BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application of Bear Valley Electric Service, Inc. (U913E) for Authority to, Among Other Things, Increase Rates and Charges, and Authorized Revenues, for Electric Service Effective January 1, 2027.	Application 26-01-022

THE PUBLIC ADVOCATES OFFICE REPLY BRIEF

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THE PUBLIC ADVOCATES OFFICE REPLY BRIEF

I. INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits this Reply Brief in the General Rate Case (GRC) *Application of Bear Valley Electric Service, Inc. (U913E) for Authority to, Among Other Things, Increase Rates and Charges, and Authorized Revenues, for Electric Service Effective January 1, 2027* (Application),[1] pursuant to Rule 13.12 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules) and the schedule set forth in the *Assigned Commissioner's Scoping Memo and Ruling*.[2]

Cal Advocates contends that BVES fails to meet its burden of proof to justify cost recovery associated with its Wildfire Mitigation Program (WMP), operation and maintenance (O&M) costs, administrative and general (A&G) costs, power supply costs, labor and benefits costs, capital improvements, plant additions and ongoing projects, annual depreciation and accumulated depreciation, balancing and memorandum accounts, advice letter projects, cost of capital, and cost allocation and rate design. In response, Bear Valley Electric Service, Inc. (BVES) contends that Cal Advocates' forecasted

[1] A.26-01-022, Application of Bear Valley Electric Service, Inc. (U913E) for Authority to, Among Other Things, Increase Rates and Charges, and Authorized Revenues, for Electric Service Effective January 1, 2027, January 30, 2026.

[2] Assigned Commissioner's Scoping Memo and Ruling, May 22, 2026.

revenue requirements are insufficient and without merit.[3] BVES claims Cal Advocates either 1) arbitrarily chose costs BVES supplied to forecast the Test Year (TY) 2027 and Post Test Years (PTY) 2028 -2030 or 2) arbitrarily chose forecasting methods to forecast TY 2027 and PTY 2028-2030 revenue requirements unsuitable to BVES. BVES further objects to 1) the financial model, with its accompanying inputs and assumptions, that Cal Advocates used regarding revenues to cover cost of debt and provide reasonable return to investors and 2) Cal Advocates' proposed method for allocation of marginal cost of service across the different classes of ratepayers.[4]

BVES offers only an Excel workbook, which it terms the Results of Operations Model (RO Model), along with testimony as evidence to support the claim that its revenue requirements are just and reasonable. Importantly, BVES does not show how it developed its forecasts or the calculations driving those forecasts. The RO model alone cannot establish that BVES' costs are reasonable; source material outside the model must corroborate the costs BVES asserts in the model.

BVES carries the ultimate burden to prove the reasonableness of the costs it seeks to recover. BVES' failure to corroborate the purported values with source documentation is unreasonable. A computer model that is not anchored with corroborating evidence outside the model is simply a worksheet with unsubstantiated numbers. BVES' sole reliance on its RO model results in its being unable to meet its burden of proof in this proceeding.

II. DISCUSSION

A. BURDEN OF PROOF AND STANDARD OF PROOF

1. BVES bears the burden to show that its requests are just and reasonable.

Throughout BVES' Opening Brief it claims Cal Advocates has not met its burden to produce evidence. This is incorrect. As the applicant in this proceeding, BVES bears

[3] BVES Opening Brief at 7-11.

[4] BVES Opening Brief at 12.

the burden of proof, it must show that the revenue it seeks from ratepayers is just and reasonable.[5] Specifically, Public Utilities Code Section 451 provides, in part, that "all charges demanded or received by any public utility … shall be just and reasonable." Section 454 further provides that, "[N]o public utility shall change any rate or so alter any classification, contract, practice or rule as to result in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified." BVES' burden of proof is a burden of persuasion, to persuade the trier of fact that its position is more likely than not correct despite the evidence produced by the opposing party.[6] The standard of proof that BVES must meet is that of a preponderance of the evidence.[7] The preponderance of the evidence "is defined in terms of probability of truth, e.g., 'such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.'"[8] To the extent that an intervenor

[5] Cal. Pub. Util. Code, §§451, 454, subd. (a); D.18-12-021, *Decision Adopting the 2018, 2019, and 2020 Revenue Requirement for California-American Water Company*, December 13, 2018, at 10, "The Commission is charged with ensuring that all rates demanded or received by a public utility are just and reasonable, and that'…no public utility shall change any rate... except upon a showing before the Commission, and a finding by the Commission that the new rate is justified.'"

[6] D.26-05-001 at 15-17 that states, in relevant part, "The burden of proof assigned to a particular party is a burden of persuasion. The party who bears the burden of proof has the ultimate burden of persuading the trier of fact that their position is more likely than not the correct application of the facts to the applicable law… The burden of persuasion remains upon the initial party to persuade the trier of fact that its position is more likely than not correct despite the evidence produced by the opposing party."

[7] D.24-12-025 *Decision Approving Partial Settlement and Adopting Rates for California-American Water Company's Test Year 2024 General Rate Case*, December 9, 2024, at 30; *People v. Garcia* (1975) 54 Cal.App.3d 61, 69, preponderance is "such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth."

[8] D.08-12-058 *Decision Granting a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project*, December 24, 2008, at 19, citing Witkin, Calif. Evidence, 4th Edition, Vol. 1 at 184. *See also,* D.24-12-025, at 30.

bears a burden of going forward, Cal Advocates' testimony and workpapers satisfy that requirement.[9] [10]

2. BVES' RO Model alone cannot carry its burden of proof.

Cal Advocates' testimony and workpapers demonstrate that inputs and assertions from BVES' RO Model are not a reasonable basis to justify the utility's purported revenue requirements. The Commission should find that BVES' fails to meet its burden of proof.

BVES carries the ultimate burden to prove the reasonableness of the costs it seeks to recover. Parties may verify any computer model, including the RO Model, offered as testimony or exhibit through requests for workpapers.[11] [12] The Commission defines workpapers as "all documents or data [utilities] rely on in preparing their [] reports."[13] Documents, such as power purchase agreements, vendor quotes, proposals, receipts, proofs of purchase, or other documents can corroborate the claims made by the RO Model. A workpaper cannot be the report or model itself. The model, in this case, is the tool that presents the information to the Commission.

BVES correctly asserts the Commission did not explicitly prescribe a form with which to provide information to support a GRC application. The Commission allows parties to submit documents that verify assertions made by the GRC applicant.[14] [15]

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[9] D.04-04-074 at 31 fn.13 "Even though Universal was aware of Edison's position about the limited usefulness of the day-of market, Universal did not provide rebuttal testimony on the issue, nor did its counsel conduct any cross-examination on the matter. Accordingly, Universal has not met its burden of going forward on this issue. If Universal was dissatisfied with Stern's testimony that the day-of market was not a useful resource, then in view of Stern's extensive analysis, the burden was on Universal to demonstrate, either through rebuttal testimony or cross-examination . . ."

[10] D.21-08-036 at 10.

[11] Cal. Pub. Util. Code §1822.

[12] D.10-05-023 at 15.

[13] D.03-11-024 at 10; The Commission responded to the joint utilities' request to define workpapers. The joint utilities "stating that they do not generate workpapers in preparing their annual reports, but compile data from a variety of sources, such as the utilities' accounting systems.", at 9.

[14] Ex. BVES-08 at 27.

[15] Rules 10.1, 10.3, and 10.4.

However, neither this nor the Commission's liberal use of the rules of evidence undermine an applicant's burden of proof. BVES admits that it has access to the source and historical data it used to prepare the RO Model.[16] Consistent with Cal. Evid. Code §412, the Commission since BVES has within its power the ability to provide documents it sourced in order to produce the RO Model, but only offers assertions within the RO Model as evidence, the offered evidence should be viewed with distrust.[17]

BVES offers only the data within the RO Model as proof of the matters it asserts in its RO Model and testimony. It also treats the RO Model as the workpapers to justify the values within the model.[18] [19] When Cal Advocates asked for the documents that BVES relied on to prepare its model, BVES referred to the RO Model as the workpaper.[20] BVES presents the model, whose results require justification, as the means to justify the results. BVES cannot meet its burden of proof by way of circular logic.

III. CAL ADVOCATES' FORECASTS ARE SUFFICIENT BASED ON THE EVIDENCE BVES PROVIDED

A. BVES mischaracterizes Commission precedent on forecasting methods.

BVES claims that Cal Advocates chooses costs and forecasting methods arbitrarily to generate forecasted costs for various expenses and capital expenditures for TY 2027 and PTY 2028-2030. BVES asserts that its RO Model applies objective statistical criteria to determine whether an average or trend methodology is appropriate for each line item.[21] BVES contends that it properly uses an averaging method when it forecasts costs for TY

[16] Ex. BVES-08 at 27, 28.

[17] Cal. Evid. Code §412. If weaker and less satisfactory evidence is offered when it was within the power of the party to produce stronger and more satisfactory evidence, the evidence offered should be viewed with distrust.

[18] When asked for workpapers to support the values in the RO Model, BVES responded by directing Cal Advocates to the RO Model. See Exs. CA-02 at 8, 11, 14, 15, 16, 17, 18, 24, 25, 27, 32, 39; Ex. CA-03 at 16, 19, 20, 33; Ex. CA-04 at 8, 23, 24, 31, 33, 34, 37, 40, 50.

[19] Ex. BVES-08 at 27.

[20] Ex. BVES-01 at 5.

[21] BVES Opening Brief at 44.

2027 in cases where it has provided only one recorded cost from 2020 to 2024. BVES bases this assertion on the Commission's position that, absent a specific explanation why a single recorded data point best reflects the estimated expenses of an account with fluctuating expense levels and no discernible trends, it is most appropriate to use an averaging method over a period of time to forecast future costs.[22] [23]

However, BVES mischaracterizes Decision (D.) 04-07-022. The Commission determined that in that instance a four-year averaging method was most appropriate when historic costs were available and the forecaster did not have a specific explanation for the exclusion of those historic costs.[24] D.04-07-022 does not mandate how many years the averaging method must cover in circumstances when costs are unavailable, zero, or unverified nor does it require parties to use an averaging method. D.04-07-022 merely finds that, when an account is subject to year-to-year variations, a constant dollar averaging method "*may* be more appropriate to smooth out such variations."[25]

Cal Advocates reviewed costs included in BVES' RO Model. In response to data requests seeking to obtain the supporting material necessary to corroborate the assertions in the RO Model,[26] BVES asserts that the RO Model should be accepted as BVES' primary source of workpapers.[27] Thus, rather than show the need for the averaging approach it claims to use, BVES offers a black box RO model and unsubstantiated claims.[28]

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[22] BVES Opening Brief at 46.

[23] D.04-07-022 at 16, citing Re Pacific Gas and Electric Co. D.00-02-046, pp. 156-157 (quoting, D.89 12-057, 34 CPUC 2d 199); citing Re California Water Service D.89-04-060, 31 CPUC 2d 481, 506.

[24] D.00-02-046 at 156-157, citing D.89-12-057 at 29.

[25] D.04-07-022 at p. 16; See also BVES Opening Brief at 46.

[26] Ex. CA-01 at 5.

[27] Ex. BVES-08 at 29 ln. 15.

[28] Cal Advocates has attempted to work with the unsubstantiated values and methods BVES' RO Model provides. In doing so, rather than "cherry picking" data to derive forecasts as BVES claims (BVES-09 at 7, 8, 13-15, 28-29), Cal Advocates has exercised prudent judgment in an attempt to use the values in the RO Model to forecast TY and PTY costs that are reasonable.

Moreover, it is unreasonable to give weight to costs or values that BVES could have supported with evidence, beyond the numbers in the RO Model, but chose not to provide.[29] As directed by California Evidence Codes section 412, "If weaker and less satisfactory evidence is offered when it was within the power of the party to produce stronger and more satisfactory evidence, the evidence offered should be viewed with distrust."

B. Cal Advocates forecasts for BVES' Wildfire Mitigation Program (WMP) are reasonable as they rely on the costs BVES supplied.

BVES argues that Cal Advocates' forecast of $65.065 million for TY 2027 is insufficient. BVES seeks $76.728 million for TY 2027. Cal Advocates based its forecasts on information provided by BVES.[30]

When Cal Advocates questioned a significant increase in forecast costs that did not comport with historic costs in BVES' RO Model, it asked for documents to verify the data.[31] [32] When BVES did not justify an increase in the forecast to a Satellite Imagery and Vegetation Management Enterprise System, Cal Advocates used the same historic actual costs to forecast to TY 2027 and derived a lower forecast.[33] When BVES produced a contract in an attempt to justify the costs of its WMP Technical Support and Compliance Preparation Services, Cal Advocates used the contract price, the only actual evidence in the record, to derive a forecast for TY 2027.[34] A contract is stronger evidence than numbers the RO Model generates. When BVES did not provide supporting evidence to justify how its TY 2027 forecast for its Contracted Public Safety

[29] Cal. Evid. Code §412: If weaker and less satisfactory evidence is offered when it was within the power of the party to produce stronger and more satisfactory evidence, the evidence offered should be viewed with distrust.

[30] As with its other forecasts, BVES offers no source material outside the RO Model to corroborate these costs.

[31] Ex. CA-04 at 8.

[32] Ex. CA-04 at 11.

[33] Ex. CA-04 at 8.

[34] Ex. CA-04 at 12.

Power Shutoff (PSPS) Support was nearly 50% more than its 2025 estimated cost, Cal Advocates took the average of BVES' 2024 and 2025 costs because to average the most recent recorded costs provides reasonable funding while still addressing the uncertainty reflected in BVES' historic data.[35] [36]

Where BVES does not sufficiently clarify the results of its RO Model or refers to weak evidence, the Commission should view that evidence with distrust and adopt a forecast based on the available, verified information.

C. Cal Advocates' forecasts for O&M, and A&G costs are reasonable as they rely on the costs BVES supplied.

BVES accuses Cal Advocates of "cherry picking" forecasting methods to produce the lowest expense forecast possible while it ignores the use of similar forecasting methods for expense items that would result in higher forecasts.[37] As with other forecasts, BVES offers no source material outside the RO Model to corroborate these costs.

BVES cites 17 of 112 line items, dispersed among seven Federal Energy Regulatory Commission (FERC) accounts, to support its claims that Cal Advocates "cherry picks" forecasting methods in contradiction to its statutory responsibility.[38] BVES provides examples from Cal Advocates testimony Exhibit CA-02 to demonstrate that it used five different forecast methods.[39] Cal Advocates used five different forecast methods because, when Cal Advocates asked in discovery for workpapers to support the

[35] Ex. CA-04 at 13, 14, 15.

[36] Ex. CA-04 at 14, "BVES experienced three PSPS events in 2025 after experiencing zero events in 2020-2024. Cal Advocates asked BVES to 'provide all analyses, studies, forecasts, communications, data, or other documentation supporting BVES' assumption that future SCE-invoked PSPS activity affecting BVES customers will occur at a frequency and duration similar to 2025." In its response, BVES states, 'There is no formal analyses, studies, forecasts, communications, data, or other documentation supporting BVES' assumption that future SCE invoked PSPS activity affecting BVES customers will occur at a frequency and duration similar to 2025 exist.'"

[37] BVES Opening Brief at 45.

[38] Ex. CA-02 at 8, 10, 14, 15, 16, 17, 18.

[39] BVES Opening Brief at 45.

RO Model forecasts, BVES failed to provide sufficient evidence to justify its use of its preferred forecast methods.

For Column B line-items 1130 and 1255, BVES used an adjustment method for 1130 and a five-year average method for 1255. When Cal Advocates asked for supporting documents and an explanation of why BVES used an adjustment method for 1130, BVES referred to the RO Model as its explanation, which is a non-response. Cal Advocates averaged the last two years of the historic costs in line-item 1130 because they were relatively stable and were the most recent recorded data.[40] For line-item 1255, Cal Advocates used a three-year average method from 2020 to 2022 and excluded as outlier values that were $650,000 for 2023 and ($64,000) for 2024.[41]

For line-item 1805, the RO Model showed costs were declining but BVES used a five-year average method to forecast TY 2027. When Cal Advocates asked for evidence to explain how costs in decline would produce an increased forecast cost, BVES did not provide a sufficient response and did not produce supporting documents, it referred only to the RO Model as evidence. Thus, BVES' had not justified its forecast method and use of a four-year average of actual costs from 2021-2024, which produced a different result.[42]

For line-item 1297, BVES used a trend method but did not provide supporting documentation to justify the use of that method when Cal Advocates asked. Cal Advocates did not agree with the use of a trend method when the costs fluctuated over the five recorded years. It averaged the last two years (2023-2024) because costs in those most current years remained stable, unlike the previous three years (2020–2022).[43]

Cal Advocates asked why BVES used an adjustment method for line-items 1118, 1150, and 1675. BVES did not support its forecasting method. Cal Advocates therefore

[40] Ex. CA-02 at 17.

[41] Ex. CA-02 at 18; Column B Line 1255 ($ 000s): $(35) for 2020, $177 for 2021, $277 for 2022, $650 for 2023, $(63) for 2024.

[42] Ex. CA-02 at 8.

[43] Ex. CA-02 at 16.

used a five-year average of the actual costs to smooth out the cost fluctuations in the three line-items.[44]

For line-items 1154 and 1194, BVES did not provide supporting documents or calculations to justify the use of varying forecasting methods in those line-items.[45] Cal Advocates recommended $0 for each line-item because line-items 1154 and 1194 had been decreasing since 2020 and were at most $0 by 2024.[46]

For line-item 1315, BVES used a five-year average method when the RO Model only had one recorded cost in 2020 and no recorded costs from 2021-2024.[47] BVES did not provide supporting documents to justify a five-year averaging method. Cal Advocates recognized the trend from 2021 through 2024 as $0 and forecasted $0 for TY 2027. Likewise, line-item 1790 had only one recorded cost recorded in 2020 with no recorded costs from 2021 to 2024. However, BVES again used a five-year averaging method. BVES failed to provide supporting documents to justify the forecasting method for line-item 1790. Cal Advocates looked at the trend of the last five years and forecasted $0 for TY 2027.[48]

BVES also claims Cal Advocates makes a collateral attack on the settlement in D.25-01-036.[49] According to BVES, Cal Advocates' recommended $3,126,721, rather than BVES' $3,810,260, in general office expense allocation for TY 2027 violates the settlement agreement between Golden State Water Company (GSWC) and Cal Advocates.[50] As argued in Cal Advocates' Opening Brief, settlements don't not establish precedent and are only binding on the parties to the proceeding in which the settlement is

[44] Ex. CA-02 at 15.

[45] Ex. CA-02 at 10.

[46] Ex. CA-02 at 11.

[47] Ex. CA-02 at 11.

[48] Ex. CA-02 at 8.

[49] BVES Opening Brief at 112.

[50] BVES Opening Brief at 111.

entered. BVES was not a party to the above settlement.[51] In any event, all the D.25-01-036 Settlement Agreement requires is that GWSC abide by its apportioned cost sharing with BVES. At issue here is only the amount of BVES's General Office costs for TY 2027 and PTY 2028-2030. Therefore, BVES misinterprets GSWC's and Cal Advocates' responsibilities and its relation with the D.25-01-036 Settlement Agreement.

D. Cal Advocates forecasts for power supply costs are in the interest of the ratepayers.

BVES claims that Cal Advocates failed to incorporate an updated supply forecast that removed costs associated with the now defunct Solar Project. BVES expects the Commission to accept the results of its RO Model at face value. As with its other forecasts, BVES offers no source material outside the RO Model to corroborate these costs.

BVES' updated supply forecast included increased power supply costs intended to replace the power the Solar Project would have supplied. However, BVES did not accompany the updated RO Model with workpapers such as proposals, historic power purchase agreements, historic energy purchase bids to California Independent System Operator (CAISO), or other supporting documents to justify the forecast power supply costs. Instead, BVES' workpapers consisted of an additional forecast model, which merely cited to a worksheet within the workbook to support its assertions.[52]

BVES fails to meet its burden of proof. It expects the Commission to take its uncorroborated RO Model assertions as true. It would be unjust and unreasonable for the Commission to include unsubstantiated costs in the TY 2027 and PTY 2028-2030 forecasts.

[51] Rules of Practice and Procedure, Rule 12.5.

[52] BVES Opening Brief at 34.

E. Cal Advocates forecasts for labor and benefits costs are reasonable, despite the RO Model's fundamental flaws.

BVES attacks Cal Advocates' recommendations on the grounds that Cal Advocates' forecasts, which are generated from BVES' RO Model, are flawed.[53] However, BVES has created an inherently inflexible RO Model, where an intervenor cannot address individual FERC Accounts, O&M, A&G, and other expenses unless it delves into employee-by-employee cost level minutiae.[54]

According to BVES, it forecasts labor costs for TY 2027 and PTY 2028-2030, and then the separates forecasts by "business units," which may also have non-labor expenses. The O&M and A&G models send the "business unit" costs to the various General Ledger accounts that map to multiple FERC Accounts.[55] Concurrently, BVES forecasts FERC Account expenses for TY2027 and PTY 2028-2030.[56] This potentially distorts the true cost of labor, because the RO Model applies escalation factors to labor expenses when they are forecasted as on an employee-by-employee basis and a second time when they are mapped to various expense accounts, that have escalation factors that are applied for their forecasts. In addition, a change to labor expenses changes multiple FERC Account expenses simultaneously. Therefore, the Commission cannot address individual O&M, A&G, or FERC Account expenses without disrupting BVES' entire RO Model.

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[53] BVES Opening Brief at 61.

[54] BVES Opening Brief at 60.

[55] BVES Opening Brief at 68, "BVES first develops the total labor forecast on an employee-by employee basis. Only after the forecasted expensed-labor is determined does BVES use the *five year historical charging pattern* for each business unit to derive allocation percentages among GL accounts, which are then mapped to FERC accounts. Thus, the *five-year historical average* is used solely to allocate the independently developed labor forecast, not to determine the amount of forecasted labor expense.".

[56] BVES Opening Brief at 72, "The labor model first calculates the cost of the workforce expected in TY 2027 using the employee roster, employee specific wage rates, wage escalation, benefits, payroll taxes, overtime, standby, temporary upgrades, vacant positions, and requested new positions. It then applies each employee's expense-versus capital allocation and summarizes the expensed amounts by business unit. The O&M and A&G model uses the *historical charging pattern* for each business unit only to allocate those independently calculated totals among GL accounts, which are then mapped to FERC accounts for presentation."

BVES also claims that Cal Advocates' scrutiny of labor expenses by FERC Account line-items is incorrect.[57] BVES has enmeshed labor expenses in so many general ledger accounts and mapped them to so many different FERC Accounts, that it is almost impossible to address an individual FERC Account without impacting several other unrelated accounts. According to BVES, Cal Advocates should have questioned whether BVES properly allocated its labor expenses to different accounts rather than question the costs of the FERC Account as a whole.[58] Here, BVES wrongly attempts to place the burden on Cal Advocates to fix BVES unreasonable and insufficient showing. BVES would require parties to question and recommend how BVES employs its workers in order to determine if costs BVES seeks to recover in O&M, A&G, and FERC Accounts are reasonable.

Here again, BVES fails to provide documentation.[59] For example, when BVES forecasted costs to fill an Environmental, Health, and Safety and Emergency Response Coordinator position, Cal Advocates asked for supporting documentation, analysis, or regulatory reasons to justify the increased labor costs associated with a new position.[60] BVES claimed that it had evaluated the costs and determined the new position was worthwhile but provided no analysis or supporting documentation.[61] For its FERC Account 920,[62] when Cal Advocates asked for documentation to demonstrate how BVES tracks, monitors, or allocates employee labor costs, BVES did not provide verifiable documents, it merely asserted that it can charge labor costs to 15 different FERC accounts.[63] BVES cannot claim that the RO Model is properly scrutinized by looking at the employee based costs while refusing to provide employee level cost information.

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[57] BVES Opening Brief at 72.

[58] BVES Opening Brief at 72.

[59] BVES Opening Brief at 76.

[60] Ex. CA-04 at 18, 19, 20. Cal Advocates Opening Brief at 18, 19.

[61] Ex. CA-04 at 18, 19, 20.

[62] BVES Opening Brief at 62.

[63] Ex. CA-03 at 16.

For its FERC Account 926, BVES accuses Cal Advocates of failure to consider the multiple cost drivers into FERC Account 926 when Cal Advocates recommends an 8% escalation factor for health insurance costs for TY 2027.[64] First, the FERC Account sources data from 28 general ledger accounts including labor expenses, which BVES admits it forecasts independently and then maps to the FERC Accounts.[65] Second, BVES asserts that, when the 8% is applied as an escalation factor for health insurance costs, BVES' RO Model supposedly did not properly apply the escalation across the interlinked data mapped to the FERC Account.[66] BVES' rebuttal is tantamount to an admission that the RO Model is flawed. Regardless of how defective BVES' RO Model is, Cal Advocates' recommendation of an 8% escalation factor is sound based on the publicly available information about future cost increases in health insurance.

BVES carries the ultimate burden to prove that the costs it wants to recover are just and reasonable.[67] BVES advises a change to labor expenses, which will lead to unintended changes to expense accounts throughout the RO Model, but objects to changes to forecast costs in individual accounts because of the RO Model's flawed design. The Commission cannot use the BVES RO Model to address individual expense accounts and determine a just and reasonable cost for any specific category of projects (i.e. capital expenditures, O&M A&G expenses) without changing values upstream in the RO Model and impacting cost not at issue in the proceedings. BVES fails to meet its burden of proof because it relies on a defective RO Model to recover costs. The shortcomings in the RO Model are the fault of BVES and its consultant.

[64] BVES Opening Brief at 71.

[65] BVES Opening Brief at 70; "FERC Account 926 is not a single cost category developed from one underlying driver. In Bear Valley's RO model, it is a reporting account created by mapping and summing 28 GL accounts, including training-related labor and expenses, employee relocation, employee insurance, first-aid costs, pension, VEBA, 401(k) employer contributions, defined-contribution expense, incentive and holiday bonuses, and HSA employer expense."

[66] Ex. BVES-09E at 22-24.

[67] Pub. Util. Code §451.

Cal Advocates' recommendations as to line items in O&M, A&G, or FERC Accounts are reasonable. Its recommendation to escalate health insurance costs by 8% is based on multiple public sources.[68]

F. Cal Advocates forecasts for capital improvements are reasonable as it relies on costs BVES supplied.

BVES claims that Cal Advocates' recommended capital budget would devastate BVES' ability to maintain safe and reliable electric service. As with its other forecasts, BVES offers no source material outside the RO Model to corroborate these costs.

BVES points to Cal Advocates' recommendation of the utility's covered conductor project. Cal Advocates does not oppose the project but opposes BVES' calculations. BVES provides conflicting costs on the circuit miles installed in 2023 and 2024 in two separate data requests.[69] When Cal Advocates asked about the discrepancy, BVES did not justify or explain why the capital expenditure amounts were different in the data requests.[70] And, though BVES admits in its rebuttal testimony that it made a mistake and provided conflicting data, it does not explain the error.[71] BVES instead attempts to shift the burden to Cal Advocates for failure to discover BVES' mistake.[72] Because BVES did not substantiate its values, Cal Advocates used the original capital expenditure BVES provided in its first data request response, which resulted in a downward adjustment in the forecast.[73]

BVES takes issue with Cal Advocates' recommendation for the utility's switch and field automation. Here again, BVES provides conflicting data. BVES claims the data differs because of when invoices were recorded and when work orders were

[68] Ex. CA-03 at 26, 27.

[69] Ex. CA-02 at 24.

[70] Ex. CA-02 at 24.

[71] Ex. BVES-10 at 28.

[72] Ex. BVES-10 at 28.

[73] Ex. CA-02 at 24.

closed.[74] Because BVES did not provide cogent data to supports its claims, Cal Advocates recorded capital amounts that reflected actual costs incurred during 2023 and 2024, which resulted in a downward adjustment.[75]

BVES takes issue with Cal Advocates' recommendation for the utility's electric vehicle infrastructure improvement, B-007. BVES has not justified the project's cost of $454,545 annually for the GRC cycle 2027- 2030. When Cal Advocates asked, BVES failed to provide supporting documentation showing a defined project schedule. In addition, the project depends entirely on customer requests.[76] BVES confirms that it has only have two project applications pending completion and approval.[77] A price tag of this size requires more evidence than a couple of requests. BVES has not justified this burden on ratepayers.

Project funding matters. However, BVES has not provided documentation beyond its flawed black box RO Model to justify the results it asserts. Cal Advocates balances reducing expenses for ratepayers against making safe and reliable service.

G. Cal Advocates' capital to debt ratio is in the interest of the ratepayer and provides a reasonable rate of return to BVES investors.

BVES claims that the rate of returns recommended by Cal Advocates and Snow Summit are insufficient to attract the necessary investments to adequately fund BVES' necessary capital investments and costs of service.[78] However, BVES' does not need to attract investors and does not require the rate of return it desires. BVES is not a publicly traded company and does not have publicly traded equity securities.[79] It does not issue publicly traded common equity shares. It is a wholly owned subsidiary of American

[74] Ex. CA-02 at 25.

[75] Ex. CA-02 at 25.

[76] Ex. CA-03 at 33.

[77] Ex. CA-03 at 33.

[78] BVES Opening Brief at 11, 12; Ex. BVES-08 at 8.

[79] Ex. BVES-04 at 15

States Water Company (AWR), which is publicly traded.[80] AWR will make capital contributions, when necessary, to BVES to maintain the Commission-authorized capital structure. AWR may also make equity contributions to BVES.[81] In addition, AWR funds its operating expenses and pays dividends on its outstanding common shares primarily through dividends from its wholly owned subsidiaries.[82] [83]

The Commission should consider its recent decision, D.25-12-043 which notes that it has historically declined to resolve the specific mechanics of proposed models, inputs, and assumptions.[84] The Commission recognizes opposing parties present financial models before the Commission with wide ranging results. The contributing factor is the parties' differences in assumptions, time periods within the models, and various subjective inputs.[85] The Commission finds that modeling return on equity (ROE) models based on proxy groups are only one side of the scale on which it balances interests.[86] The Commission also weighs ratepayer interests when it determines an appropriate ROE.[87] The Commission also finds that it considers company-wide factors such as risks, capital structures, debt costs, and credit ratings in to arrive at a fair ROE.[88]

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[80] Ex. BVES-04 at 14.

[81] SEC Form 10-Q at 14, 51. https://americanstateswatercompany.gcs-web.com/static-files/5849d1a2-90f3-413d-bc78-356904709905, https://www.sec.gov/ix?doc=/Archives/edgar/data/0001056903/000162828026053401/awr-20260630.htm; SEC Form 10-K at 83, 84. https://americanstateswatercompany.gcs-web.com/static-files/b6e2a579-6087-48b2-9cbb-2b23ccc1de00, https://www.sec.gov/ix?doc=/Archives/edgar/data/0001056903/000162828026009114/awr-20251231.htm

[82] SEC Form 10-Q at 49, 50; SEC Form 10-K, December 31, 2025 at 52.

[83] SEC Form 10-K, December 31, 2025 at 53; "AWR's ability to pay cash dividends on its Common Shares outstanding depends primarily upon cash flows from its subsidiaries."

[84] D.25-12-043 at 26; *Decision Addressing Test Year 2026 Cost of Capital for Pacific Gas and Electric Company, Southern California Gas Company, Southern California Edison Company, And San Diego Gas & Electric Company.*

[85] D.25-12-043 at 26.

[86] D.19-12-056 at 16 ("We attempt to set the ROE at a level of return commensurate with market returns on investments having corresponding risks… To accomplish this objective, we have consistently evaluated analytical financial models as a starting point to arrive at a fair ROE.").

[87] D.19-12-056 at 16.

[88] D.25-12-043 at 70, Conclusion of Law #14.

Consistent with the above, Cal Advocates recommended cost of equity and rate of return would allow AWR to keep BVES capitalized and funded by AWR and reduce the cost ratepayers will bear to supply dividends to AWR's shareholders. The Commission should adopt Cal Advocate's proposed capital structure.[89] The cost of equity, cost of debt, and rate of return would still capitalize BVES and ease the financial burden on the ratepayer.

H. Cal Advocates' cost allocation provides the fairest allocation of costs across all classes of ratepayers.

BVES argues that its adoption of a weighted cost allocation between the Equal Percentage Marginal Cost (EPMC) method and the System Average Percent (SAP) method is consistent with the Commission's decades' long goal of revenue allocation strictly under the EPMC method.[90]

As BVES notes in its Opening Brief, the Commission intends to move away from hybrid cost allocation and toward 100% EPMC method.[91] Up to BVES' TY 2018 GRC, the Commission finds that the parties had "reached an equitable comprise [sic] on revenue allocation that moves towards a 100% EPMC."[92] BVES' TY 2023 GRC resulted in an about face with parties settling for a hybrid allocation method of 10% EPMC and 90% SAP for TY 2023 and 100% SAP for the remaining years in the GRC cycle.[93]

BVES' last GRC settlement did not reflect a revenue allocation intended to move toward 100% EPMC. Likewise, BVES' current request to implement a 10% EPMC and 90% SAP for TY 2027 and 100% SAP method for PTY 2028-2030 continues to contradict the Commission's goal of to move revenue cost allocation toward a pure EPMC method. Contrary to BVES's belief, its proposal in this GRC is inconsistent "with

[89] Ex. CA-06; Cal Advocates Opening Brief at 38.

[90] D.09-10-028 at 6-7; D.14-11-002 at 33, "As detailed in D.09-10-028, the Commission may implement EPMC over a series of GRC's. With the use of 20% in the current proceeding, movement towards 100% EPMC has begun and may continue in future GRC's, based on considerations detailed in D.09-10-028."

[91] BVES Opening Brief at 287.

[92] D.19-08-027 at 42.

[93] D.25-01-007 at 26.

the Commission's directive in D.14-11-002 to continue to move towards 100% EPMC over a series of GRCs."[94]

Additionally, BVES' current hybrid allocation method purports to benefit the ratepayer if the Commission adopts the utility's original revenue requirement in full.[95] This framing makes BVES' revenue allocation scheme of 100% SAP appear to be a fair distribution as compared to Cal Advocates' 10% EPMC/90% SAP allocation for PTY 2028-2030.[96] However, BVES' demonstration conceals the fact that its proposal would burden ratepayers across all classes with exorbitant prices to satisfy BVES' revenue requirements.

Cal Advocates' cost allocation proposes 10% EPMC and 90% SAP across all the years of this GRC cycle. Under Cal Advocates' recommended revenue requirement baseline ($65.06 million in 2027), starting residential rates are markedly lower.[97] A slightly higher percentage change applied to a lower absolute dollar baseline will result in significantly lower monthly utility bills in actual dollars for ratepayers.[98] In addition, Cal Advocates' proposed cost allocation, though not fully advancing the Commission's goal of a purely EPMC based cost allocation for future GRCs, avoids the absolute departure from the Commission's directive that BVES' proposal would create.

IV. CONCLUSION

BVES bears the ultimate burden of persuasion and has failed to demonstrate by a preponderance of the evidence that its requested costs and forecasts are just and reasonable. BVES did not provide the underlying documentation necessary to verify the results of its RO Model, BVES repeatedly relied on the model itself as support for its assertions. Cal Advocates' recommendations rely on the evidence BVES provided; it excludes or adjusts unsupported costs to develop a forecast for TY 2027 and PTY 2028-

[94] BVES Opening Brief at 287.

[95] BVES Opening Brief at 279, 281.

[96] BVES Opening Brief at 284.

[97] Ex. CA-07, App. MPS-1 at 2 ($65,064,930 revenue requirement).

[98] Ex. CA-07, App. MPS-5 at 1–5 (-7.21% / -$12.91/month residential bill impact).

2030 that satisfies its statutory objective to obtain the lowest possible rate for service consistent with reliable and safe service levels.

BVES has not met its burden of proof. Accordingly, the Commission should adopt Cal Advocates' recommendations and deny BVES's requests to the extent they are inconsistent with those recommendations.

Respectfully submitted,

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