

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

Application of Bear Valley Electric Service, Inc.
(U 913 E) for Authority to, Among Other Things,
Increase Rates and Charges, and Authorized
Revenues, for Electric Service Effective January 1,
2023

Application No. 22-_____

**2023 GENERAL RATE CASE APPLICATION
OF BEAR VALLEY ELECTRIC SERVICE, INC. (U 913-E)**

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August 30, 2022

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A. INTRODUCTION

Bear Valley Electric Service, Inc. (BVES or Bear Valley) respectfully hereby submits this General Rate Case (GRC) Application in accordance with California Public Utilities Code, California Public Utilities Commission (CPUC or the Commission) Rules of Practice and Procedures, D.19-08-027 and a June 15, 2022 letter from the Executive Director, all as set forth in more detail in Section E(1) of this Application.

This Application seeks, among other things, authority for BVES to increase general rates, energy supply charges and certain other charges; authority to implement additional programs and capital improvements; approval of an appropriate overall rate of return, return on common equity, cost of debt and capital structure; authority to recover, implement, modify or eliminate, as the case may be, certain revenue adjustment mechanisms and memorandum and balancing accounts; and approval of certain previously incurred costs, all as set forth in this Application and associated direct testimony and documents.

In terms of total annual operating revenue requirements, BVES requests \$50.28 million for TY 2023, which represents a year-over-year increase of approximately \$10.5 million, which translates into a 26.5% increase when comparing the TY2023 requested amount to the authorized

2022 operating revenue requirement. Comparing 2023 revenues at present versus proposed rates, the increase is approximately \$12.3 million, which translates into a 32.4% increase.

BVES is also requesting year-over-year increases in total operating revenues of \$2.24 million (4.45%) in 2024, \$1.85 million (3.53%) in 2025, and \$2.93 million (5.39%) in 2026.¹ With these increases, Bear Valley's TY2026 proposed revenue requirement will be approximately \$7.03 million (13.97%) higher than the TY2023 proposed revenue requirement.

A significant portion of the increase being requested in this Application is attributable to the on-going threat from wildfires in California and the measures being implemented by BVES to mitigate the risk of a wildfire caused by Bear Valley's equipment and operations; measures that are largely mandated by the California Legislature and the Commission. For example, in this Application, BVES is requesting approval to incorporate almost \$24 million of newly-completed wildfire mitigation projects² in its 2023 rate base that were not part of the capital budget from Bear Valley's prior GRC. The costs of these projects have not been included in customer rates until now. In addition to the already completed projects, Bear Valley's proposed capital budget in this Application includes approximately \$12 million annually (on average) of capital spending for wildfire mitigation projects for 2023-2026 that is in addition to the budget for more traditional capital projects.

BVES will supplement this Application by filing its proposed cost allocation and rate design by October 11, 2022.³ The cost allocation and rate design are contingent upon the overall revenue request and the results of its marginal cost study to be provided as part of the October 11 supplemental filing to this Application. Rather than bifurcating this proceeding into two phases, submitting the base rates revenue requirement, supply cost and supply rates portion of the Application first will allow for consideration of the overall Test Year 2023 ratemaking components more quickly.

¹ These do not represent comparisons to revenues at present rates.

² BVES expects to achieve this level of completion by December 31, 2022.

³ The Executive Director's letter of June 15, 2022 authorized BVES to file its cost allocation and rate design component six weeks after its August 30, 2022 deadline to file its 2023 GRC application.

B. BACKGROUND

1. Bear Valley's Service Territory and its Unique Characteristics

BVES provides retail electric service to the Big Bear Lake resort area in the San Bernardino Mountains. The BVES service territory is a resort community, comprised primarily of residential customers. BVES provides service to approximately 24,663 customers, of which 23,147 are residential customers and 1,516 are commercial, industrial, or public-authority customers. Included in the industrial category are relatively large accounts that provide service to two ski resorts, a local waste-water treatment facility and a pilot electric vehicle program. Unlike other utilities in California, BVES is a winter peaking utility.

For the period between 1935 and 2020, Bear Valley was a division of Golden State Water Company (GSWC). In July of 2020, GSWC implemented a corporate reorganization to transfer the electric utility assets and operations of its Bear Valley Electric Service Division to a newly established affiliate: Bear Valley Electric Service, Inc. This re-organization was authorized by the Commission in D.19-12-039. Both GSWC and BVES are now wholly-owned, first-tier subsidiaries of American States Water. The re-organization of the electric operations of BVES into a new subsidiary did not materially change the operations of BVES. This is the first GRC filed by BVES as a subsidiary of American States Water, and not as a division of GSWC.

2. Bear Valley's System

The BVES system is comprised of one 8.4 MW generation plant, with 18.8 circuit miles of overhead (bare) 34.5 kV sub-transmission, 9.8 circuit miles of overhead (covered) 34.5 kV sub-transmission, 1 circuit mile of 34.5 kV underground transmission, 163.5 circuit miles of overhead (bare) 4 kV distribution, 15.7 circuit miles of overhead (covered) 4 kV distribution, 54.5 circuit miles of 4 kV underground distribution, and 13 substations.

Bear Valley's distribution facilities are located within the control area operated by the California Independent System Operator (CAISO), but are not directly interconnected with the CAISO-controlled high-voltage transmission grid. The BVES distribution system connects to the CAISO grid through transmission and distribution facilities owned, controlled, and operated by Southern California Edison Company (SCE). Approximately 90% of Bear Valley's service territory is located within a Tier 2 High Fire Threat District (HFTD), with approximately 10% located within a Tier 3 HFTD.

C. SUMMARY OF NEED FOR INCREASE IN RATES AND CHARGES

Bear Valley's requested increases in rates and charges are necessary because the present rate and charges are insufficient, unjust and unreasonable in that they do not produce adequate revenue to yield BVES a fair, just and reasonable rate of return on necessary and required capital previously invested as well as necessary and required capital to be invested in plant over the new GRC rate cycle.

Bear Valley's last general rate case was in 2018. The Commission issued Decision 19-08-027 for the 2018 rate case, Application 17-05-004. A summary of TY2023 revenues at present rates compared to the revenues at requested rates for TY2023 is provided in Volume 1, Chapter 3 of the testimony supporting this Application. As shown in Table 3-A of that testimony, Bear Valley's annual revenues in TY2023 are forecasted to be approximately \$38 million at present rates, and its corresponding rate of return on rate base will be 0.42%.

BVES is proposing a capital budget of approximately \$62 million for the four-year (2023-2026) GRC cycle. The proposed capital additions for 2023-2026 (excluding the anticipated Snow Summit Substation Expansion Project) is largely due to the proposed wildfire mitigation projects, as reflected below:

- 2023 -- \$14,386,492, of which \$11,214,798 or 78% relates to wildfire mitigation projects;
- 2024 -- \$14,812,869, of which \$11,860,380, or 80% relates to wildfire mitigation projects;
- 2025 -- \$17,741,776, of which \$13,075,316, or 74% relates to wildfire mitigation projects;
- 2026 -- \$15,075,259, of which \$11,787,148, or 78% relates to wildfire mitigation projects.

Many of Bear Valley's programs and initiatives are designed to address "the increased risk of catastrophic wildfire [that] poses an immediate threat to communities and properties throughout the state."⁴ Bear Valley's service territory is surrounded by forests and mountains, which are most vulnerable to wildfires, and approximately 90% of its service territory is located in a Tier 2 HFTD,

⁴ Assembly Bill (AB) 1054, Section 1(a)(1).

with the remaining 10% located in a Tier 3 HFTD. BVES has also adhered to the Legislature’s direction that “The state’s electrical corporations must invest in hardening of the state’s electrical infrastructure and vegetation management to reduce the risk of catastrophic wildfires.”⁵

In preparing this Application, BVES utilized a risk-based decision-making framework to identify its top risks, and develop initiatives and programs to mitigate those risks. To maximize the risk reduction for each dollar spent, BVES developed a risk-reduction-per-dollar-spent for each of the wildfire risk mitigation programs it considered.

D. SUMMARY OF TESTIMONY AND SUPPORTING MATERIAL

1. Volume 1 – Results of Operation

a. Chapter 1 – Introduction:

This chapter provides an overview of Bear Valley’s operations, system, energy needs, organization and staffing and rate structure.

b. Chapter 2 – Summary of Revenue Request and Special Requests:

The purpose of this chapter is to provide an overall summary of the revenue requirement requests in this Application. It summarizes the major components of Bear Valley’s revenue requirement request and the fact that wildfire mitigation measures, both past and future, comprise the majority of the increase in rates. It also summarizes the overarching issues to be decided in this Application, as well as four special requests. The organization of testimony supporting this Application is also set forth in this chapter.

c. Chapter 3 – Summary of Earnings:

This chapter presents a summary of earnings (SOE), both historical and projected for TY2023 through TY2026. It also describes the rate increases required to achieve the proposed rate of return on rate base requested in this Application.

This chapter also compares components of the summary of earnings (SOE) for Bear Valley’s requested TY2023 revenue requirements to the adopted SOE from Bear Valley’s previous GRC. The decision (D.19-08-027) approving Bear Valley’s last GRC did not include an SOE for 2023 or any of the other attrition years, only TY2018. A comparison of the adopted SOE for

⁵ AB 1054, Section 2(b).

TY2018 to the proposed SOE for TY2023 provides some insight, however, to which items in the BVES revenue requirement have changed significantly between GRCs.

d. Chapter 4 (Part A) – Sales and Customers:

This chapter provides Bear Valley’s historic and forecasted sales, as well as energy usage by customer. It also describes the forecast model and the sales forecast by rate class from 2023 through 2026.

e. Chapter 4 (Part B) – Revenues:

This chapter provides historical and estimated revenue information by rate class based on Bear Valley’s current rates, adjustments and other miscellaneous revenues. It includes a detailed breakdown of revenues generated by each rate schedule within the following rate classes – residential permanent, residential seasonal, commercial, power/industrial and street lighting, base adjustment and other operating revenue. It also includes 2017 through 2021 recorded base revenue and 2022 through 2026 estimated base revenue by customer class.

Also included in this chapter are historical (2017 – 2021) and forecasted (2022 – 2026) revenue information by rate class for supply revenues, plus miscellaneous or other operating revenue. Chapter 4 includes a proposed modification to Rule 2H and an appendix setting forth the forecast methods used in this chapter.

f. Chapter 5 – Operation & Maintenance Expenses:

This chapter addresses Bear Valley’s recorded and estimated operation and maintenance (O&M) expenses other than administrative and general (A&G) expenses. Bear Valley’s O&M costs are separated into four primary components: production; transmission; distribution; and customer accounting.

g. Chapter 6 – Administrative & General Expenses:

This chapter addresses Bear Valley’s recorded and projected administrative and general (A&G) expenses. Part A addresses Bear Valley’s A&G cost allocation from the San Dimas General Office of GSWC (SDGO). As previously described, BVES was previously a division of Golden State Water Company (GSWC). The SDGO provided, and continues to provide, various services for BVES. In D.14-11-002, the Commission authorized BVES to establish a balancing

account to record pensions and benefits that are directly charged by SDGO to BVES. But the majority of the services provided by SDGO are allocated to BVES.

Part B of this chapter addresses A&G expenses at the Bear Valley Office (BVO), including staff, outside services, pension and benefits, and other BVO expenses.

h. Chapter 7 – Book Depreciation and Depreciation Reserve:

This chapter addresses Bear Valley’s depreciation and amortization expenses and accumulated provisions (reserves) for depreciation and amortization.

i. Chapter 8 – Income and Other Tax Expenses:

This chapter addresses Bear Valley’s recorded and forecast tax expenses as a component of the overall revenue requirement. The testimony covers three basic areas including: Taxes Other, Income Taxes, and Deferred Federal Income Tax Included in Rate Base. It also addresses the effect of the reorganization of BVES on forecasted income taxes.

j. Chapter 9 (Part A) – Rate Base:

Part A presents a description of Bear Valley’s weighted average rate base for the recorded years 2017– 2021 and forecasted average adjustment components of rate base for 2022 through 2026. It also includes a description of projected working cash for 2022 – 2026.

k. Chapter 9 (Part B) – Overhead/Indirect Costs in Capital Projects.

Part B describes Bear Valley’s overhead cost allocation methodology, which is the basis for determining how Bear Valley’s indirect capitalized overhead costs are applied to capital projects. Based upon forward-looking projections, BVES derived an overhead factor that will fully allocate the overhead costs to all capital projects by the end of each year.

l. Chapter 9 (Part C) – Plant Additions and Essential Ongoing Capital Projects:

Part C describes planned capital additions for Bear Valley system. Projected plant additions for 2023 through 2026 are approximately \$14.4 million (excluding proposed Snow Summit Substation Expansion Project), \$14.8 million, \$17.7 million, and \$15 million, respectively. The proposed projects are presented in three general categories: important projects to enhance safety, reliability and quality of service; essential vehicle replacements; and essential ongoing capital improvement projects.

m. Chapter 10 – Escalation and Net-to-Gross Factor:

This chapter presents the cost escalation factors used by BVES to reflect the effect of inflation and to describe the development of Bear Valley’s Net-To-Gross Factor to be used in this Application for computing the increased revenue required to achieve the return on rate base that BVES is requesting.

2. Volume 2 – Wildfire Risk Mitigation

The purpose of this volume is to describe matters relating to Bear Valley’s wildfire risk measures, including the regulatory and legislative background of wildfire mitigation requirements as well as Bear Valley’s approved Wildfire Mitigation Plans (WMPs). This volume also describes how Bear Valley’s wildfire risk mitigation measures were implemented and how the resulting incremental costs were recorded for recovery.

a. Chapter 1 – Wildfire Background, Risks and Mitigation Initiatives:

This chapter describes the legislative and regulatory background mandating that utilities undertake numerous activities intended to reduce wildfire risks. Bear Valley’s 2019, 2020 and 2021 WMPs have been approved by the Commission. Bear Valley’s 2022 WMP is currently under review by the Office of Energy Infrastructure Safety (OEIS or Energy Safety) and will ultimately need to be approved by the Commission.

BVES is currently executing over 80 wildfire mitigation initiatives that consist of both capital improvements as well as expensed activities (O&M and A&G expenses). The costs of some of these initiatives are already in current GRC rates. Some are not. These risk mitigation initiatives include, but are not limited to, grid hardening measures, enhanced asset management and inspections, and enhanced vegetation management measures. Although Bear Valley’s equipment has not caused any catastrophic wildfires, there is a risk that they could.

b. Chapter 2 – WMP Capital Improvement Programs:

This chapter describes the capital improvement projects that have been undertaken to mitigate the risks of wildfires. The first section describes wildfire mitigation capital projects that have been completed. The second section describes wildfire mitigation projects in progress that

have yet to be completed as of the filing of this Application. The third section describes future planned wildfire mitigation capital projects.

To the extent that a capital improvement project is included in any approved WMP, BVES does not seek approval of such a project in this GRC proceeding. For WMP-approved projects, BVES only seeks the review and approval in this GRC proceeding for recovery of prior costs already incurred for the project, and review and approval of forecasted costs to be recovered in GRC rates. For capital improvement projects in this GRC that are not included in an approved WMP, BVES seeks review and approval of such projects and associated costs in this GRC proceeding.

c. Chapter 3 – WMP Expense Programs:

In this chapter, the various wildfire mitigation expense programs (both O&M and A&G) that have been completed, and those that are ongoing, are described. The costs of the completed WMP expense programs have been booked into a wildfire memorandum account for reasonableness review and recovery in this GRC. The costs for on-going WMP expense programs are forecasted to be incorporated into Bear Valley's requested revenue requirements for this GRC cycle (TY2023 – TY2026).

d. Chapter 4 – Fire Hazard Prevention Memorandum Account:

This chapter describes the \$6,516,403 of costs that have been recorded in the Fire Hazard Prevention Memorandum Account (FHPMA) that BVES seeks to recover through a surcharge over a thirty-six month period. It also includes the background of the FHPMA, and a breakdown of the costs booked into the FHPMA. An explanation of why costs booked into the three wildfire mitigation memorandum accounts are incremental to costs currently in BVES rates is included in this chapter.

e. Chapter 5 – Fire Risk Mitigation Memorandum Account:

This chapter describes the \$2,108,581 of costs that have been recorded in the Fire Risk Mitigation Memorandum Account (FRMMA) that BVES seeks to recover through a surcharge over a thirty-six month period. It also includes the background of the FRMMA, and a breakdown of the costs booked into the FRMMA.

f. Chapter 6 – Wildfire Mitigation Plan Memorandum Account:

This chapter describes the \$874,735 of costs that have been recorded in the Wildfire Mitigation Plan Mitigation Memorandum Account (WMPMA) that BVES seeks to recover through a surcharge over a thirty-six month period. It also includes the background of the WMPMA, and a breakdown of the costs booked into the WMPMA.

3. Volume 3 – Special Requests

BVES proposes four special requests (Special Requests) in this GRC Application. The four Special Requests are discussed in detail in Volume 3. Below is a brief summary of each Special Request.

a. Chapter 1 – Special Request #1 –Disposition of Memorandum and Balancing Accounts.

BVES seeks specific dispositions of the memorandum and balancing accounts identified in this chapter. Regarding those balancing and memorandum accounts not listed in this chapter, BVES makes no requests for changes to them. Those balancing and memorandum accounts shall remain open and operational in accordance with their existing provisions as set forth in their respective preliminary statements.

b. Chapter 2 – Special Request # 2 – Radford Line Project:

One of Bear Valley’s significant supply lines is called the Radford Line. The Radford Line is one of Bear Valley’s connections to Southern California Edison’s system, which is the primary source of energy for Bear Valley’s system. Bear Valley has proposed to replace this line with covered conductors and fire resistant poles because it has the highest wildfire risk of all of Bear Valley’s overhead facilities. It is a WMP-approved project.

The total cost of the Radford Line Replacement Project is estimated to be \$6,200,347. BVES seeks in this GRC proceeding review and approval of the \$6,200,347 forecast of costs for this Project. However, Bear Valley proposes that this Project not be funded by GRC base revenue requirements established in this proceeding, but rather Bear Valley be permitted to recover the prudently incurred costs of the Radford Line Replacement Project via a future Tier 1 Advice Letter filing.

c. Chapter 3 – Special Request #3 – Recovery of Wildfire Mitigation Costs April 1 Through the Effective Date of New GRC Rates.

In this GRC, BVES requests amortization of amounts booked into the WMPMA, the FRMMA and the FHPMA (collectively the Wildfire Mitigation Memorandum Accounts). The Wildfire Mitigation Memorandum Accounts balances included in the request for recovery in this GRC are as of March 31, 2022. BVES will however continue to track costs in the three accounts after the March 31, 2022 date. This will leave a period between April 1, 2022 and the effective date of new rates approved in this Application whereby certain costs will continue to be tracked in the Wildfire Mitigation Memorandum Accounts but will not be eligible for recovery and amortization as part of this GRC. As such, BVES requests that BVES be authorized to file a Tier 2 advice letter once all fire risk mitigation costs for the period April 1, 2022 through the effective date of the new GRC rates approved in this proceeding have been properly accounted for and booked to the appropriate Wildfire Mitigation Memorandum Account for review and recovery.

d. Chapter 4 – Special Request #4 – Cost of Capital Mechanism.

BVES requests Commission approval for a cost of capital mechanism (“CCM”) that would allow for automatic annual adjustments to Bear Valley’s authorized Rate of Return on Rate Base for changes in interest rates during the 4-year rate cycle. If triggered, the CCM would adjust Bear Valley’s Return on Equity (ROE), embedded cost of debt and the Rate of Return on Rate Base, upward or downward, if there is a change of more than 100 basis points in the average of the Moody’s utility bond rate as measured over the period October 1 through September 30.

4. Volume 4 – Supply Costs

The purpose of Volume 4 is to provide both historical and forecast information regarding Bear Valley’s supply costs. This volume has five chapters.

a. Chapter 1 – Introduction and Summary.

This chapter provides a brief introduction and summary of the Supply Adjustment Balancing Account (Supply Adjustment Account) historical costs of purchasing and producing energy, the costs of transmission, and other power-related costs incurred during the period November 1, 2016 through December 31, 2021 (Review Period). The testimony also addresses historical revenues recorded in the Supply Adjustment Account during the Review Period and forecasted revenues for the period 2023 through 2026.

b. Chapter 2 – Supply Adjustment Account Costs in Review Period.

This chapter describes how the Supply Adjustment Account tracks the power supply and delivery-related costs and the revenues generated from certain charges: the “Supply Charge”, the “Transmission Charge”, and the “Supply Adjustment Charge”. Amounts recorded into the Supply Adjustment Account were last reviewed by the Commission in Application 17-05-004 and approved in D.19-08-027. This chapter also includes a chart summarizing the cost components over the entire Review Period. A total of \$58,460,805 of costs were booked into the Supply Adjustment Account for the Review Period.

c. Chapter 3 – Supply Adjustment Account Revenues in Review Period.

This chapter provides a description of revenues from customer billings of the Supply Charge, the Transmission Charge and the Supply Adjustment Charge and revenues from sales of surplus energy that were tracked and recorded into the Supply Adjustment Account over the Review Period. A total of \$53,837,040 of revenues were booked into the Supply Adjustment Account for the Review Period.

d. Chapter 4 – Year-End Balance in Supply Adjustment Account;

In this chapter, BVES seeks approval of the year-end (December 31, 2021) cumulative balance recorded in the Supply Adjustment Account of an under-collection of \$1,399,094.

e. *Chapter 5 – Forecast of Power Supply Costs:*

The purpose of this chapter is to provide a description and basis for the forecast of power supply costs to be included in customer rates for this Application.

5. Volume 5 – Cost of Capital

In this volume, BVES recommends an authorized rate of return (ROR) at 9.05% based on a return on equity (ROE) of 11.25%. In its previous GRC, BVES was authorized a ROR of 8.31% based on an ROE of 9.60%, per a settlement agreement with the Public Advocates Office which was adopted by the Commission in D.19-08-027. The recommended ROR and ROE are based upon the following:

Weighted Cost of Capital

Cost Component	Weight	Cost	Weighted Cost
Long-Term Debt	38.2%	5.51%	2.10%
Common Equity	61.8%	11.25%	6.95%
Rate of Return			9.05%

BVES requests approval of its request for an ROR of 9.05% based upon an ROE of 11.25% with weighted costs of capital as set forth in the table immediately above.

6. Volume 6: Risk-Based Decision-Making Framework

The purpose of this volume is to address processes and measures BVES has undertaken to address the Commission’s directive that utilities include a risk-based decision-making framework in their GRC applications. BVES also seeks approval of the form of the Risk-Spending Accountability Report BVES proposes to use during this GRC rate cycle.

7. Volume 7 – Cost Allocation and Rate Design

BVES intends to submit its proposed cost allocation and new customer rates in a supplement to this Application in approximately six weeks from the filing of this Application. BVES anticipates that the testimony in Volume 7 will address such issues as its marginal cost study, its proposed cost allocation to customer classes, and rate design for each customer class.

E. COMPLIANCE WITH STATUTORY AND REGULATORY REQUIREMENTS

1. Statutory and Other Authority – Rule 2.1.

This Application is filed pursuant to, among others, Sections 314.5, 377, 451, 454, 728, 729, 740.4, 740.4, 795, 850, 8386, 3293, and 701, Rules 2.1, 2.2 and 3.2 of the Commission's Rules of Practice and Procedure, and in compliance with the following decisions and directives.

In D.19-08-027 the Commission approved a settlement of Bear Valley's last GRC (A.17-05-004) (the Settlement). Conclusions of Law #8 authorized BVES to file its next GRC application with a 2023 Test Year (TY) prior to April 30, 2022, and the cost allocation and rate design components of the application by no later than six weeks after the filing of the application. The application is to incorporate a four-year GRC rate cycle.

BVES submitted a letter, dated March 4, 2022, to the Executive Director of the California Public Utilities Commission (CPUC or Commission) requesting an extension of time to file Bear Valley's 2023 GRC application by June 30, 2022, with the cost allocation and rate design components of the application being filed no later than six weeks thereafter. In a letter dated April 8, 2022, the Executive Director granted the requested extension of the GRC filing deadlines. BVES submitted a second letter, dated May 31, 2022, to the Executive Director seeking an additional two-month extension for filing its GRC Application. In a June 15, 2022 letter, the Executive Director granted the additional extension request, with a resulting 2023 GRC Application filing deadline of August 30, 2022, along with the cost allocation and rate design components of the Application being filed no later than six weeks thereafter. This Application has been verified as provided in Rule 1.11.

2. Legal Name and Principal Place of Business – Rule 2.1(a).

The applicant's legal name is Bear Valley Electric Service, Inc. Bear Valley's principal place of business is located at 42020 Garstin Drive, Big Bear Lake, California, 92315. It is a corporation duly organized and existing under and by virtue of the laws of the State of California. In D.19-12-039, the Commission authorized Golden State Water Company to implement a corporate reorganization to transfer the electric utility assets and operations of Golden State Water Company's Division of Bear Valley Electric Service to a newly created corporation of Bear Valley Electric Service, Inc. On July 1, 2020, Bear Electric Service, Inc. received the electric assets from Golden State Water Company's Division of Bear Valley Electric Service, and Bear Valley Electric

Service, Inc. commenced its operations. The Commission stated in Decision D.19-12-039 that the Certificate of Public Convenience and Necessity held by the Division of Bear Valley Electric Service was transferred to Bear Valley Electric Service, Inc. as part of the Commission's approval of Application 18-12-019 requesting authorization to implement the subject corporate reorganization.

3. Correspondence and Communication Regarding This Application – Rule 2.1(b).

All correspondence and communications regarding this Application should be addressed to:

Paul Marconi
President, Secretary and Treasurer
Bear Valley Electric Service, Inc.
42020 Garstin Drive
P.O. Box 1547
Big Bear Lake, California 92315
(800) 808-2837
(909) 866-5056 (fax)
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with a copy to:

Jon Pierotti
Vice President of Regulatory Affairs.
Golden State Water Company
630 East Foothill Boulevard
San Dimas, California 91773
(909) 394-3600
(909) 866-5056 (fax)
Jon.Pierotti@gswater.com

Data Requests and related issues should be addressed to

Dr. Nguyen Quan
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630 East Foothill Boulevard
San Dimas, California 91773
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4. Categorization – Rule 2.1(c)

BVES proposes that this Application be categorized as a “ratesetting” proceeding within the meaning of Rule 1.3(g) of the Commission’s Rules of Practice and Procedure.

5. Need for Evidentiary Hearings – Rule 2.1(c)

BVES anticipates that evidentiary hearings may be requested or required. Bear Valley’s proposed schedule is set forth below.

6. Issues to Be Considered – Rule 2.1(c).

BVES anticipates issues to be considered in this proceeding will include, but may not be limited to, the following.

a. Whether the proposed revenue requirements for TY2023, TY2024, TY2025 and TY2026 are just and reasonable and the Commission should authorize BVES to reflect those adopted revenue requirements in rates.

b. Whether the costs booked into the Fire Hazard Prevention Memorandum Account, the Fire Risk Mitigation Memorandum Account and the Wildfire Mitigation Plan Memorandum Account are just and reasonable and the Commission should authorize BVES to

recover those costs in the requested single, bundled wildfire surcharge of \$0.02294/kWh over a thirty-month period as being just and reasonable.

c. Whether the disposition of the memorandum and balancing accounts requested by BVES are just and reasonable and should be authorized by the Commission.

d. Whether the recovery through a Tier 1 advice letter of the forecasted cost of \$6,200,347 for replacement of the Radford Line is just and reasonable and should be authorized by the Commission.

e. Whether the approval of the requested cost of capital mechanism for BVES is just and reasonable and should be authorized by the Commission.

f. Whether the amount of \$58,460,805 of costs and \$53,837,040 of revenues booked into the Supply Adjustment Account are valid and reasonable and the ending balance in the Supply Adjustment Account as of December 31, 2021 is an under-collection amount of \$1,399,094.

g. Whether a rate of return of 9.05% based on a return on equity of 11.25%, a cost of debt of 5.51%, a long-term debt weight of 38.2% and a common equity weight of 61.8% are just and reasonable and should be authorized by the Commission.

h. Whether recovery of wildfire mitigation costs from April 1, 2022 through the effective date of new GRC rates through a Tier 2 advice letter filing is just and reasonable and should be authorized by the Commission.

i. Whether the cost allocation and rate design is just and reasonable and should be authorized by the Commission.

7. Relevant Safety Considerations – Rule 2.1(c)

Safety of our customers, employees, contractors, and the communities BVES serves is the top priority of BVES. In this Application, BVES proposes a number of programs and initiatives to continue and enhance Bear Valley's ability to deliver safe and reliable service to our customers. Some of the programs and initiatives in this Application that are relevant to safety considerations include, but are not limited to, programs and initiatives to be funded which have been authorized in Bear Valley's WMPs to reduce the risks of wildfires, which is one of the greatest safety risks. BVES also has a number of programs for employee and contractor safety initiatives. These

programs have yielded results. As of August 24, 2022, BVES has had: 1,190 days of no accidents or injuries; no fatalities in over ten years; and no employee contact with high voltage conductors in over ten years.

8. Proposed Schedule – Rule 2.1(c)

BVES respectfully requests that the Commission issue a decision as soon as practicable, but no later than the schedule set forth below, which assumes there is a need for an evidentiary hearing, to permit the requested rates and other requests to be in effect as close as possible to January 1, 2023:

Application filed	August 30, 2022
Rate Design/Cost Allocation Supplement filed	October 11, 2022
Protests/Responses Due ⁶	November 11, 2022
Reply to Protests	November 21, 2022
Prehearing Conf/Scoping Memo	November 28, 2022
Cal Advocates/Intervener (Testimony)	January 9, 2023
BVES Rebuttal	February 7, 2023
Formal Settlement Negotiations	February 14-16, 2023
Hearings	March 1-3, 2023
Initial Briefs	April 11, 2023
Reply Briefs	May 9, 2023
Proposed Decision	July 14, 2023
Comments on Proposed Decision	August 3, 2023
Replies to Comments on Proposed Decision	August 8, 2023
Expected Commission Meeting/Decision	September 8, 2023

In light of the proposed schedule set forth above and Bear Valley’s request for the new rates and charges in this Application to be effective January 1, 2023, BVES intends to file a motion

⁶ Although the protest period is 30 days, BVES will not object to any protest filed within 30 days after the rate design/cost allocation supplement is filed.

requesting that the Commission authorize the establishment of a GRC Memorandum Account. Establishing such an account would allow BVES to track the difference between the rates and charges collected between January 1, 2023 and the date of the final decision as compared to the new, authorized rates and charges to be effective as of January 1, 2023 as set forth in the final decision. The Memorandum Account would permit the Commission to make retroactive adjustments in rates and charges such that both BVES and its customers are economically indifferent due to the date of issuance of the final decision that authorizes new rates and charges effective January 1, 2023.

9. Articles of Incorporation – Rule 2.2

In compliance with Rule 2.2, a copy of Bear Valley’s Articles of Incorporation, certified by the California Secretary of State on December 12, 2018, was filed with the Commission in connection with Bear Valley’s Application 18-12-019, and is by reference made a part hereof.

10. Balance Sheet and Income Statement – Rule 2.3(h)

Bear Valley’s balance sheet and income statement for the period ending June 30, 2022, is attached hereto as Appendix A.

11. Statement of Presently Effective and Proposed Rates – Rules 3.2(a)(2) and 3.2(a)(3).

Bear Valley’s current rates and charges for electric service are in its electric tariffs and schedules on file with the Commission. These tariffs and schedules are filed with and made effective by the Commission in its decisions, orders, resolutions and approvals of advice letter filings pursuant to Commission Order 96-B.

If Bear Valley’s request in this Application is granted, TY 2023 operating revenue requirement will be \$50.28 million. This operating revenue requirement includes Bear Valley’s Base Rate Revenue Requirement and its Supply Cost Revenue Requirement. The request of \$50.28 million for TY2023 is a 32.4% increase from forecasted 2023 revenues at present rates. Compared to the currently adopted revenue requirement, Bear Valley’s requested revenue requirement of \$50.28 million for 2023 is \$10.54 million above the adopted 2022 revenue requirement, an increase of 26.5%.

If Bear Valley's request in this Application is granted, BVES will also receive increases in operating revenues of 4.45%, 3.53%, and 5.39% for TY 2024, 2025, and 2026, respectively. These annual increases for the last three years of the GRC cycle are year-over-year increases. They do not represent comparisons to revenues at present rates. If granted, Bear Valley's TY 2026 revenue requirement will be approximately 13.97% higher than the TY2023 proposed revenue requirement.

12. General Description of Bear Valley Property and Equipment, Original Cost Thereof, and Depreciation – Rule 3.2(a)(4).

BVES provides retail electric service to the Big Bear Lake resort area in the San Bernardino Mountains. BVES's service territory is a 32-square mile area surrounding Big Bear Lake and includes the communities of Big Bear Lake, Big Bear City, Fawnskin, Erwin Lake, Moonridge, Sugarloaf, Baldwin Lake, and Boulder Bay.

The BVES system is comprised of 18.8 circuit miles of overhead (bare) 34.5 kilovolt (kV) sub-transmission, 9.8 circuit miles of overhead (covered) 34.5 kV sub-transmission, 1.0 circuit mile of 34.5 kV underground transmission, 163.5 circuit mile of overhead (bare) 4 kV distribution, 15.7 circuit miles of overhead (covered) 4 kV distribution, 54.5 circuit miles of 4 kilovolt underground distribution, 13 sub-stations and a natural gas-fueled 8.4 MW peaking generation facility.

BVES has only one generation facility, the Bear Valley Power Plant (BVPP), which is located at the site of the BVES Main Office and began commercial operations in January 2005. The BVPP consists of seven internal combustion engines each rated at 1.2 MW (8.4 MW total) and fueled by natural gas.

BVES capitalizes, as utility plant, the cost of construction and the cost of additions, betterments and replacements of retired units of property. Such costs include labor, material and certain indirect charges. Depreciation is computed on the straight-line, remaining-life basis, group method for accounting and ratemaking purposes. At retirement, the original cost of depreciable property, less any net salvage value, is charged to the accumulated depreciation reserve for accounting and ratemaking purposes. The original cost and depreciation reserve applicable to Bear Valley's property and equipment are shown in the Balance Sheet attached as Appendix A of this Application, and in the schedules included as Volume 1, Attachment A (Depreciation Study), of the testimony supporting this application.

13. Summary of Earnings – Rule 3.2(a)(5)

A summary of earnings is attached as Appendix B to this Application.

14. Tax Depreciation – Rule 3.2(a)(7)

BVES has selected methods prescribed in the Internal Revenue Code (“IRC”) as applicable to the various vintages of its property that is depreciable for federal income-tax purposes. For example, for assets placed in service from 1981–1986, the Accelerated Cost Recovery System (“ACRS”) applied, and for assets placed in service after 1986, the Modified Accelerated Cost Recovery System (“MACRS”) applies. A special depreciation allowance (“bonus depreciation”) was provided under the tax law for assets placed in service in various vintages from 2002 through 2017 at rates between 20 and 100 percent; however, the Tax Cuts and Jobs Act (“TCJA”) generally repealed bonus depreciation for regulated utilities after 2017. Throughout the periods described above and as forecasted in the present Application, although the IRC provides for various elections (e.g., to elect to substitute a straight-line method for MACRS depreciation, or to elect out of bonus depreciation), BVES has not made any such elections and has applied the default methods prescribed under the IRC as being the most beneficial for its customers. BVES has used the same methods in calculating federal income taxes for the test period for rate-fixing purposes as it has employed in computing its depreciation deductions for purposes of determining its federal income-tax payments.

15. Parent Company Proxy Statement – Rule 3.2(a)(8)

Bear Valley’s parent company is American States Water Company. Below is the link to American States Water Company’s Proxy Statement for the 2022 Annual Meeting of Shareholders.

https://www.sec.gov/Archives/edgar/data/1056903/000114036122013718/ny20001991x1_def14a.htm

16. Statement Pursuant to Rule 3.2(a)(10)

Bear Valley’s Application includes a request to pass through and recover its costs of providing service and to add various capital expenditures to rate base that are required to continue to provide such service. These requested rate base additions would earn a return on, as well as a

return of, capital. In that sense, BVES in this Application is not limited to passing through to customers only increased costs to the corporation for the services or commodities furnished by it.

17. Service of Notice – Rule 3.2(b)-(d).

Within 20 days of the filing of this Application, BVES will cause to be published a notice of the general terms of the proposed increase in a newspaper of general circulation in the area served. Within 20 days of the filing of this Application, BVES will mail or e-mail a Notice of Availability that describes in general terms the proposed rate increases to the officers of political subdivisions and interested parties listed on Exhibit D attached hereto. Within 45 days of the filing of this Application, BVES will provide each customer of record, the information required by Rule 3.2(d) of the Commission’s Rules of Practice and Procedure. Proof of compliance will be filed with the Commission within 20 days after compliance of the last action required in this paragraph. Proof of publication shall include a sworn verification listing the newspapers and publications dates and a sample of each different notice.

18. Chief Executive Officer Certification.

Section 8386.4 of the Public Utilities Code governs recovery of costs related to approved WMPs and requires that the chief executive officer of a utility certify in a GRC application that the utility has not received authorization from the Commission to recover the costs in a previous proceeding, including wildfire cost recovery applications. This provision is intended to bar double recovery of WMP-related costs that have already been approved in a previous proceeding. The required certification of the chief executive officer of BVES is attached as Appendix C to this Application.

F. CONCLUSION

Bear Valley’s present rates are unjust and unreasonable and do not and will not produce a fair and reasonable return. The requested rate increase and surcharge, along with the Special Requests, sought by this Application, will enable BVES to earn a fair and reasonable rate of return on its property dedicated to rendering public electric service in its service area.

G. PRAYER FOR RELIEF

WHEREFORE, Bear Valley Electric Service, Inc. prays that this Commission issue an Order:

- 1) Finding that the present rates and charges are unjust and unreasonable.
- 2) Finding that the rates, charges and surcharge proposed herein are fair, just and reasonable.
- 3) Directing that there be a concurrent withdrawal and cancellation of existing rates, charges, tariffs and classifications to be superseded by rates, charges and other tariff changes as necessary to reflect the rates and charges requested in the Application and supporting testimony.
- 4) Authorizing BVES a rate of return on rate base (ROR) of 9.05% for TY2023 through TY2026, based on an 11.25% return on equity (ROE), a 5.51% cost of debt, and a capital structure of 38.2% long-term debt and 61.8% common equity.
- 5) Authorizing BVES to have an authorized total operating revenue requirement, excluding surcharges, of \$50,280,617, \$52,519,040, \$54,372,548, and \$57,305,624 for TY2023 through TY2026, respectively.
- 6) Authorizing a single, bundled wildfire mitigation surcharge of \$0.02294/kWh over a thirty-six month period.
- 7) Approving the Special Requests set forth in Volume 3 of the supporting testimony.
- 8) Approving the amounts of \$58,460,805 of costs and \$53,837,040 of revenues booked into the Supply Adjustment Account and an ending balance in the Supply Adjustment Account as of December 31, 2021 of an under-collection amount of \$1,399,094.
- 9) Approving capital additions of \$14,386,492, \$14,812,869, \$17,741,776, and \$15,075,259 for the years TY2023 through TY 2026, respectively.
- 10) Approving the requested form of the Risk Spending Accountability Report.

11) Granting such further, additional or other relief as requested herein as the Commission may deem to be necessary or proper in light of this Application.

Dated at Newport Beach, California: August 30, 2022

Respectfully submitted,

BY: /s/ Fred G. Yanney

Fred G. Yanney

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Attorney for Bear Valley Electric Service,
Inc.

VERIFICATION

I am the attorney for the applicant Bear Valley Electric Service, Inc., herein. The President, Secretary and Treasurer and only officer of the applicant is absent from the County of Orange, California, where I have my office, and I make this verification for said applicant for that reason. I am informed and believe that the matters stated in the foregoing Application are true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 30th day of August, 2022, at Newport Beach, California.

By: /s/ Fred G. Yanney

Fred G. Yanney

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Attorney for Bear Valley Electric Service,
Inc.

APPENDIX A

BVES BALANCE SHEET and INCOME STATEMENT

Bear Valley Electric Service, Inc. ("BVESI")
Balance Sheet
As of June 30, 2022 (in thousands)
(Unaudited)

Assets:

Utility Plant, at cost

Electric	\$ 126,997
Total	<u>126,997</u>
Less – Accumulated depreciation	<u>(55,063)</u>
	71,934
Construction work in progress	<u>39,460</u>
Net utility plant	<u>111,394</u>

Other Property and Investments	90
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Current Assets

Cash and cash equivalents	1,373
Accounts receivable-customers, less allowance for doubtful accounts	2,001
Unbilled revenue - receivable	954
Receivable from Affiliate	234
Income taxes receivable from Parent	331
Materials and supplies	3,084
Prepayments and other current assets	442
Unrealized gains on purchased power contracts	<u>8,114</u>
Total current assets	<u>16,533</u>

Other Assets

Regulatory assets	2,263
Operating lease right-of-use assets	114
Other	<u>186</u>
Total other assets	<u>2,563</u>

Total Assets	<u><u>\$ 130,580</u></u>
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Capitalization and Liabilities:

Capitalization

Common shareholder's equity	75,000
Long-term debt	<u>34,822</u>
Total capitalization	<u>109,822</u>

Current Liabilities

Accounts payable	3,792
Regulatory liabilities	3,444
Accrued other taxes	172
Accrued employee expenses	669
Accrued interest	291
Operating lease liabilities	29
Other	<u>486</u>
Total current liabilities	<u>8,883</u>

Other Credits

Advances for construction	20
Deferred income taxes	11,458
Accrued pension and other post-retirement benefits	265
Operating lease liabilities	75
Other	<u>57</u>
Total other credits	<u>11,875</u>

Total Capitalization and Liabilities	<u><u>\$ 130,580</u></u>
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Bear Valley Electric Service, Inc. ("BVESI")
Statement of Income
For the Six Months Ended June 30, 2022 (in thousands)
(Unaudited)

Operating Revenues	
Electric	\$ 20,109
Total operating revenues	<u>20,109</u>
Operating Expenses	
Power purchased for resale	6,513
Supply cost balancing accounts	(233)
Other operation	1,516
Administrative and general expenses	3,969
Depreciation and amortization	1,340
Maintenance expenses	491
Property and other taxes	877
Total Operating Expenses	<u>14,473</u>
Operating Income	5,636
Other Income and Expenses	
Interest expense	496
Interest income	(88)
Other, net	(220)
Total other income and expenses	<u>188</u>
Income from operations before income tax expense	5,448
Income tax expense	1,167
Net Income	<u><u>\$ 4,281</u></u>

APPENDIX B

SUMMARY OF EARNINGS

APPENDIX C

PUBLIC UTILITIES CODE SECTION 8386.4 CERTIFICATION

PUBLIC UTILITIES CODE SECTION 8386.4 CERTIFICATION

1. I am the President, Secretary and Treasurer of Bear Valley Electric Service, Inc. (BVES).

2. I hereby certify that BVES has not, in a previous proceeding, received authorization from the California Public Utilities Commission (Commission) to recover wildfire mitigation plan-related costs sought in this Application for activities described in Bear Valley's 2019, 2020, or 2021 Commission-approved Wildfire Mitigation Plans (which are Bear Valley's only Wildfire Mitigation Plans that have been approved as of the date of this Certification).

3. BVES is seeking in this Application, among other things, the review of costs related to implementing its 2019, 2020 and 2021 Commission-approved Wildfire Mitigation Plans as tracked in certain memorandum accounts described in this Application and associated testimony. Bear Valley is seeking recovery of only those costs booked in such memorandum accounts which are incremental to the costs approved in Bear Valley's 2018 GRC rates. Bear Valley's Application and testimony in this proceeding reflect its reasoned position on which costs are claimed to be incremental, but I recognize that whether a particular cost is incremental may be contested and the Commission will make the ultimate determination regarding which costs are incremental. My certification reflects my belief that Bear Valley's position on which costs are incremental and eligible for rate recovery is reasonable, is based upon Bear Valley's interpretation and understanding of California Public Utilities Code Section 8386.4, and is based upon information from BVES employees on whom I rely for their knowledge about the details of these issues.

Executed effective as of this 30th day of August, 2022.

/s/ Paul Marconi
Paul Marconi
President, Secretary and Treasurer
Bear Valley Electric Service, Inc.

APPENDIX D

SERVICE OF NOTICE OF AVAILABILITY LIST

SERVICE OF NOTICE OF AVAILABILITY LIST

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Office of the Attorney General
State of California
300 South Spring Street
Los Angeles, CA 90013

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

Application of Bear Valley Electric Service, Inc.
(U 913 E) for Authority to, Among Other
Things, Increase Rates and Charges, and
Authorized Revenues, for Electric Service
Effective January 1, 2023

Application 22-_____

NOTICE OF AVAILABILITY

An Application for 2023 General Rate Case (Application) has been filed with the California Public Utilities Commission by Bear Valley Electric Service, Inc. (BVES) seeking, among other things, approval for certain costs incurred by BVES and recovery of such costs in rates; authority for BVES to increase general rates, energy supply charges and certain other charges; authority to implement capital improvement and fire risk-reduction programs; and authority to implement certain revenue adjustment mechanisms and memorandum accounts.

In terms of total annual operating revenue requirements, in its Application BVES requests \$50.28 million for Test Year 2023. If approved, this request represents a year-over-year increase of approximately \$10.5 million, which translates into a 26.5% increase when comparing the Test Year 2023 requested amount to the authorized 2022 operating revenue requirement.

In addition, BVES is requesting year-over-year increases in total operating revenues of \$2.24 million (4.45%) in 2024, \$1.85 million (3.53%) in 2025, and \$2.93 million (5.39%) in 2026.

If anyone receiving this Notice of Availability wishes to receive a copy of the Application, please contact Dr. Nguyen Quan at Nguyen.quan@gswater.com or send a written request to him at, 630 East Foothill Boulevard, San Dimas, California 91773. A copy of the Application has also

been made available at <https://www.bvesinc.com/customer-service/rates-regulations> on August 30, 2022.

/s/ Nguyen Quan
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