

Decision **PROPOSED DECISION OF ALJ DEBERRY** (Mailed 6/14/2002)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern
California Water Company (U 133 E) for
Authority to Increase Rates for Electric Service in
the Bear Valley Electric Customer Service Area.

Application 01-08-020
(Filed August 17, 2001)

DECISION ADOPTING SETTLEMENT AGREEMENT

(See Attachment 2 for List of Appearances)

TABLE OF CONTENTS

Title	Page
Summary	2
Background.....	3
Description of the Settlement Agreement.....	11
Criteria for Approving All Party Settlements	13
Criteria for Approving Settlements	14
The Settlement is Consistent with Law and Prior Commission Decisions.....	14
The Settlement Agreement is Reasonable in Light of the Record as a Whole.....	15
The Settlement Agreement is in the Public Interest	17
Comments on Draft Decision.....	18
Findings of Fact.....	18
Conclusions of Law	20
ATTACHMENT 1	
ATTACHMENT 2	

DECISION ADOPTING SETTLEMENT AGREEMENT

Summary

We grant the Joint Motion for Adoption of the Proposed Settlement Agreement (Joint Motion)¹ filed on February 8, 2002 relating to Southern California Water Company's (SCWC) Application (A.) 01-08-020 seeking authorization to increase electric rates in its Bear Valley Electric Customer Service Area (BVECSA). In so doing, we authorize SCWC to increase its total annual revenue collected through its Purchased Power Adjustment Clause (PPAC) by \$6,003,188. This amount represents a 38% increase over the current total annual BVECSA revenues of \$15, 791,610. The adopted rates will increase PPAC annual revenues from \$5,227,693 to \$11,230,881.

The Joint Motion was filed on behalf of the settling parties: SCWC, the Office of Ratepayer Advocates (ORA) and Bear Mountain Inc., (Bear Mountain). In granting the Joint Motion, we find that the Settling Parties are fairly representative of all affected interests in this proceeding, and pursuant to Rule 51 of the Commission's Rules of Practice and Procedure, the Settlement Agreement is "reasonable in light of the whole record, consistent with law, and in the public interest" as required by Rule 51.1(e).²

The Settlement Agreement addresses the stipulation among the Settling Parties to use a weighted average annual cost of \$77.00 per Megawatt-hour (MWh) in the calculation of the Energy Charge component of

¹ See Attachment 1 to this Opinion.

² All references are to the Commission's Rules of Practice and Procedure unless otherwise noted.

PPAC. Based on adopted annual purchases of 117,322 MWh, total energy costs are \$9,033,794 per year. Settling Parties also stipulate to annual scheduling coordination costs of \$77,063, and an annual Power System Delivery Charge rate of \$2,120,024, resulting in total PPAC revenues of \$11,230,881 per year. Table A in the Settlement Agreement (p. 8) compares the stipulated revenues to revenues requested by SCWC in its application and revenue amounts proposed by ORA. Table B in the Settlement Agreement (p. 8) allocates the revenue requirement to SCWC customer classes.

In adopting the Joint Motion, we conclude that the Settlement Agreement resolves all of the disputed issues in this proceeding. Furthermore, the Settlement Agreement provides significant benefits to SCWC customers including a cap on purchased power costs, a reduction in the PPAC Balancing Account undercollection, the elimination of a \$600,000 attrition increase for SCWC's water utility customers, a reduction of almost \$630,000 in annual energy rates due to a reduction in the Power System Delivery Charge, fixing the rate of the PPAC surcharge, and establishing a rate design that does not increase energy rates for permanent residential customers using 130% or less of baseline allowance.

Background

SCWC requests cost recovery of energy costs through the PPAC for BVECSA. SCWC states that it does not generate any energy, but purchases all of its power through third-party providers. Purchased power costs are recovered through the PPAC. The PPAC has two components, the Energy Charge and the Power System Delivery Charge. PPAC revenues and costs are tracked on a monthly basis in the PPAC balancing account. PPAC balancing account overcollections are refunded to customers, and undercollections are collected

from customers through an amortization surcharge. The surcharge is revised through periodic advice letter filings. SCWC states that over the past 18 months a substantial undercollection accumulated in the PPAC balancing account due to the spiraling costs of wholesale power during the California energy crisis, and as a result of two long-term power purchase contracts.³ SCWC states that the undercollection was \$16.8 million as of June 2001 and was estimated to increase to \$23 million by December 2001. SCWC argues that although the amortization surcharge has been increased through two advice letter filings in 2001,⁴ these increases offset only about \$11.1 million of the current undercollection. Consequently, SCWC applied to the Commission for authorization to increase rates sufficiently to offset both current balancing account undercollections and future energy costs. Future energy costs are expected to result primarily from the Mirant and Pinnacle energy contracts, although SCWC indicates it will continue to make purchases on the energy spot market.

SCWC contends that these energy cost increases have had a profound negative effect on its cash flow and financial condition. SCWC argues that it cannot fund capital improvements and has resorted to diverting cash from its water utility operations to purchase power and fund electric operations in

³ SCWC entered into a five-year contract with Mirant Americas Energy Marketing, LP (Mirant) in March 2000 for 15 MW, for 24-hours, for all days, or 131,400 MWh per year at a cost of \$95 per MWh. SCWC also entered into a three-year winter peaking purchase contract with Pinnacle West Capital Corporation (Pinnacle) in June 2001. The Pinnacle contract is for 8 MW of peaking power priced at \$75 per MWh for 2001-2002, \$48 per MWh for 2002-2003, and \$36 per MWh for 2003-2004. The three year weighted average estimated cost of the Mirant and Pinnacle contracts for 2001-2004 is \$87.41 per MWh.

⁴ See Advice Letter 183-EA approved in Resolution E-3704, May 24, 2001 and Advice Letter 186-E approved in Resolution E-3735, August 23, 2001.

BVECSA. Although SCWC states that such diversions of cash from water utility operations have not impacted public safety and health requirements, SCWC believes these cash diversions will negatively impact water service in the future. SCWC states that without a timely increase in BVECSA rates, its ability to access reasonable funding for capital improvements is unlikely. Furthermore, SCWC believes that as its financial health deteriorates, the cost of capital funding will ultimately increase, impacting water and electric customers with higher costs.

As an interim measure, SCWC filed a motion August 17, 2001 to request approval for an immediate increase in rates subject to refund. SCWC argued that interim rate relief would allow recovery of actual costs of purchasing and securing delivery of power. SCWC also filed a motion requesting that the Commission address its application on an expedited schedule because its PPAC costs are exceeding revenues by approximately \$800,000 per month leading to significant increases in the balancing account undercollection.

SCWC also proposes changes in the revenue requirement allocation to SCWC customer classes, and in its customer rate design. SCWC's rate design proposal is intended: (1) to recover the overall revenue requirement, (2) to maintain the same base rate revenue requirement, (3) to minimize the rate increase impact on permanent residential customers, (4) to begin a transition of commercial customers from a single schedule to three schedules, and (5) to establish rates for interruptible customers that are closer to market-based rates. SCWC also proposes minimum monthly bills for the three primary domestic rate schedules and the smallest commercial schedule. SCWC states that establishing minimum monthly bills is intended to reflect marginal customer costs, and to stabilize revenues because customers reduce usage due to rate increases and its proposed \$20 minimum monthly bill is based on a study prepared in its last

general rate case.⁵ SCWC residential rate design freezes rates for customers using 130% or less of baseline allowance, consistent with Assembly Bill 1X (AB 1X, Stats. 2001, First Ex. Session, Ch. 4). However, SCWC argues that customers using the Domestic Other (DO) schedule are not entitled to a baseline allowance.⁶ SCWC proposes an increase in the System Availability charge for Power Rate customers⁷ to reflect the cost of facilities dedicated to serving these customers. SCWC argues that its proposed rate design more accurately tracks costs and potential reductions in expenses given the increase in PPAC revenues from 46% of total revenues to 66% of total revenues.

On August 30, 2001, Bear Mountain opposed SCWC's motion for an expedited schedule. Bear Mountain argued, among other issues, that an expedited schedule provided insufficient time for parties to review SCWC's revenue requirement and rate design proposals. Bear Mountain also joined in the ORA arguments against interim rate relief and contended that SCWC's proposed rate design was inconsistent with prior rate allocations in Resolutions E-3704 and E-3735.

On September 13, 2001, ORA opposed SCWC's motions, arguing that interim rate relief is not justified since there is no financial emergency as defined

⁵ SCWC states that in A.95-09-016 it proposed a minimum monthly bill of \$24 per month based on marginal customer cost. The marginal customer cost is based on capital investment in new transformers, and a meter and service connection.

⁶ DO schedule customers are not permanent residents but own "second homes" in the BVECSA service territory and do not qualify for a baseline allowance as we concluded in D.89-01-043 (30 CPUC 2nd, p 672). In D.86-02-030, we stated "We cannot find that either the letter or spirit of PU Code Section 739 requires us to grant baseline allowances to second homes." (20 CPUC 2nd, Conclusion of Law No. 1, p. 484.)

⁷ The monthly charge per meter for commercial customers on schedules A-2 and A-3.

in D.86-11-079,⁸ or demonstration that SCWC's credit rating would be downgraded. ORA asserted that the request for interim rate relief is not due either to "undisputedly reasonable" investment-related costs or to permit operation of a major new generating plant.⁹ ORA opposed the expedited schedule proposed by SCWC, contended that hearings were necessary, and provided an alternative schedule recommending submittal of briefs in December 2001.

On October 1, 2001, a prehearing conference was held with assigned Commissioner Geoffrey Brown in attendance. At the prehearing conference both of the SCWC motions were denied, and a tentative schedule set for future hearings including a public participation hearing (PPH) in the city of Big Bear Lake. On October 4, 2001, an Assigned Commissioner's Ruling established a procedural schedule and confirmed that the proceeding was categorized as ratesetting.

⁸ 22CPUC 2nd, at p. 340.

⁹ ORA refers to TURN v. CPUC (1988) 44 Cal.3d 870.

At the PPH in Big Bear Lake on October 17, 2001, 13 customers provided comments on SCWC's proposed rate increase and rate design. Comments generally focused on the amount of the increase, ability of customers to pay high electric rates, effect of electric costs on local businesses and the subsidization of permanent customers by recreational home customers. In addition, approximately 117 customer letters have been sent to the Commission's Public Advisor's office generally commenting on similar issues.

On November 20, SCWC served a report compiled by KPMG, LLP concerning its evaluation of the PPAC for BVECSA as required by Resolution E-3704.¹⁰ This report audits the PPAC from December 1995 through December 2000 and is intended to verify all of the expenses, income, refunds and line losses consistent with Commission approved rates and methodology.

On November 21, the Big Bear Area Regional Wastewater Agency (BBARWA) filed a motion to intervene later granted by ALJ ruling. Following a request by ORA and agreement among parties, a December 12, 2001 ALJ ruling revised the procedural schedule and established evidentiary hearings beginning January 22, 2002.

On December 20, 2001 ORA, Bear Mountain, and BBARWA submitted opening testimony. ORA focuses on the reasonableness of the Mirant and Pinnacle contracts and opposes minimum monthly bills for domestic customers. ORA contends that SCWC did not develop a risk management strategy for power purchases and that less expensive options were available for procuring power prior to the execution of the Mirant and Pinnacle contracts. ORA

¹⁰ Resolution E-3704, p 23, May 24, 2001.

calculates projected power costs of eight comparable utilities and averages costs for six of the eight comparable utilities¹¹ over the period May 2001 through 2004 to derive a recommended purchased power cost of 6.1 cents per kilowatt-hour (kWh). ORA applied this rate to projected average annual customer usage resulting in its recommended annual disallowance of \$3,835,146.

ORA contends that the minimum monthly bills proposed by SCWC are inconsistent with AB 1X since this results in an electric increase for residential customers using less than 130% of baseline allowance. ORA does not oppose charging DO Schedule customers higher rates than other domestic customers, and does not propose any other changes to SCWC's rate design. ORA provides recommendations regarding line loss issues including a plan to upgrade SCWC's transmission line or consider local generation in response to a SCWC line loss study.¹²

Bear Mountain argues that the SCWC annual revenue requirement is excessive and should be reduced by approximately \$3.573 million due to unreasonable procurement practices. Bear Mountain calculates its proposed disallowance through a comparison with purchasing power on a "year ahead" basis. Bear Mountain contends that SCWC's market-based rates for interruptible customers are discriminatory since these apply to a single class of customers who have no other rate options. Bear Mountain proposes that the PPAC revenue requirement be allocated to customers based on seasonal patterns, and either to

¹¹ Plumas-Sierra and Shasta were excluded due to their heavy reliance on Western Area Power Agency energy.

¹² See Resolution E-3704, May 24, 2001.

eliminate the minimum charge for power rate customers or to include the system availability charge when determining a minimum charge.

SCWC submitted its rebuttal testimony on January 11, 2002. SCWC contends that ORA incorrectly compares SCWC and municipal utility energy rates when calculating a recommended PPAC disallowance and that such a comparison is unreasonable because municipal utility energy costs may not include labor, debt and transmission costs. Furthermore, SCWC argues that ORA omitted the energy procurement cost from its calculations,¹³ and that the addition of this cost to the ORA analysis results in reducing ORA's recommended disallowance from \$3,835,146 to \$1,085,366.

SCWC asserts that signing the Mirant contract was a reasonable decision. In support of this position, SCWC cites its energy alternatives, the volatility in the energy market in March 2001, and the high wholesale energy prices that in March 2001 were projected to persist for the next few years. SCWC contends that Bear Mountain's proposals incorrectly develop rate design for the Power Class customers and unreasonably delay energy rate increases by increasing the amortization period for the PPAC by five years.

ORA and SCWC requested using the evidentiary hearing time to attempt to resolve all issues and develop an all-party settlement. ORA and SCWC stated that after discussing the issue of the revenue requirement they would then meet with Bear Mountain and BBARWA to discuss rate design. The assigned ALJ granted this request. On January 23, 2002 parties stated they had reached

¹³ SCWC's energy procurement cost is the Power System Delivery Cost charged by Southern California Edison Company (Edison) to deliver power to the SCWC service territory.

settlement addressing all outstanding issues. A settlement conference was timely noticed and held on February 6, 2002, and the Joint Motion was filed February 8, 2002. On February 13, 2002 BBARWA filed a motion to withdraw from the proceeding.¹⁴

On February 20, 2002, the ALJ convened a hearing on all aspects of the settlement. A panel of five witnesses, representing all of the Settling Parties, answered the ALJ's questions on the Settlement Agreement. Issues addressed by the panel included: (1) the price cap for energy purchases (\$77.00 per MWh), (2) the change in the demand charge component of energy cost, (3) the PPAC balancing account and surcharge rate, (4) rate design policy and effects of the Settlement Agreement on various customer classes, (5) reasons why SCWC included a \$600,000 attrition amount for SCWC water customers in the Settlement Agreement, and (6) how the Settlement Agreement fulfills Rule 51 and why it is in the public interest. During this hearing ORA withdrew its line loss testimony. All prepared testimony was identified and received into evidence.

Description of the Settlement Agreement

The Settlement Agreement provides the following resolution of electric energy cost issues:

1. Weighted average energy is capped at an annual cost of \$77.00 per MWh.
2. Upon approval of the Settlement Agreement, SCWC will credit to the PPAC Balancing Account the cost differential between \$87.41 / WMh and \$77.00 / MWh times the average

¹⁴ This motion is unopposed. BBARWA does not oppose the settlement. We grant BBARWA's motion and will treat the settlement as an uncontested all-party settlement.

of actual purchases and prorated adopted purchases for the period April 1, 2001 through the end of the calendar month of the date of such Commission decision.

3. Annual scheduling coordination costs are fixed at SCWC's calculation of \$77,063.
4. Annual Power System Delivery charges will be \$2,120,024.¹⁵
5. The PPAC Balancing Account surcharge shall continue at its fixed rate of \$0.02246/kWh until August 31, 2011 or when the remaining balance in the PPAC balancing account is less than \$100,000, whichever should occur first.
6. SCWC will file an advice letter when the remaining balance in the PPAC Balancing Account is \$1 million, or by August 31, 2011, whichever should occur first.
7. SCWC will pursue its action against Mirant at the Federal Energy Regulatory Commission (FERC). If this action results in purchased power costs lower than \$77.00 per MWh, then SCWC will file an advice letter within thirty days to adjust the PPAC rate to reflect such a result.
8. SCWC agrees to forego its previously approved step and attrition increase of \$600,000 for its water utility operations in 2002.

Based on these figures, the annual energy revenues are estimated at \$9,110,857 and the annual total PPAC revenues are estimated at \$11,230,881, resulting in an annual increase over present PPAC revenues (\$5,227,693) of \$6,003,188. Total current annual BVECSA revenues are \$15,791,610.¹⁶ Under the Settlement Agreement total BVECSA revenues will be \$21,794,798.

¹⁵ Edison demand charge of \$963,968, plus transmission charge of \$217,839, plus ancillary services costs of \$862,103 plus other capacity-related charges of \$76,114.

¹⁶ \$5,227,693 (PPAC) and \$10,563,917 (General Revenues).

In order to allocate this proposed increase in PPAC revenues, the Settlement Agreement proposes the following rate design changes:

1. No rate increase for permanent-resident domestic customers whose usage level is less than 130% of baseline.
2. A third tier of usage starting at 130% of baseline for all domestic users except customers using Schedule DO.
3. A minimum monthly bill of \$23 per month for all DO schedule customers.

Settling Parties refer us to the full text of the Settlement Agreement for all of its provisions and details. In particular, Settling Parties state that this Settlement Agreement is a complete package, indivisible, and each part is interdependent on each and every other part. Settling Parties further state that they agree to negotiate in good faith any Commission-mandated changes to the Settlement Agreement should the Commission require modifications.

Criteria for Approving All Party Settlements

We approve all-party settlements provided the following criteria are present *in addition* to criteria applicable to all settlements, which we discuss below. All-party settlements must meet the following requirements:

- *The Settlement must command the unanimous sponsorship of all active parties to the proceeding.* Because SCWC, ORA and Bear Mountain are the only parties to this proceeding, this criterion plainly is met.
- *The sponsoring parties must be fairly representative of the affected interests.* The increase in electric rates SCWC proposes will affect its customers. ORA represents the interests of those customers and advocates for all

customers;¹⁷ while Bear Mountain represents itself as a large electric customer.

- *No term of the settlement may contravene statutory provisions or prior Commission decisions.* Nothing in the Settlement Agreement we approve contravenes statutory provisions or prior Commission decisions, and thus the settlement meets this criterion.
- *The settlement must convey to the Commission sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests.* The Settlement Agreement we approve sufficiently states the amount of the proposed electric revenues, the proposed allocation of revenues to customer classes, adjustments to the PPAC balancing account, and miscellaneous provisions to enable the Commission to fulfill its future regulatory obligations with respect to the parties and their interests.¹⁸

Criteria for Approving Settlements

In addition to meeting the all-party settlement criteria detailed above, the Settlement Agreement must meet the criteria applicable to all settlements. This criteria for approval is identified in Rule 51.1(e). That rule states:

The Commission will not approve stipulations or settlements, whether contested or uncontested, unless the stipulation or settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

The Settlement is Consistent with Law and Prior Commission Decisions

The Settling Parties assert that the Settlement Agreement is fully consistent with applicable law. We agree. Nothing in the Settlement Agreement

¹⁷ Cal. Pub. Util. Code Section 309.5.

¹⁸ D.92-12-019, 46 CPUC 2d 538, 550-551 (1992).

contravenes statute or prior Commission decisions. Our approval of the Settlement Agreement provides that electric rates for SCWC's permanent domestic customers will not increase for usage at or below 130% of baseline. This provision is consistent with the mandates of AB 1X that residential usage below 130% of baseline is exempted from further electrical rate increases. Furthermore, our adoption of the Settlement Agreement will provide a residential rate design consistent with our prior decisions finding that baseline allowances do not apply to second homes.¹⁹

**The Settlement Agreement is Reasonable
in Light of the Record as a Whole**

The Settlement Agreement was reached after opposing parties were able to assess the strengths and weaknesses of their respective cases. If SCWC were to prevail in its arguments, the increase over present revenues would be \$7.853 million per year. By comparison, the Settlement Agreement reduces this increase to \$6.003 million per year, a reduction of approximately \$1.85 million per year. This negotiated reduction is a result of capping the cost of average annual energy purchases at \$77.00 per MWh, or \$10.41 per MWh less than the average annual cost of energy through SCWC's energy purchase contracts (\$87.41 per MWh), and a reduction in the annual Power System Delivery Charge. The Settlement Agreement also provides that the reduction in annual energy purchase costs from \$87.41 per MWh to \$77.00 per MWh shall be applied to past energy purchases from April 1, 2001 forward. This provision will reduce the under-collection in the balancing account and shorten the time that the balancing account surcharge rate is in effect. Under the Settlement Agreement, the

¹⁹ See Footnote 10.

surcharge rate will remain fixed until August 31, 2011 or when the PPAC Balancing Account is reduced to \$100,000, thus minimizing rate increases from this rate component.

SCWC's affirmation in the Settlement Agreement that it will pursue its action against Mirant at the FERC may provide future ratepayer benefits. Although the outcome of this complaint is uncertain, if SCWC is successful and purchased power costs are lowered below \$77.00 per MWh, these lowered purchased power costs will accrue to customers. We direct SCWC to vigorously pursue its action against Mirant and report back to us on the results of this complaint.

The immediate impact of our approval of the Settlement Agreement is to reduce the PPAC Balancing Account and to cap the purchased cost of energy at \$77.00 per MWh. As demonstrated by the testimony of parties and the rebuttal testimony of SCWC, there is a significant contestable discrepancy between ORA, Bear Mountain, and SCWC as to the extent and the reasonableness of purchased energy costs as a result of the Mirant and Pinnacle contracts. We must evaluate the Settlement Agreement in light of the risk, expense, complexity and duration of continuing litigation in deciding whether the Settlement Agreement is reasonable in light of the whole record. While SCWC through its testimony and rebuttal testimony believes that it presented a strong case that its energy purchase contracts are reasonable and prudent, ORA and Bear Mountain believe just as strongly that they have convincing arguments that SCWC was not prudent in entering into its energy purchase contracts and therefore these costs should be subject to disallowance. After evaluating the testimony, we concur that the settlement is reasonable in light of the record.

The Settlement Agreement is in the Public Interest

As stated previously, the settlement results in significant benefits to SCWC's electric customers. SCWC customers will also realize the benefit of a fixed amortization rate rather than an increase in the amortization rate that would otherwise be required to amortize the substantial undercollection in the PPAC Balancing Account. While this means the amortization rate is in place for a longer period, this will help reduce the severity of rate increases.

We also encourage SCWC to pursue its complaint against Mirant at FERC in order to obtain additional benefits for ratepayers.

The Settlement Agreement also provides that SCWC will not increase its water utility rates in 2002 for the previously authorized step and attrition amount of \$600,000. Although this is an unusual provision for an electric energy settlement, nevertheless it is a benefit for SCWC's water utility customers. SCWC explains that this benefit is a result of its cash conservation program to fund BVECSA operations. Due to the cash conservation program, SCWC is unable to meet certain pro-forma earnings test requirements and is unable to increase rates for SCWC water utilities. Accordingly, Settling Parties agreed to include this benefit in the Settlement Agreement. As explained by ORA this is a benefit that will accrue to water utility customers specifically, but nevertheless is a benefit for another segment of ratepayers represented by ORA.

Finally, the Settlement Agreement is in the public interest because it will avoid a potentially long and expensive litigation of issues pertaining to SCWC's energy purchase contracts, and the resulting rate design litigation necessary to recover the revenue requirement. Conducting further proceedings, including evidentiary hearings, and filing of briefs would consume valuable resources of the Commission and the parties.

Comments on Proposed Decision

The proposed decision of the Administrative Law Judge was mailed to the parties in accordance with Pub. Util. Code § 311(d) and Rule 77.1 of the Rules of Practice and Procedure. Comments were received on _____.

Findings of Fact

1. All parties have agreed to settle this case.
2. The Settlement Agreement is the product of extensive discussions between the settling parties. SCWC, ORA, and Bear Mountain entered into these discussions after a complete review of the filed testimony and after review of SCWC's filed rebuttal testimony.
3. SCWC, ORA, and Bear Mountain Inc. fairly reflect all affected interests in this proceeding. SCWC represents the interests of its shareholders. ORA represents the interests of all SCWC customers. Bear Mountain Inc. represents itself as a large energy user.
4. As demonstrated by the testimony and rebuttal testimony of SCWC, there is significant contestable discrepancy between SCWC, ORA and Bear Mountain Inc. as to the degree and extent of the reasonableness of SCWC's contracts for purchased energy under the Mirant and Pinnacle contracts.
5. The Settlement Agreement sets a cap of \$77.00 per MWh for the weighted average annual cost in calculating the Energy Charge component of the PPAC rate.
6. The Settlement Agreement provides that the cost differential between the cap cost of \$77.00 per WMh and \$87.41 per MWh will be applied to actual purchases for the period April 1, 2001 forward to the end of the calendar month of the date of the Commission decision approving the Settlement Agreement.

This amount will reduce the undercollection in the PPAC balancing account to the benefit of all customers.

7. The Settlement Agreement provides that the Power System Delivery Charge will be reduced from \$2,749,780 per year requested in SCWC's application to \$2,120,024 per year thus reducing energy costs by \$ 629,756 per year and reducing annual energy costs for SCWC electric customers.

8. The Settlement Agreement results in a fixed rate for the PPAC Balancing Account surcharge of \$0.02246 per kWh until August 31, 2011 or when the remaining balance in the PPAC is equal to or less than \$100,000.

9. The Settlement Agreement provides that a \$600,000 step and attrition allowance for SCWC previously approved for SCWC's water utility customers will not be included in water rates for 2002 to the benefit of SCWC water utility customers.

10. The Settlement Agreement provides that SCWC will act in good faith to pursue its action against Mirant. If the action results in power costs lower than \$77.00 per MWh then power costs will be reduced accordingly to the benefit of SCWC customers.

11. The Settlement Agreement provides a rate design that does not increase rates for those permanent residential customers using 130% or less of baseline allowance consistent with the mandates of AB 1X.

12. Conducting a further proceeding would unnecessarily consume valuable resources of the Commission, SCWC and other parties and would delay, and possibly prevent, the realization of the benefits identified above pertaining to reductions in PPAC energy rates and the PPAC Balancing Account.

Conclusions of Law

1. The Settlement Agreement fully resolves and settles all disputed issues, among the parties concerning SCWC's application in this proceeding.
2. The Settlement Agreement we approve herein does not contravene the law.
3. Because the Settlement Agreement sufficiently states the amount of the proposed electric revenues, the proposed allocation of revenues to customer classes, adjustments to the PPAC balancing account, and miscellaneous provisions, the Settlement Agreement creates no regulatory uncertainty.
4. Approval of the Settlement Agreement provides that consistent with AB 1X, rates for residential customers using 130% or less of baseline allowance will be exempted from a rate increase.
5. Approval of the Settlement Agreement does not provide baseline allowances for those SCWC customers whose usage is for a second home under Schedule DO, consistent with D.89-01-043, and D.86-02-030.
6. A reduction of \$1.851 million per year in energy rates is within the range of outcomes the Commission could have found reasonable based on the record and evidence, had this matter not been settled.
7. The Settlement Agreement is reasonable in light of the strength of each party's litigation position, the risk, expense, and complexity of the litigation, and the settlement amount upon which the parties agreed.
8. The Settlement Agreement is reasonable in light of the whole record, consistent with law, consistent with prior Commission decisions, and in the public interest.
9. As provided in Rule 51.8 of the Commission's Rules of Practice and Procedure, and consistent with the terms of the Settlement Agreement itself, the adoption of the Settlement Agreement is binding on all parties but does not

constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.

10. The decision should be effective today so that the settlement may be implemented expeditiously.

O R D E R

IT IS ORDERED that:

1. The February 8, 2002 Joint Motion of Southern California Water Company (SCWC), the Office of Ratepayer Advocates (ORA), and Bear Mountain, Inc. for approval of the Settlement Agreement dated February 8, 2002 is granted and the Settlement Agreement is approved without modification.

2. SCWC shall credit the Purchased Power Adjustment Clause (PPAC) Balancing Account by the differential between \$87.41 per Megawatt-hour(MWh) and \$77.00 per MWh times the average of actual purchases and prorated adopted purchases for the period April 1, 2001 through the end of the calendar month of this decision.

3. The weighted average annual energy cost component of the PPAC shall not exceed \$77.00 per MWh.

4. SCWC shall forgo its previously-authorized attrition allowance of \$600,000 for its water utility customers for 2002.

5. SCWC shall vigorously pursue its complaint against Mirant Americas Energy Marketing, L.P. at the Federal Energy Regulatory Commission, and report to the Commission the results of the complaint. If the result of the complaint lowers average annual purchased power costs below \$77.00 per MWh, SCWC shall file an advice letter with this Commission within thirty days reflecting that result.

6. The motion of the Big Bear Area Regional Wastewater Agency, filed, February 13, 2002 to withdraw its testimony, identified as Exhibit 16, from evidence and to withdraw from the proceeding is granted.

7. SCWC shall file an advice letter to modify its tariffs in conformance with the attached Settlement Agreement.

8. This proceeding is closed.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT 1

Schedule No. A-1

GENERAL SERVICE

Less than 20kW

APPLICABILITY

Applicable to all general power service including lighting and power, also for heating service whose maximum load is less than 20 kW as estimated by SCWC or as metered. Demand cannot exceed 20 kW in any 12-month consecutive period.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

	<u>Per Meter</u>
	<u>Per Month</u>
System Availability Charge, Per Meter, Per Month:	\$ 5.00
Metering, Per Meter, Per Month:	\$ 2.30

	First 1,500 kWh	Excess
Local Transmission and Distribution Charge, per kWh:	\$0.07580	\$0.07580
Transmission Service, per kWh:	\$0.00200	\$0.00200
Capacity Service, per kWh:	\$0.00850	\$0.00850
Ancillary Services per kWh:	<u>\$0.00770*</u>	<u>\$0.00770*</u>
Total PSDC Components, per kWh	\$0.01820	\$0.01820
Energy Charges for Purchases, per kWh:	\$0.06480*	\$0.11570*
CARE and Public Good, per kWh:	\$0.00038	\$0.00038
Research and Development, per kWh:	\$0.00050	\$0.00050
Renewable Resource Technologies, per kWh:	\$0.00050	\$0.00050
Amortization, per kWh	\$0.02246	\$0.02246

*Component available for direct access purchases.

Advice Letter No. _____
Decision No. _____

Issued by
F.E. WICKS
President

Date Filed _____
Effective Date _____
Resolution No. _____

Schedule No. A-2

GENERAL SERVICE
20 to 50 kW

APPLICABILITY

Applicable to all general power service including lighting and power, also for heating service whose maximum load is between 20 and 50 kW as estimated by SCWC or as metered.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

Per Meter
Per Month

System Availability Charge, Per Meter, Per Month: \$47.70
Metering, Per Meter, Per Month: \$2.30

	First 7,500 kWh	Excess
Local Transmission and Distribution Charge, per kWh:	\$0.07580	\$0.07580
Transmission Service, per kWh:	\$0.00200	\$0.00200
Capacity Service, per kWh:	\$0.00850	\$0.00850
Ancillary Services per kWh:	<u>\$0.00770*</u>	<u>\$0.00770*</u>
Total PSDC Components, per kWh	\$0.01820	\$0.01820
Energy Charges for Purchases, per kWh:	\$0.06480*	\$0.11570*
CARE and Public Good, per kWh:	\$0.00038	\$0.00038
Research and Development, per kWh:	\$0.00050	\$0.00050
Renewable Resource Technologies, per kWh:	\$0.00050	\$0.00050
Amortization, per kWh		\$0.02246
\$0.02246		

* Component available for direct access purchases.

Advice Letter No. _____
Decision No. _____

Issued by
F.E. WICKS
President

Date Filed _____
Effective Date _____
Resolution No. _____

Schedule No. A-3

GENERAL SERVICE
Greater than 50 kW

APPLICABILITY

Applicable to all general power service including lighting and power,
also for heating service where load is in excess of 50 kW.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

Per Meter
Per Month

System Availability Charge, Per Meter, Per Month: \$497.70
Metering, Per Meter, Per Month: \$2.30

First 20,000 kWh Excess

Local Transmission and Distribution Charge, per kWh:	\$0.07580	\$0.07580
Transmission Service, per kWh:	\$0.00200	\$0.00200
Capacity Service, per kWh:	\$0.00850	\$0.00850
Ancillary Services per kWh:	<u>\$0.00770*</u>	<u>\$0.00770*</u>
Total PSDC Components, per kWh	\$0.01820	\$0.01820
Energy Charges for Purchases, per kWh:	\$0.06480*	\$0.11570*
CARE and Public Good, per kWh:	\$0.00038	\$0.00038
Research and Development, per kWh:	\$0.00050	\$0.00050
Renewable Resource Technologies, per kWh:	\$0.00050	\$0.00050
Amortization, per kWh	\$0.02246	\$0.02246

* Component available for direct access purchases.

Advice Letter No. _____
Decision No. _____

Issued by
F.E. WICKS
President

Date Filed _____
Effective Date _____
Resolution No. _____

Schedule No. D

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

APPLICABILITY

Applicable only to permanent residents of Bear Valley for domestic single-phase service, including lighting, heating, cooking and power or combination thereof in a single-family accommodation; also to permanent domestic single-phase farm service when supplied through the farm operator's domestic meter.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

	<u>Per Meter Per Month</u>		
Service Availability Charge, Per Meter, Per Month:			\$ 5.00
Metering, Per Meter, Per Month:			\$ 1.40
130%	<u>Baseline</u>	<u>Baseline</u>	<u>Excess</u>
Local Transmission and Distribution Charge, per kWh:	\$ 0.03212	\$ 0.03212	\$ 0.01480
Power System Delivery Charges (PSDC) per kWh			
Transmission Services, per kWh:	\$ 0.00200	\$ 0.00200	\$ 0.00200
Capacity Service, per kWh:	\$ 0.00850	\$ 0.00850	\$ 0.00850
Ancillary Services, per kWh:	\$ <u>0.00770*</u>	\$ <u>0.00770*</u>	\$ <u>0.00770*</u>
Total PSDC Components, per kWh	\$ 0.01820	\$ 0.01820	\$ 0.01820
Energy Charges for Purchases, per kWh:	\$ 0.02510*	\$ 0.04870*	\$ 0.13700*
CARE and Public Good, per kWh:	\$ 0.00038	\$ 0.00038	\$ 0.00038
Research and Development, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Renewable Resource Technologies, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Amortization, per kWh	\$ 0.02246	\$ 0.02246	\$ 0.02246

* Component available for direct access purchases.

Advice Letter No. _____
Decision No. _____

Issued by
F.E. WICKS
President

Date Filed _____
Effective Date _____
Resolution No. _____

Schedule No. D-LI

CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE)
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

APPLICABILITY

Applicable only to permanent residents of Bear Valley for domestic single-phase service to low-income households, including lighting, heating, cooking and power or combination thereof in a single-family accommodation where the customer meets all the Special Conditions of this rate schedule; also to permanent domestic single-phase farm service when supplied through the farm operator's domestic meter.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

				<u>Per Meter</u>
				<u>Per Month</u>
Service Availability Charge, Per Meter, Per Month:				\$ 4.00
Metering, Per Meter, Per Month:				\$ 1.05
	130%	<u>Baseline</u>	<u>Baseline</u>	<u>Excess</u>
Local Transmission and Distribution Charge, per kWh:	\$ 0.02570	\$ 0.02570	\$ 0.01180	
Power System Delivery Charges (PSDC) per kWh				
Transmission Service, per kWh:	\$ 0.00160	\$ 0.00160	\$ 0.00160	
Capacity Service, per kWh:	\$ 0.00680	\$ 0.00680	\$ 0.00680	
Ancillary Services, per kWh:	\$ <u>0.00616*</u>	\$ <u>0.00616*</u>	\$ <u>0.00616*</u>	
Total PSDC Components, per kWh	\$ 0.01456	\$ 0.01456	\$ 0.01456	
Energy Charges for Purchases, per kWh:	\$ 0.02008*	\$ 0.03896*	\$ 0.10960*	
CARE and Public Good, per kWh:				
Research and Development, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050	
Renewable Resource Technologies, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050	
Amortization, per kWh	\$ 0.01797	\$ 0.01797	\$ 0.01797	

* Component will be available for direct access purchases.

Schedule No. DM

DOMESTIC SERVICE – MULTI-FAMILY ACCOMMODATION

APPLICABILITY

Applicable to domestic service, including lighting, heating, cooking and power or combination thereof in a multi-family accommodation on a single premise where all single-family accommodations are not separately metered. This schedule is closed to new installations.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

	<u>Per Meter Per Month</u>		
Service Availability Charge, Per Meter, Per Month:	\$ 5.00		
Metering, Per Meter, Per Month:	\$ 1.40		
130%	<u>Baseline</u>	<u>Baseline</u>	<u>Excess</u>
Local Transmission and Distribution Charge, per kWh:	\$ 0.03212	\$ 0.03212	\$ 0.01480
Power System Delivery Charges (PSDC) per kWh			
Transmission Services, per kWh:	\$ 0.00200	\$ 0.00200	\$ 0.00200
Capacity Service, per kWh:	\$ 0.00850	\$ 0.00850	\$ 0.00850
Ancillary Services, per kWh:	\$ 0.00770*	\$ 0.00770*	\$ 0.00770*
Total PSDC Components, per kWh	\$ 0.01820	\$ 0.01820	\$ 0.01820
Energy Charges for Purchases, per kWh:	\$ 0.02510*	\$ 0.04870*	\$ 0.13700*
CARE and Public Good, per kWh:	\$ 0.00038	\$ 0.00038	\$ 0.00038
Research and Development, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Renewable Resource Technologies, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Amortization, per kWh	\$ 0.02246	\$ 0.02246	\$ 0.02246

* Component available for direct access purchases.

Schedule No. DO

DOMESTIC SERVICE - OTHER

APPLICABILITY

Applicable to nonpermanent residents for domestic single-phase service, including lighting, heating, cooking and power or combination thereof in a single-family accommodation; also to domestic single-phase farm service when supplied through the farm operator's domestic meter.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

	<u>Per Meter Per Month</u>
Service Availability Charge, Per Meter, Per Month:	\$5.00
Metering, Per Meter, Per Month:	\$1.40
Local Transmission and Distribution Charge, per kWh:	\$0.03285
Power System Delivery Charges (PSDC) per kWh	
Transmission Service, per kWh:	\$0.00200
Capacity Service, per kWh:	\$0.00850
Ancillary Services, per kWh:	<u>\$0.00770*</u>
Total PSDC Components, per kWh	\$0.01820
Energy Charges for Purchases, per kWh:	\$0.11890*
CARE and Public Good, per kWh:	\$0.00038
Research and Development, per kWh:	\$0.00050
Renewable Resource Technologies, per kWh:	\$0.00050
Amortization, per kWh:	\$0.02246
Minimum Charge: Per Meter, Per Month	\$23.00

* Component available for direct access purchases.

Advice Letter No. _____
Decision No. _____

Issued by
F.E. WICKS
President

Date Filed _____
Effective Date _____
Resolution No. _____

Schedule No. DMS

DOMESTIC SERVICE – MULTI-FAMILY ACCOMMODATION - SUBMETERED

APPLICABILITY

Applicable to domestic service, including lighting, heating, cooking and power or combination thereof in a multi-family accommodation on a single premise where all single-family accommodations are separately metered. This schedule is closed to new installations.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

	<u>Per Meter Per Month</u>		
Service Availability Charge, Per Meter, Per Month:	\$ 5.00		
Metering, Per Meter, Per Month:	\$ 1.40		
Discount (Per Dwelling Unit, Per Month)	(\$1.35)		
130%	<u>Baseline</u>	<u>Baseline</u>	<u>Excess</u>
Local Transmission and Distribution Charge, per kWh:	\$ 0.03212	\$ 0.03212	\$ 0.01480
Power System Delivery Charges (PSDC) per kWh			
Transmission Services, per kWh:	\$ 0.00200	\$ 0.00200	\$ 0.00200
Capacity Service, per kWh:	\$ 0.00850	\$ 0.00850	\$ 0.00850
Ancillary Services, per kWh:	\$ 0.00770*	\$ 0.00770*	\$ 0.00770*
Total PSDC Components, per kWh	\$ 0.01820	\$ 0.01820	\$ 0.01820
Energy Charges for Purchases, per kWh:	\$ 0.02510*	\$ 0.04870*	\$ 0.13700*
CARE and Public Good, per kWh:	\$ 0.00038	\$ 0.00038	\$ 0.00038
Research and Development, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Renewable Resource Technologies, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Amortization, per kWh	\$ 0.02246	\$ 0.02246	\$ 0.02246

* Component available for direct access purchases.

Schedule No. I
INTERRUPTIBLE SERVICE

APPLICABILITY

Service under this schedule is provided for seasonal usage under contract at the mutual option of the utility and the customer, and is applicable to all time-of-use service, in combination with service under Schedule TOU-1. This rate is applicable to seasonal usage for snow-making equipment, ski lifts and water pumping used for snow making.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

Demand Charge:

On-Peak: Per kW of Billing Demand..... \$4.30
Mid-Peak & Off-Peak: Per kW of Billing Demand..... No Charge

Local Transmission/Distribution Charge: On-Peak Mid-Peak Off-Peak
(per kWh) \$ 0.00928 \$ 0.00928 \$ 0.00928

Power System Delivery Charge:

Transmission Service per kW	\$ 0.545	\$ 0.000	\$ 0.000
Capacity Service per kW	\$ 4.055	\$ 0.000	\$ 0.000
Ancillary Services, per kWh	\$ 0.00770*	\$ 0.00770*	\$ 0.00770*

Energy Charges for Purchases, per kWh:	\$ 0.07929*	\$ 0.06229*	\$ 0.04129*
Amortization, per kWh:	\$ 0.02246	\$ 0.02246	\$ 0.02246
CARE and Public Good, per kWh:	\$ 0.00038	\$ 0.00038	\$ 0.00038
Research and Development, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Renewable Resource Tech., per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
System Availability Charge:	\$ 1950.00		
Metering, Per Meter, Per Month:	\$ 50.00		

Minimum Charge:

Per kW of Contract Maximum Demand \$ 0.75

* Component available for direct access purchases.

Advice Letter No. _____
Decision No. _____

Issued by
F.E. WICKS
President

Date Filed _____
Effective Date _____
Resolution No. _____

Schedule No. I-1

INTERRUPTIBLE SERVICE

APPLICABILITY

Service under this schedule is provided for seasonal usage under contract at the mutual option of the utility and the customer, and is applicable to all time-of-use service, in combination with service under Schedule TOU-1. This rate is applicable to seasonal usage for snow-making equipment, ski lifts and water pumping used for snow making.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

Demand Charge:

On-Peak: Per kW of Billing Demand..... \$4.30
Mid-Peak & Off-Peak: Per kW of Billing Demand..... No Charge

Local Transmission/Distribution Charge: On-Peak Mid-Peak Off-Peak
(per kWh) \$ 0.00928 \$ 0.00928 \$ 0.00928

Power System Delivery Charge:

Transmission Service per kW	\$ 0.545	\$ 0.000	\$ 0.000
Capacity Service per kW	\$ 4.055	\$ 0.000	\$ 0.000
Ancillary Services, per kWh	\$ 0.00770*	\$ 0.00770*	\$ 0.00770*

Energy Charges for Purchases, per kWh: \$ 0.07929* \$ 0.06229*
\$ 0.04129*

Amortization, per kWh:	\$ 0.02246	\$ 0.02246	\$ 0.02246
CARE and Public Good, per kWh:	\$ 0.00038	\$ 0.00038	\$ 0.00038
Research and Development, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Renewable Resource Tech., per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050

System Availability Charge: \$ 1950.00

Metering, Per Meter, Per Month: \$ 50.00

Minimum Charge:

Per kW of Contract Maximum Demand \$ 0.75

*** ~~Component available for direct access purchases.~~**

Schedule No. DO

DOMESTIC SERVICE - OTHER

APPLICABILITY

Applicable to nonpermanent residents for domestic single-phase service, including lighting, heating, cooking and power or combination thereof in a single-family accommodation; also to domestic single-phase farm service when supplied through the farm operator's domestic meter.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

	<u>Per Meter Per Month</u>
Service Availability Charge, Per Meter, Per Month:	\$5.00
Metering, Per Meter, Per Month:	\$1.40
Local Transmission and Distribution Charge, per kWh:	\$0.03285
Power System Delivery Charges (PSDC) per kWh	
Transmission Service, per kWh:	\$0.00200
Capacity Service, per kWh:	\$0.00850
Ancillary Services, per kWh:	<u>\$0.00770*</u>
Total PSDC Components, per kWh	\$0.01820
Energy Charges for Purchases, per kWh:	\$0.11890*
CARE and Public Good, per kWh:	\$0.00038
Research and Development, per kWh:	\$0.00050
Renewable Resource Technologies, per kWh:	\$0.00050
Amortization, per kWh:	\$0.02246
Minimum Charge: Per Meter, Per Month	\$23.00
* Component available for direct access purchases.	

Schedule No. SL

STREET LIGHTING SERVICE

Page 1

APPLICABILITY

Applicable to municipal or public street, highway and outdoor lighting service supplied from overhead lines where the utility owns and maintains the entire equipment.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

All Night Service

Per Lamp Per Month

System and Lamp Rating in watts, mean Lumens and average kWh consumption per month	Monthly* <u>Energy Cost</u>	Street lighting <u>Facilities Cost</u>	Total Cost <u>Per Month</u>
<u>Incandescent Lamps:</u>			
150 Watt, 2,310 Lumens, 50 kWh	\$4.72	\$ 14.48	\$19.20
<u>Mercury Vapor Lamps:</u>			
175 Watt, 6,600 Lumens, 58 kWh	\$5.47	\$17.09	\$22.56
400 Watt, 18,200 Lumens, 133 kWh	\$12.54	\$30.66	\$43.20
<u>High Pressure Sodium:</u>			
100 Watt, 8,550 Lumens, 33 kWh	\$3.11	\$ 13.20	\$16.31

* Components available for direct access purchases.

Monthly PPAC Energy Cost based on \$0.08660 per kWh plus ancillary services of \$0.00770 per kWh.

Advice Letter No. _____
 Decision No. _____

Issued by
 F.E. WICKS
 President

Date Filed _____
 Effective Date _____
 Resolution No. _____

Schedule No. TOU-1

TIME-OF-USE SERVICE

APPLICABILITY

Applicable to non-domestic seasonal usage customers whose monthly demand in any time period is expected to be 500 kilowatts or greater, in any three of twelve consecutive months, and to customers whose demand is expected to exceed 500 kilowatts. This rate is applicable to seasonal usage for snow-making equipment, ski lifts, and water pumping used for snow making.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

Demand Charge:

On-Peak: Per kW of Billing Demand..... \$12.38
Maximum: Per kW of Billing Demand..... \$ 4.30

Local Transmission/Distribution Charge: On-Peak Mid-Peak Off-Peak
(per kWh) \$ 0.00928 \$ 0.00928 \$ 0.00928

Power System Delivery Charge:

Transmission Service per kW \$ 0.545 \$ 0.000 \$ 0.000
Capacity Service per kW \$ 4.055 \$ 0.000 \$ 0.000
Ancillary Service, per kWh \$ 0.0077* \$ 0.0077* \$0.0077*

Energy Charges for Purchases, per kWh:\$ 0.07929*\$ 0.06229*\$ 0.04129*

Amortization, per kWh: \$ 0.02246 \$ 0.02246 \$ 0.02246
CARE and Public Good, per kWh: \$ 0.00038 \$ 0.00038 \$ 0.00038
Research and Development, per kWh: \$ 0.00050 \$ 0.00050 \$ 0.00050
Renewable Resource Tech., per kWh:\$ 0.00050\$ 0.00050 \$ 0.00050

System Availability Charge: \$1950.00

Metering, Per Meter, Per Month: \$50.00

Minimum Charge:

Per kW of Contract Maximum Demand \$ 0.75

* Component available for direct access purchases.

Schedule No. TOU

TIME-OF-USE SERVICE

APPLICABILITY

Applicable to non-domestic customers whose monthly demand in any time period is expected to be 500 kilowatts or greater, in any three of twelve consecutive months, and to customers whose demand is expected to exceed 500 kilowatts.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

Demand Charge:

On-Peak: Per kW of Billing Demand.....	\$12.38
Maximum: Per kW of Billing Demand.....	\$ 4.30

Local Transmission/Distribution Charge:	<u>On-Peak</u>	<u>Mid-Peak</u>	<u>Off-Peak</u>
(per kWh)	\$0.00928	\$0.00928	\$0.00928

Power System Delivery Charge:

Transmission Service per kW	\$0.545	\$0.000	\$0.000
Capacity Service per kW	\$4.055	\$0.000	\$0.000
Ancillary Service, per kWh	\$0.0077*	\$0.0077*	\$0.0077*

Energy Charges for Purchases, per kWh: \$ 0.07929* \$ 0.06229* \$ 0.04129*

Amortization, per kWh: \$ 0.02246 \$ 0.02246 \$ 0.02246

CARE and Public Good, per kWh: \$ 0.00038 \$ 0.00038 \$ 0.00038

Research and Development, per kWh: \$ 0.00050 \$ 0.00050 \$ 0.00050

Renewable Resource Techn, per kWh: \$ 0.00050 \$ 0.00050 \$ 0.00050

System Availability Charge: \$1950.00

Metering, Per Meter, Per Month: \$50.00

Minimum Charge:

Per kW of Contract Maximum Demand \$ 0.75

*** Component available for direct access purchases.**

PRELIMINARY STATEMENTS

(Continued)

G. PURCHASED POWER ADJUSTMENT CLAUSE

1. The purpose of the Purchased Power Adjustment Clause is to reflect in rates the utility's cost of purchased power.
2. The monthly charges for service otherwise applicable under each of the utility's rate schedule shall include an adjustment to reflect a) the Power System Delivery Charge, b) the Energy Charge for Purchases and c) the Amortization Charge.
 - a. The Power System Delivery Charge shall include the most recently adopted estimate of costs to the utility for Transmission Service, the most recently adopted estimate of costs to the utility for Capacity, and the most Recently adopted estimate of costs for Ancillary Services, which include the Costs for system protection services, line losses and energy imbalance Services. These charges shall be expressed in terms of cents per kilowatthour or dollars per kilowatt, depending upon the nature of the charge and the applicable rate schedule.
 - b. The Energy Charge for Purchases shall include the most recently adopted estimate of the costs to the utility of purchasing energy, expressed in terms of cents per kilowatthour.
 - c. The Amortization Charge shall reflect the most recently adopted over or under collection in the Balancing Account, expressed in terms of cents per kilowatthour.
3. A Balancing Account shall be maintained to record the difference between the accumulated revenue billed through the Purchased Power Adjustment Clause and the accumulated accrued costs of purchased power. Monthly entries to the Balancing Account will be determined from the following calculations:
 - a. Purchased Power Adjustment Clause revenue billed during the month;
 - b. Less than adjustment of 1.429 percent to reflect the adopted rate for franchise fees and uncollectibles;
 - c. Less the accrued costs for purchasing energy, capacity, transmission service and related ancillary services;
 - d. Plus any refunds for purchased power costs previously reflected in the balancing account;
 - e. Plus or minus interest expense, depending upon whether there is an under-collection or over-collection. Such interest shall be calculated based upon the average of the beginning and ending monthly balance in the Balancing Account multiplying by the 90-day commercial paper rate for the month.
 - f. Less an adjustment, if any, for the direct payment of refunds to customers.
 - g. The accumulated accrual cost of purchased power shall be trued-up on a monthly basis.

If the above calculation produces a positive amount (over-collection), such amount shall be credited to the Balancing Account. If the calculation produces a negative amount (under-collection), such amount shall be debited to the Balancing Account.

4. The utility may make periodic Advice finings to revise the Amortization Charge to reflect the most current status of the Balancing Account.
5. Not more often than once per year, the utility may file an Application to revise the components of the Purchase Power Adjustment Clause to reflect the most current estimates of its purchased power costs.

The utility shall, on an annual basis, make an adjustment to the Balancing Account to reflect the annual weighted average purchased power cost ceiling of \$77 per MWH. Appropriate adjustments to the interest component shall also be made. This paragraph shall remain in effect through August 31, 2011 or as authorized by the Commission. (T)
(T)
(T)

(Continued)

Advice Letter No. _____
Decision No. _____

Issued by
F.E. WICKS
President

Date Filed _____
Effective Date _____
Resolution No. _____

ATTACHMENT 2

******* SERVICE LIST *******

**Last Update on 22-FEB-2002 by: CPL
A0108020 LIST**

******* APPEARANCES *******

Steven C. Debaun
BEST BEST & KRIEGER LLP
3750 UNIVERSITY AVE., SUITE 400
RIVERSIDE CA 92501
(909) 686-1450

Steven Anderson
Attorney At Law
BEST, BEST & KRIEGER
3750 UNIVERSITY AVENUE, 4TH FLOOR
RIVERSIDE CA 92501
(909) 686-1450
smanderson@bbklaw.com
For: Big Bear Area Regional Wastewater Agency

John M Chamberlain
Legal Division
RM. 4107
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-1960
mcx@cpuc.ca.gov
For: CPUC OFFICE OF RATEPAYER ADVOCATES

Andrew B. Brown
Attorney At Law
ELLISON, SCHNEIDER & HARRIS
2015 H STREET
SACRAMENTO CA 95814
(916) 447-2166
abb@eslawfirm.com
For: BEAR MOUNTAIN, INC.

Kevin R. Mcspadden
SALLY AGEL
Attorney At Law
MILBANK TWEED HADLEY & MCCLOY
601 SOUTH FIGUEROA, 30TH FLOOR
LOS ANGELES CA 90017
(213) 892-4563
kmcspadden@milbank.com
For: BEAR MOUNTAIN, INC.

Sally Agel
Attorney At Law
MILBANK, TWEED, HADLEY, & MC CLOY, LLP
601 SOUTH FIGUEROA STREET
LOS ANGELES CA 90017
(213) 892-4509
sagel@milbank.com
For: Bear Mountain, Inc. (Replaces Mr. McSpadden)

Bill Monson
MRW & ASSOCIATES
1999 HARRISON STREET, SUITE 1440
OAKLAND CA 94612
(510) 834-1999
wam@mrwassoc.com
For: BEAR MOUNTAIN, INC.

Patricia A. Schmiede
Attorney At Law
OMELVENY & MYERS, LLP
275 BATTERY STREET
SAN FRANCISCO CA 94111
(415) 984-8715
pschmiede@omm.com
For: SOUTHERN CALIFORNIA WATER COMPANY (SCWC)

Susan L. Conway
SOUTHERN CALIFORNIA WATER COMPANY
630 EAST FOOTHILL BLVD
SAN DIMAS CA 91773-1212
(909) 394-3600
sconway@scwater.com
For: SOUTHERN CALIFORNIA WATER COMPANY (SCWC)

******* STATE EMPLOYEE *******

Bruce DeBerry
Administrative Law Judge Division
RM. 5043
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-1279
bmd@cpuc.ca.gov

Robert Elliot
Energy Division
AREA 4-A
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-2527
rae@cpuc.ca.gov
For: CPUC ENERGY DIVISION

Brian D. Schumacher
Energy Division
AREA 4-A
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-1226
bds@cpuc.ca.gov
For: CPUC ENERGY DIVISION

******* SERVICE LIST *******

**Last Update on 22-FEB-2002 by: CPL
A0108020 LIST**

Maria E. Stevens
Executive Division
RM. 500
320 WEST 4TH STREET SUITE 500
Los Angeles CA 90013
(213) 576-7012
mer@cpuc.ca.gov

Laura Lei Strain
Energy Division
AREA 4A
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-1677
lls@cpuc.ca.gov
For: CPUC ENERGY DIVISION

******* INFORMATION ONLY *******

Cheryl W. Mason
O'MELVENY & MYERS LLP
400 SOUTH HOPE STREET 15TH FLOOR
LOS ANGELES CA 90071
(213) 430-6350
cmason@om.com

Bruce Foster
Regulatory Affairs
SOUTHERN CALIFORNIA EDISON COMPANY
601 VAN NESS AVENUE, SUITE 2040
SAN FRANCISCO CA 94102
(415) 775-1856
fosterbc@sce.com

(END OF ATTACHMENT 2)