Application No. 26-01-022
Exhibit No. BVES
Date: August 24, 2026
Witness: Stanley Lau, Al Oishi

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

BEAR VALLEY ELECTRIC SERVICE, INC.

REBUTTAL TESTIMONY

VOLUME 11~~0~~

ERRATA

DEPRECIATION AND TAXES

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TABLE OF CONTENT
FOR THE REBUTTAL TESTIMONY OF STANLEY LAU AND AL OISHI
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DOCKET NO. A.26-01-022

Page

CHAPTER 1

DEPRECIATION

Stanley Lau

I. Overview

The testimony presented in this chapter responds to the depreciation and amortization recommendations proposed by Cal Advocates within Cal Advocates Exhibit CA-05, Section VI. It addresses Cal Advocates' adjustments and recommendations to depreciation expense for the Test Year (TY) 2027, which includes: (i) the removal of $561,999 in depreciation expense related to the new solar generation (FERC 338) because the project has been denied by the County of San Bernadino and may not proceed, (ii) a decrease of $444,851 in depreciation expense resulting from a pro-rata adjustment to the new energy storage project (FERC 387) that reflects a revision to the actual in-service date (Q3 2027), and (iii) a decrease in depreciation expense that adopts a depreciation rate on the distribution meters (FERC 370) that is not supported and not consistent with the latest depreciation study performed by Alliance Consulting Group.

BVES forecasts Depreciation and Amortization of $7,764,703 for TY2027, which was derived by applying a 2.85% overall composite accrual rate that is consistent and supported with the latest depreciation study performed by Alliance Consulting Group. BVES's response and conclusions to Cal Advocates' recommendations are summarized as follows:

(i) BVES accepts Cal Advocates' recommendation to remove depreciation expense in the TY 2027 related to the Solar project as this project is no longer viable at this time.

(ii) BVES accepts Cal Advocates' recommendation regarding the energy storage project. BVES agrees that the Battery project depreciation should begin once the assets are deemed used and useful. BVES expects the Battery project to be completed in 2027. However, Cal Advocates' recommendation to only include one quarter ($148,284) of the total deprecation accrual of $593,136 due to the project's anticipated in-service date of Q3 2027[1] is not accurate. BVES follows the half-year convention for depreciation as an accounting policy. BVES will record one-half of a full year's depreciation on the first and last year of a Utility Plant asset's life regardless of when the asset was placed into service in that year. As a result, the correct adjustment would be to include half of the annual depreciation, or $296,568, in depreciation expense for the first year that the energy storage project is placed in service (TY2027). The CPUC should authorize $296,568 for TY 2027 depreciation related to the energy storage project.

(iii) Cal Advocates is recommending that the Meter Distribution assets (FERC 370) have an 18 to 20-year life curve[2] but provides no depreciation study or other corroborating evidence supporting their recommendation. Therefore, the Commission should reject the arguments made by Cal Advocates as further discussed below.

II. Distribution Meters (FERC 370)

For Distribution Meters (FERC 370), the 15-SQ curve was used in the current general rate case application based on the recommendations received from BVES's outside consultant that conducted the latest depreciation study. Cal Advocates points to the settlement agreement reached in BVES's previous general rate case, which settled on a 25-SQ life resulting in an adopted rate of 5.39%.[3] Settlement agreements are not precedential and do not set rules and guidance for future rate cases. This is largely due to the fact that parties typically must compromise many of their core positions in order to reach an overall settlement. Cal Advocates solely and improperly rely upon the results from the previous settlement agreement to support their recommendation that the Meter Distribution FERC 370 asset account should have an 18 to 20-year life curve. Cal Advocates

[1] Exhibit CA-05, pp. 11-12.
[2] Exhibit CA-05, lines, 9-21, p. 12.
[3] Id.

provided no depreciation study or other corroborating evidence supporting their recommendation. Accordingly, the Commission should reject the recommendation made by Cal Advocates in opposing BVES's well-supported request to implement a 15-year life curve for FERC plant asset account No. 370.

The FERC 370 asset category has undergone significant changes in the last 20 years. Beginning in early to mid-2000s, BVES converted nearly all its analog manual meters to the first-generation digital meters. Manual meters used to have a longer life span because they lacked the different technological components that automated the metering process (*i.e.*, drive by metering, one-way communication, *etc*.). Starting as early as 2006, the first-time digital meters had to be replaced with newer upgraded versions of digital meters due to fading displays and other technological issues. Between 2006 – 2011, BVES added new digital meters which resulted in most of the older versions being replaced. The existing digital meters are now also approaching the end of their functional and economic service lives, with increasing failure rates and maintenance requirements. The facts underlying this aging profile support the application of a shorter remaining life of 10-15 years rather than the current composite rate for this asset category. Accordingly, the depreciation rate being proposed in the current general rate case application is consistent with a 15-year useful life, as recommended in the latest depreciation study.

As previously mentioned, Cal Advocates noted that BVES's requested 15-year life curve refers to a depreciation study that was not adopted; however, Cal Advocates provide absolutely no expert testimony or study whatsoever that supports their recommendation. In the current application, BVES followed the recommended depreciation rates that were determined based on a study and analysis performed by a third-party consultant, Alliance Consulting Group. Alliance Consulting Group is an international consulting firm founded in 2004 that provides professional and expert witness services regarding utility-related issues. Since 2004, Alliance Consulting Group has conducted over 200 depreciation studies for regulated and non-regulated clients across all utility segments. Based on their study, Alliance Consulting Group recommended a 15-year life curve for this asset category given their expertise and technological pace and trends seen in this area. The previous settlement agreement rate of 5.39% recommended by Cal Advocates was based on a settled 25-SQ life (which is not precedential) and is not supported by any expert testimony or study. BVES believes that the Commission should adopt recommended depreciation rates by experts who understand the advancement and changes in smart meter technology.

Further, Cal Advocates recommends in their testimony that BVES uses a dispersed retirement model described by an R-type survivor curve, stating that a staggered and partial retirement better aligns with BVES's meter vintages that range from 2003 to 2011. As previously mentioned, this asset category has undergone a significant change prior to BVES's last general rate case application with many of the new Distribution Meters having been installed prior to the last general rate case application. The proposed 15-SQ curve better reflects this concentrated installation and expected retirement pattern. Unlike electromechanical meters, the newer solid-state digital meters are electronic units that are generally replaced when they fail or become obsolete, rather than maintained as long-lived analog assets. BVES's depreciation consultant reviewed BVES's operating data and utility experience and recommended a 15-year life within the identified 15 to 20-year range.[4]

In conclusion, the currently adopted rate does not establish that the prior 25-SQ assumption remains reasonable because that rate resulted from a settlement agreement in BVES' last GRC. Cal Advocates improperly uses the settled amount from the last rate case to propose a new and completely unsupported life of 18-20 years. Also, Cal Advocates' R-type alternative would disperse retirements beyond the pattern reasonably expected for BVES's bulk installed digital

[4] BVES Exhibit Direct Testimony Volume 1, p. 132.

meter cohort, and delay recovery of prudent meter investment. BVES's proposed rate instead applies updated remaining life analysis to current operating evidence, consistent with CPUC Standard Practice U-4[5]. Therefore, the Commission should adopt BVES's proposed 15-SQ curve.

[5] BVES Exhibit Direct Testimony Volume 1, pp. 128-129 and 134-135, Table A6-1.

CHAPTER 2

TAXES

Al Oishi

I. Taxes

Cal Advocates states that they do not oppose BVES's tax calculations.[6] We acknowledge that Cal Advocates has included the appropriate tax calculations in their Results of Operations model. These workpapers reflect the tax adjustments to remove the solar project from my originally submitted direct testimony and the corresponding investment tax credit (ITC) rate base reduction as follows:

(000's)	2025	2026	2027	2028	2029	2030
Previous Version	-	(1,604.5)	(5,371.6)	(7,516.2)	(7,359.4)	(7,081.7)
Solar Removal	-	(0.3)	2,246.4	4,560.0	4,572.1	4,463.3
Revised Balances	-	(1,604.8)	(3,125.1)	(2,956.2)	(2,787.3)	(2,618.4)

The removal of the Solar Project from the testimony also reduced the corresponding deferred tax liability attributable to the IRC Section 48 basis reduction and accelerated tax depreciation as follows:

(000's)	2025	2026	2027	2028	2029	2030
Previous Version	(15,653.7)	(18,660.1)	(22,137.8)	(26,075.7)	(29,629.3)	(32,899.6)
Solar Removal	-	634.4	1,279.9	2,076.6	2,506.3	2,749.5
Revised Balances	(15,653.7)	(18,025.7)	(20,858.0)	(23,999.1)	(27,123.0)	(30,150.1)

[6] Exhibit CA-03, lines 12-13. p. 34.

Prospectively, to avoid a normalization violation, all tax-related accounts will need to be updated to reflect the CPUC's final decision which may include adjustments to other capital projects and expenses.