

Docket	:	<u>A.15-05-008</u>
Exhibit Number	:	<u>ORA-04</u>
Commissioner	:	<u>L. Randolph</u>
ALJ	:	<u>K. McDonald</u>
Witness	:	<u>M. Loy</u>



**OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Liberty Utilities
(formerly CalPeco Electric)
Test Year 2016
General Rate Case**

**Energy Cost Adjustment Clause
and
Fuel and Purchase Power**

PUBLIC VERSION - REDACTED

San Francisco, California
November 9, 2015

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1 **ENERGY COST ADJUSTMENT CLAUSE**

2 **AND**

3 **FUEL AND PURCHASED POWER FORECAST**

4 **I. INTRODUCTION**

5 This exhibit presents the analyses and recommendations of the Office of
6 Ratepayer Advocates (ORA) regarding the Energy Cost Adjustment Clause (ECAC)
7 and Fuel and Purchased Power Forecast proposals of Liberty Utilities (Liberty or LU)
8 for Test Year (TY) 2016.

9 LU's ECAC ratemaking is set forth in Section 6 of the Preliminary Statement
10 to LU's Electric Rate Tariff.¹ The California Public Utilities Commission
11 (Commission or CPUC) approved LU's Advice Letter 23-E and, in doing so,
12 authorized its tariff provision for filling an ECAC, as follows:

13 ... In calendar years in which the Company files a General Rate Case
14 application, CalPeco will revise the ECACBFs concurrently with, and as part
15 of, revisions to Base Rates as a result of its General Rate Case application.

16 ...

17 In a calendar year in which the Company files a General Rate Case
18 application, CalPeco shall propose revisions to the ECACBFs calculated in
19 accordance with the provisions herein concurrently with, and as part of, its
20 General Rate Case application.²

21
22 These Billing Factors are comprised of two rates: a) an Offset Rate for
23 recovering LU's projected 2016 fuel and purchased power costs and b) a Balancing
24 Rate for amortizing of the accumulated over or under collection in the ECAC
25 Balancing Account as of December 31st (i.e., 2015). This Exhibit focuses on the
26 precise revisions to the ECAC rates for each tariff class which are the subject in the
27 rate design section in Phase 2 of this Application No. 15-05-008 (Application).

¹ See http://www.libertyutilities.com/west/documents/rates/PreliminaryStatement_6.pdf .

² Ibid., Sheets 9 and 10, Section 6.C.

1 The Offset Rate revision is comprised of actual Offset Revenues, actual Net
 2 Power Cost (NPC), forecasted Offset Revenues, and forecasted NPC. This rate
 3 mechanism is a combination i) to true-up and thereby precisely recover actual costs
 4 - via rate adjustments reflecting the replacement of forecasted numbers with actual,
 5 recorded numbers, and ii) an update to reflect the most recent forecasts available
 6 (i.e., 2016).

7 The NPC is comprised of a) purchased power costs and b) fuel costs. The
 8 vast majority of LU's energy costs are from its Power Purchase Agreement with NV
 9 Energy³ plus a small amount from fuel inventory costs associated with LU's Kings
 10 Beach diesel generators.

11 The Balancing Rate revision reflects the amortization of the projected \$1.788
 12 million under-collected ECAC balance as of December 31, 2015 at \$596.1 thousand
 13 per year.

14 **II. SUMMARY OF RECOMMENDATIONS**

15 The following summarizes ORA's recommendations:

- 16 • Reduce LU's proposed Offset Rate revenues by \$ [REDACTED] or
 17 [REDACTED] % to reflect NV Energy's most recent NPC forecast.

18 Table 4-1 compares ORA's TY2016 forecast of Fuel and Purchased
 19 Power Costs with those of Liberty:

20 **Table 4-1**
 21 **TY2016 Fuel and Purchased Power Costs**
 22

Description (a)	ORA Recommended ⁴ (b)	Liberty Proposed ⁵ (c)	Amount LU>ORA (d=c-b)	Percentage LU>ORA (e=d/b)
Liberty 2016 NPC	[REDACTED]	\$40,194,649	[REDACTED]	[REDACTED]

³ Concurrent Application No. 15-04-019.

⁴ "CONFIDENTIAL Attachment 1 to Response ORA-051-JRW 2016 Purchased Power Forecast Exhibit" and see Application No. 15-04-019, "Supplemental Response of Liberty Utilities to Administration Law Judge's Ruling Directing the Applicant to Submit Certain Documents and Information by July 2, 2015," p. 8, Table 4 CONFIDENTIAL VERSION.

⁵ Ex. Liberty-01, page 159 of 253, Chapter 3, Table 1-3A, ln. 1, col. (c).

1 **III. Liberty's 2016 ECAC Billing Factor Revisions**

2 **A. Overview of Liberty's Request**

3 LU is requesting an annual decrease of \$3.939 million to its ECAC Offset
4 Rate revenue authorized in LU's last GRC/ECAC⁶ and an annual increase of \$4.890
5 million to the Balancing Rate revenue authorized in LU's last GRC/ECAC. These
6 two factors result in a request to increase the ECAC Billing Factors revenue by
7 \$0.950 million or 2.38 percent.⁷

8 LU did not submit its greenhouse gas forecast revenue and reconciliation
9 request, in compliance with Ordering Paragraph 10 of Decision 14-10-033, with this
10 Application.⁸ ORA reserves the right to litigate this matter should LU comply by
11 submitting its request.

12 **1. 2016 Offset Rate Reduction Attributable to New**
13 **Purchased Power Agreement**

14 The Offset Rate revenue decrease is the result of LU's new 2016 NV Energy
15 Services Agreement, effective January 1, 2016. Assuming the Commission
16 approves its 2016 NV Energy Services Agreement, LU projects its purchased power
17 costs to decrease \$3.939 million relative to the terms and conditions under its
18 existing NV Energy Services Agreement, expiring on December 31, 2015.⁹

19 **2. 2016 Balancing Rate Increase**

20 In its 2013 General Rate Case application, LU proposed a refund to
21 ratepayers to remedy a projected over-collection in its ECAC Balancing Account of
22 approximately \$13 million, as of December 31, 2012. Accordingly, the settlement of
23 the 2013 LU General Rate Case provided for this ratepayer refund with a negative
24 Balancing Rate. As of December 31, 2015, the prior over-collection should be fully
25 amortized and now the projected, accumulated Balancing Rate revenue is an under-

⁶ Decision No. 12-11-030.

⁷ EX. Liberty-01, p. 3-3, ll. 8-11.

⁸ Application, p. 3, footnote 3.

⁹ EX. Liberty-01, p. 3-3 through 3-5 and see concurrent Application No. 15-04-019.

1 collection of \$1.788 million. Analogously, LU's projected under-collection should be
2 remedied with a positive Balancing Rate to reflect the increase of \$4.890 million,
3 which results from replacing the prior GRC's annual refund of \$4.294 million with the
4 proposed TY2016 revenue collection of \$0.596 million.¹⁰

5 **B. ORA's ECAC Analysis**

6 ORA's only recommendation, in this exhibit, is to use the most recent forecast
7 of 2016 NPCs for setting LU's Offset Rate. ORA's NPC recommendation at
8 \$ [REDACTED] is \$ [REDACTED] or [REDACTED] % lower than LU's 2016 NPC projection at
9 \$40,194,649. Both parties' projections were prepared by NV Energy.¹¹ For Offset
10 Rates and Revenues, ORA's recommendation at \$ [REDACTED] results in a
11 [REDACTED] % or \$ [REDACTED] reduction to LU's revenue forecast of \$40,326,934 and
12 ORA's Offset Rate at \$ [REDACTED] is \$ [REDACTED] or [REDACTED] lower than LU's Offset Rate at
13 \$66.62.¹²

14

¹⁰ Ex. Liberty-01, p. 3-7.

¹¹ See LU's response to ORA-051-MRL, dated September 24, 2015, and Ex. Liberty-01, Chapter 8, pp. 8-1 through 8-2, dated May 2015.

¹² ORA-4-WP LU-TY2016-GRC ECAC-Forecast+Rate MRL-Final; "WP 1.3.1 ECAC Rev Req," lines 23-25.