**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Agenda ID #23734**

**ENERGY DIVISION RESOLUTION E-5415**

**October 9, 2025**

**RESOLUTION**

Resolution E-5415. Bear Valley Electric Service Recovery of Costs for Morgan Stanley Confirmation for the Energy Product.

PROPOSED OUTCOME:

* Approves Bear Valley Advice Letter 519-E and authorizes Bear Valley Electric Service to recover all costs of executed Morgan Stanley Confirmation for Energy Product.

SAFETY CONSIDERATIONS:

* There are no safety considerations associated with this resolution.

ESTIMATED COST:

* Energy Product Confirm costs are confidential at this time.

By Advice Letter 519-E, Filed on June 13, 2025.

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**Summary**

This Resolution authorizes Bear Valley Electric Service (Bear Valley) to recover all the costs of the Morgan Stanley Confirmation for the Energy Product. The Commission, in Decision (D.) 25-04-026, approved Bear Valley’s method of establishing a benchmark price, preapproved forms of Confirmations associated with certain power purchase agreements (PPAs), and preapproved Energy Product Confirmations, including one with the Morgan Stanley Capital Group, Inc. (Morgan Stanley). D.25-04-026 required that the PPAs be approved via a Tier 1 Advice Letter (AL), unless the price exceeded the confidential Applicable Benchmark Price, in which case approval would be via a Tier 3 AL. The winning bid for the Energy Product exceeds the confidential Benchmark Price, and thus a Tier 3 AL was submitted on June 13, 2025.

**Background**

In D.14-12-003, the Commission approved a process for reviewing the procurement of Bear Valley based in part on prior proceedings regarding Bear Valley’s Renewable Portfolio Standard (RPS) and Integrated Resource Plan (IRP) program compliance.[[1]](#footnote-1) This process was reconfirmed in D.17-04-003, D.19-08-030 and more recently in   
D.25-04-026.

The two-step process was meant to streamline Bear Valley’s procurement process. This process, as described in D.19-08-030, was:

* Bear Valley shall submit for Commission approval, via application, the terms and conditions, along with a proprietary product price benchmark, for PPAs that are in the final stages of negotiation. The application must include a current copy of Bear Valley's Integrated Resources Plan (IRP).
* Upon approval of the PPA terms and conditions and the confidential product price benchmark, Bear Valley is free to negotiate and execute a final PPA.
* If the final PPA is consistent with the terms and conditions approved by the Commission and the executed energy and capacity price is at or below the approved product price benchmark, Bear Valley shall submit the final executed PPA via Tier 1 advice letter, which will become effective pursuant to the terms of General Order (GO) 96-B.
* If the final executed capacity and energy price is above the approved confidential product price benchmark, Bear Valley shall submit a Tier 3 advice letter for recovery of above-benchmark costs.

The preapproval process involves a two-phase bidding structure. The first phase determines a short list of qualified bidders and the second phase is to receive from one of the bidders a competitively priced bid that results in an executed confirmation. Prior to the second phase, Bear Valley must obtain from the Commission preapproval of the terms and conditions of the PPA which includes the Master Agreement and associated Confirmations from each short listed bidder but excluding terms relating to price.[[2]](#footnote-2)

Bear Valley provides electric service to about 25,000 customers in the Big Bear Lake area, a relatively remote resort community in the San Bernardino Mountains. The utility typically experiences a winter peak load of roughly 47 MW during high tourism periods, when ski resort snowmaking equipment is in operation. Bear Valley’s current generation resources consist solely of an 8.4 MW peaking power plant. Its overall energy supply comes from purchased power agreements with remote suppliers, supplemented by output from the Bear Valley Peaker plant. Bear Valley had a PPA with Morgan Stanley that covered their baseload usage that expired on   
October 31, 2024, and the PPA at issue in this decision is intended to supply Bear Valley with 50 percent of its year-round energy needs.[[3]](#footnote-3)

In May 2023, Bear Valley issued a Request for Proposals (RFP) to approximately 150 potential suppliers, seeking a firm Energy Product to cover about half of its energy needs. Based on the responses, Constellation, Morgan Stanley, and Shell Energy were selected for the shortlist of qualified bidders. Bear Valley’s evaluation concluded that the bids from these companies were competitive and aligned with prevailing market prices for the Energy Product.

On December 15, 2023 Bear Valley filed Application (A.) 23-12-010, seeking pre-approval of the PPAs (and associated Confirmations) with the three shortlisted bidders and the benchmark price methodology.[[4]](#footnote-4) In D.25-04-026, the Commission pre-approved the PPAs, the associated Confirmations, the proposed benchmark price methodology; and authorized Bear Valley to proceed the final bid process with the shortlisted bidders.[[5]](#footnote-5) The Commission also noted that: “The decision finds that the proposed process in the Application complies with the procurement process established in   
D.17-04-003 and denying the Application causes more uncertainty for customers because Bear Valley’s PPA agreement that covered its year-round energy needs has expired.”

Additionally, D.25-04-026 ordered the following:

* Bear Valley shall submit one executed winning Confirmation (including price) for either the Energy Product or Revised Energy Product using the advice letter process. If the Confirmation is at or below the applicable confidential benchmark price, Bear Valley shall submit the Confirmation via a Tier 1 advice letter. If the Confirmation is above the applicable confidential price, Bear Valley shall file the executed Confirmation via a Tier 3 advice letter.
* Bear Valley is granted authority to recover costs associated with the executed Confirmation for either the Energy Product or Revised Energy Product.
* Bear Valley is authorized to establish a non-interest-bearing Memorandum account to track unrealized gains and/or losses regarding the executed Confirmation for either the Energy Product or Revised Energy Product.

Bear Valley received final bids for the Energy Product and Revised Energy Product on May 27, 2025. Bear Valley executed the preapproved Morgan Stanley Confirmation for the Energy Product (including price-related information) on May 27, 2025. [[6]](#footnote-6)

Bear Valley requested on May 28, 2025, via a Tier 1 AL, 517-E, to establish a non-interest-bearing Memorandum account to track unrealized gains and/or losses regarding the executed Confirmation for either the Energy Product or Revised Energy Product. Energy Division Staff approved AL 517-E on July 2, 2025.

On June 13, 2025, Bear Valley filed AL 519-E as a Tier 3 AL seeking authorization to recover all costs of the Morgan Stanley Confirmation for the Energy Product. A Tier 3 AL was necessary as the costs of the Energy Product exceed the confidential benchmark price cost. In AL 519-E, Bear Valley requests authority to recover 1) the costs equal to the benchmark price of the Energy Product Confirmation; and 2) the above benchmark price costs of the Energy Product Confirmation.

Bear Valley notes that “[t]he form of the winning, executed Morgan Stanley Confirmation contains the terms and conditions preapproved by the Commission in D.25-04-026, with only price-related information added.” Further Bear Valley states that, as required by D.25-04-026, it utilized the confidential benchmark price methodology preapproved in D.25-04-026 to determine the applicable benchmark price for the Energy Product.

Bear Valley also explains “that it used the same evaluation process it set forth in   
A.23-12-010 to determine which of the final bids resulted in the lowest cost for either the preapproved Energy Product or the preapproved Revised Energy Product. Upon completion of the final bid evaluation process, described in confidential Appendix B, BVES determined that the final bid submitted by Morgan Stanley for the Energy Product resulted in the lowest cost, best fit energy product for Bear Valley’s customers. The final bid evaluations are set forth in confidential Appendix B.”

Bear Valley asserts that “[t]he bid prices among the three well-qualified, short-listed bidders were relatively close, indicating strong competition and a clear picture of the market prices for both the Energy Product and the Revised Energy Product as of   
May 27, 2025. Although the bids were slightly above the associated benchmark prices, the relative closeness of the bids to the benchmark prices reinforces the conclusion that the bid prices accurately reflected the market price of the Energy Products as of   
May 27, 2025.”

Bear Valley further asserts that the costs in the Morgan Stanley confirmation are materially less than the cost forecast for the same time period in Bear Valley's Test Year 2023 General Rate Case.

**Notice**

Notice of AL 519-E was made by publication in the Commission’s Daily Calendar. Bear Valley states that a copy of the AL was mailed and distributed in accordance with Section 4 of General Order 96-B.

**Protests**

AL 519-E was not protested.

**Discussion**

The Commission has reviewed AL 519-E, the confidential Appendices, and the authorizing decision (D.25-04-024), and finds the executed Morgan Stanley Confirmation for the Energy Product is consistent with the terms and conditions (excluding price) of the Morgan Stanley Confirmation, preapproved in D.25-04-026. Thus, Bear Valley is authorized to recover the costs of the Morgan Stanley Confirmation up to the applicable approved benchmark price.

The Commission finds the price of the winning Confirmation for the Energy Product exceeds the applicable approved confidential benchmark price, and that for Bear Valley to recover the costs above the applicable benchmark price, the Commission must conduct an after-the-fact reasonableness review of the costs which exceed the benchmark price. (See D.17-04-003, Ordering Paragraph (OP) 3, cited in D.25-04-026,   
p. 7.)

The standard of review for after-the-fact reasonableness is that of a prudent manager, which asks if the actions of the management taken up to and including the final bid process were reasonable given what the utility knew or should have know at the time of the managerial decision; not the reasonableness of the decision in light of future developments.[[7]](#footnote-7)

The Commission finds that Bear Valley conducted a robust, rigorous, and wide-ranging RFP, prudently evaluated the bids and selected the best fit, least cost option for its customers. The Commission is further assured by the closeness of the bids to the benchmark price, and the closeness of the bids to each other, that the contract price is a good approximation of the market price on the date the bids were submitted for the energy amounts and periods sought. Therefore, the Commission finds that the Energy Product Confirmation costs, above the applicable benchmark prices, are just and reasonable and Bear Valley is authorized to recover these costs.

**Comments**

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review.  Any comments are due within 20 days of the date of its mailing and publication on the Commission’s website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

**Findings AND CONCLUSIONS**

1. On December 15, 2023, Bear Valley filed application A.23-12-010, seeking pre-approval of the PPAs (and associated Confirms) with the three shortlisted bidders and the benchmark price methodology.
2. In D.25-04-026, the Commission pre-approved the PPAs, the associated Confirmations, the proposed benchmark price methodology, and authorized Bear Valley to proceed the final bid process with the shortlisted bidders.
3. D.25-04-026 ordered Bear Valley to submit the executed winning Confirmation (including price) for the Energy Product or Revised Energy Product using the AL process. If the Confirmation is at or below the approved benchmark price, Bear Valley was directed to submit the Confirmation via a Tier 1 AL. If the Confirmation is above the benchmark price, Bear Valley was directed to submit the executed Confirmation via a Tier 3 AL.
4. On June 13, 2025, Bear Valley submitted AL 519-E as a Tier 3 AL seeking authorization to recover all costs of the Morgan Stanley Confirmation for the Energy Product from customers through rates.
5. In AL 519-E, Bear Valley requests authority to recover 1) the costs equal to the benchmark price of the Energy Product Confirmation; and 2) the above benchmark price costs of the Energy Product Confirmation.
6. The executed price for the Morgan Stanley Confirmation for the Energy Product is slightly above the benchmark price approved in D.25-04-026.
7. The executed Morgan Stanley Confirmation for the Energy Product is consistent with the terms and conditions (excluding price) of the Morgan Stanley Confirmation, preapproved in D.25-04-026. Therefore, Bear Valley is authorized to recover the costs of the Morgan Stanley Confirmation up to the applicable approved benchmark price.
8. Bear Valley conducted a robust, rigorous, and wide-ranging RFP, prudently evaluated the bids and selected the best fit, least cost option for its customers.
9. The similarity of the three final bids to the benchmark price, and to each other, indicates that the contract price closely reflects the market price on the bid submission date for the specified energy amounts and periods.
10. The Morgan Stanley Confirmation for the Energy Product costs, above the benchmark price, are just and reasonable.

**Therefore it is ordered that:**

1. The request of the Bear Valley to recover the cost of the Energy Product Confirmation up to the applicable benchmark price is approved.
2. The request of Bear Valley to recover the cost of the Energy Product Confirmation above the benchmark price costs is approved.
3. Bear Valley Advice Letter 519-E, submitted on June 13, 2025, is approved.

This Resolution is effective today.

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 9, 2025; the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added

upon adoption of the resolution

Dated , at <Voting meeting location>, California

1. D.09-05-025 (RPS decision), D.22-02-004 (IRP). [↑](#footnote-ref-1)
2. D.25-04-026, p.8 . [↑](#footnote-ref-2)
3. D.25-04-026, p. 10. [↑](#footnote-ref-3)
4. Decision Granting Preapproval of Power Purchase Agreements, D.25-04-026, esp. pp. 8-10. [↑](#footnote-ref-4)
5. D.25-04-026, O.P. 3. [↑](#footnote-ref-5)
6. AL 519-E, p. 7. [↑](#footnote-ref-6)
7. D.14-12-003, p. 13. [↑](#footnote-ref-7)