



November 29, 2010

Advice Letter No. 246-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:

CPUC Sheet No.
Revised No. 1874-E

Title of Sheet
Preliminary Statements Part V
Page 1

Canceling
CPUC Sheet No.
Original No. 1777-E

Revised No. 1875-E

Preliminary Statements Part V
Page 2

Original No. 1778-E

Revised No. 1876-E

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Revised No. 1873-E

SUBJECT

BVES general rate case (GRC) decisions D.09-10-028 and D.10-03-16 authorize the filing of an advice letter to update the general office (GO) and pension and benefit (P&B) allocations in the Base Revenue Requirement Adjustment Mechanism (BRRAM) balancing account. Decision D.10-11-035 in the GSWC 2009 General Rate Case and General Office Rate Proceeding, Application 08-07-010, authorizes a set of new GO costs, P&B costs, and allocation factors for BVES.

PURPOSE

The purpose of this Advice Letter is to implement the changes to BVES and P&B allocations as authorized in Decision 10-11-035 via a modification in the BRRAM values as noted in the "Preliminary Statements - Part V: Base Revenue Requirement Balancing Account." In its decision D.10-11-035 the Commission authorizes general office administrative and general (A&G) costs for GSWC and new allocation factors for BVES. The authorized level of A&G costs includes an amount for the GO related P&B to be

allocated to BVES in 2010 - 2012. BVES is requesting changes in paragraphs 1, 4 and 8 of its Preliminary Statements - Part V.

BACKGROUND

On October 15, 2009, the Commission issued D.09-10-028 adopting Settlement Agreement between the Division of Ratepayer Advocates (DRA) and BVES, and closed Proceeding A.08-06-034. On March 11, 2010, the Commission issued D.10-03-016 granting a BVES petition to modify D.09-10-028 to address certain procedural mechanisms and corrections. At the time D.09-10-028 was issued, a decision in GSWC's general rate case, A.08-07-010, pertaining to general office A&G, P&B costs and new allocation factors for BVES was pending. Although a decision in A.08-07-010 was expected before January 2010, the decision was delayed until November 2010. On November 19, 2010, the Commission issued decision D.10-11-035 in the GSWC general rate case proceeding. The purpose of this Advice Letter is to incorporate the newly authorized GO costs, P&B costs and allocation factors into the BVES' BRRAM revenue requirements for 2010 - 2012.

The BRRAM was incorporated into BVES Preliminary Statements – Part V in May of 2010 by Advice Letter 240-E authorized by Decisions D. 09-10-028 and D. 10-03-016, and currently contains the following Revenue Requirement allowances:

Table 1

Year	Annual Revenue Requirement
2009	\$17,023,300
2010	\$18,292,400
2011	\$18,841,200
2012	\$19,449,600

These annual revenue requirement values include an amount for the GO allocation of \$3,648,500 based on GSWC general rate case Application A.06-02-023 and decision D.07-11-037. Authorized GO costs and allocation factors authorized in D. 07-11-037 were used for the BVES GRC Test Year 2009, and they were adopted in the Settlement Agreement with the DRA for Test Years 2010 through 2012, in anticipation of changes to be incorporated as a result of the pending decision by the Commission in GSWC general rate case Proceeding A.08-07-010. The breakdown of the GO allocation adopted in the Settlement Agreement between BVES and the DRA is shown below in Table 2 by component.

Table 2
(000 \$)

GO Cost Breakdown Net of ASUS & CCWC	2009 - 2012 Adopted In D.09-10-028
GO Labor, Material & Postage	\$23,508.1
GO Staff Related P&B	\$5,720.3
All Other Staff Related P&B	\$8,503.7
Taxes Other	\$924.3
Depreciation	\$1,767.1
Rate Base Component	NA
Subtotal GO Costs	\$40,423.5
BVES Equivalent Allocation	9.0258%
Allocation to BVES	\$3,648.5
COPS	NA
BVES Adopted Allocation	NA
Allocation to BVES	NA
TOTAL ALLOCATION	\$3,648.5

As noted above decisions D. 09-10-028 and D. 10-03-016 adopted the Settlement Agreement between BVES and the DRA. The Settlement Agreement includes, at page 16, the following language regarding the updating GO and P&B costs and allocations:

XII. GENERAL OFFICE UPDATE

The Parties agree that the BVES revenue requirement for 2009 will incorporate the General Office costs allocated to BVES in GSWC's 2006 General Office rate proceeding (A.06-02-023) and adopted by the Commission in D.07-11-037. The Parties agree that BVES is authorized to update BVES' revenue requirement and rates for 2010, 2011, and 2012 to reflect any changes to the General Office (GO) costs (which include pension and benefits, billing, 24-hour communication/call center, information technology support, central mainframe computer and software, accounting and finance, recruitment, and payroll services) and/or allocation to BVES adopted by the Commission in GSWC's rate proceeding, A.08-07-010. The Parties agree that there will be only one General Office cost allocation update which will be applicable to the years 2010, 2011, and 2012.

The Parties agree that following the Commission's issuance of a final decision in A.08-07-010, BVES is authorized to file an Advice Letter to implement any change in the Commission authorized costs allocated to BVES regarding General Office expenses and pension and benefit costs. Authorization to update BVES' revenue requirements shall include all costs authorized and allocated by the Commission for General Office services and include Commission authorized costs and allocations to BVES for pension and benefit costs if such costs are accounted for separately from General

Office costs. The authorized General Office costs would be implemented by increasing or decreasing the revenue requirement in the Base Revenue Requirement Adjustment Mechanism balancing account.

The Parties acknowledge that GSWC filed A.08-07-010 in July 2008, and that subsequent to that filing, GSWC experienced an unexpected and significant incremental increase in its projected pensions and benefits costs due to the crisis in the U.S. financial markets that began in October 2008. GSWC has requested that the Commission address this subsequent, incremental increase in the pensions and benefits costs in A.08-07-010. The Parties agree that the final resolution reached by the Commission with regards to GSWC's treatment of the subsequent, incremental pension and benefits costs for 2010, 2011, and 2012 shall apply equally to BVES' treatment of such subsequent, incremental pension and benefits costs allocated by the Commission to BVES.

The Parties expect that the Commission will issue a final decision in A. 08-07-010 before January 1, 2010. If a decision is not made before this date, the Parties agree that BVES should continue use the 2009 test year allocation value of \$3,648,500 until the Commission issues a decision in A. 08-07-010 and BVES updates the GO allocation via the advice letter process as described above.

As noted in the Settlement Agreement, a decision in the GSWC general rate case, Proceeding A. 08-07-010, was expected to be issued before January 1, 2010. The initial proposed decision in A. 08-07-010 was issued in November of 2009. However, there was a delay in issuing a final decision. It was not until November 19, 2010, that a final decision, D.10-11-035, was issued.

D. 10-11-035 revises GO expenses for 2010 - 2012, including P&B expenses related to GO staff as well as the P&B costs for all other staff that is not located at the GO. In addition, D.10-11-035 updates the allocation for 2010 - 2012 and changes the method for computing allocation factors applicable to BVES.

Table 3 below provides a summary of the GO and P&B components originally adopted in the BVES general rate case (Column 1, which is the same as Table 2 above) and the 2010, 2011 and 2012 comparable values and resulting BVES allocation authorized in D. 10-11-035, which includes the new GO subcategory of Centralized Operations (COPS). BVES has provided supporting work papers for the results of calculations provided in Tables 2, 3, and 4.

Explanation of the "NA's" shown in Tables 2 and 3 for 2009:

1. Rate Based Components:

At the time BVES 2009 GRC Application was filed in 2008, the rate base component of the GO allocation was not certain, although authorized as a GO cost component, so the BVES GRC application did not include the rate base

component in its requested GO allocation. In D. 10-11-035 the rate base component is provided and it is now included in the calculation of the CO cost breakdown.

2. COPS:

D. 10-11-035 includes a specific revenue requirement for GO investment costs to be allocated and a new category of GO costs referred to as the Centralized Operations (COPS) cost related to the implementation of a new Customer Care and Billing system for the combined utility company. Decision D.10-11-035 includes a different allocation factor for GO costs without COPS and a separate allocation factor for COPS. In the former the allocation for BVES is 9.26%, while the allocation for BVES in the latter is 10.52%

Table 3
(000 \$)

General Office Cost Breakdown	2009 Adopted In D. 09-10-028	2010 Adopted In D. 10-11-035	2011 Adopted In D. 10-11-035	2012 Adopted In D. 10-11-035
GO Labor, Material & Postage	\$23,508.1	\$22,938.0	\$23,294.8	\$23,654.6
GO Staff Related P&B	\$5,720.3	\$5,870.2	\$6,465.5	\$6,569.9
All Other Staff Related P&B	\$8,503.7	\$8,317.7	\$10,786.7	\$10,922.4
Taxes Other	\$924.3	\$966.8	\$985.1	\$1,003.6
Depreciation	\$1,767.1	\$1,596.9	\$1,682.0	\$1,767.2
Rate Base Component	NA	\$3,089.7	\$3,099.9	\$3,110.1
Subtotal GO Costs without COPS	\$40,423.5	\$42,779.4	\$46,314.0	\$47,027.8
BVES Equivalent Allocation	9.0258%	9.2600%	9.2600%	9.2600%
Allocation to BVES	\$3,648.5	\$3,961.4	\$4,288.7	\$4,354.8
GO COPS Component	NA	\$8,558.9	\$8,858.5	\$8,918.8
BVES Adopted COPS Allocation	NA	10.52%	10.52%	10.52%
Allocation to BVES	NA	\$900.4	\$931.9	\$938.3
TOTAL ALLOCATION	\$3,648.5	\$4,861.8	\$5,220.6	\$5,293.0

After subtracting the current values incorporated in BVES revenue requirement of \$3,648,500, the increases in revenue requirement resulting from the updates for 2010 through 2012 shown in Table 3 would be \$1,213,200 for 2010; \$1,572,000 for 2011 and \$1,644,500 for 2012 as noted in Table 4 below.

Table 4BVES REVISED REVENUE REQUIREMENT

Annual Rev Req	Current Values Effective 11/2/09	Incremental Adjustment Effective 11/19/10	Revised Values
2009	\$17,023,300	\$0	\$17,023,300
2010	\$18,292,400	\$1,213,200	\$19,505,600
2011	\$18,841,200	\$1,572,000	\$20,413,200
2012	\$19,449,600	\$1,644,500	\$21,094,100

BVES is requesting an update of revenue requirements for calendar years 2010 through 2012 in this Advice Letter. The revenue requirement values for 2010 - 2012 in BVES' current Preliminary Statement shown above should be modified to incorporate the new GO allocations for BVES based on the Commission decision D.10-11-035 that pertains to the GSWC general rate case.

EXISTING RATES

No changes in rates are being requested at this time. BVES will file another Advice Letter to implement rates to recover the 2011 revenue authorized in D.09-10-028 and D. 10-03-016 pertaining to the BVES general rate case. However, the new 2011 rates will not include the updated GO and P&B costs and allocation. Recoveries of the incremental GO and P&B costs as authorized in D. 10-11-035 will be done via the BRRAM as authorized in paragraph 9 of the Preliminary Statement.

TIER DESIGNATION

In compliance with the Commission decision D. 10-03-016, and Energy Industry Rule 5.1 of GO 96-B, this Advice Letter is filed as a Tier 1 advice letter.

EFFECTIVE DATE

In compliance with the Settlement Agreement language above, BVES requests the Commission make the changes effective as of the effective date of D-10-11-035, November 19, 2010.

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

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

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.

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 "Ng. Quan", with a stylized flourish extending to the right.

Nguyen Quan
Manager, Regulatory Affairs

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

PRELIMINARY STATEMENTS

V. BASE REVENUE REQUIREMENT BALANCING ACCOUNT

Golden State Water Company ("GSWC") shall maintain the Base Revenue Requirement Balancing Account ("BRRBA") for its Bear Valley Electric Service ("BVES") Division

1. **PURPOSE:**

The purpose of the BRRBA is to record the difference between BVES adopted Base Revenue Requirements and the recorded revenue from base rates. (C)

2. **APPLICABILITY**

The BRRBA shall apply to all customers base rate revenues.

3. **RATES**

Base rates are electric rates and related adjustments. Adjustments are required to amortize under-collections or over-collection in the BRRBA authorized by the Commission from time to time.

4. **AUTHORIZED BASE RATE REVENUE REQUIREMENT**

BVES' authorized annual base rate revenue requirements for the years 2009, 2010, 2011 and 2012 are reflected in the Settlement Agreement between the Division of Ratepayer Advocates and BVES and approved by the Commission in D.09-10-028, as modified by D.10-03-016, and updated in D. 10-11-035 are as follows. (C)

<u>Year</u>	<u>Annual Rev. Req. D09-10-028</u>	<u>Annual Rev. Req. D10-11-035</u>	<u>Annual Rev. Req. TOTAL</u>
2009	\$17,023,300	0	\$17,023,300
2010	\$18,292,400	\$1,213,300	\$19,505,600
2011	\$18,841,200	\$1,572,000	\$20,413,200
2012	\$19,449,600	\$1,644,500	\$21,094,100

The authorized monthly revenue requirement shall be apportioned on a monthly basis as one-twelfth of the annual revenue requirement shown above, subject to effective date, see paragraph 8 below. (C)

5. **ADJUSTMENTS TO THE REVENUE REQUIREMENT**

The annual revenue requirement levels in Section 4 may be adjusted, if needed, by an update as a result of a decision that changes the allocation of General Office costs to BVES that have been issued in a Golden State Water Company (GSWC) water operations case filed before the Commission, or by some other appropriate proceeding that establishes a new base rate revenue requirement or an addition to the base rate revenue requirement shown in Section 4.

The authorized adjustment to the revenue requirement in Section 4 shall be apportioned on a monthly basis as one-twelfth of the annual revenue requirement and added to the existing monthly revenue requirement beginning with the month authorized.

6. **TRANSFERS AND ADJUSTMENTS TO THE BRRBA BALANCE**

From time to time the Commission may find that an amortization of a base rate memorandum account they authorized has run for the required number of months but that there remains an unamortized over or under collected balance at the end of the amortization period. The unamortized balances for such memorandum accounts may be transferred to the balance in the BRRBA if the costs covered by the memorandum account are base rate related costs.

(Continued)

PRELIMINARY STATEMENTS
(continued)

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V. BASE REVENUE REQUIREMENT BALANCING ACCOUNT

7. ACCOUNTING PROCEDURES:

GSWC shall maintain the BRRBA by making entries at the end of each month as follow:

- a. Recorded monthly base rate revenue
- b. Apportioned monthly allocation of the authorized annual base rate revenue requirement as described in Sections 4 & 5
- c. Total net BRRBA balance: 7.a. minus 7.b.
- d. GSWC shall apply interest to the average net balance in the BRRBA account at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month as reported in the Federal Reserve Statistical Release, H.15, or its successor publication. Accumulated interest will be included in the amount on which interest is charged, but will be identified as a separate component of the BRRBA account.

8. EFFECTIVE DATE

In reference to paragraph 4, the D. 09-10-028 revenue requirements are effective November 2, 2009, the D. 10-11-035 revenue requirements are effective November 19, 2010.

(C)
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(C)

9. ACCOUNT DISPOSITION

The disposition of the balance in the BRRBA at the close of each year will be addressed by GSWC in a Tier 2 Advice Letter filing if the amount of the under- or over-collection is equal to or greater than 5% of the revenue requirement established for the previous twelve months. Should such a trigger be met, GSWC may file the required advice letter with the necessary amortization rate expected to amortize the balance over the next twelve months.

ISSUED BY

Date Filed: November 29, 2010

Advice Letter No. 246-E

R. J. SPROWLS

Effective Date: November 19, 2010

Decision No. 10-03-016, 10-11-035 President

Resolution No. _____

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ISSUED BY
 Advice Letter No. 246-E R. J. SPROWLS
 Decision No. 10-03-016, 10-11-035 President

Date Filed: November 29, 2010
 Effective Date: November 19, 2010
 Resolution No. _____

GOLDEN STATE WATER COMPANY

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