

SOUTHERN CALIFORNIA EDISON CATALINA WATER RATES FILING

BACKGROUND ON CATALINA WATER RATES

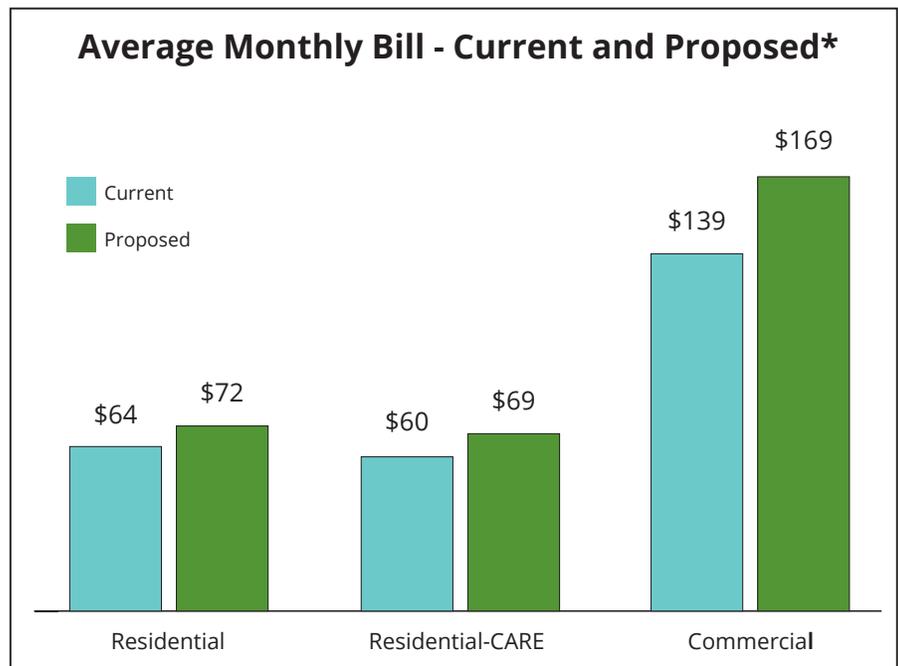
Water utility rates are established to cover the costs of providing service to the general public. Rates are set and approved by the California Public Utilities Commission (Commission) based on the amount of revenue required to safely and reliably operate the system. The rates that customers pay for their water service include not only the water that they consume, but also the costs to operate and maintain the system of wells, pipes, pumps, reservoirs and the desalination plants that supply the island with water.

To collect the revenue required to operate the system, water rates are established based on forecasts of how much water customers are expected to use. The last time this process was done was nearly ten years ago, before Catalina Island entered a historic, severe drought. With customers using less water, SCE found itself in the same situation as many water systems across the state, facing reduced revenues despite having the same fixed costs required to operate the system. Since the last rate increase went into effect in 2015, SCE has not collected the Commission approved revenue required to cover the cost of operating the utility.

OVERVIEW OF WATER RATES FILING

To address the need for these operating costs, SCE has filed a request at the Commission to update the sales forecast and increase rates to reflect the reality of water use on the island. SCE is also requesting to decouple revenue from sales to prevent future over- or under-collection of revenues and allow for gradual annual adjustments in rates.

If the request is approved by the Commission in its entirety, it would result in rate increases for all customers. Customers will be notified of the changing rates and new rates would go into effect only after Commission approval. Typical customers (those supplied by a 5/8" meter size) are expected to see an increase in average monthly bills of 8 dollars for residential customers, 9 dollars for residential low-income customers, and 30 dollars for commercial customers.



* Average monthly bills based on 5/8" meter size for residential and commercial (~70% of meters)

FUTURE WATER RATES FILINGS

SCE plans to make an additional water rates filing in 2019 to request recovery of incremental expenses, lost revenues and capital costs associated with the ongoing drought and various needed safety-related and infrastructure replacement projects since the last general rate case. Even if SCE were approved to recover these costs, revenues would continue to be lower than the cost of providing water service on the island. SCE will seek rates to recover the full cost of service, including operating costs and capital investments during a general rate case.

SCE is committed to seeking input from stakeholders and customers on approaches that will help equitably share these costs among island residents, businesses, and visitors, who all benefit from the water system. SCE owns and operates the Catalina Island water system and it's our mission to safely and reliably supply drinking water to customers across Catalina Island.