BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop a Risk-Based Decision-Making Framework to Evaluate Safety and Reliability Improvements and Revise the General Rate Case Plan for Energy Utilities.	Rulemaking 13-11-006 (Filed November 14, 2013)

RESPONSE OF BEAR VALLEY ELECTRIC SERVICE (U 913-E), A DIVISION OF GOLDEN STATE WATER COMPANY, TO ATTACHMENT A OF THE ORDER INSTITUTING RULEMAKING

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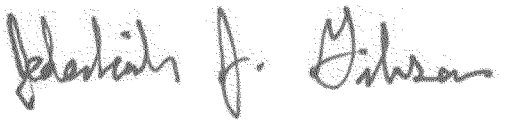
Pursuant to Ordering Paragraph number 5 in the Order Instituting Rulemaking ("OIR"), Bear Valley Electric Service ("BVES"), a Division of Golden State Water Company, provides its responses to the questions listed in Attachment A to the OIR. BVES' responses are included as Attachment A hereto.

Respectfully submitted,



Dated: December 20, 2013

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R. 13-11-006

ATTACHMENT A

1. ***Please provide a description of your risk management units/divisions, programs, functions, and process, including organization charts.***

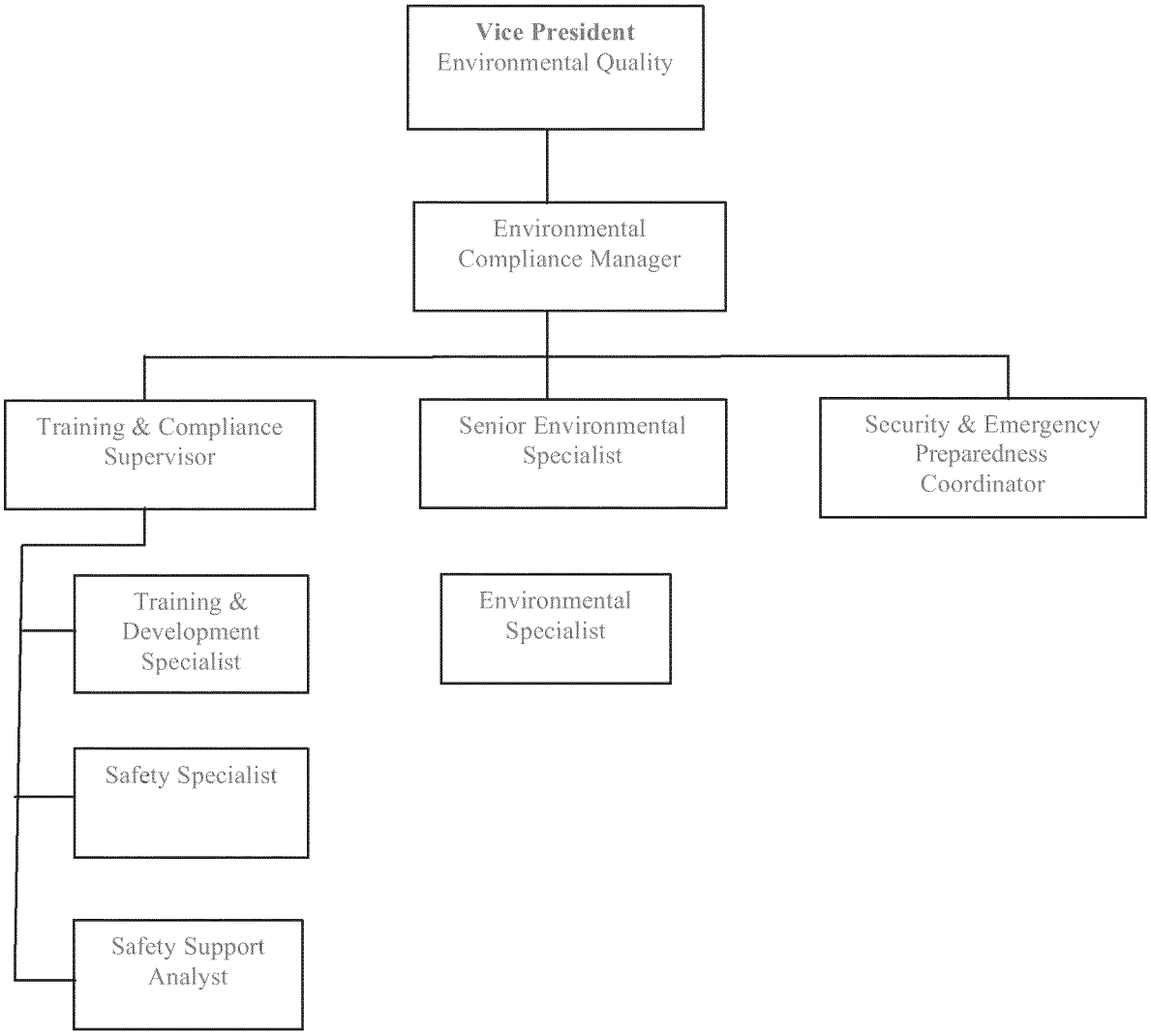
American States Water Company ("The Company"), the parent company of Golden State Water Company ("GSWC") and its division Bear Valley Electric Service ("BVES"), and of American States Utility Services and its subsidiaries, has established an Enterprise Risk Management Integrated Framework, within which inherent and exogenous risks are evaluated, mitigated and avoided.

- Risks are systematically identified and managed on a consistent basis by managers and senior executives;
- Risks are explicitly considered when evaluating new projects and investments both on a standalone basis and within a portfolio of projects;
- Business unit performance is measured on a risk-adjusted basis in order to obtain a clear understanding of where and how much value is created or destroyed across the enterprise;
- Strategic planning integrates risk management to ensure proper compensation of the risks being assumed and adequate optimization of capital usage;
- Risks are evaluated according to their impact on the company objectives and their likelihood of occurrence.

A component of the Enterprise Risk Management Integrated Framework is the Environmental Health and Safety (EHS) business unit, which mission is to ensure that employees operate within a healthy and safe environment. In addition, the unit ensures that all employees: 1) are trained in safety procedures; 2) comply with federal, state and Commission mandated health and safety regulations; and 3) comply with internal safety inspection reports and required remediation.

The organization chart for the Environmental Health and Safety unit is shown below:

Environmental Health and Safety



2. How do you currently identify and characterize risk?

The Company assesses the likelihood of the occurrence of risks and evaluates the significance of their impact on business objectives. The Company estimates the likelihood that an event will occur by:

- Considering industry history and trends;
- Considering its organizational history and trends;

- Obtaining input from personnel in the field and from those with authority over related business processes;
- Considering the near-term and long-term horizon in making decision about projects and investments; and
- Considering how events correlate or accumulate.

In its evaluation of risks, The Company attempts to quantify the impact of each event to its

- Business strategy;
- Operations, e.g. profitability, morale, etc…
- Financial reporting; and
- Compliance, e.g. litigation, regulatory actions, etc…

In addition, The Company has established a scalar rating protocol and implemented it in its evaluation of the likelihood of risk occurrence and its impact of the business.

Scales for Likelihood of Risk Occurrence

9	Definitely – Already occurring or almost certainly will occur in specified time period
3	Possible – May occur or likely to occur in specified time period
1	Unlikely – Not likely to occur in specified time period
0	Never – Will not occur in specified time period

Scales for Impact of Risk

9	High Impact or High Risk – Strategic objectives cannot be achieved, resulting in significant financial impact and questions about future viability
3	Medium Impact or Risk – Noticeable challenge or difficulty achieving strategic objectives and/or financial targets
1	Low Impact or Risk – Relatively minor strategic and/or financial impact
0	No Impact or Risk – Neither a strategic nor financial impact

The combined rating of likelihood and impact of risks create a final risk score.

3. ***What are your top ten safety risks?***

The Company combines the scales of the likelihood and impact of risk, which are described in response to Question 2, and determines its ranking of safety risks.

For The Company in general, muscular strains incurred by field workers represent the highest injury risk. The second highest risk of injuries is slips, trips, and fall.

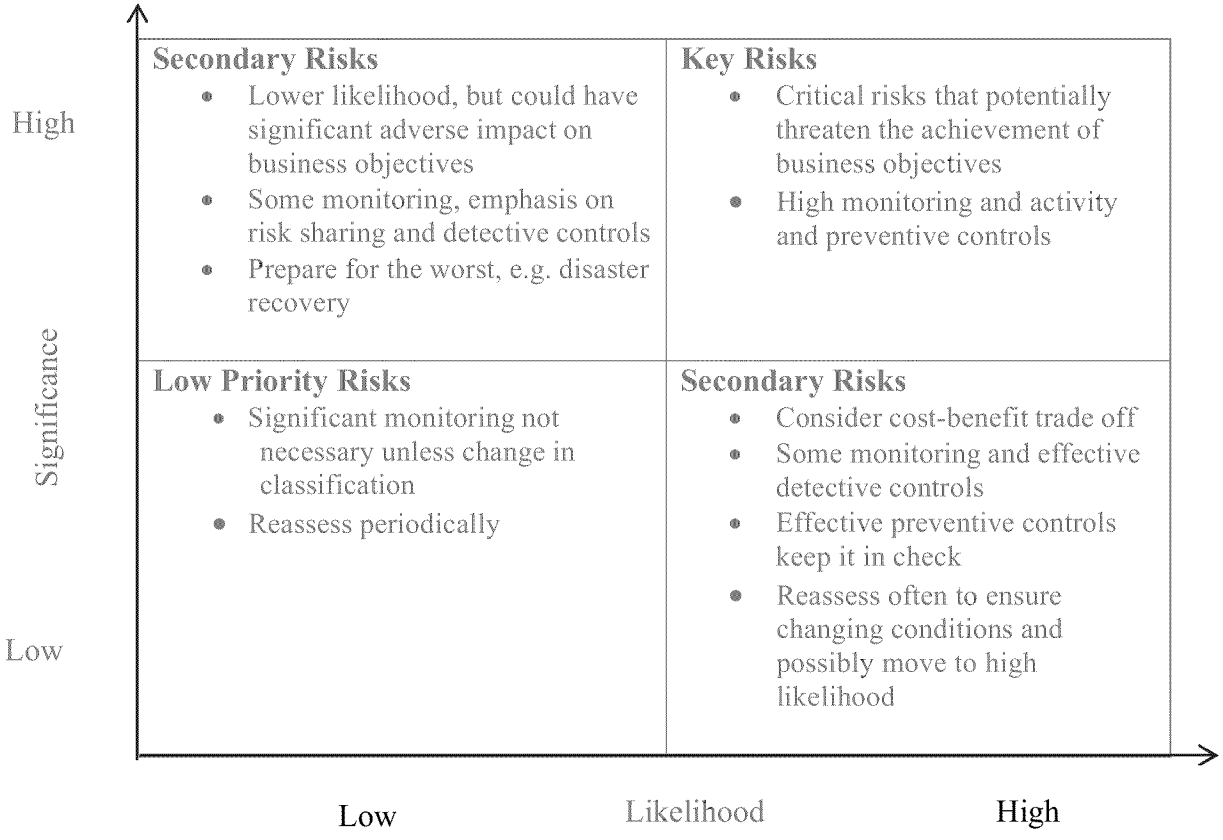
For BVES in particular, the following risks constitute the "top ten" list:

- Operations and maintenance of infrastructure;
- Timely asset replacement as a result of delay in Commission authorization;

- Compliance to various Commission general orders on safety;
- Provide a safe work environment in the field;
- Work related accidents that result in injuries to a third party;
- Construction design errors;
- Construction mistakes and accidents; and
- Electrical power disruption due to natural events.

4. ***How do you identify changes to address these risks? Are practices beyond compliance with current regulation considered?***

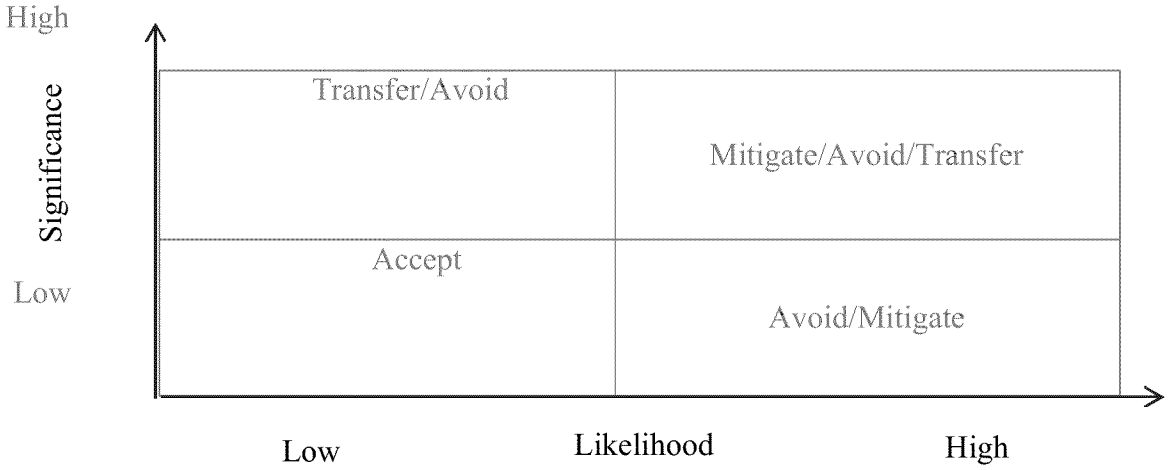
The Company identifies and evaluates the inherent risks and then categorizes them based on their significant impact and likelihood of occurrence. The chart below shows these relationships. These inherent risks are beyond compliance with current regulations.



5. ***Currently how do you decide on resource expenditures to address recognized risks? Who decides? How is inspection and record-keeping used in this process?***

In its decision to where and how much to allocate resource expenditures, The Company management first establishes a chart that defines various strategies to treat recognized risks

If the risk has a high likelihood of occurring and a high impact on business objectives, then it behooves management to avoid that risk altogether, to try to mitigate the risk or transfer the risk to an insurer. On the other hand, risk with low impact and low likelihood of occurrence should be accepted as part of The Company business. Risk that portends to have significant impact on business but the likelihood of that risk to occur is quite low then management would try to insure against that risk or avoid it altogether. Risk that is likely to occur but its impact on The Company business is low then management strategy might be to mitigate or avoid it altogether. The relationship among the strategies is shown in the chart below.



The chart serves as a roadmap for management to allocate resource expenditures. As discussed above, strategies in the southwest quadrant of the chart would receive the lowest allocation of resource expenditures, while those in the northeast quadrant would receive the majority of the expenditures.

BVES' service area is located among the national and state forests of the San Bernardino Mountains. The location is within a High Fire Threat District, and consequently management has allocated high resource expenditures to insure against loss of BVES facilities and properties due to the high risk of wildfires. To that end, BVES operations must mitigate vegetation growth under conductor poles and around substations. In addition, BVES operations have maintained high vigilance for strong winds, snow storms that can significantly damage BVES infrastructure.

6. ***What is the role of executive management in making or accepting these decisions?***

- Risks are systematically identified and managed on a consistent basis by senior executives and managers;
- Risks are explicitly considered when evaluating new projects and investments both on a standalone and portfolio basis;
- Business unit performance is measured on a risk-adjusted basis in order to obtain a clear understanding of where and how much values is created or destroyed across The Company;
- Strategic planning integrates risk management to ensure proper compensation of the risks being assumed and adequate optimization of capital usage and resource expenditures;
- The Company Board of Directors and senior executives make informed decisions regarding risk and reward tradeoffs related to existing business portfolio and new opportunities;
- Key risk indicators that impact business performance targets are properly controlled and monitored;
- Ensure that the risk management infrastructure is aligned to business strategy and to management risk tolerance; and
- Ensure that the capital budget allocates expenditures towards projects specifically related to the safety and reliability of the infrastructure.

7. ***What are the major elements in your approach to managing safety risk? Specify programs or practices your company has in place to manage safety.***

The Company adheres strictly to safety programs required by state and federal agencies as well as by the Commission General Orders. BVES management of safety risk is based on the following elements: 1) historical records of the occurrence of events; 2) assessment of current conditions; and 3) prevention programs based on written procedures, regular training, work-site inspections, recognition and enforcement.

8. ***Do you currently have practices designed to support management of compliance, safety risk and/or quality?***

Yes. As noted in the response to Question 1, The Company has established an internal business unit to manage safety and health issues that could arise during operations. As shown in the organization chart, an officer of The Company is in charge of the Environmental Health and Safety (EHS) unit. Compliance personnel ensure that safety and environment requirements are followed by employees throughout The Company. Compliance personnel also ensure that all employees must attend safety training seminars and their direct supervisors' year end performance evaluation is dependent on this attendance.

The EHS unit conducts regular management safety meetings to review workplace injuries, review company policies and procedures, conduct vehicle and work-site inspection, documents and address safety concerns, and identify corrective actions. All corrective actions are tracked and documented until fully implemented. In addition, BVES has safety committees comprised of both management and employees to address and implement specific practices.

9. ***If yes, on what management directive, guidelines, standards or process design criteria have you based the design of these practices?***

Cal-OHSA regulations are the primary standards used to develop practices. Cal-OSHA also provides guidance documents which augment specific safety practices. In addition to Cal-OSHA regulations and guidance, industry standards and best practices are used to guide the design of EHS unit practices.

10. ***How do you monitor trends in performance for your own management purposes (including but beyond regulatory reporting requirements)?***

One aspect of monitoring trends in performance related to safety is that management designs The Company end of the year bonus plan for directors and managers that include three specific components about safety. These components are: 1) OSHA Accidents - the goal is to decrease the number of reported work related injuries and illnesses to a specified target; 2) Lost Time Accidents – the goal is to decrease the number of reported lost time work related injuries and illnesses to a specified target; and 3) Safety Training – the target is 100 percent completion of all required safety training.

11. ***How do you keep up with industry best practices? Which industry standards do you follow? What do you do with what you learn? Please provide examples.***

BVES operation manager and supervisor participate in rulemaking proceedings and their attendant workshops, and at conferences that present elements of best practices among energy utilities. They are active participants in the updating of General Order (GO) 165 and GO 174.

Examples include Substation, Transmission and Distribution Design conferences attended by the Engineering Department. GO 174 Substation Utility Practices Workshops, Pole Loading Methodology Workshops, Fire Safety Proceedings and other industry related seminars.

BVES follows industry standards for design, engineering, construction, and safety. Lessons and new standards learned from these workshops have been used to educate staff and implemented to BVES operations.

12. ***What do you include in your assembly of data or information to support continuous learning related to safety performance (e.g., incidents, close calls, precursors or leading indicators, root causes of events)?***

BVES has established three (3) committees that oversee safety issues. Committee member do meet on a regular basis.

- Safety Committee – Meets bi-weekly
- Accident Investigation Committee – Meets monthly
- All Hands Safety Committee – Meets bi-weekly

The information sharing process between committees is as follows: A personnel in the Accident Investigation Committee completes a form with all information related to the incident, including location, tailboard meeting reviews, equipment issues, root cause analysis, and prevention methods and lessons learned. This information is presented at the Safety Committee during its bi-weekly meetings.

13. How do you monitor the condition of the infrastructure to support decisions on accelerated inspection/testing, repair or replace? How do you make related decisions? How often are these practices reviewed?

BVES has established a matrix template that lists schedules, and priorities for inspections and repairs. A work priority flow chart is designed to assign personnel to various work orders and the allotted time periods. For example, pursuant to GO 165, all BVES infrastructures are inspected according to an established time table and findings are assigned a priority level as described in the charts below.

Construction Ranks

Rank 1	2 Weeks	Safety issues, New services
Rank 2	30 Days	CIAC new business, Rule 15 or 16, voltage, ALPS #1
Rank 3	60 – 90 Days	Rest of FP's, ALPS #2
Rank 4	90 + Days	Not driven by customers, Opportunity ALPS #'s 3,4,5

ALPS Priority – Determined by Inspector

Priority 1	30 Days	Public hazards
Priority 2	90 Days	Crew hazards
Priority 3	1 Year	Continuity of Service
Priority 4	3 Years	Continuity of service
Priority 4	Opportunity	Opportunity

In-house personnel inspect the work sites for safety compliance and the finished work.

An outside contractor conducts inspection of the poles, vaults, conductors and substations for compliance of safety requirements. Any non-compliance reports or reports of the likelihood of unsafe events might occur will generate work orders for priority repairs or replacements.

14. How do you track progress in meeting explicit or implied commitments, including those implied in rate case proceedings?

BVES uses the Automated Line Patrol System ("ALPS") as its electronic record keeping system. ALPS software keeps track of each work order progress, repair observations and final work results. BVES also uses a finance-based software, called the SYMPO system, which is an internet-based work order, database and project management scheduling and tracking tool.

The SYMPO system tracks capital projects to comply with financial reporting standards and rate case proceedings, capital projects expenses actually incurred or committed are itemized, recorded, audited and verified each end of quarter.

15. How, if at all, do you communicate the status of and need for modification of these commitments?

BVES operations establish monthly meetings to track and evaluate the status of each approved work order and expenses incurred. Work schedules are also assessed for priority projects. Communication is done through evaluation, tracking, email, correspondence, meetings, and if a modification is needed it will be implemented through various channels.

16. How do you solicit and manage employee input to safety issues?

BVES has established three (3) channels for employee input.

- Safety Committee meetings – At these monthly meetings, meter-readers, linemen, and administrative staff provide input regarding safety issues and also all participants suggest remediation.
- Grievance Procedure meetings – At these meetings, operations personnel raise grievances against working conditions, which are generally related to actual occurrence of safety issues or their likelihood that they will occur. All safety grievances are recorded and addressed.
- Collective Bargaining meetings – At these meetings, working conditions and safety issues are raised and discussed between the parties.

17. How do you follow-up on this input (e.g., make decisions to address issue, decide on how to address the issue, communicate to the originator the decisions and timeframe on which to expect closure)?

Input collected from meetings noted in response to Question 16 is discussed at weekly Managers meetings. At these meetings, supervisors are tasked to ensure follow up on the safety issues, and to prioritize them for remediation.

18. Do you have an internal safety and/or compliance audit function? If so, how are the results from these audits translated into decisions and action? How are actions monitored? Please provide examples.

Yes. In response to Questions 1 The Company notes that it has established the Environmental Health and Safety (EHS) unit, which is an internal business unit to manage safety and health issues that could arise during operations. For example, the EHS ensures that prevention is taken when handling chlorine (the chemical is used in the purification process of water before distribution to GSWC's consumers); permit form is completed and approved before entering confined space; safety measures, such as hearing conservation, are taken before operating backhoe and forklift; proper precaution is taken when trenching and shoring, etc… In addition, unit personnel will ensure that all Company directors, managers and employees take and complete all required safety trainings. Completion of required safety trainings are reported to directors and managers on a quarterly basis.

Furthermore, unit personnel perform annual inspection of BVES safety and environmental programs and procedures. Should BVES operations are found to be non-compliant of certain safety requirements, the director and managers must ensure that corrective actions are performed and their effective results are reported back to the EHS personnel.

19. Have you ever commissioned independent (including outside) safety and/or compliance audits? How are results translated to action and the results monitored? Please provide examples.

Yes, BVES has commissioned an independent safety and compliance audit and review The consulting firm performed the following work:

- Compare BVES' equipment, tools and work practices to the utility industry;
- Review BVES work practices required by the OSHA 28 CFR 1910.269 Performance Standards;
- Review of OSHA 29 CFR 1904 OSHA Records Keeping requirements;
- Review system operations, distribution, and generation, including grounding practices;
- Compare BVES work practices to NFPA 70 E and NESC Consensus Standards;
- Review and audit of BVES Federal Motor Carrier Safety required Driver Qualification files;
- Document any suggestions to change of organizational structure to better suit the needs of BVES workforce;
- Provide opinions and suggestions to address any compliance issues less than acceptable by Industry Standards; and
- Provide corporate policy, work practice procedures documents and training classes.

Key suggestions that are detailed in the consultant report are strategized during safety meetings and implemented within months by the Operations Supervisor. Examples include revising grounding practices, improving tools and equipment updates and results are monitored in the monthly Safety Committee meetings.

20. What are you doing to promote and assure an appropriate safety culture? Have you documented what an appropriate safety culture should include?

- BVES personnel are required to complete safety training classes provided by The Company (e.g. SafeStart) and by outside vendors (e.g. NAES);
- Safety procedures are re-emphasized during tailboard meeting, which is held every morning before linemen and other field workers drive off to their jobs with their equipment;
- The culture safety is reinforced in Collective Bargaining, All Hands bi-weekly meetings, and Managers Meeting; and
- The Company's SafeStart procedures and its Learning Management System (LMS) are tied to incentives and all employees are reminded every day that safety is the priority.

21. What criteria should be used by the Commission to evaluate whether a utility has produced an adequate risk-informed GRC filing?

BVES has not yet identified criteria that should be used by the Commission to evaluate whether an investor owned utility's general rate case (GRC) filing is adequately risk-informed. BVES looks forward to working with stakeholders to this proceeding to further develop appropriate criteria.

(END OF ATTACHMENT A)