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Witnesses: E. Schwarzrock



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Liberty Utilities (CalPeco Electric) LLC
2025 General Rate Case

Before the California Public Utilities Commission

Rebuttal Testimony – Policy

Tahoe Vista, California

July 24, 2025

Liberty Utilities (CalPeco Electric) LLC: 2025 GRC Rebuttal

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I.
POLICY

A. Introduction

Liberty Utilities (CalPeco Electric) LLC (“Liberty”) operates in one of the most beautiful places on the planet. However, operating in the High Sierras brings significant challenges with each season, including severe winter weather and ever-increasing wildfire risk. Liberty is proud to be a small utility and honored to serve the customers in the greater Lake Tahoe area, but even as one of California’s smaller utilities, Liberty is held largely to the same regulatory standards, policy environment, and wildfire mitigation obligations as larger investor-owned utilities.

Liberty’s team works hard to meet California’s unique regulatory, legal, and environmental challenges—including the doctrine of inverse condemnation, which imposes strict liability on utilities for wildfire-related damages regardless of fault. Compounding this risk is the fact that approximately 94% of Liberty’s service territory lies within High Fire Threat Districts (“HFTDs”), as designated by the California Public Utilities Commission (“CPUC”). This means nearly every mile of Liberty’s infrastructure is exposed to elevated wildfire risk, and, unlike California’s largest utilities, Liberty cannot take advantage of the California Wildfire Fund. As a result, Liberty must independently search for and secure wildfire liability insurance coverage at considerable cost.

Liberty meets these expectations with a lean workforce, limited resources, and a deep commitment to its customers and community. Liberty’s rates remain the second lowest among electric investor-owned utilities in California, even in the face of growing operational and liability costs. Liberty is small but mighty—a company that works every day to provide safe, reliable, affordable, and sustainable service to the communities we serve, while navigating an increasingly complex and high-risk operating environment. These facts provide important context for evaluating the issues raised by intervenors in this proceeding. Liberty’s proposals are not only reasonable but necessary to continue to meet our obligations to customers while maintaining financial and operational resilience in an era of heightened wildfire risk, liability risk, and regulatory demands.

B. Investing in Safety, Reliability, and Customer Protection

Liberty is undertaking significant and forward-looking investments to improve system safety, reliability, and resiliency in the face of evolving climate and wildfire risks. As a small utility serving a largely high fire-threat service territory, Liberty does not have the luxury of scale. However, Liberty is implementing advanced risk modeling tools, deploying and utilizing sensitive relay profiles including fast

trip, and hardening the system at an aggressive rate—all while continuing to provide some of the lowest rates in California. These efforts are not theoretical—they are real, tangible actions taken to reduce ignition risk, strengthen system performance, and protect the communities Liberty serves. To sustain these initiatives, Liberty must be afforded the regulatory tools, cost recovery mechanisms, and financial support necessary to meet its safety and service obligations to the customers. The following sections explain why Liberty’s positions on return on equity, wildfire insurance, risk mitigation technology, and storm cost recovery are not only justified but essential to fulfilling those responsibilities.

1. Return on Equity: Justifying Liberty’s 11% Request

Liberty’s requested 11.0% return on equity (“ROE”) corresponds to the elevated risks the Company faces operating an electric utility in California’s high fire-threat environment. Nearly all of Liberty’s service territory is located in a CPUC-designated HFTD, exposing the utility to disproportionate wildfire-related risks compared to utilities with more urban or moderate-risk service territories. Critically, Liberty is not eligible for the California Wildfire Fund, which was designed to provide financial backstops to large investor-owned utilities. As a result, Liberty must manage wildfire liability exposure entirely through commercial insurance and prudent risk management without the benefit of state-supported cost-sharing mechanisms.

Further compounding Liberty’s risk profile is the application of inverse condemnation in California, under which a utility may be held strictly liable for wildfire damages even if it is not found negligent. This legal doctrine significantly increases the financial exposure of any utility operating in HFTD regions, as it includes both economic and non-economic damages. Without the ability to spread those risks over a large customer base, Liberty’s capital costs are inherently higher, and equity investors reasonably require a higher return to account for the elevated and unhedged risks. The 11.0% ROE strikes an appropriate balance between investor expectations and customer interests by allowing Liberty to maintain access to critical capital needed to invest in wildfire mitigation, grid hardening, and reliability improvements.

2. Wildfire Insurance: A Necessary and Prudent Safeguard

Liberty’s forecasted wildfire insurance expense reflects the real and escalating costs of securing coverage in a state where wildfire frequency and severity continue to rise. While the Company has worked to obtain coverage at competitive rates, Liberty’s insurance premiums have increased sharply in recent years due to both regional risk trends and the concentrated fire exposure of its service territory. The Test Year 2025 forecast reflects the actual 2025 policy year premium—based on a layered program with limits

1 informed by a 1-in-500-year modeled scenario—which prudently accounts for the tail-risk of catastrophic
2 wildfires in a mountainous, forested environment.

3 Intervenor’s proposals to reduce wildfire insurance expenses do not adequately reflect the legal
4 and operational reality in which Liberty operates. As Liberty is exposed to inverse condemnation, which
5 includes non-economic exposure, the failure to obtain sufficient insurance could place undue financial
6 burden on Liberty and its customers in the event of a catastrophic wildfire. Moreover, if insurance costs
7 are instead deferred to a Wildfire Expense Memorandum Account (“WEMA”), customers will ultimately
8 pay more due to financing costs associated with regulatory lag. The timely and complete recovery of
9 wildfire insurance costs through base rates allows Liberty to maintain continuous coverage, manage
10 premiums proactively, and mitigate long-term customer exposure to uninsured liability.

11 **3. Risk Modeling and Sensitive Relay Profiles: Critical Advances in System Protection**

12 Liberty continues to make significant advancements in its risk-based decision-making framework,
13 with a strong focus on preventing ignitions, mitigating operational hazards, and improving system
14 resiliency. In recent years, Liberty has transitioned from a primarily qualitative, subject matter expert-
15 driven risk model to a sophisticated, data-rich platform that uses advanced tools from Technosylva and
16 Direxion. These tools allow Liberty to assess wildfire, PSPS, and asset failure risk at the circuit and asset
17 level, using metrics such as probability of ignition (“POI”), asset failure probability (“AFP”), and
18 consequence scoring. This evolution reflects Liberty’s deep commitment to quantitative, transparent, and
19 cost-effective investment planning.

20 Liberty is using composite risk scores, modular simulations, and real-time gridded weather data to
21 identify and prioritize areas of highest residual risk. These advancements enable Liberty to target
22 investments more effectively in infrastructure hardening, vegetation management, and protective
23 technologies—ensuring that limited resources yield the greatest safety benefit.

24 A central element of Liberty’s strategy is the deployment of sensitive relay profiles (“SRPs”),
25 which are tailored to localized fire risk conditions. SRPs significantly reduce the likelihood of ignition
26 from electrical faults during periods of elevated fire risk. According to modeling, the SRPs implemented
27 in 2025 reduce wildfire ignition risk by 74%, representing one of the highest-impact mitigations in the
28 Company’s toolkit. Liberty will finish deploying SRP to the entire distribution system this summer, much
29 of which is remote switchable, allowing Liberty to move from normal mode, to fire season mode, to
30 extreme fire season mode within minutes of forecasted risk. Fire season mode disables automatic
31 reclosing, and extreme fire season mode disables automatic reclosing and implements fast trip settings.

1 These protections represent the advancement of Liberty’s wildfire risk reduction maturity and establish
2 the framework for a system that automatically moves through localized system modes based on real time
3 fire weather risk as measured through dozens of localized weather stations.

4 Liberty’s advancements align with CPUC expectations. The Company has embedded the 10
5 RAMP elements required under the 2018 Voluntary Agreement for Small and Multi-Jurisdictional
6 Utilities into its GRC risk testimony, including risk spend efficiency (“RSE”) metrics, situational
7 awareness improvements, and will continue to transition to risk-informed PSPS thresholds. These
8 integrated modeling capabilities support not only better decision-making but also a measurable reduction
9 in customer exposure to fire-related outages and safety events.

10 In short, Liberty no longer simply reacts to risk—it strategically plans for it, using the best
11 available tools and approaches to meet California’s safety standards while optimizing customer value.

12 **4. Storm Event Balancing Account (SEBA): A Neutral Tool for Managing Volatile**
13 **Costs**

14 Liberty’s proposal for a two-way Storm Event Balancing Account (“SEBA”) is a sound and
15 reasonable mechanism for managing the inherent year-to-year volatility of storm restoration costs that do
16 not qualify for Catastrophic Event Memorandum Account (“CEMA”) treatment. Unlike CEMA-eligible
17 events, which meet specific regulatory thresholds, many storms that cause considerable damage and
18 require immediate response fall outside of that framework. As a small utility with a geographically
19 dispersed, mountainous service territory, Liberty faces unpredictable storm impacts that vary dramatically
20 depending on storm severity, location, and terrain accessibility.

21 TURN argues that a SEBA is unnecessary, contending that storms are not a new phenomenon.
22 This assertion is misplaced. The need for SEBA is not driven by novelty but by cost variability and
23 operating an electric utility in the high Sierra Nevada’s that experiences severe winter storms and ever-
24 increasing wildfire risk. From 2020 to 2023, Liberty’s non-CEMA storm costs fluctuated between
25 \$397,000 and \$1.824 million—a more than fourfold difference—demonstrating the inadequacy of static
26 forecasts. A two-way balancing account does not guarantee recovery; it merely trues up to actual,
27 reasonable costs, subject to CPUC review. This structure protects both Liberty and its customers, allowing
28 for timely storm restoration without creating perverse incentives or penalizing Liberty for proactively
29 responding to urgent safety events.

1 **C. Conclusion**

2 Liberty is a small utility facing extraordinary challenges. With 94% of its service territory located
3 in High Fire-Threat Districts, no access to the California Wildfire Fund, and the strict application of
4 inverse condemnation, Liberty operates under a level of risk and responsibility disproportionate to its size
5 when compared to other electric utilities. Yet Liberty continues to meet expectations—advancing wildfire
6 mitigation, modernizing its risk modeling, deploying protective technologies like sensitive relay profiles,
7 and providing service in some of California’s most difficult terrain.

8 The positions outlined in this testimony—on return on equity, wildfire insurance, risk mitigation,
9 and storm cost recovery—are not aspirational. They are grounded in real operational needs, supported by
10 data, and necessary to protect customers, ensure safety, and maintain service reliability. The tools and cost
11 recovery mechanisms respectfully requested by Liberty help support those outcomes and avoid placing
12 customers at greater long-term risk.

13 Liberty may be small, but it shoulders the same obligations as California’s largest electric utilities.
14 The Commission’s support for Liberty’s proposals is essential to allowing Liberty to continue doing what
15 it does best: delivering safe, reliable, affordable, and sustainable electric service to one of the most
16 beautiful places on the planet.

Attachment 1
Witness Qualifications

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
QUALIFICATIONS AND PREPARED TESTIMONY
OF ERIC SCHWARZROCK

1 **Q. Please state your name and business address for the record.**

2 A. My name is Eric Schwarzrock, and my business address is 701 National Avenue, Tahoe Vista,
3 CA 96148.

4 **Q. Briefly describe your present responsibilities at Liberty Utilities (CalPeco Electric) LLC.**

5 A. I joined Liberty in January 2025 and serve as the President at Liberty CalPeco. I am responsible
6 for delivering safe, reliable, affordable, and sustainable power to our customers and communities.

7 **Q. Briefly describe your educational and professional background.**

8 A. I have a Bachelor of Science in electrical engineering and a Master of Business Administration
9 from the University of Nevada, Reno. I am a licensed professional engineer. I have been in the
10 electric utility industry for more than 20-years and have lead operations, construction, engineering,
11 design, planning, compliance, and project management teams. I am trained and have served as
12 incident commander for several emergencies, including wildfires and severe winter storms.

13 **Q. What is the purpose of your testimony in this proceeding?**

14 A. The purpose of my testimony in this proceeding is to sponsor Liberty's Policy Rebuttal testimony
15 and Liberty's O&M and A&G Expenses, Section I, Rebuttal Testimony. I am also adopting LIB-
16 01, Liberty's original Policy Testimony.

17 **Q. Was this material prepared by you or under your supervision?**

18 A. Yes, it was.

19 **Q. Insofar as this material is factual in nature, do you believe it to be correct?**

20 A. Yes, I do.

1 **Q. Insofar as this material is in the nature of opinion or judgement, does it represent your best**
2 **judgment?**

3 A. Yes, it does.

4 **Q. Does this conclude your qualifications and prepared testimony?**

5 A. Yes, it does.