Decision 25-08-012 August 14, 2025

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Liberty Utilities (CalPeco Electric) LLC (U 933 E) for Authority to Update Rates Pursuant to its Energy Cost Adjustment Clause and its California Climate Credit, Effective January 1, 2024.	Application 24-04-010

DECISION ADOPTING SETTLEMENT AGREEMENT

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DECISION ADOPTING SETTLEMENT AGREEMENT

Summary

This decision grants the Joint Motion of Liberty Utilities (CalPeco Electric) LLC (Liberty), the A-3 Customer Coalition (A-3), and the Public Advocates Office at the California Public Utilities Commission for adoption of their all-party Settlement Agreement that resolves all issues in scope in this proceeding.

The Settlement Agreement: (1) authorizes Liberty to modify its Energy Cost Adjustment Clause (ECAC) rates to reflect Fuel and Purchased Power Costs and other energy-related costs; (2) adopts an annual ECAC revenue requirement of $56.782 million (reflecting the projected $45.765 million undercollection, to be amortized over 24 months); and (3) adopts a semi-annual California Climate Credit to residential customers of $71.98. The Settlement Agreement reflects a 28.9 percent annual increase in the rate recovery from ECAC rate modifications authorized in Liberty's 2022 ECAC Application.[1] The increase is mainly driven by an undercollection of $45.765 million in the ECAC Balancing Account.[2] Residential rates will reflect an average of 7.2 to 8.9 percent annual increase in Liberty's ECAC rates,[3] which translates to an approximate monthly bill increase of $14.04 to $15.61 for the average residential customer. The Settlement Agreement meets the requirements of the Commission's Rules of Practice and

[1] Settlement Agreement (attached as Appendix A) at 2.

[2] Joint Motion filed on January 14, 2025, at 9 (Settlement Motion).

[3] Settlement Motion at Attachment 2.

Procedure because it is reasonable in light of the whole record, consistent with law, and in the public interest.

This proceeding is closed.

1. Background

Liberty Utilities (CalPeco Electric) LLC (Liberty) serves approximately 50,000 electric customers in and around the Lake Tahoe Basin in California. On April 23, 2024, Liberty filed Application (A.) 24-04-010, seeking approval from the California Public Utilities Commission (Commission) to update rates pursuant to its Energy Cost Adjustment Clause (ECAC) and its California Climate Credit. Liberty seeks approval for its greenhouse gas (GHG) 2023 cost and revenue forecast and reconciliation and to set California Climate Credit rates accordingly to be effective January 1, 2024.[4] Liberty also requests Commission approval for: a forecasted 2024 ECAC revenue requirement of $56.782 million, reflecting a 28.9 percent increase over current ECAC rates;[5] amortization of a projected $45.765 million undercollection in the ECAC balancing account as of the revision date;[6] approval of a proposed ratemaking treatment for the Turquoise Project buy-out; [7] updated GHG allowance revenue and expense forecasts, and a proposed California Climate Credit of $71.98 for eligible customers;[8] and continuation of Liberty's Tariff True-Up Mechanism, permitting

[4] ECAC Application (A.) 24-04-010 at 1-2 (ECAC Application).

[5] *Id*. at 2.

[6] *Id*. at 5.

[7] *Id*. at 6.

[8] *Id*. at Appendix B.

quarterly ECAC adjustments under defined conditions.[9] Liberty asserts that these changes are necessary to ensure timely cost recovery, regulatory compliance, and bill stability for customers.

Liberty's ECAC tariff, originally authorized in Decision (D.) 12-11-030 and as amended by D.21-05-005, requires the utility to file an ECAC application in any year in which total ECAC revenues are expected to deviate by more than plus or minus five percent from the revenues collected through its current ECAC rates. Liberty requested an annual increase in ECAC rates of $56.782 million in its application, which is a 28.9 percent annual increase in the rate recovery from ECAC rate modifications authorized in Liberty's 2022 ECAC Application.[10]

On May 13, 2024, A-3 filed a response to Liberty's ECAC Application; and on May 28, 2024, Public Advocates Office (Cal Advocates) filed a protest. Liberty replied to both on June 7, 2024. The assigned Administrative Law Judge (ALJ) held a prehearing conference (PHC) on July 2, 2024. The Assigned Commissioner's Scoping Memo and Ruling was issued on July 29, 2024 (Scoping Memo). Status Conferences were held on August 6, 2024, September 18, 2024, November 6, 2024, and January 9, 2025. A motion to enter the final testimony of Dan Marsh and Christina Pak into the record of this proceeding was filed on October 24, 2024.

On January 14, 2025, Liberty, Cal Advocates, and A-3 (Settling Parties) filed a joint motion for approval of their all-party Settlement Agreement

[9] *Id*. at 8.

[10] *Id.* at 1.

(Settlement Motion). Liberty is the regulated electric utility serving Lake Tahoe and the surrounding region; Cal Advocates is the Commission's independent consumer advocate representing all California utility customers, including residential and low-income customers; and A-3 represents large commercial, governmental, and institutional customers. Together, these Settling Parties reflect a broad and diverse range of affected interests. The applicant utility, residential consumers, small businesses, and large institutional customers all had their interests represented in the settlement negotiations. The Settlement Agreement does not contravene any statutory provisions or prior Commission decisions. No party to the proceeding opposed the Settlement Agreement.

On May 2, 2025, the parties filed a joint response to the ALJ's Ruling Requesting Additional Information. This matter was deemed submitted on May 6, 2025, per the ALJ's Ruling Regarding Submission Date.

2. Settlement Agreement in Relation to Scoped Issues

The Commission's July 29, 2024 Scoping Memo identified the following eight issues to be determined:

1. Reasonableness of Liberty's 2024 forecasted revenue requirement, including GHG costs and 2023 GHG reconciliation.
2. Reasonableness of Liberty's 2024 forecasted purchased power costs.
3. Amortization of the projected undercollection balance in the ECAC.
4. Reasonableness of Liberty's ratemaking treatment for the Turquoise Project buy-out.
5. Reasonableness of Liberty's forecast of GHG revenues and expenses, including:

a. GHG allowance revenues;
b. Set-asides for clean energy/efficiency programs; and
c. GHG administrative and customer outreach expenses.

6. Reasonableness of the 2024 GHG Allowance Return (California Climate Credit).
7. Reasonableness of Liberty's proposed ECAC Tariff True-Up Mechanism.
8. Potential impacts on environmental and social justice (ESJ) communities, and whether those impacts may be mitigated.[11]

The Settlement Agreement resolves these eight issues. Below is an issue-by-issue summary of how the Settlement Agreement resolves each scoped issue.

Issue 1: Forecasted Revenue Requirement and GHG Reconciliation. Liberty proposed a total 2024 ECAC revenue requirement of $56.782 million, which includes its forecasted GHG costs and the reconciliation of 2023 GHG expenses.[12] The Settling Parties agreed to adopt Liberty's forecasted ECAC revenue requirement without modification.[13]

Issue 2: Purchased Power Cost Forecast. Liberty explained that higher forecasted purchased power costs in 2024 are primarily due to higher bilateral contract prices and market power prices.[14] The Settlement Agreement does not

[11] Scoping Memo at 2–3.

[12] ECAC Application at 2, 5.

[13] Settlement Agreement, § 4.1; Joint Motion at 3.

[14] ECAC Application at 6.

revise Liberty's purchased power cost forecasts. The forecast is adopted as proposed.[15]

Issue 3: ECAC Undercollection Amortization. Liberty proposed to amortize a $45.765 million undercollection in its ECAC balancing account.[16] The Settling Parties agreed to amortize the undercollection over 24 months beginning January 1, 2024; this extended recovery period was selected to mitigate rate shock.[17]

Issue 4: Turquoise Project Buy-Out. Liberty requested recovery of costs associated with its buy-out of the Turquoise Project power purchase agreement.[18] The Settling Parties agreed that the buy-out cost will be capitalized rather than expensed through the ECAC, which allows for gradual cost recovery over time.[19]

Issue 5: GHG Revenue and Expense Forecasts. Liberty forecasted $6.31 million in 2024 GHG allowance revenues and proposed modest administrative costs.[20] The Settlement Agreement included GHG allowance revenues of $6.31 million; 2024 admin expenses of $12,232; and 2023 admin reconciliation of $2,500.[21] The settlement resolves all components of GHG-related forecasts.

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[15] Settlement Agreement, § 4.1; Joint Motion at 3–4.

[16] ECAC Application at 5.

[17] Settlement Agreement, § 4.2; Joint Motion at 4–5.

[18] ECAC Application at 6.

[19] Settlement Agreement, § 4.3; Joint Motion at 6.

[20] ECAC Application, Appendix B.

[21] Settlement Agreement, § 4.4; Joint Motion at 6–7.

Issue 6: California Climate Credit. Liberty proposed a semi-annual climate credit of $71.98 for residential and small commercial customers.[22] The Settlement Agreement adopts this amount.[23] The credit is supported and undisputed among Settling Parties.

Issue 7: Tariff True-Up Mechanism. Liberty proposed a mechanism to allow ECAC rate adjustments via quarterly Tier 1 Advice Letters when variances exceed plus or minus five percent.[24] The Settling Parties accept the mechanism as proposed and agree that Liberty will not request further ECAC modifications until its next annual filing.[25]

Issue 8: ESJ Community Impacts. Liberty noted it does not serve Disadvantaged Communities (DACs) as defined by CalEnviroScreen but acknowledged the economic vulnerability of many customers in its service territory.[26] The 24-month amortization period was included specifically to reduce potential bill spikes for vulnerable customers in South Lake Tahoe, Truckee, and similar communities.[27]

[22] ECAC Application, Appendix B.

[23] Settlement Agreement, § 4.5; Joint Motion at 7.

[24] ECAC Application at 8.

[25] Settlement Agreement, § 4.6; Joint Motion at 8.

[26] ECAC Application at 10.

[27] Settlement Agreement, § 4.2; Joint Motion at 8–9.

3. Commission Review of the Settlement Agreement Under Article 12 of the Rules of Practice and Procedure

To determine if the Settlement Agreement should be approved in whole or in part, or rejected outright, this decision analyzes the settlement in accordance with Article 12 of the Commission's Rules of Practice and Procedure (Rules), which applies to contested and uncontested settlements. The Settlement Agreement is uncontested. The Commission has long favored the settlement of disputes. Under Rule 12.1(d), the Commission will not approve a settlement unless it is reasonable in light of the whole record, consistent with law, and in the public interest. Sections 3.1 through 3.7 below describe the most salient provisions of the Settlement Agreement. Sections 3.8 through 3.10 analyze whether the Settlement Agreement satisfies the Rule 12.1(d) requirements.

3.1. Liberty's Annual Requested Revenue Requirement and Rates Related to the Energy Cost Adjustment Clause

Liberty's annual revenue of $56.782 million reflected in the Settlement Agreement represents a 28.9 percent annual increase in the rate recovery from ECAC rate modifications requested in Liberty's 2022 ECAC Application.[28] The $56.782 million reflects a change in the offset rate from $59.44 per megawatt hours (MWh) to $57.65/MWh, which will generate 2.7 percent less revenue (a $0.926 million decrease in revenue from the previous ECAC).[29] And a change in the balancing rate from $15.73/MWh to $38.92/MWh, which will generate 148.3

[28] Settlement Motion at 8.

[29] *Id.* at 10.

percent more revenue (a $13.665 million increase in revenue from the previous ECAC).[30] On balance, these proposed changes will result in an overall increase in the aggregate ECAC rate from $75.17/MWh to $96.57/MWh.[31]

This overall net increase consists of (1) an approximate annual $925,869 decrease associated with changes to the Offset Rate, and (2) an approximate annual $13.665 million increase associated with changes to the Balancing Rate.[32] The decrease related to the Offset Rate is primarily driven by the forecasted decrease in the Fuel and Purchased Power Costs, which is attributable to a decrease in the average cost per megawatt hour of purchased power and confidential payments Liberty will indirectly be obligated to pay the minority owners (Tax Equity Partners) of the Luning Project and Turquoise Project (Tax Equity Partner Distribution Payments).[33] The increase in Balancing Rate is due to Liberty's forecasted undercollection of $45.765 million in the ECAC Balancing Account.[34] The undercollection was due to higher than forecasted energy costs and delayed implementation of 2022 ECAC rates.[35]

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[30] *Ibid.*

[31] *Ibid.*

[32] ECAC Application at 4.

[33] *Id.* at 5.

[34] *Ibid.*

[35] Intended for an effective date of January 1, 2022, the 2022 ECAC rates did not go into effect until October 1, 2022. Customers were charged an outdated, lower rate while 2022 wholesale energy prices tripled from 2020.

3.2. Factors Affecting Fuel and Purchased Power Costs

In D.15-12-021, the Commission approved a services agreement with NV Energy (2016 NV Energy Services Agreement), which commenced January 1, 2016, and expired December 30, 2020.[36] Liberty's current services agreement with NV Energy commenced on December 30, 2020 (2021 NV Energy Services Agreement) and provides material benefits for Liberty's customers by allowing Liberty to (1) continue to develop additional utility-owned renewable resources, such as the Luning Expansion Project; (2) explore possible alternative transmission arrangements; (3) reduce the distribution charge and demand charge rate paid to NV Energy; and (4) remove the demand ratchet so that charges better reflect actual demand.[37]

Liberty forecasts generation in 2024 as follows: (1) the Luning Project will deliver approximately 124,000 MWh to Liberty; and (2) the Turquoise Project will deliver approximately 15,000 MWh to Liberty.[38] The generation from both of these projects will displace renewable generation that Liberty would otherwise purchase pursuant to the 2020 NV Energy Services Agreement.[39] This displacement in purchases from NV Energy by the deliveries from the Luning Project and the Turquoise Project decreases Liberty's forecast of power purchases, which, in turn, reduces the forecast of the Fuel and Purchased Power

[36] ECAC Application at 3.

[37] Advice Letter 153-E, "Liberty Utilities […]— Request for Approval of 2021 Energy Services Agreement with Sierra Pacific Power Company, dba NV Energy."

[38] ECAC Application at 3.

[39] *Ibid.*

Costs used to derive Liberty's ECAC rates.[40] In addition, D. 23-08-032 authorized Liberty to expand the Luning Project.[41]

Lastly, Liberty owns and operates the 12-megawatt diesel-fired Kings Beach Generating Station (Kings Beach).[42] Kings Beach is permitted to operate no more than 720 "machine hours" per calendar year and is used in limited, emergency situations.[43] The plant's production is expected to be minimal.[44]

3.3. Greenhouse Gas Revenues and Expenses

The Settling Parties agreed Liberty will use the following forecasts[45] for setting its GHG rates, reflecting the GHG costs incurred for the California Cap-and-Trade program, and are passed on to customers, to be effective in 2024:

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

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[40] *Ibid*

[41] *Ibid.*

[42] *Ibid*

[43] *Id.* at 3-4.

[44] *Id.* at 4.

[45] Settlement Agreement at 3.

The Settling Parties agreed that Liberty's reconciliation of its 2024 GHG Costs are reasonable, and Liberty will adjust its 2024 California Climate Credit rates accordingly.[46] Liberty agreed to provide residential customers with a semi-annual California Climate Credit of $71.98; this credit is applicable to 2024 and will appear on customer bills in April and October.[47]

Liberty has already distributed the April 2025 climate credit in the previously authorized amount of $80.25, rather than the $71.98 amount proposed in the Settlement Agreement. As a result, customers have received an additional $8.27. The parties agreed that the best way to address this differential amount would be via a true-up mechanism and the Tier 1 Advice Letter process.[48] The Commission, therefore, shall direct Liberty to true-up the differential amount in the October 2025 payouts via a Tier 1 Advice Letter filed within 30 days of the issuance of this decision.

3.4. Rate and Bill impacts

Liberty provided a Bill Impact Analysis, reflected in the table below.[49] The percentage increases for Permanent and Non-Residential are the same, with a higher increase for residential customers utilizing the California Alternate Rates of Energy (CARE) program.[50]

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[46] *Ibid.*

[47] *Id.* at 4.

[48] Joint Response to ALJ Ruling, filed May 2, 2025, at 2.

[49] Settlement Motion at Attachment 2.

[50] Permanent refers to permanent residents in Liberty's service territory. Non-primary refers to residents that do not primarily reside in Liberty's territory (such as owners of vacation homes).

Customer Class	Current Average Bill	Average Bill with 2023 Proposed ECAC Rates	$ Increase	% Increase
Residential (Permanent)	$215.85	$231.46	$15.61	7.2%
Residential (Non-Primary)	$169.66	$181.87	$12.21	7.2%
Residential (CARE)	$158.20	$172.24	$14.04	8.9%

3.5. Amortizing the Energy Cost Adjustment Clause Balancing Account

Liberty's ECAC Balancing Account, as of December 31, 2023, reflects an undercollection of $45.765 million.[51] To help smooth out the increase in ECAC rates, Liberty proposes to amortize the $45.765 million undercollection over a 24-month period, beginning January 1, 2024.[52] As a consequence of the recorded undercollection in the Balancing Account, Liberty proposes to increase the Balancing Rate annually by $13.665 million.[53]

The Settling Parties are sensitive to the fact the rate increases proposed in this application will have a greater impact on low-income households and small businesses who will have to pass on the added costs to their customers.[54] The 24-month amortization proposal is designed to make the rate increases more

[51] ECAC Application at 5.

[52] *Id.* at 5-6.

[53] *Ibid.*

[54] Settlement Motion at 7.

reasonable for all customers, particularly those identified as Environmental and Social Justice (ESJ) communities discussed in the ESJ Action Plan.[55] While many programs focused on ESJ communities (*e.g.*, CARE and Medical Baseline) are scoped in Liberty's General Rate Case (GRC) application, it is nevertheless important to consider ESJ policies in this application, and the Settling Parties believe the 24-month amortization adheres to the ESJ Action Plan.[56]

3.6. Amendment to Energy Cost Adjustment Clause – True-up Mechanism

The Settling Parties agree that the rates set in this Settlement Agreement should remain in place until December 2025.[57] During this proceeding, the Settling Parties discussed different options for how the ECAC filing requirements could be updated to enable more timely recovery of rates.[58]

In past ECAC cycles, gaps in time between the development of forecasts and changes in wholesale power costs led to undercollections, which, in turn, necessitated large rate increases.[59] To mitigate the impact on ratepayers, the Settling Parties have agreed to more extended amortization periods in recent ECAC cycles.[60] Thus, the rates set in the Settlement Agreement will remain in

[55] *Ibid.*

[56] *Id.* at 7-8.

[57] Settlement Motion at 13.

[58] *Ibid.*

[59] *Id.* at 12-13.

[60] *Id.* at 13.

place until December 2025, and after this decision is issued, Liberty will submit a 2026 ECAC Application requesting rates effective January 1, 2026.[61]

In addition, Liberty should file a Tier 1 Advice Letter within 30 days of issuance of this decision. Liberty would be authorized to true-up its offset rate forecast on a quarterly basis through a Tier 1 Advice Letter starting with the second quarter of 2025, if energy costs deviate by more than plus or minus five percent than forecasted in this proceeding.[62] Any updates to the ECAC offset rate approved through a Tier 1 Advice Letter would be subject to review in Liberty's subsequent ECAC application.[63] Liberty's tariff would continue to require an ECAC application in any year where the offset rate deviates by more than five percent.[64]

3.7. Impacts on Environmental and Social Justice Communities

Liberty's service territory is located in and around the Tahoe-Truckee region and includes other nearby mountain communities. There are no DACs, as defined in the Commission's ESJ Action Plan,[65] in Liberty's service territory.[66] Many of Liberty's customers are second home-owners and upper-income households.[67] Liberty points out, however, that some customers are considered

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[61] *Ibid.*

[62] *Ibid.*

[63] *Ibid.*

[64] *Ibid.*

[65] The ESJ Action Plan defines ESJ Communities broadly. (ESJ Action Plan at 1.)

[66] Settlement Motion at 7.

[67] *Ibid.*

low-income households on an individual customer basis.[68] While the communities as a whole and the census tracts therein are not classified as DACs, Truckee, South Lake Tahoe, and other rural communities served by Liberty have a number of low-income households.[69]

Although residential CARE customers' bills will experience the highest percentage increase at 8.9 percent, this impact remains reasonable, equitable, and consistent with Commission policy for several reasons. First, the 8.9 percent increase applies to already-discounted CARE bills. CARE customers continue to receive substantial reductions compared to standard residential rates. The CARE program's structure ensures that bills for income-qualified households remain affordable even after rate adjustments. Second, the average residential CARE bill of $172.24 would still be lower than the average bill for non-primary residential customers, who do not reside full-time in Liberty's service territory and are projected to pay $181.87 per month. This comparison highlights that CARE customers will continue to pay lower bills than higher-usage and vacation-home customers, consistent with the intent of affordability protections.

Moreover, in its proposed ECAC rates, Liberty has (1) shown a balanced approach to spreading the cost increases among Residential class customers, including CARE customers; and (2) agreed to a 24-month amortization period[70] to mitigate the impact that the proposed rate increases will have on certain

[68] *Ibid.*

[69] *Ibid.*

[70] *Ibid.*

low-income households (those that do not qualify for the CARE Program) and small businesses.

3.8. Reasonableness in Light of the Whole Record

Based on our review and analysis of the Settlement Agreement and the various proposals included therein, we find the Settlement Agreement to be fair and reasonable in light of the record as a whole. The ECAC's purpose is to reflect in rates Liberty's Fuel and Purchased Power Costs and other energy-related costs, with the main components comprising of (1) the Offset Rate, based on the new Fuel and Purchased Power forecast for the Forecast Period; and (2) the Balancing Rate, to amortize the projected undercollection of $45.765 million in the ECAC Balancing Account as of December 31, 2023.[71] The Settlement Agreement was developed through a multi-month discovery process, including data requests and due diligence efforts by Cal Advocates and A-3, who represent Liberty's customer classes.[72] Following discovery, the Settling Parties reached a consensus on the validity and accuracy of Liberty's financial accounting as set forth in the final version of Mr. Marsh and Ms. Pak's testimony.[73]

May 12, 2025, marks the conclusion of the five-year tax equity period for the Luning Solar Project.[74] The Commission approved "Liberty to buy out the ownership interest of the Tax Equity Partner in the Turquoise Project in

[71] Settlement Motion at 9.

[72] *Id.* at 3.

[73] *Id.* at 8.

[74] *Id.* at 9.

accordance with the terms of the Tax Equity Partnership Agreements."[75] Liberty estimated a final residual value or "buy-out price"[76] for the remaining interest in the plant as set forth in Liberty's confidential testimony.[77] Given recent increases in ECAC expenses and subsequent impacts to customers, the Settlement Agreement accepts Liberty's proposal to capitalize the final buy-out price.[78] Assigning costs as a capital investment will distribute the rate impact to customers across the life of the solar plant instead of being recovered within a single year.[79] Moreover, the intent of the buy-out is to purchase the remaining capital share of the asset and therefore allow it to be depreciated in a way that smooths the rate impact.[80] This treatment eases rate impacts while honoring the intent of the original decision and settlement agreement, which allowed Liberty to secure 100 percent ownership of the facility.[81] Many energy-generating assets are financed using tax equity, and the projected tax equity payments agreed upon in the Settlement Agreement appear to be reasonable and form part of the Settling Parties' agreements and concessions.

Regarding Liberty's California Climate Credit, the Settlement Agreement adopts Liberty's forecasts to set its GHG rates for 2024.[82] The forecasts reflect the

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[75] D.16-01-021, Attachment A: Settlement Agreement, § 3.2 (Jan. 14, 2016), pp. 7-8.

[76] D.16-01-021 at 7-8, Attachment A, Section 3.2.

[77] Settlement Motion at 10.

[78] *Ibid.*

[79] *Ibid.*

[80] *Ibid.*

[81] *Ibid.*

[82] *Id.* at 11.

GHG costs Liberty expects to incur to comply with the California Cap-and-Trade program.[83] Additionally, the Settlement Agreement authorizes Liberty's reconciliation of its 2024 GHG costs and allows Liberty to adjust its 2024 California Climate Credit rates accordingly.[84] Specifically, authorizing Liberty to implement a fixed Climate Credit to all eligible customers twice a year, in accordance with D.21-08-026, D.12-03-033, and D.14-10-033.[85] Accordingly, Liberty will distribute semi-annual California Climate Credit of $71.98 to eligible customers in every April and October bill cycle.[86]

The California Climate Credit forecasts and methodology received no party objections and are supported by Liberty's testimony. The amount of the climate credit was based on agreed-upon forecasts between the Settling Parties concerning Liberty's GHG rates and issuance of a climate credit semi-annually in accordance with prior Commission decisions.[87] Thus, we find this reasonable.

Liberty's proposal to amortize its balancing rate increase over 24 months[88] is reasonable. As shown in Section 2.4 above, the percentage increases in Permanent and Non-Residential are the same, with a slightly higher percentage increase in the CARE Residential category. The proposed 24-month amortization

[83] *Ibid.*

[84] *Ibid.*

[85] *Ibid.*

[86] *Id.* at 12.

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

[88] Settlement Motion at 4.

period for the undercollection amounts will lessen the impact on ratepayers by spreading the undercollection over a more extended period of time.[89]

The Settlement Agreement states that it resolves all issues identified in the Scoping Memo. After our careful review, we agree. Given these facts, the Commission finds the Settlement Agreement is reasonable in light of the whole record. 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.

3.9. Consistency with Law

The Settling Parties represent that no term of the Settlement Agreement contravenes statutory provisions or prior Commission decisions.[90] There are no statutory provisions or controlling law that would be contravened or compromised by the Settlement Agreement.[91]

The ECAC Application is consistent with D.12-11-030, and the Settling Parties agree, following discovery, that the amounts set forth in the Settlement Agreement are reasonable.[92] In addition, the Settling Parties agree that the testimony of Dan Marsh and Christina Pak demonstrates Liberty's compliance with the settlement terms approved in D.24-02-021.[93]

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[89] *Ibid.*

[90] *Id.* at 5.

[91] *Ibid.*

[92] *Id.* at 4.

[93] *Id.* at 4-5.

Furthermore, D.14-10-033 requires Liberty to present testimony with respect to its GHG costs and reconciliation as part of its ECAC applications.[94] As a result, Liberty seeks approval of its GHG 2024 cost and revenue forecast and reconciliation and to set its California Climate Credit rates accordingly to be effective January 1, 2024, consistent with D.14-10-033 and D.23-02-014.[95]

3.10. In the Public Interest

Finally, this decision must explore whether the Settlement Agreement is in the public interest. The settlement involves all parties in the proceeding. Liberty is the regulated electric utility serving Lake Tahoe and the surrounding region; Cal Advocates is the Commission's independent consumer advocate representing all California utility customers, including residential and low-income customers; and A-3 represents large commercial, governmental, and institutional customers. Together, the Settling Parties reflect a broad and diverse range of affected interests: the applicant utility, residential consumers, small businesses, and large institutional customers all had their interests represented in the settlement negotiations.

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.[96] The rates adopted in the Settlement Agreement reflect all costs reasonably incurred by Liberty and

[94] *Id.* at 5.

[95] *Ibid.*

[96] *Id.* at 3.

amortizing a portion of the costs over a 24-month period will enable Liberty to comply with its obligations as a utility and to its ratepayers.[97]

We acknowledge that the Settlement Agreement will result in an ECAC rate increase from $75.17/MWh to $96.57/MWh. This increase reflects Liberty's forecasted 2024 energy procurement costs. To mitigate the rate impact on customers, particularly those of vulnerable or fixed-income households, the Settlement Agreement incorporates several key affordability and bill stability measures:

- Rate Impact Mitigation: The amortization of the $45.765 million ECAC undercollection over 24 months softens the impact of rate increases on customers, especially those in vulnerable or fixed-income households;[98]
- Affordability Protections: A fixed California Climate Credit will be returned semi-annually to eligible residential and small commercial customers, supporting affordability and transparency;[99]
- Regulatory Certainty: Adoption of the ECAC True-Up Mechanism ensures timely adjustments to actual cost variances while retaining Commission oversight through quarterly Tier 1 Advice Letters;[100] and
- Equity Considerations: Though Liberty's service area does not include DACs as formally designated, the Settlement acknowledges the economic vulnerability of customers in

[97] *Id.* at 6.

[98] Settlement Agreement, § 4.2.

[99] *Id.*, § 4.5.

[100] *Id.*, § 4.6.

South Lake Tahoe and Truckee and builds in protections for those groups.[101]

Although the rate increase is substantial, it is driven by real-world cost conditions outside of Liberty's control. The Settlement Agreement reflects a balanced resolution that addresses numerous public interest concerns, including the promotion of affordability and rate stability. For example, the 24-month amortization plan addresses affordability concerns. The approach of capitalizing the Turquoise Project ensures equitable cost allocation while maintaining rate stability. The tariff true-up mechanism preserves regulatory flexibility while providing rate stability. And although Liberty does not serve DACs, the 24-month amortization period reduces potential bill spikes for vulnerable customers, and ESJ concerns are reasonably addressed through rate impact mitigation.

The Settlement Agreement resolves all issues scoped in the proceeding and presents a cohesive plan, thereby avoiding the cost, delay, and uncertainty associated with continued litigation. The terms reflect a fair balancing of competing interests and provide practical solutions for ongoing cost recovery and rate administration. The Settlement Agreement is in the public interest; it avoids the need for litigation, provides timely and just cost recovery, minimizes bill impacts through an extended amortization period, introduces a flexible true-up mechanism to protect ratepayers and the utility, and supports Liberty's continued transition to renewable energy while maintaining customer affordability.

[101] *Id.*, § 4.2; Joint Motion at 8–9.

There were also no objections to the Settlement Agreement. For all the above reasons, we find the Settlement Agreement to be in the public interest.

4. Summary of Public Comments

There were no public comments submitted for this proceeding.

5. Conclusion

The Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest. Therefore, the Settlement Agreement should be adopted in its entirety.

Because no motions for evidentiary hearings were filed by the August 2, 2024 deadline, we find no hearings are necessary, and the Scoping Ruling finding that hearings may be necessary should be changed to no hearings are necessary. Liberty should file a Tier 1 Advice Letter to implement the terms of the Settlement Agreement in rates within 30 days of issuance of this decision.

6. 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), the otherwise applicable 30-day public review and comment period for this decision is waived.

7. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Alberto T. Rosas is the assigned ALJ in this proceeding.

Findings of Fact

1. The Settlement Agreement was executed on January 9, 2025, by all parties to the proceeding: Liberty, A-3, and Cal Advocates.
2. The provisions of the Settlement Agreement are the result of arms-length negotiations between the Settling Parties.

3. The Settling Parties have a thorough understanding of the issues and the underlying assumptions and data and could therefore make informed decisions in the settlement process.

4. The Settling Parties adequately represent the broad set of interests participating in this proceeding.

5. The Settlement Agreement reflects a compromise by the Settling Parties.

6. The Settlement Agreement resolves all issues set forth in the Scoping Memo.

7. The ECAC revenue requirement requested by Liberty totals $56.782 million, which represents a 28.9 percent increase.

8. Liberty forecasts 2024 generation of approximately 124,000 MWh from the Luning Solar Project and 15,000 MWh from the Turquoise Solar Project.

9. Liberty proposes decreasing its Offset Rate from $59.44/MWh to $57.65/MWh and increasing Balancing Rate from $15.73/MWh to $38.92/MWh.

10. The Settlement Agreement authorizes Liberty to amortize the $45.765 million Balancing Account undercollection over 24 months beginning January 1, 2024, which moderates customer rate impacts.

11. The Settlement includes a proposed true-up mechanism that allows Liberty to file Tier 1 Advice Letters quarterly if actual fuel and purchased power costs deviate more than plus or minus 5 percent from forecast.

12. Residential customer bill increases resulting from the Settlement Agreement range from 7.2 to 8.9 percent, depending on rate class and usage level, with residential CARE customers seeing the highest percentage impact.

13. While Liberty's service territory contains no designated DACs, provisions of the Settlement Agreement would mitigate impacts on low-income households.

Conclusions of Law

1. The Commission has jurisdiction over Liberty pursuant to Public Utilities Code Sections 451, 454, and 701.

2. Rule 12.1(d) of the Commission's Rules of Practice and Procedure provides that the Commission will not approve a settlement unless it is reasonable in light of the whole record, consistent with law, and in the public interest.

3. The Settlement Agreement resolves all materials issues within the scope of A.24-04-010 as enumerated in the eight scoped issues in the Scoping Memo.

4. Each of the issues resolved in the Settlement Agreement is addressed by evidence in the record.

5. The Settlement Agreement is reasonable in light of the whole record, including Liberty's application, supporting testimony, rate and cost analyses, and the unopposed Joint Motion for Adoption of the Settlement Agreement.

6. The Settlement Agreement is consistent with applicable law, including: Public Utilities Code Sections 451 and 454; D.12-11-030 (establishing Liberty's ECAC framework); D.14-10-033 (governing GHG cost and allowance revenue reconciliation); D.16-01-021 and D.17-12-008 (approving and guiding tax equity financing for Liberty's renewable projects); and D.24-02-021 (authorizing capital treatment of renewable project buy-outs and ECAC-related rate design methodology).

7. The Settlement Agreement is in the public interest; it avoids the need for litigation, provides timely and just cost recovery, minimizes bill impacts through

an extended amortization period, introduces a flexible true-up mechanism to protect ratepayers and the utility, and supports Liberty's continued transition to renewable energy while maintaining customer affordability.

8. The process by which the Settlement Agreement was developed complied with Rule 12.1(b), and adoption of the Settlement Agreement is binding on all parties to the proceeding.

9. Given that no evidentiary hearings are required for this proceeding, it is reasonable to change the preliminary determination regarding hearings to "no hearings are necessary."

10. The Settlement Agreement should be adopted.

11. It is reasonable to require Liberty to file a Tier 1 Advice Letter to implement the terms of the Settlement Agreement within 30 days of issuance of this decision.

12. All rulings issued by the assigned Commissioner and ALJ should be affirmed, and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, should be denied.

13. A.24-04-010 should be closed.

O R D E R

IT IS ORDERED that:

1. The joint motion filed by Liberty Utilities (CalPeco Electric) LLC, A-3 Customer Coalition, and the Public Advocates Office on January 14, 2025, for adoption of the all-party Settlement Agreement (attached as Appendix A) is granted.

2. Within 30 days of the issuance of this decision, Liberty Utilities (CalPeco Electric) LLC (Liberty) shall file an initial Tier 1 Advice Letter with the Energy Division to implement the rates, terms, and conditions set forth in the Settlement Agreement (attached as Appendix A). Beginning in the second quarter of 2025, Liberty is authorized to file subsequent quarterly Tier 1 Advice Letters to revise its Energy Cost Adjustment Clause (ECAC) Offset Rate only if actual energy costs deviate more than plus or minus 5 percent from the forecast, in accordance with the Settlement Agreement.

3. Within 30 days of the issuance of this decision, Liberty Utilities (CalPeco Electric) LLC shall file a Tier 1 Advice Letter with the Energy Division to implement a true-up as part of the October 2025 residential climate credit.

4. The preliminary determination in this proceeding that evidentiary hearings may be necessary is changed to "no hearings are necessary."

5. All rulings issued by the assigned Commissioner and the assigned ALJ are affirmed, and all motions not specifically addressed in this decision or previously addressed by the assigned Commissioner or the assigned ALJ are denied.

6. Application 24-04-010 is closed.

This order is effective today.

Dated August 14, 2025, in Sacramento, California.

ALICE REYNOLDS
President
DARCIE L. HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
MATTHEW BAKER

Commissioners

APPENDIX A

Settlement Agreement

Adopted by D.25-08-012