BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Liberty Utilities (CalPeco Electric) LLC (U 933 E) for Authority to Update Rates Pursuant to Its Energy Cost Adjustment Clause Effective January 1, 2018	Application No. ______________

APPLICATION OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E)

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July 3, 2017

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I. INTRODUCTION

Pursuant to Article 2 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"), Liberty Utilities (CalPeco Electric) LLC (U 933 E) ("Liberty CalPeco") submits the following application ("Application") and accompanying testimony.

First, Liberty CalPeco seeks authority to update rates pursuant to its Energy Cost Adjustment Clause ("ECAC"), effective January 1, 2018. Liberty CalPeco requests an annual decrease in the revenues to be collected through ECAC rates of $4.027 million. The requested decrease represents a 15.31% annual decrease in the rate recovery from ECAC rates as compared to the current ECAC rates, which went into effect on January 1, 2017.[1]

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[1]/ On December 28, 2016, Liberty CalPeco submitted its Advice Letter 72-E, which requested authority to revise Liberty CalPeco's rates and associated tariffs, effective January 1, 2017, as authorized by, inter alia, D.16-12-024 ("2016 GRC Decision"); D.16-12-013 ("2016 ECAC Decision), Advice Letter 65-E-A (2016 Post-Test Year Adjustment Mechanism ("PTAM")), and Resolution M-4830 (update to the Commission Reimbursement Account). Advice Letter 72-E remains pending.

Second, Liberty CalPeco seeks approval of its greenhouse gas ("GHG") 2018 cost and revenue forecast and reconciliation, and to accordingly set GHG rates to be effective January 1, 2018.

II. LIBERTY CALPECO – BACKGROUND

Liberty CalPeco serves approximately 49,000 electric customers in California, in and around the Lake Tahoe Basin. Its service territory is geographically compact and generally encompasses the western portions of the Lake Tahoe Basin. Liberty CalPeco's customers are located in portions of Placer, El Dorado, Nevada, Sierra, Plumas, Mono, and Alpine Counties. Almost 80% of Liberty CalPeco's customers are located in the Lake Tahoe Basin. The biggest population center is the City of South Lake Tahoe. Liberty CalPeco's service territory extends from Portola in the north to Markleeville and Topaz Lake in the south.

From January 1, 2011 through December 31, 2015, Liberty CalPeco procured essentially all of its energy supply through a Commission-approved services agreement with NV Energy. In D.15-12-021, the Commission authorized Liberty CalPeco's application for approval of a new agreement with NV Energy ("2016 NV Energy Services Agreement"), which commenced on January 1, 2016. The 2016 NV Energy Services Agreement continues to obligate NV Energy to deliver the "full requirements" necessary for Liberty CalPeco to serve its retail and wholesale electric customers on a real-time basis.

Importantly, the 2016 NV Energy Services Agreement also provides Liberty CalPeco with the purchase flexibility to displace purchases from NV Energy with purchases from, *inter alia*, the Luning Project – a 50 MW solar generating facility in Hawthorne, Nevada, which began commercial operations on February 1, 2017. In D.16-01-021 ("Luning Approval Decision"), the

Commission authorized Liberty CalPeco to enter into a purchase and sale agreement to acquire, operate, maintain, and obtain renewable generation from the Luning Project.

On December 14, 2016, Liberty CalPeco filed its Application ("A.") 16-12-009, requesting Commission approval to own and operate a 10MW solar plant in Patrick, Nevada, that is anticipated to be in operation by August 1, 2018 ("Turquoise Project"). Liberty CalPeco's requests for approvals related to the Turquoise Project very closely parallel the requests granted in the Luning Approval Decision. Liberty CalPeco and the Office or Ratepayer Advocates ("ORA"), the only other party in the Turquoise Project proceeding, reached a settlement resolving all issues raised in A.16-12-009. On June 30, 2017, Liberty CalPeco and ORA filed their *Joint Motion For Commission Approval Of An All-Party Settlement Agreement*.

For purposes of this Application, Liberty CalPeco forecasts generation in 2018 as follows: (1) the Luning Project will deliver approximately 149,000 MWh to Liberty CalPeco; and (2) Liberty CalPeco is forecasting five months of generation from the Turquoise Project, which will generate approximately 28,000 MWh of energy each year. The generation from both the Luning Project and the Turquoise Project will displace renewable generation that Liberty CalPeco would otherwise purchase pursuant to the 2016 NV Energy Services Agreement. This displacement in purchases from NV Energy by the deliveries from the Luning Project and the Turquoise Project decreases Liberty CalPeco's forecast of power purchases, which in turn reduces the forecast of the Fuel and Purchased Power Costs used to derive Liberty CalPeco's ECAC rates.

Lastly, Liberty CalPeco owns and operates the 12 MW diesel-fired Kings Beach Generating Station ("Kings Beach"). Kings Beach is permitted to operate no more than 720 "machine hours" per calendar year, and is used in limited, emergency situations (*e.g.*, in 2016, Kings Beach generated less than 546 MWh).[2]

III. LIBERTY CALPECO'S ENERGY COST ADJUSTMENT CLAUSE

A. Background

The purpose of the ECAC is to reflect in rates: (1) Liberty CalPeco's Fuel and Purchased Power Costs; and (2) certain other energy-related costs. Under its ECAC tariff, Liberty CalPeco is obligated to revise its ECAC Billing Factors in calendar years: (a) when it does not file a general rate case application (*e.g.*, 2017); and (b) if a change to total ECAC revenues of +/- 5% occurs as a result of the combination of revisions to:

(1) the Offset Rate, based on the new Fuel and Purchased Power forecast for the Forecast Period; and

(2) the Balancing Rate, to amortize any projected over- or under-collection balance in the Energy Cost Adjustment Balancing Account as of the Revision Date.[3]

The ECAC tariff defines Forecast Period as the 12 calendar month period commencing with the Revision Date, which for this Application is January 1, 2018.

B. Summary of ECAC Request

Liberty CalPeco proposes an overall annual decrease in ECAC revenues of $4.027 million from its current ECAC rates to reflect and pass through to customers the costs to Liberty CalPeco to recover its Fuel and Purchased Power Costs. The net decrease is composed of: (1) an

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[2] *See* Placer County Air Pollution Control District, Authority to Construct/Temporary Permit to Operate, Permit Nos. AC-07-113A, AC-07-113B, AC-07-113C, AC-07-113D, AC-07-113E, and AC-07-113F. A machine hour represents the operation by any one of the facility's six 2 MW units (*e.g.*, during an hour in which Kings Beach operates its six generators, it will be charged with 6 machine hours against its permit limitation).

[3] *See* D. 12-11-030, at Ex. B.

approximate annual $1.683 million decrease associated with changes to the Offset Rate; and (2) an approximate annual $2.344 million increase associated with changes to the Balancing Rate.

1. Offset Rate

The decrease related to the Offset Rate is driven primarily by the forecast of a substantial decrease in the Fuel and Purchased Power Costs, which is attributable to reductions in the quantity and price of purchased power.

First, as explained above and in Chapter 1, Liberty CalPeco anticipates that the 10 MW Turquoise Project will commence commercial operations as of August 1, 2018, and that its solar generation as well as the generation from the 50 MW Luning Project will displace renewable power Liberty CalPeco would otherwise purchase from NV Energy. Liberty CalPeco is therefore projecting a significant reduction in the quantity of the renewable power that it purchases, and thus a corresponding decrease in its Purchased Power Costs.

Second, in general, renewable energy represents the more expensive component of the NV Energy supply portfolio that it uses to supply Liberty CalPeco. Thus, by reducing the volume of renewable power purchased at these higher cost levels from NV Energy, Liberty CalPeco effectively reduces the average price of the power it will purchase from NV Energy.

Another component of Fuel and Purchased Power Costs is the fuel-related costs associated with Kings Beach. The cost for the fuel burn associated with Kings Beach is projected to be $67,617 in 2018. Liberty CalPeco derived this forecast by taking the average of Liberty CalPeco's annual recorded purchased fuel costs from 2012 to 2016.

The final component of the Fuel and Purchased Power Cost is associated with certain confidential payments that Liberty CalPeco will indirectly be obligated to pay the minority owners

("Tax Equity Partners") of the Luning Project and Turquoise Project ("Tax Equity Partner Distribution Payments").[4]

2. Balancing Rate

Liberty CalPeco is forecasting an over-collection in the ECAC Balancing Account, as of December 31, 2017, of $4.236 million. This forecast assumes that current ECAC rates will remain in effect through December 31, 2017. Liberty CalPeco proposes to amortize the $4.236 million over-collection over a of 12 month period, beginning on January 1, 2018. As a consequence of the projected over-collection in the Balancing Account, Liberty CalPeco is proposing to increase the Balancing Rate annually by $2.344 million.

C. Revenue Allocation and Rate Design

Liberty CalPeco's proposed ECAC-related decrease will be allocated as follows: (1) the Offset Rate will generate 5.97% less revenues than the revenues realized by the Offset Rates for each customer class; and (2) the change in the Balancing Rate will be on an equal cent per kWh basis and will increase the Balancing Rate by reducing the current credit of $0.00308 per kWh to a credit of $0.00682 per kWh. The combination of the proposed decrease in the Offset Rate and increase in the Balancing Rate results in an overall decrease in the aggregate ECAC rate from $0.04283 per kWh to $0.03584 per kWh.

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[4]/ In the Luning Approval Decision, the Commission determined that the "ratemaking treatments for all expenses related to the acquisition and operation of the Luning facility described in the [Luning] Settlement Agreement should result in just and reasonable rates." D.16-01-021, at 42 (Conclusions of Law No. 2). The Luning Settlement Agreement provides that Liberty CalPeco could record the distributions it will make to the Tax Equity Partner in its ECAC Balancing Account and to recover the amount of the Tax Equity Partner Distribution Payments in accordance with its ECAC tariff. D.16-01-021, Attachment A, § 3.7. The Turquoise Settlement Agreement pending Commission approval includes an identical provision. *See Joint Motion for Approval of an All-Party Settlement Agreement* in A.16-12-009 (filed June 30, 2017), Attachment A, at § 3.6.

IV. 2018 GHG COST AND REVENUE FORECAST AND RECONCILIATION

A. Background

In D.14-10-033, the Commission required Liberty CalPeco to "file its [future GHG forecast revenue and reconciliation requests] as an additional chapter or section within its . . . [ECAC application], but in any event not later than August 1 of each year."[5] Accordingly, Liberty CalPeco is including its 2018 GHG revenue forecast and reconciliation request as part of this ECAC Application.

B. Specific GHG-Related Requests

Liberty CalPeco requests Commission authorization to use the following for purposes of setting its GHG rates that reflect and pass through to customers the GHG costs Liberty CalPeco incurs for the California cap-and-trade program, to be effective commencing January 1, 2018:

1) Forecast 2018 GHG emissions costs incurred directly or indirectly by Liberty CalPeco as a result of the GHG cap-and-trade program ("GHG Costs");

2) Forecast 2018 administrative and customer outreach expenditures by Liberty CalPeco associated with the cap-and-trade program ("GHG Administrative and Customer Outreach Expenses"); and

3) Forecast 2018 allowance revenues Liberty CalPeco will realize by selling the allowances allocated to its customers by the California Air Resources Board ("GHG Allowance Revenues"), as adjusted by the amortization of the 2017-year end forecasted over-collection in the GHG Revenue Balancing Account ("GHG Account Balance") (as adjusted, "GHG Adjusted Allowance Revenues").

Liberty CalPeco also requests that the Commission find Liberty CalPeco's reconciliation of its 2016 GHG costs to be reasonable, and allow it to accordingly adjust its 2018 GHG rates.

Liberty CalPeco specifically requests approval to: (a) increase its Carbon Pollution Permit Cost rate by $0.00144/kWh; (b) increase its small business rate credit by $0.00061/kWh; and

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5/ D. 14-10-033, at 51 (Ordering Paragraph No. 10).

(c) increase the amount of the semi-annual California Climate Credit by $5.74 through the following GHG-cost, accounting and ratemaking matters:

1) Total confidential forecasted 2018 GHG Costs represented on Line 24 of Template D-2 attached in Appendix A of Chapter 2;

2) Total forecasted 2018 GHG Administrative and Outreach Expenses: $245,100;

3) Total forecasted 2018 GHG Adjusted Allowance Revenues: $3,326,984;

4) Total forecasted 2018 Small Business Volumetric Return: $371,282;

5) Total forecasted 2018 EITE Customer Return: $0.00; and

6) Total recorded 2016 GHG Administrative and Outreach Expenses: $202,972.

Based on its current forecasts, Liberty CalPeco projects that its residential customers will receive a semi-annual California Climate Credit of $29.46 on the bills they receive in April and October 2018. The actual amount of the California Climate Credit will change based on the forecasts that the Commission approves for Liberty CalPeco.

V. PROCEDURAL REQUIREMENTS

A. Statutory Authority

Liberty CalPeco files this Application pursuant to Public Utilities Code §§ 451, 454, and 701, Article 2 of the Rules, and the Commission's prior decisions, orders, and resolutions.

B. Rule 2.1(a) – Applicant Information

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

C. Rule 2.1(b) – Correspondence

All correspondence and communications with respect to this Application should be addressed or directed as follows:

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D. Rule 2.1(c) – Categorization, Need for Hearings, Schedule, and Issues to be Considered

Liberty CalPeco proposes that this proceeding be categorized as ratesetting pursuant to Rule 1.3(e). Liberty CalPeco does not believe that hearings will be necessary as this Application contains ample information, analysis, and documentation that provides the Commission with a sufficient record upon which to grant the relief requested.

Liberty CalPeco's tariffs contemplate that the revisions to its ECAC and GHG rates that this Application proposes are to become effective as of January 1, 2018. Accordingly, Liberty CalPeco proposes the following procedural schedule:

Application Filed	July 3, 2017
Protest/Responses to Application Due	August 4, 2017
Applicant's Reply to Protest/Responses	August 15, 2017
Prehearing Conference	September 2017
Scoping Memo	September 2017
Proposed Decision issued	October 10, 2017
Final Commission Decision issued	November 10, 2017
Final Rates Effective	January 1, 2018

Liberty CalPeco believes that the only issues that should be considered as part of this proceeding are whether:

1. The requests to update Liberty CalPeco's rates pursuant to its ECAC tariff, effective January 1, 2018, are reasonable; and

2. The approval of Liberty CalPeco's GHG 2018 cost and revenue forecast and reconciliation, and the determination that the GHG rates proposed to become effective January 1, 2018 are reasonable.

E. Rule 2.2 – Organization and Qualification to Transact Business

A copy of the Articles of Organization of Liberty CalPeco has previously been filed with the Commission as part of A.14-04-037, Exhibit A. A Certificate of Status for Liberty CalPeco issued by the California Secretary of State has previously been filed with the Commission as part of A.16-12-009.

F. Index of the Exhibits and Testimony Chapters and Appendices to this Application

Liberty CalPeco's submission in support of this Application includes the following:

Testimony Chapter and Appendix List

Chapter 1 – 2017 Fuel and Purchased Power Forecast and Energy Cost Adjustment Clause (Alain R. Blunier) (Public Version)

Appendix A – Witness Statements of Qualifications: Alain R. Blunier

Appendix B – 2018 Energy Cost Adjustment Clause Revenue Requirement

Chapter 2 – 2018 GHG Cost and Revenue Forecast and Reconciliation (Alain R. Blunier)

Appendix A – Attachments C and D to D. 14-10-033 (Public Version)

VI. CONCLUSION

Based on the foregoing and the submissions made in support of this Application, Liberty CalPeco respectfully requests that the Commission:

1) Grant Liberty CalPeco's request to update its ECAC rates pursuant to this Application, effective January 1, 2018;

2) Authorize Liberty CalPeco to file a Tier 1 Advice Letter to revise its ECAC tariff with new ECAC Billing Factors as described above;

3) Grant Liberty CalPeco's requests to update its GHG rates based on its 2018 GHG cost and revenue forecast and reconciliation by approving its:

   a. forecast 2018 GHG Costs;

   b. forecast 2018 GHG Administrative and Customer Outreach Expenses;

   c. forecast 2018 GHG Adjusted Revenues;

   d. proposed reconciliation of its 2016 GHG costs as reasonable; and

   e. proposed adjustment of 2018 GHG rates as reasonable and in accordance with the outcome of the proposed reconciliations;

4) Authorize Liberty Utilities to file a Tier 1 Advice Letter to implement changes to its GHG rates associated with Liberty CalPeco's 2018 GHG cost and revenue forecast and reconciliation, as described above; and

5) Grant Liberty CalPeco such other and further relief requested, and as the Commission finds just and reasonable.

Respectfully submitted,

July 3, 2017

By: /s/ Joseph H. Park

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Attorney for Liberty Utilities (CalPeco Electric) LLC

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 Liberty Utilities (CalPeco Electric) LLC 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 29th day of June, 2017, at Downey, California.

/s/ Gregory S. Sorensen
Gregory S. Sorensen