

Decision 12-03-048 March 22, 2012

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Golden State Water Company on behalf of its Bear Valley Electric Service Division (U913E), for Approval of Booked RPSMA Costs and Recovery of the Costs in Rates.

Application 11-06-002
(Filed June 1, 2011)

PROPOSED DECISION GRANTING BEAR VALLEY ELECTRIC SERVICE RECOVERY OF RENEWABLES PORTFOLIO STANDARD-RELATED COSTS AND ASSOCIATED INTEREST

1. Summary

This decision grants Bear Valley Electric Service, a division of Golden State Water Company:

- (A) Recovery of \$1,249,330 in incremental Renewables Portfolio Standard legal and outside service costs recorded in Bear Valley Electric Service Division's Renewables Portfolio Standard Memorandum Account (RPSMA) for the period September 1, 2007 through March 31, 2011;
- (B) Recovery of \$6,536 in interest costs recorded in the RPSMA for the period of September 1, 2007 through March 31, 2011; and
- (C) Recovery of interest costs accrued to the effective date of this decision in accordance with the interest calculation methodology approved in Bear Valley Electric Service Division's RPSMA.

2. Background

Bear Valley Electric Service (Bear Valley Electric), a division of Golden State Water Company, is a small electric utility providing service to approximately 21,500 full-time and part-time residents and approximately 1,400 commercial, industrial, or public-authority customers in the Big Bear Lake resort area in the San Bernardino Mountains. Bear Valley Electric, and its parent company, Golden State Water Company, have a very small number of professional, legal and technical staff and, as such, must rely upon outside attorneys and experts for, among other things, assisting with regulatory issues before the Commission and other regulatory agencies.

On June 1, 2011 Bear Valley Electric filed and served Application (A.) 11-06-002 seeking Commission approval of legal and outside service costs totaling \$1,249,330 booked into its Renewables Portfolio Standard Memorandum Account (RPSMA)¹ during the period September 1, 2007 through March 31, 2011, \$6,536 of accumulated interest booked through March 31, 2011, and interest costs accrued to the effective date of a Commission decision on this matter.²

Bear Valley Electric requests that the costs be recovered via a per kilowatt-hour

¹ Golden State Water Company filed Advice Letter 218-E on behalf of Bear Valley Electric on July 31, 2007 requesting approval to create a Preliminary Statement, Part R, RPSMA to record Renewables Portfolio Standard (RPS) legal and outside service costs associated with performing tasks related to advancing RPS goals. These costs are not currently in rates. Advice Letter 218-E was approved with an effective date September 1, 2007.

² Bear Valley Electric's Preliminary Statement, RPSMA states: "Interest shall be calculated on the average of the balance at the beginning of the month and the balance after entry 3 at a rate equal to one-twelfth of the interest rate on a three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication."

(kWh) surcharge amortized over one year. According to Bear Valley Electric, the one-year effect on a typical residential customer bill with average consumption of 450 kWh would be a monthly surcharge of \$3.74, or an approximate 3.09% increase over current rates. The surcharge, including interest through March 31, 2011, would be \$0.00830/kWh. In addition, Bear Valley Electric requests permission to implement the surcharge rates via a Tier 1 advice letter filed within 30 days of a decision regarding this application, and Bear Valley Electric requests that any over- or under-collection of the Commission's authorization for recovery be booked into the Base Rate Revenue Adjustment Mechanism.

Bear Valley Electric states that the legal and outside service costs are associated with performing tasks related to advancing the RPS program and goals including soliciting requests for proposals for RPS resources, undertaking RPS contract negotiations with BioEnergy Solutions, the filing of A.10-07-012 seeking approval of the BioEnergy Solutions contract, undertaking RPS contract negotiations with County Sanitation District No. 2 of Los Angeles County (LACSD), the filing of A.10-06-003 seeking approval of the LACSD contract, exploration and analysis of potential RPS resources/projects, modeling renewables integration into the Bear Valley Electric portfolio, exploration of the Big Bear Area Regional Authority In-Line Hydro Project, preparation of RPS compliance filings, undertaking general RPS-related activities, conducting legal research and analysis of RPS laws and decisions, submitting filings to the Commission regarding RPS issues, responding to audit letters from Golden State Water Company regarding RPS matters, and exploration of and participation in Commission proceedings regarding renewable energy credits.

3. Procedural History

Along with its application, Bear Valley Electric filed the prepared testimony of Tracey Drabant (in three separate volumes) and David Morse, which were identified and received into evidence via ruling on August 26, 2011. The Division of Ratepayer Advocates (DRA) filed and served a protest to Bear Valley Electric's application on July 5, 2011; however, due to an error in the caption of its filing, the protest was filed in an incorrect docket, A.11-06-001. DRA served its protest in this proceeding on July 12, 2011, along with a motion to late-file, which was granted via e-mail on July 13, 2011; however, due to a technical error, DRA's July 5, 2011 protest was never formally filed and therefore is not part of the record in this proceeding. On July 14, 2011, Bear Valley Electric submitted a reply to the protest of DRA, and on July 27, 2011, DRA formally withdrew its protest to the application; however, due to the above-mentioned technical error, neither Bear Valley Electric's reply nor DRA's withdrawal were received into the record. The failure to enter DRA's July 5, 2011 protest into the record accomplished DRA's goal of withdrawing its protest; therefore, no further action was taken by the Commission.

On August 10, 2011, Bear Valley Electric filed a Motion for Order Declaring No Hearing and Accepting Testimony Into Evidence. On August 31, 2011, assigned Administrative Law Judge (ALJ) Semcer issued a ruling granting the motion to identify and enter exhibits into evidence, but denying the motion for a declaration that hearings were not needed. A final ruling on the need for hearings is contained in this decision. On January 18, 2012, Bear Valley Electric filed a motion requesting to replace Exhibit 2, Testimony of Witness David Morse, with an updated version containing a corrected Appendix C-2. This motion is addressed below. A.11-06-002 is currently uncontested.

4. Discussion

We have reviewed the application, Exhibits 1 and 2 and the explanations provided, and conclude that the requested RPS-related costs booked into Bear Valley Electric's RPSMA (shown below) are reasonable, incremental, and should be recovered in rates. Furthermore, as provided for under Public Utilities Code Section 399.13(g), costs associated with A.10-07-012 seeking approval of the BioEnergy Solutions contract and A.10-06-003 seeking approval of the LACSD contract are deemed reasonable and shall be recovered in rates.³ A.10-07-012 was approved by Decision (D.) 11-06-023, and A.10-06-003 was approved by D.11-06-030. The approved costs are:

Bear Valley Electric Service RPS-Related Costs (September 1, 2007-March 31, 2011)

Line	Category	September 2007-December 2007	2008	2009	2010	January 2011-March 2011	Total
1	RPS Compliance Reports	\$3,130	\$10,690	\$24,150	\$59,716	\$23,855	\$121,451
2	General RPS Matters	\$7,634	\$25,141	\$8,441	\$7,496	\$9,774	\$58,486
3	RPS Research	\$0	\$578	\$36,651	\$23,006	\$0	\$60,235
4	RPS Regulatory Filings	\$1,880	\$6,286	\$1,553	\$173	\$0	\$9,891

³ Public Utilities Code Section 399.13(g) states: "Procurement and administrative costs associated with long-term contracts entered into by an electrical corporation for eligible renewable energy resources pursuant to this article and approved by the commission shall be deemed reasonable per se, and shall be recovered in rates."

Line	Category	September 2007-December 2007	2008	2009	2010	January 2011-March 2011	Total
5	Resource Planning Modeling	\$4,240	\$300	\$908	\$1,125	\$0	\$6,573
6	Renewables Requests for Proposals (RFP)	\$13,245	\$5,018	\$45	\$3,330	\$4,100	\$25,738 ⁴
7	Potential RPS Resources/ Projects	\$0	\$10,001	\$7,042	\$3,725	\$1,350	\$22,118
8	BioEnergy Contract Costs	\$0	\$6,062	\$56,354	\$53,229	\$5,185	\$120,830
9	BioEnergy Application Costs	\$0	\$0	\$41,623	\$256,892	\$41,245	\$339,759
10	LACSD Contract Costs	\$0	\$0	\$36,370	\$24,175	\$31,405	\$91,950
11	LACSD Application Costs	\$0	\$0	\$38,130	\$150,307	\$3,203	\$191,640
12	Response to Auditor Questions	\$0	\$0	\$855	\$5,682	\$305	\$6,842
13	In Line Hydro Project Costs	\$54,408	\$73,573	\$4,394	\$330	\$0	\$132,704

⁴ In Table 7 of A.11-06-002, the yearly costs presented associated with the four renewable RFPs do not equal a total of \$25,738 (the total in Table 7); however, in Exhibit 1, Volume 1 Bear Valley Electric presents different numbers that do total \$25,738. We assume that Bear Valley Electric made an error in its application and use the numbers presented in Table 1 of Exhibit 1, Volume 1 in our analysis.

Line	Category	September 2007- December 2007	2008	2009	2010	January 2011- March 2011	Total
14	RECs Issues Costs	\$5,810	\$6,199	\$5,313	\$39,301	\$4,401	\$61,024
15	Sub-Total	\$90,347	\$143,847	\$261,829	\$628,486	\$124,822	\$1,249,330
16	Interest						\$6,536
17	Grand Total						\$1,225,866

We further find that Bear Valley Electric's methodology for calculating interest costs is reasonable and Bear Valley Electric should recover \$6,535 in interest costs recorded in the RPSMA for the period of September 1, 2007 through March 31, 2011. Finally, we find that Bear Valley Electric should recover interest accrued through the effective date of this decision calculated according to the methodology adopted in its RPSMA.

Bear Valley Electric requests that the \$1,255,866 of incremental, legal and outside costs associated with performing RPS-related tasks booked into the RPSMA, including accumulated interest, for the period September 1, 2007 through March 31, 2011, plus the interest accrued through the effective date of this decision be recovered through a per kWh surcharge, amortized over one year. While we acknowledge that the additional surcharge on Bear Valley Electric customer bills is significant, representing an approximate 3.09% increase over current rates, nothing in the record before us suggests that we should approve a different cost recovery methodology or timeframe. Furthermore, pursuant to Rule 3.2(c) and 3.2(d) of the Commission's Rule of Practice and Procedure, Bear Valley Electric properly notified customers of the proposed rate increase. Therefore, Bear Valley Electric is authorized to recover the above-discussed RPS-related costs and interest through a per kWh surcharge,

amortized over one year. Bear Valley Electric must file a Tier 1 advice letter within 30 days of the effective date of this decision implementing the surcharge in rates.

Finally, Bear Valley Electric requests that any over- or under-collection of the Commission's authorization for recovery of RPS-related costs per this application be booked into the Base Rate Revenue Adjustment Mechanism. According to the testimony of Witness Morse in Exhibit 2 at 3, "this will protect customers if there is an over-collection of revenues and protect [Bear Valley Electric] if there is an under-collection of revenues. If [Bear Valley Electric] is not granted authorization to transfer funds to the [Base Rate Revenue Adjustment Mechanism], any under- or over-collection of revenues would needlessly stay unamortized and would collect interest in the RPSMA for many years." We agree with Morse's conclusions and authorize Bear Valley Electric to transfer any over- or under-collection of revenues associated with the recovery of RPS-related costs and interest for the period September 1, 2007-March 31, 2011, plus interest costs accrued to the effective date of this decision to the Base Rate Revenue Adjustment Mechanism.

5. Motion to Identify and Enter Exhibit Into Evidence

On January 18, 2012, Bear Valley Electric filed a motion requesting to replace Exhibit 2, Testimony of Witness David Morse, with a revised Exhibit 2 containing corrected workpapers. Specifically, Bear Valley Electric wishes to replace the original Appendix C-2, which incorrectly pertained to a different proceeding, with the corrected, pertinent workpapers pertaining to the calculation of interest charges in this application. These updated workpapers are necessary in conducting a thorough analysis of this application; therefore, Bear Valley Electric's January 18, 2012 motion is granted. The updated Testimony of

Witness David Morse on Recovery of Renewables Portfolio Standard Memorandum Account: Interest Charges and Amortization Request is identified as Exhibit 2 (replacing the previously identified Exhibit 2) and received into evidence on January 18, 2012.

6. Categorization and Need for Hearing

In Resolution ALJ 176-3275, dated, June 9, 2011, the Commission preliminarily categorized this Application as Ratesetting and preliminarily determined that hearings were necessary. Although DRA initially protested the application, DRA withdrew its protest. Given the status, public hearings are not necessary and the preliminary determinations made in ALJ Resolution 176-3275 regarding hearings should be changed. The preliminary categorization of Ratesetting should be upheld. Furthermore, pursuant to Rule 7.3(b), as this is an uncontested matter and no hearing is necessary, no scoping memo was issued.

7. Comments on Proposed Decision

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 comment period for public review and comment is waived.

8. Assignment of Proceeding

Catherine J.K. Sandoval is the assigned Commissioner and Melissa K. Semcer is the assigned ALJ in this proceeding.

Findings of Fact

1. Bear Valley Electric Service, a division of Golden State Water Company, is a small electric utility providing service to approximately 21,500 full-time and

part-time residents and approximately 1,400 commercial, industrial, or public-authority customers in the Big Bear Lake resort area in the San Bernardino Mountains.

2. Bear Valley Electric, and its parent company, Golden State Water Company, have a very small number of professional, legal and technical staff and, as such, must rely upon outside attorneys and experts for, among other things, assisting with regulatory issues before the Commission and other regulatory agencies.

3. Bear Valley Electric incurred \$1,249,330 of incremental RPS-related legal and outside service costs during the period September 1, 2007 through March 31, 2011.

4. Bear Valley Electric incurred \$6,536 of interest during the period September 1, 2007 through March 31, 2011.

5. Bear Valley Electric has accrued additional interest from March 31, 2011 through the effective date of this decision.

6. Bear Valley Electric's Advice Letter 218-E, effective September 7, 2007, adopted Bear Valley Electric's RPSMA and a methodology for calculating accrued interest.

7. The above costs, including interest accrued through March 31, 2011, amortized over one year represent a per kilowatt-hour surcharge of \$0.00830.

8. The one-year effect on a typical residential customer bill with an average consumption of 450 kWh would be a monthly surcharge of \$3.74 or an approximate 3.09% increase over current rates.

9. D.11-06-023 approved the RPS-eligible contract between Bear Valley Electric and BioEnergy Solutions and D.11-06-003 approved the RPS-eligible contract between Bear Valley Electric and LACSD.

10. If left in the RPSMA, any over- or under-collection of RPS-related costs approved in this application would stay unamortized and would collect interest for many years.

11. On August 31, 2011, Bear Valley Electric's original Exhibit 2 was identified and received into evidence. Bear Valley Electric's original Exhibit 2 contained an incorrect Appendix C-2.

Conclusions of Law

1. The \$1,249,330 in incremental RPS legal and outside service costs recorded in the RPSMA for the period September 1, 2007-March 31, 2011 are reasonable.

2. The \$6,536 in interest costs recorded in the RPSMA for the period of September 1, 2007 through March 31, 2011 are reasonable.

3. It is reasonable for Bear Valley Electric to recover interest accrued in its RPSMA through the effective date of this decision.

4. As provided for under Public Utilities Code Section 399.13(g), costs associated with seeking approval of the BioEnergy Solutions contract A.10-07-012 and the LACSD contract A.10-06-003 are deemed reasonable and shall be covered in rates. A.10-07-012 was approved by D.11-06-023, and A.10-06-003 was approved by D.11-06-030.

5. The approved methodology for calculating accrued interest in Bear Valley Electric's RPSMA should be used to calculate interest accrued through the effective date of this decision.

6. It is reasonable for Bear Valley Electric to recover RPS-related costs for the period September 1, 2007-March 31, 2011, plus accrued interest through the effective date of this decision, via a per kWh surcharge amortized over one year.

7. Customers were properly noticed of the proposed rate increase pursuant to Rules 3.2(c) and 3.2(d).

8. The appropriate mechanism for implementing the per kWh surcharge associated with recovering RPS-related costs for the period September 1, 2007-March 31, 2011, including interest accrued to the effective date of this decision is via a Tier 1 advice letter.

9. It is reasonable for Bear Valley Electric to book any over- or under-collection or approved RPS-related costs into the Base Rate Revenue Adjustment Mechanism.

10. It is reasonable to grant Bear Valley Electric's motion to replace its original Exhibit 2 with the corrected Exhibit 2 containing an updated and corrected Appendix C-2.

11. There are no disputed issues of fact; therefore, no hearings are necessary in this proceeding.

12. Application 11-06-002 should be closed.

O R D E R

IT IS ORDERED that:

1. Bear Valley Electric Service, a division of Golden State Water Company, is authorized to recover \$1,249,330 in incremental Renewables Portfolio Standard legal and outside service costs recorded in the Renewables Portfolio Standard Memorandum Account for the period September 1, 2007-March 31, 2011.

2. Bear Valley Electric Service, a division of Golden State Water Company, is authorized to recover \$6,536 in interest costs recorded in the Renewables Portfolio Standard Memorandum Account for the period September 1, 2007-March 31, 2011.

3. Bear Valley Electric Service, a division of Golden State Water Company, is authorized to recover interest accrued until the effective date of this decision

using the interest calculation methodology approved in its Renewables Portfolio Standard Memorandum Account.

4. Bear Valley Electric Service, a division of Golden State Water Company is authorized to recover the \$1,249,330 of incremental legal and outside costs and the \$6,536 in interest costs (totaling \$1,255,866) associated with performing tasks relating to meeting its Renewables Portfolio Standard goals plus accumulated interest to the effective date of this decision via a per kilowatt-hour surcharge, amortized over one year.

5. Bear Valley Electric Service, a division of Golden State Water, must file a Tier 1 advice letter to implement the per kilowatt-hour surcharge within thirty (30) days of the effective date of this decision.

6. Bear Valley Electric Service, a division of Golden State Water, must book any over- or under-collection of the cost recovery authorization pursuant to this decision into the Base Rate Revenue Adjustment Mechanism.

7. The corrected testimony of Bear Valley Electric Service Witness David Morse on Recovery of Renewables Portfolio Standard Memorandum Account: Interest Charges and Amortization Request is Identified as Exhibit 2 (replacing the original Exhibit 2) and received into evidence on January 18, 2012.

8. A hearing is not needed in this proceeding.

9. Application 11-06-002 is closed.

This order is effective today.

Dated March 22, 2012, at San Francisco, California.

MICHAEL R. PEEVEY

President

TIMOTHY ALAN SIMON

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK J. FERRON

Commissioners