

Docket:	<u>A.22-10-022</u>
Exhibit Number	<u>CA-01</u>
Commissioner	<u>Shiroma</u>
Admin. Law Judge	<u>O' Rourke</u>
Witnesses	<u>Various</u>



PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

**Report on the Results of Examination
For
Liberty Utilities' (CalPeco Electric)
Various Memorandum Accounts**

A.22-10-022

San Francisco, California
July 14, 2023

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY.....	1
CHAPTER 1 OVERVIEW	1-1
A. Procedures Performed	1-2
1. CEMAs Declared Disaster by a Commission- Recognized Competent Authority.....	1-2
2. Incremental Evaluation.....	1-2
CHAPTER 2 CATASTROPHIC EVENTS MEMORANDUM ACCOUNTS	2-4
A. Expenses.....	2-4
1. Tree Mortality/ Drought.....	2-4
2. 2021 Tamarack Fire	2-6
3. 2021 Caldor Fire.....	2-7
4. 2021 Winter Storms.....	2-8
5. 2017 Winter Storms.....	2-8
B. Capital Expenditures	2-9
1. 2021 Tamarack Fire	2-9
2. 2021 Caldor Fire.....	2-10
CHAPTER 3 WILDFIRE MITIGATION PLAN MEMORANDUM ACCOUNT	3-1
A. Analysis and Recommendations	3-1
1. Vegetation Management O&M Expenses	3-3
2. Non-Vegetation O&M Expenses	3-5
CHAPTER 4 FIRE RISK MITIGATION MEMORANDUM ACCOUNT	4-1
A. Analysis and Recommendations	4-1
1. Cynthia Fisher	4-2
2. Skydance Helicopters of Northern Nevada	4-2
CHAPTER 5 WILDFIRE EMERGENCY MEMORANDUM ACCOUNT	5-1
CHAPTER 6 FIRE HAZARD PREVENTION MEMORANDUM ACCOUNT	6-1
A. Analysis and Recommendations	6-1
1. Davis Wright Tremaine LLP	6-1
2. TriSage Consulting	6-3

3. Employee Reimbursement.....	6-4
CHAPTER 7 COVID-19 PANDEMIC PROTECTIONS MEMORANDUM ACCT	7-1
A. Analysis and Recommendations	7-1
1. JP Morgan	7-1
CHAPTER 8 RATEMAKING.....	8-1
A. Surcharge.....	8-1
1. Capital Calculation	8-2

APPENDIX A – Statement of Qualification of Witnesses

BRANDON BENITEZ.....	A-1
CLAIR EMERSON	A-2
CHAUNCEY QUAM.....	A-3
MONICA WEAVER	A-4

1

EXECUTIVE SUMMARY

2 In Application (A.)22-10-022 filed on October 31, 2022, Liberty Utilities
3 (CalPeco Electric) LLC (Liberty) seeks Commission approval to recover costs
4 recorded in the following memorandum accounts: 1) Catastrophic Event
5 Memorandum Accounts (CEMA) associated with five catastrophic events; 2)
6 Wildfire Mitigation Plan Memorandum Account (WMPMA); 3) Fire Risk Mitigation
7 Memorandum Account (FRMMA); 4) Wildfire Expense Memorandum Account
8 (WEMA); 5) Fire Hazard Prevention Memorandum Account (FHPMA); and the 6)
9 Covid-19 Pandemic Protections Memorandum Account (CPPMA).

10 Liberty seeks recovery of approximately \$42.532 million in total
11 incremental costs including \$38.531 million in operations and maintenance
12 (O&M) expenses and \$4.001 million in capital-related expenditures.¹ Liberty
13 proposes a revenue requirement of \$42.532 million through a 36-month
14 surcharge to all customer classes associated with its various memorandum
15 accounts eligible costs by recovering costs through a Memo Account Recovery
16 Balancing Account (MARBA).² ³

17 This report presents the findings and recommendations of the Public
18 Advocates Office (Cal Advocates) at the California Public Utilities Commission
19 (CPUC) pursuant to Public Utilities code 454.9, which authorize public utilities to
20 establish CEMAs to recover the reasonable costs of restoring utility service,
21 restoring damaged utility facilities, and complying with government agency orders
22 resulting from declared disasters. Cal Advocates' objective is to ensure that
23 costs booked in the various memorandum accounts are supported, reasonable,
24 and incremental.

¹ A. 22-10-022, p. 2.

² A. 22-10-022, p. 3.

³ Liberty Prepared Testimony, p. 25, lines 5-7.

1

Cal Advocates' Witnesses and Respective Chapters

Chapter Number	Description	Witness
-	Executive Summary	M. Weaver
1	Overview	M. Weaver
2	CEMA	B. Benitez, M. Weaver
3	WMPMA	C. Emerson
4	FRMMA	C. Quam
5	WEMA	M. Weaver
6	FHPMA	C. Quam
7	CPPMA	C. Quam
8	Ratemaking	M. Weaver

2

CHAPTER 1 OVERVIEW

(Witness- M. Weaver)

Cal Advocates recommends that Liberty be authorized recovery of \$24.563

million in expenses and \$2.624 million in capital as shown in Table 1-1. This

5 results in a total revenue requirement of \$27.187 million, which is an adjustment

of \$15.344 million in revenue requirement. The adjustments proposed by Cal

Advocates are addressed in each of the specific chapters.

Table 1-1
Various Memorandum Accounts
(in \$000s)

	Cal Advocates Recommends	Liberty Proposes ⁴	Difference
CEMA-Expense	\$11,825	\$11,904	\$79
CEMA-Capital	\$2,624	\$4,001	\$1,377
WMPMA	\$0	\$13,546	\$13,546
FRMMA	\$1,301	\$1,342	\$41
WEMA	\$9,711	\$9,711	\$0
FHPMA	\$372	\$660	\$288
CPPMA	\$1,354	\$1,367	\$13
Total	\$27,187	\$42,531	\$15,344

The purpose of Cal Advocates' examination is to determine (but is not limited to) the following:

- a. Whether the CEMA disaster costs were associated with government agency orders resulting from declared disasters;
- b. whether Liberty is to recover a total revenue requirement of \$42.532 million, which includes \$38.531 million in O&M expenses and \$4.001 million in revenue requirement associated with capital expenditures;

⁴ A. 22-10-022, pp. 2-3.

- c. whether the costs recorded in Liberty's CEMA, WMPMA, FRMMA, WEMA, FHPMA, and CPPMA costs are incremental, reasonable, and recoverable;
- d. whether Liberty's cost recovery proposal is reasonable and is associated with:
 - restoring utility services to customers;
 - repairing, restoring, or replacing damaged utility facilities; and
 - complying with governmental agency orders; and
- e. whether Liberty's proposal of recovery of costs over the requested 36-month time period is reasonable.

A. Procedures Performed

1. CEMAs Declared Disaster by a Commission-Recognized Competent Authority

15 Cal Advocates reviewed Liberty’s application, testimony, and supporting
16 documentation to determine whether the Tree Mortality/Drought, Tamarack Fire,
17 Caldor Fire, and the 2021 Winter Storms were each declared a disaster by a
18 Commission-recognized competent authority. Liberty’s application does provide
19 proclamations of states of emergency associated with the Tree Mortality/Drought,
20 Tamarack Fire, Caldor Fire, and the 2021 Winter Storms, all dated and signed by
21 the Governor of California, a Commission-recognized competent authority.

2. Incremental Evaluation

23 In determining if costs booked to Liberty's various memorandum accounts
24 were incremental, Cal Advocates sent a series of data requests to Liberty to
25 determine if Liberty's reported various memorandum account expenses and
26 capital expenditures were related to the various disasters, and, whether the
27 amounts assigned to the various accounts for each cost category were
28 reasonable.

1 Based on its review, Cal Advocates recommends the removal of costs it
2 determined were unsupported or unreasonable. Thus, Cal Advocates made
3 adjustments to various memorandum accounts as discussed in each chapter.

4

CHAPTER 2 Catastrophic Events Memorandum Accounts

(Witnesses – B. Benitez, M. Weaver)

3 Liberty requests authority to recover \$15.905 million in revenue
4 requirement associated with incremental O&M and capital costs associated with
5 various catastrophic events, including the drought emergency, Tamarack and
6 Caldor Fires, December 2021 winter storms, and a credit regarding the 2017
7 winter storms. The \$15.905 million includes \$11.904 million in incremental O&M
8 and \$4.001 in revenue requirement associated with incremental capital
9 expenditures.⁵ Cal Advocates' recommendation regarding the CEMA events are
10 in each of their respective sections below.

A. Expenses

1. Tree Mortality/ Drought

13 Liberty seeks recovery of approximately \$7.288 million in total incremental O&M
14 expenses in the identification and removal of dead and dying trees within its service
15 territory.⁶ “Beginning on January 1, 2018, Liberty began recording incremental costs in
16 its CEMA to record costs incurred to address tree mortality throughout its service
17 territory. As a result, Liberty mobilized contract resources for the identification and
18 removal of dead trees that could fall on or make contact with Liberty’s electrical
19 facilities.”⁷ These costs include \$708,368 in Labor, \$4,449 in Overhead, and \$6.575
20 million in Invoices.⁸ Based on its examination, Cal Advocates recommends adjustments
21 of \$79,143 to Liberty’s \$7.288 million request in Revenue Requirement. This analysis is
22 based on Liberty’s inability to support certain claimed expenses and its submission of
23 duplicative costs.

⁵ Liberty's Prepared Testimony, p. 4, lines 3-7.

⁶ Liberty's Prepared Testimony, p. 10, Table II-3.

7 Liberty's Prepared Testimony, p. 8

⁸ Liberty's Prepared Testimony, p. 10, Table II-3.

1 CEMA disaster costs are eligible for rate recovery when an authorized
2 government agency declares a disaster. Prolonged drought has been a chief cause of
3 tree mortality in California. On October 30, 2015, Governor Edmund G. Brown declared
4 a state of emergency in California due to increasing tree mortality in several regions of
5 the state caused by drought over the previous four years which caused trees to be more
6 susceptible to bark beetle infestation.

7 Liberty presented copies of invoices to support its request. Liberty was unable to
8 support an invoice identified as “Brockway 5200,” for \$51,787 with any information such
9 as type of work performed or any obvious evidence that supports this invoice cost being
10 related to Tree Mortality/Drought efforts.⁹ In a data request response, Liberty stated
11 that this invoice is associated with a specific purchase order (PO10406) created for tree
12 mortality work on the Kings Beach 5200 line, formerly known as Brockway 5200, which
13 is a distribution circuit.¹⁰ The invoice has no line item details that describe the type of
14 work performed or what costs were billed; the description is simply “Brockway 5200
15 CEMA,” with a single charge of \$51,787.¹¹ Thus, Cal Advocates cannot determine and
16 verify that this invoice is reasonable or appropriate for rate recovery through CEMA, and
17 recommends an adjustment of \$51,787 for this unsupported invoice.

18 In its testimony, Liberty states, “In determining the costs in CEMA, Liberty
19 confirmed such costs were incremental and not duplicative of costs already included in
20 rates set forth in the last GRC.”¹² However, Cal Advocates identified duplicative
21 invoices recorded in the workpaper spreadsheet “CEMA Trees 2018-2021.”¹³ An
22 example of invoices that were duplicated include the document numbers, 14316 and
23 14317. These invoices have the same: 1) Transaction Description of “Hazard Tree

⁹ Liberty’s response to data request PubAdv-Liberty-BBE-020, Question 2b.

¹⁰ Liberty’s response to data request PubAdv-Liberty-BBE-007, Question 7.

¹¹ Liberty’s response to data request PubAdv-Liberty-BBE-020, Question 2b, attachment “INVOICE #057 (BROCKWAY 5200 CEMA).”

¹² Liberty’s Prepared Testimony, p. 9.

¹³ Liberty’s response to data request PubAdv-Liberty-BBE-004, Question 1, Excel attachment “CEMA Trees 2018-2021.” Tab “Subledger Job Level Data”, Column K (Document Number) 14316,14317.

1 Removal”¹⁴; 2) Transaction Amounts of \$1,890¹⁵; 3) Document Date of 6/1/2018¹⁶;
2 4) item number of “CEMA CRANE TREES.”¹⁷ Cal Advocates concludes that these are
3 duplicate recorded costs and recommends removing the duplicated cost, which is an
4 adjustment of \$1,890.

5 Liberty was also unable to provide information supporting labor costs totaling
6 \$25,466.¹⁸ In response to a data request, Liberty stated that these were internal labor
7 costs for Liberty employees with a job category of System Arborists who performed
8 work planning and project management tasks for Tree Mortality, and that most of the
9 labor charged was straight time and was incremental to Liberty’s GRC costs.¹⁹
10 Straight-time labor is included and embedded within Liberty’s GRC funding and is not
11 incremental for CEMA funding. Liberty provided no information to support an argument
12 that any of these employees are newly hired since the GRC, or that any employees
13 were performing significant amounts of overtime work. Cal Advocates cannot verify that
14 these costs are incremental to the GRC. Cal Advocates recommends an adjustment of
15 \$25,466 for these unsupported labor expenses.

16 **2. 2021 Tamarack Fire**

17 The Tamarack Fire was first reported on July 4, 2021. Fire officials let it
18 burn naturally until July 16, 2021, when high winds spread the fire into Liberty’s
19 territory. The fire damaged over 23 miles of Liberty’s distribution lines, including
20 182 distribution poles and various other equipment.²⁰ Liberty requests that the

¹⁴ Liberty’s response to data request PubAdv-Liberty-BBE-004, Question 1, Excel attachment “CEMA Trees 2018-2021.” Tab “Subledger Job Level Data”, Column L.

¹⁵ Liberty’s response to data request PubAdv-Liberty-BBE-004, Question 1, Excel attachment “CEMA Trees 2018-2021.” Tab “Subledger Job Level Data”, Column M.

¹⁶ Liberty’s response to data request PubAdv-Liberty-BBE-004, Question 1, Excel attachment “CEMA Trees 2018-2021.” Tab “Subledger Job Level Data”, Column N.

¹⁷ Liberty’s response to data request PubAdv-Liberty-BBE-004, Question 1, Excel attachment “CEMA Trees 2018-2021.” Tab “Subledger Job Level Data”, Column S.

¹⁸ See PubAdv-Liberty-BBE-020, Question 1.

¹⁹ Liberty’s response to data request PubAdv-Liberty-BBE-020, Question 1.

²⁰ Liberty’s Prepared Testimony p. 10, lines 9-10.

1 Commission find reasonable \$0.126 million in incremental O&M expenses
2 related to the Tamarack Fire.²¹ “The fire was believed to be caused by a
3 lightning strike.”²² The US Forest Service has not determined an official cause.²³
4 Due to the location of utility assets in relation to the fire’s ignition point, it is
5 unlikely that Liberty is at fault and rate recovery is appropriate.²⁴ In the event
6 that Liberty is determined to be at fault, Cal Advocates recommends no rate
7 recovery for any costs related to the Tamarack Fire.

8 Cal Advocates recommends \$0.117 million in incremental O&M expenses
9 related to the Tamarack Fire. The recommendation of \$0.117 million compared
10 to Liberty’s \$0.126 million is due to a misclassification in their workpapers.
11 Liberty provided a document supporting \$9,000 for Tamarack Fire expenses, but
12 it was coded to the Caldor Fire, and Liberty confirmed that both the document
13 and the related costs should properly be booked to the Caldor Fire.²⁵

14 **3. 2021 Caldor Fire**

15 The Caldor Fire began burning began burning outside of Liberty’s service
16 territory in western El Dorado County on August 14, 2021. The fire damaged
17 approximately three miles of Liberty’s distribution lines, including 20 distribution
18 poles and various other equipment.²⁶ “The cause of the fire is under
19 investigation,”²⁷ and as of May 18, 2023, the Caldor Fire is still under
20 investigation.²⁸ Due to the location of utility assets in relation to the fire’s ignition

²¹ Liberty’s Prepared Testimony, p. 2, lines 10-12.

²² Liberty’s Prepared Testimony p. 10, lines 4-5.

²³ Liberty’s response to PubAdv-Liberty-MW5-018, Q. 1.

²⁴ Liberty’s response to PubAdv-Liberty-MW5-018, Q. 2 and 3.

²⁵ Liberty’s responses to PubAdv-Liberty-MW5-001, Q. 23, and PubAdv-Liberty-MW5-005, Q. 8.

²⁶ Liberty’s Prepared Testimony, p. 12, lines 3-5.

²⁷ Liberty’s Prepared Testimony, p. 12, line 3.

²⁸ Liberty’s response to Pubadv-Liberty-MW5-012, Q. 1.

1 point, it is unlikely that Liberty is at fault and rate recovery is appropriate.²⁹ In the
2 event that Liberty is determined to be at fault, Cal Advocates recommends no
3 rate recovery for any costs related to the Caldor Fire.

4 Liberty requests that the Commission find reasonable \$0.164 million in
5 incremental O&M expense related to the Caldor Fire.³⁰

6 Cal Advocates recommends \$0.173 million compared to \$0.164 million due
7 to a misclassification in their workpaper regarding the Tamarack and Caldor Fire.
8 A document provided in support of \$9,000 in Tamarack Fire expenses was coded
9 to the Caldor Fire, and Liberty confirmed that both the document and the related
10 costs should properly be booked to the Caldor Fire.³¹

11 **4. 2021 Winter Storms**

12 In December 2021, multiple severe winter storms impacted Liberty's
13 service territory and caused significant power outages and damage to Liberty's
14 infrastructure. Cal Advocates reviewed Liberty's testimony, workpapers, and
15 discovery responses. Cal Advocates is satisfied that Liberty's request is
16 supported, reasonable, and incremental, and does not oppose Liberty's request
17 for \$5.002 million in O&M expenses related to the December 2021 Winter
18 Storms.

19 **5. 2017 Winter Storms**

20 In Liberty's Application (A.)17-10-018, Liberty was authorized to recover
21 incremental expenses and capital costs related to the January 2017 Winter
22 Storms. Liberty over-collected the authorized CEMA revenue requirement by
23 \$0.676 million.³² Cal Advocates reviewed testimony, workpapers, and discovery

²⁹ Liberty's response to PubAdv-Liberty-MW5-018, Q. 5.

³⁰ Liberty's Prepared Testimony, p. 12, line 24.

³¹ Liberty's responses to PubAdv-Liberty-MW5-001, Q. 23, and PubAdv-Liberty-MW5-005, Q. 08.

³² Liberty's Prepared Testimony, p. 14.

1 responses on the over-collection. Cal Advocates does not oppose Liberty's
2 proposal of a credit of \$0.676 million related to the overcollection of CEMA costs
3 related to the 2017 Winter Storms.

4 **B. Capital Expenditures³³**

5 **1. 2021 Tamarack Fire**

6 Cal Advocates recommends \$6.050 million in capital expenditures
7 compared to Liberty's \$9.165 million, a difference of \$3.115 million. During
8 discovery, Cal Advocates requested invoices and supporting documentation for
9 the \$9.165 million, and Liberty provided over 80 invoices to be reviewed. Due to
10 the nature of the invoices and because each invoice could contain several
11 projects, Cal Advocates created a spreadsheet which included the invoice
12 identification number, the total amount of each invoice, and the Tamarack Fire
13 portion of each invoice. The total amount of all invoices provided was
14 \$7,230,237.32 and the Tamarack fire portion totaled \$6,835,168.90. Cal
15 Advocates determined that there were two duplicate invoices included with the
16 documentation, as well as three invoices for tree work in December 2021³⁴ which
17 was several months after the restoration of the fire area was completed.³⁵ Cal
18 Advocates requested that Liberty provide invoices to support the remaining
19 \$3.115 million in costs or provide an explanation for the discrepancy, but Liberty
20 did not provide the remaining documentation nor did Liberty explain the
21 discrepancy.³⁶ Liberty did provide a reason why the tree work performed in
22 December 2021 was included: "The tree work performed in Dec 2021 (rows 77-

³³ For the Revenue Requirement associated with the Capital Expenditures, please see the Capital Calculation Section in the Ratemaking chapter.

³⁴ Liberty's response to PubAdv-Liberty-MW5-006, Q. 4, and attachment "Tamarack Fire Invoice Breakdown - Rev 1."

³⁵ Liberty's response to PubAdv-Liberty-MW5-001, Q. 9.

³⁶ Liberty's response to PubAdv-Liberty-MW5-006, Q. 4.

1 79) was fuel management tree work, which generally happens after fire
2 restoration is complete. Restoring service is the primary goal, and cleanup
3 occurs afterwards.³⁷ The Catastrophic Event Memorandum Account (CEMA) is
4 to recover costs a utility incurred to: 1) restore service to customers; 2) repair,
5 replace, or restore damaged facilities; and 3) comply with governmental agency
6 orders in connection with events declared disasters by competent state or federal
7 authorities.³⁸ Fuel management tree work after restoration does not fall into the
8 categories of repair, replace or restore. Therefore, Cal Advocates removed
9 \$3.115 million from the Tamarack Fire capital and recommends \$6.050 million in
10 capital expenditures.

11 **2. 2021 Caldor Fire**

12 Cal Advocates recommends \$1.461 million in capital expenditures
13 compared to Liberty's \$2.289 million, a difference of \$0.828 million. During
14 discovery, Cal Advocates requested invoices and supporting documentation for
15 the \$2.289 million, and Liberty provided 14 invoices to be reviewed. Cal
16 Advocates created a spreadsheet which listed the invoice, the invoice total, and
17 the 8800-SLT-Calfire portion of each invoice. The invoices totaled
18 \$1,552,206.24 and the 8800-SLT-Calfire portion totaled \$1,460,613.49. Cal
19 Advocates requested that Liberty provide invoices to support the remaining
20 \$0.828 million or provide an explanation for the discrepancy. Liberty responded,
21 "The remaining \$828,751.31 are all internal costs like labor and overheads that
22 are not on vouchers/invoices,"³⁹ but provided no other supporting documentation
23 such as timesheets to document straight time labor vs. overtime labor, or a
24 breakdown of overhead costs. Also Cal Advocates asked about straight-time

³⁷ Liberty's response to PubAdv-Liberty-MW5-006, Q. 4.

³⁸ Liberty Prepared Testimony, p. 1, lines 24-27.

³⁹ Liberty's response to PubAdv-Liberty-MW5-006, Q. 3.

1 labor and overtime labor regarding the Caldor Fire, to which Liberty responded,
2 “There were no additional labor costs for the Caldor Fire.”⁴⁰ Liberty was asked in
3 four different DRs to “please provide all supporting documentation including
4 support for labor, materials, vouchers, AIAC/AFUDC/OH.,” “Please provide a
5 breakdown of straight time/regular labor costs and overtime labor costs for
6 employees regarding the Caldor Fire.,” “please explain and provide supporting
7 documentation of the discrepancy between the recorded capital costs and the
8 invoices provided.,” “In Liberty’s response to PubAdv-Liberty-MW5-006, q. 3,
9 Liberty states, “The remaining \$828,751.31 are all internal costs like labor and
10 overheads that are not on vouchers/invoices.” When asked about a breakdown of
11 straight time/regular labor and overtime labor for the Caldor Fire, Liberty’s
12 response to PubAdv-Liberty-MW5-005, q. 6c, states, “There were no additional
13 labor costs for the Caldor Fire.” Please explain this discrepancy.,” and Liberty
14 failed to provide any information that any of the labor costs booked to the Caldor
15 Fire were overtime.⁴¹ Furthermore, Liberty stated that there *were no additional*
16 *labor costs for the Caldor Fire*,⁴² which indicates that there was no overtime, i.e.
17 “additional labor” booked to the Caldor Fire. Straight-time labor is already
18 included in rates through the GRC process and is not recoverable in this
19 proceeding. Thus, Cal Advocates recommends an adjustment of \$828,751.31
20 because Liberty bears the burden of proof and did not document that these costs
21 are incremental.

22

⁴⁰ Liberty’s response to PubAdv-Liberty-MW5-005, Q. 6c.

⁴¹ Liberty’s response to PubAdv-Liberty-MW5-001, Q. 19. Liberty’s response to PubAdv-Liberty-MW5-005, Q. 6c. Liberty’s response to PubAdv-Liberty-MW5-006, Q. 3. Liberty’s response to PubAdv-Liberty-MW5-012, Q. 3.

⁴² Liberty’s response to PubAdv-Liberty-MW5-005, Q. 6c “emphasis added.”

CHAPTER 3 Wildfire Mitigation Plan Memorandum Account

(Witness- C. Emerson)

Liberty submitted AL 117-E on June 9, 2019, to establish the Wildfire Mitigation Plan Memorandum Account (WMPMA). Pursuant to D.19-05-040, Liberty established the WMPMA to track the incremental costs of wildfire mitigation and vegetation management work that Liberty claims exceed the funding requirement authorized in Liberty's 2019 GRC. Liberty's 2019 GRC authorized \$9,180,000 for vegetation management O&M expenses.⁴³

The costs recorded in Liberty's WMPMA include the incremental O&M expenses of various initiatives approved in Liberty's Wildfire Mitigation Plan (WMP), including enhanced inspection and maintenance of Liberty's system and expanded vegetation management programs.⁴⁴

Liberty requests a reasonableness review and cost recovery of \$13.546 million recorded to the WMPMA for wildfire mitigation O&M costs that are “related to Liberty’s implementation of its Wildfire Mitigation Plan”⁴⁵ and considered incremental to the revenue requirement authorized in Liberty’s 2019 GRC. The corresponding Cal Advocates’ recommendation is \$0.

A. Analysis and Recommendations

Cal Advocates reviewed Liberty's testimony, workpapers, WMP plan, and 2021 Risk Spending Accountability Report. Cal Advocates issued numerous data requests, analyzed the line-item detail of costs recorded to Liberty's WMPMA, and consulted prior Commission Decisions to determine which costs were reasonable and appropriate for cost recovery.

43 A. 22-10-022, p. 17

44 A. 22-10-022, p. 2

45 A. 22-10-022, p. 2

1 Liberty specifies in its testimony that, “The [\$]13.546 million includes
2 \$7.362 million in increased vegetation management costs above and beyond
3 what is currently in authorized rates,” and “Liberty is requesting authority to
4 recover the incremental \$7.362 million in this proceeding.”⁴⁶ Liberty provides a
5 calculation in its testimony showing the amount recorded to the WMPMA that
6 exceeds the 2019 GRC authorized amount is \$7,362, 044.⁴⁷ The remaining non-
7 vegetation management expenses, \$6.184 million, recorded to the WMPMA are
8 described as “Liberty’s Total O&M Revenue Requirement.”⁴⁸ Liberty does not
9 state in its testimony, or provide a calculation demonstrating, that the \$6.184
10 million in total O&M revenue requirement recorded to the WMPMA is in excess of
11 its 2019 GRC authorized revenue requirement.

12 Regarding the evaluation, determination, and authorization of costs in
13 reasonableness reviews, the Commission requires that a utility’s costs not only
14 be prudent, but also verifiable for reasonableness before it can recover the costs.
15 In D.12-01-032, the Commission stated:

16 ...to recover reasonable costs prudently incurred to comply with the
17 changes to the Commission’s rules adopted today. To be clear, we
18 do not find today that all costs incurred to comply with the revised
19 rules will be automatically assumed to be reasonable but that, after
20 the Commission verifies the reasonableness of costs, recovery will
21 be permitted.⁴⁹

22 Regarding not maintaining or providing detailed records for review by the
23 Commission to determine reasonableness and prudence of costs, Public Utilities
24 Code section 463(b) states:

25 Whenever an electrical or gas corporation fails to prepare or
26 maintain records sufficient to enable the commission to completely

⁴⁶ A. 22-10-022, p. 17

⁴⁷ A. 22-10-022, p. 18, Table III-10

⁴⁸ A. 22-10-022, p. 18, Table III-9

⁴⁹ D.12-01-032, p. 152.

1 evaluate any relevant or potentially relevant issue related to the
2 reasonableness and prudence of any expense relating to the
3 planning, construction, or operation of the corporation's plant, the
4 commission shall disallow that expense for purposes of establishing
5 rates for the corporation.⁵⁰

6 **1. Vegetation Management O&M Expenses**

7 Cal Advocates requested the line-item support detail for the approximately
8 \$7.362 million in incremental Vegetation O&M Expenses Liberty claims were
9 recorded to the WMPMA in a data request issued on March 13, 2023, with a
10 response due on March 27, 2023.⁵¹ Cal Advocates issued a second data
11 request for the line-item support detail for the \$7.362 million in vegetation
12 management costs on April 20, 2023 with a response due date on May 4, 2023.⁵²
13 Liberty responded to the first request for vegetation management line-item detail
14 on May 05, 2023. Liberty's response provided *all* expense details for the years
15 2013-2021 for a grand total amount of \$33.403 million in an Excel file attachment
16 titled "Veg Mgmt Costs".⁵³ None of these line items were identified as being
17 charged to the WMPMA, which should be included in the account description, nor
18 was it clearly identified which of these costs were for routine vegetation
19 management and which were WMP-related. (Not all "vegetation management"
20 costs are "wildfire mitigation" costs.)

21 The line-item support detail for the vegetation management costs records
22 "Vegetation Management Costs" in the "Account Description" column, but there is
23 no detail specifically designating these costs as WMP-related or as being
24 recorded to the WMPMA. Also, of the nearly 5,000 line items detailing Liberty's

⁵⁰ Public Utilities Code section 463(b).

⁵¹ PubAdv-Liberty-CE3-003, Q.2.

⁵² PubAdv-Liberty-CE3-008, Q.2.

⁵³ Liberty's response to data request PubAdv-Liberty-CE3-003, Q.2, attachment "Veg Mgmt Costs".

1 vegetation management expenses, all but five (which total \$175) are marked as
2 “8800-Deferred,” with “Actual Completion Dates” of 01/01/1900.⁵⁴ While Liberty
3 states that it has not included deferred costs in the WMPMA, the 01/01/1900
4 completion dates for work labeled “8800-DEFERRED” is inadequate support for
5 cost recovery from ratepayers. Liberty provided a substantial volume of
6 information beyond Cal Advocates’ specific request for the line-item support
7 detail for incremental WMPMA costs. However, the data provided was
8 insufficient to support Liberty’s claim that \$7.362 million of these costs are
9 reasonable for recovery through the WMPMA, and incremental to costs
10 authorized by the Commission for recovery in the GRC.

11 Liberty provided two versions of its 2021 Risk Spending Accountability
12 Report (RSAR), and neither version supports Liberty’s request to recover this
13 \$7.362 million amount through the WMPMA. On June 30th each year, Liberty
14 files its Risk Spending Accountability Report (RSAR) pursuant to Cal. Pub. Util.
15 Code § 591 and D.19-04-020 to report on spending in all safety, reliability, and
16 maintenance programs. The first version of Liberty’s 2021 RSAR states:

17 The Wildfire Mitigation Plan Memorandum Account (“WMPMA”)
18 tracks incremental costs incurred in implementing Liberty’s Wildfire
19 Mitigation Plan (“WMP”). At the end of 2021, the WMPMA had a
20 balance of \$1.976 million. Liberty expects to request recovery of
21 these recorded costs in an application later this year. The 2022
22 forecast costs for this work are included in Liberty’s 2022 GRC O&M
23 forecast.⁵⁵

24 Cal Advocates issued a data request requesting Liberty explain how it
25 could have had a balance of \$1.976 million at the end of 2021 in the WMPMA

⁵⁴ Liberty’s response to data request PubAdv-Liberty-CE3-003, Q.2 attachment “Veg Mgmt Costs.xlsx”.

⁵⁵ Liberty’s response to data request PubAdv-Liberty-MW5-001, Q. 6 attachment “2021 RSAR.”

1 and then request \$13.546 million in the WMPMA that was recorded through
2 December 31, 2021.⁵⁶

3 In response, Liberty provided a new version of its 2021 RSAR which now
4 states, “At the end of 2021, the WMPMA had a balance of \$6.184 million,”⁵⁷
5 consistent with the amount Liberty claims in its testimony is its Total O&M
6 Revenue Requirement.⁵⁸ However, this version also fails to support Liberty’s
7 request for an additional \$7.362 million.

8 As already discussed in other chapters, it is the utility’s responsibility to
9 maintain sufficient records for review and to provide adequate support for its
10 claims. It did not do so here. Therefore, Cal Advocates recommends an
11 adjustment of \$7.362 million because the utility did not document that its
12 vegetation management expenses were WPM-related and properly recorded to
13 the WMPMA, not already funded by ratepayers in another proceeding, and
14 incremental to the \$9.180 million authorized in its General Rate Case (GRC).

15 **2. Non-Vegetation O&M Expenses**

16 Cal Advocates requested the line-item support detail for the approximately
17 \$6.184 million in Non-vegetation O&M Expenses Liberty requests to recover
18 through the WMPMA.⁵⁹ Liberty’s testimony also describes this amount as its
19 Total O&M Revenue Requirement but does not provide a calculation
20 demonstrating which portion exceeds the revenue requirement authorized in
21 Liberty’s 2019 GRC.⁶⁰ Liberty established the WMPMA to recover O&M costs of

⁵⁶ PubAdv-Liberty-CE3-003, Q.5.

⁵⁷ Liberty’s response to PubAdv-Liberty-CE3-003, Q.5.

⁵⁸ A.22-10-022, p. 18, Table III-9, Line 5.

⁵⁹ Liberty’s response to PubAdv-Liberty-CE3-003, Q.1, attachment “Veg Mgmt Costs.xlsx”.

⁶⁰ A.22-10-022, p. 18, Table III-9

1 implementing various initiatives approved in Liberty's WMP that are not otherwise
2 authorized in Liberty's 2019 GRC.⁶¹

3 The line-item detail Liberty provided to support the \$6.184 million request
4 for non-vegetation management cost recovery clearly shows that the labor,
5 overhead, and materials costs recorded to the WMPMA, totaling \$1.274 million,
6 are deferred expenses.⁶² Liberty provided an Excel file attachment titled
7 "WMPMA Incremental Non-Veg O&M Exp" with tabs for Labor, Overhead, and
8 Materials that each include columns titled "Account Description", "Transaction
9 Amount", "Document Date", "Divisions", and "Actual Completion Date".⁶³ All
10 1,371 line-items under the Labor tab, all 61 line-items under the Overhead tab,
11 and all 269 line-items under the Materials tab are identified in the "Account
12 Description" column as belonging to the WMPMA but are recorded in the
13 "Divisions" column as "8800-DEFERRED" with an actual completion date of
14 01/01/1900. The 1701 line-items for labor, overhead, and materials labeled as
15 "8800-DEFERRED" have a total transaction amount of \$1,127,180.92.

16 Cal Advocates submitted a data request asking if any deferred costs are
17 recorded to the WMPMA.⁶⁴

18 Liberty responded "No".⁶⁵

19 Cal Advocates also requested the line-item support detail for all deferred
20 costs recorded to the WMPMA.⁶⁶

⁶¹ A. 22-10-022, p. 17

⁶² Liberty's response to Liberty-CE3-003, Q.1, attachment "WMPMA Incremental Non-Veg O&M Exp".

⁶³ Liberty's response to data request PubAdv-Liberty-CE3-003, Q.1, attachment "WMPMA Incremental Non-Veg O&M Exp".

⁶⁴ PubAdv-Liberty-CE3-014, Q.1.

⁶⁵ Liberty's response to data request PubAdv-Liberty-CE3-014, Q.1.

⁶⁶ PubAdv-Liberty-CE3-014, Q.2.

1 Liberty responded, “There are no deferred costs in the WMPMA”⁶⁷, even
2 though the line-item support detail provided by Liberty to support its request for
3 cost recovery of \$6.184 million in O&M expenses shows the labor, overhead, and
4 materials costs are recorded as deferred costs that have already been funded by
5 ratepayers.

6 Liberty explained in a different data request response that all labor in the
7 WMPMA is straight time labor,⁶⁸ which is already funded by ratepayers through
8 the GRC. This admission alone prevents the Commission from granting recovery
9 of these WMPMA costs. Deferred work has already been funded by ratepayers
10 and should not be funded here in Liberty’s memorandum recovery application.
11 Liberty also did not include any information in its documentation that would
12 support its claim that these costs are incremental; it is simply a listing of payroll
13 accruals without further explanation.

14 Cal Advocates recommends an adjustment of \$1.274 million because the
15 utility did not document that these expenses were incremental and because
16 deferred vegetation management work was previously funded by ratepayers
17 through the General Rate Case process. Liberty has stated that all labor in the
18 WMPMA is straight time labor, and that it is already funded by ratepayers; given
19 that, Liberty should not be permitted to recover these costs for a second time
20 through the WMPMA. While Liberty states that it has not included deferred costs
21 in the WMPMA, the 01/01/1900 completion dates for work labeled “8800-
22 DEFERRED” is inadequate support for cost recovery from ratepayers.

23 Liberty’s workpapers include expense summary tables that show a
24 WMPMA expense amount of \$90,771 in 2019⁶⁹, a WMPMA expense amount of

⁶⁷ Liberty’s response to data request PubAdv-Liberty-CE3-014, Q.2.

⁶⁸ Liberty’s response to data request PubAdv-Liberty-CE3-021, Q.1.

⁶⁹ Workpapers for A.22-10-022, WMPMA folder, Table XX_WMPMA 2019 Expenses Table.docx.

1 \$1,275,806 in 2020⁷⁰, and a WMPMA expense amount of \$3,542,939 in 2021⁷¹ ,
2 for an approximate total expense amount of \$4,909,500 recorded to the
3 WMPMA. Liberty's WMPMA workpapers include 53 items containing invoices
4 and other documentation to support the expense summary tables. Each item
5 contains several pages of documentation. The majority of items include
6 documentation related to vegetation management but not necessarily WMP.

7 Also among the supporting items included in Liberty's WMPMA
8 workpapers, Cal Advocates discovered 54 invoices from vendor Blue Ribbon
9 Personnel representing \$84,557 in 2020 WMPMA expenses in item "WMMA
10 2020_Item7"⁷² and 44 invoices from vendor Blue Ribbon Personnel representing
11 \$83,152 in 2021 WMPMA expenses in "WMPMA 2021_Item14".⁷³

12 The invoices from Blue Ribbon Personnel contain no explanation of the
13 specific activities performed or services provided in the invoice descriptions that
14 would allow Cal Advocates to verify the reasonableness of these costs. The
15 invoice descriptions only contain names and do not include any details of specific
16 activities that can reasonably be interpreted to be WMP-related work. The
17 invoice description includes the name "Dillon, Patrick D" in 15 out of 54 Blue
18 Ribbon Personnel invoices in 2020 and 43 out of 44 Blue Ribbon Personnel
19 invoices in 2021.

20 Cal Advocates issued a data request on June 9, 2023, for a detailed
21 description of the activities performed for each of 44 invoices attributed to Blue

⁷⁰ Workpapers for A.22-10-022, WMPMA folder, Table XX_WMPMA 2020 Expenses Table.docx.

⁷¹ Workpapers for A.22-10-022, WMPMA folder, Table XX_WMPMA 2021 Expenses Table.docx.

⁷² Workpapers for A.22-10-022, WMPMA folder, WMPMA 2020_Item7.

⁷³ Workpapers for A.22-10-022, WMPMA folder, WMPMA 2021_Item14.

1 Ribbon Personnel in 2021.⁷⁴ Cal Advocates also requested the professional
2 credentials of Patrick D. Dillon.⁷⁵

3 Liberty responded to this data request on July 7, 2023.⁷⁶ Liberty did not
4 provide details on Patrick D. Dillon's professional credentials. Liberty only
5 explained that Patrick D. Dillon was a consultant who worked on wildfire
6 mitigation. Liberty was also unable to provide detailed descriptions of the
7 activities performed for each invoice that would allow Cal Advocates to verify the
8 reasonableness of these costs. Liberty only explained that "Blue Ribbon
9 Personal Services provided Liberty with consultants who worked on developing
10 and implementing Liberty's Wildfire Mitigation Plan", but did not explain what was
11 developed or implemented, or how these costs were related to Liberty's WMP.
12 Liberty's lack of clarification on how Blue Ribbon Personal Services provided
13 work on wildfire mitigation prevents the approval of Liberty's WMPMA requested
14 recovery. Cal Advocates recommends an adjustment of \$167,709.

15 Cal Advocates also recommends an adjustment of approximately \$4.742
16 million because the remaining invoices provided in Liberty's workpapers to
17 support this request are included in the \$6.184 million total O&M revenue
18 requirement amount recorded to the WMPMA that Liberty does not demonstrate
19 exceeds its 2019 authorized revenue requirement.⁷⁷

20 As discussed above, it is the utility's responsibility to maintain sufficient
21 records for review and to provide adequate support for its claims. Liberty has not
22 demonstrated it is reasonable to grant Liberty recovery of its requested \$6.184
23 million in non-vegetation O&M expenses because the utility did not document or
24 demonstrate that these expenses were both incremental and WMP-related.

⁷⁴ PubAdv-Liberty-CE3-021, Q.4.

⁷⁵ PubAdv-Liberty-CE3-021, Q.3.

⁷⁶ Liberty's response to data request PubAdv-Liberty-CE3-021.

⁷⁷ A.22-10-022, p. 18, Table III-9.

CHAPTER 4 Fire Risk Mitigation Memorandum Account

(Witness- C. Quam)

3 This exhibit presents the analyses and recommendations of the Public Advocates
4 Office at the California Public Utilities Commission (Cal Advocates) regarding the
5 portion of Liberty Utilities (CalPeco Electric)'s costs recorded to Liberty's Fire Risk
6 Mitigation Memorandum Account (FRMMA). Liberty submitted a reasonableness
7 review and cost recovery for expenses incurred for wildfire risk mitigation activities,
8 primarily the development of Liberty's Wildfire Mitigation Plan (WMP), that are not
9 reflected in Liberty's rates. Liberty submitted AL 110-E on December 21, 2018, to
10 establish the FRMMA to record expenses related to consultant, legal, and
11 communication activities that supported the development of Liberty's WMP in 2019-
12 2021. A second memorandum account, the Wildfire Mitigation Plan Memorandum
13 Account (WMPMA) was later submitted by Liberty on June 9, 2019, to record expenses
14 implementing Liberty's WMP plans.

A. Analysis and Recommendations

16 Liberty requests a reasonableness review and cost recovery totaling \$1,342,109
17 for total incremental O&M expenses recorded to the FRMMA, Liberty claims is
18 incremental to Liberty’s 2019 GRC-authorized amounts.⁷⁸ This total includes Liberty’s
19 incurred costs for labor totaling \$538,894 and vendor invoices totaling \$803,254.
20 Liberty states that labor costs only include incremental hires for Liberty’s wildfire
21 mitigation group. Liberty provided vendor invoices for services of legal, engineering,
22 and research associated with the development of the WMP.⁷⁹ Liberty also submitted
23 cost recovery for employee reimbursement and venue rental. Cal Advocates
24 recommends removing \$40,870 for cumulative O&M cost recovery requested by Liberty.
25 Cal Advocates reviewed Liberty’s testimony and supporting documentation to determine
26 whether the expenses were applicable to the FRMMA and recoverable in rates and
27 recommends adjustments to Liberty’s cost recovery, as discussed below.

⁷⁸ Liberty's Prepared Testimony, p. 19, Table IV-11.

⁷⁹ Workpapers for A.22-10-022, FRMMA-WRM Development folder.

1 **1. Cynthia Fisher**

2 Liberty recorded \$121,150 for expenses incurred for legal services provided by
3 Cynthia Fisher from 2019-2021. Cal Advocates reviewed invoices provided by Cynthia
4 Fisher Liberty submitted in its FRMMA workpapers. These invoices describe what type
5 of legal services are provided and the work category to which the services are
6 applicable. These invoices include billing for service expenses allocated to WMP
7 activities and to Liberty's General Rate Case (GRC). Liberty stated that GRC expenses
8 are not allocated to the FRMMA,⁸⁰ but Cal Advocates found Liberty's requested total for
9 legal services provided in 2019-2021 contain recorded expenses related to Liberty's
10 GRC.⁸¹ Cal Advocates recommends removing \$26,000 of expenses for services
11 provided by Cynthia Fisher that are associated with GRC-related activities.

12 **2. Skydance Helicopters of Northern Nevada**

13 Liberty recorded \$14,870 for expenses incurred for power line observation in
14 2019-2021. Cal Advocates reviewed invoices Liberty provided for these helicopter
15 services. Liberty stated that power line observation is included in the regular activity
16 monitoring of Liberty's assets.⁸² Cal Advocates recommends that these costs be
17 removed from the FRMMA since the related work is for standard operating practices
18 already included in base rates. Thus, Cal Advocates recommends the removal of
19 \$14,870 from the FRMMA for these regular monitoring activities covered by Liberty's
20 GRC expenses.

21

⁸⁰ Liberty's response to data request PubAdv-Liberty-CQU-011, Q. 1.

⁸¹ Workpapers for A.22-10-022, FRMMA-WRM Development folder, FRMMA 2019_Item2, FRMMA 2020_Item4, and FRMMA 2021_Item1.

⁸² Liberty's response to data request PubAdv-Liberty-CQU-011, Q. 2.

CHAPTER 5 Wildfire Emergency Memorandum Account

(Witness- M. Weaver)

The Wildfire Emergency Memorandum Account (WEMA) tracks all incremental amounts paid by Liberty that are related to or the result of a wildfire that were not previously authorized in Liberty's GRC, including incremental fire insurance costs.⁸³ Liberty recorded \$9.711 million in total incremental fire insurance expenses in its WEMA through December 31, 2021.

8 Cal Advocates reviewed testimony, workpapers, discovery requests,
9 invoices, and supporting documentation. Due to a potentially substantial rate
10 increase to customers, the Commission directed Liberty to hire an independent
11 auditor to review the memorandum accounts that are the subject in this
12 application to ensure that each memorandum account has recorded appropriate
13 costs, and that those costs are not duplicative and are incremental.⁸⁴ Cal
14 Advocates agrees with KPMG's audit findings on the WEMA that \$20,342.97 was
15 inaccurately recorded, and therefore recommends \$9.691 million for O&M
16 expenses related to the WEMA.⁸⁵

⁸³ Liberty Prepared Testimony, p. 20, lines 3-5.

⁸⁴ A2210022 Application of Liberty Utilities Scoping Ruling, p. 4.

⁸⁵ Liberty's response to PubAdv-Liberty-MW5-016, Q. 5, and Excel Attachment "WEMA Revised Table."

CHAPTER 6 Fire Hazard Prevention Memorandum Account

(Witness- C. Quam)

3 Liberty Utilities requests a reasonableness review and cost recovery for
4 incremental expenses recorded to Liberty's Fire Hazard Prevention Memorandum
5 Account (FHPMA). The FHPMA was established as part of R.08-11-005 and opened
6 on November 6, 2008, to consider and adopt regulations to reduce the fire hazards
7 associated with overhead power lines. The Commission adopted measures in D.09-08-
8 029, D.12-10-032, and D.14.02-015 to reduce fire hazards in operational equipment.
9 These rulemaking decisions revised General Order (GO) 95 and GO 165 regulations,
10 and developed fire-threat maps for the state of California. The majority of costs
11 recorded to Liberty's FHPMA are associated with Liberty personnel and consultants
12 who took active roles in the proceeding, including submitting testimony and participating
13 in Commission-held workshops.

A. Analysis and Recommendations

15 Liberty requests a reasonableness review and cost recovery totaling \$660,344
16 for total incremental O&M expenses recorded to the FHPMA, incremental to Liberty's
17 2019 GRC-authorized amounts.⁸⁶ This total includes Liberty's incurred costs for labor
18 totaling \$79,675 and invoices totaling \$554,801. Liberty also recorded carrying charges
19 of \$24,834 and overhead expenses of \$1,032. Liberty provided vendor invoices for
20 services of legal, engineering, and consulting expenses associated with the FHPMA.
21 Liberty also submitted cost recovery for employee reimbursement. Cal Advocates
22 reviewed Liberty's testimony and supporting documentation to determine whether the
23 expenses were applicable to the FHPMA and recoverable in rates and recommends
24 adjustments to Liberty's cost recovery of \$287.836 as discussed below.

1. Davis Wright Tremaine LLP

26 Liberty recorded \$445,858 for expenses incurred for legal services provided by
27 Davis Wright Tremaine LLP from 2012-2017. Liberty stated they are not seeking

⁸⁶ Liberty's Prepared Testimony, p. 22, Table VI-13.

1 recovery for the amounts shown on the purchase orders, but for the invoices that
2 support specific line-item services.⁸⁷ Cal Advocates found that Liberty failed to provide
3 invoices to support more than half of the line-item expenses listed by Liberty for cost
4 recovery in the FHPMA Item 1 Summary workpapers.⁸⁸ Cal Advocates reviewed the
5 Davis Wright Tremaine invoices that Liberty was able to provide in the FHPMA
6 workpapers. These documents describe the outside counsel services provided to
7 Liberty for activities associated with the development of fire-threat maps and fire safety
8 regulations for electric utilities. Work includes attending workshops, collaborating with
9 other utilities to develop proposals, and drafting testimony. Cal Advocates is satisfied
10 with the available invoices provided by Liberty and was able to verify invoice expenses
11 match the line-item expenses submitted by Liberty, but Liberty stated they do not have
12 any invoices to document the remaining expenses and the type of legal services
13 provided.⁸⁹ From 2012-2017, the FHPMA was the only wildfire prevention-related
14 memorandum account. It is Liberty's responsibility to maintain accurate and detailed
15 expenses recorded to the FHPMA. Public Utilities Code section 463(b) states:

16 Whenever an electrical or gas corporation fails to prepare or maintain
17 records sufficient to enable the commission to completely evaluate any
18 relevant or potentially relevant issue related to the reasonableness and
19 prudence of any expense relating to the planning, construction, or
20 operation of the corporation's plant, the commission shall disallow that
21 expense for purposes of establishing rates for the corporation.⁹⁰

22 Cal Advocates is unable to verify the reasonableness of these expenses without
23 proper invoices documenting the work and activities that the vendor provided. Cal
24 Advocates recommends removing \$246,281 from the FHPMA for expenses due to
25 Liberty failing to provide documentation in support of line-item expenses listed in the
26 FPHMA workpapers for all of the services provided by Davis Wright Tremaine.

27

⁸⁷ Liberty's response to data request PubAdv-Liberty-CQU-017, Q. 1c.

⁸⁸ Liberty's response to data request PubAdv-Liberty-CQU-017, Q. 2a. Of 67 line-item rows, there were no invoices provided to support rows 33 through 67. These rows total \$246,281.

⁸⁹ Liberty's response to data request PubAdv-Liberty-CQU-017, Q. 2a.

⁹⁰ Public Utilities Code section 463(b).

2. TriSage Consulting

2 Liberty recorded \$33,958 for expenses incurred for TriSage’s consulting services
3 TriSage Consulting provided from 2012-2017. Cal Advocates reviewed invoices and
4 purchase orders TriSage provided. TriSage served as a subject matter expert
5 consultant to Liberty regarding GO 95 to support wildfire safety and how the proposed
6 Commission changes would impact Liberty’s work. TriSage provided Liberty with
7 engineering support and attended workshops with other electric utilities to develop
8 proposed changes to GO 95. Cal Advocates reviewed invoices and purchase orders for
9 these TriSage expenses recorded to the FHPMA. Liberty stated they are not seeking
10 recovery for the amounts shown on the purchase orders; the purchase orders were
11 attached to invoices that provide specific line-item services.⁹¹

12 Cal Advocates analyzed the invoices Liberty provided and found Liberty failed to
13 provide invoices to support more than half of the line-item expenses listed by Liberty for
14 cost recovery in the FHPMA Item 3 Summary workpapers. Cal Advocates reviewed the
15 available invoices provided by Liberty to verify invoice expenses match the line-item
16 expenses submitted by Liberty. Liberty stated they do not have invoices to document
17 these expenses and the type of services provided.⁹² From 2012-2017, the FHPMA was
18 the only wildfire prevention related memorandum account. It is Liberty's responsibility to
19 maintain accurate and detailed expenses recorded to the FHPMA. Cal Advocates is
20 unable to verify the reasonableness of these expenses without proper invoices that
21 document the work and activities provided. As discussed above, it is the utility's
22 responsibility to maintain sufficient records for review and verification. Thus, Cal
23 Advocates recommends removing \$22,732 from the FHPMA for expenses due to
24 Liberty failing to provide documentation to support the line-item expenses listed in the
25 FPHMA workpapers.

⁹¹ Liberty's response to data request PubAdv-Liberty-CQU-017, Q. 5b.

⁹² Liberty's response to data request PubAdy-Liberty-CQU-017, Q. 5a.

3. Employee Reimbursement

2 Liberty recorded \$18,823 for expenses incurred for employee reimbursement in
3 2012-2017. Liberty stated these costs represent reimbursements for travel expenses
4 and meals for employees participating in R.15-05-006 activities.⁹³ Cal Advocates
5 requested Liberty provide invoices to support each line item listed for employee
6 reimbursement expenses recorded in the FPHMA and included in the requested cost
7 recovery. Liberty failed to provide any documentation for the totals submitted in the
8 FHPMA workpapers to support the cost recovery requested in the FHPMA
9 reasonableness review.⁹⁴ Liberty failed to provide the requested receipts for employee
10 reimbursement expenses incurred from 2012-2017.⁹⁵ It is Liberty's responsibility to
11 maintain accurate and detailed expenses recorded to the FHPMA.

12 Cal Advocates is unable to verify the reasonableness of these expenses without
13 proper invoices that document the work and activities provided. It is the utility's
14 responsibility to maintain sufficient records for review and verification. Thus, Cal
15 Advocates recommends removing \$18,823 from the FHPMA for employee
16 reimbursement expenses due to Liberty failing to provide documentation to support the
17 line-item expenses listed in the FPHMA workpapers.

⁹³ Liberty's response to data request PubAdv-Liberty-CQU-017, Q. 6.

⁹⁴ Workpapers for A.22-10-022, Fire Hazard Prevention folder, Fire Hazard Prevention _Item5.

⁹⁵ Liberty's response to data request PubAdv-Liberty-CQU-017, Q. 6.

CHAPTER 7 COVID-19 Pandemic Protections Memorandum Acct

(Witness- M. Weaver)

3 Liberty Utilities requests a reasonableness review and cost recovery for
4 incremental costs recorded to the COVID-19 Pandemic Protections Memorandum
5 Account (CPPMA), incurred in response to the COVID-19 pandemic. The
6 Commission's Executive Director directed utilities to submit advice letters implementing
7 the applicable Emergency Disaster Relief Program (EDRP) protections established in
8 D.19-07-015, and to apply protections retroactively to March 4, 2020, when the State of
9 Emergency was declared. Liberty submitted Advice Letter (AL) 139-E to implement the
10 EDRP customer protections. Incremental costs incurred from 2020-2022 in response to
11 the COVID-19 pandemic were recorded to the CPPMA.

A. Analysis and Recommendations

1. JP Morgan

24 Liberty recorded \$20,323 for expenses associated with the COVID-19 pandemic
25 incurred in 2020- 2021. Cal Advocates reviewed receipts and credit card statements
26 Liberty provided to support line-item expenses submitted in the CPPMA workpapers.⁹⁷

⁹⁶ Liberty's Prepared Testimony, p. 24, Table VII-14.

⁹⁷ Workpapers for A.22-10-022, COVID folder, COVID 2020 Item5 and COVID 2021 Item7.

1 These documents describe what was purchased and if the expense was associated
2 with COVID-19 related activities. Cal Advocates analyzed the statements and purchase
3 receipts Liberty provided and found Liberty failed to provide invoices to support more
4 than half of the line-item expenses Liberty listed for cost recovery in the “2020 Item 5
5 Summary” and “2021 Item 7 Summary” workpapers.⁹⁸ Liberty did not respond to Cal
6 Advocates data request to provide documentation in support of each line-item expense
7 submitted by Liberty in the reasonableness review. Cal Advocates requested data
8 regarding these purchases,⁹⁹ but did not receive a response from Liberty. It is Liberty’s
9 responsibility to maintain accurate and detailed expenses recorded to the CPPMA.
10 Public Utilities Code section 463(b) states:

11 Whenever an electrical or gas corporation fails to prepare or maintain
12 records sufficient to enable the commission to completely evaluate any
13 relevant or potentially relevant issue related to the reasonableness and
14 prudence of any expense relating to the planning, construction, or
15 operation of the corporation’s plant, the commission shall disallow that
16 expense for purposes of establishing rates for the corporation.¹⁰⁰

17 Cal Advocates is unable to perform a reasonableness review and verification of
18 these expenses without invoices documenting supposed work provided. Therefore, Cal
19 Advocates recommends removing \$12,963 from the CPPMA due to Liberty failing to
20 provide documentation to support these line-item expenses listed in the COVID
21 workpapers.

⁹⁸ Workpapers for A.22-10-022, Fire Hazard Prevention folder, Fire Hazard Prevention _Item5.

⁹⁹ PubAdv-Liberty-CQU-019, Q. 6 and 11.

¹⁰⁰ Public Utilities Code section 463(b).

CHAPTER 8 Ratemaking

(Witness- M. Weaver)

3 This section describes Cal Advocates' recommendations regarding
4 Liberty's proposed surcharge and the capital calculation for the revenue
5 requirement associated with the Tamarack and Caldor Fires.

6 A. Surcharge

7 Liberty requests recovery of the revenue requirement through a 36-month
8 surcharge to all customer classes.¹⁰¹ Liberty provided Supplemental Testimony
9 on January 25, 2023, which provided the billing and rate impacts of Liberty's
10 Application. The proposed bill impact would increase residential customers' bills
11 by between 12%-17% and commercial customers' bills between 11%-17%. The
12 proposed rate impact for residential customers would be between 13%-20% and
13 for commercial customers it would be between 11%-22%.¹⁰² When asked to
14 provide the last Catastrophic Event Memorandum Accounts (CEMA) surcharge
15 for the 2017 Winter Storms, Liberty provided a table that showed the CEMA rate
16 increase varied for customers within a range of 3.38%-5.26%.¹⁰³

Given the fact that inflation has increased considerably amount over the last few years and some customers are struggling to pay their bills, an increase of *at least* 12% to their utility bills will only exacerbate the financial struggles of Liberty's customers. When asked if Liberty analyzed different surcharge term limits such as 48 months or 60 months, Liberty responded that it analyzed term limits of 12, 24, and 36 months.¹⁰⁴ Liberty already shows that 3,790 customers, or roughly 7.7%¹⁰⁵ of its customers, are already in arrears of 60+ days and

101 Liberty's Prepared Testimony, p. 3, lines 7-8.

102 Ex. Supplemental-001, pp. A1-A2.

¹⁰³ Liberty's response to PubAdv-Liberty-MW5-005, Q. 1.

¹⁰⁴ Liberty's response to PubAdv-Liberty-MW5-016, Q. 3.

¹⁰⁵ 3.790 / 49.000 = 7.7% (49.000 customers are mentioned in A. 22-10-022, p. 2).

1 owe on their utility bills.¹⁰⁶ Such a significant rate increase may only cause more
2 customers to fall into that category. Cal Advocates proposes a 60-month
3 surcharge to dampen the impact of this surcharge on customers during these
4 difficult financial times.

5 **1. Capital Calculation**

6 Liberty requested \$4.001 million in Capital Expenditures for the Revenue
7 Requirement associated with the Tamarack and Caldor Fires. Liberty recorded
8 \$9.165 million in capital associated with the Tamarack Fire and \$2.289 million in
9 capital associated with the Caldor Fire. Cal Advocates used the “Capital Calc
10 Workbook” that Liberty provided to Cal Advocates in Liberty’s Response to
11 Liberty-MW5-002, Q. 1. Cal Advocates updated the “Plant and Depreciation” tab
12 in cells C12 and C16 with the amounts Cal Advocates recommends in the Capital
13 Expenditures section above for the Tamarack and Caldor Fires. This produced a
14 total of \$7.511 million for Capital Additions and auto-updated the “Rev Req for
15 memo appl” tab, cell G20, to \$2,623,543. Thus, Cal Advocates recommends a
16 total revenue requirement of \$2.624 million in capital-related expenditures
17 associated with the Tamarack and Caldor Fires.

18

¹⁰⁶ Liberty’s Response to PubAdv-Liberty-MW5-016, Q. 04.

APPENDIX A

Statement of Qualifications of Witnesses

STATEMENT OF QUALIFICATIONS – Brandon Benitez

My name is Brandon Benitez. My business address is 505 Van Ness Avenue, San Francisco, California. I am employed by the California Public Utilities Commission as a Public Utilities Regulatory Analyst in the Public Advocates Office, Energy Cost of Service and Natural Gas Branch.

6 I joined the California Public Utilities Commission in 2022. I have prepared
7 testimony for the 2024 Sempra General Rate Case. I have a Bachelor's Degree
8 in Environmental Studies from the University of California, Santa Barbara with an
9 emphasis in Ecology. Prior to joining the Public Advocates office, I was an
10 environmental researcher and consultant. I have experience writing clear and
11 persuasive reports that explain complex issues and technical information,
12 including results on products and components that helped to provide advice to
13 companies and other organizations on a wide range of environmental issues. I
14 have worked on issues such as green manufacturing, hazardous-waste
15 remediation (disposal and cleanup), environmental disasters, sustainability
16 initiatives, compliance, renewable energy, water, air, and soil quality. I also
17 have experience collecting and analyzing my own data. I collected raw data,
18 sent it to experts for processing, and later analyzed the results to begin an
19 environmental management strategy.

This completes my prepared testimony.

STATEMENT OF QUALIFICATIONS – Clair Emerson

My name is Clair Emerson. My business address is 505 Van Ness Avenue, San Francisco, California. I am employed by the Public Advocates Office (Cal Advocates) as a Public Utilities Regulatory Analyst in the Energy Cost of Service and Natural Gas Branch.

I hold a Bachelor of Arts degree in Economics from the California State University, Chico. My coursework focused on quantitative economics and applied statistical methods.

10 I joined the California Public Utilities Commission in 2021. I have prepared
11 testimony for the 2024 Sempra General Rate Case and for 2021 Pacific Gas and
12 Electric Company Wildfire Mitigation and Catastrophic Events reasonableness
13 review proceeding. I also review advice letter filings on behalf of Cal Advocates.
14 Prior to joining the Public Advocates Office in 2021, I worked on several research
15 projects examining the effect of education expenditure on crime in California. I
16 also used geospatial data to examine the relationship between crime and
17 homeless populations in Greater Los Angeles. My Bachelor's thesis examined
18 the effect of psychological pressure on student performance.

This completes my prepared testimony.

STATEMENT OF QUALIFICATIONS – Chauncey Quam

2 My name is Chauncey Quam. My business address is 505 Van Ness
3 Avenue, San Francisco, California. I am employed by the Public Advocates
4 Office (Cal Advocates) as a Public Utilities Regulatory Analyst in the Public
5 Advocates Office, Energy Cost of Service and Natural Gas Branch.

6 I have a Bachelor of Science degree in Environmental Economics and
7 Policy from the University of California, Berkeley in 2020 with an emphasis in
8 Energy Markets and Natural Resources. I have assisted in reviewing operations
9 and maintenance expenses and capital expenditures for San Diego Gas and
10 Electric 2024 GRC, Pacific Gas & Electric Company's 2023 GRC, and Southern
11 California Edison Company's 2021 GRC, Track 3 Wildfire Mitigation costs
12 (Reasonableness Review).

13 Prior to joining the Public Advocates office in 2020, I completed my
14 bachelor's degree Honors Thesis examining historical and projected temperature
15 changes for California cities and the predicted impact on the California public
16 utilities. I performed economic analyses to promote installation and maintenance
17 of a wastewater treatment facility and presented findings to local government. I
18 have also performed quantitative and qualitative analysis demonstrating effective
19 methods of effluent removal in surface water resources.

20 This completes my prepared testimony.

STATEMENT OF QUALIFICATIONS – Monica Weaver

My name is Monica Weaver. My business address is 505 Van Ness Avenue, San Francisco, California. I am employed by the Public Advocates Office as a Public Utilities Regulatory Analyst III in the Energy Cost of Service and Natural Gas Branch. I received a Bachelor of Science degree in Business with an emphasis in Accounting from the University of Phoenix.

I joined the Public Advocates Office (formerly the Office of Ratepayer Advocates) in 2016. During my employment with the CPUC, I have performed various tasks, and have spent most of my time on electric utility regulation. I worked on the 2015 and 2016 Energy Resource Recovery Accounts (ERRA) audits for both Pacific Gas and Electric (PG&E) and San Diego Gas & Electric (SDG&E). I also worked on General Rate Cases (GRCs) for West Coast Gas (WCG), Bear Valley Electric Services (BVES), Sempra, PG&E, and Southern California Edison (SCE). I have also worked on the Nuclear Decommissioning Cost Triennial Proceedings (NDCTP) for PG&E and SCE/SDG&E. I have testified before the Commission in the PG&E, WCG, and SCE GRCs.

This completes my prepared testimony.