Decision 22-09-013 September 15, 2022

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, 2022.	Application 21-08-003

DECISION APPROVING AUTHORITY TO UPDATE RATES PURSUANT TO ENERGY COST ADJUSTMENT CLAUSE AND CALIFORNIA CLIMATE CREDIT AND APPROVING SETTLEMENT AGREEMENT

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DECISION APPROVING AUTHORITY TO UPDATE RATES PURSUANT TO ENERGY COST ADJUSTMENT CLAUSE AND CALIFORNIA CLIMATE CREDIT AND APPROVING SETTLEMENT AGREEMENT

Summary

Today's decision approves the all-party Settlement Agreement between Liberty Utilities (CalPeco Electric) LLC (Liberty), the Public Advocates Office at the California Public Utilities Commission, and A-3 Customer Coalition (Settlement Agreement). The Settlement Agreement authorizes Liberty to modify its Energy Cost Adjustment Clause (ECAC) rates beginning January 1, 2022, to allow for recovery of its fuel and purchased power costs and certain other energy-related costs.

The Settlement Agreement adopts a 2022 ECAC revenue requirement of $36.626 million which represents a 42.8 percent increase over the $25.641 million ECAC in 2021. Amortized over the remaining months until December 2023, this amount translates to an increase of approximately 21 percent in 2022 compared to currently effective rates.

Because the undercollection will be amortized over an extended period, the expected increase in revenues collected through ECAC rates in 2022 is $5.423 million. The remainder of the revenue requirement increase will be realized in 2023.

The adopted revenue requirement is based on $1.95 million in revenue associated with changes to Liberty's Offset Rate and an increase of $9.068 million in its ECAC Balancing Rate collection. The increase in the Balancing Rate calculation is in large part due to a $11.123 million undercollection as of December 31, 2021.

Based on the above, the settlement calculates that the Offset Rate will be changed to $43.68/megawatt-hour (MWh) from $40.13/MWh while the Balancing Rate will be changed to $9.53/MWh from $3.50/MWh.

The new rates for 2022 shall become effective upon the filing of a Tier 1 advice letter, subject to the Energy Division determining that the rates are in compliance with this decision. Liberty is strongly urged to file this advice letter as soon as possible in order to implement the new rates promptly and minimize their rate impact.

The Settlement Agreement also authorizes Liberty to use the following forecasts for purposes of setting its greenhouse gas (GHG) rates that would take effect on January 1, 2022.

1. Forecast 2022 GHG emissions costs incurred directly or indirectly by Liberty as a result of the Cap-and-Trade program;[1]
2. Forecast 2022 administrative and customer outreach expenditures by Liberty associated with the Cap-and-Trade program; and
3. Forecast 2022 allowance revenues Liberty will realize by selling the allowances allocated to its customers by the California Air Resources Board as adjusted by the amortization of the 2021 year-end forecasted over-collection in the GHG Revenue Balancing Account.

The above forecasts reflect Liberty's projected costs to comply with the California Cap-and-Trade program and reconciliation of its 2020 and 2021 GHG costs.

Based on the above forecasts, Liberty would have been required to implement a fixed California Climate Credit of $29.49 to all of its eligible

[1] The California Cap-and-Trade program reduces emissions by setting a limit on pollution and creating a market by putting a price on emissions.

residential and small business customers on their April 2022 bills and is required to implement a fixed California Climate Credit of $29.49 on October 2022 bills .

However, because Liberty had not yet received approval of an updated California Climate Credit amount by April 2022, Liberty issued the prior year authorized amount of $29.96 resulting in an overpayment of $0.47 as compared to the settlement amount of $29.49. In order avoid a modification to the Settlement Agreement on this sole issue, we find it more prudent to accept the settlement terms. Therefore, Liberty shall issue a California Climate Credit of $29.49 to eligible residential and small business customers in October 2022 following the terms of the settlement. Liberty shall request recovery of the $0.47 overcollection in its next ECAC application and this issue shall be addressed in that application.

1. Procedural Background

On August 2, 2021, Liberty Utilities (CalPeco Electric) LLC (Liberty) filed Application (A.) 21-08-003 for authority to update rates pursuant to its Energy Cost Adjustment Clause (ECAC) and its California Climate Credit, effective January 1, 2022.

On September 7, 2021, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a protest to the application while A-3 Customer Coalition (A-3) filed a response to the application on the same day.

Liberty filed a reply to protests and responses on September 16, 2021.

A prehearing conference was held on September 30, 2021, to gather information about the scope, schedule, and other procedural matters.

On October 15, 2021, Liberty filed an amendment to its application to correct omissions and calculation errors that it became aware of. The amendment resulted in changes to the relief originally requested.

On November 29, 2021, the assigned Commissioner issued a Scoping Memorandum and Ruling (Scoping Memo) setting forth the scope and procedural schedule for the proceeding.

On December 27, 2021, the assigned Administrative Law Judge (ALJ) issued a ruling revising the schedule of evidentiary hearings and filing of briefs set forth in the scoping memo.

On February 8, 2022, Liberty, A-3, and Cal Advocates (collectively, Settling Parties) filed a Joint Motion for Approval of Settlement Agreement which purports to resolve all issues among the parties (Joint Settlement Motion).

Also on February 8, 2022, Liberty filed a motion to Admit Prepared Testimony into the Evidentiary Record. The motion was granted on July 14, 2022.

On February 9, 2022, Liberty filed a motion to Seal the Evidentiary Record. The motion requests that certain portions of testimony submitted by Liberty be deemed confidential. The motion was granted on July 14, 2022.

2. Liberty's ECAC

Liberty's ECAC tariff was authorized in Decision (D.) 12-11-030 and requires the utility to file an ECAC application in any year in which it is not filing a general rate case (GRC) application and total ECAC revenues are expected to deviate by more than five percent (plus or minus) from the revenues collected through its current ECAC rates.[2] The purpose of the ECAC is to reflect in rates the cost of fuel and purchased power, and other energy-related costs.[3]

The timing for filing Liberty's ECAC application was modified in D.21-05-005 which "de-linked" Liberty's ECAC application process from its GRC

[2] D.12-11-030 Exhibit B, Preliminary Statement No. 6C.

[3] D.12-11-030 Exhibit B, Preliminary Statement No. 6A.

filing. The modification in D.21-05-005 now requires Liberty to file an annual ECAC application irrespective of its GRC filing timeline.[4] Incidentally, Liberty filed its most recent GRC application (A.21-05-017) in May 2021.

This application represents Liberty's ECAC for 2022 beginning January 1, 2022. In its amended application, Liberty states that its requested increase represents a 42.8 percent increase in rate recovery from its 2021 ECAC application authorized in D.21-05-005.[5]

According to Liberty, the change in ECAC revenues at greater than plus five percent is forecast to occur as a result of a combination of revisions to: (a) its Offset Rate, based on the new fuel and purchased power forecast for the forecast period; and (b) its Balancing Rate, to amortize any project over or undercollection balance in the ECAC as of the revision date.[6] For this application, the revision date is January 1, 2022, and the forecast date is the 12-month period from the revision date.[7]

The increase in the Offset Rate is primarily driven by an increased forecast in fuel and purchased power costs attributed to an increase in the average cost per megawatt-hour (MWh) of purchased power. Meanwhile, the Balancing Rate is set to increase because of an undercollection forecast in Liberty's ECAC balancing account based on the 2021 ECAC settlement decision.[8]

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[4] D.21-05-005 at 9-10 and Ordering Paragraph (OP) 2 at 12.

[5] D.21-05-005 OP 1 at 12.

[6] Application at 4-5.

[7] *Id.* at 5.

[8] D.21-05-005 at 7.

3. Liberty's California Climate Credit

Liberty is including its 2022 greenhouse gas (GHG) revenue forecast and reconciliation request as part of this ECAC application pursuant to D.14-10-033, which requires Liberty to file its GHG forecast revenue and reconciliation requests subsequent to D.14-10-033 as part of its ECAC applications.[9]

Liberty's GHG rates reflect the pass through to customers of GHG costs in 2022 that Liberty will incur for the Cap-and-Trade program. These costs also include forecast administrative and customer outreach expenditures associated with the Cap-and-Trade program and forecast allowance revenues in 2022 that Liberty will realize by selling the allowances allocated to Liberty on behalf of its customers by the California Air Resources Board (CARB).

4. Issues Before the Commission

The issues to be determined are as follows:

1. Whether Liberty's proposed balancing rate is just and reasonable so that it should be approved by the Commission;
2. Whether Liberty's 2022 forecasted purchased power costs are just and reasonable;
3. Whether Liberty's 2022 forecasted tax equity payments to its tax equity partners for the Luning and Turquoise solar projects are in conformance with the Commission decisions approving such tax equity payments;
4. Whether Liberty's resolution of backbill charges asserted by NV Energy is prudent and reasonable;
5. Whether Liberty's proposal to amortize the ECAC Balancing Account undercollection over a 12-month period is reasonable;
6. Whether the Commission should approve Liberty's 2022 forecasted revenue requirement (including 2022 forecast

[9] D.14-10-033 OP 10 at 51.

GHG costs and proposed reconciliation of 2020 GHG costs);

7. Whether the Commission should approve Liberty's 2022 forecast of GHG revenues and expenses, including: (a) GHG allowance revenues; (b) the GHG allowance revenue set aside for clean energy/energy efficiency programs; and (c) the GHG administration, customer outreach expenses;
8. Whether the Commission should approve Liberty's 2022 GHG Allowance Return rates, particularly the proposed California Climate Credits for eligible residential and small commercial customers;
9. Whether the Commission should authorize Liberty to file a Tier 1 advice letter to implement changes to its California Climate Credit rates; and
10. Whether any of the proposals in Liberty's Application will negatively impacts environmental and social justice (ESJ) communities, including the extent to which such impacts, if any, could be remediated to achieve any of the nine goals of the Commission's ESJ Action Plan.[10]

5. Settlement Agreement

As stated in the Background section, a joint motion to adopt a settlement agreement between Liberty, Cal Advocates, and A-3 was filed by the Settling Parties. These three parties represent all the active parties to this proceeding. In the Joint Settlement Motion, the Settling Parties state that all provisions and recommendations previously made by any of them that do not appear in the Settlement Agreement, are either withdrawn or considered submitted without adoption by the Settlement Agreement.[11] Therefore, the Settlement Agreement purports to resolve all issues among all parties in the proceeding.

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[10] Scoping Memo at 3-4.

[11] Joint Settlement Motion at 1.

5.1. Terms of the Settlement Agreement

The Settlement Agreement adopts a 2022 ECAC revenue requirement of $36.626 million which represents a 42.8 percent increase over the $25.641 million ECAC in 2021.

The above ECAC rate is based on Liberty's request of $1.95 million in revenue associated with changes to its Offset Rate and an increase of $9.068 million in the ECAC Balancing Rate collection. The increase in the Balancing Rate calculation is in large part due to a forecasted $11.123 million undercollection as of December 31, 2021.

Because the undercollection will be amortized over a 24-month period, the Settlement Motion states that the increase in the 2022 ECAC Balancing Rate calculation is $3.507 million reflecting the collection of $5.562 million out of the $11.123 million undercollection. The 24-month amortization results in in an ECAC increase of $5.423 million in 2022 or 21 percent more that current ECAC rates.

Based on the above, the settlement calculates that the Offset Rate will be changed to $43.68/MWh from $40.13/MWh[12] while the Balancing Rate will be changed to $9.53/MWh from $3.50/MWh.

Regarding Liberty's Climate Credit calculation, the Settlement Agreement also adopts the following forecasts for purposes of setting GHG rates that would take effect on January 1, 2022.

[12] Article 4 of the Settlement Agreement states the current rate is $37.20/MWh while the Settlement Motion states that the current rate is $40.13/MWh. In any case, the 2022 rate will be $43.68/MWh.

Regarding Liberty's California Climate Credit, the Settlement Agreement provides that for purposes of setting its GHG rates, the following forecasts shall be used:

1. Forecast 2022 GHG emissions costs incurred directly or indirectly by Liberty as a result of the Cap-and-Trade program (GHG Costs);
2. Forecast 2022 administrative and customer outreach expenditures by Liberty associated with the Cap-and-Trade program (GHG Administrative and Customer Outreach Expenses); and
3. Forecast 2022 allowance revenues Liberty will realize by selling the allowances allocated to its customers by CARB (GHG Allowance Revenues), as adjusted by the amortization of the 2021 year-end forecasted over-collection in the GHG Revenue Balancing Account.[13]

The Settling Parties agree that Liberty's reconciliation of its 2021 GHG costs are reasonable.

In addition, Liberty shall: (a) update its Carbon Pollution Permit Cost rate to \$0.00555/kilowatt-hour (kWh);[14] (b) set its small business rate credit to \$0.00/kWh to reflect the end of the volumetric small business credit as required by D.21-08-026;[15] and (c) update the amount of the semi-annual residential and small business credit to \$29.49 through the following GHG cost, accounting, and ratemaking matters:

[13] Settlement Agreement Article 5 at 2-3.

[14] The current GHG Balancing Account preliminary statement states that the Carbon Pollution Permit Cost rate credit is \$0.00637/kWh. The Settlement Agreement reduces the credit by \$0.00082/kWh resulting in \$0.00555/kWh.

[15] The volumetric small business credit was replaced with a flat small business credit by D.21-08-026.

(1) Total confidential forecast 2022 GHG Costs represented on Line 15 of Template D-2 attached in Appendix D of the supporting testimony;

(2) Total forecast 2021 GHG Administrative and Outreach Expenses: (-$2,688), which is a negative amount due to the requirements for a credit of $18,600 from the settlement of A.20-08-001;

(3) Total forecast 2022 GHG Adjusted Allowance Revenues: $4,371,516;

(4) Total forecast 2022 Energy-Intensive, Trade-Exposed Customer Return: $0.00; and

(5) Total recorded 2020 and 2021 GHG Administrative and Outreach Expenses: $5,205.[16]

Based on the above forecasts, the Settlement Agreement provides that Liberty will issue a semi-annual residential and small business California Climate Credit amount of $29.49 to eligible customers on the bills that they were due to receive in April 2022 and October 2022.

5.2. Standard of Review

With respect to any settlement agreement, we will only approve settlements that are reasonable in light of the record as a whole, consistent with the law, and are in the public interest. In order to consider any possible proposed settlement in this proceeding as being in the public interest, we must be convinced that the parties have a sound and thorough understanding of the application and all of the underlying assumptions and data included in the record. This level of understanding of the application and development of an adequate record are necessary to meet our requirements for considering any settlement.

[16] Settlement Agreement Article 5 at 3.

5.3. Discussion

The Settlement Agreement adopts an ECAC revenue requirement of $36.626 million in 2022 compared to $25.641 million in 2021. The increase is based on a $1.915 million increase in Liberty's Offset Rate and a $9.068 million increase in Liberty's Balancing Rate. As stated before, the Offset Rate and Balancing Rate are the main components of Liberty's ECAC rate.

We carefully reviewed the Settlement Agreement and considered the various proposals included therein. Based on our review and analysis, we find the Settlement Agreement to be fair and reasonable in light of the record as a whole.

Liberty's amended application requested a $10.984 million increase in 2022 ECAC rates due to a projected $1.915 million annual increase in its Offset Rate and a $9.068 million increase in its Balancing Rate. The Balancing Rate calculation and overall increase in ECAC revenue requirement is in large part due to a projected overall undercollection of $11.123 million.

As we can see, the settlement adopts the Offset Rate and Balancing Rate requested by Liberty in its amended application. The settlement also recognizes the projected undercollection of $11.123 million as of December 2021.

The reasons for the increases are supported by the record of the proceeding and Exhibit Liberty-01. The Offset Rate increase is primarily associated with the increase in quantity of purchased power and the inclusion of the 2022 tax equity payments[17] for the Luning and Turquoise solar project tax equity partners. Parties generally do not contest the increased costs as well as the projected undercollection of $11.123 million.

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[17] Tax equity is a form of project financing using a combination of project-generated cash flow and federal tax benefits which include both tax deductions and tax credits.

Regarding the tax equity payment, many energy-generating assets are financed using tax equity and we find that the projected tax equity payments agreed-upon in the Settlement Agreement appear to be reasonable and form part of the agreements and concessions made by the Settling Parties. According to the Settling Parties, the tax equity payments were approved in prior Commission decisions but were erroneously excluded from the ECAC balancing account in the past.[18]

Meanwhile, the increase in the Balancing Rate is due to two factors based on the record of the proceeding. The first factor is a meter reading and billing issue with NV Energy amounting to $1.729 million. From 2011 to 2015, Liberty procured essentially all of its energy supply through a service agreement with NV Energy. D.15-12-021 authorized a new agreement which commenced January 1, 2016 to April 30, 2022. A meter reading error was discovered in May 2021 wherein Liberty was calculated to have been undercharged $1.729 million from the time period of June 2019 to May 2021. This means that Liberty owed NV Energy $1.729 million. The invoices from NV Energy from June 2019 through May 2021 appear to be sufficiently documented by Liberty's testimony and assertions. Second, Liberty updated its application to account for recorded 2021 costs and revenues mostly associated with increased costs in power purchases over the summer of 2021. Again, parties generally do not contest the proposed increase in Liberty's Balancing Rate and the reasons for the increases are set forth in Liberty's testimony.

A significant difference between the settlement and Liberty's application is the agreement by the Settling Parties to include a 24-month amortization of the

[18] Settlement Motion at 3 and D.16-02-021 and D.17-12-008.

$11.123 million undercollection described in Liberty's application. The amortization results in an increase of $5.423 million of revenues to be collected through ECAC rates or a 21.1 percent increase relative to 2021 ECAC revenues instead of $10.985 million or a 42.8 percent increase. While the remainder of the revenue requirement increase will still be collected in 2023, the longer amortization period helps Liberty's customers by providing a more gradual increase in rates and their monthly bills. The longer amortization period is a reasonable compromise to help alleviate the large increase in ECAC rates.

Regarding Liberty's California Climate Credit, the Settlement Agreement adopts Liberty's forecasts for GHG Costs, GHG Customer and Administrative Expenses, and adjusted GHG Allowance Revenues. In addition, Liberty shall set its Carbon Pollution Permit Cost rate to $0.00555/kWh, set its small business credit rate to $0.00/kWh to reflect the end of the volumetric small business credit as required by D.21-08-026, and update the amount of the semi-annual residential credit to $29.49 using the GHG accounting and ratemaking matters specified in Article 5 of the Settlement Agreement. The forecasts and methodology were not objected to by parties and are supported by Liberty's testimony.

The GHG rates adopted by the settlement results in the issuance by Liberty to eligible residential and small business customers of a climate credit in the amount of $29.49 in the bills that they were due to receive in April 2022 and October 2022. Issuance of a climate credit twice a year is in accordance with prior Commission decisions[19] and so we find this reasonable. The amount of the

[19] D.21-08-026 and D.14-10-033.

climate credit was based on agreed-upon forecasts between the Settling Parties concerning Liberty's GHG rates that would take effect on January 1, 2022.

Liberty's Climate Credit and forecast GHG rates are based on agreed-upon forecasts that Liberty expects to incur to comply with the Cap-and-Trade program and reconciliation of its 2020 and 2021 GHG costs. We find the Climate Credit terms reasonable.

Liberty did not have an approved California Climate Credit in April 2022 and in that month distributed the prior year amount which was $29.96. This results in an overpayment to the customer of $0.47 against the authorized amount in the Settlement Agreement which is $29.49. However, in order to prevent additional delay to the proceeding, we find it more prudent not to change the California Climate Credit amount agreed upon in the settlement by all parties. Thus, Liberty shall issue a California Climate Credit amount of $29.49 in October 2022 following the terms of the settlement. Liberty shall request recovery of the $0.47 overpayments (in total, $0.94 per customer) in its next ECAC application and truing up the Climate Credit amounts shall be addressed in that application.

The Settling Parties represent that the terms of the Settlement Agreement do not contravene any statutory provision or prior Commission decision and we agree. The settlement consists of agreements concerning Liberty's ECAC and GHG rates as well as the components that make up these two rates. While the values may differ each year, the process involved is the same and the settlement terms were arrived at consistent with the process used in Liberty's prior ECAC and Climate Credit applications.

We also find that the Settlement Agreement is in the public interest. The settlement involves all active parties in the proceeding and resolves all issues and concerns raised by intervenors. The Settling Parties are well informed and state that the Settlement Agreement is a reasonable compromise because it was arrived at after a robust discovery process which included data requests and due diligence efforts conducted by parties representing Liberty's customer classes.[20] The rates adopted in the Settlement Agreement will allow Liberty to perform its obligations to its customers while the amortization of the 2021 undercollection over 2022 and 2023 lessens the immediate impact on ratepayers by dividing the additional costs over a longer period of time. There were also no objections to the Settlement Agreement. While the timing of this decision (issued more than halfway through 2022) reduces the actual number of months over which costs will be recovered, we still find the longer amortization and resulting rate impact to be reasonable and far preferable to recovering the full amount in 2022.

Based on the foregoing, we find that the Settlement Agreement meets the Commission's standards for settlements in that it is reasonable in light of the record as a whole, is consistent with law, and is in the public interest.

6. Compliance with the ESJ Action Plan

In February 2019, the Commission adopted the ESJ Action Plan to serve as a roadmap for implementing the Commission's vision to advance equity in its programs and policies for ESJ or disadvantaged communities.[21] The ESJ Action Plan includes goals related to health and safety, consumer protection, program benefits, and enforcement in sectors regulated by the Commission.

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[20] Settlement Motion at 3.

[21] The ESJ Action Plan was approved February 21, 2019, in CPUC Public Agenda 3433 at Item #44 [17051]. Version 2.0 of the ESJ Action Plan was approved April 7, 2022, in CPUC Public Agenda 3505 at Item #45 [20479]. The Commission adopted Version 2.0 of the ESJ Action Plan on April 7, 2022.

Liberty's service territory is located in and around the Tahoe-Truckee region and nearby mountain communities. These areas generally do not include disadvantaged communities although there are low-income households in the area on an individual basis. According to Liberty, it is working on energy solutions for housing projects available to low-income households and implements several programs designed to assist low-income households such as the California Alternate Rates for Energy (CARE) program, medical baseline program, *etc*. Most of these programs, however, are considered in Liberty's GRC application and not in its ECAC application. This ECAC application, however, does not contravene any of the nine goals in the Commission's ESJ Action Plan and the 24-month amortization relating to ECAC rate increases adheres to the ESJ Action Plan.

7. Conclusion

We find the all-party Settlement Agreement between Liberty, Cal Advocates, and A-3 reasonable in light of the record as a whole, consistent with law, and in the public interest. Therefore, the February 8, 2022, Joint Settlement Motion should be approved.

The proposed 2022 ECAC revenue requirement of $36.626 million, which represents a 42.8 percent revenue requirement increase over the $25.641 million revenue requirement in the 2021 ECAC, should be approved.

The above rates are based on $1.95 million in revenue associated with changes to Liberty's Offset Rate and an increase of $9.068 million in the ECAC Balancing Rate collection. The increase in the Balancing Rate calculation addresses a forecast $11.123 million undercollection as of December 31, 2021.

Because the undercollection will be amortized over a 24-month period, the expected increase in revenues collected through ECAC rates in 2022 is

$5.423 million which represents a 21.1 percent increase relative to 2021 ECAC rates. The remainder of the revenue requirement increase will be realized in 2023.

The projected change to the ECAC Balancing Rate collection in 2022 is $5.562 million which represents an increase of $3.507 million from 2021. This is due to the 24-month amortization of a forecast $11.123 million undercollection as of December 31, 2021. The total undercollection amount will be amortized over a 24-month period and the 2022 ECAC rate reflects this amortization.

Based on the above, the settlement calculates that the Offset Rate will be changed to $43.68/MWh from $40.13/MWh while the Balancing Rate will be changed to $9.53/MWh from $3.50/MWh.

Regarding Liberty's California Climate Credit, the Settlement Agreement adopts Liberty's forecasts for GHG Costs, GHG Customer and Administrative Expenses, and adjusted GHG Allowance Revenues as specified in Article 5 of the Settlement Agreement.

In addition, Liberty shall update its Carbon Pollution Permit Cost rate to $0.00555/kWh, set the small business credit rate to $0.00/kWh to reflect the end of the volumetric small business credit as required by D.21-08-026, and set the amount of the semi-annual residential credit to $29.49 using the GHG accounting and ratemaking matters specified in Article 5 of the Settlement Agreement.

Based on the above forecasts, the Settlement Agreement provides that Liberty will issue semi-annual California Climate Credit amount of $29.49 to eligible residential and small business customers on the bills they were due to receive in April 2022 and October 2022.

Liberty is instructed to file a Tier 1 advice letter to implement the new ECAC and GHG rates adopted in the Settlement Agreement, subject to the Energy Division determining that the rates are in compliance with this decision.

8. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, as provided in Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day public review and comment period for this decision is waived.

9. Assignment of Proceeding

Commissioner John Reynolds is the assigned Commissioner and Rafael Lirag is the assigned ALJ in this proceeding.

Findings of Fact

1. D.12-11-030 requires Liberty to file an ECAC application in any year in which it is not filing a GRC, and total ECAC revenues are expected to deviate by more than five percent from revenues collected through its current ECAC rates.

2. According to Liberty, a change in ECAC revenues at greater than plus five percent is forecast to occur.

3. D.21-05-005 modified D.12-11-030 and now requires Liberty to file an annual ECAC application irrespective of its GRC filing timeline.

4. The increase in the Offset Rate is primarily driven by an increased forecast in fuel and purchased power costs attributed to an increase in the average cost per MWh of purchased power.

5. The Balancing Rate is set to increase because of an undercollection recorded in Liberty's ECAC balancing account based on the 2020 ECAC settlement decision.

6. D.14-10-033 requires Liberty to file its GHG forecast revenue and reconciliation requests subsequent to D.14-10-033, as part of its ECAC applications.

7. The Settling Parties state that all provisions and recommendations previously made by any of them that do not appear in the Settlement Agreement, are either withdrawn or considered submitted without adoption by the Settlement Agreement.

8. The proposed increase for Liberty's 2022 ECAC rates is due to a projected $1.915 million annual increase in its Offset Rate and a $9.068 million increase in its Balancing Rate.

9. The Offset Rate increase is primarily associated with the increase in quantity of purchased power and the inclusion of the 2022 tax equity payments for the Luning and Turquoise solar project tax equity partners.

10. The tax equity payments were approved in prior Commission decisions but were erroneously excluded from the ECAC balancing account in the past.

11. The increase in the Balancing Rate is due to a meter reading and billing issue and because Liberty updated its application to account for recorded 2021 costs and revenues mostly associated with increased costs in power purchases over the summer of 2021.

12. Parties generally do not contest the projected undercollection of $11.123 million.

13. The reasons for the Offset Rate and Balancing Rate increases are supported by the record of the proceeding and Exhibit Liberty-01.

14. The amortization of the 2021 undercollection amounts over a 24-month period lessens the immediate impact on ratepayers by spreading the additional costs over a longer period of time.

15. If the settlement terms are adopted, the settlement calculates that in 2022, the Offset Rate will be changed to $43.68/MWh from $40.13/MWh while the Balancing Rate will be changed to $9.53/MWh from $3.50/MWh.

16. Liberty's California Climate Credit and forecast GHG rates are based on agreed-upon forecasts that Liberty expects to incur to comply with the Cap-and-Trade program and reconciliation of its 2020 and 2021 GHG costs.

17. The agreed-upon forecasts and methodology were not objected to by parties and are supported by Liberty's testimony.

18. Issuance of a climate credit twice a year is in accordance with prior Commission decisions.

19. The GHG rates adopted by the settlement result in the issuance by Liberty to eligible residential and small business customers of a climate credit in the amount of $29.49 in the bills that they received in April 2022 and will receive October 2022.

20. Liberty distributed the prior year Climate Credit amount of $29.96 last April 2022 resulting in an overcollection (by the customer on a per customer basis) of $0.47 against the authorized amount of $29.49 in the Settlement Agreement which is $29.49.

21. In order to prevent additional delay to the proceeding, it is more prudent not to change the California Climate Credit amount agreed upon in the settlement by all parties.

22. The Settling Parties represent that the terms of the Settlement Agreement do not contravene any statutory provision or prior Commission decision.

23. The settlement terms were arrived at consistent with the process in Liberty's prior ECAC and Climate Credit applications.

24. The settlement involves all active parties in the proceeding and resolves all issues and concerns raised by intervenors.

25. The Settling Parties are well informed and state that the Settlement Agreement is a reasonable compromise because it was arrived at after a robust

discovery process which included data requests and due diligence efforts conducted by parties representing Liberty's customer classes.

26. The rates adopted in the Settlement Agreement will allow Liberty to perform its obligations to its customers.

27. There were no objections to the Settlement Agreement.

28. Liberty's service territory generally does not include disadvantaged communities although there are low-income households on an individual basis.

29. Most of Liberty's programs concerning energy solutions for housing projects available to low-income households and programs designed to assist low-income households are presented in its GRC application.

30. The 24-month amortization relating to ECAC rate increases adheres to the ESJ Action Plan.

Conclusions of Law

1. Liberty correctly filed this ECAC application pursuant to D.12-11-030 and D.21-05-005.

2. Liberty correctly included its 2022 GHG revenue forecast and reconciliation request as part of this ECAC application.

3. The Settlement Agreement resolves all issues among all the parties.

4. It is reasonable to include the tax equity payments for the Luning and Turquoise solar project tax equity partners.

5. The proposed 2022 ECAC revenue requirement of $36.626 million which represents a 42.8 percent increase over the $25.641 million ECAC in 2021 should be approved.

6. The 24-month amortization period is a reasonable compromise to help alleviate the large increase in ECAC rates.

7. The California Climate Credit terms in the Settlement Agreement are reasonable and should be approved.

8. Liberty should issue a California Climate Credit amount of $29.49 in October 2022 following the terms of the settlement and may request recovery of the $0.47 overcollection (by customers on a per customer basis) in its next ECAC application.

9. The Settlement Agreement meets the Commission's standards for settlements in that it is reasonable in light of the record as a whole, is consistent with law, and is in the public interest.

10. This ECAC application does not contravene any of the nine goals in the Commission's ESJ Action Plan.

11. The Settlement Agreement should be adopted.

12. The February 8, 2022, Joint Settlement Motion should be approved.

O R D E R

IT IS ORDERED that:

1. The February 8, 2022, Joint Motion for Approval of Settlement Agreement filed by Liberty Utilities (CalPeco Electric) LLC, the Public Advocates Office at the California Public Utilities Commission, and A-3 Customer Coalition is approved.

2. The Settlement Agreement between Liberty Utilities (CalPeco Electric) LLC, the Public Advocates Office at the California Public Utilities Commission, and A-3 Customer Coalition is adopted.

3. Liberty Utilities (CalPeco Electric) LLC (Liberty) is authorized to have a revenue requirement of $36.626 million for its 2022 Energy Cost Adjustment Clause (ECAC) effective January 1, 2022.

a. Liberty's proposal to increase its Offset Rate to $43.68/megawatt-hour (MWh) hour is approved, effective on the date of this order;

b. Liberty's proposal to increase its Balancing Rate to $9.53/MWh is approved, effective on the date of this order; and

c. The 24-month amortization of the projected $11.123 undercollection is approved. This 24-month amortization is projected to result in an increase of $5.423 million in ECAC revenues relative to 2021 ECAC rates.

4. The forecasts for purposes of setting Liberty Utilities (CalPeco Electric) LLC's (Liberty) greenhouse gas (GHG) rates specified in Article 5 of the Settlement Agreement between Liberty, the Public Advocates Office at the California Public Utilities Commission, and A-3 Customer Coalition (Settlement Agreement) are adopted. In addition, Liberty shall do the following:

a. Liberty shall set its Carbon Pollution Cost rate to $0.00555/kilowatt-hour (kWh);

b. Liberty shall set its small business rate volumetric credit to $0.00/kWh to reflect the end of the volumetric credit as required by D.21-08-026;

c. Liberty shall decrease the amount of semi-annual residential credit by $0.47 through the GHG cost accounting and ratemaking matters specified in Article 5 of the Settlement Agreement; and

d. Liberty shall issue a California Climate Credit of $29.49 in the October 2022 bills that eligible residential and small business customers shall receive in October 2022.

5. Within 30 days of the effective date of this decision, Liberty Utilities (CalPeco Electric) LLC shall file a Tier 1 advice letter with tariffs to implement the rates authorized by this decision. The tariffs shall become effective on or after

the filing of the advice letter subject to review by the Commission's Energy Division.

6. Application 21-08-003 is closed.

This order is effective today.

Dated September 15, 2022, at Clovis, California.

ALICE REYNOLDS
President
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
DARCIE L. HOUCK
JOHN REYNOLDS
Commissioners

ATTACHMENT 1

SETTLEMENT AGREEMENT
OF THE ENERGY COST ADJUSTMENT CLAUSE
AND CALIFORNIA CLIMATE CREDIT