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Exhibit No.:	<u>Liberty-17</u>
Witnesses:	<u>T. Lyons</u>



(U 933-E)

Liberty Utilities (CalPeco Electric) LLC
2025 General Rate Case

Before the California Public Utilities Commission

Rebuttal Testimony – Rate Design

Tahoe Vista, California

July 24, 2025

Liberty Utilities (CalPeco Electric) LLC: 2025 GRC Rebuttal

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business addresses.**

3 A. My name is Timothy S. Lyons. I am a Partner with ScottMadden, Inc. My business address
4 is 1 Speen Street, Suite 150, Framingham, Massachusetts 01701.

5 **Q. Are you the same Timothy S. Lyons that submitted direct testimony in this**
6 **proceeding?**

7 A. Yes.

8 **Q. On whose behalf are you submitting this testimony?**

9 A. I am submitting this testimony on behalf of Liberty Utilities (CalPeco Electric) LLC
10 (“CalPeco” or the “Company”).

11 **Q. What is the purpose of your rebuttal testimony?**

12 A. The purpose of my rebuttal testimony is to respond to recommendations by Geoffrey B.
13 Inge of Regulatory Intelligence LLC on behalf of the A-3 Customer Coalition (“A-3 CC”)
14 regarding Liberty’s proposed revenue targets, recommendations by Jennifer Dowdell on
15 behalf of The Utility Reform Network (“TURN”) and by James D. Wood on behalf of the
16 Tahoe Energy Ratepayers Group (“Tahoe ERG”) regarding Liberty’s proposed
17 consolidation of the residential permanent and non-permanent rate classes,
18 recommendations by Ariel Strauss on behalf of the Small Business Utility Advocates
19 (“SBUA”) regarding Liberty’s proposed rate design for the A-1 rate class, and
20 recommendations by Danielle Hughes on behalf of Tahoe SPARK regarding Liberty’s
21 proposed rate design.

1 **II. SUMMARY OF INTERVENOR RECOMMENDATIONS**

2 **Q. What is A-3 CC's recommendation?**

3 A. A-3 CC's recommendation is summarized below:

- 4 • Increase from 10.00 percent to 30.00 percent the portion of Liberty's revenue
5 requirement allocated to each rate class based on the results of Liberty's marginal
6 cost study.¹ A-3 CC's proposal would allocate 30.00 percent of Liberty's revenue
7 requirement based on the Equal Percent of Marginal Cost ("EPMC") method and
8 70.00 percent based on the System Average Percentage (SAP) method. In
9 contrast, Liberty proposes to allocate 10.00 percent of Liberty's revenue
10 requirement based on the EPMC method and 90.00 percent based on the SAP
11 method.

12 **Q. What is TURN's recommendation?**

13 A. TURN's recommendation is summarized below:

- 14 • Reject the Company's proposed consolidation of the residential permanent and
15 non-permanent rate classes.² TURN contends that the proposed consolidation will
16 have a disproportionate impact on residential permanent customers.³

17 **Q. What is SBUA's concern?**

18 A. SBUA's concern is summarized below:

- 19 • SBUA states the average bill increase of 31.10 percent for small commercial
20 customers in the A-1 rate class is not equitable or justified as compared with the

¹ Direct Testimony of Geoffery B. Inge, p. 3.

² Direct Testimony of Jennifer Dowdell, p. 4.

³ Id., pp. 10-12.

average bill increase of 23.10 percent and 24.00 percent, respectively, for customers in the A-2 and A-3 rate classes.⁴

Q. What is Tahoe ERG's recommendation?

A. Tahoe ERG's recommendation is summarized below:

- Liberty's proposed consolidation of the residential permanent and non-permanent rate classes should be approved.⁵

Q. What are Tahoe Spark's concerns and recommendations?

A. Tahoe Spark's concerns and recommendations are summarized below:

- Liberty's rate design has significant flaws and violates the principle of cost-causation.⁶
- Liberty should establish visitor-based funding contributions to balance demand costs.⁷

III. RESPONSE TO A-3 CC'S RECOMMENDATION

Q. Does Liberty agree with A-3 CC's recommendation to increase from 10.00 percent to 30.00 percent the portion of the revenue requirement allocated to each rate class based on the results of the marginal cost study?

A. No. Liberty continues to support development of the revenue targets based on 10.00 percent of the proposed revenue requirement based on the EPMC method and 90.00 percent based on the SAP method. Liberty's proposal strikes an appropriate balance among rate

⁴ Direct Testimony of Ariel Strauss, p. 7.

⁵ Direct Testimony of James D. Wood, p. 3.

⁶ Direct Testimony of Danielle Hughes, pp. 2-3.

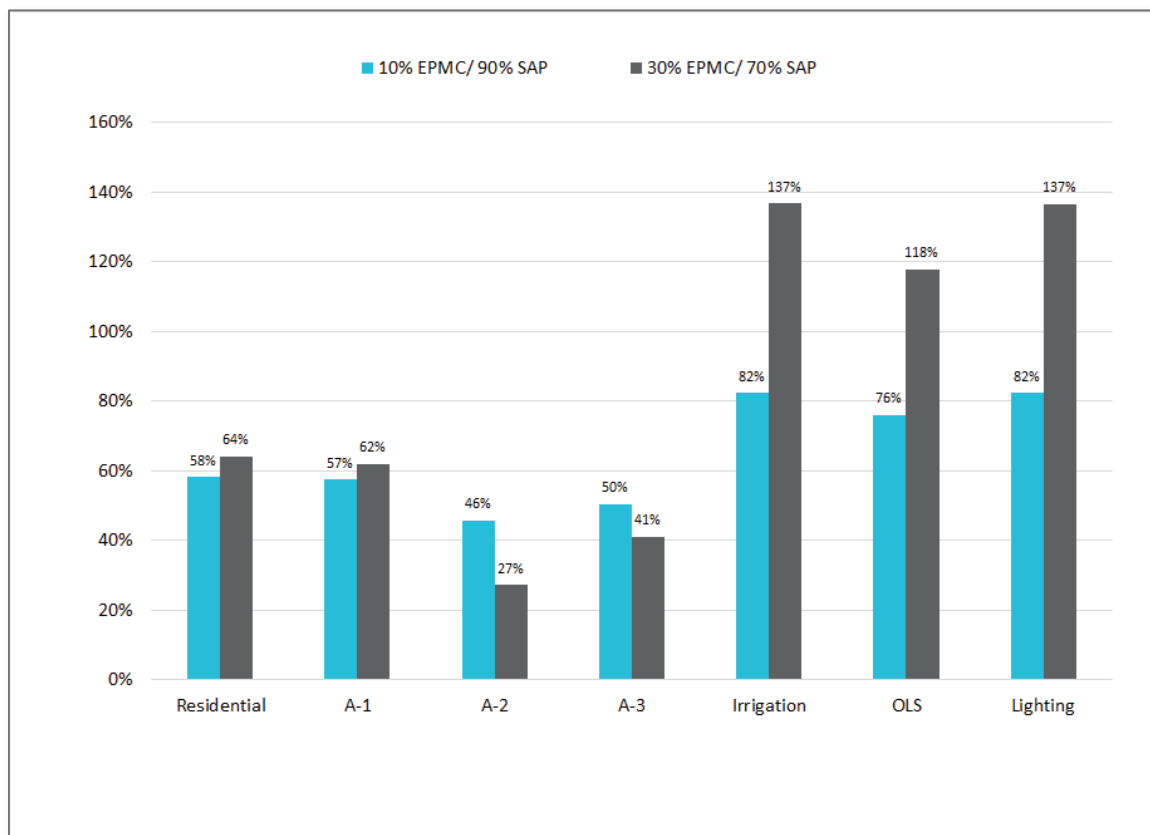
⁷ Id, pp. 8-9.

design principles commonly used throughout the industry, including: (a) rates should recover the overall cost of providing service; (b) rates should be fair, minimizing inter- and intra-class inequities to the extent possible; and (c) rate changes should be tempered by rate continuity concerns.

A-3 CC's proposal raises rate continuity issues. While Liberty shares A-3 CC's objective regarding movement toward EMPC rates, the movement toward EMPC rates should also address rate continuity and mitigate bill impacts.

Specifically, most rate classes would experience higher increases under A-3 CC's proposal based on 30.00 percent EPMC and 70.00 percent SAP as compared to Liberty's proposal of 10.00 percent EPMC and 90.00 percent SAP, as shown in Figure 1 (below).

Figure 1: Comparison of Class Revenue Increases



1 The Figure shows residential class revenues would increase by 64.00 percent under A-3
2 CC's proposal of 30.00 percent EPMC and 70.00 percent SAP as compared to 58.00
3 percent under Liberty's proposal of 10.00 percent EPMC and 90.00 percent SAP. The
4 Figure also shows significantly higher increases for the irrigation, outside lighting, and
5 streetlighting rate classes.

6 By comparison, the Figure shows lower revenue increases for the A-2 and A-3 rate
7 classes under A-3 CC's proposal. Specifically, the Figure shows the A-2 and A-3 rate
8 classes would increase by 27.00 percent and 41.00 percent, respectively, under A-3 CC's
9 proposal of 30.00 percent EPMC and 70.00 percent SAP as compared to 46.00 percent and
10 50.00 percent under Liberty's proposal of 10.00 percent EPMC and 70.00 percent SAP.

11 **IV. RESPONSE TO TURN'S RECOMMENDATION**

12 **Q. Does the Company agree with TURN's recommendation to reject the Company's**
13 **proposed consolidation of the residential permanent and non-permanent rate classes?**

14 A. No. The Company's marginal cost study shows there are not sufficient cost differences
15 among the permanent, non-permanent, and consolidated rate schedules to support
16 standalone tariff schedules.

17 **Q. Does the Company agree with TURN's concern that the proposed consolidation of the**
18 **residential permanent and non-permanent rate classes will have a disproportionate**
19 **impact on residential permanent customers?**

20 A. No. Continuation of the permanent and non-permanent rate schedules would yield only
21 slight differences in customer bill impacts for residential permanent customers, as shown
22 in Figure 2 (below).

Figure 2: Residential Permanent Bill Impacts (Consolidated vs. Standalone)

Bill Impact Analysis Residential Permanent	Monthly Usage (kWh)	Proposed Bill \$	Current Bill \$	Increase / (Decrease) \$	Increase / (Decrease) %
Average Winter Bills					
Consolidated Rates	700.7	\$ 301.75	\$ 224.34	\$ 77.41	34.5%
Standalone Rates	700.7	\$ 301.58	\$ 224.34	\$ 77.25	34.4%
Average Summer Bills					
Consolidated Rates	507.7	\$ 228.87	\$ 165.46	\$ 63.40	38.3%
Standalone Rates	507.7	\$ 228.74	\$ 165.46	\$ 63.28	38.2%

The Figure shows for residential permanent customers using 700.7 kWh per month during the winter months, customer bills would increase by 34.50 percent under consolidated rates as compared to 34.40 percent under standalone rates, a difference of only 0.10 percent. The 700.7 kWh figure represents average residential permanent customer usage during the winter months.

The Figure also shows for residential permanent customers using 507.7 kWh per month during the summer months, customer bills would increase by 38.30 percent under consolidated rates as compared to 38.20 percent under standalone rates, a difference of only 0.10 percent. The 507.7 kWh figure represents average residential permanent customer usage during the summer months.

Q. Has the Company examined customer bill impacts for residential non-permanent customers as well?

A. Yes. Consolidation of residential permanent and non-permanent rate schedules results in lower bills for average use, residential non-permanent customers, as shown in Figure 3 (below).

Figure 3: Residential Non-Permanent Bill Impacts (Consolidated vs. Standalone)

Bill Impact Analysis Residential Non-Permanent	Monthly Usage (kWh)	Proposed Bill \$	Current Bill \$	Increase / (Decrease) \$	Increase / (Decrease) %
Average Winter Bills					
Consolidated Rates	556.0	\$ 242.75	\$ 190.71	\$ 52.04	27.3%
Standalone Rates	556.0	\$ 255.17	\$ 190.71	\$ 64.45	33.8%
Average Summer Bills					
Consolidated Rates	426.5	\$ 195.86	\$ 149.52	\$ 46.34	31.0%
Standalone Rates	426.5	\$ 205.38	\$ 149.52	\$ 55.87	37.4%

The Figure shows for residential non-permanent customers using 556.0 kWh per month during the winter months, customer bills would increase by 27.30 percent under consolidated rates as compared to 33.80 percent under standalone rates, a difference of 6.50 percent. The 556.0 kWh figure represents the average residential non-permanent customer usage during the winter months.

The Figure also shows for residential non-permanent customers using 426.5 kWh per month during the summer months, customer bills would increase by 31.00 percent under consolidated rates as compared to 37.40 percent under standalone rates, a difference of 6.40 percent. The 426.5 kWh figure represents the average residential non-permanent customer usage during the summer months.

Q. What is driving the decrease in average bills for residential non-permanent customers under consolidated rates as compared to standalone rates?

A. The decrease in average bills for residential non-permanent customers under consolidated rates as compared to standalone rates is related to the rate design, as shown in Figures 4 and 5 (below).

Figure 4: Consolidated Residential Rate Design

Residential Rates	Customer Charge	Distribution Rate	Generation Rate	Billing Determinants	Customer Revenues	Distribution Revenues	Generation Revenues	Total Revenues
Proposed Rates								
Residential Permanent								
Customer Charge	\$ 41.40			174,971	\$ 7,244,395			\$ 7,244,395
Tier 1 Energy		\$ 0.20410	\$ 0.01971	73,892,122		15,081,096	1,456,432	16,537,527
Tier 2 Energy		\$ 0.24111	\$ 0.03637	39,770,964		9,589,288	1,446,463	11,035,751
Residential Non_Permanent								
Customer Charge	\$ 41.40			318,342	\$ 13,180,456			\$ 13,180,456
Tier 1 Energy		\$ 0.20410	\$ 0.01971	97,196,572		19,837,444	1,915,768	21,753,212
Tier 2 Energy		\$ 0.24111	\$ 0.03637	68,412,502		16,495,128	2,488,151	18,983,280

Figure 4 shows for residential non-permanent customers a Tier 1 distribution rate of \$0.20410 per kWh under a consolidated rate design as compared to a Tier 1 distribution rate of \$0.21988 per kWh under a standalone rate design, as shown in Figure 5 (below).

Figure 4 also shows for residential non-permanent customers a Tier 2 distribution rate of \$0.24111 per kWh under a consolidated rate design as compared to a Tier 2 distribution rate of \$0.21988 per kWh under a standalone rate design, as shown in Figure 5 (below).

Figure 5: Standalone Residential Rate Design

Residential Rates	Customer Charge	Distribution Rate	Generation Rate	Billing Determinants	Customer Revenues	Distribution Revenues	Generation Revenues	Total Revenues
Proposed Rates								
Residential Permanent								
Customer Charge	\$ 41.40			174,971	\$ 7,244,395			\$ 7,244,395
Tier 1 Energy		\$ 0.20358	\$ 0.01997	73,892,122		15,043,184	1,475,409	16,518,594
Tier 2 Energy		\$ 0.24051	\$ 0.03684	39,770,964		9,565,182	1,465,311	11,030,493
Residential Non_Permanent								
Customer Charge	\$ 41.40			318,342	\$ 13,180,456			\$ 13,180,456
Tier 1 Energy		\$ 0.21988	\$ 0.02625	97,196,572		21,371,315	2,551,846	23,923,161
Tier 2 Energy		\$ 0.21988	\$ 0.02625	68,412,502		15,042,353	1,796,135	16,838,488

Figures 4 and 5 also show for residential permanent customers there is minimal change in Tier 1 and Tier 2 distribution rates under consolidated and standalone rate designs.

V. **RESPONSE TO SBUA'S RECOMMENDATIONS**

Q. Does Liberty agree with SBUA's concern that the bill increases for customers in the A-1 rate class are not equitable or justified as compared with the bill increases for customers in the A-2 and A-3 rate classes?

A. No. As stated earlier, Liberty continues to support development of the revenue targets for each rate class based on 10.00 percent of the proposed revenue requirement based on the EPMC method and 90.00 percent based on the SAP method. Liberty's proposal strikes an appropriate balance among rate design principles commonly used throughout the industry, including: (a) rates should recover the overall cost of providing service; (b) rates should be fair, minimizing inter- and intra-class inequities to the extent possible; and (c) rate changes should be tempered by rate continuity concerns.

VI. **RESPONSE TO TAHOE ERG'S RECOMMENDATION**

Q. What is Tahoe ERG's position regarding Liberty's proposed consolidation of the residential permanent and non-permanent rate classes?

A. Tahoe ERG supports Liberty's proposed consolidation of the residential permanent and non-permanent rate classes.

VII. **RESPONSE TO TAHOE SPARK'S RECOMMENDATION**

Q. Does Liberty agree with Tahoe Spark that its rate design has significant flaws and violates the principles of cost-causation?

A. No. Liberty's rate design reflects the principles of cost-caution by incorporating the results of its marginal cost study that measures the incremental cost of service to meet incremental

1 customer and demand requirements. The incremental cost of service includes generation
2 capacity costs, generation energy costs, distribution demand costs, and customer-related
3 costs.

4 The marginal cost study measures two types of marginal costs: (1) marginal
5 customer costs, which measures the incremental cost to serve incremental customers, and
6 (2) marginal demand costs, which measures the incremental cost to serve incremental
7 demands.

8 As stated earlier, Liberty's marginal cost study is used in the development of
9 revenue targets for each rate class based on 10.00 percent of the proposed revenue
10 requirement based on the EPMC method and 90.00 percent based on the SAP method.

11 **Q. Does Liberty agree with Tahoe Spark's proposal to establish visitor-based funding**
12 **contributions to balance demand costs?**

13 A. No. Liberty's proposed rates are designed to reflect the incremental cost of meeting
14 incremental demands. As mentioned earlier, Liberty's marginal cost study identifies the
15 incremental cost to serve incremental customers and demands. Tahoe Spark's request for
16 Liberty to introduce "Destination Visitor Demand" measures is "not within [the Company
17 utility's] control and must be imposed by either the Commission in other proceedings or
18 other government entities, making them impractical to implement in this GRC," as
19 previously noted by the Commission in its 2023 decision regarding SCE's GRC application
20 for its Santa Catalina Water utility.⁸

21 **VIII. CONCLUSION**

⁸ D.23-12-007, pp. 69-70.

1 **Q. Does this complete your rebuttal testimony?**

2 A. Yes, it does.