



ADVICE LETTER SUMMARY

ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Liberty Utilities (CalPeco Electric) LLC (U-933 E)

Utility type:

- ELC GAS WATER
 PLC HEAT

Contact Person: Daniel W Marsh
 Phone #: 562-299-5104
 E-mail: Dan.Marsh@libertyutilities.com
 E-mail Disposition Notice to: Dan.Marsh@libertyutilities.com

EXPLANATION OF UTILITY TYPE
 ELC = Electric GAS = Gas WATER = Water
 PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 132-E-A

Tier Designation: 2

Subject of AL: Turquoise Solar Project Cost Recovery

Keywords (choose from CPUC listing): Solar

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.17-12-008

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date: 12/9/19

No. of tariff sheets: 0

Estimated system annual revenue effect (%): 4%

Estimated system average rate effect (%): 4%

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

¹Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name: Dan Marsh
Title: Manager, Rates and Regulatory Affairs
Utility Name: Liberty Utilities (CalPeco Electric) LLC
Address: 9750 Washburn Road
City: Downey State: California
Telephone (xxx) xxx-xxxx: 562-299-5104
Facsimile (xxx) xxx-xxxx:
Email: Dan.Marsh@libertyutilities.com

Name:
Title:
Utility Name:
Address:
City: State: Wyoming
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

ENERGY Advice Letter Keywords

Affiliate	Direct Access	Preliminary Statement
Agreements	Disconnect Service	Procurement
Agriculture	ECAC / Energy Cost Adjustment	Qualifying Facility
Avoided Cost	EOR / Enhanced Oil Recovery	Rebates
Balancing Account	Energy Charge	Refunds
Baseline	Energy Efficiency	Reliability
Bilingual	Establish Service	Re-MAT/Bio-MAT
Billings	Expand Service Area	Revenue Allocation
Bioenergy	Forms	Rule 21
Brokerage Fees	Franchise Fee / User Tax	Rules
CARE	G.O. 131-D	Section 851
CPUC Reimbursement Fee	GRC / General Rate Case	Self Generation
Capacity	Hazardous Waste	Service Area Map
Cogeneration	Increase Rates	Service Outage
Compliance	Interruptible Service	Solar
Conditions of Service	Interutility Transportation	Standby Service
Connection	LIEE / Low-Income Energy Efficiency	Storage
Conservation	LIRA / Low-Income Ratepayer Assistance	Street Lights
Consolidate Tariffs	Late Payment Charge	Surcharges
Contracts	Line Extensions	Tariffs
Core	Memorandum Account	Taxes
Credit	Metered Energy Efficiency	Text Changes
Curtable Service	Metering	Transformer
Customer Charge	Mobile Home Parks	Transition Cost
Customer Owned Generation	Name Change	Transmission Lines
Decrease Rates	Non-Core	Transportation Electrification
Demand Charge	Non-firm Service Contracts	Transportation Rates
Demand Side Fund	Nuclear	Undergrounding
Demand Side Management	Oil Pipelines	Voltage Discount
Demand Side Response	PBR / Performance Based Ratemaking	Wind Power
Deposits	Portfolio	Withdrawal of Service
Depreciation	Power Lines	



Liberty Utilities (CalPeco Electric) LLC
933 Eloise Avenue
South Lake Tahoe, CA 96150
Tel: 800-782-2506
Fax: 530-544-4811

November 18, 2019

VIA EMAIL AND UPS

**Advice Letter No. 132-E-A
(U 933-E)**

California Public Utilities Commission
Energy Division, Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298

Subject: Turquoise Solar Project Cost Recovery

Liberty Utilities (CalPeco Electric) LLC (U 933 E) (“Liberty CalPeco”) hereby submits this **Tier 2** Advice Letter No. 132-E-A to increase its base rate revenues as authorized by Decision (“D.”) 17-12-008 (“Turquoise Approval Decision”). Advice Letter No. 132-E-A is being submitted to correct one typographical error. Liberty CalPeco had originally stated that it had asked for rates to become effective January 1, 2019. Liberty CalPeco is requesting that rates become effective on January 1, 2020.

I. PURPOSE

Pursuant to the Turquoise Approval Decision, the purpose of this advice letter is to revise base rates as of January 1, 2020 for recovery of the capital and operating expenses associated with Liberty CalPeco’s acquisition, financing, ownership, operation and maintenance of the Turquoise Solar Project (“Turquoise Project”), as authorized by the Commission in the Turquoise Approval Decision.

II. BACKGROUND

On December 14, 2016, Liberty CalPeco submitted Application (“A.”) 16-12-009 requesting approval to acquire, own, and operate the Turquoise Project, a 10 MW solar facility near Patrick in Washoe County, Nevada. The Turquoise Project is expected to produce approximately 26,320 MWh of energy each year.

On December 19, 2017, the Commission adopted Liberty CalPeco’s settlement agreement with the Office of Ratepayer Advocates (“ORA”) in the Turquoise Approval Decision. The settlement agreement authorizes Liberty CalPeco to acquire, own, and operate the Turquoise Project, and authorizes Liberty CalPeco to seek rate recovery for the associated costs via an advice letter.

III. AUTHORIZATION TO RECOVER COSTS

Specifically, the Turquoise Approval Decision directs Liberty CalPeco to “seek authority to place its Turquoise Project acquisition, up to the Maximum Reasonable Cost Amount, into rate base.”¹

¹ D.17-12-008, Settlement Agreement, Section 3.2.

The Turquoise Approval Decision also instructs Liberty CalPeco “to seek authority to recover Turquoise Project operating expenses.”²

Pursuant to the Turquoise Approval Decision, Liberty CalPeco shall:

File a Tier 2 Advice Letter after the Turquoise Project’s independent engineer issues the First Independent Engineer Report, which is defined in the Project Purchase and Sale Agreement, including but not limited to confirmation that:

- (i) The Project has achieved mechanical completion; and
- (ii) There is a reasonable likelihood that the Turquoise Project will be placed into service on or before the placed in service deadline. Liberty shall not seek to recover any costs associated with the Turquoise Project for any period preceding the date on which the Project is placed in service.

On December 24, 2018, the Turquoise Project’s independent engineer issued the First Independent Engineer Report certifying that the Turquoise Project has achieved mechanical completion. The Turquoise Project was placed into service on November 14, 2019.

IV. TURQUOISE SOLAR PROJECT COST RECOVERY

In the Turquoise Approval Decision, the Commission determined the “All-Party Settlement resolves all outstanding issues between ORA and Liberty, complies with Commission requirements for approval of settlements (Rule 12.1(d), because it is reasonable in light of the whole record, consistent with the law, and in the public interest.”³

The Turquoise Approval Decision authorizes Liberty CalPeco to submit a “Tier 2 Advice Letter to recover in rates the costs to own and acquire the Project and the Turquoise Project Operating Expenses.”⁴

As mentioned above, the Turquoise Project was placed in service on November 14, 2019. Therefore, Liberty CalPeco requests that only a portion of the annual revenue requirement calculated below be included in rates for 2019. Because the Turquoise Project was in service for the last 48 days of 2019, Liberty CalPeco requests that 48/365 of the authorized annual revenue requirement for 2019 be included in rates. This treatment is consistent with the settlement agreement authorized in the Turquoise Approval Decision, which states that rate recovery “shall be based on the actual date the Project is placed into service.”⁵

² D.17-12-008, Settlement Agreement, Section 3.2.

³ D.17-12-008, p. 10.

⁴ D.17-12-008, Settlement Agreement, Section 4.6.

⁵ D.17-12-008, Settlement Agreement, Section 4.6.

A. Rate Requests

In this advice letter, Liberty CalPeco requests to include in rates, effective November 14, 2019, the costs to acquire, finance, own, operate, and maintain the Turquoise Project. The benefits of reduced reliance on purchased power due to the Turquoise Project are included in the Energy Cost Adjustment Clause (“ECAC”) portion of Liberty CalPeco’s 2019-2021 General Rate Case (“GRC”), which was submitted on December 3, 2018.⁶ Liberty CalPeco has asked that rates become effective on January 1, 2020.

B. Capital Costs

The Turquoise Approval Decision capped the aggregate Maximum Reasonable Cost Amount for Liberty CalPeco to acquire and own the Turquoise Project at \$15,690,000, which is approximately 70% of the total purchase price.⁷ The actual costs to acquire and own the Turquoise Project is \$22,679,902, with Liberty CalPeco’s ownership share of 70%. Therefore Liberty CalPeco is including the maximum \$15,690,000 of capital costs in its revenue requirement calculation.

To calculate the incremental revenue requirement for this \$15,690,000 rate base addition, Liberty CalPeco used its currently authorized rate of return of 7.51% and franchise fee rate of 1.35%,⁸ a 21% federal income tax rate, and a 8.84% California corporate franchise tax rate.

C. Operating Costs

The Turquoise Approval Decision capped annual operating costs at \$415,000, noting that, “to the extent the Project’s taxes or insurance costs increase beyond Liberty CalPeco’s current estimates, Liberty CalPeco shall have the right to seek recovery of such additional amounts.”⁹ Liberty CalPeco originally forecast annual property taxes of \$88,198, and the current forecast for property taxes is \$156,540, a \$68,342 increase from Liberty CalPeco’s original estimate. Liberty CalPeco’s current forecast for O&M/A&G costs is \$323,195. Therefore, Liberty CalPeco is including \$479,735 of operating costs in its revenue requirement calculation.

Included within the A&G Expenses is approximately \$20,000 annually that the Turquoise Project will pay to Algonquin Power Co. to provide asset management services. Algonquin Power Co. is an affiliate of Liberty CalPeco. The Turquoise Project selected Algonquin Power Co. to perform these asset management services on the basis that (i) Algonquin Power Co. is experienced in administering power purchase agreements for generators who similarly use tax equity financing, and (ii) the services are being provided at cost. The Commission authorized Liberty CalPeco to “use Algonquin Power Company employees in the planning and management of the Turquoise Project. The cost of such service shall be at cost.”¹⁰

⁶ A.18-12-001.

⁷ D.17-12-008, Settlement Agreement, Section 4.1.

⁸ D.16-12-024.

⁹ D.17-12-008, Settlement Agreement, Section 4.3.

¹⁰ D.17-12-008, Ordering Paragraph 2.

D. Revenue Requirement

The costs attributable to the acquisition, ownership, operation, and maintenance of the Turquoise Project generate an annual revenue requirement of \$2.987 million. Based on the fact that the Turquoise Project will be in service for the last 48 days of 2019, Liberty CalPeco calculated a 2019 revenue requirement of \$0.393 million for 2019, which results in a combined \$3.380 million revenue requirement increase to be recovered in 2020. This \$3.380 million revenue requirement results in a 6.08% increase to base rates. Liberty CalPeco proposes to adjust the 2021 revenue requirement related to the Turquoise Project in October 2020 via its annual Post Test-Year Adjustment Mechanism (“PTAM”) advice letter.

E. Cost Allocation

Pursuant to the Turquoise Approval Decision, with respect to the rate recovery to be authorized by acceptance of the Advice Letter, Liberty CalPeco shall allocate the amount of authorized increase on a uniform equal percentage basis across all customer classes in a manner consistent with the Energy Division’s December 27, 2016 approval of Liberty CalPeco Advice Letter 65-E-A.¹¹ The table below shows the cost allocation by customer class.

Customer Class	Base Rate Revenue Requirement Authorized	Percentage Increase in Base Rate Rev. Req.	Turquoise Increase Base Rate Revenue Requirement	Turquoise Base Rate Revenue Requirement
Residential (D-1)	27,855,512	6.08%	1,692,832	29,548,344
Small Commercial A-1	11,026,109		670,077	11,696,186
A-2	4,987,197		303,081	5,290,278
A-3	11,443,877		695,466	12,139,343
Irrigation	86,518		5,258	91,776
Street/Highway Light	73,564		4,471	78,035
Outdoor	145,051		8,815	153,867
	<u>55,617,828</u>		<u>3,380,000</u>	<u>58,997,828</u>

V. EFFECTIVE DATE

Liberty CalPeco requests that this **Tier 2** Advice Letter be effective as of December 9, 2019. Approval as of this date will enable Liberty CalPeco to submit the necessary Tier 1 Advice Letter containing the revised tariff sheets to be effective as of January 1, 2020 with the approved rate changes associated with this request and other rate changes that are authorized by the Commission for January 1, 2020.

¹¹ D.17-12-008, Settlement Agreement, Section 4.6.

VI. PROTESTS

Anyone wishing to protest this Advice Letter may do so by letter sent via U.S. mail, by facsimile or by email, any of which must be received no later than December 9, 2019, which is 20 days after the date of this Advice Letter. There are no restrictions on who may submit a protest, but the protest shall set forth the grounds upon which it is based and shall be submitted expeditiously. Protests should be mailed to:

California Public Utilities Commission
Energy Division, Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298
Facsimile: (415) 703-2200
Email: edtariffunit@cpuc.ca.gov

The protest should be sent via email and U.S. Mail (and by facsimile, if possible) to Liberty CalPeco at the address shown below on the same date it is mailed or delivered to the Commission:

Liberty Utilities (CalPeco Electric) LLC
Attn: Advice Letter Protests
933 Eloise Avenue
South Lake Tahoe, CA 96150
Fax: 530-544-4811
Email: Dan.Marsh@libertyutilities.com

Notice

In accordance with General Order 96-B, Section 4.3, a copy of this Advice Letter is being sent electronically to parties shown on the attached service lists.

If additional information is required, please do not hesitate to contact me.

Respectfully submitted,

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC

/s/ Daniel W. Marsh
Daniel W. Marsh
Manager, Rates and Regulatory Affairs
Liberty Utilities (CalPeco Electric) LLC

cc: Liberty CalPeco General Order 96-B Service List
Service List of A.16-12-009

Liberty Utilities (CalPeco Electric) LLC
Advice Letter Filing Service List
General Order 96-B, Section 4.3

VIA EMAIL

gbinge@ktminc.com;
emello@sppc.com;
epoole@adplaw.com;
cem@newsdata.com;
rmccann@umich.edu;
sheila@wma.org;
abb@eslawfirm.com;
cbk@eslawfirm.com;
bhodgeusa@yahoo.com;
chilen@nvenergy.com;
phanschen@mofo.com;
liddell@energyattorney.com;
cem@newsdata.com;
dietrichlaw2@earthlink.net;
ericj@eslawfirm.com;
clerk-recorder@sierracounty.ws;
plumascoco@gmail.com;
marshall@psln.com;
stephenhollabaugh@tdpud.org;
gross@portersimon.com;
mccluretahoe@yahoo.com;
catherine.mazzeo@swgas.com;
Theresa.Faegre@libertyutilities.com;
SDG&ETariffs@semprautilities.com;
greg.campbell@libertyutilities.com;
bcragg@goodinmacbride.com;

AdviceTariffManager@sce.com;
edtariffunit@cpuc.ca.gov;
jrw@cpuc.ca.gov;
rmp@cpuc.ca.gov;
jaime.gannon@cpuc.ca.gov;
mas@cpuc.ca.gov;
txb@cpuc.ca.gov;
efr@cpuc.ca.gov;
tlg@cpuc.ca.gov;
dao@cpuc.ca.gov;
ljt@cpuc.ca.gov;
mmg@cpuc.ca.gov;
kjl@cpuc.ca.gov;
denise.tyrrell@cpuc.ca.gov;
fadi.daye@cpuc.ca.gov;
winnie.ho@cpuc.ca.gov;
usrb@cpuc.ca.gov;
Rob.Oglesby@energy.ca.gov;
stevegreenwald@dwt.com;
vidhyaprabhakaran@dwt.com;
judypau@dwt.com;
dwtcpucdockets@dwt.com;
patrickferguson@dwt.com;
travis.ritchie@sierraclub.org;
dan.marsh@libertyutilities.com;
sharon.yang@libertyutilities.com;
ginge@kinectenergy.com