

BEFORE THE PUBLIC UTILITIES COMMISSION OF  
THE STATE OF CALIFORNIA



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Application of Southern California  
Edison Company (U338-E) for  
Authority to, Among Other Things,  
Increase Its Authorized Revenues for  
Santa Catalina Island Water Operations.  
And to Reflect That Increase in Rates.

A.10-11-009  
(Filed November 15, 2010)

**PROTEST OF  
THE DIVISION OF RATEPAYER ADVOCATES**

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December 17, 2010

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**I. INTRODUCTION**

Pursuant to Rule 2.6 of the Commission's Rules of Practices and Procedure, the Division of Ratepayer Advocates ("DRA") hereby files its protest to the application of Southern California Edison Company ("SCE", "Edison") for approval of increased revenues for its Santa Catalina Island Water Operations and increased rates to collect those revenues.

SCE's Santa Catalina Application arises from ALJ Barnett's recommendation to SCE to file a general rate case application<sup>1</sup>. Judge Barnett made this recommendation because of the significant issues that surfaced when SCE submitted Advice Letter-79W on July 7, 2010. In response to this advice letter filing, concerned water customers on Catalina filed a complaint against SCE. While the advice letter process is a proper vehicle for a class C water utility to request increased revenues, in this case ALJ Barnett recognized the need for a more thorough review of SCE's workpapers and recommendations based on issues that were raised in the complaint. This type of review is typically done via a formal general rate case application. SCE then withdrew AL-79W and filed application A10-11-009 on November 15, 2010.

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<sup>1</sup> On July 8, 2010 Tr at 31:15-32:6 for C.09-12-006.

The application seeks to increase rates by \$3.274 million over the currently – authorized base revenues. SCE also proposes to re-design rates amongst the customer classes and recover undercollections from two memorandum accounts. Because the rate impacts are significant, SCE is proposing an alternative form of rate relief that would have its electric ratepayers to pay some of the costs of this upgrade. This represents a substantial change from traditional ratemaking for this system because its non-water customers would bear some of the costs for a one year period.

DRA is reviewing the Application, the reasonableness of the proposed ratemaking treatment, and its consistency with the water action plan. DRA’s objective is to ensure that SCE operates the Santa Catalina Water system at the lowest possible cost to ratepayers consistent with the need to ensure the reliable and safe water service.

## **II POTENTIAL ISSUES**

DRA is reviewing the Application 10-11-009 and is conducting discovery to address the following issues consistent with DRA’s statutory mandates and objectives:

- A. Compliance: Does the application comply with Commission adopted methodologies for uncollectibles, the appropriate rate of return for a Class C water utility, and franchise fee requirements?
- B. Reasonableness: Are the capital projects Edison is proposing reasonable and justified at this time? In reviewing the application it is important to consider what happened as a result of SCE’s last rate case application in 2007 and the damage inflicted on the system by the 2007 Catalina fire.
- C. Rates: Whether SCE’s rate design proposal will provide its customers with equitable rates, help achieve conservation goals and adequately addresses low income concerns?
- D. Alternative Rate Design: Should the Commission entertain the alternative rate design suggestion whereby electric customers should subsidize water customers for a year to mitigate the rate impact?

DRA reserves the right to supplement these issues as more information becomes available. DRA continues to conduct discovery to ascertain other issues and resolve all potential issues.

### **III CATEGORIZATION**

DRA agrees that the appropriate categorization for this proceeding is ratesetting.

### **IV. PROPOSED SCHEDULE**

SCE proposes an aggressive schedule for this proceeding that DRA finds to be unrealistic and unnecessary. As an alternative below DRA had proposed an alternative schedule for the Commission's consideration. Given the number of issues raised by the application and the policy questions posed by the alternative rate design proposal it appears that hearings might be necessary. DRA is amenable to further discussions with Edison to help develop a mutually agreeable timeline.

Prehearing conference	January 12, 2011
Applicants updated showing	January 19, 2011
Public Participation Hearing	January 31, 2011
DRA and Intervenor Testimony	March 1, 2011
SCE Rebuttal	March 15, 2011
ADR begins	March 17, 2011
Hearings	April 4-6, 2011
Opening Briefs	May 5, 2011
Status Conference	May 6, 2011
Reply Briefs	May 20, 2011
Technical Conference	May 27, 2011
Proposed Decision	July 27, 2011
Comments	
Reply Comments	
Commission Meeting	

**v. CONCLUSION**

SCE's general rate case application for the Santa Catalina water system raises a number of important policy, rate design and customer impact questions that need to be explored in a full-fledged review by DRA. DRA will need an adequate amount of time to fully review this application and prepare testimony. The schedule proposed above allows for this type of in-depth review. The Commission should schedule a prehearing conference in the near future to set a schedule for this proceeding and allow parties to enter an appearance.

Respectfully submitted,

Respectfully submitted,

/s/ JASON ZELLER

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December 17, 2010

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of **PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES** in **A.10-11-009** by using the following service:

**E-Mail Service:** sending the entire document as an attachment to an e-mail message to all known parties of record to this proceeding who provided electronic mail addresses.

**U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on **December 17, 2010** at San Francisco, California.

/s/ HALINA MARCINKOWSKI

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Halina Marcinkowski

**SERVICE LIST**  
**A.10-11-009**

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