



July 15, 2011

Advice Letter No. 255-E

(U 913-E)

## California Public Utilities Commission

Attention: Energy Division  
Advice Letter Filings Room 4005

Golden State Water Company ("GSWC") hereby transmits for filing an original and four conformed copies of the following tariff sheets applicable to its Bear Valley Electric Service ("BVES") district:

CPUC Sheet No.  
Original No. 1926-E

Title of Sheet  
Preliminary Statements  
Part X

Canceling  
CPUC Sheet No.

Revised No. 1927-E

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Page 1 of 2

Revised No. 1925-E

**Subject: Establishment of the Power Purchase Agreement Memorandum Account, pursuant to Decision No. 11-06-030**

### Purpose

BVES is seeking approval to establish a new non-interest bearing memorandum account to record the unrealized gains and losses otherwise imputed to the Los Angeles County Sanitation Power Purchase Agreement ("PPA") as a consequence of complying with the Financial Account Standards Board's Statement of Financial Accounting Standards No. 133. This advice letter filing is in compliance with Ordering Paragraph No. 6 in California Public Utilities Commission ("Commission") Decision ("D.") 11-06-030, which states,

*6. Bear Valley shall establish a non-interest bearing memorandum account to record refunds or under-collections to offset the unrealized gains or losses of the Power Purchase Agreement with Los Angeles County Sanitation District No. 2, created by the financial reporting impacts of the Financial Account Standards Board's Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities."*

This advice filing modifies BVES' Preliminary Statement to add, Part X, Power Purchase Agreement Memorandum Account ("PPAMA").

### **Regulatory Affairs**

630 E. Foothill Blvd., San Dimas, CA 91773

Tel: (909) 394-3600 Fax: (909) 394-7427

BVES will track, solely for financial reporting purposes during the life of the PPA, any unrealized gains or losses on the outstanding balance of the contract and record either an offsetting "refund" to ratepayers of an imputed market gain or an under collection of an imputed market loss. During the contract performance, BVES will record and recover only its actual costs under the terms of the contract for energy delivered to retail customers.

### **Background**

On June 8, 2010, GSWC filed Application ("A.") 10-06-003. Pursuant to Sections 451 and 701 of the California Public Utilities Code, D.08-05-029, and Article 2 of the California Public Utilities Commission's (the "Commission") Rules of Practice and Procedure, GSWC, on behalf of BVES, submitted A. 10-06-003 for Commission approval of a Renewables Portfolio Standard ("RPS") eligible PPA. In D. 08-05-029, the Commission ordered BVES to seek approval of any contracts for the procurement of RPS-eligible energy by application, rather than by advice letter, as long as any cap on BVES' electricity charge remains in effect. The PPA is for a ten-year term between GSWC and the County Sanitation District No. 2 of Los Angeles ("LACSD") for landfill gas-generated electricity.

LACSD operates the Palos Verdes Landfill, where it has owned and operated a landfill gas-to-energy facility for over 20 years ("Project"). The Project currently produces approximately 2.4 megawatts ("MW") of energy per hour.

BVES issued Request for Proposals ("RFPs") in years 2006, 2007 and 2008, which did not result in any viable bids. BVES also tried utilizing a bilateral approach to obtain RPS energy. The PPA is the result of bilateral negotiations between BVES and LACSD. The levelized contract price of \$110/MWh is above the 2009 market price referent ("MPR") of \$84.48/MWh for a 10-year contract with a commercial online date of 2010. On June 23, 2011, the Commission issued D.11-06-030, which granted GSWC's A.10-06-003.

There is no cost information required for this filing.

### **Memorandum Account Treatment**

GSWC is aware that a memorandum account is not a guarantee of eventual recovery of expenses. It is carried "off the books", as a memorandum account. Further, it is also known that Commission policy on memorandum account treatment has always been that the burden of proof of the reasonableness of expenses charged to the account is the responsibility of the utility requesting reimbursement of such expenses.

**Tier Designation and Effective Date**

In compliance with Ordering Paragraph No. 8 in D.11-06-030, this advice letter is submitted with a Tier 2 designation and BVES requests that the PPAMA be made effective on August 14, 2011.

**Notice and Protests**

A copy of this filing has been served on the utilities and interested parties shown on the attached list 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: [ijnj@cpuc.ca.gov](mailto:ijnj@cpuc.ca.gov) or Maria Salinas ([mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov))

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

July 15, 2011

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

Golden State Water Company

ATTN: Ronald Moore

630 East Foothill Blvd.

San Dimas, CA 91773

Fax: 909-394-7427

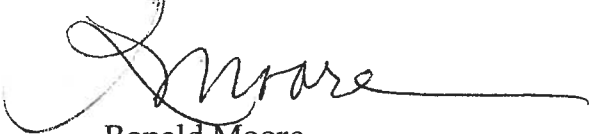
E-mail: [rkmoore@gswater.com](mailto:rkmoore@gswater.com)

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

No individuals or utilities have requested notification of filing of tariffs. In accordance with General Order 96-B, a copy of this advice letter is being furnished to the entities listed on the attached service list.

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 yours,



Ronald Moore

Senior Regulatory Analyst, Regulatory Affairs

c: Julie Fitch, Chief  
CPUC- Energy Division

Donald Lafrenz  
CPUC- Energy Division

R. Mark Pocta  
CPUC - Division of Ratepayer Advocates

**PRELIMINARY STATEMENT**

(Continued)

**X. POWER PURCHASE AGREEMENT MEMORANDUM ACCOUNT ("PPAMA") (N)**

**1. Purpose**

The purpose of the PPAMA is to record refunds or under-collections to offset the unrealized gains or losses of the Power Purchase Agreement with Los Angeles County Sanitation District No. 2, created by the financial reporting impacts of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities."

**2. Applicability**

The PPAMA does not have a rate component and is non-interest bearing.

**3. Accounting Procedure**

GSWC shall maintain the PPAMA by making entries at the end of each month as follows:

- a. A debit (undercollection) entry shall be made each month to offset the unrealized gain or loss from the agreements created by FASB SFAS No. 133.

**4. Account Disposition**

GSWC shall request the recovery of the balance in the PPAMA in a future regulatory proceeding proceeding, as directed by the Commission.

(N)

ISSUED BY

**R. J. SPROWLS**  
President

Date Filed: \_\_\_\_\_

Effective Date: \_\_\_\_\_

Resolution No. \_\_\_\_\_

Advice Letter No. 255-E  
Decision No. 11-06-030

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**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

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