

PUBLIC REDACTED

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Exhibit No.: TERG-0001  
Hearing Date: April 5-12,2022  
Witness: James D. Wood  
ALJ: Adeniyi A. Ayoade  
Commissioner: John Reynolds

**TESTIMONY OF JAMES D. WOOD  
ON BEHALF OF TAHOE ENERGY RATEPAYERS**

**FEBRUARY 23, 2022**

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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of Liberty Utilities (CalPeco Electric) LLC (U933E), for Authority to Among Other Things, Increase Its Authorized Revenues for Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2022

A.21-05-017  
(Filed May 28th, 2021)

**QUALIFICATIONS AND PREPARED TESTIMONY OF JAMES D. WOOD  
IN OPPOSITION TO LIBERTY UTILITIES (U 933 E) APPLICATION**

February 23, 2022

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**I. INTRODUCTION**

**A. Witness Data**

**Q.1. Please state your name and business address.**

A.1. My name is James D. Wood. My business address is 80 N Cabrillo Hwy, Ste Q #218, Half Moon Bay, CA 94019.

**Q.2. By whom are you employed and in what capacity?**

A.2. I am self-employed as an attorney. I am a member of and am testifying on behalf of Tahoe Energy Ratepayers Group ("Tahoe ERG") as an expert and percipient witness on the issues I address below but have not been engaged as and am not acting as attorney for Tahoe ERG or any other party to or in connection with this proceeding.

**Q.3. Please describe your professional education, licenses, certifications, and experience.**

A.3. I received a Bachelor of Science degree *magna cum laude* in business (with emphasis in accounting) from the University of Colorado in 1977. Among other things, in connection with my studies leading to that degree I completed various classes in business and economics including classes in cost accounting, management accounting, auditing, advanced financial accounting, finance, statistics, and both micro and macro economics. One of the advanced accounting classes included work focusing upon then-existing rules and practices governing the capitalization of source-of-capital costs incurred during construction of long-lived facilities by regulated firms such as energy and telecommunications utilities.

I received a Juris Doctor degree from Stanford University in 1980. Among other things, in connection with my studies leading to that degree, I completed a class (along with approximately 15 other students) in principles of regulated industries taught by Prof. William F. Baxter, at the

1 time one of the leading scholars in the United States on the theory and practice of government  
2 regulation in the energy and telecommunications industries as well as antitrust law.

3 I obtained a certified public accountant certificate issued by the State of Colorado in 1980  
4 and was licensed as a CPA in Colorado for several years but did not practice as such. My CPA  
5 certificate from Colorado is presently in inactive status and I am not currently so-licensed.  
6

7 I was admitted to practice law in the State of Colorado in 1980 and in California in 1982. I  
8 have more than 35-years experience as attorney working primarily in the fields of business  
9 insolvency, corporate reorganization, business bankruptcy, commercial transactions, and related  
10 litigation. I represented certain creditors in connection with both the 2001 and 2019 bankruptcy  
11 reorganization cases filed by PG&E.  
12

13 From 1981 to 1983 I served as law clerk to the Hon. Peter M. Elliott Judge of the United  
14 States Bankruptcy Court for the Central District of California in connection with trial-level  
15 matters as well as appeal-level cases pending before the Bankruptcy Appellate Panel of the 9th  
16 Circuit of which Judge Elliott then-served as a standing member. I practiced with several law  
17 firms prior to starting my independent practice in 1991. As of December 31, 2021, I substantially  
18 though not completely retired from practicing law.  
19

20 As a result of my experience as an attorney in the foregoing fields as well as other  
21 business and finance-related experience, I have had frequent occasion over many years to use  
22 electronic spreadsheet programs. As a consequence, I am experienced in the creation, use,  
23 workings, and analysis of electronic spreadsheet workbooks and worksheets especially in the  
24 context of financial, business, and accounting issues.  
25

26 **Q.4. Have you previously testified before the California Public Utilities  
Commission?**

27 A.4. No.  
28

1 **B. Background Issues and Purpose of Testimony**

2 **Q.5. What is the general purpose of your direct testimony?**

3 A.5. My testimony is submitted on behalf of Tahoe ERG and is intended to support  
4 Tahoe ERG's position in the above-captioned rate proceeding advocating (a) cost-based rates that  
5 do not discriminate between (i) permanent, full-time, primary, or owner-residents of Liberty  
6 Utilities' ("Liberty") service area on the one-hand, and (ii) temporary, part-time, seasonal, renter,  
7 or second home-owner residents of Liberty's service area on the other-hand, and (b) the  
8 disapproval of Liberty's current rate application to the extent it proposes the expansion of such  
9 discriminatory rates. References in my Testimony to "Application" or "Liberty's Application"  
10 refer collectively to documents filed by Liberty Utility in connection with its General Rate case  
11 commenced May 28, 2021 as captioned above.

12  
13 **1. Background Facts Relevant to Issues Addressed by Testimony**

14 **Q.6. How does Liberty's current rate structure treat permanent residents**  
15 **differently than non-residents?**

16 A.6. Liberty's current rate structure classifies customers it codes as "residential  
17 permanent" separately from those it codes as "residential non-permanent." References in my  
18 Testimony to "residential classes" or to the "two residential classes" refer to the "residential  
19 permanent" and "residential non-permanent" rate classes as used by Liberty's current rates and its  
20 Application. In some places Liberty's Application documents refer to those classes and their  
21 corresponding customers by other names including "residential seasonal" instead of "residential  
22 non-permanent", "residents", "permanent-residents", "non-residents", "seasonal residents", etc.  
23 My testimony does not make any distinction among the variations in terminology.

24  
25  
26 The testimony of Karen L. Miller prepared and submitted on behalf of Tahoe ERG  
27 contemporaneously with my testimony addresses various issues arising from Liberty's failure to  
28

1 use consistent clear definitions delimiting membership in the two residential rate classes in the  
2 process of its assigning or reassigning customers to one or the other.

3 **Q.7. How big of an impact does Liberty's current rate structure treating**  
4 **permanent residents differently than non-residents have?**

5 A.7. Up to now the practical effect of dividing residential customers into two classes  
6 has been modest because up to this point the only difference in treatment between the two rate  
7 classes has been to deny "residential non-permanent" customers (a) a lower Tier 1 baseline rate,  
8 and (b) the benefits of the subsidized CARE program and (apparently) any other similar cross-  
9 subsidized program (2018 Liberty General Rate Case, (Application 18-12-001); CPUC Final  
10 Order: Decision 20-08-030, "Rate Design", Sect. 3.9.3, pp. 80-81, available at:  
11 <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M346/K225/346225663.PDF>).

12  
13  
14 **Q.8. What is the purpose of and justification for Liberty's current rate structure**  
15 **treating permanent residents differently than non-residents?**

16 A.8. The history behind and original purpose of the Commission's having authorized  
17 Liberty's predecessor, Sierra Pacific Power Co., to treat "permanent" residents differently from  
18 "non-permanent" residents by denying "non-permanent" residents a Tier 1 baseline is murky.

19 The Commission has wrestled at length over many years with various problems relating to  
20 allowance and computation of baseline Tiers. Thus, in 2001 the commission instituted  
21 Rulemaking (R.) 01-05-047 to evaluate the revision of baseline programs including the  
22 application of statutory mandates enacted by the legislature. This eventually led to a series of  
23 decisions including Decision D04-02-057 on February 26, 2004 available from the Commission  
24 at: [https://docs.cpuc.ca.gov/PublishedDocs/WORD\\_PDF/FINAL\\_DECISION/34455.PDF](https://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/34455.PDF). At the  
25 urging of at least one consumer advocacy group, the Commission adopted in Decision  
26 D04-02-057 a series of requirements governing, among many other things, when a utility subject  
27  
28

1 to its jurisdiction should disallow or modify consumer baseline rate-availability to “seasonal  
2 residents” (Decision D04-02-057 pp. 3-6, especially, “Final Order” Paras. 1, 8, 9, 10, 12, and 13,  
3 at pp. 123-129). The decision observed that at the time a handful of companies including  
4 Liberty’s predecessor, Sierra Pacific, had already been authorized to limit the availability of  
5 baseline tiers to “seasonal residents” (Decision 04-02-057, p. 68, fn. 23). Further details regarding  
6 the history of Commission's having authorized such treatment of "seasonal residents" by Sierra  
7 Pacific, are not readily available to Tahoe ERG. Hence, it is unclear whether Liberty’s authority  
8 for its current disallowance of the baseline tier to seasonal residents was effectively “grand  
9 fathered” by Sierra Pacific’s authority antedating Decision D04-02-057 or whether Liberty has  
10 complied with its requirements.  
11

12 Despite this confusion, the inference is manifest from context and history that:

13 (a) The difference in treatment of those who were originally called “seasonal  
14 residents" was justified by Sierra Pacific based upon the notion that persons simultaneously  
15 occupying more than one residence should be entitled to the benefits of only one utility baseline  
16 Tier at a time; and  
17

18 (b) The difference in treatment was not based upon any identifiable difference in cost  
19 of service between the two classes.  
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1           **Q.9. What caused Liberty to consider using differences in cost of service between**  
2 **residents and non-residents as a basis for imposing different charges on each?**

3           A.9. At Public Participation Hearings held in July 2019 in connection with Liberty's  
4 2018 rate application (Application 18-12-001), certain members of the public made comments  
5 questioning whether under the current structure residents were subsidizing non-residents. As a  
6 consequence, part of the Commission's final order in that case adopted in 2020 required Liberty  
7 to:  
8

9           "include, in its next marginal cost study, an analysis for permanent  
10 and non-permanent residents and the cost to serve these customers.  
11 In its next rate case, Liberty shall propose whether there is merit to  
12 improve the rate structure and design for residential rate class based  
13 on its findings of the marginal cost of service study."

14           Decision 20-08-030 (9/2/2020, "Rate Design"), Sect. 3.9.3 (pp. 73-  
15 74)

16           **Q.10. What did Liberty do in response to the Sect. 3.9.3 of the Commission's**  
17 **Decision 20-08-030?**

18           A.10. Claiming to comply with the foregoing order, Liberty has filed its Application  
19 seeking to enormously expand the difference in treatment of the pre-existing two residential  
20 classes by proposing to increase rates applicable to "residential non-permanent" customers far  
21 more than "residential permanent" customers. By express statement, it claims doing so is  
22 warranted in part by a marginal cost of service study ("MCS") it conducted which it contends  
23 establishes that the marginal cost of service to "residential seasonal" customers is approximately  
24 8.85% more than "residential permanent" customers (Liberty Application: May 28, 2021 "Chapter  
25 12: Marginal Cost and Rate Design", p. 9:4). And, by inference, it claims that to the extent such  
26 differential treatment is not warranted by the differences in cost identified in its MCS, such  
27 treatment is necessary to help pay for the cap it proposes on "residential permanent" and "small  
28 commercial" rate increases.

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**2. Specific Issues Addressed by this Direct Testimony**

**Q.11. What are the specific issues addressed by your direct testimony?**

A.11. Given the foregoing background, my testimony seeks to establish specifically that:

- (a) In so far as it concludes that the marginal cost of service to "residential non-permanent" customers is materially higher than the marginal cost of service to "residential permanent" customers, Liberty's MCS is profoundly flawed by incomplete analysis, at least one critical false assumption, opaque methodology, and lack of adequate supporting documents and audit trail.
- (b) Liberty failed to comply with Sect. 3.9.3 of Decision 20-08-030 because it failed to diligently, adequately, and neutrally investigate and analyze the question of whether permanent residents are subsidizing non-permanent residents, and as a result, has pursued approval of a flawed rate structure.
- (c) Liberty's proposal to cap the increase in rates applicable to "residential permanent" and "small commercial" classes based upon rate continuity concerns while excluding "residential non-permanent" customers from benefiting from such a cap is arbitrary, unreasonably discriminatory, and unjustified by any accepted rate-design principle or policy.
- (d) Liberty's proposed enormous expansion of the difference in treatment between the existing "residential seasonal" and "residential permanent" rate classes is unjustified, unreasonably discriminatory, deviates from accepted rate design principles, and would needlessly promote mischief including a cankerous "us versus them" community mentality as well as endless disputes and gamesmanship over entitlement to membership in the favored rate class.
- (e) Therefore, Liberty's proposal to expand the difference in treatment between the existing "residential seasonal" and residential permanent" rate classes should be disapproved.

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**II. SOURCES OF DATA UNDERLYING TESTIMONY**

**Q.12. What are the sources of data for your testimony?**

A.12. In preparing this testimony, in addition to general knowledge, I have relied upon the documents cited in the body of this testimony and those listed in the accompanying Index of Exhibits attached. Relevant extracts from documents that are not readily publicly available are attached and described as so indexed. References in my testimony below to “Exhibits” refer to the corresponding documents listed in the Index of Exhibits.

**III. ANALYSIS OF ISSUES ADDRESSED BY TESTIMONY**

**A. The MCS Is Profoundly Flawed and Does Not Justify Treating Residents and Non-residents Differently Based Upon the Cost Differential It Has Identified**

**Q.13. Please describe the availability of the MCS to you and to the public.**

A.13. Liberty has not filed its MCS with the Commission and the MCS is not generally available to the public. Instead, it has filed only a small subset of the MCS in the form of exhibits appended to its supporting testimony. Tahoe ERG's attorney requested a copy of various documents from Liberty, including the MCS. Liberty was unwilling to release most of the documents so requested, including MCS, except under a non-disclosure agreement ("NDA"). Tahoe ERG's attorney has furnished a copy of Liberty's documents to me subject to the NDA.

**Q.14. Have you studied the MCS?**

A.:14. Yes

**Q.15. In your opinion is Liberty’s refusal to release the MCS and related documents except under NDA justified?**

A.15. In my opinion, little if anything in the MCS and related documents is properly classified as confidential. The MCS and related electronic documents apparently contain all of the computations for and are the sources of all of the Exhibits that are the heart of Liberty’s Application all of which are critical to the transparency of the Application. In my opinion,

1 Liberty's designation of the relevant file as confidential is inconsistent with Liberty's obligation  
2 to provide the public with a reasonable and complete picture of the basis for the key elements of  
3 its rate proposals. In my opinion, the only apparent reason for its designation as confidential is the  
4 contention that the electronic template used to create it is a proprietary trade-secret belonging to  
5 the consulting firm engaged by Liberty to prepare it. Nonetheless, Tahoe ERG is honoring  
6 Liberty's designation of the data provided on a confidential basis and has marked such  
7 information with a confidential notation below.  
8

9 **Q.16. Please describe the format of the MCS.**

10 A.16. The MCS is not a printed document nor even a clearly identifiable collection of  
11 documents. Rather, it exists only as a series of cross-linked electronic spreadsheets that together  
12 constitute a subset of a single electronic "excel style" workbook identified as "CONFIDENTIAL  
13 A3CC-Liberty 2.1 Attachment.xlsx" (in this testimony, I refer to this file as the "Attachment  
14 XLSX File"). The electronic workbook consists of an interconnected tangle of 51 excel-style  
15 worksheets. All references to specifically named "worksheets" in my testimony refer to named  
16 worksheets in the Attachment XLSX File.  
17

18 The worksheets contain very few explanatory notes. The MCS does not contain a detailed  
19 narrative explanation of its methodology, assumptions, or conclusions. Although some of the  
20 workbook's constituent spreadsheets are clearly grouped under a dividing tab labeled "Marginal  
21 Cost Study", other worksheets used by Liberty to support various elements of its Application  
22 including, for example, its rate design and bill impact exhibits are all part of the same workbook.  
23

24 **Q.17. In your opinion is the MCS unreliable due to its organization, lack of detail,  
25 lack of transparency, audit-trail, etc.?**

26 A.17. Yes.  
27  
28

1           **Q.18. Please describe the basis for your opinion.**

2           A.18. The lack of more than minimal explanatory notes plus the sheer volume of figures  
3 appearing in the workbook's spreadsheets without a detailed or clear explanation of their  
4 respective data sources and logical relationship to each other renders the MCS and the  
5 computations derived from it extremely difficult to understand and to trace its computations. In  
6 my opinion, that plus the absence of a reasonable audit trail in itself renders the MCS and related  
7 computations insufficiently reliable to sustain Liberty's burden to establish the reasonableness of  
8 its proposals in these public proceedings.  
9

10           **Q.19. Please describe what you did to analyze the MCS.**

11           A.19. In spite of the deficiencies I believe exist in the MCS due to its lack of  
12 explanation, detail, etc., I attempted to analyze the various worksheets and trace the  
13 interdependencies of their respective computations to identify computations and assumptions that  
14 underlie Liberty's contention that the marginal cost of service to “residential seasonal” customers  
15 is significantly higher than “residential permanent” customers. Accordingly, my focus was  
16 limited to evaluating provisions that bear on the allocation of marginal costs as between those two  
17 customer classes.  
18

19           **1. The MCS’ Allocation of Costs Between the Residential Rate Categories**

20           **Q.20. What does the MCS conclude about the allocation of marginal costs as**  
21 **between the two residential categories?**  
22

23           A.20. The MCS categorizes the costs it allocates into two broad categories listed below  
24 and contends marginal costs are as follows: **BEGIN CONFIDENTIAL\*\*\***  
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\*\*\*END CONFIDENTIAL.

**2. The MCS' Allocation of Expenses Related to "New Hookups"**

**Q.21. In your opinion, what fundamental mistake did you identify that the MCS makes in its computation and allocation of marginal costs as between the two residential categories?**

A.21. A key assumption underlying Liberty's allocation of customer-based marginal costs of distribution is fundamentally unsupportable.

///

1 Specifically, the MCS (in its component MDC-Inputs worksheet) makes the unwarranted  
2 and highly illogical assumption that 100% of certain categories of customer-related investment  
3 (related to what Liberty labels “new hook-ups”) including transformer service and metering costs  
4 should be allocated solely to non-permanent residents. In allocating those costs, Liberty  
5 apparently reasons:  
6

7 (a) The total number of all residential customers has gone up  
8 over a period of years.

9 (b) The total number of residential permanent customers has  
10 gone down over the same period.

11 (c) The total number of residential non-permanent customers  
12 has gone up over the same period.

13 Therefore, it concludes *ipso facto*:

14 (d) All of the increase in the number of residential non-  
15 permanent customers, and all of the total increase of all residential  
16 customers, are made up of “new hookups”.

17 (e) Because the number of residential permanent customers  
18 shrank, there are no new customers in that class that require “new  
19 hookups”.

20 (f) The total number of new hookups should be computed  
21 based upon the increase in the size of the non-permanent class  
22 (rather than the change in all residential customers).

23 (g) 100% of related projected expenses for installation and  
24 maintenance of new service, should be allocated to the residential  
25 non-permanent class.

26 In my opinion, the foregoing conclusions underlying Liberty Utilities’ rate design are profoundly  
27 flawed for the simple reason that they ignore the much more obvious and likely real-world  
28 explanation that a large number of pre-existing service hookups that are not “new hookups”  
convert from one residential class to another on a regular basis. In other words, a fundamental  
flaw of the MCS is its wholesale failure to allow for the fact that any given residential service  
address may switch classifications thus increasing or reducing the number of customers in one  
classification or the other without the service address being a “new hookup.” Hence, a net change

1 over a time-period of total customers in one category or the other is not evidence of how many  
2 “new hookups” were added within each category.

3 Tahoe ERG’s attorney addressed extensive data requests to Liberty to clarify the nature  
4 and logic behind the MCS allocation of 100% of projected residential “new hookup” expenses to  
5 the residential non-permanent class. Liberty provided no explanation other than as outlined above  
6 (Liberty's Responses to Tahoe ERG Request Set No. 4, Request Nos. 1-10 especially No. 3, part  
7 of Exhibit A to this testimony). And, in responses that strain credulity, it seems to claim that for  
8 practical purposes, its records do not enable it to track the conversion of service addresses from  
9 one category to the other or directly track “new hookups” to their respective rate classes  
10 (Liberty's Responses to Tahoe ERG Request Set No. 4, Request Nos. 1, 2, 10, part of Exhibit A to  
11 this testimony). If true, in my opinion such is further evidence of Liberty’s inadequate records to  
12 justify the rate-design it proposes.  
13  
14

15 Without access to Liberty’s customer data base or other data sources, the most reasonable  
16 assumption is that new hook-ups are distributed between residential permanent and residential  
17 non-permanent customers more or less in the same proportion they bear to all residential  
18 customers -- which by Liberty’s figures is about 59%. In fact, if anything, the fraction of non-  
19 permanent customers to whom “new hookup” expenses may fairly be allocated may actually be  
20 far less than even 59% because of the vagaries and inconsistencies of Liberty’s practices in  
21 classifying residential customers as permanent or non-permanent. For example, to the extent in  
22 recent years Liberty has modified its past policies regarding the classification of new accounts as  
23 “residential permanent” or has introduced more aggressive action to force the reclassification of  
24 existing accounts to “residential non-permanent”, it would follow that an even smaller fraction of  
25 “new hookups” is properly attributable to the residential non-permanent class and that the  
26 reduction in the fraction of “residential permanent” customers as classified by Liberty is actually  
27  
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1 largely attributable to tightening of classification standards coupled with greater effort expended  
2 in reclassification of existing accounts. Problems with Liberty's classification practices for the  
3 two residential classes (and Liberty's lack of reliable data on the issue) are addressed in detail by  
4 Karen L. Miller in her testimony being submitted contemporaneously with mine. Among other  
5 things, her testimony tends to establish that the Liberty has shifted its standards in a way that tend  
6 to distort upward the fraction of customers classified as non-permanent thus further throwing off  
7 the validity of Liberty's allocation of "new hookup" expenses.

9 **3. Modification of the MCS to Adjust Allocation of Expenses Related to "New**  
10 **Hookups"**

11 **Q.22. What did you do to evaluate the impact of the MCS' unsupportable allocation**  
12 **of all "new hookups" to the residential non-permanent class?**

13 A.22. Using a copy of the Attachment XLSX File, I have prepared a modified version of  
14 the MCS that corrects Liberty's illogical assumption regarding the allocation of "new hookup"  
15 costs. The original MCS allocates 100% of the costs associated with "new hookups" to the  
16 residential non-permanent class based upon Liberty's assumption described above. The critical  
17 logical problem originates in the MDC-Inputs worksheet at MDC-Inputs, cell Range D55 to E55.

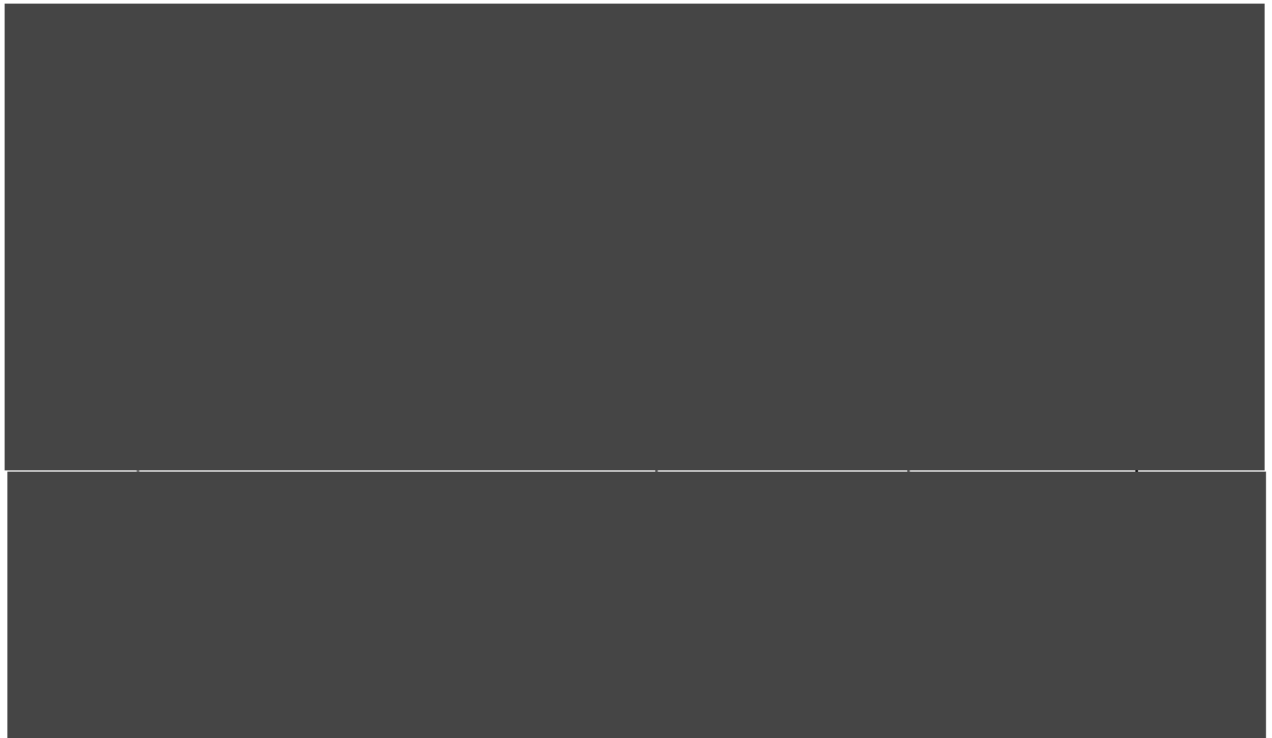
18 By my analysis, the critical cost allocations flow as follows:

- 19
- 20 • "MDC-Inputs" worksheet (MDC-Inputs, Range D55 to E57 flow to Ranges D12 to E12
  - 21 and D16 to E16) which then flow to;
  - 22 • "MDC-Derivation" worksheet (MDC-Derivation worksheet, Range D56 to E57) (the
  - 23 MDC-Derivation worksheet is the basis for Liberty's Exhibit TSL-S8 (Page 3 of 4)
  - 24 attached to its September 10, 2021 Chapter 12: Supplemental Direct Testimony) which
  - 25 then flow to;
  - 26 • "Allocation-Summary" worksheet (Allocation-Summary, Ranges C13 to D14 and C16 to
  - 27 D16) which then flow to;
  - 28 • "Target Revenues" worksheet (Target Revenues, Range C36 to D36) (adjusted by a
  - reallocation of submetered account costs to the two residential classes; the "Target
  - Revenues" worksheet also computes and presents some of the class-based per kWh
  - computations) which then flow to;
  - "Figures" worksheet where computed total marginal costs are presented and are the basis
  - for Liberty's Figures 12-1 to 12-4 appearing in "Chapter 12: Marginal Cost and Rate
  - Design" to Liberty's May 28, 2021 Application (Liberty's September 10, 2021
  - Supplemental Direct Testimony does not file updated versions of these Figures).

1 I modified the two cells in the MDC-Inputs worksheet, cell Range D55 to E55 to remove  
2 Liberty’s formulas that allocate all “new hookups” to the residential non-permanent class and  
3 replaced them with formulas allocating the “new hookups” in proportion to the number of  
4 customers in each class as coded by Liberty – 59% non-permanent, 41% permanent.  
5

6 **Q.23. What was the result of your revision of the MCS spreadsheets changing the**  
7 **MCS’s allocation of all “new hookups” to the residential non-permanent classes?**

8 A.23. Based solely upon the foregoing change, the MCS worksheets recomputed the marginal  
9 costs and as a result the changes eliminate almost all of the difference in the total marginal costs  
10 applicable to the two rate classes. The table shown below identified as Figure 2 displays the  
11 updated figures so computed: **BEGIN CONFIDENTIAL\*\*\***



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24 **\*\*\*END CONFIDENTIAL.**

25 Confidential Exhibit B is a printout of the “Target Revenues” worksheet as so modified.

26 Confidential Exhibit C is a printout of the “MDC-Inputs” worksheet as so modified. Confidential  
27  
28

1 Exhibit D sets-forth notes independent of the "Attachment XLSX File" describing the  
2 computations I used to modify the "MDC-Inputs" worksheet.

3 Because the MCS computes the number of "new hookups" based upon the faulty  
4 assumptions outlined above, the foregoing change also results in lowering the estimated number  
5 of new hookups, and therefore, generates a small change in overall costs and revenue  
6 requirements. Because my testimony addresses the proper allocation of costs rather than the  
7 overall amount of costs, I have not attempted to reconcile the effect of the change on total costs,  
8 revenue requirements, rate amounts, etc.  
9

10 **Q.24. In your opinion does the amount of the differences in marginal cost identified**  
11 **by the MCS, after being adjusted as you have described, justify treating residents and non-**  
12 **residents differently based upon the cost differential it has identified?**

13  
14 A.24. No.

15 **Q.25. Please describe why.**

16 A.25. With this adjustment, the difference between the total marginal cost of service for  
17 residential permanent residents and residential non permanent residents is reduced to an  
18 immaterial \$0.0027 (less three tenths of a cent) per kWh . Thus as adjusted, the computed cost for  
19 the permanent resident class is about 1.1% less than the non-permanent class.  
20

21 In my opinion, given the number of variables, estimates, subjective factors, and other  
22 uncertainties involved, it is not reasonable to create or perpetuate a supposedly cost-justified class  
23 distinction based upon such a small difference in properly allocated costs.

24 **B. Liberty Failed to Diligently, Adequately, and Neutrally Investigate and Analyze the**  
25 **Question Of Whether Permanent Residents Are Subsidizing Seasonal Residents**

26 **Q.26. In your opinion did Liberty comply with Sect. 3.9.3 of Decision 20-08-030?**

27 A.26 No.  
28

1           **Q.27. Please describe the basis for you opinion.**

2           A.27. Several residents raised fair questions at the 2019 public participation hearings  
3 held by the Commission on Liberty’s prior rate application -- mainly whether seasonal energy  
4 users who used less energy throughout the year than full-time residents were carrying a fair share  
5 of the cost of electric power infrastructure (Liberty’s Application 18-12-001, PPH 7/24/2019  
6 Transcript. pp. 41-82, Available at:  
7 <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M310/K226/310226649.PDF>). In response,  
8 the Commission wisely adopted Decision 20-08-030.  
9

10           In my opinion, a fair reading of Sect. 3.9.3 of Decision 20-08-030 requires Liberty to  
11 carefully investigate the facts underlying the public perception that residents were subsidizing  
12 non-residents, to neutrally analyze the results of such investigation, and to make reasoned  
13 proposals informed by doing so. But to all appearances, the only step Liberty took was to  
14 robotically fill-in its template-based MCS focusing upon applying marginal costs to each of the  
15 two pre-existing residential classes whose creation and separate existence had never been justified  
16 by cost differentials. When that step appeared to show a cost differential between to the two  
17 classes, it immediately jumped to proposing highly discriminatory rates for the two classes based  
18 solely on that step without further investigation or consideration of any alternative rate structure.  
19

20           Viewed most charitably, applying Liberty’s template-based MCS to the two pre-existing  
21 residential classes was a reasonable first step. But Liberty failed to comply with the  
22 Commission’s Order because of what it didn’t do. As best as can be determined, Liberty never  
23 stopped to evaluate or explain why its MCS appears to show cost differentials between the two  
24 classes. In short, even putting aside the profound error in the MCS’ treatment of “new hookup”  
25 costs, the most that the MCS establishes is that there is a weak correlation between membership  
26  
27  
28

1 in the residential non-permanent class and a small higher marginal cost of service per kWh  
2 compared to the residential permanent class.

3 Liberty is proposing a complete transformation of the reason for existence of the two  
4 residential classes. The only reason the class division now exists is apparently a policy-based  
5 desire to prevent customers from simultaneously receiving multiple baseline tiers. But now,  
6 Liberty proposes to use the existing classes to impose a substantial rate increase on the non-  
7 permanent class without identifying or describing any common characteristic related to the cost of  
8 serving the members of each such class. To prove that any cost-based class discrimination is not  
9 unreasonable, Liberty must do far more. In particular it must identify whatever similar and  
10 dissimilar features link and divide the two classes and to prove that imposing different rates for  
11 each class is the best available well-tailored alternative solution to whatever cost-difference  
12 problem it finds exists. Liberty has does none of this.

13  
14  
15 **C. Because at the Most the MCS Establishes a Weak Correlation Between Higher**  
16 **Marginal Costs and Class Membership, Liberty Has Failed to Demonstrate the**  
17 **Discriminatory Treatment of the Residential Non-permanent Class It Proposes Isn't**  
18 **Arbitrary and Unreasonably Discriminatory**

19 **Q.28. In your opinion has Liberty demonstrated that the discriminatory treatment**  
20 **of the residential non-permanent class it proposes is proper?**

21 A. No.

22 ///

1           **Q.29. Please describe the basis for you opinion.**

2           A.     Liberty failed to adequately and neutrally take reasonable further steps to  
3 investigate, evaluate, and describe the reasons for the weak correlation the MCS identifies  
4 between higher marginal costs allocated to the non-permanent class. It then rushed to propose its  
5 rate structure, without even attempting to show that there is a principled, rational justification for  
6 discriminating between the two existing residential rate classes on the basis of cost differentials.  
7

8           Because accepted principles of utility rate design do not permit unreasonable  
9 discrimination among customers, it is not enough to justify the use of separate rate classes just by  
10 establishing that there is a weak correlation between higher costs in one arbitrarily defined group  
11 of customers than another. The chief risk is that classification based upon a weak correlation  
12 between cost and class membership (but without identify any identified rational causal factor  
13 common to its members) will be both (i) unreasonably over-inclusive of customers whose  
14 individual usage does not align with the higher costs being attributed to the class to which they  
15 are assigned, and (ii) unreasonably under-inclusive of customers whose individual usage does.  
16 But at best, that is all that Liberty’s MCS does. Logically, to justify cost-based rate discrimination  
17 between two proposed customer groups, the proponent of a rate plan must at least attempt to show  
18 that there is a common characteristic among members of the proposed group that makes  
19 discriminatory treatment reasonable. In this case because Liberty hasn’t adequately and fairly  
20 investigated the issue of what underlying factors may exist that explain the weak correlation it  
21 contends exists between non-permanent resident status and higher marginal costs. In short,  
22 Liberty has done nothing to justified the class-based discrimination it proposes.  
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1           Moreover, the most plausible explanations for the weak cost correlation identified by the  
2 MCS are inconsistent with adoption of the rate-design approach Liberty proposes. Specifically:

3           **1.       Discrimination Against or Assignment of Costs to Non-permanent Residents**  
4           **Based Upon Over-representation of New Customers among Non-permanent**  
5           **Residents is Not Reasonable**

6           Even if there were more non-permanent residents establishing new service via costly “new  
7 hookups” than there are permanent residents doing so, rate discrimination between permanent and  
8 non-permanent residents isn’t justified or permissible on that basis.

9           Almost all of the cost differential identified by the MCS is attributable to the allocation of  
10 all “new hookup” costs to the residential non-permanent class. Even if, contrary to my opinion,  
11 there is a logical basis for such allocation of all “new hookup” costs to a single class based on the  
12 fraction of time a customer resides in Lake Tahoe, or there is an error in the computation of costs  
13 flowing from my adjustment of the allocation, Liberty’s proposal of a rate structure that uses  
14 customer classes defined by residency duration still isn’t a reasonable or legitimate response to  
15 the problem. This is so for two reasons.

16           First, doing so needlessly uses non-permanent residency status as a highly imperfect proxy  
17 for “new customers”. Doing so means that if Liberty’s proposal were adopted, higher rates would  
18 be unfairly applied to long-time non-permanent residents and lower rates would unjustly but  
19 serendipitously be given to new permanent residents, i.e., dividing up customers based upon  
20 residency isn’t a well-tailored response to deal with the fact that new customers are over-  
21 represented among non-permanent residents. In other words, if the problem is that serving new  
22 customers is more costly due to “new hookup” costs, then allocating costs should be based upon  
23 whether a customer is a new customer that requires a “new hookup”, not his or her residency  
24 status. In such case, residency is only imperfectly correlated with whether a customer is a “new  
25 customer” requiring a “new hookup”. But there is no reason to use an imperfect proxy (residency)  
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28

1 when the actual element of causation (the cost of new hookups required by new customers) is  
2 directly and perfectly identifiable. It appears that Liberty has done no investigation to identify  
3 new customers requiring “new hookups” .

4           Second, allocating new hookup and similar costs to new customers may be proper under  
5 accepted principles of rate design, but only under limited circumstances. For an example of a  
6 discussion of recovery of new service costs from new customers, see *Application of Pacific Gas*  
7 *and Electric Company to Revise its Electric Marginal Costs, Revenue Allocation and Rate Design*  
8 *(U39M)*, California Public Utilities Commission, September 28, 2017, Decision 17-09-035;  
9 *Application 16-06-013* (Filed June 30, 2016, Sect. 3.2.1, “Marginal Customer Costs”. Liberty  
10 hasn’t even attempted to establish that allocation of “new hookup” costs to new customers as a  
11 class is justified in this case as permitted by applicable regulatory standards. And indeed, it  
12 clearly is not. If allocation of specific types of costs to new customers isn’t permissible, allocation  
13 of those same types of costs to members of a group that serves as a proxy for new customers is  
14 even more clearly impermissible. Liberty cannot properly do by proxy (create a class and thereby  
15 allocate more costs to non-permanent residents because new customers are over-represented  
16 within the ranks of non-permanent residents) what it cannot properly do directly (create a class of  
17 new customers and allocate costs to them).

18  
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20  
21           **2.       Discrimination Against Non-permanent Residents Based Upon Lower  
                  Average Use Is Not Reasonable**

22           Liberty hasn’t described any cost-based principle for its proposal to assign higher costs to  
23 non-permanent residential customers, but if the problem is that the average non-permanent  
24 resident uses less energy overall (presumably due to off season vacancy) and thereby is not  
25 absorbing a fair-share of fixed infrastructure costs, a rate structure that uses classes defined by  
26 residency to charge non-permanent residents higher rates isn’t a reasonable solution. Again, doing  
27 so needlessly uses non-permanent residency status, a highly imperfect proxy, for “lower-than-  
28

1 average-use-customers”. Doing so would mean higher rates would wrongly be applied to higher-  
2 than-average-energy-using “non-permanent residents” while lower rates would wrongly be  
3 applied to “lower-than-average-use permanent residents” needlessly. As with the allocation of  
4 “new hookup” costs, class membership based upon residency isn’t well-tailored to the underlying  
5 cause of the correlation between higher costs and membership in the non-permanent class.  
6

7 In other words, as with the allocation of “new hookup” costs, if the problem is that some  
8 customers don’t pay a fair share of infrastructure costs because of their lower energy usage, the  
9 just and reasonable solution, is not to create separate rate classes and certainly not to create  
10 separate rate classes based upon an arbitrary category such as residency. Rather, the just and  
11 reasonable solution would be to consider alternative rate structures including (i) imposing fixed  
12 monthly charges to cover a greater fraction of infrastructure costs, and (ii) imposing seasonally  
13 varying rates with lower rates applicable during low-demand seasons and higher rates applicable  
14 during high-demand seasons. Such alternatives would force users who have a lower overall usage  
15 to bear a greater share of the total cost of infrastructure without arbitrarily imposing separate  
16 class-based rates. Although Liberty seems to recognize the foregoing principles in the context of  
17 its proposal for recovering its anticipated wildfire hardening expenses with higher fixed monthly  
18 charges, it simply ignores such alternatives in the context of the higher marginal costs allocated to  
19 residential non-permanent customers by the MCS.  
20  
21

22 **3. Rate Discrimination Based Upon Class-based Marginal Cost Differences is**  
23 **Reasonable Only if Other Mechanisms to Match Costs with Customers Are**  
24 **Impractical**

25 If a strong correlation between marginal cost and residential permanent class membership  
26 is attributable to a common factor among those class members such as a common pattern of daily  
27 or annual usage, rate discrimination between permanent and non-permanent residents might be  
28 acceptable. But discrimination in such a situation would be reasonable only if a more suitable

1 alternative rate structure weren't available to deal with the underlying issue directly. Here the  
2 MCS presents no evidence of such a strong correlation supporting its proposal and has not even  
3 considered any rate design alternatives to treating permanent and non-permanent residential  
4 customers as separate classes.

5  
6 Even if there were a strong correlation between a marginal cost category and non-  
7 permanent class membership arising from some pattern of daily or seasonal usage common to  
8 members of the non-permanent class, the obvious solution would be to impose variable time-of-  
9 use rates or variable seasonal rates on all residential customers as described above instead of  
10 arbitrarily separating residential customers into two classes.

11 The MCS doesn't attempt to tie the weak cost correlation it says exists to any real-world  
12 causation factor common to class members. Hence, it is overwhelming likely that the existing two  
13 residential rate groups are both over-inclusive and underinclusive of customers whose actual cost  
14 of energy is higher or lower than those attributed to their respective classes as a whole by the  
15 MCS. And, Liberty hasn't considered any alternatives (Liberty's Responses to Tahoe ERG  
16 Request Set No. 2, Request Nos. 7(b-c), Set No. 4, Request Nos. 4(a-b), part of Exhibit A to this  
17 testimony). It follows that Liberty has failed to establish that alternative rate structures more-  
18 suited to matching costs to customers aren't practical.

19  
20  
21 **D. Liberty's Proposal to Cap the Increase in Rates Applicable to the "Residential**  
22 **Permanent" and "Small Commercial" Classes Based Upon Rate Continuity**  
23 **Concerns While Excluding "Residential Seasonal" Customers from Benefiting From**  
24 **Such a Cap is Arbitrary and Unjustified by Any Accepted Rate-design Principle or**  
25 **Policy**

26 **Q.30. Is the large difference between the rates proposed by Liberty for the two**  
27 **residential classes completely explained by Liberty's need to recover costs from each class**  
28 **as allocated by the MCS?**

A.30. No.

1           **Q.31. Other than recovery of revenue requirements based upon marginal costs**  
2 **allocated by the MCS, what explains the large difference in rate increases proposed by**  
3 **Liberty for the two residential classes?**

4           A.31. Liberty's rate proposal provides a cap on the increase in rates applicable to  
5 residential permanent customers and small commercial customers. Liberty proposes to pay for  
6 that cap by reallocating the required revenue to the other rate classes including \$1,180,598  
7 (47.7% of the total amount) to residential seasonal customers.

9           **Q.32. How has Liberty described the cap and its effect?**

10          A.32. Liberty mentions the caps in its original Application: May 28, 2021 "Chapter 12:  
11 Marginal Cost and Rate Design" p. 18:12-13 where, in response to a question posed to itself  
12 related to revenue targets for each class, Liberty's sponsoring witness states, "Second, the revenue  
13 requirements were adjusted for continuity considerations by applying a cap mechanism for  
14 Residential Permanent and Small Commercial classes." The corresponding computations appear  
15 with the original May 28, 2021 Application, in its Exhibit TSL/TAS-4, "Determination of  
16 Revenue Targets" p. 2 of 2, in the section labeled "Step 2: Cap Mechanism". Initially Liberty  
17 reallocated \$997,869 in revenue requirements from "residential permanent" and "small  
18 commercial" to "residential seasonal". The amount of the burden reallocated to "residential  
19 seasonal" (now renamed "residential non-permanent") was increased in Liberty's September 10,  
20 2021 Chapter 12 Supplemental Testimony to \$1,180,598 where its Exhibit SL/TAS-4 was  
21 superceded by Exhibit TSL-S9 at p. 2 of 3, "Determination of Revenue Targets (Excluding  
22 ECAC, M, CEMA)", "Step 2 Cap Mechanism." The figures that appear in Exhibit TSL-S9 are  
23 drawn from the "Target Revenues" worksheet ("Target Revenues", Range B47 to D57, especially  
24 B57 to D57). Liberty also refers to the cap in Liberty Response to Cal Advocates Liberty-020-  
25  
26  
27  
28

1 MPS (Customer and Sales, Marginal Cost and Rate Design) Request No. 1(a) and in Liberty's  
2 Response to Tahoe ERG Request Set No. 2, Request No. 15.

3 **Q.33. What explanation has Liberty given for denying its residential non-**  
4 **permanent customers a rate increase cap and allocating to them almost half of the cost of**  
5 **the corresponding cap being afforded to residential permanent and small business**  
6 **customers?**  
7

8 A.33. Liberty includes very little discussion of the reasoning underlying its proposed rate  
9 increase cap in its supporting papers. Liberty's sponsoring witness does state:

10 [T]he proposed rates help mitigate the impact of the proposed rate  
11 increases on a majority of Liberty's customers. Finally, the  
12 proposed rates help address potential equity and bill continuity  
13 concerns, especially for Liberty's most vulnerable customers, which  
14 were anticipated and foreshadowed in the May 2021 filing.

(Liberty Application, September 10, 2021 "Chapter 12:  
Supplemental Direct Testimony" p. 2:6-9).

15 To the extent the foregoing reference to "mitigating the proposed rate increase" refers to Liberty's  
16 rate cap, I have found nothing offered by Liberty tending to support the proposition that, as a  
17 class, residential permanent ratepayers are more "vulnerable" than residential non-permanent  
18 ratepayers -- much less that small commercial ratepayers who also benefit from Liberty's  
19 proposed cap at residential non-permanent ratepayers' expense are more "vulnerable" than  
20 residential non-permanent ratepayers. In fact, Liberty has repeatedly asserted that the basis for  
21 treating the two residential classes differently is based only on cost and has repeatedly disclaimed  
22 any knowledge of the demographics of the two classes. Thus, Liberty Response to Tahoe ERG  
23 Data Request Set No. 2 Request No. 10 includes the assertion that cost is the sole justification for  
24 disparate treatment of the two residential classes and Liberty's disclaimer of any knowledge of the  
25 demographics of the two residential classes. Similarly, Liberty disclaims any use of the  
26  
27  
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1 demographics of the classes in its response to Tahoe ERG Data Request Set No. 2 Request  
2 No. 12.

3 **Q.34. In your opinion has Liberty provided an adequate justification for (i) denying**  
4 **its residential non-permanent customers a rate increase cap, and (ii) allocating to them**  
5 **almost half of the cost of the corresponding cap being afforded to residential permanent and**  
6 **small business customers?**  
7

8 A.34 No.

9 **Q.35. Please explain.**

10 A. Based upon my previous answer in this prepared testimony, I am unaware of any  
11 justification Liberty has presented for its inconsistent treatment of rate caps between the two  
12 residential classes. In my opinion its proposed treatment of the residential non-permanent class in  
13 this particular case is arbitrary and unjustified by any accepted rate-design principle or policy.  
14

15 **E. Liberty's Proposed Enormous Expansion of the Difference in Treatment Between the**  
16 **Existing "Residential Seasonal" and "Residential Permanent" Rate Classes is**  
17 **Unjustified, Unreasonably Discriminatory, Deviates From Accepted Rate Design**  
18 **Principles, and Would Needlessly Promote Mischief**

19 **Q.36. Is there any indication in Liberty's supporting documents that Liberty has**  
20 **considered the negative consequences of expanding the difference in treatment between the**  
21 **existing "residential seasonal" and "residential permanent" rate classes as it proposes?**

22 A.36. No.

23 **Q.37. In your opinion are there likely substantial negative unintended consequences**  
24 **of expanding the difference in treatment between the existing "residential seasonal" and**  
25 **"residential permanent" rate classes as Liberty proposes?**

26 A.37. Yes.

1           **Q.38. Please explain.**

2           A.38. Liberty has proposed an enormous expansion of the difference in treatment  
3 between the existing "residential seasonal" and "residential permanent" rate classes. In my  
4 opinion, if adopted, its proposal would likely generate a number of unintended unjust and  
5 unreasonable consequences.  
6

7           First, the proposal would confer upon residential customers a substantial incentive (much  
8 larger than the existing incentive to qualify for a Tier 1 baseline), to engage in dishonesty,  
9 subterfuge, and gamesmanship to qualify or appear to qualify for the rate-favored residential  
10 permanent rate classification. Such dishonesty and gamesmanship are likely to greatly increase  
11 Liberty's cost of enforcing and policing compliance with eligibility rules, which will likely be  
12 borne by ratepayers in the form of future rate increase requests from Liberty.  
13

14           Second, unless the rules governing eligibility for the favored rate class are defined in a  
15 way that leaves absolutely no room for interpretation, substantial resources will likely be wasted  
16 attempting to resolve disputes over entitlement to membership in the favored rate class. This  
17 problem is compounded by the fact that Liberty will have a greatly-enlarged incentive to  
18 arbitrarily assign customers to the non-permanent class based upon revenue considerations.  
19

20           Third, if Liberty proposes and the Commission were to approve detailed standards  
21 concerning eligibility for the favored rate class, Liberty and the Commission, will likely have to  
22 address numerous vexing questions about what those standards should be and to justify them as  
23 just and reasonable. As the accompanying testimony of Karen L. Miller suggests, Liberty's  
24 interpretation of eligibility for permanent-resident class membership has drifted over time into  
25 something completely untethered to the original purpose behind creating the two classes:  
26 preventing customers from simultaneously receiving more than one baseline tier.  
27  
28

1 Fourth, adoption of Liberty’s proposal is likely to promote a cankerous “us versus them”  
2 mentality between those who are eligible for the favored rates and their next-door neighbors who  
3 consume energy in precisely the same amounts and ways as their neighbors who are eligible for  
4 the favored rates. As a corollary, the proposal is likely to reduce confidence in the fairness of  
5 electrical rates due to the absence of any manifest justification for treating persons differently  
6 based upon residence.  
7

8 **Q.39. In your opinion would expanding the difference in treatment between the**  
9 **existing "residential seasonal" and "residential permanent" rate classes as Liberty proposes**  
10 **comply with applicable standards prohibiting unreasonable rate-class discrimination, and**  
11 **otherwise in compliance with accepted rate design principles?**

12 A.39. No.

13 **Q.40. Please explain.**

14 A.40. For the reasons request set-forth above, in my opinion Liberty’s rate proposal is  
15 arbitrary, contrary to accepted rate-making standards proscribing unreasonable discrimination  
16 among rate classes, and not supported by a properly conducted marginal cost investigation.  
17

18 In addition, I believe Liberty’s proposal is unfair and unwise. I believe a strong inference  
19 arises from Liberty’s Application and the community environment from which it has sprung that  
20 Liberty and many of its customers have conflated the concept of a “non-permanent” resident with  
21 the concept of an “affluent recently-arrived second homeowner” and conflated the concept of a  
22 “permanent resident” with a “less affluent long-time local.” I believe that such conflation is  
23 pernicious and the Commission should take care to avoid making the same mistake or approving  
24 a rate structure that is based upon the same mistake.  
25

26 Liberty’s service area embraces a largely seasonal resort-based economy with much  
27 greater economic activity occurring during busy summer and winter resort seasons with  
28

1 significantly less economic activity occurring at other times. In my opinion, there is a  
2 conventional wisdom that communities like Liberty's Tahoe service area typically greatly  
3 increase in population during their busy seasons and greatly shrink in the off seasons. The result  
4 is recurring yearly cycles in the demand for housing, electricity, and other resources . In my  
5 opinion, that conventional wisdom is correct.  
6

7 But in my opinion, there is another equally accurate conventional wisdom: Much of the  
8 seasonal increases and decreases in population (as well as the corresponding demand for energy)  
9 are attributable not just to the presence or absence of second homeowners and vacationers, but to  
10 the presence and absence of relatively low-paid seasonal service industry employees (winter  
11 resort workers, hospitality workers, etc.) who are neither permanent residents nor homeowners.  
12 Such seasonal workers (whose presence is essential to the economic health of the community and  
13 thus to that of the community's permanent residents) must pay for the cost of electrical energy  
14 delivered to rental properties they occupy either directly or indirectly as an expense passed  
15 through by landlords. In all likelihood such persons are far more likely to be in need of relief from  
16 high energy costs than long-term permanent residents who are much more likely to own their own  
17 homes and enjoy higher incomes. Thus, in my opinion, it is an error, unjust and unreasonable to  
18 equate a "non-permanent resident" with an "affluent customer" more able to bear the cost of high  
19 energy bills and equally unfair to equate a "permanent resident" with a "less affluent customer  
20 less able to bear the cost of such bills".  
21  
22

23 If anything, without further demographic information, it should be presumed that a rate  
24 structure that favors permanent residents over non-permanent residents actually hurts the more  
25 vulnerable less affluent seasonal working population in order to benefit at least a portion of the  
26 permanent population whose members are more likely to be affluent and homeowners.  
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**Table of Exhibits**

<u>Description of Exhibit</u>	<u>Exhibit</u>
Extracts from Liberty’s Responses to Tahoe ERG’s Data Requests.....	A
Printout from Modified “Target Revenues” Worksheet .....	B
Printout from Modified “MDC-Inputs” Worksheet.....	C
Printout of Notes Describing Modifications to “MDC- Inputs” Worksheet Resulting in Changes in the Computed Marginal Costs Reported in the “Target Revenues” Worksheet.....	D

**EXHIBIT A**

**Extracts from Liberty's Responses to Tahoe ERG's Data Requests**

Extracts from Liberty’s Responses to Tahoe ERG’s Data Requests

**Exhibit A**

The attached are Extracts from Responses submitted by Liberty Energy to various Data Requests addressed by Tahoe ERG to it in connection with General Rate Proceedings Case A.21-05-017 being pursued by Liberty Utilities.

Copies of the extracted Requests and Responses were furnished by Tahoe ERG's counsel for use with Testimony. They have been reformatted as a table for convenience.

<b>Data Request</b>	<b>Text of Tahoe ERG’s Request</b>	<b>Text of Liberty’s Response</b>
Liberty's Response to Tahoe ERG Set No. 2, Request No. 7	With regard to Your proposal to bifurcate the classification of residential energy customers in Lake Tahoe into two categories: Residential-Permanent and Residential-Seasonal, please provide the following:	
Tahoe ERG Set No. 2, Request No. 7(b)	(b) admit or deny whether You have considered alternatives to creating two rate classes based upon permanent versus non-permanent residency or similar distinctions based on rate differences for seasonal customers;	(b) Deny – the Company did not consider alternatives to Permanent and Non-Permanent Residential classes.
Tahoe ERG Set No. 2, Request No. 7(c)	(c) unless Your response to sub-part (b) is an unequivocal denial, please provide a detailed explanation of alternative rate structures considered and the reason those alternatives were not proposed to the California Public Utilities Commission;	(c) Please refer to the Company’s response to (b).
Liberty's Response to Tahoe ERG Set No. 2, Request	Provide the public policy basis for Liberty Energy’s proposal to charge Residential-Permanent customers less than Residential-Seasonal customers for identical energy usage. Please provide copies of Documents and Communications, including any analysis or workpapers,	The public policy basis to charge Permanent Residential customers less than Non-Permanent (Seasonal) Residential customers is to establish fair and equity rates based on differences in the cost of providing utility service. <sup>2</sup>

Extracts from Liberty’s Responses to Tahoe ERG’s Data Requests

<b>Data Request</b>	<b>Text of Tahoe ERG’s Request</b>	<b>Text of Liberty’s Response</b>
No. 10	on which You relied, referenced or that are relevant to Your response.	Response prepared by Tim Lyons.  ²See Chapter 16, Criteria of a Sound Rate Structure, Bonbright, James, Danielsen, Albert, and Kamerschen, David. “Principles of Public Utility Rates.” Public Utilities Reports, Inc. 1988. Second edition, at 377-407.
Liberty's Response to Tahoe ERG Set No. 2, Request No. 12	Provide all factual analysis prepared by or for You on the characteristics, “seasonal” residents, including demographics such as income level, age, and ethnicity. Please provide copies of Documents and Communications, including any analysis or workpapers, on which You relied, referenced or that are relevant to Your response.	The analysis of Non-permanent (Seasonal) Residential customers was based on their load characteristics, including annual, monthly, Time-of-Use period, and non-coincidental demand data. The analysis did not include demographic data.  Response prepared by Tim Lyons.
Liberty's Response to Tahoe ERG Set No. 2, Request No. 14	Provide all Documents and Communications prepared by or for You analyzing how a higher electricity rate for “Residential-Seasonal” residents will impact those customers and identify the percentage of “Residential-Seasonal” customers are low- income but who do not qualify for CARE. Please provide copies of Documents and Communications, including any analysis or workpapers, on which You relied, referenced or that are relevant to Your response.	Please refer to Exhibit TSL-S10, Rate Design and Bill Impact Analyses, Page 2 of 12, of the Supplemental Chapter 12 filing that shows the proposed charges and bill impacts for Non-permanent (Seasonal) Residential customers. The Company does not have income data for Non-Permanent (Seasonal) Residential customers.  Response prepared by Tim Lyons.
Tahoe ERG Set No. 4, Request No. 1	Please admit that the classification for at least one customer or service address has changed from “Residential-Permanent” to Residential-Non-Permanent” and vice versa during the last four years.	Liberty does not track customer reclassifications, including among the Residential Permanent and Residential Non-Permanent rate classes; however, Liberty believes that a reclassification of “at least one customer” may be likely.  Response prepared by Tim Lyons.
Tahoe ERG Set No. 4,	Unless Your response to DR 4-1 is an unequivocal denial, please provide the following:	[No separate response from Request subparts]

Extracts from Liberty’s Responses to Tahoe ERG’s Data Requests

<b>Data Request</b>	<b>Text of Tahoe ERG’s Request</b>	<b>Text of Liberty’s Response</b>
Request No. 2		Response prepared by Tim Lyons.
Tahoe ERG Set No. 4, Request No. 2(a)	(a) The number of “Permanent Residential” customers or service addresses who were reclassified as “Non-Permanent Residential” customers in each of the last four years (i.e. 2018, 2019, 2020 and 2021.	(a) Liberty does not track requested data in the ordinary course of business and is not easily ascertainable. Customers that change status from Permanent to Non-Permanent residential or from Non-Permanent to Permanent residents are handled by customer service representatives on a case-by-case basis. Liberty tracks by active customer accounts the energy usage and pertinent billing data related to each specific account each month. Please refer to the Company’s response to 4-1.
Tahoe ERG Set No. 4, Request No. 2(b)	(b) The number of “Non-Permanent Residential” customers or service addresses that were reclassified as “Permanent Residential” customers in each of the last four years (i.e. 2018, 2019, 2020 and 2021.	(b) See response to part a.
Tahoe ERG Set No. 4, Request No. 3	Please admit that the basis for Your conclusion that the cost of electrical service provided to “seasonal residents” is higher than “permanent residents” is that costs are allocated as if all new customers are “seasonal residents” and the cost for all new hookups is allocated to “seasonal residents.”	Deny. The basis for the conclusion that the cost of electrical service provided to seasonal or non-permanent residential customers is higher than permanent residential customers is the results of the marginal cost study. The marginal cost study considers the cost of new hookups as a component of the marginal cost. The study includes no hookups for permanent residential class since the number of customers has declined from 2011-2019 and the Company’s forecast does not include any new customers. By comparison, the number of non-permanent residential customers has increased by 3,427 customer accounts since 2011 and Liberty projects an increase of 828 new customer accounts over the GRC cycle for this customer class. Response prepared by Tim Lyons.
Tahoe ERG Set No. 4,	Please admit that You did not consider a rate design in which all new hookups are charged more than existing hookups regardless of whether such new hookups are	Admit. Response prepared by Tim Lyons.

Extracts from Liberty’s Responses to Tahoe ERG’s Data Requests

<b>Data Request</b>	<b>Text of Tahoe ERG’s Request</b>	<b>Text of Liberty’s Response</b>
Request No. 4	classified as “seasonal residents” or “permanent residents.” Unless Your response is an unequivocal denial, please provide the following:	
Tahoe ERG Set No. 4, Request No. 4(a)	(a) Documents or Communications demonstrating such alternative rate design.	(a) There are no documents or communications relating to the alternative rate design. The Company did not consider the alternative rate design.
Tahoe ERG Set No. 4, Request No. 4(b)	(b) A detailed explanation of the basis on which an alternative rate design that charges new hookups more than existing hookups was rejected.	(b) The company did not consider the alternative rate design.
Tahoe ERG Set No. 4, Request No. 5	Please provide an explanation of the term “new hookups as that term is used in Chapter 12, Exhibit TLS-S8 (“Derivation of Marginal Costs”) Page 3 of 4, Line Item 4 (“Estimated Average Annual New Hookups”) pdf page 52 please provide the following:	[No separate response from Request subparts] Response prepared by Tim Lyons.
Tahoe ERG Set No. 4, Request No. 5(a)	(a) Define the term “new hookups”	(a) A “New hookup” is a term used to describe when a customer establishes a new connection to the Company’s electric system for the purpose of having the Company provide electrical service. Specific equipment needs are determined on a case-by-case basis, and may include a Line Extension or other equipment needed in Liberty’s estimation based on Rules 3, 15, 16 and 19, as well as Schedule SE. In some occasions interconnecting a new Customer for Service may also include special or added facilities as noted in Rule 16.
Tahoe ERG Set No. 4, Request No. 5(b)	(b) Identify all cost elements (including whether “new hookups” include construction or installation of any type of facilities)	(b) Cost elements are based on facility and service requirements to meet the customers energy needs. Such cost elements may include the capital and O&M costs associated with purchasing and installing electrical facilities, including

Extracts from Liberty’s Responses to Tahoe ERG’s Data Requests

<b>Data Request</b>	<b>Text of Tahoe ERG’s Request</b>	<b>Text of Liberty’s Response</b>
		circuit wires, poles, underground facilities, transformers, service drops, and meters.
Tahoe ERG Set No. 4, Request No. 5(c)	(c) Explain whether “new hookups” include only new facilities	(c) Objection as vague and ambiguous. Without waiving its objection, Liberty responds as follow: New hookups may include service to new and/or existing buildings, including those that are undergoing renovation.
Tahoe ERG Set No. 4, Request No. 5(d)	(d) Explain whether “new hookups” include existing facilities that are modified	(d) See Response (c).
Tahoe ERG Set No. 4, Request No. 5(e)	(e) Provide examples of "new hookups" for residential customers falling outside of the definition set forth in subpart (a)	(e) There are none. Connections to the electric system are established via new hookups.
Tahoe ERG Set No. 4, Request No. 5(f)	(f) Do you contend that there is any such thing as a "hookup" that is not a "new hookup" as used in any papers or computations supporting the application and Your Marginal Cost Study	(f) Existing connections to the electric system are considered hookups while new connections to the electric system are considered new hookups.
Tahoe ERG Set No. 4, Request No. 5(g)	(g) Describe every type of "hookup" that is not a "new hookup" as used in any papers or computations supporting or relied upon in preparing the application and MCS.	(g) Please refer to the Company’s response to (f).
Tahoe ERG Set No. 4, Request No. 5(h)	(h) Identify the number of residential class hookups that were not "new hookups" for the last four years (i.e., 2018, 2019, 2020, and 2021).	(h) Residential hookups that are not considered new hookups are derived as the number of service accounts in each year (total hookups) less the number of new hookups.
Tahoe ERG Set No. 4,	(i) Admit that the reclassification of an existing service location from “Residential-Permanent” to Residential-	(i) Admit.

Extracts from Liberty’s Responses to Tahoe ERG’s Data Requests

<b>Data Request</b>	<b>Text of Tahoe ERG’s Request</b>	<b>Text of Liberty’s Response</b>
Request No. 5(i)	Non-Permanent” or vice versa is not a "new hookup" as used in any papers or computations supporting the application and MCS.	
Tahoe ERG Set No. 4, Request No. 6	Please admit that the cost of all “new hookups” are allocated solely to customers or customer accounts classified as “seasonal.”	Deny. The cost of new hookups is allocated to other rate classes as well. Response prepared by Tim Lyons.
Tahoe ERG Set No. 4, Request No. 7	Unless Your response to 4-6 is an unequivocal denial, reason and justification for allocating the expenses of all “new hookups” to the residential seasonal customer class. Please provide all Documents and Communications that depict, reference or support such basis.	Please refer to the Company’s response to request 6. Response prepared by Tim Lyons.
Tahoe ERG Set No. 4, Request No. 8	Please admit that Liberty's Marginal Cost Study did not rely on an assertion that primary residents have higher-than-average yearly usage and the seasonal residents have lower-than-average yearly usage.	Deny. The marginal costs study relies on forecasted use and demands for all rate classes, including the residential permanent and non-permanent rate classes. Response prepared by Tim Lyons
Tahoe ERG Set No. 4, Request No. 9	Please provide non-privileged copies of Documents and Communications between You and any consultant or expert related to the portions of the Marginal Cost Study relating that propose or analyze allocation of costs or rate design between residential permanent and non-permanent customer classes.	Liberty is providing privileged copies of internal management discussions with expert consultants. Please see confidential files in “Tahoe ERG 4-9 Attachments – CONFIDENTIAL.” Response prepared by Tim Lyons.
Tahoe ERG Set No. 4, Request No. 10	Please produce the following data for customer accounts for the last four years:	[No separate response from Request subparts other than word "Attachments"] Response prepared by Tim Lyons.
Tahoe ERG Set No. 4, Request No. 10(a)	(a) Date that a customer account was created	(a) Please see confidential attachment “CSM Connection Data_Active Connections.” Please note this list only shows active customers and does not reflect customers who have closed their accounts.

Extracts from Liberty’s Responses to Tahoe ERG’s Data Requests

<b>Data Request</b>	<b>Text of Tahoe ERG’s Request</b>	<b>Text of Liberty’s Response</b>
Tahoe ERG Set No. 4, Request No. 10(b)	(b) Whether the new customer account was classified as a “new hookup” as that term is defined in response to used in 4-5	(b) Liberty does not have this data.
Tahoe ERG Set No. 4, Request No. 10(c)	(c) Whether the new customer account was classified as “permanent” or “seasonal” when it was opened;	(c) Liberty does not have this data.
Tahoe ERG Set No. 4, Request No. 10(d)	(d) Whether the customer accounts have switched from “permanent” to “seasonal” and vice versa	(d) Liberty does not have this data.

## Exhibit D

13. The following specific steps apply:

Description	Value
Step 1: Compute the total growth or shrinkage of the relevant two classes: To do so, add the change in each of the two classes: The change in the permanent class is: "MDC-Inputs" D53-D40 (positive = growth; negative = shrinkage) The change in the non-permanent class is: "MDC-Inputs" E53-E40 (positive = growth; negative = shrinkage) Ergo, the total growth or shrinkage of the two classes is: "MDC-Inputs" (D53-D40)+(E53-E40)	3,921
Step 2: Specify the fraction of "new hookups" to be allocated to non-permanent (value manually entered the fraction non-permanent customers bears to the total of the number of permanent and non-permanent customers)	59.00%
Step 3: Compute the fraction of total "new hookups" allocated to "permanent" customers (1- the fraction allocated to the permanent customers)	41.00%
Step 4: Allocate the total "growth" of customers, i.e., "new hookups" to each class based upon the corresponding fraction specified in Steps 2 and 3:	
Compute "new hookups" for non-permanent customers (new value for MDC-Inputs E55) based upon amount in Step 1 times the fraction in Step 2.	2,313
Compute "new hookups" for permanent customers (new value for MDC-Inputs D55) based upon amount in Step 1 times the fraction in Step 3.	1,608

14. Based upon the foregoing computations, the value of 2,313 has been entered into the Modified MDC-Inputs E55 cell and the value of 1,608 has been entered into the Modified MDC-Inputs D55 cell. These are the only changes entered into the workbook other than modified print formatting commands.