

Decision 10-03-016 March 11, 2010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Golden State Water Company (U913E) for Authority to Increase Rates for Electric Service by its Bear Valley Electric Service Division.

Application 08-06-034
(Filed June 27, 2008)

DECISION GRANTING PETITION TO MODIFY DECISION 09-10-028

1. Summary

Decision (D.) 09-10-028 approved a settlement agreement in the application of the Golden State Water Company (GSWC) for a general rate increase in its Bear Valley Electric Service division. On November 19, 2009, GSWC timely filed a Petition to Modify D.09-10-028 to address certain procedural mechanics and corrections. This decision grants the requested modifications.

2. Background

Bear Valley Electric Service (BVES) provides retail electric service to the Big Bear Lake resort area in the San Bernardino Mountains. The BVES service territory is comprised primarily of residential customers. BVES provides service to approximately 21,500 full-time and part-time residents, and approximately 1,400 commercial, industrial, or public-authority customers, including two ski

resorts in the San Bernardino Mountains.¹ The Golden State Water Company (GSWC) filed Application 08-06-034 in June 2008 for a proposed \$6.8 million increase in BVES's base rates in 2009, and increases of \$878,000, \$391,000, and \$315,000 in 2010, 2011, and 2012, respectively. After hearings, GSWC and Division of Ratepayer Advocates (DRA) reached a comprehensive settlement agreement (Settlement Agreement). Decision (D.) 09-10-028, dated October 15, 2009, adopted the Settlement Agreement.

On November 19, 2009, GSWC filed a petition for modification of D.09-10-028. GSWC's petition requests modification to four aspects of D.09-10-028. First, GSWC requests that D.09-10-028 be modified to clearly and specifically address the Commission-approved allocation of GSWC's General Office (GO) expenses to BVES. Second, GSWC's petition requests that we clearly set forth implementation procedures for rates in each of the four Test Years 2009-2012. Third, GSWC's petition requests that we set forth the BVES revenue requirements that were agreed to in the Settlement Agreement. Finally, GSWC's petition requests that we confirm that BVES has a four-year rate case plan and address the timing for the filing of its next general rate case. No party to the proceeding filed a response opposing GSWC's petition for modification.

3. Discussion

3.1. Allocation of GSWC General Office Expenses to BVES

In D.09-06-010, GSWC was granted authority to track the difference between the GSWC GO costs then being collected by BVES and the GO expenses

¹ The BVES system consists of an 8.4 megawatt (MW) generation plant, 205 miles of overhead and 54 miles of underground conductors, and 13 substations.

allocated to BVES in D.07-11-037. Though we stated our intention to address the disposition of the GO allocation memorandum account in the final decision in the proceeding,² this issue was not addressed in D.09-10-028.

GSWC asserts that it is vitally important that the Commission modify D.09-10-028 to address the disposition of the GO allocation memorandum account and requests authority to recover the balance of approximately \$958,000 in the account as of October 31, 2009.³ GSWC suggests that this balance be amortized over a 24-month period in order to help reduce the impact of the recovery on customers.⁴ We agree that this issue should have been addressed in D.09-10-028, and find GSWC's suggestion, that the amount be amortized over a 24-month period, reasonable. We will therefore modify D.09-10-028 as set forth below:

1. The following will be added to D.09-10-028 as Finding of Fact #7:
Pursuant to D.09-06-010, Golden State Water Company was authorized to establish a memorandum account to track the difference between General Office costs currently being collected and the General Office costs allocated to Bear Valley Electric Service division in D.07-11-037.
2. The following will be added to D.09-10-028 as Finding of Fact #8:
Amortization of the General Office Allocation Memorandum Account over 24 months beginning upon the effective date of a Tier 2 advice letter filing is consistent with D.09-06-010.

² See D.09-06-010 at 6.

³ The current GO allocation established in D.07-11-037 is reflected in rates as of November 1, 2009.

⁴ Amortization over a 24-month period will result in a surcharge for low-income customers of approximately \$0.00259/kilowatt-hour (kWh) and a surcharge for non low-income customers of \$0.00324/kWh.

3. The following will be added to D.09-10-028 as Conclusion of Law #7: Golden State Water Company should be authorized to file a Tier 2 advice letter to amortize the General Office Allocation Memorandum Account over 24 months and begin recovery of the account balance on the effective date of the advice letter.
4. The following will be added to D.09-10-028 as Ordering Paragraph #4: Golden State Water Company shall file a Tier 2 advice letter with revised tariff schedules for its Bear Valley Electric Service division that reflect the amortization and recovery of the General Office Allocation Memorandum Account balance over a 24-month period. This filing shall comply with General Order 96-B. The revised tariff schedules shall be effective upon the effective date of the advice letter and will apply to services rendered on or after such effective date.

3.2. Implementation Procedures for Rates in Test Years 2009-2012

In D.09-10-028, we addressed the mechanism by which GSWC is to revise BVES's tariffs and implement its Test Year 2009 rates. As stated therein:

The Golden State Water Company shall file a Tier 1 advice letter within 20 days of today's date with revised tariff schedules for its Bear Valley Electric Services [d]ivision. This filing shall comply with General Order 96-B. The revised tariff schedules shall be effective within five days of filing and will apply to services rendered on or after the effective date. (D.09-10-028 at 11, Ordering Paragraph #3.)

Utilization of this approach for tariffs in Test Years 2010, 2011, and 2012 is consistent with the Settlement Agreement approved in D.09-10-028.⁵ However, as read by GSWC, D.09-10-028 does not make clear that the same process is to be used to revise and implement BVES's tariffs in Test Years 2010, 2011, and 2012. We fully intended that the same process be used to revise and implement tariffs

⁵ See Settlement Agreement Section III.A at 2-5, and Section X at 15.

in BVES's Test Years 2010, 2011, and 2012 and so clarify this point in today's decision as follows:

1. Finding of Fact #4 in D.09-10-028 will be modified to read: The settlement sets forth reasonable estimates of the levels of revenues and expenses likely to occur in Test Years 2009, 2010, 2011, and 2012. Furthermore, the settlement provides revenues and rates for each of the four test years: 2009, 2010, 2011, and 2012. The rates for each such test year are included in Attachment C of the Settlement Agreement.
2. The following will be added to D.09-10-028 as Conclusion of Law #8: Golden State Water Company should be authorized to file a Tier 2 advice letter with rate schedules for Test Years 2010, 2011, and 2012, as directed in the Ordering Paragraphs.
3. The following will be added to D.09-10-028 as Ordering Paragraph #5: On or before December 1 of each year preceding 2010, 2011, and 2012, Golden State Water Company shall file a Tier 2 advice letter to implement the base rates adopted for years 2010, 2011, and 2012, as shown in Attachment C of the Settlement Agreement. These filings shall comply with General Order 96-B. To the extent that any base rate filed in these advice letters differs from that shown in Attachment C of the Settlement Agreement as a result of any changes approved by future Commission orders or decision, Golden State Water Company will include workpapers with the advice letters that show how the rate was adjusted based on future changes adopted by the Commission. These revised tariff schedules shall be effective January 1 of each year in 2010, 2011, and 2012, and will apply to services rendered on or after the effective date.

3.3. The BVES Revenue Requirements and Revenue Increases

GSWC asserts that D.09-10-028 incorrectly states both the incremental revenue adjustment for Test Year 2009 as well as the total revenue requirement for 2009. With the phase-in, the agreed-upon and approved incremental base rate increases set forth in the Settlement Agreement are as follows: \$4,810,500

(15.86%) for 2009, \$515,000 (2.94%) for 2010, \$209,000 (0.83%) for 2011, and \$168,000 (0.35%) for 2012. Similarly, the total revenue requirements with the phase-in for each of Test Years 2009-2012 are \$17,023,300, \$18,292,400, \$18,841,200, and \$19,449,600, respectively. The following modifications should be made to D.09-10-028 to reflect these figures:

1. The following will be added to the last sentence at the end of the first paragraph on page 4 of D.09-10-028: After taking into account the phase-in plan, the Settling Parties agreed to revenue requirements for 2009-2012 for BVES of: \$17,023,300, \$18,292,400, \$18,841,200, and \$19,449,600, respectively.
2. The following will be added to D.09-10-028 as Finding of Fact #9: The settlement proposes revenue requirements including the phase-in of \$17,023,300 for 2009, \$18,292,400 for 2010, \$18,841,200 for 2011, and \$19,449,600 for 2012.
3. The following will be added to D.09-10-028 as Conclusion of Law #9: It is reasonable to approve the revenue adjustment and corresponding revenue requirements for Test Years 2009, 2010, 2011, and 2012 as proposed in the settlement.
4. Ordering Paragraph #1 in D.09-10-028 will be modified to read: The settlement between the Golden State Water Company and the Division of Ratepayer Advocates contained in Appendix A of this decision, which includes a revenue adjustment of \$4,810,500 for 2009, \$515,000 for 2010, \$209,000 for 2011, and \$168,000 for 2012, is approved. The settlement revenue requirement of \$17,023,300 for 2009, \$18,292,400 for 2010, \$18,841,200 for 2011, and \$19,449,600 for 2012 is approved.

3.4. BVES's Four-Year Rate Case Plan

GSWC notes that its application requested that the Commission establish a four-year rate case cycle. In the Settlement Agreement approved in D.09-10-028, the Parties agreed to four test years and, seemingly, a four-year rate case cycle for BVES. GSWC's Petition for Modification seeks clarification that a four-year rate

case cycle was adopted and identification of its upcoming filing dates. In the interest of greater clarity, we will specifically acknowledge that BVES is on a four-year rate case cycle and modify D.09-10-028 as follows:

1. The following will be added to D.09-10-028 as Finding of Fact #10: A four-year rate cycle for Golden State Water Company's BVES division as requested in its application and included in its motion for approval of the settlement was unopposed.
2. The following will be added to D.09-10-028 as Conclusion of Law #10: It is reasonable that the next general rate case application for BVES for Test Year 2013 be filed by January 31, 2012 and thereafter BVES shall have a four-year rate case cycle.
3. The following will be added to D.09-10-028 as Ordering Paragraph #6: Golden State Water Company shall file its next general rate case application for its Bear Valley Electric Service division by January 31, 2012, for its next four-year rate cycle beginning with Test Year 2013 and thereafter have a rate case plan of filing for a general rate case every four years.

4. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

5. Assignment of Proceeding

Timothy Alan Simon is the assigned Commissioner and Darwin E. Farrar is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. In D.09-10-028, we adopted the Settlement Agreement entered into by DRA and GSWC.

2. In D.09-06-010, GSWC was granted authority to track the difference between the GSWC GO costs then being collected by BVES and the GO expenses allocated to BVES in D.07-11-037.

3. In D.09-10-028, we intended that the process used to implement tariffs in BVES's Test Year 2009 be used to revise and implement tariffs in BVES's Test Years 2010, 2011, and 2012.

4. With the phase-in, the agreed-upon and approved incremental base rate increases, set forth in the Settlement Agreement, are \$4,810,500 (15.86%) for 2009, \$515,000 (2.94%) for 2010, \$209,000 (0.83%) for 2011, and \$168,000 (0.35%) for 2012.

5. The total revenue requirements, with the phase-in, for each of Test Years 2009-2012 are \$17,023,300, \$18,292,400, \$18,841,200, and \$19,449,600, respectively.

6. In the Settlement Agreement approved in D.09-10-028, the Parties agreed to four test years and thus, a four-year rate case cycle for BVES.

Conclusions of Law

1. Decision 09-10-028 approved a settlement agreement in the application of the GSWC for a general rate increase in its BVES division.

2. GSWC's November 19, 2009, Petition for Modification of D.09-10-028 was timely filed.

3. The modifications GSWC requests should be granted.

O R D E R

IT IS ORDERED that:

1. The petition to modify Decision (D.) 09-10-028 filed by the Golden State Water Company is granted. The original decision shall be cited as D.09-10-028, as modified by D.10-03-016.
2. The Findings of Fact, Conclusions of Law, and Orders reached in Decision 09-10-028 are modified as set forth in Attachment A.
3. Application 08-06-034 is closed.

This order is effective today.

Dated March 11, 2010, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
TIMOTHY ALAN SIMON
NANCY E. RYAN
Commissioners

ATTACHMENT A¹

1. Finding of Fact #4 in D.09-10-028 will be modified to read: The settlement sets forth reasonable estimates of the levels of revenues and expenses likely to occur in Test Years 2009, 2010, 2011, and 2012. Furthermore, the settlement provides revenues and rates for each of the four test years: 2009, 2010, 2011, and 2012. The rates for each such test year are included in Attachment C of the Settlement Agreement.
2. The following will be added to D.09-10-028 as Finding of Fact #7: Pursuant to D.09-06-010, Golden State Water Company was authorized to establish a memorandum account to track the difference between General Office costs currently being collected and the General Office costs allocated to Bear Valley Electric Service division in D.07-11-037.
3. The following will be added to D.09-10-028 as Finding of Fact #8: Amortization of the General Office Allocation Memorandum Account over 24 months beginning upon the effective date of a Tier 2 advice letter filing is consistent with D.09-06-010.
4. The following will be added to D.09-10-028 as Finding of Fact #9: The settlement proposes revenue requirements including the phase-in of \$17,023,300, for 2009, \$18,292,400 for 2010, \$18,841,200 for 2011, and \$19,449,600 for 2012.
5. The following will be added to D.09-10-028 as Finding of Fact #10: A four-year rate cycle for Golden State Water Company's BVES division as requested in its application and included in its motion for approval of the settlement was unopposed.
6. The following will be added to D.09-10-028 as Conclusion of Law #7: Golden State Water Company should be authorized to file a Tier 2 advice letter to amortize the General Office Allocation

¹ Underlining denotes preexisting text.

- Memorandum Account (GOAMA) over 24 months and begin recovery of the GOAMA balance on the effective date of the advice letter.
7. The following will be added to D.09-10-028 as Conclusion of Law #8: Golden State Water Company should be authorized to file a Tier 2 advice letter with rate schedules for Test Years 2010, 2011, and 2012, as directed in the Order below.
 8. The following will be added to D.09-10-028 as Conclusion of Law #9: It is reasonable to approve the revenue adjustment and corresponding revenue requirements for Test Years 2009, 2010, 2011, and 2012 as proposed in the settlement.
 9. The following will be added to D.09-10-028 as Conclusion of Law #10: It is reasonable that the next general rate case application for BVES for Test Year 2013 be filed by January 31, 2012 and thereafter BVES shall have a four-year rate case cycle.
 10. The following will be added to D.09-10-028 as Ordering Paragraph #4: Golden State Water Company shall file a Tier 2 advice letter with revised tariff schedules for its Bear Valley Electric Service division that reflect the amortization and recovery of the General Office Allocation Memorandum Account (GOAMA) balance over a 24-month period. This filing shall comply with General Order 96-B. The revised tariff schedules shall be effective upon the effective date of the advice letter and will apply to services rendered on or after such effective date.
 11. The following will be added to D.09-10-028 as Ordering Paragraph #5: On or before December 1 of each year preceding 2010, 2011, and 2012, Golden State Water Company shall file a Tier 2 advice letter to implement the base rates adopted for years 2010, 2011, and 2012, as shown in Attachment C of the Settlement Agreement. These filings shall comply with General Order 96-B. To the extent that any base rate filed in these advice letters differs from that shown in Attachment C of the Settlement Agreement as a result of any changes approved by future Commission orders or decision, Golden State Water Company will include workpapers with the advice letters that show how the rate was

adjusted based on future changes adopted by the Commission. These revised tariff schedules shall be effective January 1 of each year in 2010, 2011, and 2012, and will apply to services rendered on or after the effective date.

12. Ordering Paragraph #1 in D.09-10-028 will be modified to read: The settlement between the Golden State Water Company and the Division of Ratepayer Advocates contained in Appendix A of this decision, which includes a revenue adjustment of \$4,810,500 for 2009, \$515,000 for 2010, \$209,000 for 2011, and \$168,000 for 2012, is approved. The settlement revenue requirement of \$17,023,300 for 2009, \$18,292,400 for 2010, \$18,841,200 for 2011, and \$19,449,600 for 2012 is approved.
13. The following will be added to D.09-10-028 as Ordering Paragraph #6: Golden State Water Company shall file its next general rate case application for its Bear Valley Electric Service division by January 31, 2012, for its next four-year rate cycle beginning with Test Year 2013 and thereafter have a rate case plan of filing for a general rate case every four years.
14. The following will be added to the last sentence at the end of the first paragraph on page 4 of D.09-10-028: After taking into account the phase-in plan, the Settling Parties agreed to revenue requirements for 2009-2012 for BVES of: \$17,023,300, \$18,292,400, \$18,841,200, and \$19,449,600, respectively.

(END OF ATTACHMENT A)