Decision 20-05-044 May 28, 2020

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 and its California Climate Credit, Effective January 1, 2020.	Application 19-07-007

DECISION AUTHORIZING LIBERTY UTILITIES' ENERGY COST ADJUSTMENT CLAUSE RATES, GREENHOUSE GAS COSTS AND ALLOWANCE PROCEEDS

TABLE OF CONTENTS

Title **Page**

TABLE OF CONTENTS
Cont.

Title **Page**

DECISION AUTHORIZING LIBERTY UTILITIES' ENERGY COST ADJUSTMENT CLAUSE RATES, GREENHOUSE GAS COSTS AND ALLOWANCE PROCEEDS

Summary

This decision authorizes Liberty Utilities (CalPeco Electric) LLC (Liberty) to modify its Energy Cost Adjustment Clause (ECAC) rates to allow for an annual increase in revenue requirement of $2.66 million from its previously authorized rates.

This decision also authorizes: (1) an ECAC Billing Factor of $42.54 per megawatt-hour (2) Adjustments based on its 2020 greenhouse gas (GHG) compliance costs and revenue forecast, and reconciliation of its 2018 recorded GHG costs effective January 1, 2020, pursuant to Decision 14-10-033 and subsequent decisions; (3) Adjustments based on the California Cap-and-Trade program; (4) True-Up for cumulative (2016-2019) over-allocations of the Clean Energy Program, Solar on Multifamily Affordable Housing Program (SOMAH) (5) Funding for the SOMAH Program at $164,842 and (6) Payment of a semi-annual California Climate Credit of $33.78 to residential customers and a monthly volumetric small business Climate Credit of $0.00319 per kilowatt-hour.

Liberty shall file a Tier 1 Advice Letter within thirty days of 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 $33.78, and implement the monthly volumetric small business Climate Credit that offsets 50 percent of GHG costs in rates.

Liberty shall also submit a Tier 2 Advice Letter within thirty days of the effective date of this decision to request recovery of the revenue differential

between January 1, 2020, and 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. Jurisdiction

The California Public Utilities Commission (Commission) authorized Liberty in Decision (D.) 12-11-030, to file an Energy Cost Adjustment Clause (ECAC) Application in any year in which (1) it is not filing a general rate case ("GRC") Application, and (2) total ECAC revenues are expected to deviate by more than plus or minus five percent from the revenues collected through its current ECAC rates. The purpose of the ECAC is to reflect in rates: (1) the cost of fuel and purchased power, and (2) certain other energy-related costs.

Liberty is also permitted to seek approval of its 2020 Greenhouse Gas (GHG) cost and revenue forecast and reconciliation and to set its California Climate Credit via this Application. To reduce GHG emissions, the California Global Warming Solutions Act of 2006, Assembly Bill (AB) 32 (Stats. 2006, ch. 488), requires certain electric utilities, including Liberty, to participate in a Cap-and-Trade program designed by the California Air Resources Board (CARB). The state allocates GHG allowances to these electric utilities on behalf of ratepayers. The utilities are required to sell the allowances at CARB's quarterly auctions and return the allowance proceeds to customers pursuant to Public Utilities (Pub. Util.) Code Section 748.5. The utilities also incur GHG costs both by purchasing allowances for their compliance obligation under the

Cap-and-Trade Program and, indirectly, through GHG costs embedded in the price of wholesale electricity.

D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, and modified by D.19-04-016, 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 to file its GHG forecast and reconciliation application annually, and if applicable, as part of its ECAC application.

1.2. Procedural Background

On July 1, 2019, Liberty filed an Application seeking Commission approval (1) to update rates pursuant to its ECAC, effective January 1, 2020, and (2) of its California Climate Credit, effective January 1, 2020.

Also, Liberty seeks Commission review and approval of its 2020 greenhouse gas (GHG) cost and revenue forecast, reconciliation of its 2018 recorded GHG costs to set its California Climate Credit effective January 1, 2020, pursuant to D.14-10-033 and subsequent decisions and the California Cap-and-Trade program.

The California Public Advocates Office (Cal Advocates) timely filed a protest to Application 19-07-007 on August 9, 2019.

The assigned Administrative Law Judge (ALJ) Lakhanpal set by ruling a prehearing conference (PHC) for September 17, 2019. On that date, the assigned ALJ convened the PHC to determine parties, discuss the scope, the schedule, and other procedural matters. The assigned Commissioner issued the *Assigned Commissioner's Scoping Memo and Ruling* (Scoping Memo) on September 30, 2019.

On October 3, 2019, an ALJ Ruling was issued seeking supplemental testimony on the customer bill impact due to the 2020 ECAC rate increase request. Liberty filed its response on October 15, 2019.

On October 10, 2019, Liberty served supplemental testimony updating its 2020 Purchase Power Cost forecast and its projected ECAC Balancing Account balance at year-end 2019. This supplemental testimony reduced Liberty's ECAC revenue requirement request by approximately $2.5 million.

On January 16, 2020, an ALJ Ruling was issued seeking additional information on the calculation of the allocation for Clean Energy programs, such as Solar on Multifamily Affordable Housing (SOMAH).   Based on Liberty's response, a follow-up ALJ Ruling was issued on February 21, 2020 seeking additional information. On February 28, 2020, Liberty filed a response with revised calculations and additional information on the amount of the climate credit issued by Liberty in 2019. On March 10, 2020, Liberty filed an amended response and further revised its data.

Liberty served supporting testimony concurrent with its original Application. Cal Advocates, the only other party to the proceeding, did not serve an opposing testimony and therefore, the Application is unopposed.

On January 8, 2020, Liberty and Cal Advocates jointly served their request via an email to remove evidentiary hearings.

On March 24, 2020, Liberty concurrently filed and served a motion to admit previously served testimony and supporting exhibits into the Record. Liberty is not seeking confidential treatment of any documents.

On April 1, 2020, Cal Advocates submitted an emergency motion to provide customer relief related to COVID-19 through the distribution of the residential California Climate Credits, and for an order shortening the time to respond. An ALJ Ruling was issued on April 2, 2020 shortening the response time to five days and seeking answers from Liberty on the Climate Credit amount due for issuance in April 2020. Liberty filed its response on April 7, 2020. Liberty did not oppose the Cal Advocates' motion.

1.3. Summary of the Application

1.3.1. Energy Cost Adjustment Clause (ECAC)

In its Application and opening testimony, Liberty requested $27.5 million for its 2020 ECAC revenue requirement. Comparatively, this request was 54 percent higher than the 2019 ECAC revenue requirement request of $17.8 million, which is under consideration in Liberty's general rate case (GRC) Application (A.) 18-12-001.

In October 2019, Liberty served Supplemental Testimony and adjusted its 2020 ECAC revenue requirement from $27.5 million to $24.9 million. It reduced the Purchased Power Cost forecast from $23.8 million to $21.8 million, and its forecast 2019 year-end ECAC Balancing Account balance from $3.6 million to $3.1 million. The revised ECAC revenue requirement is 40.2 percent higher compared to the $17.8 million 2019 ECAC revenue requirement, pending review, and approval in the GRC Application.

Liberty continues to purchase its power under an agreement with NV Energy. In D.15-12-021, the Commission approved a new service agreement with NV Energy with a term to commence January 1, 2016 (2016 NV Energy Services Agreement), which is still in effect. The 2016 NV Energy Services Agreement provides Liberty the flexibility to displace purchases from NV Energy with purchases from, among other alternative supply sources, the Luning Solar Project. The Luning Solar Project is a 50 Megawatt (MW) solar generating facility that began commercial operations in 2017. The Commission, in D.16-01-021, also authorized Liberty to enter into a purchase and sale agreement to acquire, operate, maintain and obtain renewable generation from the Luning Solar Project.

In D.17-12-008, the Commission authorized a settlement between Liberty and Cal Advocates (then Office of Ratepayer Advocates) that allows Liberty to own and operate a 10MW solar plant in Patrick, Nevada that became operational in November 2019 ("Turquoise Project").

In this Application, Liberty forecasts renewable generation quantities in 2020: (1) from the Luning Project 143,100 megawatt-hour ("MWh") and (2) from the Turquoise Project 28,200 megawatt-hour. These generation imports are forecasted to displace renewable generation that Liberty would otherwise purchase from NV Energy under the 2016 NV Energy Services Agreement, which in turn, reduces the forecast of the Fuel and Power Costs used to derive Liberty's ECAC rates.

Liberty also expects minimal generation from its 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 for limited emergencies.

Based on the revised fuel and power purchase forecasts, Liberty proposes an Offset Rate of $37.20 per megawatt-hour.[1] Liberty requests amortizing ECAC under-collection through 2020 at a Balancing Rate of $5.34 per megawatt-hour. The combination of these rates results in an aggregate ECAC Billing Factor of $42.54 per megawatt-hour.

1.3.2. California Climate Credit

Liberty seeks approval of its 2020 GHG revenue forecast in this Application. It requests approval for reconciliation of 2018 GHG costs, to adjust for any difference between forecasted and recorded values, and to adjust its 2020 California Climate Credit accordingly.

Liberty is requesting Commission authorization to use forecast 2020 GHG emissions costs incurred directly or indirectly by Liberty as a result of the GHG cap-and-trade program. It also forecasts 2020 administrative and customer outreach expenditures and 2020 allowance revenues that Liberty will realize by selling the allowances allocated to its customers by CARB ("GHG Allowance Revenues").

The Application also forecasts GHG compliance costs, and the GHG program costs Liberty incurs for the California cap-and-trade program. Pursuant to D.14-10-033, Liberty also seeks approval of the reconciliation of its 2019 GHG costs. In a response filed on March 10, 2020 to an ALJ Ruling, Liberty's projected

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[1] *See*, Exhibit Liberty-02, Supplemental Testimony, Table I-2, at 3.

residential semi-annual California Climate Credit to the eligible customer is $31.72 to be issued in April and October 2020. The expected Small General Service customers' volume-based Climate Credit is $0.00319 per kilowatt-hour in 2020.

1.3.3. Response to October 3, 2019 ALJ Ruling on Customer Bill Impact

In response to the October 3, 2019 ALJ Ruling seeking bill impact analysis, Liberty provided information on the difference between current (2018) and proposed 2019 and 2020 ECAC rates. The ruling also asked for information on the average monthly bill increase for a residential customer from currently active (2018) rates to 2020 proposed rates, including proposed ECAC rates.[2] The 2019 rates are under review in Liberty's GRC Application (A.18-12-001), which is pending before the Commission. The actual variance between the 2019 and 2020 rates may change depending on the Commission's final decision on the GRC application.

The following tables summarize the current and proposed ECAC rates and bill impact for residential and small business customers.

Table 1 Residential Rate Comparison of Current (2018) Effective ECAC rates to Proposed ECAC rates ($ per kilowatt-hour)

Tier	Currently effective ECAC	Proposed 2019 ECAC Rate in the	Proposed 2020 ECAC	Variance between Current &	Variance between proposed

[2] *See* Liberty's Response filed on October 16, 2019 in A.19-07-007.

	rate (2018 rate)	**GRC (A.18-12-001)**	**Rate (A.19-07-007)**	**proposed 2020 ECAC Rate**	**2019 & proposed 2020 Rate**
Tier 1	$0.02735	$0.02242	$0.03523	29%	36%
Tier 2	$0.04509	$0.03748	$0.05068	12%	26%

Table 2 provides a summary of overall residential bill impact, including the ECAC billing factor for a residential customer with a system-wide average of 468 kilowatt-hours for summer months and 609-kilowatt-hour system-wide average usage for winter months.

Table 2- Residential Bill Impact – Comparison of Current (2018) Rates including ECAC rates to Proposed rates in the pending GRC Application (A.18-12-001) for 2019 and 2020

Tier	**Currently effective ECAC rate (2018 rate)**	**Proposed 2019 ECAC Rate in the GRC (A.18-12-001)**	**Proposed 2020 ECAC Rate (A.19-07-007)**	**Variance between Current & proposed 2020 ECAC Rate**	**Variance between proposed 2019 & proposed 2020 Rate**
Summer	$63.57	$67.74	$74.04	16.5%	9.3%
Winter	$80.01	$85.44	$93.64	17.0%	9.6%

Liberty also provided a similar bill impact analysis for Small Commercial Customer.

Table 3- Small Business ECAC Rate ($/kilowatt-hour(kWh)) and Customer Bill Impact

Tier	**Currently effective ECAC rate (2018 rate)**	**Proposed 2019 ECAC Rate in the GRC (A.18-12-001)**	**Proposed 2020 ECAC Rate (A.19-07-007)**	**Variance between Current & proposed 2020 ECAC Rate**	**Variance between proposed 2019 & proposed 2020 Rate**
Rates $/kWh	$0.03632	$0.03004	$0.04304	19%	43.3%
1541 kWh	$256.57	$279.97	$316.03	23.2%	12.9%

2. Issues Before the Commission

The Scoping Memo identified the following issues to be determined:

1. Is Liberty's request to update its ECAC rates pursuant to this Application, effective January 1, 2020, reasonable?

2. Does Liberty appropriately calculate the California Climate Credits due to its eligible customers?

3. Are Liberty's forecast 2020 greenhouse gas (or GHG) costs reasonable?

4. Are Liberty's forecast 2020 GHG program costs reasonable?

5. Is Liberty's 2018 GHG Procurement Cost Reconciliation accurate?

6. Are Liberty's 2020 forecast of GHG Revenue allowance reasonable?

7. Did Liberty appropriately set aside funds for the Multifamily Affordable Housing Solar Roofs Program, pursuant to Commission Decision 17-12-022?

3. Discussion and Conclusion

3.1. Energy Cost Adjustment Clause

Liberty requests a revenue requirement of $24,936,000. It is comprised of an ECAC Offset Rate revenue requirement of $21,803,627 and the ECAC Balancing revenue requirement of $3,123,373.

3.1.1. Offset Rate

The 2020 Offset Rate is determined by forecasted Purchased Power and Fuel Costs. To develop a forecast of Power Purchase Costs Liberty forecasted monthly energy billing units and multiplied it by NV Energy's forecasted energy rates. To calculate demand charges, Liberty multiplied the Demand Charge in the 2016 NV Energy Services Agreement by the monthly billing demand (kW) forecast provided by NV Energy. To develop its forecast of monthly Transmission Charges, Liberty multiplied the transmission billing rate from the 2016 NV Energy Services Agreement by the transmission demand (kW) forecast from NV Energy. Liberty's forecast of its monthly Distribution Charge is based on the 2016 NV Energy Services Agreement Monthly Distribution Charge of $19,240. To develop its annual fuel cost forecast, Liberty calculated its average recorded fuel consumption for the immediately preceding three years, which results in projected fuel costs of $74,676 in 2020. The total of the forecasted Purchased Power and Fuel costs and franchise fee and uncollectible results in $21,803,627 million recoverable through ECAC rates.

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

3.1.2. ECAC Balancing Rate

Liberty demonstrated an under-collection in the ECAC Balancing Account balance as of December 31, 2018, totaling $3.94 million.[3] Also, Liberty forecasts an under-collection in its ECAC Balancing Account, as of December 31, 2019, of $3.095 million.[4] This forecast assumes that current (2018) ECAC rates will remain in effect through December 31, 2019.[5] Liberty proposes to amortize this under-collection over 12 months, beginning on January 1, 2020. Due to the projected under-collection in the Balancing Account, the variance between the current ECAC Balancing Account at the current rate and the 2020 projected rate is $7.07 million.

3.2. Reasonableness of ECAC rate

Liberty's ECAC revenue requirement request is reasonable. The increased revenue requirement is collected via an ECAC rate, which is the sum of two components: the offset rate and the balancing account balance rate. Liberty's proposed ECAC Billing Factor Rate is $42.54 per megawatt-hour and based on an

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[3]. Exhibit Liberty-02, Supplemental Testimony, Table I-2, at 3.

[4]. *Id.*

[5] Current ECAC rates are listed in Liberty's ECAC preliminary statement, available at https://california.libertyutilities.com/uploads/LU-CA%20May%201%202018%20Tariff%20Sheets/ECAC%205-1-18.pdf

The 2018 ECAC rates were approved in Advice Letter 95-E, which was ordered in D.18-03-024 (2018 ECAC).

Offset Rate of $37.20 per megawatt-hour and a Balancing Account Balance Rate of $5.34 per megawatt-hour.

The Application is adequately supported by the testimony, supplemental testimony, and accompanying exhibits, and Liberty provided sufficient data to justify approval of its request.

Liberty's Purchased Power costs are based on currently approved contracts with NV Energy and forecasted billing units. The fuel costs are based on a three-year average of consumption at King's Beach, which is a reasonable methodology.

We find that the Commission decision authorizing the ECAC rate in Liberty's 2018 ECAC A.17-07-001 per D.18-03-024 is currently active. In D.18-03-024, the Commission approved an ECAC rate based on a revenue requirement of $22,270,163.[6] Liberty is requesting a $24,936,000 revenue requirement in its current application, which is $2.66 million higher than its last approved revenue requirement. We also find that Liberty's current increase in the ECAC revenue requirement is due to efforts to balance the previous year's under-collection in the ECAC Balancing Account.[7]

Liberty's overall 2020 ECAC Offset Revenue Requirement of $21.8 million and ECAC Balancing Account Revenue Requirement of $3.13 million and a total ECAC Revenue Requirement of $24.93 million is reasonable.

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[6] D.18-03-024, FOF-15 at 24 and A.17-07-001, Exhibit Liberty-1, Appendix B, line 28.

[7] Exhibit Liberty-02, Supplemental Testimony, Table I-2, at 3.

Liberty's ECAC Billing Factor Rate of $42.54 per megawatt-hour, which is based on an Offset Rate of $37.20 per megawatt-hour and a Balancing Account Balance Rate of $5.34 per megawatt-hour is reasonable and should be approved.

4. GHG Costs and Climate Credits

4.1. Liberty's Request

In its Application and direct testimony, Liberty recommended a semi-annual credit for residential customers of $40.67 to be issued in April and October 2020 and a volumetric Climate Credit for the year at $0.00319 per kilowatt-hour to eligible small commercial customers.

In response to a January 16, 2020 ALJ Ruling, seeking clarity on Allowance Revenue Approved for Clean Energy Programs, Liberty acknowledged errors in its SOMAH set aside calculations. Liberty should have set aside 10 percent of its GHG Allowance Revenue for SOMAH funding; instead, it used 5 percent for years 2018-2019. Once the error was noted, Liberty should have corrected the Residential Climate Credit amount as well. However, Liberty only responded to the questions in the ALJ Ruling and did not proactively fix the effect of this error in its calculations.

Subsequently, a second ALJ Ruling was issued on February 21, 2020 requiring Liberty to re-file Template D-1: Annual Allowance Revenue Receipts and Customer Returns with corrected greenhouse gas revenue allowance, SOMAH Program funds and revised climate credit amount. On March 10, 2020, Liberty filed an amended response correcting its modeling errors and data inaccuracies, including a revised projection for 2020 of the 2019 prior balance. It requested a revised Residential Climate Credit of $31.72.

Regarding cost estimates, Liberty 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 incurs for the California Cap-and-Trade program, to be effective commencing January 1, 2020:

1) Forecast 2020 GHG emissions costs incurred directly or indirectly by Liberty as a result of the Cap-and-Trade program (GHG Costs);
2) Forecast 2020 administrative and customer outreach expenditures by Liberty associated with the Cap-and-Trade program (GHG Administrative and Customer Outreach Expenses); and
3) Forecast 2020 allowance proceeds Liberty will realize by selling the allowances allocated to its customers by the California Air Resources Board (GHG Allowance Proceeds), as adjusted by the 2019-year-end under-collection in the GHG Revenue Balancing Account (GHG Account Balance) (as adjusted, GHG Adjusted Allowance Proceeds).

Liberty also requests that the Commission find Liberty's reconciliation of its 2018 GHG costs to be reasonable and allow it to adjust its 2020 GHG rates accordingly. Liberty seeks approval of the following GHG cost, accounting, and ratemaking matters:

1) Total recorded 2018 GHG Administrative and Outreach Expenses: $37,939;[8]
2) Total forecasted 2020 GHG Administrative and Customer Education and Outreach Expenses: $57,000;[9]

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[8] Exhibit Liberty-01, Table III-3 and Table III-4.

[9] *See* Response filed on March 10, 2020.

3) Total forecasted 2020 net GHG Adjusted Allowance Proceeds: $3,954,851;[10]
4) Total forecasted 2020 Small Business Volumetric Return: $271,752; and[11]
5) Total forecasted 2020 EITE Customer Return: $0.00.[12]

4.2. Recorded and Forecast GHG Allowance Proceeds and Reasonableness Review

Each utility forecasts and records the total allowance proceeds it receives each year. The utility must determine the proceeds available to return to customers in the forecast year. Each 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's forecast of allowance proceeds, which it expects to return to customers in 2020, was calculated in a manner consistent with D.12-12-033 and D.14-10-033. Therefore, this Decision authorizes Liberty to return the allowance proceeds to residential customers in the manner described below.

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[10] *Id.*

[11] *Id.*

[12] *See* Exhibit Liberty-01 at 10.

4.3. Reasonableness Review of GHG Expenses, SOMAH Funding, and Climate Credit

4.3.1. GHG Administrative Expenses, Customer Education and Outreach Expenses

Liberty originally forecasted total 2020 GHG administrative, customer education, and outreach expenses of $88,900. On March 10, 2020 Liberty filed an amended response to an ALJ Ruling with a revised 2020 forecast of these expenses at $57,000.

Recorded administrative costs in 2018 were $35,925, and recorded customer outreach expenses were $2,014.[13]

In its direct testimony, Liberty explains that its forecasts are lower due to a substantial reduction in Legal Services and Workshop Travel expenses as compared to prior year forecasts. The projections of Financial/Banking fees is reduced due to gains in internal process efficiencies and represent the projected costs to continue participating in the quarterly CARB auctions. Liberty also forecasts a decrease in spending for consulting services based on its development of an internal process for addressing GHG-related issues without the need of consultants. The company is not currently subscribed to any data source subscriptions as it relates to the GHG rate calculation.[14]

Liberty's 2018 administrative activities were reasonable to implement the Climate Credit and pursuant to D.12-12-033, and it is appropriate for Liberty to recover these expenses through allowance proceeds.

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[13] Exhibit Liberty-01 at 3.

[14] Exhibit Liberty-01 at 6.

The actual customer outreach expenses for 2018 were approximately $40,586 less than forecast, primarily because Liberty did not need to incur the expenses associated with notifying customers of a rate increase related to GHG costs in 2018, and the company was able to reduce its bill insert and printing costs from the forecasted 2018 amounts.[15] The 2018 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.[16]

Liberty explains that its customers have responded positively to its past outreach efforts and that it plans to maintain similar strategies in 2020, including print, radio and television media, and bill inserts, as well as website outreach.[17]

The proposed forecast for 2020 customer outreach expenses are lower than budgets in previous years and are reasonable for calculating proceeds available for the 2020 Residential Climate Credit.

Liberty's forecast of 2020 GHG administrative, customer outreach, and education expenses are reasonable for calculating proceeds available for the 2020 Residential Climate Credit. The forecast is subject to reconciliation in subsequent

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[15] Exhibit Liberty-01 at 8.

[16] 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."

[17] Exhibit Liberty-02 at 2-5.

proceedings and to further reasonableness review at the time of the reconciliation.

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

Liberty states that it has not identified any customers that qualify for the CA Industry Assistance Credit to EITE customers. Therefore, Liberty appropriately did not allocate any allowance proceeds to EITEs in prior years and forecasted that no proceeds would be distributed to EITEs in 2020. If EITEs are identified in Liberty's service territory in the future, future applications should account for this change.

4.3.3. Recorded and Forecast GHG Costs

On behalf of its customers, Liberty assumes the GHG compliance obligation and recovers associated costs through its Carbon Pollution Permit Cost. It requests approval of its forecast 2020 GHG costs and reconciliation of its 2018 GHG costs for recovery in rates and to calculate the 2020 volumetric small business Climate Credit.

Liberty reports that it has only direct GHG costs, and no indirect costs. To report recorded direct GHG costs, D.14-10-033 required each utility to multiply recorded direct GHG emissions by the weighted average cost (WAC) of eligible compliance instruments that it holds in inventory. At any period, the WAC is calculated as the total cost of all compliance instruments held in inventory, divided by the total quantity of compliance instruments. Liberty reported its recorded direct GHG costs in Exhibit Liberty-01 Appendix C, in conformance with the WAC template developed in D.14-10-033, as corrected by D.14-10-055, D.15-01-024 and D.19-04-016. Liberty correctly calculated its recorded costs, and these costs are approved.

2020 forecast GHG costs are presented in Exhibit Liberty-01, Appendix C. Liberty calculated its 2020 GHG revenue requirement based on its forecast 2020 costs, reconciliation of costs from previous years, and adjustment for the franchise fee and uncollectible. Liberty's forecast of 2020 GHG costs follows the methodologies required by D.14-10-033, as corrected by D.14-10-055, D.15-01-024, and D.19-04-016.

We authorize Liberty to modify its tariffs to recover its forecasted 2020 GHG costs, as reconciled to reflect recorded GHG costs and revenues in previous years and adjusted to account for franchise fees and uncollectibles, in rates effective January 2020.

4.3.4. Allowance Revenue Approved for Clean Energy Programs- Solar on Multifamily Affordable Housing (SOMAH) program and Funding Reconciliation

In this section, we review whether Liberty appropriately calculated and reserved funds for the SOMAH program per D.17-12-022.

On February 21, 2020, an ALJ Ruling was issued, seeking clarity on Liberty's modeling errors. In an amended response filed on March 10, 2020, Liberty requested $343,896 for 2020 SOMAH funding.

Pub. Util. Code § 2870(c) requires the Commission to authorize the funding for SOMAH for four fiscal years (from July 1, 2016 through June 30, 2020), and to continue authorizing funds through June 30, 2026 if it finds that there are revenues available and adequate interest and participation in the program.

Pursuant to D.17-12-022, Liberty is required to participate in the SOMAH Program, both by providing funding from their GHG allowances and making the program available to its customers. Liberty was ordered to fund the program by reserving 10 percent of the proceeds from the sale of greenhouse gas allowances defined in Public Utilities Code Section 748.5 through its annual ECAC proceeding.

Our review of Liberty's direct testimony, Exhibit-01, Appendix D, Template D-1, showed that forecasted and recorded SOMAH funds for years 2018-2020 did not equal 10 percent of the GHG allowance proceed calculation.[18] Instead of setting aside 10 percent, Liberty set aside only 5 percent of the GHG revenue allowance. We issued an ALJ Ruling seeking clarification on this discrepancy and related calculations. In its response, Liberty acknowledged a modeling error due to an incorrect cell reference as the cause of the incorrect set-aside amount. However, even after noting the error, Liberty did not correct the overall calculations. Using Template D-1 we set SOMAH funding, which then leads into Climate Credit calculations. Therefore, any modeling error in SOMAH funding impacts Climate Credit. A follow-up ALJ Ruling was issued on February 21, 2020 seeking a corrected Template D-1. Liberty filed a response on February 28, 2020 with calculation errors, yet again. Finally, on

[18] *See* A.19-07-007, Appendix D of Exhibit Liberty-01.

March 10, 2020, Liberty's amended response to the February 21, 2020 ALJ ruling showed that Liberty had corrected its errors and revised its forecast.

The table below summarizes the revised and corrected recorded and forecasted SOMAH funding set-asides.

Table 4 - Summary of Liberty's Revised and Corrected Set-Asides for SOMAH through ECAC Proceedings[19]

ECAC Forecast Year	Recorded GHG Allowance Revenues	SB 92 Set-aside Based on 10% of Recorded GHG Allowance Revenue	Actual Set-aside	SB 92 Funding Difference
2016	$2,943,110	$147,156	$147,156	$0
2017	$3,048,375	$304,838	$287,032	($17,806)
2018	$3,658,091	$365,809	$349,673	($16,136)
2019	$4,250,819	$425,082	$466,130	$41,048
Total	$14,310,878	$1,242,885	$1,249,991	$7,106

The data shows Liberty has shortfalls/under-allocated funds in SOMAH programming in 2017 and 2018, but it had over-allocated funds in 2019. Cumulatively, between forecasted and recorded SOMAH set-asides from 2016 through 2019, Liberty has over-allocated SOMAH program funds by $7,106. We adjust the 2020 forecast for this over-allocation of funds and direct Liberty to

[19] Liberty's' Response to ALJ Ruling Seeking Additional Information, February 28, 2020 and March 10, 2020.

true-up and bring its SOMAH Program funding amounts into compliance with the law.

Following Liberty's ECAC Application, the Commission in D.20-04-012 authorized SOMAH funding to continue through June 30, 2026. The Decision requires Liberty to propose in its 2021 ECAC application, amounts to be set aside for the SOMAH program from July 1, 2020 through December 31, 2020, and any necessary climate credit adjustments resulting from those set-aside amounts.

Following the above adjustments, this Decision authorizes Liberty to set aside through June 30, 2020 an amount of $164,842 for 2020 Allowance Revenue Approved for Clean Energy Program - SOMAH funding. Liberty shall set aside additional funds for the SOMAH Program, covering July 1, 2020 through December 31, 2020, as part of its 2021 ECAC application, consistent with the direction in D.20-04-012.

4.3.5. Residential California Climate Credit and True-Up of 2019 Climate Credit error payments

Based on its March 10, 2020 amended forecasts, Liberty projects that its residential customers will receive a 2020 semi-annual California Climate Credit of $31.72 on the bills they receive in April and October 2020.

On February 21, 2020, an ALJ Ruling was issued seeking the information as to whether Liberty issued 2019 climate credit payments to eligible customers and the approved tariff. In its response, Liberty acknowledged that it had indeed issued a climate credit to its customers. Instead of issuing the climate credit based on currently effective/approved tariff, Liberty issued an amount equal to its proposed 2019 climate credits, which is still awaiting Commission approval in its general rate case application A.18-12-001. Liberty issued a semi-annual Residential Climate Credit of $46.16, even though the currently effective tariff allows a semi-annual Residential Climate Credit of $29.46. Liberty should not have issued an unauthorized Residential Climate Credit amount.

Liberty corrected the calculation errors as part of its March 10, 2020 amended response to the February 21, 2020 ALJ Ruling. Liberty first corrected errors with its 2019 recorded values, which revised its recorded 2019 bi-annual Residential Climate Credit from $46.16 to $43.17. As a second step, Liberty amended its "prior year's balance" entry for 2020 to reflect the actual end-of-year balance at the close of December 2019. This reduced any 2020 modeling errors and captured the overpayment of the climate credit in 2019 by rolling over the revenue shortfall as part of the "prior year's balance" into its 2020 forecast. As a result, the 2020 Residential Climate Credit now reflects the corrections to "prior year's balance" modeling errors and includes a true-up due to the overpayment of 2019 climate credits. We find it reasonable to adjust the 2020 climate credit for Liberty's gross error in 2019, other modeling errors, and the prior year's SOMAH under allocation.

Following the SOMAH true-up, correction of modeling errors, and true-up for the overpayment of climate credits in 2019, we approve the 2020 residential semi-annual Climate Credit at $33.78. The revised Climate Credit value is consistent with prior residential Climate Credits issued by Liberty.

The repeated modeling errors, mistakes in procedural steps, gross negligence in issuing unauthorized customer payouts and missing deadlines to respond to ALJ Rulings reflect poorly on Liberty's internal processes. It is unacceptable when ratepayer funds and programs are not prudently managed. This is a routine Application that Liberty has been filing periodically and its staff should have a better understanding of the processes and technical issues. The ALJ, ALJ Support Staff and Energy Division spent significant time correcting, making Liberty aware of its errors, and issuing rulings and reminders to follow up on these corrections. This is not the best use of the Commission's resources or Liberty's own time. Liberty must train its staff on technical and process issues in such routine Applications and make a sincere effort to file accurate information.

Regarding Cal Advocates' April 1, 2020 motion, there are only three issues for consideration within this proceeding – (a) shorten the response time, (b) approve the 2020 Climate Credit and (c) alternatively, allow Liberty to distribute the currently approved 2018 Climate Credit of $29.46 per household. The April 2, 2020 ALJ Ruling granted a shortened response time and Liberty's response was filed on April 7, 2020. This decision approves the 2020 Climate Credit, which addresses Cal Advocates' second request. In its response, Liberty indicated that 42,891 households would receive climate credits of $29.46 on their April bills. Thus, all three issues presented by Cal Advocates have been addressed.

4.3.6. Volumetric Small Business Return

Liberty is proposing a monthly volumetric credit of $0.00319 per kilowatt-hour.

Per D.12-12-033, D.13-12-002, and D.14-10-033, Liberty distributes its Small Business Return through monthly volumetric credits. Liberty's calculation of the Small Business Climate Credit for 2020 is determined by taking the eligible rate class monthly kilowatt-hour usage projection for 2020 and multiplying it by the Cap-and-Trade dollar per kilowatt cost that has been adjusted for the franchise fees and uncollectibles. This number is then adjusted by the 50 percent Small Business Assistance Factor for 2020.[20]

Liberty's 2020 forecast for its Small Business Return is $271,752. Liberty estimated 85,302,306, or 84 percent, of its A-1 Small General Service energy sales, would be eligible for the small commercial volumetric credit. The eligible A-1 sales were multiplied by the small commercial volumetric credit to calculate the Small Business Return.

Liberty projected 2020 GHG emissions and associated costs to total $3.7 million. The projected GHG costs were divided by 2020 projected retail energy sales to derive an average GHG-cost-per-kilowatt-hour of $0.00637 per kilowatt-hour. The average GHG-cost-per-kilowatt-hour was multiplied by the 2020 Joint Utility Proposed Assistance Factor for Small Businesses of 50 percent, as prescribed in Table 2 of Appendix II of Decision 13-12-002, to derive the proposed monthly volumetric credit of $0.00319 per kilowatt-hour. Liberty appropriately calculated its 2018 Small Business Return consistent with the methodology outlined in D.12-12-033 and D.13-12-002. Therefore, Liberty's 2020 Small Business Return is approved.

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[20] The annual Small Business Assistance Factors are set forth in D.13-12-002, Appendix 2, Table 2.

Liberty should adjust for any potential over- or underpayment to small businesses in 2019 through a future revenue true-up within next year's ECAC Application.

4.3.7. Summary Table

Table 5 summarizes the approved calculation of allowance proceeds returns for 2020.

Table 5: Summary of Liberty's Approved 2020 Forecast GHG Proceeds Returns

Allowance Proceeds from Prior Years	($519,891)
Forecast Allowance Proceeds for 2020	$3,954,851
Interest	$7,877
Franchise Fees and Uncollectibles	($3,876)
Forecast Outreach and Administrative Expenses	($57,000)
Interest and Franchise Fees and Uncollectibles	($170)
Forecast Revenue for SOMAH Program	($164,842)
Net GHG Proceeds Available for Customers in Forecast Year	**$3,216,949**
Small Business Volumetric Credit	($271,752)
Proceeds Available for Climate Credit	**$2,945,197**
Number of Households Eligible for the California Climate Credit	43,600
Per-Household Semi-Annual Climate Credit	**$33.78**

4.3.8. Implementation of Rates

Pursuant to the Scoping Memo issued on September 30, 2019, the effective date of this decision will be later than the January 1, 2020 date requested by Liberty.

Accordingly, instead of the requested date of January 1, 2020, Liberty shall file a Tier 1 Advice Letter within thirty days of 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 $33.78 and the monthly volumetric small business Climate Credit.

Liberty shall also submit a Tier 2 Advice Letter within thirty days of the effective date of this decision to request recovery of the revenue differential between January 1, 2020 and 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.

5. Motions to Admit Previously Served Testimony into the Record

The following documents are identified and admitted into evidence:

1. Exhibit Liberty-01, Opening Testimony served with the Application on July 1, 2019;
2. Exhibit Liberty-02, Supplemental Testimony served on October 11, 2019;

Liberty is not seeking confidential treatment of its documents.

6. Categorization and Need for Hearing

On September 30, 2019, the Commission's Scoping Memo upheld the preliminary designation of Resolution ALJ 176-3443 that hearings were required. This proceeding is uncontested and is resolved through the analysis of written testimony and supplemental exhibits. Therefore, the preliminary determination is changed. Hearings are not required.

7. Comments on Proposed Decision

The proposed decision of ALJ Lakhanpal in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and

Procedure. Comments were due on May 17, 2020 and May 22, 2020. No party filed Comments on the proposed decision.

8. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Manisha Lakhanpal is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. On July 1, 2019, Liberty filed Application (A.)19-07-007, seeking Commission approval to (1) update rates pursuant to its Energy Cost Adjustment Clause (ECAC) to become effective January 1, 2020, and (2) issue its California Climate Credit.

2. Liberty's ECAC tariff obligates it to revise its ECAC Billing Factor in calendar years when it does not file a general rate case application if a change to total ECAC revenue of plus or minus five percent occurs.

3. In its direct testimony, Liberty requested an ECAC revenue requirement of $27,458,988.

4. Cal Advocates timely filed a protest on August 9, 2019 but did not serve direct testimony in this proceeding.

5. Liberty served supplemental testimony on October 10, 2019, lowering its power purchase costs and thus revising its ECAC revenue requirement request to $24,936,000, which is approximately 9.19 percent less than its initial Application.

6. Liberty is requesting power purchase costs of $21,750,715.

7. In D.15-12-021, the Commission approved Liberty's new power purchase service agreement with NV Energy, which remains in effect.

8. The ECAC revenue requirement is recovered through the ECAC Billing Factor Rate, which is the sum of two components: The Offset Rate and the Balancing Account Balance Rate.

9. Liberty is proposing an ECAC Billing Factor Rate of $42.54 per megawatt-hour, which is based on an Offset Rate of $37.20 per megawatt-hour and a Balancing Account Balance Rate of $5.34 per megawatt-hour.

10. The current effective (2018) retail residential ECAC rate is $0.02735 per kilowatt-hour for Tier 1 and $0.04509 per kilowatt-hour for Tier 2.

11. The 2020 proposed retail, residential ECAC rate is $0.03523 per kilowatt-hour for Tier 1 and $0.05068 per kilowatt-hour for Tier 2 rate, which is 29 percent and 12 percent higher than current rates, respectively.

12. The overall ECAC rate increase is driven by the utility's efforts to balance the previous year's under-collection in the ECAC Balancing Account.

13. We find data discrepancies in Liberty's Exhibit -01, Appendix D, Template D 1: Annual Allowance Revenue Receipts, and Customer Returns.

14. Two ALJ Rulings were issued seeking clarity on Liberty's data inaccuracies regarding Allowance Revenue Approved for Clean Energy Programs, specifically Solar on Multifamily Affordable Housing Program (SOMAH) program, and Per-Household Semi-Annual Climate Credit.

15. Liberty had modeling errors in Template D1, and it issued an unauthorized semi-annual climate credit to residential and commercial customers in 2019.

16. On March 10, 2020 Liberty filed an amended response to an ALJ Ruling with corrected data and a true-up from prior year's modeling errors including corrections due to its gross error in issuing an unauthorized 2019 semi-annual climate credit.

17. Liberty recorded $37,939 in 2018 recorded GHG administrative and utility outreach expenses.

18. Liberty's forecast for 2020 GHG administrative expenses and utility outreach is $57,000.

19. Liberty forecasts its 2020 GHG revenue at $3,438,961, which includes its forecasted GHG Allowance Revenue proceeds, prior balance, franchise fees, and uncollectibles.

20. The Net GHG allowance revenue to be returned to customers in 2020 is $3,216,949.

21. There is a cumulative over-allocation of funds to the SOMAH Program during 2016-2019 of $7,106.

22. With funding to date (2016-2019) for SOMAH of $1,249,991 and an additional $164,842 to be allocated by Liberty in 2020, a total of $1,414,833 would be allocated, to date, if the current Application were approved, as modified.

23. The entire cumulative funding over-allocation for the SOMAH Program is trued-up to allow the appropriate 2020 GHG Revenues to be returned to ratepayers and bring Liberty's historic SOMAH Program allocations into compliance with SB 92.

24. Following the modeling error correction and accounting for the SOMAH program being authorized only through June 30, 2020, the 2020 SOMAH funding is $164,842.

25. On April 16, 2020, the Commission adopted a decision in R.14-07-002 authorizing the allocation of funds to the SOMAH Program through June 30, 2026, and directing the electric utilities to set aside funds via their 2021 ECAC Application for the period between July 1, 2020 and December 31, 2020, using 2021 allowance revenues.

26. Following all adjustments and true-up, the 2020 residential household semi-annual Climate Credit payable to eligible households is $33.78.

27. Liberty's proposed volumetric Small Business Return is $271,752, which results in a monthly volumetric credit of $0.00319 per kilowatt-hour.

28. Liberty does not have any known EITE customers as of the date of its Application.

29. September 30, 2019 Scoping Memo and Ruling upheld the Commission's preliminary determination, adopted in Resolution ALJ 176-3443, that hearings were needed.

30. The Commission did not convene hearings in this proceeding.

Conclusions of Law

1. The Commission should approve Liberty's ECAC revenue requirement of $24,936,000.

2. Liberty's forecast for fuel and purchase power prices are reasonable.

3. Liberty's requested 2020 ECAC Billing Factor Rate of $42.54per megawatt-hour for retail customers should be approved.

4. Liberty appropriately forecast and reconciled its GHG-related costs, expenses, consistent with the methodologies outlined in D.14-10-033, as corrected by D.14-10-055, D.15-01-024, and D.19-04-016, and decisions issued in R.11-03-012. Liberty's 2020 GHG related expense of $57,000 should be approved.

5. Liberty appropriately forecasts its GHG Allowance Proceeds consistent with D.12-12-033 and D.14-10-033. Liberty's 2020 forecast of $3,954,851 GHG Revenue Allowance Proceeds should be approved.

6. SB 92 requires electric utilities to set aside 10 percent of annual greenhouse gas revenue for the SOMAH program.

7. It is reasonable to true-up the year-to-date SOMAH program over-allocation in this Application.

8. The Commission should approve $164,842 in 2020 SOMAH funding.

9. Liberty should not have issued an unauthorized Climate Credit in 2019.

10. It is reasonable to true-up Residential Climate Credit calculations due to the payment of an unauthorized 2019 climate credit.

11. The Commission should approve $33.78 for the semi-annual Residential Climate Credit to eligible residential customers and a monthly volumetric Small Business Climate Credit of $0.00319 per kilowatt-hour.

12. Liberty's motion to receive Exhibit Liberty-01 and Liberty-02 into the Record should be granted.

13. The preliminary determination that was made in Resolution ALJ 176-3443 of the need for hearings should be changed to hearings are not required.

O R D E R

IT IS ORDERED that:

1. This Decision adopts and approves Liberty Utilities (CalPeco Electric) LLC's 2020 Energy Cost Adjustment Clause Application 19-07-007 as modified and adopted as follows: (a) Revenue Requirement of $24,936,000, (b) Energy Cost Adjustment Clause Billing Factor rate of $42.54 per megawatt-hour, (c) Greenhouse Gas program-related expenses of $57,000, (d) Greenhouse Gas Allowance Revenue Proceeds of $3,954,851, (e) Allowance Revenue Approved for Clean Energy - set aside a fund for Solar on Multifamily Affordable Housing (SOMAH) program of $164,842, (f) a semi-annual Residential Climate Credit of $33.78, and the monthly volumetric Small Business Climate Credit of $0.00319 per kilowatt-hour.

2. Liberty Utilities (CalPeco Electric) LLC shall file a Tier 1 Advice Letter within thirty days from the effective date of this Decision, to implement the Energy Cost Adjustment Clause and California Climate Credit authorized by this Decision.

3. Liberty Utilities (CalPeco Electric) LLC shall also submit a Tier 2 Advice Letter within thirty days of the effective date of this Decision to request recovery of the revenue differential between January 1, 2020 and 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. 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.

5. Liberty Utilities (CalPeco Electric) LLC's motion to admit Exhibit Liberty-01 and Liberty-02 into the Record is granted.

6. The preliminary determination made in Resolution ALJ 176-3443 of the need for hearings is changed to hearings are not required.

7. Application 19-07-007 is closed.

This order is effective today.

Dated May 28, 2020, at San Francisco, California.

MARYBEL BATJER
President
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
Commissioners