BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

In the Matter of the Application of Liberty Utilities (CalPeco Electric) LLC (U 933 E) for Commission Approval to Acquire, Own, and Operate the Turquoise Solar Project, Authorize Ratemaking Associated with the Project's Capital Investment and Operating Expenses, and Issuance of Expedited Decision Granting Such Relief.	Application 16-12- ___ (Filed December 14, 2016)

APPLICATION OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) FOR COMMISSION APPROVAL TO ACQUIRE, OWN, AND OPERATE THE TURQUOISE SOLAR PROJECT, AUTHORIZE RATEMAKING ASSOCIATED WITH THE PROJECT'S CAPITAL INVESTMENT AND OPERATING EXPENSES, AND ISSUANCE OF EXPEDITED DECISION GRANTING SUCH RELIEF

(PUBLIC VERSION)

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Dated: December 14, 2016

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PUBLIC VERSION

I. INTRODUCTION AND SUMMARY

Pursuant to Section 399.14 of the California Public Utilities Code,[1] and the California Public Utilities Commission's ("Commission") Rules of Practice and Procedures ("Rules"), Liberty Utilities (CalPeco Electric) LLC ("Liberty CalPeco") files this Application ("Application") to request Commission approval to acquire, finance, own, operate, and maintain the Turquoise Solar Project ("Turquoise Project" or "Project").

In Application ("A.") 15-04-016 (the "Luning Solar Application"),[2] Liberty CalPeco sought Commission approval to purchase, own, and operate 60 megawatts ("MW") of solar generation from two solar projects in Nevada. The Commission granted the Luning Solar Application in Decision ("D.") 16-01-021 ("Luning Approval Decision"), and approved Liberty CalPeco's purchase and operation of the first project, the 50 MW Luning solar project ("Luning Project"). This Application for approvals related to second project, the 10 MW Turquoise Project, very closely parallels the requests Liberty CalPeco made and the Commission approved in the prior Luning Solar Application.

Liberty CalPeco sought Commission approval in the Luning Solar Application to acquire utility-owned generation in a manner which maximizes the customer benefits of the federal investment tax credits by partnering with a tax equity investor. The use of this tax equity model allows Liberty CalPeco to most efficiently realize the value of federal tax incentives, and thereby dramatically decrease the cost of the solar projects for the benefit of Liberty CalPeco customers.

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[1] Unless otherwise indicated, all references to "Section" in this Application are to the California Public Utilities Code.

[2] A.15-04-016, *In the Matter of the Application of Liberty Utilities (CalPeco Electric) LLC for the Issuance of a Certificate of Public Convenience and Necessity to Acquire, Own, and Operate the Luning and Minden Solar Projects, Authorize Ratemaking Associated with the Solar Projects' Capital Investment and Operating Expenses, and Issuance of Expedited Decision Granting Such Relief* (filed April 17, 2015).

Liberty CalPeco and the Office of Ratepayer Advocates ("ORA") executed an all-party settlement agreement regarding the Luning Project ("Luning Settlement Agreement"). The Commission approved the Luning Settlement Agreement as "consistent with the law, in the public interest, and reasonable in light of the whole record."[3] The Luning Settlement Agreement provides that Liberty CalPeco may seek Commission approval for up to 60 MW of utility-owned renewable generation capacity. Liberty CalPeco selected the 60 MW limit because, under the terms of its full-requirements contract with Sierra Pacific Power Company d/b/a NV Energy ("NV Energy"), Liberty CalPeco has the right to displace up to 60 MWs of renewable purchases from NV Energy with energy produced by Liberty CalPeco-owned renewable generators.[4]

The Luning Settlement Agreement obligated Liberty CalPeco to consult with ORA before seeking Commission approval of any additional 10 MW project. ORA agreed to support Liberty CalPeco's request for expeditious review of any application to purchase another 10 MW project.[5] During November and December 2016, in satisfaction of its obligation under the Luning Settlement Agreement, Liberty CalPeco advised ORA of Liberty CalPeco's intent to submit this Application and described the relevant terms of the intended acquisition and the requests Liberty CalPeco would make.

Liberty CalPeco conducted a comprehensive solicitation in early 2016 to identify the best 10 MW solar project options. The solicitation was restricted to projects located within the NV

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[3] *See* D.16-01-021, mimeo at 2. The Commission conditioned its approval on Liberty CalPeco and ORA amending the Luning Settlement Agreement to include certain additional restrictions on Liberty CalPeco's ratemaking authority. The parties have amended the agreement to make those changes. The remainder of this Application refers to the Luning Settlement Agreement in its amended form.

[4] In D.15-12-021, the Commission conditionally approved an energy services agreement between Liberty CalPeco and NV Energy (the "NV Energy Services Agreement"). The parties accepted the conditions the Commission imposed and the NV Energy Services Agreement became effective as of January 1, 2016.

[5] *See* Luning Settlement Agreement, mimeo at 10-11.

Energy Balancing Authority because Liberty CalPeco can minimize transmission costs if it buys energy generated within its own balancing authority area (i.e. the NV Energy Balancing Authority). No affiliate of Liberty CalPeco participated in the 2016 solicitation.

Through the competitive solicitation process, Liberty CalPeco selected a 10 MW solar photovoltaic ("PV") project to be located in the unincorporated community of Patrick in Washoe County, Nevada (the "Turquoise Project" or "Project"). The Project will be developed by Turquoise Solar LLC (the "Project Developer"), a Nevada-based solar power development company sponsored by Sumitomo Corporation of the Americas ("Sumitomo") and Estuary Capital Partners ("Estuary"). The Project is expected to begin generating energy in early 2018.

The Turquoise Project is cost-competitive and highly viable, and will contribute significantly and cost-effectively toward Liberty CalPeco meeting California's Renewables Portfolio Standard ("RPS"). The Project is cost-competitive in part due to Liberty CalPeco utilizing the same type of tax equity arrangement the Commission previously authorized it to use for the Luning Project.[6] This tax equity structure enables Liberty CalPeco to significantly decrease its customers' responsibility for the capital costs necessary to construct and own the Project, which results in lower costs throughout the Project's estimated 30-year life.

The Turquoise Project will also decrease costs to Liberty CalPeco's customers because, under the terms of the NV Energy Services Agreement, Liberty CalPeco's procurement of energy from the Turquoise Project will reduce the Demand Charge payable to NV Energy by approximately $200,000 per year.[7]

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[6] *See* Luning Approval Decision, mimeo at 41-42 (Findings of Fact 11-12).

[7] *See* Testimony of Travis Johnson, P.E., Chapter 1, at 1-3.

II. REQUESTED RELIEF

For the reasons set forth in this Application and the attached testimony, Liberty CalPeco respectfully requests that the Commission:

- Approve Liberty CalPeco entering into the Purchase and Sale Agreement to acquire and own the Turquoise Project;[8]
- Determine that for ratemaking purposes the aggregate Maximum Reasonable Cost for Liberty CalPeco to acquire and own the Turquoise Project is [redacted], as may be adjusted;[9]
- Authorize Liberty CalPeco to seek authority to place its Project acquisition and ownership costs, up to the Maximum Reasonable Cost, into rate base as of January 1, 2018 through a Post Test-Year Adjustment Mechanism ("PTAM") filing Liberty CalPeco shall make in October 2017 ("October 2017 PTAM Filing");
- Approve Liberty CalPeco's initial joint ownership of the Turquoise Project with a Tax Equity Partner,[10] authorize Liberty CalPeco to enter a power purchase agreement with the Turquoise Project Company ("Turquoise Project PPA"), and authorize Liberty CalPeco to buy out the ownership interest of the Tax Equity Partner in the Turquoise Project in accordance with the terms of the Tax Equity Partnership Agreements;
- Authorize Liberty CalPeco to recover the following costs associated with the operation of the Project as general rates during the Project's operating life, and to

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[8] A copy of the Turquoise Purchase and Sale Agreement is attached as Confidential **Exhibit B**.

[9] The Maximum Reasonable Cost assumes the Tax Equity Partner will contribute [redacted] of the projected capital costs of the Solar Project (or $[redacted] of the [redacted] total purchase price for the Project). It is possible that the amount of the Tax Equity Partner's capital contribution will be less or more than the [redacted] assumed in the calculation of the Maximum Reasonable Cost. Liberty CalPeco shall update its request for the Maximum Reasonable Cost once it has negotiated the final terms of each Tax Equity Partnership Agreement to reflect the agreed-upon percentage of the Tax Equity Partner's capital contribution. *See* Testimony of Kevin Melynk, Chapter 5, at 5-9.

[10] As part of this Application, Liberty CalPeco will be submitting and seeking Commission approval of the Tax Equity Partnership Agreement and other agreements which will govern the commercial relationship between Liberty CalPeco and its Tax Equity Partner.

seek authority to include the following costs it will incur in 2018 in its October 2017 PTAM Filing and in subsequent years through its general rate case applications:

  - Costs to operate and maintain the Turquoise Project ("O&M Costs");
  - Administrative and general costs associated with the operation of the Project, including land lease and insurance costs ("A&G Costs"); and
  - Property tax payments for the Project ("Property Tax").[11]

- Authorize Liberty CalPeco to record the costs it will incur resulting from the distributions the Turquoise Project Company will make to the Tax Equity Partner during the initial years of the Solar Project's operations ("Tax Equity Partner Distribution") and the payment Liberty CalPeco expects to make to purchase the Tax Equity Partner's ownership interest in the Turquoise Project Company ("Buy-Out Payment")[12] in its Energy Cost Adjustment Clause ("ECAC") account and to recover such Tax Equity Partner Expenses in accordance with its ECAC tariff;
- Grant Liberty CalPeco's motion for confidentiality being filed concurrently;
- Approve this Application and grant the authorizations requested in a final decision to be issued no later than August 2017; and
- Grant such other relief as is necessary to effectuate the Application and authorize rate recovery for the associated costs.[13]

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[11] The O&M Costs, A&G Costs, and Property Tax will be collectively referenced as the "Project Operating Expenses."

[12] The Tax Equity Partner Distribution and the Buy-Out Payment will be collectively referenced as "Tax Equity Partner Expenses."

[13] In the Luning Solar Application, Liberty CalPeco sought the Commission's guidance regarding the possible need for Liberty CalPeco to obtain a Certificate of Public Convenience and Necessity ("CPCN") pursuant to Sections 1001 *et seq*. to acquire and operate the Luning Project. In the Luning Approval Decision, the Commission determined that Liberty CalPeco's acquisition and ownership of the Luning Project did not require it obtaining a CPCN for several reasons: (1) the Luning Project is located out of state; (2) the Luning Project had a full environmental review and approval by another agency; and (3) Liberty CalPeco was not going to build the project, but only purchase it after it was built. *See* Luning Approval Decision, mimeo at 32-33. Each of these factors is present with respect to the Turquoise Project. Therefore, Liberty CalPeco is not requesting that the Commission approve a CPCN in this Application but can do so if the Commission so requires.

III. BACKGROUND

A. Liberty Utilities (CalPeco Electric) LLC

Liberty CalPeco provides electricity to approximately 49,000 customers in portions of seven counties around Lake Tahoe. Liberty CalPeco experiences its peak loads during the winter months (particularly during the Christmas and New Year's holidays) when people visit the Lake Tahoe area for vacation and recreation. The Liberty CalPeco service territory is located within the NV Energy Balancing Authority, and thus is not part of the CAISO Balancing Authority. Liberty CalPeco has procured essentially all of its electrical energy, including its renewable energy, from NV Energy. Beginning in February 2017, Liberty CalPeco will begin procuring a substantial portion of its energy and satisfying its RPS requirements by the generation to be provided by the Luning Project.

B. The Combination of the Solar Projects and the NV Energy Services Agreement Offers Liberty CalPeco's Customers Reliable, Cost-Competitive, and RPS-Compliant Energy Supply

In D.15-12-021, the Commission authorized Liberty CalPeco to enter into the NV Energy Services Agreement and recover the payments Liberty CalPeco will make to NV Energy. The NV Energy Services Agreement obligates NV Energy to serve the full energy requirements of Liberty CalPeco's electric loads. It also obligates NV Energy to deliver a percentage of Liberty CalPeco's total energy needs with RPS-eligible energy (the "Renewable Percentage").[14] Importantly, in negotiating the NV Energy Services Agreement, Liberty CalPeco obtained the right to displace NV Energy RPS generation by procuring RPS-generation from "Liberty

[14] Corresponding to the increasing RPS procurement requirements, the Renewable Percentage increases each year, starting at 23% in 2016 and increasing to 30.5% in 2020.

CalPeco Renewable Projects."[15] The NV Energy Services Agreement also obligates NV Energy to deliver any energy from Liberty CalPeco Renewable Projects (i.e. the Luning and Turquoise Projects) over the NV Energy transmission facilities into Liberty CalPeco's California service territory at Federal Energy Regulatory Commission-regulated cost-based rates.

Liberty CalPeco negotiated the NV Energy Services Agreement with the objective of: (i) obtaining the flexibility to procure renewable energy from sources other than NV Energy; and (ii) reducing the "Demand Charge" portion of its payment obligation to NV Energy to account for Liberty CalPeco's procurement of capacity from sources other than NV Energy. By obtaining renewable energy from the Liberty CalPeco Renewable Projects, Liberty CalPeco will save its customers approximately $1.2 million each year through reductions in the Demand Charge, and approximately $200,000 of this savings will be from the Turquoise Project.[16]

C. Commission Approval of the Luning Settlement Agreement

The Commission approved the Luning Settlement Agreement in January 2016, and authorized Liberty CalPeco to purchase and operate the 50 MW Luning Project. The Commission also ordered that Liberty CalPeco could "seek rate recovery of authorized capital expenses and other costs related to acquisition and initial operation of the Luning facility, including through the use of its 2017 and 2018 Post-Test Year Adjustment Mechanism [PTAM] filings."[17]

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[15] A Liberty CalPeco Renewable Project is defined as a facility that generates energy from solar photovoltaic arrays and which is "interconnected to NV Energy's transmission or distribution system." Section 7.1.

[16] *See* Testimony of Rick Dalton, P.E., Chapter 2, at 2-6.

[17] Luning Approval Decision, mimeo at 44 (Ordering Paragraph 2).

The Commission conditioned its approval of the Luning Settlement Agreement on: (a) the parties amending certain terms in the agreement;[18] (b) Liberty CalPeco's cost recovery being subject to "Maximum Reasonable Cost" caps for Luning; and (c) Liberty CalPeco submitting advice letters with the final Luning Project contracts and a report on the first year of Luning operations.[19] The parties have adhered and will continue to adhere to all of these conditions.

D. Overview of the Turquoise Project

Liberty CalPeco witness Rick Dalton, P.E., presents a detailed description of the Project site, permitting, environmental review, and development.[20] In summary, the Project will occupy about 120 acres near Patrick in Washoe County, Nevada within a larger parcel owned by the Project Developer. It is a 10 MW project that will produce roughly 28,000 MWh of energy each year with an estimated net capacity factor of approximately 32 percent. [21]

The Project Developer, Turquoise Solar, is a Nevada-based solar power development company sponsored by Sumitomo and Estuary. Turquoise Solar has been formed for the purpose of developing up to 60 MW of solar energy capacity at the project site, including the 10 MW Turquoise Project.[22] Sumitomo is an integrated global enterprise with businesses that include energy, environmental services, and infrastructure. Sumitomo has an extensive presence in the

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[18] S*ee* Luning Approval Decision, mimeo at 42 (Conclusion of Law 3(a)). The parties have amended the Luning Settlement Agreement to include the additional terms the Commission required. *See supra*, fn. 3.

[19] Luning Approval Decision, mimeo at 42 (Conclusion of Law 3(c)). Liberty CalPeco submitted two separate advice letters with the final Luning contracts. *See* Supplement AL 60-E-A (submitted September 2, 206); AL 67-E (submitted November 29, 2016).

[20] *See* Testimony of Rick Dalton, P.E., Chapter 2, at 2.6—2.9.

[21] *See* Testimony of Rick Dalton, P.E., Chapter 2, at 2-2.

[22] *See* Testimony of Rick Dalton, P.E., Chapter 2, at 2-1.

global energy sector and a strong track record of development, construction, and ownership of renewable and conventional power projects worldwide. [23]

Estuary is a developer, sponsor, and financing party for renewable and conventional power generation projects. Estuary's founder and principal has 20 years of experience as a developer, investor, financier, and manager of power, energy, and infrastructure projects, and has closed project developments, financings, acquisitions, and other transactions with total value exceeding $10 billion. Estuary is a Women Business Enterprise that has a pending request to be certified by the Commission's clearinghouse operator for its supplier diversity program.[24]

The Turquoise Project is expected to utilize First Solar advanced thin film modules, NEXTracker single-axis trackers, and TMEIC inverters (or equivalent technologies). Construction of the Turquoise Project is estimated to take 6-8 months and will commence upon the Project Developer and Liberty CalPeco having obtained all necessary permits (including final Commission approval). The point of interconnection will be the existing NV Energy Pah Rah substation, located approximately one-mile from the Turquoise Project. The interconnection will require installation of a short transmission line to the NV Energy Pah Rah Substation and very limited network upgrades. [25]

The Turquoise Project is at an advanced state of project permitting and environmental review. The Project has already received all discretionary permits and approvals required for its construction and operation, including its Special Use Permit from the Washoe County Planning

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[23] *See* Testimony of Rick Dalton, P.E., Chapter 2, at 2-4.

[24] *See* Testimony of Rick Dalton, P.E., Chapter 2, at 2-5.

[25] *See* Testimony of Rick Dalton, P.E., Chapter 2, at 2-2.

Commission.[26] The Project has also completed extensive environmental review. The Phase I Environmental Site Assessment completed in June 2016 found no Recognized Environmental Conditions present at the site and did not recommend any additional investigation. The cultural and biological survey completed in May 2015 found no species or cultural resources present at the site which need to be considered in the development, construction, or operation of the project.[27]

E. Project Selection

Liberty CalPeco witness Dalton describes the extensive outreach and solicitation process Liberty CalPeco employed to identify the Project Site and Project Developers that could timely and reliably deliver competitively-priced renewable energy to Liberty CalPeco's customers.[28] Liberty CalPeco conducted the solicitation and evaluation process with the assistance of Burns and McDonnell, a third-party engineering firm with significant experience with solar project diligence, design, and construction.[29]

On February 24, 2016, Liberty CalPeco issued a Request for Proposal ("RFP") to identify potential solar projects that met its specified criteria. Liberty CalPeco disseminated the RFP via email to more than 600 interested parties, including solar project developers, consultants, and solar power associations. Liberty CalPeco conducted an initial bidder's conference on February 29, 2016 and approximately 10 potential bidders participated. Liberty CalPeco also provided

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[26] *See* Testimony of Rick Dalton, P.E., Chapter 2, at 2-8.

[27] *See* Testimony of Rick Dalton, P.E., Chapter 2, at 2-4.

[28] *See* Testimony of Rick Dalton, P.E., Chapter 2, at 2-2—2-3; *see also* Testimony of Rick Dalton, P.E., Chapter 3, at 3-2—3-3.

[29] The credentials of Burns and McDonnell and Kenneth Ekstrom, P.E. (AZ), its project manager assigned to the Liberty CalPeco RFP, are attached to this Testimony in Appendix A. Burns and McDonnell was also involved in Liberty CalPeco's selection of the Luning Project.

prospective bidders the opportunity to ask questions via email and posted answers to these questions on the RFP website.

Five bidders submitted timely and qualified bids to the RFP.[30] No affiliate of Liberty CalPeco or its parent company submitted a bid. Liberty CalPeco evaluated each project bid based on its pricing as well as a number of factors developed to best assess the project's overall viability, focusing on the likelihood of its ability to achieve commercial operations by the beginning of 2018.

These criteria included, among others: (1) permitting status; (2) project location and quality of the solar resource; (3) interconnection agreement and transmission facilities needs and status; (4) technology; and (5) developer qualifications and experience. As Liberty CalPeco witness Dalton further describes, Liberty CalPeco determined that the Turquoise Project best satisfied the RFP's criteria and on that basis decided to negotiate a Purchase and Sale Agreement with the Project Developer.[31]

F. Tax Equity Benefits and Structure

i. The Capital Contribution by a Tax Equity Partner Will Enable Liberty CalPeco to Reduce the Costs to Serve its Customers with Generation from the Turquoise Project

The federal investment tax credit ("ITC") – currently offering a 30 percent tax credit on the capital cost of qualifying commercial solar systems – is one of the most important federal policy mechanisms promoting the development of solar energy in the United States. Under current law, the 30 percent ITC will be available for utility-scale solar projects placed into

[30] *See* Testimony of Rick Dalton, P.E., Chapter 3, at 3-5.

[31] *See* Testimony of Rick Dalton, P.E., Chapter 3, at 3-1, 3-7—3-8.

service before December 31, 2019.[32] The Turquoise Project is also eligible under current law for accelerated depreciation.[33]

In decisions approving utility ownership of renewable energy facilities, the Commission has required that California utilities seek to maximize the availability of existing tax incentives for the benefit of their customers. For instance, in adopting a solar PV utility ownership program, the Commission mandated that Pacific Gas and Electric Company ("PG&E") "seek to maximize the use of tax benefits available . . . including the [ITC] and [accelerated depreciation]" and that "[t]hese benefits should accrue to ratepayers to the extent practicable."[34] In the Luning Approval Decision, the Commission recognized the benefit of Liberty CalPeco structuring its purchase and operation of the Luning project in a way that would "allow the benefits of the ITC to be returned to ratepayers more quickly."[35]

Accordingly, consistent with its development of the Luning Project, Liberty CalPeco structured the Turquoise Project with the objective to provide its customers at the earliest possible time the maximum benefits of the ITC the Internal Revenue Service ("IRS") regulations allow. As explained below and by Liberty CalPeco witness Kevin Melnyk, use of a conventional ownership structure (i.e. the utility directly owns 100 percent of each project and finances construction off its balance sheet) would not allow the customers of Liberty CalPeco to timely benefit from the maximum value of the ITC. [36]

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[32] *See* 26 U.S.C. § 48(a)(2)(ii).

[33] The Turquoise Project should qualify for depreciation deductions using the five-year Modified Accelerated Cost Recovery System ("MACRS") schedule. *See* 26 U.S.C. § 168.

[34] *See* D.10-04-052, mimeo at 80 (Ordering Paragraph 6).

[35] Luning Approval Decision, mimeo at 36.

[36] *See* Testimony of Kevin Melynk, Chapter 5, at 5-3.

The ITC is available to the solar project's owner. But IRS regulations prohibit a utility owner of a solar project from flowing the full ITC benefits immediately to its customers.[37] To retain eligibility for the ITC, the utility owner must "normalize" the tax credits by spreading their benefit over the 30-year expected life of the solar facility. If Liberty CalPeco structured the Turquoise Project without a Tax Equity Partner, its customers would only be able to realize 1/30th of the value of the ITC each year (assuming an expected 30 year operating life).[38] As a result, the economic value of the 30 percent investment tax credit would be lost in the near-term.

Conversely, by using a Tax Equity Partner, a utility can more efficiently and timely realize the maximum value of the tax credits. By having a Tax Equity Partner make capital contributions to the solar project in an amount that reflects the Tax Equity Partner's near-term ability to utilize the tax credits, Liberty CalPeco is able to significantly reduce the amount of capital investment to be added into the rate base, which reduces costs to ratepayers throughout the life of the Project. Thus, while the total capital investment necessary for the Project will be approximately [redacted] (as may be adjusted), Liberty CalPeco will be requesting that the Commission authorize only approximately [redacted] (i.e. the Maximum Reasonable Cost) to be included into its rate base.

ii. Structure of Tax Equity Participation

As explained above, the solar project owner is eligible to receive the ITC. However, if the utility is the project owner, the IRS also requires that the credits be "normalized," which dilutes and delays the utility's ability to flow the full ITC benefits to its customers.

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[37] *See* Luning Approval Decision, mimeo at 12 (fn. 23).

[38] The Tax Equity Partnership Agreement will allocate one percent of the ITC to Liberty CalPeco. Liberty CalPeco will account for and recover its costs associated with that portion of its capital investment pursuant to IRS normalization rules and Commission requirements. *See* Testimony of Daniel Marsh, Chapter 6, at 6-14; *see also* Testimony of Kevin B. Melnyk, Chapter 5, at 5-5.

A tax equity structure resolves these issues by creating commercial arrangements in which: (a) a solar project company owns the solar project; (b) the utility and tax equity partner jointly purchase all of the ownership interests in the solar project company; and (c) the solar project company sells its generation to the utility through a power purchase agreement. The solar project company qualifies for the full amount of the ITC, and the economic value of the accelerated benefits of the ITC is reflected in the amount of the capital contribution by the tax equity partner. The capital contribution by the tax equity partner reduces the amount of the utility's capital contribution.

Commonly, a tax equity partner contributes capital equal to somewhere around 30 to 35 percent of the capital cost of the renewable energy project. In return for its investment, the tax equity partner typically receives a partnership interest providing it 99 percent of the ITC benefits and a significant portion of the accelerated depreciation benefits. During an initial period of approximately five years ("Tax Equity Period"), the Tax Equity Partner also receives annual distributions from the solar project company (i.e. the "Tax Equity Partner Distribution") in an amount each year equal to a percentage of its total investment (normally two percent). At the conclusion of the Tax Equity Period, the utility has the right to purchase the tax equity partner's residual ownership interests in the project for a price designed to correspond to "fair market value" of the residual ownership interests (i.e. the "Buy-Out Payment").[39]

With respect to the Turquoise Project, Liberty CalPeco currently anticipates, based on the tax equity market, that it will contribute [redacted] of the Project's projected capital costs (i.e. [redacted], as may be adjusted) and the Tax Equity Partner will contribute [redacted] of the projected capital costs (i.e. $[redacted], as may be adjusted).

[39] *See* Testimony of Kevin Melnyk, Chapter 5, at 5-7.

Liberty CalPeco expects to have the right after the minimum five years to acquire the Tax Equity Partner's residual ownership interests by payment of the Buy-Out Payment. The Tax Equity Partner Distribution would then cease and Liberty CalPeco would directly own 100 percent of the Turquoise Project Company. The energy generated by the Project would be owned by Liberty CalPeco just like any other utility-owned generation resource. Liberty CalPeco will pay, and be allowed to recover through rates, the expenses to own, operate, and maintain the Project just like any other utility cost-of-service facility.

G. The Purchase and Sale Agreement Protects Liberty CalPeco's Customers from Permitting, Development, and Construction Risks

Liberty CalPeco has negotiated a Project Purchase and Sale Agreement by which the Project Developer will develop, permit, and construct the Turquoise Project.[40] Upon the Project achieving certain milestones and satisfactorily completing certain performance tests, Liberty CalPeco and its Tax Equity Partner will acquire the Turquoise Project Company.

As Liberty CalPeco witness Travis Johnson P.E., explains, the Purchase and Sale Agreement protects Liberty CalPeco's customers from development, permitting, and construction risks by imposing all such risks on the Project Developer.[41] The Purchase and Sale Agreement provides that before Liberty CalPeco is obligated to purchase the Turquoise Project Company, an Independent Engineer must confirm in a written report that: (1) the Solar Project has achieved mechanical completion; (2) there is a reasonable likelihood the Project will be timely placed in service; and (3) there is a reasonable likelihood the Project's tested capacity will exceed a certain guaranteed level.

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[40] *See* Testimony of Travis Johnson, P.E., Chapter 4, at 4-4.

[41] *See* Testimony of Travis Johnson, P.E., Chapter 4, at 4-4—4-5.

The Purchase and Sale Agreement further protects Liberty CalPeco's customers through several provisions that require an automatic reduction in the purchase price of the Project if: (1) the Project is not timely placed in service; (2) the Project fails to pass the capacity test before it is placed in service; and/or (3) the Project fails to perform to certain guaranteed energy production levels during the first year of operation.[42]

IV. RATEMAKING

A. For Ratemaking Purposes, the Solar Project Should be Considered Functionally as Utility-Owned Generation

During the Tax Equity Period, the Turquoise Project Company will sell the energy the Project generates to Liberty CalPeco pursuant to the Turquoise Project PPA. During this period, the Turquoise Project Company will also have the direct payment responsibility for certain Project Operating Expenses and will pay the Tax Equity Partner Distribution.

Liberty CalPeco is not requesting that it recover through its ECAC the amounts it will pay the Turquoise Project Company under the Turquoise Project PPA. Conversely, Liberty CalPeco will not treat the distributions it will receive from the Turquoise Project Company as "revenue" to be recorded in its ECAC. Rather, Liberty CalPeco requests that the Commission authorize Liberty CalPeco to treat for ratemaking purposes its investment in, and the costs to own, operate, and maintain, the Turquoise Project Company as costs associated with utility-owned generation assets.

Liberty CalPeco requests that during the Tax Equity Period the Commission overlook Liberty CalPeco's purchase of energy from the Turquoise Project Company and authorize it to recover its capital investment in the Turquoise Project through rate base ratemaking. Such

[42] The Turquoise Project's production levels will be confirmed by the Independent Engineer's evaluation of a one-year-long energy test. *See* Purchase and Sale Agreement, Section 3.6.

ratemaking treatment would allow consistent ratemaking over the life of the Turquoise Project (i.e. upon Liberty CalPeco making the Buy-Out Payment and for the remainder of its life, the Turquoise Project will be a utility-owned generation asset and Liberty CalPeco will recover its costs to own and operate the Project through general rates).

The Commission has already reviewed of and approved this very same type of ratemaking treatment in the Luning Approval Decision. Specifically, the Commission approved the provisions in the Luning Settlement Agreement authorizing Liberty CalPeco to implement as of the first day of commercial operation general rates/rate base ratemaking to recover its costs associated with Luning generation.[43] The Commission also recognized Liberty CalPeco's characterization that the commercial arrangements are "largely indistinguishable from [utility owned generation]."[44]

The Commission accordingly authorized Liberty CalPeco to "recover its capital costs to acquire the Luning ownership interest" and its associated operating and financing costs "according to [the] traditional cost-of-service ratemaking mechanisms" on the following grounds:[45]

1. From an operational perspective, Liberty CalPeco would have possession of the Luning Project from day one;
2. Liberty CalPeco would function as if it were the owner-operator, including having all of the operating and safety responsibilities as if it were the 100% owner;
3. Liberty CalPeco would obtain and have rights to all energy and RPS rights generated by the Luning Project; and

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[43] In approving the ratemaking set forth in the Liberty CalPeco/ORA Settlement Agreement, the Commission explained: "The proposed ratemaking reflects traditional cost-of-service ratemaking principles applied to all the costs incurred by [Liberty CalPeco] in connection with the two-step acquisition of the Luning facility and its operations." Luning Approval Decision, mimeo at 33.

[44] Luning Approval Decision, mimeo at 20 (fn. 52).

[45] Luning Approval Decision, mimeo at 3.

4. Liberty CalPeco would be responsible for the payment of taxes and lease payments owed by the Luning Project.[46]

Liberty CalPeco has structured the Turquoise Project to be entirely consistent with all of these same factors on which the Commission based its prior approval of the ratemaking treatment for the Luning Project. Thus, the Commission should allow Liberty CalPeco as of the first day of commercial operation of the Turquoise Project to treat its investment in and costs associated with the acquisition, ownership, and operation of the Turquoise Project as a utility-owned generation asset for ratemaking purposes.

B. The Project Qualifies for Commission Approval Under Section 399.14

As set forth in the preceding section, Liberty CalPeco requests that the Commission treat the Turquoise Project for ratemaking purposes as if it is a utility-owned project. Recognition of the Turquoise Project as utility-owned generation would also allow the Commission to authorize Liberty CalPeco to acquire, own and operate the Project pursuant to Section 399.14. From a functional and operating perspective, the Project will be largely indistinguishable from a traditional utility-owned generator financed entirely by the utility's own debt and equity.[47]

Section 399.14 requires the solar resource to: (1) use a "viable technology at a reasonable cost" and (2) provide "comparable or superior value to ratepayers when compared to then recent [renewable energy power purchase agreements]." Upon approving the purchase of the renewable project pursuant to Section 399.14, "the [C]omission shall apply [the] traditional cost-of-service ratemaking [through which the Commission] shall specify the maximum cost[s]

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[46] Luning Approval Decision, mimeo at 20.

[47] The Commission previously approved of the Luning Project as being consistent with, and meeting both of the criteria set forth in, Section 399.14. *See* Luning Approval Decision, mimeo at 30-31.

determined to be reasonable and prudent for the construction [and initial operation] of the facility."[48]

i. The Project Utilizes Viable Technology at a Reasonable Cost

The Turquoise Project satisfies the Section 399.14 requirement because it "utilizes a viable technology at a reasonable cost." In addition to using solar technology with demonstrated commercial viability, the other aspects of the Project are viable. As detailed in testimony,[49] the Project received a very high overall viability score in Liberty CalPeco's RFP for among the following reasons:

- The Project Developers are seasoned developers, constructors, and operators of solar energy generation with proven track records of completing projects successfully and timely.
- The Turquoise Project is at an advanced stage of project development. It has already obtained its Special Use Permit, has completed an extensive environmental review with no issues identified, and has secured all necessary real property rights. In addition, the Project is in an advanced stage in the interconnection process.
- The Turquoise Project is in close proximity to NV Energy's existing transmission facilities (i.e. minimizing interconnection costs) and requires minimal upgrades to the NV Energy transmission facilities to deliver its energy to California.

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[48] Pub. Util. Code § 399.14 (c).

[49] *See* Testimony of Rick Dalton P.E., Chapter 2, at 2-2—2-4; Testimony of Rick Dalton P.E., Chapter 3, at 3-7—3-8.

ii. The Turquoise Project Is a Cost-Competitive Source of Renewable Energy as Compared to Other Current and Recent Alternatives

The Turquoise Project satisfies the Section 399.14 requirement that it be cost-competitive with other current and recent alternative sources of renewable energy.

Liberty CalPeco selected the Turquoise Project as the result of the comprehensive RFP it conducted. Liberty CalPeco selected the Project as the least-cost best-fit option. As a result of the competitiveness of the RFP, the high capacity factor projected for the Turquoise Project, the interconnection facility and transmission cost savings associated with its location within the NV Energy Balancing Authority, and the ability to use existing facilities in close proximity to the NV Energy transmission system, the Turquoise Project offers attractive prices. Its costs compare favorably with: (1) the "status quo", which is the price for renewable energy NV Energy will sell Liberty CalPeco through the NV Energy Services Agreement; (2) the prices of the other projects bid into the 2016 RFP; and (3) the projected $/MWh price Liberty CalPeco will pay for generation to be delivered by the Luning Project.[50]

The price of the Turquoise Project also compares favorably with the following publically-available "benchmark" information concerning the costs other California utilities have recently paid for renewable energy:

- A 2016 report prepared for the California legislature reported that the California Investor Owner Utilities' average time-of-delivery adjusted contract price was approximately 7.4 cents/KWh (i.e. $74/MWh) for all bundled renewable contracts approved in 2014 and approximately 6.9 cents/KWh (i.e. $69/MWh) for all bundled renewable contracts approved in 2015.[51]

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[50] Luning Approval Decision, mimeo at 32 ("[Liberty CalPeco] demonstrated the Luning project is likely to provide comparable or superior cost RPS-qualified energy when compared to available alternatives.").

[51] *See* The Padilla Report to the Legislature Reporting 2015 Renewable Procurement Costs in Compliance with Senate Bill 836, dated May 2016, at 1, *available at* http://www.cpuc.ca.gov/uploadedFiles/CPUC_Website/Content/Utilities_and_Industries/Energy/Reports_and_White_Papers/Padilla%20Report%202016%20-Final%20-%20Print.pdf.

- In 2016, Ormat Technologies, Inc. entered into a power purchase agreement with Southern California Public Power Authority to sell geothermal energy at a rate of $77.25/MWh.[52]
- In 2015, the Imperial Irrigation District entered into a power purchase agreement for 50MW of CalEnergy portfolio geothermal generation at a levelized cost of energy of $87/MWh.[53]
- In 2014, the Sacramento Municipal Utility District entered into a power purchase agreement for bundled renewable energy from a pool of geothermal resources through which it will pay $73/MWh in 2017 dollars, escalating at 2% annually.[54]
- In 2014, the City of Palo Alto entered into a power purchase agreement for bundled renewable energy from a solar generator starting in mid-2015 at a levelized cost of energy of $68.72/MWh.[55]

Based on these publically-available examples, Liberty CalPeco submits that its proposal to purchase and operate the Turquoise Project compares very favorably to recent power purchase agreement pricing for bundled renewable energy.[56] Accordingly, the Commission should find that the Turquoise Project satisfies the Section 399.14 cost-competitiveness standard.

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[52] *See* Ormat Technologies, Inc., Ormat Technologies Signs 25-year Power Purchase Agreement for the Ormesa Geothermal Complex in California (November 29, 2016) *available at* http://www.ormat.com/news/latest-items/ormat-technologies-signs-25-year-power-purchase-agreement-ormesa-geothermal-comple.

[53] *See* Imperial Irrigation District Energy Consumers Advisory Committee, October 5, 2015 Regular Meeting Agenda, *available at* http://www.iid.com/Home/ShowDocument?id=10267.

[54] *See* Sacramento Municipal Utility District Board Energy Resources & Customer Services Committee Meeting, *available at* https://www.smud.org/en/about-smud/company-information/board-of-directors/documents/documents-meetings/ercs-packet-07-16-2014.pdf

[55] *See* City of Palo Alto City Council Staff Report on Hayworth Solar Renewable PPA, *available at* http://www.cityofpaloalto.org/civicax/filebank/documents/42431

[56] *See* Luning Approval Decision, mimeo at 32 (in connection with the Luning Project, the Commission determined that Liberty CalPeco "provided some publically available cost data for prices paid by other utilities [and] demonstrated that the proposed Luning facility could generate qualified RPS-energy at a competitive cost compared to its other real life options.").

C. Liberty CalPeco's Estimated Capital Costs Are Reasonable and Prudent and Warrant Commission Approval as the Maximum Reasonable Cost for the Turquoise Project

As explained in the preceding section, Section 399.14 requires that the Commission's certificate authorizing the construction specify the maximum cost determined to be reasonable and prudent for the construction of the Project (i.e. the Maximum Reasonable Cost). Liberty CalPeco witness Dalton describes in Chapters 2 and 3 of his testimony that the estimated aggregate capital investment for the Project is [redacted], as may be adjusted.

Assuming a [redacted] contribution by the Tax Equity Partner, Liberty CalPeco intends to make capital investments in the Turquoise Project of [redacted], as may be adjusted. Liberty CalPeco accordingly requests that, pursuant to Section 399.14, the Commission set the Maximum Reasonable Cost for the Turquoise Project in an amount equal to Liberty CalPeco's capital investment in the Project (i.e. that the Commission exclude from the Maximum Reasonable Cost, and thus the amount that Liberty CalPeco shall place into rate base, the capital contribution to be made by the Tax Equity Partner).

V. LIBERTY CALPECO'S PROPOSED RATE AND COST RECOVERY MECHANISMS WARRANT COMMISSION APPROVAL

A. Designation of the Maximum Reasonable Cost and Procedure to Request Rate Recovery for any Costs Exceeding that Maximum Reasonable Cost

If the actual amount of Liberty CalPeco's aggregate capital contribution for the Turquoise Project is below the Maximum Reasonable Cost the Commission designates, Liberty CalPeco shall include only the <u>actual</u> amount of its capital investment into rate base.

Pursuant to Sections 399.14(c), if the amount of Liberty CalPeco capital investment required for the Solar Project ultimately exceeds the Maximum Reasonable Cost, Liberty CalPeco will have the opportunity to request that the Commission permit rate recovery reflecting costs in excess of the Maximum Reasonable Cost. To obtain such authority Liberty CalPeco will have to demonstrate under Section 399.14(c) that: (i) the costs have in fact increased; (ii) the incremental cost is "reasonable and prudent;" and (iii) "present or future public convenience or necessity require construction of the project at the increased cost."[57]

B. Deferral of Any Rate Recovery Until 2018

Liberty CalPeco is projecting that the Project will become operational in the first quarter of 2018. Therefore, Liberty CalPeco requests that the Commission authorize it to request in its October 2017 PTAM filing the authority to include up to the amount of the Maximum Reasonable Cost into its rate base as of January 1, 2018. However, consistent with the ratemaking treatment the Commission approved for the Luning Project, Liberty CalPeco requests that the rate base addition not be effective until after the Project reaches commercial operation and begins providing energy to Liberty CalPeco's customers (*e.g.*, if the Project begins producing energy in April 2018, Liberty CalPeco would seek rate recovery starting on 1/1/18 in an amount equal to on 9/12th of the projected capital and operating for the 2018 year). Such a request is consistent with the purpose, underlying policy, and language of Liberty CalPeco's PTAM tariff as well as the Commission's ratemaking authorizations for the Luning Project.[58]

C. Cost Recovery for the Project Operating Expenses

During the Tax Equity Period, the Turquoise Project Company will have the initial payment responsibility for the Project's Operating Expenses.[59] However, under the tax equity structure, while the Turquoise Project Company will initially incur the Project's Operating Expenses, these costs are indirectly borne by Liberty CalPeco as a reduction in cash available to be distributed. For instance, for every $100 Liberty CalPeco pays to the Turquoise Project

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[57] Pub. Util. Code § 399.14 (c).

[58] *See* Testimony of Daniel Marsh, Chapter 6, at 6-8.

[59] *See* Testimony of Kevin Melnyk, Chapter 5, at 5-6.

Company to purchase solar generation under the Turquoise Project PPA, the Turquoise Project Company will make a return distribution to Liberty CalPeco in the amount equal to $100 minus the sum of the Project's Operating Expenses and Tax Equity Partner Distribution.

The resulting difference between the $100 Liberty CalPeco pays and the lesser amount the Turquoise Project Company returns to Liberty CalPeco attributable to the Project's Operating Expenses represents a real cost for Liberty CalPeco in enabling its customers to be served with the solar energy the Project will deliver. Absent the tax equity structure, Liberty CalPeco would obtain rate recovery for the Project's Operating Expenses through general rates and by making requests in its triennial general rate case applications.

Liberty CalPeco accordingly requests that, for ratemaking purposes, the Commission disregard the tax equity structure and authorize Liberty CalPeco as of the first day of commercial operation to recover the costs it incurs associated with the Project Operating Expenses as if it were the 100 percent owner of the Project. Such ratemaking treatment would be consistent and compatible with Liberty CalPeco's corresponding request that the Commission authorize it to include up to the Maximum Reasonable Cost into its rate base and also, as explained above, allow Liberty CalPeco to recover the Project's Operating Expenses in a consistent manner through the Project's operating life (i.e. once Liberty CalPeco pays the Buy-Out Payment, Liberty CalPeco will become the 100 percent owner of the Turquoise Project and will recover the Project's Operating Expenses as general rates in its general rate case proceedings). In approving the Luning Settlement Agreement, the Commission authorized Liberty CalPeco to recover the exact same Luning Project operating expenses in the manner Liberty CalPeco is proposing for the Turquoise Project.[60]

Liberty CalPeco also requests in this Application that the Commission authorize it to seek rate recovery for the Project's Operating Expenses in its October 2017 PTAM Filing. Liberty CalPeco currently projects that the annual amount of the Project's Operating Expenses will be approximately [redacted]

D. Cost Recovery for the Tax Equity Partner Expenses

The Tax Equity Partner will receive the following benefits in return for its contribution to the capital costs to purchase the Project: (1) 99 percent of the ITC; (2) the majority of the accelerated depreciation; (3) Tax Equity Partner Distributions; and (4) a one-time Buy-Out Payment.

Liberty CalPeco requests that the Commission authorize it to recover the Tax Equity Partner Expenses through its ECAC mechanism. The Tax Equity Partner Distribution represents a real cost to Liberty CalPeco of being able to acquire and own the Project. The costs Liberty CalPeco incurs associated with the Tax Equity Partner Distribution are cost-effective because as part of the tax equity arrangement, they allow the amount of capital investment Liberty CalPeco includes into rate base to be reduced by over 30%.

The Buy-Out Payment also represents a direct payment by and cost to Liberty CalPeco. The Buy-Out Payment is cost-effective from the perspective of Liberty CalPeco's customers because it relieves Liberty CalPeco (and ultimately its customers) of the financial responsibility for the Tax Equity Partner Distribution for the remaining 25 years of the Project's operation.

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[60] Luning Approval Decision, mimeo at 44 (Ordering Paragraph 2).

Liberty CalPeco believes the ECAC is the more appropriate ratemaking mechanism to recover the Tax Equity Partner Expenses because these costs do not represent a capital investment by Liberty CalPeco. Thus, the costs should not be considered as a cost of Liberty CalPeco's ownership of the Solar Project, Liberty CalPeco should not be entitled to earn a return on these expenses, and they are better recovered separately from base rates.[61] In authorizing Liberty CalPeco to recover the analogous Luning Tax Equity Partner Distribution and Buy-Out Payments through its ECAC, the Commission agreed that "the ECAC treatment for [such Tax Equity-related expenses] are all consistent with reasonable ratemaking mechanisms applied by the Commission to ensure that only actual costs are recovered."[62]

Accordingly, Liberty CalPeco proposes to record its costs associated with the Tax Equity Partner Distribution and the Buy-Out Payment in its ECAC in the month they are incurred.

VI. THE TURQUOISE PROJECT ENABLES LIBERTY CALPECO TO MEET THE RPS, PROVIDES PRICE STABILITY, AND ADVANCES COMMISSION POLICIES

A. The Project Will Contribute Significantly to Liberty CalPeco Meeting Its RPS Goals

California's current RPS targets obligate Liberty CalPeco to procure approximately 180 GWh by 2018, 195 GWh by 2019, and 211 GWh by 2020. Based on the specific yield figures and modelling verification provided by Burns & McDonnell, the 10 MW Turquoise Project will produce approximately 28 GWh of renewable energy each year. Combined with the 50 MW Luning Project, which is projected to produce approximately 146 GWh of renewable energy each

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[61] *See* Testimony of Daniel Marsh, Chapter 6, at 6-12.

[62] Luning Approval Decision, mimeo at 34.

year, generation from the two solar projects (totaling ~174 GWh annually), will satisfy most of Liberty CalPeco's RPS requirements between 2017 and 2020.

The two projects' continued significant renewable energy generation will also be a critical component of Liberty CalPeco's plan to cost-effectively move to a 50% RPS by 2030. The California Energy Commission's certification that generation from the Project qualifies under the California RPS rules will be sufficient to ensure Liberty CalPeco can include 100 percent of its deliveries into California for purposes of its RPS compliance reporting.[63]

B. The Project Benefits Liberty CalPeco's Customers by Providing Price Stability in Liberty CalPeco's RPS Energy Supply

If the Commission approves Liberty CalPeco's purchase of the Turquoise Project, Liberty CalPeco will be able to replace the RPS energy it would otherwise purchase under the NV Energy Services Agreement from the Turquoise Project. The ability to displace NV Energy RPS energy through self-supply from the Project will provide some price stability because: (a) the Project's capital costs will be fixed and be depreciated; (b) there is no fuel cost, and thus no fuel cost escalation risk associated with solar generation; (c) the Project's O&M costs are expected to be relatively fixed; and (d) rate base accounting enables the costs to Liberty CalPeco's customers for the Project's RPS energy to be based on actual production costs rather than "market" prices which have often exhibited volatility.

C. Solar Project Ownership Provides Liberty CalPeco Supply Diversity and Is Otherwise Consistent With and Advances Commission Policy

Liberty CalPeco's ownership of the Project is consistent with Commission policy on utility-owned generation and encouraging that utilities have diversity of supply sources. While

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[63] Section 399.17 exempts Liberty CalPeco's RPS procurement from the Section 399.16 RPS requirements to procure different types of renewable energy resources (i.e. the three Portfolio Content Categories). *See* D.11-12-052, mimeo at 63.

NV Energy has proven to be a reliable supplier, there is always some risk in relying on one source for essentially all electric supply. Accordingly, Liberty CalPeco's ownership of the Turquoise Project provides an important supply diversity benefit.

The Commission has also previously encouraged Southern California Edison Company ("SCE"), PG&E, and SDG&E to develop utility-owned solar PV facilities.[64] The Commission has recognized that one of the "particular benefit[s] of UOG [i.e. utility-owned generation]" is that the UOG resource is "dedicated to the ratepayers throughout the useful life of the facility."[65] The Commission emphasized that "[a]s we move toward reducing greenhouse gas emissions in the energy sector, renewable UOG will continue to play an important role in meeting California's energy needs with alternative clean energy."[66] By approving Liberty CalPeco's purchase of and ratemaking treatment for the Project, the Commission will continue to best ensure that Liberty CalPeco's customers have cost-competitive and stable sources of RPS energy for years to come.

Liberty CalPeco's purchase of the Turquoise Project will also advance the state's goal to "aid the interests of women, minority, disabled veteran, and LGBT business enterprises"[67] and the Commission's policy for increasing supplier diversity in utility procurements.[68] One of the Project Developers, Estuary, is a Women Business Enterprise that has a pending request to be

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[64] *See* D.10-04-052, mimeo at 2 ("Under the UOG portion of the PV Program, PG&E is authorized to install up to 250 MWs of UOG PV facilities from 1 to 20 MW in size in its service territory at a rate of 50 MW per year, subject to cost of service ratemaking treatment and carryover provisions . . . ."); *see also* D.09-06-049 (establishing a Solar PV Program for SCE); *see also* D.10-09-016 (adopting a Solar PV Program for SDG&E).

[65] D.09-06-049, mimeo at 16.

[66] D.09-06-049, mimeo at 16.

[67] Pub. Util. Code § 8281-8286.

[68] General Order 156.

certified by the Commission's clearinghouse operator.[69] Thus, Liberty CalPeco's purchase of the Turquoise Project will increase its percentage of procurement from diverse suppliers.

VII. INFORMATION REQUIRED BY COMMISSION RULES

A. Identification of Statutory Authority

Liberty CalPeco files this Application pursuant to Rule 3.1, Section 399.14, and prior decisions, orders, and resolutions of this Commission.[70]

B. Legal Name and Principal Place of Business; Correspondence or Communication Regarding this Application

Liberty CalPeco is a California limited liability company. It has its principal place of business at 933 Eloise Avenue, South Lake Tahoe, California 96150.

All correspondence and communications regarding this Application should be addressed or directed as follows:

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[69] At the time of filing this Application, Liberty CalPeco understands that Estuary has submitted an application with the Commission's Supplier Clearinghouse but not yet been certified.

[70] Liberty CalPeco does not believe the Commission's General Order 131-D applies to the requests in this Application because Liberty CalPeco is not proposing to construct an electric generating plant in California. Nonetheless, Liberty CalPeco provides certain information in this Section VII required by G.O. 131-D because it could be relevant to the Commission's analysis of the requests Liberty CalPeco makes in this Application.

C. Scoping Memo; Categorization; Hearings; Issues to be Considered; and Proposed Schedule

Pursuant to Rule 2.1(c), Liberty CalPeco proposes the following categorization, need for hearings, issues to be considered, and proposed schedule.

i. Proceeding Category

In accordance with Rules 1.3(e), 2.1(c) and 7.1(e)(2), Liberty CalPeco requests that this Application be categorized as a "ratesetting" proceeding within the meaning of Rules 1.3(e). In this Application, Liberty CalPeco requests that the Commission establish mechanisms for it to seek recovery for certain costs it will incur to purchase and operate the Turquoise Project. This Application does not raise questions of policy or rules of general applicability or adjudicate any allegations or violations of law.

ii. Need for Hearings

Liberty CalPeco does not believe that approval of this Application will require hearings. Liberty CalPeco has provided ample information, analysis, and documentation that provide the Commission with a sufficient record upon which to grant the relief requested on an ex parte basis. If the Commission finds that hearings are necessary, Liberty CalPeco respectfully requests that that such hearings be concluded as soon as practicable to enable the Commission to issue a final Commission decision granting Liberty CalPeco approval to acquire, own and operate the Turquoise Project and otherwise approving this Application no later than August 10, 2017.

iii. Issues to be Considered

Liberty CalPeco proposes that the following issues be considered in this proceeding:

- Should Liberty CalPeco purchase the Turquoise Project pursuant to the terms of the Project Purchase and Sale Agreement?

- Should the Commission authorize Liberty CalPeco to enter into Tax Equity Partnership Agreements with respect to the Turquoise Project and incur the associated Tax Equity Partner Expenses?

- Should the Commission authorize Liberty CalPeco to enter the Turquoise Project PPA and thereby obtain solar energy from the Turquoise Project?

- Should the Commission assess the Project for ratemaking purposes as utility-owned assets throughout the entire life of the project?

- Should the Commission approve Liberty CalPeco's proposals to recover through rates its costs to acquire, own, and operate the Project?

iv. Proposed Schedule

Liberty CalPeco requests that the Commission approve the following proposed schedule:

Date	Action Item
December 14, 2016	Application file date
December 15, 2016	Daily Calendar Notice of Application
January 16, 2017	Protests Due
January 26, 2017	Reply to Protests Due
February 2017	Prehearing Conference
March 2017	ALJ/AC issues Scoping Memo
April 2017	Intervenor Testimony Due
May 2017	Concurrent Rebuttal Testimony
May 2017	Evidentiary Hearings (if needed)
June 2017	Opening Briefs
June 2017	Reply Briefs
July 2017	Proposed Decision Issued
July 2017	Comments Due on Proposed Decision
July 2017	Reply Comments on Proposed Decision
August 2017	Commission issues Final Decision

D. Organization and Qualification to Transact Business

Pursuant to Rule 2.2 and Public Utilities Code section 1004, a copy of the Articles of Organization of Liberty CalPeco has previously been filed with the Commission as part of Application No. 14-04-037, Exhibit A. A Certificate of Status for Liberty CalPeco issued by the California Secretary of State is attached as **Exhibit A** to this Application.

E. Statement of Proposed Rate Changes

Pursuant to Rule 3.1(h), Liberty CalPeco states that it is not proposing any change in rates in this proceeding.

F. Notice and Service of Application

Liberty CalPeco has given, or will give, proper notice within the time limits prescribed in the Commission's Rules of Practice and Procedure. In addition, Liberty CalPeco will provide electronic copies of this Application to representatives in the Energy Division and ORA.

G. Schedule of Certification, Construction, and Land Acquisition

Chapters 2 and 3 of the Testimony include a schedule showing the program for design, material acquisition, construction, testing, and operating dates.

H. Site Information and Full Description and Map of the Proposed Construction

Pursuant to Rule 3.1(a) and (c), Liberty CalPeco offers the following information. Chapters 2 and 3 of the Testimony contain maps of the proposed construction as well as timetables identifying the design, construction, completion, and operation dates for each major component of the Project.

I. Competing Entities and Cities and Counties Within Which Service Will be Rendered

Rule 3.1(b) requires a list of the names and addresses of all utilities, corporations, persons or other entities with which the proposed construction is likely to compete. The proposed Project will be operated by Liberty CalPeco at all times and owned exclusively by Liberty CalPeco at all times after the Tax Equity Period.

In constructing the Project, neither Liberty CalPeco nor the Project Developer will compete with any other entity. The Project Developer did compete with other developers in the RFP Liberty CalPeco conducted. However, upon Liberty CalPeco executing the Purchase and

Sale Agreement with the Project Developer, such competition ceased. Additionally, Liberty CalPeco will use the energy generated to serve its customers within its service territory in which it has the exclusive rights to provide retail electric service.

J. Required Franchises and Health and Safety Permits

Pursuant to Rule 3.1(d), a list of agencies from which approvals for the proposed Project have been or must be obtained, and the franchises and such health and safety permits that public authorities have required or may require for the proposed Project construction are set forth in Chapters 2 and 3 of the Testimony.

K. Statement of Estimated Cost of the Project

Pursuant to Rule 3.1(f) and (l)(3), Liberty CalPeco offers the following information.

The estimated total collective initial capital cost for the Solar Project is [redacted], as may be adjusted. However, for the reasons explained above, Liberty CalPeco requests that the Commission set $[redacted], as that figure may be adjusted, as the Maximum Reasonable Cost. The estimated annual fixed and variable Project Operating Expenses are set forth in Chapters 2 and 3 of the Testimony. The technical basis for these costs and information relating to interconnection facilities is also described in Chapters 2 and 3 of the Testimony.

L. Load and Resource Data and Existing Rated and Effective Operating Capacity

Pursuant to Rules 3.1(l)(1) and (2), Liberty CalPeco states that the nominal output for the Turquoise Solar Project is 10 MW. The estimated annual net capacity factor of the Turquoise Solar Project is approximately 32 percent.

M. Financial Ability to Render Proposed Service and Finance the Turquoise Project

Pursuant to Rule 3.1(g), this section addresses the financial ability of Liberty CalPeco to acquire, own, and operate the Project. Liberty CalPeco will finance the acquisition, ownership, and operation of the Project with a combination of capital contributed by a Tax Equity Partner and through Liberty CalPeco's normal means of funding utility operations.

N. Safety and Reliability Information

The Turquoise Project is expected to utilize First Solar advanced thin film modules, NEXTracker single-axis trackers, and TMEIC inverters, all of which are widely used and are considered safe and reliable. Additional information regarding safety and reliability is included in Chapters 2 and 3 of the Testimony.

O. Cost Analysis and Financial Impact of Project

A comparison of the costs of the Project with the costs of current and recent alternatives for renewable energy within the NV Energy Balancing Authority is provided in Chapters 4 and 5 of the Testimony.

P. CEQA Compliance

Pursuant to Rule 2.4(b), the Commission should find that there is no possibility that construction of the Project may have a significant effect on the California environment.[71] The Turquoise Project has already received all discretionary permits and approvals required for its construction and operation.[72] The received permits include six discretionary permits and

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[71] Public Utilities Code § 1002(a)(4) provides that the Commission shall consider "[i]nfluence on environment, *except* that *in the case* of any line, plant, or system or extension thereof located in another state which will be subject to … similar state [environmental] laws in the other state, the commission shall not consider influence on the environment unless any emissions or discharges therefrom would have a significant influence on the environment of this state." (emphasis added).

[72] The Commission previously found sufficient the environmental review of the Luning Project because it "had full environmental review and approval by another agency – in this case, the BLM – with jurisdiction over environmental review where the plant will be built. [i.e. Nevada]." The same factors are present here with respect to Washoe County's review of the environmental permits.

approvals that were granted unanimously from the relevant county and regional planning authorities, including its Special Use Permit from the Washoe County Planning Commission.[73]

The Turquoise Project has also completed an extensive environmental review. A Phase I Environmental Site Assessment completed in June 2016 found no Recognized Environmental Conditions present at the Project Site and did not recommend any additional investigation. A cultural and biological survey completed in May 2015 found no species or cultural resources present at the Project Site which need to be considered in the development, construction, or operation of the Turquoise Project.

The Commission may rely on the findings of the applicable federal and local agencies for the purposes of determining that there is no possibility the Project will have a significant effect on the California environment.[74]

VIII. CONFIDENTIALITY

Liberty CalPeco is submitting this Application and the written Testimony supporting this Application in both public (redacted) and non-public (unredacted and confidential) forms, consistent with Liberty CalPeco's declaration of confidential treatment included with its concurrently filed Motion for Leave to File Confidential Material Under Seal, in conformance with and the procedures set forth in D.06-06-066, D.08-04-023, and D.16-08-024. Confidential treatment and redaction of such information is necessary in this proceeding to protect from

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[73] *See* Testimony of Rick Dalton, P.E., Chapter 2, at 2-8.

[74] The Commission may also determine that CEQA does not independently apply to the Nevada-located Project which Liberty CalPeco seeks to purchase and operate. *See* 14 CCR section 15277 and Pub. Res. Code § 21080(b)(14). (CEQA does not apply to any out-of-state project which will be subject to an environmental impact review under NEPA or a state environmental impact review). *See e.g.*, D.08-11-032 (finding that CEQA review for a Wyoming to Oregon gas pipeline project by Commission not necessary as NEPA environmental impact review was performed.); *see also* D.03-02-022 (CEQA did not apply to a Washington hydroelectric facility water rights and asset transfer project based on NEPA review.)

inappropriate disclosure of confidential and commercially sensitive information pertaining to Liberty CalPeco's electric procurement resources and strategies.

Respectfully submitted,

/s

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Attorneys for Liberty Utilities
(CalPeco Electric) LLC

Dated: December 14, 2016

VERIFICATION

I, Gregory S. Sorensen, hereby declare that I am the President of Liberty Utilities (CalPeco Electric) LLC, that I have read the foregoing Application, and that the information set forth therein concerning CalPeco is true and correct to the best of my knowledge, information, and belief.

I declare under penalty of perjury that the forgoing is true and correct.

Executed this 14 th day of December, 2016, at Danny, California

Gregory S. Sorensen

Liberty Utilities (CalPeco Electric) LLC

Exhibit A

Liberty CalPeco Certificate of Status

PUBLIC VERSION

State of California
Secretary of State

CERTIFICATE OF STATUS

ENTITY NAME: LIBERTY UTILITIES (CALPECO ELECTRIC) LLC

FILE NUMBER:	200910410277
FORMATION DATE:	04/14/2009
TYPE:	DOMESTIC LIMITED LIABILITY COMPANY
JURISDICTION:	CALIFORNIA
STATUS:	ACTIVE (GOOD STANDING)

I, ALEX PADILLA, Secretary of State of the State of California, hereby certify:

The records of this office indicate the entity is authorized to exercise all of its powers, rights and privileges in the State of California.

No information is available from this office regarding the financial condition, business activities or practices of the entity.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of October 26, 2016.

ALEX PADILLA
Secretary of State

NP-25 (REV 01/2015)

DLS

PUBLIC VERSION

Exhibit B

Turquoise Purchase and Sale Agreement

FILED UNDER SEAL – CONFIDENTIAL