

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

ENERGY DIVISION

RESOLUTION E-4232  
February 20, 2009

**R E S O L U T I O N**

Resolution E-4232. Golden State Water Company requests the Commission's approval to exempt it from the long term procurement plan requirements set forth in Public Utilities Code Section 454.5.

By Advice Letter 224-E Filed on August 22, 2008.

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**SUMMARY**

**This Resolution approves Golden State Water Company's (GSWC) request for exemption from the long term electric procurement plan requirements set forth in Public Utilities Code Section 454.5 for its Bear Valley Service Electric Service (BVES) Division.**

By Advice Letter 224-E filed on August 22, 2008, GSWC requests the Commission's approval to exempt its BVES Division from the long term electric procurement plan requirements set forth in Public Utilities Code Section 454.5. This Resolution approves GSWC's request.

**BACKGROUND**

**This Resolution approves Golden State Water Company's (GSWC) request for exemption from the long term electric procurement plan (LTPP) requirements set forth in Public Utilities Code Section 454.5 for its Bear Valley Service Electric Service (BVES) Division.**

By Advice Letter 224-E filed on August 22, 2008, GSWC requests the Commission's approval to exempt its BVES Division from the long term electricity procurement plan requirements set forth in Public Utilities Code Section 454.5. This Resolution approves GSWC's request.

**Section 454.5**

Under Public Utilities Code Section 454.5, each electric utility is required to file a proposed electricity procurement plan for the Commission to review and adopt. Section 454.5 specifies that the plan shall include, but is not limited to all of the following:

- An assessment of the price risk associated with the corporation's portfolio for obtaining power.
- The duration of the plan;
- The timing and quantities to be procured;
- A competitive procurement process;
- An incentive mechanism;
- The standards and criteria for rate recovery;
- The procedures for updating the procurement plan;
- A showing that the procurement plan will meet specified goals, including renewable resources;
- A risk management policy, strategy, and practices;
- A plan to achieve increases in diversity ownership and fuel supply, and,
- A mechanism for recovery of administrative costs related to procurement.

Section 454.5(i) states that an electrical corporation serving fewer than 500,000 customers in California may file a request for exemption from this section. The Commission may grant the request upon accepting the utility's showing of good cause. Ordering paragraph 2 in Decision 03-07-011 further clarifies that a utility may file such requests by an advice letter.

**NOTICE**

Pursuant to ordering paragraph 2 of Decision 03-07-011, an eligible electric utility seeking exemption from Section 454.5 by an advice letter shall serve notice on all parties to Rulemaking 01-10-024. GSWC mailed a copy of AL 224-E to all parties on or about August 22, 2008.

## **PROTESTS**

Advice Letter 224-E was not protested.

## **DISCUSSION**

**BVES is eligible to apply for exemption and has adequately demonstrated good cause for the exemption.**

As an electric utility that serves approximately 21,000 full-time and part-time residents and approximately 1,400 commercial, industrial, or public-authority customers in California, BVES meets the eligibility threshold to apply for exemption from the requirements of Section 454.5. In deciding whether to grant the exemption, the Commission bases its evaluation on the utility's sufficient showing of good cause.

BVES asserts that it warrants exemption by presenting four key arguments. First, BVES argues that "unlike other electrical corporations in California, BVES neither requested nor required DWR (Department of Water Resources) to purchase power on behalf of BVES. Accordingly, no portion of DWR's power contract costs was allocated by the Commission to BVES, and BVES never ceased to procure or to provide power to meet its load requirements."

Secondly, BVES cites the disproportionately large burden on resources that a small utility such as BVES would face in order to comply with the requirements of Section 454.5.

Thirdly, BVES argues that the Legislature's clear intent as set forth in Section 454.5(i) was to exempt smaller utilities from the requirements of Section 454.5.

Fourthly, BVES argues that one of the purposes of Section 454.5, particularly Section 454.5(d), is to "streamline the power procurement approval process" by eliminating "the need for after-the-fact reasonableness reviews of the IOU's actions performed consistent with their approved procurement plan." BVES argues that, while participating in a LTPP would streamline the procurement process for the larger utilities, doing so would have the opposite effect for BVES since it "would not be seeking Commission approval for multiple contracts."

The Commission finds BVES to have adequately demonstrated good cause to warrant exemption and therefore recommends that BVES be granted exemption from the requirements of Section 454.5.

**COMMENTS**

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Public Utilities Code Section 311 (g)(2), the otherwise 30-day period for public review and comment is being waived.

**FINDINGS**

1. Golden State Water Company's Bear Valley Electric Service Division is qualified to apply for exemption from the long term procurement plan requirements set forth in Public Utilities Code Section 454.5.
2. Golden State Water Company's Bear Valley Electric Service Division has demonstrated good cause to be exempted from the long term procurement plan requirements as set forth in Public Utilities Code Section 454.5.

**THEREFORE IT IS ORDERED THAT:**

1. Golden State Water Company's Bear Valley Electric Service Division is hereby exempted from the long term procurement plan requirements set forth in Public Utilities Code Section 454.5.

This Resolution is effective today.

February 20, 2009

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on February 20, 2009; the following Commissioners voting favorably thereon:

/s/ Paul Clanon  
Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
PRESIDENT  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
TIMOTHY ALAN SIMON  
Commissioners



August 22, 2008

Advice Letter No. 224-E

(U 913 E)

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**  
**ENERGY DIVISION**

Golden State Water Company ("GSWC") hereby transmits for filing an original and six copies of the following request for an exemption from Public Utilities Code Section ("Section") 454.5<sup>1</sup> for its Bear Valley Electric Service ("BVES") Division.

**Subject**

BVES seeks an exemption from the long term procurement plan ("LTPP") requirements set forth in Section 454.5.

**Authority for Exemption**

Section 454.5(i) provides that an electrical corporation that serves less than 500,000 customers in California may file a request for exemption from Section 454.5. The request may be granted upon a showing of good cause. Pursuant to D.03-07-011, eligible utilities are allowed to request an exemption by filing an advice letter. BVES serves approximately 21,500 full-time and part-time residents and approximately 1,400 commercial, industrial, or public-authority customers in California. In fact, BVES is one of the smallest investor-owned utilities ("IOUs") in California. Therefore, it is qualified to request an exemption pursuant to Section 454.5(i).

**Requirements of Section 454.5**

Section 454.5 requires the Commission to allocate electricity provided by the Department of Water Resources ("DWR") under its power purchase agreements to the customers of a number of California electrical corporations. Unless granted an exemption, each electrical corporation is required to file a proposed procurement plan after the Commission specifies the allocation of electricity.

Section 454.5 specifies that the plan shall include, but is not limited to all of the following:

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<sup>1</sup> All statutory references in this Advice Letter are to California Public Utilities Code, except as otherwise noted.

- An assessment of the price risk associated with the corporation's portfolio or obtaining power;
- The duration of the plan;
- The timing and quantities to be procured;
- A competitive procurement process;
- An incentive mechanism;
- The standards and criteria for rate recovery;
- The procedures for updating the procurement plan;
- A showing that the procurement plan will meet specified goals, including renewable resources;
- A risk management policy, strategy, and practices;
- A plan to achieve increases in diversity of ownership and fuel supply, and;
- A mechanism for recovery of administrative costs related to procurement.

The Commission has noted that Section 454.5 (and the related LTPP process) "is part of the process to bring the major California electrical corporations back to creditworthy status and, once accomplished, [citation omitted] to authorize these electric utilities to resume electric procurement practices to meet load requirements [citation omitted]."<sup>2</sup>

#### **Good Cause Shown For Exemption**

Unlike other electrical corporations in California, BVES neither requested nor required DWR to purchase power on behalf of BVES. Accordingly, no portion of DWR's power contract costs were allocated by the Commission to BVES, and BVES never ceased to procure or to provide power to meet its load requirements.

In addition, participating in the LTPP process, and developing an LTPP for BVES, is not warranted or cost effective. Pursuant to Section 454.5, the Commission and the larger utilities have expended tremendous resources and efforts to develop, integrate and refine a comprehensive set of procurement policies, practices and procedures with regard to LTPPs.<sup>3</sup> The Commission's most recent Order Instituting Rulemaking ("OIR"), R.08-02-007, is the *fourth* LTPP OIR within eight years.<sup>4</sup> Smaller utilities, such as BVES, simply do not have the resources to meaningfully participate in such an enormously complex and costly regulatory process.

As set forth in Section 454.5(i), the Legislature's clear intent is to exempt smaller IOUs from the LTPP process. Notably, the Commission required only the three largest IOUs in California to participate in the complex LTPP proceedings - Pacific Gas and Electric Company ("PG&E"), Southern California Edison Company ("SCE"), and San Diego Gas & Electric Company ("SDG&E").

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<sup>2</sup> D.04-02-044 at 2-3.

<sup>3</sup> See R.08-02-007, \*1.

<sup>4</sup> See R.06-02-013, R.04-04-003, and R.01-10-024.

Moreover, one of the purposes of Section 454.5 is to streamline the power procurement approval process. The LTPPs submitted by PG&E, SCE, and SDG&E, and approved by the Commission, project their power needs over a 10-year horizon.<sup>5</sup> Pursuant to Section 454.5(d), the LTPPs eliminate the need for after-the-fact reasonableness reviews of the IOUs' actions performed consistent with their approved procurement plan. Thus, by investing in this complex and costly process, the larger IOUs, who inevitably have multiple power procurement arrangements, would save time and resources over the long run by having an approved LTPP. The opposite is true for the smaller IOUs who would not be seeking Commission approval for multiple contracts. It simply is not cost effective.

As set forth above, good cause exists to grant BVES' requested exemption from Section 454.5.

#### **Existing Rates**

This advice letter does not change any existing rate nor propose any new rate or charge.

#### **Effective Date**

Pursuant to D. 07-01-024, this advice letter is submitted with a Tier 3 designation. As such, a Commission resolution will be required for disposition.

#### **Notice and Protests**

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 within five days.

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<sup>5</sup> See D.07-12-052, \*11.



All protests and responses should be mailed to:

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, California 94102  
E-mail: jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above. It is also requested that a copy of the protest or response be sent via postal mail and facsimile to Golden State Water Company on the same date it is mailed or delivered to the Commission at the address shown below:

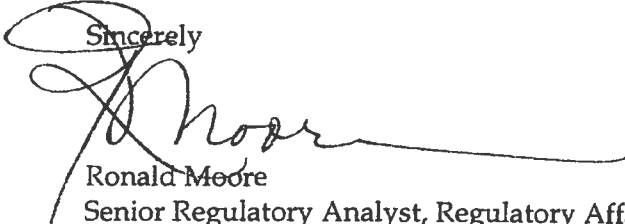
Golden State Water Company  
ATTN: Ronald Moore  
Regulatory Affairs Department  
630 East Foothill Boulevard  
San Dimas, California 91773  
Facsimile: (909) 394-7427  
E-mail: rkmoore@gswater.com

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

No individual or utilities requested notification of filing of tariffs. Pursuant to D.03-07-011, a copy of this advice letter is being furnished to the entities listed in the service list to proceeding R.01-10-024, along with the entities listed in the BVES service list, via U.S. mail or electronic e-mail.

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

Sincerely



Ronald Moore  
Senior Regulatory Analyst, Regulatory Affairs  
Golden State Water Company

c: Sean Gallagher, Chief CPUC - Energy Division  
Donald Lafrenz, CPUC - Energy Division  
R. Mark Pocta, DRA  
BVES Service List  
Service List to D.03-07-011

**GOLDEN STATE WATER COMPANY**

**DISTRIBUTION LIST**

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Big Bear City, CA 92314

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

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City of Big Bear Lake  
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## CALIFORNIA PUBLIC UTILITIES COMMISSION

### Service Lists

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PROCEEDING: R0110024 - PUC - GENERATION PRO  
FILER: CPUC  
LIST NAME: LIST/OTAYMESA  
LAST CHANGED: AUGUST 8, 2008

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