

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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In the Matter of the Application of Golden State Water Company, on Behalf of its Bear Valley Electric Service Division (U913E), for Approval of Costs and Authority to Increase General Rates and Other Charges for Electric Service by Its Bear Valley Electric Service Division

Application 12-02-013
(Filed February 16, 2012)

**PROTEST
OF THE DIVISION OF RATEPAYER ADVOCATES**

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March 23, 2012

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I. INTRODUCTION

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) submits this Protest to the Application (A.12-02-013) of the Golden State Water Company (GSWC) for authority to increase rates for electric service by its Bear Valley Electric Service Division (BVES).

In its Application, GSWC requests authorization to increase 2013 revenues by \$4,010,000. This represents a 9.85% increase over present rates. GSWC requests a rate of return on rate base of 9.81% for 2013-2016 and a 12.00% rate of return on common equity. GSWC's rate increase would have the effect of increasing the average residential bill by approximately \$7.56 per month.¹

BVES requests the following in its Application: (1) a new budget for its Energy Efficiency Programs, (2) a new Solar Initiative Program for residential customers, (3) a Base Revenue Requirement Adjustment Mechanism (BRRAM), (4) a Post Test Year Attrition Mechanism and Rate Case Plan, (5) a new General Office

¹ BVES Direct Testimony, Volume 1, pages 4-5.

Cost Allocation Update Process, (6) a Snow Summit Supplement Sale arrangement, (7) Plant Additions for Undergrounding, (8) a Two-Way Balancing Account for the Pensions and Benefits, and (9) changes to its Purchased Power Adjustment Clause Balancing Account.

DRA is still attempting to identify the separate impacts of BVES' request associated with base rates, supply cost rates and balancing accounts. DRA intends to identify and address each of these separately. It is important that the Commission has a full picture of how much of the requested increase is related to GRC base rates, how much is supply related costs, and how much is changes in balancing account recovery. The BVES application has not separately identified how each component contributes to its requested revenue increase of \$4 million.

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, Protests must be filed within 30 days of the date the notice of filing of the Application first appears in the Daily Calendar.² Since the Application was first noticed on the Commission's calendar on February 22, 2012, this Protest is timely filed.

II. BACKGROUND

BVES' last general rate case was A.08-06-034, filed in 2008, for Test Year 2009, and the subsequent years 2010, 2011 and 2012. BVES' rate requests in this Application are for the base rates as well as supply costs. BVES says its forecast for Test Year 2013 in this proceeding is based on recorded 2010 results adjusted for known changes.³

The 2010 adjusted recorded results form the basis for the Test Year 2013 forecasts. Table 1 below provides a comparison of BVES' expenses and revenues at the current and proposed rates for 2013 as set forth in its Application. As previously stated, BVES does not provide a table which shows the GRC base revenue component of the proposed increase relative to the other items contributing to the change in

² BVES did not file a Notice of Intent to submit this application.

³ BVES Direct Testimony, Volume 2, page 138.

revenues. DRA will conduct further discovery to obtain the breakdown of the proposed increase by different functional areas.

Table 1⁴

Results of Operation	2012 Adopted (000)	2013 Forecast at Present Rates (000)	2013 Test year as Proposed (000)
Increase Rates			\$ 4,009.9 9.85%
TOTAL REVENUE	\$40,317.1	\$40,692.3	\$ 44,702.2
OPERATING EXPENSES			
Net Supply Expenses	\$19,030.7	\$17,297.6	\$17,297.6
Total O&M Exp	\$3,508.2	\$ 3,596.3	\$ 3,596.3
Total A&G Exp	\$9,204.9	\$ 9,160.7	\$ 9,160.7
Uncollectibles	\$ 107.3	\$ 99.2	\$ 116.6
Energy Efficiency	\$ 228.9	\$ 230.0	\$ 230.0
Solar Program	\$ 111.8	\$ 183.0	\$ 183.0
Total Operating Expense	\$32,191.9	\$30,566.8	\$30,584.2
Depreciation	\$ 2,799.5	\$ 1,811.5	\$ 1,811.5
Total Taxes Other	\$ 988.2	\$ 790.2	\$ 826.4
Total Income Taxes	\$ 1,052.8	\$ 501.1	\$ 2,235.6
NET INCOME	\$ 3,092.5	\$ 2,026.3	\$ 4,248.2
Average Rate Base	\$33,797.4	\$43,305.1	\$43,305.1
Rate of Return	9.15%	4.68%	9.81%

The items that contribute to the major increases are Plant Additions and Income Taxes. BVES also includes in this Application its power supply costs and eight Special Requests beginning in 2013.⁵

⁴ Ibid, page 25, Table 3D.

⁵ BVES Direct Testimony, Volume 1, pages 9-13.

BVES requests a higher authorized rate of return (ROR) and a higher return on equity (ROE) compared to the last GRC. In this Application, BVES requests an ROR of 9.81% and an ROE of 12.00% for Test Year 2013. In the last GRC, BVES was authorized an ROR of 9.15% and an ROE of 10.50%.⁶

III. ISSUES

DRA identifies the following issues as relevant to the Commission's review of the GSWC's Application for BVES. The list is not exhaustive and DRA reserves the right to raise other issues in its testimony after DRA has had the opportunity to evaluate further the Application and conduct discovery. For the 2013 Test Year, GSWC is proposing a 9.85 % increase in the base rate component of the revenue requirement. DRA is conducting extensive discovery on the issues raised by the Application and will make recommendations to the Commission as appropriate. The following is a non-exhaustive list of the issues DRA intends to explore at the present time. Discovery and analysis may eliminate some of these issue areas, while others may arise.

A. Operation and Maintenance Expenses

O&M expenses include costs for Production, Transmission, Distribution, and Customer Accounts. BVES is requesting an increase of approximately \$3.6 million in O&M expenses for Test Year 2013.⁷ DRA will conduct discovery and investigate the reasonableness of this request.

B. Plant Additions

BVES is requesting an increase of more than \$24 million in capital additions for years 2013 through 2016. In 2012, BVES projected additions of \$3.5 million in fixed capital costs to rate base. For 2013, BVES proposes \$10.3 million in capital additions to rate base.⁸ These proposed plant additions

⁶ Decision 09-10-028, A. 08-06-034.

⁷ BVES Direct Testimony, Volume 1, page 7-8.

⁸ Ibid, page 9.

are the main driver of the requested increase. As shown in Table 1, this contributes to a one-year increase of 28% in rate base. Documentation provided in the Application does not sufficiently justify these increases. DRA will conduct discovery and investigate the reasonableness of BVES' proposed increases.

C. Administrative and General Expenses

BVES is requesting more than \$9 million for A&G expenses for Test Year 2013.² DRA will conduct discovery, evaluate the request, and develop its own independent analysis and forecasts.

D. Cost of Capital

BVES requests a higher authorized rate of return (ROR) and a higher return on equity (ROE) compared to the last GRC. In this Application, BVES requests an ROR of 9.81% and an ROE of 12.00% for Test Year 2013. In the last GRC, BVES was authorized an ROR of 9.15% and an ROE of 10.50%.¹⁰ DRA will evaluate the request and develop its own independent analyses and proposal.

E. Special Requests

The BVES Application includes eight different Special Requests.¹¹ The proposal with the largest rate impact is to underground the overhead lines along Big Bear Boulevard at a cost of \$5 million, of which \$2.4 million would be expended in 2013.

BVES requests to fund its energy efficiency programs in a one-way balancing account with cap of \$230,000 per year in costs. BVES also requests approximately \$183,000 per year in 2010 dollars to create a Solar initiative

² BVES Direct Testimony, Volume 2, page 25, Table 3D.

¹⁰ Decision 09-10-028, A. 08-06-034.

¹¹ BVES Direct Testimony, Volume 1, Pages 9-13.

program which would initially last for eight years. DRA will evaluate the reasonableness of each of the eight Special Requests and may propose alternatives to BVES' requests.

F. Supply Costs

BVES requests changes to its Power Purchase Adjustment Clause (PPAC). BVES explains that it has an under collection for its PPAC. BVES projects that its current surcharge will recover the remaining under collection through September 2014. After that BVES proposes to reduce the surcharge to zero. In addition, BVES proposes to change the name of this surcharge to Supply Adjustment Charge. DRA will investigate and evaluate the supply costs.

DRA will analyze supply costs separate from the base rate components of this rate case. In its testimony, DRA will provide a separate comparison showing DRA's recommendations vs. BVES' requests for base rates and supply costs.

IV. CATEGORIZATION OF PROCEEDING

GSWC proposes that this proceeding be categorized as "ratesetting" within the meaning of Rule 1.3(e) of the Commission's Rules of Practice and Procedure.¹² DRA agrees with this designation.

V. PROCEDURAL ISSUES

Based on the above list of issues, DRA recommends that evidentiary hearings be scheduled in this proceeding. DRA recommends that a Prehearing Conference be scheduled. BVES proposes a procedural schedule that includes evidentiary hearings. DRA agrees that hearings are likely to be needed to resolve the numerous issues raised by this Application. DRA is currently evaluating the BVES Application and proposals, and conducting discovery. DRA will prepare comprehensive reports on the

¹² Ibid, Page 25.

BVES GRC requests, which will incorporate DRA’s independent review, analysis, and evaluation of the forecasts and proposals.

DRA proposes a procedural schedule as outlined below. This proposed schedule is still very compressed as it gives DRA less than five (5) months to conduct discovery, perform analysis, develop forecasts, and write testimony. The majority of DRA’s witnesses on this case are assisting counsel in the preparation of the SoCalGas/SDG&E briefs and reply briefs which are due in April and May.

Although BVES had originally intended to file its application in November or December of 2011, it did not file until February 2012. BVES did not file a notice of intent, which further compressed the time that DRA would normally have to review the request and perform its discovery and analysis. With all factors considered, DRA’s proposed schedule is reasonable.

Proposed Schedule

	BVES	DRA
DRA/Intervener Testimony	6/15/2012	7/24/2012
DRA Cost Allocation and Rate Design Testimony		08/10/2012
GSWC Rebuttal	7/13/2012	8/21/2012
Formal Settlement Negotiations	7/17/2012	8/27/2012
Hearings	7/24/2012	9/5/2012
Initial Briefs	8/31/2012	10/5/2012
Reply Briefs	9/10/2012	10/15/2012
Proposed Decision	11/1/2012	12/6/2012
Comments on Proposed Decision	11/21/2012	12/26/2012
Reply Comments on Proposed Decision	11/27/2012	1/3/2013
Expected Commission Meeting/Decision	12/13/2012	1/19/2013

VI. CONCLUSION

DRA respectfully recommends that the proceeding be categorized as ratesetting, that a reasonable schedule be set that includes adequate time for

discovery, the preparation of testimony and evidentiary hearings, and that the scope of the proceeding include, but not be limited to, the issues identified in this Protest.

Respectfully submitted,

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