Decision 25-12-024 December 18, 2025

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

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| In the Matter of the Application of Bear Valley Electric Service, Inc. (U913E) for a Certificate of Public Convenience and Necessity to Acquire, Own, and Operate the Bear Valley Solar Energy and Battery Storage Projects and Authorize Ratemaking Associated with the Projects Capital Investment and Operating Expenses. | Application 24-05-020 |

# DECISION APPROVING SETTLEMENT AGREEMENT FOR BEAR VALLEY ELECTRICAL SERVICE'S APPLICATION TO DEVELOP A SOLAR FACILITY AND BATTERY ENERGY STORAGE SYSTEM

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**Appendix A -** Settlement Agreement

# DECISION APPROVING SETTLEMENT AGREEMENT FOR BEAR VALLEY ELECTRICAL SERVICE'S APPLICATION TO DEVELOP A SOLAR FACILITY AND BATTERY ENERGY STORAGE SYSTEM

## Summary

This decision authorizes Bear Valley Electrical Services, Inc. (BVES) to own and operate a 5 megawatt (MW) alternating current / 6.1 MW direct current photovoltaic solar generation facility and a 5 MW/20 megawatt-hour battery storage system. The solar generation facility will be constructed on approximately 21 acres located at 2151 Erwin Ranch Road, Big Bear, California. The solar project will be interconnected to BVES existing system with construction of 1.8 miles of new 34.5 kilovolt electrical lines. The battery storage system will be located within the boundaries of BVES's existing Meadow Substation at 42020 Garstin Drive, Big Bear Lake, California.

This decision also authorizes BVES to enter into two agreements with EDF Renewable Energy to develop the solar generation facility and the battery storage system. This decision closes the proceeding.

BVES reached a settlement agreement with the Public Advocates Office at the California Public Utilities Commission, which includes a compromise in the net market value of the projects, concluding that the projects are both beneficial to ratepayers, but only if both the solar generation facility and the battery storage system are constructed. The Settlement Agreement also identifies mechanisms to track various project related costs, ensure tax credits are credited to ratepayers, collect project costs through rates, and consider extensions to the maximum reasonable project costs.

# 1. Background

## 1.1. Factual Background

On May 17, 2024, Bear Valley Electric Service, Inc. (BVES) filed Application (A.) 24-05-020 requesting the California Public Utilities Commission (Commission) approval to enter into two engineering, planning, and construction agreements with EDF Renewable Solutions for the development of:

1. A solar generating facility (Solar Project); and
2. A battery energy storage facility (Battery Storage Project).

BVES would own and operate the two projects upon construction. BVES also requested to include both the Solar Project and the Battery Storage Project in its revenue requirement upon completion of construction.

For the Solar Project, BVES proposed a 5-megawatt (MW) alternating current/6.10 MW direct current solar photovoltaic system using bi-facial solar modules, a single axis tracking system, and Chint Power Systems inverters (or equivalent technologies). BVES proposed to construct the Solar Project on 21 acres at 2151 Erwen Ranch Rd., Big Bear City, California in San Bernardino County. BVES proposed to interconnect the Solar Project to the nearest existing 34.5 kV circuit, approximately 1.8 miles from the Solar Project's site. Per the application, the proposed project is forecasted to produce 14,044 megawatt-hours (MWh) per year, and supply approximately 10 percent of BVES annual retail sales.

For the Battery Storage Project, BVES proposed a 5 MW /20 MWh battery energy storage system designed to support a range of alternating current power and energy. The Battery Storage Project is proposed to be located inside the fence

line of BVES's pre-existing Meadow Substation at 42020 Garstin Drive, Big Bear Lake, California. The Battery Storage Project will interconnect directly to the Meadow Substation, the central hub for all of BVES's distribution connections.

### 1.2. Procedural Background

On May 17, 2024, BVES filed A. 24-05-020 requesting Commission approval to enter into two engineering, planning, and construction agreements with EDF Renewable Solutions for the development of:

1. A solar generating facility (Solar Project); and
2. battery energy storage facility (Battery Storage Project).

On June 28, 2024, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a timely protest to the application. BVES filed a reply on July 8, 2024.

A prehearing conference was held on November 14, 2024, to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. The Assigned Commissioner's Scoping Ruling was issued on February 24, 2025.

The Applicant served its supplemental testimony on March 26, 2025.

On April 4, 2025, the parties jointly filed a motion requesting a change in the schedule, including additional time for Cal Advocates to prepare its response to the Applicant's supplemental testimony. The motion was partially granted on April 18, 2025, with a revised ruling, clarifying the changes to the schedule, issued on April 23, 2025. Cal Advocates served its response to the supplemental testimony on May 9, 2025.

The parties jointly prepared and filed a Joint Case Management Statement on June 27, 2025. The Joint Case Management Statement included several stipulations to facts and a joint determination that evidentiary hearings were no longer needed.

On July 18, 2025, the parties filed a Settlement Agreement, a joint motion to admit evidence into the record, a joint motion to seal portions of the Settlement Agreement as confidential, and a joint motion to seal portions of the evidentiary record as confidential.

On October 31, 2025, the parties filed and served a joint response, modifying the various requests for confidentiality by withdrawing the request for a few data points and one document. With the joint response, the parties included a revised public version of the Settlement Agreement that is unchanged from the version filed July 18, 2025, except for the removal of the relevant redactions.

On November 14, 2025, the Administrative Law Judge issued a ruling marking and admitting exhibits, as revised by the parties' October 31, 2025, response, as evidence.

### 1.3. Submission Date

This matter was submitted on July 18, 2025, upon the filing of the Settlement Agreement.

## 2. Issues Before the Commission

The issues that the Commission will resolve in this decision are the following:

1. Should the Commission authorize BVES to develop and operate the Solar Project?

a. Does the Solar Project comply with all the requirements of Public Utilities Code (Pub. Util. Code) Section 399.14?

b. Is the net benefit of the Solar Project to ratepayers reasonable in light of its costs and rate impacts?

i. Is the Solar Project the most cost-efficient method for BVES to fulfill its unmet Renewable Portfolio Standard (RPS) requirements?

c. Should the Commission authorize BVES to enter into the proposed engineering, procurement and construction (EPC) agreement for the Solar Project?

i. Was the Request for Proposals for the Solar Project properly conducted?

ii. Was the selected bid reasonable compared to similar projects?

iii. Is the proposed Solar Project's EPC agreement reasonable and in the public interest?

d. What is the reasonable and prudent maximum cost for the construction of the Solar Project and the cost of initial operation of the Solar Project?

e. Will further analysis and approvals by the Commission be required prior to construction of the Solar Project?

2. Should the Commission authorize BVES to develop and operate the Battery Storage Project consistent with Pub. Util. Code Section 451?

a. Is there need for the Battery Storage Project?

b. Is the technology proposed appropriate?

c. Does the Battery Storage Project provide best value to BVES' customers in terms of greenhouse gas emissions, peak demand reduction, reliability, investment deferral, and reduced power outage risk?

d. Should the Commission authorize BVES to enter into the proposed EPC agreement for the Battery Storage Project?
   i. Was the Request for Proposals for the Battery Storage Project properly conducted?
   ii. Was the selected bid reasonable compared to similar projects?
   iii. Is the proposed Battery Storage Project's EPC agreement reasonable and in the public interest?
e. Is the net benefit to ratepayers reasonable in light of its costs and rate impacts?
f. Should the Battery Storage Project and its estimated rate impact be authorized outside of BVES's upcoming general rate case?

BVES and Cal Advocates, both parties to this proceeding, jointly proposed the Settlement Agreement. No parties opposed the Settlement Agreement. The joint parties propose approval of the project as proposed by the Applicant with several additional conditions, mainly establishing mechanisms to oversee costs.

Rule 12.1(d) of the Commission's Rules of Practice and Procedure (Rules)[1] provides that the Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

Where settlements are contested, they will be subject to more scrutiny than an uncontested settlement. While the Commission's policy is to favor the settlement of disputes, we will not approve unreasonable settlements. We will

[1] Unless otherwise indicated, all subsequent Rule references are to the Rules of Practice and Procedure

consider whether the Settlement Agreement fails to address any contested issue in the proceeding, significantly deviates from Commission policies and practices, or fails to fully and fairly consider the interests of all affected entities and customers. We will also consider whether the proponents of the Settlement Agreement have adequately explained and justified each element of the settlement.

### 3. Whether to Approve the Settlement Agreement

Two key documents provide the necessary background and proposed outcomes with respect to the Settlement Agreement. First, the Joint Motion for Adoption of the Settlement Agreement summarizes the relevant background and settlement process; stipulates information about the projects; states the Parties' positions and settlement terms; states why Parties believe the Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest; and addresses limited other items. Second, the Settlement Agreement (included as Appendix A to this decision) identifies the settlement conditions, states the settlement terms for each settled item, and includes proposed tariff language.

A brief description of parties' positions and settled terms follows, including a summary of how the Settlement Agreement addresses the scoped issues of the proceeding.[2]

[2] *See* Settlement Motion at 8.

We will then evaluate the Settlement Agreement provisions to determine if they are consistent with the law, serve the public interest, and are reasonable in light of the whole record.[3]

### 3.1. Solar Project

Central to the application is BVES's request for the Commission to authorize the development of the proposed Solar Project.

The Settlement Agreement proposes that the Commission should authorize BVES to develop the Solar Project, as further justified below.

#### 3.1.1. Compliance with Public Utilities Code 399.14

In its application, BVES requested approval under Section 399.14 of the Pub. Util. Code.[4] Section 399.14(b) requires that a project (1) use a viable technology at a reasonable cost and (2) the eligible renewable energy resource provides comparable or superior value to ratepayers when compared to recent contracts for generation provided by eligible renewable energy resources.

The Parties stipulated in the Settlement Agreement that the Solar Project meets both these requirements, as identified in BVES' application.[5]

In the application, BVES asserts that the proposed Solar Project meets both these requirements. The parties have stipulated that the Solar Project uses photovoltaic generation, a common solar generation technology.[6] BVES

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[3] Rule 12.1(d).

[4] All subsequent Section references are to the Public Utilities Code unless otherwise specified

[5] Settlement Agreement at 7.

[6] Joint Case Management Statement at 2; Settlement Agreement at 7

anticipates that the Solar Project design will generate 14,044 MWh of electricity per year.[7]

BVES asserts that the Solar Project costs are reasonable.[8] BVES demonstrated in its application that the Solar Project is less in cost than recent generation procurement contracts executed by BVES.[9]

The Settlement Agreement notes that in addition to providing generation benefits for the compliance with RPS, BVES must still procure Portfolio Content Category 1 (PCC1) Renewable Energy Credits (RECs) for greenhouse gas compliance targets under the Commissions Integrated Resource Plan and that the Solar Project provides PCC1 RECs at a lower cost than recent contracts and fulfills both RPS and greenhouse gas compliance needs.[10] This conclusion is supported by additional costing information of recent procurement contracts disclosed during discovery.[11]

Fulfilling Commission greenhouse gas reduction targets, including compliance with RPS and Integrated Resource Planning at a lower overall cost compared to procurement through the generation market will likely reduce ratepayer costs over time compared to other methods of compliance and, therefore, is both reasonable and in the public interest.

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[7] Application at 9.

[8] Application at 8.

[9] Application at 13; Exhibit BVES-1 at 1-23; Exhibit BVES-4 at 1-2.

[10] Settlement Agreement at 8.

[11] Exhibit CA-01 at 2-6.

The settlement provision stipulating that the Solar Project is proposed with a viable technology at a reasonable cost and that it provides comparable or superior value to ratepayers compared to recent generation costs is reasonable, consistent with the requirements of Pub. Util. Code Section 399.14(b), and in the public interest.

It is reasonable to authorize BVES to develop the Solar Project as an alternative to procuring renewable energy through the California Independent System Operator (CAISO) market in accordance with the Settlement Agreement.

#### 3.1.2. Cost Efficiency and Rate Payer Benefit

In considering the proposed Solar Project, the Commission evaluates whether the net benefit of the Solar Project to ratepayers is reasonable in light of the Solar Project's costs and rate impacts. As part of the consideration, the Solar Project must be determined to be the most cost-efficient method for BVES to fulfill its unmet RPS requirements.[12]

The Settlement Agreement proposes a compromise on the estimated reliability benefits of the Solar Project but ultimately concludes that the Solar Project is cost efficient and recommends that the Solar Project be approved.[13]

The Applicant asserts that the Solar Project will allow BVES to forgo 14,044 MWh of annual energy purchases, resulting in substantial savings in power purchases. Additionally, the Solar Project will fulfill some REC requirements, avoiding the cost of purchasing of those credits.[14]

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[12] Pub. Util. Code Section 399.14(b)(2).

[13] Settlement Agreement at 10.

[14] Application at 8 and 13.

Reducing the amount of electricity purchased from the CAISO managed grid will also lower BVES' transmission access charge costs. The Solar Project will also accrue the value of greenhouse gas reductions.

As discussed in the Settlement Agreement, the parties did not agree on a specific value of reliability benefits, nor did the parties explain the reliability benefit of the Solar Project in isolation, but only when combined with the Battery Storage Project. In the Settlement Agreement, the Parties present a compromise value for the reliability benefits. The Settlement Agreement does not provide a formal calculation or measurement of the reliability benefits and instead presents a compromise between the Parties' two positions without an associated formal calculation or methodology.[15]

The Settlement Agreement provides that if the net present value (NPV) of the Solar Project and Battery Storage Project's benefits are considered individually, then half of the reliability benefit value should be ascribed to each project.[16]

BVES asserts a higher valuation should be assigned to the reliability benefits to the Battery Storage Project because of its ability to provide support during Public Safety Power Shutoff (PSPS) or other outage events.[17] Cal Advocates argues that the reliability value should be sharply discounted because

[15] Settlement Agreement at 10.

[16] Settlement Agreement at 12; Settlement Motion at 8.

[17] Exhibit BVES-5 at Attachment B.

of the potential for the dispatchable Battery Storage Project to be partially or fully discharged and/or unable to recharge during prolonged outage events.[18]

The deferred costs of transmission improvements asserted as a quantitative benefit by BVES are excluded from the net project benefit calculation in the Settlement Agreement to reach consensus with Cal Advocates.[19]

The benefits calculated in the Settlement Agreement do not include investment tax credits that could result in a reduction in costs. The parties agree that the tax credits should be passed through to ratepayers via a memorandum account.[20]

In total, the Solar Project's combined calculated benefits and costs yield the net market value (NMV). The NMV as provided in the Settlement Agreement are reasonably enumerated. The NMV of the Solar Project is positive, with the benefits significantly outweighing the costs of the project.[21]

Qualitatively, deferring or potentially avoiding costly transmission improvements is an additional benefit to ratepayers. Even with the exclusion of avoided transmission improvements and the negotiated reliability value of the Settlement Agreement, the NMV of the Solar Project illustrates a net benefit to ratepayers.

We find the Settlement Agreement's NMV calculation and identification of qualitative benefits reasonable. We find the Settlement Agreement's compromise

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[18] Exhibit CA-01 at 1-12 through 1-17.

[19] Application at 14; Settlement Agreement at 11.

[20] Settlement Agreement at 4; Settlement Motion at 13.

[21] Settlement Agreement at 10 and 11; Settlement Motion at 7 through 8; Exhibit BVES-5 at 1-9.

on valuation of reliability benefits of the Solar Project combined with the Battery Storage Project reasonable. We find that award of potential tax credits to ratepayers is reasonable and in the public interest. We find that the positive ratepayer benefit is consistent with the requirements of Pub. Util. Code Section 399.14(b)(2). We find that the net value of the Solar Project to ratepayers is in the public interest.

The Solar Project is cost efficient by achieving multiple compliance requirements and serving reliability needs.

#### 3.1.3. Engineering, Procurement, and Construction Agreement

In considering the proposed Solar Project's EPC agreement for the Solar Project, the Commission must determine whether the request for proposals (RFP) was properly conducted, whether the applicant's selected bid is reasonable compared to similar projects, and whether the proposed Solar Project's EPC agreement is reasonable and in the public interest.

The Settlement Agreement provides that the RFP was properly conducted, the selected bid was reasonable compared to similar projects, and that execution of the Solar Project's EPC agreement is reasonable and in the public interest.[22]

The Applicant asserts that the RFP was properly conducted and that the selected bid and the Solar Project's EPC agreement were the reasonable choice.

[22] Settlement agreement at 11; Settlement Motion at 15.

The Applicant distributed the RFP to 45 companies to solicit bids for the Solar Project.[23] Of the 45 solicitations, only one response was received.[24]

The Applicant reviewed the received bid and determined that the terms were reasonable and aligned with industry norms and aligned with least-cost best-fit methodology for solar generation systems.[25] The Applicant notes that the Solar Project's EPC agreement includes multiple performance requirements for the Solar Project and construction milestone-based payment mechanisms to ensure adequate performance of the contractor and system.[26]

The Settlement Agreement did not assert whether the selected bid is reasonable when compared to similar projects. However, the Settlement Agreement does find that the Solar Project's cost is reasonable.[27] BVES asserts that identifying comparable projects to assess the reasonable costs is difficult with available data due to the remote and mountainous nature of BVES's service territory. Instead, BVES points to the further determination that the Solar Project produces a net positive benefit. This determination is reinforced by the Settlement Agreement, albeit at a lowered value than that propounded by BVES. Further, the selected bid fulfills the requirements of the least-cost best-fit methodology.[28]

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[23] Exhibit BVES-4 at 1-6.

[24] Exhibit BVES-4 at 1-6.

[25] Exhibit BVES-4 at 1-6.

[26] Application at 24.

[27] Settlement Agreement at 7; Settlement Motion at 15.

[28] Exhibit BVES-4 at 1-7.

Cal Advocates did not object to the lack of comparative project cost data nor BVES's explanation for a lack of such data but did explore the reasonableness of the proposed cost of the selected bid through the lens of net value, as discussed above and provided in the Settlement Agreement.[29]

The distribution of the RFP was broad and appears designed to reach a reasonable number of potential developers. While only one bid was received, the selected bid and Solar Project's EPC agreement, as noted by the parties, include conditions of payments for both meeting construction milestones and potential price adjustments if performance of the completed system does not meet goals to ensure ratepayer protection.[30]

BVES did not provide evidence of how they determined that no comparable solar projects could be identified. In the absence of data from other comparable projects or multiple comparable bids for the Solar Project, we find the arguments made by BVES and in the Settlement Agreement that the received bid brings net value to be persuasive in determining the reasonableness of the bid. We find that the selected bid is reasonable when considered in terms of the Battery Storage Project's net value, as discussed in greater detail in section 4.2.1, above. We find it reasonable to approve the selected bid despite the parties not providing information on the costs of comparable projects.

We find, consistent with the Settlement Agreement, that the RFP for the Solar Project was properly conducted. We find that the Settlement Agreement's

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[29] Exhibit CA-01 at 2-3 through 2-6; Settlement Agreement at 8 through 11.

[30] Exhibit BVES-4 at 2-20; Application at 24; Exhibit BVES-2C.

stipulation that the selected bid is reasonable. We agree with the conclusion of the Settlement Agreement and find that Solar Project's EPC agreement is reasonable and in the public interest.

It is reasonable to authorize BVES to enter into the Solar Project's EPC agreement, in accordance with the Settlement Agreement.

#### 3.1.4. Reasonable Maximum Cost and Operating Cost

Pub. Util. Code 399.14(c) requires the Commission to establish a maximum reasonable cost (MRC) for the construction and initial operating costs of projects approved under Pub. Util. Code Section 399.14, such as the Solar Project.

The Settlement Agreement identifies an appropriate MRC of constructing the Solar Project.[31] The Settlement Agreement also identified the anticipated initial operating cost of the Solar Project.[32] After review of the confidential information in the Settlement Agreement and confidential testimony, we find that the MRC and the anticipated annual operating costs identified in the Settlement Agreement are reasonable, in the public interest, and consistent with the requirements of Pub. Util. Code Section 399.14(c).

The Settlement Agreement proposes that, within 30 days of completion of the Solar Project, BVES may incorporate the MRC of the project and allowance for funds used during construction (AFUDC) net the expected investment tax credit (ITC) into its rate base as a utility-owned generation asset upon filing of a Tier 1 advice letter, including a return on investment based upon BVES's rate of

[31] Settlement Agreement at 14.

[32] Settlement Agreement at 15, Exhibit BVES-4 Attachment A.

return.[33] The Settlement Agreement provides that the proposed rates are collected consistent with BVES's most recent rate structure until the rates can be considered at the next general rate case.[34] The Settlement Agreement provides that operations and maintenance costs be capped for the current rate cycle (2023-2026) based upon the costs identified in the Settlement Agreement.[35] The Settlement Agreement provides that operations and maintenance costs in future rate cycles should be handled in the relevant rate case.[36]

The Settlement Agreement provides that BVES should be allowed to seek recovery of costs above the authorized MRC through one of two different mechanisms:

1. If the costs for the Solar Project are less than 10% over the MRC, BVES may seek approval via a Tier 2 advice letter, or
2. If the costs for the Solar Project are greater than 10% over the MRC, BVES may seek approval via an application.[37]

In either overage situation, the Settlement Agreement provides that BVES shall include an analysis of the increased costs' impact on the net market value (NMV) of the Solar Project and Battery Storage Project. The Settlement Agreement notes that if BVES elects to not pursue one of the Projects, then for the purposes of the cost increase analysis, the reliability benefit should be calculated

[33] Settlement Agreement at 12 through 13.

[34] Settlement Agreement at 11 through 12.

[35] Settlement Motion at 11; Settlement Agreement at 11 through 12.

[36] Settlement Motion at 11; Settlement Agreement at 12.

[37] Settlement Agreement at 12 through 13.

as 50% of the total reliability benefit as identified in the Settlement Agreement.[38] The Settlement Agreement provides that BVES shall notify Cal Advocates at least 45 days prior to filing the Tier 2 advice letter. The mechanism stipulates that the Commission should use the NMV as provided in the Settlement Agreement when assessing the increased costs for reasonableness. The Settlement Agreement also provides that if BVES's costs in excess of the MRC are found to be reasonable by the Commission, BVES should be authorized to collect AFUDC on the additional costs accrued during construction and the rate of return for the period after construction until the costs are included in rates.

The Settlement Agreement proposes to track the differences between the Solar Project's forecast and realized ITC in a memorandum account, the Solar and Battery Tax Memorandum Account (SBTMA).[39] The proposed SBTMA would track the ITC either in a given tax year or in aggregate in addition, but not limited to,

> the ITC rate (expected to be 30%), the amount of costs eligible for ITC, timing of when the ITC reduces tax liability, subsequent recapture events, subsequent ITC ineligibility if any, subsequent changes in tax laws, IRS audits and tax-related interest and penalties.[40]

The Settlement Agreement provides that to seek recovery of funds from the proposed SBTMA, BVES should file a Tier 3 advice letter to seek Commission

[38] Settlement Agreement at 12.

[39] Settlement Agreement at 11.

[40] Settlement Agreement at 13.

authorization.[41] The Settlement Agreement provides that Cal Advocates be notified by BVES at least 45 days prior to filing the Tier 3 advice letter seeking recovery of funds from the SBTMA.[42]

The Settlement Agreement provides that BVES should record its incremental legal and other outside services costs for the Solar Project to the Renewable Portfolio Standard Memorandum Account, which can only be recovered after Commission approval in a future proceeding, when all costs are measurable and known.[43]

We find that the recovery of costs expended is reasonable *up to* the identified MRC. We find that immediately expecting to recover the maximum rather than the actual cost is not reasonable nor in the public interest, as the Settlement Agreement seems to imply. As the Settlement Agreement points out, project costs may exceed the maximum for which Commission approval can be sought through various processes, however the Settlement Agreement does not provide for the potential for project costs below the MRC. The rate recovered should reflect the *actual* costs incurred, with minimal approval from the Commission needed for costs lower than the MRC as identified in this decision, including if reduced costs are realized as part of curing a lack of performance, as stipulated in the Solar Project's EPC agreement.

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[41] Settlement Agreement at 13.

[42] Settlement Motion at 11; Settlement Agreement at 15.

[43] Settlement Agreement at 13.

The use of Tier 1 advice letters to implement recovery of the reasonable cost of the project upon its activation (i.e., where it becomes used and useful) up to the MRC propounded by the Settlement Agreement are reasonable.

We find the Settlement Agreement's two-level mechanism for considering costs above the MRC to be a reasonable approach. Additional levels of review and approval from the Commission, such as an advice letter for exceedances less than 10%, as suggested by the Settlement Agreement, if project costs exceed the reasonable and prudent maximum cost are reasonable.[44]

We find the use of an advice letter for soliciting Commission review of costs less than 10% over the MRC is a wise use of Commission resources, allowing for a timely review and, if approved, recovery through rates is in the public interest.

We do not, however, find the use of a Tier 2 advice letter, to be consistent with law, and instead modify the Settlement Agreement provision to require a Tier 3 advice letter. The Settlement Agreement does not provide specific, discreet criteria for staff to independently assess whether the excess costs are reasonable and prudent without applying discretionary judgement, as is required for use of a Tier 2 advice letter. Application of such discretion requires Commission approval. A Tier 3 advice letter, resulting in a resolution voted on by the Commission, is a reasonable mechanism consistent with law to solicit Commission approval of discretionary judgements, such as assessing whether the additional costs are reasonable and prudent.

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[44] Settlement Agreement at 12.

We find seeking Commission review of additional costs greater than 10% above the MRC to be reasonable. We find the scrutiny of full review before this Commission for additional costs greater than 10% above the MRC to be in the public interest. We find that the provision requiring a new application in the case that BVES anticipates costs in excess of 10% above the MRC to be consistent with law.

It is reasonable to authorize BVES to:

- recover project costs up to the MRC, as identified in the Settlement Agreement, through rates;
- create the SBTMA to track and manage crediting realized tax credits to ratepayers;
- seek recovery of costs tracked in the SBTMA via a Tier 3 advice letter;
- seek inclusion of reasonable and prudent project costs in rates above the MRC if the NMV, using the benefits as calculated in the Settlement Agreement, is still positive;
- seek approval to seek reasonable and prudent project costs that are less than 10% over the MRC via a Tier 3 advice letter;
- seek approval from the Commission for reasonable and prudent project costs that are greater than 10% over the MRC through an application; and
- track legal and outside services costs for this application in the Renewable Portfolio Standard Memorandum Account, which can only be recovered after Commission approval in a future proceeding when all costs are measurable and known.

#### 3.1.5. Further Approvals Needed From The Commission

The Commission must evaluate if further analysis and/or approvals may be necessary prior to the construction of the Solar Project.

The Settlement Agreement takes the position that no further approvals from the Commission will be required prior to beginning construction.[45] The only potential future approvals anticipated, as discussed in Settlement Agreement, are if BVES exceeds the MRC, discussed in section 3.1.4, above.[46]

We find that with issuance of this decision, the Commission does not anticipate issuing additional approvals prior to the beginning of construction unless there is a substantive change in the design of the Solar Project such that the proposed specifications and/or performance estimates are reduced that may warrant reconsideration of this decision; or that the project is anticipated to exceed the MRC prior to beginning construction.

### 3.2. Battery Storage Project

Section 451 requires that the Commission only authorize charges that are just and reasonable. Because the development of the Battery Storage Project will result in charges to ratepayers, to authorize the proposed development agreement, the Commission must consider whether development and operation of the Battery Storage Project by BVES is just and reasonable.

The Settlement Agreement proposes that the proposed Battery Storage Project is just and reasonable, meeting the requirements of Pub. Util. Code

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[45] Settlement Motion at 15.

[46] Settlement Agreement at 12.

Section 451 and that the Commission should approve the Battery Storage Project, as further elaborated and discussed below.[47]

#### 3.2.1. Need for Battery Storage Project

In determining if the Battery Storage Project is reasonable, the Commission should consider whether the Battery Storage Project is responsive to the needs of BVES's system and ratepayers.

The Settlement Agreement stipulates that the Battery Storage Project is needed to support peak demand when installed in concert with the Solar Project and will mitigate impacts of planned and unplanned outages, such as from wildfire or PSPS events.[48] Therefore, the Settlement Agreement asserts that development of the Battery Storage Project is reasonable.

BVES asserts that the Battery Storage Project will likely defer the need for transmission improvements to allow further electrical imports into the BVES system.[49] BVES forecasts that peak loads, which occur in winter during snow sport season, will exceed transmission import capacity in the near future.[50] The Battery Storage Project will be dispatchable to provide additional support when peak usage exceeds the transmission import capacity of the BVES grid. The chief alternative to increase peak capacity would be transmission improvements.

BVES asserts, and is supported by Cal Advocates in the Settlement Agreement, that the Battery Storage Project will also be dispatched to reduce

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[47] Settlement Agreement at 10.

[48] Settlement Agreement at 9.

[49] Application at 18; Exhibit BVES-4 at 1-27.

[50] Application at 18.

procurement costs during peak pricing and to improve reliability, such as during PSPS events that can impact BVES primary electrical supply from Southern California Edison.[51] The parties stipulate that the Battery Storage Project will provide 7,300 MWh per year, reducing peak load energy purchases by 7,300 MWh per year.[52]

The Settlement Agreement stipulates that the Battery Storage Project will improve compliance with resource adequacy, reducing BVES' obligation by 5,000 kilowatt-hours during peak hours.[53]

BVES asserts the Battery Storage Project will improve RPS compliance and reduce greenhouse gas (GHG) emissions.[54] While the Battery Storage Project may at times store energy from renewable resources, we agree that this specific argument is challenging to quantify and does not exclusively justify the Battery Storage Project. This is because the Battery Storage Project will not be exclusively tied to renewable resources and may charge using the most convenient electricity available to the Applicant.[55]

On balance, we find that the Battery Storage Project is needed. Even if not clearly improving RPS compliance, the Battery Storage Project is reasonable and prudent because the Battery Storage Project will likely improve capacity to meet peak demands and improve reliability of the Applicant's system. While the

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[51] Application at 18; Settlement Agreement at 9.

[52] Settlement Agreement at 9.

[53] Settlement Agreement at 9.

[54] Application at 20; Exhibit BVES-4 at 1-26.

[55] Settlement Agreement at 9; Settlement Motion at 20 through 21.

potential to reduce GHG emissions is admirable, the uncertainty of quantifiable reductions limits our consideration as a potential benefit of the Battery Storage Project.

We find the Settlement Agreement's provision that the Battery Storage Project's meets system needs is reasonable. We find that the Settlement Agreement's identification of the Battery Storage Project's need is in the public interest because it will address reasonable system concerns, including reliability. We find that the system need for the Battery Storage Project is consistent with the provisions of Pub. Util. Code Section 451.

It is reasonable for BVES to seek the Battery Storage Project to address peak demand and reliability in its system.

#### 3.2.2. Appropriate Technology Selection

In assuring the reasonableness of the proposed Battery Storage Project, the Commission must consider whether the proposed battery technology is appropriate.

The Settlement Agreement provides that the Battery Storage Project will benefit customers by providing 5 MWh of dispatchable capacity during peak hours. The Settlement Agreement notes that the Battery Storage Project will be capable of discharging 7,300 MWh annually during peak hours.[56]

The Applicant proposes to use lithium-ion battery technology with internal active thermal control systems. The included heating and cooling systems limit impacts to performance of batteries in less-than-ideal climate

[56] Settlement Agreement at 9-10.

conditions.[57] Additionally, the EPC agreement for the Battery Storage Project includes warranties to the system's performance, in addition to performance testing prior to contract acceptance to ensure that the Battery Storage Project performs in accordance with design specifications and complies with prudent industry standards.[58]

Cal Advocates did not object to the proposed lithium-ion battery technology or question the performance of the Battery Storage Project as asserted by BVES.

Given the lack of objection to the technological choices for the Battery Storage Project design and specifications, which appear to include the ability to maintain ideal operating temperatures to reasonably ensure performance of the Battery Storage Project throughout the year, we find the proposed use of lithium-ion battery technology with climate control systems to be reasonable. Additionally, the Battery Storage Project's EPC agreement includes several financial mechanisms that provide further assurance of the Battery Storage Project's performance that we find to be reasonable and in the public interest. The design appears to be consistent with law and industry standards for the design of battery energy storage systems. Because the battery design specifications are reasonable and prudent, it is consistent with the requirements of Pub. Util. Code Section 451.

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[57] Exhibit BVES-3C.

[58] Exhibit BVES-3C at 25 and 37 through 40.

The lithium-ion battery technology of the Battery Storage Project is an appropriate technology.

#### 3.2.3. Net Ratepayer Value and Benefit

To determine if the proposed Battery Storage Project is just, the Commission considers whether the net benefit to ratepayers is reasonable in light of the Battery Storage Project's costs and rate impacts.

The Settlement Agreement provides a compromise on the net benefits of the Battery Storage Project but ultimately concludes that the Battery Storage Project is a net benefit to ratepayers and should be approved by the Commission.[59]

The Settlement Agreement provides that the Battery Storage Project is expected to store and discharge 7,300 MWh per year with a corresponding reduction in peak load electricity purchases.[60] The use of the Battery Storage Project to serve peak electrical loads will defer and possibly avoid costly transmission improvements to increase BVES overall capacity to meet peak loads. The parties stipulate that the BVES will also reduce approximately 5,000 kilowatt-hours of resource adequacy purchases from the CAISO system, resulting in reduced transmission access charges compared to the current BVES system.[61] The dispatchable use of the Battery Storage Project will also allow for grid support during planned and unplanned transmission outages, such as

[59] Settlement Agreement at 10 through 11.

[60] Settlement Agreement at 9.

[61] Settlement Agreement at 9 through 10.

during PSPS events called by Southern California Edison, who manages the connection from the CAISO-managed transmission grid into the BVES system.[62]

As discussed in the Settlement Agreement, the parties did not agree on a specific value of reliability benefits, nor did the parties explain the reliability benefit of the Battery Storage Project in isolation, but only when combined with the Solar Project. The Parties elected to present a compromise value for the reliability benefits. Neither party agreed to a formal calculation or measurement of the reliability benefits and instead presented a compromise between their two positions without an associated formal calculation or methodology.[63] BVES asserts a higher value should be assigned to the reliability associated with the Battery Storage Project's ability to provide support during a PSPS or other outage events.[64] Cal Advocates argues that the reliability value should be sharply discounted because of the potential for the dispatchable Battery Storage Project to be partially or fully discharged and/or unable to recharge during prolonged outage events.[65] The Settlement Agreement provides that if the NPV of the Solar Project and Battery Storage Project are considered individually half of the reliability benefit value should be ascribed to each project.[66]

In total, the Solar Project's combined calculated benefits, costs, and NMV as provided in the Settlement Agreement are reasonably enumerated. The NMV

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[62] Settlement Motion at 7; Settlement Agreement at 9.

[63] Settlement Agreement at 10.

[64] Exhibit BVES-4 at 1-27; Exhibit BVES-5 Attachment B.

[65] Exhibit CA-01 at 1-12 through 1-17.

[66] Settlement Agreement at 12; Settlement Motion at 8.

of the Solar Project is positive, with the benefits significantly outweighing the costs of the project.[67]

We find the compromise value in the Settlement Agreement reasonable, noting that the value provided in the Settlement Agreement accounts for the potential for the Battery Storage Project to provide support but also accounts for the potential for the Battery Storage Project to be not fully available during unplanned needs.

We agree with the Settlement Agreement that, while qualitatively valuable, potential GHG emission reductions resulting from the Battery Storage Project cannot be adequately quantified in a net benefit calculation because the mix of generation sources is unknown at this time.

We find that the Settlement Agreement's calculated costs, benefits, and NMV are reasonable. We find that the Settlement Agreement's conclusion, that the Battery Storage Project benefits outweigh the project costs is in the public interest. We find that the Settlement Agreement's NMV is calculated consistent with law.

It is reasonable to adopt the Settlement Agreement's NMV to determine that the Battery Storage Project has a net benefit to ratepayers.

#### 3.2.4. Engineering, Procurement, and Construction Agreement

In considering the proposed EPC agreement for the Battery Storage Project, the Commission must determine whether the request for proposals (RFP) was properly conducted, whether the applicant's selected bid is reasonable

[67] Settlement Agreement at 10 through 11; Settlement Motion at 7-8; Exhibit BVES-5 at 1-9.

compared to similar projects, and whether the proposed Battery Storage Project's EPC agreement is reasonable and in the public interest.

In the Settlement Agreement, the parties stipulate to the Applicant's assertions in the application that the RFP was properly conducted, the accepted bid is reasonable, and that execution of the Battery Storage Project EPC agreement is reasonable and in the public interest.[68]

The Applicant asserts that the Request for Proposals (RFP) was properly conducted and that the selected bid and the Battery Storage Project's EPC agreement was the reasonable choice. The Applicant distributed the RFP to over 50 companies to solicit bids for the Battery Storage Project.[69] Of the multiple solicitations, four responses were received.[70]

The Applicant reviewed the received bids and determined that the terms were reasonable and aligned with industry norms asserting the use of the Commission's least-cost best-fit methodology for battery storage systems.[71] Cost was identified as the primary determining factor for bid selection, with the selected bid being the lowest in overall cost.[72] The Applicant notes that the Battery Storage Project's EPC agreement includes multiple performance requirements for the Battery Storage Project and construction milestone-based

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[68] Settlement Motion at 15.

[69] Exhibit BVES-4 at 1-12.

[70] Exhibit BVES-4 at 1-12.

[71] Exhibit BVES-4 at 1-12, Exhibit BVES-1 at 2-13 through 2-15.

[72] Exhibit BVES-4 at 1-12; Exhibit BVES-1C Appendix O.

payment mechanisms to ensure adequate performance of the contractor and system.[73]

The distribution of the RFP was broad and appears designed to reach a reasonable number of potential developers. While only four bids were received, the selected bid and Battery Storage Project's EPC agreement, as noted by the parties, include conditions of payments for both meeting construction milestones and potential price adjustments if performance of the completed system does not meet goals to ensure ratepayer protection.

The selection from amongst multiple bids demonstrates that the bid selected was comparable, if not of better value, than similar battery storage systems in the vicinity, making the selection reasonable and in the public interest. Based upon the bids received and the included performance protections, the Battery Storage Project's EPC agreement costs appear to be aligned with similar sized battery energy storage system bids and are, therefore, reasonable and in the public interest. The Settlement Agreement's recommendation to approve the Battery Storage Project's EPC agreement is consistent with law.

It is reasonable to approve the Battery Storage Project's EPC agreement.

#### 3.2.5. Consideration of Rate Increase Outside of a General Rate Case

The Commission must determine whether the costs of the Battery Storage Project should be authorized to be added to rates outside of BVES's upcoming general rate case.

[73] Exhibit BVES-4 at 1-13.

The Settlement Agreement identifies an appropriate maximum reasonable cost (MRC) of constructing the Battery Storage Project.[74] The Settlement Agreement also identified the anticipated initial operating cost of the Battery Storage Project.[75] After review of the confidential information in the Settlement Agreement and confidential testimony, we find that the reasonable and prudent maximum cost and the anticipated initial annual operating costs identified in the Settlement Agreement are reasonable, in the public interest, and consistent with the requirements of Pub. Util. Code Section 451.

The Settlement Agreement proposes that, within 30 days of completion of the Battery Storage Project, BVES may incorporate the reasonable and prudent maximum cost of the project and AFUDC net the expected ITC into its rate base as a utility-owned asset upon filing of a Tier 1 advice letter, including a return on investment based upon BVES's rate of return.[76] The Settlement Agreement provides that the proposed rates are collected consistent with BVES's most recent rate structure until the rates can be considered at the next general rate case.[77] The Settlement Agreement provides that operations and maintenance costs be capped for the current rate cycle (2023-2026) based upon the costs identified in the Settlement Agreement.[78] The Settlement Agreement provides that operations

[74] Settlement Agreement at 14.

[75] Settlement Agreement at 15, Exhibit BVES-5 Attachment B.

[76] Settlement Agreement at 11 through 12.

[77] Settlement Agreement at 12.

[78] Settlement Motion at 12.

and maintenance costs in future rate cycles should be handled in the relevant rate case.[79]

The Settlement Agreement provides that BVES should be allowed to seek recovery of costs above the authorized MRC through one of two different mechanisms.

1. If the costs for the Battery Storage Project are less than 10% over the MRC, BVES may seek approval via a Tier 2 advice letter, or
2. If the costs for the Battery Storage Project are greater than 10% over the MRC, BVES may seek approval via an application.[80]

The Settlement Agreement provides that BVES shall notify Cal Advocates at least 45 days prior to filing the Tier 2 advice letter. In either overage situation, the Settlement Agreement provides that BVES shall include an analysis of the increased costs' impact on the NMV of the Solar Project and Battery Storage Project. The Settlement Agreement notes that if BVES elects to not pursue one of the projects then, for the purposes of the cost increase analysis, the reliability benefit should be calculated as 50% of the total reliability benefit as identified in the Settlement Agreement.[81] The Settlement Agreement stipulates that the Commission should use the NMV as provided in the Settlement Agreement when assessing the reasonableness of any increased costs. The Settlement Agreement also provides that if BVES's costs in excess of the MRC are found to

[79] Settlement Motion at 12.

[80] Settlement Agreement at 12.

[81] Settlement Agreement at 12.

be reasonable by the Commission, BVES should be authorized to collect AFUDC on the additional costs accrued during construction and the rate of return for the period after construction until the costs are included in rates.[82]

The Settlement Agreement proposes to track the differences between the Battery Storage Project's forecast and realized ITC in a memorandum account, the Solar and Battery Tax Memorandum Account (SBTMA). The proposed SBTMA would track the ITC either in a given tax year or in aggregate in addition, but not limited to,

> the ITC rate (expected to be 30%), the amount of costs eligible for ITC, timing of when the ITC reduces tax liability, subsequent recapture events, subsequent ITC ineligibility if any, subsequent changes in tax laws, IRS audits and tax-related interest and penalties.[83]

The Settlement Agreement provides that to seek recovery of funds from the proposed SBTMA, BVES should file a Tier 3 advice letter to seek Commission authorization.[84] The Settlement Agreement provides that Cal Advocates be notified by BVES at least 45 days prior to filing the Tier 3 advice letter seeking recovery of funds from the SBTMA.[85]

The Settlement Agreement provides that BVES should record its incremental legal and other outside services costs for the Battery Storage Project to the Base Rate Revenue Requirement Balancing Account, which can only be

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[82] Settlement Agreement at 12 through 13.

[83] Settlement Agreement at 13.

[84] Settlement Agreement at 13.

[85] Settlement Motion at 11; Settlement Agreement at 13.

recovered after Commission approval in a future proceeding when all costs are measurable and known.[86]

We find that the recovery of costs expended is reasonable *up to* the identified MRC. We find that immediately expecting to recover the maximum rather than the actual cost is not reasonable nor in the public interest, as suggested by the Settlement Agreement. As the Settlement Agreement points out, project costs may exceed the MRC for which Commission approval can be sought through various processes, however the Settlement Agreement does not provide for the potential for project costs below the MRC. The rate recovered should reflect the *actual* costs incurred, with minimal approval from the Commission needed for costs lower than the MRC as identified in this decision, including if reduced costs are realized as part of curing a lack of performance, as stipulated in the Battery Storage Project's EPC agreement. Here, we modify the Settlement Agreement's provision to allow collection of rates based upon actual projects costs up to the MRC identified in this decision net the expected investment tax credits in addition to AFUDC, as the public interest is served by the benefit of savings being passed on to ratepayers.

Additional levels of review and approval from the Commission, such as an advice letter for exceedances of less than 10% suggested by the Settlement Agreement, if project costs exceed the MRC are reasonable.[87]

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[86] Settlement Agreement at 13.

[87] Settlement Agreement at 12.

We find the use of an advice letter for soliciting Commission review of costs less than 10% over the MRC is a wise use of Commission resources, allowing for a timely review and, if appropriate, integration of costs into rates is in the public interest.

We do not, however, find the use of a Tier 2 advice letter to be consistent with law, and instead modify the Settlement Agreement provision to require a Tier 3 advice letter. The Settlement Agreement does not provide specific, discreet criteria for staff to independently assess whether the excess costs are reasonable and prudent without applying discretionary judgement, as is required for use of a Tier 2 advice letter. Application of such discretion requires Commission approval. A Tier 3 advice letter, resulting in a resolution voted on by the Commission, is a reasonable mechanism consistent with law to solicit Commission approval of discretionary judgements, such as assessing whether the additional costs are reasonable and prudent.

We find that the proposed use of memorandum accounts to track the various categories of project expenses and tax credits to be reasonable. Where provided by the Settlement Agreement, the memorandum account structure is in the public interest because it allows for additional scrutiny when costs are distributed to ensure that both BVES and ratepayers are fairly renumerated based upon the actual costs and credits accrued. The proposed payment structures and mechanisms are consistent with law and Commission practices.

It is reasonable to authorize BVES to:

- recover project costs up to the MRC through rates;

- create the SBTMA to track and manage crediting realized tax credits to ratepayers;
- seek recovery of costs tracked in the SBTMA via a Tier 3 advice letter;
- seek inclusion of reasonable and prudent project costs in rates above the MRC if the NMV, using the benefits as calculated in the Settlement Agreement, is still positive;
- seek approval of reasonable and prudent project costs that are less than 10% over the MRC via a Tier 3 advice letter;
- seek approval from the Commission for reasonable and prudent project costs that are greater than 10% over the MRC through an application; and
- track legal and outside services costs for the Battery Storage Project in the Base Rate Revenue Requirement Balancing Account, which can only be recovered after Commission approval in a future proceeding when all costs are measurable and known.

## 4. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

Three public comments were received. All three opposed the application. All commenters expressed concerns with potential impacts of the Solar Project on and around the location identified by BVES. One of the commenters also generally opposed the use of solar and battery technology.

## 5. Conclusion

Overall, the Settlement Agreement recommends approval of both the Solar and Battery Storage Projects. We find that the proposed Solar Project is consistent with Pub. Util. Code Section 399.14. We find that the Battery Storage Project is consistent with the requirements of Pub. Util. Code Section 451. We find that development of both projects is reasonable and in the public interest. We find that the EPC agreements for both projects are reasonable and in the public interest.

We find that the Settlement Agreement's proposed mechanisms for incorporation of the costs to rates reasonable, consistent with law, and in the public interest with only minor revisions to the proposed authorization for recovery through rates. Specifically, we find that it is in the public interest to ensure that the rate recovered should reflect the *actual* costs incurred, with realized savings below the MRC passed on to ratepayers. We find that we must revise some of the Commission review and approval mechanisms for cost exceedances less than 10% over the MRC provided by the Settlement Agreement to be consistent with the Commission's procedures and properly aligned with the appropriate levels of staff authority.

## 6. Procedural Matters

This decision affirms all rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

## 7. Comments on Proposed Decision

The proposed decision of ALJ Trevor Pratt 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 December 4, 2025, by BVES. No reply comments were filed. No substantive changes were made in response to comments.

## 8. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Trevor Pratt is the assigned Administrative Law Judge in this proceeding.

## Findings of Fact

1. Photovoltaic is a typical and appropriate viable technology for solar electrical generation.
2. The Solar Project uses appropriate technology, as required by Public Utilities Code Section 399.14(a).
3. The Solar Project will be an eligible renewable energy resource.
4. The forecasted cost of the Solar Project's energy generation is less than BVES's recent generation procurement for eligible renewable energy resources, and therefore, provides superior value to BVES's ratepayers.
5. The net present value and net market value of the Solar Project is correctly identified in the Settlement Agreement.
6. The net market value of the Solar Project is cost efficient and yields net benefit to ratepayers.
7. The Solar Project meets the requirements of Public Utilities Code Section 399.14 to be procured and operated as a utility-owned generator.

8. The Engineering, Procurement, and Construction agreement for the Solar Project was appropriately solicited, and the winning bid was appropriately selected.

9. The Engineering, Procurement, and Construction agreement for the Solar Project with EDF Renewable Solutions includes multiple performance requirements and remedies for failure to meet expected performance standards.

10. The Engineering, Procurement, and Construction agreement for the Solar Project with EDF Renewable Solutions is protective of BVES and ratepayers and is in the public interest.

11. The maximum reasonable cost and initial operating costs for the Solar Project identified in the Settlement Agreement are appropriate.

12. No further approvals are anticipated to be needed from the Commission prior to BVES initiating construction of the Solar Project.

13. The Battery Storage Project will support BVES in meeting peak energy demands and reducing immediate needs for transmission infrastructure improvements.

14. The Battery Storage Project will likely provide reliability and resiliency benefits to BVES.

15. There is a system need for the Battery Storage Project to serve BVES's customers.

16. Lithium-ion battery technology is reasonable for fulfilling the identified system need for the Battery Storage Project.

17. The net present value and net market value of the Battery Storage Project is correctly identified in the Settlement Agreement.

18. The net market value of the Battery Storage Project yields value and benefits for BVES's ratepayers.

19. The maximum reasonable cost and initial operating costs for the Battery Storage Project identified in the Settlement Agreement are appropriate.

20. The provisions of the Settlement Agreement are reasonable and in the public interest, except for the provision allowing collection of the maximum reasonable cost in rates without regard to actual project costs.

21. The provisions of the Settlement Agreement are consistent with law, except for the mechanism using a Tier 2 advice letter to authorize costs less than 10% over the maximum reasonable cost.

## Conclusions of Law

1. It is reasonable to approve the Settlement Agreement except for (a) the provision allowing collection of the maximum reasonable cost in rates without regard to actual project costs, and (b) the mechanism using a Tier 2 advice letter to authorize costs less than 10% over the maximum reasonable cost.

2. It is reasonable to authorize BVES to develop, own, and operate the Solar Project.

3. It is reasonable to authorize BVES to develop, own, and operate the Battery Storage Project.

4. It is reasonable to authorize BVES to enter into the Engineering, Procurement, and Construction agreements for the Solar Project and Battery Storage Project, in accordance with the Settlement Agreement.

5. It is reasonable to authorize BVES to recover actual project costs through rates up to the maximum reasonable cost and initial operating costs.

6. It is reasonable to authorize the use of Tier 1 advice letters to initiate the collection of project costs and allowance on funds used during construction after completion of each of the projects.

7. It is reasonable to authorize the creation of the Solar and Battery Tax Memorandum Account to track and manage crediting realized tax credits to ratepayers.

8. It is reasonable to authorize BVES to seek approval for reasonable and prudent project costs that are less than 10% over the maximum reasonable cost via a Tier 3 advice letter.

9. It is reasonable to authorize BVES to seek approval from the Commission for reasonable and prudent project costs that are greater than 10% over the maximum reasonable cost through an application.

10. It is reasonable to track legal and outside services costs for the Solar Project in the Renewable Portfolio Standard Memorandum Account, which can only be recovered after Commission approval in a future proceeding when all costs are measurable and known.

11. It is reasonable to track legal and outside services costs for the Battery Storage Project in the Base Rate Revenue Requirement Balancing Account, which can only be recovered after Commission approval in a future proceeding when all costs are measurable and known.

## O R D E R

**IT IS ORDERED** that:

1. Bear Valley Electrical Services, Inc. is authorized to enter into Engineering, Procurement, and Construction agreements with EDF Renewable Solutions for the development of the Solar Project and Battery Storage Project.

2. Bear Valley Electrical Services, Inc. (BVES) is authorized to place the actual cost for the construction of the Solar Project and Battery Storage Project up to the maximum reasonable cost identified in Settlement Agreement (Appendix A) net the expected investment tax credit, plus allowance for funds used during construction (AFUDC), calculated at the time the projects are completed and placed in service, into the rate base. BVES shall file a Tier 1 advice letter within 30 days of the completion of each of the Solar Project and Battery Storage Project to initiate cost recovery for its investment in and costs to operate the completed Projects for the remainder of BVES's current rate cycle, plus any AFUDC. After the filing of the advice letter, BVES shall be authorized to implement the annual increase in the base rate revenue requirement associated with the Projects for the interim period remaining in the 2023-2026 general rate case cycle on a dollar per kilowatt hour basis or, if projected to be placed in service on or after January 1, 2027, BVES will propose an allocation in its 2027 test year general rate case application for the years 2027-2030.

   (a) BVES shall maximize the tax benefits from the investment tax credit to customers consistent with applicable tax laws.

   (b) BVES shall compute the annual revenue requirements for the Projects using its established rate-making model.

(c) The rates charged to customers shall be set at levels allowing for the recovery of costs incurred plus its authorized return on rate base.

(d) Rate base shall consist of the original cost of the Projects, less accumulated depreciation for the assets placed in service, and deferred income tax liabilities which reflect the accelerated tax depreciation allowed under the Modified Accelerated Cost Recovery System provisions of the Internal Revenue Code.

(e) Rate base shall also be adjusted to reflect the effects of the expected 30% investment tax credit.

(f) The investment tax credit will be a reduction to rate base restored ratably over the book life of the property pursuant to the rules under former Internal Revenue Code Section 46(f)(1).

(g) The rate base reduction may not occur until the investment tax credit is realized by BVES. A deferred tax asset shall be included in the rate base calculation in the earlier periods.

3. If Bear Valley Electrical Service, Inc. (BVES) incurs additional project costs above the maximum reasonable cost identified in the Settlement Agreement (Appendix A) for either the Solar Project or the Battery Storage Project, up to 10% above maximum reasonable cost, it may file a Tier 3 advice letter to request recovery of the additional costs above the maximum reasonable cost. At least 45 days prior to filing the Tier 3 advice letter, BVES shall notify the Public Advocates Office at the California Public Utilities Commission and provide supporting workpapers and documentation for the advice letter. The advice letter shall include an analysis of the impact of the increased costs to the net

market value (NMV) of the Projects agreed upon in this Settlement Agreement (if BVES does not intend to pursue one of the Projects, then for purposes of the advice letter, the reliability benefit for the remaining Solar Project or Battery Storage Project will be 50% of the combined Projects' reliability benefit amount). The advice letter shall also include itemized cost breakdowns, narrative explanations of cost drivers, and documentation and explanatory justification for the increased costs. Such analyses, documentation, and justification could also include, but are not limited to, change order logs, pro forma analyses of cost changes, and/or comparative records of market conditions, where relevant. The NMV of the Projects included in the Settlement Agreement (Appendix A) should serve as the basis for determining the reasonableness of incurring the increased costs above the maximum reasonable cost for either the Solar Project or the Battery Storage Project.

4. If Bear Valley Electrical Service, Inc. (BVES) incurs additional project costs above the maximum reasonable cost (MRC) identified in the Settlement Agreement (Appendix A) for either the Solar Project or the Battery Storage Project greater than 10% above maximum reasonable cost, BVES may seek authority to recover the additional costs above the maximum reasonable cost by filing an application. The application shall include an analysis of the impact of the increased costs to the net market value (NMV) of the Projects agreed upon in this Settlement Agreement (if BVES does not intend to pursue one of the Projects, then for purposes of the application, the reliability benefit for the remaining Solar Project or Battery Storage Project will be 50% of the combined Projects' reliability benefit amount). The NMV of the Projects included in the Settlement Agreement

(Appendix A) shall serve as the basis for determining the reasonableness of incurring the increased amounts above the MRC for either the Solar Project or the Battery Storage Project. BVES may be authorized to accrue AFUDC on the additional costs for the period under construction and the full rate of return for the period after construction until the costs are included in rates if the increased amounts above the MRC for either the Solar Project or the Battery Storage Project are found to be reasonably incurred by the Commission.

5. Bear Valley Electrical Services, Inc. is authorized to file a Tier 1 advice letter to establish the Solar and Battery Tax Memorandum Account to include any increase or decrease in the Investment Tax Credit (ITC) allowed in a given tax year or in the aggregate, including but not limited to, the ITC rate, the amount of costs eligible for ITC, timing of when the ITC reduces tax liability, subsequent recapture events, subsequent ITC ineligibility if any, subsequent changes in tax laws, Internal Revenue Service audits and tax-related interest and penalties.

6. Bear Valley Electrical Services, Inc. (BVES) is authorized to file a Tier 3 advice letter to recover costs included in the Solar and Battery Tax Memorandum Account. At least 45 days prior to filing the Tier 3 advice letter, BVES shall notify the Public Advocates Office at the California Public Utilities Commission and provide supporting workpapers and documentation for the advice letter.

7. Bear Valley Electrical Services, Inc. (BVES) is authorized to record the incremental legal and other outside services costs related to the Solar Project to the Renewable Portfolio Standard Memorandum Account, which can only be

recovered after Commission approval in a future proceeding when all costs are known and measurable.

8. Bear Valley Electrical Services, Inc. (BVES) is authorized to record the incremental legal and other outside services costs related to the Battery Storage Project to the Base Rate Revenue Requirement Balancing Account which can only be recovered after Commission approval in a future proceeding when all costs are measurable and known.

9. Application 24-05-020 is closed.

This order is effective today.

Dated December 18, 2025, at Sacramento, California.

ALICE REYNOLDS
President
DARCIE L. HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
MATTHEW BAKER
Commissioners

# APPENDIX A
## Settlement Agreement