

Application No.: A.21-
Exhibit No.: Liberty-06
Witness: Manasa Rao



(U 933-E)

2022 General Rate Case

Before the California Public Utilities Commission

Chapter 6: Operating & Maintenance and Administrative & General Expenses

Tahoe Vista, California

May 28, 2021

Liberty-06: O&M and A&G Expenses

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1 I.

2 **OPERATIONS & MAINTENANCE and**

3 **ADMINISTRATIVE & GENERAL EXPENSES**

4 A. **Overview**

5 Liberty Utilities (CalPeco Electric) LLC (“Liberty”) forecasts \$52.510 million of
6 operations and maintenance (“O&M”) and administrative and general (“A&G”) expenses for the
7 2022 Test Year. This request reflects a significant increase above O&M and A&G 2020 recorded
8 levels of \$24.226 million and authorized expenses set at \$20.6 million.¹ The increase from
9 recorded 2020 is primarily driven by expenses attributable to wildfire mitigation efforts and
10 related wildfire insurance coverage, which account for \$26.7 million or 94% of the increase
11 above 2020 recorded O&M and A&G levels. Liberty’s 2021 Wildfire Mitigation Plan (“WMP”)
12 update fully supports and justifies all the current mitigation efforts underway and the proposed
13 initiative efforts planned through test year 2022.² In this GRC request, Liberty requests recovery
14 of all Vegetation Management and WMP-related O&M and A&G expenses beginning in 2022,
15 whereas these expenses were previously recorded and tracked in memorandum or balancing
16 accounts.³ All of the WMP initiatives and work implementation plans are crucial to reduce the

¹ D.20-08-030 set authorized 2019 O&M and A&G expenses. Liberty escalated these costs in AL-160 (PTAM).

² See workpapers for Liberty’s 2021 WMP update filing.

³ Liberty’s routine vegetation management inspections and tree work are currently recorded and tracked in the Vegetation Management Balancing Account (“VMBA”), while the enhanced vegetation management program costs related specifically to wildfire mitigation plan initiatives are recorded and tracked in the Wildfire Mitigation Plan Memorandum Account (“WMPMA”) and Catastrophic Event Memorandum Account (“CEMA”). Incremental unreimbursed wildfire liability insurance expenses are tracked in the Wildfire Expense Memorandum Account (“WEMA”). Liberty will seek recovery of the accumulated recorded costs in the VMBA, CEMA, WEMA, and the WMPMA through 2021 in a separate application. The total recorded vegetation management costs in

1 likelihood of ignitions and spread of wildfires in Liberty’s service territory and also serves to
2 provide safe and reliable service to its customers.⁴ See Chapter 4 for program and project
3 descriptions needed to fully implement Liberty’s WMP. In addition, see Chapter 7, which
4 describes the changes in Liberty’s routine Vegetation Management program for enhancements as
5 a result of its WMP.⁵

6 The forecast is developed and provided in the following major categories: Ongoing O&M
7 and A&G, Vegetation Management, and Wildfire Mitigation. This was done to separate
8 expenses historically tracked and recorded in memorandum and balancing accounts from
9 expenses recorded in O&M and A&G. Ongoing O&M and A&G expenses forecast is developed
10 and provided in the following expense sub-categories: Other Power Generation, Distribution,
11 Customer Care, and Administrative & General.

12 Table 6-1 and Figure 6-1 provide a comparison of authorized 2020 recorded and 2022
13 forecast of the total O&M and A&G expenses by major expense category.⁶ Figure 6-2 provides
14 a comparison of the authorized and 2020 recorded levels of ongoing O&M and A&G expense
15 and the incremental forecast changes to 2022.

2020 in VMBA were \$8.3 million and \$3.1 million in CEMA; other WMP related costs in WMPMA and WEMA were \$7.3 million.

⁴ Liberty’s 2020 WMP was approved by the Commission in Resolution WSD-07, and the current 2021 WMP update report is under review by the Wildfire Safety Division (“WSD”). Although all the WMP programs Liberty proposed in the 2020 WMP and related forecast costs were approved, the decision states that utilities must request cost recovery in GRC proceedings.

⁵ Current authorized VM related O&M is \$3.0 million and is well below test year request of \$13.8 million.

⁶ See workpapers.

Table 6-1
Total O&M and A&G Expense – Authorized, Recorded & Forecast Summary
(\$000)

Expense	Authorized			Recorded	Forecast	
	2019	2020	2021	2020	2021	2022
Ongoing O&M and A&G	19,905	20,275	20,652	24,226	25,181	25,819
Vegetation Management (VMBA & CEMA)	3,060	3,060	3,060	11,416	13,180	13,785
Wildfire Mitigation (WMP-MA & WEMA)	-	-	-	7,292	10,214	12,906
	22,965	23,335	23,712	42,934	48,575	52,510

Figure 6-1
Total O&M and A&G Expense – Authorized, Recorded & Forecast Summary
(\$000)

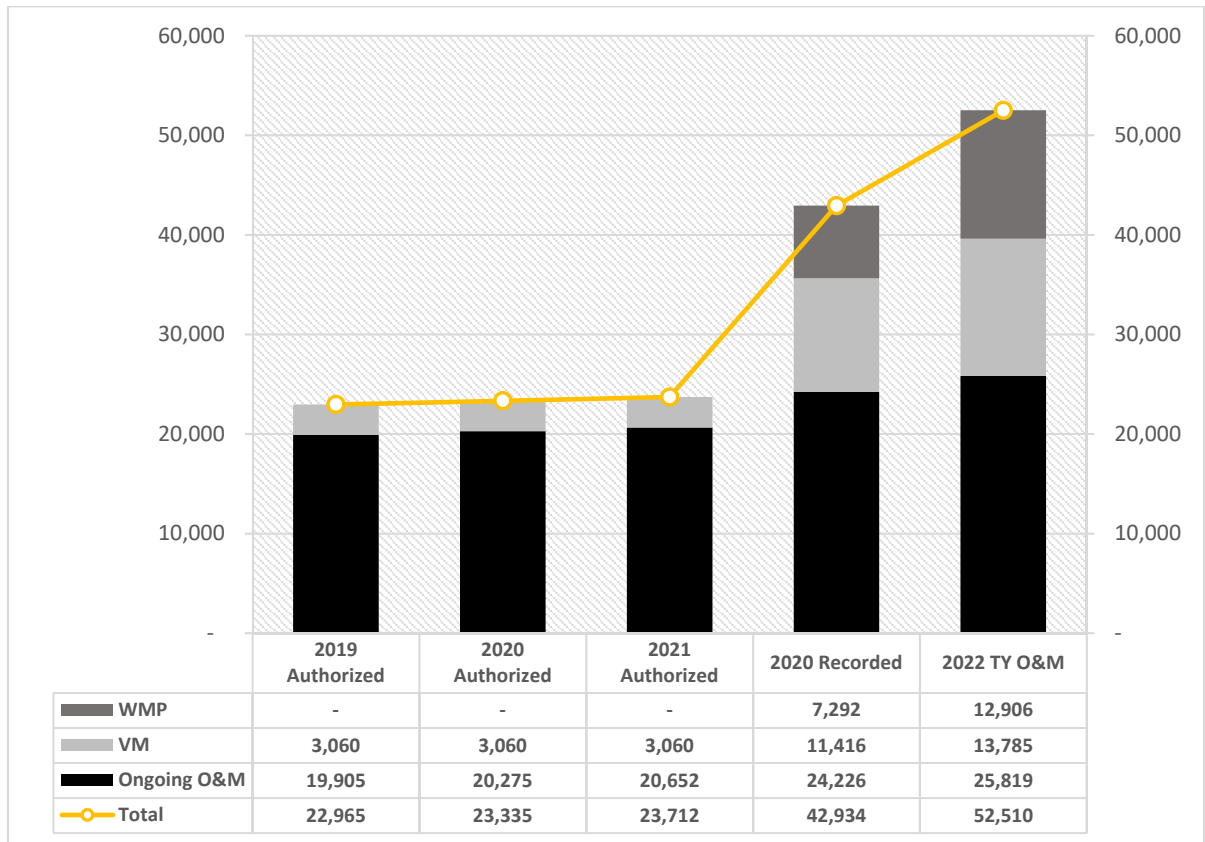
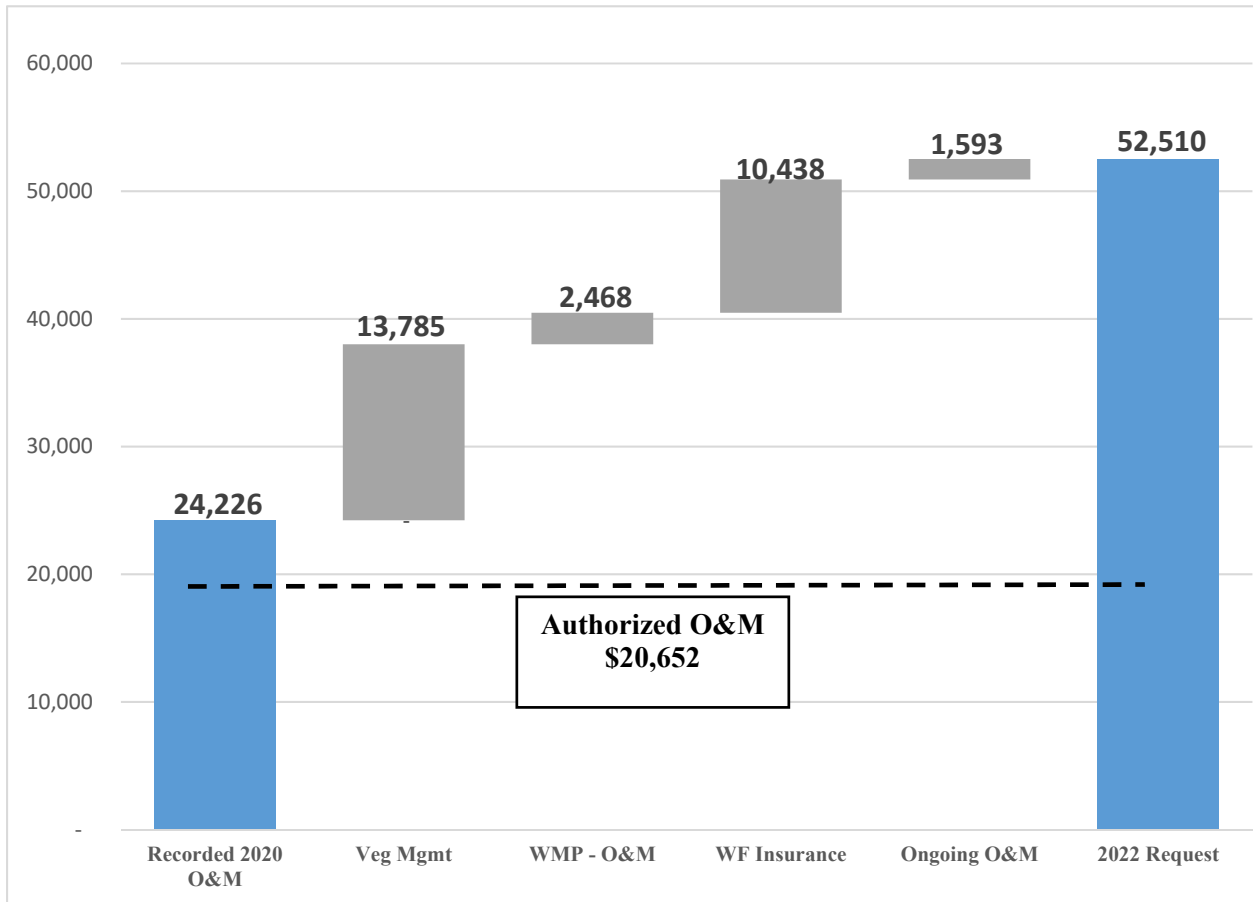


Figure 6-2
Ongoing O&M and A&G Recorded to Total O&M and A&G Forecast Comparison
(\$000)



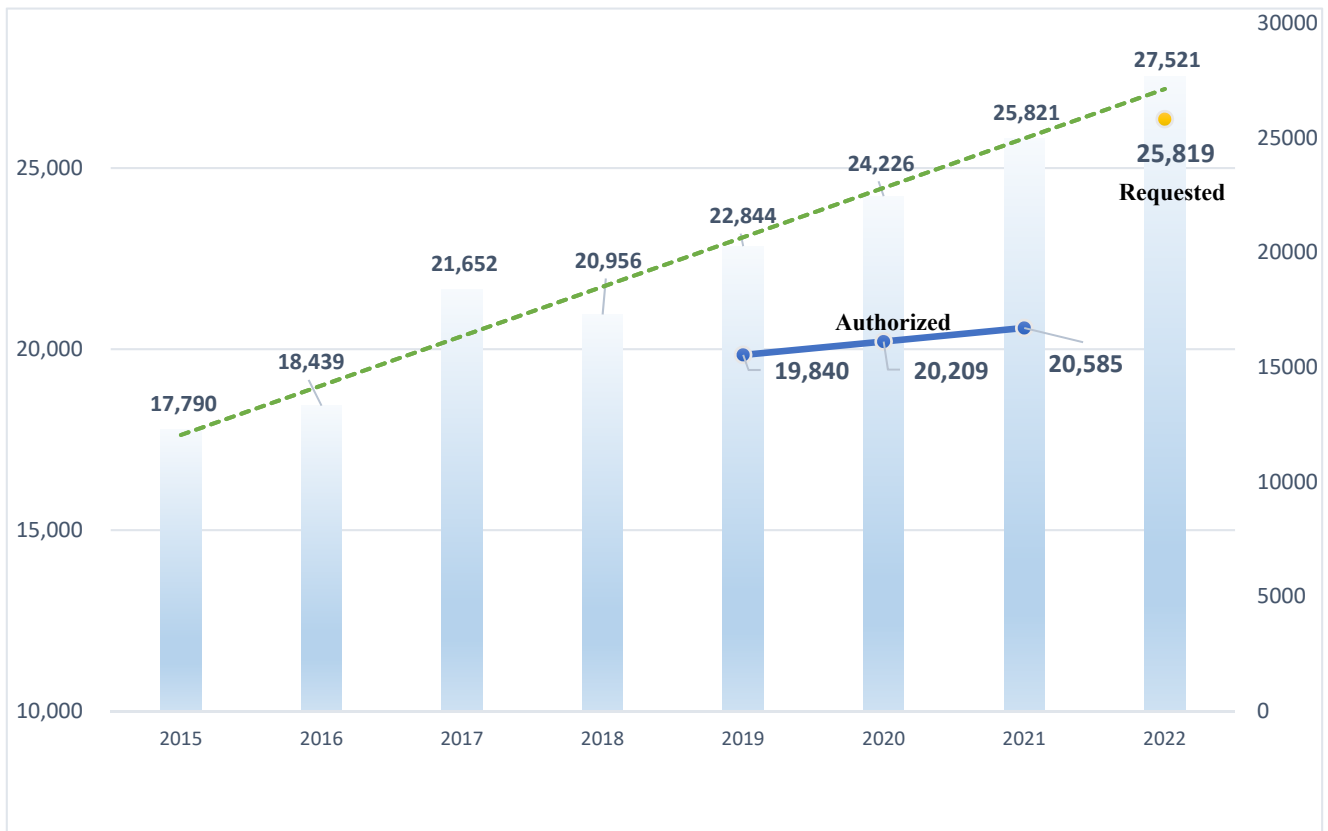
1 Table 6-2 provides a comparison of the 2020 recorded levels and the incremental forecast
2 changes for 2021 to 2022 of the Ongoing O&M and A&G expenses by expense category.
3 Liberty’s authorized O&M and A&G expenses are on average 17% lower than 2019 to 2020
4 recorded and forecasted 2021 expenses.

5 Figure 6-3 shows a comparison of historical recorded levels, authorized and forecasted
6 2021 to 2022 expense if linear trending methodology was utilized to develop the forecast of
7 ongoing O&M and A&G expenses. The Ongoing O&M and A&G expense forecast for 2022 of
8 \$25.819 million is approximately 3% higher than recorded 2020 levels, once adjusted for
9 escalation rate of 1.93%. The 2022 forecast being requested is also significantly lower than the
10 expense forecast based on linear trending of historical recorded levels.

Table 6-2
Ongoing O&M and A&G Recorded to Forecast Comparison
(\$000)

Expense	Recorded & Adjusted (Constant 2020\$)					Forecast	
	2016	2017	2018	2019	2020	2021	2022
Other Power Generation	42	673	808	697	868	933	951
Distribution Expense	4,969	7,302	5,443	6,255	7,065	7,305	7,297
Customer Care Accounts	3,404	3,200	3,290	3,188	3,398	3,722	3,821
Administrative & General Expense	10,025	10,476	11,414	12,704	12,896	13,220	13,749
	18,440	21,652	20,956	22,844	24,226	25,181	25,819

Figure 6-3
Linear Trending of Ongoing O&M and A&G Recorded Expenses
(\$000)



1 **1. Forecasting Methodology**

2 Liberty presents its O&M and A&G testimony showing historical 2016-2020 annual
3 expenses and estimates for 2021 through 2022. The starting point for the O&M and A&G
4 analysis is recorded expenses filed in Liberty’s annual FERC Form 1 reports and/or internal trial
5 balance reports by FERC expense account. The recorded 2016-2020 expenses were analyzed and
6 adjusted to (1) remove non-GRC expenses (*i.e.*, fuel costs), (2) combine FERC accounts with
7 similar expense types into GRC activities, and (3) smooth fluctuating account activity and
8 outliers.⁷ Next, historic five-year average of CPI indices were applied to the recorded expenses
9 to analyze recorded expenses and to present historic expenses in constant 2020 dollars. O&M
10 and A&G forecasting methods evaluated include three-year and five-year averaging, last year
11 recorded plus incremental expenses, and linear trending.⁸

12 As discussed throughout this testimony, Liberty utilized 2020 recorded expenses as a
13 base and adjusted them to reflect known, measurable and anticipated events to forecast 2022 test
14 year expenses. Where applicable and available, 2021 year-to-date information and 2021 budget
15 assumptions were utilized to develop the forecast. Liberty did not utilize a historical averaging
16 methodology for its O&M and A&G expense forecast, as it does not accurately recognize the
17 increasing historical cost trend over the last five years and the investments Liberty has made in
18 increasing its workforce and business processes over the last year in order to execute its WMP.

19 **2. Resource Planning**

20 Maintaining a skilled workforce at the requisite levels is critical for Liberty to

⁷ See workpapers for recorded account adjustments by year and account

⁸ See workpapers. Forecast labor expenses used an annual escalation rate of 3% to estimate 2021-2022. Non-labor expenses applied a five-year average historic CPI-U of 1.93% a year to escalate costs through 2022

1 successfully execute its WMP initiatives and to meet Commission compliance requirements.
 2 Liberty recognized in early 2020 that it lacked sufficient internal resources to meet the
 3 extraordinary growth in vegetation management and asset inspections programs, and to handle
 4 the increased workload related to WMP compliance requirements. Consequently, Liberty has
 5 hired additional staff in 2020 in various functions and requests to hire additional resources
 6 through 2022 to meet this increasing workload.

7 A summary of the staffing levels by major expense category is provided in Table 6-3
 8 below.² Table 6-3 also provides a comparison of the 2020 recorded levels and the incremental
 9 forecasted positions for 2021 to 2022.

Table 6-3
Headcount Recorded 2019-2020 to Forecast 2021-2022¹⁰

Expense Category	Recorded		Forecast	
	2019	2020	2021	2022
Other Power Generation	-	-	-	-
Distribution	44	45	46	53
Vegetation Management	4	4	5	5
Wildfire Mitigation	0	8	23	23
Customer Care	27	34	37	37
A&G	21	24	21	22
Total	96	115	132	140

10 The O&M and A&G labor cost forecast in the major expense categories was developed
 11 based on 2021 year-to-date payroll information (headcount and wages), which was adjusted for
 12 3% inflation and forecasted incremental positions through the 2022 test period. Three- or five-
 13 year averages were not utilized as a basis for developing the labor forecast as they severely
 14 understate the cost of additional staff hired and recorded in 2020 (an approximate increase of

² See workpapers.

¹⁰ Recorded headcount represents end-of-year staffing levels.

1 20% over 2019) and disregard the incremental resources necessitated by Liberty’s WMP-related
2 efforts through the end of 2022.

3 **B. Other Power Generation Expenses**

4 **1. Overview of Power Generation Expenses**

5 Liberty owns, operates, and maintains the Luning Solar Plant (“Luning”) and Turquoise
6 Solar Plant (“Turquoise”) and is authorized to recover the expenses of operating and maintaining
7 these generation facilities in base rates. Luning commenced operations in February 2017, while
8 Turquoise was placed in service in November 2019. Operating expenses for Luning and
9 Turquoise include maintenance services provided by a third-party contractor and land lease
10 expenses.¹¹

11 Other Production expenses include expenses associated with operations and maintenance
12 of Liberty’s Kings Beach Generation Facility. The Kings Beach facility serves as a backup
13 source of generation and is restricted in its use each year. Figure 6-4 and Table 6-4 show
14 recorded/adjusted expenses for 2016-2020 and forecast 2021-2022 expenses.

15 a) **O&M Cost Forecast**

16 Liberty forecasts \$951,000 in Other Power Generation O&M expenses for the 2022 test
17 year. Table 6-4 shows the recorded 2016-2020 and forecast 2021-2022 expenses. To develop the
18 2022 test year forecast, Liberty used 2020 recorded maintenance expenses by generating facility
19 and adjusted the recorded expenses for inflation and to recognize any known, measurable, and
20 anticipated events. In 2021, Liberty estimates additional O&M expenses related to the Sagehen
21 microgrid facility, which was placed into service in Q4 2020. Utilizing 2020 recorded expenses

¹¹ See workpapers. Property taxes and other A&G expenses related to Luning and Turquoise are reflected in the appropriate A&G accounts.

1 as the base to develop the Power Generation O&M cost forecast is appropriate, as Turquoise
 2 commenced operations in November 2019 and did not experience a full year of expenses until
 3 2020. An annual escalation rate of 1.93% was used to develop the 2022 forecast.¹² See Table 6-5
 4 for the forecast cost break-down by facility.

Figure 6-4
Other Production Expenses Recorded/Adjusted 2016-2020 and Forecast 2021-2022
(\$000)

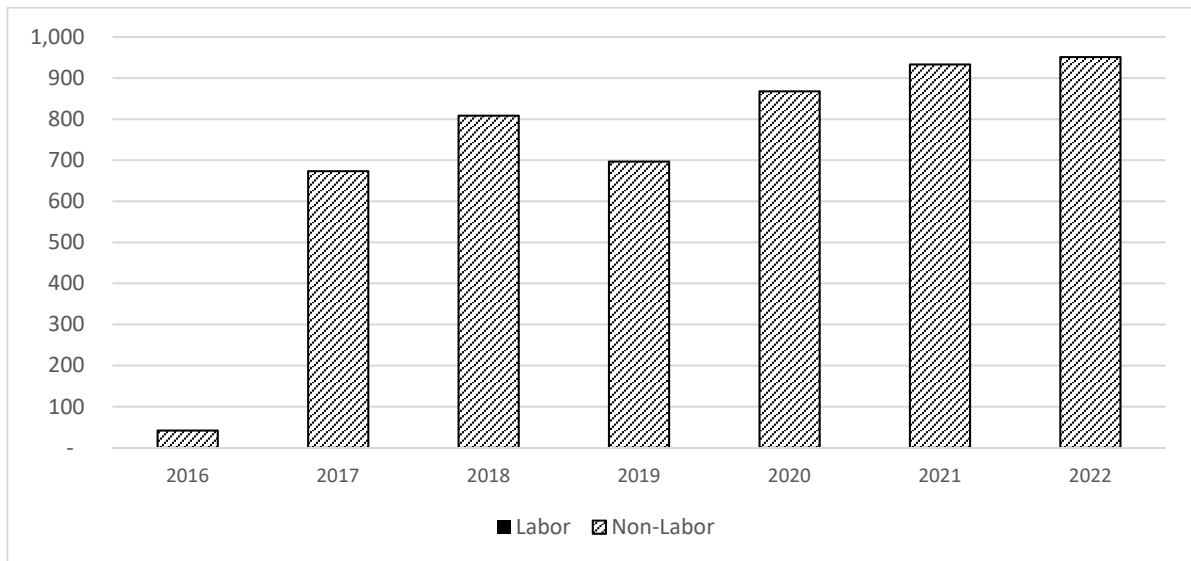


Table 6-4
Power Generation O&M Expenses
(\$000)

	Recorded & Adjusted (Constant 2020\$)					Forecast	
	2016	2017	2018	2019	2020	2021	2022
Labor	-	-	-	-	-	-	-
Non-Labor	42	673	808	697	868	933	951
Total	42	673	808	697	868	933	951

¹² See workpapers.

Table 6-5
Other Production Expenses 2021-2022 Forecast by Facility
(\$000)

FERC 549 & 553	Forecast			
	Turquoise	Luning	Total 2021	2022
O&M	106	568	674	687
Land lease	86	119	205	209
Sagehen Microgrid O&M			20	20
Subtotal	192	687	899	916
King's Beach O&M (FERC 554)			34	35
Total Generation			933	951

1 C. **Distribution Expenses**

2 1. **Overview of Distribution Expenses**

3 Distribution expenses include expenses associated with operating and maintaining
4 Liberty’s distribution assets in its service territory. Liberty distribution expenses reflect labor and
5 contract costs associated with scheduled asset inspections and management, outage repairs and
6 maintenance, and substation and distribution operations.

7 Liberty maintains and replaces its system assets using work identified from G.O. 165
8 (overhead lines), G.O. 128 (underground lines), and G.O. 174 (substation) inspections. Under
9 G.O. 165, distribution assets are inspected at a detailed level every five years. Asset repairs and
10 replacements identified during intrusive pole inspections and G.O 165 inspections are remediated
11 under the timelines outlined in G.O. 95, and work is performed using Liberty’s construction
12 standards and pole loading calculations.¹³ In its 2020 WMP, Liberty identified the need to
13 survey and inventory its entire overhead system to meet Commission requirements for a
14 complete mapping of all overhead assets with geospatial coordinates. Liberty conducted the

¹³ Intrusive pole inspections are conducted on a 10-year cycle based on the age of the distribution pole. Inspections, testing costs, and identified repairs are all recorded as O&M.

1 system-wide survey of all overhead assets, which also included enhanced G.O. 165 inspection of
 2 assets surveyed and consolidated the normal five-year inspection cycle to one year. Because
 3 inspection requirements are continuing to increase in this GRC cycle as a result of wildfire
 4 mitigation, the O&M expenses for WMP-related enhancements are presented separately from
 5 routine operations and maintenance. In future GRCs, Liberty plans to combine all WMP-related
 6 O&M in its distribution expense request. Figure 6-5 and Table 6-6 present recorded/adjusted
 7 distribution expenses for 2016-2020 and forecast 2021-2022 expenses.

Figure 6-5
Distribution Expenses Recorded/Adjusted 2016-2020 and Forecast 2021-2022

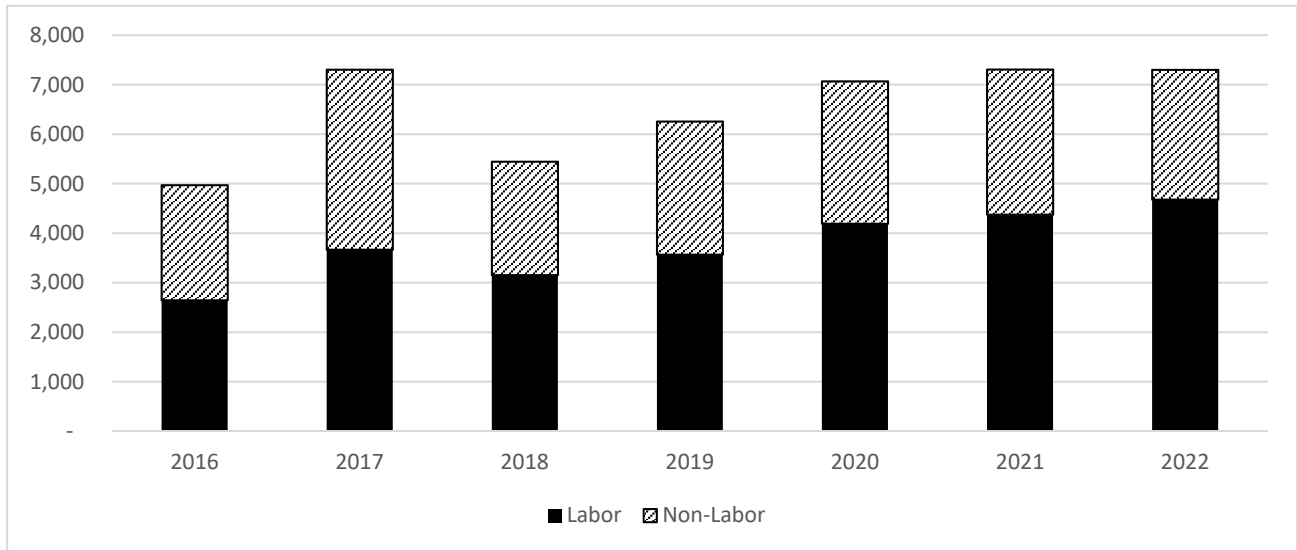


Table 6-6
Distribution Expenses Recorded/Adjusted 2016-2020 and Forecast 2021-2022
(\$000)

	Recorded & Adjusted (Constant 2020\$)					Forecast	
	2016	2017	2018	2019	2020	2021	2022
Labor	2,645	3,666	3,152	3,567	4,190	4,375	4,677
Non-Labor	2,324	3,636	2,291	2,689	2,875	2,930	2,620
Total	4,969	7,302	5,443	6,255	7,065	7,305	7,297

8

1 a) O&M Cost Forecast

2 Liberty forecasts \$7.297 million of Distribution O&M expenses for the 2022 test year.

3 Liberty utilized 2020 recorded expenses as a basis to develop the forecast for 2022 test year. The
4 base year recorded Distribution O&M expenses were split into labor and non-labor components.
5 Non-labor expenses were adjusted for escalation rate of 1.93% and for any known, measurable,
6 and anticipated changes expected during the test period. Current labor expenses were adjusted
7 for inflationary increases and additional positions requested through the end of the test period.

8 (1) Labor

9 Liberty forecasts \$4.677 million of Distribution labor O&M expenses for the 2022 test
10 year. This forecast was developed based on 2021 year-to-date payroll information (headcount
11 and wages) and adjusted to capture inflationary increases at 3% and additional positions being
12 requested through end of 2022 test year. For the test year, Liberty requests incremental funding
13 to establish a Lineman Apprentice Program, which aims to grow and retain talent and fill critical
14 lineworker roles that are understaffed. Retaining lineworkers in Liberty's service territory has
15 proven to be difficult due to the high cost of the living and the challenging environmental and
16 working conditions. Because of these severe resource constraints, Liberty utilizes externally-
17 contracted certified linemen to supplement its internal staff, which has resulted in a significant
18 increase in contracted expenses for line maintenance.-The Apprentice program will serve as a
19 long-term solution to retain qualified workers and includes two apprentice lineman positions at
20 each of Liberty's service centers (four positions in total) and an Apprentice Coordinator to
21 oversee the formal program.¹⁴ Additional positions included in the 2022 test year forecast
22 include Substation Electrician and Engineer II positions.

¹⁴ See workpapers.

1 (2) Non-Labor

2 Liberty forecasts \$2.620 million of Distribution non-labor O&M expenses for the 2022
3 test year, which is lower than 2020 recorded levels of \$2.875 million. The 2022 test year forecast
4 for Distribution non-labor O&M expenses includes lower contracted costs for line maintenance
5 resulting from the implementation of the Apprentice Program described in the Distribution labor
6 section above. If the Apprentice Program is not approved and implemented, Liberty will
7 continue to incur high contractor O&M expenses for line maintenance at the 2020 recorded
8 levels adjusted for inflation for the 2022 test period.

9 **D. Vegetation Management**

10 **1. Overview of Vegetation Management Expenses**

11 Liberty forecasts \$13.785 million of Vegetation Management O&M expenses for the
12 2022 test year and requests authority to continue tracking any vegetation management-related
13 differences compared to authorized expenses in the Vegetation Management Balancing Account
14 (“VMBA”) and Catastrophic Event Memorandum Account (“CEMA”) for future recovery or
15 refund of such expenses. See Chapter 7 for detailed Vegetation Management program
16 descriptions and full justification for all routine and enhanced vegetation management expenses
17 currently recorded and tracked in the VMBA, or Wildfire Mitigation Plan Memorandum
18 Account (“WMPMA”).

19 As emphasized in Chapter 7, Liberty’s vegetation management program is especially
20 important, considering the catastrophic damage that can be caused from forest fires in Liberty’s
21 service territory. Risk-based assessment of Liberty’s current vegetation management program
22 has demonstrated the need for process improvements to further mitigate the risk of fires by (1)
23 increasing efforts to manage community and environmental impacts, (2) completing detailed

1 inspections of vegetation, (3) implementing processes to reduce slash, (4) implementation of
 2 LiDAR inspections, (5) inspections to identify hazard trees, (6) establishment of a quality
 3 assurance/quality control program, (7) remediation of at-risk species, (8) removal and
 4 remediation of trees with strike potential, and (9) achieving appropriate clearances around
 5 electric lines and structures. Liberty continues to increase investments in its vegetation
 6 management program to better serve its community and reduce the risk of wildfires in its service
 7 territory.

8 Table 6-7 presents the recorded Vegetation Management 2017-2020 expenses recorded
 9 and tracked in VMBA, CEMA and WMPMA and forecasted 2021-2022 expenses. Table 6-8
 10 presents details of the Vegetation Management 2022 expense forecast by major activities.

Table 6-7
Vegetation Management Expenses Recorded/Adjusted 2017-2020 and Forecast 2021-2022¹⁵
(\$000)

	Recorded & Adjusted (Constant 2020\$)				Forecast	
	2017	2018	2019	2020	2021	2022
Labor	204	281	284	349	505	533
Non-Labor	2,651	2,330	5,340	11,066	12,678	13,255
Total	2,855	2,611	5,625	11,415	13,180	13,785

Table 6-8
2022 Vegetation Management Expense Forecast Summary

Activity	Description	Contract Cost	Labor Cost	Total Cost
1	Manage Community and Environmental Impacts	742,240	29,860	772,100
2	Detailed Inspections of Vegetation	604,001	24,299	628,300
3	Fuel Management and Reduction of Slash	1,922,652	77,348	2,000,000
4	LiDAR Inspections of Vegetation	788,287	31,713	820,000

¹⁵ See workpapers.

Activity	Description	Contract Cost	Labor Cost	Total Cost
5	Patrol Inspections of Vegetation (CEMA-TREE)	447,017	17,983	465,000
6	Quality Assurance/Quality Control	240,332	9,668	250,000
7	Remediation of At-Risk Species	4,950,829	199,171	5,150,000
8	Removal and Remediation of Trees with Strike Potential (CEMA-TREE)	2,114,917	85,083	2,200,000
9	Vegetation Management to Achieve Clearances Around Electric Lines and Structures	1,441,989	58,011	1,500,000
Total		13,252,265	533,135	13,785,400

1 **E. Wildfire Mitigation**

2 **1. Overview of Wildfire Mitigation Expenses**

3 Wildfire Mitigation expenses reflect the expenses attributable to the Liberty’s ongoing
4 wildfire mitigation efforts and costs of related wildfire insurance coverage. See Chapter 4 for
5 program and project descriptions needed to fully implement the company’s WMP. Liberty will
6 continue to record and track Wildfire Mitigation O&M expenses in its WMPMA and
7 unreimbursed incremental wildfire insurance expenses in the Wildfire Expense Memorandum
8 Account (“WEMA”) through 2021. Liberty requests to include the ongoing O&M expenses for
9 wildfire mitigation and wildfire insurance in base rates starting in the 2022 test period. Expenses
10 attributable to Vegetation Management, including the enhanced programs and initiatives related
11 to wildfire mitigation effort, are presented in the Vegetation Management O&M section. Table
12 6-9 presents the recorded Wildfire Mitigation 2019-2020 expenses recorded and tracked in
13 WMPMA and WEMA and forecasted 2021-2022 expenses.

Table 6-9
Wildfire Mitigation Expenses Recorded/Adjusted 2019-2020 and Forecast 2021-2022
(\$000)

Expense	Recorded		Forecast	
	2019	2020	2021	2022
Labor	73	329	1,449	2,070
Non-Labor	204	688	560	398
Wildfire Insurance	-	6,275	8,205	10,438
Total	277	7,292	10,214	12,906

1 a) Wildfire Mitigation O&M forecast

2 Liberty requests approval of the ongoing Wildfire Mitigation O&M forecast of \$2.468
3 million for the 2022 test year in base rates. In order to meet WSD’s detailed requirements and
4 strict compliance guidelines related to WMP, Liberty has entirely re-engineered business
5 processes and its general outlook on implementing and planning mitigation projects and efforts.
6 In one year, Liberty has evolved from manually tracking and reporting on historic inspections
7 using paper records to support its G.O. 165 work to completely automating current inspection
8 records using mobile applications. These expense levels include the cost of hiring and retaining a
9 skilled workforce at the requisite levels. See Chapter 4 for program and project descriptions
10 needed to fully implement the company’s WMP. Table 6-10 provides a summary of labor and
11 non-labor expense forecast for 2022 by WMP initiative and Table 6-11 presents a detailed
12 breakdown of the non-labor O&M forecast by WMP initiative.

Table 6-10
WMP O&M Cost Expense 2022
(\$000)

WMP Initiative Description	2022 Forecast		
	Labor	Non-Labor	Total Cost
Asset Management and Inspections	325		325
Emergency Planning and Preparedness	1,229		1,229
Resource Allocation Methodology / Data Governance	320	138	457
Stakeholder Cooperation and Community Engagement	197	122	319
Situational Awareness & Forecasting		127	127
Risk Assessment & Mapping		10	10
Total	2,070	398	2,468

Table 6-11
WMP O&M Non-labor Cost Expense 2022 Detail
(\$000)

Cost Description	2022 Forecast	WMP Initiatives
Communication - outside contracted services	122	Stakeholder Cooperation and Community Engagement
Software license costs	51	Data Governance
Collaborative Research - outside contracted services	87	Data Governance
AlertWildfire Camera monitoring	117	Situational Awareness & Forecasting
Fire risk forecasting - outside contracted services	10	Situational Awareness & Forecasting
Reax Consulting	10	Risk Assessment & Mapping
Total	398	

1 (1) Labor

2 As discussed in the Resource Planning section, Liberty has hired additional staff in 2020

3 to meet the increased workload and achieve the program goals set forth in the 2021 WMP

4 update. See Table 6-12 below for the positions being requested by WMP initiative for the 2022

5 test year. Of the 25 positions being requested to support Wildfire Mitigation efforts, including

6 enhanced Vegetation Management programs, 14 positions have been filled as of April 2021, and

7 11 positions are being proposed to be filled by end of 2021. If Liberty is unable to hire the

- 1 incremental resources, it will have to supplement its internal staff with externally resourced
- 2 contractors and consultants to meet compliance requirements.

Table 6-12
Positions Requested by WMP Initiative 2022

WMP Initiatives	Expense Category	Position	Count
Asset Management and Inspections	Wildfire Mitigation	Line Working Foreman, Inspector	2
	Wildfire Mitigation	GIS Specialist	1
Emergency Planning and Preparedness	Wildfire Mitigation	Emergency Services Manager	1
	Wildfire Mitigation	Fire Prevention Specialist	1
	Wildfire Mitigation	Lineman Foreman	1
	Wildfire Mitigation	Manager, Operations	1
	Wildfire Mitigation	Lineman	1
	Wildfire Mitigation	Job Facilitator	1
	Wildfire Mitigation	Capital Administrator	2
	Wildfire Mitigation	Project Manager	2
	Wildfire Mitigation	Sr. Analyst, Rates	1
	Wildfire Mitigation	Analyst, Policy & Strategy	1
	Wildfire Mitigation	Sr. Buyer	1
	Wildfire Mitigation	Sr. Accountant	1
	Wildfire Mitigation	Sr. Manager, Wildfire Prevention	1
Wildfire Mitigation	Environmental Specialist	1	
Resource Allocation Methodology / Data Governance	Wildfire Mitigation	Manager, Risk & Compliance	1
	Wildfire Mitigation	Analyst, Risk & Data	2
Stakeholder Cooperation and Community Engagement	Wildfire Mitigation	Manager, Public Outreach	1
	Wildfire Mitigation	Community Outreach Coordinator	1
Vegetation Management and Inspections	Vegetation Management	System Arborist ¹⁶	1
		Total positions	25

¹⁶ System Arborist position and related costs presented in the Vegetation Management expense category. This position is being requested to support WMP efforts related to Vegetation Management and Inspections.

1 b) Wildfire Insurance O&M Forecast

2 Pursuant to D.20-11-034, Liberty is tracking incremental unreimbursed wildfire liability-
3 related expenses in the WEMA, including payments made for wildfire insurance. As noted in the
4 WEMA application, Liberty’s wildfire liability insurance premium for the 2020-2021 policy year
5 increased over 10 times compared to the expenses paid by Liberty for the same coverage during
6 the 2019-2020 policy year, far exceeding insurance expenses currently authorized in rates.

7 Liberty forecasts \$10.438 million in Wildfire Insurance O&M expenses for the 2022 test
8 period. This forecast was developed based on 2020 recorded costs adjusted for assumptions
9 driven by the challenging casualty insurance market conditions, specifically for electric utilities.
10 With respect to California wildfire liability insurance, AEGIS, the leading US casualty mutual
11 insurer announced a \$1 million premium surcharge for utilities that operate in California.
12 Additionally, markets willing to continue insuring this risk are requiring premium increases in
13 the 50% or higher range.¹⁷

14 Liberty requests inclusion of the Wildfire Insurance O&M forecast of \$10.438 million for
15 the test year in base rates and requests authority to continue tracking any wildfire liability-related
16 differences compared to authorized expenses in the WEMA for future recovery or refund of such
17 expenses.

18 **F. Customer Care**

19 **1. Overview of Customer Care Expenses**

20 O&M expenses for Customer Care include expenses associated with customer service
21 supervision, customer billing and accounting, and meter reading. Figure 6-6 and Table 6-13

¹⁷ See workpapers.

- 1 provide a summary of recorded/adjusted 2016-2020 Customer Care expenses and forecast 2021-
- 2 2022 expenses.

Figure 6-6
Customer Care Expenses Recorded/Adjusted 2016-2020 and Forecast 2021-2022
(\$000)

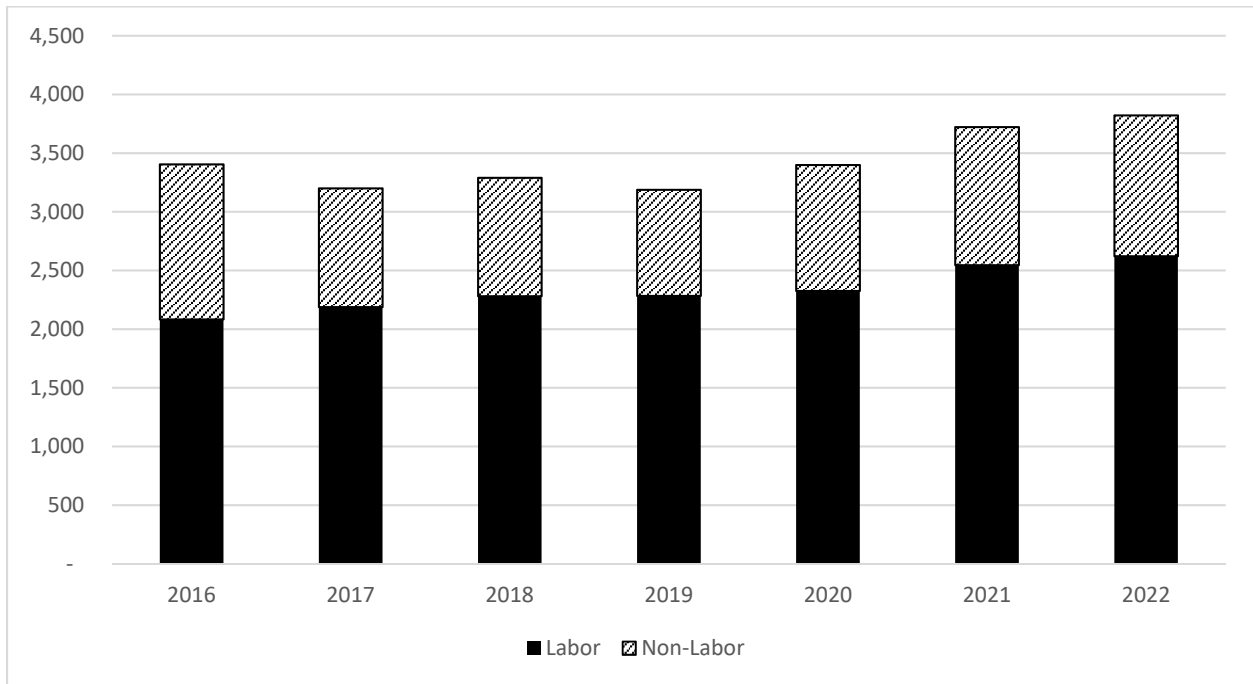


Table 6-13
Customer Care Expenses Recorded/Adjusted 2016-2020 and Forecast 2021-2022
(\$000)

	Recorded & Adjusted (Constant 2020\$)					Forecast	
	2016	2017	2018	2019	2020	2021	2022
Labor	2,083	2,188	2,281	2,284	2,325	2,545	2,622
Non-Labor	1,320	1,012	1,009	904	1,073	1,177	1,200
Total	3,404	3,200	3,290	3,188	3,398	3,722	3,821

3 a) O&M Cost Forecast

4 The 2022 test year forecast for Customer Care expenses of \$3.821 million is based on
 5 2020 recorded expenses. The 2020 recorded Customer Care O&M expenses were split into labor
 6 and non-labor components. Non-labor expenses were adjusted for escalation rate of 1.93% and

1 for any known, measurable, and anticipated changes expected during the test period. For the
 2 2022 test year, non-labor O&M forecast includes \$84,693 of expenses related to credit card fees
 3 currently being paid by Liberty’s customers.¹⁸ Liberty’s request to include these expenses for
 4 the 2022 test year is expected to result in the following customer benefits: (1) improved customer
 5 satisfaction, (2) increased customer collection rates, and (3) improved convenience for customers
 6 with limited access to walk-in centers or third-party payment vendors.

7 The Customer Expenses labor forecast was developed based on 2021 year-to-date payroll
 8 information (headcount and wages) and adjusted to capture inflationary increases at 3% through
 9 the end of the test period.

10 **G. Administrative and General Expenses**

11 Administrative and General (“A&G”) expenses include expenses for accounting,
 12 regulatory, legal, human resources, and corporate allocated expenses from Liberty Utilities and
 13 its parent company, Algonquin.¹⁹ Additionally, it includes expenses such as office supplies,
 14 outside services, and property insurance. Expenses for California Wildfire Insurance is presented
 15 separately as part of the Wildfire Mitigation section. Recorded and forecast A&G expenses are
 16 shown in Table 6-14 and Figure 6-7 below.

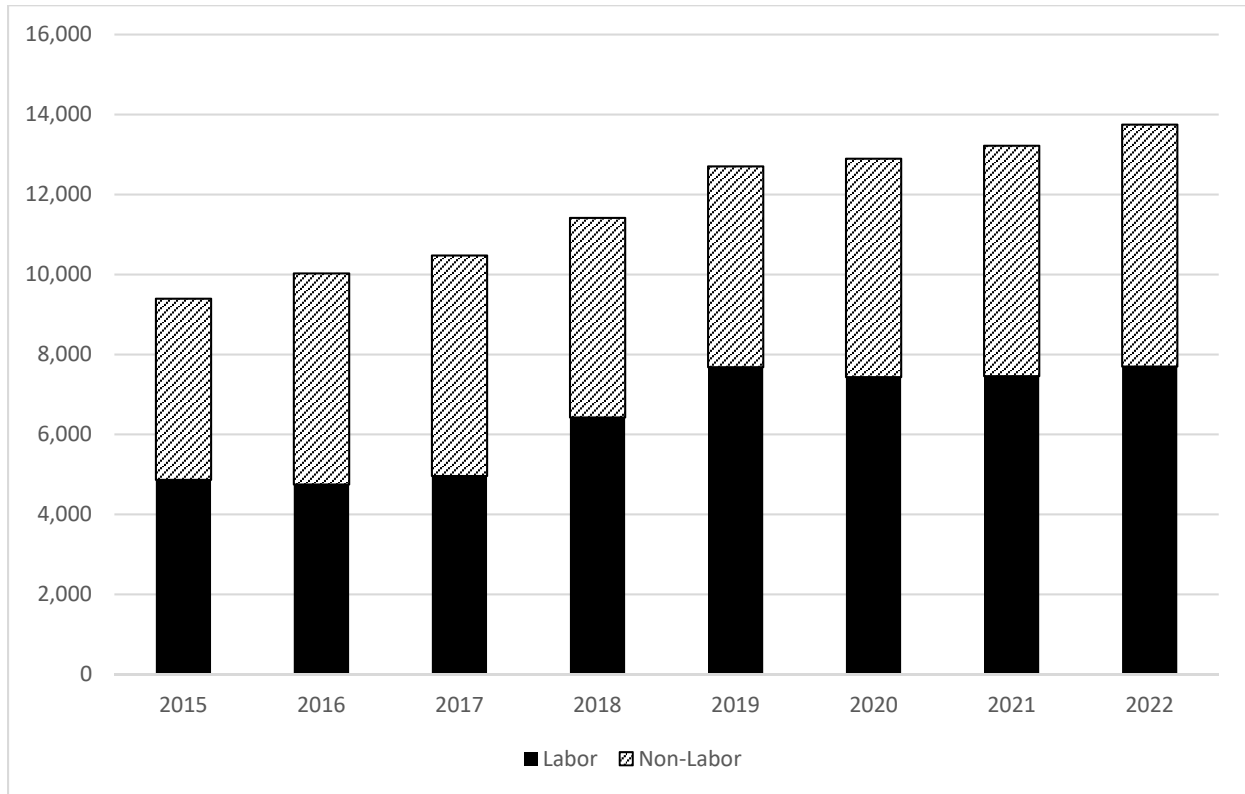
Table 6-14
A&G Expenses Recorded/Adjusted 2016-2020 and Forecast 2021-2022
(\$000)

	Recorded & Adjusted (Constant 2020\$)					Forecast	
	2016	2017	2018	2019	2020	2021	2022
Labor	4,750	4,960	6,426	7,684	7,436	7,460	7,697
Non-Labor	5,276	5,516	4,989	5,020	5,460	5,761	6,052
Total	10,025	10,476	11,414	12,704	12,896	13,220	13,749

¹⁸ See workpapers.

¹⁹ See workpapers for organization structure incorporating all A&G costs.

Figure 6-7
A&G Expenses
(\$000)



1 a) A&G Cost Forecast

2 The 2022 test year forecast for A&G expenses is \$13.749 million. Liberty utilized 2020
 3 recorded expenses as a basis to develop the forecast for 2022 test year. The base year recorded
 4 A&G expenses were split into labor and non-labor components. Non-labor expenses were
 5 adjusted for escalation rate of 1.93% and for any known, measurable, and anticipated changes
 6 expected during the test period. Current labor expenses were adjusted for 3% escalation rate and
 7 additional positions requested through the end of the test period.

8 (1) Non-Labor

9 Liberty forecasts \$6.052 million of Non-labor A&G costs for the 2022 test year,
 10 summarized in Table 6-15 below, which is approximately 11% higher than 2020 recorded costs.

1 The increase is primarily driven by higher employee pension and benefits costs as a result of the
 2 higher labor headcount requested for the 2022 test year. See Resource Planning section for
 3 further details on headcount proposed. In order to forecast Pension & Other Post-Employment
 4 Benefits (“OPEB”), Liberty utilized the 2021 projected pension and OPEB expenses provided by
 5 Liberty’s independent actuarial firm CBIZ, which was escalated to develop the 2022 test year
 6 expense forecast. Other employee benefits, including medical, dental, and vision were based on
 7 2020 recorded levels adjusted for inflation and increase in headcount forecasted through 2022.
 8 Insurance expenses presented in A&G includes policies other than the wildfire liability
 9 insurance, which is presented separately in the Wildfire Mitigation section.

Table 6-15
A&G Non-labor Expenses Recorded/Adjusted 2020 and Forecast 2021-2022
(\$000)

A&G Non-Labor	Recorded	Forecast	
	2020	2021	2022
Office supplies & expenses	1,734	1,768	1,802
Insurance	1,646	1,278	1,470
Employee pensions & benefits	1,653	1,890	2,087
Amortization of Rate Base Offset	0	390	250
General advertising expenses	7	7	7
Miscellaneous general expenses	64	65	66
Rents	1	1	1
Maintenance of general plant	355	361	368
Total	5,460	5,761	6,052

10 **H. Customer First & Advanced Metering Infrastructure (AMI) post-implementation**
 11 **O&M Forecast**

12 Liberty requests expedited review and approval of proposed AMI and Customer First
 13 investments. Both of these investments are expected to go into service in 2023. See Chapter 13
 14 for Customer First and AMI program and project descriptions, including justification for why
 15 these investments are required.

1 Table 6-16 below provides a summary of the O&M expense forecast in 2023 and 2024
 2 related to Customer First and AMI investments, including annual expense savings. Post-
 3 implementation O&M costs include annual support fees, software maintenance, hosting,
 4 managed services, and internal labor expenses.

Table 6-16
Customer First & AMI program related O&M Forecast in 2023-2024
(\$000)

Expense Category	Forecast	
	2023	2024
Customer Care	(470)	(1,248)
Distribution	(100)	(180)
Administrative & General Expense	(126)	(212)
Total Annual O&M Savings	(696)	(1,640)
Annual Post-implementation Costs	1,032	1,404
Net O&M Impact (Savings)	336	(236)

Appendix A
Witness Qualifications

1 **LIBERTY UTILITIES (CALPECO ELECTRIC) LLC**
2 **QUALIFICATIONS AND PREPARED TESTIMONY**
3 **OF MANASA RAO**

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

5 A. My name is Manasa Rao and my business address is 9750 Washburn Road, Downey,
6 California 90241.

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

8 A. I am the Director of Financial Planning & Analysis, West Region.

9 Q. Briefly describe your educational and professional background.

10 A. I have been the Director of Financial Planning & Analysis, West region since 2019. Prior
11 to that, I was employed by Liberty Utilities (Canada) Corp for over seven years in various
12 Finance related positions, including Manager, External Reporting and Senior Manager,
13 Financial Planning & Analysis. I received my Bachelors in Business Administration from
14 Truman State University, MO in 2004 and also hold a Chartered Professional Accountant
15 (CPA, CMA) designation from Canada.

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

17 A. The purpose of my testimony in this proceeding is to sponsor Chapter 6: O&M and A&G.

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

19 A. Yes, it was.

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

21 A. Yes, I do.

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

1 A. Yes, it does.

2 Q. Does this conclude your qualifications and prepared testimony?

3 A. Yes, it does.