

Application No.: A.25-06-
Exhibit No.: Liberty-07
Witnesses: M. Rao



(U 933-E)

Mountain View Fire Cost Recovery Application

Before the California Public Utilities Commission

Liberty-07: Cost Recovery

Tahoe Vista, California

June 20, 2025

Liberty-07: Cost Recovery

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1 I.

2 Executive Summary

3 Liberty requests recovery of approximately \$78.218 million in costs to resolve third-party claims
4 arising from the 2020 Mountain View Fire as well as associated legal and financing costs. These costs
5 include incremental costs of \$66.741 million incurred as of May 31, 2025, recorded to Liberty's
6 Wildfire Expense Memorandum Account ("WEMA"), and financing costs to be incurred after May 31,
7 2025, currently estimated at approximately \$11.477 million.

8 This testimony describes the WEMA tariff, summarizes the incremental WEMA costs requested
9 in this proceeding, sets forth Liberty's cost recovery proposal, and provides estimated bill and rate
10 impacts to Liberty's customers.

11 II.

12 WEMA Tariff

13 The WEMA tariff, approved in D.20-11-034, allows Liberty to track incremental, unreimbursed
14 wildfire liability-related costs pursuant to Public Utilities Code section 701 and Rule 2.1 of the
15 Commission's Rules of Practice and Procedure.

16 The purpose of the WEMA tariff is to track all amounts paid by Liberty that are related to or the
17 result of a wildfire, and that were not previously authorized in Liberty's General Rate Case ("GRC"),
18 including:

- 19 a) Payments to satisfy wildfire claims, including any deductibles, co-insurance, and other
20 insurance expenses paid by Liberty;
21 b) Outside legal expenses incurred in the defense of wildfire claims;
22 c) Payments made for wildfire insurance and related risk-transfer mechanisms; and
23 d) The cost of financing these amounts.

24 Liberty offsets any costs recorded to its WEMA with amounts recovered from Liberty's insurers
25 for claims payments and other insured costs. Therefore, the recorded costs in Liberty's WEMA,
26 including the costs discussed in the next section of this testimony, are incremental and should be
27 recoverable through this Application.

III.

Costs Recorded to WEMA

Liberty has recorded \$66.741 million in incremental wildfire claim-related costs in its WEMA as of May 31, 2025, net of insurance, as shown in the table below. These include the costs to resolve third-party wildfire claims and to defend and settle claims, net of insurance proceeds, and the costs to finance these incremental costs.

Table 1: Incremental Mountain View Fire Costs ('000s)

Cost Type	Total
Claim Payments	\$ 174,850
Legal and Consultant costs	4,800
Insurance Recoveries	(115,750)
Financing Costs (through May 2025)	2,841
Costs Incurred through May 2025	\$ 66,741
Forecast Financing Costs (post-May 2025)	11,477
Total WEMA Costs	\$ 78,218

A. Wildfire Claims Costs

In total, Liberty has paid \$174.850 million in third-party wildfire claims associated with the Mountain View Fire. These costs are offset by \$115.000 million in insurance recoveries, which results in an incremental balance of \$59.850 million as of May 31, 2025 as shown in the table below. *Liberty-05: Litigation and Claims Resolution* provides a discussion of litigation and claims resolution related to the Mountain View Fire.

Table 2: Mountain View Fire Claims Summary as of May 2025 ('000s)

Description	Total
Claim Payments	\$ 174,850
Insurance recoveries offsetting claims	(115,000)
Net claim payments	\$ 59,850
WEMA Claims Costs	\$ 59,850

B. Legal and Consultant Costs

Legal and consultant costs include the costs of outside counsel and expert consultants related to the litigation and settlement of wildfire claims. Liberty has incurred incremental costs of \$4.800 million as of May 31, 2025. These costs are offset by \$0.750 million in insurance payouts, which results in an

incremental balance of \$4.050 million as of May 31, 2025 as shown in the table below. *Liberty-06: Legal and Financing Costs* provides a discussion of legal costs related to the Mountain View Fire.

Table 3: Summary of Litigation-Related Costs as of May 2025 ('000s)¹

Cost Type	Total
Outside Counsel	\$ 3,384
Experts/Consultants	\$ 1,188
Claims Adjuster	\$ 136
Mediators	\$ 91
Total WEMA Costs	\$ 4,800
Insurance recoveries offsetting litigation costs	\$ (750)
Net WEMA Costs	\$ 4,050

C. Financing Costs

Liberty incurred incremental financing costs associated with the Mountain View Fire-related costs in the amount of \$2.841 million through May 31, 2025. As described in *Liberty-06: Legal and Financing Costs*, Liberty has prudently incurred financing costs necessary to pay the amounts sought for recovery in this proceeding. In addition to the costs incurred through May 31, 2025, Liberty forecasts additional financing costs from June 2025 to August 2029 based on a timeline of 12 months anticipated to complete this proceeding, implementation of rates in September 2026, and the three-year recovery period proposed in Liberty's cost recovery proposal, using an estimated 5.87% interest rate. The 5.87% is the expected long-term financing cost based on current market pricing, and Liberty will quantify and update the actual financing costs incurred post-May 2025 in its rebuttal testimony in this proceeding. The table below provides a breakdown of the forecast interest from June 2025 to August 2029.

Table 4: Forecasted Post-Filing Financing Costs ('000s)

Timeframe	Amount
June - December 2025	\$ 2,250
2026	4,075
2027	3,104
2028	1,718
2029	330
Total forecasted financing costs	\$ 11,477

¹ Amounts paid to experts and mediators are reflected in those respective categories even where the underlying fees were billed through outside counsel.

Liberty retained expert financial consultants to advise the company about financing alternatives for the Mountain View Fire costs, and the related costs are reflected in financing charges incurred through May 31, 2025.

IV.

Proposal for Review and Approval of Costs Paid After May 31, 2025

As discussed in *Liberty-05: Litigation and Claims Resolution*, there remain a small number of unresolved claims and potential claims related to the Mountain View Fire, including claims by three individual plaintiffs and potential claims by the United States Department of Agriculture (“USDA”) and Bureau of Land Management (“BLM”). Liberty will continue recording and tracking incremental claims and associated costs related to the Mountain View Fire in its WEMA. In its rebuttal testimony in this proceeding, Liberty will quantify any additional claims and associated costs paid after May 31, 2025, including legal and financing costs. Liberty requests that additional incremental costs quantified in its rebuttal testimony be resolved through this Application. For any WEMA-eligible claims and associated costs related to the Mountain View Fire paid after Liberty’s rebuttal testimony, Liberty proposes a Tier 2 advice letter process to follow the Commission’s decision in this proceeding. Liberty would submit a Tier 2 advice letter to the Commission for approval of such costs and would propose the mechanism by which Liberty seeks to recover the additional costs in customer rates.²

V.

Cost Recovery Proposal

Liberty reviewed various cost recovery mechanisms for the incremental Mountain View Fire-related expenses recorded in its WEMA, including rate recovery through traditional amortization and securitization financing.³ After evaluating the benefits and trade-offs associated with each option, Liberty determined that a 36-month amortization of the authorized WEMA balance, recovered through a volumetric surcharge on customer bills, is the most appropriate and customer-focused solution. This

² The Commission approved a Tier 2 advice letter process for trailing WEMA costs in its recent decision adopting an amended settlement of A.23-08-013, Southern California Edison’s application to recover costs related to the 2017 Thomas Fire and 2018 Montecito Debris Flow. *See* D.25-01-042 at 34-35 (addressing “WEMA Trailing Costs”). Depending on the timing of resolving any trailing claims, Liberty may submit one or more advice letters pursuant to this process.

³ Liberty’s request includes the \$66.741 million recorded in WEMA through May 31, 2025 and the forecast financing charges of \$11.477 million forecast from June 2025 to August 2029.

1 approach avoids long-term customer costs, accelerates financial recovery, and provides transparency and
2 administrative simplicity.

3 Liberty’s proposal balances the need for cost recovery with customer affordability. While the
4 surcharge, as discussed below, is material, it is time-limited and predictable. Extending the recovery
5 period would reduce the monthly bill impact but would increase total customer payments on a nominal
6 basis due to financing costs incurred over the longer period. Liberty’s proposal also provides a
7 straightforward and transparent mechanism for both customers and regulators. It simplifies rate design,
8 and enables consistent oversight through the Commission’s existing advice letter and balancing account
9 processes.

10 Liberty also considered a securitization financing transaction, which requires complex financing
11 arrangements, legal structuring, and third-party administration.⁴ As a result, these types of financings
12 entail upfront and ongoing costs, including legal fees, underwriting costs, servicing fees, administration
13 costs and issuance expenses. These upfront costs generally do not scale linearly with the size of the
14 bonds and are generally not considered feasible for financings less than \$100 million. Because Liberty’s
15 total request in this Application is \$78.218 million inclusive of forecast financing costs, Liberty
16 concluded that securitization is not a preferred option for its customers.

17 Liberty proposes to recover the WEMA costs authorized in this Application through a three-year
18 surcharge via a newly established balancing account, the Wildfire Expense Balancing Account
19 (“WEBA”). Liberty proposes to establish the WEBA to facilitate this recovery. Upon Commission
20 approval, Liberty will transfer the authorized WEMA balance—inclusive of Liberty’s actual financing
21 costs as described in *Liberty-06* that have accrued and been recorded in the WEMA as of that date—into
22 the WEBA and begin tracking surcharge revenues collected from customers. During the 36-month
23 recovery period, Liberty’s actual financing costs on the WEBA balance will be recorded in the WEBA
24 and recovered in rates. At the conclusion of the 36-month recovery period, any over- or under-
25 collection will be transferred to Liberty’s Base Revenue Requirement Balancing Account (“BRRBA”)
26 for future refund or recovery, as appropriate.

⁴ The term securitization is used to discuss the types of securities, or financings, that include issuance of Recovery Bonds as defined in Article 5.8 of the Public Utilities Code.

VI.

Rate Calculation

Liberty has calculated the proposed surcharge, based on the proposal above, by dividing the proposed cost recovery (\$78.218 million) by three years of its authorized kWh sales forecast (585,708,000 x 3), which results in a WEBA rate of \$0.04451 per kWh. This rate will be charged to all customer classes based on kWh usage.

VII.

Bill and Rate Impacts

Liberty's proposed recovery would result in the following customer bill and rate impacts, based on the rates currently authorized. Liberty has other pending applications that may change these average bills and rates prior to a decision being reached in this proceeding.

A. Bill Impacts

The following table provides bill impacts calculated for an average-use customer in each rate class. Individual bill impacts will vary based on usage.

Table 5: Estimated Bill Impact

Customer Class	Three-Year Amortization				
	Current Average Bill	Proposed Average Bill	Bill Impact (\$/kwh)	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Residential (Permanent)	198.97	228.75	0.04451	29.78	15.0%
Residential (Non-Permanent)	164.44	187.10	0.04451	22.66	13.8%
Residential (CARE)	147.61	174.10	0.04451	26.48	17.9%
A1 - Small General Service	551.61	620.87	0.04451	69.26	12.6%
A2 - Medium General Service	7,968.82	8,951.57	0.04451	982.75	12.3%
A3 - Large General Service	46,223.29	50,254.66	0.04451	4,031.37	8.7%
PA - Irrigation	1,592.70	1,870.19	0.04451	277.49	17.4%
SL - Street Lighting	46.16	49.23	0.04451	3.07	6.6%
OL - Outdoor Lighting	31.29	33.08	0.04451	1.79	5.7%

B. Rate Impacts

The following table provides the volumetric rate impact by customer class. Customer costs per kWh will increase by \$0.04451 for three years.

1

Table 6: Estimated Rate Impact

Customer Class	Three-Year Amortization				
	Current Rate	Proposed Rate	Rate Impact (\$/kwh)	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Residential (Permanent)	0.27103	0.31555	0.04451	0.04451	16.4%
Residential (Non-Permanent)	0.29590	0.34041	0.04451	0.04451	15.0%
Residential (CARE)	0.22360	0.26811	0.04451	0.04451	19.9%
A1 - Small General Service	0.33732	0.38183	0.04451	0.04451	13.2%
A2 - Medium General Service	0.33790	0.38241	0.04451	0.04451	13.2%
A3 - Large General Service	0.20663	0.25114	0.04451	0.04451	21.5%
PA - Irrigation	0.25113	0.29564	0.04451	0.04451	17.7%

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