

**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. 22-08-010
(Filed August 30, 2022)

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

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October 11, 2022

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A. INTRODUCTION

Bear Valley Electric Service, Inc. (“BVES” or “Bear Valley”) submitted its General Rate Case (“GRC”) Application 22-08-010 (“Application” or “GRC Application”) and associated prepared testimony and documents on August 30, 2022. In its Application, BVES 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 or memorandum and balancing accounts; and approval of certain previously incurred costs, as set forth in the Application and associated direct testimony and documents.

In its Application, BVES indicated that it would subsequently supplement its Application with a proposed cost allocation and rate design.¹ This two-step application process was used in BVES’s last two general rate case applications in 2013 and 2017, and was confirmed again in

¹ Application at p. 2.

Ordering Paragraph 15 in D.19-08-027. In accordance with its Application, and as previously authorized as noted above, BVES hereby submits its Amendment and Supplement to Application for Authority to, Among Other Things, Increase Rates and Charges, and Authorized Revenues, for Electric Service Effective January 1, 2023.

B. SUMMARY OF VOLUME 7 TESTIMONY

The purpose of the Supplement and Volume 7, Cost Allocation and Rate Design, is to provide BVES's marginal cost analysis, proposed revenue allocation, and proposed rates to recover its overall revenue requirement sought in its GRC Application.

Section I provides an introduction to the testimony which includes: (a) a description of the current rate classes; (b) development of the Marginal Cost of Service ("MCS") study; and (c) development of the proposed revenue targets, rate design, and bill impact analyses for each rate class. This Section also provides the qualifications of the cost allocation and rate design witness, Timothy S. Lyons, a Partner at ScottMadden, Inc.

Section II provides a summary of the findings and recommendations.

Section III provides an overview of BVES, including the characteristics of BVES's rate classes.

Section IV provides the process and results of BVES's MCS study. The MCS study develops marginal customer, energy, and demand costs for each rate class and rate schedule. The MCS study shows the revenues that would be generated by directly charging marginal customer, energy, and demand rates based upon BVES's forecast of customers and sales.

Section V discusses the revenue allocation and rate design. Revenue allocation is the process of determining the responsibility for each customer class for the overall annual revenue requirement. The results of the allocation process affects the differences in rates among BVES's customer classes.

There are two commonly used methods of revenue allocation. One is to allocate revenues among customer classes based on the system average percent ("SAP") methodology, and the other

is to allocate revenues among customer classes based on a long-run marginal cost (“LRMC”) methodology that is frequently referred to as an equal percentage of marginal costs (“EPMC”). If BVES proposed implementing 100% EPMC allocation in this GRC, it would cause unacceptable results for the permanent residential customer class. Therefore, BVES is proposing a hybrid approach using both the EPMC and SAP methodologies.

BVES proposes to allocate 20 percent of proposed revenues based on the EPMC method and 80 percent of proposed revenues based on the SAP method. BVES’s proposed methodology strikes an appropriate balance between moving to a cost-based rate structure (EPMC method) and addressing rate continuity concerns (SAP method). For example, relying only on the results of the MCS study (i.e., 100 percent EPMC method) would result in an increase for the Residential Permanent rate class of 79 percent, more than 2.0 times the system average rate increase. BVES believes that such an increase for the Residential Permanent rate class is not appropriate particularly since the driver for the overall revenue increase is related to wildfire mitigation costs (both past and forecasted) which provides benefits to all customers.

This Section also sets forth the actual rates BVES proposes for 2023, 2024, 2025 and 2026 for each customer class and tariff schedule. The rates are based upon the revenue allocation methodologies described above and are designed to recover the overall revenue requirement sought by BVES in this Application.

C. PROTEST PERIOD END DATE

Although the protest period end-date or deadline typically is 30 days from the date of the filing of the application, as indicated in the GRC application, BVES will not object to any protest filed within 30 days of the filing date of this Supplement. Thus, any protest filed after 30 days from the filing date of this Supplement will be deemed untimely and not considered.

D. CONCLUSION

Bear Valley respectfully requests that the Commission issue an Order approving BVES’s requests set forth in this Amendment and Supplement to Application, as well as its requests specifically described in subpart G – Prayer for Relief as set forth in Application 22-08-010.

Dated at Big Bear Lake, California: October 11, 2022

Respectfully submitted,

BY: /s/ Sean Matlock

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VERIFICATION

I am President, Secretary and Treasurer of Bear Valley Electric Service, Inc., and am authorized to make this verification on its behalf with respect to the within Amendment and Supplement to Application. I have read the Amendment and Supplement to Application and supporting testimony and I am informed and believe that the matters therein are true, and on that ground, I allege that the matters stated therein 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 11th day of October, 2022, at Big Bear Lake, California.

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

APPENDIX A
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