

**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 and its California Climate Credit, Effective January 1, 2024.

Application 24-04-010

**JOINT MOTION OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E),
THE A-3 CUSTOMER COALITION, AND THE PUBLIC ADVOCATES OFFICE FOR
APPROVAL OF ALL-PARTY SETTLEMENT AGREEMENT**

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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 and its California Climate Credit, Effective January 1, 2024.

Application 24-04-010

**JOINT MOTION OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E),
THE A-3 CUSTOMER COALITION, AND THE PUBLIC ADVOCATES OFFICE FOR
APPROVAL OF ALL-PARTY SETTLEMENT AGREEMENT**

In accordance with Rule 12.1 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, Liberty Utilities (CalPeco Electric) LLC (“Liberty”), the A-3 Customer Coalition (“A-3”), and the Public Advocates Office at the California Public Utilities Commission (“Cal Advocates”) (collectively, the “Settling Parties”) file this Joint Motion for adoption of the *All-Party Settlement Agreement of Liberty Utilities (CalPeco Electric) LLC (U 933 E) 2024 Energy Cost Adjustment Clause and California Climate Credit, Effective January 1, 2024* (“Settlement Agreement”), which is included as Attachment 1 to this Motion.

The Settlement Agreement is a compromise among all parties to this proceeding of their respective interests in the issues raised by the above-captioned Application and resolves all the issues to be determined in the above-captioned Application, as identified in the July 29, 2024, *Assigned Commissioner’s Scoping Memo and Ruling*. Unless otherwise provided in the Settlement Agreement, all proposals and recommendations of the Settling Parties are either (i) withdrawn or (ii) incorporated into the settlement as noted in this Motion.

To minimize the impact of ongoing under-collections in Energy Cost Adjustment Clause (“ECAC”) rates, the Settling Parties respectfully request the Commission’s approval of this Joint Motion for Adoption of the Settlement Agreement as soon as possible.

I. PROCEDURAL HISTORY

On April 23, 2024, Liberty filed its *Application of Liberty Utilities (CalPeco Electric) LLC (U 933 E) for Authority to Update Rates Pursuant to Its Energy Cost Adjustment Clause and Its California Climate Credit, Effective January 1, 2024* (“Application”).¹ A protest and a response were timely filed by Cal Advocates and A-3, respectively. On July 2, 2024, the prehearing conference was held. In accordance with Rulings issued by Administrative Law Judge Alberto T. Rosas, the Settling Parties filed Joint Status Conference Statements on August 2, 2024, and September 13, 2024, and Status Conferences were held on August 6, 2024, and September 18, 2024. A motion to enter the final testimony of Dan Marsh and Christina Pak into the record of this proceeding was filed on October 24, 2024. A Status Conferences was also held on November 6, 2024. In addition, pursuant to Commission Rule 12.1(b), a settlement conference was noticed on October 3, 2024, and held on October 7, 2024, with all parties stipulating to reduce the 7-day advance notice required by Rule 12.1(b).² All parties participated in the settlement conference.

II. THE COMMISSION SHOULD APPROVE THE SETTLEMENT AGREEMENT AS REASONABLE IN LIGHT OF THE WHOLE RECORD, CONSISTENT WITH LAW AND IN THE PUBLIC INTEREST

A. Legal Standard for Settlements

Commission Rule 12.1(d) describes the standard for approval of settlements:

¹ Application (A.) 24-04-010 (Apr. 23, 2024).

² Rule 12.1(b) (May 1, 2021).

The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.³

As demonstrated below, the Settlement Agreement meets these criteria. The Commission has recognized public policy favoring the settlement of disputes to avoid costly litigation.⁴ In D.11-05-018, the Commission stated: “This policy supports many worthwhile goals, such as reducing litigation expenses, conserving scarce resources of the parties and the Commission, and allowing parties to reduce the risk that litigation will produce unacceptable results.”⁵

The Commission’s standard of review is:

In assessing settlements, we consider individual settlement provisions but, in light of strong public policy favoring settlements, we do not base our conclusion on whether any single provision is the optimal result. Rather, we determine whether the settlement as a whole produces a just and reasonable outcome.⁶

B. The Settlement Agreement is Reasonable in Light of the Record as a Whole

The Settlement Agreement represents a reasonable compromise of the Settling Parties’ interests in this proceeding. The Settlement Agreement was developed through a multi-month discovery process, including numerous data requests and other due diligence efforts conducted by Cal Advocates and A-3, who represent Liberty’s customer classes. The current under-collection amount resulted from recent increases in Fuel and Purchased Power Costs in the West. The Settling Parties accept that Liberty has justified the changes in rates and substantiated the

³ Rule 12.1(d) of the Commission’s Rules of Practice and Procedure (May 1, 2021).

⁴ See D.11-05-018 *Decision on PG&E Test Year 2011 General Rate Increase Request* (May 13, 2011), pp. 16-17.

⁵ *Id.*

⁶ D.10-04-033, *Decision Approving Settlement Agreement*, mimeo (Apr. 21, 2010), p. 9; D.17-05-013, *Decision Authorizing PG&E’s General Rate Case Revenue Requirement for 2017-2019*, mimeo (May 18, 2019), pp. 217-221.

underlying cost drivers.⁷ The proposed 24-month amortization period for the under-collection amounts will lessen the impact on ratepayers by spreading the under-collection over a more extended period of time.

In addition, the Settling Parties have agreed to capitalize the buy-out of the Turquoise solar facility. While Liberty has been authorized to account for these costs as an expense, the Settling Parties have instead agreed to request that the buy-out be capitalized, which will spread the impact of the buy-out over a more extended period of time and thereby reduce the near-term impact of these costs on Liberty's ratepayers.

C. The Settlement Agreement Is Consistent with the Law and Prior Commission Decisions

Liberty's ECAC tariff was authorized in D. 12-11-030 and D.21-05-005 (approving all party settlement in A.20-08-001 (2020 ECAC)). Liberty is required to file an ECAC Application when its total ECAC revenues are expected to deviate by more than plus or minus five percent from the revenues being collected through its current ECAC rates.⁸ The above-captioned Application is consistent with D.12-11-030, and the Settling Parties have agreed, following discovery, that the amounts set forth in the Settlement Agreement are reasonable. In addition,

⁷ See Application (filed April 23, 2024) and Liberty Testimony (amended version, provided to Parties on September 17, 2024 as Liberty Utilities Exh. Liberty-01 and uploaded to the Commission's Supporting Documents electronic submission portal on October 24, 2024 as Exh. Liberty-02 (see also *Motion of Liberty Utilities (CalPeco Electric) LLC (U 933-E) to Admit Prepared Testimony Into the Evidentiary Record* filed and served on October 24, 2024)).

⁸ See D.12-11-030, *Decision Adopting an All-Party Settlement in a 2013 General Rate Case for California Pacific Electric Company LLC*, Appendix A, Exhibit B (Dec. 5, 2012); Liberty Utilities, Preliminary Statement No. 6.

the Settling Parties have agreed that the testimony of Dan Marsh and Christina Pak (for Liberty)⁹ demonstrates that Liberty has complied with the settlement terms approved in D.24-02-021.¹⁰

In addition, D.14-10-033 requires Liberty to present testimony with respect to its greenhouse gas (“GHG”) costs and reconciliation as part of its ECAC application. As a result, Liberty seeks approval of its GHG 2024 cost and revenue forecast and reconciliation and to set its California Climate Credit rates accordingly to be effective January 1, 2024, consistent with the requirements of D.14-10-033 and D.23-02-014.

Further, the Settling Parties represent “that no term of the [Settlement Agreement] contravenes statutory provisions or prior Commission decisions.”¹¹ The Settling Parties are aware of no statutory provisions or controlling law that would be contravened or compromised by the Settlement Agreement.

D. The Settlement Agreement is in the Public Interest.

The Commission has determined that a settlement that “commands broad support among participants fairly reflective of the affected interests” and “does not contain terms which contravene statutory provisions or prior Commission decisions” meets the “public interest”

⁹ Liberty Testimony (amended version, provided to Parties on September 17, 2024 as Liberty Utilities Exh. Liberty-01 and uploaded to the Commission’s Supporting Documents electronic submission portal on October 24, 2024 as Exh. Liberty-02 (see also *Motion of Liberty Utilities (CalPeco Electric) LLC (U 933-E) to Admit Prepared Testimony Into the Evidentiary Record* filed and served on October 24, 2024).

¹⁰ D.24-02-021, Appendix 1, Attachment 1: *February 9, 2024 Amended Settlement Agreement of Liberty Utilities 2022 Energy Cost Adjustment Clause and California Climate Credit, Effective January 1, 2023* (Feb. 23, 2024).

¹¹ D.00-09-037, *Opinion, mimeo* (Sept. 8, 2000), p. 11. In D.00-09-037, the Commission based its finding that the third criterion has been met on representation by the settling parties “that they expended considerable effort ensuring that the Settlement Agreement comports with statute and precedents and did not believe that any of its terms or provisions contravene statute or prior Commission decisions.” *Ibid.*: See also, D.07-04-043, *Opinion Approving Settlement on San Diego Gas & Electric Company’s Advanced Metering Infrastructure Project, mimeo* (Apr. 16, 2007), p. 88.

criterion.¹² Here, while Cal Advocates filed a protest and A-3 filed a response to the initial Application, all parties to this proceeding have joined this motion and have signed the attached Settlement Agreement, indicating that they believe the Settlement Agreement represents a reasonable compromise of their respective positions on the issues covered by the Settlement Agreement.¹³ By ensuring that Liberty’s ECAC rates reflect all costs reasonably incurred by Liberty and amortizing a portion of costs over a 24-month period, the Settlement Agreement will enable Liberty to comply with its obligations as a utility and to its ratepayers. Therefore, approval of this Joint Motion to Approve the Settlement Agreement is in the public interest.

E. The Settlement Agreement Is Consistent with the Commission’s Environmental & Social Justice Action Plan

The Commission’s Environmental & Social Justice Action Plan (“ESJ Action Plan”) includes nine overarching goals, objectives, and action items which are designed to integrate environmental and social justice (“ESJ”) considerations into the Commission’s work, in order to better protect and serve ESJ communities.¹⁴ The ESJ Action Plan defines ESJ Communities to include:

...low-income or communities of color that have been underrepresented in the policy setting or decision-making process, are subject to a disproportionate impact from one or more environmental hazards, and likely to experience disparate implementation of environmental regulations and socio-economic investments in their communities.¹⁵

¹² D.10-06-015, *Decision Approving Settlement Agreement for Southern California Edison Company’s and Pacific Gas and Electric Company’s Economic Development Rate Program* (June 8, 2010) pp. 11-12.

¹³ Cal Advocates Protest (filed May 28, 2024); A-3 Response (filed May 13, 2024).

¹⁴ Environmental and Social Justice Plan, Version 2.0, dated April 7, 2022, available at: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf>.

¹⁵ ESJ Action Plan, p. 11.

In addition, ESJ communities include Disadvantaged Communities (“DACs”), defined as

census tracts that score in the top 25% of CalEnviroScreen 3.0, along with those that score within the highest 5% of CalEnviroScreen 3.0's Pollution Burden but do not receive an overall CalEnviroScreen score; all Tribal lands; low-income households; and low-income census tracts.¹⁶

Liberty’s service territory is located in and around the Tahoe-Truckee region and also includes other nearby mountain communities. As of the filing of this Motion, Liberty’s service territory does not include any DACs as defined in the Commission’s ESJ Action Plan. Further, the definition of DACs in the ESJ Action Plan includes both: (i) census tracts that receive high CalEnviroScreen scores (top 25% of CalEnviroScreen 3.0), and (ii) census tracts that receive high pollution burdens but do not receive overall CalEnviroScreen scores. Many of Liberty’s customers are second home-owners and upper-income households. However, there are some customers who are considered low-income households on an individual-customer basis. While the communities as a whole and the census tracts therein are not classified as DACs, Truckee, South Lake Tahoe, and other rural communities served by Liberty do include low-income households. Affordable housing has been a key issue across the state, especially in Truckee.

The Settling Parties are sensitive to the fact the rate increases proposed in the instant Application will have a greater impact on low-income households and small businesses who will have to pass on the added costs to their customers. The 24-month amortization proposal is designed to make the rate increases more manageable for all customers, particularly the ESJ communities discussed in the ESJ Action Plan. While many programs focused on ESJ communities (e.g., the California Alternate Rates for Energy (“CARE”) program,¹⁷ Medical

¹⁶ *Id.*, p. 2.

¹⁷ Assembly Bill X1 No.3 (Wright, 1st Extraordinary Session), Chapter 11, California Alternate Rates for Energy (CARE) program (Jan. 9, 2001). See Pub. Util. Code § 382.

Baseline, etc.) are scoped in Liberty’s General Rate Case (“GRC”) Application, it is nevertheless important to consider ESJ policies in the instant Application, and the Settling Parties believe the 24-month amortization adheres to the ESJ Action Plan.

III. SUMMARY OF SETTLEMENT AGREEMENT

The ECAC’s purpose is to reflect in rates (1) Liberty’s Fuel and Purchased Power Costs, and (2) certain other energy-related costs. Following discovery, the Settling Parties reached a consensus on the validity and accuracy of Liberty’s financial accounting as set forth in the final version of Mr. Marsh and Ms. Pak’s testimony.

Liberty requests an overall annual increase in the ECAC revenues to be collected through ECAC rates of \$12.739 million.¹⁸ The requested increase represents a 28.9% annual increase in the rate recovery from ECAC rate modifications authorized in Liberty’s 2022 ECAC Application.¹⁹

A. Offset Rate

The Settlement Agreement would grant Liberty a \$0.926 million decrease in revenue associated with changes to the Offset Rate.²⁰ The decrease related to the Offset Rate is driven primarily by the forecast of a decrease in the Fuel and Purchased Power Costs, which is attributable to a decrease of the average cost per megawatt hour of purchased power.

¹⁸ See Liberty Testimony (amended version, provided to Parties on September 17, 2024 as Liberty Utilities Exh. Liberty-01 and uploaded to the Commission’s Supporting Documents electronic submission portal on October 24, 2024 as Exh. Liberty-02 (see also *Motion of Liberty Utilities (CalPeco Electric) LLC (U 933-E) to Admit Prepared Testimony Into the Evidentiary Record* filed and served on October 24, 2024).

¹⁹ See D.24-02-021, *Decision Adopting the Amended Settlement Agreement* (Feb. 23, 2024).

²⁰ See Liberty Testimony (amended version, provided to Parties on September 17, 2024 as Liberty Utilities Exh. Liberty-01 and uploaded to the Commission’s Supporting Documents electronic submission portal on October 24, 2024 as Exh. Liberty-02 (see also *Motion of Liberty Utilities (CalPeco Electric) LLC (U 933-E) to Admit Prepared Testimony Into the Evidentiary Record* filed and served on October 24, 2024), p. 3.

Another component of the Fuel and Purchased Power Cost is associated with certain confidential payments that Liberty will indirectly be obligated to pay the minority owners (“Tax Equity Partners”) of the Luning Project and Turquoise Project (“Tax Equity Partner Distribution Payments”).²¹

B. Balancing Rate

Liberty’s forecasted under-collection of \$45.765 million in the ECAC Balancing Account, as of December 31, 2023, is due to two factors: (1) higher than forecasted energy costs and (2) delayed implementation of 2022 ECAC rates. The 2022 ECAC rates went into effect on October 1, 2022, when they were designed for an effective date of January 1, 2022. These factors resulted in customers being charged an outdated and much lower rate while 2022 wholesale energy prices tripled from 2020. To help smooth out the increase in ECAC rates, the Settlement Agreement would authorize Liberty to amortize the \$45.765 million under-collection over a two-year period.

C. Recovery of Turquoise Buy-Out

May 12, 2025, will mark the conclusion of the five-year tax equity period for the Luning solar project established under the owning partnership’s Equity Capital Contribution Agreement. Per the settlement approved in D. 17-12-008, the Commission approved “Liberty to buy out the ownership interest of the Tax Equity Partner in the Turquoise Project in accordance with the

²¹ 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.” D.16-01-021 at 42 (Conclusion of Law No. 2). The Luning Settlement Agreement provides that Liberty 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. *See* D.16-01-021, Attachment A, § 3.7. The Turquoise Settlement Agreement includes an identical provision. *See* A.16-12-009, *Joint Motion for Commission Approval of an All-Party Settlement Agreement*, Attachment A: Settlement Agreement, § 3.6 (June 30, 2017), p. 7.

terms of the Tax Equity Partnership Agreements.”²² To that end, Liberty has estimated a final residual value or “buy-out price” for the remaining interest in the plant as set forth in Liberty’s confidential testimony.²³ Given the recent increases in ECAC expenses and subsequent impact to customers, the (current) Settlement Agreement would accept Liberty’s proposal to instead capitalize the final buy-out price. If Liberty pursues the buy-out, assigning the costs as a capital investment will distribute the rate impact to customers across the life of the solar plant instead of being recovered within a single year. Moreover, the intent of the buy-out is to purchase the remaining capital share of the asset and therefore allow it to be depreciated in a way that smooths the rate impact. This treatment will ease the rate impact on ratepayers while remaining in line with the intent of the original decision and settlement agreement, which allowed Liberty to secure 100% ownership of the facility.²⁴ Liberty plans to include the buy-out in its capital forecast in its 2025 GRC.

D. Revenue Allocation and Rate Design

Liberty’s proposed ECAC-related increase will be allocated as follows: (1) the Offset Rate will be changed to \$57.65/MWh and will generate 2.7% less revenue than the current Offset Rate of \$59.44/MWh, and (2) the Balancing Rate will be changed to \$38.92/MWh and will generate 148.3% more revenue than the current Balancing Rate of \$15.73/MWh. The combination of the proposed changes will result in an overall increase in the aggregate ECAC rate from \$75.17/MWh to \$96.57 /MWh.

²² D.16-01-021, *Decision Approving Settlement Agreement Subject To Conditions*, Attachment A: Settlement Agreement, § 3.2 (Jan. 14, 2016), pp. 7-8.

²³ A.22-11-018, *Application of Liberty Utilities for Authority to Update Rates Pursuant to ECAC and California Climate Credit, Effective January 1, 2023* (Nov. 18, 2022), Exhibit No. Liberty-02 (witnesses Cynthia Fisher and Christina Pak) (served on the Parties June 23, 2023), p. 8.

²⁴ See D.16-01-021 (Jan. 22, 2016), p. 39.

E. Climate Credit

In D.14-10-033, the Commission required Liberty 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.”²⁵ Accordingly, Liberty included its 2023 GHG revenue forecast and reconciliation request as part of this Application. Liberty’s Climate Credit calculations are based on the Commission’s requirements in the aforementioned decisions.

The Settlement Agreement would authorize Liberty to use the following forecasts to set its GHG rates for 2024. The forecasts would reflect the GHG costs Liberty expects to incur to comply with the California Cap-and-Trade program.

- 1) Forecast 2024 GHG emissions costs incurred directly or indirectly by Liberty as a result of the GHG Cap-and-Trade program (“GHG Costs”);
- 2) Forecast 2024 administrative and customer outreach expenditures by Liberty associated with the Cap-and-Trade program (“GHG Administrative and Customer Outreach Expenses”); and
- 3) Forecast 2024 allowance revenues Liberty will realize by selling the allowances allocated to its customers by the California Air Resources Board (“GHG Allowance Revenues”).

Finally, the Settling Parties agree that the Settlement Agreement would also authorize Liberty’s reconciliation of its 2024 GHG costs and that it is reasonable to allow Liberty to adjust its 2024 California Climate Credit rates accordingly. Specifically, the Settlement Agreement

²⁵ See D.14-10-033, *Phase 2 Decision Adopting Standard Procedures for Electric Utilities to File GHG Forecast Revenue and Reconciliation Requests*, Ordering Paragraph No. 10 (Oct. 22, 2014), p. 51.

would authorize Liberty to implement a fixed Climate Credit to all eligible customers twice a year, in accordance with D.21-08-026, D.12-03-033, and D.14-10-033. Accordingly, Liberty will distribute a portion of the GHG allowance revenue to eligible small business and residential customers two times per year, in every April and October billing cycle.

- 1) Total confidential forecast 2024 GHG Costs represented on Line 15 of Template D-2 attached in Appendix D of the supporting testimony;
- 2) Total forecast 2024 GHG Administrative and Outreach Expenses: \$12,232;
- 3) Total forecast 2024 GHG Adjusted Allowance Revenues: \$6,313,363;
- 4) Total forecast 2024 Energy-Intensive, Trade-Exposed (“EITE”) Customer Return: \$0.00; and
- 5) Total recorded 2023 GHG Administrative and Outreach Expenses: \$2,500.

Based on these forecasts, the Settlement Agreement would require Liberty to issue a semi-annual California Climate Credit of \$71.98 to eligible customers on the bills they receive in April and October 2024.

F. ECAC Tariff Amendment – True-up Mechanism

Issue 7 of the Scoping Ruling is:

The reasonableness of Liberty’s proposed ECAC Tariff True-Up Mechanism.

Liberty included this issue in the original testimony in support of its Application because it had concerns that the ECAC process has not enabled the timely recovery of costs in ECAC rates.²⁶ For example, in recent ECAC cycles, gaps in time between the development of forecasts and changes in wholesale power costs have led to significant under-collections, which have, in

²⁶ See original Liberty Testimony (Liberty Utilities Exh. Liberty-01, served April 23, 2024, contemporaneously with A.24-04-010), available at: <https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/A2404010/7260/530252682.pdf>.

turn, necessitated relatively large rate increases. To mitigate the impact on ratepayers, the Settling Parties have agreed to more extended amortization periods in recent ECAC cycles.²⁷

During this proceeding, the Settling Parties discussed different options for how the ECAC filing requirements could be updated to enable more timely recovery of rates. The Settling Parties agree that the rates set in this Settlement Agreement should remain in place until December 2025. Liberty will then submit a 2026 ECAC Application, shortly after receiving a decision in this proceeding, requesting rates effective January 1, 2026.

In addition, Liberty should file a Tier 1 advice letter within thirty (30) days of a final decision in this proceeding implementing the following process: Liberty would be authorized to true-up its offset rate forecast on a quarterly basis through a Tier 1 advice letter starting with the second quarter of 2025, if energy costs deviate by more than plus or minus five percent than the forecast in this proceeding. Any updates to the ECAC offset rate approved through a Tier 1 advice letter would be subject to review in Liberty's subsequent ECAC application. Liberty's tariff would continue to require an ECAC application in any year where the offset rate deviates by more than five percent.

IV. CONCLUSION

As shown herein, the Settlement Agreement is reasonable in light of the entire record, is consistent with law, and promotes the public interest. As a result, the Settling Parties request that the Commission grant this Motion to approve the Settlement Agreement.

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²⁷ The attached Settlement Agreement proposes a 24-month amortization period. In Liberty's previous ECAC proceeding, A.22-11-018, the Commission approved a 30-month amortization period (D.24-02-021, pp. 9-10).

ATTACHMENT 1

**SETTLEMENT AGREEMENT
OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E)
2024 ENERGY COST ADJUSTMENT CLAUSE AND
CALIFORNIA CLIMATE CREDIT, EFFECTIVE JANUARY 1, 2024**

**SETTLEMENT AGREEMENT
OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E)
2024 ENERGY COST ADJUSTMENT CLAUSE AND
CALIFORNIA CLIMATE CREDIT, EFFECTIVE JANUARY 1, 2024**

ARTICLE 1 – INTRODUCTION

Pursuant Article 12 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, Liberty Utilities (CalPeco Electric) LLC (“Liberty”), the A-3 Customer Coalition, and the Public Advocates Office at the California Public Utilities Commission (collectively “Settling Parties”) hereby enter into this Agreement (“Agreement”) as a compromise to resolve all issues from the Scoping Ruling for Liberty’s 2024 Energy Cost Adjustment Clause (“ECAC”), Application (A.) 24-04-010 (“Application”).

ARTICLE 2 – TERM

The Term of the Agreement extends from the date of signing until the date of the Commission’s issuance of a final, non-appealable decision addressing the Agreement, unless otherwise agreed in writing by all Settling Parties.

ARTICLE 3 – SCOPE OF SETTLEMENT

The Settlement Agreement resolves all issues set forth in the July 29, 2024, *Assigned Commissioner’s Scoping Memo and Ruling*. The Settlement Agreement would resolve Issue 8 (adherence to the Commission’s environmental social justice policy) as applied to the aforementioned issues. The Settlement Agreement would resolve Issue 7 (Liberty’s proposed ECAC Tariff True-Up Mechanism) by establishing a process for updating ECAC rates between

application cycles. The Settlement Agreement is supported by a Motion to enter the aforementioned final testimony of Dan Marsh and Christina Pak filed on October 24, 2024.¹

ARTICLE 4 – ENERGY COST ADJUSTMENT CLAUSE

The Settling Parties agree to a twenty-four (24)-month amortization of the under-collection. The Settlement approves an annual increase resulting in the annual revenues to be collected through ECAC rates of \$56.782 million, which results in a 28.9% annual increase in the rate recovery from ECAC rate modifications authorized in Liberty’s 2022 ECAC Application.

A. Offset Rate

Settling Parties agree to an annual \$0.926 million decrease in revenue associated with changes to the Offset Rate.

B. Balancing Rate

Settling Parties agree to a \$13.665 million increase annually in the ECAC Balancing Rate. Settling Parties agree to amortize the projected \$45.766 million under-collection over a twenty-four (24) month period.

C. Recovery of Turquoise Buy-Out

Settling Parties recommend that the Commission approve Liberty’s proposal to capitalize the buy-out of the Turquoise Solar Project.

D. Revenue Allocation and Rate Design

Settling Parties agree that Liberty’s ECAC-related increase will be allocated as follows:

(1) the Offset Rate will be changed to \$57.65/MWh and will generate 2.7% less revenue than the

¹ See Liberty Testimony (amended version, provided to Parties on September 17, 2024 as Liberty Utilities Exh. Liberty-01 and uploaded to the Commission’s Supporting Documents electronic submission portal on October 24, 2024 as Exh. Liberty-02 (see also *Motion of Liberty Utilities (CalPeco Electric) LLC (U 933-E) to Admit Prepared Testimony Into the Evidentiary Record* filed and served on October 24, 2024)).

current Offset Rate of \$59.44/MWh, and (2) the Balancing Rate will be changed to \$38.92/MWh and will generate 148.3% more revenue than the current Balancing Rate of \$15.73/MWh. The combination of the proposed changes will result in an overall increase in the aggregate ECAC rate from \$75.17/MWh to \$96.57 /MWh.

ARTICLE 5 – CLIMATE CREDIT

Settling Parties agree that Liberty shall use the following forecasts for purposes of setting its GHG rates, which reflect the GHG costs Liberty incurs for the California Cap-and-Trade program, and are passed on to customers, to be effective in 2024:

- 1) Forecast 2024 GHG emissions costs incurred directly or indirectly by Liberty as a result of the GHG Cap-and-Trade program (“GHG Costs”);
- 2) Forecast 2024 administrative and customer outreach expenditures by Liberty associated with the Cap-and-Trade program (“GHG Administrative and Customer Outreach Expenses”); and
- 3) Forecast 2024 allowance revenues Liberty will realize by selling the allowances allocated to its customers by the California Air Resources Board (“GHG Allowance Revenues”), as adjusted by the forecasted over-collection in the GHG Revenue Balancing Account (“GHG Account Balance”) (as adjusted, “GHG Adjusted Allowance Revenues”).

Settling Parties agree that Liberty’s reconciliation of its 2024 GHG costs is reasonable, and Liberty shall adjust its 2024 California Climate Credit rates accordingly.

Settling Parties agree that Liberty shall (a) decrease its Carbon Pollution Permit Cost rate by \$0.00012/kWh, and (b) decrease the amount of the semi-annual climate credit for residential

and applicable small business customers by \$8.27 through the following GHG-cost, accounting and ratemaking matters:

- 1) Total confidential forecast 2024 GHG Costs represented on Line 15 of Template D-2 attached in Appendix D of the supporting testimony;²
- 2) GHG Administrative and Outreach Expenses: \$12,232;
- 3) Total forecast 2024 GHG Adjusted Allowance Revenues: \$ 6,313,363;
- 4) Total forecast 2024 Energy-Intensive, Trade-Exposed (EITE) Customer Return: \$0.00; and
- 5) Total recorded 2023 GHG Administrative and Outreach Expenses: \$ 2,500.

Liberty shall provide residential customers with a semi-annual California Climate Credit of \$71.98 on the bills they receive starting in 2024.

ARTICLE 6 – ESJ COMMUNITIES

As of the date of this Agreement, Liberty’s service territory does not include any Disadvantaged Communities (“DACs”) as the term is currently defined in the Commission’s ESJ Action Plan.³ However, Liberty’s service territory does include customers who are considered low-income households on an individual-customer basis. While the communities as a whole and the census tracts therein are not classified as DACs, Truckee, South Lake Tahoe, and other rural

² See Liberty Testimony (amended version, provided to Parties on September 17, 2024 as Liberty Utilities Exh. Liberty-01 and uploaded to the Commission’s Supporting Documents electronic submission portal on October 24, 2024 as Exh. Liberty-02 (see also *Motion of Liberty Utilities (CalPeco Electric) LLC (U 933-E) to Admit Prepared Testimony Into the Evidentiary Record* filed and served on October 24, 2024))

³ Environmental and Social Justice Plan, Version 2.0, dated April 7, 2022 (“ESJ Action Plan”), p. 2, available at: [Environmental & Social Justice Action Plan \(ca.gov\)](#).

communities served by Liberty do have low-income households, as defined by the California Alternate Rates for Energy (CARE) program⁴ eligibility requirements.

The Settling Parties are sensitive to the fact that the rate increases proposed in the instant Application will greatly affect low-income households that do not qualify for the CARE Program and small businesses and, therefore, agree to a 24-month amortization period, as set forth in Article 4 of this Agreement.

ARTICLE 7 - GENERAL TERMS

- A. The Settling Parties believe the Agreement is reasonable in light of the whole record, consistent with law, and in the public interest. Each Settling Party recognizes that there is risk involved in litigation, and the party's filed position(s) may not prevail, in whole or in part, in the Commission's final determination. The Settling Parties have reached a compromise they believe is appropriate in light of the litigation risks. This Settlement Agreement reflects the Settling Parties' best judgments as to the totality of their positions and risks, and their agreement herein is explicitly based on the overall results achieved.
- B. The Settling Parties agree to perform diligently, and in good faith, all actions required or implied hereunder, including, but not necessarily limited to, the execution of any other documents required to effectuate the terms of this Agreement, and the preparation of exhibits for, and presentation of witnesses at, any required hearings to obtain the

⁴ Assembly Bill X1 No.3 (Wright, 1st Extraordinary Session), Chapter 11, California Alternate Rates for Energy (CARE) program (Jan. 9, 2001). See Pub. Util. Code § 382.

- approval and adoption of this Agreement by the Commission. No Settling Party during the Term will contest in this proceeding, or in any other forum, or in any manner before this Commission, the recommendations contained in this Agreement. It is understood by the Settling Parties that time is of the essence in obtaining the Commission's approval of this Agreement and that all Settling Parties will extend their best efforts to ensure its adoption.
- C. This Agreement is agreed to among the Settling Parties and executed as of the last signature date of the Settling Parties.
 - D. This Settlement Agreement shall become effective and binding on the Settling Parties as of the date it is approved by the Commission in a final and non-appealable decision.
 - E. Because this Agreement represents a compromise of each of the Settling Parties' individual and respective litigation positions, the Settling Parties have entered into this Agreement on the basis that its approval by the Commission should not be construed as an admission or concession by any party regarding any fact or matter of law.
 - F. No Settling Party has relied upon or presently relies upon any statement, promise, or representation by any other Settling Party, whether oral or written, except as specifically set forth in this Agreement. Each Settling Party expressly assumes the risk of any mistake of law or fact made by such party or its authorized representatives in agreeing to this Agreement.

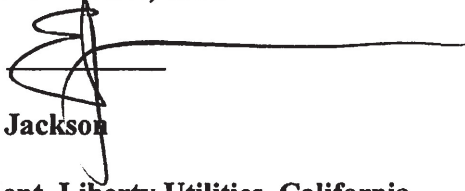
- G. This Agreement constitutes the entire agreement among the Settling Parties and supersedes all prior and contemporaneous agreements, negotiations, representations, warranties, and understandings of the Settling Parties with respect to the subject matter set forth herein. The terms and conditions of this Agreement may be modified only in a writing subscribed by all Settling Parties.
- H. None of the provisions of this Agreement shall be considered waived by any Settling Party unless such waiver is provided in writing. The failure of a Settling Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of their rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.
- I. This Agreement shall be interpreted, governed, and construed under the laws of the State of California, including Commission decisions, orders, and rulings, as if executed and to be performed wholly within the State of California.
- J. This Agreement may be executed in separate counterparts by the different Settling Parties hereto with the same effect as if all Settling Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and

the same Agreement. The undersigned represent that they are authorized to sign on behalf of the party represented.

[Signature pages to follow.]

Liberty Utilities (CalPeco Electric) LLC

SIGNATURE: _____



BY: Edward Jackson

TITLE: President, Liberty Utilities, California

DATE: January 9, 2025

The Public Advocates Office at the California Public Utilities Commission

SIGNATURE: _____

BY: Michael Campbell

TITLE: Assistant Deputy Director of Energy

DATE: January 9, 2025

A-3 Customer Coalition

SIGNATURE: _____

BY: Brian Cragg

TITLE: Counsel to the A-3 Customer Coalition

DATE: January 9, 2025

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DATE: January 9, 2025

ATTACHMENT 2

JOINT COMPARISON EXHIBIT / RATE AND BILL IMPACT ANALYSIS

Liberty Utilities (CalPeco Electric) LLC

Bill Impact Analysis

Based on Proposed Settlement Agreement in A.24-04-010

(includes Climate Credit Impact)

Customer Class	Current Average Bill	Average Bill with 2024 Proposed ECAC Rates	\$ Increase	% Increase
Residential (Permanent)	215.85	231.46	15.61	7.2%
Residential (Non-Primary)	169.66	181.87	12.21	7.2%
Residential (CARE)	158.20	172.24	14.04	8.9%
A1	616.71	649.82	33.11	5.4%
A2	9,822.50	10,292.27	469.76	4.8%
A3	52,332.36	54,666.68	2,334.31	4.5%
PA	1,860.68	1,993.33	132.64	7.1%
SL	53.16	54.92	1.77	3.3%
OL	41.71	43.52	1.81	4.3%

Current Semi-Annual GHG Credit	Proposed Semi-Annual GHG Credit
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Residential & Small Business \$ 80.25 \$ 71.98

Liberty Utilities (CalPeco Electric) LLC
 Rate Impact Analysis
 Based on Proposed Settlement Agreement in A.24-04-010

Class	2023 Program Rate	2024 Program Rate	2023 Balancing Rate	2024 Balancing Rate	2023 ECAC Composite Rate	2024 ECAC Composite Rate	Rate Impact %
Residential - T1	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%
Residential - T2	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%
A-1	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%
A-2 Winter	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%
A-2 Summer	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%
A-3 Winter On	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%
A-3 Winter Mid	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%
A-3 Winter Off	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%
A-3 Summer On	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%
A-3 Summer Off	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%
SL	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%
OL	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%
PA	\$0.05944	\$0.05765	\$0.01573	\$0.03892	\$0.07517	\$0.09657	28.5%

0.96989 Offset Increase for SL/

2.47425302 Balancing Increase for SL/OL

2023 Pole Rate in \$	2024 Pole Rate in \$	Rate Impact %
\$5.94	\$7.63	28.4%
\$3.09	\$3.97	28.6%