separation protocols and new safety measures.
3 This included but was not limited to regular employee testing for COVID-19 presence. With these
4 measures in place and recognizing the risk of tourist-driven infections, SCE implemented a plan to
5 eliminate employee sequestration in two phases: bringing one half of employees out of sequestration in
6 mid-July of 2020 following the historical peak tourist influx over the July 4th weekend, and the
7 remaining half on September 20, 2020 following the similar peak tourist influx over Labor Day
8 weekend.

9 On December 6, 2020, SCE made the decision to re-enter sequestration on Catalina after
10 hitting triggers⁴⁶ that had been established when the initial sequestration demobilization decision was
11 made. Those triggers were:

- 12 • Significant increase in COVID-19 infection rate on the Island guided by
13 SCE's COVID-19 Project Management Organization (PMO).
- 14 • Confirmed infection of one or more critical employees.

15 The general population⁴⁷ infection rates on the Island had increased significantly (from 2-
16 3 cases/week to 10-12 cases/week).⁴⁸ In addition, one employee at Catalina had a positive COVID-19
17 test result. Therefore, SCE took additional actions to help minimize potential for exposure and to add
18 early detection to the program. Beginning December 9, 2020, employees were sequestered without a
19 quarantine period as there was insufficient time to preplan for the quarantine. These employees were
20 required to participate in mandatory weekly testing.⁴⁹

⁴⁶ These triggers were in line with guidance provided by governmental authorities. *See* Workpapers, COVID-19 IST Demobilization Plan: Sequestration regarding re-sequestration triggers.

⁴⁷ Per the City of Avalon (Catalina Island) website, Avalon has a permanent population of approximately 4,000 residents. *See* <http://www.cityofavalon.com/content/3178/3324/default.aspx> or Workpapers, City of Avalon (Catalina Island) website.pdf.

⁴⁸ *See* Workpapers, Catalina Island Medical Center COVID Test Results for Island monthly infection rate trends.

⁴⁹ Initial testing took place on December 9, 2020 and a second round of testing took place on December 14, 2020.

1 On December 9, 2020, SCE sequestered ten employees and four contract security guards,
2 which constituted the minimum number of personnel necessary to ensure continuity of operations. Their
3 job classifications included the following:

- 4 • 3 Control Operators (two plus one additional person in case one of the two
5 became ill, since there was no quarantine prior to re-sequestration)
- 6 • 2 Plant Equipment Operators
- 7 • 1 Instrumentation, Control, and Electrical (ICE) Technician
- 8 • 1 Plant Mechanic
- 9 • 1 Apprentice Plant Mechanic
- 10 • 4 Contract Security Guards
- 11 • 2 Water & Gas Operator Mechanics

12 Except for the two Water and Gas Operator Mechanics, the other employees charge a
13 small percentage of their time to Water and Gas. Historically, these employees charge approximately 85
14 percent of their time to SCE Electric and 15 percent to Water and Gas. The two Water and Gas
15 employees charge 100 percent to Water and Gas. SCE is only seeking recovery for Premium Time
16 Labor charged and/or allocated to Water and Gas. These employees remained in sequestration through
17 year-end 2020. Meanwhile, SCE continued to develop backup workers for several critical positions
18 using qualified mainland employees and contractors.

19 **5. Recorded Costs**

20 SCE incurred \$2.998 million of COVID-19-related O&M expenses between 2020-2022,
21 not including interest charges. Approximately 15% of the Water and Gas crews' time, on an average
22 annual basis, is spent supporting the Gas utility. Approximately 85% of their time is spent supporting the
23 Water utility. Pursuant to these percentages and the other plant employees that charge a small portion of
24 their time to Water and Gas, the costs recorded to the CEMA for COVID-19 for Water and Gas are
25 shown in Table II-4 and Table II-5 below, and categorized into Premium Time Labor (*not* normal time),
26 Material, Contract, and Other.

1 For the reasons discussed herein, these costs are reasonable and should be adopted by the
 2 Commission. *In D.23-11-089, the Commission approved similar COVID-19 employee sequestration and*
 3 *other costs for SCE’s electric utility in CEMA cost recovery proceedings.*⁵⁰ The Commission stated that
 4 “we consider SCE’s COVID-19 expenses incremental, reasonable, and properly recoverable.”⁵¹ The
 5 Commission reached this conclusion after Cal Advocates had audited the expenses at issue. The
 6 Commission noted as follows: “Cal Advocates’ audit report finds that the COVID-19 request is properly
 7 recoverable. Specifically, the audit report ‘identified no adjustments after examining SCE’s costs
 8 associated with the 2020 COVID-19 CEMA event identified in this Application.’”⁵²

Table II-4
COVID-19 Activity Cost Category – Water
 (Nominal \$)

Cost Category	2020	2021	2022	Total
Premium Time Labor	\$ 1,366,653	\$ 318,191		\$ 1,684,845
Material	\$ 2,140	\$ 148		\$ 2,289
Contract	\$ 201,688	\$ 37,343		\$ 239,030
Other	\$ 587,133	\$ 70,609	\$ (20,431)	\$ 637,311
Allocation	\$ 5,932	\$ 520		\$ 6,452
Total	\$ 2,163,546	\$ 426,812	\$ (20,431)	\$ 2,569,927

⁵⁰ See D.23-11-089, OP 3.

⁵¹ D.23-11-089, pp. 24-25.

⁵² D.23-11-089, p. 21 (citing exhibit Cal Advocates-01 at p. 2 from the record of the proceeding).

Table II-5
COVID-19 Activity Cost Category – Gas
(Nominal \$)

Cost Category	2020	2021	2022	Total
Premium Time Labor	\$ 200,126	\$ 75,536		\$ 275,662
Material	\$ 378	\$ 26		\$ 404
Contract	\$ 35,592	\$ 6,590		\$ 42,182
Other	\$ 100,961	\$ 13,658	\$ (4,803)	\$ 109,816
Allocation	\$ 42	\$ 92		\$ 133
Total	\$ 337,098	\$ 95,902	\$ (4,803)	\$ 428,197

1 **C. February and March 2023 Severe Winter Storm Costs Recorded to the CEMA**

2 SCE asks the Commission to authorize recovery of Water costs recorded to the CEMA due to the
3 February and March 2023 Severe Winter Storm. Catalina’s unique characteristics, including rugged
4 terrain, steep topography, remote location, expansive service territory, and geographic isolation
5 magnified the storm challenges. The February and March 2023 Severe Winter Storm expenses are
6 categorized into the following three major categories:

- 7 • Sweetwater Retaining Wall Erosion
- 8 • MGT Pipeline Supports Erosion
- 9 • Other Storm-Related Work

10 SCE and the USC Wrigley Marine Science Center (USC Marine Lab) have a cost sharing
11 agreement for the MGT. Under this agreement, USC is responsible for a portion of the total cost of the
12 MGT Pipeline Supports Erosion CEMA event. SCE recorded costs (without interest) of \$0.863 million
13 related to the February and March 2023 Severe Winter Storm. This amount is net of the SCE-USC cost
14 sharing agreement, as outlined in Section II.C.4 below

15 Below, SCE describes the February and March 2023 Severe Winter Storm Events, CEMA
16 activations, and prudent actions it took and the costs it reasonably incurred to respond to these severe
17 storms.

1 **1. February and March 2023 Severe Winter Storms Events**

2 In late February and March 2023, severe winter storms struck California, bringing
3 damaging winds and historic precipitation. These storms caused widespread flooding, power outages,
4 downed trees, hazardous debris flows, mudslides, landslides, swelling of waterways, dam overflows, and
5 levee failures.

6 On March 1, 2023, Governor Newsom declared a State of Emergency across 13
7 counties.⁵³ On March 8, 2023, the Governor extended the State of Emergency proclamation to 21
8 additional counties due to the atmospheric river system that was forecasted through mid-March.⁵⁴ On
9 March 12, 2023, Governor Newsom extended the State of Emergency proclamation to an additional 6
10 counties due to the effects of the February and March 2023 Severe Winter Storms that significantly
11 impacted the proclaimed counties.⁵⁵

12 On March 10, 2023, and April 3, 2023, respectively, the FEMA issued two separate
13 proclamations (emergency and disaster) due to the effects of the February and March 2023 Severe
14 Winter Storms, Straight-line Winds, Flooding, Landslides, and Mudslides.⁵⁶

15 **2. CEMA Activations**

16 On March 17, 2023 and May 1, 2023, respectively, SCE notified the Commission’s
17 Executive Director by letter, that SCE had activated its CEMA for the February and March 2023 Severe
18 Winter Storms, effective in Late February 2023. SCE did so in order to record the expenses incurred to
19 “restore service to customers, replace infrastructure, and repair damage to its facilities from the February

⁵³ See California State of Emergency Proclamation at <https://www.gov.ca.gov/wp-content/uploads/2023/03/3.1.23-Storms-State-of-Emergency-signed.pdf>.

⁵⁴ See California State of Emergency Proclamation at <https://www.gov.ca.gov/wp-content/uploads/2023/03/3.8.23-SOE-Storms-Additional-Counties.pdf>

⁵⁵ See California State of Emergency Proclamation at <https://www.gov.ca.gov/wp-content/uploads/2023/03/SOE-3-12-23-March-Storms-Additional-Counties.pdf>

⁵⁶ See FEMA Emergency Declaration for California Severe Winter Storms, Flooding, Landslides, and Mudslides EM-3592-CA at <https://www.fema.gov/disaster/3592> and FEMA Major Disaster Declaration California Severe Winter Storms, Straight-line Winds, Flooding, Landslides, and Mudslides DR-4699-CA at <https://www.fema.gov/disaster/4699>.

1 and March 2023 Severe Winter Storms throughout California.” Upon submitting the letter, SCE
2 recorded costs to restore service to customers and repair damage to its facilities in its 2023 CEMA.

3 **3. Sweetwater Retaining Wall Erosion**

4 **a) Background**

5 During routine inspection, SCE discovered damage to the retaining wall near the
6 Sweetwater Well. See Figure II-1 below for an example of the damage sustained by the wall.

Figure II-1
Sweetwater Well Wall Failure



7 SCE determined the damage was caused by high-water flow along Sweetwater
8 Canyon, which ultimately impacted the Sweetwater Well retaining wall. Due to the February and March
9 2023 Severe Winter Storms events in early 2023, the retaining wall was significantly compromised.
10 These storm events caused stream levels to rise to unprecedentedly high levels, saturating the soil and
11 eroding the well's retaining wall. Sweetwater Well is one of the primary wells that provides drinking
12 water supply to the Isthmus, or the Two Harbors water system. If the retaining wall were to fail, it could
13 potentially impact Sweetwater Well and its freshwater production, affecting the reliability of freshwater

1 supply for customers and storage infrastructure located downstream. For example, the MGT is used by
2 the USC Marine Lab for fire suppression. Therefore, any disruption in freshwater production to the
3 MGT would result in the loss of USC Marine Lab’s fire suppression capability.

4 **b) Scope of Work**

5 SCE discovered the damage to the retaining wall in March 2023 during routine
6 inspections. SCE then performed an engineering assessment and determined that failure was imminent.
7 SCE hired an engineering firm to perform an in-depth geotechnical analysis of the site. The engineering
8 firm completed this analysis in August 2023. SCE followed up by hiring a design/engineering firm to
9 design a permanent wall replacement for the failed retaining wall. After the design was finalized, SCE
10 secured a construction firm to construct the wall. Construction of the wall started in May 2024 and was
11 completed in August 2024. Please refer to Figure II-2 below.

***Figure II-2
Replacement Wall for Sweetwater Well***



12 **c) Recorded Costs**

13 SCE recorded total incremental costs (without interest) of \$0.732 million in
14 O&M-related work related to the Sweetwater retaining wall. Table II-6 below, summarizes the expenses
15 (excluding interest). These costs are categorized into Labor (premium time), Material, Contract, and
16 Other as shown in Table II-6 below.

Table II-6
Storm Event – Sweetwater Retaining Wall Erosion Cost Category
(Nominal \$)

Cost Category	2023	2024	Total
Premium Time Labor	\$ -	\$ 707	\$ 707
Contract	\$ 44,470	\$ 687,008	\$ 731,477
Other	\$ -	\$ 21	\$ 21
Total	\$ 44,470	\$ 687,735	\$ 732,205

1 **4. Million Gallon Tank Pipeline Supports Erosion**

2 **a) Background**

3 Constructed in 1967, the MGT provides up to 100,000 gallons of drinking water
4 storage to the community of Two Harbors and the occupants of the USC Marine Lab on the West End of
5 Catalina. It also furnishes approximately 900,000 gallons of dedicated fire suppression water to the USC
6 Marine Lab pursuant to a longstanding agreement between the parties (the agreement was reached in
7 1967).

8 In March 2023, SCE discovered considerable erosion of soil around several pipe
9 supports on the main pipeline that supplies water from the MGT to USC Marine Lab. The erosion was
10 triggered by storm runoff from rain events in early 2023.⁵⁷ The referenced pipeline consists of a 10”
11 steel pipe supported by 16 round foundations and three rectangular thrust blocks. During routine
12 inspection of the pipeline and supports, SCE determined that seven pipe supports and adjacent terrain
13 were in a very eroded condition, exposing the lower sections of each of the support foundations and
14 eliminating the minimum cover depth. Failure of these pipe supports would mean service interruption to
15 the USC Marine Lab. Figure II-3, below, shows two examples of pipe supports that were eroded.

⁵⁷ See Water Year 2023: Weather Whiplash, From Drought to Deluge, October 2023, at https://water.ca.gov/-/media/DWR-Website/Web-Pages/Water-Basics/Drought/Files/Publications-And-Reports/Water-Year-2023-wrap-up-brochure_01.pdf.

Figure II-3
Erosion of Pipe Support 10 (Left) and Pipe Support 16 (Right)



1 **b) Scope of Work**

2 SCE discovered the problem in March 2023 during routine inspection of the
3 pipeline and supports. After ascertaining the issue, SCE performed an engineering assessment and
4 determined that portions of the pipeline and pipe supports were at significant risk of failure. SCE then
5 hired an engineering firm to design the repair of the pipe supports. The repair included pouring
6 additional foundations around the existing pipe supports and placing grouted rip-rap⁵⁸ materials to
7 prevent erosion around the existing footings. The design was finalized in May 2023. SCE then secured a
8 construction firm to complete the remediation work. The repair plan began in March 2024 and was
9 completed in April 2024. See Figure II-4, below, for examples of work that was performed to remedy
10 the erosion.

⁵⁸ Rip-rap is a construction material composed of large, angular stones or boulders. In this project, the rip-rap was grouted around the pipe supports to prevent further erosion.

Figure II-4
Completion of Pipe Support 10 (Left) and Pipe Support 16 (Right)



c) Recorded Costs

The recorded costs shown below in Table II-7 incorporate a previous agreement between SCE and USC that stipulates USC is responsible for 51.2% of the cost of the MGT and related facilities, including the work described here. As such, SCE is only seeking to recover 48.8% of the MGT Pipeline Supports work costs, as summarized in Table II-7 below. These costs are categorized into Labor (premium time), Material, Contract, and Other as shown in Table II-7.

Table II-7
MGT Pipeline Supports Erosion Recorded Costs
(Post-USC Contribution)
(Nominal \$)

Cost Category	2023	2024	Total
Premium Time Labor	\$ 47	\$ -	\$ 47
Contract	\$ 13,618	\$ 102,414	\$ 116,032
Other	\$ -	\$ 137	\$ 137
Allocation	\$ -	\$ 1,298	\$ 1,298
Total	\$ 13,665	\$ 103,849	\$ 117,514

5. Other Storm-Related Work

a) Background and Scope of Work

SCE discovered additional storm damage in connection with the February and March 2023 Severe Winter Storms. The additional storm damage included:

- SCE's Water crew reset and reinstated its SCADA system. The storm caused a power outage impacting the Water SCADA system at Wrigley Reservoir.
- In order to be able to excavate for a Water project, SCE placed and used a road plate.⁵⁹ Storm water filled the space under the road plate, which created a large amount of a mixture of mud and debris. In order to continue working on the Water project, SCE cleaned up the site, including draining underneath the road plate and cleaning up the excessive resultant mud and debris mix from the excavation site.
- A section of dirt road was eroded, exposing the underground water pipeline that runs from Twin Tanks to Two Harbors. Leaving the pipeline exposed would risk eroding the dirt support under the pipeline during further rain events. Furthermore, SCE noticed that one of the thrust blocks⁶⁰ connected to the pipeline was beginning to be exposed, reducing its effectiveness. In addition, the exposed pipeline was in the direct path of vehicular traffic and would be at risk of further damage from debris or, potentially, vehicular traffic. SCE immediately advised the public against driving on that road and retained a contractor to fix the road and to add in and compact the backfill needed under the pipe.
- A section of Toyon Road was eroded. The Division of Drinking Water (DDW) requires SCE to obtain water samples from all active well sites. Some sites, as a result of the above-referenced erosion, became inaccessible. In order to maintain compliance with DDW requirements, SCE had to charter boat services to collect water samples at those sites.

⁵⁹ Road plates are large, flat sheets, typically made of steel. They are used as temporary surfaces for traffic to pass over, especially during construction.

⁶⁰ A thrust block prevents pipe movement or separation by transferring the resultant thrust force at a bend to the undisturbed soil behind the thrust block.

- Sections of road on Baker Road were eroded. SCE performed and completed repair work to restore access to critical water utility infrastructure in Falls Canyon (Pressure Reducing Stations D and E, pipelines, Baker Storage Tanks, and appurtenances).
- Erosion occurred along the Little Harbor fresh-water pipeline. Immediate repairs were required to protect the asset.

b) Recorded Costs

SCE recorded incremental costs of \$0.013 million in O&M work related to the February and March 2023 Severe Winter Storms. Table II-8, below, summarizes the expenses. These costs are categorized into Labor (premium time), Material, Contract, and Other as shown in Table II-8 below.

Table II-8
Storm Event - Other Charges to SCE Water Storm Event Cost Category
(Nominal \$)

Cost Category	2023	Total
Premium Time Labor	\$ 2,186	\$ 2,186
Contract	\$ 11,010	\$ 11,010
Total	\$ 13,196	\$ 13,196

D. Other Memorandum Accounts

SCE respectfully requests that the Commission authorize SCE to recover \$2.346 million in costs recorded to the following Memorandum Accounts:

- Catalina Water Pipeline Assessment Memorandum Account (CWPAMA)
- Catalina Water Decommissioned Pipe Memorandum Account (CWDPMA)
- Catalina Water Rationing Memorandum Account (CWRMA)
- Lead and Copper Rule Memorandum Account (LCMA)

Below, SCE describes the background and actions SCE took pertaining to each of these memorandum accounts.

1 **1. Catalina Water Pipeline Assessment Memorandum Account (CWPAMA)**

2 **a) Background and Scope of Work**

3 Since 1962, SCE has been providing water service to Catalina, serving
4 approximately 4,100-year-round residents and one million annual visitors to the Island. The water utility
5 system includes a series of groundwater wells, desalination facilities, reservoirs, treatment facilities,
6 storage tanks, and pipelines. Portions of the Two Harbors water system pipeline on Catalina have been
7 in place since the late 1960s. Despite being built to industry standards at the time, some sections of the
8 above- and below-ground pipeline (i.e., buried or partially buried) have coal-tar interior lining and
9 exterior wrap that contain certain hazardous materials (polychlorinated biphenyls (PCBs) and polycyclic
10 aromatic hydrocarbons (PAHs)) at concentrations that are no longer allowed by regulation due to
11 potential health risks. Since the discovery of these materials in some of the facilities, SCE has routinely
12 tested for the presence of PCBs and PAHs in the drinking water system, including the Two Harbors
13 Pipeline. SCE has not found PCBs or PAHs in the drinking water system at regulatory thresholds.

14 In early 2020, to meet regulatory requirements under various federal and state
15 laws, SCE removed above-ground decommissioned pipe and disposed of it at a Toxic Substances
16 Control Act (TSCA)-permitted facility. Upon discovering PCB pipeline material in one distribution
17 pipeline within the water system, SCE identified the need for assessment across the whole drinking
18 water system. SCE needed this information in order to comply with its obligations under TSCA. While
19 the pipeline itself is made of steel, the corrosion protection coating material on both the interior and
20 exterior of the pipeline contains PCBs greater than 50 ppm which are subject to regulation under the
21 TSCA.

22 SCE subsequently filed Application (A).20-04-010 with the Commission and
23 received Commission approval to start tracking the costs associated with a system-wide assessment of
24 the SCE Water utility's pipe.⁶¹ At the time, SCE did not possess records fully mapping and
25 characterizing the pipeline material coatings across the entirety of the SCE Water distribution

⁶¹ See D.21-02-009.

1 infrastructure and decommissioned pipe system that remains on the Island. This was especially true for
2 the various rugged, mountainous sections of the Island that are difficult to access. Per D.21-02-009
3 (*Decision Authorizing Establishment Of The Catalina Water Utility Pipeline Assessment Memorandum*
4 *Account*), SCE started recording its system-wide assessment costs to this memorandum account as of
5 April 13, 2020.

6 Assessment efforts included document review, field inspections, current and
7 legacy employee interviews, Geographic Information System (GIS) review, and material sampling and
8 lab analysis. As part of the system-wide assessment, SCE mapped and classified in-service pipeline and
9 decommissioned pipe material and material coatings. The assessment was organized into three phases of
10 work:

- 11 (1) In-service pipelines: piping connected and operating within the current
12 drinking water conveyance system.
- 13 (2) Out-of-service pipelines: piping that is no longer being used within the current
14 drinking water conveyance system, repurposed sections of pipe reused from
15 the original water conveyance purposes for things such as retaining walls,
16 bridge supports, and culverts, as well as legacy piping that is currently not
17 being used but may be used in the future.
- 18 (3) In-facility pipelines: piping within facilities such as pump stations, treatment
19 facilities, and pressure-reducing stations that are in-service or out-of-service.

20 **b) Schedule**

21 Between 2020 and 2024, SCE retained a contractor to perform the following
22 tasks:

- 23 • Review engineering-type documents and available legal documentation
24 (examples include the bill of sale and the historical maps for the system).
- 25 • Perform on-site field investigations of visible above-ground segments of the
26 pipe and where needed, excavate and inspect underground pipe segments. The

1 information was collected and recorded in GIS layers with GPS coordinates
2 and pictures at each location.

- 3 • Interview current and legacy water utility employees with knowledge of the
4 pipe locations and material.
- 5 • Conduct a review to verify the accuracy of the current GIS pipeline
6 information.

7 After SCE had exhausted various avenues for gathering information, SCE then
8 worked with a consultant to document the comprehensive assessment of the pipeline material and
9 material coatings throughout the Water utility. The documentation was then inputted into a GIS system.
10 The final report that provides documentation of Island-wide characterization of pipeline material was
11 completed in April 2024.

12 c) **Recorded Costs**

13 SCE recorded a total of \$0.765 million of Labor (premium time), Material,
14 Contract, and Other costs related to the CWPAMA, as summarized in Table II-9 below.

Table II-9
CWPAMA Recorded Costs
(Nominal \$)

Cost Category	2021	2022	2023	Total
Premium Time Labor	\$ 7,174			\$ 7,174
Material	\$ 93			\$ 93
Contract	\$ 630,645	\$ 70,867	\$ 51,121	\$ 752,634
Other	\$ 4,688	\$ 367	\$ 266	\$ 5,321
Total	\$ 642,600	\$ 71,235	\$ 51,387	\$ 765,221

15 2. **Catalina Water Decommissioned Pipe Memorandum Account (CWDPMA)**

16 a) **Background and Scope of Work**

17 In parallel with the system-wide assessment of SCE's water distribution
18 infrastructure on Catalina described above, SCE has been addressing decommissioned pipelines

1 containing PCBs in amounts exceeding the TSCA regulatory limit. For these pipelines, SCE performed
2 soil sampling and analysis, environmental permitting, and soil treatment or removal.

3 Initially, four miles of below-ground decommissioned pipelines were identified as
4 potentially containing PCBs exceeding the TSCA regulatory limit.⁶² Additional assessment and study
5 refined this number to a smaller figure of 1.6 miles. SCE also identified approximately 40 segments
6 (typically 1-3 feet in length) of above-ground decommissioned pipe containing PCBs exceeding the
7 TSCA regulatory limit. These segments were situated alongside the in-service pipeline. The referenced
8 equipment, both below-ground and above-ground decommissioned pipe, now require remediation by
9 SCE to comply with TSCA regulations.

10 From December 2019 to February 2020, SCE took prompt action to remove
11 above-ground decommissioned pipe that was readily accessible. SCE disposed of the removed pipe at a
12 TSCA-permitted facility. Because this pipe was readily accessible, there was no need for ground-
13 disturbing activity that would require environmental permitting in order to remedy the condition. After
14 removing the above-ground decommissioned pipe, SCE sampled the adjacent soil for contamination,
15 conferred with regulatory agencies, prepared a remediation plan, and filed for permits when required.
16 SCE undertook these steps in order to perform soil remediation in the locations where the above-ground
17 decommissioned pipe segments were previously removed.

18 In A.21-06-007, SCE requested that the Commission allow SCE to establish the
19 CWDPMA to do the following: (1) record the planning and project development costs required to
20 remediate the below-ground decommissioned pipe containing PCBs regulated under TSCA; and (2) to
21 record the soil remediation costs (including sampling, analysis, permitting and soil removal costs)
22 associated with previously-removed above-ground decommissioned pipe. The Commission approved
23 SCE's request to establish CWDPMA in D.22-09-008, with an effective date of June 4, 2021.

24 As described in A.21-06-007, the activities in scope are: (1) record the planning
25 and project development costs required to remediate the below-ground decommissioned pipe; and

⁶² The TSCA regulatory threshold for PCBs is 50 parts per million (ppm).

1 (2) record the soil remediation costs (including sampling, analysis, permitting and soil removal costs)
2 associated with previously-removed, above-ground decommissioned pipe. As of this filing, SCE has
3 completed Activity (2) – the remediation of the previously-removed above-ground decommissioned
4 pipe. Activity (1) includes planning and project development required to remediate the below-ground
5 decommissioned pipe. In this Application, SCE is only seeking recovery of the cost of the completed
6 Activity (2). SCE will file for recovery of costs for Activity (1) once that work has been completed in
7 the future.

8 **b) Schedule**

9 On September 15, 2022, SCE received approval from the Commission to start
10 recording costs associated with these activities commencing as of June 4, 2021. SCE completed
11 sampling, assessing, and developing a work plan in 2023. SCE then submitted a Removal Action Work
12 Plan to the California Department of Toxic Substances Control (DTSC) and the Environmental
13 Protection Agency (EPA) in May 2024. This Removal Action Work Plan received approval in July
14 2024. SCE executed the soil remediation work shortly thereafter and completed the field work by
15 December 2024. In March 2025, SCE submitted its Removal Action Completion Report to EPA and
16 DTSC as the concluding event for this activity.

17 **c) Recorded Costs**

18 SCE recorded \$1.462 million in Material, Contract, and Other costs related to
19 Activity (2), as summarized in Table II-10 below. This amount was only for the above-mentioned scope
20 encompassing Activity (2) (soil remediation of the previously-removed above-ground decommissioned
21 pipe). This activity was completed as of March 2025.

Table II-10
CWDPMA Recorded Costs
(Nominal \$)

Cost Category	2021	2022	2023	2024	Total
Material				\$ 412	\$ 412
Contract	\$ 122,996	\$ (78,941)	\$ 779,120	\$ 635,012	\$ 1,458,187
Other	\$ 120	\$ 440	\$ 1,968	\$ 955	\$ 3,484
Total	\$ 123,116	\$ (78,501)	\$ 781,087	\$ 636,379	\$ 1,462,082

1 **3. Catalina Water Rationing Memorandum Account (CWRMA)**

2 **a) Background and Scope of Work**

3 On April 12, 2021, Governor Newsom proclaimed a drought state of emergency
4 in three counties and ordered agencies to make Californians aware of the drought conditions and
5 encourage actions to reduce water usage. On May 10, 2021, Governor Newsom expanded the
6 proclaimed drought state of emergency to a total of 44 counties. On July 8, 2021, Governor Newsom
7 issued Executive Order N-10-21, directing agencies to take action to bolster drought resilience and
8 prepare for future drought impacts. Additionally, N-10-21 called on Californians to voluntarily reduce
9 their water use by 15 percent compared to 2020 levels. Also on July 8, 2021, the Water Division sent a
10 letter to all investor-owned water utilities, calling on them to achieve the 15 percent reduction in water
11 use from 2020 levels as stated in the N-10-21.

12 On August 20, 2021, SCE sent a letter to all SCE Water customers. The letter
13 informed them of voluntary conservation measures on the Island and encouraged them to preserve the
14 Island’s precious freshwater resources. On October 19, 2021, Governor Newsom expanded the
15 proclaimed drought state of emergency to six additional counties, including Los Angeles County, so that
16 in practical terms the drought state of emergency was in effect on a statewide basis. On March 28, 2022,
17 Governor Newsom issued Executive Order N-7-22, calling on Californians to strive to limit summertime
18 water use and to use water more efficiently in both indoor and outdoor situations.

19 SCE Water Tariff Schedule 14.1 defines the triggers for activating/deactivating
20 certain stages of mandatory conservation and rationing based on the water level in the Middle Ranch

1 Reservoir (MRR). SCE forecast that the MRR water level would drop below the Stage 1 threshold
2 (below 600 acre-feet) by June 2022. As such, on June 10, 2022, SCE filed Advice Letter 131-W to
3 activate Stage 1 Mandatory Water Conservation on Catalina with an effective date of July 11, 2022.⁶³
4 The Commission approved Stage 1 activation on July 21, 2022. Stage 1 continued until February 2,
5 2023 when a series of rain events resulted in a significant increase in the MRR water level from 456.41
6 acre-feet on January 9, 2023 to 737.5 acre-feet on January 30, 2023. With the MRR level continuing to
7 increase for weeks after the rain events and operation of the desalination plant to supply drinking water
8 to customers in Avalon, by February 2, 2023 water supplies were sufficient to meet the normal demands
9 of the system.⁶⁴

10 The work associated with implementing Stage 1 included customer outreach and
11 education. A public meeting was held on July 19, 2022 to increase community awareness of the drought
12 conditions, water conservation, and water use restrictions. Program updates were provided during
13 monthly Avalon City Council meetings from August 2022 through February 2023. In addition, weekly
14 updates were provided to the Catalina Chamber of Commerce to include in their “Thursday Updates”
15 emailed to Catalina businesses from August 2022 through February 2023. Lastly, ads were published in
16 the local newspaper (The Catalina Islander) through February 2023.

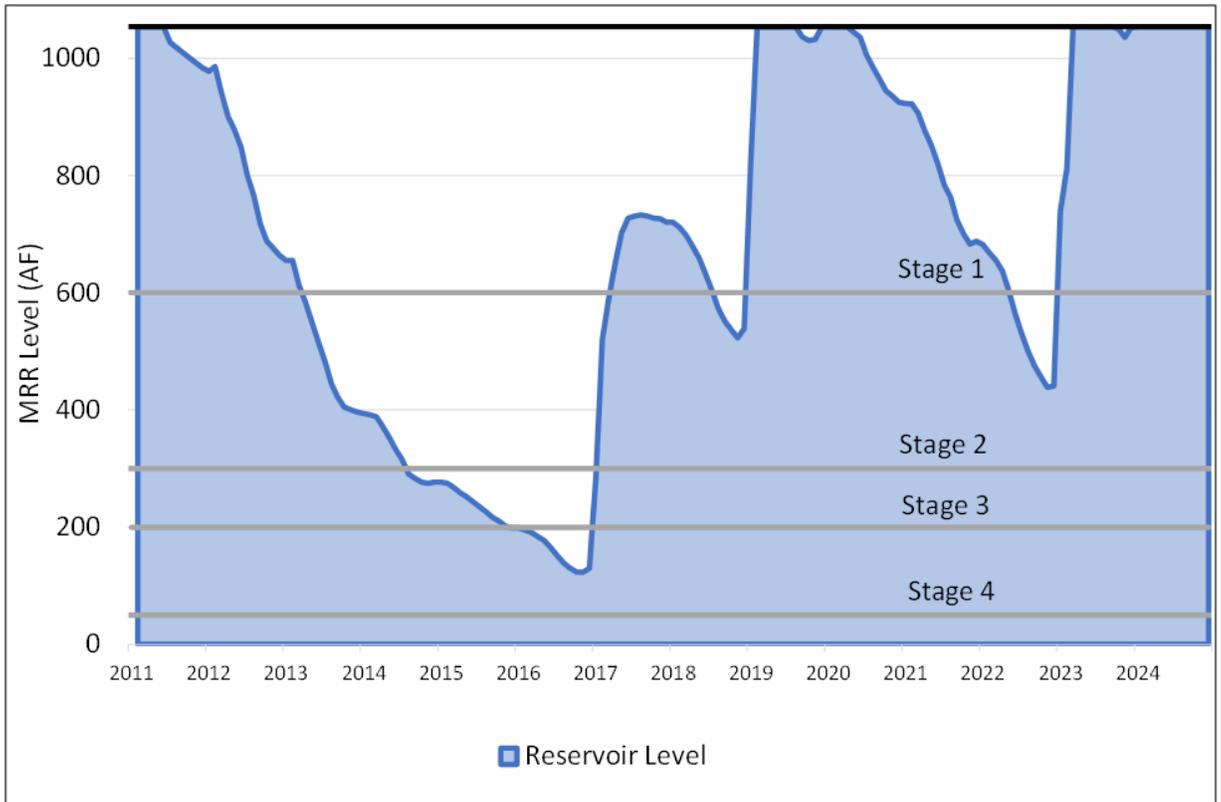
17 **b) Schedule**

18 Stage 1 Mandatory Water Conservation was in effect from July 21, 2022 through
19 February 2, 2023. Figure II-5 below illustrates the coinciding MRR level and covers the period SCE
20 charged costs to the CWRMA since July 21, 2022. Stage 1 continued until February 2, 2023.

⁶³ See Advice Letter 131-W, dated June 10, 2022. Approval from the Commission received on July 21, 2022.

⁶⁴ See Advice Letter 135-W, dated February 2, 2023. Approval from the Commission was received on February 24, 2023.

**Figure II-5
Middle Ranch Reservoir Level**



c) Recorded Costs

SCE is requesting recovery of \$16,797 related to the CWRMA as seen in Table II-11 below.

**Table II-11
Catalina Water Rationing Memorandum Account Recorded Costs
(Nominal \$)**

Cost Category	2022
Other	\$ 16,797
Total	\$ 16,797

1 **4. Lead and Copper Rule Memorandum Account (LCMA)**

2 **a) Background and Scope of Work**

3 On January 15, 2021, the EPA issued the revised Lead and Copper Rule (LCRR).
4 This regulation introduced several new compliance and reporting requirements for water systems in the
5 United States, some of which were required to be completed by October 16, 2024. The EPA’s revised
6 LCRR aims to protect consumers from the impact of lead exposure in drinking water. Under the LCRR
7 revisions, the EPA requires that public water systems conduct a comprehensive inventory of both utility-
8 owned and customer-owned service line materials. The LCRR requires SCE to identify any portion of a
9 service line and categorize it as either lead, galvanized, lead status-unknown, or non-lead (including
10 copper, plastic, or steel). SCE is also required to make the inventory of the type of pipe material publicly
11 available.

12 On December 16, 2021, the EPA published Docket No. EPA-HW-OW-2021-0255
13 in the federal register (Docket). Within the Docket, the EPA committed to propose and further revise the
14 LCRR by October 2024 with the Lead and Copper Rule Improvements (LCRI). The EPA proposed the
15 LCRI in November 2023. Those rules were finalized in October 2024. The LCRI became effective in
16 December 2024 with the main compliance deadlines due by November 1, 2027. The proposed LCRI
17 would add new requirements and delay the implementation of portions of the LCRR beyond the original
18 October 16, 2024 compliance date except for the service line material inventory requirements.

19 The EPA requires public and private water systems to comply with the update of
20 the LCRR. SCE prepared its SCE Water system for the LCRR, focusing on the regulatory requirements
21 that were due by October 16, 2024. SCE incurred costs in the course of complying with the revisions.
22 The LCRR requires a comprehensive inventory of service line materials on both SCE’s and the
23 customer’s side of the meter. This necessitates researching and documenting state and local plumbing
24 codes, permits and existing records, or other available historical records that indicate service line
25 materials. SCE also conducted field investigations to determine service line material when documents
26 and records were not available. Per EPA guidelines, SCE is responsible for eventually replacing lead
27 services lines on its side of the meter.

1 SCE filed Advice Letter 142-W on April 12, 2024, requesting that the
2 Commission grant SCE the authority to establish LCMA. The Commission approved SCE's request on
3 May 10, 2024.

4 SCE selected a consultant to prepare a lead service line inventory for its SCE
5 Water utility. SCE tasked the consultant with the following scope of work:

- 6 • Preparing the plan to be submitted to the California Division of Drinking
7 Water (DDW) for approval prior to enacting the field work.
- 8 • Performing the field work.
- 9 • Providing SCE with a final spreadsheet report of the findings for SCE to
10 submit to DDW.

11 After concluding the tasks, the consultant found no lead in any of SCE's Water System service lines.

12 **b) Schedule**

13 SCE submitted the plan to DDW for conducting the service line inventory on
14 July 3, 2024 and obtained DDW approval on July 8, 2024. The consultant then engaged in the field work
15 from August 5, 2024 through August 8, 2024 and provided SCE a final spreadsheet report. SCE then
16 submitted the final results to DDW on September 9, 2024, prior to the October 16, 2024 deadline. As
17 stated above, the consultant found no lead in any of SCE's Water service lines. Accordingly, SCE
18 included its non-lead statement in its annual Customer Confidence Report (CCR);⁶⁵ the most recent
19 CCR was published on July 1, 2025. A physical copy of the inventory is available at Pebbly Beach
20 Generating Station for view by the Public.

21 **c) Recorded Costs**

22 SCE recorded \$101,798 in the Lead and Copper Rule Memorandum Account, as
23 displayed in Table II-12 below.

⁶⁵ See Inventory Public Accessibility at https://www.waterboards.ca.gov/lead-copper-rule/water_system_resources.html.

Table II-12
Lead and Copper Memorandum Account Recorded Costs
(Nominal \$)

Cost Category	2025
Contract	\$ 101,798
Total	\$ 101,798

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III.

INTEREST COSTS AND FRANCHISE FEES AND UNCOLLECTABLES

SCE respectfully requests recovery of interest applied to the costs recorded to the five memorandum accounts. SCE seeks to recover recorded interest expenses totaling \$0.867 million (\$0.791 million for SCE Water and \$0.076 million for SCE Gas) through December 2025 and ongoing interest expenses until the memorandum account balances are fully recovered. SCE also seeks recovery of FF&U. FF&U is collected on revenue billed. As such, there is no recorded FF&U at this time. Below, SCE describes the FF&U methodology to update these rates annually.

Given SCE’s request to recover the Water memorandum account costs over five years, the appropriate and compensatory costs for financing a longer-term asset should be based on SCE’s CPUC-authorized Weighed Average Cost of Capital (WACC).⁶⁶ However, given the Commission’s treatment of memorandum account balances in D.23-12-007 and the unique affordability challenges affecting SCE Water, SCE proposes using the CP rate. The Commission should also make clear in its final decision that the stated approach on this issue is non-precedential and limited to the unique circumstances present on Catalina.⁶⁷

A. Recorded Interest Expenses

The recorded interest expenses through December 2025 by SCE Water and Gas for each memorandum account are presented in Table III-13 and Table III-14 below.

⁶⁶ See e.g., *SFPP, L.P. v. Pub. Utilities Comm’n*, 217 Cal.App.4th 784, 801 (2013) (“It is well settled that a utility is entitled to a reasonable return on its rate base, that is, ‘the value of the property which it employs for the convenience of the public...’” (quoting *Bluefield Water Works & Improvement Co. v. Public Serv. Comm’n*, 262 U.S. 679, 692 (1923)); see also *id.* (“[T]he return on equity should be sufficient to provide a margin of safety for payment of interest and preferred dividends, to pay a reasonable common dividend, and to allow for some money to be kept in the business as retained earnings ...”) (internal quotations omitted).

⁶⁷ See D.23-12-007, p. 62 (“These measures are exceptional and *should not be used as precedent.*”) (emphasis added), p. 78 (“To reduce rate shocks, in recognition of the large rate increase, SCE is directed to recover authorized recorded costs in its Lost Revenue Memo Account and Drought Memo Account costs over a ten-year period, plus interest at the commercial paper rate, starting in 2026 (TY+2). This is necessitated by the extraordinary circumstances on Catalina Island, where a large rate increase due to drought repercussions is compounded by the shifting of costs previously subsidized by electric ratepayers. *These actions should not be taken as precedential.*”) (emphasis added), Conclusions of Law 92 (The cost recovery framework adopted in this proceeding is *non-precedential and limited to the unique circumstances present on Catalina Island.*) (emphasis added).

Table III-13
SCE Water Memorandum Account Interest Expenses Through December 2025
(Nominal \$000s)

Memorandum Account	Interest Expense
CEMA - COVID-19	\$ 450
CEMA - Storm Events	\$ 62
CWPAMA	\$ 130
CWDPMA	\$ 141
CMRMA	\$ 3
LCMA	\$ 5
Total	\$ 791

Table III-14
SCE Gas Memorandum Account Interest Expenses Through December 2025
(Nominal \$000s)

Memorandum Account	Interest Expense
CEMA - COVID-19	\$ 76

B. Franchise Fees and Uncollectibles

Franchise Fees are charges applied to customers for the use of public rights-of-way and services, while Uncollectibles refer to costs that utilities cannot recover from customers. Franchise fees are calculated by multiplying the authorized Water and Gas franchise fee rate (currently one (1) percent) by the revenue requirement request. Similarly, uncollectible expenses are calculated by multiplying the annual rate based on the methodology adopted in SCE’s 2025 Electric GRC decision by the revenue requirement request.⁶⁸ SCE requests that the Commission adopt FF&U expenses based on the then-current franchise fee rate and the uncollectibles rate methodology to update the rate as part of the Water and Gas annual advice letters.

⁶⁸ See D.25-09-030, Section 18.1.4, pp. 459-60 regarding the methodology to annually update SCE’s uncollectibles factor. Because SCE does not yet know the franchise fee rates and uncollectible factors for 2027 and the years beyond, SCE calculated the FF&U rate using the current franchise fee rate of 1.0 percent and the 2026 uncollectibles factor of 0.297 percent.

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IV.

EARNINGS TESTS

Pursuant to SP U-27-W, memorandum account cost recovery requests require an Earnings Test.⁶⁹ SCE has developed Earnings Tests for 2020 through 2024.⁷⁰ In the previous Water and Gas GRCs, the Commission authorized a RoR. As such, SCE created a recorded Summary of Earnings using the SCE Water and SCE Gas annual reports and imputing a few cost categories. Using the Summary of Earnings and as directed in SP U-27-W, SCE increased the revenues by the amount of revenue we are requesting recovery for in this Application.⁷¹ The results for 2020 through 2024 show that except for 2024 for Water, SCE did not exceed the authorized RoRs in the case of both SCE Water and SCE Gas. Except for 2024 for Water, the Water and Gas memorandum account balances for 2020-2024 are therefore fully eligible for incremental cost recovery. Per SP U-27-W, for 2024 Water costs, SCE adjusted its revenue requirement request by the over-earning amount of \$93.3 thousand as discussed further below.⁷²

Table IV-15, below shows the Summary of Earnings for Water for 2020.⁷³ This table starts with the authorized Summary of Earnings from D.14-10-048.⁷⁴ SCE added USOAs to the authorized Summary of Earnings where costs were recorded.⁷⁵ SCE also aligned the authorized escalation amount to the authorized USOAs via a weighted average calculation. SCE then populated the recorded values based on the SCE Water 2020 Annual Report and recorded costs in our financial system. For some

⁶⁹ See SP U-27-W, Section C – Scope and History, Memorandum Accounts, part 28.

⁷⁰ SCE will construct an Earnings Test for 2025 when its annual reports are completed near the end of April 2026. SCE plans to then submit supplemental testimony during the first week of May 2026 with the 2025 Earnings Test information. SCE intends to make appropriate adjustments to the requested revenue and proposed surcharges should the 2025 Earnings Tests demonstrate that SCE Water and/or SCE Gas is earning more than its authorized RoR.

⁷¹ Including interest expense and FF&U.

⁷² See SP U-27-W, Section H – Earnings Tests, 58.

⁷³ See Appendix D for the Summary of Earnings for Water and Gas for all other years.

⁷⁴ See D.14-10-048, Appendix B.

⁷⁵ This includes USOAs that were forecast to be \$0 and/or not included in A.10-11-009.

1 accounts, SCE does not record specific Water and Gas costs because Water and Gas are divisions within
2 SCE, and some financials are accounted for at the SCE company level. As such, SCE calculated the
3 FF&U recorded amounts using the authorized percentages.

4 SCE also used a calculated A&G amount that is based on an authorized four-factor
5 methodology.⁷⁶ The four-factor rate was also applied to derive Materials and Supplies and Customer
6 Deposits as part of recorded rate base. SCE used the authorized amount for Revenue Credits to complete
7 the 2020 recorded values for Water. Next, SCE applied the SCE Water 2020 requested revenue amount
8 in this Application and applied the current federal and California income tax rates (less the federal
9 benefit of state tax deduction) to complete the Earnings Test. The SCE Water 2020 recorded Summary
10 of Earnings shows a *negative 30.17%* RoR. After applying the SCE Water 2020 requested revenue and
11 the federal and state income taxes, the RoR increases to a *negative 21.25%*. This value then gets
12 compared to the authorized RoR of 7.90%. This test demonstrates that for year 2020, SCE Water will
13 not be earning more than its authorized RoR after recovering the 2020 requested revenue.

⁷⁶ See SP U-6-W, Allocation of Administrative and General Expenses and Common Plant and the Four-Factor Allocation Method. Available at https://docs.cpuc.ca.gov/WORD_PDF/REPORT/113899.pdf.

Table IV-15
SCE Water 2020 Summary of Earnings and Earnings Test
(Nominal \$000)

USOA	Item	2011 Test Year GRC Authorized			Recorded	Requested Revenue	Earnings Test
		Decision	Decision - Escalation	Decision - Total with Escalation			
470	Operating Revenues: General Metered Sales	\$ 4,130		\$ 4,130	\$ 4,625	\$ 2,192	\$ 6,817
	Operating Expenses:						
618	Other Volume Related Expenses	\$ -	\$ -	\$ -	\$ 101		\$ 101
615, 630, 640, 650, 660	Other	\$ 2,228	\$ 115	\$ 2,343	\$ 5,246		\$ 5,246
	Subtotal Other	\$ 2,228	\$ 115	\$ 2,343	\$ 5,347		\$ 5,347
670, 671, 681, 689, 800, A&G Allocation	A&G	\$ 573	\$ 29	\$ 602	\$ 3,463		\$ 3,463
676	Uncollectibles	\$ 9	\$ -	\$ 9	\$ 10		\$ 10
678	Office Service & Rentals	\$ -	\$ -	\$ -	\$ 203		\$ 203
682	Professional Services	\$ -	\$ -	\$ -	\$ 1,745		\$ 1,745
688	Regulatory Commission Exp.	\$ -	\$ -	\$ -	\$ 58		\$ 58
480	Revenue Credits	\$ (154)	\$ -	\$ (154)	\$ (154)		\$ (154)
689-927	Franchise Fees	\$ 41	\$ -	\$ 41	\$ 46		\$ 46
	<u>Escalation</u>	\$ 144	\$ -	\$ -	\$ -		\$ -
	Total Operating Expenses	\$ 2,841	\$ 144	\$ 2,841	\$ 10,717		\$ 10,717
	Depreciation	\$ 667		\$ 667	\$ 977		\$ 977
408	Taxes Other Than Income	\$ 214		\$ 214	\$ 197		\$ 197
	Income Taxes	\$ (439)		\$ (439)	\$ (1,928)	\$ 613	\$ (1,314)
	Total Deductions	\$ 3,284		\$ 3,284	\$ 9,964		\$ 10,577
	Net Revenue	\$ 846		\$ 846	\$ (5,339)		\$ (3,760)
	Rate Base	\$ 10,709		\$ 10,709	\$ 17,700		\$ 17,700
	Rate of Return	7.90%		7.90%	-30.17%		-21.25%

Table IV-16 and Table IV-17 below provide the SCE Water and SCE Gas, respectively, authorized, recorded, and Earnings Test RoRs for 2020 through 2024. The tables show that, with the exception of year 2024 for Water, even with SCE’s requests in this Application, SCE Water and SCE Gas will still not earn the authorized RoRs for years 2020 through 2024. Thus, pursuant to SP U-27-W, SCE needs to make a downward adjustment to its revenue request for Water for 2024 only. All other years’ requested revenue is fully eligible for incremental cost recovery (subject to reasonableness review).

Table IV-16
SCE Water 2020 – 2024 Summary of Earnings Tests

Year	Authorized RoR	Recorded RoR	Earnings Test RoR
2020	7.90%	-30.17%	-21.25%
2021	7.90%	-17.77%	-12.81%
2022	7.90%	-16.58%	-16.38%
2023	7.90%	-15.63%	-10.78%
2024	7.87%	0.97%	8.44%

Table IV-17
SCE Gas 2020 – 2024 Summary of Earnings Tests

Year	Authorized RoR	Recorded RoR	Earnings Test RoR
2020	8.75%	-24.00%	-17.02%
2021	8.75%	-8.37%	-6.32%
2022	8.75%	-4.52%	-4.46%
2023	8.75%	2.63%	3.14%
2024	8.75%	-4.28%	-3.71%

A. Water 2024 Adjustment

As shown in Table-III-15, for year 2024, SCE Water’s authorized RoR is 7.87% and the Earnings Test produces a RoR of 8.44%. Should the Commission find that SCE Water’s costs in this Application are reasonable, SCE needs to adjust its incremental Water revenue request for 2024 downward such that the Water Earnings Test RoR equals the Water Authorized RoR for 2024. Reducing the 2024 revenue by \$93.3 thousand results in an Earnings Test RoR of 7.87%. Table III-17 below shows the Water costs, interest expenses, and FF&U⁷⁷ by year through 2025 and the downward adjustment for 2024.

⁷⁷ FF&U is estimated per currently authorized rates.

Table IV-18
SCE Water 2020 – 2025 Costs, Interest and FF&U By Year and RoR Adjustment
for 2024
(Nominal \$000)

Year	Costs	Interest	FF&U	Total
2020	\$ 2,164	\$ 0	\$ 28	\$ 2,192
2021	\$ 1,193	\$ 3	\$ 16	\$ 1,211
2022	\$ (11)	\$ 57	\$ 1	\$ 47
2023	\$ 904	\$ 194	\$ 14	\$ 1,112
2024				
Base	\$ 1,428	\$ 261	\$ 22	\$ 1,711
Adjustment	\$ (78)	\$ (14)	\$ (1)	\$ (93)
Net	\$ 1,350	\$ 247	\$ 21	\$ 1,618
2025	\$ 102	\$ 276	\$ 5	\$ 382
Totals	\$ 5,701	\$ 777	\$ 85	\$ 6,563

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V.

COST RECOVERY RATEMAKING PROPOSAL

A. Ratemaking

This section presents SCE’s ratemaking proposal and revenue requirements to recover the costs recorded to the five memorandum accounts and maintain affordable service for SCE Water and Gas customers. First, we provide a brief overview of the ratemaking authorized in SCE’s last Water and Gas GRCs.

1. D.23-12-007 Ratemaking

For SCE Water, in D.23-12-007, the Commission authorized the following ratemaking:

- A 2024 revenue requirement of \$10.364 million with future adjustments for factors such as escalation rates, cost of capital, and rate base offset requests.
- A 5-year phase in of the 2024 revenue requirement.
- A new Deferred Revenue Requirement Tracking Memorandum Account (DRRTMA) to track the 5-year phase in deferred revenue; this will be recovered from SCE Water customers over a 15-year period starting in 2025.
- Recovery of approximately \$4.281 million for costs recorded to the Lost Revenue Memorandum Account and the Drought Memorandum Account over a 10-year period starting in 2026.
- Interest for memorandum accounts to be accrued at the 90-day CP, non-financial rate as published in the Federal Reserve Statistical Release H.15 due to the exceptional circumstances on Catalina.

Table V-19 below presents the current adjusted revenue requirement with the 5-year rate phase-in as filed in Advice 152-W.

Table V-19
Catalina Water Adjusted Revenue Requirement with Five Year Rate Phase-In Pursuant to Advice
152-W
(Nominal \$ millions)

Line	Item	Current	TY 2024	2025	2026	2027	2028	2029
1	Base Revenue Requirement	\$ 4.130	\$ 10.579	\$ 10.641	\$ 10.908	\$ 11.135	\$ 11.311	\$ 11.515
2	Revenue Requirement Collected in Rates	\$ 4.130	\$ 5.522	\$ 6.904	\$ 8.373	\$ 9.842	\$ 11.311	\$ 11.515
3	Revenue Change (\$)		\$ 1.392	\$ 1.382	\$ 1.469	\$ 1.469	\$ 1.469	
4	Rate Change (%)	\$ -	33.7%	25.0%	21.3%	17.5%	14.9%	1.8%
5	Annual Revenue Deferral	\$ -	\$ 5.057	\$ 3.737	\$ 2.535	\$ 1.293	\$ -	\$ -
6	DRRTMA Balance (Cumulative)	\$ -	\$ 5.057	\$ 8.794	\$ 11.329	\$ 12.622		
7	Restated RREQ	\$ 4.130	\$ 5.522	\$ 6.904	\$ 8.373	\$ 9.842	\$ 11.311	\$ 11.515
8	Total Memo Account (CWRMA & CWLRMA)	\$ -	\$ -	\$ 0.599	\$ 0.599	\$ 0.599	\$ 0.599	\$ 0.599
9	DRRTMA			\$ 0.834	\$ 1.083	\$ 1.083	\$ 1.083	\$ 1.083
10	Total Recovered in Water Rates	\$ 4.130	\$ 5.522	\$ 7.738	\$ 10.054	\$ 11.523	\$ 12.992	\$ 13.197
11	Year-over-year Percent Increase		34%	40%	30%	15%	13%	2%

The current authorized revenue to be recovered in Water rates results in year-to-year percent revenue increases of 34% for previous authorized revenue (or “Current” in the table above) to 2024, 40% for 2024 to 2025, 30% for 2025 to 2026, 15% for 2026 to 2027, 13% for 2027 to 2028, and 2% for 2028 to 2029.

2. D.25-06-010 Ratemaking

For Catalina Gas, in D.25-06-010, the Commission authorized the following ratemaking:

- A 2025 revenue requirement of \$2.079 million; and \$2.262 million, \$2.294 million, and \$2.340 million for attrition years 2026, 2027, and 2028, respectively.
- Submit a Tier 1 Advice Letter to update revenue requirements post the 2025 Test Year through 2028, including adjustments for factors such as escalation rates, cost of capital, and rate base offset requests.

Table V-20 below presents the current adjusted Gas revenue requirement as approved in Advice 272-G-A.

Table V-20
Catalina Gas Adjusted Revenue Requirement Pursuant to Advice 272-G-A
(Nominal \$ millions)

Item	Current	2025	2026	2027	2028
Authorized Base Revenue Requirement	\$ 1.451	\$ 2.066	\$ 2.252	\$ 2.287	\$ 2.335
Year-over-year Percent Increase		42%	9%	2%	2%

1 Per Advice 272-G-A, the authorized revenue to be recovered in Gas rates results in year-
2 to-year percent revenue increases of 42% for previous authorized revenue (or “Current” in the table
3 above) to 2025, 9% for 2025 to 2026, 2% for 2026 to 2027, and 2% for 2027 to 2028.

4 **3. Proposed Water Ratemaking**

5 Pursuant to D.23-12-007, SCE has implemented the recovery of revenue requirements
6 through a longer amortization period to reduce the overall impact on customers’ bills. In D.23-12-007,
7 SCE was authorized the recovery of the Catalina Water Lost Revenue Memorandum Account
8 (CWLIRMA) and the Catalina Water Rationing Memorandum Account (CWRMA). Pursuant to the
9 decision, the Commission adopted a ten-year amortization period for the CWLRMA, and the Catalina
10 CWRMA⁷⁸ to avoid rate shock. Given the unique circumstances regarding affordability for SCE Water
11 customers, SCE proposes recovering the costs recorded to the memorandum accounts⁷⁹ in this
12 proceeding over a five-year period similar to the five-year phase-in and authorized amortization of the
13 CWLRMA and CWRMA. Including estimated interest and FF&U through 2031, the total revenue
14 proposed to be recovered is \$7.382 million.⁸⁰ We propose to recover this amount over five years
15 beginning 30 days after a final decision in this proceeding using then-current CP rates, as previously
16 approved in D.23-12-007.⁸¹ SCE proposes a smaller revenue amount for 2027 and then larger amounts
17 for the subsequent four years. This results in additional revenue of approximately \$0.656 million in 2027
18 and \$1.681 million for each of the subsequent four years.

⁷⁸ D.23-12-007, OP 4 and 5, Section 7.3

⁷⁹ Water CEMA, CWPAMA, CWDPMMA, CWRMA, LCMA

⁸⁰ The proposed Water revenue is inclusive of the \$93.3 thousand reduction as described in Section IV.A.

⁸¹ D.23-12-007, pp. 55-56.

1 Table V-21⁸² shows the proposed ratemaking table. Line 11 represents the proposed
 2 additional annual revenue requirement beyond currently authorized revenues. Line 12 sums this
 3 proposed annual amount with the currently authorized revenue amounts, which would constitute the new
 4 authorized revenue requirement to be recovered from Water customers. Line 13 provides the year-over-
 5 year percent increase of the proposed revenues (Line 12).

Table V-21
SCE Water Revenue Requirement in Advice Letter 152-W Plus this Application's Revenue
Requirement
(Nominal \$ millions)

Line	Item	Current	TY 2024	2025	2026	2027	2028	2029	2030	2031
1	Base Revenue Requirement	\$ 4.130	\$ 10.579	\$ 10.641	\$ 10.908	\$ 11.135	\$ 11.311	\$ 11.515	\$ 11.726	\$ 12.019
2	Revenue Requirement Collected in Rates	\$ 4.130	\$ 5.522	\$ 6.904	\$ 8.373	\$ 9.842	\$ 11.311	\$ 11.515	\$ 11.726	\$ 12.019
3	Revenue Change (\$)		\$ 1.392	\$ 1.382	\$ 1.469	\$ 1.469	\$ 1.469			
4	Rate Change (%)	\$ -	34%	25%	21%	18%	15%	2%	2%	2%
5	Annual Revenue Deferral	\$ -	\$ 5.057	\$ 3.737	\$ 2.535	\$ 1.293				
6	DRRTMA Balance (Cumulative)	\$ -	\$ 5.057	\$ 8.794	\$ 11.329	\$ 12.622				
7	Restated RREQ	\$ 4.130	\$ 5.522	\$ 6.904	\$ 8.373	\$ 9.842	\$ 11.311	\$ 11.515	\$ 11.726	\$ 12.019
8	Total Memo Account (CWRMA & CWRMA)	\$ -	\$ -	\$ 0.599	\$ 0.599	\$ 0.599	\$ 0.599	\$ 0.599	\$ 0.599	\$ 0.599
9	DRRTMA	\$ -	\$ 0.834	\$ 1.083	\$ 1.083	\$ 1.083	\$ 1.083	\$ 1.083	\$ 1.083	\$ 1.083
10	Total Recovered in Water (currently authorized)	\$ 4.130	\$ 5.522	\$ 7.738	\$ 10.054	\$ 11.523	\$ 12.992	\$ 13.197	\$ 13.407	\$ 13.701
11	Application Proposed Memo Accounts Revenue					\$ 0.656	\$ 1.681	\$ 1.681	\$ 1.681	\$ 1.681
12	Proposed Recovered in Water Rates	\$ 4.130	\$ 5.522	\$ 7.738	\$ 10.054	\$ 12.180	\$ 14.674	\$ 14.878	\$ 15.089	\$ 15.382
13	Year-over-year Percent Increase		34%	40%	30%	21%	20%	1%	1%	2%

6 SCE's proposal to commence the recovery of the smaller additional annual revenue in
 7 2027 and increase the amounts for 2028 through 2031 is driven by multiple factors. First, given the
 8 ratemaking in D.23-12-027, SCE's proposal balances the year-to-year percent increase in revenue over
 9 the authorized 5-year phase-in. Table V-22, below, compares the year-to-year percentage increases of
 10 currently authorized revenues against SCE's proposed revenues in this Application.

⁸² Table V-24 provides the proposed ratemaking through 2029, even though the recovery period will extend through 2036 consistent with D.23-12-007, Table 4, p. 74.

Table V-22
SCE Water Authorized Versus Proposed Comparison of Year-to-Year Percent Revenue Increase

Item	TY 2024	2025	2026	2027	2028	2029	2030	2031
Authorized	34%	40%	30%	15%	13%	2%	2%	2%
Proposed	34%	40%	30%	21%	21%	1%	1%	2%
Delta (Proposed - Authorized)	0%	0%	0%	7%	8%	0%	0%	0%

1 The table above shows the year-to-year percentage change in revenue increasing for 2024
2 and 2025 and then declining from 2025 to 2029 for currently authorized revenues. SCE’s proposed
3 revenue increase from 2026 to 2027 is 15% to 21%, or approximately a 7% increase. Year 2028
4 compared to 2027 is then increased approximately 8% from authorized, yet is approximately equal to the
5 proposed 2026 to 2027 revenue increase. From 2029 through 2031, the year-to-year percent change is
6 practically the same as currently authorized. Initiating the revenue increase in 2027 maintains a similar
7 bell-shaped pattern for the year-to-year percentage revenue increase and does not significantly increase
8 the percentage increase in revenue from 2026 to 2027, or 2027 to 2028.

9 Second, SCE anticipates filing its next Water GRC for a Test Year 2029 or 2030. The
10 proposed revenue increases for 2029 through 2031 in this Application are 1 to 2 percent. Should SCE’s
11 next Water GRC request a rate increase, SCE’s proposed ratemaking herein will mitigate a potential
12 compounding rate increase.

13 Third, SCE anticipates its Catalina Water Pipeline Project (CWPP)⁸³ will be operational
14 between 2030 and 2032. SCE has previously disclosed that this nine-mile pipeline project, which
15 supplies water to the Two Harbors water system, needs to be remediated.⁸⁴ SCE is still in the planning
16 and engineering phase for this project. However, the preliminary cost estimate for this project currently
17 ranges between \$25 to \$45 million.⁸⁵ Once this project is closed to plant and based on the current cost

⁸³ The CWPP refers to the remediation of the Two Harbors Pipeline that traverses approximately nine miles over rugged and rural terrain from the Middle Ranch area to the MGT located near Two Harbors.

⁸⁴ See A.21-06-007, pp. 4-5.

⁸⁵ SCE has previously informed the Commission of the potential large cost for this project and remediation for other facilities. See, e.g., A.21-06-007, p. 7.

estimates, it will trigger a large revenue increase. The proposed 5-year recovery period and revenue profile will help mitigate the required revenue to recover the CWPP costs.

4. Proposed Gas Ratemaking

Including forecast interest expenses and FF&U through 2028, the total revenue proposed to be recovered is \$0.544 million. We propose to recover this amount over two years beginning in 2027 using the then-current CP rates, as previously approved in D.23-12-007.⁸⁶ This results in additional revenue of approximately \$0.272 million in 2027 and 2028. Table V-22 sets forth SCE’s proposed ratemaking. The table shows the currently authorized revenue through 2028. Then, the additional annual revenue requirement beyond currently authorized revenues is shown for years 2027 and 2028. The table then sums up the additional annual amounts with the currently authorized revenue amounts to derive and display what the new authorized revenue requirement to be recovered from SCE Gas customers would be.

***Table V-23
SCE Gas Adjusted Revenue Requirement in Advice Letter 272-G Plus this Application’s
Revenue Requirement
(Nominal \$ millions)***

Item	Current	2025	2026	2027	2028
Authorized Base Revenue Requirement	\$ 1.451	\$ 2.066	\$ 2.252	\$ 2.287	\$ 2.335
Proposed Base Revenue Requirement Increase				\$ 0.272	\$ 0.272
New Revenue Requirement	\$ 1.451	\$ 2.066	\$ 2.252	\$ 2.559	\$ 2.607
Year-over-year Percent Increase		42%	9%	14%	2%

Table V-24 compares the year-to-year percentage increases of currently authorized Gas revenues with SCE’s proposed Gas revenues in this Application.

⁸⁶ D.23-12-007, pp. 55-56.

Table V-24
SCE Gas Authorized Versus Proposed Comparison of Year-to-Year Percent Revenue Increase

Item	2025	2026	2027	2028
Authorized	42%	9%	2%	2%
Proposed	42%	9%	14%	2%
Delta (Proposed - Authorized)	0%	0%	12%	0%

1 The table above shows the year-to-year percentage change in authorized revenues
2 increasing significantly for 2025 (as already approved by the Commission), then reducing in 2026 and
3 further reducing in 2027 and 2028. SCE’s proposed revenue in this Application would increase the year-
4 to-year percent increase in revenue from 2026 to 2027, going from 2% to 14%, or approximately a 12%
5 increase. Year 2028 compared to 2027 then shows no change in percent revenue increase. The proposed
6 revenue increase in 2027 of 12% (compared to 2027 authorized revenue) is only 5% greater than the
7 increase from 2025 to 2026. In light of the relatively small percentage increase compared to the 2025 to
8 2026 revenue increase, the Commission should find SCE’s proposed ratemaking reasonable.

9 Pursuant to D.25-06-010, the Commission authorized SCE to establish the Gas Base
10 Revenue Requirement Balancing Account (GBRRBA).⁸⁷ The purpose of the GBRRBA is to track the
11 difference of SCE Gas’ authorized revenue requirement (excluding any Gas Cost Adjustment Clause
12 costs) and the amount of the revenue recovered from customers. The establishment of the GBRRBA will
13 allow SCE Gas to recover no more and no less than its authorized revenue shortfall (i.e.,
14 undercollection) or return any revenue overcollection in the following year.

15 Moreover, the Commission allows SCE to transfer, upon Commission approval, the
16 balances of its Catalina Gas Federal Grant Memorandum Account (CGFGMA),⁸⁸ Catalina
17 Electrification Transition Memorandum Account (CETMA),⁸⁹ and the Catalina General Rate Case

⁸⁷ D.25-06-010, Section 4.10.2 and OP 8.

⁸⁸ D.25-06-010, Section 4.10.3

⁸⁹ Advice 268-G

1 Revenue Requirement Memorandum Account (CGGRCRRMA)⁹⁰ to the GBRRBA to be recovered from
2 customers. On August 1, 2025, SCE submitted Advice 268-G⁹¹ in accordance with the Decision to
3 establish the GBRRBA and SCE will seek recovery of any over- or undercollection recorded in the
4 GBRRBA by filing a Tier 1 Advice Letter annually by March 30. Consistent with the ratemaking
5 treatment for the other memorandum accounts approved in the 2025 Gas GRC, SCE proposes, upon
6 Commission approval, to transfer SCE Gas' CEMA revenue requirement, including interest, to the
7 GBRRBA to be recovered from customers through the annual advice letter filing process.

⁹⁰ Advice 266-G, the Commission adopted Advice 266-G, which provided that the CGGRCRRMA balance will be transferred to the applicable revenue balancing account for recovery in customers rates. SCE filed Advice 268-G, which updated the language of the CGGRCRRMA to include the GBRRBA, as the revenue balancing account it will transfer into to be collected from customers.

⁹¹ On August 15, 2025, the Commission approved Advice 268-G.

1 VI.

2 **PROPOSED COST RECOVERY STRATEGIES, RATE DESIGN, AND ADDITIONAL WATER**
3 **REVENUE SOURCES**

4 **A. Introduction**

5 This chapter presents SCE’s proposed Water and Gas cost recovery strategies and additional
6 Water revenue sources, along with Water and Gas rate design proposals to recover the Water and Gas
7 revenue requirements presented in Chapter V. We also describe alternative Water cost recovery
8 opportunities assessed but ultimately not proposed in this Application. However, SCE intends to
9 continue evaluating these and other ideas for potential use in future Water cost recovery filings. We first
10 present the cost recovery proposal for Water and then address Gas below.

11 **1. Water Cost Recovery Strategy**

12 Given the relatively substantial revenue and rate increases authorized in D.23-12-007 as
13 well as the extended recovery period of those increases, SCE’s Water cost recovery strategy is to file, on
14 an as-needed basis, cost recovery applications and/or advice letter filings that are narrow in scope prior
15 to filing a Test Year 2029 or 2030 GRC. Thus, this cost recovery request is intentionally limited to costs
16 recorded in five memorandum accounts for work that has been completed. The requested revenue
17 requirement increase is also structured in a manner similar to the Commission’s 5-year phase-in and
18 treatment of memorandum account balances in the last Water GRC. Other key Water cost recovery
19 objectives include the following:

- 20
- Limiting increases in and/or reducing the affordability ratio (AR₂₀) for residential
21 customers;
 - Designing rates to target customers that can pass on the cost of increased bills to
22 tourists; and
 - Developing new revenue sources that have the ability to reduce rates/bills and/or to
23 mitigate the proposed revenue increase in this filing and future filings
24
25

1 a) **Rate Design Proposal**

2 Without new revenue sources, the proposed Water revenue increase must be
3 designed into the existing rate structure in order to recover the costs. In the last Water GRC, the
4 Commission highlighted its concern with the AR₂₀ for residential customers.⁹² Given that residential
5 customers are estimated to have an AR₂₀ value of 32.79 in 2028,⁹³ SCE proposes to pass this rate
6 increase on to non-residential customers only.

7 To help ensure that residential customers are not negatively impacted by this cost
8 recovery proposal, SCE proposes a surcharge for non-residential customers to recover the proposed
9 water revenue requirement in this Application. For example, as part of the currently authorized rate
10 design, approximately 60% of revenues are allocated to non-residential customers, while residential
11 customers are allocated approximately 40% of the revenues, based on historical water usage by these
12 two groups.⁹⁴

13 Additionally, all customers have the same seasonal rate revenue recovery
14 allocations: 55% recovered during the summer months (June through September) and 45% recovered
15 during the winter months (October through May). Any change to these rate design factors would impact
16 all customer rates. Accordingly, SCE is proposing a “surcharge” rate design for the incremental
17 revenues to help ensure that residential customers’ (including CARE residential customers’) AR₂₀ values
18 will not be impacted as a result of this filing.

19 SCE’s Water rate design proposal thus results in an approximate 30% surcharge
20 to the variable usage charge for commercial and irrigation customers. Below, SCE further describes the
21 background, proposed surcharge, and bill impacts.

22 **(1) Non-Residential Surcharge**

23 SCE’s current rate design was adopted in D.23-12-007 and includes the
24 following three non-residential rate schedules:

⁹² D.23-12-007, pp. 77-78.

⁹³ D.23-12-007, p. 78.

⁹⁴ D.23-12-007, p. 74 and Finding of Fact 104.

- W-1-GS: This rate schedule is what all commercial and industrial customers have. It is a General Service to separately metered customers for uses other than residential, irrigation, or private fire protection.
- W-3: This rate schedule is solely for irrigation purposes.
- W-4: This rate schedule is solely for private fire protection systems.

SCE proposes a surcharge for customers on the W-1-GS and W-3 non-residential rate schedules. SCE has approximately 67 customer accounts currently taking service on the W-3 Irrigation rate schedule. While not all of these accounts are commercial businesses, the authorized W-3 rates are designed to match the W-1-GS rates.⁹⁵ Additionally, given the severe, periodic drought conditions affecting Catalina and lack of fresh water supplies on Catalina, it is worth noting that of all the suitable uses of SCE Water’s potable water supply, irrigation is one of the least critical for human health. For these reasons, we propose including the W-3 rate schedule as part of this proposal. We do not propose to include the W-4 fire protection system rate schedule because it is simply a fixed amount, and many residential customers also have this rate schedule for their fire protection systems.

To determine the surcharge, SCE used the 2026 forecast usage for its W-1-GS and W-3 customers and the requested revenue requirements. As described below, this will result in an approximate 8 to 11 percent increase to the W-3 and W-1-GS customers’ average monthly bills for 2027, followed by an approximate 16 to 24 percent annual increase for years 2028 through 2031.

(2) Bill Impacts

Based on the proposed surcharge, Table VI-25 below shows the average monthly bill impacts for 2027-2031. This table compares authorized, estimated average monthly bills per Advice 152-W with the proposed average monthly bills in this Application.

⁹⁵ Not all customers on the W-1-GS rate schedule are commercial customers (e.g., meters that serve government facilities are assigned to a W-1-GS rate schedule).

Table VI-25
2027-2031 Average Monthly Water Bill Impact by Customer Class

Customer Class	2027			2028			2029			2030			2031		
	Auth.	Prop.	% Inc.												
Non-residential	\$1,397	\$1,545	11%	\$1,575	\$1,955	24%	\$1,600	\$1,980	24%	\$1,625	\$2,005	23%	\$1,661	\$2,041	23%
Irrigation	\$ 457	\$ 491	8%	\$ 515	\$ 604	17%	\$ 523	\$ 612	17%	\$ 531	\$ 620	17%	\$ 543	\$ 632	16%

b) Other Rate Strategies Assessed But Not Proposed

As part of SCE’s rate strategy assessment, we considered other water rate design changes. These included extending the summer season months, charging residential vacation homes a surcharge, and adding a water system fee for customers that are served by Catalina’s more remote water systems. We do not propose these changes at this time; however, we describe them below and outline the reasons why we do not believe they should be implemented at this time.

(1) Extended Summer Season

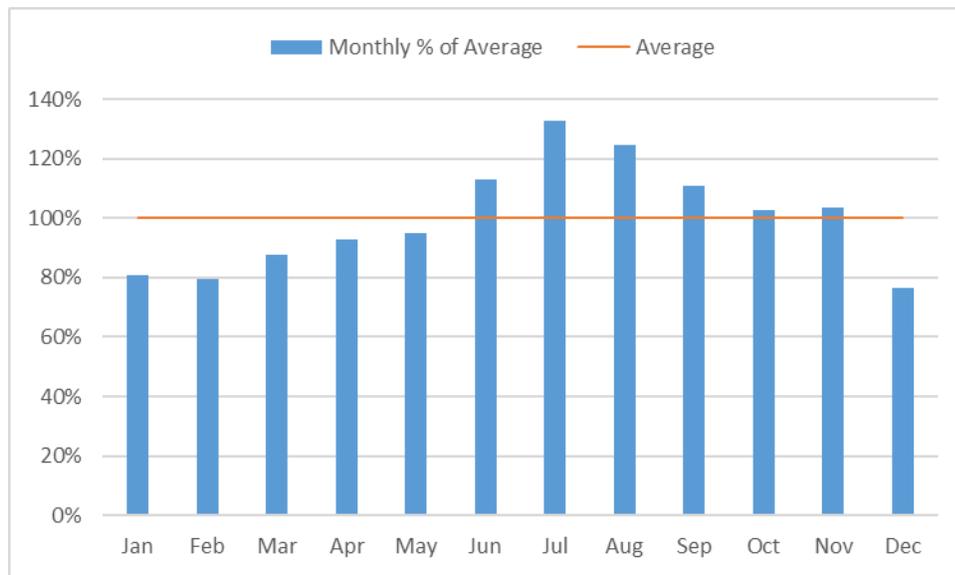
As noted above, the current authorized rate design includes lower rates during the winter season and higher rates during the summer season. Eight months are within the winter season and four months are within the summer season. Seasonal rates were designed to better reflect the seasonal pattern of Catalina visitors that can triple Catalina’s population during the summer months. We assessed adding an additional two to four months to the summer season.

In evaluating the average monthly water demand, a case can be made to extend the summer season from March to November or from June to November. Figure VI-6 below shows the average demand over five years ratioed with the average demand by month to create a percentage value. A 100% value represents the average demand. Percentages below this value show lower than average demand, and percentages above 100% represent higher than average demand.

The 5-year average water demand by month shows the current summer season’s demand being the highest, peaking in July. Beyond the current summer season period, October and November are the highest usage months, with both exceeding the average usage. As seen in the graph, January, February, and December show less than 80% of average usage, which coincides with

1 fewer tourists.⁹⁶ Water demand, in large part driven by tourism on the Island, starts to pick up in March
2 with increments in April and May, and then a large jump beginning in June.

Figure VI-6
Historical 5-Year Monthly Usage (2020-2024)
% of Annual Average Water Demand



3 By extending the summer months, SCE would need to recalibrate
4 residential rates as well, leading to potentially higher rates for all residential customers. While it is
5 possible to extend the summer season months and model rates to recover the proposed additional
6 revenue, SCE does not recommend this option at this time. SCE intends to continue evaluating an
7 extension of the summer season months for potential inclusion in future filings.

8 **(2) Residential Vacation Rental Surcharge**

9 The City of Avalon (City) issues licenses for residential properties that are
10 mixed use – residential/transient, short-term rentals, and year-round rentals. The City views most of
11 these properties with licenses as commercial businesses. In light of this, SCE assessed its ability to
12 identify these properties, create and add a surcharge to these customers’ bills, and how we might
13 administer a vacation rental surcharge for this customer group. In collaboration with the City, SCE

⁹⁶ “Avalon Passenger Counts by Month, Year and Type 2009-2025.” <https://www.lovecatalina.com/community-information/visitor-statistics/>.

1 obtained a list of vacation rentals, defined as properties for which the City has issued a license to
2 homeowners to operate a residential vacation rental on a short-term basis. SCE cross-referenced the
3 City's records with our records and identified approximately 350 such residential accounts, i.e.,
4 approximately 350 accounts are on residential rate schedules but operate at least part of the year as
5 short-term vacation rentals. This amounts to approximately 23 percent of all current water customers on
6 a residential rate schedule. While this is a relatively large number of residential customers, it is not
7 surprising given the proliferation of various online platforms that match Catalina visitors to homeowners
8 wanting to rent their properties.

9 SCE then aggregated the usage volume for this group of customers,
10 compared their usage to all non-residential customers and determined that, based on usage, it could
11 allocate approximately 9% of the requested incremental revenue to residential properties that are short-
12 term vacation rentals and 91% to all other non-residential customers (i.e., SCE could create a surcharge
13 for this group of customers based on a 9% incremental revenue allocation). Administratively, SCE
14 determined that it could create a process to update this customer group on an annual basis and include an
15 opt-out should a residential property no longer operate under a short-term rental license. However, we
16 also determined that there are administrative challenges with some residential licenses that have multiple
17 units, i.e., not all units of a multiple-unit property are short-term rentals, as well as legacy licenses and
18 residential units that may operate part of the year as short-term vacation rentals.

19 Ultimately, SCE determined that this appears to be a potentially promising
20 alternative revenue source given the City in some ways treats the referenced customers as the equivalent
21 of commercial businesses. But further customer outreach would be needed to further assess and arrive at
22 a consistent and fair policy. Due to the administrative complexities and additional considerations, SCE is
23 not proposing this rate design at this time but plans to continue to evaluate it for potential inclusion in
24 the next GRC.

25 **(3) Remote Water Systems' Fee**

26 SCE assessed developing a fee for customers outside of the Middle Ranch
27 and Avalon water system. SCE has four water systems that are not interconnected. These include the

1 Middle Ranch and Avalon water system, Blackjack (Airport) water system, Isthmus (Two Harbors) and
2 West End water system, and White’s Landing water system. SCE considers the Blackjack (Airport),
3 Isthmus (Two Harbors) and West End, and White’s Landing water systems to be “remote” as they solely
4 serve customers in remote, unincorporated areas beyond the City of Avalon. These remote systems have
5 disproportionate infrastructure and O&M needs on a per-customer basis compared to the majority of
6 Catalina water services around Avalon and the Middle Ranch area. Not only does it take longer for SCE
7 crews to reach customers and to service/maintain water supply equipment for these remote water
8 systems, the number of customers we serve through these systems is also low. Additionally, land
9 ownership in these areas is concentrated within relatively few property owners.

10 Customers served in these remote systems benefit from the Island-wide
11 system rates; however, the cost of maintaining these systems on a per-customer basis is higher than the
12 cost-per-customer for the Middle Ranch and Avalon water system. Furthermore, as explained in
13 Sections II.D.1 and II.D.2, we are seeking recovery of costs related to pipeline assessments and
14 remediation of decommissioned pipelines containing PCBs in amounts exceeding the TSCA regulatory
15 limit. As described in Section V.A.3, SCE has previously disclosed that its CWPP will remediate a nine-
16 mile pipeline that currently feeds the Two Harbor water system. The preliminary cost estimate for this
17 project currently ranges between \$25 to \$45 million. These are quite substantial costs for a small water
18 utility like SCE Water. SCE believes that assessing some type of additional fee for customers served by
19 these remote systems may be warranted at a later time. SCE is still evaluating this concept and is not
20 presenting this rate design scenario for the Commission’s consideration in this Application.

21 **c) Alternative Water Revenue Sources**

22 In SCE’s last Water GRC, we requested transferring ~\$30.5 million of costs to be
23 recovered from electric customers.⁹⁷ In response to an Administrative Law Judge (ALJ) ruling,⁹⁸ SCE
24 also provided additional analysis of alternative methods for cost recovery other than the electric subsidy.

⁹⁷ D.23-12-007, pp. 66-67.

⁹⁸ See May 27, 2021 Administrative Law Judge’s Ruling on Limited Issues Briefed in A.20-10-018.
<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M385/K618/385618650.PDF>.

1 SCE hired Raftelis Financial Consultants, Inc. (Raftelis), to conduct a desktop
2 analysis of alternative cost recovery methods. Raftelis is a noted consulting firm with extensive
3 experience in water utility finance, management, and strategic planning. The firm assessed several
4 alternatives such as water user fees, loans, bonds, consolidation with a Class A water utility, a high-cost
5 fund, grants, third-party contributions, a visitor boat fee, a cruise ship wharfage fee, a sales tax, and
6 securitization.

7 Ultimately, the Commission rejected SCE's proposed cost transfer to electric
8 customers and determined the alternatives were either not within SCE's control, needed to be imposed
9 by other government entities (thus making them impractical to implement), or not reasonable to rely on
10 at the time the Commission issued the last Water GRC decision.⁹⁹ However, the Commission
11 encouraged SCE to seriously consider alternative recovery sources in advance of future GRCs,
12 especially the visitor boat fee.¹⁰⁰ SCE has continued to review these options, but several alternatives
13 such as a high-cost fund and a sales tax would require legislative and/or voter approval; we did not
14 entertain any legislative potential solution for this limited filing. Instead, we assessed a few options that
15 the Commission could authorize and identified new revenue sources that we are proposing. Below, we
16 propose certain new sources of revenue. We also discuss a visitor boat fee, which is potentially viable in
17 the future but not recommended at this time.

18 SCE's proposed new revenue sources will require a new one-way balancing
19 account to ensure any and all revenue from these new sources is able to be fully netted from the
20 authorized revenue, returned to customers, and appropriately reflected in rates. Below, we also further
21 describe the new one-way balancing account and how it will operate.

22 **(1) New Rule 3 Water Distribution Planning Study Fee**

23 SCE's Water Rule 3 tariff governs the process customers/developers use
24 to apply for water service. SCE's Water system does not currently have water available to allocate to

⁹⁹ D.23-12-007, pp. 68-70.

¹⁰⁰ *Id.*

1 new water service requests. New Applications for water service or changes to existing water service are
2 thus placed on the company's first-come, first-served waitlist. SCE is currently constructing its
3 Desalination Enhancements Phase 1 project, which is expected to produce approximately 88 acre-feet-
4 per-year (AFY) of incremental water for SCE's main water system (i.e., the Middle Ranch and Avalon
5 water system). However, the majority of this incremental water is forecast to not be made available for
6 new water requests and instead will be reserved to increase the drought resiliency of this water system.
7 We anticipate a limited amount of water to be made available to applicants on the waitlist and as part of
8 a special agreement. The limited amount estimated to be available for customers is estimated to be fully
9 absorbed by the current customers on the first-come, first-served waitlist. Additionally, SCE's other
10 non-connected water systems also do not have water available for new service.

11 Given the lack of water availability across SCE's Water system, new
12 requests for water service may require a water distribution planning study to determine options to
13 determine necessary improvements to serve the new service request(s). This could include, but is not
14 limited to, distribution upgrades, additional storage, new desalination facilities and/or further
15 enhancements to the existing desalination system, new wells, refurbishment of existing wells, or new
16 pipeline interconnections. Whereas Water tariff Rules 15 and 16 describe who pays for the costs of new
17 service and main extensions, SCE's current Water tariffs do not contemplate an applicant for new water
18 paying for the costs to complete a water distribution planning study.

19 SCE thus proposes that applicants pay for the cost to complete a water
20 distribution planning study when such study is needed to fulfill an application for water service pursuant
21 to Rule 3. Similar to Water tariff Rule 15, customers will be required to deposit with SCE an amount
22 equal to the estimated cost of preparation of a water distribution planning study. This amount would
23 then be trued up based on final recorded costs to complete the study; the customer will either be
24 refunded amounts paid in excess of their deposit or would pay the difference if the recorded costs are
25 greater than the deposit. Additionally, should subsequent applicants for water service benefit from this
26 water distribution planning study, these new customers would pay a share of the costs contributed by the

1 original individual customer. These subsequent payments would be eligible to be refunded to the
2 original applicant for a period up to 10 years.

3 **(2) New Non-Potable Water Rate**

4 In order to meet water demand on the Island, SCE has previously entered
5 into revocable license agreements to supply customers with non-potable water. SCE has not charged
6 customers any cost-per-gallon for this water and historically has only been reimbursed for administrative
7 costs.

8 Two non-potable water wells are located in Avalon and have historically
9 provided non-potable water to primarily irrigate the golf course and a sports field park. Two non-potable
10 water wells are also located in the Middle Ranch area that may be used for construction purposes and/or
11 irrigation. Additionally, SCE has a water spring near the Middle Ranch area that has previously been
12 used for construction purposes at no cost to a customer.

13 SCE proposes a special rate for all non-potable water use throughout the
14 Island. Non-potable water is cheaper to produce and helps SCE offset the demand for potable water
15 throughout the Island. As such, we propose charging 50% of the W-1-GS rate for non-potable use
16 throughout the Island. SCE does not currently meter any of these water sources. If approved, SCE will
17 meter all of these sources. At this time, SCE does not have an estimated sales forecast for non-potable
18 use.

19 SCE proposes to track all revenues received via this special rate in the
20 proposed one-way balancing account. SCE proposes to net the amount received, combined with the
21 proposed development fee described above, from the authorized revenue requirement in this Application
22 as part of the annual advice letter to update rates (and the surcharge being proposed herein) for the first
23 of each year. In other words, if approved, SCE would provide a non-potable metered service for all non-
24 potable water resources, bill customers monthly, and track the revenues received in the new proposed
25 one-way balancing account. Then, in November of each year, SCE would credit the revenues received
26 against the authorized revenue requirement in this Application as part of calculating a new surcharge to

1 be implemented on January 1. SCE would accomplish this through the annual advice letter process to set
2 new rates beginning January 1 of each year.

3 **(3) New One-Way Water Balancing Account**

4 SCE proposes establishing the Water Base Revenue Requirement
5 Balancing Account (WBRRBA) to account for the revenues received for the proposed two alternative
6 revenue sources described above. If authorized by the Commission in this proceeding, the WBRRBA
7 will record revenue from these two new sources. SCE will credit this revenue against the authorized
8 revenue requirement in this Application and reflect this in the annual advice letter to set new surcharges
9 beginning the first of the year. SCE files its annual advice letter in November of each year. As such,
10 recorded revenue through October will be deducted from the authorized revenue requirement ordered in
11 this Application in setting the new surcharges. For example, If SCE’s proposals are adopted, and SCE
12 collects \$100,000 of revenue from the two new sources from January 1 to October 31, 2027, SCE would
13 start with the 2028 authorized revenue of \$1.705 million and reduce this amount by \$100,000 to \$1.605
14 million. The new 2028 surcharges will then be based on the adjusted revenue requirement of \$1.605
15 million to begin January 1, 2028. In its annual advice letter filing, SCE will present the additional
16 revenue detail, including interest on the recorded revenue, and ensure the information is transparent and
17 clear.

18 **d) Other Water Revenue Strategies Considered**

19 **(1) Boat Fee**

20 In A.20-10-018, SCE presented its assessment of a boat fee that would be
21 placed on all incoming and outgoing cross-channel vessels that carry passengers to Catalina, excluding
22 permanent Island residents. SCE’s assessment in its previous Water GRC determined there is a tight
23 nexus between visitors and the demands on the SCE Water system; however, there were also a few
24 challenges and limitations. From 2021-2024, ferry (non-resident) passenger traffic has averaged around
25 700,000 passengers per year.¹⁰¹ With annual crossings at this level, a boat fee of one dollar on each one-

¹⁰¹ See “Avalon Passenger Counts by Month, Year and Type 2009-2025” at <https://www.lovecatalina.com/community-information/visitor-statistics/>.

1 way visitor fare could generate approximately \$1.4 million per year, which would fully offset SCE’s
2 proposed water revenue increase in this Application and lower the current authorized revenue. While
3 this appears to be a potentially viable alternative revenue source in the future, for the reasons explained
4 below we do not recommend it as this time.

5 First, and most importantly, the vessel carriers are Commission rate-
6 regulated entities and have their own Commission-approved rate structures. Imposing a SCE-specific fee
7 on such entities would have significant ratemaking and other policy implications.

8 Second, increasing the cost of a fare for visitors traveling to Catalina has a
9 direct affordability impact on those visitors getting to the Island and could reduce the number of
10 customers purchasing a ticket. This would impact the vessel carriers’ business. It would also affect the
11 businesses on Catalina that substantially depend on visitors for their revenue.

12 Third, there could be administrative challenges with the carriers collecting
13 and remitting funds to SCE.

14 Fourth, it is unclear whether the Commission would agree with a policy to
15 impose a visitor boat fee upon passengers who use the Catalina cross-channel carriers, where the fee
16 would be collected and remitted to SCE without direct statutory authority.

17 Since we filed our last Water GRC, all the cross-channel carriers that
18 transport people and/or goods to the Island have sought rate increases due to significant cost pressures.
19 For example, in June 2022, the Commission issued Resolution TL-19139 providing vessel common
20 carriers (VCCs) a one-year temporary authority to increase their fares and rates up to a maximum of
21 20%, referred to as a Zone of Rate Freedom (ZORF).¹⁰² This temporary increase was in response to the
22 then-recent, significant increases in fuel prices. The Commission extended this temporary 20% ZORF
23 rate increase for three consecutive years through Resolutions TL-19141, TL-19148, and TL-19155.

¹⁰² The request was initiated by Avalon Freight Services (VCC-91), Blue & Gold Fleet (VCC-77), Catalina Channel Express (VCC-52), Catalina Classic Cruises (VCC-86), and Catalina Passenger Service, Inc. (VCC-47).

1 In D.24-12-010, the Commission granted Catalina Passenger Service, Inc.
2 a base rate increase between 10-35% (depending on fare type) and granted their request to have a 20%
3 ZORF. In D.25-06-046, the Commission granted Catalina Channel Express, Inc. a base rate increase of
4 16.67% and granted their request to have a 20% ZORF. Due to ongoing cost pressures, on September
5 15, 2025, Catalina Channel Express filed A.25-09-003 for authority to further modify its fares by
6 increasing its baseline fares by approximately 20 percent and to retain its 20% ZORF.¹⁰³

7 Furthermore, on May 6, 2025, the City of Avalon unanimously adopted an
8 ordinance that increased wharfage fees by an additional \$2.00 on all cross-channel carriers departing the
9 Avalon Harbor area, resulting in the total cost imposed by the city of \$10.00 per customer round-trip for
10 cross-channel carriers. The \$2.00 additional fee went into effect on September 2, 2025.

11 For all these reasons, SCE does not believe an additional visitor boat fee
12 would be appropriate at this time. We intend to re-evaluate the visitor boat fee in future applications
13 and/or as part of an anticipated Test Year 2029 or 2030 GRC.

14 **(2) Developer Fee**

15 SCE assessed proposing a revision to its Water tariff Rule 3 so that when a
16 customer receives a new water allocation, SCE would calculate a new service connection / developer fee
17 based on a cost-per-acre-foot of water. The logic driving this assessment was based on multiple grounds.

18 First, the majority of the cost to serve a new development (net of any grant
19 money or alternative funding received) is incurred up front, e.g., trenching, pipe laying, etc. This upfront
20 cost is mostly borne by all Water customers while the beneficiary would be the new service customer.¹⁰⁴

21 Second, SCE does not currently have available water to allocate to new
22 developments and all new requests for water service are placed on the waitlist.

¹⁰³ Last month, the assigned ALJ in that proceeding issued a Proposed Decision “grant[ing] Catalina Channel Express, Inc. the authority to initiate a general fare increase pursuant to Public Utilities Code Section 454. This decision also: (1) grants authority to continue a Zone of Rate Freedom ...” February 11, 2026, [Proposed] Decision Authorizing Catalina Channel Express, Inc. a General Fare Increase and a Zone of Rate Freedom in A.25-09-003.

¹⁰⁴ SCE Water Rule 15 does require Water applicants to pay for line extensions beyond a certain amount of feet.

1 Finally, the marginal cost, i.e., the cost to add one additional unit of new
2 water, is significant. For example, SCE estimates that it costs approximately \$0.158 million on an AFY
3 basis.¹⁰⁵ If a developer were to propose a new development on Catalina, it may be appropriate for the
4 developer to bear the costs associated with developing the incremental water supplies necessary for
5 serving their needs. This is fair because Water customers cannot readily fund another large water supply
6 investment that would be primarily built to serve the new demand. As described above, we anticipate
7 only a limited amount of water being available to customers on the waitlist once the Desalination
8 Enhancements Phase 1 project is completed.

9 SCE considered a \$40,000-per-AFY water development fee for any new
10 water allocation when water supplies are available. This is approximately 25 percent of the cost to
11 develop a new water resource, based on the latest cost estimate of the Desalination Phase 1
12 Enhancements project (\$13.9 million), divided by the estimated incremental water it will produce (88
13 acre-feet), rounded, and then ratioed at 25 percent.

14 Pursuant to SCE Water Rule 3, SCE has the ability to enter into special
15 agreements when water is not available. To the extent SCE determines it needs to expand its Water
16 facilities, a development fee may be appropriate. Given SCE's ability to enter into special agreements
17 when water is not available, SCE does not propose this additional revenue source at this time.

18 **2. Gas Rates**

19 While the portion of the COVID-19 costs allocated to Gas is small compared to the
20 Water cost recovery request, an additional \$0.544 million in revenue is approximately 24 percent of the
21 recently estimated authorized 2027 Gas revenue requirement as detailed in Advice 272-G. As such, SCE
22 proposes to recover the incremental authorized revenue over two years to mitigate the rate impact
23 compared to recovery over a typical 12-month amortization period. Similar to SCE's Water cost

¹⁰⁵ SCE's estimate is based on the current cost estimate and estimated incremental water for the Desalination Enhancements Phase 1 project. This project is currently in progress and anticipated to be fully in-service by Q3/Q4 2026 and is intended to increase the reliability of the system and provide some incremental water for customers on the waitlist.

1 recovery strategy, our Gas cost recovery strategy is to: 1) limit residential customer rate increases, and
2 2) design rates to target customers that can pass on the cost of increased bills to tourists.

3 **a) Rate Design Proposal**

4 Following the Water rate design proposal, SCE similarly proposes to recover the
5 proposed Gas revenue from non-residential customers. To help ensure residential customers are not
6 negatively impacted by this cost recovery proposal, SCE proposes establishing a surcharge for non-
7 residential customers to recover the proposed revenue requirement in this Application for similar
8 reasons described above for Water.

9 SCE's Gas rate design proposal thus results in an approximate 9% surcharge to
10 the variable usage charge for non-residential customers. Below, SCE further describes the background,
11 proposed surcharge, and bill impacts.

12 **(1) Non-Residential Surcharge**

13 SCE's current rate design was adopted in D.25-06-010 and includes one
14 non-residential rate schedule:

- 15 • G-2, General Service: This rate schedule is what all non-residential customers
16 have, including, for example, commercial, industrial and agriculture
17 customers. It is a General Service to separately metered customers for uses
18 other than residential.

19 SCE proposes a surcharge for customers on the non-residential G-2 rate schedule.
20 SCE believes that the non-residential customers have the reasonable ability to pass on these increased
21 costs to their own customers (i.e., non-resident tourists). SCE has approximately 115 customer accounts
22 that currently take service on the G-2 rate schedule. To determine the non-residential surcharge, SCE
23 applied the 2026 forecast usage for its G-2 customers. This results in an approximate 8.5% surcharge to
24 the volumetric portion of non-residential rates to recover the allocated revenue.

25 As described below, in 2027, this will result in an approximate 8 percent increase
26 to the G-2 customers' average monthly bills for 2027 and 2028.

1 **(2) Bill Impacts**

2 Based on the proposed surcharge above, Table VI-26, below, shows the
3 non-residential, non-microturbine average monthly bill impacts for 2027 and 2028 compared to
4 estimated authorized monthly bills per Advice 272-G.

***Table VI-26
2027 and 2028 Average Monthly Bill Impact by Customer Class (For Non-
Microturbine Customers¹⁰⁶)***

Customer Class	2027			2028		
	Auth.	Prop.	% Inc.	Auth.	Prop.	% Inc.
Non-residential	\$ 1,178	\$ 1,274	8%	\$ 1,191	\$ 1,287	8%

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¹⁰⁶ SCE Electric is the customer for the microturbines. The microturbines use (on an annual basis) between about 70 to 90 percent of the amount of propane that all other non-residentials combined use. As such, adding one customer with such large usage to a monthly average bill calculation would skew the average bill upwards and not be reflective of the average non-residential customer.

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VII.

CONCLUSION

SCE appreciates the Commission's attention to and consideration of this Application. Section 454.9(b) of the California Public Utilities Code states that "[t]he commission shall hold expedited proceedings in response to utility Applications to recover costs associated with catastrophic events."

SCE respectfully requests an expedited review and approval of this Application, and asks that the Commission issue a decision that finds as follows:

- Finding reasonable \$5.779 million in incremental O&M expenses related to COVID-19 pandemic, CEMA Storm events, Catalina Water Pipeline Assessment Memorandum Account, Catalina Water Decommissioned Pipe Memorandum Account, Catalina Water Rationing Memorandum Account, and Lead and Copper Memorandum Account recorded to Catalina Water;
- Finding reasonable \$0.428 million in incremental O&M expenses related to COVID-19 pandemic recorded to Catalina Gas;
- Finding reasonable and authorizing SCE to recover interest expenses of \$0.791 million recorded to the Water memorandum accounts, \$0.076 million recorded to the Gas memorandum account, and ongoing interest at the CP rate until the memorandum account balances are fully recovered.
- Finding reasonable and authorizing SCE to recover FF&U.
- Finding reasonable and authorizing a reduction of \$0.093 million of Water revenue for 2024 as a result of the Earnings Test.
- Finding reasonable and authorizing SCE to recover a Water revenue requirement of \$7.382 million over a 5-year period.
- Finding reasonable and authorizing SCE to recover a Gas revenue requirement of \$0.544 million over a 2-year period.
- Finding reasonable and approving SCE's cost recovery and rate design proposals.
- Finding reasonable and approving SCE's proposed tariff changes.

Appendix A
Acronym Definitions

ALJ	Administrative Law Judge
AR	Affordability Ratio
CCR	Customer Confidence Report
CEMA	Catastrophic Event Memorandum Account
CPUC	California Public Utilities Commission
CWDPMA	Catalina Water Decommissioned Pipe Memorandum Account
CWPAMA	Catalina Water Pipeline Assessment Memorandum Account
CWRMA	Catalina Water Rationing Memorandum Account
DDW	Division of Drinking Water
DRRTMA	Deferred Revenue Requirement Tracking Memorandum Account
FF&U	Franchise Fees and Uncollectibles
FPC	Future Planning Cell
GIS	Geographic Information System
GRC	General Rate Case
IMT	Incident Management Team
LCMA	Lead and Copper Rule Memorandum Account
LCRI	Lead and Copper Rule Improvements
LCRR	Lead and Copper Rule
MGT	Million Gallon Tank
MRR	Middle Ranch Reservoir
PAH	Polycyclic aromatic Hydrocarbons
PCB	Polychlorinated Biphenyls
SCE	Southern California Edison
TSCA	Toxic Substance Control Act
USC	University of Southern California
VCC	Vessel Common Carriers

WBRBA	Water Base Revenue Requirement Balancing Account
ZORF	Zone of Rate Freedom

Appendix B

Witness Qualifications

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**DECLARATION SUPPORTING
WITNESS QUALIFICATIONS AND PREPARED TESTIMONY OF
RUSSELL A. ARCHER**

I, Russell A. Archer, declare and state:

1. My business office is located at:

Southern California Edison
2244 Walnut Grove Avenue, Rosemead, CA 91770
Email: Russell.archer@sce.com

2. I have personal knowledge of the facts and representations herein and, if called upon to testify, could and would do so, except for those facts expressly stated to be based upon information and belief, and as to those matters, I believe them to be true.

3. I am the Director of Pricing, Design and Research within the Regulatory Affairs organizational unit of Southern California Edison (SCE). In my current role, I am responsible for customer cost allocation and rate designs for approved revenue requirements.

4. I have a BA from the University of California, Los Angeles and a JD from Harvard Law School. Previous to my current position, I served as SCE's Director of the General Rate Case in SCE's Regulatory Affairs organization and as a Senior Attorney in SCE's Law Department.

5. The purpose of my testimony in this proceeding is to sponsor the portions of Exhibit SCE-01, titled *Testimony in Support of Southern California Edison Company's Application for Authority To, Among Other Things, Recover Costs for its Class C Water Utility and Small Gas Utility*, as identified in the Table of Contents thereto.

6. This material was prepared by me or under my supervision.

7. Insofar as the material is factual in nature, I believe it to be true and correct.

8. Insofar as this material is in the nature of opinion or judgment, it represents my best judgment.

9. Insofar as the material includes forecasts, those forecasts rely on data available and judgments developed as of my signature date below.

10. I declare under penalty of perjury that the foregoing is true, correct, and complete to the best of my knowledge.

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Executed on this 5th day of March, 2026 at Rosemead, California.

/s/ Russell A. Archer
Russell A. Archer

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**DECLARATION SUPPORTING
WITNESS QUALIFICATIONS AND PREPARED TESTIMONY OF
SHUE CHENG**

I, Shue Cheng, declare and state:

1. My business office is located at:

Southern California Edison
2244 Walnut Grove Avenue, Rosemead, CA 91770
Email: Shue.M.Cheng@sce.com

2. I have personal knowledge of the facts and representations herein and, if called upon to testify, could and would do so, except for those facts expressly stated to be based upon information and belief, and as to those matters, I believe them to be true.

3. I am the Principal Manager within the State Regulatory Operations Department in the Regulatory Affairs Organizational Unit of Southern California Edison (SCE).

4. I received a Bachelor of Science degree in Management Science from University of California San Diego (UCSD) in 2004. I completed all three levels of the Chartered Financial Analyst (CFA) Program and have been a CFA Charterholder since 2012. Prior to my current position, I have over 15 years of experience working in SCE's Rate Design organization where I was involved in leading the implementation of SCE rate changes, the development of revenue allocation and rate designs in support of Phase 2 of the General Rate Case, and other regulatory proceedings that involve pricing and forecasting activities.

5. The purpose of my testimony in this proceeding is to sponsor the portions of Exhibit SCE-01, Testimony in Support of Southern California Edison Company's Application for Authority To, Among Other Things, Recover Costs for its Class C Water Utility and Small Gas Utility, Chapter V – Cost Recovery Ratemaking Proposal, as identified in the Table of Contents thereto.

6. This material was prepared by me or under my supervision.

7. Insofar as the material is factual in nature, I believe it to be true and correct.

8. Insofar as this material is in the nature of opinion or judgment, it represents my best judgment.

9. Insofar as the material includes forecasts, those forecasts rely on data available and judgments developed as of my signature date below.

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**DECLARATION SUPPORTING
WITNESS QUALIFICATIONS AND PREPARED TESTIMONY OF
DAVID SPENCER**

I, [David Spencer], declare and state:

1. My business office is located at:

Southern California Edison
1 Pebbly Beach Road, Avalon, CA 90704
Email: David.Spencer@sce.com

2. I have personal knowledge of the facts and representations herein and, if called upon to testify, could and would do so, except for those facts expressly stated to be based upon information and belief, and as to those matters, I believe them to be true.

3. I am the Senior Production Manager within the Generation organizational unit of Southern California Edison (SCE). I am tasked with supporting SCE's Catalina Island utilities (electric, water, and gas). As a Production Manager, I am responsible for the assets assigned to Generation—Eastern Operations, including Catalina Gas, Pebbly Beach Generating Station, and Catalina Water.

4. I earned an Associate's degree in Power Plant Technology from Williamson College of the Trades. I also earned a Bachelor's degree in Business Administration from DeVry University. I have over 20 years of experience in the energy generation industry, with a strong background in both maintenance and operations. I have held various leadership positions at several utilities, including shift manager, operations manager, and senior supervisor, responsible for overseeing various forms of generation and battery energy storage systems.

5. The purpose of my testimony in this proceeding is to sponsor the portions of Exhibit SCE-01, titled *Testimony in Support of Southern California Edison Company's Application for Authority To, Among Other Things, Recover Costs for its Class C Water Utility and Small Gas Utility*.

6. This material was prepared by me or under my supervision.

7. Insofar as the material is factual in nature, I believe it to be true and correct.

8. Insofar as this material is in the nature of opinion or judgment, it represents my best judgment.

9. Insofar as the material includes forecasts, those forecasts rely on data available and judgments developed as of my signature date below.

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**DECLARATION SUPPORTING
WITNESS QUALIFICATIONS AND PREPARED TESTIMONY OF
ALAN VARVIS**

I, Alan Varvis declare and state:

1. My business office is located at:

Southern California Edison
2244 Walnut Grove Avenue, Rosemead, CA 91770
Email: Alan.Varvis@sce.com

2. I have personal knowledge of the facts and representations herein and, if called upon to testify, could and would do so, except for those facts expressly stated to be based upon information and belief, and as to those matters, I believe them to be true.

3. I am the Principal Manager of Capital Asset Analytics within the Finance organizational unit of Southern California Edison (SCE). I am responsible for forecasting and budgeting related to plant-in-service, book depreciation, and regulatory cost recovery.

4. I received a Bachelor of Science degree in Business Administration, with an emphasis in Accounting and a Master of Business Administration from California State Polytechnic University, Pomona. I have been certified as a Certified Depreciation Professional (CDP) by the Society of Depreciation Professionals. I joined Southern California Edison in the Transmission and Substation Division in 1993 as a business analyst. I was promoted to Supervisor of Material & Accounting in 1995 where my responsibilities included supervising the processing and handling of work orders related to transmission line and substation capital equipment replacements. In 1996, I accepted a supervisor position in the Power Grid Business Unit where my primary role was to provide budgeting and regulatory finance support. In 2003, I received a promotion to a manager position and, from 2003-2015, held a variety of manager roles in the areas of budgeting, regulatory finance, reporting, and financial system functions supporting the Transmission & Distribution Business Unit. In 2015, I accepted a position in my current role as Principal Manager of Capital Asset Analytics. The purpose of my testimony in this proceeding is to sponsor the portions of Exhibit SCE-01, titled *Testimony in Support of Southern California Edison Company's Application for Authority To, Among Other Things, Recover Costs for its Class C Water Utility and Small Gas Utility*, as identified in the Table of Contents thereto.

5. This material was prepared by me or under my supervision.

6. Insofar as the material is factual in nature, I believe it to be true and correct.

1 7. Insofar as this material is in the nature of opinion or judgment, it represents my best
2 judgment.

3 8. Insofar as the material includes forecasts, those forecasts rely on data available and
4 judgments developed as of my signature date below.

5 9. I declare under penalty of perjury that the foregoing is true, correct, and complete to the
6 best of my knowledge.

7 Executed on this 10th day of March, 2026 at Rosemead, California.

8 /s/ Alan Varis
9 Alan Varis

Appendix C

Incrementality Tests

Table C-1
SCE Water 2020 Incrementality Test
(Nominal \$000)

Cost Groupings	Item	Authorized (A)	Recorded (R)	Variance (R-A)	MA Incremental Costs
618	Other Volume Related Expenses	\$ -	\$ 101	\$ 101	
615, 630, 640, 650, 660	Other	\$ 2,334	\$ 5,246	\$ 2,912	\$ 1,369
670, 671, 681, 689, 800, A&G Allocation	A&G	\$ 611	\$ 3,463	\$ 2,851	\$ 502
676	Uncollectibles	\$ 9	\$ 10	\$ 1	
678	Office Service & Rentals	\$ -	\$ 203	\$ 203	
682	Professional Services	\$ -	\$ 1,745	\$ 1,745	\$ 202
688	Regulatory Commission Exp.	\$ -	\$ 58	\$ 58	
480	Revenue Credits	\$ (154)	\$ (154)	\$ -	
689	Franchise fees	\$ 41	\$ 46	\$ 5	
Total Operating Expenses		\$ 2,841	\$ 10,717	\$ 7,876	\$ 2,073
				\$ -	
	Depreciation	\$ 667	\$ 977	\$ 310	
408	Taxes Other Than Income	\$ 214	\$ 197	\$ (17)	\$ 91
	Income Taxes	\$ (439)	\$ (1,928)	\$ (1,489)	
Total Deductions		\$ 3,284	\$ 9,964	\$ 6,680	\$ 2,164
Cost Groupings related to MA Incremental Costs		\$ 3,159	\$ 10,650	\$ 7,491	\$ 2,164

Table C-2
SCE Water 2021 Incrementality Test
(Nominal \$000)

Cost Groupings	Item	Authorized (A)	Recorded (R)	Variance (R-A)	MA(s) Incremental Cost
618	Other Volume Related Expenses	\$ -	\$ 130	\$ 130	
615, 630, 640, 650, 660	Other	\$ 2,334	\$ 3,616	\$ 1,282	\$ 328
670, 671, 681, 689, 800, A&G Allocation	A&G	\$ 611	\$ 2,077	\$ 1,466	\$ 51
676	Uncollectibles	\$ 9	\$ 8	\$ (1)	
678	Office Service & Rentals	\$ -	\$ 36	\$ 36	
682	Professional Services	\$ -	\$ 1,076	\$ 1,076	\$ 151
688	Regulatory Commission Exp.	\$ -	\$ 31	\$ 31	
480	Revenue Credits	\$ (154)	\$ (154)	\$ -	
689	Franchise fees	\$ 41	\$ 38	\$ (3)	
Total Operating Expenses		\$ 2,841	\$ 6,859	\$ 4,018	\$ 529
	Depreciation	\$ 667	\$ 911	\$ 244	
408	Taxes Other Than Income	\$ 214	\$ 214	\$ 0	\$ -
	Income Taxes	\$ (439)	\$ (1,034)	\$ (595)	
Total Deductions		\$ 3,284	\$ 6,951	\$ 3,667	\$ 529
Categories related to MA costs		\$ 2,945	\$ 6,769	\$ 3,824	\$ 529

Table C-3
SCE Water 2022 Incrementality Test
(Nominal \$000)

Cost Groupings	Item	Authorized (A)	Recorded (R)	Variance (R-A)	MA(s) Incremental
618	Other Volume Related Expenses	\$ -	\$ 131	\$ 131	\$ -
615, 630, 640, 650, 660	Other	\$ 2,334	\$ 3,945	\$ 1,611	\$ 19
670, 671, 681, 689, 800, A&G Allocation	A&G	\$ 611	\$ 2,367	\$ 1,755	\$ 0
676	Uncollectibles	\$ 9	\$ -	\$ (9)	\$ -
678	Office Service & Rentals	\$ -	\$ 9	\$ 9	\$ -
682	Professional Services	\$ -	\$ 1,023	\$ 1,023	\$ (9)
688	Regulatory Commission Exp.	\$ -	\$ (1)	\$ (1)	\$ -
480	Revenue Credits	\$ (154)	\$ (154)	\$ -	\$ -
689	Franchise fees	\$ 41	\$ 38	\$ (3)	\$ -
Total Operating Expenses		\$ 2,841	\$ 7,359	\$ 4,517	\$ 10
				\$ -	
	Depreciation	\$ 667	\$ -	\$ (667)	\$ -
408	Taxes Other Than Income	\$ 214	\$ 227	\$ 13	\$ -
	Income Taxes	\$ (439)	\$ -	\$ 439	\$ -
Total Deductions		\$ 3,284	\$ 7,587	\$ 4,302	\$ 13
Categories related to MA costs		\$ 2,945	\$ 7,335	\$ 4,389	\$ 10

Table C-4
SCE Water 2023 Incrementality Test
(Nominal \$000)

Cost Groupings	Item	Authorized (A)	Recorded (R)	Variance (R-A)	MA(s)	Incremental Cost
618	Other Volume Related Expenses	\$ -	\$ 113	\$ 113	\$	-
615, 630, 640, 650, 660	Other	\$ 2,334	\$ 3,398	\$ 1,064	\$	48
670, 671, 681, 689, 800, A&G Allocation	A&G	\$ 611	\$ 1,664	\$ 1,052	\$	96
676	Uncollectibles	\$ 9	\$ -	\$ (9)	\$	-
678	Office Service & Rentals	\$ -	\$ 4	\$ 4	\$	-
682	Professional Services	\$ -	\$ 1,249	\$ 1,249	\$	759
688	Regulatory Commission Exp.	\$ -	\$ (0)	\$ (0)	\$	-
480	Revenue Credits	\$ (154)	\$ (154)	\$ -	\$	-
689	Franchise fees	\$ 41	\$ 40	\$ (1)	\$	-
Total Operating Expenses		\$ 2,841	\$ 6,313	\$ 3,471	\$	904
				\$ -		
	Depreciation	\$ 667	\$ -	\$ (667)	\$	-
408	Taxes Other Than Income	\$ 214	\$ 228	\$ 14	\$	-
	Income Taxes	\$ (439)	\$ -	\$ 439	\$	-
Total Deductions		\$ 3,284	\$ 6,542	\$ 3,257	\$	907
Categories related to MA costs		\$ 2,945	\$ 6,311	\$ 3,365	\$	904

Table C-5
SCE Water 2024 Incrementality Test
(Nominal \$000)

Cost Groupings	Item	Authorized (A)	Recorded (R)	Variance (R-A)	MA(s) Incremental Cost
615	Power	\$330	\$414	\$85	
618	Other Volume Replated Expenses	\$149	\$169	\$19	
630	Employee Labor	\$2,155	\$2,772	\$617	\$1
640	Materials	\$158	\$290	\$132	\$0
650	Contract Work	\$1,782	\$2,073	\$291	\$627
660	Transportation Expense	\$199	\$320	\$121	
670	Office Salaries	\$466	\$189	(\$277)	
671	Management Salaries	\$181	\$365	\$184	
676	Uncollectable Accounts Expense	\$19	\$0	(\$19)	
678	Office Services and Rentals	\$23	\$20	(\$3)	
681	Office Supplies and Expenses	\$52	\$5	(\$48)	
682	Professional Services	\$421	\$1,546	\$1,125	\$798
689	General Expense	\$382	\$1,083	\$701	\$2
689.927	Franchise Fees	\$106	\$0	(\$106)	
800.1	A&G Allocation	\$1,008	\$0	(\$1,008)	
800.2	Capital A&G Expense	(\$709)	\$0	\$709	
Total Operating Expenses		\$ 6,721	\$ 9,245	\$ 2,524	\$ 1,428
480.1	Service Establishment Fee	(\$1)	\$0	\$1	
480.2	Telecom Revenues	(\$143)	\$0	\$143	
480.3	Income Tax Component of Contribution	\$0	\$0	\$0	
	Revenue Credits	\$ (143)	\$ -	\$ 143	
Categories related to MA costs		\$ 4,898	\$ 7,764	\$ 2,867	\$ 1,428

Table C-6
SCE Gas 2020 Incrementality Test
(Nominal \$000)

Cost Groupings	Authorized (A)	Recorded (R)	Variance (R-A)	MA(s) Incremental Cost
Production - Other	\$ 325	\$ 832	\$ 506	\$ 121
Distribution	\$ 147	\$ 1,393	\$ 1,246	\$ 203
Customer Accounts	\$ 9		\$ (9)	\$ -
Operating Expenses Total	\$ 482	\$ 2,224	\$ 1,743	\$ 324
Uncollectibles	\$ 1		\$ (1)	\$ -
A&G	\$ 380	\$ 136	\$ (245)	\$ -
Franchise Requirements	\$ 15		\$ (15)	\$ -
Revenue Credits	\$ (57)		\$ 57	\$ -
	\$ 339	\$ 136	\$ (204)	\$ -
Taxes Other Than Income	\$ 70		\$ (70)	\$ 13
Categories related to MA costs	\$ 543	\$ 2,224	\$ 1,682	\$ 337

Table C-7
SCE Gas 2021 Incrementality Test
(Nominal \$000)

Cost Groupings	Authorized (A)	Recorded (R)	Variance (R-A)	MA(s) Incremental Cost
Production - Other	\$ 325	\$ 590	\$ 265	\$ 55
Distribution	\$ 147	\$ 395	\$ 248	\$ 37
Customer Accounts	\$ 9		\$ (9)	\$ -
Operating Expenses Total	\$ 482	\$ 985	\$ 503	\$ 91
Uncollectibles	\$ 1		\$ (1)	\$ -
A&G	\$ 380	\$ 127	\$ (254)	\$ -
Franchise Requirements	\$ 15		\$ (15)	\$ -
Revenue Credits	\$ (57)		\$ 57	\$ -
	\$ 339	\$ 127	\$ (213)	\$ -
Taxes Other Than Income	\$ 70		\$ (70)	\$ 5
Categories related to MA costs	\$ 543	\$ 985	\$ 442	\$ 96

Appendix D

Earnings Tests

Table D-1
SCE Water 2020 Earnings Test
(Nominal \$000)

USOA	Item	2011 Test Year GRC Authorized			Recorded	Requested Revenue	Earnings Test
		Decision	Decision - Escalation	Decision - Total with Escalation			
470	Operating Revenues: General Metered Sales	\$ 4,130		\$ 4,130	\$ 4,625	\$ 2,192	\$ 6,817
	Operating Expenses:						
618	Other Volume Related Expenses	\$ -	\$ -	\$ -	\$ 101		\$ 101
615, 630, 640, 650, 660	Other	\$ 2,228	\$ 115	\$ 2,343	\$ 5,246		\$ 5,246
	Subtotal Other	\$ 2,228	\$ 115	\$ 2,343	\$ 5,347		\$ 5,347
670, 671, 681, 689, 800, A&G Allocation	A&G	\$ 573	\$ 29	\$ 602	\$ 3,463		\$ 3,463
676	Uncollectibles	\$ 9	\$ -	\$ 9	\$ 10		\$ 10
678	Office Service & Rentals	\$ -	\$ -	\$ -	\$ 203		\$ 203
682	Professional Services	\$ -	\$ -	\$ -	\$ 1,745		\$ 1,745
688	Regulatory Commission Exp.	\$ -	\$ -	\$ -	\$ 58		\$ 58
480	Revenue Credits	\$ (154)	\$ -	\$ (154)	\$ (154)		\$ (154)
689-927	Franchise Fees	\$ 41	\$ -	\$ 41	\$ 46		\$ 46
	<u>Escalation</u>	\$ 144	\$ -	\$ -	\$ -		\$ -
	Total Operating Expenses	\$ 2,841	\$ 144	\$ 2,841	\$ 10,717		\$ 10,717
	Depreciation	\$ 667		\$ 667	\$ 977		\$ 977
408	Taxes Other Than Income	\$ 214		\$ 214	\$ 197		\$ 197
	Income Taxes	\$ (439)		\$ (439)	\$ (1,928)	\$ 613	\$ (1,314)
	Total Deductions	\$ 3,284		\$ 3,284	\$ 9,964		\$ 10,577
	Net Revenue	\$ 846		\$ 846	\$ (5,339)		\$ (3,760)
	Rate Base	\$ 10,709		\$ 10,709	\$ 17,700		\$ 17,700
	Rate of Return	7.90%		7.90%	-30.17%		-21.25%

Table D-2
SCE Water 2021 Earnings Test
(Nominal \$000)

USOA	Item	2011 Test Year GRC Authorized			Recorded	Requested Revenue	Earnings Test
		Decision	Decision - Escalation	Decision - Total with Escalation			
	<u>Operating Revenues:</u>						
470	General Metered Sales	\$ 4,130		\$ 4,130	\$ 3,826	\$ 1,211	\$ 5,037
	<u>Operating Expenses:</u>						
618	Other Volume Related Expenses	\$ -	\$ -	\$ -	\$ 130		\$ 130
615, 630, 640, 650, 660	Other	\$ 2,227	\$ 107	\$ 2,334	\$ 3,616		\$ 3,616
	Subtotal Other	\$ 2,227	\$ 107	\$ 2,334	\$ 3,746		\$ 3,746
670, 671, 681, 689, 800, A&G Allocation	A&G	\$ 574	\$ 37	\$ 611	\$ 2,077		\$ 2,077
676	Uncollectibles	\$ 9	\$ -	\$ 9	\$ 8		\$ 8
678	Office Service & Rentals	\$ -	\$ -	\$ -	\$ 36		\$ 36
682	Professional Services	\$ -	\$ -	\$ -	\$ 1,076		\$ 1,076
688	Regulatory Commission Exp.	\$ -	\$ -	\$ -	\$ 31		\$ 31
480	Revenue Credits	\$ (154)	\$ -	\$ (154)	\$ (154)		\$ (154)
689-927	Franchise Fees	\$ 41	\$ -	\$ 41	\$ 38		\$ 38
	<u>Escalation</u>	\$ 144	\$ -	\$ -	\$ -		\$ -
	Total Operating Expenses	\$ 2,841	\$ 144	\$ 2,841	\$ 6,859		\$ 6,859
	Depreciation	\$ 667		\$ 667	\$ 911		\$ 911
408	Taxes Other Than Income	\$ 214		\$ 214	\$ 214		\$ 214
	Income Taxes	\$ (439)		\$ (439)	\$ (1,034)	\$ 339	\$ (695)
	Total Deductions	\$ 3,284		\$ 3,284	\$ 6,951		\$ 7,290
	<u>Net Revenue</u>	\$ 846		\$ 846	\$ (3,125)		\$ (2,252)
	<u>Rate Base</u>	\$ 10,709		\$ 10,709	\$ 17,584		\$ 17,584
	<u>Rate of Return</u>	7.90%		7.90%	-17.77%		-12.81%

Table D-3
SCE Water 2022 Earnings Test
(Nominal \$000)

USOA	Item	2011 Test Year GRC Authorized			Recorded	Requested Revenue	Earnings Test
		Decision	Decision - Escalation	Decision - Total with Escalation			
	<u>Operating Revenues:</u>						
470	General Metered Sales	\$ 4,130		\$ 4,130	\$ 4,767	\$ 47	\$ 4,813
	<u>Operating Expenses:</u>						
618	Other Volume Related Expenses	\$ -	\$ -	\$ -	\$ 131		\$ 131
615, 630, 640, 650, 660	Other	\$ 2,227	\$ 107	\$ 2,334	\$ 3,945		\$ 3,945
	Subtotal Other	\$ 2,227	\$ 107	\$ 2,334	\$ 4,076		\$ 4,076
670, 671, 681, 689, 800, A&G Allocation	A&G	\$ 574	\$ 37	\$ 611	\$ 2,343		\$ 2,343
676	Uncollectibles	\$ 9	\$ -	\$ 9	\$ 10		\$ 10
678	Office Service & Rentals	\$ -	\$ -	\$ -	\$ 9		\$ 9
682	Professional Services	\$ -	\$ -	\$ -	\$ 1,023		\$ 1,023
688	Regulatory Commission Exp.	\$ -	\$ -	\$ -	\$ (1)		\$ (1)
480	Revenue Credits	\$ (154)	\$ -	\$ (154)	\$ (154)		\$ (154)
689-927	Franchise Fees	\$ 41	\$ -	\$ 41	\$ 48		\$ 48
	<u>Escalation</u>	\$ 144	\$ -	\$ -	\$ -		\$ -
	Total Operating Expenses	\$ 2,841	\$ 144	\$ 2,841	\$ 7,354		\$ 7,354
	Depreciation	\$ 667		\$ 667	\$ 919		\$ 919
408	Taxes Other Than Income	\$ 214		\$ 214	\$ 227		\$ 227
	Income Taxes	\$ (439)		\$ (439)	\$ (869)	\$ 13	\$ (856)
	Total Deductions	\$ 3,284		\$ 3,284	\$ 7,631		\$ 7,644
	<u>Net Revenue</u>	\$ 846		\$ 846	\$ (2,865)		\$ (2,831)
	<u>Rate Base</u>	\$ 10,709		\$ 10,709	\$ 17,279		\$ 17,279
	<u>Rate of Return</u>	7.90%		7.90%	-16.58%		-16.38%

Table D-4
SCE Water 2023 Earnings Test
(Nominal \$000)

USOA	Item	2011 Test Year GRC Authorized			Recorded	Requested Revenue	Earnings Test
		Decision	Decision - Escalation	Decision - Total with Escalation			
470	Operating Revenues: General Metered Sales	\$ 4,130		\$ 4,130	\$ 3,957	\$ 1,112	\$ 5,068
618	Operating Expenses: Other Volume Related Expenses	\$ -	\$ -	\$ -	\$ 113		\$ 113
615, 630, 640, 650, 660	Other	\$ 2,227	\$ 107	\$ 2,334	\$ 3,398		\$ 3,398
	Subtotal Other	\$ 2,227	\$ 107	\$ 2,334	\$ 3,511		\$ 3,511
670, 671, 681, 689, 800, A&G Allocation	A&G	\$ 574	\$ 37	\$ 611	\$ 1,664		\$ 1,664
676	Uncollectibles	\$ 9	\$ -	\$ 9	\$ 9		\$ 9
678	Office Service & Rentals	\$ -	\$ -	\$ -	\$ 4		\$ 4
682	Professional Services	\$ -	\$ -	\$ -	\$ 1,249		\$ 1,249
688	Regulatory Commission Exp.	\$ -	\$ -	\$ -	\$ (0)		\$ (0)
480	Revenue Credits	\$ (154)	\$ -	\$ (154)	\$ (154)		\$ (154)
689-927	Franchise Fees	\$ 41	\$ -	\$ 41	\$ 40		\$ 40
	Escalation	\$ 144	\$ -	\$ -	\$ -		\$ -
	Total Operating Expenses	\$ 2,841	\$ 144	\$ 2,841	\$ 6,321		\$ 6,321
	Depreciation	\$ 667		\$ 667	\$ 748		\$ 748
	Taxes Other Than Income	\$ 214		\$ 214	\$ 228		\$ 228
	Income Taxes	\$ (439)		\$ (439)	\$ (760)	\$ 311	\$ (449)
	Total Deductions	\$ 3,284		\$ 3,284	\$ 6,538		\$ 6,849
	Net Revenue	\$ 846		\$ 846	\$ (2,581)		\$ (1,780)
	Rate Base	\$ 10,709		\$ 10,709	\$ 16,513		\$ 16,513
	Rate of Return	7.90%		7.90%	-15.63%		-10.78%

Table D-5
SCE Water 2024 Earnings Test
(Nominal \$000)

USOA	Item	2022 Test Year GRC Authorized	Recorded	Requested Revenue	Earnings Test
470	<u>Operating Revenues:</u>				
	General Metered Sales	\$ 5,522	\$ 4,457		
	Annual Deferred Revenue	\$ 5,057	\$ 5,185		
	Total Sales	\$ 10,579	\$ 9,642	\$ 1,711	\$ 11,354
618 615, 630, 640, 650, 660	<u>Operating Expenses:</u>				
	Other Volume Related Expenses	\$ 149	\$ 169		\$ 169
	Other	\$ 4,623	\$ 5,869		\$ 5,869
	Subtotal Other	\$ 4,772	\$ 6,038		\$ 6,038
670, 671, 681, 689, 800, A&G Allocation	A&G	\$ 1,380	\$ 2,594		\$ 2,594
676	Uncollectibles	\$ 19	\$ 17		\$ 17
678	Office Service & Rentals	\$ 23	\$ 20		\$ 20
682	Professional Services	\$ 421	\$ 1,546		\$ 1,546
688	Regulatory Commission Exp.	\$ -	\$ (0)		\$ (0)
480	Revenue Credits	\$ (143)	\$ (143)		\$ (143)
689-927	Franchise Fees	\$ 106	\$ 96		\$ 96
	Total Operating Expenses	\$ 6,577	\$ 10,168		\$ 10,168
	Depreciation	\$ 1,175	\$ 983		\$ 983
	Taxes Other Than Income	\$ 419	\$ 234		\$ 234
	Income Taxes	\$ 661	\$ (1,902)	\$ 479	\$ (1,423)
	Total Deductions	\$ 8,833	\$ 9,483		\$ 9,962
	<u>Net Revenue</u>	\$ 1,746	\$ 159		\$ 1,392
	<u>Rate Base</u>	\$ 22,191	\$ 16,482		\$ 16,482
	<u>Rate of Return</u>	7.87%	0.97%		8.44%

Table D-6
SCE Gas 2020 Earnings Test
(Nominal \$000)

Item	2009 Test Year GRC Authorized			Recorded	Requested Revenue	Earnings Test
	Decision	Decision - Escalation	Decision - Total with Escalation			
<u>Operating Revenues:</u>						
General Metered Sales	\$ 1,451		\$ 1,451	\$ 1,474	\$ 342	\$ 1,816
<u>Operating Expenses:</u>						
Production	\$ 290	\$ -	\$ 327	\$ 832		\$ 832
Distribution	\$ 131	\$ -	\$ 148	\$ 1,393		\$ 1,393
Customer Accounts	\$ 8	\$ -	\$ 9	\$ -		\$ -
Uncollectibles	\$ 1		\$ 1	\$ 1		\$ 1
A&G	\$ 339	\$ -	\$ 383	\$ 136		\$ 136
Franchise Requirements	\$ 15		\$ 15	\$ 15		\$ 15
Revenue Credits	\$ (57)		\$ (57)	\$ -		\$ -
Escalation	\$ 94		\$ -	\$ -		\$ -
Total Operating Expenses	\$ 821	\$ 94	\$ 821	\$ 2,376		\$ 2,376
Depreciation	\$ 150		\$ 150	\$ 262		\$ 262
Taxes Other Than Income	\$ 70		\$ 70	\$ (59)		\$ (59)
Income Taxes	\$ 143		\$ 143	\$ (259)	\$ 96	\$ (163)
Total Deductions	\$ 1,185		\$ 1,185	\$ 2,320		\$ 2,416
<u>Net Revenue</u>	\$ 266		\$ 266	\$ (846)		\$ (600)
<u>Rate Base</u>	\$ 3,043		\$ 3,043	\$ 3,525		\$ 3,525
<u>Rate of Return</u>	8.75%		8.75%	-24.00%		-17.02%

Table D-7
SCE Gas 2021 Earnings Test
(Nominal \$000)

Item	2009 Test Year GRC Authorized			Recorded	Requested Revenue	Earnings Test
	Decision	Decision - Escalation	Decision - Total with Escalation			
<u>Operating Revenues:</u>						
General Metered Sales	\$ 1,451		\$ 1,451	\$ 1,032	\$ 97	\$ 1,130
<u>Operating Expenses:</u>						
Production	\$ 290	\$ -	\$ 327	\$ 590		\$ 590
Distribution	\$ 131	\$ -	\$ 148	\$ 395		\$ 395
Customer Accounts	\$ 8	\$ -	\$ 9	\$ -		\$ -
Uncollectibles	\$ 1		\$ 1	\$ 1		\$ 1
A&G	\$ 339	\$ -	\$ 383	\$ 127		\$ 127
Franchise Requirements	\$ 15		\$ 15	\$ 10		\$ 10
Revenue Credits	\$ (57)		\$ (57)	\$ -		\$ -
Escalation	\$ 94		\$ -	\$ -		\$ -
Total Operating Expenses	\$ 821	\$ 94	\$ 821	\$ 1,123		\$ 1,123
Depreciation	\$ 150		\$ 150	\$ 270		\$ 270
Taxes Other Than Income	\$ 70		\$ 70	\$ 17		\$ 17
Income Taxes	\$ 143		\$ 143	\$ (91)	\$ 27	\$ (64)
Total Deductions	\$ 1,185		\$ 1,185	\$ 1,318		\$ 1,346
<u>Net Revenue</u>	\$ 266		\$ 266	\$ (286)		\$ (216)
<u>Rate Base</u>	\$ 3,043		\$ 3,043	\$ 3,417		\$ 3,417
<u>Rate of Return</u>	8.75%		8.75%	-8.37%		-6.32%

Table D-8
SCE Gas 2022 Earnings Test
(Nominal \$000)

Item	2009 Test Year GRC Authorized			Recorded	Requested Revenue	Earnings Test
	Decision	Decision - Escalation	Decision - Total with Escalation			
<u>Operating Revenues:</u>						
General Metered Sales	\$ 1,451		\$ 1,451	\$ 1,260	\$ 3	\$ 1,262
<u>Operating Expenses:</u>						
Production	\$ 290	\$ -	\$ 327	\$ 388		\$ 388
Distribution	\$ 131	\$ -	\$ 148	\$ 633		\$ 633
Customer Accounts	\$ 8	\$ -	\$ 9	\$ -		\$ -
Uncollectibles	\$ 1		\$ 1	\$ 1		\$ 1
A&G	\$ 339	\$ -	\$ 383	\$ 129		\$ 129
Franchise Requirements	\$ 15		\$ 15	\$ 13		\$ 13
Revenue Credits	\$ (57)		\$ (57)	\$ -		\$ -
Escalation	\$ 94		\$ -	\$ -		\$ -
Total Operating Expenses	\$ 821	\$ 94	\$ 821	\$ 1,163		\$ 1,163
Depreciation	\$ 150		\$ 150	\$ 273		\$ 273
Taxes Other Than Income	\$ 70		\$ 70	\$ 35		\$ 35
Income Taxes	\$ 143		\$ 143	\$ (58)	\$ 1	\$ (57)
Total Deductions	\$ 1,185		\$ 1,185	\$ 1,413		\$ 1,414
<u>Net Revenue</u>	\$ 266		\$ 266	\$ (154)		\$ (152)
<u>Rate Base</u>	\$ 3,043		\$ 3,043	\$ 3,407		\$ 3,407
<u>Rate of Return</u>	8.75%		8.75%	-4.52%		-4.46%

Table D-9
SCE Gas 2023 Earnings Test
(Nominal \$000)

Item	2009 Test Year GRC Authorized			Recorded	Requested Revenue	Earnings Test
	Decision	Decision - Escalation	Decision - Total with Escalation			
Operating Revenues:						
General Metered Sales	\$ 1,451		\$ 1,451	\$ 1,820	\$ 23	\$ 1,843
Operating Expenses:						
Production	\$ 290	\$ -	\$ 327	\$ 320		\$ 320
Distribution	\$ 131	\$ -	\$ 148	\$ 1,080		\$ 1,080
Customer Accounts	\$ 8	\$ -	\$ 9	\$ -		\$ -
Uncollectibles	\$ 1		\$ 1	\$ 1		\$ 1
A&G	\$ 339	\$ -	\$ 383	\$ 110		\$ 110
Franchise Requirements	\$ 15		\$ 15	\$ 18		\$ 18
Revenue Credits	\$ (57)		\$ (57)	\$ -		\$ -
Escalation	\$ 94		\$ -	\$ -		\$ -
Total Operating Expenses	\$ 821	\$ 94	\$ 821	\$ 1,529		\$ 1,529
Depreciation	\$ 150		\$ 150	\$ 273		\$ 273
Taxes Other Than Income	\$ 70		\$ 70	\$ 44		\$ 44
Income Taxes	\$ 143		\$ 143	\$ (110)	\$ 6	\$ (104)
Total Deductions	\$ 1,185		\$ 1,185	\$ 1,735		\$ 1,741
Net Revenue	\$ 266		\$ 266	\$ 85		\$ 102
Rate Base	\$ 3,043		\$ 3,043	\$ 3,250		\$ 3,250
Rate of Return	8.75%		8.75%	2.63%		3.14%

Table D-10
SCE Gas 2024 Earnings Test
(Nominal \$000)

Item	2009 Test Year GRC Authorized			Recorded	Requested Revenue	Earnings Test
	Decision	Decision - Escalation	Decision - Total with Escalation			
<u>Operating Revenues:</u>						
General Metered Sales	\$ 1,451		\$ 1,451	\$ 1,188	\$ 25	\$ 1,213
<u>Operating Expenses:</u>						
Production	\$ 290	\$ -	\$ 290	\$ 345		\$ 345
Distribution	\$ 131	\$ -	\$ 131	\$ 657		\$ 657
Customer Accounts	\$ 8	\$ -	\$ 9	\$ -		\$ -
Uncollectibles	\$ 1		\$ 1	\$ 1		\$ 1
A&G	\$ 339	\$ -	\$ 383	\$ 97		\$ 97
Franchise Requirements	\$ 15		\$ 15	\$ 12		\$ 12
Revenue Credits	\$ (57)		\$ (57)	\$ -		\$ -
Escalation	\$ 94		\$ -	\$ -		\$ -
Total Operating Expenses	\$ 821	\$ 94	\$ 821	\$ 1,112		\$ 1,112
Depreciation	\$ 150		\$ 150	\$ 261		\$ 261
Taxes Other Than Income	\$ 70		\$ 70	\$ 18		\$ 18
Income Taxes	\$ 143		\$ 143	\$ (72)	\$ 7	\$ (65)
Total Deductions	\$ 1,185		\$ 1,185	\$ 1,320		\$ 1,326
<u>Net Revenue</u>	\$ 266		\$ 266	\$ (131)		\$ (113)
<u>Rate Base</u>	\$ 3,043		\$ 3,043	\$ 3,062		\$ 3,062
<u>Rate of Return</u>	8.75%		8.75%	-4.28%		-3.71%

Appendix E

Rate Schedules

SCE Gas Rate Schedule G-2

Customer Charge - \$/meter/day										
METER SIZE	2026 Summer	2026 Winter	2027 Summer	2027 Winter	% Change Summer	% Change Winter	2028 Summer	2028 Winter	% Change Summer	% Change Winter
175cfh	0.798	0.532	0.810	0.540	1.50%	1.50%	0.827	0.551	2.10%	2.04%
305cfh	1.389	0.926	1.410	0.940	1.51%	1.51%	1.440	0.960	2.13%	2.13%
400cfh	1.821	1.214	1.849	1.233	1.54%	1.57%	1.888	1.259	2.11%	2.11%
675cfh	3.075	2.049	3.122	2.081	1.53%	1.56%	3.187	2.125	2.08%	2.11%
1000cfh	4.553	3.035	4.623	3.082	1.54%	1.55%	4.720	3.147	2.10%	2.11%
2000cfh	9.079	6.052	9.219	6.145	1.54%	1.54%	9.412	6.274	2.09%	2.10%
3000cfh	13.613	9.076	13.823	9.216	1.54%	1.54%	14.113	9.409	2.10%	2.09%
4000cfh	18.152	12.101	18.432	12.288	1.54%	1.55%	18.818	12.545	2.09%	2.09%
5000cfh	22.696	15.130	23.046	15.363	1.54%	1.54%	23.529	15.685	2.10%	2.10%
TOTAL Energy Rates - \$/therm										
	2026 Summer	2026 Winter	2027 Summer	2027 Winter	% Change Summer	% Change Winter	2027 Summer	2027 Winter	% Change Summer	% Change Winter
All therms	5.81992	5.05050	5.86885	5.09313	0.84%	0.84%	5.93354	5.14947	1.10%	1.11%
			Energy Rates with Surcharge				Energy Rates with Surcharge			
			2027 Summer	2027 Winter	% Change Summer	% Change Winter	2027 Summer	2027 Winter	% Change Summer	% Change Winter
			6.37416	5.53164	8.61%	8.61%	6.43884	5.58800	8.52%	8.52%

SCE Water Rate Schedules W-1-GS and W-3

	2026			2027			2028			2029			2030			2031		
	W-1-GS (Commercial) W-3 (Irrigation)			W-1-GS (Commercial) W-3 (Irrigation)			W-1-GS (Commercial) W-3 (Irrigation)			W-1-GS (Commercial) W-3 (Irrigation)			W-1-GS (Commercial) W-3 (Irrigation)			W-1-GS (Commercial) W-3 (Irrigation)		
Meter Size	\$/meter/month	% change vs.		% change vs.		% change vs.		% change vs.		% change vs.		% change vs.		% change vs.				
		\$/meter/month	Previous	\$/meter/month	Previous	\$/meter/month	Previous	\$/meter/month	Previous	\$/meter/month	Previous	\$/meter/month	Previous	\$/meter/month	Previous			
5/8 in.	90.65	103.92	15%	117.17	13%	119.01	2%	120.91	2%	123.55	2%							
3/4 in.	151.39	173.55	15%	195.67	13%	198.74	2%	201.92	2%	206.34	2%							
1 in.	212.08	243.12	15%	274.11	13%	278.42	2%	282.87	2%	289.06	2%							
1.5 in.	303.61	348.04	15%	392.41	13%	398.58	2%	404.95	2%	413.81	2%							
2 in.	425.03	487.23	15%	549.34	13%	557.97	2%	566.88	2%	579.28	2%							
3 in.	954.54	1,094.23	15%	1,233.72	13%	1,253.11	2%	1,273.13	2%	1,300.97	2%							
4 in.	1,155.55	1,324.66	15%	1,493.53	13%	1,517.00	2%	1,541.24	2%	1,574.95	2%							
6 in.	1,958.97	2,245.66	15%	2,531.94	13%	2,571.73	2%	2,612.82	2%	2,669.97	2%							
8 in.	3,350.78	3,841.15	15%	4,330.82	13%	4,398.87	2%	4,469.15	2%	4,566.90	2%							
Volumetric Rates (\$/thousand gallons)			Volumetric Rates (\$/thousand gallons)			Volumetric Rates (\$/thousand gallons)			Volumetric Rates (\$/thousand gallons)			Volumetric Rates (\$/thousand gallons)			Volumetric Rates (\$/thousand gallons)			
Summer Winter (June-Sept) (Oct-May)			Summer Winter (June-Sept) (Oct-May)			Summer Winter (June-Sept) (Oct-May)			Summer Winter (June-Sept) (Oct-May)			Summer Winter (June-Sept) (Oct-May)			Summer Winter (June-Sept) (Oct-May)			
All usage 104.71 40.08			All usage 120.01 45.92			All usage 135.30 51.78			All usage 137.43 52.59			All usage 139.63 53.43			All usage 142.68 54.60			
% change			% change vs. Previous			% change vs. Previous			% change vs. Previous			% change vs. Previous			% change vs. Previous			
All usage			All usage 15% 15%			All usage 13% 13%			All usage 2% 2%			All usage 2% 2%			All usage 2% 2%			
Volumetric Rates + Surcharges (\$/thousand gallons)			Volumetric Rates + Surcharges (\$/thousand gallons)			Volumetric Rates + Surcharges (\$/thousand gallons)			Volumetric Rates + Surcharges (\$/thousand gallons)			Volumetric Rates + Surcharges (\$/thousand gallons)			Volumetric Rates + Surcharges (\$/thousand gallons)			
Summer Winter (June-Sept) (Oct-May)			Summer Winter (June-Sept) (Oct-May)			Summer Winter (June-Sept) (Oct-May)			Summer Winter (June-Sept) (Oct-May)			Summer Winter (June-Sept) (Oct-May)			Summer Winter (June-Sept) (Oct-May)			
All usage 135.42 51.82			All usage 174.80 66.89			All usage 176.93 67.70			All usage 179.12 68.54			All usage 182.17 69.71			All usage 182.17 69.71			
% change vs Base Rate			% change vs Base Rate			% change vs Base Rate			% change vs Base Rate			% change vs Base Rate			% change vs Base Rate			
All usage 13% 13%			All usage 29% 29%			All usage 29% 29%			All usage 28% 28%			All usage 28% 28%			All usage 28% 28%			