ALJ/RWH/jt2 **Date of Issuance 3/29/2018**

Decision 18-03-024 March 22, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Liberty Utilities (CalPeco Electric) LLC (U933E) for Authority to Update Rates Pursuant to Its Energy Cost Adjustment Clause Effective January 1, 2018.	Application 17-07-001

DECISION REGARDING LIBERTY UTILITIES (CALPECO ELECTRIC) LLC'S ENERGY COST ADJUSTMENT CLAUSE RATES, GREENHOUSE GAS COMPLIANCE COSTS AND ALLOWANCE PROCEEDS

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DECISION REGARDING LIBERTY UTILITIES (CALPECO ELECTRIC) LLC'S ENERGY COST ADJUSTMENT CLAUSE RATES, GREENHOUSE GAS COMPLIANCE COSTS AND ALLOWANCE PROCEEDS

Summary

This decision authorizes Liberty Utilities (CalPeco Electric) LLC (Liberty CalPeco) to modify its Energy Cost Adjustment Clause (ECAC) rates to allow for an annual decrease in revenues of $4.027 million from the Liberty CalPeco previously authorized rates.

This decision also authorizes: 1) adjustments based on its 2018 greenhouse gas (GHG) compliance costs and revenue forecast, and reconciliation of its 2016 recorded GHG costs effective January 1, 2018 pursuant to Decision 14-10-033 and subsequent decisions; 2) adjustments based on the California Cap-and-Trade program; and 3) payment of a semi-annual California Climate Credit of $29.46 to residential customers, which represents a $5.74 increase from the previous year.

Liberty CalPeco shall file a Tier 1 Advice Letter before the first day of the month following the effective date of this decision, to implement the ECAC and GHG rates authorized by this decision, issue the semi-annual residential Climate Credit of $29.46, and implement the monthly volumetric small business Climate Credit that offsets 70 percent of GHG costs in rates.

Liberty CalPeco shall also submit a Tier 2 Advice Letter within 30 days of the effective date of this decision to request recovery of the revenue differential between January 1, 2018 and the first day of the month following the effective date of this decision. This Advice Letter shall provide a calculation to "true up" the revenue differential, and the reasons for using this calculation.

1. Background

1.1. Procedural

Liberty Utilities (CalPeco Electric) LLC (U 933 E) (Liberty CalPeco) 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, including customers located in portions of Placer, El Dorado, Nevada, Sierra, Plumas, Mono and Alpine Counties.

On July 3, 2017, Liberty CalPeco filed an Application (A.) 17-07-001, seeking Commission approval to (1) update rates pursuant to its Energy Cost Adjustment Clause (ECAC) to become effective January 1, 2018, and (2) adjust its rates based on its 2018 greenhouse gas (GHG) compliance costs and revenue forecast, and reconciliation of its 2016 recorded GHG compliance costs to become effective January 1, 2018.

No party timely filed a protest or response. A prehearing conference (PHC) was set by a ruling dated November 14, 2017, for November 30, 2017. On that date, the assigned Administrative Law Judge (ALJ) convened the PHC to determine parties, discuss the scope, the schedule, and other procedural matters. At the PHC, the Office of Ratepayer Advocates (ORA) made an appearance and moved for party status. The assigned ALJ denied the motion as ORA could not state a specific concern or issue it had with the application, but he invited ORA to renew its motion if they identify a concern before the Proposed Decision is issued. A.17-07-001 is unopposed.

1.2. Historical

1.2.1. Energy Cost Adjustment Clause

From January 1, 2011 through December 31, 2015, Liberty CalPeco procured essentially all of its energy supply through a Commission-approved services agreement with NV Energy. In Decision (D.) 15-12-021, the Commission authorized Liberty CalPeco's application for approval of a new agreement with NV Energy (2016 NV Energy Services Agreement), which commenced on January 1, 2016. The 2016 NV Energy Services Agreement continues to obligate NV Energy to deliver the "full requirements" necessary for Liberty CalPeco to serve its retail and wholesale electric customers on a real-time basis. The 2016 NV Energy Services Agreement also provides Liberty CalPeco with the purchase flexibility to displace purchases from NV Energy with purchases from, *inter alia*, the Luning Project – a 50 megawatt (MW) solar generating facility in Hawthorne, Nevada, which began commercial operations on February 1, 2017. In D.16-01-021 (Luning Approval Decision), the Commission authorized Liberty CalPeco to enter into a purchase and sale agreement to acquire, operate, maintain, and obtain renewable generation from the Luning Project.

On December 14, 2016, Liberty CalPeco filed A.16-12-009, requesting Commission approval to own and operate a 10MW solar plant in Patrick, Nevada, that is anticipated to be in operation by August 1, 2018 (Turquoise Project). Liberty CalPeco's requests for approvals related to the Turquoise Project very closely parallel the requests granted in the Luning Approval Decision. Liberty CalPeco and ORA, the only other party in the Turquoise Project proceeding, reached a settlement resolving all issues raised in A.16-12-009. On June 30, 2017, Liberty CalPeco and ORA filed their *Joint Motion For Commission Approval Of An All-Party Settlement Agreement*. For purposes of this Application, Liberty CalPeco forecasts generation in 2018 as follows: (1) the Luning Project will deliver approximately 149,000 megawatt-hours (MWh) to Liberty CalPeco; and (2) Liberty CalPeco is forecasting five months of generation from the Turquoise Project, which will generate approximately 28,000 MWh of energy each year. The generation from both the Luning Project and the Turquoise Project will displace renewable generation that Liberty CalPeco would otherwise purchase pursuant to the 2016 NV Energy Services Agreement. This displacement in purchases from NV Energy by the deliveries from the Luning Project and the Turquoise Project decreases Liberty CalPeco's forecast of power purchases, which in turn reduces the forecast of the Fuel and Purchased Power Costs used to derive Liberty CalPeco's ECAC rates.

Liberty CalPeco also 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 (*e.g.*, in 2016, Kings Beach generated less than 546 MWh).

1.2.2. Greenhouse Gas Compliance Costs and Revenue

Pursuant to the California Global Warming Solutions Act of 2006,[1] certain electric investor-owned utilities, including Liberty CalPeco, must participate in a Cap-and-Trade program designed by the California Air Resources Board (ARB) to reduce GHG emissions. The State of California allocates GHG allowances to these electric utilities on behalf of their customers, representing the GHG emissions resulting from their customers' electricy use. The utilities are required

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[1] California Global Warming Solutions Act of 2006 (AB 32), ch. 488, 2006 Cal. Stat. 89 (codified at Cal. Health & Safety Code §§ 38,500-38,599).

to sell the allowances at ARB's quarterly auctions and return the allowance proceeds to customers pursuant to Public Utilities Code Section 748.5. The utilities, including Liberty CalPeco, also incur GHG costs both by purchasing allowances for their own compliance obligation under the Cap-and-Trade program and indirectly through GHG costs embedded in the price of wholesale electricity.

Rulemaking (R.) 11-03-012 addressed GHG-related costs and allowance proceeds for all investor-owned electric utilities, including Liberty CalPeco. D.12-12-033[2] in R.11-03-012 required Liberty CalPeco to file an annual application for approval of forecast GHG costs and allowance proceeds, including administrative and outreach costs, in order to calculate GHG costs, the volumetric small business Climate Credit, and the residential Climate Credit for inclusion in rates.[3]

Pursuant to D.12-12-033, five utilities[4] filed 2014 GHG forecast applications and the five applications were consolidated (Consolidated Proceeding, A.13-08-002 et al.). The Phase 1 decision in the Consolidated Proceeding, D.13-12-041,[5] was limited to information and approvals necessary to incorporate

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[2] Decision Adopting Cap-and-Trade Greenhouse Gas Allowance Revenue Allocated Methodology for the Investor-Owned Electric Utilities, D.12-12-003, adopted Dec. 20, 2012, in R.11-03-012.

[3] D.12-12-033, Ordering Paragraph 23.

[4] The five utilities are Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, PacifiCorp, and Liberty CalPeco.

[5] Phase 1 Decision Adopting Cap-and-Trade Greenhouse Gas Program Cost and Allowance Revenue Forecasts for Incorporation into 2014 Electric Rates, D.13-12-041 adopted Dec. 19, 2013 in consolidated Applications (A.) 13-08-002, -003, -005, -007, -008.

GHG costs and allowance proceeds into 2014 rates and to issue the first California Climate Credit.

In Phase 2 of the Consolidated Proceeding, the Commission issued D.14-10-033, as corrected by D.14-10-055 and D.15-01-024,[6] which adopted standard procedures for the five electric utilities to use in future applications forecasting GHG costs and allowance proceeds for inclusion in rates, and reconciling recorded GHG costs and allowance proceeds with forecasts from prior years. D.14-10-033 requires Liberty CalPeco to file its GHG forecast and reconciliation application annually, and if applicable, as part of its ECAC application.[7]

2. Summary of the 2017 Request

Liberty CalPeco's ECAC tariff obligates it to revise its ECAC Billing Factors in calendar years when it does not file a general rate case application if a change to total ECAC revenues of +/- 5 percent occurs as a result of the combination of the revisions of the:

1. Offset Rate based on 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 therevision date.

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[6] Phase 2 Decision Adopting Standard Procedures for Electric Utilities to File Greenhouse Gas Forecast Revenue and Reconciliation Requests, D.14-10-033 adopted Oct. 16, 2014; Order Correcting Error in Decision 14-10-033, D.14-10-055 issued Oct. 30, 2014; Order Correcting Error in Decision 14-10-055, and Correcting Error in Decision 14-10-033, D.15-01-024 adopted Jan. 20, 2015.

[7] Liberty CalPeco first followed this procedure in its ECAC application as part of its 2016 General Rate GRC, A.15-05-008, on May 1, 2015. This application follows the process set forth by the Commission in D.14-10-033.

In the instant application, Liberty CalPeco requests an annual decrease in the revenues to be collected from ECAC rates of $4.027 million from the rates authorized by, *inter alia*, D.16-12-024 (2016 General Rate Case (GRC) Decision), D.16-12-013 (2016 ECAC Decision), Advice Letter 65-E-A (2016 Post-Test Year Adjustment Mechanism), and Resolution M-4830 (update to the Commission Reimbursement Account). The proposed change represents a 15.31 percent annual decrease in the rate recovery from current ECAC rates.

In addition, Liberty CalPeco requests approval to adjust its rates based on its 2018 GHG cost and revenue forecast and reconciliation of its 2016 recorded GHG costs effective January 1, 2018 pursuant to D.14-10-033 and subsequent decisions and the California Cap-and-Trade program. Based on its forecast, Liberty CalPeco projects that its residential customers will receive a semi-annual California Climate Credit of $29.46. This amount represents a $5.74 increase from the previous year.

3. Discussion and Conclusion

3.1. Energy Cost Adjustment Clause

Liberty CalPeco requests an annual decrease in revenue to be collected from ECAC rates of $4.027 million from its current ECAC rates. The net decrease is composed of: (1) an approximate annual $1.683 million decrease associated with changes to the Offset Rate; and (2) an approximate annual $2.344 million increase associated with changes to the Balancing Rate.

3.1.1. Offset Rate

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 reductions in the quantity and price of purchased power.

First, Liberty CalPeco proposes a reduction in the quantity of the renewable power that it purchases, and as a result, a corresponding decrease in its Purchased Power Costs. This reduction is based on the proposed commencement of commercial operation of the 10 MW Turquoise Project as of August 1, 2018, and continued solar generation of 50 MW from the Luning Project. This solar energy from the Turquoise and Luning projects will displace renewable power Liberty CalPeco would otherwise purchase from NV Energy.

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

Third, the cost for the fuel associated with the Kings Beach Generating Station is projected to be $67,617 in 2018, which is based on an average of Liberty CalPeco's annual recorded purchased fuel costs from 2012 to 2016.

The final component of the Fuel and Purchased Power Cost is associated with certain confidential payments that Liberty CalPeco will indirectly be obligated to pay the minority owners of the Turquoise and Luning Projects, identified as Tax Equity Partners.

3.1.2. Balancing Rate

Liberty CalPeco forecasts an over-collection in its ECAC Balancing Account, as of December 31, 2017, of $4.236 million. This forecast assumes that current ECAC rates will remain in effect through December 31, 2017. Liberty CalPeco proposes to amortize this over-collection of $4.236 million over a 12-month period, beginning on January 1, 2018. As a consequence of the projected over-collection in the Balancing Account, Liberty CalPeco is proposing to increase the Balancing Rate annually by $2.344 million.

3.1.3. Reasonableness of ECAC

Liberty CalPeco's requested adjustment to its ECAC rates is reasonable. The application is adequately supported by the testimony and accompanying exhibits, and Liberty CalPeco provided sufficient data to justify approval of its request.

Liberty CalPeco's proposed ECAC-related decrease will be allocated as follows: (1) the Offset Rate will generate 5.97 percent less revenue than the revenue realized by the Offset Rates for each customer class; and (2) the change in the Balancing Rate will be on an equal cent per kilowatt hour (kWh) basis and will increase the Balancing Rate by reducing the current credit of $0.00308 per kWh to a credit of $0.00682 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 $0.04283 per kWh to $0.03584 per kWh.

3.2. Greenhouse Gas

Liberty CalPeco requests Commission authorization to use the following for purposes of setting its GHG rates that reflect and pass through to customers the GHG costs Liberty CalPeco incurs for the California Cap-and-Trade program, to be effective commencing January 1, 2018:

1) Forecast 2018 GHG emissions costs incurred directly or indirectly by Liberty CalPeco as a result of the Cap-and-Trade program (GHG Costs);
2) Forecast 2018 administrative and customer outreach expenditures by Liberty CalPeco associated with the

Cap-and-Trade program (GHG Administrative and Customer Outreach Expenses); and

3) Forecast 2018 allowance proceeds Liberty CalPeco will realize by selling the allowances allocated to its customers by the California Air Resources Board (GHG Allowance Proceeds), as adjusted by the amortization of the 2017-year end forecasted over-collection in the GHG Revenue Balancing Account (GHG Account Balance) (as adjusted, GHG Adjusted Allowance Proceeds).

Liberty CalPeco also requests that the Commission find Liberty CalPeco's reconciliation of its 2016 GHG costs to be reasonable, and allow it to accordingly adjust its 2018 GHG rates. Liberty CalPeco specifically requests approval to: (a) increase its Carbon Pollution Permit Cost rate by $0.00144/kWh; (b) increase its small business rate credit by $0.00061/kWh; and (c) increase the amount of the semi-annual California Climate Credit by $5.74 per residential customer through the following GHG cost, accounting and ratemaking matters:

1) Total confidential forecasted 2018 GHG Costs represented on Line 24 of Template D-2 attached in Appendix A of Chapter 2;

2) Total forecasted 2018 GHG Administrative and Outreach Expenses: $245,100;

3) Total forecasted 2018 GHG Adjusted Allowance Proceeds: $3,326,984;

4) Total forecasted 2018 Small Business Volumetric Return: $371,282;

5) Total forecasted 2018 EITE Customer Return: $0.00; and

6) Total recorded 2016 GHG Administrative and Outreach Expenses: $202,972.

Based on its current forecasts, Liberty CalPeco projects that its residential customers will receive a semi-annual California Climate Credit of $29.46 on the bills they receive in April and October 2018. The actual amount of the California

Climate Credit will change based on the forecasts that the Commission approves for Liberty CalPeco.

3.2.1. Recorded and Forecast GHG Allowance Proceeds

Each utility forecasts and records the total allowance proceeds it receives each year. To determine the amount of proceeds available to return to customers in the forecast year, the utility adjusts the forecast allowance proceeds to account for: (1) any variance between the forecast and recorded allowance proceeds in previous years that resulted in an over- or under-collection; (2) any applicable interest; (3) any applicable franchise fees and uncollectibles; (4) outreach and administrative expenses; and (5) allowance revenue approved for clean energy or energy efficiency (EE) programs.

Liberty CalPeco's forecast of allowance proceeds that it expects to return to customers in 2017 was calculated in a manner consistent with D.12-12-033 and D.14-10-033. Therefore, this decision authorizes Liberty CalPeco to return the allowance proceeds to residential customers in the manner described below.

3.2.2. Recorded and Forecast Administrative and Outreach Expenses

3.2.2.1. Administrative Expenses

Liberty CalPeco forecasted 2016 administrative expenses of $205,500. Recorded administrative expenses in 2016 were $167,096.[8] Given the lower 2016 figures, as well as anticipated lower costs for 2017, Liberty CalPeco forecasts a lower administrative expense for 2018.

[8] Exhibit LU-2 at 2-6.

Financial and banking fees were also lower in 2016 due to internal efficiencies and are expected to continue to follow that trend in actual 2017. Liberty CalPeco states that, because it may need to access a Line of Credit to participate in the auction to satisfy the auction result, it has not forecast reduced financial and banking fees expenses.

Its data subscription expense was slightly lower than anticipated in 2016, but Liberty CalPeco forecasts a slight increase for 2018.

Liberty CalPeco's 2016 administrative activities were reasonable to implement the Climate Credit and pursuant to D.12-12-033, and it is appropriate for Liberty CalPeco to recover these expenses through allowance proceeds.

Liberty CalPeco's 2018 forecast GHG administrative expenses are $202,500[9] for legal services, financial and banking fees, consultants, workshop travel, data subscriptions, ARB charges, and third-party verification fees.

Liberty CalPeco's forecast 2018 administrative expenses are reasonable for the purpose of calculating proceeds available for the 2018 residential Climate Credit. The forecast is subject to reconciliation in subsequent proceedings and to further reasonableness review at the time of the reconciliation.

3.2.2.2. Outreach Expenses

Liberty CalPeco forecasted 2016 customer outreach expenses of $42,600, while its recorded outreach expenses for 2016 were $35,876.[10] Liberty CalPeco's expenses were approximately $7,000 less than forecast, primarily because it did not need to incur the expenses associated with notifying customers of a rate

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[9] Exhibit LU-2 at 2-3.

[10] Exhibit LU-2 at 2-7.

increase associated with GHG costs in 2016, because there was a rate decrease in 2017.

Liberty CalPeco's 2016 outreach activities and expenses were reasonable to further customer understanding and awareness of the Climate Credit as required by Public Utilities Code Section 748.5(b). Pursuant to D.12-12-033, these outreach expenses are appropriately recovered through allowance proceeds.[11]

Liberty CalPeco forecasts 2018 customer outreach expenses of $42,600, which is comparable to its outreach budgets for 2016. Liberty CalPeco explains that its customers have responded positively to its past outreach efforts and that it plans to maintain similar strategies in 2018, including print, radio and television media, bill inserts and "earned media," as well as website outreach.[12]

Liberty CalPeco's forecast 2018 customer outreach expenses are comparable to budgets in previous years and are reasonable for the purpose of calculating proceeds available for the 2018 residential Climate Credit. The forecast is subject to reconciliation in subsequent proceedings and to further reasonableness review at the time of the reconciliation.

3.2.3. Recorded and Approved Expenses for Incremental EE and Clean Energy Programs

In previous years, Liberty CalPeco has not requested or received approval of clean energy and EE projects in accordance with D.12-12-033, so it has not forecast or recorded an amount for this variable. However, in Phase 2 of

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[11] The Commission determined in D.16-06-041 that "Liberty should pursue [its] proposed education and outreach activities as budgeted for 2016 through 2019, the term of the contract for the statewide marketing campaign. This spending level represents approximately 0.1% of [Liberty's] annual authorized revenue requirement."

[12] Exhibit LU-2 at 2-5.

R.14-07-002,[13] the Commission is undertaking implementation of Assembly Bill 693,[14] which established the Multifamily Affordable Housing Solar Roofs Program (SOMAH) to provide financial incentives for installation of solar energy systems on multifamily affordable housing properties.

In a recent decision, D.17-12-002 the Commission will require participation by Liberty CalPeco in the new SOMAH program. The applicant was notified at the PHC and in the Scoping Memo that steps needed to be taken in this proceeding to make sure funds are available if required. The decision cites the amendment to Cal. Pub. Util. Code § 2870(c) made by Senate Bill (SB) 92 (Stats. 2017, Ch. 26). The decision requires Liberty CalPeco to set aside for the SOMAH pursuant to SB 92, and establish, by Tier 1 Advice Letter, a balancing account setting aside funding for the program. At the PHC Liberty CalPeco was directed to file and serve, no later than December 8, 2018, a compliance filing setting forth the amount of the set-aside using SB 92 as the basis for the calculation. The ALJ stated that the compliance filing shall include an explanation of the calculation and how it complies with SB 92. Liberty CalPeco submitted the filing on December 5, 2017.

Based on Judge Anne E. Simon's March 18, 2016 ruling in R.14-07-002, and ALJ Robert W. Haga's order in the current proceeding, Liberty Cal Peco calculated what:

1. 5 percent of its recorded 2016 GHG allowance proceeds would be - $147,156;

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[13] *Rulemaking to Develop a Successor to Existing Net Energy Metering Tariffs Pursuant to Public Utilities Code Section 2827.1, and to Address Other Issues Related to Net Energy Metering.*

[14] Stats. 2015, Ch. 582.

2. 10 percent of its forecast 2017 GHG allowance proceeds would be - $287,032;
3. 10 percent of its forecast 2018 GHG allowance proceeds would be - $349,673.

3.2.4. Recorded and Forecast Emissions-Intensive and Trade-Exposed (EITE) Customer Return

To date, Liberty CalPeco has not identified any customers that qualify for the CA Industry Assistance Credit to EITE customers. Therefore, Liberty CalPeco appropriately did not allocate any allowance proceeds to EITEs in prior years and forecasted that no proceeds would be distributed to EITEs in 2018. If EITEs are identified in Liberty CalPeco's service territory in the future, future applications should account for this change.

3.2.5. Volumetric Small Business Return

In accordance with D.12-12-033, D.13-12-002, and D.14-10-033, Liberty CalPeco distributes its Small Business Return through monthly volumetric credits. Liberty CalPeco's calculation of the small business Climate Credit for 2018 is determined by taking the eligible rate class monthly kilowatt usage projection for 2018 and multiplying it by the Cap-and-Trade dollar per kilowatt cost that has been adjusted for franchise fees and uncollectibles. This number is then adjusted by the 70 percent Industry Assistance Factor.[15] The 2018 credit is a combination of amortized 2017 returns and 2018 forecasted returns with the Industry Assistance Factors applied to their respective years. Liberty CalPeco's 2018 forecast for its Small Business Return is $371,282.[16] Liberty CalPeco appropriately calculated its 2017 Small Business Return consistent with the

[15] The Industry Assistance Factors are set forth in D.13-12-002, Appendix 2, Table 2.

[16] A.17-07-001 at 8.

methodology set forth in D.12-12-033 and D.13-12-002. Therefore, Liberty CalPeco's 2017 Small Business Return is approved.

3.2.6. Residential California Climate Credit

Liberty CalPeco calculated a semi-annual residential Climate Credit of $29.46 per household to be distributed in April and October 2018.[17] Liberty CalPeco appropriately forecasted the total proceeds available for the residential Climate Credit as the net GHG proceeds for 2018 less the forecast return to small business customers. The resulting semi-annual Climate Credit is equal to half of the total proceeds available for the residential Climate Credit divided by the number of households eligible for the credit. Therefore, Liberty CalPeco's 2018 semi-annual residential Climate Credit of $29.46 per household is approved.

3.2.7. Recorded and Forecast GHG Costs

Liberty CalPeco assumes on behalf of its customers the GHG compliance obligation and recovers associated costs through its Carbon Pollution Permit Cost. Liberty CalPeco requests approval of its forecast 2018 GHG costs and reconciliation of its 2016 GHG costs for recovery in rates and for the purpose of calculating the 2018 volumetric small business Climate Credit.

Liberty CalPeco reports that it has only direct GHG costs, and no indirect costs. Therefore, pursuant to the confidentiality protocols in D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, Liberty CalPeco's GHG costs in its application and testimony are confidential.

For the purpose of reporting recorded direct GHG costs, D.14-10-033 required each utility to multiply recorded direct GHG emissions by the weighted

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[17] Exhibit LU-2.

average cost (WAC) of eligible compliance instruments that it holds in inventory. At any period in time, the WAC is calculated as the total cost of all compliance instruments held in inventory, divided by the total quantity of compliance instruments.

Liberty CalPeco reported its recorded direct GHG costs confidentially in Exhibit LU-2-C, in conformance with the WAC template developed in D.14-10-033, as corrected by D.14-10-055 and D.15-01-024. Liberty CalPeco correctly calculated its recorded costs, and these costs are approved.

Liberty CalPeco also reported its 2018 forecast GHG costs confidentially in Exhibit LU-2C. Liberty CalPeco calculated its 2018 GHG revenue requirement based on its forecast 2018 costs, reconciliation of costs from previous years, and adjustment for franchise fees and uncollectibles.

Liberty CalPeco's forecast of 2018 GHG costs and calculation of its 2018 GHG revenue requirement follows the methodologies required by D.14-10-033, as corrected by D.14-10-055 and D.15-01-024. Therefore, Liberty CalPeco is authorized to modify its tariffs to recover its forecasted 2018 GHG costs, as reconciled to reflect recorded GHG costs in previous years and adjusted to account for franchise fees and uncollectibles, in rates beginning January 1, 2018. The resulting rate impact by rate schedule is set forth in Exhibit LU-2C.

3.2.8. Summary Table

Table 1 summarizes the approved calculation of allowance proceeds returns for 2018.

Table 1: Summary of Liberty CalPeco's Approved 2018 Forecast GHG Proceeds Returns

Allowance Proceeds from Prior Years	$171,638
Forecast Allowance Proceeds for 2018	$3,326,984
Interest	$1,525
Franchise Fees and Uncollectibles	($3,420)
Forecast Outreach and Administrative Expenses	($244,960)
Forecast Revenue for Multifamily Program	($349,673)
Net GHG Proceeds Available for Customers in Forecast Year	**($2,902,094)**
Small Business Volumetric Credit	$71,282
Proceeds Available for Climate Credit	**($2,530,812)**
Number of Households Eligible for the California Climate Credit	42,950
Per-Household Semi-Annual Climate Credit	**$29.46**

3.3. Implementation of Rates

Pursuant to the Scoping Memo issued on December 20, 2017, and given delays in the processing of this application, the effective date of this decision will be later than the January 1, 2018 date requested by Liberty CalPeco.

Accordingly, instead of the requested date of January 1, 2018, Liberty CalPeco shall file a Tier 1 Advice Letter before the first day of the month following the effective date of this decision, to implement the ECAC and GHG rates authorized by this decision, issue the semi-annual residential Climate Credit of $29.46, and the monthly volumetric small business Climate Credit that offsets 70 percent of GHG costs in rates.

Liberty CalPeco shall also submit a Tier 2 Advice Letter within 30 days of the effective date of this decision to request recovery of the revenue differential between January 1, 2018 and the first day of the month following the effective date of this decision. This Advice Letter shall provide a calculation to "true up" the revenue differential, and the reasons for using this calculation.

4. Motions to Admit Previously Served Testimony into the Record and For Confidential Treatment

On January 5, 2018, Liberty CalPeco filed two motions: (1) *Motion to Admit the Testimony Into the Evidentiary Record (*Motion to Admit); and (2) *Motion for Leave to Seal the Evidentiary Record Containing Confidential Information in Exhibits LU-1-C and LU-2-C* (Motion for Confidential Treatment).

4.1. Motion to Admit

The January 5, 2018 Motion to Admit seeks to admit previously served public and confidential testimony into the record. On July 1, 2017, Liberty CalPeco served two chapters of public and confidential testimony.

The assigned ALJ marked prepared public and confidential testimony, Exhibits LU-1, LU-1C, and LU-2, and LU-2c. Rule 13.8(c) of the Commission's Rules of Practice and Procedure allows for prepared testimony to be offered into evidence by written motion when hearings are not held.

4.2. Motion for Confidential Treatment of Exhibits

In its January 5, 2018 Motion for Confidential Treatment, Liberty CalPeco seeks to seal certain material contained in exhibits LU-1C and LU-2C. These confidential exhibits contain sensitive information used to provide the basis for the calculation of ECAC rates and GHG cost and revenue forecasts. Liberty CalPeco makes this request pursuant to Pub. Util. Code §§ 454.5(g) and 583, General Order (GO) 66-C, Rules 11.1, 11.5 and 13.8, Motion Resolution ALJ-164, and D.06-06-066, 08-04-023, and 16-08-024.

Liberty CalPeco states that Exhibits LU-1C and LU-2C contain confidential, market sensitive information. In particular, Liberty CalPeco references confidential procurement information, trade secrets, Tax Equity Partner distribution payments, Cap-and-Trade information related to the California Cap and Greenhouse Gas Emissions and Market-Based Compliance Mechanism.

No opposition to Liberty CalPeco's request was filed. We have granted similar requests for confidential treatment in the past and do so again here. Pursuant to Rule 11.5, we seal the confidential portions of the evidentiary record, which include Exhibits LU-1C and LU-2C.

Therefore, the motion to file under seal is hereby granted and the confidential treatment of Exhibits LU-1C and LU-2C is granted, as detailed in the ordering paragraphs herein.

5. Categorization and Need for Hearing

The Commission in Resolution ALJ 176-3401, issued on July 13, 2017, preliminarily determined that the category of the proceeding is ratesetting. The Scoping Memo confirmed the categorization.

In the Scoping Memo, the assigned Commissioner ruled that hearings were not necessary. This proceeding is uncontested and therefore is resolved through analysis of written testimony and filing. Therefore, the preliminary determination is changed to no hearings required.

6. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

7. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Robert Haga is the assigned ALJ in this proceeding.

Findings of Fact

1. Liberty CalPeco serves approximately 49,000 electric customers in California, in and around the Lake Tahoe Basin, including the western portions of the Lake Tahoe Basin, including customers located in portions of Placer, El Dorado, Nevada, Sierra, Plumas, Mono and Alpine Counties.
2. On July 3, 2017, Liberty CalPeco filed an A.17-07-001, seeking Commission approval to (1) update rates pursuant to its ECAC to become effective January 1, 2018, and (2) adjust its rates based on its 2018 greenhouse gas (GHG) cost and revenue forecast and reconciliation of its 2016 recorded GHG costs to become effective January 1, 2018.
3. From January 1, 2011 through December 31, 2015, Liberty CalPeco procured essentially all of its energy supply through a Commission-approved services agreement with NV Energy.
4. In D.15-12-021, the Commission authorized Liberty CalPeco's application for approval of a new agreement with NV Energy (2016 NV Energy Services Agreement), which commenced on January 1, 2016. In D.16-01-021 (Luning Approval Decision), the Commission authorized Liberty CalPeco to enter into a purchase and sale agreement to acquire, operate, maintain, and obtain renewable generation from the Luning Project.
5. In D.17-12-008, the Commission authorized CalPeco to enter into a purchase and sale agreement to acquire, operate, maintain, and obtain renewable generation from the Turquoise Project.

6. Liberty CalPeco also owns and operates the 12 MW diesel-fired Kings Beach Generating Station.

7. Pursuant to the California Global Warming Solutions Act of 2006, Liberty CalPeco must participate in a Cap-and-Trade program designed by the California ARB to reduce GHG emissions. The utilities are required to sell the allowances directly allocated to them at ARB's quarterly auctions and return the allowance proceeds to customers pursuant to Public Utilities Code Section 748.5.

8. D.12-12-033 in R.11-03-012 required Liberty CalPeco to file an annual application for approval of forecast GHG costs and allowance proceeds, including administrative and outreach costs, in order to calculate GHG compliance costs, the volumetric small business Climate Credit, and the residential Climate Credit for inclusion in rates.

9. Pursuant to D.13-12-041, the Commission detailed the information and approvals necessary to incorporate GHG costs and allowance proceeds into 2014 rates and to issue the first California Climate Credit.

10. Pursuant to D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, the Commission adopted standard procedures for the five electric utilities to use in future applications forecasting GHG costs and allowance proceeds for inclusion in rates, and reconciling recorded GHG costs and allowance proceeds amounts with forecasts from prior years. D.14-10-033 requires Liberty CalPeco to file its GHG forecast and reconciliation application annually, and if applicable, as part of its ECAC application.

11. Liberty CalPeco's ECAC tariff obligates it to revise its ECAC Billing Factors in calendar years when it does not file a general rate case application if a change to total ECAC revenue of +/- 5 percent occurs.

12. The ECAC has two rate components, the Offset Rate and the Balancing Rate.

13. Liberty CalPeco requests an annual decrease in revenue to be collected from ECAC rates of $4.027 million from its current ECAC rates. This net decrease is composed of:

   a. An approximate annual decrease of $1.683 million associated with changes to the Offset Rate; and

   b. An approximate annual increase of $2.344 million associated with changes to the Balancing Rate.

14. Liberty CalPeco's proposes that its ECAC-related decrease will be allocated as follows:

   a) the Offset Rate will generate 5.97% less revenues than the revenues realized by the Offset Rates for each customer class; and

   b) 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 $0.00308 per kWh to a credit of $0.00682 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 $0.04283 per kWh to $0.03584 per kWh.

15. Liberty CalPeco's direct testimony and accompanying exhibits provide sufficient justification for the requested changes to the Offset and Balancing Rates.

16. The forecast of GHG allowance proceeds to be returned to customers in 2018 is $2,902,094.

17. The recorded administrative expenses for 2016 are $167,096.

18. The forecast administrative expenses for 2018 are $202,500.

19. The recorded customer outreach expenses for 2016 are $35,876.

20. The forecast customer outreach expenses for 2018 are $42,600.

21. Based on Judge Anne E. Simon's March 18, 2016 ruling in R.14-07-002, and ALJ Robert W. Haga's order in the current proceeding, Liberty CalPeco estimated funds to be allocated to the SOMAH program as follows:

a) 5 percent of its recorded 2016 GHG allowance proceeds would be - $147,156;

b) 10 percent of its forecast 2017 GHG allowance proceeds would be - $287,032;

c) 10 percent of its forecast 2018 GHG allowance proceeds would be - $349,673.

22. Liberty CalPeco does not have any known EITE customers as of the date of its application.

23. The 2018 forecast for the volumetric small business return is $371,282. The 2018 assistance factor is 70 percent.

24. Liberty CalPeco calculated a 2018 semi-annual residential California Climate Credit of $29.46 per household.

25. Liberty CalPeco proposes to:

a) increase its Carbon Pollution Permit Cost rate by $0.00144/kWh;

b) increase its small business rate credit by $0.00061/kWh; and

c) increase the amount of the semi-annual California Climate Credit by $5.74 through the following GHG-cost, accounting and ratemaking matters:

i) Total confidential forecasted 2018 GHG Costs;

ii) Total forecasted 2018 GHG Administrative and Outreach Expenses of $245,100;

iii) Total forecasted 2018 GHG Adjusted Allowance Proceeds of $3,326,984;

iv) Total forecasted 2018 Small Business Volumetric Return of $371,282;

v) Total forecasted 2018 EITE Customer Return of $0.00; and

vi) Total recorded 2016 GHG Administrative and Outreach Expenses of $202,972.

26. Pursuant to the Scoping Memo issued on December 20, 2017, and given delays in the processing of this application, a proposed decision will be issued after January 1, 2018, instead of by January 1, 2018, as requested by Liberty CalPeco.

Conclusions of Law

1. Liberty CalPeco's requested annual decrease in revenue to be collected from ECAC rates of $4.027 million from its current ECAC rates is reasonable and should be adopted.

2. Liberty CalPeco's requested per kWh rate for 2018 of $0.03584 is reasonable and should be adopted.

3. Liberty CalPeco's requested decrease to the Offset Rate of $1.683 million is reasonable and should be approved.

4. Liberty CalPeco's requested increase to the Balancing Rate of $2.344 million is reasonable and should be approved.

5. The 2018 forecast for the volumetric small business return is $371,282. The 2018 assistance factor is 70 percent.

6. Liberty CalPeco appropriately forecasted and reconciled its GHG-related costs, expenses, and allowance proceeds consistent with the methodologies set forth in D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, and the other decisions issued in R.11-03-012 as of today's date.

7. The recorded and forecast customer outreach expenses are reasonable.

8. The recorded and forecast administrative expenses are reasonable.

9. Liberty CalPeco's calculation of its 2018 revenue requirement associated with GHG costs follows the methodology required by D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, and should be approved.

10. Liberty CalPeco appropriately calculated the amounts of GHG allowance proceeds to be returned to customers in 2018 and these amounts should be approved as set forth in Table 1 of this decision.

11. Liberty CalPeco's requests to increase its Carbon Pollution Permit Cost rate by $0.00144/kWh and increase its small business rate credit by $0.00061/kWh are reasonable and should be adopted.

12. Liberty CalPeco's motion to receive public and confidential versions of Exhibits LU-1, LU-2, LU-1C, and LU-2C into the record should be granted.

13. Liberty CalPeco's motion for confidential treatment of Exhibits LU-1C and LU-2C should be granted.

14. The preliminary determination made in Resolution ALJ 176-3401 of the need for hearings should be changed to hearings are not necessary.

15. Liberty CalPeco should file a Tier 1 Advice Letter before the first day of the month following adoption of this decision, to implement the ECAC and GHG rates authorized by this decision, issue the semi-annual residential Climate Credit of $29.46, and the monthly volumetric small business Climate Credit that offsets 70 percent of GHG costs in rates.

16. Liberty CalPeco should also submit a Tier 2 Advice Letter within 30 days of the effective date of this decision to request recovery of the revenue differential between January 1, 2018 and the first day of the month following the adoption of this decision. This Advice Letter shall provide a calculation to "true up" the revenue differential, and the reasons for using this calculation.

17. A.17-07-001 should be closed.

O R D E R

IT IS ORDERED that:

1. Application 17-07-001, the Application of Liberty Utilities (CalPeco Electric) LLC for Authority to Update Rates Pursuant to Its Energy Cost Adjustment Clause is approved, subject to the change in effective date, as detailed in Ordering Paragraph 3.

2. The application of Liberty Utilities (CalPeco Electric) LLC for approval of its 2018 Greenhouse Gas Cost and Revenue Forecast and 2016 Reconciliation, is approved.

3. Liberty Utilities (CalPeco Electric) LLC shall file a Tier 1 Advice Letter before the first day of the month following adoption of this decision, to implement the Energy Cost Adjustment Clause and Greenhouse Gas (GHG) rates authorized by this decision, issue the semi-annual residential Climate Credit of $29.46, and the monthly volumetric small business Climate Credit that offsets 70 percent of GHG costs in rates.

4. Liberty Utilities (CalPeco Electric) LLCshall also submit a Tier 2 Advice Letter within 30 days of the effective date of this decision to request recovery of the revenue differential between January 1, 2018 and the first day of the month following the adoption of this decision. This Advice Letter shall provide a calculation to "true up" the revenue differential, and the reasons for using this calculation.

5. All greenhouse gas (GHG) cost and revenue forecasts approved in this proceeding are subject to reconciliation of costs and proceeds in subsequent GHG forecast and reconciliation applications. GHG outreach and administrative

expenses are subject to further reasonableness review at the time of the reconciliation.

6. Liberty Utilities (CalPeco Electric) LLC's motion to submit under seal confidential information contained in Exhibit LU-1C and LU-2C is granted. This information will remain under seal under the applicable terms set forth in the Confidentiality Matrix attached to Decision (D.) 14-10-033, as corrected by D.14-10-055 and D.15-01-024, and the Investor-Owned Utility Matrix in D.06-06-066, General Order 66-C and Government Code Section 6245(K), and shall not be made accessible or disclosed to persons other than the Commission and its staff except on further Commission order or Administrative Law Judge ruling.

7. Liberty Utilities (CalPeco Electric) LLC's motion to admit the public and confidential versions of Exhibits LU-1, LU-1C, LU-2, and LU-2C, into the record is granted.

8. The preliminary determination made in Resolution ALJ 176-3401 of the need for hearings is changed to hearings are not necessary.

9. Application 17-07-001 is closed.

This order is effective today.

Dated March 22, 2018, at San Francisco, California.

MICHAEL PICKER
President
CARLA J. PETERMAN
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
Commissioners