

CALIFORNIA PUBLIC UTILITIES COMMISSION

**ADVICE LETTER FILING SUMMARY
ENERGY UTILITY**

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

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

Utility type:

- ELC GAS
 PLC HEAT WATER

Contact Person for questions and approval letters:

Daniel Marsh

Phone #: (562) 299-5104

E-mail: dan.marsh@libertyutilities.com

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 65-E-A

Subject of AL: Supplement to Liberty Utilities (CalPeco Electric) LLC (U 933-E) Advice Letter 65-E, 2017 Post-Test Year Adjustment Mechanism

Tier Designation: 1 2 3

Keywords (choose from CPUC listing): Affiliate Compliance

AL filing type: Monthly Quarterly Annual One-Time Other

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

Decision 16-01-021

Does AL replace a withdrawn or rejected AL?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

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Resolution Required? Yes No

Requested effective date: November 16, 2016

No. of tariff sheets: N/A

Estimated system annual revenue effect: (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending advice letters that revise the same tariff sheets: N/A

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

CPUC, Energy Division Utility Info (including e-mail)

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

**Liberty Utilities (CalPeco Electric) LLC
Attention: Advice Letter Protests
933 Eloise Avenue
South Lake Tahoe, CA 96150
Email: dan.marsh@libertyutilities.com**



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VIA EMAIL AND HAND-DELIVERY

November 4, 2016

**Advice Letter 65-E-A
(U933E)**

California Public Utilities Commission
Energy Division, Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298

Subject: Supplement to Liberty Utilities Advice Letter 65-E - 2017 Post-Test Year Adjustment Mechanism

Pursuant to General Order 96-B, Rule 7.5.1, Liberty Utilities (CalPeco Electric) LLC (U933E) (“Liberty CalPeco”) provides this supplement to Advice Letter 65-E (“Supplement”)¹ for purposes of making certain revisions that better clarify the overall requests being made in Advice Letter 65-E.²

In connection with the submission of this Supplement, the Energy Division has approved the joint request by Liberty CalPeco and the A-3 Customer Coalition to extend the period for parties to submit protests from Monday, November 7 to Thursday, November 10. This change in the expiration of the period to submit protests is set forth on Page 12.

The Advice Letter 65-E, as revised by the Supplement, is provided as Attachment A. The original Advice Letter 65-E as submitted on October 17 is provided as Attachment B. A redline showing the changes from the original Advice Letter 65-E to the revised version attached as Attachment A is provided as Attachment C.

CLARIFYING REVISIONS

Total Percentage Increase Described on Page 11

The total PTAM request includes both the Luning Solar Project cost component of \$10,755,000 (as set forth on page 11) and the PTAM attrition adjustment of \$696,560 (as set forth on page 6). The sum of these amounts is the total proposed base rate increase of \$11,451,560 from the rate levels set forth in the General Rate Case Settlement as described in the

¹ Submitted October 17, 2016.

² As all the revisions Liberty Utilities is proposing in this Supplement are in the Public version of Advice Letter 65-E, it is not separately again serving a Confidential version.

third paragraph of page 11.³ However, the current 9.96% also included in the third paragraph on page 11 corresponds to the percent increase associated with *only* the Luning Solar Project component (i.e., \$10,755,000).

Accordingly, in Attachment C, Liberty CalPeco is revising the percentage increase in the third paragraph on page 11 to 10.13%. This amount corresponds to the percentage increase associated with the \$11,451,560 increase from the rate levels set forth in the General Rate Case Settlement.

Table 5 on Page 11– Percentage Increase by Customer Class

Similar to the percentage increase figure discussed above, the current Table 5 (on page 11) illustrates the percentage increase by customer class due to the rate increase associated with the Luning Solar Project (i.e., \$10,755,000). Liberty CalPeco provides the revised table below to illustrate the percent increase by customer class for the requested PTAM rate increase of \$11,451,560 (i.e. again the sum of the costs attributable to the PTAM attrition amount and the Luning Solar Project.)

As explained in the Advice Letter, Table 5 depicts an illustrative scenario in which rate levels set forth in the GRC Settlement Agreement have been approved and become effective, and this PTAM Advice Letter represented the lone rate request pending before the Commission (i.e. there is no offsetting reduction in ECAC rates).

Table 5

Customer Class	Increase (\$)	Increase (%)
Residential (D-1)	\$5,736,163	26.30%
Small Commercial (A-1)	\$2,278,634	26.30%
Medium Commercial (A-2)	\$1,033,385	26.30%
Large Commercial (A-3)	\$2,341,518	26.30%
Interruptible Irrigation (PA)	\$19,748	26.30%
Street Lights (SL)	\$13,865	26.30%
Outdoor Lighting (OL)	\$27,687	26.30%

Revisions to Footnote 18 on page 7

The Amended Luning Settlement Agreement authorizes Liberty CalPeco to seek in this PTAM rate recovery for, among other matters, the “costs to acquire the Luning [Solar] Project ... up to 95% of the Maximum Reasonable Costs Amount [by including such costs] into rate

³ See A.15-05-008, Joint Motion to Adopt All-Party Settlement Agreement Among Liberty CalPeco (CalPeco Electric) LLC (U933E), the Office of Ratepayer Advocates, and the A-3 Customer Coalition, filed May 18, 2016 (“GRC Settlement Motion”) available at: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M163/K483/163483968.PDF>.

base as of January 1, 2017.”⁴ In Table 2 (page 7), Liberty CalPeco shows the derivation of the \$62,671,901 by which Liberty Utilities is requesting to increase its rate base in 2017 to account for the acquisition costs of the Luning Solar Project.

Given the requirement that the addition to rate base in 2017 must be in an amount less than 95% of the Maximum Reasonable Costs Amount, Liberty CalPeco believes it appropriate to include an affirmative statement that the \$62,671,901 requested increase in rate base is less than 95% of the Maximum Reasonable Costs Amount.

Liberty CalPeco accordingly is adding the following language to the beginning of footnote 18 on page 7:

Liberty CalPeco’s proposed 2017 Rate Base Addition of \$62,671,910, as calculated in Table 2 above, is less than 95% of the Maximum Reasonable Costs Amount.

Liberty CalPeco is further revising the last sentence in footnote 18 on page 7 to clarify that the Amended Luning Settlement Agreement caps the amount of Luning Solar Project costs to be included into rate base at the Maximum Reasonable Costs Amount:

Thus as of January 1, 2018, Liberty CalPeco will have requested to have included the Maximum Reasonable Costs Amount of Total Capital Costs Associated with the Luning Solar Project into its ratebase.

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

Sincerely,

/s/

Daniel Marsh
Manager of Rates and Regulatory Affairs
Office: (562) 299-5104
Liberty Utilities (CalPeco Electric) LLC

Attachments

cc: Liberty Utilities General Order 96-B Advice Letter Service List
Service Lists of A. 15-05-008, A. 16-07-001, A.15-04-016
James Loewen, Energy Division

⁴ Luning Approval Decision, mimeo at 43 (Ordering Paragraph No. 1(a)) *quoted* at Advice Letter 65-E at 4.

Liberty Utilities (CalPeco Electric) LLC
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General Order 96-B, Section 4.3

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CALIFORNIA PUBLIC UTILITIES COMMISSION

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PROCEEDING: A1505008 - LIBERTY UTILITIES (C
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CALIFORNIA PUBLIC UTILITIES COMMISSION

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PROCEEDING: A1607001 - LIBERTY UTILITIES (C
FILER: LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
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CALIFORNIA PUBLIC UTILITIES COMMISSION

Service Lists

PROCEEDING: A1504016 - LIBERTY UTILITIES (C
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LAST CHANGED: JANUARY 14, 2016

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ATTACHMENT A

CALIFORNIA PUBLIC UTILITIES COMMISSION

**ADVICE LETTER FILING SUMMARY
ENERGY UTILITY**

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

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

Utility type:

- ELC GAS
 PLC HEAT WATER

Contact Person for questions and approval letters:

Alain Blunier _____

Phone #: 530-546-1702

E-mail: **Alain.Blunier@libertyutilities.com**

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 65-E **(PUBLIC VERSION)**

Subject of AL: Liberty Utilities (CalPeco Electric) LLC (U 933-E) – 2017 Post-Test Year Adjustment Mechanism

–Tier Designation: 1 2 3

Keywords (choose from CPUC listing):

AL filing type: Monthly Quarterly Annual One-Time Other

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

16-01-021

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

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

Resolution Required? Yes No

Requested effective date: November 16, 2016

No. of tariff sheets: N/A

Estimated system annual revenue effect: (%): ____

Estimated system average rate effect (%): ____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending Advice Letters that revise the same tariff sheets: N/A

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

CPUC, Energy Division Utility Info (including e-mail)

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VIA EMAIL AND HAND DELIVERY

October 17, 2016

**Advice Letter No. 65-E
(U 933-E)**

Edward Randolph, Director, Energy Division
California Public Utilities Commission
Energy Division, Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298

Subject: 2017 Post-Test Year Adjustment Mechanism

Liberty Utilities (CalPeco Electric) LLC (U 933 E) (“Liberty CalPeco”) hereby submits this **Tier 2** Advice Letter No. 65-E to increase its base rate revenues in accordance with the Post-Test Year Adjustment Mechanism (“PTAM”) as set forth in Section 9 of the Preliminary Statement in the Liberty CalPeco Tariff and as further authorized by Decision (“D.”) 16-01-021 (“Luning Approval Decision”).

Purpose

The purpose of this filing is to revise general rates as of January 1, 2017 pursuant to the PTAM tariff authorized in D.12-11-030 and to seek recovery for the capital and operating expenses associated with Liberty CalPeco’s acquisition, financing, ownership, operation and maintenance of the Luning Solar Project as authorized by the Commission in the Luning Approval Decision.

Coordination with Other Pending Liberty CalPeco Rate Proceedings

Liberty CalPeco concurrently has a General Rate Case (“GRC”) application (A.15-05-008) and an Energy Cost Adjustment Clause (“ECAC”) application (A.16-07-001) (“ECAC Application”) pending before the Commission. Liberty CalPeco currently expects the Commission to issue a final decision in the GRC application on a schedule that would enable the revised GRC rates to become effective as of January 1, 2017.¹ Liberty CalPeco’ tariff provides that revisions to ECAC rates are also to become effective as of January 1, 2017.

¹ See A.15-05-008, Joint Motion to Adopt All-Party Settlement Agreement Among Liberty CalPeco (CalPeco Electric) LLC (U933E), the Office of Ratepayer Advocates, and the A-3 Customer Coalition, filed May 18, 2016 (“GRC Settlement Motion”) available at: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M163/K483/163483968.PDF>. The all-party settlement in the general rate case (“GRC Settlement Agreement”) is attached to the GRC Settlement Motion as Attachment A. The GRC Settlement Motion seeking approval of the GRC Settlement Agreement remains pending.

Assuming final decisions are issued in Liberty CalPeco's GRC and ECAC applications on a schedule that enables the revised rates to become effective as of January 1, 2017, Liberty CalPeco intends to timely make the necessary compliance submissions, including presenting revised tariffs to implement the aggregation of the multiple rate changes and enable the new rates being requested in this PTAM Advice Letter and the GRC and ECAC applications to each become effective as of January 1, 2017. This consolidation of these rate changes is intended to minimize the number of rate changes for the customers of Liberty CalPeco.²

In any event, even if decisions in the GRC or ECAC proceedings are not issued, Liberty CalPeco shall supplement this Advice Letter by submitting revised tariff sheets based on the rate changes requested in this Advice Letter and the most current information otherwise available and on a schedule that will enable the PTAM-related (and possibly other) rate changes to become effective as of January 1, 2017.

Background

The Liberty CalPeco PTAM tariff authorizes it to request increases through the PTAM based on the following:

Attrition Component

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

Major Plant Additions Component

For the Major Plant Additions component Liberty CalPeco will request recovery of all costs related to major plant additions. For purposes of the PTAM, a "Major Plant Addition" includes any capital addition to plant-in-service that exceeds \$4 million on a total company basis. The revenue requirement associated with a major plant addition would also include the

² Coordinating the effectiveness of the rate changes being requested in the ECAC Application and through this advice letter is further appropriate because the reduction in power purchases and corresponding decrease in projected power purchase costs Liberty CalPeco reflected in the ECAC Application are predicated on the generation from the Luning Solar Project displacing RPS generation Liberty CalPeco would otherwise purchase from NV Energy pursuant to the 2016 NV Energy Services Agreement. See A.16-07-001, ECAC Application at 3; see also, *infra*, at 11. A copy of ECAC Application is available at: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M164/K883/164883960.PDF>.

California portion of operation and maintenance expenses, depreciation, and property taxes.³

In addition, in the Luning Approval Decision, the Commission approved a Settlement Agreement between Liberty CalPeco and ORA authorizing Liberty CalPeco to purchase the Luning Solar Project and to recover in rates its costs associated with the acquisition, financing, ownership, operation and maintenance of the Luning Solar Project (“Luning Settlement Agreement”).⁴

A. Attrition Component

In September 2016, Global Insight released its forecast of CPI. Based on the CPI Forecast for 2017 of 2.1% less a productivity factor of 0.5%, the PTAM attrition adjustment for 2017 is 1.6%.

B. Major Plant Additions Component/Luning Solar Project Cost Recovery

In the Luning Approval Decision, the Commission found 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.”⁵ It additionally ordered that:

³ The PTAM tariff also obligates Liberty CalPeco to submit a Tier 1 Advice Letter providing notice of a planned Major Plant Addition prior to seeking any PTAM adjustment. Liberty CalPeco complied with this requirement by submission of Advice Letter No. 62-E, which provided the Office of Ratepayer Advocates (“ORA”) and the Commission with notice of its intent to seek rate recovery for the costs associated with the Luning Solar Project. No protests to Advice Letter No. 62-E were submitted.

Nonetheless, on September 22, the Energy Division issued a notice to “suspend” the effectiveness of Advice Letter No. 62-E for a period of up to 120 days. Liberty CalPeco is in any event proceeding with the submission of this PTAM Advice Letter on the grounds: (i) its PTAM tariff obligates it to submit an advice letter requesting changes in base rate revenues as of October 15; (ii) the Luning Approval Decision authorizes Liberty to seek rate recovery for the Luning Solar Project in a PTAM Advice Letter to be submitted in October 2016; (iii) Liberty CalPeco understands that the suspension of Advice Letter No. 62-E was not predicated on any substantive grounds; and (iv) the legal consequences of a suspension of an advice letter whose purpose is simply to provide notice, and requests no Commission action or other relief, is uncertain.

⁴ The original public version of the Luning Settlement Agreement is Attachment A to the Luning Approval Decision. The Luning Approval Decision conditioned its approval of the Luning Settlement Agreement on the parties making certain revisions to the Luning Settlement Agreement. *See* Luning Approval Decision, mimeo at 43 (Ordering Paragraph No. 1). Attached as Exhibit A to this Advice Letter is a portion of the Amended Settlement Agreement between the Office of Ratepayer Advocates and Liberty CalPeco (CalPeco Electric) LLC, dated September 23, 2016 (“Amended Luning Settlement Agreement”). The portion of the Amended Luning Settlement Agreement set forth in Exhibit A implements the changes in the Luning Settlement Agreement the Luning Approval Decision ordered.

⁵ Luning Approval Decision, mimeo at 42 (Conclusions of Law No. 2).

As set forth in the terms of the [Luning] Settlement Agreement, Liberty [CalPeco] may seek rate recovery of authorized capital expenses and other costs related to the acquisition and initial operation of the Luning facility, including through the use of its 2017 and 2018 Post-Test Year Adjustment Mechanism filing.⁶

The Amended Luning Settlement Agreement authorizes Liberty CalPeco to seek in this PTAM rate recovery commencing January 1, 2017 for the following costs associated with the Luning Solar Project:

1. The “costs to acquire and own the Luning [Solar] Project (a) up to 95% of the Maximum Reasonable Costs Amount into rate base as of January 1, 2017”⁷ (the “Capital Investment”); and
2. The “Luning Project Operating Expenses” that Liberty CalPeco shall incur in 2017 and 2018 associated with the operation of the Luning Solar Project up to the applicable annual cost recovery cap set forth in Section 4.3 of the Amended Luning Settlement Agreement.⁸

Rate Requests

A. Attrition Adjustment

In the pending GRC Settlement Agreement, the parties agreed to a base rate revenue requirement of \$43,535,000.⁹ Application of the 1.6% attrition adjustment to this \$43,535,000 base rate revenue requirement yields an increase in 2017 base revenues of \$696,560.

B. Recovery of the Costs to Acquire, Own, Operate and Maintain the Luning Solar Project

i. Ratemaking Implications of Updated Commercial Operation Date

During the proceedings that culminated in the issuance of the Luning Approval Decision, Liberty CalPeco projected that the Luning Solar Project would commence commercial operation as of January 1, 2017. On that basis the Commission authorized Liberty CalPeco to begin recovering its costs associated with the Luning Solar Project as of January 1, 2017. Based on the most

⁶ Luning Approval Decision, mimeo at 44 (Ordering Paragraph No.2).

⁷ Luning Approval Decision, mimeo at 43. (Ordering Paragraph No.1 (a)).

⁸ Amended Luning Settlement Agreement, Section 3.3(a).

⁹ GRC Settlement Agreement, Exhibit A (ln. 2).

current information available, Liberty CalPeco is now projecting that the commercial operation date of the Luning Solar Project will be February 1, 2017.¹⁰

In this Advice Letter or otherwise, with the exception of property tax payments for January 2017,¹¹ Liberty CalPeco is not seeking to recover any costs associated with the Luning Solar Project for any period preceding the project's commercial operation date. Accordingly, as will be described in the following sections requesting rate recovery, Liberty CalPeco has developed the Luning Solar Project-associated revenue requirement for 2017 for both its capital and operating costs (other than the property taxes) by multiplying the projected annual revenue requirement for 2017 by 11/12.¹²

Section 3.2 of the Amended Luning Settlement Agreement, provides that, to the extent that the Luning Solar Project is not able to achieve commercial operation as of January 1, 2017, "Liberty [CalPeco] shall, in consultation with ORA, submit an additional pleading to propose adjustments in its 2017 rate recovery necessary to account for the post-January 1, 2017 commercial operation date of the Luning [Solar] Project."¹³

As reported in Advice Letter No. 62-E, Liberty CalPeco notified ORA of this slight deferral of the anticipated commercial operation date for the Luning Solar Project. ORA remains amenable to Liberty CalPeco requesting rate recovery for the Luning Solar Project in this October 2016 PTAM submission, provided the ratemaking Liberty CalPeco proposes recognizes and makes the adjustments necessary to account for the change in the commercial operation date.¹⁴

Liberty CalPeco believes that its proposal to limit 2017 rate recovery to the 11 months in 2017 in which the Luning Solar Project shall be in commercial operation in the manner described in this Advice Letter complies with the Commission's and ORA's requirement that the cost recovery for the Luning Solar Project be consistent with any deferral beyond January 1 of its commercial operation date.

¹⁰ Liberty CalPeco also projected February 1, 2017 as the anticipated commercial operation date for the Luning Solar Project in forecasting its projected purchased power purchases and associated costs during 2017. *See* ECAC Application at 3.

¹¹ *See, infra*, at 10.

¹² Liberty CalPeco used this same 11/12 pro rata methodology in its ECAC Application to calculate the expected MWh of Luning Solar Project generation that in 2017 will replace RPS-qualified generation Liberty CalPeco would otherwise purchase from NV Energy. *See* Direct Testimony of Alain R. Blunier, Chapter 1, ECAC Application at 1-8, n. 12.

¹³ *See* Amended Luning Settlement Agreement, Section 3.2.

¹⁴ Advice Letter No. 62-E, at 3.

ii. *Capital Costs Recovery*

The Luning Settlement Agreement authorizes Liberty CalPeco to place into its rate base and seek recovery in this PTAM Advice Letter the capital costs it is incurring in 2016 to acquire the Luning Solar Project. The Luning Settlement Agreement, however, limits the amount that Liberty CalPeco may place into rate base as of January 1, 2017 to an amount no greater than 95% of the Maximum Reasonable Cost to acquire and own the Luning Solar Project.¹⁵

As set forth in Table 1, Liberty CalPeco will incur in 2016 costs of \$71,967,743 to acquire and own the Luning Solar Project. As explained in the Luning Approval Decision, the capital costs for Liberty CalPeco to acquire the Luning Solar Project from the project developer are substantially greater;¹⁶ however, the tax equity participant in the project will be contributing the incremental capital to enable Liberty CalPeco to acquire the Luning Solar Project at this reduced amount of investment and for the benefit of its customers.

The components of the \$71,967,743 capital costs associated with Liberty CalPeco's acquisition of the Luning Solar Project are separated into the following categories:

Table 1
Liberty CalPeco Capital Costs Associated with Luning Solar Project Acquisition

<u>Category</u>	
Structures and Improvements	\$2,159,032
Generating Equipment	\$66,210,324
Substation Equipment	<u>\$3,598,387</u>
	<u>\$71,967,743</u>

Liberty CalPeco 2016 capital expenditures are less than the Maximum Reasonable Cost. Liberty CalPeco accordingly requests authority to place \$62,671,910 into rate base as of January 1, 2017 ("Rate Base Addition"). As displayed in Table 2 below, Liberty CalPeco calculated the

¹⁵ Liberty CalPeco is authorized to place the remaining "5% of the Maximum Reasonable Costs Amount into rate base as of January 1, 2018 through its October 2017 PTAM Filing or another mechanism which the Parties may mutually agree upon." Luning Approval Decision, mimeo at 43 (Ordering Paragraph No. 1(a)). See Amended Luning Settlement Agreement, Section 3.2.

¹⁶ Luning Approval Decision, mimeo at 12-13.

amount of the 2017 Rate Base Addition by taking 95%¹⁷ of the 2016 incurred capital costs and then multiplying that product by 11/12.

Table 2

Liberty CalPeco 2017 Increase in Rate Base

<u>Category</u>	
Total Capital Costs Associated with Luning	\$71,967,743
Percentage Allowed into 2017 Rate Base	95%
Costs Allowed into 2017 Rate Base	<u>\$68,369,356</u>
Period of Commercial Operation in 2017 (February – December)	<u>(11/12)</u>
2017 Increase in Rate Base	<u>\$62,671,910¹⁸</u>

To calculate the incremental revenue requirement in 2017 for this \$62,671,910 Rate Base Addition, Liberty CalPeco used the cost of capital, the debt-equity capital structure set forth in the pending GRC Settlement Agreement,¹⁹ and a 30-year depreciation period. If adopted the GRC Settlement Agreement would authorize Liberty CalPeco a Return on Equity of 10.00% and a long-term debt cost of 4.92%.²⁰ These costs, in combination with the agreed upon capital structure of 47.5%/52.5% debt/equity, results in an overall Rate of Return of 7.51%.²¹

To the extent that the Commission authorizes Liberty CalPeco capital costs and/or a capital structure different than the amounts set forth above, Liberty CalPeco shall recalculate the return associated with the Rate Base Addition based on the capital costs and capital structure the Commission ultimately approves for Liberty CalPeco.

¹⁷ Amended Luning Settlement Agreement, Section 3.2.

¹⁸ Liberty CalPeco's proposed 2017 Rate Base Addition of \$62,671,910, as calculated in Table 2 above, is less than 95% of the Maximum Reasonable Costs Amount. In light of the partial deferral in 2017 of the rate recovery for the capital costs of the Luning Solar Project, in the PTAM Advice Letter that Liberty CalPeco shall submit in October 2017, it shall request, among other possible items, the authority to add to its rate base as of January 1, 2018, 1/12 of the Costs Allowed into 2017 Rate Base (i.e. the amount of otherwise allowed 2017 capital cost recovery deferred in light of the February 1, 2017 commercial operation date) and the residual 5 percent of the Total Capital Costs Associated with Luning which are not being added to rate base as of January 1, 2017. Thus as of January 1, 2018, Liberty CalPeco will have requested to have included the Maximum Reasonable Costs Amount of Total Capital Costs Associated with the Luning Solar Project into its ratebase.

¹⁹ See GRC Settlement Motion, mimeo at 7.

²⁰ See GRC Settlement Motion, mimeo at 7.

²¹ See GRC Settlement Agreement, Section 4.5.

In calculating the depreciation associated with the Rate Base Addition, Liberty CalPeco used a 30-year estimated useful life. The use of a 30-year depreciation schedule is appropriate to calculate the depreciation for the Luning Solar Project foremost because in demonstrating the costs savings of the Luning Solar Project, Liberty CalPeco used a 30-year estimated useful project life to calculate the \$/MWh cost for Liberty CalPeco to procure generation from the Luning Solar Project.²² Liberty CalPeco asserts that the Commission should grant rate recovery for the Luning Solar Project using the same depreciation schedule on which the Commission determined that the costs of the Luning Solar Project are just and reasonable. Moreover, use of a 30-year expected life of the solar facilities for depreciation purposes is consistent with the 30-year warranty the vendor is providing for the solar facilities.

The reasonableness of Liberty CalPeco's use of a 30-year useful life to derive the depreciation for the Rate Base Addition is further demonstrated by the fact that other California electric utilities have proposed the use of a 25-year estimated useful life to depreciate solar facilities.²³ Liberty CalPeco selected the 30-year depreciation schedule, as explained above, for consistency and also because a 30-year life lessens the rate impact during the initial years of the operations of the Luning Solar Project.²⁴

iii. Luning Solar Project Operating Cost Recovery

In the Luning Approval Decision, the Commission authorized Liberty CalPeco in this PTAM Advice Letter to seek recovery for the costs it will incur in 2017 and 2018 to operate and maintain the Luning Solar Project. The Luning Settlement Agreement in Section 2.2 and Footnote 1 defines "Luning Project Operating Expenses" as including the Operations and Maintenance ("O&M") Costs, Administrative and General ("A&G") Costs, and Property Tax expenses necessary to own, operate and maintain the Luning Solar Project. The Luning Approval Decision in accordance with Section 4.3 of the Luning Settlement Agreement further established maximum amounts of Operating Expenses that Liberty CalPeco could seek to recover in 2017 ("Operating Expense Annual Maximum Recoverable Amount").

For 2017 and 2018, Liberty CalPeco is forecasting the Luning Project Operating Expenses in the amounts set forth in Table 3 below.

²² Liberty CalPeco set forth its reasoning for use of the 30 year depreciation schedule for purposes of demonstrating the cost benefit of the Luning Solar Project in its confidential response to Request No. 4 ORA Data Request No. CW-001, dated May 7, 2015.

²³ See e.g., November 2014, Exh. SDG&E-28, Direct Testimony of Bob J. Wiczorek on behalf of San Diego Gas & Electric Company, at BJW-30 (A.14-11-003).

²⁴ Section 4.5 of the Luning Settlement Agreement reaffirms that Liberty CalPeco is "to recover through rates its full costs to own and operate... the Luning [Solar] Project," but "at the same time best protect its customers from experiencing steep escalations in rates in the first years of operation."

Table 3

Total Luning Annual Project Operating Expenses

	2017	2018
Property Taxes	\$612,034	\$602,713
O&M Expenses	\$597,900	\$612,847
Insurance	\$159,092	\$162,234
Land Lease	\$60,677	\$112,370
Additional A&G Expenses	<u>\$201,078</u>	<u>\$204,398</u>
	<u>\$1,630,781</u>	<u>\$1,694,562</u>

As shown in Table 4, Liberty CalPeco calculated the 2017 and 2018 revenue requirements for the Luning Project Operating Expenses as follows:

1. Multiplied the projected annual amount of O&M, Insurance and A&G Expenses by 11/12 to reflect the February 1, 2017 commercial operation date. Liberty CalPeco did not make the eleven-month adjustment for property taxes because the Luning Solar Project is assessed property taxes on a calendar year basis and without regard to its actual start of operations.
2. The two-year average of the projected 2017 and 2018 operating expenses of \$1,620,224 (*see* Table 4 below), exceeded the Operating Expense Annual Maximum Recoverable Amount for 2017. Thus Liberty CalPeco reduced the request for 2017 to the Annual Maximum Recoverable amount of \$1,600,000 set forth in Section 4.3 of the Luning Settlement Agreement.
3. With respect to 2018, \$1,620,224 is below the \$1,650,000 Operating Expense Annual Maximum Recoverable Amount for 2018. Thus in the PTAM it shall submit in October 2017, Liberty CalPeco will be requesting the authority to increase its recovery for 2018 Luning Solar Project Operating Expenses to \$1,620,224.

Table 4

Total Luning Annual Project Operating Expenses			
	2017	2018	Average
O&M Expenses	\$597,900	\$612,847	
Insurance	\$159,092	\$162,234	
Land Lease	\$60,677	\$112,370	
Additional A&G Expenses	<u>\$201,078</u>	<u>\$204,398</u>	
Subtotal	\$1,018,747	\$1,091,849	
Period of Commercial Operation in 2017 (February – December)	(11/12)		
Subtotal	<u>\$933,851</u>	\$1,091,849	\$1,012,850
Property Taxes	\$612,034	\$602,713	\$607,374
Total	<u>\$1,545,885</u>	<u>\$1,694,562</u>	<u>\$1,620,224</u>

Included within the A&G Expenses is approximately \$100,000 annually that the Luning Solar Project will pay to Algonquin Power Co. to provide asset management services. Algonquin Power Co. is an affiliate of Liberty CalPeco. The asset management services agreement between the Luning Solar Project and Algonquin Power Co. is not an affiliate agreement under the Commission rules relating to affiliate transactions because Liberty CalPeco is not a party to the asset purchase agreement.²⁵ Nonetheless, as Liberty CalPeco is seeking rate recovery for the payments that the Luning Solar Project will be making to Algonquin Power Co., Liberty CalPeco is providing notice in this Advice Letter that an affiliate is the counterparty to the asset management agreement and such affiliate will receive payments funded by the electric customers of Liberty CalPeco.

The Luning Solar Project selected Algonquin Power Co. to perform these asset management services on the basis that: (i) Algonquin Power Co. is experienced in administering power purchase agreements for generators who similarly use tax equity financing; and (ii) the services are being provided at cost. Given the relatively small amount of costs associated with the services, it was determined that it would not be cost effective to conduct an RFP to solicit possible interest by unaffiliated third parties to provide this service.

²⁵ See Commission Affiliate Transaction Rule “ATR” II.B. that subjects only “utility transactions with an affiliate” to the ATRs.

C. Rates

The costs attributable to the acquisition, ownership, operation and maintenance of the Luning Solar Project generate an increase in base rate revenues over the GRC Settlement Agreement in 2017 of \$10,755,000. This increase is offset by approximately \$8 million reduction in forecasted 2017 purchased power costs for RPS-qualified generation that Liberty CalPeco would otherwise have to purchase from NV Energy.²⁶

The portion of the annual revenue requirement associated with the Rate Base Addition will decrease in future years as the annual depreciation will reduce the amount of the Rate Base Addition on which Liberty CalPeco shall earn a return; in contrast the cost savings attributable to the decrease in purchases of third-party RPS generation will continue for each year the Luning Solar Project operates.

Application of the PTAM Attrition Factor for 2017 and the recovery of Liberty CalPeco costs to acquire, own, operate and maintain the Luning Solar Project, coupled with the request to reduce ECAC rates pending in the ECAC Application, results in a proposed rate increase of approximately \$11,451,560 or 10.13 % from the rate levels set forth in the GRC Settlement Agreement.

Liberty CalPeco is proposing that this increase in rates be based on the same rate design and rate allocation as agreed to in the GRC Settlement Agreement

Table 5 below shows the results of the requests being made in this PTAM Advice Letter on a customer class basis assuming that (i) the Commission approves the rate levels set forth in the GRC Settlement Agreement and they have become effective; (ii) this PTAM Advice Letter were the lone rate request pending before the Commission (i.e. there is no offsetting reduction in ECAC rates).

Table 5

Customer Class	Increase (\$)	Increase (%)
Residential (D-1)	\$5,736,163	26.30%
Small Commercial (A-1)	\$2,278,634	26.30%
Medium Commercial (A-2)	\$1,033,385	26.30%
Large Commercial (A-3)	\$2,341,518	26.30%
Interruptible Irrigation (PA)	\$19,748	26.30%
Street Lights (SL)	\$13,865	26.30%
Outdoor Lighting (OL)	\$27,687	26.30%

²⁶ The cost savings represent the product of the MWh purchases of NV Energy RPS generation which Luning solar generation will displace in 2017 and the \$/MWh projected cost of the NV Energy RPS generation.

Effective Date

Liberty CalPeco requests that this **Tier 2** Advice Letter be effective as of November 16, 2017. Approval as of this date will enable Liberty CalPeco to submit the necessary Tier 1 Advice Letter containing the revised tariff sheets to be effective as of January 1, 2017 with the approved rate changes associated with this PTAM Advice Letter, and potentially also the pending GRC and ECAC applications.

Protests

Anyone wishing to protest this Advice Letter may do so by letter sent via U.S. mail, by facsimile or by email, any of which must be received no later than November 10, 2016, which is 20 days after the date of this Advice Letter. There are no restrictions on who may submit a protest, but the protest shall set forth the grounds upon which it is based and shall be submitted expeditiously. Protests should be mailed to:

California Public Utilities Commission
Energy Division, Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298
Facsimile: (415) 703-2200
Email: edtariffunit@cpuc.ca.gov

The protest should be sent via email and U.S. Mail (and by facsimile, if possible) to Liberty Utilities (CalPeco Electric) LLC at the address shown below on the same date it is mailed or delivered to the Commission:

Liberty Utilities (CalPeco Electric) LLC
Attn: Advice Letter Protests
933 Eloise Avenue
South Lake Tahoe, CA 96150
Fax: 530-544-4811
Email: Alain.Blunier@libertyutilities.com

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

Notice

In accordance with General Order 96-B, Section 4.3, a copy of this Advice Letter is being sent electronically to parties shown on the attached lists. Liberty CalPeco is also serving this Advice Letter on parties in Application 15-05-008 (the Liberty CalPeco 2016 General Rate Case

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proceeding), in Application 15-04-016 (the proceeding in which the Luning Approval Decision was issued), and in Application 16-07-001 (the ECAC Application).

In accordance with G.O. 96-B, Rule 4.2, Liberty CalPeco is providing customers notice through bill inserts and also by printing notices in newspapers of general circulation.

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

Respectfully submitted,

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC

/s/

Gregory S. Sorensen
President
Liberty Utilities (CalPeco Electric) LLC

Attachments:

cc: Liberty CalPeco General Order 96-B Service List
Services Lists of A.15-05-008, A.16-07-001, A.15-04-016

EXHIBIT A

Amended Settlement Agreement
Between the Office of Ratepayer Advocates and
Liberty Utilities (CalPeco Electric) LLC

(PUBLIC VERSION)

**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 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

Application 15-04-016
(Filed April 17, 2015)

**AMENDED SETTLEMENT AGREEMENT
BETWEEN THE OFFICE OF RATEPAYER ADVOCATES AND
LIBERTY UTILITIES (CALPECO ELECTRIC) LLC**

(PUBLIC VERSION)

1. GENERAL

1.1 Pursuant to Article 12 of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities Commission (“Commission”) and Ordering Paragraph No. 1 of Decision 16-01-021,¹ Liberty Utilities (CalPeco Electric) LLC (“Liberty Utilities”) and the Office of Ratepayer Advocates (“ORA”) (collectively, the “Parties”) enter into this amended settlement agreement (“Settlement Agreement”) on a mutually agreeable outcome on certain issues as described further herein. This Settlement Agreement addresses the Application of Liberty Utilities seeking approval to acquire, own, and operate the Luning Solar Project (“Luning Project”) and the Minden Sunrise Solar Project (“Minden Project”) (collectively, the “Solar Projects”) and authorize ratemaking procedures for Liberty Utilities to recover the costs to acquire, own, and operate the Solar Projects. The Parties respectfully request that the Commission grant authorization, subject to the terms and conditions of this Settlement Agreement.

¹ Section 3.2 of the Settlement Agreement has been revised to reflect the required language contained in Ordering Paragraph No. 1 of Decision 16-01-021.

1.2 As Liberty Utilities and ORA are the only active parties in this proceeding, the Settlement Agreement represents an all-party settlement.

1.3 Since this Settlement Agreement represents a compromise by each of the Parties' respective litigation position on the matters described, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission should not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. *See* Rule 12.5.

1.4 The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission.

1.5 The Parties agree that this Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of this Settlement Agreement, each Party has the right to withdraw. Furthermore, the Settlement Agreement is being presented as an integrated package such that the Parties are agreeing to the Settlement Agreement as a whole rather than agreeing to specific elements of the Settlement Agreement.

1.6 This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

1.7 No Party has relied or presently relies upon any statement, promise or representation by any other Party, whether oral or written, except as specifically set forth in this

Settlement Agreement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representatives.

1.8 This Settlement Agreement constitutes and represents the entire agreement between the Parties and supersedes all prior and contemporaneous agreements, negotiations, representations, warranties and understandings of the Parties with respect to the subject matter set forth herein.

1.9 Each Party who executes this Settlement Agreement represents and warrants to each other Party that the individual signing this Settlement Agreement and the related Motion has the legal authority to do so on behalf of such Party.

1.10 The Parties agree to perform diligently and in good faith all actions required, including, but not limited to, the execution of any other documents and the taking of any actions reasonably required to effectuate the Terms and Conditions of this Settlement Agreement as well as the preparation of the Exhibits for, and the presentation of witnesses at, any hearings required to obtain the Commission's approval and adoption of the Settlement Agreement. The Parties will use the best efforts to ensure that this Settlement Agreement is approved by the Commission as soon as possible.

1.11 This Settlement Agreement may be amended or changed only by a written agreement signed by the Parties.

1.12 Once fully executed by the Parties and adopted and approved by a Commission Decision, this Settlement Agreement fully and finally settles any and all disputes between the Liberty Utilities and ORA in this proceeding, unless otherwise specifically provided in the Settlement Agreement.

1.13 Based on the Parties' acceptance of the Terms and Conditions herein, ORA enters into this Settlement to resolve this matter without having an evidentiary hearing. ORA joins Liberty Utilities in requesting that the Commission approve and adopt the Settlement on an expedited basis, because it is reasonable in light of the whole record, consistent with the law, and in the public interest.

2. BACKGROUND

2.1 Liberty Utilities filed this Application on April 17, 2015. In the Application, Liberty Utilities requests that the Commission: (i) pursuant to Public Utilities Code Sections ("Section") 399.14 and/or 1005.5 establish the "maximum cost determined to be reasonable and prudent for the [Solar Projects' construction and initial operation]" ("Maximum Reasonable Costs Amount"); (ii) authorize Liberty Utilities to place up to the Maximum Reasonable Costs Amount into rate base as of January 1, 2017; and (iii) authorize Liberty Utilities to request the inclusion of the Maximum Reasonable Costs Amount into its rate base and the recovery of certain "Solar Projects Operating Expenses" (as defined below) through the Post Test-Year Adjustment Mechanism ("PTAM") filing Liberty Utilities shall make in October 2016 ("October 2016 PTAM Filing").

2.2 In conjunction with its request to acquire, own, and operate the Solar Projects and to be authorized to seek rate recovery for the associated costs, in the Application Liberty Utilities requested that the Commission:

- Approve Liberty Utilities entering into Project Purchase Agreements with the developers of the respective Solar Projects;
- Determine, pursuant to Section 399.14 and/or Section 1005.5, a Maximum Reasonable Costs Amount for Liberty Utilities to acquire and own the Solar Projects;
- Authorize Liberty Utilities to seek the authority to place its costs to acquire and own the Solar Projects up to the Maximum Reasonable Costs

Amount into rate base as of January 1, 2017 through its October 2016 PTAM Filing;

- Approve Liberty Utilities’ initial joint ownership of each Solar Project with a tax equity partner, authorize Liberty Utilities to enter power purchase agreements with the Solar Project Companies (“Solar Project PPAs”), and authorize Liberty Utilities to buy out the ownership interest of the tax equity partner in each of the Solar Projects in accordance with buy-out terms and the buy-out price to be set forth in the Tax Equity Partnership Agreements;
- Authorize Liberty Utilities to recover the following costs associated with the operation of the Solar Projects as general rates for the life of each Solar Project and to seek the authority to include the following costs in its October 2016 PTAM Filing:
 - costs to operate and maintain the Solar Projects (“O&M Costs”);
 - administrative and general costs associated with the operation of the Solar Projects (“A&G Costs”); and
 - property tax payments for the Solar Projects (“Property Tax”);²
- Authorize Liberty Utilities to record the costs it will incur resulting from the distributions that the Solar Project Companies will make to the Tax Equity Partner during the initial years of the Solar Projects’ operations (“Tax Equity Partner Distribution”) and the payment Liberty Utilities expects to make to purchase the Tax Equity Partner’s ownership interest in the Solar Project Companies (“Buy-Out Payment”)³ in its Energy Cost Adjustment Clause (“ECAC”) account and to recover such Tax Equity Partner Expenses in accordance with its ECAC tariff;
- Grant Liberty Utilities motion for confidentiality of certain commercially sensitive information; and
- Approve this Application and grant the authorizations requested in a final decision to be issued no later than January 29, 2016.

² The O&M Costs, A&G Costs, and Property Tax will be hereafter collectively referenced as the “Luning Project Operating Expenses.”

³ The Tax Equity Partner Distribution and the Buy-Out Payment will be collectively referenced as “Tax Equity Partner Expenses.”

2.3 ORA filed a Protest on May 26, 2015. No other party properly filed a protest or sought party status in this proceeding.⁴ A prehearing conference was held on June 26, 2015 before Administrative Law Judge (“ALJ”) Melanie Darling.

2.4 ORA propounded and Liberty Utilities responded to three set of data requests. ORA and Liberty Utilities engaged in numerous conference calls and face-to-face meetings both at the CPUC and the office of counsel for Liberty Utilities to discuss the approvals Liberty Utilities is requesting and the issues ORA identified relating to these requests. The terms of the present Settlement Agreement were developed through the above provision of information by Liberty Utilities and ongoing communications between the Parties.

2.5 On August 14, 2015, in accordance with Rule 12.1(b), Liberty Utilities, with the concurrence of ORA, convened and invited parties identified on the service list in this proceeding to participate in a conference for the purpose of discussing settlement, to be held by conference telephone call on August 21, 2015.

2.6 A draft document with terms substantially identical to those of the present Settlement Agreement was sent to all persons identified on the service list in this proceeding, along with a draft Motion for Commission approval of the Settlement Agreement.

2.7 The previously noticed settlement conference was held as scheduled on August 21, 2015, with participation by Liberty Utilities and ORA.

⁴ On June 11, Mary and Steve Walker sent to the Commission a document in the form of a pleading entitled, “Protest of Steve and Mary Walker to Application of Liberty Utilities for the Minden Sunrise Solar Project Certificate of Public Convenience and Necessity.” The Parties understand that the Walkers did not seek and have not been granted party status in this proceeding.

3. Approvals to Be Granted to Liberty Utilities

Liberty Utilities and ORA agree that the Commission shall grant Liberty Utilities the following approvals in connection with the Solar Projects, *provided* that the Commission imposes on Liberty Utilities the conditions set forth in Article 4 of this Settlement Agreement:

3.1 Approve Liberty Utilities entering into a Project Purchase Agreement with the developer of the Luning Project (“Luning Project Purchase Agreement”);

3.2 Authorize Liberty Utilities to seek the authority to place its costs to acquire and own the Luning Project **(a) up to 95% of the Maximum Reasonable Cost Amount** into rate base as of January 1, 2017 through its October 2016 PTAM Filing or another mechanism which the Parties may mutually agree upon; **and (b) up to 5% of the Maximum Reasonable Costs Amount into rate base as of January 1, 2018 through its October 2017 PTAM Filing or another mechanism which the Parties may mutually agree upon (emphasis is the amendment)**; provided that to the extent the Luning Project does not achieve commercial operation as of January 1, 2017, Liberty Utilities shall, in consultation with ORA, submit an additional pleading to propose adjustments in its 2017 rate recovery necessary to account for the post-January 1, 2017 commercial operation date of the Luning Project;

3.3 Authorize Liberty Utilities to seek authority to recover the following Luning Project Operating Expenses:

- (a) For 2017 and 2018 in an amount up to the applicable annual cost recovery cap set forth in Section 4.3 for 2017 and 2018 in its October 2016 PTAM or another mechanism which the Parties may mutually agree upon;
- (b) For 2019, 2020, and 2021 in an amount up to the applicable annual cost recovery cap set forth in Section 4.3 in Liberty Utilities’ 2019 general rate case proceeding; and

(c) For 2022 and each succeeding year in Liberty Utilities’ general rate case proceedings.

3.4 Approve Liberty Utilities’ initial joint ownership of the Luning Project with a Tax Equity Partner;

3.5 Authorize Liberty Utilities to enter into a power purchase agreement with the Luning Solar Project Company (“Luning Project PPA”);

3.6 Authorize Liberty Utilities to buy out the ownership interest of the Tax Equity Partner in the Luning Project in accordance with buy-out terms and the buy-out price to be set forth in the Luning Project tax equity partnership agreement;

3.7 Authorize Liberty Utilities to record the costs it will incur associated with the Tax Equity Partner Distribution and the Buy-Out Payment in its ECAC account and to recover such Tax Equity Partner Expenses in accordance with its ECAC tariff;

3.8 Grant Liberty Utilities’ motion for confidentiality of certain commercially sensitive information⁵; and

3.9 Approve this Application subject to the terms of this Settlement Agreement and grant the authorizations requested in a Final Decision to be timely issued by the Commission.

4. Conditions to Be Imposed on Approvals to be Granted to Liberty Utilities

Liberty Utilities and ORA agree that with respect to the approvals the Commission should grant Liberty Utilities in connection with the Luning Project as set forth in Article 3 above, the Commission should also impose the following conditions:

⁵ See Motion of Liberty Utilities (Calpeco Electric) LLC (U 933 E) for Leave to File the Confidential Version of the Application and Exhibits B and C to the Application Under Seal, and to Seal the Evidentiary Record Containing Confidential Information in the Testimony of Travis Johnson, the Testimony of Jeff Norman, the Testimony of Todd Mooney, and the Testimony of Michael Long, Consistent with the Confidentiality Protections of Decisions 06-06-066 and 08-04-023, Public Utilities Code Sections 454.5(G) And 583, and/or General Order 66-C, filed April 17, 2015.

4.1 Pursuant to Section 399.14 and/or Section 1005.5, the aggregate Maximum Reasonable Cost Amount for Liberty Utilities to acquire and own the 50 megawatt (“MW”) Luning Project shall be \$ [REDACTED] (which is approximately 65.9% of the total purchase price). After accounting for the demand charge savings Liberty Utilities will realize in the First Amended 2016 NV Energy Services Agreement with NV Energy based on the Luning Project’s energy production, this Maximum Reasonable Cost Amount translates to a Levelized Cost of Energy (“LCOE”) of approximately \$ [REDACTED] [REDACTED] (the “All-In Luning LCOE”).⁶

4.2 To the extent that Liberty Utilities and the Tax Equity Partner’s respective capital contribution in the Luning Project is reduced in accordance with the terms of the Luning Solar Project Agreement due to: (a) the failure of the Luning Project Developer to successfully timely and fully construct and commence commercial operations of the Luning Project to qualify for the 30% federal Investment Tax Credit; (b) the failure of the Luning Project Developer to timely meet the guaranteed commercial operation date set forth in the Luning Project Purchase Agreement; and/or (c) the failure of the Luning Project to satisfy certain capacity and energy testing standards, the corresponding reduction in Liberty Utilities’ and the Tax Equity Partner’s respective Capital Contributions shall all be flowed through to Liberty Utilities’ electric customers through a corresponding reduction in the amount Liberty Utilities places into rate base in accordance with Section 3.2 and in the amounts it records in its ECAC balancing account and is allowed to recover in rates through its ECAC mechanism in accordance with Section 3.7 with respect to the payments Liberty Utilities shall make to Tax Equity Partner as Tax Equity Partner Distributions and the Buy-Out Payment.

⁶ For the avoidance of doubt, the All-In Luning LCOE includes both the Maximum Reasonable Cost Amount as well as all of the Luning Project Operating Expenses.

4.3 The maximum annual amount that Liberty Utilities may seek to recover in rates for Luning Project Operating Expenses in accordance with Sections 3.3(a) and 3.3(b) during the years 2017 through 2021 are the amounts set forth in the table below. For the avoidance of doubt, the Luning Project Operating Expenses are fully accounted for in the All-In Luning LCOE described above in Section 4.1.

Year	Operating Costs
2017	\$1,600,000
2018	\$1,650,000
2019	
2020	
2021	

Notwithstanding the caps set forth in this Section 4.3 with respect to the amount of Luning Project Operating Expenses, Liberty Utilities may seek to recover through rates, to the extent the taxes or insurance costs for the Luning Project increase beyond Liberty Utilities' current estimates for any of years 2017 through 2021, Liberty Utilities shall have the right to seek recovery of such additional amounts above the maximum amount set forth in the Table above otherwise allowed for the Luning Project Operating Expenses for that year.

4.4 The maximum annual amount that Liberty Utilities may recover in rates representing the Tax Equity Partner Distribution as set forth in Section 3.7 shall be set at an amount representing no more than approximately 2 percent of the Tax Equity Partner's Capital Contribution.

4.5 The Parties agree they are mutually committed to exploring and implementing ratemaking mechanisms to enable Liberty Utilities to recover through rates its full costs to own and operate, and thereby deliver solar energy from, the Luning Project to its customers, but at the same time best protect its customers from experiencing steep escalations in rates in the first years of operation. Liberty Utilities will provide ORA with further information concerning the rate

implications of the Luning Project by March 31, 2016. Liberty Utilities shall work with ORA to develop its ratemaking proposals, for submission in either its October 2016 PTAM (or another mutually agreeable mechanism) or in an application or applicable form of advice letter.

4.6 With respect to any major change or modification to the Luning Project that may be required, Liberty Utilities shall prior to making any filing with or submission to the Commission seeking approval of the major change or modification notify ORA of the major change or modification.

5. Liberty Utilities' Reservation of Rights to Seek Approval of Additional 10 MWs of Renewable Generation

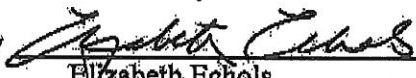
5.1 The Parties acknowledge that Liberty Utilities' Application sought approval to purchase, own, and operate Solar Projects with a combined capacity of 60 MWs, but due to delays at the Minden Project associated with permitting, Liberty Utilities now only seeks approval to purchase, own, and operate the 50 MW Luning Project. Under the First Amended 2016 NV Energy Services Agreement, Liberty Utilities has the option to replace up to 60 MW of renewable generation that NV Energy would otherwise be obligated to deliver with renewable energy. This Settlement Agreement does not limit Liberty Utilities' right to seek Commission approval to purchase, own, and operate an additional 10 MW of capacity of renewable generation. Liberty Utilities may seek expeditious review of its application for Commission approval to purchase, own, and operate such additional 10 MW of renewable generation capacity. Liberty Utilities shall prior to making any filing with or submission to the Commission seeking approval meet with ORA to discuss the application and work together to resolve any potential issues. ORA agrees to support Liberty Utilities' request for the Commission's expeditious review of the application, subject to ORA's own review of the application and on the condition that ORA deems the project to be just and reasonable for ratepayers.

Respectfully submitted,

LIBERTY UTILITIES (CALPECO ELECTRIC)
LLC

OFFICE OF RATEPAYER ADVOCATES

By: _____
Gregory S. Sorensen
Its: President

By:  _____
Elizabeth Echols
Its: Director

Dated: September __, 2016

Respectfully submitted,

LIBERTY UTILITIES (CALPECO ELECTRIC)
LLC

By: 
Gregory S. Sorensen

Its: President

OFFICE OF RATEPAYER ADVOCATES

By _____
Elizabeth Echols

Its: Director

Dated: September __, 2016

Exhibits

As part of the Amended Settlement Agreement, no amendments were made to the Exhibits attached to the original August 27, 2015 Settlement Agreement between the Office of Ratepayer Advocates and Liberty Utilities (CalPeco Electric) LLC that is available at:

<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M154/K655/154655711.PDF>

**DECLARATION OF ALAIN R. BLUNIER IN SUPPORT OF
THE CONFIDENTIAL TREATMENT OF EXHIBIT A OF
LIBERTY UTILITIES (CALPECO ELECTRIC) LLC ADVICE LETTER 65-E**

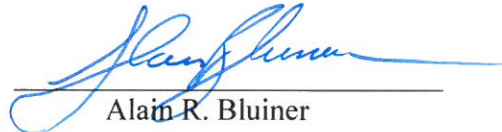
I, Alain R. Blunier, declare:

1. I am a Rate Analyst III for Rates & Regulatory Affairs at Liberty Utilities (CalPeco Electric) LLC (“Liberty CalPeco”) and have been authorized by Gregory S. Sorensen, President of Liberty CalPeco, to sign this declaration. This declaration is based on my personal knowledge of the confidential information contained in the Amended Settlement Agreement between the Office of Ratepayer Advocates and Liberty Utilities (CalPeco Electric) LLC, dated September 23, 2016 (“Amended Luning Settlement Agreement”). The Amended Luning Settlement Agreement implements the changes required to the Luning Settlement Agreement by the Luning Approval Decision (D.16-02-021). The Amended Luning Settlement Agreement is attached as Exhibit A to Liberty CalPeco Advice Letter 65-E.
2. Based on my knowledge and experience, I make this declaration seeking confidential treatment for the confidential information contained in Exhibit A to the Liberty CalPeco Advice Letter 65-E.
3. Attached to this declaration is a matrix identifying the data and information for which Liberty CalPeco is seeking confidential treatment. The matrix specifies that the material Liberty CalPeco is seeking to protect constitutes the particular type of data and information listed in Appendix 1 of Decision 06-06-066 (“IOU Matrix”) or constitutes information that should be protected under General Order 66-C. The matrix also specifies: (1) the category or categories in the IOU Matrix for that type of data or information; (2) that the information is not already public; and (3) that the data cannot be

aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct.

Executed on 17th day of October 2016 at Tahoe Vista, California.



Alain R. Bluiner

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC

**LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E)
ADVICE LETTER 65-PTAM**

IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066, DECISION 08-04-023 and General Order 66-C

Redaction Reference	Listed in Matrix (Y/N)	Matrix Category	Comply with matrix limitation (Y/N)	Not already public (Y/N)	Cannot be aggregated, redacted or summarized (Y/N)	Liberty CalPeco's Justification for Confidential Treatment	Length of Time
<p>Amended Luning Settlement Agreement, (Confidential Version of Settlement Agreement) Section 4.1, p. 9 Section 4.3, p. 10</p>	<p style="text-align: center;">Y</p>	<p>Item VII.G General Order 66-C, Section 2.2</p>	<p style="text-align: center;">Y</p>	<p style="text-align: center;">Y</p>	<p style="text-align: center;">N</p>	<p>The redacted information contains price information from the Luning Project Purchase and Sale Agreement and operating costs for 2019-2021 from the Luning Project Operations and Maintenance Agreement, both of which were competitively bid as part of Liberty CalPeco's solicitation process to select the Luning Solar Project. The information is confidential, proprietary, and market sensitive information that if disclosed would place Liberty CalPeco and its counter-party at an unfair business disadvantage.</p>	<p>For information covered under Item VII.G, remain confidential for 3 years, or until one year following expiration of the agreement, whichever comes first.</p> <p>For information under GO 66-C, indefinite.</p>

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

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Service Lists

PROCEEDING: A1505008 - LIBERTY UTILITIES (C
FILER: LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
LIST NAME: LIST
LAST CHANGED: SEPTEMBER 20, 2016

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PROCEEDING: A1607001 - LIBERTY UTILITIES (C
FILER: LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
LIST NAME: LIST
LAST CHANGED: SEPTEMBER 27, 2016

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PROCEEDING: A1504016 - LIBERTY UTILITIES (C
FILER: LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
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ZITA KLINE
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ATTACHMENT B

CALIFORNIA PUBLIC UTILITIES COMMISSION

**ADVICE LETTER FILING SUMMARY
ENERGY UTILITY**

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

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

Utility type:

- ELC GAS
 PLC HEAT WATER

Contact Person for questions and approval letters:
 Alain Blunier _____
 Phone #: 530-546-1702
 E-mail: **Alain.Blunier@libertyutilities.com**

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 65-E **(PUBLIC VERSION)**

Subject of AL: Liberty Utilities (CalPeco Electric) LLC (U 933-E) – 2017 Post-Test Year Adjustment Mechanism

–Tier Designation: 1 2 3

Keywords (choose from CPUC listing):

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution:
 16-01-021

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

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

Resolution Required? Yes No

Requested effective date: November 16, 2016

No. of tariff sheets: N/A

Estimated system annual revenue effect: (%): ____

Estimated system average rate effect (%): ____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending Advice Letters that revise the same tariff sheets: N/A

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

CPUC, Energy Division Utility Info (including e-mail)

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

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



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

VIA EMAIL AND HAND DELIVERY

October 17, 2016

**Advice Letter No. 65-E
(U 933-E)**

Edward Randolph, Director, Energy Division
California Public Utilities Commission
Energy Division, Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298

Subject: 2017 Post-Test Year Adjustment Mechanism

Liberty Utilities (CalPeco Electric) LLC (U 933 E) (“Liberty CalPeco”) hereby submits this **Tier 2** Advice Letter No. 65-E to increase its base rate revenues in accordance with the Post-Test Year Adjustment Mechanism (“PTAM”) as set forth in Section 9 of the Preliminary Statement in the Liberty CalPeco Tariff and as further authorized by Decision (“D.”) 16-01-021 (“Luning Approval Decision”).

Purpose

The purpose of this filing is to revise general rates as of January 1, 2017 pursuant to the PTAM tariff authorized in D.12-11-030 and to seek recovery for the capital and operating expenses associated with Liberty CalPeco’s acquisition, financing, ownership, operation and maintenance of the Luning Solar Project as authorized by the Commission in the Luning Approval Decision.

Coordination with Other Pending Liberty CalPeco Rate Proceedings

Liberty CalPeco concurrently has a General Rate Case (“GRC”) application (A.15-05-008) and an Energy Cost Adjustment Clause (“ECAC”) application (A.16-07-001) (“ECAC Application”) pending before the Commission. Liberty CalPeco currently expects the Commission to issue a final decision in the GRC application on a schedule that would enable the revised GRC rates to become effective as of January 1, 2017.¹ Liberty CalPeco’s tariff provides that revisions to ECAC rates are also to become effective as of January 1, 2017.

¹ See A.15-05-008, Joint Motion to Adopt All-Party Settlement Agreement Among Liberty CalPeco (CalPeco Electric) LLC (U933E), the Office of Ratepayer Advocates, and the A-3 Customer Coalition, filed May 18, 2016 (“GRC Settlement Motion”) available at: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M163/K483/163483968.PDF>. The all-party settlement in the general rate case (“GRC Settlement Agreement”) is attached to the GRC Settlement Motion as Attachment A. The GRC Settlement Motion seeking approval of the GRC Settlement Agreement remains pending.

Assuming final decisions are issued in Liberty CalPeco's GRC and ECAC applications on a schedule that enables the revised rates to become effective as of January 1, 2017, Liberty CalPeco intends to timely make the necessary compliance submissions, including presenting revised tariffs to implement the aggregation of the multiple rate changes and enable the new rates being requested in this PTAM Advice Letter and the GRC and ECAC applications to each become effective as of January 1, 2017. This consolidation of these rate changes is intended to minimize the number of rate changes for the customers of Liberty CalPeco.²

In any event, even if decisions in the GRC or ECAC proceedings are not issued, Liberty CalPeco shall supplement this Advice Letter by submitting revised tariff sheets based on the rate changes requested in this Advice Letter and the most current information otherwise available and on a schedule that will enable the PTAM-related (and possibly other) rate changes to become effective as of January 1, 2017.

Background

The Liberty CalPeco PTAM tariff authorizes it to request increases through the PTAM based on the following:

Attrition Component

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

Major Plant Additions Component

For the Major Plant Additions component Liberty CalPeco will request recovery of all costs related to major plant additions. For purposes of the PTAM, a "Major Plant Addition" includes any capital addition to plant-in-service that exceeds \$4 million on a total company basis. The revenue requirement associated with a major plant addition would also include the

² Coordinating the effectiveness of the rate changes being requested in the ECAC Application and through this advice letter is further appropriate because the reduction in power purchases and corresponding decrease in projected power purchase costs Liberty CalPeco reflected in the ECAC Application are predicated on the generation from the Luning Solar Project displacing RPS generation Liberty CalPeco would otherwise purchase from NV Energy pursuant to the 2016 NV Energy Services Agreement. See A.16-07-001, ECAC Application at 3; see also, *infra*, at 11. A copy of ECAC Application is available at: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M164/K883/164883960.PDF>.

California portion of operation and maintenance expenses, depreciation, and property taxes.³

In addition, in the Luning Approval Decision, the Commission approved a Settlement Agreement between Liberty CalPeco and ORA authorizing Liberty CalPeco to purchase the Luning Solar Project and to recover in rates its costs associated with the acquisition, financing, ownership, operation and maintenance of the Luning Solar Project (“Luning Settlement Agreement”).⁴

A. Attrition Component

In September 2016, Global Insight released its forecast of CPI. Based on the CPI Forecast for 2017 of 2.1% less a productivity factor of 0.5%, the PTAM attrition adjustment for 2017 is 1.6%.

B. Major Plant Additions Component/Luning Solar Project Cost Recovery

In the Luning Approval Decision, the Commission found 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.”⁵ It additionally ordered that:

³ The PTAM tariff also obligates Liberty CalPeco to submit a Tier 1 Advice Letter providing notice of a planned Major Plant Addition prior to seeking any PTAM adjustment. Liberty CalPeco complied with this requirement by submission of Advice Letter No. 62-E, which provided the Office of Ratepayer Advocates (“ORA”) and the Commission with notice of its intent to seek rate recovery for the costs associated with the Luning Solar Project. No protests to Advice Letter No. 62-E were submitted.

Nonetheless, on September 22, the Energy Division issued a notice to “suspend” the effectiveness of Advice Letter No. 62-E for a period of up to 120 days. Liberty CalPeco is in any event proceeding with the submission of this PTAM Advice Letter on the grounds: (i) its PTAM tariff obligates it to submit an advice letter requesting changes in base rate revenues as of October 15; (ii) the Luning Approval Decision authorizes Liberty to seek rate recovery for the Luning Solar Project in a PTAM Advice Letter to be submitted in October 2016; (iii) Liberty CalPeco understands that the suspension of Advice Letter No. 62-E was not predicated on any substantive grounds; and (iv) the legal consequences of a suspension of an advice letter whose purpose is simply to provide notice, and requests no Commission action or other relief, is uncertain.

⁴ The original public version of the Luning Settlement Agreement is Attachment A to the Luning Approval Decision. The Luning Approval Decision conditioned its approval of the Luning Settlement Agreement on the parties making certain revisions to the Luning Settlement Agreement. *See* Luning Approval Decision, mimeo at 43 (Ordering Paragraph No. 1). Attached as Exhibit A to this Advice Letter is a portion of the Amended Settlement Agreement between the Office of Ratepayer Advocates and Liberty CalPeco (CalPeco Electric) LLC, dated September 23, 2016 (“Amended Luning Settlement Agreement”). The portion of the Amended Luning Settlement Agreement set forth in Exhibit A implements the changes in the Luning Settlement Agreement the Luning Approval Decision ordered.

⁵ Luning Approval Decision, mimeo at 42 (Conclusions of Law No. 2).

As set forth in the terms of the [Luning] Settlement Agreement, Liberty [CalPeco] may seek rate recovery of authorized capital expenses and other costs related to the acquisition and initial operation of the Luning facility, including through the use of its 2017 and 2018 Post-Test Year Adjustment Mechanism filing.⁶

The Amended Luning Settlement Agreement authorizes Liberty CalPeco to seek in this PTAM rate recovery commencing January 1, 2017 for the following costs associated with the Luning Solar Project:

1. The “costs to acquire and own the Luning [Solar] Project (a) up to 95% of the Maximum Reasonable Costs Amount into rate base as of January 1, 2017”⁷ (the “Capital Investment”); and
2. The “Luning Project Operating Expenses” that Liberty CalPeco shall incur in 2017 and 2018 associated with the operation of the Luning Solar Project up to the applicable annual cost recovery cap set forth in Section 4.3 of the Amended Luning Settlement Agreement.⁸

Rate Requests

A. Attrition Adjustment

In the pending GRC Settlement Agreement, the parties agreed to a base rate revenue requirement of \$43,535,000.⁹ Application of the 1.6% attrition adjustment to this \$43,535,000 base rate revenue requirement yields an increase in 2017 base revenues of \$696,560.

B. Recovery of the Costs to Acquire, Own, Operate and Maintain the Luning Solar Project

i. Ratemaking Implications of Updated Commercial Operation Date

During the proceedings that culminated in the issuance of the Luning Approval Decision, Liberty CalPeco projected that the Luning Solar Project would commence commercial operation as of January 1, 2017. On that basis the Commission authorized Liberty CalPeco to begin recovering its costs associated with the Luning Solar Project as of January 1, 2017. Based on the most

⁶ Luning Approval Decision, mimeo at 44 (Ordering Paragraph No.2).

⁷ Luning Approval Decision, mimeo at 43. (Ordering Paragraph No.1 (a)).

⁸ Amended Luning Settlement Agreement, Section 3.3(a).

⁹ GRC Settlement Agreement, Exhibit A (ln. 2).

current information available, Liberty CalPeco is now projecting that the commercial operation date of the Luning Solar Project will be February 1, 2017.¹⁰

In this Advice Letter or otherwise, with the exception of property tax payments for January 2017,¹¹ Liberty CalPeco is not seeking to recover any costs associated with the Luning Solar Project for any period preceding the project's commercial operation date. Accordingly, as will be described in the following sections requesting rate recovery, Liberty CalPeco has developed the Luning Solar Project-associated revenue requirement for 2017 for both its capital and operating costs (other than the property taxes) by multiplying the projected annual revenue requirement for 2017 by 11/12.¹²

Section 3.2 of the Amended Luning Settlement Agreement, provides that, to the extent that the Luning Solar Project is not able to achieve commercial operation as of January 1, 2017, "Liberty [CalPeco] shall, in consultation with ORA, submit an additional pleading to propose adjustments in its 2017 rate recovery necessary to account for the post-January 1, 2017 commercial operation date of the Luning [Solar] Project."¹³

As reported in Advice Letter No. 62-E, Liberty CalPeco notified ORA of this slight deferral of the anticipated commercial operation date for the Luning Solar Project. ORA remains amenable to Liberty CalPeco requesting rate recovery for the Luning Solar Project in this October 2016 PTAM submission, provided the ratemaking Liberty CalPeco proposes recognizes and makes the adjustments necessary to account for the change in the commercial operation date.¹⁴

Liberty CalPeco believes that its proposal to limit 2017 rate recovery to the 11 months in 2017 in which the Luning Solar Project shall be in commercial operation in the manner described in this Advice Letter complies with the Commission's and ORA's requirement that the cost recovery for the Luning Solar Project be consistent with any deferral beyond January 1 of its commercial operation date.

¹⁰ Liberty CalPeco also projected February 1, 2017 as the anticipated commercial operation date for the Luning Solar Project in forecasting its projected purchased power purchases and associated costs during 2017. *See* ECAC Application at 3.

¹¹ *See, infra*, at 10.

¹² Liberty CalPeco used this same 11/12 pro rata methodology in its ECAC Application to calculate the expected MWh of Luning Solar Project generation that in 2017 will replace RPS-qualified generation Liberty CalPeco would otherwise purchase from NV Energy. *See* Direct Testimony of Alain R. Blunier, Chapter 1, ECAC Application at 1-8, n. 12.

¹³ *See* Amended Luning Settlement Agreement, Section 3.2.

¹⁴ Advice Letter No. 62-E, at 3.

ii. Capital Costs Recovery

The Luning Settlement Agreement authorizes Liberty CalPeco to place into its rate base and seek recovery in this PTAM Advice Letter the capital costs it is incurring in 2016 to acquire the Luning Solar Project. The Luning Settlement Agreement, however, limits the amount that Liberty CalPeco may place into rate base as of January 1, 2017 to an amount no greater than 95% of the Maximum Reasonable Cost to acquire and own the Luning Solar Project.¹⁵

As set forth in Table 1, Liberty CalPeco will incur in 2016 costs of \$71,967,743 to acquire and own the Luning Solar Project. As explained in the Luning Approval Decision, the capital costs for Liberty CalPeco to acquire the Luning Solar Project from the project developer are substantially greater;¹⁶ however, the tax equity participant in the project will be contributing the incremental capital to enable Liberty CalPeco to acquire the Luning Solar Project at this reduced amount of investment and for the benefit of its customers.

The components of the \$71,967,743 capital costs associated with Liberty CalPeco's acquisition of the Luning Solar Project are separated into the following categories:

Table 1

Liberty CalPeco Capital Costs Associated with Luning Solar Project Acquisition

<u>Category</u>	
Structures and Improvements	\$2,159,032
Generating Equipment	\$66,210,324
Substation Equipment	<u>\$3,598,387</u>
	<u>\$71,967,743</u>

Liberty CalPeco 2016 capital expenditures are less than the Maximum Reasonable Cost. Liberty CalPeco accordingly requests authority to place \$62,671,910 into rate base as of January 1, 2017 ("Rate Base Addition"). As displayed in Table 2 below, Liberty CalPeco calculated the

¹⁵ Liberty CalPeco is authorized to place the remaining "5% of the Maximum Reasonable Costs Amount into rate base as of January 1, 2018 through its October 2017 PTAM Filing or another mechanism which the Parties may mutually agree upon." Luning Approval Decision, mimeo at 43 (Ordering Paragraph No. 1(a)). See Amended Luning Settlement Agreement, Section 3.2.

¹⁶ Luning Approval Decision, mimeo at 12-13.

amount of the 2017 Rate Base Addition by taking 95%¹⁷ of the 2016 incurred capital costs and then multiplying that product by 11/12.

Table 2

Liberty CalPeco 2017 Increase in Rate Base

Category	
Total Capital Costs Associated with Luning	\$71,967,743
Percentage Allowed into 2017 Rate Base	95%
Costs Allowed into 2017 Rate Base	\$68,369,356
Period of Commercial Operation in 2017 (February – December)	(11/12)
2017 Increase in Rate Base	\$62,671,910 ¹⁸

To calculate the incremental revenue requirement in 2017 for this \$62,671,910 Rate Base Addition, Liberty CalPeco used the cost of capital, the debt-equity capital structure set forth in the pending GRC Settlement Agreement,¹⁹ and a 30-year depreciation period. If adopted the GRC Settlement Agreement would authorize Liberty CalPeco a Return on Equity of 10.00% and a long-term debt cost of 4.92%.²⁰ These costs, in combination with the agreed upon capital structure of 47.5%/52.5% debt/equity, results in an overall Rate of Return of 7.51%.²¹

To the extent that the Commission authorizes Liberty CalPeco capital costs and/or a capital structure different than the amounts set forth above, Liberty CalPeco shall recalculate the return associated with the Rate Base Addition based on the capital costs and capital structure the Commission ultimately approves for Liberty CalPeco.

In calculating the depreciation associated with the Rate Base Addition, Liberty CalPeco used a 30-year estimated useful life. The use of a 30-year depreciation schedule is appropriate to calculate the depreciation for the Luning Solar Project foremost because in demonstrating the

¹⁷ Amended Luning Settlement Agreement, Section 3.2.

¹⁸ In light of the partial deferral in 2017 of the rate recovery for the capital costs of the Luning Solar Project, in the PTAM Advice Letter that Liberty CalPeco shall submit in October 2017, it shall request, among other possible items, the authority to add to its rate base as of January 1, 2018, 1/12 of the Costs Allowed into 2017 Rate Base (i.e. the amount of otherwise allowed 2017 capital cost recovery deferred in light of the February 1, 2017 commercial operation date) and the residual 5 percent of the Total Capital Costs Associated with Luning which are not being added to rate base as of January 1, 2017. Thus as of January 1, 2018, Liberty CalPeco will have included \$71,967,743 of Total Capital Costs Associated with Luning into its ratebase.

¹⁹ See GRC Settlement Motion, mimeo at 7.

²⁰ See GRC Settlement Motion, mimeo at 7.

²¹ See GRC Settlement Agreement, Section 4.5.

costs savings of the Luning Solar Project, Liberty CalPeco used a 30-year estimated useful project life to calculate the \$/MWh cost for Liberty CalPeco to procure generation from the Luning Solar Project.²² Liberty CalPeco asserts that the Commission should grant rate recovery for the Luning Solar Project using the same depreciation schedule on which the Commission determined that the costs of the Luning Solar Project are just and reasonable. Moreover, use of a 30-year expected life of the solar facilities for depreciation purposes is consistent with the 30-year warranty the vendor is providing for the solar facilities.

The reasonableness of Liberty CalPeco's use of a 30-year useful life to derive the depreciation for the Rate Base Addition is further demonstrated by the fact that other California electric utilities have proposed the use of a 25-year estimated useful life to depreciate solar facilities.²³ Liberty CalPeco selected the 30-year depreciation schedule, as explained above, for consistency and also because a 30-year life lessens the rate impact during the initial years of the operations of the Luning Solar Project.²⁴

iii. Luning Solar Project Operating Cost Recovery

In the Luning Approval Decision, the Commission authorized Liberty CalPeco in this PTAM Advice Letter to seek recovery for the costs it will incur in 2017 and 2018 to operate and maintain the Luning Solar Project. The Luning Settlement Agreement in Section 2.2 and Footnote 1 defines "Luning Project Operating Expenses" as including the Operations and Maintenance ("O&M") Costs, Administrative and General ("A&G") Costs, and Property Tax expenses necessary to own, operate and maintain the Luning Solar Project. The Luning Approval Decision in accordance with Section 4.3 of the Luning Settlement Agreement further established maximum amounts of Operating Expenses that Liberty CalPeco could seek to recover in 2017 ("Operating Expense Annual Maximum Recoverable Amount").

For 2017 and 2018, Liberty CalPeco is forecasting the Luning Project Operating Expenses in the amounts set forth in Table 3 below.

²² Liberty CalPeco set forth its reasoning for use of the 30 year depreciation schedule for purposes of demonstrating the cost benefit of the Luning Solar Project in its confidential response to Request No. 4 ORA Data Request No. CW-001, dated May 7, 2015.

²³ See e.g., November 2014, Exh. SDG&E-28, Direct Testimony of Bob J. Wieczorek on behalf of San Diego Gas & Electric Company, at BJW-30 (A.14-11-003).

²⁴ Section 4.5 of the Luning Settlement Agreement reaffirms that Liberty CalPeco is "to recover through rates its full costs to own and operate... the Luning [Solar] Project," but "at the same time best protect its customers from experiencing steep escalations in rates in the first years of operation."

Table 3

Total Luning Annual Project Operating Expenses

	2017	2018
Property Taxes	\$612,034	\$602,713
O&M Expenses	\$597,900	\$612,847
Insurance	\$159,092	\$162,234
Land Lease	\$60,677	\$112,370
Additional A&G Expenses	<u>\$201,078</u>	<u>\$204,398</u>
	<u>\$1,630,781</u>	<u>\$1,694,562</u>

As shown in Table 4, Liberty CalPeco calculated the 2017 and 2018 revenue requirements for the Luning Project Operating Expenses as follows:

1. Multiplied the projected annual amount of O&M, Insurance and A&G Expenses by 11/12 to reflect the February 1, 2017 commercial operation date. Liberty CalPeco did not make the eleven-month adjustment for property taxes because the Luning Solar Project is assessed property taxes on a calendar year basis and without regard to its actual start of operations.
2. The two-year average of the projected 2017 and 2018 operating expenses of \$1,620,224 (see Table 4 below), exceeded the Operating Expense Annual Maximum Recoverable Amount for 2017. Thus Liberty CalPeco reduced the request for 2017 to the Annual Maximum Recoverable amount of \$1,600,000 set forth in Section 4.3 of the Luning Settlement Agreement.
3. With respect to 2018, \$1,620,224 is below the \$1,650,000 Operating Expense Annual Maximum Recoverable Amount for 2018. Thus in the PTAM it shall submit in October 2017, Liberty CalPeco will be requesting the authority to increase its recovery for 2018 Luning Solar Project Operating Expenses to \$1,620,224.

Table 4

Total Luning Annual Project Operating Expenses			
	2017	2018	Average
O&M Expenses	\$597,900	\$612,847	
Insurance	\$159,092	\$162,234	
Land Lease	\$60,677	\$112,370	
Additional A&G Expenses	<u>\$201,078</u>	<u>\$204,398</u>	
Subtotal	\$1,018,747	\$1,091,849	
Period of Commercial Operation in 2017 (February – December)	(11/12)		
Subtotal	\$933,851	\$1,091,849	\$1,012,850
Property Taxes	\$612,034	\$602,713	\$607,374
Total	<u>\$1,545,885</u>	<u>\$1,694,562</u>	<u>\$1,620,224</u>

Included within the A&G Expenses is approximately \$100,000 annually that the Luning Solar Project will pay to Algonquin Power Co. to provide asset management services. Algonquin Power Co. is an affiliate of Liberty CalPeco. The asset management services agreement between the Luning Solar Project and Algonquin Power Co. is not an affiliate agreement under the Commission rules relating to affiliate transactions because Liberty CalPeco is not a party to the asset purchase agreement.²⁵ Nonetheless, as Liberty CalPeco is seeking rate recovery for the payments that the Luning Solar Project will be making to Algonquin Power Co., Liberty CalPeco is providing notice in this Advice Letter that an affiliate is the counterparty to the asset management agreement and such affiliate will receive payments funded by the electric customers of Liberty CalPeco.

The Luning Solar Project selected Algonquin Power Co. to perform these asset management services on the basis that: (i) Algonquin Power Co. is experienced in administering power purchase agreements for generators who similarly use tax equity financing; and (ii) the services are being provided at cost. Given the relatively small amount of costs associated with the services, it was determined that it would not be cost effective to conduct an RFP to solicit possible interest by unaffiliated third parties to provide this service.

²⁵ See Commission Affiliate Transaction Rule “ATR” II.B. that subjects only “utility transactions with an affiliate” to the ATRs.

C. Rates

The costs attributable to the acquisition, ownership, operation and maintenance of the Luning Solar Project generate an increase in base rate revenues over the GRC Settlement Agreement in 2017 of \$10,755,000. This increase is offset by approximately \$8 million reduction in forecasted 2017 purchased power costs for RPS-qualified generation that Liberty CalPeco would otherwise have to purchase from NV Energy.²⁶

The portion of the annual revenue requirement associated with the Rate Base Addition will decrease in future years as the annual depreciation will reduce the amount of the Rate Base Addition on which Liberty CalPeco shall earn a return; in contrast the cost savings attributable to the decrease in purchases of third-party RPS generation will continue for each year the Luning Solar Project operates.

Application of the PTAM Attrition Factor for 2017 and the recovery of Liberty CalPeco costs to acquire, own, operate and maintain the Luning Solar Project, coupled with the request to reduce ECAC rates pending in the ECAC Application, results in a proposed rate increase of approximately \$11,451,560 or 9.96% from the rate levels set forth in the GRC Settlement Agreement.

Liberty CalPeco is proposing that this increase in rates be based on the same rate design and rate allocation as agreed to in the GRC Settlement Agreement

Table 5 below shows the results of the requests being made in this PTAM Advice Letter on a customer class basis assuming that (i) the Commission approves the rate levels set forth in the GRC Settlement Agreement and they have become effective; (ii) this PTAM Advice Letter were the lone rate request pending before the Commission (i.e. there is no offsetting reduction in ECAC rates).

Table 5

Customer Class	Increase (\$)	Increase (%)
Residential (D-1)	\$ 5,264,859	24.70%
Small Commercial (A-1)	\$ 2,181,571	24.70%
Medium Commercial (A-2)	\$ 990,432	24.70%
Large Commercial (A-3)	\$ 2,259,335	24.70%
Interruptible Irrigation (PA)	\$ 16,586	24.70%
Street Lights (SL)	\$ 13,562	24.70%
Outdoor Lighting (OL)	\$ 28,662	24.70%

²⁶ The cost savings represent the product of the MWh purchases of NV Energy RPS generation which Luning solar generation will displace in 2017 and the \$/MWh projected cost of the NV Energy RPS generation.

Effective Date

Liberty CalPeco requests that this **Tier 2** Advice Letter be effective as of November 16, 2017. Approval as of this date will enable Liberty CalPeco to submit the necessary Tier 1 Advice Letter containing the revised tariff sheets to be effective as of January 1, 2017 with the approved rate changes associated with this PTAM Advice Letter, and potentially also the pending GRC and ECAC applications.

Protests

Anyone wishing to protest this Advice Letter may do so by letter sent via U.S. mail, by facsimile or by email, any of which must be received no later than November 7, 2016, which is 20 days after the date of this Advice Letter. There are no restrictions on who may submit a protest, but the protest shall set forth the grounds upon which it is based and shall be submitted expeditiously. Protests should be mailed to:

California Public Utilities Commission
Energy Division, Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298
Facsimile: (415) 703-2200
Email: edtariffunit@cpuc.ca.gov

The protest should be sent via email and U.S. Mail (and by facsimile, if possible) to Liberty Utilities (CalPeco Electric) LLC at the address shown below on the same date it is mailed or delivered to the Commission:

Liberty Utilities (CalPeco Electric) LLC
Attn: Advice Letter Protests
933 Eloise Avenue
South Lake Tahoe, CA 96150
Fax: 530-544-4811
Email: Alain.Blunier@libertyutilities.com

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

Notice

In accordance with General Order 96-B, Section 4.3, a copy of this Advice Letter is being sent electronically to parties shown on the attached lists. Liberty CalPeco is also serving this Advice Letter on parties in Application 15-05-008 (the Liberty CalPeco 2016 General Rate Case proceeding), in Application 15-04-016 (the proceeding in which the Luning Approval Decision was issued), and in Application 16-07-001 (the ECAC Application).

Energy Division Tariff Unit
California Public Utilities Commission
October 17, 2016
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In accordance with G.O. 96-B, Rule 4.2, Liberty CalPeco is providing customers notice through bill inserts and also by printing notices in newspapers of general circulation.

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

Respectfully submitted,

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC

/s/ 

Gregory S. Sorensen
President
Liberty Utilities (CalPeco Electric) LLC

Attachments:

cc: Liberty CalPeco General Order 96-B Service List
Services Lists of A.15-05-008, A.16-07-001, A.15-04-016

EXHIBIT A

Amended Settlement Agreement
Between the Office of Ratepayer Advocates and
Liberty Utilities (CalPeco Electric) LLC

(PUBLIC VERSION)

**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 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

Application 15-04-016
(Filed April 17, 2015)

**AMENDED SETTLEMENT AGREEMENT
BETWEEN THE OFFICE OF RATEPAYER ADVOCATES AND
LIBERTY UTILITIES (CALPECO ELECTRIC) LLC**

(PUBLIC VERSION)

1. GENERAL

1.1 Pursuant to Article 12 of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities Commission (“Commission”) and Ordering Paragraph No. 1 of Decision 16-01-021,¹ Liberty Utilities (CalPeco Electric) LLC (“Liberty Utilities”) and the Office of Ratepayer Advocates (“ORA”) (collectively, the “Parties”) enter into this amended settlement agreement (“Settlement Agreement”) on a mutually agreeable outcome on certain issues as described further herein. This Settlement Agreement addresses the Application of Liberty Utilities seeking approval to acquire, own, and operate the Luning Solar Project (“Luning Project”) and the Minden Sunrise Solar Project (“Minden Project”) (collectively, the “Solar Projects”) and authorize ratemaking procedures for Liberty Utilities to recover the costs to acquire, own, and operate the Solar Projects. The Parties respectfully request that the Commission grant authorization, subject to the terms and conditions of this Settlement Agreement.

¹ Section 3.2 of the Settlement Agreement has been revised to reflect the required language contained in Ordering Paragraph No. 1 of Decision 16-01-021.

1.2 As Liberty Utilities and ORA are the only active parties in this proceeding, the Settlement Agreement represents an all-party settlement.

1.3 Since this Settlement Agreement represents a compromise by each of the Parties' respective litigation position on the matters described, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission should not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. *See* Rule 12.5.

1.4 The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission.

1.5 The Parties agree that this Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of this Settlement Agreement, each Party has the right to withdraw. Furthermore, the Settlement Agreement is being presented as an integrated package such that the Parties are agreeing to the Settlement Agreement as a whole rather than agreeing to specific elements of the Settlement Agreement.

1.6 This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

1.7 No Party has relied or presently relies upon any statement, promise or representation by any other Party, whether oral or written, except as specifically set forth in this

Settlement Agreement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representatives.

1.8 This Settlement Agreement constitutes and represents the entire agreement between the Parties and supersedes all prior and contemporaneous agreements, negotiations, representations, warranties and understandings of the Parties with respect to the subject matter set forth herein.

1.9 Each Party who executes this Settlement Agreement represents and warrants to each other Party that the individual signing this Settlement Agreement and the related Motion has the legal authority to do so on behalf of such Party.

1.10 The Parties agree to perform diligently and in good faith all actions required, including, but not limited to, the execution of any other documents and the taking of any actions reasonably required to effectuate the Terms and Conditions of this Settlement Agreement as well as the preparation of the Exhibits for, and the presentation of witnesses at, any hearings required to obtain the Commission's approval and adoption of the Settlement Agreement. The Parties will use the best efforts to ensure that this Settlement Agreement is approved by the Commission as soon as possible.

1.11 This Settlement Agreement may be amended or changed only by a written agreement signed by the Parties.

1.12 Once fully executed by the Parties and adopted and approved by a Commission Decision, this Settlement Agreement fully and finally settles any and all disputes between the Liberty Utilities and ORA in this proceeding, unless otherwise specifically provided in the Settlement Agreement.

1.13 Based on the Parties' acceptance of the Terms and Conditions herein, ORA enters into this Settlement to resolve this matter without having an evidentiary hearing. ORA joins Liberty Utilities in requesting that the Commission approve and adopt the Settlement on an expedited basis, because it is reasonable in light of the whole record, consistent with the law, and in the public interest.

2. BACKGROUND

2.1 Liberty Utilities filed this Application on April 17, 2015. In the Application, Liberty Utilities requests that the Commission: (i) pursuant to Public Utilities Code Sections ("Section") 399.14 and/or 1005.5 establish the "maximum cost determined to be reasonable and prudent for the [Solar Projects' construction and initial operation]" ("Maximum Reasonable Costs Amount"); (ii) authorize Liberty Utilities to place up to the Maximum Reasonable Costs Amount into rate base as of January 1, 2017; and (iii) authorize Liberty Utilities to request the inclusion of the Maximum Reasonable Costs Amount into its rate base and the recovery of certain "Solar Projects Operating Expenses" (as defined below) through the Post Test-Year Adjustment Mechanism ("PTAM") filing Liberty Utilities shall make in October 2016 ("October 2016 PTAM Filing").

2.2 In conjunction with its request to acquire, own, and operate the Solar Projects and to be authorized to seek rate recovery for the associated costs, in the Application Liberty Utilities requested that the Commission:

- Approve Liberty Utilities entering into Project Purchase Agreements with the developers of the respective Solar Projects;
- Determine, pursuant to Section 399.14 and/or Section 1005.5, a Maximum Reasonable Costs Amount for Liberty Utilities to acquire and own the Solar Projects;
- Authorize Liberty Utilities to seek the authority to place its costs to acquire and own the Solar Projects up to the Maximum Reasonable Costs

Amount into rate base as of January 1, 2017 through its October 2016 PTAM Filing;

- Approve Liberty Utilities’ initial joint ownership of each Solar Project with a tax equity partner, authorize Liberty Utilities to enter power purchase agreements with the Solar Project Companies (“Solar Project PPAs”), and authorize Liberty Utilities to buy out the ownership interest of the tax equity partner in each of the Solar Projects in accordance with buy-out terms and the buy-out price to be set forth in the Tax Equity Partnership Agreements;
- Authorize Liberty Utilities to recover the following costs associated with the operation of the Solar Projects as general rates for the life of each Solar Project and to seek the authority to include the following costs in its October 2016 PTAM Filing:
 - costs to operate and maintain the Solar Projects (“O&M Costs”);
 - administrative and general costs associated with the operation of the Solar Projects (“A&G Costs”); and
 - property tax payments for the Solar Projects (“Property Tax”);²
- Authorize Liberty Utilities to record the costs it will incur resulting from the distributions that the Solar Project Companies will make to the Tax Equity Partner during the initial years of the Solar Projects’ operations (“Tax Equity Partner Distribution”) and the payment Liberty Utilities expects to make to purchase the Tax Equity Partner’s ownership interest in the Solar Project Companies (“Buy-Out Payment”)³ in its Energy Cost Adjustment Clause (“ECAC”) account and to recover such Tax Equity Partner Expenses in accordance with its ECAC tariff;
- Grant Liberty Utilities motion for confidentiality of certain commercially sensitive information; and
- Approve this Application and grant the authorizations requested in a final decision to be issued no later than January 29, 2016.

² The O&M Costs, A&G Costs, and Property Tax will be hereafter collectively referenced as the “Luning Project Operating Expenses.”

³ The Tax Equity Partner Distribution and the Buy-Out Payment will be collectively referenced as “Tax Equity Partner Expenses.”

2.3 ORA filed a Protest on May 26, 2015. No other party properly filed a protest or sought party status in this proceeding.⁴ A prehearing conference was held on June 26, 2015 before Administrative Law Judge (“ALJ”) Melanie Darling.

2.4 ORA propounded and Liberty Utilities responded to three set of data requests. ORA and Liberty Utilities engaged in numerous conference calls and face-to-face meetings both at the CPUC and the office of counsel for Liberty Utilities to discuss the approvals Liberty Utilities is requesting and the issues ORA identified relating to these requests. The terms of the present Settlement Agreement were developed through the above provision of information by Liberty Utilities and ongoing communications between the Parties.

2.5 On August 14, 2015, in accordance with Rule 12.1(b), Liberty Utilities, with the concurrence of ORA, convened and invited parties identified on the service list in this proceeding to participate in a conference for the purpose of discussing settlement, to be held by conference telephone call on August 21, 2015.

2.6 A draft document with terms substantially identical to those of the present Settlement Agreement was sent to all persons identified on the service list in this proceeding, along with a draft Motion for Commission approval of the Settlement Agreement.

2.7 The previously noticed settlement conference was held as scheduled on August 21, 2015, with participation by Liberty Utilities and ORA.

⁴ On June 11, Mary and Steve Walker sent to the Commission a document in the form of a pleading entitled, “Protest of Steve and Mary Walker to Application of Liberty Utilities for the Minden Sunrise Solar Project Certificate of Public Convenience and Necessity.” The Parties understand that the Walkers did not seek and have not been granted party status in this proceeding.

3. Approvals to Be Granted to Liberty Utilities

Liberty Utilities and ORA agree that the Commission shall grant Liberty Utilities the following approvals in connection with the Solar Projects, *provided* that the Commission imposes on Liberty Utilities the conditions set forth in Article 4 of this Settlement Agreement:

3.1 Approve Liberty Utilities entering into a Project Purchase Agreement with the developer of the Luning Project (“Luning Project Purchase Agreement”);

3.2 Authorize Liberty Utilities to seek the authority to place its costs to acquire and own the Luning Project **(a) up to 95% of the Maximum Reasonable Cost Amount** into rate base as of January 1, 2017 through its October 2016 PTAM Filing or another mechanism which the Parties may mutually agree upon; **and (b) up to 5% of the Maximum Reasonable Costs Amount into rate base as of January 1, 2018 through its October 2017 PTAM Filing or another mechanism which the Parties may mutually agree upon (emphasis is the amendment)**; provided that to the extent the Luning Project does not achieve commercial operation as of January 1, 2017, Liberty Utilities shall, in consultation with ORA, submit an additional pleading to propose adjustments in its 2017 rate recovery necessary to account for the post-January 1, 2017 commercial operation date of the Luning Project;

3.3 Authorize Liberty Utilities to seek authority to recover the following Luning Project Operating Expenses:

- (a) For 2017 and 2018 in an amount up to the applicable annual cost recovery cap set forth in Section 4.3 for 2017 and 2018 in its October 2016 PTAM or another mechanism which the Parties may mutually agree upon;
- (b) For 2019, 2020, and 2021 in an amount up to the applicable annual cost recovery cap set forth in Section 4.3 in Liberty Utilities’ 2019 general rate case proceeding; and

(c) For 2022 and each succeeding year in Liberty Utilities' general rate case proceedings.

3.4 Approve Liberty Utilities' initial joint ownership of the Luning Project with a Tax Equity Partner;

3.5 Authorize Liberty Utilities to enter into a power purchase agreement with the Luning Solar Project Company ("Luning Project PPA");

3.6 Authorize Liberty Utilities to buy out the ownership interest of the Tax Equity Partner in the Luning Project in accordance with buy-out terms and the buy-out price to be set forth in the Luning Project tax equity partnership agreement;

3.7 Authorize Liberty Utilities to record the costs it will incur associated with the Tax Equity Partner Distribution and the Buy-Out Payment in its ECAC account and to recover such Tax Equity Partner Expenses in accordance with its ECAC tariff;

3.8 Grant Liberty Utilities' motion for confidentiality of certain commercially sensitive information⁵; and

3.9 Approve this Application subject to the terms of this Settlement Agreement and grant the authorizations requested in a Final Decision to be timely issued by the Commission.

4. Conditions to Be Imposed on Approvals to be Granted to Liberty Utilities

Liberty Utilities and ORA agree that with respect to the approvals the Commission should grant Liberty Utilities in connection with the Luning Project as set forth in Article 3 above, the Commission should also impose the following conditions:

⁵ See Motion of Liberty Utilities (Calpeco Electric) LLC (U 933 E) for Leave to File the Confidential Version of the Application and Exhibits B and C to the Application Under Seal, and to Seal the Evidentiary Record Containing Confidential Information in the Testimony of Travis Johnson, the Testimony of Jeff Norman, the Testimony of Todd Mooney, and the Testimony of Michael Long, Consistent with the Confidentiality Protections of Decisions 06-06-066 and 08-04-023, Public Utilities Code Sections 454.5(G) And 583, and/or General Order 66-C, filed April 17, 2015.

4.1 Pursuant to Section 399.14 and/or Section 1005.5, the aggregate Maximum Reasonable Cost Amount for Liberty Utilities to acquire and own the 50 megawatt (“MW”) Luning Project shall be \$ [REDACTED] (which is approximately 65.9% of the total purchase price). After accounting for the demand charge savings Liberty Utilities will realize in the First Amended 2016 NV Energy Services Agreement with NV Energy based on the Luning Project’s energy production, this Maximum Reasonable Cost Amount translates to a Levelized Cost of Energy (“LCOE”) of approximately \$ [REDACTED] [REDACTED] (the “All-In Luning LCOE”).⁶

4.2 To the extent that Liberty Utilities and the Tax Equity Partner’s respective capital contribution in the Luning Project is reduced in accordance with the terms of the Luning Solar Project Agreement due to: (a) the failure of the Luning Project Developer to successfully timely and fully construct and commence commercial operations of the Luning Project to qualify for the 30% federal Investment Tax Credit; (b) the failure of the Luning Project Developer to timely meet the guaranteed commercial operation date set forth in the Luning Project Purchase Agreement; and/or (c) the failure of the Luning Project to satisfy certain capacity and energy testing standards, the corresponding reduction in Liberty Utilities’ and the Tax Equity Partner’s respective Capital Contributions shall all be flowed through to Liberty Utilities’ electric customers through a corresponding reduction in the amount Liberty Utilities places into rate base in accordance with Section 3.2 and in the amounts it records in its ECAC balancing account and is allowed to recover in rates through its ECAC mechanism in accordance with Section 3.7 with respect to the payments Liberty Utilities shall make to Tax Equity Partner as Tax Equity Partner Distributions and the Buy-Out Payment.

⁶ For the avoidance of doubt, the All-In Luning LCOE includes both the Maximum Reasonable Cost Amount as well as all of the Luning Project Operating Expenses.

4.3 The maximum annual amount that Liberty Utilities may seek to recover in rates for Luning Project Operating Expenses in accordance with Sections 3.3(a) and 3.3(b) during the years 2017 through 2021 are the amounts set forth in the table below. For the avoidance of doubt, the Luning Project Operating Expenses are fully accounted for in the All-In Luning LCOE described above in Section 4.1.

Year	Operating Costs
2017	\$1,600,000
2018	\$1,650,000
2019	
2020	
2021	

Notwithstanding the caps set forth in this Section 4.3 with respect to the amount of Luning Project Operating Expenses, Liberty Utilities may seek to recover through rates, to the extent the taxes or insurance costs for the Luning Project increase beyond Liberty Utilities' current estimates for any of years 2017 through 2021, Liberty Utilities shall have the right to seek recovery of such additional amounts above the maximum amount set forth in the Table above otherwise allowed for the Luning Project Operating Expenses for that year.

4.4 The maximum annual amount that Liberty Utilities may recover in rates representing the Tax Equity Partner Distribution as set forth in Section 3.7 shall be set at an amount representing no more than approximately 2 percent of the Tax Equity Partner's Capital Contribution.

4.5 The Parties agree they are mutually committed to exploring and implementing ratemaking mechanisms to enable Liberty Utilities to recover through rates its full costs to own and operate, and thereby deliver solar energy from, the Luning Project to its customers, but at the same time best protect its customers from experiencing steep escalations in rates in the first years of operation. Liberty Utilities will provide ORA with further information concerning the rate

implications of the Luning Project by March 31, 2016. Liberty Utilities shall work with ORA to develop its ratemaking proposals, for submission in either its October 2016 PTAM (or another mutually agreeable mechanism) or in an application or applicable form of advice letter.

4.6 With respect to any major change or modification to the Luning Project that may be required, Liberty Utilities shall prior to making any filing with or submission to the Commission seeking approval of the major change or modification notify ORA of the major change or modification.

5. Liberty Utilities' Reservation of Rights to Seek Approval of Additional 10 MWs of Renewable Generation

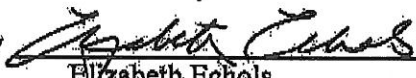
5.1 The Parties acknowledge that Liberty Utilities' Application sought approval to purchase, own, and operate Solar Projects with a combined capacity of 60 MWs, but due to delays at the Minden Project associated with permitting, Liberty Utilities now only seeks approval to purchase, own, and operate the 50 MW Luning Project. Under the First Amended 2016 NV Energy Services Agreement, Liberty Utilities has the option to replace up to 60 MW of renewable generation that NV Energy would otherwise be obligated to deliver with renewable energy. This Settlement Agreement does not limit Liberty Utilities' right to seek Commission approval to purchase, own, and operate an additional 10 MW of capacity of renewable generation. Liberty Utilities may seek expeditious review of its application for Commission approval to purchase, own, and operate such additional 10 MW of renewable generation capacity. Liberty Utilities shall prior to making any filing with or submission to the Commission seeking approval meet with ORA to discuss the application and work together to resolve any potential issues. ORA agrees to support Liberty Utilities' request for the Commission's expeditious review of the application, subject to ORA's own review of the application and on the condition that ORA deems the project to be just and reasonable for ratepayers.

Respectfully submitted,

LIBERTY UTILITIES (CALPECO ELECTRIC)
LLC

OFFICE OF RATEPAYER ADVOCATES

By: _____
Gregory S. Sorensen
Its: President

By:  _____
Elizabeth Echols
Its: Director

Dated: September __, 2016

Respectfully submitted,

LIBERTY UTILITIES (CALPECO ELECTRIC)
LLC

By: 
Gregory S. Sorensen

Its: President

OFFICE OF RATEPAYER ADVOCATES

By _____
Elizabeth Echols

Its: Director

Dated: September __, 2016

Exhibits

As part of the Amended Settlement Agreement, no amendments were made to the Exhibits attached to the original August 27, 2015 Settlement Agreement between the Office of Ratepayer Advocates and Liberty Utilities (CalPeco Electric) LLC that is available at:

<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M154/K655/154655711.PDF>

**DECLARATION OF ALAIN R. BLUNIER IN SUPPORT OF
THE CONFIDENTIAL TREATMENT OF EXHIBIT A OF
LIBERTY UTILITIES (CALPECO ELECTRIC) LLC ADVICE LETTER 65-E**

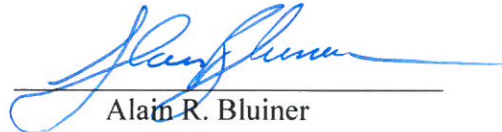
I, Alain R. Blunier, declare:

1. I am a Rate Analyst III for Rates & Regulatory Affairs at Liberty Utilities (CalPeco Electric) LLC (“Liberty CalPeco”) and have been authorized by Gregory S. Sorensen, President of Liberty CalPeco, to sign this declaration. This declaration is based on my personal knowledge of the confidential information contained in the Amended Settlement Agreement between the Office of Ratepayer Advocates and Liberty Utilities (CalPeco Electric) LLC, dated September 23, 2016 (“Amended Luning Settlement Agreement”). The Amended Luning Settlement Agreement implements the changes required to the Luning Settlement Agreement by the Luning Approval Decision (D.16-02-021). The Amended Luning Settlement Agreement is attached as Exhibit A to Liberty CalPeco Advice Letter 65-E.
2. Based on my knowledge and experience, I make this declaration seeking confidential treatment for the confidential information contained in Exhibit A to the Liberty CalPeco Advice Letter 65-E.
3. Attached to this declaration is a matrix identifying the data and information for which Liberty CalPeco is seeking confidential treatment. The matrix specifies that the material Liberty CalPeco is seeking to protect constitutes the particular type of data and information listed in Appendix 1 of Decision 06-06-066 (“IOU Matrix”) or constitutes information that should be protected under General Order 66-C. The matrix also specifies: (1) the category or categories in the IOU Matrix for that type of data or information; (2) that the information is not already public; and (3) that the data cannot be

aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct.

Executed on 17th day of October 2016 at Tahoe Vista, California.



Alain R. Bluiner

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC

**LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E)
ADVICE LETTER 65-PTAM**

IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066, DECISION 08-04-023 and General Order 66-C

Redaction Reference	Listed in Matrix (Y/N)	Matrix Category	Comply with matrix limitation (Y/N)	Not already public (Y/N)	Cannot be aggregated, redacted or summarized (Y/N)	Liberty CalPeco's Justification for Confidential Treatment	Length of Time
<p>Amended Luning Settlement Agreement, (Confidential Version of Settlement Agreement) Section 4.1, p. 9 Section 4.3, p. 10</p>	<p style="text-align: center;">Y</p>	<p>Item VII.G General Order 66-C, Section 2.2</p>	<p style="text-align: center;">Y</p>	<p style="text-align: center;">Y</p>	<p style="text-align: center;">N</p>	<p>The redacted information contains price information from the Luning Project Purchase and Sale Agreement and operating costs for 2019-2021 from the Luning Project Operations and Maintenance Agreement, both of which were competitively bid as part of Liberty CalPeco's solicitation process to select the Luning Solar Project. The information is confidential, proprietary, and market sensitive information that if disclosed would place Liberty CalPeco and its counter-party at an unfair business disadvantage.</p>	<p>For information covered under Item VII.G, remain confidential for 3 years, or until one year following expiration of the agreement, whichever comes first.</p> <p>For information under GO 66-C, indefinite.</p>

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Advice Letter Filing Service List
General Order 96-B, Section 4.3

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CALIF PUBLIC UTILITIES COMMISSION
ENERGY SAFETY & INFRASTRUCTURE

ROOM 4102
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

ATTACHMENT C

CALIFORNIA PUBLIC UTILITIES COMMISSION

**ADVICE LETTER FILING SUMMARY
ENERGY UTILITY**

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

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

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person for questions and approval letters:
Alain Blunier _____

Phone #: 530-546-1702

E-mail: **Alain.Blunier@libertyutilities.com**

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 65-E **(PUBLIC VERSION)**

Subject of AL: Liberty Utilities (CalPeco Electric) LLC (U 933-E) – 2017 Post-Test Year Adjustment Mechanism

–Tier Designation: 1 2 3

Keywords (choose from CPUC listing):

AL filing type: Monthly Quarterly Annual One-Time Other

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

16-01-021

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

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

Resolution Required? Yes No

Requested effective date: November 16, 2016

No. of tariff sheets: N/A

Estimated system annual revenue effect: (%): ____

Estimated system average rate effect (%): ____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending Advice Letters that revise the same tariff sheets: N/A

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

CPUC, Energy Division Utility Info (including e-mail)

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

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



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

VIA EMAIL AND HAND DELIVERY

October 17, 2016

**Advice Letter No. 65-E
(U 933-E)**

Edward Randolph, Director, Energy Division
California Public Utilities Commission
Energy Division, Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298

Subject: 2017 Post-Test Year Adjustment Mechanism

Liberty Utilities (CalPeco Electric) LLC (U 933 E) (“Liberty CalPeco”) hereby submits this **Tier 2** Advice Letter No. 65-E to increase its base rate revenues in accordance with the Post-Test Year Adjustment Mechanism (“PTAM”) as set forth in Section 9 of the Preliminary Statement in the Liberty CalPeco Tariff and as further authorized by Decision (“D.”) 16-01-021 (“Luning Approval Decision”).

Purpose

The purpose of this filing is to revise general rates as of January 1, 2017 pursuant to the PTAM tariff authorized in D.12-11-030 and to seek recovery for the capital and operating expenses associated with Liberty CalPeco’s acquisition, financing, ownership, operation and maintenance of the Luning Solar Project as authorized by the Commission in the Luning Approval Decision.

Coordination with Other Pending Liberty CalPeco Rate Proceedings

Liberty CalPeco concurrently has a General Rate Case (“GRC”) application (A.15-05-008) and an Energy Cost Adjustment Clause (“ECAC”) application (A.16-07-001) (“ECAC Application”) pending before the Commission. Liberty CalPeco currently expects the Commission to issue a final decision in the GRC application on a schedule that would enable the revised GRC rates to become effective as of January 1, 2017.¹ Liberty CalPeco’ tariff provides that revisions to ECAC rates are also to become effective as of January 1, 2017.

¹ See A.15-05-008, Joint Motion to Adopt All-Party Settlement Agreement Among Liberty CalPeco (CalPeco Electric) LLC (U933E), the Office of Ratepayer Advocates, and the A-3 Customer Coalition, filed May 18, 2016 (“GRC Settlement Motion”) available at: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M163/K483/163483968.PDF>. The all-party settlement in the general rate case (“GRC Settlement Agreement”) is attached to the GRC Settlement Motion as Attachment A. The GRC Settlement Motion seeking approval of the GRC Settlement Agreement remains pending.

Assuming final decisions are issued in Liberty CalPeco's GRC and ECAC applications on a schedule that enables the revised rates to become effective as of January 1, 2017, Liberty CalPeco intends to timely make the necessary compliance submissions, including presenting revised tariffs to implement the aggregation of the multiple rate changes and enable the new rates being requested in this PTAM Advice Letter and the GRC and ECAC applications to each become effective as of January 1, 2017. This consolidation of these rate changes is intended to minimize the number of rate changes for the customers of Liberty CalPeco.²

In any event, even if decisions in the GRC or ECAC proceedings are not issued, Liberty CalPeco shall supplement this Advice Letter by submitting revised tariff sheets based on the rate changes requested in this Advice Letter and the most current information otherwise available and on a schedule that will enable the PTAM-related (and possibly other) rate changes to become effective as of January 1, 2017.

Background

The Liberty CalPeco PTAM tariff authorizes it to request increases through the PTAM based on the following:

Attrition Component

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

Major Plant Additions Component

For the Major Plant Additions component Liberty CalPeco will request recovery of all costs related to major plant additions. For purposes of the PTAM, a "Major Plant Addition" includes any capital addition to plant-in-service that exceeds \$4 million on a total company basis. The revenue requirement associated with a major plant addition would also include the

² Coordinating the effectiveness of the rate changes being requested in the ECAC Application and through this advice letter is further appropriate because the reduction in power purchases and corresponding decrease in projected power purchase costs Liberty CalPeco reflected in the ECAC Application are predicated on the generation from the Luning Solar Project displacing RPS generation Liberty CalPeco would otherwise purchase from NV Energy pursuant to the 2016 NV Energy Services Agreement. See A.16-07-001, ECAC Application at 3; see also, *infra*, at 11. A copy of ECAC Application is available at: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M164/K883/164883960.PDF>.

California portion of operation and maintenance expenses, depreciation, and property taxes.³

In addition, in the Luning Approval Decision, the Commission approved a Settlement Agreement between Liberty CalPeco and ORA authorizing Liberty CalPeco to purchase the Luning Solar Project and to recover in rates its costs associated with the acquisition, financing, ownership, operation and maintenance of the Luning Solar Project (“Luning Settlement Agreement”).⁴

A. Attrition Component

In September 2016, Global Insight released its forecast of CPI. Based on the CPI Forecast for 2017 of 2.1% less a productivity factor of 0.5%, the PTAM attrition adjustment for 2017 is 1.6%.

B. Major Plant Additions Component/Luning Solar Project Cost Recovery

In the Luning Approval Decision, the Commission found 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.”⁵ It additionally ordered that:

³ The PTAM tariff also obligates Liberty CalPeco to submit a Tier 1 Advice Letter providing notice of a planned Major Plant Addition prior to seeking any PTAM adjustment. Liberty CalPeco complied with this requirement by submission of Advice Letter No. 62-E, which provided the Office of Ratepayer Advocates (“ORA”) and the Commission with notice of its intent to seek rate recovery for the costs associated with the Luning Solar Project. No protests to Advice Letter No. 62-E were submitted.

Nonetheless, on September 22, the Energy Division issued a notice to “suspend” the effectiveness of Advice Letter No. 62-E for a period of up to 120 days. Liberty CalPeco is in any event proceeding with the submission of this PTAM Advice Letter on the grounds: (i) its PTAM tariff obligates it to submit an advice letter requesting changes in base rate revenues as of October 15; (ii) the Luning Approval Decision authorizes Liberty to seek rate recovery for the Luning Solar Project in a PTAM Advice Letter to be submitted in October 2016; (iii) Liberty CalPeco understands that the suspension of Advice Letter No. 62-E was not predicated on any substantive grounds; and (iv) the legal consequences of a suspension of an advice letter whose purpose is simply to provide notice, and requests no Commission action or other relief, is uncertain.

⁴ The original public version of the Luning Settlement Agreement is Attachment A to the Luning Approval Decision. The Luning Approval Decision conditioned its approval of the Luning Settlement Agreement on the parties making certain revisions to the Luning Settlement Agreement. *See* Luning Approval Decision, mimeo at 43 (Ordering Paragraph No. 1). Attached as Exhibit A to this Advice Letter is a portion of the Amended Settlement Agreement between the Office of Ratepayer Advocates and Liberty CalPeco (CalPeco Electric) LLC, dated September 23, 2016 (“Amended Luning Settlement Agreement”). The portion of the Amended Luning Settlement Agreement set forth in Exhibit A implements the changes in the Luning Settlement Agreement the Luning Approval Decision ordered.

⁵ Luning Approval Decision, mimeo at 42 (Conclusions of Law No. 2).

As set forth in the terms of the [Luning] Settlement Agreement, Liberty [CalPeco] may seek rate recovery of authorized capital expenses and other costs related to the acquisition and initial operation of the Luning facility, including through the use of its 2017 and 2018 Post-Test Year Adjustment Mechanism filing.⁶

The Amended Luning Settlement Agreement authorizes Liberty CalPeco to seek in this PTAM rate recovery commencing January 1, 2017 for the following costs associated with the Luning Solar Project:

1. The “costs to acquire and own the Luning [Solar] Project (a) up to 95% of the Maximum Reasonable Costs Amount into rate base as of January 1, 2017”⁷ (the “Capital Investment”); and
2. The “Luning Project Operating Expenses” that Liberty CalPeco shall incur in 2017 and 2018 associated with the operation of the Luning Solar Project up to the applicable annual cost recovery cap set forth in Section 4.3 of the Amended Luning Settlement Agreement.⁸

Rate Requests

A. Attrition Adjustment

In the pending GRC Settlement Agreement, the parties agreed to a base rate revenue requirement of \$43,535,000.⁹ Application of the 1.6% attrition adjustment to this \$43,535,000 base rate revenue requirement yields an increase in 2017 base revenues of \$696,560.

B. Recovery of the Costs to Acquire, Own, Operate and Maintain the Luning Solar Project

i. Ratemaking Implications of Updated Commercial Operation Date

During the proceedings that culminated in the issuance of the Luning Approval Decision, Liberty CalPeco projected that the Luning Solar Project would commence commercial operation as of January 1, 2017. On that basis the Commission authorized Liberty CalPeco to begin recovering its costs associated with the Luning Solar Project as of January 1, 2017. Based on the most

⁶ Luning Approval Decision, mimeo at 44 (Ordering Paragraph No.2).

⁷ Luning Approval Decision, mimeo at 43. (Ordering Paragraph No.1 (a)).

⁸ Amended Luning Settlement Agreement, Section 3.3(a).

⁹ GRC Settlement Agreement, Exhibit A (ln. 2).

current information available, Liberty CalPeco is now projecting that the commercial operation date of the Luning Solar Project will be February 1, 2017.¹⁰

In this Advice Letter or otherwise, with the exception of property tax payments for January 2017,¹¹ Liberty CalPeco is not seeking to recover any costs associated with the Luning Solar Project for any period preceding the project's commercial operation date. Accordingly, as will be described in the following sections requesting rate recovery, Liberty CalPeco has developed the Luning Solar Project-associated revenue requirement for 2017 for both its capital and operating costs (other than the property taxes) by multiplying the projected annual revenue requirement for 2017 by 11/12.¹²

Section 3.2 of the Amended Luning Settlement Agreement, provides that, to the extent that the Luning Solar Project is not able to achieve commercial operation as of January 1, 2017, "Liberty [CalPeco] shall, in consultation with ORA, submit an additional pleading to propose adjustments in its 2017 rate recovery necessary to account for the post-January 1, 2017 commercial operation date of the Luning [Solar] Project."¹³

As reported in Advice Letter No. 62-E, Liberty CalPeco notified ORA of this slight deferral of the anticipated commercial operation date for the Luning Solar Project. ORA remains amenable to Liberty CalPeco requesting rate recovery for the Luning Solar Project in this October 2016 PTAM submission, provided the ratemaking Liberty CalPeco proposes recognizes and makes the adjustments necessary to account for the change in the commercial operation date.¹⁴

Liberty CalPeco believes that its proposal to limit 2017 rate recovery to the 11 months in 2017 in which the Luning Solar Project shall be in commercial operation in the manner described in this Advice Letter complies with the Commission's and ORA's requirement that the cost recovery for the Luning Solar Project be consistent with any deferral beyond January 1 of its commercial operation date.

¹⁰ Liberty CalPeco also projected February 1, 2017 as the anticipated commercial operation date for the Luning Solar Project in forecasting its projected purchased power purchases and associated costs during 2017. *See* ECAC Application at 3.

¹¹ *See, infra*, at 10.

¹² Liberty CalPeco used this same 11/12 pro rata methodology in its ECAC Application to calculate the expected MWh of Luning Solar Project generation that in 2017 will replace RPS-qualified generation Liberty CalPeco would otherwise purchase from NV Energy. *See* Direct Testimony of Alain R. Blunier, Chapter 1, ECAC Application at 1-8, n. 12.

¹³ *See* Amended Luning Settlement Agreement, Section 3.2.

¹⁴ Advice Letter No. 62-E, at 3.

ii. Capital Costs Recovery

The Luning Settlement Agreement authorizes Liberty CalPeco to place into its rate base and seek recovery in this PTAM Advice Letter the capital costs it is incurring in 2016 to acquire the Luning Solar Project. The Luning Settlement Agreement, however, limits the amount that Liberty CalPeco may place into rate base as of January 1, 2017 to an amount no greater than 95% of the Maximum Reasonable Cost to acquire and own the Luning Solar Project.¹⁵

As set forth in Table 1, Liberty CalPeco will incur in 2016 costs of \$71,967,743 to acquire and own the Luning Solar Project. As explained in the Luning Approval Decision, the capital costs for Liberty CalPeco to acquire the Luning Solar Project from the project developer are substantially greater;¹⁶ however, the tax equity participant in the project will be contributing the incremental capital to enable Liberty CalPeco to acquire the Luning Solar Project at this reduced amount of investment and for the benefit of its customers.

The components of the \$71,967,743 capital costs associated with Liberty CalPeco's acquisition of the Luning Solar Project are separated into the following categories:

Table 1

Liberty CalPeco Capital Costs Associated with Luning Solar Project Acquisition

Category	
Structures and Improvements	\$2,159,032
Generating Equipment	\$66,210,324
Substation Equipment	<u>\$3,598,387</u>
	<u>\$71,967,743</u>

Liberty CalPeco 2016 capital expenditures are less than the Maximum Reasonable Cost. Liberty CalPeco accordingly requests authority to place \$62,671,910 into rate base as of January 1, 2017 ("Rate Base Addition"). As displayed in Table 2 below, Liberty CalPeco calculated the

¹⁵ Liberty CalPeco is authorized to place the remaining "5% of the Maximum Reasonable Costs Amount into rate base as of January 1, 2018 through its October 2017 PTAM Filing or another mechanism which the Parties may mutually agree upon." Luning Approval Decision, mimeo at 43 (Ordering Paragraph No. 1(a)). See Amended Luning Settlement Agreement, Section 3.2.

¹⁶ Luning Approval Decision, mimeo at 12-13.

amount of the 2017 Rate Base Addition by taking 95%¹⁷ of the 2016 incurred capital costs and then multiplying that product by 11/12.

Table 2

Liberty CalPeco 2017 Increase in Rate Base

<u>Category</u>	
Total Capital Costs Associated with Luning	\$71,967,743
Percentage Allowed into 2017 Rate Base	95%
Costs Allowed into 2017 Rate Base	\$68,369,356
Period of Commercial Operation in 2017 (February – December)	(11/12)
2017 Increase in Rate Base	\$62,671,910 ¹⁸

To calculate the incremental revenue requirement in 2017 for this \$62,671,910 Rate Base Addition, Liberty CalPeco used the cost of capital, the debt-equity capital structure set forth in the pending GRC Settlement Agreement,¹⁹ and a 30-year depreciation period. If adopted the GRC Settlement Agreement would authorize Liberty CalPeco a Return on Equity of 10.00% and a long-term debt cost of 4.92%.²⁰ These costs, in combination with the agreed upon capital structure of 47.5%/52.5% debt/equity, results in an overall Rate of Return of 7.51%.²¹

To the extent that the Commission authorizes Liberty CalPeco capital costs and/or a capital structure different than the amounts set forth above, Liberty CalPeco shall recalculate the return associated with the Rate Base Addition based on the capital costs and capital structure the Commission ultimately approves for Liberty CalPeco.

¹⁷ Amended Luning Settlement Agreement, Section 3.2.

¹⁸ Liberty CalPeco's proposed 2017 Rate Base Addition of \$62,671,910, as calculated in Table 2 above, is less than 95% of the Maximum Reasonable Costs Amount. In light of the partial deferral in 2017 of the rate recovery for the capital costs of the Luning Solar Project, in the PTAM Advice Letter that Liberty CalPeco shall submit in October 2017, it shall request, among other possible items, the authority to add to its rate base as of January 1, 2018, 1/12 of the Costs Allowed into 2017 Rate Base (i.e. the amount of otherwise allowed 2017 capital cost recovery deferred in light of the February 1, 2017 commercial operation date) and the residual 5 percent of the Total Capital Costs Associated with Luning which are not being added to rate base as of January 1, 2017. Thus as of January 1, 2018, Liberty CalPeco will have requested to have included \$71,967,743 the Maximum Reasonable Costs Amount of Total Capital Costs Associated with the Luning Solar Project into its ratebase.

¹⁹ See GRC Settlement Motion, mimeo at 7.

²⁰ See GRC Settlement Motion, mimeo at 7.

²¹ See GRC Settlement Agreement, Section 4.5.

In calculating the depreciation associated with the Rate Base Addition, Liberty CalPeco used a 30-year estimated useful life. The use of a 30-year depreciation schedule is appropriate to calculate the depreciation for the Luning Solar Project foremost because in demonstrating the costs savings of the Luning Solar Project, Liberty CalPeco used a 30-year estimated useful project life to calculate the \$/MWh cost for Liberty CalPeco to procure generation from the Luning Solar Project.²² Liberty CalPeco asserts that the Commission should grant rate recovery for the Luning Solar Project using the same depreciation schedule on which the Commission determined that the costs of the Luning Solar Project are just and reasonable. Moreover, use of a 30-year expected life of the solar facilities for depreciation purposes is consistent with the 30-year warranty the vendor is providing for the solar facilities.

The reasonableness of Liberty CalPeco's use of a 30-year useful life to derive the depreciation for the Rate Base Addition is further demonstrated by the fact that other California electric utilities have proposed the use of a 25-year estimated useful life to depreciate solar facilities.²³ Liberty CalPeco selected the 30-year depreciation schedule, as explained above, for consistency and also because a 30-year life lessens the rate impact during the initial years of the operations of the Luning Solar Project.²⁴

iii. Luning Solar Project Operating Cost Recovery

In the Luning Approval Decision, the Commission authorized Liberty CalPeco in this PTAM Advice Letter to seek recovery for the costs it will incur in 2017 and 2018 to operate and maintain the Luning Solar Project. The Luning Settlement Agreement in Section 2.2 and Footnote 1 defines "Luning Project Operating Expenses" as including the Operations and Maintenance ("O&M") Costs, Administrative and General ("A&G") Costs, and Property Tax expenses necessary to own, operate and maintain the Luning Solar Project. The Luning Approval Decision in accordance with Section 4.3 of the Luning Settlement Agreement further established maximum amounts of Operating Expenses that Liberty CalPeco could seek to recover in 2017 ("Operating Expense Annual Maximum Recoverable Amount").

For 2017 and 2018, Liberty CalPeco is forecasting the Luning Project Operating Expenses in the amounts set forth in Table 3 below.

²² Liberty CalPeco set forth its reasoning for use of the 30 year depreciation schedule for purposes of demonstrating the cost benefit of the Luning Solar Project in its confidential response to Request No. 4 ORA Data Request No. CW-001, dated May 7, 2015.

²³ See e.g., November 2014, Exh. SDG&E-28, Direct Testimony of Bob J. Wiczorek on behalf of San Diego Gas & Electric Company, at BJW-30 (A.14-11-003).

²⁴ Section 4.5 of the Luning Settlement Agreement reaffirms that Liberty CalPeco is "to recover through rates its full costs to own and operate... the Luning [Solar] Project," but "at the same time best protect its customers from experiencing steep escalations in rates in the first years of operation."

Table 3

Total Luning Annual Project Operating Expenses

	2017	2018
Property Taxes	\$612,034	\$602,713
O&M Expenses	\$597,900	\$612,847
Insurance	\$159,092	\$162,234
Land Lease	\$60,677	\$112,370
Additional A&G Expenses	<u>\$201,078</u>	<u>\$204,398</u>
	<u>\$1,630,781</u>	<u>\$1,694,562</u>

As shown in Table 4, Liberty CalPeco calculated the 2017 and 2018 revenue requirements for the Luning Project Operating Expenses as follows:

1. Multiplied the projected annual amount of O&M, Insurance and A&G Expenses by 11/12 to reflect the February 1, 2017 commercial operation date. Liberty CalPeco did not make the eleven-month adjustment for property taxes because the Luning Solar Project is assessed property taxes on a calendar year basis and without regard to its actual start of operations.
2. The two-year average of the projected 2017 and 2018 operating expenses of \$1,620,224 (*see* Table 4 below), exceeded the Operating Expense Annual Maximum Recoverable Amount for 2017. Thus Liberty CalPeco reduced the request for 2017 to the Annual Maximum Recoverable amount of \$1,600,000 set forth in Section 4.3 of the Luning Settlement Agreement.
3. With respect to 2018, \$1,620,224 is below the \$1,650,000 Operating Expense Annual Maximum Recoverable Amount for 2018. Thus in the PTAM it shall submit in October 2017, Liberty CalPeco will be requesting the authority to increase its recovery for 2018 Luning Solar Project Operating Expenses to \$1,620,224.

Table 4

Total Luning Annual Project Operating Expenses			
	2017	2018	Average
O&M Expenses	\$597,900	\$612,847	
Insurance	\$159,092	\$162,234	
Land Lease	\$60,677	\$112,370	
Additional A&G Expenses	<u>\$201,078</u>	<u>\$204,398</u>	
Subtotal	\$1,018,747	\$1,091,849	
Period of Commercial Operation in 2017 (February – December)	(11/12)		
Subtotal	<u>\$933,851</u>	\$1,091,849	\$1,012,850
Property Taxes	\$612,034	\$602,713	\$607,374
Total	<u>\$1,545,885</u>	<u>\$1,694,562</u>	<u>\$1,620,224</u>

Included within the A&G Expenses is approximately \$100,000 annually that the Luning Solar Project will pay to Algonquin Power Co. to provide asset management services. Algonquin Power Co. is an affiliate of Liberty CalPeco. The asset management services agreement between the Luning Solar Project and Algonquin Power Co. is not an affiliate agreement under the Commission rules relating to affiliate transactions because Liberty CalPeco is not a party to the asset purchase agreement.²⁵ Nonetheless, as Liberty CalPeco is seeking rate recovery for the payments that the Luning Solar Project will be making to Algonquin Power Co., Liberty CalPeco is providing notice in this Advice Letter that an affiliate is the counterparty to the asset management agreement and such affiliate will receive payments funded by the electric customers of Liberty CalPeco.

The Luning Solar Project selected Algonquin Power Co. to perform these asset management services on the basis that: (i) Algonquin Power Co. is experienced in administering power purchase agreements for generators who similarly use tax equity financing; and (ii) the services are being provided at cost. Given the relatively small amount of costs associated with the services, it was determined that it would not be cost effective to conduct an RFP to solicit possible interest by unaffiliated third parties to provide this service.

²⁵ See Commission Affiliate Transaction Rule “ATR” II.B. that subjects only “utility transactions with an affiliate” to the ATRs.

C. Rates

The costs attributable to the acquisition, ownership, operation and maintenance of the Luning Solar Project generate an increase in base rate revenues over the GRC Settlement Agreement in 2017 of \$10,755,000. This increase is offset by approximately \$8 million reduction in forecasted 2017 purchased power costs for RPS-qualified generation that Liberty CalPeco would otherwise have to purchase from NV Energy.²⁶

The portion of the annual revenue requirement associated with the Rate Base Addition will decrease in future years as the annual depreciation will reduce the amount of the Rate Base Addition on which Liberty CalPeco shall earn a return; in contrast the cost savings attributable to the decrease in purchases of third-party RPS generation will continue for each year the Luning Solar Project operates.

Application of the PTAM Attrition Factor for 2017 and the recovery of Liberty CalPeco costs to acquire, own, operate and maintain the Luning Solar Project, coupled with the request to reduce ECAC rates pending in the ECAC Application, results in a proposed rate increase of approximately \$11,451,560 or 10.13 ~~9.96~~% from the rate levels set forth in the GRC Settlement Agreement.

Liberty CalPeco is proposing that this increase in rates be based on the same rate design and rate allocation as agreed to in the GRC Settlement Agreement

Table 5 below shows the results of the requests being made in this PTAM Advice Letter on a customer class basis assuming that (i) the Commission approves the rate levels set forth in the GRC Settlement Agreement and they have become effective; (ii) this PTAM Advice Letter were the lone rate request pending before the Commission (i.e. there is no offsetting reduction in ECAC rates).

Table 5

Customer Class	Increase (\$)	Increase (%)
Residential (D-1)	\$ 5,264,859	24.70%
Small Commercial (A-1)	\$ 2,181,571	24.70%
Medium Commercial (A-2)	\$ 990,432	24.70%
Large Commercial (A-3)	\$ 2,259,335	24.70%
Interruptible Irrigation (PA)	\$ 16,586	24.70%
Street Lights (SL)	\$ 13,562	24.70%

²⁶ The cost savings represent the product of the MWh purchases of NV Energy RPS generation which Luning solar generation will displace in 2017 and the \$/MWh projected cost of the NV Energy RPS generation.

<u>Outdoor Lighting (OL)</u>	<u>\$28,662</u>	<u>24.70%</u>
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Table 5

<u>Customer Class</u>	<u>Increase (\$)</u>	<u>Increase (%)</u>
<u>Residential (D-1)</u>	<u>\$5,736,163</u>	<u>26.30%</u>
<u>Small Commercial (A-1)</u>	<u>\$2,278,634</u>	<u>26.30%</u>
<u>Medium Commercial (A-2)</u>	<u>\$1,033,385</u>	<u>26.30%</u>
<u>Large Commercial (A-3)</u>	<u>\$2,341,518</u>	<u>26.30%</u>
<u>Interruptible Irrigation (PA)</u>	<u>\$19,748</u>	<u>26.30%</u>
<u>Street Lights (SL)</u>	<u>\$13,865</u>	<u>26.30%</u>
<u>Outdoor Lighting (OL)</u>	<u>\$27,687</u>	<u>26.30%</u>

Effective Date

Liberty CalPeco requests that this **Tier 2** Advice Letter be effective as of November 16, 2017. Approval as of this date will enable Liberty CalPeco to submit the necessary Tier 1 Advice Letter containing the revised tariff sheets to be effective as of January 1, 2017 with the approved rate changes associated with this PTAM Advice Letter, and potentially also the pending GRC and ECAC applications.

Protests

Anyone wishing to protest this Advice Letter may do so by letter sent via U.S. mail, by facsimile or by email, any of which must be received no later than November **710**, 2016, which is 20 days after the date of this Advice Letter. There are no restrictions on who may submit a protest, but the protest shall set forth the grounds upon which it is based and shall be submitted expeditiously. Protests should be mailed to:

California Public Utilities Commission
 Energy Division, Tariff Unit
 505 Van Ness Avenue, 4th Floor
 San Francisco, CA 94102-3298
 Facsimile: (415) 703-2200
 Email: edtariffunit@cpuc.ca.gov

The protest should be sent via email and U.S. Mail (and by facsimile, if possible) to Liberty Utilities (CalPeco Electric) LLC at the address shown below on the same date it is mailed or delivered to the Commission:

Energy Division Tariff Unit
California Public Utilities Commission
October 17, 2016
Page 13

Liberty Utilities (CalPeco Electric) LLC
Attn: Advice Letter Protests
933 Eloise Avenue
South Lake Tahoe, CA 96150
Fax: 530-544-4811
Email: Alain.Blunier@libertyutilities.com

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

Notice

In accordance with General Order 96-B, Section 4.3, a copy of this Advice Letter is being sent electronically to parties shown on the attached lists. Liberty CalPeco is also serving this Advice Letter on parties in Application 15-05-008 (the Liberty CalPeco 2016 General Rate Case proceeding), in Application 15-04-016 (the proceeding in which the Luning Approval Decision was issued), and in Application 16-07-001 (the ECAC Application).

In accordance with G.O. 96-B, Rule 4.2, Liberty CalPeco is providing customers notice through bill inserts and also by printing notices in newspapers of general circulation.

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

Respectfully submitted,

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC

/s/

Gregory S. Sorensen
President
Liberty Utilities (CalPeco Electric) LLC

Attachments:

cc: Liberty CalPeco General Order 96-B Service List
Services Lists of A.15-05-008, A.16-07-001, A.15-04-016

EXHIBIT A

Amended Settlement Agreement
Between the Office of Ratepayer Advocates and
Liberty Utilities (CalPeco Electric) LLC

(PUBLIC VERSION)

**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 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

Application 15-04-016
(Filed April 17, 2015)

**AMENDED SETTLEMENT AGREEMENT
BETWEEN THE OFFICE OF RATEPAYER ADVOCATES AND
LIBERTY UTILITIES (CALPECO ELECTRIC) LLC**

(PUBLIC VERSION)

1. GENERAL

1.1 Pursuant to Article 12 of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities Commission (“Commission”) and Ordering Paragraph No. 1 of Decision 16-01-021,¹ Liberty Utilities (CalPeco Electric) LLC (“Liberty Utilities”) and the Office of Ratepayer Advocates (“ORA”) (collectively, the “Parties”) enter into this amended settlement agreement (“Settlement Agreement”) on a mutually agreeable outcome on certain issues as described further herein. This Settlement Agreement addresses the Application of Liberty Utilities seeking approval to acquire, own, and operate the Luning Solar Project (“Luning Project”) and the Minden Sunrise Solar Project (“Minden Project”) (collectively, the “Solar Projects”) and authorize ratemaking procedures for Liberty Utilities to recover the costs to acquire, own, and operate the Solar Projects. The Parties respectfully request that the Commission grant authorization, subject to the terms and conditions of this Settlement Agreement.

¹ Section 3.2 of the Settlement Agreement has been revised to reflect the required language contained in Ordering Paragraph No. 1 of Decision 16-01-021.

1.2 As Liberty Utilities and ORA are the only active parties in this proceeding, the Settlement Agreement represents an all-party settlement.

1.3 Since this Settlement Agreement represents a compromise by each of the Parties' respective litigation position on the matters described, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission should not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. *See* Rule 12.5.

1.4 The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission.

1.5 The Parties agree that this Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of this Settlement Agreement, each Party has the right to withdraw. Furthermore, the Settlement Agreement is being presented as an integrated package such that the Parties are agreeing to the Settlement Agreement as a whole rather than agreeing to specific elements of the Settlement Agreement.

1.6 This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

1.7 No Party has relied or presently relies upon any statement, promise or representation by any other Party, whether oral or written, except as specifically set forth in this

Settlement Agreement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representatives.

1.8 This Settlement Agreement constitutes and represents the entire agreement between the Parties and supersedes all prior and contemporaneous agreements, negotiations, representations, warranties and understandings of the Parties with respect to the subject matter set forth herein.

1.9 Each Party who executes this Settlement Agreement represents and warrants to each other Party that the individual signing this Settlement Agreement and the related Motion has the legal authority to do so on behalf of such Party.

1.10 The Parties agree to perform diligently and in good faith all actions required, including, but not limited to, the execution of any other documents and the taking of any actions reasonably required to effectuate the Terms and Conditions of this Settlement Agreement as well as the preparation of the Exhibits for, and the presentation of witnesses at, any hearings required to obtain the Commission's approval and adoption of the Settlement Agreement. The Parties will use the best efforts to ensure that this Settlement Agreement is approved by the Commission as soon as possible.

1.11 This Settlement Agreement may be amended or changed only by a written agreement signed by the Parties.

1.12 Once fully executed by the Parties and adopted and approved by a Commission Decision, this Settlement Agreement fully and finally settles any and all disputes between the Liberty Utilities and ORA in this proceeding, unless otherwise specifically provided in the Settlement Agreement.

1.13 Based on the Parties' acceptance of the Terms and Conditions herein, ORA enters into this Settlement to resolve this matter without having an evidentiary hearing. ORA joins Liberty Utilities in requesting that the Commission approve and adopt the Settlement on an expedited basis, because it is reasonable in light of the whole record, consistent with the law, and in the public interest.

2. BACKGROUND

2.1 Liberty Utilities filed this Application on April 17, 2015. In the Application, Liberty Utilities requests that the Commission: (i) pursuant to Public Utilities Code Sections ("Section") 399.14 and/or 1005.5 establish the "maximum cost determined to be reasonable and prudent for the [Solar Projects' construction and initial operation]" ("Maximum Reasonable Costs Amount"); (ii) authorize Liberty Utilities to place up to the Maximum Reasonable Costs Amount into rate base as of January 1, 2017; and (iii) authorize Liberty Utilities to request the inclusion of the Maximum Reasonable Costs Amount into its rate base and the recovery of certain "Solar Projects Operating Expenses" (as defined below) through the Post Test-Year Adjustment Mechanism ("PTAM") filing Liberty Utilities shall make in October 2016 ("October 2016 PTAM Filing").

2.2 In conjunction with its request to acquire, own, and operate the Solar Projects and to be authorized to seek rate recovery for the associated costs, in the Application Liberty Utilities requested that the Commission:

- Approve Liberty Utilities entering into Project Purchase Agreements with the developers of the respective Solar Projects;
- Determine, pursuant to Section 399.14 and/or Section 1005.5, a Maximum Reasonable Costs Amount for Liberty Utilities to acquire and own the Solar Projects;
- Authorize Liberty Utilities to seek the authority to place its costs to acquire and own the Solar Projects up to the Maximum Reasonable Costs

Amount into rate base as of January 1, 2017 through its October 2016 PTAM Filing;

- Approve Liberty Utilities’ initial joint ownership of each Solar Project with a tax equity partner, authorize Liberty Utilities to enter power purchase agreements with the Solar Project Companies (“Solar Project PPAs”), and authorize Liberty Utilities to buy out the ownership interest of the tax equity partner in each of the Solar Projects in accordance with buy-out terms and the buy-out price to be set forth in the Tax Equity Partnership Agreements;
- Authorize Liberty Utilities to recover the following costs associated with the operation of the Solar Projects as general rates for the life of each Solar Project and to seek the authority to include the following costs in its October 2016 PTAM Filing:
 - costs to operate and maintain the Solar Projects (“O&M Costs”);
 - administrative and general costs associated with the operation of the Solar Projects (“A&G Costs”); and
 - property tax payments for the Solar Projects (“Property Tax”);²
- Authorize Liberty Utilities to record the costs it will incur resulting from the distributions that the Solar Project Companies will make to the Tax Equity Partner during the initial years of the Solar Projects’ operations (“Tax Equity Partner Distribution”) and the payment Liberty Utilities expects to make to purchase the Tax Equity Partner’s ownership interest in the Solar Project Companies (“Buy-Out Payment”)³ in its Energy Cost Adjustment Clause (“ECAC”) account and to recover such Tax Equity Partner Expenses in accordance with its ECAC tariff;
- Grant Liberty Utilities motion for confidentiality of certain commercially sensitive information; and
- Approve this Application and grant the authorizations requested in a final decision to be issued no later than January 29, 2016.

² The O&M Costs, A&G Costs, and Property Tax will be hereafter collectively referenced as the “Luning Project Operating Expenses.”

³ The Tax Equity Partner Distribution and the Buy-Out Payment will be collectively referenced as “Tax Equity Partner Expenses.”

2.3 ORA filed a Protest on May 26, 2015. No other party properly filed a protest or sought party status in this proceeding.⁴ A prehearing conference was held on June 26, 2015 before Administrative Law Judge (“ALJ”) Melanie Darling.

2.4 ORA propounded and Liberty Utilities responded to three set of data requests. ORA and Liberty Utilities engaged in numerous conference calls and face-to-face meetings both at the CPUC and the office of counsel for Liberty Utilities to discuss the approvals Liberty Utilities is requesting and the issues ORA identified relating to these requests. The terms of the present Settlement Agreement were developed through the above provision of information by Liberty Utilities and ongoing communications between the Parties.

2.5 On August 14, 2015, in accordance with Rule 12.1(b), Liberty Utilities, with the concurrence of ORA, convened and invited parties identified on the service list in this proceeding to participate in a conference for the purpose of discussing settlement, to be held by conference telephone call on August 21, 2015.

2.6 A draft document with terms substantially identical to those of the present Settlement Agreement was sent to all persons identified on the service list in this proceeding, along with a draft Motion for Commission approval of the Settlement Agreement.

2.7 The previously noticed settlement conference was held as scheduled on August 21, 2015, with participation by Liberty Utilities and ORA.

⁴ On June 11, Mary and Steve Walker sent to the Commission a document in the form of a pleading entitled, “Protest of Steve and Mary Walker to Application of Liberty Utilities for the Minden Sunrise Solar Project Certificate of Public Convenience and Necessity.” The Parties understand that the Walkers did not seek and have not been granted party status in this proceeding.

3. Approvals to Be Granted to Liberty Utilities

Liberty Utilities and ORA agree that the Commission shall grant Liberty Utilities the following approvals in connection with the Solar Projects, *provided* that the Commission imposes on Liberty Utilities the conditions set forth in Article 4 of this Settlement Agreement:

3.1 Approve Liberty Utilities entering into a Project Purchase Agreement with the developer of the Luning Project (“Luning Project Purchase Agreement”);

3.2 Authorize Liberty Utilities to seek the authority to place its costs to acquire and own the Luning Project **(a) up to 95% of the Maximum Reasonable Cost Amount** into rate base as of January 1, 2017 through its October 2016 PTAM Filing or another mechanism which the Parties may mutually agree upon; **and (b) up to 5% of the Maximum Reasonable Costs Amount into rate base as of January 1, 2018 through its October 2017 PTAM Filing or another mechanism which the Parties may mutually agree upon (emphasis is the amendment)**; provided that to the extent the Luning Project does not achieve commercial operation as of January 1, 2017, Liberty Utilities shall, in consultation with ORA, submit an additional pleading to propose adjustments in its 2017 rate recovery necessary to account for the post-January 1, 2017 commercial operation date of the Luning Project;

3.3 Authorize Liberty Utilities to seek authority to recover the following Luning Project Operating Expenses:

- (a) For 2017 and 2018 in an amount up to the applicable annual cost recovery cap set forth in Section 4.3 for 2017 and 2018 in its October 2016 PTAM or another mechanism which the Parties may mutually agree upon;
- (b) For 2019, 2020, and 2021 in an amount up to the applicable annual cost recovery cap set forth in Section 4.3 in Liberty Utilities’ 2019 general rate case proceeding; and

(c) For 2022 and each succeeding year in Liberty Utilities' general rate case proceedings.

3.4 Approve Liberty Utilities' initial joint ownership of the Luning Project with a Tax Equity Partner;

3.5 Authorize Liberty Utilities to enter into a power purchase agreement with the Luning Solar Project Company ("Luning Project PPA");

3.6 Authorize Liberty Utilities to buy out the ownership interest of the Tax Equity Partner in the Luning Project in accordance with buy-out terms and the buy-out price to be set forth in the Luning Project tax equity partnership agreement;

3.7 Authorize Liberty Utilities to record the costs it will incur associated with the Tax Equity Partner Distribution and the Buy-Out Payment in its ECAC account and to recover such Tax Equity Partner Expenses in accordance with its ECAC tariff;

3.8 Grant Liberty Utilities' motion for confidentiality of certain commercially sensitive information⁵; and

3.9 Approve this Application subject to the terms of this Settlement Agreement and grant the authorizations requested in a Final Decision to be timely issued by the Commission.

4. Conditions to Be Imposed on Approvals to be Granted to Liberty Utilities

Liberty Utilities and ORA agree that with respect to the approvals the Commission should grant Liberty Utilities in connection with the Luning Project as set forth in Article 3 above, the Commission should also impose the following conditions:

⁵ See Motion of Liberty Utilities (Calpeco Electric) LLC (U 933 E) for Leave to File the Confidential Version of the Application and Exhibits B and C to the Application Under Seal, and to Seal the Evidentiary Record Containing Confidential Information in the Testimony of Travis Johnson, the Testimony of Jeff Norman, the Testimony of Todd Mooney, and the Testimony of Michael Long, Consistent with the Confidentiality Protections of Decisions 06-06-066 and 08-04-023, Public Utilities Code Sections 454.5(G) And 583, and/or General Order 66-C, filed April 17, 2015.

4.1 Pursuant to Section 399.14 and/or Section 1005.5, the aggregate Maximum Reasonable Cost Amount for Liberty Utilities to acquire and own the 50 megawatt (“MW”) Luning Project shall be \$ [REDACTED] (which is approximately 65.9% of the total purchase price). After accounting for the demand charge savings Liberty Utilities will realize in the First Amended 2016 NV Energy Services Agreement with NV Energy based on the Luning Project’s energy production, this Maximum Reasonable Cost Amount translates to a Levelized Cost of Energy (“LCOE”) of approximately \$ [REDACTED] [REDACTED] (the “All-In Luning LCOE”).⁶

4.2 To the extent that Liberty Utilities and the Tax Equity Partner’s respective capital contribution in the Luning Project is reduced in accordance with the terms of the Luning Solar Project Agreement due to: (a) the failure of the Luning Project Developer to successfully timely and fully construct and commence commercial operations of the Luning Project to qualify for the 30% federal Investment Tax Credit; (b) the failure of the Luning Project Developer to timely meet the guaranteed commercial operation date set forth in the Luning Project Purchase Agreement; and/or (c) the failure of the Luning Project to satisfy certain capacity and energy testing standards, the corresponding reduction in Liberty Utilities’ and the Tax Equity Partner’s respective Capital Contributions shall all be flowed through to Liberty Utilities’ electric customers through a corresponding reduction in the amount Liberty Utilities places into rate base in accordance with Section 3.2 and in the amounts it records in its ECAC balancing account and is allowed to recover in rates through its ECAC mechanism in accordance with Section 3.7 with respect to the payments Liberty Utilities shall make to Tax Equity Partner as Tax Equity Partner Distributions and the Buy-Out Payment.

⁶ For the avoidance of doubt, the All-In Luning LCOE includes both the Maximum Reasonable Cost Amount as well as all of the Luning Project Operating Expenses.

4.3 The maximum annual amount that Liberty Utilities may seek to recover in rates for Luning Project Operating Expenses in accordance with Sections 3.3(a) and 3.3(b) during the years 2017 through 2021 are the amounts set forth in the table below. For the avoidance of doubt, the Luning Project Operating Expenses are fully accounted for in the All-In Luning LCOE described above in Section 4.1.

Year	Operating Costs
2017	\$1,600,000
2018	\$1,650,000
2019	
2020	
2021	

Notwithstanding the caps set forth in this Section 4.3 with respect to the amount of Luning Project Operating Expenses, Liberty Utilities may seek to recover through rates, to the extent the taxes or insurance costs for the Luning Project increase beyond Liberty Utilities' current estimates for any of years 2017 through 2021, Liberty Utilities shall have the right to seek recovery of such additional amounts above the maximum amount set forth in the Table above otherwise allowed for the Luning Project Operating Expenses for that year.

4.4 The maximum annual amount that Liberty Utilities may recover in rates representing the Tax Equity Partner Distribution as set forth in Section 3.7 shall be set at an amount representing no more than approximately 2 percent of the Tax Equity Partner's Capital Contribution.

4.5 The Parties agree they are mutually committed to exploring and implementing ratemaking mechanisms to enable Liberty Utilities to recover through rates its full costs to own and operate, and thereby deliver solar energy from, the Luning Project to its customers, but at the same time best protect its customers from experiencing steep escalations in rates in the first years of operation. Liberty Utilities will provide ORA with further information concerning the rate

implications of the Luning Project by March 31, 2016. Liberty Utilities shall work with ORA to develop its ratemaking proposals, for submission in either its October 2016 PTAM (or another mutually agreeable mechanism) or in an application or applicable form of advice letter.

4.6 With respect to any major change or modification to the Luning Project that may be required, Liberty Utilities shall prior to making any filing with or submission to the Commission seeking approval of the major change or modification notify ORA of the major change or modification.

5. Liberty Utilities' Reservation of Rights to Seek Approval of Additional 10 MWs of Renewable Generation


5.1 The Parties acknowledge that Liberty Utilities' Application sought approval to purchase, own, and operate Solar Projects with a combined capacity of 60 MWs, but due to delays at the Minden Project associated with permitting, Liberty Utilities now only seeks approval to purchase, own, and operate the 50 MW Luning Project. Under the First Amended 2016 NV Energy Services Agreement, Liberty Utilities has the option to replace up to 60 MW of renewable generation that NV Energy would otherwise be obligated to deliver with renewable energy. This Settlement Agreement does not limit Liberty Utilities' right to seek Commission approval to purchase, own, and operate an additional 10 MW of capacity of renewable generation. Liberty Utilities may seek expeditious review of its application for Commission approval to purchase, own, and operate such additional 10 MW of renewable generation capacity. Liberty Utilities shall prior to making any filing with or submission to the Commission seeking approval meet with ORA to discuss the application and work together to resolve any potential issues. ORA agrees to support Liberty Utilities' request for the Commission's expeditious review of the application, subject to ORA's own review of the application and on the condition that ORA deems the project to be just and reasonable for ratepayers.

Respectfully submitted,

LIBERTY UTILITIES (CALPECO ELECTRIC)
LLC

OFFICE OF RATEPAYER ADVOCATES


By: _____
Gregory S. Sorensen
Its: President

By:  _____
Elizabeth Echols
Its: Director

Dated: September __, 2016

Respectfully submitted,

LIBERTY UTILITIES (CALPECO ELECTRIC)
LLC

By: 
Gregory S. Sorensen

Its: President

OFFICE OF RATEPAYER ADVOCATES

By _____
Elizabeth Echols

Its: Director

Dated: September __, 2016

Exhibits

As part of the Amended Settlement Agreement, no amendments were made to the Exhibits attached to the original August 27, 2015 Settlement Agreement between the Office of Ratepayer Advocates and Liberty Utilities (CalPeco Electric) LLC that is available at:

<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M154/K655/154655711.PDF>

**DECLARATION OF ALAIN R. BLUNIER IN SUPPORT OF
THE CONFIDENTIAL TREATMENT OF EXHIBIT A OF
LIBERTY UTILITIES (CALPECO ELECTRIC) LLC ADVICE LETTER 65-E**

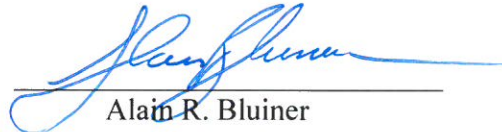
I, Alain R. Blunier, declare:

1. I am a Rate Analyst III for Rates & Regulatory Affairs at Liberty Utilities (CalPeco Electric) LLC (“Liberty CalPeco”) and have been authorized by Gregory S. Sorensen, President of Liberty CalPeco, to sign this declaration. This declaration is based on my personal knowledge of the confidential information contained in the Amended Settlement Agreement between the Office of Ratepayer Advocates and Liberty Utilities (CalPeco Electric) LLC, dated September 23, 2016 (“Amended Luning Settlement Agreement”). The Amended Luning Settlement Agreement implements the changes required to the Luning Settlement Agreement by the Luning Approval Decision (D.16-02-021). The Amended Luning Settlement Agreement is attached as Exhibit A to Liberty CalPeco Advice Letter 65-E.
2. Based on my knowledge and experience, I make this declaration seeking confidential treatment for the confidential information contained in Exhibit A to the Liberty CalPeco Advice Letter 65-E.
3. Attached to this declaration is a matrix identifying the data and information for which Liberty CalPeco is seeking confidential treatment. The matrix specifies that the material Liberty CalPeco is seeking to protect constitutes the particular type of data and information listed in Appendix 1 of Decision 06-06-066 (“IOU Matrix”) or constitutes information that should be protected under General Order 66-C. The matrix also specifies: (1) the category or categories in the IOU Matrix for that type of data or information; (2) that the information is not already public; and (3) that the data cannot be

aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct.

Executed on 17th day of October 2016 at Tahoe Vista, California.



Alain R. Bluiner

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC

**LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E)
ADVICE LETTER 65-PTAM**

IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066, DECISION 08-04-023 and General Order 66-C

Redaction Reference	Listed in Matrix (Y/N)	Matrix Category	Comply with matrix limitation (Y/N)	Not already public (Y/N)	Cannot be aggregated, redacted or summarized (Y/N)	Liberty CalPeco's Justification for Confidential Treatment	Length of Time
<p>Amended Luning Settlement Agreement, (Confidential Version of Settlement Agreement) Section 4.1, p. 9 Section 4.3, p. 10</p>	<p style="text-align: center;">Y</p>	<p style="text-align: center;">Item VII.G General Order 66-C, Section 2.2</p>	<p style="text-align: center;">Y</p>	<p style="text-align: center;">Y</p>	<p style="text-align: center;">N</p>	<p>The redacted information contains price information from the Luning Project Purchase and Sale Agreement and operating costs for 2019-2021 from the Luning Project Operations and Maintenance Agreement, both of which were competitively bid as part of Liberty CalPeco's solicitation process to select the Luning Solar Project. The information is confidential, proprietary, and market sensitive information that if disclosed would place Liberty CalPeco and its counter-party at an unfair business disadvantage.</p>	<p>For information covered under Item VII.G, remain confidential for 3 years, or until one year following expiration of the agreement, whichever comes first.</p> <p>For information under GO 66-C, indefinite.</p>

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

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CALIFORNIA PUBLIC UTILITIES COMMISSION

Service Lists

PROCEEDING: A1505008 - LIBERTY UTILITIES (C
FILER: LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
LIST NAME: LIST
LAST CHANGED: SEPTEMBER 20, 2016

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CALIFORNIA PUBLIC UTILITIES COMMISSION

Service Lists

PROCEEDING: A1607001 - LIBERTY UTILITIES (C
FILER: LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
LIST NAME: LIST
LAST CHANGED: SEPTEMBER 27, 2016

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CALIFORNIA PUBLIC UTILITIES COMMISSION

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