

Application No.: A.21-
Exhibit No.: Liberty-01
Witnesses: Chris Alario



(U 933-E)

2022 General Rate Case

Before the California Public Utilities Commission

Chapter 1: Policy

Tahoe Vista, California

May 28, 2021

Liberty-01: Policy

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Appendix A: Witness Qualifications

1 I.

2 **POLICY**

3 A. **Executive Summary**

4 Liberty Utilities (CalPeco Electric) LLC (“Liberty”) remains focused on its core mission:
5 to provide safe and reliable electricity to its customers at reasonable rates. This general rate case
6 furthers Liberty’s mission while addressing the considerable challenge of mitigating the extreme
7 wildfire danger facing California generally and this particular challenge in Liberty’s service
8 territory, which is 94% high-fire risk. Along with substantial investments in wildfire mitigation
9 efforts, Liberty aims to meet the State’s ambitious climate-related policy goals, including
10 renewables procurement, greenhouse gas emission reductions, increased transportation
11 electrification, data systems and advanced metering infrastructure updates, and rate affordability,
12 especially for low-income customers.

13 While the bulk of Liberty’s revenue request in this proceeding relates to the foundational
14 work it has always performed, including maintaining and improving the grid, providing effective
15 customer service, and complying with regulatory requirements, the majority of Liberty’s
16 requested revenue **increase** is comprised of Liberty’s efforts to mitigate the dramatically
17 increasing extreme wildfire risk. California’s new normal is year-round, extreme wildfire
18 potential. Liberty seeks revenue increases to support its work to mitigate this risk, including grid
19 hardening and enhanced vegetation management, which will become a part of the core utility
20 service functions that Liberty expects to perform for the foreseeable future.

21 The magnitude of Liberty’s requested increase in this proceeding is significant, and the
22 Company does not take it lightly. The work that drives the largest percentage of the increase is
23 absolutely essential to protect customers from the extreme wildfire risk. Liberty has examined

1 options to best design retail rates to protect its most vulnerable customers from the impact and
2 proposes a larger discount for CARE customers in this proceeding. Liberty will also submit a
3 rate design plan that will provide fair and equitable rates for all of its customers, who will
4 contribute to Liberty's efforts to protect their communities.

5 **B. Wildfire Mitigation Efforts**

6 Liberty is dedicated to the safety of its customers and the communities it serves. Liberty
7 has made great strides in its wildfire mitigation efforts over the last few years and is proud of the
8 progress made to date. But, as the Commission is aware, more remains to be done to incorporate
9 the higher levels of wildfire mitigation work necessary due to climate change. Liberty's plans
10 include a continuous improvement effort for safety and wildfire risk mitigation, necessitating a
11 number of large projects. Liberty performed a system survey and detailed inspection of its entire
12 system in 2020 to identify issues and to help develop a plan to make its system as safe as
13 possible. Liberty is installing enhanced safety equipment on its system, including covered
14 conductor, non-expulsive fuses, and new poles. Liberty has greatly expanded its vegetation
15 management program and continues to make significant strides to develop and fully implement a
16 comprehensive vegetation management program designed for its territory's specific challenges
17 that complies with the Commission's wildfire-related directives. These programs must be
18 implemented quickly but thoroughly, as Liberty's service territory is located in a mountainous
19 tree-filled area with extensive tree deaths and continuing drought conditions. This critical work is
20 the right thing to do to better serve the community, meet Commission requirements, and reduce
21 the risk of wildfires.

1 **C. Workforce Requirements**

2 Liberty is in the process of expanding its internal team that will be fully capable of
3 managing the increasing scope of work associated with wildfire mitigation efforts while
4 continuing to provide safe and reliable service. To fully achieve its goals, Liberty must expand
5 its workforce, and this application proposes reasonable, prudent increases in this proceeding to
6 that end.

7 Maintaining a skilled workforce at proper levels is critical for Liberty to successfully
8 execute its WMP and vegetation management initiatives, to maintain its system to provide safe
9 and reliable service, and to meet Commission compliance requirements. In early 2020, Liberty
10 recognized it had inadequate internal resources to meet the extraordinary growth in work.
11 Consequently, Liberty has hired additional staff in 2020 in various functions and requests to hire
12 additional resources through the 2022 test period to position the Company to meet its goals.

13 Liberty also proposes to establish a Lineman Apprentice Program to grow and retain
14 talent and to fill critical understaffed line worker positions. In the past, retaining line workers in
15 Liberty's service territory has been a challenge due to the high cost of living and difficult
16 working conditions. This has led to resource constraints and over-reliance on more costly
17 contract crews. The Lineman Apprentice Program will provide a long-term and cost-efficient
18 solution to this problem.

19 **D. Systems Modernization**

20 As described in Chapter 13, Liberty proposes two central technology investments, AMI
21 and SAP, that will provide both operational and customer benefits and are necessary for Liberty
22 to become a modern electric utility. These investments are necessary not only to update an aged

1 information platform, but also to vastly improve Liberty’s ability to do advanced rate structures,
2 billing, customer support, and system monitoring.

3 The AMI project, which will install bidirectional, smart meter technology and
4 infrastructure throughout Liberty’s system, will improve the efficiency, quality, and range of
5 services provided to customers by providing better data about energy usage, so customers can be
6 more informed and make choices about how and when they consume their energy. AMI will
7 empower customers to make informed choices regarding how they use energy and give them the
8 potential to change their energy usage behaviors and reduce their energy costs. AMI provides
9 features that improve Liberty’s ability to plan and operate the grid safely and reliably by creating
10 greater visibility into grid utilization and outages. Additionally, the AMI investment is being
11 integrated into the Company’s efforts to increase communications about outages and restoration
12 timelines after a storm.

13 Customer First is a set of enterprise-wide information technology investments, upgrades,
14 improvements, and changes to business processes across the entire Liberty Utilities organization
15 and its operating utilities, including Liberty. It will replace Liberty’s out-of-date, obsolete
16 systems and will provide a variety of customer service, operational, and efficiency benefits.

17 For both of these projects, which will go into service in 2023, Liberty requests expedited
18 review and approval by the Commission, so the detailed procurement and deployment work can
19 begin. Because Liberty is a small electric utility, it cannot invest in projects of this magnitude
20 without assurance that the reasonable costs incurred to install them will be recovered.

21 **E. Affordability**

22 While Liberty must increase its revenue requirement to cover the expanding scope of
23 work needed, issues of affordability are also paramount. Liberty is reexamining its rate design

1 generally to promote fair and equitable rates for its customers. As described in Chapter 12, this
2 includes separating its current single Residential rate schedules into separate Residential
3 Permanent and Residential Seasonal rate schedules. In particular, Liberty is examining how best
4 to keep its rates affordable, especially for the most vulnerable residents in its service territory; as
5 such, Liberty proposes to increase the CARE discount for its eligible low-income customers
6 from 20 percent to 25 percent. Liberty will provide its revised rate design proposals as part as an
7 update to Chapter 12 (Marginal Cost and Rate Design) that Liberty intends to submit in June or
8 July 2021.

9 Liberty has been, and will continue to be, an active participant in the Commission’s
10 affordability proceedings and looks forward to working together to keep electric rates affordable.

11 **F. Collaboration**

12 Liberty is committed to working with the Commission, Public Advocates Office, and
13 other parties to develop an open and collaborative process to help reach a fair and timely
14 decision in this proceeding. Liberty has met with Energy Division and Public Advocates Office
15 prior to submitting this GRC application to discuss its proposals and is committed to keeping
16 open lines of communication with interested parties throughout the GRC process. Liberty hopes
17 that an open and collaborative process will help narrow the number of contested issues in this
18 proceeding and make the best use of the Commission’s and other parties’ time.

19 **G. Summary of Liberty’s Request**

20 Liberty’s GRC application requests that the Commission authorize the following:

- 21 • 2022 Revenues of \$151.081 million, an increase of \$35.681 million or 30.9
22 percent over currently authorized revenues, effective 1/1/22. (See Chapter 8)

- 1 • An authorized Return on Equity of 10.5 percent resulting in an overall Rate of
2 Return of 7.42 percent for test year 2022. (See Chapter 10)
- 3 • A debt/equity structure of 46 percent/54 percent. (See Chapter 10)
- 4 • Authority to increase the CARE discount to 25 percent.
- 5 • Approval of Liberty’s proposed new separate Residential Permanent and
6 Residential Seasonal Tariffs. (See Chapter 12)
- 7 • Approval of Liberty’s 2023 AMI and Customer First projects and the authority to
8 add the project costs into revenue requirement via a Tier 2 advice letter once the
9 projects are placed into service. Liberty requests that the Commission review and
10 approval these projects in a separate, interim decision, to be issued as soon as
11 practicable, so that Liberty can begin its investment in these projects. (See
12 Chapter 13)
- 13 • Approval of Liberty’s proposed AMI Opt-Out Tariff, for customers who choose
14 not to have an AMI meter installed at their service location. (See Chapter 13)
- 15 • Approval to continue the use of Liberty’s Post Test-Year Adjustment Mechanism
16 (“PTAM”) in 2023 and 2024 to include authorized capital projects and revenue
17 requirement escalation in rates in 2023 and 2024. (See Chapter 8)
- 18 • Approval of Liberty’s request that the revenue increase be deemed effective
19 January 1, 2022. Liberty will submit a motion for authorization of a
20 memorandum account to track costs between January 1, 2022 and the date of the
21 final decision.

Appendix A
Witness Qualifications

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
QUALIFICATIONS AND PREPARED TESTIMONY

OF CHRIS ALARIO

1 Q. Please state your name and business address for the record.

2 A. My name is Chris Alario and my business address is 9750 Washburn Road, Downey,
3 California 90241.

4 Q. Briefly describe your present responsibilities at Liberty Utilities (CalPeco Electric) LLC.

5 A. I am currently the President of Liberty Utilities in California.

6 Q. Briefly describe your educational and professional background.

7 A. I have a Bachelor of Arts Degree in Political Science from University of California, San
8 Diego. I also have Master of Arts and Doctor of Philosophy Degrees in Politics from
9 Catholic University of America. I have attended the NARUC Utility Rate School. From
10 1995 to 1996, I was employed by the City of Anaheim as a Staff Analyst for the City
11 Manager's Office. From 1996 to 1999, I was employed by Dominguez Water
12 Corporation as Manager of Revenue Requirements and responsible for overseeing all
13 regulatory filings and related matters and for supporting the company's small system
14 acquisition program. From 1999 to 2009, I was employed by American Water Works
15 Company as Director, Business Development (West Region) and subsequently promoted
16 in 2006 to Vice President, Business Development (West Region) and was responsible for
17 the expansion of the company's utility and commercial businesses in the Western United
18 States through negotiated purchases of municipal, mutual and private water and sewer
19 utilities and competitively bid and negotiated commercial contracts for utility and
20 infrastructure services. From 2009 to 2012, I was employed by AECOM (a large global

1 engineering and infrastructure company) as Vice President and responsible for managing
2 the company's water engineering consulting business in Southern and Central California.
3 I began working for Park Water Company in January 2012 as Senior Vice President,
4 Corporate Development. In this position, I was responsible for the company's business
5 growth strategy and activities and managed other strategic initiatives, including the sale
6 of the company to Liberty Utilities. I became Vice President, Finance (California) in
7 January 2016 after the completion of the sale to Liberty Utilities and was responsible for
8 overseeing all finance and accounting processes and activities for Liberty Utilities
9 California utility operations. I subsequently took on an expanded regional position in
10 January 2017. As Vice President, Finance and Administration (West Region), I was
11 responsible for finance and accounting processes and activities for Liberty Utilities' West
12 Region utility operations (which comprise the states of Arizona, California and Texas)
13 and oversaw the West Region's Human Resources and Legal processes and activities. I
14 became President of Liberty Utilities in California in 2018.

15 Q. What is the purpose of your testimony in this proceeding?

16 A. The purpose of my testimony in this proceeding is to sponsor Chapter 1: Policy.

17 Q. Was this material prepared by you or under your supervision?

18 A. Yes, it was.

19 Q. Insofar as this material is factual in nature, do you believe it to be correct?

20 A. Yes, I do.

21 Q. Insofar as this material is in the nature of opinion or judgement, does it represent your
22 best judgment?

23 A. Yes, it does.

- 1 Q. Does this conclude your qualifications and prepared testimony?
- 2 A. Yes, it does.