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DRA CUTS UN-"BEAR"-ABLE RATE HIKE PROPOSED BY BEAR VALLEY ELECTRIC

December 19, 2008, San Francisco – The Division of Ratepayer Advocates (DRA), an independent consumer advocacy division of the California Public Utilities Commission (CPUC or Commission), today issued its reports addressing Bear Valley Electric Service Division's (BVES) Test Years 2009-2012 General Rate Case (GRC). This case addresses BVES' request for authority to increase rates for its customers and to implement additional programs.

BVES seeks revenue increases of \$6.8 million in 2009, \$878,000 in 2010, \$391,000 in 2011, and \$315,000 in 2012. DRA recommends lower revenue increases spread over the 4-year period, of \$2.2 million in 2009, \$1.1 million in 2010, \$619,000 in 2011, and \$807,000 in 2012.

BVES has asked for additional revenues to cover higher costs associated with: the cost of capital, operating and maintaining its electric distribution system, customer-related expenses (e.g., meter reading, customer records and collection, and responding to customer inquiries); administrative and general expenses, and others. It has been more than thirteen years since the costs to operate BVES' system were last reviewed by the Commission for the purposes of setting base rates.

DRA developed its own independent forecasts of these costs. In making its independent recommendations, DRA also audited BVES' historical costs, and analyzed historical and projected future infrastructure investments, operating expenses, and administrative expenses. DRA recommends more modest increases for operational costs. For Operation and Maintenance expenses, DRA forecasts 15%-23% lower costs compared to BVES for the test period. For Administrative and General Expenses, DRA also forecasts lower costs, ranging between 37% and 63% lower compared to BVES' requests. Additionally, DRA opposes BVES' request of \$460,000 each year to accelerate the installation of its Automatic Meter Reading (AMR) meters and recommend no funding for the Carbon Monoxide Continuous Emissions Monitoring System (CO CEMS) program, compared to BVES' \$200,000 request. DRA recommends a lower cost of capital of 8.91% compared to BVES' request of 9.80%.



BVES is also requesting to implement additional programs and to make changes to certain unmetered charges and fees, among other things. DRA's positions on BVES' proposals are as follows:

- DRA opposes BVES' rate mitigation plan as proposed because it is simply a rate deferment plan with interest. Instead, DRA recommends a 4-year phase-in plan without interest.
- DRA opposes BVES' request to convert to monthly billing in 2010.
- DRA opposes BVES' request to annually update the general office costs allocated from Golden State Water Company through an advice letter. Instead, DRA recommends that the Commission adopt BVES' 2009-2012 estimates as presented in this rate case.
- DRA accepts BVES' requests to increase the service establishment fee and to increase the after hours clean-and-show fee to \$80.
- DRA accepts BVES' request to establish a returned check fee of \$10.
- DRA recommends rejecting BVES' two-way balancing account to track operation and maintenance expenses for its Bear Valley Power Plant.
- DRA recommends a lower construction cost of \$10,984,243 for the Bear Valley Power Plant, which results in a \$1,471,815 refund to ratepayers, plus interest, as opposed to BVES' estimated refund of \$374,765.
- DRA recommends that the Bear Valley Power Plant refund of \$1,471,815 be returned to ratepayers as a one-time billing credit.

DRA is an independent arm of the CPUC, created by the Legislature to represent the interests of all utility customers throughout the state to obtain the lowest possible rate for service consistent with reliable and safe service levels. DRA has a multi-disciplinary staff with expertise in economics, finance, accounting, and engineering. DRA's views do not necessarily reflect those of the Commission.

On December 30, 2008, DRA will issue its Report on Revenue Allocation and Rate Design, which will divide BVES' costs among different customer classes (e.g., residential and industrial) and design the actual rates that customers pay. Evidentiary hearings are scheduled to begin on February 23, 2009 at the CPUC's headquarters in San Francisco.

Electronic versions of the DRA reports addressing BVES' rate case, including a more detailed executive summary, are available on DRA's website at www.dra.ca.gov.

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