

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



February 24, 2015

**Advice Letter 297-E**

Nguyen Quan  
Manager, Regulatory Affairs  
Golden State Water Company  
630 East Foothill Boulevard  
San Dimas, CA 91773

**Subject: Request to Recover the Actual Costs of Shell RA Capacity Agreement Pursuant to D.14-12-003**

Dear Mr. Quan:

Advice Letter 297-E is effective as of January 15, 2015.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph  
Director, Energy Division

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

**MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)**

Company name/CPUC Utility No. Golden State Water Company (DBA Bear Valley Electric Service)/ 913-E

Utility type:

ELC       GAS  
 PLC       HEAT     WATER

Contact Person: Ronald Moore

Phone #: (909) 394-3600 ext. 682

E-mail: rkmoore@gswater.com

**EXPLANATION OF UTILITY TYPE**

ELC = Electric      GAS = Gas  
PLC = Pipeline      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 297-E

Subject of AL: Request to Recover the Actual Costs of Shell RA Capacity Agreement Pursuant to Decision D. 14-12-003

Keywords (choose from CPUC listing): Compliance

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.14-12-003

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: N/A

Resolution Required? No

Tier Designation 1

Requested effective date: January 15, 2015

No. of tariff sheets: 0

Estimated system annual revenue effect (%): None

Estimated system average rate effect (%): None

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed<sup>1</sup>: None

Pending advice letters that revise the same tariff sheets: None

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

**CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Ave.,  
San Francisco, CA 94102  
[EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)**

**Golden State Water Company  
Attention: Ronald Moore  
Regulatory Affairs  
630 E. Foothill Blvd.,  
San Dimas, CA 91773  
[rkmoore@gswater.com](mailto:rkmoore@gswater.com)**

<sup>1</sup> Discuss in AL if more space is needed.



January 15, 2015

**REDACTED**

**Advice Letter No. 297-E**

**(U 913-E)**

## **California Public Utilities Commission**

Attention: Energy Division  
Advice Letter Filings Room 4005

***Subject: Request to Recover the Actual Costs of Shell RA Capacity Agreement Pursuant to Decision D. 14-12-003***

### **Introduction**

Golden State Water Company ("GSWC"), on behalf of its Bear Valley Electric Service ("BVES") division, hereby transmits for filing an original and two conformed copies of two contractual agreements with Shell Energy North America (US) L.P. ("Shell") and associated benchmark prices in accordance with the California Public Utilities Commission ("Commission") Decision ("D.") 14-12-003.

### **Purpose**

BVES is seeking approval to recover the actual costs resulting from a contractual agreement with Shell in compliance with Ordering Paragraphs ("OP") Nos. 4, 5 and 6 in D.14-12-003.

### **Background**

BVES purchases nearly all of its energy and capacity requirements in the unregulated wholesale market, primarily through long-term power purchase agreements ("PPAs"). BVES most recently used its 2012-2017 Integrated Resource Plan ("IRP") as the primary document for planning, evaluating and acquiring resources to meet the anticipated energy requirements of its customers.<sup>1</sup> On June 28, 2013, BVES filed Application ("A").13-06-018 requesting pre-approval of four proposed PPAs<sup>2</sup> with EDF Trading North America LLC ("EDF") and Shell (excluding prices), and approval of an executed, enabling Master Agreement with EDF. BVES also requested authority to subsequently submit final, executed PPAs (including prices) by Advice Letter along with price reasonableness benchmark prices to determine the price reasonableness of the executed PPAs.

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<sup>1</sup> D.14-12-003 at p. 6.

<sup>2</sup> BVES referred to these PPAs as "confirmations" throughout the BVES Application. D.14-12-003 at page 9. The terms "PPAs" and "confirmations" in this Advice Letter filing are intended to be synonymous.

OP No. 3 of D.14-12-003 approved the Master Agreement with EDF.<sup>3</sup> In addition, OP No. 4 of D.14-12-003 pre-approved the forms of the EDF and Shell PPAs (excluding prices), requiring BVES to file the final executed PPAs by Advice Letter filings. It stated:

*The EDF Trading North America, LLC and Shell Energy North America, L.P. Power Purchase Agreements with Bear Valley Electric Service are preapproved subject to filing of the final, executed agreements and approval by Advice Letter.*<sup>4</sup>

Table 1 below, which is set forth in D.14-12-003<sup>5</sup>, provides the terms and characteristics of the four product types of the EDF and Shell PPAs pre-approved by the Commission.

**Table 1**

<b>Bear Valley – EDF and Shell Agreements</b>			
Resource Type	Term	Capacity	Expected Deliveries
<b>Product 1. Annual Baseload</b>			
Firm Energy	59 months	12 Megawatts (MW)	24/7 annual
<b>Product 2. Seasonal Baseload</b>			
Firm Energy	36 months	7 MW Dec., January, February 5 MW November	24/7 annual
<b>Product 3. Peak Call Option</b>			
Firm Energy (Daily Physical Call Option)	36 months	Up to 7 MW January through March  Up to 3 MW April through October	16 MWh/day  16 MWh/day
<b>Product 4. System RA Capacity</b>			
Firm, shaped	59 months	Monthly forecasted requirements varying by month and year	Varying

In Finding of Facts No. 9 of D.14-12-003, the Commission noted that “BVES used commercially-available but proprietary relevant market information data to develop a price reasonableness benchmark and proposed that this be used as the standard to judge the final, executed PPAs for

<sup>3</sup> D.14-12-003 at p. 26.

<sup>4</sup> D.14-12-003.

<sup>5</sup> Id. at p. 10.

which it sought pre-approval in this proceeding.” In OP No. 5 of D.14-12-003, the Commission approved of BVES’ proposed benchmark pricing when it stated:

*The Phase 1 Price Reasonableness Benchmark process is approved for use in review of Bear Valley Electric Service’s filed Advice Letters for approval of the final, executed Power Purchase Agreements pre-approved in today’s decision.*

The Commission granted BVES’ request for authorization to use a Tier 1 Advice Letter filing to recover the actual costs from the Shell and EDF PPAs, provided that the final executed agreements are consistent with the pre-approved agreements and the prices are equal to or lower than the price reasonableness benchmark. OP No. 6 of D.14-12-003 states as follows:

*Golden State Water Company’s Bear Valley Electric Service Division may file a Tier 1 Advice Letter to recover the actual costs of energy and capacity delivered to retail customers pursuant to the Shell Energy North America (US) L.P. or EDF Trading North America, LLC agreements pre-approved today if the final, executed agreements are consistent with today’s decision and the final, executed agreement prices are equal to or lower than the price reasonableness benchmark calculated using the methodology adopted in this decision. If the prices in the final, executed agreements are equal to or below the properly calculated price reasonableness benchmark, those prices will be reasonable per se.*

### **Three of the Pre-Approved PPAs Have Been Executed and Filed Using A Tier 1 Advice Letter**

On December 9, 2014, BVES executed three of the four pre-approved PPAs. The three executed PPAs relate to the product categories of annual energy base load, seasonal energy base load and physical call option. On December 22, 2014, these three executed PPAs were submitted to the Commission for approval via Advice Letter No. 296-E.

### **Fourth Pre-Approved PPA Has Been Executed**

On January 9, 2015, BVES executed the last of the four pre-approved PPAs. This PPA relates to the product category of System RA Capacity. It was necessary to obtain System RA Capacity from two different power plants during the 59-month term of the Shell RA Capacity PPA preapproved by the Commission in D.14-12-003. Accordingly, two separate confirmations were executed, one for each power plant. Copies of the two executed confirmations for System RA Capacity are attached hereto as Appendix A.

### **Applicable Reasonableness Benchmark Prices**

In D.14-12-003, the Commission directed BVES “to provide the most recent, relevant commercially available market forecasts for energy and capacity together with the final executed, negotiated prices for PPA approved in today’s decision.”<sup>6</sup> The most recent available market forecasts for the executed Shell System RA Capacity PPA, using the price reasonableness benchmark methodology approved by the Commission in D.14-12-003, are attached hereto as Appendix B.

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<sup>6</sup> D.14-12-003 at pp. 15-16.

**Executed PPA Price Is Less Than Applicable Reasonableness Benchmark Prices**

The prices for the Shell System RA Capacity PPA and their respective reasonableness benchmark prices are presented in Appendix C.

As shown in Appendix C, the prices for the executed Shell System RA Capacity PPA are below their respective benchmark prices. OP No. 6 of D.14-12-003 provides that “If the prices in the final, executed agreements are equal to or below the properly calculated price reasonableness benchmark, those prices will be reasonable per se.”<sup>7</sup> Accordingly, the prices of the attached executed confirmations for System RA Capacity PPA with Shell are reasonable, and the actual costs of such executed confirmations are authorized to be recovered by BVES pursuant to OP No. 6 of D. 14-12-003.

**Tier Designation and Effective Date**

In compliance with OP No. 6 in D.14-12-003, this Advice Letter is submitted with a Tier 1 designation and that it be deemed effective on January 15, 2015.

**Notice and Protests**

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties to service list A.13-06-018 by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

A protest is a document objecting to the granting in whole or in part of the authority sought in this advice letter.

A response is a document that does not object to the authority sought, but nevertheless presents information that the party tendering the response believes would be useful to the CPUC in acting on the request.

A protest must be mailed within 20 days of the date the CPUC accepts the advice letter for filing. The Calendar is available on the CPUC's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

A protest must state the facts constituting the grounds for the protest, the effect that approval of the advice letter might have on the protestant, and the reasons the protestant believes the advice letter, or a part of it, is not justified. If the protest requests an evidentiary hearing, the protest must state the facts the protestant would present at an evidentiary hearing to support its request for whole or partial denial of the advice letter. The utility must respond to a protest with five days.

**All protests and responses should be sent to:**

California Public Utilities Commission, Energy Division

ATTN: Tariff Unit

505 Van Ness Avenue

San Francisco, CA 94102

E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

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<sup>7</sup> Id. at p.27.

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

**Copies of any such protests should be sent to this utility at:**

Golden State Water Company  
ATTN: Nguyen Quan  
630 East Foothill Blvd.  
San Dimas, CA 91773  
Fax: 909-394-7427  
E-mail: nquan@gswater.com

If you have not received a reply to your protest within 10 business days, contact Ronald Moore at (909) 394-3600 ext. 682.

**Correspondence**

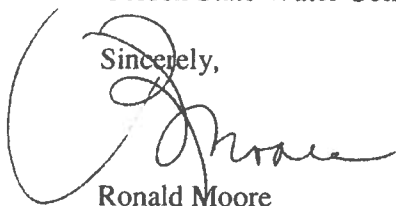
Any correspondence regarding this compliance filing should be sent by regular mail or e-mail to the attention of:

Ronald Moore  
Regulatory Affairs  
Golden State Water Company  
630 East Foothill Blvd.  
San Dimas, California 91773  
Email: rkmoore@gswater.com

The protest shall set forth the grounds upon which it is based. There is no restriction on who may file a protest.

In accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice letter filing open for public inspection at Bear Valley Electric Service and Golden State Water Company Headquarters.

Sincerely,



Ronald Moore  
Regulatory Affairs Dept.  
Golden State Water Company

**Attachments**

c: Edward Randolph, Director, CPUC- Energy Division  
Donald Lafrenz, CPUC- Energy Division  
R. Mark Pocta, Office of Ratepayer Advocates  
Service List A.13-06-018

**APPENDIX A**  
**CONFIDENTIAL**



**APPENDIX B**  
**CONFIDENTIAL**

**APPENDIX C**  
**CONFIDENTIAL**

**GOLDEN STATE WATER COMPANY**

**DISTRIBUTION LIST**

**BEAR VALLEY ELECTRIC DIVISION**

Big Bear City Community Services Dist  
P. O. Box 558  
Big Bear City, CA 92314

City Clerk  
City of Big Bear Lake  
P. O. Box 2800  
Big Bear Lake, CA 92315

City Attorney  
City of Big Bear Lake  
P. O. Box 2800  
Big Bear Lake, CA 92315

County Clerk  
County of San Bernardino  
385 N. Arrowhead Ave., 2<sup>nd</sup> Floor  
San Bernardino, CA 92415-0140

County Counsel  
County of San Bernardino  
385 N. Arrowhead Ave., 4<sup>th</sup> Floor  
San Bernardino, CA 92415-0140

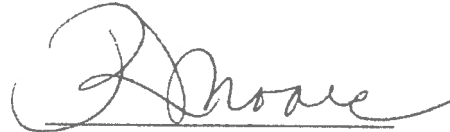
Dave Morse, Project Manager  
2436 Rivendell Lane  
Davis, CA 95616  
[demorse@omsoft.com](mailto:demorse@omsoft.com)

Brent Tregaskis  
Bear Mountain Resort  
PO Box 77  
Big Bear Lake, CA 92315

**CERTIFICATE OF SERVICE**

I hereby certify that I am an employee of Golden State Water Company (doing business as Bear Valley Electric Service) and on this 15th day of January 2015, I served each party on the CPUC website listed in Docket No. R.13-06-018, a copy of Golden State Water Company's Advice Letter 297-E (Redacted version), via electronic mail. U. S. Mail will be used if electronic service cannot be effectuated.

Executed on January 15, 2015, at San Dimas, California.

A handwritten signature in black ink, appearing to read "R Moore", written over a horizontal line.

Ronald Moore

**Proceeding: A1306018 - GOLDEN STATE WATER C**  
**Filer: Golden State Water Company**  
**List Name: LIST**  
**Last changed: December 4, 2014**

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### **Parties**

KEITH SWITZER  
MANAER - TARIFFS & SPECIAL PROJECTS  
GOLDEN STATE WATER COMPANY  
630 EAST FOOTHILL BOULEVARD  
SAN DIMAS, CA 91773-9016  
FOR: GOLDEN STATE WATER COMPANY

### **Information Only**

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MCKENNA LONG & ALDRIDGE LLP  
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EMAIL ONLY, CA 00000

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### **State Service**

JOANNA GUBMAN  
REGULATORY ANALYST  
CPUC - PROCUREMENT ADEQUACY & OVERSIGHT  
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DIVISION OF ADMINISTRATIVE LAW JUDGES  
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JULIE A. FITCH  
CALIF PUBLIC UTILITIES COMMISSION  
EXECUTIVE DIVISION  
ROOM 5214  
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