

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 28, 2020

Mr. Nguyen Quan
Bear Valley Electric Service
Regulatory Affairs Manager
630 E. Foothill Blvd.
San Dimas, CA 91773

Dear Mr. Quan:

On October 14, 2019, Golden State Water Company filed Advice Letter 371-E, transmitting a Risk Spending Accountability Report (RSAR) on behalf of Bear Valley Electric Company (BVES), pursuant to Decision (D.)19-08-027 and D.19-04-020. AL 371-E was filed as a Tier 1 Information Only AL and is considered effective on the filing date of October 14, 2019. The CPUC's Energy Division (ED) prepared the enclosed review of BVES' 2018 RSAR and provides recommendations for the utility to consider for its upcoming 2019 RSAR to be filed in 2020.

In D.19-04-020, the CPUC affirmed that ED's review of RSARs serves to raise concerns and seek understanding of the data and "does not constitute a reasonableness [review] of the utility's proposed risk mitigation budgets or programs as required in Public Utilities Code Section 451."¹ Reasonableness review of utilities spending is accomplished in the general rate case (GRC) process.² In addition, review and verification of the utility's risk and management activities and spending that took place during the reporting period are part of Safety Performance Metrics reporting.³ Therefore, ED's review of BVES' RSAR in this letter is limited to the reporting on and highlighting of information and does not make any findings regarding the reasonableness of the utility's spending.

CONCLUSIONS

While BVES provided information regarding its 2018 level of spending against authorized amounts for some expenditures relating to maintenance, safety, and reliability programs, the utility's RSAR requires additional information and details to comply with D. 19-08-027 and D.19-04-020. ED provides a summary of the deficiencies in the attached Analysis for BVES to consider. If BVES rectifies the deficiencies and follows the guidance provided in D.19-04-020 and D.19-08-027, future RSARs will provide useful information to inform the GRC process.

RECOMMENDATIONS

In April 2019, the CPUC issued Decision (D.) 19-04-020 modifying the selection criteria and revising the reporting guidance for utilities. ED staff calls attention to Ordering Paragraph 13 in D.19-04-020 which requires BVES to file annual RSARs in the GRC proceeding in which funding for risk mitigation spending was authorized, starting with a report covering 2019.

¹ D.19-04-020, pp. 39-40.

² Ibid.

³ Ibid, p. 40.

In addition, D.19-04-020 provides Small and Multi-Jurisdictional Utilities (SMJUs) the following direction: “We direct the SMJUs to follow the general RSAR procedures outlined in Attachment [2], providing the same level of detail on the utility’s risk mitigation and risk spending as presented in its GRC, unless otherwise directed by Commission Staff.”⁴ Attachment 2, Section I contains eight guiding principles for preparing RSARs that expand on the General Guidance six principles. As a result, BVES should prepare its future RSARs by following procedures outlined in D.19-04-020, Attachment 2, consistent with Commission direction.

In August 2019, the CPUC issued D.19-08-027, adopting 2018 through 2022 revenue requirements for BVES. The decision also adopted reporting requirements and specified a list of programs for BVES to report on in its annual RSARs.⁵ BVES should provide a report on spending in all safety, reliability, and maintenance programs adopted in D.19-08-027.

The 2019 RSAR should be filed and made available to the CPUC’s Safety and Enforcement Division, Safety Policy Division, and Public Advocates Office. BVES should also provide the 2019 RSAR to ED’s Tariff Unit by emailing the report to edtariffunit@cpuc.ca.gov.

If you have any questions or comments, please contact Jenny Au, Senior Utilities Engineer, at (213) 620-6502 or jenny.au@cpuc.ca.gov

Sincerely,

 FOR

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division

Enclosure

*cc: Dorothy Duda,
Branch Manager
Market Structure, Costs and Natural Gas Branch*

Service Lists for A.17-05-004

⁴ Decision language contains typographical error referring to Attachment 3. Attachment 2 is the correct reference.

⁵ D.19-08-027, Section 7 Reporting Requirements Pursuant to D.19-04-020 and Section 591, pp. 46-49.

Energy Division Review of the 2018 Interim Risk Spending Accountability Report of Bear Valley Electric Services

The California Public Utilities Commission’s (CPUC) Energy Division (ED) reviewed Bear Valley Electric Services’ (BVES) Risk Spending Accountability Report (RSAR), filed on October 14, 2019. ED conducted the review to provide the CPUC and BVES with information that may be useful in future proceedings and serves as a precursor to the review of RSARs required by CPUC Decision (D.) 19-04-020.

BACKGROUND

In December 2014, the CPUC issued D.14-12-025, *Decision Incorporating a Risk-Based Decision-Making Framework into the Rate Case Plan and Modifying Appendix A of D.07-07-004*, and directed only the large investor-owned utilities (not SMJUS) under its jurisdiction to prepare and submit to the CPUC annual RSARs that would compare authorized and actual spending on risk mitigation projects.

On January 1, 2018, the CPUC enacted Public Utilities Code Section 591 requiring electric and gas utilities to provide an annual report to the Commission regarding the re-direction of funds authorized for capital or expense revenue to other purposes.

In an August 31, 2018, ruling in A.15-05-002 (*Safety Model Assessment Proceedings*), the assigned ALJ included a “General Guidance for the Small and Multi-Jurisdictional Utilities on the Risk Spending Accountability Report”⁶ (General Guidance). The General Guidance suggested that SMJUs should file interim annual RSARs beginning on June 30, 2019 for the 2018 record year and provided six principles that the SMJUs should adhere to when filing interim RSARs.⁷

In April 2019, the CPUC issued D.19-04-020, *Phase Two Decision Adopting Risk Spending Accountability Report Requirements and Safety Performance Metrics for Investor-Owned Utilities and Adopting a Safety Model Approach for Small and Multi-Jurisdictional Utilities*, and directed SMJUs to file annual RSARs, starting in June 2020 for the 2019 recorded year.

In August 2019, the CPUC issued D.19-08-027, *Resolving 2018 General Rate Case Application for Golden State Water Company, on Behalf of its Bear Valley Electric Service Division*. The Decision adopted additional reporting requirements for BVES and adopted a new filing schedule for BVES’ RSARs.

On October 14, 2019, BVES filed Advice Letter 371-E to comply with the requirements of D.19-08-027. BVES provided information on recorded expenditures and authorized budgets for some programs pertaining to safety, reliability, and maintenance. The information provided in AL 371-E lacks the details necessary to meet the General Guidance and requirements for Risk Spending Accountability Reporting, as specified in D.19-04-020 and D.19-08-027.

⁶ A.15-05-002 SMAP, Energy Division Guidance for the Standardized Reporting and Outline of the Risk Spending Accountability Report, ALJ Ruling dated August 31, 2018. Attachment B - General Guidance for the Small and Multi-Jurisdictional Utilities on the Risk Spending Accountability Report.

⁷ Ibid.

REPORTING REQUIREMENTS

The **General Guidance** provided SMJUs with six guiding principles for preparing RSARs. A summary of the General Guidance six principles follows below:⁸

- 1) A comparison of actual spending to authorized spending for programs that address safety or reliability risk within the utility's electric system under CPUC jurisdiction with an explanation of the variance.
- 2) The report should include programs with maintenance activities.
- 3) For each program, the utility should report the authorized and actual spending and calculate the difference from authorized in dollars and percent. The utility should compare the total authorized and actual spending for all expensed and capital programs to the spending on the programs included in the report.
- 4) The utility may identify programs at the Federal Energy Regulatory Commission (FERC) account level depending on the presentation in the GRC.
- 5) The programs may include CPUC-jurisdictional transmission, distribution, generation, or other and can follow the contents of the GRC application. Capital programs and expensed programs should be grouped separately. Items within a capital program should include direct capital expenditures and exclude allocations for retirements, cost of financing and other adjustments.
- 6) The utility should identify the programs subject to a balancing or memorandum account and the effect the account has on the authorized spending.

In addition, D.19-04-020, Attachment 2, Section IX requires SMJUs to file and serve RSARs on the prior GRC service list until the next GRC proceeding is opened.

Furthermore, the CPUC adopted a list of programs that are associated with safety, reliability, and maintenance in D. 19-08-027 and required BVES to include them in BVES' annual RSARs.⁹ The decision also requires BVES to file annual RSARs by March 31 of the following year. The list of programs that should be included in BVES is shown in Table 1 below.

⁸D.19-04-020, Ordering Paragraph 13.

⁹ D.19-08-027, p. 48.

Table 1 - Adopted Maintenance, Safety and Reliability Programs

Expense	Capital
Specific Program	Specific Program
Pole Loading Assessment and Remediation	Pole Loading Assessment and Remediation
Vegetation Management	Tree Attachment Removal
Electrical Preventative Maintenance	BVPP - Install Engine System Manager
Predictive Based Maintenance of Overhead Lines	BVPP - Oil Filter Conversion and Cylinder Upgrades
	Safety and Technical Upgrades of Palomino Substation
Remaining Maintenance Expenses	Replacement of Fawnskin Conductors
Power Generation Maintenance (FERC 551-554)	Replacement of Summit Conductor
Transmission System Maintenance (FERC 568-574)	Replacement of Baldwin Conductors
Regional Market Equipment Maintenance (FERC 576)	Blanket Programs
Distribution System Maintenance (FERC 590-598)	GO 174 Substation Safety and Reliability Compliance Projects
General Plant Maintenance (FERC 935)	Wire Upgrade and Relocation Project
	GO 95/165 Safety and Reliability Compliance Projects
	Shifting Tree Attachment to Poles/Underground Projects
	Public Works Project Support
	Office Furniture and Equipment Project
	BVPP Misc. Tools & Safety Equipment Project
	Field Operations Misc Tools & Safety Project
	Minor Additions to General Structure Project

STAFF ANALYSIS

In reviewing BVES’ 2018 risk spending information, ED’s objective is to provide an analysis of spending variance in safety, reliability and maintenance programs, and an analysis of the utility’s compliance with the General Guidance and subsequent guidance provided in D.19-04-020. Table 1 below provides a summary of BVES’ spending information.

Table 2: Summary of BVES’ 2018 Spending Variance

Budget	Programs	Authorized Budget (\$000)	Recorded Budget (\$000)	Variance (\$000)	Variance (%)
Capital	Pole Loading Assessment & Remediation	1,500	1,471	(29)	-2%
Capital	Tree Attachment Removal	500	567	67	13%
Capital	BVPP upgrades	-	-	-	
	Total Capital	2,000	2,038	38	2%

Budget	Programs	Authorized Budget (\$000)	Recorded Budget (\$000)	Variance (\$000)	Variance (%)
O&M	Electrical Preventative Maintenance Program	108	-	(108)	-100%
O&M	Predictive Based Maintenance of OH Lines Program	99	83	(16)	-16%
	Total O&M	207	83	(124)	-60%
	Company-wide	2,207	2,121	(85)	-4%

The data shows that BVES underspent its 2018 authorized budget by approximately 4% for the programs reported in its RSAR. While BVES slightly exceeded its authorized capital budget, the utility drastically underspent its O&M budget. However, it should be noted that BVES did not report spending for **all** safety, reliability, and maintenance related programs as required. Therefore, ED is unable to provide a complete assessment of BVES' company-wide risk spending in 2018.

To comply with D.19-08-027, BVES should report spending on all the programs summarized in Table 1 above. The Commission identified the programs associated with safety, reliability, and maintenance activities specific to BVES' operations and expects BVES to provide information on its annual spending in these programs. Even if BVES does not have an authorized budget AND recorded spending in any programs for the reporting year, BVES should explain the absence of information instead of omitting the programs from the RSAR.

To comply with the directives of D.19-04-020, BVES should include the following information in RSARs for all reporting programs:

1. Provide an explanation of the spending variance;
2. Capital and expensed programs should be identified as transmission, distribution, generation, and other.
3. Provide a discussion on programs with balancing and memorandum accounts.

BVES should incorporate the above recommendations in future RSARs.