BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application of Liberty Utilities (CalPeco Electric) LLC (U 933 E) for Authority to Update Rates Pursuant to Its Energy Cost Adjustment Clause Effective January 1, 2017.	Application No. 16-07-___ A1607001

APPLICATION OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E)

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APPLICATION OF
LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E)

Pursuant to Article 2 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"), Liberty Utilities (CalPeco Electric) LLC (U 933 E) ("Liberty Utilities") submits the following application and accompanying testimony ("Application").

First, Liberty Utilities seeks authority to update rates pursuant to its Energy Cost Adjustment Clause ("ECAC") and to become effective January 1, 2017. Liberty Utilities requests an annual decrease in the revenues to be collected through from ECAC rates of $3.606 million from the proposed revenues to be recovered through the ECAC rates incorporated into the all-party settlement currently pending in Liberty Utilities 2016 general rate case application (Application ("A.") 15-05-008) ("GRC/ECAC Settlement Rates").[1] The requested decrease represents a 12.06 percent annual decrease in the rate recovery from ECAC rates as compared to the GRC/ECAC Settlement Rates.

[1] *See* A. 15-05-008, Joint Motion to Adopt All-Party Settlement Agreement Among Liberty Utilities (CalPeco Electric) LLC (U933E), the Office of Ratepayer Advocates, and the A-3 Customer Coalition (May 28, 2016) ("GRC Settlement Approval Motion"), at Attachment A.

Second, Liberty Utilities seeks approval of its greenhouse gas ("GHG") 2017 cost and revenue forecast and reconciliation, and to accordingly set GHG rates to be effective January 1, 2017.

Third, as required by Decision ("D.") 15-12-021, Ordering Paragraph No. 5, Liberty Utilities is submitting a compliance filing showing the comparison between "the unit cost of renewable energy under the [2016] NV Energy [Services Agreement] …, versus" the cost of renewable energy Liberty Utilities paid pursuant to the agreement Liberty Utilities had with NV Energy during the prior period January 1, 2011 through December 31, 2015 ("Prior NV Energy Services Agreement").

I. LIBERTY UTILITIES

Liberty Utilities serves approximately 49,000 electric customers in California, in and around the Lake Tahoe Basin. Its service territory is geographically compact and generally encompasses the western portions of the Lake Tahoe basin. Liberty Utilities' customers are located in portions of Placer, El Dorado, Nevada, Sierra, Plumas, Mono, and Alpine Counties. Almost 80 percent of Liberty Utilities' customers are located in the Lake Tahoe Basin. The biggest population center is the City of South Lake Tahoe. The Liberty Utilities' service territory extends from Portola in the north to Markleeville and Topaz Lake in the south.

During the period January 1, 2011 through December 31, 2015, Liberty Utilities procured essentially 100 percent of its energy supply through the Prior NV Energy Services Agreement.[2] On April 24, 2015, Liberty Utilities submitted A. 15-04-019 seeking approval of a new agreement with NV Energy ("2016 NV Energy Services Agreement") with a term to commence on January 1, 2016, immediately upon the expiration of the Prior NV Energy Services

[2] The Commission approved, and authorized Liberty Utilities to recover its costs associated with, the Prior NV Energy Services Agreement in D. 10-10-017.

Agreement. The Commission authorized Liberty Utilities to enter the 2016 NV Energy Services Agreement in D. 15-12-021.[3] The 2016 NV Energy Services Agreement continues to obligate NV Energy to deliver the "full requirements" necessary for Liberty Utilities to serve its retail and wholesale electric customers on a real-time basis.

Importantly, the 2016 NV Energy Services Agreement also provides Liberty Utilities with the purchase flexibility to displace purchases from NV Energy with purchases from, among other alternative supply sources, the Luning Solar Project. The project is a 50 MW solar generating facility currently being constructed in Hawthorne, Nevada, and has a projected commercial operation date of February 1, 2017. In D. 16-01-021 ("Luning Approval Decision"), the Commission authorized Liberty Utilities to enter into a purchase and sale agreement to acquire, operate, maintain, and obtain renewable generation from, the Luning Solar Project.

For purposes of this Application, Liberty Utilities is forecasting that during its eleven months of generation in 2017, the Luning Solar Project will deliver approximately 140,000 MWh to Liberty Utilities. This generation from the Luning Solar Project will displace renewable generation that Liberty Utilities would otherwise purchase pursuant to the 2016 NV Energy Services Agreement. This displacement in the purchases from NV Energy by the deliveries from the Luning Solar Project decreases Liberty Utilities' forecast of power purchases, which in turn causes a reduction in the forecast of the Fuel and Purchased Power Costs used to derive Liberty Utilities' ECAC rates.

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[3] The Commission conditioned its approval on the Parties amending the agreement to incorporate certain changes D. 15-12-021 required. On December 22, 2015, Liberty Utilities submitted Advice Letter 51-E presenting the Commission with an amended 2016 NV Energy Services Agreement which revises the agreement in accordance with the requirements of D. 15-12-021.
The Federal Energy Regulatory Commission authorized NV Energy to provide the power sales and other services set forth in the 2016 NV Energy Services Agreement. *See* FERC Docket No. ER15-2592-001, Letter Order, Power Purchase Agreement (December 29, 2015). Accordingly the 2016 NV Energy Services became effective in accordance with its terms as of January 1, 2016.

Lastly, Liberty Utilities owns and operates the 12 MW diesel-fired Kings Beach Generating Station ("Kings Beach"). Kings Beach is permitted to operate no more than 720 "machine hours" per calendar year, and is used in limited, emergency situations (*i.e.*, in 2015 Kings Beach generated less than 546 MWh).[4]

II. <u>LIBERTY UTILITIES' ENERGY COST ADJUSTMENT CLAUSE</u>

A. Background

The purpose of the ECAC is to reflect in rates (1) Liberty Utilities' Fuel and Purchased Power Costs, and (2) certain other energy-related costs. Liberty Utilities' ECAC tariff obligates it to revise its ECAC Billing Factors in calendar years when it does not file a general rate case application (*e.g.*, 2016), if a change to total ECAC revenues of +/- 5 percent occurs as a result of the combination of revisions to the:

> (1) Offset Rate based on the new Fuel and Purchased Power forecast for the Forecast Period; and,
>
> (2) Balancing Rate to amortize any projected over- or under-collection balance in the Energy Cost Adjustment Balancing Account as of the Revision Date.[5]

The ECAC tariff defines Forecast Period as the twelve calendar month period commencing with the Revision Date, which for this Application is January 1, 2017.

B. Summary of ECAC Request

Liberty Utilities proposes an overall annual decrease in ECAC revenues of $3.606 million from the GRC/ECAC Settlement Rates to reflect and pass through to customers the costs to Liberty Utilities to recover its Fuel and Purchased Power Costs. The net decrease is composed

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[4] *See* Placer County Air Pollution Control District, Authority to Construct/Temporary Permit to Operate, Permit Nos. AC-07-113A, AC-07-113B, AC-07-113C, AC-07-113D, AC-07-113E, and AC-07-113F. A machine hour represents the operation by any one of the facility's six 2 MW units (e.g., during an hour in which Kings Beach operates its six generators, it will be charged with 6 machine hours against its permit limitation).

[5] *See* D. 12-11-030, at Exhibit B.

of: (1) an approximate annual $4.680 million decrease associated with changes to the Offset Rate; and (2) an approximate annual $1.074 million increase associated with changes to the Balancing Rate.

1. Offset Rate

The decrease related to the Offset Rate is driven primarily by the forecast of a substantial decrease in the Fuel and Purchased Power Costs. The substantial decrease in Purchased Power Costs is attributable to reductions in: (1) the quantity, and (2) the price of, purchased power.

First, as explained above and in Chapter 1, Liberty Utilities anticipates that the 50 MW Luning Solar Project will commence commercial operations as of February 1, 2017, and that its solar generation will displace renewable power Liberty Utilities would otherwise purchase from NV Energy. As a consequence, Liberty Utilities is projecting a significant reduction in the quantity of the renewable power that it purchases and thus a corresponding decrease in its Purchased Power Costs.

Second, in general, renewable energy represents the more expensive component of the NV Energy supply portfolio that it uses to supply Liberty Utilities. Thus, by reducing the volumes of renewable power purchased at these higher cost levels from NV Energy, Liberty Utilities effectively reduces the average price of the power that it will purchase from NV Energy.

Another component of Fuel and Purchased Power Costs is the fuel-related costs associated with Kings Beach. The cost for the fuel burn associated with the Kings Beach Facility is projected to be $72,242 in 2017. Liberty Utilities derived this forecast by taking the average of Liberty Utilities' annual recorded costs to purchase fuel from 2012 to 2015.

The final component of the Fuel and Purchased Power Cost is associated with certain confidential payments that Liberty Utilities will indirectly be obligated to pay the minority owner

("Tax Equity Partner") of the Luning Solar Project ("Tax Equity Partner Distribution Payment").[6]

2. Balancing Rate

Liberty Utilities is forecasting an overcollection in the Energy Cost Adjustment Clause Balancing Account, as of December 31, 2016, of $3.733 million. This forecast assumes that current ECAC rates will remain effective through September 30, 2016 and that as of October 1, 2016, the GRC/ECAC Settlement Rates will become effective as requested in the pending motion to approve the settlement in the general rate case ("GRC Settlement Approval Motion").[7] Liberty Utilities proposes to amortize the $3.733 million overcollection over a period of 24 months beginning on January 1, 2017.

This updated amount of the projected overcollection as of December 31, 2016 in the Balancing Account is less than the $6.673 million projected overcollection upon which the Balancing Rate was derived in the GRC/ECAC Settlement Rates.[8] As a consequence of this reduction in the projected overcollection in the Balancing Account in this Application, Liberty Utilities is proposing to increase the Balancing Rate annually by $1.074 million.

C. Revenue Allocation and Rate Design

The revenue allocation and rate design Liberty Utilities proposes in this Application similarly assumes the GRC/ECAC Settlement Rates and associated revenue allocation and rate

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[6] In the Luning Approval Decision, the Commission determined that the "ratemaking treatments for all expenses related to the acquisition and operation of the Luning facility described in the [Luning] Settlement Agreement should result in just and reasonable rates." Luning Approval Decision, mimeo at 42 (Conclusions of Law No. 2). The Luning Settlement Agreement provides that Liberty Utilities could record the distributions it will make to the Tax Equity Partner in its ECAC Balancing Account and to recover the amount of the Tax Equity Partner Distribution Payments in accordance with its ECAC tariff. Luning Approval Decision, Attachment A, Section 3.7.

[7] *See* GRC Settlement Approval Motion. The GRC Settlement Approval Motion requests an effective date for the settlement agreement of October 1, 2016. The deadline for filing of comments on the GRC Settlement Approval Motion was June 17, 2016. No comments have been filed.

[8] *See* GRC Settlement Approval Motion at 6.

design will be approved and become effective as of October 1, 2016. Accordingly, Liberty Utilities' proposed ECAC-related decrease will be allocated as follows: (1) the Offset Rate will generate 14.24 percent less in revenues than the revenues that will be realized by the Offset Rates for each customer class agreed to in the GRC/ECAC Settlement Rates; and (2) the change in the Balancing Rate will be on an equal cent per kWh basis and will increase the Balancing Rate by reducing the current credit of $0.00500 per kWh to a credit of $0.00308 per kWh. The combination of the proposed decrease in the Offset Rate and increase in the Balancing Rate results in an overall decrease in the aggregate ECAC rate from $0.05037 per kWh to $0.04283 per kWh.

III. 2017 GHG COST AND REVENUE FORECAST AND RECONCILIATION

A. Background

In D. 14-10-033, the Commission required Liberty Utilities to "file its [future GHG forecast revenue and reconciliation requests] as an additional chapter or section within its . . . [ECAC application], but in any event not later than August 1 of each year."[9] Accordingly, Liberty Utilities is including its 2017 GHG revenue forecast and reconciliation request as part of this ECAC Application.[10]

B. Specific GHG-Related Requests

Liberty Utilities requests in this Application that the Commission authorize Liberty Utilities to use for purposes of setting its GHG rates that reflect and pass through to customers

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[9] D. 14-10-033, mimeo at 51 (Ordering Paragraph No. 10).

[10] Liberty Utilities did not file its 2016 GHG revenue forecast and reconciliation request as part of its 2016 ECAC request that was filed as part of its 2016 general rate case application. Liberty Utilities requested an extension (*see* April 30, 2015 Letter to Executive Director Sullivan Re: Request for Extension of Time to Comply with Ordering Paragraph No. 10 of Decision 14-10-033) to file its 2016 GHG revenue forecast and reconciliation request and to file the GHG request separate from its 2016 general rate case application. Liberty Utilities filed its 2016 GHG forecast revenue and reconciliation request as a separate application on August 3, 2015 ("A.15-08-007") enabling Liberty Utilities to use additional recorded months from 2015 to base its 2016 GHG-related forecasts.

the GHG costs Liberty Utilities incurs for the California cap-and-trade program, to be effective commencing January 1, 2017:

1) Forecast 2017 GHG emissions costs incurred directly or indirectly by Liberty Utilities as a result of the GHG cap-and-trade program ("GHG Costs");

2) Forecast 2017 administrative and customer outreach expenditures by Liberty Utilities associated with the cap-and-trade program ("GHG Administrative and Customer Outreach Expenses"); and

3) Forecast 2017 allowance revenues Liberty Utilities will realize by selling the allowances allocated to its customers by the California Air Resources Board ("GHG Allowance Revenues"), as adjusted by the amortization of the 2016-year end forecasted over collection in the GHG Revenue Balancing Account ("GHG Account Balance") (as adjusted, "GHG Adjusted Allowance Revenues").

Liberty Utilities additionally requests that the Commission find Liberty Utilities' reconciliation of its 2015 GHG costs to be reasonable, and allow Liberty Utilities to accordingly adjust its 2017 GHG rates.

In this Application, Liberty Utilities specifically requests approval to decrease its Carbon Pollution Permit Cost rate by $0.00055/kWh, reduce its small business rate credit by $0.00051/kWh, and reduce the amount of the semi-annual California Climate Credit by $3.59 through the following GHG-cost, accounting and ratemaking matters:

1) Total confidential forecasted 2017 GHG Costs represented on Line 24 of Template D-2 attached in Appendix A of Chapter 2;

2) Total forecasted 2017 GHG Administrative and Outreach Expenses: $245,100;

3) Total forecasted 2017 GHG Adjusted Allowance Revenues: $3,108,411;

4) Total forecasted 2017 Small Business Volumetric Return: $368,918;

5) Total forecasted 2017 EITE Customer Return: $0.00; and

6) Total recorded 2015 GHG Administrative and Outreach Expenses: $283,893.

Based on its current forecasts, Liberty Utilities projects that its residential customers will receive a semi-annual California Climate Credit of $22.96 on the bills they receive each April and October 2017. The actual amount of the California Climate Credit will change based on the forecasts that the Commission approves for Liberty Utilities.

IV. DECISION 15-12-021 COMPLIANCE FILING

In accordance with Ordering Paragraph No. 5 of D. 15-12-021, Liberty Utilities includes the requested compliance filing in Chapter 3 of the accompanying testimony. As required, the compliance filing contains a comparison of the unit cost of renewable energy under the 2016 NV Energy Services Agreement as compared with the prices for renewable energy Liberty Utilities paid pursuant to the Prior NV Energy Services Agreement.

The compliance filing also provides, as Ordering Paragraph No. 5 requires, the work papers that support the comparison. These work papers (attached as Appendix A to Chapter 3) consist of the monthly invoices that NV Energy provided for its sales to Liberty Utilities for the months of January through April 2016.

V. PROCEDURAL REQUIREMENTS

A. Statutory Authority

Liberty Utilities files this Application pursuant to Sections 451, 454, and 701 of the Public Utilities Code, and Article 2 of the Commission's Rules of Practice and Procedure, and prior decisions, orders, and resolutions of this Commission.

B. Rule 2.1(a) – Applicant Information

Liberty Utilities is a California limited liability company. It has its principal place of business at 933 Eloise Avenue, South Lake Tahoe, CA 96150.

C. Rule 2.1(b) -- Correspondence

All correspondence and communications with respect to this Application should be addressed or directed as follows:

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D. Rule 2.1(c) – Categorization, Need for Hearings, Schedule, and Issues to be Considered

Liberty Utilities proposes that this proceeding be categorized as ratesetting pursuant to Rule 1.3(e). Liberty Utilities does not believe that hearings will be necessary as this Application contains ample information, analysis, and documentation that provides the Commission with a sufficient record upon which to grant the relief requested.

Liberty Utilities' tariffs contemplate that the revisions to its ECAC and GHG rates that this Application proposes are to become effective as of January 1, 2017.

Liberty Utilities accordingly proposes the following procedural schedule:

Application Filed	July 1, 2016
Protest/Responses to Application Due	August 4, 2016
Applicants' Reply to Protest/Responses	August 15, 2016
Prehearing Conference	September 2016
Scoping Memo	September 2016

Proposed Decision issued	October 10, 2016
Final Commission Decision issued	November 10, 2016
Final Rates Effective	January 1, 2017

Liberty Utilities believes that the only issues that should be considered as part of this proceeding are whether:

1. The requests to update Liberty Utilities' rates pursuant to its ECAC tariff effective January 1, 2017 are reasonable;
2. To approve Liberty Utilities' GHG 2017 cost and revenue forecast and reconciliation, and to accordingly determine the GHG rates proposed to become effective January 1, 2017 are reasonable; and
3. The compliance filing contained within Chapter 3 satisfies the requirements set forth in D. 15-12-021 (Ordering Paragraph No. 5).

E. Rule 2.2 – Organization and Qualification to Transact Business

A copy of the Articles of Organization of Liberty Utilities has previously been filed with the Commission as part of Application 14-04-037, Exhibit A. A Certificate of Status for Liberty Utilities issued by the California Secretary of State has previously been filed with the Commission as part of Application 15-04-016, Exhibit A.

F. Index of the Exhibits and Testimony Chapters and Appendices to this Application

Liberty Utilities' submission in support of this Application includes the following:

Testimony Chapter and Appendix List

Chapter 1 – 2017 Fuel and Purchased Power Forecast and Energy Cost Adjustment Clause (Alain R. Blunier) (Public Version)

Appendix A – Witness Statements of Qualifications: Alain R. Blunier

Appendix B – 2017 Energy Cost Adjustment Clause Revenue Requirement

Chapter 2 – 2017 GHG Cost and Revenue Forecast and Reconciliation (Alain R. Blunier)

Appendix A – Attachments C and D to D. 14-10-033 (Public Version)

Chapter 3 – D.15-12-021 Compliance Filing (Alain R. Blunier)(Public Version)

Appendix A – Work Papers (Alain R. Blunier) (Public Version)

VI. CONCLUSION

Liberty Utilities respectfully requests that the Commission authorize it to:

1) Grant Liberty Utilities' request to update its ECAC rates pursuant to this Application effective January 1, 2017;
2) Authorize Liberty Utilities to file a Tier 1 Advice Letter to revise its ECAC tariff with new ECAC Billing Factors as described above;
3) Grant Liberty Utilities' requests to update its GHG rates based on its 2017 GHG cost and revenue forecast and reconciliation by approving its:
   a. forecast 2017 GHG Costs;
   b. forecast 2017 GHG Administrative and Customer Outreach Expenses;
   c. forecast 2017 GHG Adjusted Revenues;
   d. proposed reconciliation of its 2015 GHG costs as reasonable; and
   e. proposed adjustment of 2017 GHG rates as reasonable and in accordance with the outcome of the proposed reconciliations;
4) Authorize Liberty Utilities to file a Tier 1 Advice Letter to implement changes to its GHG rates associated with Liberty Utilities' 2017 GHG cost and revenue forecast and reconciliation, as described above;
5) Find that Liberty Utilities has complied fully with the requirements set forth in Ordering Paragraph No. 5 of D. 15-12-021; and
6) Grant Liberty Utilities such other and further relief requested, and as the Commission finds just and reasonable.

Respectfully submitted,

By: /s/

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July 1, 2016

Attorneys for Liberty Utilities (CalPeco Electric) LLC

VERIFICATION

I, Gregory S. Sorensen, hereby declare that I am the President of Liberty Utilities (CalPeco Electric) LLC, and that I have read the foregoing Application; and that the information set forth therein concerning Liberty Utilities (CalPeco Electric) LLC is true and correct to the best of my knowledge, information and belief.

I declare under penalty of perjury that the forgoing is true and correct.

Executed this 1st day July 2016, at Downey, California.

Gregory S. Sorensen

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC