

Docket	:	<u>A.15-05-008</u>
Exhibit Number	:	<u>ORA-07</u>
Commissioner	:	<u>L. Randolph</u>
ALJ	:	<u>K. McDonald</u>
Witness	:	<u>O. Enyinwa</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**

Plant
and
Rate Base

San Francisco, California
November 9, 2015

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1 **PLANT AND RATE BASE**

2 **I. INTRODUCTION**

3 This exhibit presents the analyses and recommendations of the Office of
4 Ratepayer Advocates (ORA) regarding the Plant and Rate Base proposals for 2016
5 in the Liberty Utilities LLC (Liberty) General Rate Case, Application (A.)15-05-008.

6 ORA reviewed Liberty’s application; testimony; supporting work papers; sent
7 ten¹ sets of data requests to Liberty and held several phone conferences with
8 Liberty.

9 Liberty seeks recovery of Electric Plant-in-Service costs amounting to
10 \$278.268 million for 2016.² This is based on Liberty’s forecast of net plant additions
11 of (\$0.7) million³ for production; \$37.514 million⁴ for distribution; \$3.403 million for
12 intangible⁵ and \$4.056⁶ million for general plant; resulting in total net additions of
13 \$44.801 million for 2015 and 2016.

14 The forecast 2015 plant additions are added to the recorded End-of-Year
15 2014 Plant-in-Service to obtain End-of-Year 2015 Plant-in-Service. Then the
16 forecast 2016 plant additions are added to the End-of-Year 2015 Plant-in-Service to
17 obtain End-of-Year 2016 Plant-in-Service which are components of rate base.
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¹ Three of these ten were verbal data requests.

² Liberty’s Application Exh. 1 – Summary and Results of Operations, Ch. 6, Table 1-6B, p.1 of 1.

³ Liberty’s Work papers Exh. 1 – Results of Operations, Ch. 9, Table 1-9C, p. 10 of 19.

⁴ Liberty’s Work papers Exh. 1 – Results of Operations, Ch. 9, Table 1-9C, p. 10 of 19.

⁵ Liberty’s Work papers Exh. 1 – Results of Operations, Ch. 9, Table 1-9C, p. 10 of 19.

⁶ Liberty’s Work papers Exh. 1 – Results of Operations, Ch. 9, Table 1-9C, p. 10 of 19.

1 **II. SUMMARY OF RECOMMENDATIONS**

2 Table 7-1 below shows ORA’s recommended Plant-in-Service for Test Year
3 (TY) 2016.

4 ORA agrees with Liberty regarding the following:

- 5 • Liberty’s net plant additions of \$0.000 million and (\$0.007) million for 2015
6 and 2016, respectively, for its production facilities.
- 7 • Liberty’s net plant additions of \$9.884 million in 2016 for its distribution
8 facilities.
- 9 • Liberty’s net plant additions of \$0.410 million in 2016 for its intangible
10 facilities.
- 11 • Liberty’s net plant additions of \$3.905 million and \$0.151 million for 2015
12 and 2016 respectively for its general electric facilities.
- 13 • Liberty’s total Rate Base additions of \$4.463 million and reductions of
14 \$55.768 million for TY 2016.⁷

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16 ORA recommends adjustments for the following:

- 17 • ORA recommends the use of the recorded⁸ 2014 Gross Plant-in Service
18 as the Base Year which is \$230.846 million as compared to Liberty’s 2014
19 Base Year of \$233.406 million. This reflects a downward adjustment of
20 \$2.56 million.
- 21 • For Gross Plant-in-Service, ORA recommends \$265.671 for TY 2016 as
22 compared to Liberty’s forecast of TY 2016. This reflects a downward
23 adjustment of \$12.539 million.
- 24 • ORA recommends net plant additions of \$17.934 million in 2015 for
25 distribution facilities as compared to Liberty’s forecast of \$27.580million.
26 This reflects a downward adjustment of \$9.646 million.

⁷ Liberty’s Application Exh. 1 – Summary and Results of Operations, Ch. 6, Table 1-6A, p.1 of 1.

⁸ See Attachment 1 to Response to ORA-036-OE2.

- ORA recommends net plant additions of \$2.250 million for 2015 for Intangible facilities as compared to Liberty's forecast of \$2.994 million. This reflects a downward adjustment of \$0.744 million.

Table 7-1 compares ORA's 2015 & 2016 forecast of Plant with those of Liberty:

**Table 7-1
Liberty Plant Balance for TY 2016
(In Thousands of Dollars)**

Description (a)	ORA 2016 Recommended (b)	Liberty 2016 Requested ⁹ (c)	Amount Liberty > ORA (d=c-b)	Percent Liberty>ORA (e=d/b)
Production	\$14,138	\$14,146	\$8	0.0%
Transmission	\$0	\$0	\$0	0.0%
Distribution	\$228,246	\$240,089	\$11,843	5.2%
Intangible	\$8,167	\$8,913	\$746	9.1%
General	\$15,120	\$15,120	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
Total	\$265,671	\$278,268	\$12,597	4.7%

III. Liberty Plant and Rate Base

A. Overview of Liberty's Request

According to its work papers, Liberty used actual 2014 electric plant expenditures as the basis for its Plant-in-Service estimating methodology, as explained below:

⁹ Liberty's Application Exh. 1 – Summary and Results of Operations, Ch. 6, Table 1-6B, p.1 of 1, page 186 of 253.

- 1 • Liberty used the December 31, 2014 Plant-in-Service¹⁰ as its basis for
2 estimating Electric Plant-in-Service for 2016.
- 3 • Liberty added the 2015 and 2016 forecast net plant additions to the
4 December 31, 2014 electric Plant-in-Service to yield December 31, 2016
5 electric Plant-in-Service.
- 6 • ORA reviewed Liberty’s December 31, 2014 Plant-in-Service of \$237.4
7 million in its Application but uses the recorded 2014 Plant-in-Service amount
8 of \$230.846 million provided by Liberty in response to a data request.¹¹
- 9 • ORA reviewed the forecast 2015 and 2016 net plant additions for production,
10 distribution, intangible and general plant. For the forecast 2015 Distribution
11 and Intangible plant ORA used an average of the recorded January 31st to
12 July 31st, 2015 amount provided in response to a data request¹² as the basis
13 for its calculation of the net plant additions of \$17.934 million for 2015. See
14 Table 7-2 below.
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¹⁰ Liberty’s Work papers Exh. 1 – Results of Operations, Ch. 9, Table 1-9C, p. 10 of 19.

¹¹ See Attachment 1 to Liberty response to ORA-036-OE2.

¹² See Attachment 1 to Liberty response to ORA-036-OE2.

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**Table 7-2
Liberty Plant -In-Service
Recorded 2011-2014¹³
and ORA'S Forecast for 2015 & 2016
(In Thousands of Dollars)**

Plant Type	2011	2012	2013	2014	ORA 2015	ORA TY 2016
Production	\$14,141	\$14,144	\$14,144	\$14,144	\$14,144	\$14,138
Transmission	\$0	\$0	\$0	\$0	\$0	\$0
Distribution	\$180,840	\$185,925	\$192,529	\$200,428	\$218,362	\$228,246
Intangible	\$2,127	\$2,446	\$4,886	\$5,507	\$7,757	\$8,167
General	\$7,556	\$9,375	\$9,530	\$10,767	\$14,437	\$15,120
Other	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$204,664	\$211,890	\$221,089	\$230,846	\$254,700	\$265,671

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**Table 7-3
Capital Additions for 2015 and 2016¹⁴
(In Thousands of Dollars)**

Plant Description	Liberty 2015	Liberty 2016	ORA 2015	ORA 2016
Production	\$0	(\$7)	\$0	(\$7)
Transmission	\$0	\$0	\$0	\$0
Distribution	\$27,580	\$9,884	\$17,934	\$9,884
Intangible	\$2,994	\$410	\$2,250	\$410
General	\$3,905	\$151	\$3,905	\$151
Total	\$34,479	\$10,438	\$24,089	\$10,438

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¹³ See Attachment 1 to Liberty response to ORA-036-OE2.

¹⁴ See Attachment 1 to Liberty response to ORA-064-OE2

1 **B. ORA’s Analysis**

2 • **Distribution Plant Additions**

3 Liberty forecast net distribution plant additions for TY 2016 to be \$37.514
4 million.¹⁵ The total \$37.514 million net addition for TY 2016 represents about
5 eighty-four percent of the total plant additions of \$44.801 million.¹⁶ The distribution
6 plant additions and upgrades is a result of increased demand in its service territory
7 and need to ensure system reliability.¹⁷ ORA focused on distribution net plant
8 additions, since this represents most of the total electric plant additions for 2015 and
9 2016. According to Liberty’s testimony,¹⁸ the forecast plant additions are based on
10 on-going and anticipated projects which have been broken down into Phases 1, 2
11 and 3. Only Phase 1 will be included in this rate case. Liberty will activate Phases 2
12 & 3 when more specific demand¹⁹ triggers are met. Phase 1 of this project is the
13 upgrade of Line 650. Phase 1 has been split into two, with the first part being the
14 physical construction of Liberty’s Line 650 which commenced in August 2015 from
15 Martis Valley, near Truckee, to the Northstar substation and will be completely re-
16 built and placed into operational service at the end of October 2015. Construction
17 on the next section of Phase 1 for line 650, will be from Northstar substation to Kings
18 Beach, will resume in 2016 and is anticipated will be operational at the end of 2016.

19 In response to a ORA data request,²⁰ Liberty provided recorded plant
20 balances and plant additions from 2011 through July 31st, 2015. (See Table 7-2
21 above). Based on these recorded figures which reflect a more accurate picture of

¹⁵ Liberty’s Work papers Exh. 1 – Results of Operations, Ch. 9, Table 1-9C, p. 10 of 19, page 243 of 253, line 22. Total of plant additions (\$40.059 million) less FERC (\$2.545 million) equals \$37.514 million.

¹⁶ This number excludes the FERC portion of \$2.904 million from the total Adjustments of \$47.757 million.

¹⁷ See Decision (D.) 15-03-020 pgs. 5-6.

¹⁸ Liberty’s Application Exh. 1 – Summary and Results of Operations, Ch. 6, pg.6-2.

¹⁹ See D.15-03-020 pg. 5.

²⁰ See Attachment 1 to Liberty response to ORA-036-OE2.

1 Liberty's plant additions, ORA annualized the recorded numbers of January 1st to
2 July 31st, 2015 (an average of the seven month recorded numbers, multiplied by
3 twelve) which resulted in an amount of \$17.934 million for distribution plant additions
4 for 2015.

5 ORA recommends additions of \$17.934 million for distribution plant for 2015
6 in comparison to Liberty's proposed \$27.580 million increase. ORA accepts
7 Liberty's proposed 2016 distribution net plant additions of \$9.884 million. ORA
8 recommends a total of \$218.362 million for end of year 2015 and a total of \$228.246
9 million for end of year 2016.

10 • **Intangible Plant Additions**

11 Liberty forecasted net intangibles plant additions for 2015 and 2016 to be
12 \$3.406 million.²¹ In response to a ORA data request,²² Liberty provided recorded
13 plant balances and plant additions from 2011 through July 31st, 2015. See Table 7-2
14 above. Based on these recorded figures which reflect a more accurate picture of
15 Liberty's plant additions, ORA used an average of the January 1st to July 31st, 2015
16 recorded numbers (an average of the seven month recorded numbers, multiplied by
17 twelve) which resulted in an amount of \$2.250 million for intangible plant additions
18 for 2015. ORA recommends an addition of \$2.250 million for intangible plant for
19 2015 in comparison to Liberty's request of \$2.994. ORA accepts Liberty's requested
20 2016 intangible net plant addition of \$0.410 million.

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²¹ Liberty's Work papers Exh. 1 – Results of Operations, Ch. 9, Table 1-9C, p. 10 of 19, line 27, page 243 of 253.

²² See Attachment 2 to Liberty response to ORA-036-OE2.

1 **C. Rate Base**

2 Liberty proposes to set rates based on a California-jurisdictional rate base of
3 \$150.927 million.²³ This figure is comprised of (see Table 7-4 below):

- 4 a. Net Plant in Service \$202.232 million
- 5 b. Total Rate Base Additions \$4.462 million
- 6 c. Total Rate Base Deductions (\$55.767) million

7 Net Plant in Service is comprised of the Gross Plant in Service of \$278.268
8 million less Accumulated Depreciation of \$76.036 million. ORA disagrees with the
9 Gross Plant in Service forecast but does not take an issue with the accumulated
10 depreciation, rate base additions and reductions shown below. ORA recommends a
11 Gross Plant in Service amount of \$254.700 for 2015 and \$265.671 for 2016. The
12 total Rate Base additions of \$4.462 million are comprised of (see Table 7-5 below):

- 13 a. Materials and Supplies \$4.011 million
- 14 b. Prepayment \$0.319 million
- 15 c. Working Capital \$0.132 million

16 ORA has reviewed the Rate Base additions. ORA accepts Liberty's Rate Base
17 additions. Based on this, ORA recommends a total Rate Base of \$138.330 million
18 for TY 2016 as shown in the Table 7-4 below.

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²³ Liberty's Application Exh. 1 – Summary and Results of Operations, Ch. 6, Table 1-6A, p.1 of 1, page 185 of 253.

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Table 7-4
Liberty Rate Base for TY 2016
(In Thousands of Dollars)

Description (a)	ORA Recommended 2016 (b)	Liberty Requested (c)	Liberty > ORA (d=c-b)	Percent Liberty>ORA (e=d/c)
Gross Plant In Service	\$265,671	\$278,268	\$12,597	4.74%
Provision for Accumulated Depreciation	(\$76,036)	(\$76,036)	\$0	0.00%
Net Plant in Service	\$189,635	\$202,232	\$12,597	6.64%
Materials and Supplies	\$4,011	\$4,011	\$0	0.00%
Prepayments	\$319	\$319	\$0	0.00%
Working Capital	\$132	\$132	\$0	0.00%
Total Additions to Net Plant	\$4,462	\$4,462	\$0	0.00%
Customer Advances	(\$13,437)	(\$13,437)	\$0	0.00%
Accumulated Deferred Income Tax	(\$19,206)	(\$19,206)	\$0	0.00%
Other Deductions	(\$23,124)	(\$23,124)	\$0	0.00%
Total Deductions from Net Plant	(\$55,767)	(\$55,767)	\$0	0.02%
Total Rate Base	\$138,330	\$150,927	\$12,597	9.11%

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