

December 5, 2018

**ADVICE 107-W
(U 338-W)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
WATER DIVISION

SUBJECT: Sales Forecast Update with Rate Increase to Eliminate Further Accumulation of Lost Revenues, and a Pilot Program to Decouple the Sales Forecast from the Revenue Requirement for Service Provided to Santa Catalina Island Water Customers

Southern California Edison Company (SCE) hereby submits the following changes to its tariffs. The revised tariff sheets are listed on Attachment A and are attached hereto.

PURPOSE

SCE respectfully submits this advice letter requesting the California Public Utilities Commission (Commission or CPUC) to approve:

1. SCE's update to the currently authorized sales forecast and proposed rate increase for water service on Santa Catalina Island (Catalina); and
2. A pilot program¹ to decouple future water sales from the revenue requirement.

The proposed water rates are designed to recover an authorized revenue requirement of \$4.13 million pursuant to Decision 14-10-048 (the Decision).² This advice letter does not request recovery of capital expenditures that SCE incurred since its last General Rate Case (GRC), incremental costs related to the historic state-wide drought, or lost

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- ¹ The pilot program to decouple revenue from sales requires implementing an annual sales forecast update process, an annual sales forecast true-up mechanism for over- or under-collections, and associated future rate adjustments to reflect the impact of customer conservation in response to changing drought conditions.
 - ² Decision Adopting the All-Party Settlement on Revenue Requirement and Rate Design Issues for Southern California Edison Company's Santa Catalina Island Water Operations.

revenues³ due to decreased sales from SCE's implementation of its Water Rationing Plan in accordance with Schedule 14.1, *Staged Mandatory Water Conservation and Rationing*. Recovery of capital expenditures, drought-related costs, and lost revenues will be addressed in a separate filing.

Southern California Edison Company (SCE) hereby submits the following changes to its tariffs:

1. Modification of Schedule W-1-R, *General Metered Fresh Water Service-Residential Service*; Schedule W-1-R-CARE, *Santa Catalina Island California Alternate Rates for Energy-Residential Water Service*; Schedule W-1-RDS, *General Metered Fresh Water Service-Residential Dual Service*; Schedule W-1-RM, *Master Metered Fresh Water Service-Residential Multifamily Accomodation*; Schedule W-1-GS, *General Metered Fresh Water Service-General Service*; and Schedule W-3, *Water Service for Irrigation* to reflect the increase in quantity rates; and
2. Creation of Preliminary Statement Q, *Water Revenue Adjustment Mechanism / Modified Cost Balancing Account* to record the difference between Commission authorized sales revenue and actual sales revenue along with Commission authorized production expense and actual production expense.

The water rates proposed in this advice letter will result in an average monthly bill⁴ increase of 13 percent for Residential Service and 16 percent for Residential Service-CARE customer classes; 27 percent for Commercial Service customers, and 19 percent for Irrigation Service⁵ customers and will prevent further large additions to Lost Revenues. The proposed rate increases are necessary to support the safe and reliable service of drinking water to Catalina customers.

³ Lost Revenues is a term used to describe the revenue under-collections caused by lower sales volume compared to the forecast sales volume used to set rates. To the extent the sales forecast used to set rates is above actual sales, a shortfall of authorized revenues collected to operate the utility results.

⁴ See Table VII: Average Monthly Bill and Usage by Customer Type - Current Compared to the 2019 Proposed, pp.12-13 and Attachment B.

⁵ Residential Service, Commercial Service, and Irrigation Service are further defined in SCE's Rule 1, Definitions. For the purpose of this advice letter, the terms Residential, Commercial, and Irrigation will be used.

BACKGROUND

SCE's Catalina domestic water system is classified as a Class C water utility serving approximately 2,000 residential and commercial accounts on Catalina Island, located roughly 22 miles off the coast of southern California in Los Angeles County. The currently authorized Catalina water revenue requirement and rates were adopted by the Commission in the Decision on October 16, 2014.

Drought Status and Customer Conservation

On June 1, 2013,⁶ SCE initiated Stage 1 of its Mandatory Water Conservation and Rationing Plan (Water Rationing Plan), imposing mandatory conservation requirements for all Catalina water customers. On January 17, 2014, following the driest year experienced by the state of California in over 100 years, Governor Brown proclaimed a statewide drought emergency (Emergency Drought Declaration), directing state officials to "assist farmers and communities that are economically impacted by dry conditions, and sought to ensure that the state can respond if Californians face drinking water shortages."⁷

In 2014, as the drought continued to worsen, SCE initiated Stage 2 of its Water Rationing Plan on August 11, 2014, imposing a 25 percent mandatory reduction in water usage.⁸ After more than two years in Stage 2, Stage 3 of the Water Rationing Plan was activated on September 6, 2016, increasing the mandatory conservation level to 40-50 percent for most customers and greater than 50 percent reductions for high-use customers.⁹ Each increasing drought stage brought on higher levels of required customer water conservation and rationing along with incremental operational costs caused by the drought. In November 2016, the Middle Ranch Reservoir (MRR) level fell to historic recorded low of 121 acre-feet, or 11 percent of the total capacity. During the winter of 2016-2017, the combination of water production from the new desalination plant (Plant 2) and substantial rainfall allowed the water level in the MRR to be replenished to approximately 70 percent capacity, which allowed SCE to lower the level of conservation back to Stage 1 on March 7, 2017.¹⁰

As of October 22, 2018, with below normal rainfall for the current rain year, the water level in the MRR was 541 acre-feet (51 percent) with a forecast to return to Stage 2 around June 2020.¹¹

⁶ Effective date of Advice 89-W.

⁷ See Gov. Brown's proclamation at <https://www.gov.ca.gov/2014/01/17/news18368/>

⁸ Effective date of Advice 92-W.

⁹ Effective date of Advice 101-W.

¹⁰ Effective date of Advice 103-W.

¹¹ Based on Middle Ranch Reservoir water level forecast model, utilizing production, consumption, and historical rainfall data.

Recovery of Cost of Service

SCE is submitting this advice letter to update its Catalina water sales forecast, increase water rates, and decouple revenue from sales. This advice letter does not include a request to recover balances in SCE's Catalina Water Lost Revenues Memorandum Account (CWLRLMA) and Catalina Water Rationing Memorandum Account (CWRMA), or to recover approximately \$9.3 million in capital expenditures placed into service since 2012.¹² These items, which will be subject to a separate filing, are not included in this advice letter for the following reasons.

The rate increase associated with the Decision was implemented on January 1, 2015, when the historic state-wide drought had already begun to significantly impact Catalina.¹³ SCE's efforts during the historic state-wide drought were focused on its conservation and rationing plan and ensuring customers had a sufficient supply of water. These efforts required the assistance of numerous teams from multiple organizations across SCE, and customer outreach activities. Additionally, customer concerns about rationing levels and water supply were extremely high during this time and implementing subsequent rate increases while implementing higher levels of rationing would have caused further customer unease and confusion. SCE and the City of Avalon partnered on implementing a new desalination unit in 2015 with the expectation that SCE would seek recovery of its costs after project completion. Desalination Plant 2 was placed into service in April 2016, however the project was not fully completed until the end of 2016. In September 2016, SCE implemented Stage 3 Rationing implementing 40-50 percent mandatory rationing.

After the substantial 2016-2017 winter rains, SCE lowered the level of conservation and rationing to Stage 1 in March 2017. This reprieve allowed SCE to begin developing a plan to recover its lost revenues, incremental expenses, and capital expenditures associated with the drought and various safety-related / infrastructure improvement and replacement projects completed since 2012. SCE's plan has included a stakeholder

¹² It is important to note the significant time that elapsed from SCE's original rate increase filing to the Decision. SCE originally filed its last GRC as an advice letter in July 2010 for a 2011 Test Year Rate Increase, consistent with Commission Standard Practice for small water utilities. In compliance with Administrative Law Judge Barnett's recommendation in the July 8, 2010 prehearing conference in the case of Hamilton Cove Homeowners Association versus SCE (C.09-12-006), which led to the rejection of SCE's previously filed advice letter, Advice 79-W, SCE filed a GRC Application with a 2011 Test Year in November 2010. As noted, the Decision was finalized in October 2014 with increased rates going into effect on January 1, 2015 or approximately five years after SCE's initial application filing. As such, capital projects since 2012 were not included as part of SCE's last GRC.

¹³ SCE implemented Stage 2 of the Water Rationing Plan on August 11, 2014, mandating a 25 percent reduction in water use for all customers. By January 1, 2015, when the Decision's authorized rates went into effect, customer usage had already fallen by 20 percent compared to the authorized sales forecast.

engagement process to address any customer concerns on water rate issues and develop rate mitigation mechanisms to limit bill impacts. As a result, SCE continues to work with stakeholders on a review-and-input process prior to requesting recovery of recorded capital expenditures and other costs recorded in the CWLRMA and CWRMA, which are largely drought-related and will be addressed in a later filing. Given the need to reduce bill impacts, implementing the sales forecast update rate increase now through this advice letter will allow SCE to increase rates beginning in 2019 to collect the authorized revenue requirement and stop further accumulation of lost revenues. SCE will subsequently submit a filing requesting recovery of the significant drought-related costs in 2019 so that any rate increase resulting from the subsequent filing would be implemented in 2020 (and after). This two-step ratemaking process will allow SCE to phase-in the overall needed rate increase over several years, averting a large one-time rate increase and the associated bill impact.

Impact of Customer Conservation on Average Monthly Bills

As shown in Table I below, Catalina water customers (Residential, Residential-CARE, and Commercial) have seen their average monthly bills consistently fall significantly below the Decision’s authorized amounts. The average monthly bill decrease is a direct result of customer conservation required by SCE’s Water Rationing Plan, which was essential to address the drought. As the drought worsened from 2012 to 2016, the level of conservation and rationing increased from Stage 1 in 2013, to Stage 2 in 2014, and to Stage 3 in 2016. The decrease in customer bill amounts through robust conservation resulted in decreased revenues collected to cover the costs of operating the water utility.

***Table I
Average Monthly Bill and Usage by Customer Type
Authorized and Recorded
2015 – 2017***

Line #	Description	Authorized D.14-10-048	Recorded		
			2015	2016	2017
1	Drought Stage Level		Stage 2, (Entire year)	Stage 3, (Sept.-Dec.)	Stage 1, (Mar.-Dec.)
2	Residential Non-CARE				
3	Average Monthly Bill	\$ 87.39	\$ 58.06	\$ 57.83	\$ 62.19
4	% Change from Authorized		-34%	-34%	-29%
5	Residential CARE				
6	Average Monthly Bill	\$ 76.00	\$ 49.70	\$ 53.13	\$ 58.51
7	% Change from Authorized		-35%	-30%	-23%
8	Commercial				
9	Average Monthly Bill	\$ 167.45	\$ 122.99	\$ 111.07	\$ 129.51
10	% Change from Authorized		-27%	-34%	-23%

Note: The table above shows the 3 customer tariff groups that comprise approximately 72 percent of the customers on Catalina. The average bill and usage amounts for the other nine customer tariff groups are available in Attachment C.

The revenue requirement of \$4.13 million established in the Decision was the amount deemed reasonable and necessary to safely and reliably operate the Catalina water system. The sales forecast and water rates require updating to collect the authorized revenue requirement approved in the Decision so that SCE can continue to safely and reliably operate the water system, and mitigate against further accumulation of lost revenues.

Updating the Sales Forecast and Adjusting Rates Will Mitigate Further Accumulation of Lost Revenues

Updating the sales forecast and customer rates based on current usage is a necessary first step to prevent further accumulation of lost revenues. Based on the 2018 year-end sales forecast of 92.5 million gallons (MG) per year,¹⁴ the additional 2018 lost revenues will be approximately \$735,000.¹⁵ Future increases in lost revenues will continue until the sales forecast and water rates are updated because customers are continuing to consume water well below the authorized sales forecast of 125.7 MG. On a per customer basis, each additional year of \$735,000 in lost revenues adds approximately \$368 per customer ($\$735,000 / 2,000$ customers) to be recovered in a future rate surcharges. As of August 31, 2018, the recorded amount of additional lost revenues for January through August 2018 was \$669,151. To avoid increasing the future financial burden on customers and preventing new lost revenues from accruing, the sales forecast and customer rates need to be updated now.

As shown in Table II below, SCE has recorded approximately \$5.5 million of lost revenues and interest to the CWLRMA¹⁶ from August 2014 through August 2018 resulting from customer conservation required under SCE's Water Rationing Plan. The amounts recorded in the CWLRMA are calculated based on the difference between authorized revenues and recorded revenues, plus interest expense on the under-collection of revenues. The purpose of CWLRMA is to record the lost revenues resulting

¹⁴ See the Sales Forecast Update section below for information on the 2018 sales forecast.

¹⁵ The estimated year-end under-collection of \$735,000 is calculated by subtracting the projected revenues of \$3.395 million from the authorized revenue requirement of \$4.130 million based on the 92.5 MG sales forecast and updated customer count under current rates.

¹⁶ Authorized by approval of Advice 92-W, August 11, 2014.

from customer conservation efforts required under SCE's Water Rationing Plan so that the lost revenues may be subsequently recovered from customers.¹⁷

¹⁷ Preliminary Statement Part P, Catalina Water Lost Revenue Memorandum Account.

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

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

Table notes:

Line 2: CWLRMA records the authorized revenue requirement after a reduction of 20 basis points (see Advice 92-W, p.4).

Line 5: Interest at the 90 day commercial paper rate (between 0.10 percent to 0.22 percent).

Recovery of the CWLRMA balance is subject to review by the Commission prior to authorizing a customer surcharge or other recovery mechanism.¹⁸ As explained in the Background – Recovery of Cost of Service section above, SCE is planning to submit a separate filing seeking Commission review and approval for the recovery of the balance of the CWLRMA, along with recovery of the balance of the CWRMA, and approximately \$9.3 million of capital expenditures.

SALES FORECAST UPDATE

Sales History

As shown in Table III below, for the last seven years from 2011 through 2017, recorded water sales in the Catalina Water System were less than the sales forecast authorized in the Decision. In years 2011–2013, recorded sales were less than the authorized forecast by three to four percent. In 2014, an additional reduction of sales in the amount of 24.8 MG or 20 percent occurred as mandatory rationing requirements went into effect with the implementation of Stage 2 in August 2014.¹⁹ Customer conservation continued to increase in 2015, and sales further decreased to 71.8 MG or 43 percent less than the authorized forecast of 125.7 MG. For 2016, sales leveled out at 72.1 MG increasing just 0.3 MG or less than one percent higher than 2015. In March 2017,

¹⁸ Standard Practice U-40-W, Section I – Tracking of Lost Revenue, Expenses Accrued and Penalty Monies Collected.

¹⁹ The Decision, which established the sales forecast amount of 125.7 MG, was not issued until October 20, 2014, approximately two months after SCE entered Stage 2 water rationing.

drought Stage 3 was lifted, and SCE returned to Stage 1 following operation of the new desalination plant and substantial winter rains. The return to Stage 1 in 2017 resulted in 2017 sales of 78.8 MG that were 6.7 MG or 9.3 percent higher than 2016. Stage 1 includes mandatory conservation measures but no mandatory reductions in water usage. Throughout 2017, there was a residual rationing effect where consumer conservation behaviors were maintained for a period of time. For the first eight months of 2018, sales have increased compared to the same period in 2017 as customer conservation behavior has slightly relaxed, increasing water usage.

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

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

* Authorized Forecast per 2011 GRC Decision

Sales Forecast Update for 2018 and 2019

The 2018 sales forecast is based on recorded customer usage for the first eight months of 2018 of 61.4 MG, which was 26 percent higher as compared to the first eight months of 2017. For the last four months of the 2018 forecast, the estimated monthly amounts are based on the 2017 recorded sales plus a 12 percent escalation factor.²⁰ The 12 percent escalation factor represents the net year-over-year sales growth for the months of April through August. With the return to Stage 1 in March of 2017, April 2017 was used as the first full month of Stage 1 consumption to compare periods under the same conservation and rationing stage. Year 2018 is the first full year of sales under Stage 1 water conservation since 2013 and shows an increase in sales from 78.8 MG in 2017 to

²⁰ Recorded sales for January through August 2018 were 26 percent higher than the same period for 2017. Stage 3 water rationing was lifted and Stage 1 reactivated in March 2017. Recorded sales for April through August 2018 were 12 percent higher than the same period for 2017. Stage 1 conservation was in place for all months April through August 2017 and 2018.

a 2018 year-end forecast of 92.5 MG, or an increase of 17 percent. The table below shows the calculation of the 2018 sales forecast.

Table IV
2018 Sales Forecast Calculation
In Gallons

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

The 2019 forecast is the same as the 2018 year-end sales forecast of 92.5 MG. For 2019, water sales are expected to remain flat compared to 2018 because of several factors: 1) no change is expected in the drought Stage 1 level throughout 2019; 2) the number of visitors in 2019 is expected to stay at the 2018 level of approximately 1,000,000 visitors;²¹ 3) customer growth is expected to be less than one-half of a percent;²² and 4) the proposed rate increase, upon approval by the Commission, will take effect in 2019 and reinforce customer conservation efforts resulting in the same or lower water usage compared to 2018 sales volume.

As shown in Table V below, the 2019 sales forecast is 33.2 MG or 26 percent less than the current authorized sales forecast of 125.7 MG. The 2019 sales forecast decrease compared to authorized is due to the ongoing customer conservation efforts but is

²¹ The 2019 Catalina visitor forecast is based on the recorded September 2017 to August 2018 visitor count data published by the Catalina Island Chamber of Commerce.

²² Customer growth is based on the recorded five-year annual average across all customer classes, excluding accounts for dedicated fire protection services.

significantly above the average reduced consumption levels of 40.9 percent from 2014 through 2016.²³

Table V
Sales Forecast Comparison
2011 GRC versus 2019 Update
In Millions of Gallons (MG)

Line #	Customer Type	2011 GRC		2019 Sales Forecast		Difference	
		Customer Meters	Volume (MG)	Customer Meters	Volume (MG)	Volume (MG)	Percentage
1	Res-NON CARE	1,365	55.0	1,334	35.4	(19.6)	-35.6%
2	Residential CARE	168	6.3	161	4.4	(1.9)	-30.0%
3	Commercial	290	58.3	351	49.2	(9.1)	-15.6%
4	All other	133	6.1	161	3.5	(2.7)	-43.3%
5	Total	1,956	125.7	2,007	92.5	(33.2)	-26.4%

Note: the forecast number of customers in 2019 is based on the recorded 2,007 customers at the end of 2017. The 2,007 customer total, including 100 fire service accounts, reflects 51 new customer accounts and the reclassification of 89 customers between categories.

The impacts of drought and activation of water rationing plans led to large sales forecast deviations for water utilities across the state. SCE’s Water Rationing Plan uses the Middle Ranch Reservoir (MRR) water level as the trigger for different stages of drought severity on Catalina Island. During the recent state-wide historic drought, SCE developed a MRR water level drawdown forecast to anticipate changes in drought stage on the island. Knowing the forecast drought stage helps predict increases or decreases in usage due to the activation or deactivation of mandatory conservation and rationing under the Water Rationing Plan. The MRR water level drawdown forecast takes into account baseline production from both the desalination plant and groundwater wells and baseline consumption from the previous period under the same drought stage. The MRR forecast model estimates when the reservoir level will reach the various conservation and rationing thresholds as defined in SCE’s Water Rationing Plan.²⁴ This allows for an adjustment to be made to the forecast water sales if SCE activates a higher stage of conservation and rationing level (Stage 2 or higher) under the Water Rationing Plan. Incorporation of the MRR water level forecast data into the water sales forecast will improve the sales forecast accuracy during periods of conservation and rationing, mitigating the impact of conservation on further accumulation of lost revenues.

²³ See Table III, 40.9 percent average sales decrease from 2014 – 2016 ((-43%-43%-37%)/3).

²⁴ SCE Water Schedule 14.1, *Staged Mandatory Water Conservation and Rationing*.

REVISED 2019 RATES BASED ON THE 2019 SALES FORECAST UPDATE

This section describes how the 2019 revised rates were calculated based on the 2019 sales forecast update of 92.5 MG and the current number of 2,007 customers. The rate design and revenue allocation developed in the 2011 GRC was intended to provide equity across rate classes while continuing to send strong conservation price signals.²⁵ The 2011 GRC all-party settlement recognized this could be accomplished through:

1. The amount of revenue recovered through fixed charges as opposed to volumetric charges;
2. The differential between the summer and winter volumetric rates; and
3. The allocation of volumetric revenue recovered from the residential and non-residential customer classes.

The current authorized rate design's revenue allocation is summarized below:

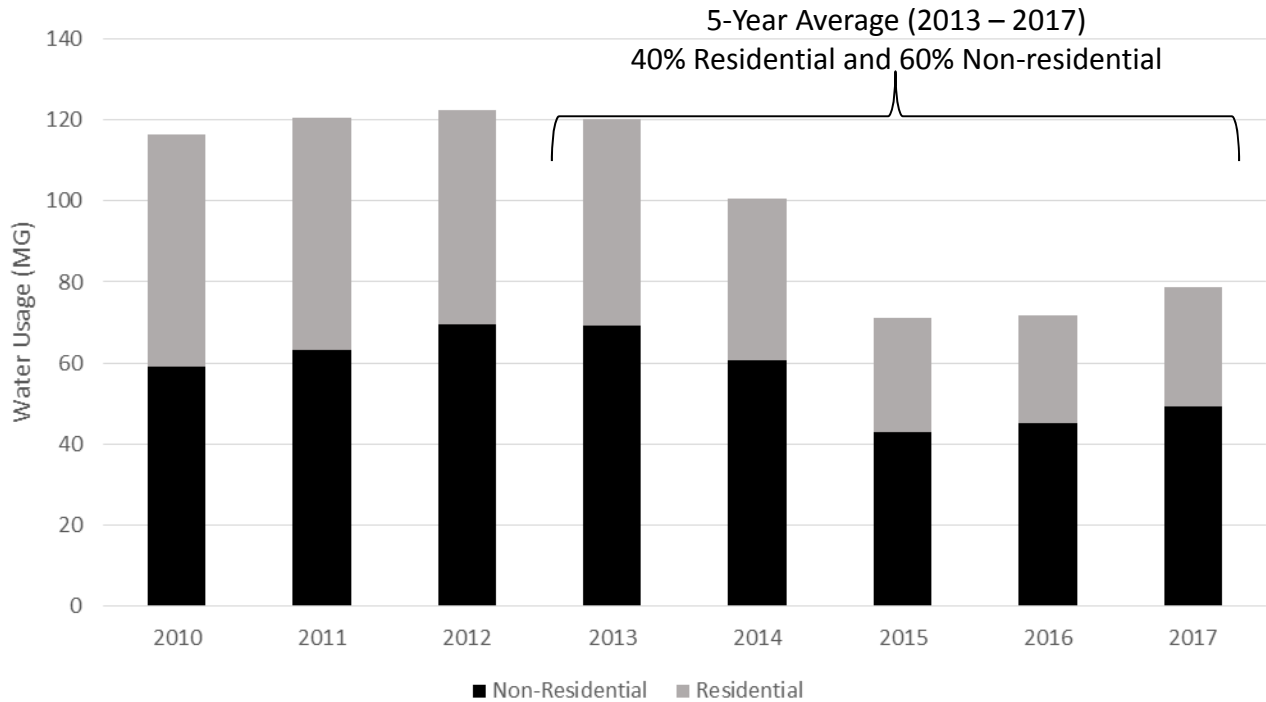
- Fixed/Volumetric Ratio: 30% Fixed, 70% Volumetric
- Seasonal Recovery: 55% Summer (4 months), 45% Winter (8 months)
- Overall Revenue Allocation: 49% Residential, 51% Non-Residential

At the time the rate design settlement was instituted, the usage distribution of Catalina water customers was 49 percent Residential and 51 percent Non-Residential.²⁶ Usage distribution of Catalina water customers has changed significantly since the 2011 authorized rates were established. The current five-year average usage distribution of Catalina water customers is approximately 40 percent Residential and 60 percent Non-Residential, representing a fairly significant change from the 2011 GRC authorized levels. The change in usage distribution among Catalina water customers since 2010 is shown in Figure I below. Using the rate design principle of overall revenue allocation established in the Decision, the rates proposed in this advice letter reflect the five-year average Residential and Non-Residential usage distribution (40 percent Residential/ 60 percent Non-Residential) while maintaining the other rate design parameters. This is accomplished by adjusting the volumetric revenue allocation between customer classes.

²⁵ 2011 GRC All-Party Settlement Agreement, Exhibit A – Rate Design.

²⁶ Non-Residential usage includes both Commercial and Irrigation customer classes.

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



Calculation of Rate Changes

The 2019 forecast of 2,007 customers is based on the recorded number of customers at the end of 2017 with no significant customer growth expected in 2018 and 2019.²⁷ The revised volumetric sales forecast of 92.5 MG accounts for changing customer water usage patterns and changes between Catalina water customer classes. SCE updated the rate design factor for Volumetric Recovery in order for the overall revenue allocation to reflect the five-year average usage distribution of approximately 40 percent Residential and 60 percent Non-Residential. The rate changes required to maintain the rate design and revenue allocation principles authorized in the Decision reflect the conservation efforts by customers. The proposed changes to fixed and volumetric (or quantity) rates for Residential, Residential-CARE, and Commercial customers are provided in Table VI below.

²⁷ The five-year average customer growth from 2013-2017 is less than one-half of one-percent.

Table VI
Proposed Fixed and Volumetric Rates for
Residential, Residential-CARE, and Commercial Customers
Based on the 2019 Sales Forecast Update of 92.5 MG
2019 Rate Schedules

	W-1-R (Residential)			W-1-GS (Commercial)			W-1-R-CARE (Residential-CARE)		
Meter Size	\$/meter/month	% change		\$/meter/month	% change		\$/meter/month	% change	
5/8 in.	43.21	0%		43.21	0%		34.56	0%	
3/4 in.	60.56	0%		60.56	0%		48.45	0%	
1 in.	77.90	0%		77.90	0%		62.32	0%	
1.5 in.	104.04	0%		104.04	0%		83.23	0%	
2 in.	138.72	0%		138.72	0%		110.97	0%	
3 in.	289.97	0%		289.97	0%		231.98	0%	
4 in.	347.39	0%		347.39	0%		277.91	0%	
6 in.	576.88	0%		576.88	0%		461.51	0%	
8 in.	974.44	0%		974.44	0%		779.56	0%	
	Volumetric Rates			Volumetric Rates			Volumetric Rates		
		Summer	Winter		Summer	Winter		Summer	Winter
		(June-Sept)	(Oct-May)		(June-Sept)	(Oct-May)		(June-Sept)	(Oct-May)
	0 - 2000 gallons (T1)	22.21	11.17	All usage	52.48	21.31	0 - 2000 gallons (T1)	17.35	8.52
	2001 - 6500 gallons (T2)	43.90	21.82	All usage	52.48	21.31	2001 - 6500 gallons (T2)	34.70	17.04
	Over 6500 gallons (T3)	65.59	32.47	All usage	52.48	21.31	Over 6500 gallons (T3)	52.06	25.56
		% change			% change			% change	
	T1	47%	26%	T1	43%	16%	T1	47%	25%
	T2	48%	26%	T2	43%	16%	T2	48%	26%
	T3	48%	27%	T3	43%	16%	T3	48%	27%
	Seasonal Impact	47%	26%	Seasonal Impact	43%	16%	Seasonal Impact	47%	26%
	Annual Impact	35%		Annual Impact	29%		Annual Impact	34%	

The schedule of current and proposed rates for all customer classes is provided in Attachment B.

Average Monthly Bill Impact of Proposed Rate Increase

Table VII below shows the monthly average bill at current rates versus the 2019 estimated average monthly bill at proposed rates and customer bill increase by customer type (Residential, Residential-CARE, and Commercial). The revised sales forecast results in average monthly bills of \$71.82 for Residential, \$69.21 for Residential-CARE, and \$169.11 for Commercial customer classes. The current monthly average bill is calculated using the 2019 proposed sales forecast of 92.5 MG and the current rates as authorized in the Decision. This allows for a like-for-like comparison of the proposed average bill increase. As shown in Table VII below, the 2019 proposed rate update will have a smaller increase for Residential customers compared to Commercial customers as a result of conservation and the change in overall usage shifting from 49 percent Residential and 51 percent Non-Residential to 40 percent Residential and 60 percent Non-Residential.

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

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

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

The decline in Residential usage due to conservation led to a decrease in the overall usage distribution of Residential customers to approximately 40 percent of total system use. Combining that factor with the rate design revenue allocation principles established in the Decision yields an approximate 12 percent change in the proposed average monthly bill for the typical Residential customer.²⁸ The typical Commercial customer will see their average monthly bills increase by approximately 22 percent because of the increase in their overall usage as compared to Residential customers. The last major economic recession in the United States ended in 2010. The improved economic conditions can be observed in the increased Catalina Island visitor counts and is the likely cause of the increase in overall water usage by Commercial customers. Figure II below adds total annual visitor counts on top of the usage distribution data presented in Figure I above. As shown in Figure II, and as the recession ended, the amount of Non-Residential usage on Catalina increased relative to Residential usage, coinciding with a steady increase in visitor counts from 2010 through 2017.

²⁸ A “typical” customer refers to a customer on a standard 5/8” x 3/4” meter. Residential, Residential-CARE, and Commercial customers with a 5/8” x 3/4” meter account for approximately 72 percent of all Catalina water customers.

Figure II
Residential and Non-Residential Usage Distribution
with Visitor Counts
2010-2017

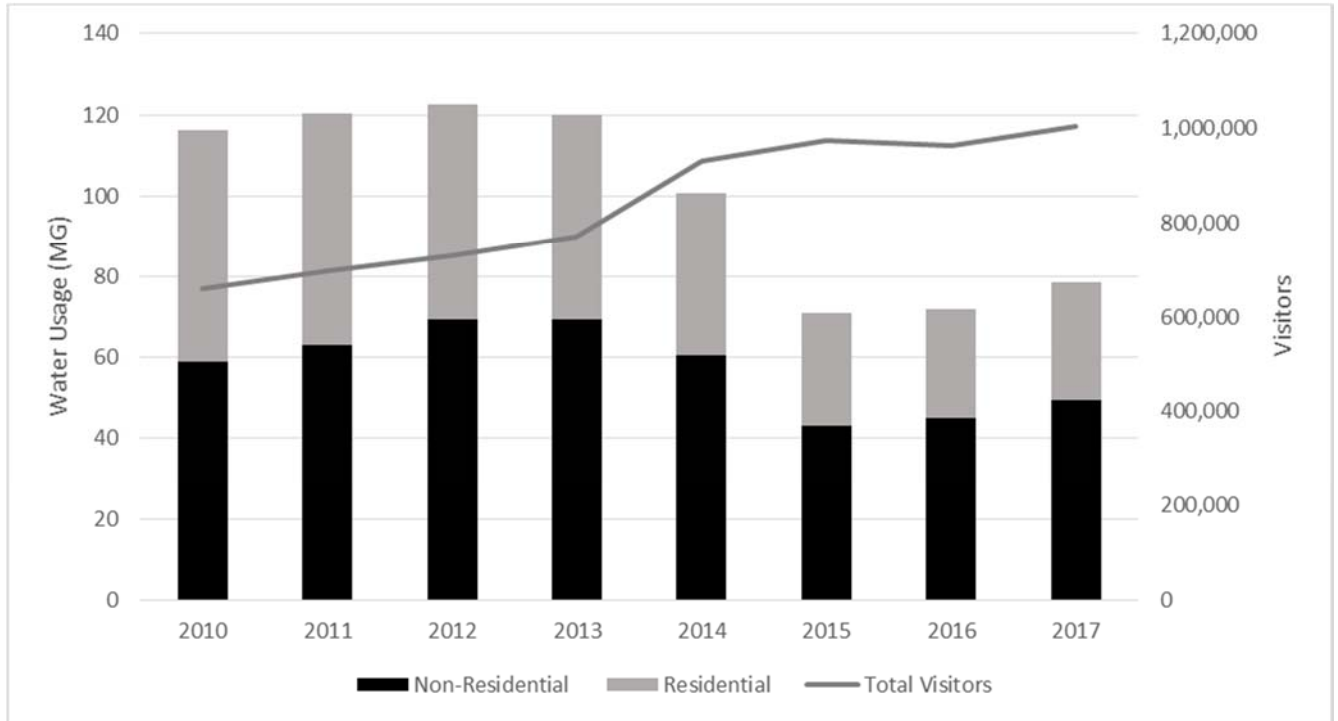


Table VIII below shows the estimated average bills from the Decision compared to the 2019 proposed average monthly customer bill by customer type (Residential, Residential-CARE, and Commercial). The estimated average monthly bills proposed for 2019 for the Residential customer classes are less than the estimated average monthly bills from the 2011 GRC. Commercial customers are expected to see essentially no change in average monthly bills in 2019 compared to the 2011 GRC authorized amount. These results are attributable to the decreased water sales due to conservation and the change in usage distribution among Residential and Non-Residential customer classes.

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

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

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

Catalina 2019 Proposed Residential Non-CARE Rates Compared to Other California Water Utilities

Meaningful average bill comparisons between California water utilities are challenging to develop because of the different mixes of customer classes (residential, commercial, agricultural, low-income ratepayer assistance, etc.), rate design factors, and cost variables such as access to low cost groundwater, availability of imported water, age of system, and reclaimed water use. The average bill comparison provided here is not intended to be a detailed analysis of all California water IOUs, given the unique circumstances of each water utility and their customers. The simple comparison below highlights that both higher and lower average bills exist when compared to Catalina water average bills and that other California water IOUs also have challenges to keep bills affordable for their customers.

The average monthly bills for a typical Residential customer of six other regulated California water utilities or districts listed in Table IX below range from \$64.12 to \$120.90 per month (Lines 3 to 8), which results in an average monthly bill of \$84.13 (Line 9) across these utilities. SCE's proposed 2019 Residential average monthly bill of \$71.82 (Line 2) is nearly 15 percent less than this average. Given the challenging geographic and hydrologic isolation of Catalina Island and lack of access to imported water, the proposed average Residential customer bill amounts, which are lower than the average proposed bills adopted in the Decision, are reasonable.

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

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

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

The Proposed 2019 Rate Increase is Reasonable and Necessary

The 2019 sales forecast update and proposed 2019 rates result in changes in estimated average monthly bill for Residential customers of 13 percent, Residential-CARE customers of 16 percent, 27 percent for Commercial, and an increase of 19 percent for Irrigation customers across all meter sizes. The proposed 2019 rate increase is reasonable and necessary for the primary reason that the cost of providing water service has increased since SCE's last GRC while the revenues collected from customers have decreased because of conservation efforts required under SCE's Water Rationing Plan.²⁹ The 2011 GRC Decision established the revenue requirement of \$4.13 million, deemed reasonable and necessary to safely and reliably operate the Catalina water utility. The average monthly bills proposed in this advice letter are comparable to or below those authorized and deemed reasonable in the Decision for the majority of customers. The 2019 sales forecast update and proposed 2019 rate increases are reasonable and necessary to mitigate further accumulation of lost revenues that will need to be recovered in the future from customers while allowing the utility an opportunity to collect the authorized revenue requirement.

²⁹ See Attachment E for a summary by year for 2015-2017 of annual operating costs.

PILOT PROGRAM TO DECOUPLE WATER REVENUE AND SALES

Need to Decouple Sales from the Revenue Requirement

The large under-collection of revenues from 2014 through 2018 demonstrates the need for an effective approach to decouple water sales from the revenue requirement in SCE's Catalina water utility to prevent future large revenue over- or under-collections. Under the existing ratemaking, the CPUC authorized revenue requirement³⁰ is collected through monthly customer bills based on the service charge and volumetric rates set based on the authorized sales forecast. When customers use less water than forecast during times of conservation and/or drought, the revenues collected will be less than authorized. When customers use more water than forecast, revenue above the authorized revenue requirement is collected. Decoupling sales and revenue, as proposed by SCE, will result in collection of no more and no less than the authorized revenue requirement.

The CPUC's policy encouraging decoupling of water revenues from sales is intended to facilitate water conservation while adequately providing financial resources to water utilities to operate their systems safely and reliably. One of the goals of decoupling is to set rates to collect the revenue requirement so that neither customers nor the utility pays for more or less of the utility's cost of service established by the authorized revenue requirement. The goals of decoupling are to:³¹

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

The decoupling mechanism currently in place is the CWLRMA, in which SCE is authorized to track lost revenues associated with activating its Water Rationing Plan. As discussed earlier in this advice letter, the CWLRMA has tracked approximately \$5.5 million in under- collections (recorded sales lower than forecast sales) from August 2014 through August 2018. Recovery of the CWLRMA balance will be the subject of a future filing. As discussed below, the proposed pilot Decoupling Program will be a significant improvement by replacing the CWLRMA with annual rate adjustments and

³⁰ Authorized revenues are the just and reasonable revenues essential to pay for the costs of maintaining, delivering, and operating the water system along with the opportunity for the utility to earn an authorized rate of return on invested capital.

³¹ D.09-05-005, Attachment A, Part V (Golden State Water Settlement Agreement); and D.09-07-021, Attachment A, Part XIV (California American Water Settlement Agreement).

surcharges or credits that together will reduce future accumulations of revenue under- or over- collections.

Pilot Decoupling Program Approach

SCE proposes a pilot Decoupling Program with two main components: 1) a Water Revenue Adjustment Mechanism (WRAM) with a Modified Cost (MC) Balancing Account (BA) to true-up authorized sales revenue to recorded sales revenue and adjust for savings or additional variable costs related to water production, and 2) a Consumption Adjustment Mechanism (CAM) to update the sales forecast and rates annually. Each of these components are discussed below followed by an illustrative example in Attachment C.

- ***WRAM/MCBA Sales Forecast to Recorded Annual True-Up***

SCE proposes to establish a WRAM/MCBA to true-up the difference between the authorized revenue requirement and recorded sales revenues as well as variable production costs. The WRAM/MCBA will record any volumetric (quantity) revenue over- or under-collections resulting from variations in sales compared to the adopted forecast, and any changes in variable production costs related to the variation in sales.

The WRAM/MCBA will combine both the sales revenue and variable production cost differences prior to seeking true-up through a surcharge or sur-credit. The Modified Costs, net WRAM/MCBA over- or under-collection and annual sur-credit or surcharge calculations, and maximum surcharge limits are discussed below.

- ***Modified Costs***

Modified Costs (MC) are the operating expenses which fluctuate with changes in water production (volume related expenses). SCE proposes to record the difference between the authorized and actual recorded MC in the WRAM/MCBA. The annual true-up of authorized and recorded volume related expenses will be combined with the recorded sales forecast difference to determine the surcharge or sur-credit for the next year.

Generally, as sales decrease, volume related expenses associated with water production also decrease. The decrease in volume related expenses (i.e., cost savings) offsets (reduces) a portion of the lost revenue from decreased sales and results in a lower net WRAM/MCBA balance to be recovered from customers. Similarly, when sales increase above the authorized forecast, volume related expenses increase, and the increased costs would offset (lower) the calculation of the revenue over-collection to be returned to customers through a sur-credit.

The current adopted quantities for Catalina's volume related expenses (Modified Costs) of water production only include purchased power as identified in the Decision.³² The volume related expenses for the Catalina water utility do not include purchased water due to its geographical isolation, therefore no purchased water cost savings or increases occur with changes in sales.³³ In fact, for the Catalina water system, drought conditions typically result in increased production costs relative to non-drought periods, rather than a decrease in costs as experienced by most other water utilities. This is attributable to the increased use of energy-intensive seawater desalination during periods of drought. As deeper stages of water rationing are experienced and water sales decrease, the relative amount of desalinated water in the supply mix increases to reduce the strain on groundwater resources.

Figure III below shows the relationship between Catalina's total water production (groundwater plus desalination) and volume related expense (purchased power). For the period 2010 through 2013, the relatively high amount of water production corresponds with lower variable production costs because of the reduced utilization of the desalination plant to supply water. In comparison, for the years 2014 through 2017, water production decreased (due to decreased sales as a result of the drought) which coincided with an increase in variable production cost due to the greater use of the desalination plant(s)³⁴ for water supply.

³² The current adopted quantities for volume related expense were established in the 2011 Catalina Water GRC (D.14-10-048). The Decision only presented a value for Account 615 – *Power* under the Standard Practice U-39-W – *Uniform System of Accounts for Class B, C, and D Water Utilities*. No adopted amounts for Account 610 – *Purchased Water* or Account 618 – *Other Volume Related Expense* were discussed in the Decision. SCE has recorded amounts for Account 618 – *Other Volume Related Expense* from 2010 forward, and incurred these costs prior to 2010, categorized under Account 640 – *Materials* in the last GRC. However, given that there is no specific amount identified for Account 618 – *Other Volume Related Expenses* in the Decision, those costs are excluded here.

³³ SCE temporarily purchased and distributed bottled water on the West-End during the drought when SCE's Howlands Well had salt-water intrusion and could not serve potable water. Additionally, SCE's drought mitigation studies identified the possibility of barging potable water from the mainland should SCE not be able to serve its customers. The barging of water was one of several short-term drought mitigation options SCE explored during the historic, state-wide drought and wasn't acted on due to the extremely high cost.

³⁴ Desalination Plant #2 was placed into service in June 2016.

Figure III
Volume Related Expenses Compared to Groundwater
and Desalination Production
2010 – 2017

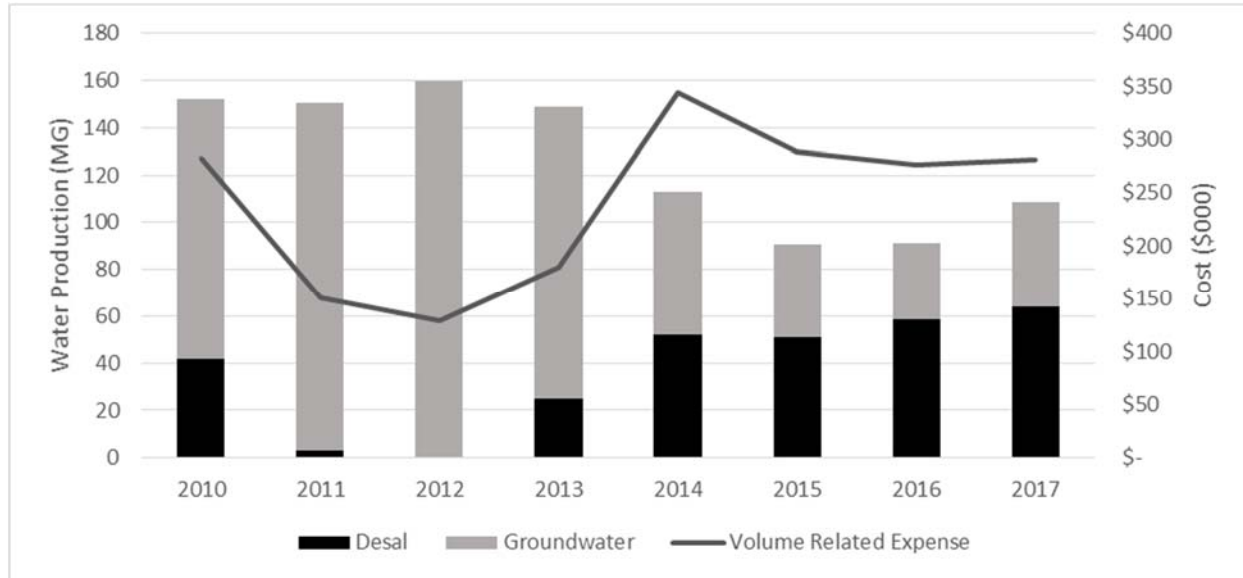


Table X below shows Catalina’s authorized and recorded volume related expenses for the years 2015 – 2017. Despite the increase in production cost during the recent historic drought, costs fell below SCE’s authorized amount for volume related expenses. This is a result of SCE’s authorized volume related expenses only including purchased power. The operating expenses for Catalina water will be evaluated during the next general rate case.

Table X
Catalina Water
Volume Related Production Expenses (Modified Costs)
Authorized Versus Recorded
2015 – 2017
(\$000)

Line #	Description	2015	2016	2017
1	Recorded	\$ 288	\$ 276	\$ 281
2	Authorized	\$ 303	\$ 303	\$ 303
3	Difference (Line 1 - Line 2)	\$ (15)	\$ (27)	\$ (22)

For the pilot Decoupling Program, if the annual recorded volume related production expense (Line 3) are greater than authorized, the amount would be added to the WRAM/MCBA balance for each year. Likewise, if recorded volume related production expenses were less than authorized, the amount would be subtracted from the WRAM/MCBA balance.

- ***WRAM/MCBA Surcharge or Sur-Credit Calculation***

Recovery of WRAM/MCBA under-collections will be passed through to customers via a volumetric surcharge. The surcharge amount will be calculated in accordance with Standard Practice (SP) U-7-W,³⁵ which includes the following formula to calculate surcharge amounts:

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

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

Refunds of WRAM/MCBA over-collections will be passed through to customers via a flat sur-credit applied to the monthly service charge.³⁶ The refunding of over-collections via sur-credit on the monthly service charge prevents an inequitable refund to customers who are less conservation-minded.

- ***WRAM/MCBA Surcharge Maximum Annual Limit***

The WRAM/MCBA surcharge will have an annual cap of 10 percent of the authorized revenue requirement in accordance with D.12-04-048.³⁷ For SCE, the annual WRAM/MCBA cap is maximum surcharge revenue of \$0.413 million (\$4.13 M x 10 percent). This cap limits bill increases and prevents customers from paying higher surcharge amounts. SCE will request amortization when the WRAM/MCBA balance is at or above two percent of the authorized revenue requirement.³⁸ The WRAM/MCBA will record authorized forecast sales and recorded sales revenues from January 1 through December 31 by rate schedule and tier. The recorded sales will be compared to the authorized forecast sales to determine the period over- or under-collections. The

³⁵ SP U-7-W, Section J – Recovery of Past Revenues.

³⁶ D.12-04-048, Section 3.5 – How Surcharge/Sur-credit should be Applied to Customer's Bill.

³⁷ D.12-04-048, OP#3.

³⁸ D.12-04-048. OP#2 and General Order 96-B, Water Industry Rule 8.5.

over- or under-collection along with the beginning balance, surcharge revenues collected and interest as applicable will be used to calculate the surcharge for the applicable rate schedules and recovered consistent with the alternative amortization schedule authorized by D.12-04-048.³⁹ Table XI below summarizes the amortization periods as outlined in Appendix A of D.12-04-048:

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

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

- **CAM Sales Forecast Annual Update**

SCE proposes to implement a CAM to update the water sales forecast and adjust rates annually. The importance of an accurate sales forecast in collecting the authorized revenue requirement was demonstrated in the first section of this AL. Without the use of an accurate sales forecast in a decoupling mechanism, significant true-ups of under- or over-collections will need to be collected from or refunded to customers in the following year(s). The accuracy of an annual sales forecast is typically better than a multi-year forecast because of availability of more current information (drought stage, number of island visitors, and customer conservation) to set the next year’s forecast versus projected water sales two or three years in advance. Thus, with greater forecast accuracy, there should be timelier rate adjustments resulting in smaller WRAM true-up surcharges or credits. In drought situations, like the recent statewide drought that significantly impacted Catalina, the result of not having an annual sales forecast update is seen in the year-after-year accumulation of large revenue under-collections. The CAM’s regulatory background and forecast methodology are discussed below.

- **CAM Regulatory Background**

In 2015, the CPUC Policy and Planning Division issued the report *Evaluating Forecast Models: Water Revenue Adjustment Mechanism* (“WRAM White Paper”), which

³⁹ D.12-04-048, OP#3

discussed the unexpected underperformance of WRAMs and accumulation of large revenue under-collections since their adoption in 2008.⁴⁰ The WRAM White Paper discussed the contributing factors to the large revenue under-collections, including outdated or inaccurate sales forecasts, and the use of forecast models which do not include extreme events such as drought or economic recession.⁴¹ SCE's pilot Decoupling Program proposal considers the conclusions and recommendations of the WRAM White Paper to increase the effectiveness of the WRAM/MCBA decoupling mechanism by updating the sales forecast and rates on an annual basis. The annual CAM sales forecast update and rate adjustment will provide the best opportunity to collect the authorized revenue requirement, no more and no less, while reducing WRAM surcharges through annual updates.

In 2016, the Commission issued Decision (D.) 16-12-026, Providing Guidance on Water Rate Structure and Tiered Rates. D.16-12-026, among other things, also addressed the unexpected underperformance of authorized WRAMs and methods to improve their effectiveness in light of persistent drought conditions. D.16-12-026 authorized Class A and B water utilities to propose using a Sales Reconciliation Mechanism (SRM),⁴² or other alternative mechanisms to reduce WRAM balances and surcharges, and provide timely cost information to customers.⁴³ SCE's proposed pilot Decoupling Program also supports numerous Goals and Objectives for Balanced Rate Design from D.16-12-026, including providing conservation incentives for customers and utilities consistent with Commission and state policy, providing an opportunity for timely recovery of the utility's revenue requirement, and reducing or eliminating the causes of high WRAM/MCBA surcharges and extended recovery periods.⁴⁴ A copy of these goals and objectives are provided in Attachment F of this AL.

The CAM proposed by SCE is the same approach as the pilot CAM true-up program recently authorized in D.18-05-027 for California-American Water Company's (Cal-Am) Monterey District. Decision 18-05-027 approved Cal-Am's pilot program to true-up annual sales variances through a WRAM/MCBA surcharge, reset the sales forecast,

⁴⁰ *Evaluating Forecast Models: Water Revenue Adjustment Mechanism*, Policy & Planning Division, Aug. 17, 2015, p. 8, "achieving an efficient urban water economy requires that the nexus between water rates, water consumption, and water revenues are well balanced."

⁴¹ *Ibid*, p. 7.

⁴² The SRM is a mechanism that allows water utilities with a greater than five percent divergence between actual sales and adopted test year sales to adjust the sales forecast for the remainder of the rate case cycle by 50 percent of the difference between the adopted forecast and actual water sales.

⁴³ D.16-12-026, OP #4.

⁴⁴ D.16-12-026, Attachment A.

and update rates annually to improve the likelihood of collecting the authorized revenue requirement, while moderating WRAM balances and surcharges.

- ***CAM Sales Forecast and Rate Update Methodology***

The CAM will use the most recent year's sales data to update the sales forecast for the following year. The sales forecast update will use the recorded sales data for the period of October 1st of the previous year through September 30th of the current year. The sales forecast update will also consider changes to other economic and environmental factors shown to affect water sales, such as visitor counts and water rationing stage, to improve the accuracy of the water sales forecast. To determine the rate changes, the CAM sales forecast update will be input into the rate design model from the last authorized decision. Rate design model parameters such as the Residential and Non-Residential revenue allocation will be updated as necessary to align with current usage patterns and policy objectives. The sales forecast update and adjusted rates will then serve as the new adopted quantities for the subsequent year.

The rate increase or decrease associated with the annual CAM sales forecast update will be developed separately from any outstanding WRAM/MCBA surcharge requirement. The annual setting of rates through the CAM is tied to the authorized revenue requirement and the adopted sales forecast update. Keeping the WRAM/MCBA separate will allow more visibility of the surcharge or credits required to recover or refund the revenue under- or over-collections on customer bills.

The CAM annual sales forecast update process is designed to reduce the next year's WRAM/MCBA balance and surcharge/sur-credit amount by utilizing the most current data available. With a CAM forecast update there is no change in the authorized revenue requirement, only the rates required to collect the revenue requirement based on the sales forecast update and rate design parameters. The CAM annual sales forecast and rate update process will be evaluated and adjusted when needed during the pilot program and in the next general rate case.

The combination of the annual CAM sales forecast update and a WRAM/MCBA surcharge cap of 10 percent of the most recent authorized revenue requirement will provide bill stability for customers and revenue stability for the utility. The annual WRAM/MCBA surcharge (subject to a 10 percent cap of authorized revenues) provides a reasonable maximum bill increase to maintain affordability while minimizing the deferral of lost revenues to be collected later. The proposed pilot Decoupling Program mechanisms of forecast to recorded true-ups of sales and modified costs (WRAM/MCBA) and annual sales forecast update (CAM) will function together to send

timely price signals to conserve water, smooth customer bill increases, and minimize the accumulation of lost revenues. This decoupling approach shares the burden of conservation rate design and decoupling between SCE and Catalina water customers.

- ***No Proposed CAM Forecast Update Maximum or Minimum Rate Increase or Decrease***

No maximum or minimum rate increase or decrease limits are proposed for the annual CAM sales forecast rate increase or decrease adjustment. The primary reason for this is the principle that customers will make better informed conservation choices when their bills are based on the real costs to produce and deliver the product. By not placing upper or lower limits on the rate increase associated with the annual sales forecast update, intergenerational issues are avoided and timely price signals are sent to customers so that they can determine the best use of their financial resources to meet their needs.

It is possible that sales forecast factors such as drought stage, visitor counts, and customer conservation efforts can combine to create substantial rate increases or decreases depending on the circumstances. Large rate increases are not a desirable outcome of the annual CAM sales forecast update, nor is the accumulation of large under-collections from not having rates set to collect the authorized revenue requirement. The annual sales forecast update advice letter will provide the regulatory review process for the next year sales forecast as well as proposed mitigation options if indicated.

- ***Illustrative Example of Proposed Decoupling Mechanisms***

To highlight the benefits of proposed WRAM/MCBA and CAM decoupling mechanisms, SCE offers a detailed three-year illustrative example in Attachment C. The illustrative example shows how the WRAM/MCBA and CAM decoupling mechanisms operate, including calculation of surcharges, and how the mechanisms work together to mitigate the accumulations of WRAM/MCBA balances over a general rate case period. The results of the illustrative example highlight the benefits of the proposed pilot Decoupling Program approach: balancing of the benefits and risks of implementing conservation rate structures between customers and the utility, improving bill stability for customers and revenue stability for the utility, and mitigating the potential accumulation of large WRAM/MCBA balances while removing the financial disincentive to promote conservation.

- ***Implementation of the Decoupling Pilot Program***

The pilot Decoupling Program includes a provision for the program to be reviewed in SCE's next Catalina water general rate case to assess the program's effectiveness in decoupling sales from the revenue requirement and preventing significant under- or over-collections from occurring. The pilot Decoupling Program also includes provisions allowing for program adjustments if needed prior to the next general rate case to improve the objective of timely collection of the revenue requirement and stable customer bills. An example of a possible pilot program adjustment that could occur is an unplanned change in drought stage that would result in a large deviation in the sales forecast. If this situation occurred, SCE would submit an Advice Letter to correct the sales forecast prior to the annual update to maintain stable customer rates and prevent a large under- or over- revenue collection.

- ***Rate Schedule Applicability***

The proposed WRAM/MCBA and CAM mechanisms will apply to all Catalina water customers whose service includes volumetric billing. This includes all Residential, Commercial, and Irrigation customer classes. Only customers with a volumetric billing component are subject to: 1) conservation rate design and pricing signals; 2) annual sales forecast adjustments; and 3) decoupled rates.⁴⁵ Thus, the only service class excluded is Schedule W-4 Dedicated Water Service for Private Fire Protection Systems. Schedule W-4 does not contain a volumetric usage element and thereby does not benefit from conservation rate design or decoupling.

- ***WRAM/MCBA Advice Letter Filing Process***

SCE proposes to submit a written report showing the net WRAM/MCBA balance through a Tier 1 Advice Letter in March of each year showing the actual recorded consumption by classification and by tier and the accumulated WRAM/MCBA balance as of December 31st of the previous year. If the written report shows a net over- or under-collection exceeding two percent of the authorized revenue requirement, SCE will submit a Tier 1 Advice Letter within 30 days requesting amortization of the balance. The WRAM/MCBA Advice Letter will provide a calculation of the surcharge or sur-credit and the average monthly bill impact. The Tier 1 Advice Letter requesting balancing

⁴⁵ While the Commercial and Irrigation customer classes do not have an increasing block rate structure, the seasonal rates are still relevant in sending conservation pricing signals during the peak summer use period.

account amortization is considered effective pending disposition in accordance with General Order 96-B.⁴⁶

- ***CAM Advice Letter Filing Process***

SCE proposes to submit a Tier 2 Advice Letter in November of each year providing the actual recorded consumption amounts from October 1st of the previous year through September 30th of the current year, along with an updated sales forecast by classification and by tier for the subsequent year.⁴⁷ Upon approval of the Tier 2 Advice Letter, SCE would then file a Tier 1 Advice Letter to implement the new rates. The revised consumption and production data will become the new adopted quantities for the subsequent year.

- ***Catalina Water Lost Revenue Memorandum Account to be closed to New Entries Following Implementation of the WRAM/MCBA***

Upon approval from the Commission to implement the proposed pilot Decoupling Program's decoupling mechanisms as proposed in this AL, SCE will close the CWLRMA to new lost revenue entries. No further entries will be made into the CWLRMA except for interest expense on the remaining lost revenue balance upon closure. Moving forward, the WRAM/MCBA will record any over- or under-collection of the revenue requirement. The existing lost revenues balance of the CWLRMA will be submitted to the Commission in a separate filing for review, approval, and recovery.

The WRAM/MCBA information will be provided in annual reports to the Water Division via advice letter.

CONCLUSION

The proposed rate increase for the 2019 sales forecast update of approximately 22 percent in the average monthly bill⁴⁸ is reasonable in light of historical sales revenue under-collections from 2014 into 2018. The proposed rate increase is necessary to collect the authorized revenue requirement to support the safe and reliable provision of drinking water on Catalina Island.

The proposed pilot Decoupling Program is necessary so that customers have the most timely rate information to make conservation choices to manage their bills and the water utility has funds for the continued safe and reliable operation of the Catalina water system. The proposed WRAM/MCBA and CAM mechanisms will operate together to

⁴⁶ General Order 96-B, Water Industry Rule 7.3.1

⁴⁷ Following the process authorized in D.18-05-027, p.8.

⁴⁸ See Table VII and Attachment B.

true-up over- and under-collections through annual surcharges or meter credits, sales forecast updates, and rate adjustments. The decoupling mechanisms will provide both bill stability for customers and revenue stability for the Utility, while maintaining a strong emphasis on water conservation. SCE respectfully requests that both the rate increase for the 2019 sales forecast update and the pilot Decoupling Program mechanisms be expeditiously approved by the Commission.

PROPOSED TARIFF CHANGES

SCE includes, in Attachment A, the following updated rate schedules:

- Schedule W-1-R
- Schedule W-1-R-CARE
- Schedule W-1-RDS
- Schedule W-1-RM
- Schedule W-1-GS
- Schedule W-3

In addition to the rate schedules described above, SCE requests to establish:

- Preliminary Statement Q, Water Revenue Adjustment Mechanism / Modified Cost Balancing Account (WRAM/MCBA)

INDEX OF ATTACHMENTS

In support of Catalina Water sales forecast update, rate updates, and annual sales forecast adjustment mechanism, SCE includes the following documents:

Attachment A:	Tariff Sheets
Attachment B:	Current and Proposed Average Bills and Rates
Attachment C:	Decoupling Example Supporting Information
Attachment D:	Draft Notice of Proposed Rate Increase
Attachment E:	Summary of Annual Operating Costs (2015-2017)
Attachment F:	Goals and Objectives for Balanced Rate Design from D.16-12-026

TIER DESIGNATION

Pursuant to General Order (GO) 96-B, Water Industry Rule 7.3.3(5), this advice letter is submitted with a Tier 3 designation.

EFFECTIVE DATE

SCE requests that its Catalina water service rates and tariffs become effective within 60 days following the issuance of a final Commission resolution.

No cost information is required for this advice filing.

This advice filing increases rates and will not cause the withdrawal of service, or conflict with any other schedule or rule.

NOTICE

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be submitted to:

Director, Water Division
CPUC
505 Van Ness Avenue
San Francisco, California 94102
E-mail: water_division@cpuc.ca.gov
Facsimile: (415) 703-2200

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Gary A. Stern, Ph.D.
Managing Director, State Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, California 91770
Facsimile: (626) 302-6396
Telephone: (626) 302-9645
E-mail: AdviceTariffManager@sce.com

Laura Genao
Managing Director, State Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5544
E-mail: Karyn.Gansecki@sce.com

and

Walker Matthews
Senior Attorney
Southern California Edison Company
Law Department
2244 Walnut Grove Avenue
Rosemead, CA 91770
Facsimile: (626) 302-6008
E-mail: Walker.Matthews@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

SCE is serving copies of this advice filing to the service list for interested parties shown on the attached GO 96-B and A.10-11-009 service list in accordance with Water Industry Rule 4.1 of GO 96-B. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-4039. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing at SCE's corporate headquarters. To view other SCE advice letters filed with the Commission, log on to SCE's web site at <https://www.sce.com/wps/portal/home/regulatory/advice-letters>.

In addition, SCE is complying with the customer notice provisions of Rule 3.1 (Water Utility Rule) of GO 96-B.

For questions, please contact Cooper Cameron at (626) 302-3406 or by electronic mail at Cooper.Cameron@sce.com.

Southern California Edison Company

/s/ Gary A. Stern, Ph.D.
Gary A. Stern, Ph.D.

GAS:cc:jm
Enclosures

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS**

Advice Letter Cover Sheet

Utility Name: Southern CA Edison

Date Mailed to Service List: Dec. 5, 2018

CPUC Utility #: WTC 338

Protest Deadline (20th Day): Dec.24 , 2018

Advice Letter #: 107-W

Review Deadline (30th Day):

Tier 1 2 3 Compliance

Upon
Commission

Requested Effective Date: Approval

Authorization

Rate Impact: \$ N/A
22 %

Description: Sales Forecast Update with Rate Increase to Eliminate Further Accumulation of Lost Revenues, and a Pilot Program to Decouple the Sales Forecast from the Revenue Requirement for Service Provided to Santa Catalina Island Water Customers

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

Utility Contact: Darrah Morgan

Utility Contact 2: Jeanette Melgar

Phone: (626) 302-2086

Phone 2: (626) 302-4039

Email: advicetariffmanager@sce.com

Email 2: Jeanette.melgar@sce.com

DWA Contact: Tariff Unit

Phone: (415) 703-1133

Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

DATE

STAFF

COMMENTS

APPROVED

WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS**

Advice Letter Cover Sheet

APPROVED

WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Original 1020-W Original 1021-W Original 1022-W	Preliminary Statement Part Q Preliminary Statement Part Q Preliminary Statement Part Q	
Revised 1023-W	Schedule W-1-R-CARE	Revised 850-W
Revised 1024-W	Schedule W-1-R	Original 853-W
Revised 1025-W	Schedule W-1-RDS	Original 854-W
Revised 1026-W	Schedule W-1-RM	Original 855-W
Revised 1027-W	Schedule W-1-GS	Original 857-W
Revised 1028-W	Schedule W-3	Original 861-W
Revised 1029-W Revised 1030-W Original 1031-W	Table of Contents ToFC Table of Contents ToFC Table of Contents ToFC	Revised 1009-W Revised 937-W

Preliminary Statement

Sheet 1

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

1. Purpose

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

2. Applicability

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

3. Definitions

- a. WRAM-eligible revenue: all revenue collected from customers on a rate schedule with a volumetric billing element, subject to decoupling. This includes all Residential, Commercial, and Irrigation customer classes.
- b. Adopted WRAM-eligible revenue: the revenue amount authorized by the Commission to be collected from customers on rate schedules subject to volumetric billing and decoupling.
- c. Recorded WRAM-eligible revenue: the actual sales revenue collected from customers on rate schedules subject to volumetric billing and decoupling.
- d. MCBA-eligible expenses: all variable production related expense, including purchased power and other volume related expenses (e.g., water treatment chemicals and consumables).
- e. Adopted MCBA-eligible expenses: the volume related operating expenses authorized by the Commission based on the quantity of water produced.
- f. Recorded MCBA-eligible expenses: the actual volume related operating expenses incurred related to the quantity of water produced.

4. Operation of the WRAM/MCBA

- a. The following entries will be recorded monthly to the WRAM Balancing Account:
 - (1) Actual Recorded WRAM-eligible revenue
 - (2) Adopted WRAM-eligible revenue
 - (3) Total Net WRAM balance (b – a)

(Continued)

(To be inserted by utility)

Advice 107-W

Decision _____

Issued by

Caroline Choi

Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Dec 5, 2018

Effective _____

Resolution _____

Preliminary Statement

Sheet 2

(Continued)

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

4. Operation of the WRAM/MCBA (Continued)

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

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

Total Net WRAM/MCBA Balance (a + b)

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

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

5. Rate Adjustments

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

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

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

(Continued)

(To be inserted by utility)

 Advice 107-W

Decision _____

Issued by

Caroline Choi
Senior Vice President

(To be inserted by Cal. PUC)

 Date Filed Dec 5, 2018

Effective _____

Resolution _____

Preliminary Statement

Sheet 3

(Continued)

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

5. Rate Adjustments (Continued)

- c. Before seeking recovery of the net WRAM/MCBA balance, SCE will subtract from the balance a revenue requirement amount equal to a 20-basis point reduction in SCE's most recently adopted return on equity for the Santa Catalina Island Water Utility. Then, if necessary, will further reduce the amount to be recovered to a level sufficient to ensure that such recovery does not cause SCE's Santa Catalina Island Water Utility to exceed its authorized rate of return for the period covered by the WRAM/MCBA.
- d. Recovery of under-collections will be passed through to customers via a surcharge on volumetric rates. Refunds of over-collections will be passed through to customers via a flat surcredit on the monthly service charge.

6. Effective Date

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

WRAM/MCBA Detail

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

Authorized Quantities

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

(in thousands of Dollars)

(Continued)

(To be inserted by utility)

 Advice 107-W
 Decision _____

 Issued by
Caroline Choi
 Senior Vice President

(To be inserted by Cal. PUC)

 Date Filed Dec 5, 2018
 Effective _____
 Resolution _____



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

APPLICABILITY

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

TERRITORY

Santa Catalina Island, Los Angeles County.

RATES

Quantity Rates:

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

Service Charge for Schedules W-1-R:

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

Service Charge for Schedules W-1-RDS:

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

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

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

(Continued)

(To be inserted by utility)

Advice 107-W
Decision _____

Issued by
Caroline Choi
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Dec 5, 2018
Effective _____
Resolution _____



Schedule W-1-R
GENERAL METERED FRESH WATER SERVICE
RESIDENTIAL SERVICE

Sheet 1

APPLICABILITY

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

TERRITORY

Santa Catalina Island, Los Angeles County.

RATES

Quantity Rates:*

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

Service Charge:

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

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

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

SPECIAL CONDITION

1. Residential service is the provision of water for domestic use at a dwelling premises, including water used on the premises for sprinkling of lawns; gardens and shrubbery; washing vehicles; and other similar and customary purposes pertaining to single or multifamily dwellings.
2. In situations where a meter serves a combination of residential, general service, and irrigation water usage, SCE will work with the customer to determine the most appropriate rate schedule.

* Includes CARE surcharge of \$0.50 per thousand gallons.

(l)

(To be inserted by utility)

Advice 107-W
Decision _____

Issued by
Caroline Choi
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Dec 5, 2018
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Resolution _____



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

Sheet 1

APPLICABILITY

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

TERRITORY

Santa Catalina Island, Los Angeles County.

RATES

Quantity Rates:*

	<u>Per Meter Per Month</u>		
	Summer Season June through <u>September</u>	Winter Season October through <u>May</u>	
Tier 1: First 2,000 gallons, per 1,000 gallons	\$ 22.21	\$ 11.17	(l)
Tier 2: Between 2,001 and 6,500 gallons, per 1,000 gallons	\$ 43.90	\$ 21.82	(l)
Tier 3: Over 6,500 Gallons, per 1,000 gallons	\$ 65.59	\$ 32.47	(l)
 Service Charge:			
For 5/8 x 3/4-inch meter	\$ 43.21		
For 1-inch meter	\$ 62.32		
For 1-1/2-inch meter	\$ 83.23		
For 2-inch meter	\$110.97		

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

SPECIAL CONDITIONS

1. Residential service is the provision of water for domestic use at a dwelling premises, including water used on the premises for sprinkling of lawns; gardens and shrubbery; washing vehicles; and other similar and customary purposes pertaining to single or multifamily dwellings.
2. Dual Service is defined as service to residential customers who require a larger meter size to accommodate the potential larger flow of water associated with an installed fire sprinkler system.
3. For the purpose of fire protection under this Schedule, SCE will supply only such water at such pressure as may be available from time-to-time as a result of its operation of the system. Section 774 of the Public Utilities Code limits the liability of SCE resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. Acceptance of service under this tariff is acknowledgment of notice of the provisions of Section 774 of the Public Utilities Code.
4. If customers request service for a meter connection size not reflected above, SCE will apply the sizing relationship established in A.10-11-009 for the requested connection size to determine a service charge for the non-standard Dual Service connection, upon field verification of the base and connected pipe size.
5. In situations where a meter serves a combination of residential, general service, and irrigation water usage, SCE will work with the customer to determine the most appropriate rate schedule.

* Includes CARE surcharge of \$0.50 per thousand gallons.

(l)

(To be inserted by utility)

Advice 107-W
Decision _____

Issued by
Caroline Choi
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Dec 5, 2018
Effective _____
Resolution _____



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

Sheet 1

APPLICABILITY

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

TERRITORY

Santa Catalina Island, Los Angeles County

RATES

Quantity Rates:*

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

Service Charge:

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

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

SPECIAL CONDITIONS

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

* Includes CARE surcharge of \$0.50 per thousand gallons.

(l)

(Continued)

(To be inserted by utility)

Advice 107-W
Decision _____

Issued by
Caroline Choi
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Dec 5, 2018
Effective _____
Resolution _____



Schedule W-1-GS
GENERAL METERED FRESH WATER SERVICE
GENERAL SERVICE

Sheet 1

APPLICABILITY

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

TERRITORY

Santa Catalina Island, Los Angeles County.

RATES

Quantity Rates:*

	<u>Per Meter Per Month</u>		(l)
	Summer Season	Winter Season	
	June through <u>September</u>	October through <u>May</u>	
All Usage per 1,000 gallons	\$ 52.48	\$ 21.31	

Service Charge:

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

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

SPECIAL CONDITION

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

* Includes CARE surcharge of \$0.50 per thousand gallons.

(l)

(Continued)

(To be inserted by utility)

Advice 107-W
Decision _____

Issued by
Caroline Choi
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Dec 5, 2018
Effective _____
Resolution _____



Schedule W-3
WATER SERVICE FOR IRRIGATION

Sheet 1

APPLICABILITY

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

TERRITORY

Santa Catalina Island, Los Angeles County.

RATES

Quantity Rates:*

<u>Per Meter Per Month</u>	
Summer Season June through <u>September</u>	Winter Season October through <u>May</u>

All Usage per 1,000 gallons	\$ 52.48	\$ 21.31	(l)
-----------------------------	----------	----------	-----

Service Charge:

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

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

SPECIAL CONDITIONS

1. Water used for irrigation service is defined as fresh water used solely for commercial agricultural, floricultural, or horticultural use.
2. In situations where a meter serves a combination of residential, general service, and irrigation water usage, SCE will work with the customer to determine the most appropriate rate schedule.

* Includes CARE surcharge of \$0.50 per thousand gallons.

(l)

(To be inserted by utility)
Advice 107-W
Decision _____

Issued by
Caroline Choi
Senior Vice President

(To be inserted by Cal. PUC)
Date Filed Dec 5, 2018
Effective _____
Resolution _____



Southern California Edison
Rosemead, California

Revised Cal. PUC Sheet No. 1029-W
Cancelling Revised Cal. PUC Sheet No. 1009-W

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(To be inserted by utility)
Advice 107-W
Decision _____

Issued by
Caroline Choi
Senior Vice President

(To be inserted by Cal. PUC)
Date Filed Dec 5, 2018
Effective _____
Resolution _____



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(To be inserted by utility)

Advice 107-W
Decision _____

Issued by

Caroline Choi
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Dec 5, 2018
Effective _____
Resolution _____



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14-815W	Tenant Rights.....	637-W

(To be inserted by utility)

Advice 107-W
Decision _____

Issued by

Caroline Choi
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Dec 5, 2018
Effective _____
Resolution _____

ATTACHMENT B

Current and Proposed Average Bills and Rates

B.1 Average Monthly Bill at Current Rates

B.2 Average Monthly Bill at Proposed Rates

B.3 Average Monthly Bill Impact (Proposed vs. Current)

B.4 Current and Proposed Rates (Residential)

B.5 Current and Proposed Rates (Non-Residential)

B.1 Average Monthly Bill at Current Rates

Meter / Pipe Size >>>	Total Bill = Fixed Services + Usage									Total
	5/8 in.	3/4 in.	1 in.	1.5 in.	2 in.	3 in.	4 in.	6 in.	8 in.	
Res	63.89	85.47	118.21	110.51	322.09					\$67.16
Res-Dual	61.35		94.51	357.50	230.48					\$124.46
Res-CARE	59.81	53.98	101.05							\$60.29
Res-CARE-Dual			79.12							\$79.12
Res-DE	82.63		115.04							\$83.42
Res-DE-Dual				102.28						\$102.28
Res-MM	161.44		391.63	394.29	1,015.07					\$345.76
Res-MM-Dual										
Com	138.71	86.92	354.13	706.89	1,284.71	622.40		576.88	979.10	\$429.33
Com-CARE										
IRRI	91.98	60.93	118.73	324.20	589.83	289.97				\$154.26
FIRE	8.77	12.30	15.82	21.13	28.17	58.89	70.55	117.16	197.89	\$48.01
Total	\$75.24	\$66.26	\$206.89	\$501.49	\$815.90	\$285.24	\$70.55	\$232.09	\$588.50	\$141.41

B.2 Average Monthly Bill at Proposed Rates

Meter / Pipe Size >>>	Total Bill = Fixed Services + Usage									Total
	5/8 in.	3/4 in.	1 in.	1.5 in.	2 in.	3 in.	4 in.	6 in.	8 in.	
Res	71.82	94.72	133.51	113.12	393.09					\$75.57
Res-Dual	68.40		106.85	464.91	283.55					\$147.94
Res-CARE	69.21	56.40	114.70							\$69.70
Res-CARE-Dual			89.85							\$89.85
Res-DE	97.24		128.26							\$98.00
Res-DE-Dual				109.24						\$109.24
Res-MM	205.77		509.48	502.93	1,352.75					\$450.31
Res-MM-Dual										
Com	169.11	94.68	442.79	905.28	1,663.43	729.29		576.88	980.36	\$544.51
Com-CARE										
IRRI	106.76	60.99	131.16	396.36	737.60	289.97				\$182.91
FIRE	8.77	12.30	15.82	21.13	28.17	58.89	70.55	117.16	197.89	\$48.01
Total	\$86.99	\$72.40	\$252.40	\$639.08	\$1,054.16	\$320.87	\$70.55	\$232.09	\$589.12	\$171.99

B.3 Average Monthly Bill Impact (Proposed vs. Current)

Meter / Pipe Size >>>	Total Bill = Fixed Services + Usage									Total
	5/8 in.	3/4 in.	1 in.	1.5 in.	2 in.	3 in.	4 in.	6 in.	8 in.	
Res	12%	11%	13%	2%	22%					13%
Res-Dual	11%		13%	30%	23%					19%
Res-CARE	16%	4%	14%							16%
Res-CARE-Dual			14%							14%
Res-DE	18%		11%							17%
Res-DE-Dual				7%						7%
Res-MM	27%		30%	28%	33%					30%
Res-MM-Dual										
Com	22%	9%	25%	28%	29%	17%		0%	0%	27%
Com-CARE										
IRRI	16%	0%	10%	22%	25%	0%				19%
FIRE	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	16%	9%	22%	27%	29%	12%	0%	0%	0%	22%

B.4 Current and Proposed Rates (Residential)

	W-1-R (Residential) W-10 (DE) W-1-RM (Residential Multi-Family)		W-1-RDS (Residential Dual Service)		W-1-R-CARE (Residential-CARE)		W-1-RDS-CARE (Residential Dual Service-CARE)	
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>
<u>Meter Size</u>	<u>\$/meter/month</u>	<u>\$/meter/month</u>	<u>\$/meter/month</u>	<u>\$/meter/month</u>	<u>\$/meter/month</u>	<u>\$/meter/month</u>	<u>\$/meter/month</u>	<u>\$/meter/month</u>
5/8 in.	43.21	43.21	43.21	43.21	34.56	34.56	34.56	34.56
3/4 in.	60.56	60.56			48.45	48.45		
1 in.	77.90	77.90	62.32	62.32	62.32	62.32	49.85	49.85
1.5 in.	104.04	104.04	83.23	83.23	83.23	83.23	66.59	66.59
2 in.	138.72	138.72	110.97	110.97	110.97	110.97	88.78	88.78
3 in.	289.97	289.97			231.98	231.98		
4 in.	347.39	347.39			277.91	277.91		
6 in.	576.88	576.88			461.51	461.51		
8 in.	974.44	974.44			779.56	779.56		
	Current Volumetric Rates (\$/thousand gallons)		Current Volumetric Rates (\$/thousand gallons)		Current Volumetric Rates (\$/thousand gallons)		Current Volumetric Rates (\$/thousand gallons)	
	Summer (June-Sept)	Winter (Oct-May)	Summer (June-Sept)	Winter (Oct-May)	Summer (June-Sept)	Winter (Oct-May)	Summer (June-Sept)	Winter (Oct-May)
0 - 2,000 gallons (T1)	15.12	8.90	15.12	8.90	11.77	6.79	11.77	6.79
2,001 - 6,500 gallons (T2)	29.72	17.27	29.72	17.27	23.44	13.49	23.44	13.49
Over 6,500 gallons (T3)	44.31	25.65	44.31	25.65	35.12	20.19	35.12	20.19
	*Proposed Volumetric Rates (\$/thousand gallons)		*Proposed Volumetric Rates (\$/thousand gallons)		Proposed Volumetric Rates (\$/thousand gallons)		Proposed Volumetric Rates (\$/thousand gallons)	
0 - 2,000 gallons (T1)	22.21	11.17	22.21	11.17	17.35	8.52	17.35	8.52
2,001 - 6,500 gallons (T2)	43.90	21.82	43.90	21.82	34.70	17.04	34.70	17.04
Over 6,500 gallons (T3)	65.59	32.47	65.59	32.47	52.06	25.56	52.06	25.56

B.5 Current and Proposed Rates (Non-Residential)

<u>Meter Size</u>	<u>W-4 (Private Fire Protection)</u>		<u>W-1-GS (Commercial)</u>	
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>
	<u>\$/meter/month</u>	<u>\$/meter/month</u>	<u>\$/meter/month</u>	<u>\$/meter/month</u>
5/8 in.	8.77	8.77	43.21	43.21
3/4 in.	12.30	12.30	60.56	60.56
1 in.	15.82	15.82	77.90	77.90
1.5 in.	21.13	21.13	104.04	104.04
2 in.	28.17	28.17	138.72	138.72
3 in.	58.89	58.89	289.97	289.97
4 in.	70.55	70.55	347.39	347.39
6 in.	117.16	117.16	576.88	576.88
8 in.	197.89	197.89	974.44	974.44
0 - 2,000 gallons (T1) 2,001 - 6,500 gallons (T2) Over 6,500 gallons (T3)	Current & Proposed Volumetric Rates (\$/thousand gallons) (N/A)		Current Volumetric Rates (\$/thousand gallons) Summer (June-Sept) Winter (Oct-May) 36.75 18.39 36.75 18.39 36.75 18.39	
0 - 2,000 gallons (T1) 2,001 - 6,500 gallons (T2) Over 6,500 gallons (T3)	Proposed Volumetric Rates (\$/thousand gallons) (N/A)		*Proposed Volumetric Rates (\$/thousand gallons) 52.48 21.31	

ATTACHMENT C

Decoupling Example Supporting Information

C.1 *Decoupling Illustrative Example*

C.1 Decoupling Illustrative Example

The following three-year illustrative example demonstrates the operation of the proposed WRAM/MCBA and CAM decoupling mechanisms and the rationale behind them. Neither the WRAM/MCBA nor the CAM sales forecast update operate to change the revenue requirement.

Calculation of the Total Net WRAM/MCBA Balance

The first section of the decoupling example shows the adopted forecast and actual recorded sales amounts across the three year example for both the WRAM/MCBA Only and CAM mechanisms. The purpose of the WRAM/MCBA is to record differences between Commission authorized and actual recorded sales revenues and variable production expense resulting from the implementation of conservation rate design and increased conservation activities. The net WRAM revenue over- or under-collection and net MCBA difference in variable production expense compared to authorized are then combined, resulting in the net WRAM/MCBA balance.

➤ *WRAM/MCBA Only Revenue Under Collections and Modified Costs*

The WRAM/MCBA Only example maintains the sales forecast of 92.5 MG across all three years. The recorded sales compared to the adopted sales forecast of 92.5 MG are 83.3 MG (-10 percent) in Year 1, 87.0 MG (-6 percent) in Year 2, and 89.7 MG (-3 percent) in Year 3. In Table C-1 below, the under- or over-collection in quantity revenues (Line 15) is based on the percent change in recorded sales compared to forecast (Line 8). This is calculated by multiplying the Usage Difference percentage in recorded sales (Line 8) by the adopted quantity revenues (Line 12). This results in under-collections in quantity revenues of \$289,000 in Year 1, \$173,000 in Year 2, and \$87,000 thousand in Year 3 (Line 16).

As shown in Figure III (p.21) of the decoupling narrative section, SCE's Catalina water system has a unique relationship between quantity of water produced and variable production expense. To account for this relationship in the illustrative example, the change in variable production expense moves in the opposite direction of the change in sales. This is done purely for illustrative purposes and may not reflect actual changes in production expense. The assumed recorded variable production costs (Line 20) are calculated by applying a factor of negative one-half of the change in sales to the adopted quantity of \$303,000 for variable production costs. This is intended to illustrate the relationship between water supply mix and variable production cost as shown in Figure III. The example results in actual variable production expenses of \$318,000 (+5%) in Year 1, \$312,000 (+3%) in Year 2, and \$308,000 (+1.5%) in Year 3. The under-collected net MCBA balances are: \$15,000 in Year 1, \$9,000 in Year 2, and \$5,000 in Year 3 (Line 21).

Next, the WRAM/MCBA amounts are combined in the balancing account. The net WRAM/MCBA balances in the WRAM/MCBA Only illustrative example are \$304,000 in Year 1, \$182,000 in Year 2, and \$92,000 in Year 3 (Line 22). These amounts represent the Year's net WRAM/MCBA under-collected balance for recovery via volumetric surcharge.

➤ ***WRAM/MCBA with CAM Annual Sales Forecast Update***

The WRAM/MCBA with CAM example includes updates to the adopted sales forecasts for Years 2 and 3 to reduce the accumulated WRAM/MCBA amount for future recovery. The Year 2 and Year 3 forecasts were calculated by taking the average of the last 12 month's recorded sales (Line 6) and the adopted forecast for that same period (Line 4). This simple calculation is used only for illustrative purposes. The updated sales forecast amounts are 87.9 MG in Year 2 and 87.4 MG in Year 3.

For Year 1, there is no change in the net WRAM/MCBA under-collection of \$304,000 because the sales forecast for both the WRAM/MCBA Only and WRAM/MCBA with a CAM are the same (92.5 MG). The first CAM sales forecast update takes place in Year 2. The updated Year 2 sales forecast of 87.9 MG results in a WRAM under-collection of \$30,000 and an MCBA under-collection of \$9,000 for a net WRAM/MCBA amount of \$39,000 (Line 22). This is \$143,000 less than the WRAM/MCBA Only Year 2 WRAM/MCBA balance. The Year 3 updated sales forecast of 87.4 MG combined with the Year 3 actual sales of 89.7 MG results in an over-collection in quantity revenues of \$76,000. The MC under-collection of \$5,000 is added to this amount for a Year 3 net WRAM/MCBA over-collection of \$71,000.

The illustrative example shows how the changes in sales volume affect the revenues collected by the water utility. As shown in Table C-I below, revenues are comprised of two main components: monthly meter revenues (fixed) (Line 11), and quantity revenues which fluctuate based on the amount of water sold (variable) (Line 12). The illustrative example assumes no changes in monthly meter revenues across the three years. Customer growth is very small in the Catalina water system at less than one percent per year. This example also maintains the fixed versus volumetric revenue allocation at 30 percent fixed and 70 percent volumetric to remove any changes from rate design. The illustrative example shows that any sales revenue under- or over-collection occurs in the quantity revenues. This can be seen in comparing Line 8 and Line 17 of Table C-I below. For example, in Year 1 sales decreased by 10 percent (Line 8), but recorded revenues only decreased by seven percent compared to authorized (Line 17). The WRAM/MCBA with CAM sales forecast update example shows how the goal of mitigating the accumulation of large WRAM/MCBA balances can be reduced by implementing an annual sales forecast update in the pilot decoupling program.

Table C-I
Illustrative Example
Sales – Forecast and Recorded Quantities, Sales Revenues, and
WRAM/MCBA Calculations
Years 1-3

Line #	Description	[A]	[B]	[C] [D] WRAM Only		[E] [F] WRAM With CAM	
		Year 1	Year 1	Year 2	Year 3	Year 2	Year 3
1	Sales Forecast Updates (in 000 gallons)						
2							
3	Last Year's Sales Forecast			92,525	92,525	92,525	87,899
4	Adopted Sales Forecast	92,525		92,525	92,525	87,899	87,436
5	Sales Forecast Updates vs Recorded (Sales in 000 gallons)						
6	Recorded	83,272		86,973	89,749	86,973	89,749
7	Recorded - Forecast Difference (Line 10 - Line 4)	(9,253)		(5,552)	(2,776)	(926)	2,313
8	Usage % (under)/over forecast (Line 11 / Line 4)	-10%		-6%	-3%	-1%	3%
9	Over /Under Collected Revenues (\$000)						
10	Authorized	\$ 4,130		\$ 4,130	\$ 4,130	\$ 4,130	\$ 4,130
11	- Meter Revenues	\$ 1,239		\$ 1,239	\$ 1,239	\$ 1,239	\$ 1,239
12	- Quantity Revenues	\$ 2,891		\$ 2,891	\$ 2,891	\$ 2,891	\$ 2,891
13	Recorded (Line 11 + ((1+ Line 8) x Line 12)	\$ 3,841		\$ 3,957	\$ 4,043	\$ 4,100	\$ 4,206
14	- Meter Revenues	\$ 1,239		\$ 1,239	\$ 1,239	\$ 1,239	\$ 1,239
15	- Quantity Revenues ((1+ Line 8) * Line 12)	\$ 2,602		\$ 2,718	\$ 2,804	\$ 2,861	\$ 2,967
16	Net Under/(Over) Collection (Line 12 - Line 15)	\$ 289		\$ 173	\$ 87	\$ 30	\$ (76)
17	Under/(Over) % of Difference to Authorized Revenue of \$4.3M	7%		4%	2%	1%	-2%
18	MCBA Costs (\$000)						
19	Authorized	\$ 303		\$ 303	\$ 303	\$ 303	\$ 303
20	Recorded	\$ 318		312	308	312	308
21	Net MCBA Under/(Over) Collection (Line 20 - Line 19)	\$ 15		\$ 9	\$ 5	\$ 9	\$ 5
22	Net WRAM/MCBA Balance (Line 16 + Line 21)	\$ 304		\$ 182	\$ 92	\$ 39	\$ (71)

Calculation of the WRAM/MCBA Surcharge and Revenue

The total net WRAM/MCBA balance (Table C-I, Line 22) functions as the incoming amount to the balancing account each year (see Table C-II, Line 4). The ending balance is calculated by taking the starting balance, minus surcharge revenues, plus the incoming amount and interest expense. The ending balance is the amount to be recovered via volumetric surcharge, or refunded via flat sur-credit if the result is an over-collection. The volumetric surcharge is calculated by taking the ending WRAM/MCBA balance and dividing by the product of the next years' forecasted sales amount and the amortization period in accordance with SP U-7-W.

➤ **WRAM/MCBA - Surcharge Calculations**

To further illustrate the benefits of implementing an annual sales forecast update, the balancing account associated with the WRAM/MCBA Only and WRAM/MCBA with CAM decoupling examples and calculation of surcharges is provided in Table C-II below. The example shows how both the WRAM/MCBA Only and WRAM/MCBA with CAM decoupling approaches reduce revenue under-collections and accumulation of lost

revenues, while providing more stable rates for the customer and revenue stability for the utility.

In the example, the Year 1 net WRAM/MCBA under-collection amount of \$304,000 becomes the Year 1 ending balance in the account. This balance represents seven percent¹ of the authorized revenue requirement of \$4.13 million. Using the WRAM/MCBA amortization period of 18 months provided in D.12-04-048, the result is a volumetric surcharge of \$2.19² per thousand gallons for the WRAM Only (Line 15). For the WRAM with CAM the surcharge is slightly higher at \$2.31³ per thousand gallons due to the adjusted Year 2 sales forecast of 87.0 MG (Line 16).

In Year 2, the benefits of the CAM in addition to the WRAM/MCBA start to become more evident. The WRAM/MCBA Only incoming balance in Year 2 is \$182,000, with surcharge revenues of \$191,000, for a net WRAM/MCBA balance of \$297,000, including interest. This results in a Year 2 WRAM Only surcharge of \$2.14 per thousand gallons. Alternatively, the WRAM/MCBA with CAM forecast yields an incoming balance of \$39,000 and surcharge revenues of \$201,000, for a net WRAM/MCBA balance of \$143,000. This results in a Year 2 WRAM/MCBA with CAM surcharge of \$1.64 per thousand gallons. The Year 2 WRAM/MCBA balance with CAM is over 50 percent less than the WRAM/MCBA Only approach.

The benefits of the CAM sales forecast update are continued in Year 3. Operating on its own, the WRAM/MCBA only yields an incoming amount of \$92,000 in Year 3 with surcharge revenues of \$192,000 for an ending WRAM/MCBA Only balance of \$197,000 at the end of the three-year period. This amount would have to either be collected via volumetric surcharge as in previous years, or considered for recovery during the next general rate case. With the CAM, the Year 3 incoming balance is an over-collection of \$71,000. When combined with surcharge revenues of \$147,000, the three-year ending balance is an over-collection of \$75,000, including interest. This over-collection would be returned to customers as a sur-credit on the monthly service charge.

➤ ***Benefit of the CAM on the WRAM/MCBA Surcharge and Revenue***

The benefit of the CAM is also observed in the annual WRAM/MCBA surcharge calculation over the three year example. The Year 1 calculated surcharge amount is \$2.19 per thousand gallons for the WRAM/MCBA Only (Line 15) and \$2.31 per thousand gallons for the WRAM/MCBA with CAM (Line 16). This occurs because of the adjusted sales forecast in Year 2 under CAM. The volumetric surcharge (per thousand gallons) is

¹ 7% = \$305,000 / \$4.13 million.

² \$2.19 = (\$305,000/92.5 MG) / ((18/12) x 1,000)).

³ \$2.31 = (\$305,000/87.0 MG) / ((18/12) x 1,000)).

greater, because the same under-collection amount must be recovered through fewer sales. However, in Year 2, the surcharge under CAM is less than the WRAM/MCBA Only surcharge amount. This is a result of the rate increase associated with the CAM sales forecast update. As opposed to carrying a large WRAM/MCBA balance to be recovered over multiple years, the CAM rate adjustment reduces the lost revenues resulting from the decreased sales in Year 2. This results in a smaller ending WRAM/MCBA balance and therefore a smaller volumetric surcharge amount in Year 2 to be collected from customers.

The benefits of implementing the CAM decoupling mechanism along with the WRAM/MCBA and conservation rate design is clearly observed in Year 3. The slight CAM sales forecast adjustment of one-half of a percent in Year 3 results in an over-collection of \$75,000 to be refunded to customers. This results in a flat monthly sur-credit of \$3.13 per customer, as opposed to a volumetric surcharge of \$1.42 under the WRAM/MCBA Only approach. The small rate increase associated with an adjusted sales forecast accomplished multiple objectives, including 1) allowing the utility to collect the authorized revenue requirement; 2) moderating the WRAM/MCBA balance and mitigating multi-year accumulations; 3) minimizing generational inequity among water customers; and 4) sharing the benefits of decoupling and water conservation with customers by refunding the over-collection amount.

Table C-II
Illustrative Example
WRAM/MC Balancing Account and Next Year's
Surcharge or Credit Calculation
Years 1-3

	[A]	[B]	[C]	[D]	[E]	[F]
			WRAM Only		WRAM With CAM	
1	WRAM/MC Balancing Account (\$000)					
2	Beginning Balance	\$ -	\$ 304	\$ 297	\$ 304	\$ 143
3	WRAM Surcharge Revenues	\$ -	\$ (191)	\$ (192)	\$ (201)	\$ (147)
4	Current Year Net WRAM/MCBA Addition/Subtraction	\$ 304	\$ 182	\$ 92	\$ 39	\$ (71)
5	Subtotal	\$ 304	\$ 296	\$ 197	\$ 143	\$ (75)
6	Interest Rate	0.18%	0.18%	0.18%	0.18%	0.18%
7	Interest Expense (Line 2+Line 5) *0.5 * Line 6)	\$ 0.3	\$ 0.5	\$ 0.4	\$ 0.4	\$ 0.1
8	Ending Balance Under/(Over) Collection (Line 5 + Line 7)	\$ 304	\$ 297	\$ 197	\$ 143	\$ (75)
9	Next Year's WRAM/MCBA Surcharge Calculation					
10	Year End WRAM/MCBA % of Authorized Revenue Requirement	7%	7%	5%	3%	-2%
11	Number of Months to Recover (per D.12-04-048)	18	18	18	12	12
12	Next year surcharge amount before 10% max (\$000)	\$ 203	\$ 198	\$ 131	\$ 143	\$ (75)
13	Max 10% annual Surcharge amount (\$000) +/-	\$ 413	\$ 413	\$ 413	\$ 413	\$ 413
14	Next year's surcharge amount or 10% Max (\$000)	\$ 203	\$ 198	\$ 131	\$ 143	\$ (75)
15	Next Year's Surcharge (\$ per Tgals - authorized forecast) WRAM	\$ 2.19	\$ 2.14	\$ 1.42	n/a	n/a
16	Next Year's Surcharge (\$ per Tgals - authorized forecast) CAM	\$ 2.31	n/a	n/a	\$ 1.64	\$ (3.13)

Illustrative Example Summary

The illustrative example shows that sales forecast updates and rate adjustments included in the proposed decoupling approach can provide more stability to both customers and the utility. While the WRAM/MCBA operating on its own performs satisfactorily, the benefits of utilizing the CAM mechanism in addition to the WRAM/MCBA are clear. The customer can expect more stability in average monthly bill by avoiding long decreases in monthly bill amounts followed by a large spike from increased rates. The utility can expect more revenue stability by updating rates annually and collecting surcharge revenues to pay down any outstanding balance.

The example shows that even with a 10 percent under-collection in Year 1, the decoupling mechanism will manage the revenue shortfall with a reasonable surcharge the following year. The incorporation of a sales forecast update (i.e., CAM) into the already beneficial WRAM/MCBA Only decoupling approach, provides more timely recovery of the revenue requirement that promotes both the goal of customer conservation and budget management along with providing the utility with the authorized funds to safely and reliably operate the water system. Example results for Years 2 and 3 demonstrate that the WRAM/MCBA with CAM's updated sales forecast significantly reduced the revenue under-collection compared to the WRAM/MCBA Only approach resulting in an over-

collection of \$75,000 for Year 3 that would be returned to customers the next year. This example illustrates how the decoupling mechanism would work to quickly return net over-collections to customers.

The goals of decoupling are restated below to reinforce the benefits of the proposal:⁴

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

The example illustrates the benefits of implementing a WRAM/MCBA only or a WRAM/MCBA with a CAM decoupling mechanism. The example shows that implementing a WRAM/MCBA with CAM sales forecast update can reduce the accumulation of under-collections more than the WRAM/MCBA Only decoupling approach, while removing the financial disincentive to promote conservation. Providing an annual sales forecast update and rate adjustment will maintain customer monthly bills near expected levels as opposed to monthly bills dropping for multiple years with no true-up or adjustment, precipitating the need for large rate and bill increases.

⁴ D.09-05-005, Attachment A, Part V (Golden State Water Settlement Agreement); and D.09-07-021, Attachment A, Part XIV (California American Water Settlement Agreement)

ATTACHMENT D

Draft Notice of Proposed Rate Increase

Los usuarios con acceso al Internet podrán leer y descargar esta notificación en español en el sitio Web de SCE www.sce.com/avisos o escriba a:

Southern California Edison Company
P.O. Box 800
2244 Walnut Grove Avenue Rosemead, CA 91770
Atención: Comunicaciones Corporativas

**DRAFT NOTICE OF SOUTHERN CALIFORNIA EDISON COMPANY'S
FILING OF ADVICE LETTER TO INCREASE WATER RATES,
ADVICE 1XX-W**

SUMMARY

On December ___, 2018, Southern California Edison Company (SCE) filed a Tier 3 Advice Letter with the California Public Utilities Commission (CPUC) for approval to increase rates for its water operations on Santa Catalina Island:¹

1. SCE ADVICE 1XX-W: Sales Forecast Update with Rate Increase to Eliminate Further Accumulation of Lost Revenues, and an Annual Adjustment Mechanism to Decouple the Sales Forecast from the Revenue Requirement for Service Provided to Santa Catalina Island Water Customers

In this Advice Letter, SCE proposes to update the adopted water sales forecast to 92.5 million-gallons (MG) per year, a 33.2 MG or 26% reduction from the current sales forecast of 125.7 MG per year.²

SCE is also requesting authorization to “decouple” revenues from sales in the Catalina water utility. Decoupling is a mechanism where the amount of revenue a utility collects is separate (decoupled) from the amount of water sold. With decoupling, SCE will collect revenues based on the revenue requirement established during the most recent general rate case. The primary purpose of decoupling is to remove the financial disincentive for water utilities to promote conservation. A secondary goal of decoupling is to provide bill stability for the customer and revenue stability for the utility.

CUSTOMER BILL IMPACT

Resetting the adopted sales forecast while maintaining the current adopted annual revenue requirement of \$4.13M will result in an increase in average monthly bills of 13% for Residential customers, 16% for Residential-CARE customers, 27% for Commercial customers, and 19% for Irrigation customers. Table I show the average monthly bills at current rates. Table II reflects the average monthly bills at SCE's proposed rates, including the updated sales forecast, by customer group:

¹ Filing Date of Advice Letter 1XX-W.

² The current adopted sales forecast of 125.7 million gallons was authorized in D.14-10-048.

Table I
Average Monthly Bills at Current Rates (\$)

Meter / Pipe Size >>>	Average Monthly Bills at Current Rates - \$									Total
	5/8 in.	3/4 in.	1 in.	1.5 in.	2 in.	3 in.	4 in.	6 in.	8 in.	
Res	63.89	85.47	118.21	110.51	322.09					\$67.16
Res-Dual	61.35		94.51	357.50	230.48					\$124.46
Res-CARE	59.81	53.98	101.05							\$60.29
Res-CARE-Dual			79.12							\$79.12
Res-DE	82.63		115.04							\$83.42
Res-DE-Dual				102.28						\$102.28
Res-MM	161.44		391.63	394.29	1,015.07					\$345.76
Res-MM-Dual										
Com	138.71	86.92	354.13	706.89	1,284.71	622.40		576.88	979.10	\$429.33
Com-CARE										
IRRI	91.98	60.93	118.73	324.20	589.83	289.97				\$154.26
FIRE	8.77	12.30	15.82	21.13	28.17	58.89	70.55	117.16	197.89	\$48.01
Total	\$75.24	\$66.26	\$206.89	\$501.49	\$815.90	\$285.24	\$70.55	\$232.09	\$588.50	\$141.41

Table II
Average Monthly Bills at Proposed Rates (\$) and Impact (%)

Meter / Pipe Size >>>	Average Monthly Bill at Proposed Rates - \$									Total	Impact
	5/8 in.	3/4 in.	1 in.	1.5 in.	2 in.	3 in.	4 in.	6 in.	8 in.		
Res	71.82	94.72	133.51	113.12	393.09					\$75.57	13%
Res-Dual	68.40		106.85	464.91	283.55					\$147.94	19%
Res-CARE	69.21	56.40	114.70							\$69.70	16%
Res-CARE-Dual			89.85							\$89.85	14%
Res-DE	97.24		128.26							\$98.00	17%
Res-DE-Dual				109.24						\$109.24	7%
Res-MM	205.77		509.48	502.93	1,352.75					\$450.31	30%
Res-MM-Dual											
Com	169.11	94.68	442.79	905.28	1,663.43	729.29		576.88	980.36	\$544.51	27%
Com-CARE											
IRRI	106.76	60.99	131.16	396.36	737.60	289.97				\$182.91	19%
FIRE	8.77	12.30	15.82	21.13	28.17	58.89	70.55	117.16	197.89	\$48.01	0%
Total	\$86.99	\$72.40	\$252.40	\$639.08	\$1,054.16	\$320.87	\$70.55	\$232.09	\$589.12	\$171.99	22%

FOR FURTHER INFORMATION ABOUT SCE'S ADVICE LETTER

You may review a copy of SCE's advice letter at SCE's corporate headquarters (2244 Walnut Grove Avenue, Rosemead, CA 91770).

Customers with Internet access may view and download SCE's advice letter and related exhibits on SCE's website by visiting www.sce.com/regulatory/advice-letters/pending. If you have technical issues accessing the documents through the website, please e-mail case.admin@sce.com for assistance (be sure to reference Advice Letter No. 1XX-W in your e-mail).

To request a hard copy of SCE's Advice Letter, or to obtain more information about the Advice Letter from SCE, please write to:

Southern California Edison Company
Advice Letter No. 1XX-W

P.O. Box 800
Rosemead, CA 91770
Attention: Cooper Cameron, Regulatory Affairs
Cooper.Cameron@sce.com

In addition, a copy of the Advice Letter may be reviewed at the CPUC's Central Files Office, located in San Francisco, CA, by appointment. For more information, please contact the CPUC at aljcentralfilesid@cpuc.ca.gov or (415) 703-2045.

CPUC PROCESS

This advice letter will be reviewed by Water Division Staff (Staff) who will receive evidence and other related documents necessary to establish a record upon which to base its decisions. Any person or group may respond to or protest SCE's advice letter through the CPUC's Public Advisor's Office at the address or email provided below. Comments will become part of the official correspondence file for SCE's request.

After considering all proposals, evidence, and related documents collected during the review and comment processes, Staff will issue a resolution which may approve SCE's advice letter as proposed, modify, or deny the advice letter. The resolution, and any alternate resolutions, will be discussed and voted upon at a scheduled CPUC Voting Meeting.

RESPONSE OR PROTEST

Anyone may respond to or protest this advice letter. A response supports the filing and may contain information that proves useful to the Commission in evaluating the advice letter. A protest objects to the advice letter in whole or in part must set forth the specific grounds on which it is based. These grounds are:

1. The Utility did not properly serve or give notice of the advice letter;
2. The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the Utility relies;
3. The analysis, calculations, or data in the advice letter contain material error or omissions;
4. The relief requested in the advice letter is pending before the Commission in a formal proceeding; or
5. The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
6. The relief requested in the advice letter is unjust, unreasonable, or discriminatory

A protest shall provide citations or proofs where available to allow Staff to properly consider the protest. A response or protest must be made in writing or by electronic mail and must be received by Staff within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, DWA, 3rd floor
California Public Utilities Commission,

505 Van Ness Avenue, San Francisco, CA 94102
water_division@cpuc.ca.gov

On the same date the response or protest is submitted to the DWA, the respondent or protestant shall send a copy by mail (or e-mail) to the Utility, addressed to:

Southern California Edison Company
P.O. Box 800
Rosemead, CA 91770
Attention: Cooper Cameron, Regulatory Affairs
Cooper.Cameron@sce.com

Cities and counties that need Board of Supervisors' or Board of Commissioners' approval to protest should inform the DWA, within the 20 day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

STAY INFORMED

If you would like to follow these proceedings, or any other issue before the CPUC, you may use the CPUC's free subscription service. Sign up at: <http://subscribecpuc.cpuc.ca.gov/>.

If you would like to learn how you can participate in these proceedings, provide public comments, or if you have questions about any CPUC processes, you may access the CPUC's Public Advisor's Office (PAO) webpage at www.cpuc.ca.gov/pao/. You may also contact the PAO as follows:

Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074

TTY 1-866-836-7825 (toll-free) or 1-415-703-5282

Or write to: CPUC

Public Advisor's Office
505 Van Ness Avenue
San Francisco, CA 94102

Email: public.advisor@cpuc.ca.gov

Please reference Advice Letter Filing No. 1XX-W in any communications you have with the CPUC regarding this matter. All public comments will become part of the public correspondence files for these proceedings and made available for review for the assigned Judge(s), the Commissioners, and appropriate CPUC staff.

ATTACHMENT E

**Summary of Annual Operating Costs
2015 - 2017**

Summary of Total Operating Expenses
Annual Financial Statements
Schedule B-2

Line #	Total Operating Expenses (\$ Millions)	2015	2016	2017	3-Year Average
1	Recorded	\$ 5.6	\$ 3.2	\$ 3.9	\$ 4.2
2	Authorized	\$ 3.3	\$ 3.3	\$ 3.3	\$ 3.3
3	(Difference)	\$ (2.3)	\$ 0.1	\$ (0.6)	\$ (1.0)

ATTACHMENT F

Goals and Objectives for Balanced Rate Design from D.16-12-026

Goals and Objectives for Balanced Rate Design¹

1. Implement the legal requirement that investor owned water utilities provide safe and reliable water supply and delivery at just and reasonable rates.
2. Promote efficient use of water, promptly identify and fix water leaks, and reduce the incidents of system and customer water leaks, consistent with state law.
3. Simplify rate design, customer notices, and customer bills while providing necessary information for customers to make wise choices about their use, and transparent information about water service costs and the regulatory process.
4. Consider in rate design marginal costs including long run marginal costs of anticipated sources of water.
5. Align cost recovery with revenue requirement in balance with the Commission's and the state's public policy goals.
6. Provide protections for low-income customers consistent with the Commission's and state policies.
7. Provide conservation incentives for customers and utilities consistent with the Commission's and state policies.
8. Initiate investment in Advanced Metering Infrastructure (AMI) that will enable both customers and the utilities to observe usage and costs in real time to promote more efficient and effective water conservation and advance water safety such as through prompt identification of backflow incidents that may put water quality at risk.
9. Provide opportunity for timely utility recovery of its revenue requirement.
10. Align utility risk and return in a way that affords the utility an opportunity to attract capital for investment on reasonable terms.
11. Reduce or eliminate the causes of high WRAM/MCBA surcharges and extended recovery periods, including through realigning revenue recovery to increase the percentage of revenues recovered from as compared to variable rates.
12. Improve sales forecasting methodology.
13. Optimally balance investment, conservation, and affordability.
14. Optimally amortize current reasonably incurred balances in WRAM/MCBA and drought-related revenue shortfall mechanisms.

¹ D.16-12-026, Attachment A