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Liberty Utilities®

(U 933-E)

2019 General Rate Case

Before the California Public Utilities Commission

Chapter 3: Operating & Maintenance, Customer Accounts, and Administrative & General Expenses

Tahoe Vista, California
November 30, 2018

Liberty CalPeco-03: O&M

Customer Accounts, and A&G Expenses

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I.

**OPERATION & MAINTENANCE (“O&M”), CUSTOMER CARE,
ADMINISTRATIVE & GENERAL (“A&G”) EXPENSES**

A. Overview

Liberty CalPeco’s expense forecast is provided in the following major categories: Other Production (including O&M associated with the Luning Solar Plant (“Luning”), Distribution, Customer Care, and Administrative & General (including Luning-related) expenses.¹ Liberty CalPeco’s O&M and A&G 2019 Test Year forecast of \$21.3 million is the requisite level of spending to provide its customers with safe and reliable service and is based on current budget needs. O&M expenses are required to properly operate and maintain Liberty CalPeco facilities and distribution assets and maintain compliance with state and federal statutes and regulations. In addition to maintaining facilities and assets, these expense levels also support efforts to hire and retain a skilled and talented workforce that are appropriately compensated in a manner designed to reward high performance and excellent customer service. A summary of the test year forecast by major expense category is set forth in Table I-1 below. This request represents a modest overall increase of 2% compared to last recorded year and a 21% increase over the authorized amount.² Figure I-1 below shows a comparison of the 2017 authorized and recorded levels and the incremental forecast changes for 2019 to 2021.

¹ Authorized in D.16-01-021, Luning’s operating expenses include O&M expenses for the solar production plant and A&G expenses for office expenses, insurance, and property taxes.

² See workpapers.

Figure I-1
Total O&M and A&G Authorized to Recorded/Forecast Comparison
(\$000)

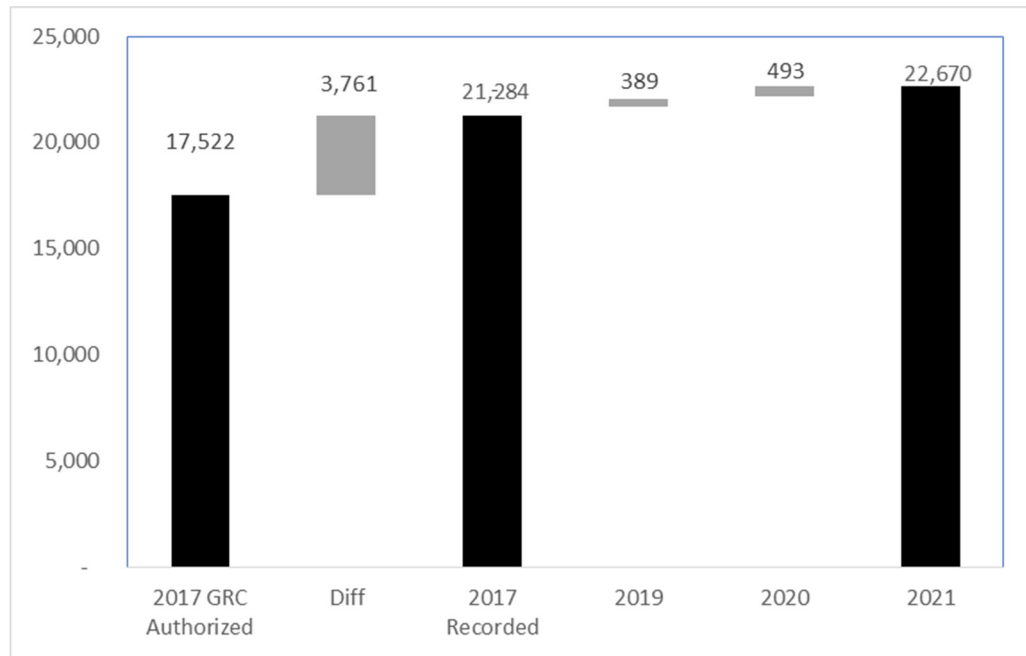


Table I-1
Total Recorded to Forecast O&M and A&G Expenses (\$000's)

Expense	Total Company			
	Recorded	Forecast		
	2017	2019	2020	2021
Other Power Generation	638	718	734	749
Distribution Expense	6,916	5,697	5,829	5,964
Customer Care Accounts	3,031	3,431	3,508	3,588
Administrative & General Expense	10,699	11,827	12,095	12,369
	21,284	21,673	22,166	22,670

1 **1. Other Production O&M Expenses**

2 a) Luning Solar Plant (“Luning”)

3 Pursuant to D.16-01-021, Liberty CalPeco owns, operates, and maintains Luning and is allowed to
4 recover in base rates the costs of operating Luning, including associated A&G expenses.³ Luning
5 commenced operations in February 2017 and provides Liberty CalPeco customers with renewable energy
6 to meet California’s Renewables Portfolio Standard requirements. Absent Luning, this renewable energy
7 would have been purchased at a premium from NV Energy under Liberty CalPeco’s Services Agreement
8 with NV Energy. Generating solar power in-house reduces costs by avoiding renewable energy purchases
9 and demand charges that would otherwise be incurred pursuant to Liberty CalPeco’s Services Agreement
10 with NV Energy.⁴ Operating expenses associated with Luning’ production includes maintenance (Acct.
11 553) and land leases (Acct. 550).⁵

12 b) Other Production Expenses

13 Other Production expenses include costs associated with maintenance of Liberty CalPeco’s other
14 power generation plant, the Kings Beach Generation Facility. The Kings Beach facility serves as a
15 backup source of generation and is restricted in its use per year.

16 (1) Forecast of 2019- 2021 O&M Expenses

17 The 2019 test year forecast of \$718,000 for Other Production is based on current budget
18 requirements. Liberty CalPeco utilized a budget-based approach to forecast O&M using 2018 year-to-
19 date recorded expenses by account and then trended for the remainder of the year to get an estimate for

³ Luning-related A&G is presented with the other A&G expense accounts.

⁴ The 2016 NV Energy Services Agreement provides that NV Energy will continue to service the full requirements of Liberty CalPeco’s electric loads, but also allows Liberty CalPeco to replace some NV Energy supply with RPS-eligible solar energy generated by solar generation facilities if owned by Liberty CalPeco. As noted in Advice Letter 90-E, the avoided demand charges amounted to \$1.030 million.

⁵ See workpapers.

2019 levels. The 2019 test year expense by account was then used to forecast 2020 and 2021 using an annual escalation rate of 2.35%.⁶

B. Distribution Accounts – Various Accounts

1. Overview of Distribution O&M Accounts

Distribution expenses include costs associated with operating and maintaining Liberty CalPeco's distribution assets in its service territory. In addition, distribution expenses include routine inspecting and patrolling assets for regulatory compliance related to G.O. 165 program costs.

***Table I-2
Distribution O&M Expenses (\$000's)***

		Total Company			
Acct		Recorded	Forecast		
No	Expense	2017	2019	2020	2021
580	Supervision & Engineering	407	425	435	445
581	Load Dispatching	617	714	731	748
582	Station Expenses	123	30	31	31
583	Overhead Line	226	161	165	169
584	Underground Line	108	89	91	94
585	Street Lighting & Signals	3	2	2	2
586	Meter Expenses	19	9	9	9
588	Misc. Distribution	2,209	1,446	1,480	1,515
589	Rents	-	68	68	68
591	Structures	28	37	38	39
592	Station Equipment	265	162	166	170
593	Overhead Lines	1,989	1,892	1,936	1,982
594	Underground Lines	343	294	301	308
595	Line Transformers	8	16	16	16
596	Street Lighting & Signals	8	5	5	5
597	Meters	72	45	46	47
598	Misc. Distribution Plant	493	303	310	317
Total Distribution O&M		6,916	5,697	5,829	5,964

⁶ See workpapers.

a) Forecast of 2019- 2021 O&M Expenses

The 2019 test year forecast for Distribution O&M expenses of \$5,697,000 is based on current budget requirements. Liberty CalPeco utilized a budget-based approach to forecast O&M using 2018 year-to-date recorded expenses by account and then trended for the remainder of the year to get an estimate for 2019 levels. The 2019 test year expense by account was then used to forecast 2020 and 2021 using an annual escalation rate of 2.35%.⁷

C. Customer Care – Various Accounts

1. Overview of Customer Care Accounts

O&M expenses for Customer Care include costs associated with customer service supervision, customer billing and accounting, and meter reading.

Table I-3
Customer Care O&M Expenses
Recorded and Forecast Test Years 2019-2021
(In Thousands)

Acct No Expense		Total Company			
		Recorded	Forecast		
		2017	2019	2020	2021
901	Supervision	243	122	124	127
902	Meter Reading Expense	298	354	362	371
903	Customer Records & Collection	1,779	1,649	1,688	1,728
904	Uncollectible Accounts	112	135	135	135
905	Misc. Customer Accounts	-	91	93	95
907	Supervision	4	159	163	166
908	Customer Assistance	575	902	923	944
910	Misc. Customer Service and Info.	20	20	20	21
	Total Customer Care	3,031	3,431	3,508	3,588

⁷ See workpapers.

a) Forecast of 2019- 2021 O&M Expenses

The 2019 test year forecast for Customer Care expenses of \$3,431,000 is based on current budget requirements. Liberty CalPeco utilized a budget-based approach to forecast O&M using 2018 year-to-date recorded expenses by account then trended for the remainder of the year to get an estimate for 2019 levels. The 2019 test year expense by account was then used to forecast 2020 and 2021 using an annual escalation rate of 2.35%.⁸

D. Administrative and General (A&G) Expenses

The A&G expenses included in this account activity include expenses for accounting, regulatory, legal, human resources and corporate allocated costs from Liberty Utilities and its parent company, Algonquin.⁹ As previously referenced above, Liberty CalPeco is allowed to recover in base rates the costs of operating Luning and Luning's A&G-related expenses includes office supplies (Acct. 921), outside services (Acct. 923), property insurance (Acct. 924), and property taxes (Acct. 408).¹⁰

Table I-4
A&G Expenses
(In Thousands)

Acct No	Expense	Total Company			
		Recorded 2017	Forecast		
			2019	2020	2021
920	A&G Salaries	3,884	6,051	6,193	6,339
921	Office Supplies & Exp	1,941	2,214	2,266	2,320
922	Capitalized A&G	(1,664)	(2,140)	(2,190)	(2,242)
923	Outside Services Employed	3,002	2,037	2,085	2,134
924	Property Insurance	177	200	205	210
925	Injuries & Damages	430	438	449	459
926	Pensions & Benefits	2,129	2,340	2,395	2,451
928	Regulatory Commission Exp	541	426	426	426
930	Misc General Expenses	59	71	72	74
931	Rents	26	8	8	9
935	Maintenance of General Plant	174	181	186	190
		10,699	11,827	12,095	12,369

⁸ See workpapers.

⁹ See workpapers for organization structure incorporating all A&G costs.

¹⁰ See workpapers.

1 a) Forecast of 2019- 2021 A&G Expenses

2 The 2019 test year forecast for A&G expenses of \$11,827,000 is based on current budget
3 requirements. Liberty CalPeco utilized a budget-based approach to forecast O&M using 2018 year-to-
4 date recorded expenses by account then trended for the remainder of the year to get an estimate for 2019
5 levels. The 2019 test year expense by account was then used to forecast 2020 and 2021 using an annual
6 escalation rate of 2.35%.¹¹

¹¹ See workpapers.

Appendix A
Witness Qualifications

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
QUALIFICATIONS AND PREPARED TESTIMONY
OF TODD GEE

Q. Please state your name and business address for the record.

A. My name is Todd Gee and my business address is 701 National Avenue, Tahoe Vista, California 96148.

Q. Briefly describe your present responsibilities at Liberty Utilities (CalPeco Electric) LLC.

A. I am currently the GIS and Mapping Manager for Liberty Utilities (CalPeco Electric) LLC, ("Liberty CalPeco") and am responsible for Liberty CalPeco's GIS, Mapping, Inspector Group and Joint Pole Program.

Q. Briefly describe your educational and professional background.

A. I have over twelve years of electric utility experience working in a variety of positions at NV Energy and Liberty Utilities. These roles varied from GIS project supervision to manager of various programs such as mobile mapping, system wide data collection initiatives and creating financial reports. In addition to my electric utility experience, I spent the previous ten years working in civil design on public works projects ranging from road design, water/wastewater facilities and other municipal projects.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony in this proceeding is to sponsor Operating & Maintenance (O&M), Customer Care, Administrative & General (A&G) Expenses testimony.

Q. Was this material prepared by you or under your supervision?

A. Yes, it was.

Q. Insofar as this material is factual in nature, do you believe it to be correct?

A. Yes, I do.

Q. Insofar as this material is in the nature of opinion or judgement, does it represent your best judgement?

A. Yes, it does.

1 Q. Does this conclude your qualifications and prepared testimony?

2 A. Yes, it does.

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
QUALIFICATIONS AND PREPARED TESTIMONY
OF GREG CAMPBELL

Q. Please state your name and business address for the record.

A. My name is Greg Campbell and my business address is 9750 Washburn Rd., Downey, California 90241.

Q. Briefly describe your present responsibilities at Liberty Utilities (CalPeco Electric) LLC.

A. I am currently a Sr. Rate Analyst for Liberty Utilities (CalPeco Electric) LLC, ("Liberty CalPeco") and am responsible for Liberty CalPeco's rate and regulatory affairs including but not limited to compliance, applications, and risk management and mitigation.

Q. Briefly describe your educational and professional background.

A. I graduated from Michigan State University in 2005 with a Bachelor of Arts Degree in Economics, and received a Master's of Science Degree in Economics from the University of Illinois at Urbana-Champaign in 2007. I have held a variety of positions within the Electric Utility Industry including positions with DTE Energy, the Maryland Public Service Commission, Tacoma Power, and Liberty CalPeco.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony in this proceeding is to present the cost basis for Liberty CalPeco's rate increase pertinent to the company's revenue requirement, purchased power, fuel cost, Energy Cost Adjustment Clause ("ECAC"), sales, revenue and customer forecast, and Greenhouse Gas ("GHG") Rate adjustment.

Q. Was this material prepared by you or under your supervision?

A. Yes, it was.

Q. Insofar as this material is factual in nature, do you believe it to be correct?

A. Yes, I do.

Q. Insofar as this material is in the nature of opinion or judgement, does it represent your best judgement?

1 A. Yes, it does.

2 Q. Does this conclude your qualifications and prepared testimony?

3 A. Yes, it does.