

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

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

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person for questions and approval letters:

Alain Blunier

Phone #: 530-546-1702

E-mail: Alain.Blunier@libertyutilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 62-E

Subject of AL: Liberty Utilities – Notice of 2017 Post-Test Year Adjustment Mechanism

Tier Designation: 1 2 3

Keywords (choose from CPUC listing):

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution

Decision 12-11-030 and General Order 96-B

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? Yes No

Requested effective date: September 9, 2016

No. of tariff sheets: 0

Estimated system annual revenue effect: (%)

Estimated system average rate effect (%):

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:

Pending advice letters that revise the same tariff sheets: n/a

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

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

Utility Info (including e-mail)
Liberty Utilities (CalPeco Electric) LLC
Attention: Advice Letter Protests
933 Eloise Avenue
South Lake Tahoe, CA 96150
Email: Alain.Blunier@libertyutilities.com

¹ Discuss in AL if more space is needed.



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

VIA EMAIL AND HAND-DELIVERY

September 9, 2016

**Advice Letter 62-E
(U 933-E)**

Edward Randolph, Director, Energy Division
California Public Utilities Commission
Energy Division, Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102-3298

Subject: Notice of 2017 Post-Test Year Adjustment Mechanism Relating to Major Plant Addition and Pursuant to D. 16-01-021

Liberty Utilities (Liberty Utilities Electric) LLC (U 933-E) ("Liberty Utilities") hereby submits this Tier 1 Advice Letter to provide advance notice of a planned Major Plant Addition in the 2017 Post Test Year Adjustment Mechanism.

Purpose

The purpose of this Advice Letter is to provide notice of Liberty Utilities intent to revise general rates associated with a planned Major Plant Addition. Liberty Utilities is required to submit such an advice letter and provide such notice prior to seeking any such increase pursuant to the Post-Test Year Adjustment Mechanism ("PTAM") authorized by Decision ("D.") 12-11-030 (A.12-02-014).

Background

In D.12-11-030, the Commission authorized Liberty Utilities to implement the PTAM. The PTAM procedures are detailed in Section 9, Post-Test Year Adjustment Mechanism of the Preliminary Statement. The two components of a PTAM submission set forth in the Preliminary Statement are:

Attrition Rate Factor Component

The attrition rate factor will be based on the current year's September Global Insight U.S. Economic Outlook forecast for the Consumer Price Index, minus a 0.5% productivity factor (but will not be less than zero).

Major Plant Additions Component

For purposes of the PTAM, a “Major Plant Addition” includes any capital project closed to plant-in-service that exceeds \$4 million in a calendar year. The revenue requirement associated with a Major Plant Addition would also include the California portion of the operation and maintenance expenses, depreciation and property taxes. **Liberty [Utilities] shall file a Tier 1 advice letter providing notice of a planned Major Plant Addition prior to seeking any PTAM adjustment** as described in Section F associated with that Major Plant Addition. (emphasis added)

In D.16-01-021 (Application 15-04-016) (“Luning Approval Decision”), the Commission approved a Settlement Agreement between Liberty Utilities and the Office of Ratepayer Advocates (“ORA”) authorizing Liberty Utilities to purchase the Luning Solar Project and to recover in rates its costs associated with the acquisition, financing, ownership, operation and maintenance of the Luning Solar Project.¹ The Settlement Agreement authorizes Liberty Utilities to seek in the PTAM it shall submit in October 2016 rate recovery commencing January 1, 2017 for the following costs associated with the Luning Project:

1. The “costs to acquire and own the Luning Project (a) up to 95% of the Maximum Reasonable Costs Amount into rate base as of January 1, 2017”;² and

1

As set forth in the terms of the Settlement Agreement, [Liberty Utilities] may seek rate recovery of authorized capital expenses and other costs related to the acquisition and initial operation of the Luning facility, including through the use of its 2017 and 2018 Post-Test year Adjustment Mechanism filings. Luning Approval Decision, Ordering Paragraph 2, mimeo at 44.

² Luning Approval Decision, Ordering Paragraph 1(a), mimeo at 43. Section 3.3 of the Settlement Agreement initially provided that Liberty Utilities could seek rate recovery for up to 100 percent of the Maximum Reasonable Cost Amount (i.e. the maximum acquisition cost that Liberty Utilities will be allowed to place into ratebase) through its October 2016 PTAM submission. However, in approving the Settlement Agreement, the Commission restricted Liberty Utilities to seeking only 95% of the Maximum Reasonable Cost Amount in the October 2016 PTAM submission. Liberty Utilities is authorized to seek recovery of up to the remaining 5% of the Maximum Reasonable Cost Amount in its October 2017 PTAM submission and have these amounts included in its rate base of as of January 1, 2018.

2. The “Luning Project Operating Expenses” which Liberty Utilities shall incur in 2017 and 2018 associated with the operation of the Luning Project.³

This Advice Letter accordingly provides notice that Liberty Utilities shall be seeking rate recovery in its October 2016 PTAM submission for the capital and operating costs associated with the Luning Project as authorized by the Luning Approval Decision.

Section 3.2 of the Settlement Agreement further provides that to the extent that the Luning Project is not able to achieve commercial operation as of January 1, 2017, “Liberty Utilities shall, in consultation with ORA, submit an additional pleading to propose adjustments in its 2017 rate recovery necessary to account for the post-January 1, 2017 commercial operation date of the Luning Project.”

The Luning Project is now contemplated to achieve commercial operation as of February 1, 2017. Liberty Utilities has accordingly notified ORA of this slight deferral of the anticipated commercial operation date for the Luning Project. ORA remains amenable to Liberty Utilities requesting rate recovery for the Luning Project in the October 2016 PTAM submission, provided the ratemaking Liberty Utilities proposes recognizes and makes the adjustments necessary to account for the change in the commercial operation date. ORA further agrees that Liberty Utilities submission of this Tier 1 Advice Letter represents the “additional pleading” the Parties contemplated in Section 3.2 of the Settlement Agreement.

Liberty Utilities shall in its October 2016 PTAM submission provide the most current information regarding the anticipated commercial operation date for the Luning Project.

Effective Date:

Liberty Utilities requests that this Tier 1 Advice Letter be effective as of September 9, 2016.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or by email, any of which must be received no later than September 29, 2016, which is 20 days after the date of this filing. The protest shall set forth the grounds upon which it is based and shall be

³ See Settlement Agreement, Sections 3.3(a) and 4.3. The Settlement Agreement in Section 2.2 and Footnote 1 defines “Luning Project Operating Expenses” as including the O&M Costs, A&G Costs, and Property Tax expenses necessary to own, operate and maintain the Luning Project.

Energy Division Tariff Unit
California Public Utilities Commission
September 9, 2016
Page 4

submitted expeditiously. There is no restriction on who may file a protest. Protests should be mailed to:

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

The protest also should be sent via email and U.S. Mail (and by facsimile, if possible) to Liberty Utilities at the addresses show 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: Alain.Blunier@libertyutilities.com

With a copy to:
Steven F. Greenwald
Vidhya Prabhakaran
Davis Wright Tremaine LLP
505 Montgomery Street, Suite 800
San Francisco, CA 94111
Fax: 415-276-6599
Email: stevegreenwald@dwt.com

Notice

In accordance with General Order 96-B, Section 4.3, a copy of this Advice Letter is being sent electronically or via U.S. Mail to parties shown on the attached list.

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

Sincerely,



Gregory S. Sorensen

President
Liberty Utilities (CalPeco Electric) LLC

cc: Liberty Utilities General Order 96-B Advice Letter Service List
A.15-05-008 Service List, A.15-04-016 Service List
Jaime Rose Gannon, CPUC Energy Division (via email jaime.gannon@cpuc.ca.gov)
David Zizmor, CPUC Energy Division (via email david.zizmor@cpuc.ca.gov)

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

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CALIFORNIA PUBLIC UTILITIES COMMISSION

Service Lists

PROCEEDING: A1505008 - LIBERTY UTILITIES (C
FILER: LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
LIST NAME: LIST
LAST CHANGED: MARCH 30, 2016

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CALIFORNIA PUBLIC UTILITIES COMMISSION

Service Lists

PROCEEDING: A1504016 - LIBERTY UTILITIES (C
FILER: LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
LIST NAME: LIST
LAST CHANGED: JANUARY 14, 2016

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