



December 20, 2010

Advice Letter No. 248-E

(U 913 E)

California Public Utilities Commission

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

<u>CPUC Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling CPUC Sheet No.</u>
Revised No. 1884-E	Preliminary Statement - L Purchased Power Adjustment Clause Page -1	Original No. 1601-E
Revised No. 1885-E	Table of Contents Page 1 of 2	Revised No. 1883-E

SUBJECT

This Advice Letter is made in compliance with Commission Decision No. D. 02-07-041, Ordering Paragraph 6, which requires BVES to file an advice letter to initiate review when the Purchase Power Adjustment Clause (PPAC) balancing account is \$1 million or by August 31, 2011, whichever should occur first. The balance in the PPAC balancing account as of November 30, 2010 was \$10.2 million and is expected to be approximately \$8.0 million by August 31, 2011.

PURPOSE

The purpose of this advice letter includes the following:

1. Provide an advice letter compliance filing as ordered in D. 02-07-041, Ordering Paragraph 6.
2. Notification to the Commission and interested parties that a full review of the PPAC balancing account and the PPAC monthly charges will be included in the forthcoming BVES general rate case application, which will be filed on or before January 31, 2012, as required in D.09-10-028, as modified by D. 10-03-016.
3. Remove Paragraph 6 in the PPAC Preliminary Statement (Preliminary Statement), which refers to a \$77 per MWh cost cap. Removal of Paragraph 6 as of August 31, 2011 is authorized in the Preliminary Statement which was approved by the Commission in D. 02-07-041.

BACKGROUND

BVES' PPAC rates include the following three components and charges:

Power System Delivery Charge: The Power Delivery Charge, which is also noted as Transmission Charges in BVES' tariff sheets, includes charges levied by Southern California Edison and California Independent System Operator (CAISO). However, this transmission rate has been under-collecting actual transmission costs due to the major increases in costs from the CAISO. Also the rate should, but it does not currently, take into account transmission losses between SCE substations and those belonging to BVES, which should result in different rates by customer class.

Energy Charge for Purchases: The Energy Charge for Purchases, which is also noted as "Supply - Fuel & Purchased Power costs incurred in providing energy to customers plus Generation charges, if any" in BVES' tariff sheets, varies by customer class. For instance, Domestic (Schedule D) rates are \$0.0404, \$0.0640, \$0.1523 per KWh by tier. The rate design was authorized in the Settlement Agreement approved in Decisions D. 02-07-041, and modified in D. 05-04-016 to include generation fuel costs and a change in the rate design that flattened base rates and inverted PPAC rates. D. 09-10-028, as modified by D. 10-03-016, further modified the rates to include adjustments for increasing baseline amounts from 270 KWh/month to 320 KWh/month.

Amortization Charge: The Amortization Charge, which is also noted as "Supply Adj - Adjustment to the 'Supply' charges authorized by the CPUC (can be negative or positive)" was set at \$0.02246 per KWh in D. 02-07-041.

BVES is required to file an advice letter to "initiate review of the PPAC Rate when the remaining balance in the PPAC balancing account is approximately \$1 million or by August 31, 2011, whichever should occur first. (D. 02-07-041, OP No. 6).¹ In this compliance advice letter BVES has initiated a review of the PPAC rate and hereby notifies the Commission and interested parties that BVES will make no changes to PPAC rate components at this time. BVES will include a review of the PPAC balancing account and a proposal for new PPAC rate components in its forthcoming general rate case application, which will be filed in the fall of 2011. The BVES general rate case will provide an appropriate, evidentiary forum for review of all components of the PPAC rate and the accumulated balance of the account. Continuation of the currently authorized PPAC rate components does not compromise protections afforded BVES customers.

¹ Ordering Paragraph 6 is further supported by Paragraph 16 in the Settlement Agreement between GSWC, the Office of Ratepayer Advocates, and Bear Mountain, Inc., which provides nearly identical language regarding the requirement to file an advice letter. The Settlement Agreement was approved without modification in D. 02-07-041, Ordering Paragraph 1.

Ministerial Actions Requested in this Advice Letter

In accordance with BVES' existing Preliminary Statement, BVES has filed this compliance advice letter, and BVES requests approval of the modified Preliminary Statement L, Purchased Power Adjustment Clause, which removes Paragraph 6 concerning the rate cap of \$77 per MWh.

BVES Preliminary Statement Authorizes Applications to Change PPAC Components

Since the current Preliminary Statement L authorizes BVES to revise the components of the PPAC via an Application, no action is needed for BVES to continue implementing the currently authorized PPAC components. BVES plans to propose new rate components of the PPAC in its forthcoming general rate case.

Preliminary Statement L approved in D. 02-07-041² authorizes BVES to make changes to the PPAC components via an Application. Thus the BVES general rate case Application meets the Preliminary Statement L requirements for changing the PPAC components. Preliminary Statement L, Paragraph 5, authorizes BVES to file an "Application to revise the components of the Purchase Power Adjustment Clause." In order to provide all parties with a suitable, evidentiary forum, BVES will include review of all PPAC components in the BVES general rate case Application. Since the PPAC balance account is subject to review by the Commission, continuation of current PPAC does not compromise protections afforded BVES customers.

In addition, Preliminary Statement L authorizes revisions to the Amortization Charge via an advice letter.³ BVES will review and revise the Amortization Charge to reflect the most current status of the Balancing Account in its forthcoming general rate case Application.

The BVES general rate case Application is a Suitable Forum for PPAC Issues

D.09-10-028, as modified by D.10-03-016, requires the general rate case Application to be filed by January 31, 2012. As noted above, BVES Preliminary Statement L authorizes changes of PPAC rate components via an Application. Furthermore, BVES believes that an Application will provide a proper evidentiary forum to revise PPAC rates and the accumulated PPAC revenues and purchase power expenses. In addition, review of PPAC expenses between 2002 and 2010 is better suited to an Application (as opposed to an advice letter) process where parties may use an evidentiary hearing, if necessary.

² Ordering paragraph #9 in D. 02-07-041 adopts the Preliminary Statement attached to the Settlement Agreement.

³ The PPAC preliminary statement, paragraph 4 states: "The utility may make periodic Advice filings to revise the Amortization Charge to reflect the most current status of the Balancing Account."

Rather than file a separate Application for PPAC issues on nearly the same schedule as its general rate case, BVES will combine PPAC and general rate case issues in one Application. This will save parallel workload efforts with two separate applications for the Commission, BVES, the Division of Ratepayer Advocates (DRA) and interested parties. Furthermore, the PPAC rate components must be integrated into the overall rate design, which is part of the general rate case process. For example, the current energy rate is not a surcharge; rather, it is imbedded in the tariffs by customer class and by tier for residential customers. In addition, the new Transmission or Power System Delivery charge will be different for each customer class based on the loss factors consistent with the forthcoming general rate case marginal cost analysis. Thus, two separate applications for the general rate case and the PPAC rate review would require a post decision integration of rate design issues for the PPAC rate review and the general rate case. Such an approach is neither efficient nor desirable.

Removal of Paragraph 6 of the Preliminary Statement L

The Commission authorized removal of Paragraph 6 from the Preliminary Statement L as of August 31, 2011. D. 02-04-041, Ordering Paragraph 9, approved the Preliminary Statement L, which authorized removal of Paragraph 6 on August 31, 2011.

The 2002 Settlement Agreement includes the following tariff language "The utility shall, on an annual basis, make an adjustment to the Balancing Account to reflect the annual weighted average purchased power cost ceiling of \$77 per MWh. Appropriate adjustments to the interest component shall also be made. This paragraph shall remain in effect through August 31, 2011 or as authorized by the Commission." D.02-07-041, Attachment A, Preliminary Statements, Paragraph 6.

EXISTING RATES

No changes in rates are being requested at this time.

TIER DESIGNATION

In compliance with the Commission decision D. 02-07-041, and Energy Industry Rule 5.1 of GO 96-B, this Advice Letter is filed as a Tier 1 advice letter.

EFFECTIVE DATE

GSWC respectfully requests that this advice letter become effective on September 1, 2011 as required in D. 02-07-041.

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.

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: [Honesto Gatchalian \(jnj@cpuc.ca.gov\)](mailto:Honesto.Gatchalian@cpuc.ca.gov) or [Maria Salinas \(mas@cpuc.ca.gov\)](mailto:Maria.Salinas@cpuc.ca.gov)

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 Nguyen Quan at (909) 394-3600 ext. 664.

A copy of this advice letter is being furnished to the entities listed on the service list for A.08-06-034.

December 20, 2010

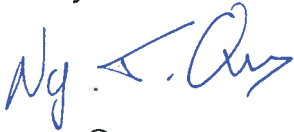
Correspondence

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

Nguyen Quan
Manager, Regulatory Affairs
Golden State Water Company
630 East Foothill Blvd.
San Dimas, California 91773
Email: nquan@gswater.com

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'Nguyen Quan', with a stylized flourish at the end.

Nguyen Quan
Manager, Regulatory Affairs

cc: Julie Fitch, Director, CPUC – Energy Division
R. Mark Pocta, DRA

PRELIMINARY STATEMENTS

(Continued)

L. PURCHASED POWER ADJUSTMENT CLAUSE

1. The purpose of the Purchased Power Adjustment Clause is to reflect in rates the utility's cost of purchased electricity and purchased fuel.
2. The monthly charges for service otherwise applicable under each of the utility's rate schedule shall include an adjustment to reflect a) the Power System Delivery Charge, b) the Energy Charge for Purchases and c) the Amortization Charge.
 - a. The Power System Delivery Charge shall include the most recently adopted estimate of costs to the utility for Transmission Service, the most recently adopted estimate of costs to the utility for Capacity, and the most Recently adopted estimate of costs for Ancillary Services, which include the Costs for system protection services, line losses and energy imbalance Services. These charges shall be expressed in terms of cents per kilowatt-hour or dollars per kilowatt, depending upon the nature of the charge and the applicable rate schedule.
 - b. The Energy Charge for Purchases shall include the most recently adopted estimate of the costs to the utility of purchasing electricity and fuel, expressed in terms of cents per kilowatt-hour and dollars per MMBtu (millions of btus), respectively.
 - c. The Amortization Charge shall reflect the most recently adopted over or under collection in the Balancing Account, expressed in terms of cents per kilowatt-hour.
3. A Balancing Account shall be maintained to record the difference between the accumulated revenue billed through the Purchased Power Adjustment Clause and the accumulated accrued costs of purchased electricity and purchased fuel. Monthly entries to the Balancing Account will be determined from the following calculations:
 - a. Purchased Power Adjustment Clause revenue billed during the month;
 - b. Less than adjustment of 1.429 percent to reflect the adopted rate for franchise fees and uncollectibles;
 - c. Less the accrued costs for purchasing energy, capacity, transmission service and related ancillary services;
 - d. Less the accrued cost for purchasing fuel, fuel transportation, and related ancillary services;
 - e. Plus any refunds for purchased electricity and/or purchased fuel costs previously reflected in the balancing account;
 - f. Plus or minus interest expense, depending upon whether there is an under-collection or over-collection. Such interest shall be calculated based upon the average of the beginning and ending monthly balance in the Balancing Account multiplying by the 90-day commercial paper rate for the month.
 - g. Less an adjustment, if any, for the direct payment of refunds to customers.
 - h. The accumulated accrual cost of purchased electricity and purchased fuel shall be trued-up on a monthly basis.

If the above calculation produces a positive amount (over-collection), such amount shall be credited to the Balancing Account. If the calculation produces a negative amount (under-collection), such amount shall be debited to the Balancing Account.

4. The utility may make periodic Advice filings to revise the Amortization Charge to reflect the most current status of the Balancing Account.
5. Not more often than once per year, the utility may file an Application to revise the components of the Purchase Power Adjustment Clause to reflect the most current estimates of its purchased electricity and purchased fuel costs.

(D)

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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., 2nd Floor
San Bernardino, CA 92415-0140

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PO Box 77
Big Bear Lake, California 92315

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: Nguyen Quan

Phone #: (909) 394-3600 ext. 664

E-mail: nquan@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) #: 248-E

Subject of AL: PPAC Balancing Account

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.02-07-041

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL

Summarize differences between the AL and the prior withdrawn or rejected AL¹:

Resolution Required? Yes No

Tier Designation 1 2 3

Requested effective date: September 1, 2011

No. of tariff sheets: 2

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: Preliminary Statement- Part L, TOC Page 1

Service affected and changes proposed¹: 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

nj@cpuc.ca.gov and mas@cpuc.ca.gov

Golden State Water Company

Attn: Nguyen Quan Reg. Affairs

630 E. Foothill Blvd.,

San Dimas, CA 91773

nquan@gswater.com

¹ Discuss in AL if more space is needed.