

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
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July 3, 2012

Agenda ID #11447
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 12-02-013

This is the proposed decision of Administrative Law Judge (ALJ) Seaneen M. Wilson. It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Wilson at smw@cpuc.ca.gov and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ KAREN V. CLOPTONKaren V. Clopton, Chief
Administrative Law Judge

KVC:rs6

Attachment

Decision **PROPOSED DECISION OF ALJ WILSON** (Mailing 7/3/2012)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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)

**INTERIM DECISION ON MOTION
FOR MEMORANDUM ACCOUNT**

1. Summary

Golden State Water Company on behalf of its Bear Valley Electric Service Division (GSWC/BVES) is authorized to establish a General Rate Case Revenue Requirement Memorandum Account to record current rates based on its 2012 authorized revenue requirement in order to track the change in revenue requirement adopted in this proceeding during the period between January 1, 2013 and the effective date of the final decision. GSWC/BVES is also authorized to accrue interest on any balance beginning January 1, 2013, based on the Board of Governors of the Federal Reserve's three-month commercial paper rate.

2. Background

Golden State Water Company on behalf of its Bear Valley Electric Service Division (GSWC/BVES) filed its application for a test year 2013 General Rate Case (GRC) on February 16, 2012. The Commission's Rate Case Plan, Decision (D.) 89-01-040, as modified by D.07-07-004, imposes various substantive

and procedural requirements for energy utility general rate cases, including a timeline for processing the filing. Based on GSWC/BVES's application filing date and the Rate Case Plan schedule, a final decision on this matter would be issued by January 1, 2013. The Assigned Commissioner's Ruling and Scoping Memo, dated May 14, 2012, provided a schedule that anticipated a final decision before January 1, 2013.

3. Request for GRC Memorandum Account

Recognizing that unforeseen events might delay the procedural schedule and preclude the Commission from issuing a final decision before January 1, 2013, GSWC/BVES filed a motion on April 26, 2012, for authority to establish a General Rate Case Revenue Requirement Memorandum Account (GRC RRMA) to track the change in the revenue requirement adopted in this GRC for the period of January 1, 2013 to the effective date of the final decision. GSWC/BVES also requested authority to accrue interest on any balance beginning January 1, 2013, based on the Board of Governors of the Federal Reserve (Federal Reserve) three-month commercial paper rate.¹

In support of their request, GSWC/BVES referenced numerous Commission decisions and rulings issued over the past ten years that authorized a GRC memorandum account for an energy utility that had filed a GRC application.²

¹ See Federal Reserve three-month Commercial Paper Rate - Non-Financing, from the Federal Reserve Statistical Release H.15 or its successor (H.15 Release).

² See for example, Pacific Gas and Electric Company (PG&E) D.02-12-073; Southern California Edison (SCE) D.03-05-076 at 10; Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) at 14; SCE D.06-01-020 at 7; PG&E D.06-10-033 at 5; SoCalGas and SDG&E D.07-12-053

Footnote continued on next page

According to GSWC/BVES, a memorandum account would hold both ratepayers and shareholders harmless from adverse consequences resulting from potential procedural delays and allow sufficient time to review and analyze the record.

4. Responses to Motion and Reply to Responses

The Division of Ratepayer Advocates (DRA) does not dispute that the Commission has granted GRC RRMA, but disputes that such authority is now looked upon as routine, and opposes GSWC/BVES's request that authority be granted via the Scoping Memo. DRA recommends that such authority be used sparingly, and instead be granted through a Commission decision, requiring the five Commissioners to vote on the authority granted.

In its reply to DRA's response, GSWC/BVES defends its request for the granting of authority via a Scoping Memo, stating, in part, that: 1) a Commissioner has the authority to issue an order subject to subsequent to Commission approval; 2) the use of a decision to grant authority for a GRC RRMA is inefficient; and 3) DRA has objected to a GRC RRMA only once since 2004.

5. Discussion

In the past the Commission has established memorandum accounts to allow GRC decisions delayed past the start of the test year to be effective as if the decisions had not been delayed. Such memorandum accounts were implemented in the last GRC for each of the major California energy utilities.

at 10-11; SCE D.08-12-049 at 6-7; PG&E D.10-11-018 at 5-6; Scoping Memo and Ruling of Assigned Commissioner (ACR) at 27, in the SCE 2012 GRC Application (A.) 10-11-015; and Scoping Memo and Ruling of Assigned Commissioner at 17-18, in the SoCalGas and SDG&E 2012 GRC A.10-12-005/A.10-12-006.

For example, in SCE's A.10-11-015, the assigned Commissioner found that "the public interest is best served by adopting a realistic procedural schedule and authorizing the [GRC memorandum account] in case the final decision becomes delayed for some reason."³ In each of these cases, memorandum accounts were established when it was either clear or there was a possibility that a final decision would not be issued in a timely manner consistent with the Commission's Rate Case Plan.

In the current GSWC/BVES's GRC proceeding, while it is anticipated that the Commission will issue a final decision prior to January 1, 2013, it is possible that this will not happen. Therefore, we authorize GSWC/BVES to establish a memorandum account as requested. GSWC/BVES is also authorized to accrue interest on any balance in the GRC RRMA beginning January 1, 2013 until the effective date of a final decision in A.12-02-013, based on the three-month commercial paper rate from the Federal Reserve's H.15 release or its successor.

In order to establish the GRC RRMA, within 30 days of the date of this decision, GSWC must file a Tier 1 advice letter to establish the GRC RRMA. The advice letter would be effective on January 1, 2013, subject to Energy Division's determination that the request is in compliance with this decision.

Such authorization advances our previously stated policy objectives of holding utility shareholders and ratepayers harmless for any required procedural delays, removing incentives for any party to seek or promote delay, and providing parties and decision makers with sufficient time to review and

³ ACR in A.10-11-015 at 4.

analyze the record. To the extent needed, the disposition of the memorandum accounts will be addressed in the final decision.

6. Comments on Proposed Decision

The proposed decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

7. Assignment of Proceeding

Catherine J.K. Sandoval is the assigned Commissioner and Seaneen M. Wilson is the assigned ALJ in these proceedings.

Findings of Fact

1. By the Assigned Commissioner's Ruling and Scoping Memo, dated May 14, 2012, a final decision in this proceeding is anticipated to be issued by January 1, 2013.

2. GSWC/BVES requests authority to establish a memorandum account to offset the financial consequences of the difference between the date the Commission adopts its final decision in this proceeding and January 1, 2013, the date that the decision would have been effective under the Rate Case Plan.

3. DRA filed a response to GSWC/BVES's request, in which it stated that authority granting a GRC RRMA should be used sparingly, and recommended that authorization for a GRC RRMA be granted via a decision instead of a Scoping Memo.

4. The proposed memorandum account is consistent with previously stated Commission objectives to leave both ratepayers and shareholders essentially indifferent to the precise date of the final decision, to remove incentives for any

party to seek or promote delay, and to allow sufficient time for review and critical analysis of the record.

5. Due to retroactive ratemaking considerations, the proposed memorandum accounts cannot become effective prior to the date of this decision.

Conclusions of Law

1. GSWC/BVES's motion to establish a memorandum account and accrue interest based on the Federal Reserve's three-month commercial paper rate should be granted to the extent set forth in the following orders.

2. GSWC/BVES's motion to be granted authority to establish a memorandum account via a Scoping Memo should be denied.

3. GSWC/BVES's motion to be granted authority to establish a memorandum account should be granted via a decision.

4. The authorized memorandum account for GSWC/BVES should be effective as of January 1, 2013.

5. Within 30 days of the date of this decision, Golden State Water Company should file a Tier 1 advice letter to establish the GRC RRMA. The advice letter would be effective January 1, 2013, subject to Energy Division's determination that the request is in compliance with this decision.

O R D E R

IT IS ORDERED that:

1. Golden State Water Company on behalf of its Bear Valley Electric Service Division is authorized to establish a memorandum account to track the change in the revenue requirement adopted in this general rate case during the period between January 1, 2013 and the effective date of the final decision. Balances in this account must accrue interest at the three-month commercial paper rate as set

forth in the Board of Governors of the Federal Reserve Statistical Release H.15 or its successor.

2. Within 30 days of the date of this decision, Golden State Water Company must file a Tire 1 advice letter to establish the General Rate Case Revenue Requirement Memorandum Account. The advice letter will be effective on January 1, 2013, subject to Energy Division's determination that the request is in compliance with this decision.

3. Application 12-02-013 remains open.

This order is effective today.

Dated _____, at San Francisco, California.