

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 28, 2022

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

**SUBJECT: Bear Valley Electric Service
2021 Risk Spending Accountability Report Review**

Dear Mr. Quan:

On March 30, 2022, Golden State Water Company filed Advice Letter (AL) 440-E¹, transmitting a Risk Spending Accountability Report (RSAR) on behalf of Bear Valley Electric Company (BVES), pursuant to Decision (D.)19-08-027² and D.19-04-020. AL 440-E was filed as a Tier 1 Information Only AL and is considered effective on the filing date of March 31, 2021. The CPUC's Energy Division (ED) has reviewed BVES's 2021 RSAR and provides recommendations for the utility to consider future RSARs.

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." Reasonableness review of the utility's spending is accomplished in the general rate case (GRC) process. In addition, review and verification of the utility's safety, reliability and maintenance (SRM) activities and spending that took place during the reporting period are part of Safety Performance Metrics reporting. Therefore, ED's review of BVES's 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.

ANALYSIS

The SRM spending under the test year (TY) 2018 General Rate Case, Application (A.)17-05-004 contains 26 programs consisting of 9 operation and maintenance (O&M) programs and 17 capital programs. The interim 2018 RSAR reported on 4 programs, but subsequent years have tracked 26 programs. The 2021 RSAR combined the Bear Valley Power Plant Engine System Monitor with the

¹ <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/risk-spending-accountability-reports/440-e-2021-risk-spending-accountability-report.pdf>

² D.19-08-027 Ordering Paragraph 17 requires BVES to file their RSAR as an information only advice letter.

Oil Filter Conversion and tracked them together. Attachment A shows the authorized and reported SRM spending for 2021 and cumulative spending through 2018.

In 2021 BVES overspent capital programs by 7 percent (\$0.53 million) and underspent O&M expenses by 31 percent (\$1.89 million). On a cumulative basis from 2018 through 2021, BVES underspent 2 percent on capital 18 percent on O&M.

For capital programs, Pole Loading Assessment and Remediation had the largest underspend in 2021, but cumulatively the project is overspent if the total project authorized revenue is equally distributed per year, but BVES accelerated the project in 2019 and reported they are on target to complete the project with the remaining authorized amount during 2022. The Bear Valley Power Plant (BVPP) Install Engine System Monitor and Oil Filter Conversion has a cumulative overspend of \$0.47 million due to additional work required when the two engines were opened for the planned upgrades. The other two large underspent capital programs are the Summit and Fawnskin Conductor Replacement. Those projects were cancelled and the scope was achieved through the covered wire replacement program in 2020. BVES reported the authorized funding was spent on other SRM capital programs.

The \$1.8 million net overspend on O&M in 2021 does not convey the variance of individual programs. In 2021, Vegetation Management had a net overspend of \$0.266 million (79 percent) driven by increased vegetation clearances required by D.17-12-024. The increased cost is tracked in the Fire Hazard Prevention Memorandum Account (FHPMA). The Vegetation Management overspend is offset by underspending in Power Generation Maintenance and Pole Loading Assessment and Remediation. Power Generation Maintenance was underspent by \$1.03 million due to capital improvements at the BVPP reducing the need for O&M requirements, but it should be noted that the capital expenses were overspent on BVPP related programs. O&M spending for Pole Loading Assessment and Remediation was captured in Distribution System Maintenance (FERC 580-598) resulting in a reported underspend of \$0.92 million for the two combined programs.

CONCLUSIONS

Energy Division reviewed the BVES 2021 RSAR and finds that the utility has complied with D. 19-08-027 and D.19-04-020. In the 2021 RSAR, BVES presented information on authorized and actual spending on safety, reliability, and maintenance programs and provided explanations for spending variance exceeding 20 percent.

RECOMMENDATIONS

The subsequent 2022 RSAR report will represent the last year of the GRC cycle authorized in A.17-05-004. ED staff recommends:

1. BVES continue to report cumulative spending for multiple year programs and expand cumulative reporting to show spending for all programs as demonstrated in Attachment A.
2. BVES report underspending variance as negative and overspending variance as positive.
3. When work and the accompanied spending are shifted to another program, the 20 percent variance threshold should be considered as if the two programs were combined. For example, Distribution System Maintenance (FERC 580-598) was below the 20 percent threshold, but it includes recorded spending from Pole Loading Assessment and

Remediation. Without that additional recorded spending, it would require a variance explanation. A variance explanation should be included in the 2022 RSAR.

4. BVES reported the authorized capital budget of Baldwin and Fawnskin Conductor Replacement was spent on other SRM programs. BVES should be explicit in identifying the alternative programs and the corresponding spend when authorized programs are shifted.

If you have any questions or comments, please contact Franz Cheng at Franz.Cheng@cpuc.ca.gov.

Sincerely,

 For

Leuwam Tesfai
Deputy Executive Director for Energy and Climate Policy/
Director Energy Division

Enclosure: ATTACHMENT A – BVES Safety, Reliability and Maintenance Spending 2018 - 2021

cc: Pete Skala, Energy Division
Franz Cheng, Energy Division
Service Lists for A.17-05-004

ATTACHMENT A

BVES Safety, Reliability and Maintenance Spending 2018 - 2021

	2018		2019		2020		2021				Cumulative 2018 - 2021			
	Authorized Budget	Recorded Budget	Authorized Budget	Recorded Budget	Authorized Budget	Recorded Budget	Authorized Budget	Recorded Budget	Variance	Percent	Authorized Budget	Recorded Budget	Variance	Percent
Capital	2,944,130	2,038,359	6,885,198	7,387,462	7,787,128	7,078,774	7,787,128	8,316,339	529,212	7%	25,403,583	24,820,934	(582,649)	-2%
BVPP – Install Engine System Monitor and Oil Filter Conversion				-	901,930	987,538	901,930	1,290,779	388,850	43%	1,803,859	2,278,317	474,458	26%
BVPP – Misc. Tools & Safety Equipment Project			20,000	11,011	20,000	-	20,000	29,182	9,182	46%	60,000	40,193	(19,807)	-33%
Field Operations Misc. Tools & Safety Equipment Project			85,000	95,576	85,000	149,458	85,000	48,631	(36,369)	-43%	255,000	293,665	38,665	15%
GO 174 Substation Safety and Reliability			410,000	275,272	410,000	415,270	410,000	383,927	(26,073)	-6%	1,230,000	1,074,469	(155,531)	-13%
GO 95/165 Safety and Reliability Compliance Projects			925,000	649,134	925,000	1,053,152	925,000	1,043,699	118,699	13%	2,775,000	2,745,985	(29,015)	-1%
Minor Additions to General Structure Project			45,000	40,307	45,000	53,279	45,000	39,878	(5,122)	-11%	135,000	133,464	(1,536)	-1%
Office Furniture and Equipment Project			25,000	23,755	25,000	33,929	25,000	21,150	(3,850)	-15%	75,000	78,834	3,834	5%
Pole Loading Assessment and Remediation Program ¹	2,444,130	1,471,019	2,444,130	5,096,681	2,444,130	2,546,760	2,444,130	2,007,603	(436,527)	-18%	9,776,520	11,122,063	1,345,543	14%
Public Works Project Support			30,000	27,427	30,000	30,000	30,000	34,770	4,770	16%	90,000	92,197	2,197	2%
Replacement of Baldwin Conductors			184,674	-	184,674	-	184,674	(184,674)	(184,674)	-100%	554,022	-	(554,022)	-100%
Replacement of Fawnskin Conductors			182,890	-	182,890	-	182,890	(182,890)	(182,890)	-100%	548,670	-	(548,670)	-100%
Replacement of Summit Conductors			185,010	387,806	185,010	387,806	185,010	387,806	202,796	110%	555,030	1,163,418	608,388	110%
Safety and Technical Upgrades of Palomino Substation			1,551,773	-	1,551,773	669,712	1,551,773	2,285,907	734,134	47%	4,655,319	2,955,619	(1,699,700)	-37%
Shifting Tree Attachment to Poles/Underground Projects			30,000	-	30,000	-	30,000	-	(30,000)	-100%	90,000	-	(90,000)	-100%
Tree Attachment Removal	500,000	567,340	686,721	701,348	686,721	751,870	686,721	654,246	(32,475)	-5%	2,560,163	2,674,804	114,641	4%
Wire Upgrade and Relocation Project			80,000	79,145	80,000	-	80,000	88,761	8,761	11%	240,000	167,906	(72,094)	-30%
O&M Expense	545,619	490,485	5,218,190	4,025,558	4,846,361	4,970,167	5,896,648	4,066,980	(1,829,668)	-31%	16,506,818	13,553,190	(2,953,628)	-18%
Distribution System Maintenance (FERC 580-598)			2,566,902	2,419,700	2,332,367	2,802,600	3,366,761	2,908,500	(458,261)	-14%	8,266,030	8,130,800	(135,230)	-2%
Electrical Preventative Maintenance	108,282	-	105,566	32,395	105,566	268,587	105,566	218,478	112,912	107%	424,980	519,460	94,480	22%
General Plant Maintenance (FERC 935)			58,602	49,839	59,078	157,200	59,572	-	(59,572)	-100%	177,252	207,039	29,787	17%
Pole Loading Assessment and Remediation Program			287,010	100,267	459,216	-	459,216	-	(459,216)	-100%	1,205,442	100,267	(1,105,175)	-92%
Power Generation Maintenance (FERC 546-554)			1,461,886	755,761	1,266,592	336,526	1,280,909	253,500	(1,027,409)	-80%	4,009,387	1,345,787	(2,663,600)	-66%
Predictive Based Maintenance of Overhead Lines	98,544	83,000	96,073	60,104	96,073	-	96,073	-	(96,073)	-100%	386,763	143,104	(243,659)	-63%
Regional Market Equipment Maintenance (FERC 576)			9,042	9,930	9,200	10,005	9,371	10,080	709	8%	27,613	30,015	2,402	9%
Transmission System Maintenance (FERC 562-573)			294,316	102,600	179,476	77,100	180,387	70,800	(109,587)	-61%	654,179	250,500	(403,679)	-62%
Vegetation Management	338,793	407,485	338,793	494,962	338,793	1,318,149	338,793	605,622	266,829	79%	1,355,172	2,826,218	1,471,046	109%
Grand Total	3,489,749	11,820,505	13,982,544	11,820,505	13,580,715	13,652,736	26,922,391	26,659,131	(263,260)	-1%	54,485,650	52,132,372	(2,353,278)	-4%

1. Annual recorded amount calculated from the difference of the cumulative amount presented in the 2021 RSAR and the previous reported amounts. Total capital program budget for 2018 -2002 is \$12,220,653

2. Tree Attachment Removal is total authorized amount divide by 4 per year, and not RSAR values from 2019, 2020, and 2021 per email from BVES email 10/21/22. Total authorized amount through 2022 is \$3,246,884.

NOTE: Green cells show programs identified by BVES as receiving authorized budget of the Baldwin and Fawnskin conductor replacement (-\$367,564)