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Exhibit No.: Liberty-03
Witness: M. Rao



(U 933-E)

2025 General Rate Case
Before the California Public Utilities Commission

***Chapter 3: Operating & Maintenance and
Administrative & General Expenses***

Tahoe Vista, California
September 20, 2024

Liberty-06: O&M and A&G Expenses

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1 I.

2 OPERATIONS & MAINTENANCE AND
3 ADMINISTRATIVE & GENERAL EXPENSES

4 A. Overview

5 Liberty Utilities (CalPeco Electric) LLC (“Liberty”) forecasts \$84.180 million of
6 operations and maintenance (“O&M”) and administrative and general (“A&G”) expenses for the
7 2025 Test Year. This request reflects a significant increase above 2022 O&M and A&G
8 authorized expenses set at \$50.1 million.¹ The forecast increase is driven primarily by wildfire
9 mitigation and wildfire insurance expenses, which account for \$25.513 million, or 74%, of
10 Liberty’s total requested increase for O&M and A&G expenses. Liberty’s 2025 Wildfire
11 Mitigation Plan (“WMP”) update provides support and justification for the current wildfire
12 mitigation efforts underway and the proposed initiative efforts planned through 2025.² All of the
13 WMP initiatives and work implementation plans are critical to mitigating the likelihood of
14 ignitions and wildfire spread in Liberty’s service territory and supporting safe and reliable
15 service to Liberty’s customers.³

16 The forecast is developed and provided in the following major categories: Other Power
17 Generation, Distribution, Customer Care, and Administrative & General.

18 **Error! Reference source not found.** provides a comparison of the authorized O&M and
19 A&G expense and the incremental forecast changes for 2025. Table I-1 and Table I-2 below

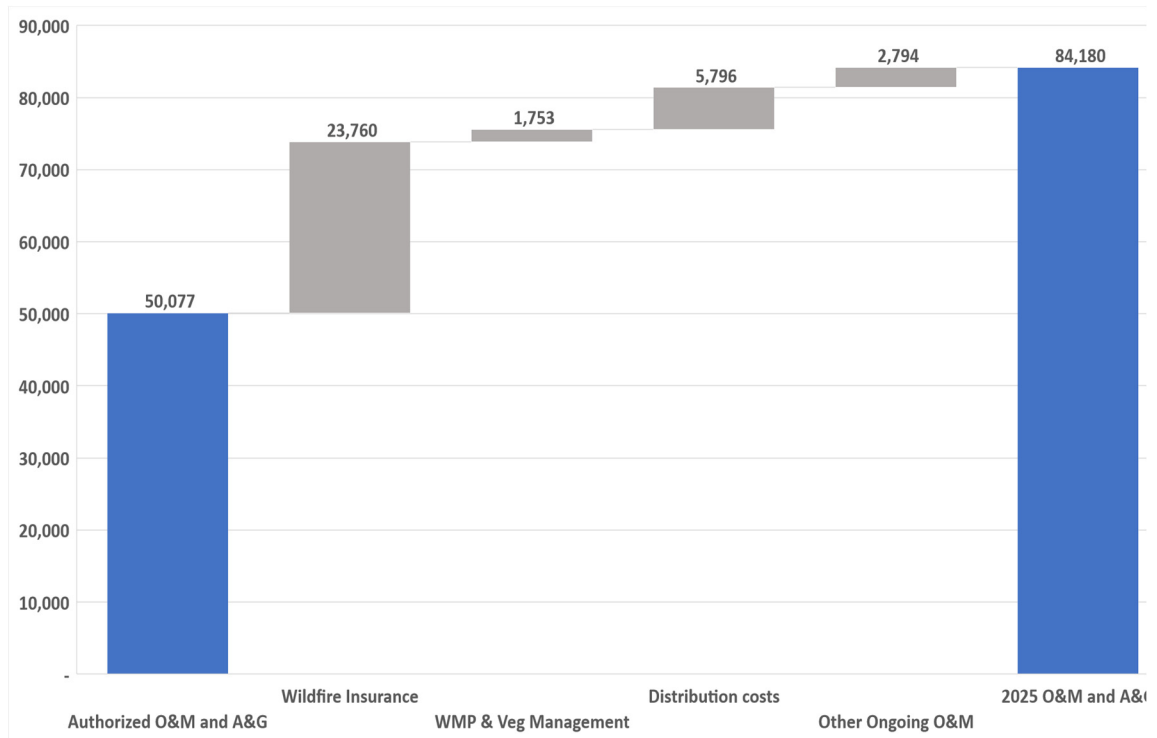
¹ D.23-04-043 set authorized 2022 O&M and A&G expenses of \$45.055 million. Liberty escalated these costs in 2022 and 2023 Post-Test Year Adjustment Mechanism (“PTAM”) Advice letters AL-219 and AL-225, respectively.

² See Liberty’s 2025 WMP update filing.

³ Liberty’s 2023 WMP was approved by the Commission in Resolution WSD-07, and the current 2025 WMP update report is under review by the Office of Energy Infrastructure Safety (“OEIS”). The decision directs Liberty to request WMP cost recovery in its GRC.

1 provide a comparison of authorized 2022-2024 expenses, recorded 2022 and 2025 forecast of
2 O&M and A&G expenses by expense category.⁴

Figure I-1
Authorized O&M and A&G Recorded to Total O&M and A&G Forecast
Comparison
(\$000)



⁴ See workpapers.

Table I-1
Total O&M and A&G Expense – Authorized, Recorded & Forecast Summary
(\$000)

Expense Category	Authorized			Recorded	Forecast
	2022	2023	2024	2022	2025
Other Power Generation	951	1,024	1,057	1,032	1,205
Distribution	19,660	21,174	21,851	29,185	29,360
Customer Care	3,663	3,945	4,071	5,026	5,727
A&G	20,781	22,381	23,098	25,828	47,888
	45,055	48,524	50,077	61,071	84,180

- (1) 2022 authorized expense was escalated in Liberty's PTAM advice letters AL-219 and AL-225.
(2) Distribution expense category includes vegetation management, wildfire mitigation and other distribution expense.
(3) A&G expense category includes wildfire insurance expense.

Table I-2
Total O&M and A&G Expense – Authorized & Forecast Summary
by Expense Categories
(\$000)

Major Categories	Key Sub-categories	Authorized	Forecast
		2024	2025
Other Power Generation	Other Power Generation	1,057	1,205
Distribution	Vegetation Management	12,226	13,472
	Wildfire Mitigation Plan	1,945	2,455
	Ongoing Distribution Expense	7,680	11,880
	Storms	-	1,553
Customer Care Accounts	Customer Care Accounts	4,071	5,727
Administrative & General Expenses	Wildfire Insurance	7,962	31,706
	Other Administrative & General Expenses	15,135	16,182
		50,076	84,180

1 Table I-3 below provides a comparison of the five-year historical recorded levels and the
2 2025 forecast Ongoing O&M and A&G expenses by expense category.

Table I-3
Ongoing O&M and A&G Recorded to Forecast Comparison
(\$000)

Expense	Recorded & Adjusted (Constant 2022\$)					Forecast
	2018	2019	2020	2021	2022	2025
Other Power Generation	922	794	989	1,211	1,032	1,205
Distribution Expense	9,178	13,859	22,216	25,946	29,185	29,360
Customer Care Accounts	3,752	3,635	4,072	4,691	5,026	5,727
Administrative & General Expense	13,017	14,484	14,979	19,755	25,828	47,888
	26,869	32,772	42,256	51,603	61,071	84,180

1. Forecasting Methodology

Liberty presents its O&M and A&G testimony showing historical 2018-2022 annual expenses and estimates for 2023 through 2025. The starting point for the O&M and A&G analysis is recorded expenses filed in Liberty's annual FERC Form 1 reports and/or internal trial balance reports by FERC expense account. The recorded 2018-2022 expenses were analyzed and adjusted to: (1) remove non-GRC expenses (*e.g.*, fuel costs); (2) combine FERC accounts with similar expense types into GRC activities; and (3) smooth fluctuating account activity and outliers.⁵ Next, historic five-year averages of the Consumer Price Index (CPI) were applied to the recorded expenses to analyze recorded expenses and to present historic expenses in constant 2022 dollars. The O&M and A&G forecasting methods evaluated include three-year and five-year averaging of recorded costs, last year recorded costs plus incremental expenses, and

⁵ See workpapers for recorded account adjustments by year and account.

1 forecasting based on known and measurable changes.⁶

2 As discussed throughout this testimony, Liberty employed a combination of forecasting
3 methodologies depending on the analysis of the FERC expense accounts. For expense accounts
4 that vary annually based on volume of activity, Liberty utilized a three-year average of 2020
5 through 2022 recorded expenses as this methodology is more reflective of recent cost trends and
6 inclusive of recent investments made by Liberty in building its workforce and improving its
7 business processes to fully execute its WMP strategy. In developing its 2025 forecasts for the
8 remaining expense accounts, Liberty either utilized 2022 recorded expenses as the base year and
9 then made adjustments to the forecast addressing known, measurable and anticipated events, or
10 utilizing 2024 budget assumptions.

11 **2. Resource Planning**

12 Maintaining a skilled workforce at the necessary levels is critical for Liberty to provide
13 safe and reliable service to its customers, execute its WMP initiatives, and meet the California
14 Public Utilities Commission's (the "Commission") compliance requirements. Since the Lake
15 Tahoe Basin and surrounding areas have a high cost of living, it is imperative that employee
16 compensation levels (including medical benefit premiums, 401k contributions and pension plans)
17 align with the market to attract and retain a skilled workforce, particularly qualified line workers.

18 Liberty recognized in early 2020 that it lacked sufficient internal resources to meet the
19 extraordinary growth in vegetation management activities, asset inspection programs, wildfire-
20 mitigation initiatives, and the increased workload related to WMP compliance requirements.
21 Consequently, Liberty has steadily increased its headcount through 2023. Approximately 50% of

⁶ See workpapers. Forecast labor expenses used an annual escalation rate of 4% to estimate 2023-2025. Non-labor expenses applied a five-year average historic CPI-U of 4.1 % a year to escalate costs through 2025.

1 Liberty's local workforce are members of the IBEW 1245 bargaining unit. For the past several
2 years, Liberty has faced a significant challenge in the recruitment and retention of qualified line
3 workers due to competing utilities who offer higher hourly wages and benefit packages. In
4 December 2021, Liberty and IBEW 1245 reached an agreement that included a 12% one-time
5 increase to wages and all overtime being compensated at double-time pay rate for qualified line
6 workers. Additionally, in August 2024, Liberty and IBEW 1245 reached an agreement to renew
7 the IBEW 1245 bargaining agreement to include, among other adjustments, revised annual
8 inflationary increases for all members through August 2027.⁷

9 Liberty's labor forecast for 2025 incorporates the terms of the recently ratified IBEW
10 1245 bargaining agreement. For all non-represented workers, Liberty's 2025 labor forecast
11 includes a 4% labor inflation increase. Liberty continues to face significant challenge in the
12 recruitment and retention of qualified line operations personnel and other skilled workers due to
13 competitor utilities offering higher compensation packages. These challenges have necessitated
14 the use of higher cost contract line services to maintain the distribution system and provide safe
15 and reliable service.

16 For 2025, Liberty forecasts a total of 151 positions, which is a net increase of 11
17 positions as compared to Liberty's forecast in the 2022 GRC. Table I4 also provides a
18 comparison of the current active headcount compared to the 2025 forecast positions by major
19 expense category.

⁷ The agreement was renewed for a term of three years effective August 2024. The renewed agreement includes a 6% annual wage increase for the first year and a 4% increase for the second year, and a 2% increase for the third year for Operations employees. For all other IBEW positions, the agreement includes a 4% annual increase for the first and second year and a 2% increase for the third year.

Table I-4
Headcount Recorded Current to Forecast 2025⁸

Expense Category	Recorded Current	Forecast 2025
Other Power Generation	-	-
Other Distribution Operations	57	76
Vegetation Management	7	9
Wildfire Mitigation	5	6
Customer Care	30	35
A&G	25	25
Total	124	151

1 The O&M and A&G labor cost forecast in the major expense categories was developed
2 based on 2023 payroll information (headcount and wages), adjusted for inflation (4% for non-
3 union employees and per the IBEW 1245 agreement for union employees) and includes the
4 above-referenced incremental positions through the 2025 GRC cycle. Three or five-year
5 averages were not utilized as a basis for developing the labor forecast as they severely understate
6 the cost of higher headcount and wage increases recorded in recent years and disregard the
7 incremental resources required in 2025.

8 **B. Other Power Generation Expenses**

9 **1. Overview of Power Generation Expenses**

10 Liberty owns, operates, and maintains the Luning Solar Plant (“Luning”) and Turquoise
11 Solar Plant (“Turquoise”) and is authorized to recover the expenses of operating and maintaining

⁸ Recorded headcount represents active employees as of August 31, 2024, and does not include 20 vacancies that are in various stages of recruitment process as of that date.

1 these generation facilities in base rates. Luning commenced operations in February 2017.
2 Turquoise was placed in service in November 2019. Operating expenses for Luning and
3 Turquoise include maintenance services provided by a contractor and land lease expenses.²

4 Other production expenses include with the costs of operating and maintaining Liberty's
5 Kings Beach and Sagehen Microgrid facilities. The Kings Beach facility and Sagehen Microgrid
6 facility ("Sagehen") serve as backup sources of generation and are restricted in their use each
7 year. Figure I-2 and **Error! Reference source not found.** show recorded/adjusted expenses for
8 2018-2022 and forecast 2025 expenses.

9 a) O&M Cost Forecast

10 Liberty forecasts \$1.205 million in Other Power Generation O&M expenses for the 2025
11 test year. Table I-55 shows the recorded 2018-2022 and forecast 2023-2025 expenses. To
12 develop the 2025 test year forecast, Liberty used a three-year average based on 2020-2022
13 recorded costs escalated to 2025 using an annual escalation rate of 4.1%.¹⁰ Since Luning and
14 Sagehen were not operational until late 2019 and 2020, respectively, a five-year average would
15 have significantly understated the required power generation costs.

² See workpapers. Property taxes and other A&G expenses related to Luning and Turquoise are reflected in the appropriate A&G accounts.

¹⁰ See workpapers – Liberty applied a five-year average historic CPI-U of 4.1 % annually to escalate non-labor costs through 2025.

Figure I-2
Other Production Expenses Recorded/Adjusted 2018-2022 and Forecast 2025
(\$000)

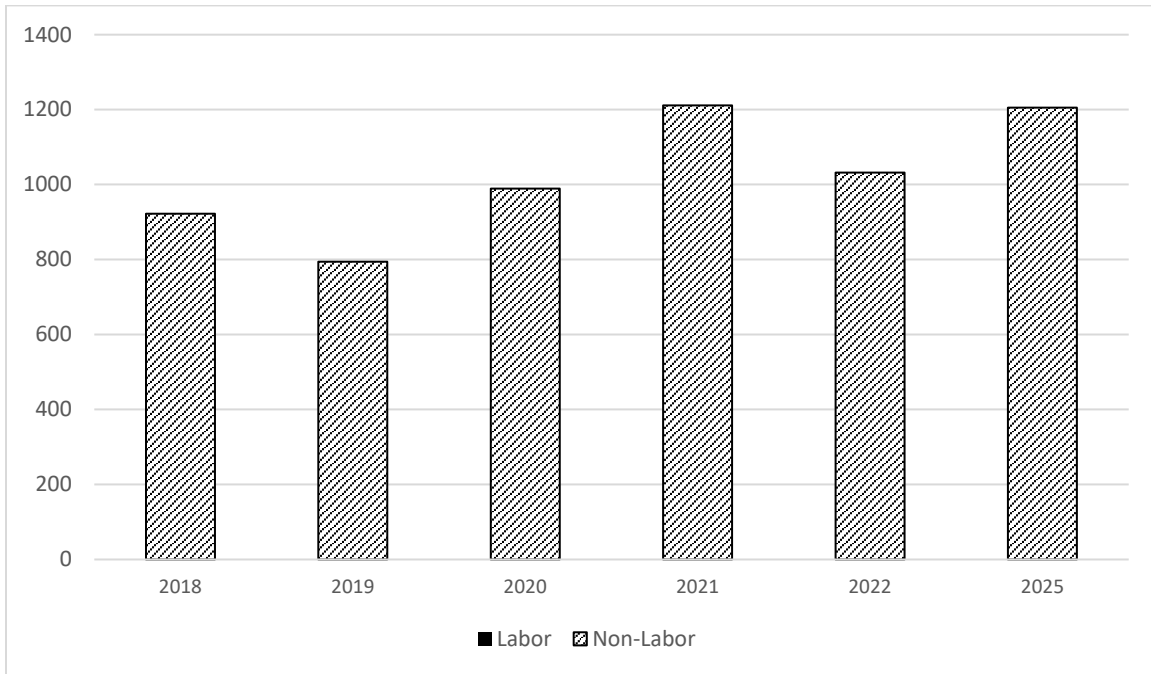


Table I-5
Power Generation O&M Expenses
(\$000)

	Recorded & Adjusted (Constant 2022\$)					Forecast
	2018	2019	2020	2021	2022	2025
Labor	-	-	-	-	-	-
Non-Labor	922	794	989	1,211	1,032	1,205
Total	922	794	989	1,211	1,032	1,205

C. Distribution Expenses

1. Overview of Distribution Expenses

Distribution expenses represent the costs associated with operating and maintaining Liberty's distribution assets and include labor and non-labor costs associated with vegetation

1 management, asset inspections and management, wildfire mitigation program management,
 2 outage repairs and maintenance, and substation and distribution operations. Liberty’s distribution
 3 expenses are divided in the following cost sub-categories: vegetation management, wildfire
 4 mitigation program, and other distribution costs. Figure I-3 and Table I-4 below present
 5 recorded labor and non-labor costs from 2018-2022 along with the 2025 test year forecast.

Figure I-3
Distribution Expenses Recorded/Adjusted 2018-2022 and Forecast 2025

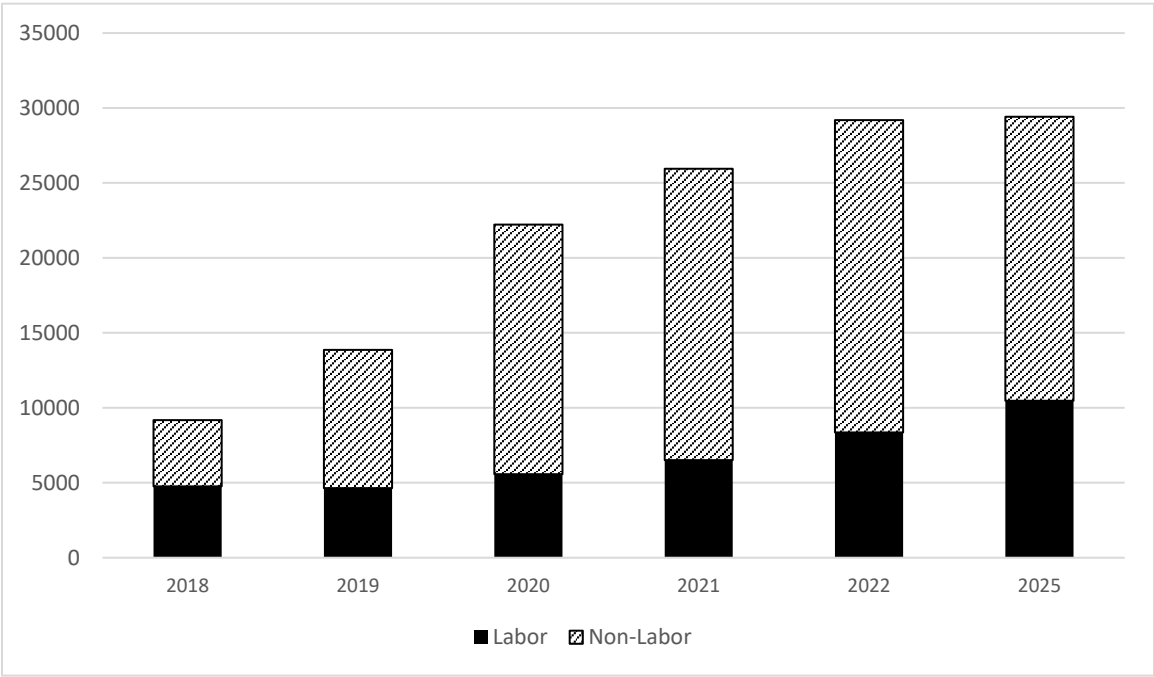


Table I-4
Distribution Expenses Recorded/Adjusted 2018-2022 and Forecast 2025
(\$000)

	Recorded & Adjusted (Constant 2022\$)					Forecast
	2018	2019	2020	2021	2022	2025
Labor	4,760	4,647	5,570	6,511	8,355	10,439
Non-Labor	4,418	9,212	16,645	19,436	20,830	18,921
Total	9,178	13,859	22,216	25,946	29,185	29,360

1 **2. Vegetation Management**

2 a) Overview of Vegetation Management Expenses

3 Liberty forecasts \$13.472 million of vegetation management O&M expenses for the
4 2025 test year as compared to Liberty’s 2022 authorized vegetation management costs of
5 \$11.000 million. Consistent with the enhanced vegetation management efforts mandated by the
6 Commission for wildfire mitigation, Liberty has made significant strides in recent years
7 developing and implementing a comprehensive vegetation management program with wildfire
8 mitigation enhancements.¹¹ Liberty’s vegetation management program seeks to mitigate the
9 catastrophic damage that can be caused from forest fires in Liberty’s service territory. Liberty’s
10 vegetation management program further mitigates the risk of fires through activities such as:
11 completing detailed inspections of vegetation, including Light Detection and Ranging
12 (“LiDAR”) inspections; maintaining work quality through Liberty’s quality control program;
13 managing community and environmental impacts; reducing wood and slash; remediation of at-
14 risk species; removal and remediation of trees with strike potential, and establishing appropriate
15 clearances around electric lines and structures. Liberty continues to increase investments in its
16 vegetation management program to better serve its community and reduce the risk of wildfires in
17 its service territory.

18 Table I-5 presents the 2018-2022 recorded vegetation management expenses and
19 Liberty’s 2025 forecast. Table I-6 presents details of Liberty’s 2025 non-labor expense forecast
20 by major program activity.

¹¹ Liberty’s authorized Vegetation Management program costs include routine and compliance-driven inspections and tree clearance work, inspection and removal of dead and dying trees, and enhanced vegetation-related wildfire mitigation efforts.

Table I-5
Vegetation Management Expenses Recorded/Adjusted 2018-2022 and Forecast 2025¹²
(\$000)

	Recorded & Adjusted (Constant 2022\$)					Forecast
	2018	2019	2020	2021	2022	2025
Labor	313	319	398	462	492	1,392
Non-Labor	2,657	6,089	12,609	12,080	12,366	12,080
Total	2,970	6,407	13,007	12,542	12,859	13,472

Table I-6
2025 Vegetation Management Non-Labor Expense Forecast Summary

Activity	Description	Non-Labor Forecast - 2025
1	Vegetation Inspections	2,524,293
2	Pole Clearing & Substation defensible space	538,282
3	Fuel management – wood and slash	1,381,311
4	Fire Resiliency Corridor	1,982,863
5	Fall-in Mitigation and high-risk species remediation	4,810,059
6	Permitting, Community Outreach, and Program Development	843,648
	Total	12,080,457

(1) Vegetation Inspections

Liberty conducts routine inspections of transmission and distribution lines, poles, and equipment to identify vegetation management work needed to maintain compliance with applicable laws and regulations, potential required clearance distance (“RCD”) encroachments, hazard trees, and clearance exempt trees. Vegetation inspection methods include LiDAR assessments conducted annually on all circuits, and detailed ground-based inspections conducted

¹² See workpapers.

1 tri-annually on each circuit. System-wide LiDAR inspections are completed to assess compliance
2 with applicable clearance regulations and to identify any vegetation concerns. Detailed
3 inspections of entire circuits are performed to prescribe pruning and removal of vegetation as a
4 safeguard against grow-ins or fall-ins and manage risk posed by vegetation to overhead lines.
5 Supplemental ground-based patrol inspections are also performed by qualified Electric
6 Operations personnel on an annual basis. Issues identified by these inspections that may require
7 vegetation management work are documented and reported to vegetation management personnel
8 and scheduled for further inspection or remediation.

9 Beyond routine inspection cycles, Liberty may also perform additional off-cycle
10 inspections of transmission and distribution lines, as needed, based on environmental conditions
11 such as the need to address tree mortality on the system. These off-cycle inspections are also
12 performed after events such as major storms, high wind events, and fires.

13 In addition to routine and off-cycle vegetation inspections, Liberty performs quality
14 assurance and quality control inspections to provide reasonable assurance that applicable
15 vegetation management requirements are being met. Maintenance work (pre-inspection, pruning
16 and removal) is performed by contracted resources. The quality assurance and quality control
17 program oversight is intended to provide several levels of defense-in-depth strategy to provide
18 reasonable assurance that inspection and maintenance work is being effectively performed.

19 (2) Pole Clearing and Substation Defensible Space

20 Liberty owns approximately 23,000 wood poles that support its distribution and
21 transmission facilities. Most of Liberty’s service territory is located on land under state and
22 federal jurisdiction for fire protection services. Liberty conducts pole clearing in State (“SRA”) and
23 Federal Responsibility Areas (“FRA”). Within these areas, there are 4,960 poles that require

1 clearing.

2 Liberty's 12 substations require routine inspections, vegetation management, and other
3 maintenance activities. Manual, mechanical, and chemical methods are utilized to maintain
4 accessibility, safety, and adherence to all relevant government regulations and Liberty policies.
5 A minimum of two site visits occurs annually at each facility. Substation interior grounds and
6 facility perimeters are cleared of weeds, vegetation, and debris and timed to coincide with
7 herbicide treatments.

8 (3) Fuel Management – Wood and Slash

9 Additional efforts are required to reduce the accumulation of wood debris that can ignite
10 fires or contribute to potential fire spread and intensity. Liberty's Fuel Management Program
11 includes the removal of wood and treating brush and slash after routine vegetation maintenance
12 has been performed. Additional treatments that reduce surface fuels from previous activities and
13 those that further reduce fuel loads are also implemented. This program aligns with joint goals of
14 agency partners and the local community and vegetation management fuel load is treated in a
15 manner that mitigates both the risk of fire ignition and the potential for significant fire intensity.

16 (4) Fire Resilient Rights of Way and Clearance

17 Liberty continues to work with the Forest Service ("USFS") on enhanced right-of-way
18 maintenance projects to target encroaching and hazardous trees and to preventatively remove
19 incompatible tree species from the rights-of-way. The enhanced maintenance projects reduce
20 future maintenance entries, protect infrastructure, and increase fire-resiliency.

21 Liberty's Vegetation Management Program is designed to improve the reliability of
22 Liberty's transmission and distribution systems by clearing vegetation around power lines in
23 accordance with G.O. 95, California PRC, and Title 14 CCR. Consistent with these standards,

1 Liberty's clearance initiative includes vegetation management to achieve clearances around
2 electric lines and equipment depending on voltage.¹³

3 (5) Fall-In Mitigation and Remediation of High-Risk Species

4 Liberty's Hazard Tree Management Plan was developed to address trees located within
5 the utility strike zone that pose a tangible risk to electrical facilities based on observed structural
6 condition of trees and related site considerations. The plan includes an overview of tree risk
7 associated with electric lines and equipment, inspection types, risk assessment levels, work
8 priority levels, and mitigation actions.

9 Identification of trees that pose a high risk of failure is performed via two level of
10 assessment. At Level 1, a Limited Visual Assessment per ANSI A300 (Part 9) Tree Risk
11 Assessment is conducted by performing a ground, vehicle, or aerial assessment of the tree on the
12 side closest to electrical facilities. The Level 1 assessment focuses on identifying obvious tree
13 defects. If this assessment is not sufficient to determine the severity of a tree's condition, a Level
14 2 assessment is performed. The Level 2 assessment is a detailed 360-degree inspection of the tree
15 focusing on buttress roots, the trunk, branches, and the site as a whole.

16 Depending on the outcome of these assessments, a work priority level of 1 to 4 is
17 determined, with 1 being the highest priority (*i.e.*, a threat requiring clearance within 24 hours).
18 Each priority level is based on the probability that the tree or its parts will fail and contact
19 electrical facilities. Depending on this determination and other factors such as site conditions,
20 monitoring, tree pruning, or complete removal will be performed as a mitigation. Liberty's
21 initiative for remediating high-risk tree species follows the same protocols as described above for
22 fall-in mitigation.

¹³ Please refer to Liberty's updated 2023-2025 WMP for further details.

1 (6) Permitting, Community Outreach, and Program Development

2 During inspections, trees and vegetation identified as requiring work for the current
3 maintenance cycle are assigned a work order with a priority level based on the observed field
4 conditions at time of inspection. Throughout any given inspection and maintenance cycle there
5 may be activities outside of the normal scope or standard operating procedures, such as
6 coordination with landowners, permitting, and refusal resolution, which are required to complete
7 a vegetation management work order and delay completion of work orders past initially
8 identified timeframes.

9 Liberty’s system operates through six counties, four National Forests, four State of
10 California Department of Transportation (“Caltrans”) districts, and various other areas overseen
11 by special interest groups and government agencies. Liberty adheres to requirements associated
12 with special use permits, memoranda of understanding, and other work notification requirements.
13 The evolution of Liberty’s vegetation management procedures and the continuation of
14 communication with stakeholders in Liberty’s service territory remain essential to the success of
15 its vegetation management programs.

16 **3. Wildfire Mitigation Program**

17 Wildfire risk ranks as Liberty’s top safety priority because the service territory is
18 mountainous and densely forested, and significant portions are designated as high fire threat
19 areas. Liberty’s 2025 WMP update details the current mitigation efforts underway and the
20 proposed initiatives planned through test year 2025.¹⁴

21 Liberty forecasts \$2.455 million of WMP-related O&M expenses for the 2025 test
22 year to manage WMP programs. The WMP labor and non-labor costs discussed in this section

¹⁴ See Liberty’s 2025 WMP update filing.

1 include activities for wildfire mitigation program development and management, PSPS
 2 monitoring, risk assessment programs, weather monitoring, stakeholder outreach and community
 3 engagement, and compliance programs. Table I-7 provides a summary of labor and non-labor
 4 expense forecast for 2025 by WMP initiative and Table I-8 presents a detailed breakdown of the
 5 non-labor forecast by WMP initiative.

Table I-7
Wildfire Mitigation Plan Distribution Expenses Recorded/Adjusted 2018-2022 and
Forecast 2025
(\$000)

	Recorded & Adjusted (Constant 2022\$)					Forecast
	2018	2019	2020	2021	2022	2025
Labor	-	84	375	882	2,562	955
Non-Labor	-	236	784	4,096	4,691	1,500
Total	-	320	1,159	4,978	7,253	2,455

Table I-8
WMP O&M Non-labor Cost Expense 2025
(\$000)

	2025 Forecast
WMP Initiative Description	Non-Labor
Stakeholder Cooperation and Community Engagement	140
Situational Awareness & Forecasting	560
Risk Assessment & Mapping	800
Total	1,500

6 O&M expenses for WMP initiatives related to grid design, operations, and maintenance,
 7 such as detailed inspections of distribution electric lines and equipment, quality assurance/quality
 8 control (“QA/QC”) of inspections are presented in the Other Distribution expense section, as
 9 described below. In addition, Chapter 2 discusses the significant WMP capital investments

1 forecast from 2024 through 2027 to replace and remediate aging infrastructure with covered
2 conductor projects, traditional overhead line replacements, and proactive pole replacements.

3 **4. Other Distribution Expenses**

4 Liberty maintains and replaces its system assets in accordance with standards established
5 by G.O. 165 (overhead lines), G.O. 128 (underground lines), and G.O. 174 (substation). Under
6 G.O. 165, distribution assets are inspected at a detailed level every five years. Asset repairs and
7 replacements identified during intrusive pole inspections and G.O. 165 inspections are
8 remediated under the timelines outlined in G.O. 95, and work is performed using Liberty's
9 construction standards and pole loading calculations.¹⁵ Since the 2022 GRC, Liberty established
10 a formal QA/QC program for asset inspections. In its 2020 WMP, Liberty identified the need to
11 survey and inventory its entire overhead system to meet Commission requirements for a
12 complete mapping of all overhead assets with geospatial coordinates. Liberty conducted the
13 system-wide survey of all overhead assets, which also included enhanced G.O. 165 inspection of
14 assets surveyed and consolidated the normal five-year inspection cycle to one year.

15 Liberty forecasts \$11.880 million of Other Distribution expenses for the 2025 test year.
16 Figure I-4 and Table I-10 present recorded/adjusted distribution expenses for 2018-2022 and
17 forecast 2025 expenses divided into various categories.

¹⁵ Liberty conducts intrusive pole inspections on a 10-year cycle based on the age of the distribution pole. Inspections, testing costs, and identified repairs are all recorded as O&M.

Figure I-4
Other Distribution Expenses Labor/Non-Labor Recorded/Adjusted 2018-2022
and Forecast 2025

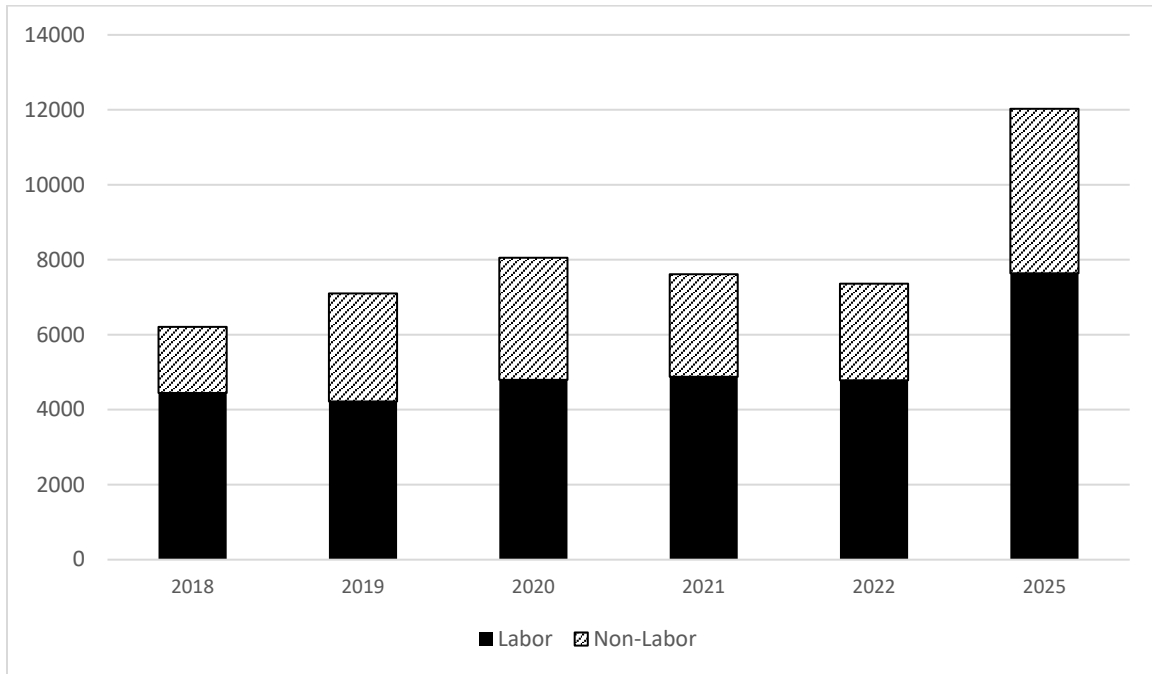


Table I-9
Other Distribution Expenses Labor/Non-Labor Recorded/Adjusted 2018-2022
and Forecast 2025
(\$000)

	Recorded & Adjusted (Constant 2022\$)					Forecast
	2018	2019	2020	2021	2022	2025
Labor	4,446	4,216	4,796	4,875	4,783	7,637
Non-Labor	1,762	2,882	3,254	2,736	2,576	4,243
Total	6,208	7,099	8,050	7,611	7,359	12,059

Table I-10
Other Distribution Expenses Recorded/Adjusted 2018-2022 and Forecast 2025
(\$000)

Description	Recorded & Adjusted (Constant 2022\$)					Forecast
	2018	2019	2020	2021	2022	2025
Operation Supervision	276	-190	257	220	200	285
Load Dispatching	824	283	773	785	588	1,332
Station Expenses	215	159	49	227	300	386
Overhead Line Expenses	1060	2,289	2,835	2,775	2,645	5,166
Underground Line Expenses	342	466	749	887	886	1,116
Meter Expenses	61	72	79	125	122	167
Misc. Expenses	3,430	4,020	3,308	2,592	2,618	3,428
Labor Total	6,208	7,099	8,050	7,611	7,359	11,880

1 a) O&M Cost Forecast

2 The 2025 test year forecast for other distribution expenses of \$11.880 million is split into
3 labor and non-labor components. The non-labor components of other distribution expenses were
4 primarily forecast using a three-year average based on 2020-2022 recorded costs escalated to
5 2025. Non-labor expenses were adjusted for escalation rate of 4.1% and for any known,
6 measurable, and anticipated changes expected during the test period. Labor expenses were
7 adjusted for 4% escalation rate and additional positions requested through the end of the test
8 period.¹⁶

9 (1) Labor

10 Liberty forecasts \$7.637 million in distribution labor O&M expenses for the 2025 test
11 year. This forecast was developed based on 2023 payroll information (headcount and wages),
12 which was adjusted for inflation (4% for non-union employees and per the IBEW 1245
13 agreement for union employees) and necessary incremental positions through 2025. Liberty

¹⁶ See workpapers.

1 forecasts the need for 76 employees to perform various distribution-related activities, including
2 line operations, GIS, capital planning and management, engineering, and substation operations.
3 Over 50% of the employees forecast in other distribution expenses are members of IBEW 1245.
4 Please see the Resource Planning section (A.2) above for a discussion of the IBEW 1245
5 agreement, including the workforce resourcing needs and challenges that Liberty faces,
6 particularly in attracting and retaining highly qualified line workers.

7 (2) Non-Labor

8 Liberty forecasts \$4.243 million of distribution non-labor O&M expenses for the 2025 test
9 year. Non-labor distribution expenses were primarily forecast using a three-year average of 2020-
10 2022 recorded costs escalated to 2025 and adjusted for anticipated changes expected during the
11 test period, such as the establishment of the QA/QC program for asset inspections and higher
12 forecast of dispatch costs.

13 **5. Storm Costs**

14 Liberty requests authorization for a two-way storm event balancing account (“SEBA”).
15 During 2025, Liberty forecasts a total of \$1.553 million of storm restoration-related expenses for
16 storm events that do not qualify for Catastrophic Event Memorandum Account (“CEMA”)
17 recovery. The forecast is based on a two-year average of 2021-2022 recorded storm costs,¹⁷
18 escalated to 2025 using a 4.10% inflation rate.

19 The Lake Tahoe Region is susceptible to major storm events because of its cold climate
20 and heavily forested mountainous terrain. While CEMA can be utilized to record and seek

¹⁷ 2021-2022 storm costs presented in Table I-11 represent costs not recorded in CEMA or other memorandum accounts.

1 recovery of costs for qualifying storm events,¹⁸ it does not capture storm events that do not result
2 in government emergency declarations. Considering the terrain of Liberty’s service territory and
3 the unpredictable nature and variability of storm-related damages from year to year, these events
4 incur significant costs. Without a mechanism to adequately address the financial burden these
5 events cause, Liberty will face challenges in recovering costs, and customers could be subjected
6 to sudden rate spikes.

7 The two-way storm balancing account directly addresses these concerns by creating a
8 structured and transparent means of handling storm-related costs that are not recorded in other
9 memorandum accounts. If actual storm costs are lower than anticipated, customers benefit from
10 reduced rates. This mechanism allows for a timely recovery of actual storm-related costs and
11 supports the financial health of Liberty.

12 To promote timeliness and minimize customer rate spikes, Liberty proposes filing to
13 collect or refund any over/under collection in the SEBA as part of the annual Post Test Year
14 Adjustment Mechanism (“PTAM”) filing, its GRC, or another Commission-authorized
15 proceeding.

¹⁸ Commission Resolution E-3238, authorized utilities to establish CEMA and to records costs of: (a) restoring utility service to its customers; (b) repairing, replacing or restoring damaged utility facilities; and (c) complying with government agency orders resulting from declared disasters.

Table I-11
Storms Distribution Expenses Recorded/Adjusted 2021-2022 and Forecast 2025
(\$000)

	Recorded & Adjusted (Constant 2022\$)	Recorded & Adjusted (Constant 2022\$)	Forecast		
			2021	2022	2025
Labor		291	516	455	
Non-Labor		524	1,199	1,098	
Total		815	1,715	1,553	

1 **D. Customer Care**

2 **1. Overview of Customer Care Expenses**

3 Customer Care O&M expenses include the costs for customer service supervision,
 4 customer billing and accounting, and meter reading. Figure I-5 and Table I-12 provide a
 5 summary of recorded/adjusted 2018-2022 Customer Care expenses and forecast 2025 expenses.

Figure I-5
Customer Care Expenses Recorded/Adjusted 2018-2022 and Forecast 2025
(\$000)

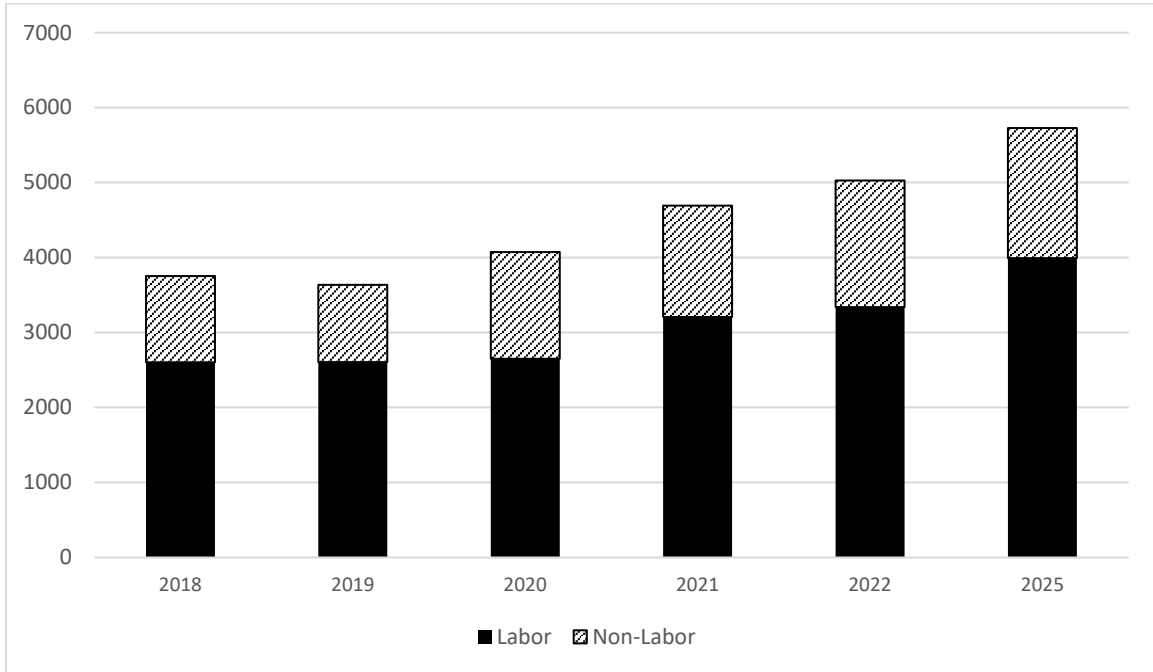


Table I-12
Customer Care Expenses Recorded/Adjusted 2018-2022 and Forecast 2025
(\$000)

	Recorded & Adjusted (Constant 2022\$)					Forecast
	2018	2019	2020	2021	2022	2025
Labor	2,601	2,604	2,649	3,205	3,338	3,992
Non-Labor	1,151	1,031	1,423	1,486	1,688	1,735
Total	3,752	3,635	4,072	4,691	5,026	5,727

1 a) O&M Cost Forecast

2 Liberty’s 2025 forecast for customer care expenses is \$5.727 million, split into labor and
3 non-labor components. The non-labor components were forecast using a three-year average
4 based on 2020-2022 recorded costs escalated to 2025 using an annual escalation rate of 4.1%.¹⁹

¹⁹ See workpapers.

1 Liberty has incurred significant uncollectible expenses in recent years due to a significant
2 increase in customer arrearage balances associated with the COVID-19 pandemic and related
3 customer protections. In 2022, the Commission established various customer protections for
4 disconnections in D.22-08-037. Ordering Paragraph (“OP”) 7 of the Decision directed Liberty to
5 implement residential disconnect protections. Liberty implemented these protections in its Rule 3
6 Tariff (Application for Service).²⁰ OP 2 of the decision imposed a disconnection cap set at 2% of
7 Liberty’s residential customers in a calendar year.²¹ OPs 11 and 12 of the Decision directed
8 Liberty to establish a Residential Uncollectible Balancing Account (“RUBA”), which tracks the
9 difference between the authorized residential uncollectible revenues and the actual residential
10 uncollectible balance.²²

11 The customer care labor expense forecast was developed based on 2023 payroll
12 information (headcount and wages), adjusted for 4% inflation and includes forecast incremental
13 positions through the 2025 test period.

14 **E. Administrative and General Expenses**

15 Administrative and general (“A&G”) expenses include expenses for accounting,
16 regulatory, legal, human resources, and corporate allocated expenses from Liberty and its parent
17 company, Algonquin Power & Utilities Corporation.²³ Additionally, it includes expenses such as
18 office supplies, outside services, and insurance. Recorded and forecast A&G expenses are shown
19 in Table I-13 and Figure I-6 below.

²⁰ AL-199-E-A.

²¹ AL-200-E.

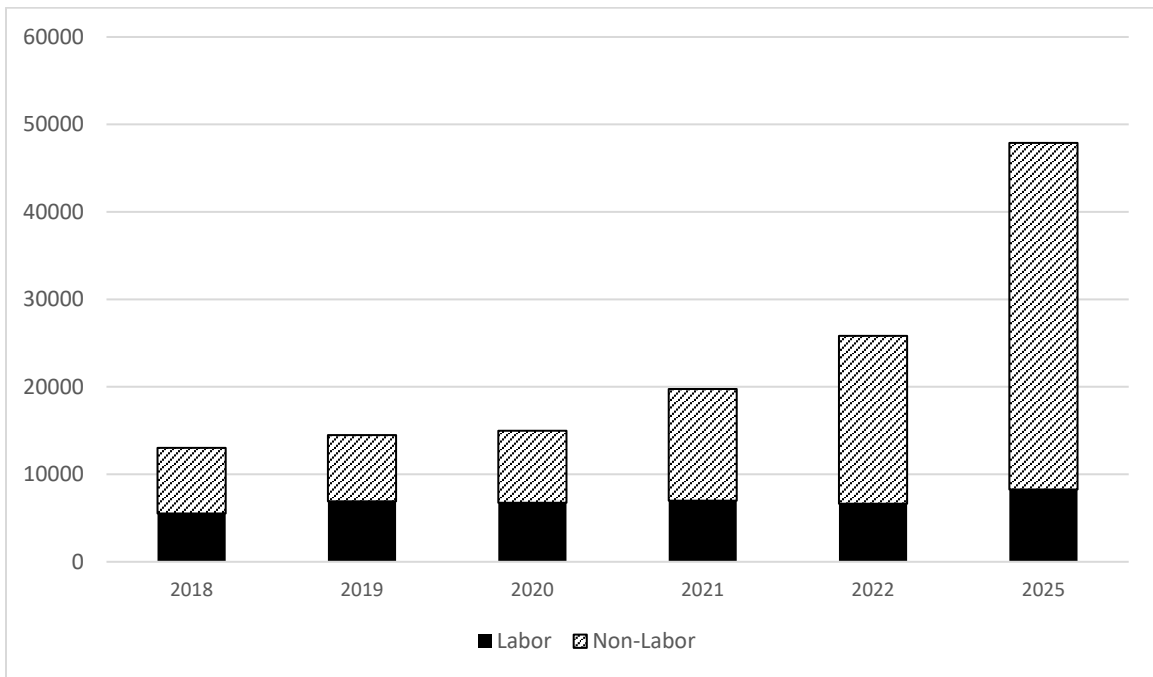
²² AL-209-E.

²³ See workpapers for organization structure incorporating all A&G costs.

Table I-13
Administrative & General Expenses Recorded/Adjusted 2018-2022 and Forecast 2025
(\$000)

	Recorded & Adjusted (Constant 2022\$)					Forecast
	2018	2019	2020	2021	2022	2025
Labor	5,516	6,899	6,740	6,979	6,634	8,267
Non-Labor	7,501	7,585	8,239	12,776	19,195	39,621
Total	13,017	14,484	14,979	19,755	25,829	47,888

Figure I-6
Administrative & General Expenses Recorded/Adjusted 2018-2022 and Forecast 2025
(\$000)



1 a) A&G Cost Forecast

2 The 2025 test year forecast for A&G expenses is \$47.888 million. The base-year
3 recorded A&G expenses were split into labor and non-labor components. Based on the analysis
4 of the FERC expense account activity, Liberty utilized a combination of three-year historical
5 averaging, utilizing 2022 recorded costs as base and 2024 budget assumptions to develop the
6 forecast for 2025 test year. Non-labor expenses were adjusted by an escalation rate of 4.1 % and
7 any known, measurable, and anticipated changes expected during the test period. Labor
8 expenses were adjusted by an 4% escalation rate, capitalization assumptions, and additional
9 positions forecast through the end of the test period. As discussed earlier, the significant
10 increase in A&G expense forecast is primarily driven by higher wildfire insurance premium,
11 which is discussed in further detail in section 1(a).

12 (1) Non-Labor

13 Liberty forecasts \$39.622 million of non-labor A&G costs for the 2025 test year,
14 summarized in Table I-14 below. The significant increase over 2022 recorded costs and
15 currently authorized non-labor A&G expenses is primarily driven by steep wildfire insurance
16 premium costs. Other drivers of the increase include higher IT operating and maintenance
17 expenses resulting from Liberty's recent Customer First software implementation and
18 cybersecurity software maintenance expenses.

Table I-14
A&G Non-labor Expenses Recorded/Adjusted 2022 and Forecast 2025
(\$000)

	Recorded	Forecast
A&G Non-Labor	2022	2025
Office supplies & expenses	3,050	4,111
Outside Services	2,088	1,997
Wildfire Insurance	12,650	31,706
Insurance	1,596	1,100
Injuries and Damages	455	964
Employee pensions & benefits	-1,244	-1,262
Amortization of Rate Base Offset	0	419
General advertising expenses	70	55
Miscellaneous general expenses	85	77
Maintenance of general plant	445	453
Total	19,195	39,621

(a) Wildfire Insurance

Liberty forecasts \$31.706 million in Wildfire Insurance O&M expenses for the 2025 test period. The wildfire liability insurance premium increase is the largest single driver of the O&M and A&G cost increase and represents \$23.760 million, or 70%, of the increase. The forecast is based on the actual 2024 policy year premium of \$30.989 million, which significantly exceeds the \$7.962 million wildfire liability insurance expenses that Liberty is currently authorized to recover in rates. The 2024 policy premium was escalated to test year 2025 based on a 5% inflation factor. Pursuant to D.20-11-034, Liberty is tracking incremental unreimbursed wildfire liability-related expenses in its Wildfire Expense Memorandum Account (“WEMA”), including payments made for wildfire insurance. Wildfire insurance premiums recorded for policy years

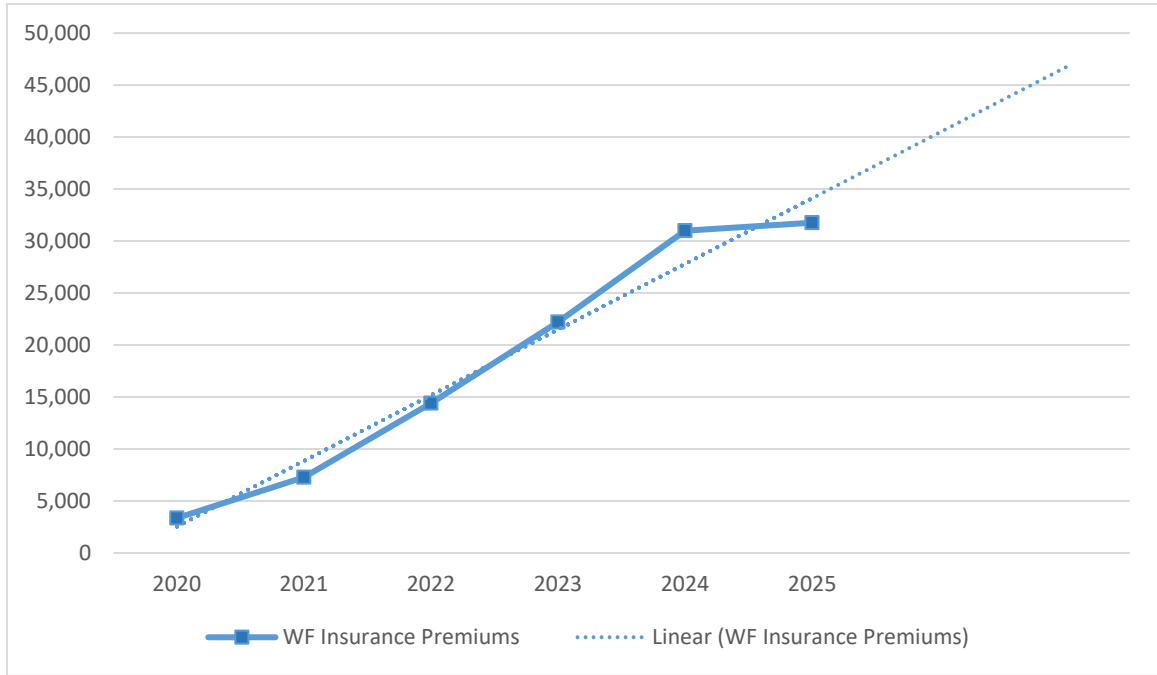
1 2021 through 2024 and forecast policy year 2025 are presented in Figure I-7 below.²⁴

2 Generally, electric utilities continue to experience challenges with casualty insurance
3 which remains extremely volatile. In recent years, Energy Insurance Mutual (“EIM”), an insurer
4 that provides California wildfire coverage has announced it will no longer provide such
5 coverage. The shrinking pool of insurers makes it challenging to purchase adequate coverage.
6 Additionally, insurers willing to continue providing coverage for this risk require premium
7 increases in the range of 50% or higher.

8 Liberty forecasts wildfire insurance costs of \$31.706 million for the test year and will
9 continue tracking the difference between authorized and recorded wildfire liability-related costs
10 in its WEMA for future recovery or refund. Liberty acknowledges the significant impact of
11 wildfire insurance cost increases on customer rates and is committed to collaborating with the
12 state, the Commission, and other stakeholders to identify solutions that benefit both ratepayers
13 and the industry.

²⁴ While the wildfire insurance policy year covers the period from July 1 through June 30, Liberty calculated the 2025 wildfire insurance premium forecast based on a calendar year.

Figure I-7
8 Wildfire Insurance Premiums Recorded 2021 to 2024 and Forecast 2025



1

(b) Office Supplies & Expenses

Table I-15
Office Supplies & Expenses Recorded/Adjusted 2022 and Forecast 2025
(\$000)

	2022	2025
Communication - IT & Other	986	2,342
Dues & Memberships	76	78
Office supplies & expenses	574	589
Training	220	186
Travel	211	140
Utilities	983	777
	<hr/> 3,050	<hr/> 4,111

2

Liberty forecasts \$4.111 million in the category of Office Supplies and Expenses for

1 2025. The increase is primarily attributable to higher communication and IT costs forecast for
2 2025. The remaining categories were forecast based on a three-year average of recorded 2022-
3 2022 costs escalated to 2025 using a 4.10% inflation factor.

4 Liberty completed its Customer First implementation in October 2023, which was
5 authorized in its 2022 GRC and included in rates in Advice Letter (“AL”) 228-E-A. Customer
6 First is a multi-faceted, enterprise-wide solution that replaced and improved legacy computer
7 systems, including systems related to customer information, finance and accounting, network
8 operations, procurement, accounts payable, employee time, and payroll services. The Customer
9 First project included changes to technology and systems, and associated employee training.
10 Liberty will incur recurring costs to operate and maintain the Customer First systems. These
11 costs include annual support fees, software maintenance, hosting, and managed services. Liberty
12 forecasts \$1.018 million of Customer First-related expenses in 2025.

13 Due to the increasing sophistication and frequency of cyber-attacks that pose a growing
14 threat to Liberty’s systems, Liberty continues to make cybersecurity improvements. Liberty’s
15 cybersecurity efforts are aimed at protecting company computers, servers, mobile devices,
16 electronic systems, networks, and customer and non-customer data from malicious attacks and
17 unauthorized access, and mitigating damage to Liberty systems. The program includes a mix of
18 resources such as hardware, software, and services. Liberty forecasts \$0.377 million for
19 cybersecurity-related expenses for 2025.

20 (c) Insurance and Injuries & Damages

21 Liberty forecasts \$2.064 million in non-wildfire insurance and injuries & damages
22 expenses for 2025. Liberty’s 2025 forecast is based on estimates of 2024 policy year premiums
23 escalated to 2025 using a 4.10% inflation rate.

1 (d) Amortization of Rate Base Offset

2 Liberty forecasts \$1.260 million in rate case expenses for its 2025 GRC and proposes
3 recovering it over three years. Liberty's 2025 forecast is based on recorded costs for its 2022
4 GRC as well as expectations of costs to be incurred for the 2025 GRC. Due to the delays in
5 receiving a decision in its 2022 GRC, no rate case O&M costs were recorded in 2022.

Appendix A
Witness Qualifications

1 **LIBERTY UTILITIES (CALPECO ELECTRIC) LLC**
2 **QUALIFICATIONS AND PREPARED TESTIMONY**
3 **OF MANASA RAO**

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

5 A. My name is Manasa Rao, and my business address is 9750 Washburn Road, Downey,
6 California 90241.

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

9 A. I am the Director of Financial Planning & Analysis, West Region.

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

11 A. I have been the Director of Financial Planning & Analysis, West region since 2019. Prior
12 to that, I was employed by Liberty Utilities (Canada) Corp for over seven years in various
13 Finance related positions, including Manager, External Reporting and Senior Manager,
14 Financial Planning & Analysis. I received my Bachelors in Business Administration from
15 Truman State University, MO in 2004 and also hold a Chartered Professional Accountant
16 (CPA, CMA) designation from Canada.

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

18 A. The purpose of my testimony in this proceeding is to sponsor Chapter 6: O&M and A&G.

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

20 A. Yes, it was.

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

22 A. Yes, I do.

23 **Q. Insofar as this material is in the nature of opinion or judgement, does it represent**

1 **your best judgement?**

2 A. Yes, it does.

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

4 A. Yes, it does.