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|---|---|---|
| Docket | : | A.15-05-008 |
| Exhibit Number | : | ORA-12 |
| Commissioner | : | L. Randolph |
| ALJ | : | K. McDonald |
| Witness | : | P. Sabino |

**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

Revenue Allocation
and
Rate Design

San Francisco, California
November 23, 2015

**TABLE OF CONTENTS**

ATTACHMENTS

# REVENUE ALLOCATION AND RATE DESIGN

## I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Office of Ratepayer Advocates (ORA) regarding the Revenue Allocation and Rate Design proposals of Liberty Utilities (Liberty or LU) for Test Year (TY) 2016, including Liberty's 2016 Marginal Cost of Service (MCS) proposal.

## II. SUMMARY OF RECOMMENDATIONS

The following summarizes ORA's recommendations:

- Adopt the amount of $76.12 million in Base Revenues for purposes of Liberty's TY 2016 revenue allocation and rate design in contrast to Liberty's proposed Base Revenues in the amount of $86.015 million. ORA's recommendation is lower by approximately $9.9 million, or 11.5 percent less than Liberty's proposal;

- Adopt ORA's adjustments to the O&M and A&G loaders, customer forecasts, inflation, forecast 2016 natural gas prices, and economic carrying charges used in Liberty's calculations for its marginal costs;

- Liberty's use of demand backcasts as a proxy for historical system peak for purposes of its distribution marginal cost calculation are unsubstantiated. Liberty should be ordered to substantiate its assertions regarding system peak data prior to 2011 or otherwise, to provide a study to effectively make use of the system peak data prior to 2011 that it already has to eliminate the use of backcasts for such a significant portion of Liberty's distribution costs. Unless substantiated, the next GRC filing for Liberty should not continue to rely on the use of backcasts of system peak data prior to 2011.

- Adopt ORA's marginal customer cost calculation method which, like Liberty's method, is based on the New Customer Only (NCO) approach. To the extent that Liberty's NCO approach includes a replacement cost based on the existing number of customers, in addition to the hookup costs of new customers in its calculation of marginal customer costs, Liberty's marginal customer cost calculation should be rejected. ORA recommends that if a replacement cost is included in the marginal customer cost calculation, it should only apply to the new customer number.

- Adopt ORA's recommended caps and floors to revenue allocation;

- Adopt ORA recommendation to keep Liberty's residential customer charge at the current level of $7.10 per customer per month and reject Liberty's proposed increase to the residential class fixed customer charge from $7.10 per month to $7.67 per month;
- Adopt ORA's recommended base rates for TY 2016 and the ORA recommended rates for the Liberty programs which are allocated outside of base revenues as discussed herein;
- ORA does not oppose Liberty's proposal regarding the CARE customer and energy rates;
- ORA agrees with Liberty's proposal to update residential baseline allowances;
- ORA agrees with Liberty that it is appropriate to align the DS-1 discount with a Commission-approved increase in operating revenue in this proceeding;
- ORA does not oppose Liberty's proposal regarding the Vegetation Management (VM) rates and the allocation on the basis of equal cents per kilowatt-hour of the VM program and other Liberty programs except with respect to the EE program as discussed herein; and
- ORA does not oppose Liberty's proposed revisions to its TOU tariffs so long as these tariffs are optional to those who qualify under the schedules.

Table 12-1 compares ORA's TY 2016 forecast of Base Revenue Allocation with those of Liberty.

Table 12-1

Liberty Revenue Allocation for TY 2016
(In Thousands of Dollars)

| Ln No. | Description (a) | ORA Recommended (b) | Liberty Proposed[1] (c) | Amount LU>ORA (d=c-b) | Percentage LU>ORA (e=d/b) |
|---|---|---|---|---|---|
| 1 | Res (D-1, DM-1, DS-1) | $37,365,646 | $43,453,577 | $6,087,931 | 16.3% |
| 2 | A-1 | 15,002,312 | 16,685,331 | 1,684,821 | 11.2% |
| 3 | A-2 | 7,097,315 | 7,612,881 | 515,566 | 7.3% |
| 4 | A-3l | 16,257,201 | 17,837,212 | $1,578,191 | 9.7% |
| 5 | Street Lights | 79,656 | 88,520 | 8,865 | 11.1% |
| 6 | OLS | 148,128 | 162,675 | 14,565 | 9.8% |
| 7 | PA | 157,024 | 174,833 | 17,809 | 11.3% |
| 8 | Total Base Revenues | $76,107,282 | $86,015,030 | 9,907,748 | 13.0% |

## III. Liberty Base Revenue Allocation

Base Revenues generally refer to the utility's basic operating sales revenues, and exclude other operating revenues, revenue credits, and program revenues with rates separately charged from base revenues. In Phase 1 of Liberty Utilities' Application (A.)15-05-008 dated May 1, 2015, Liberty requests an overall increase in rates totaling $13.571 million annually or a 17.34 percent increase over present rates, effective January 1, 2016.[2] Liberty's Table 9.1A at line 9 indicates that the proposed increase of $13.571 million refers to the total operating revenues for TY 2016, and does not refer to the Base Revenues.[3]

ORA verified this proposed amount of increase from Liberty's Table 9.1A by simply taking the difference between the total revenue requirement of $91.821

[1] Ex. Liberty-01 Phase 2 shown in Table 2.1, page 1 of 1, Column (e) starting at line 1 through 8.

[2] Liberty Utilities Application in A.15-05-008 dated May 1, 2015, p.1. The information is also presented in Table 9.1A, Chapter 9, Ex. Liberty-01 Phase 1.

[3] Table 9 1A, Chapter 9, Ex. Liberty-01 Phase 1.

million at line 9 under column (h) and the forecast results of operation of $78.256 million at line 9 under column (b).[4]

For the Base Revenues, shown in Liberty's Table 9.1A at line 2 (i.e., Sales Revenue), Liberty's proposed TY 2016 Base Revenue increase is in the amount of $12.349 million annually (i.e., the difference between $86.040 million and $73.697 million) or a 16.76 percent increase over present rates.[5] The figure of $86.040 million shown in Liberty's Table 9.1A at line 2 under column (h) is Liberty's proposed Base Revenues for TY 2016 from the Results of Operations (RO) model run. It is a raw figure from Liberty's RO model that is later refined for various adjustments in the revenue allocation process. This ORA exhibit explains the various revenue allocation adjustments made by Liberty that result in Liberty's proposed Base Revenue amount of $86.015 million for TY 2016, as shown in Liberty's revenue allocation and rate model. Table 12-1 of this exhibit compares the revenue allocation of Liberty's proposed Base Revenues of $86.015 million to ORA's recommended Base Revenues of $76.107 million, as adjusted.

Liberty filed a GRC in 2013 which resulted in an overall 4.97% increase in rates effective January 1, 2013.[6] According to Liberty, if its request in this GRC for an overall 17.34% increase effective January 1, 2016 is granted, its residential rate of 0.1673 cents per kwh (compared to the current 0.14260 cents per kwh) is still equal or less than residential rates for neighboring electric utilities.[7]

Liberty filed Phase 2 of its Application regarding proposed revenue allocation and rate design approximately two and a half months later on July 17, 2015, and is

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[4] Id.

[5] Id.

[6] http://www.libertyutilities.com/west/about/news_05-15-2015.html

[7] Id.

presented in Liberty's Exhibit 1.[8] Liberty proposes to allocate its proposed Base Revenues on the basis of an Equal Percent of Marginal Cost ("EPMC").[9]

The Ordering Paragraph 2 of D.12-11-030, where the California Public Utilities Commission (Commission) adopted an all-party settlement in the 2013 General Rate Case (GRC) for CalPeco, the Commission ordered CalPeco to include in its next GRC application, a vegetation management rate proposal which is a fixed charge option. The Commission stated:[10]

> CalPeco must assume in this proposal the vegetation management charge to be the first dollars in the customer service charge and not the last incremental dollars. This fixed charge must be calculated as a fully allocated charge to all classes and thus not necessarily the identical fixed charge applied to all classes of customers. Therefore the overall service charge in this required option must have two components: vegetation management and other fixed costs. CalPeco may also file for any other preferred alternative form of rate recovery for vegetation management in addition to this required fixed charge option.

The above Commission-ordered showing on the vegetation management rate in D.12-11-030 is part of Liberty's Phase 2 filing in Chapter 2 of Exhibit 1.

## A. Overview of Liberty's Request

The Applicant's Exhibit 1 in Phase 2 consists of three parts: the 2016 Marginal Cost of Service (MCS) study (Chapter 1), the Revenue Allocation (Chapter 2), and the Rate Design (Chapter 3). Each is briefly described below.

### 1. Proposed Marginal Cost Allocation Methodology for Base Revenues

According to Liberty, its 2016 MCS proposal is one that "generally adheres to its MCS proposal for the 2013 Test Year in Application 12-12-014 ("2013 GRC

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[8] Ex. Liberty-01 Phase 2 consists of Chapters 1-3.

[9] Ex. Liberty-01 Phase 2, Chapter 2, p..2-1.

[10] O.P. 2 in D.12-11-030, p. 9.

Application").”[11] Liberty notes that although the settling parties to the all-party settlement adopted in D.12-11-030 did not formally agree to Liberty's 2013 MCS proposal, the Liberty MCS proposal did serve as the basis for the settled-upon revenue allocation and rate design.[12]

**Generation, Transmission, and Energy Marginal Costs**

Liberty describes itself as primarily a new distribution utility that is connected to and dependent upon NV Energy for generation, transmission, and energy services.[13] As such, Liberty has to assume NV Energy's own marginal costs for generation, transmission, and energy.[14] For purposes of its 2016 MCS proposal, Liberty updates the marginal cost information from NV Energy's 2013 GRC Application with the Public Utilities Commission of Nevada (PUCN).[15] The Applicant also discloses a recent new Purchase Power Agreement (PPA) with NV Energy for “full requirements service.” In footnote 3, LU represents that the Nevada PUC adopted the NV Energy marginal cost with “one minor modification” in its Modified Order in the docket on January 29th, 2014.[16]

In discovery, Liberty clarified that for the purposes of determining marginal cost, “Full Requirements Service” means that all of Liberty Utilities' generation, transmission, and energy requirements are provided by NV Energy.[17] Under the 2016 NV Energy Services Agreement, NV Energy will in 2016 provide almost all of

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[11] Ex. Liberty-01 Phase 2, Chapter 1, p.1-1.

[12] Id.

[13] Id., p. 1-4.

[14] Id.

[15] Id.

[16] Ex. Liberty-01 Phase 2, p.1-4.

[17] Response to ORA-026 Question 2(a).

the energy supplies Liberty will use to serve its customers.[18] Kings Beach Generating Station Facility is the only generation facility that Liberty Utilities owns.[19] Liberty states that it did not include the Kings Beach Generating Station in its calculation of the marginal cost of generation nor does it buy power from the spot market.[20]

Liberty further clarified the “one minor modification” from the PUCN refers to the adopted marginal generation cost that was approximately $2/kW lower than the figure requested by NV Energy and used by Liberty Utilities in formulating the Marginal Cost calculation for this Application.[21] According to Liberty, the $2/kW lower figure is very likely to have a de minimis impact on the overall marginal cost results.[22] The PUCN approved a marginal cost of generation of $154.66/kW which is about $2/kW less than the $156.12/kW used by Liberty.[23] The $156.12/kW was significantly higher than the $108.73/kW previously used in the 2013 GRC but neither NV Energy nor the PUCN has provided Liberty with any explanation on the increase.[24] However, Liberty indicated in a response to ORA that it will be providing an update on Marginal Cost Calculation and Revenue Allocation/Rate Design on or before its rebuttal that will incorporate the actual marginal generation cost that the PUCN has approved for NVEnergy.[25] The update is still outstanding as of this writing.

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[18] Response to ORA-026 Question 2(a).

[19] Response to ORA-026 Question 2(c).

[20] Response to ORA-026 Question 2(c).

[21] Response to ORA-026 Question 2(b).

[22] Response to ORA-026 Question 2(b).

[23] Response to ORA-026 Question 3(a).

[24] Response to ORA-026 Question 3(d).

[25] Response to ORA-026 Question 2(b).

Liberty explains that it uses an allowance for losses and inflation to adjust the marginal cost of generation of $156.12/kW to arrive at the marginal cost of $171.60/kW for its 2016 TY.[26] The loss figures are based on the loss figures determined by NV Energy to serve at the secondary and primary levels.[27] Liberty has taken the dollar values proposed by NV Energy for the marginal cost of generation to service at the secondary and primary levels and only changed those values to reflect estimated inflation to 2016.[28]

Liberty uses the following amounts for marginal cost of transmission for TY 2016: $20.07/kW at the primary level and $20.78/kW at the secondary level.[29] The calculations for these were based on NV Energy's proposed marginal cost of transmission for TY 2014 of $19.04/kW, and escalating the cost to 2016 dollars and allowing for losses.[30]

Liberty states that the NV Energy marginal energy costs from the 2013 PUCN GRC filing for the 2014 Test Year were updated for the 2016 Test Year by applying the US EIA's recorded and forecast Henry Hub natural gas prices for the years 2015 and 2016 to the NV Energy result for 2014.[31] Further, LU states that "This recorded and forecast natural gas price data shows a marked decrease when compared to the actual 2014 data."[32] ORA agrees with the observed decline in

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[26] Response to ORA-026 Question 3(e).

[27] Response to ORA-026 Question 3(g).

[28] Response to ORA-026 Question 3(g).

[29] Ex.Liberty-01 Phase 2, p.1-7.

[30] Id.

[31] Ex.Liberty-01 Phase 2, pp..1-5 through 1-6.

[32] Id.

natural gas prices.[33] Liberty explains that the value of $45.89/MWH for marginal energy costs is obtained after calculations to include the NV Energy forecast amounts for working capital, administrative and general expense (A&G), Operation & Maintenance (O&M) adders, and expenses to meet the Nevada Renewable Portfolio Standard (RPS).[34]

When asked about the details of all the adders that NV Energy incorporated into its marginal energy cost calculations (Nevada Docket No. 13-06002), Liberty states that they did not have details on the adders and that the assumptions and data on the adders were accepted by the Nevada Public Utilities Commission in its Order.[35] Liberty explains that the only change that it has made is to increase the total value of these adders to reflect inflation for 2015-2016.[36]

**Distribution Marginal Costs**

With respect to the electric distribution function which comprises the majority of Liberty's marginal demand costs, the Applicant states that the higher overall value for its 2016 Test Year results is a result of changing the inputs to its marginal cost rather than changing the method of calculating the distribution marginal cost.[37] Notably, in Liberty's previous 2013 MCS proposal, the marginal costs of distribution were developed on a 50-50 basis, which according to Liberty, means that 50 percent were based on NV Energy developed values in its 2009 CPUC GRC Application while the other 50 percent were based on Liberty's actual data from 2013.[38] On the

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[33] US EIA Annual Energy Outlook 2015, dated April 2015, p. 6 and is available at http://www.eia.gov/forecasts/aeo.

[34] Id.

[35] Response to ORA-026 Question 4(d).

[36] Response to ORA-026 Question 4(d).

[37] Id., p. 1-8.

[38] Id., p. 1-9.

other hand, in the 2016 MCS proposal, the distribution marginal costs reflect a 25-75 basis, which means that 25 percent of the values reflect the inflated-updated values developed by NV Energy for its 2009 CPUC GRC Application while 75 percent of the values were based on Liberty's data.[39] Liberty states that its distribution investment costs are developed to meet customer system peaks and non-coincident demands by customer class.[40] Liberty notes also that for TY 2016, the loading factors used for Liberty's marginal costs are based solely on Liberty data.[41]

**Marginal Customer Costs**

Liberty presents the customer-related investment for transformer, service line, and metering costs of its 2016 MCS study in Liberty's Table I-4.[42] For its marginal customer costs, Liberty uses the New Customer Only (NCO) approach, where both the estimated annual average new customer hookups and the estimated replacements are multiplied against the present value of the revenue requirement of the long run unit investment cost with the loaders included.[43]

With a marginal NCO cost approach in its 2016 MCS study, Liberty proposes to allocate its proposed Base Revenues on the basis of Equal Percent of Marginal Cost ("EPMC").[44] This means the sum of the marginal costs are scaled by an EPMC factor equal to the authorized revenue requirement. The proposed total Base Rate Revenue to be allocated is in the total amount of $86.015 million.[45]

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[39] Id., p. 1-9.

[40] Id., p. 1-2.

[41] Id., p. 1-3.

[42] Ex.Liberty-01 Phase 2, Table I-4, Chapter 1.

[43] As shown in Liberty Workpapers for Ex.Liberty-01 Phase 2, specifically in Excel spreadsheet Tab "T3 pg1 NCO 2015" for the marginal cost study.

[44] Ex. Liberty-01 Phase 1, Chapter 2, p. 2-1.

[45] Id.

The Summary of Revenues at Full Marginal Cost is shown in Liberty's Table 1-1, where the Total Revenues at full marginal cost amount to $133,254,262, as shown under column (f) at line number 18 of the table as filed.[46] Table 1-1 indicates that almost 71 percent of Liberty's marginal cost revenues are demand-related while only about 21 percent are energy-related, and the remaining 8 percent are customer-related.[47]

For the almost 71 percent of demand-related marginal costs, the detailed breakdown of demand charges in the Applicant's 2016 MCS study indicates that approximately 76.6 percent of Liberty's marginal demand charges are attributable to the distribution function demand-related charges, while only 20.7 percent are accounted for by the generation demand-related charges and the remaining 2.8 percent by transmission demand-related charges.[48]

Using the results of its 2016 MCS study, Liberty applied its EPMC percentages to present rate revenues and its forecast kWh sales in order to determine the revenue allocation to the different customer classes on a full marginal cost basis.[49]

ORA provides in Table 12-2 below Liberty's summary of the effect of its EPMC allocation using the current Liberty filing (i.e., absent capping and the allocation of other operating revenues). Table 12-2 is for each customer class and shows the impact for a hypothetical $1 million Base Rate requirement:[50]

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[46] The Liberty Workpapers provided as Supplemental Response to ORA-010-PZS show slightly different figures for the Total Revenues but the EPMC Factors remain very close to those shown in Liberty's Table 1-1.

[47] As shown on line 19 of Table 1.1, Ex.Liberty-01 Phase 2, Chapter 1, page 1 of 1.

48 As shown on line 19 of Table 1.2, Ex. Liberty-01 Phase 2, Chapter 1, page 1 of 1.

[49] Liberty's target base revenue requirement is shown in the amount of $86,015,000 in Excel cell number 19 at Tab "Passes 2015-1(3)" in Liberty's Workpapers on revenue allocation and rates. The target base revenues are adjusted to exclude other operating revenues as well as Energy Efficiency (EE) and Vegetative Management (VM), and other adjustments and employee discounts.

[50] Response to ORA-028-PZS Question 1(a).

**Table 12-2 Liberty EPMC Factors**

| Rate Schedule | Liberty EPMC Estimates (Rounded) | Hypothetical Impact with $1 Mn Base Rate Requirement |
|---|---|---|
| Residential | 50.78% | $507,800 |
| A-1 Commercial | 19.31% | $193,100 |
| A-2 Commercial | 8.67% | $86,700 |
| A-3 Commercial | 20.67% | $206,700 |
| Streetlights | 0.12% | $1,200 |
| Outdoor Lighting Streetlights | 0.19% | $1,900 |
| Optional Interruptible Irrigation Service (PA) | 0.26% | $2,600 |

Based on the above, the largest share of Base Revenue requirements would be allocated to the residential class with 50.78% while the A-3 and A-1 commercial customers would be allocated the second and third largest shares, with 20.67% and 19.31%, respectively. If the foregoing EPMC factors on a full marginal cost basis were applied to Liberty's proposed revenue allocation, the resulting revenue allocation increases for Liberty's customer classes is described in the next section.

### 2. Proposed Revenue Allocation

Liberty indicates that, if adopted without imposing cap constraints, its proposed revenue allocation on a full marginal cost basis could produce extreme results where a customer class could be subject to rate decreases as low as (1.59%) while others (such as the Optional Interruptible Irrigation Service referred to as "PA" class) could be subject to rate increases as high as almost 40%.[51] This is shown in Scenario A of Liberty's Table 2.1.[52]

Thus in its proposed revenue allocation, Liberty proposes both a cap of 3% above the system average price change ("SAPC") of 5.34% and a floor, where no rate class or schedule receives a base rate decrease due to allocation by EPMC,

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[51] Shown in Liberty's Workpapers and discussed in Ex. Liberty-01 Phase 2, p. 3-11.

[52] Ex. Liberty-01 Phase 2, Table 2.1, Chapter 2.

with footnote 5 stating that 5.34% is an estimate of the system average percent increase over the revenue forecast at present base rates for 2016.[53]

When asked whether the Liberty's proposal to allocate revenues represent a change from the previous GRC period, Liberty explains that except for a few changes it described in the response, its revenue allocation proposal is largely a continuation of the same allocation method for revenues that was proposed by Liberty in its 2013 GRC application.[54] One "slight change" Liberty describes refers to the proposed cap on revenue allocation increases. In the previous GRC, Liberty proposed a 5% cap on revenue allocation increases whereas in the current GRC Application, Liberty proposes a 3% cap as further explained below.[55]

Liberty states that based on its proposed cap, the Base Revenue increase to any customer class or rate schedule is limited to a maximum 8.34% rate increase <u>excluding</u> the revenue requirement for programs such as the Energy Cost Adjustment Class ("ECAC"),[56] Vegetation Management ("VM"), Energy Efficiency ("EE"), Solar Initiative Program ("SIP"), and Catastrophic Event Memorandum Account ("CEMA").[57] Liberty's proposed revenue allocation for TY2016 excluding the said programs are shown in Scenario A at column (f) of Table 2.1 of Liberty's Chapter 2, where column (f) indicates the potential rate changes from present rates without the program expenses and subject to the capped requirements.

Similarly, column (h) of Liberty's Table 2.1 indicates the potential rate changes from present rates but with the program expenses now included in base

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[53] Ex. Liberty-01 Phase 2, pp. 2-2 through 2-3.

[54] Liberty Supplemental Response to ORA-010-PZS.

[55] Liberty Supplemental Response to ORA-010-PZS.

[56] ECAC is for the purpose of reflecting in rates (1) the cost of fuel and purchased power and (2) certain other energy-related costs and is applicable to all rate schedules. As shown in Table 1-3A of Liberty's Exhibit 1 in Chapter 3, Liberty's proposed average ECAC Offset Rate for TY 2016 is $0.06662 per kwh while it's proposed ECAC Balancing Rate is $0.00098 per kwh.

[57] Ex. Liberty-01 Phase 2, p. 2-3.

revenues after the program amounts are allocated on the basis of an equal cents allocation.[58] If these programs were included in the revenue allocation, and added to the proposed Base Revenues that were subject to the proposed capped revenue requirement, Liberty indicates that the rate increases could range from 1.21 percent to 10.43 percent as shown in Liberty's Table 2.1 at column (h) in Scenario A.

In addition to the "slight change" due to the difference in the proposed cap, Liberty explains that another change to the proposed revenue allocation is that the Catastrophic Emergency Memorandum Account, the Solar Incentive Program, and the A-3 interruptible rate shortfall expenditures which will be allocated to customers on a cents/kWh basis.[59] The VM and EE programs are currently allocated on an equal cents/kwh method based on the last Liberty GRC rate case.[60]

Liberty explains that the equal cents/kWh method for the allocation of the different program expenses is to simply take the total kWh consumption of Liberty Utilities' forecast 2016 customers and divide by this total kWh consumption the expenses for each of the above programs.[61] According to Liberty, the methodology yields a uniform cents/kWh rate to be applied to each forecast kWh of consumption.[62]

Liberty explains one caveat in the equal cents/kWh approach: pursuant to the settlement in Liberty Utilities' 2013 General Rate Case, the A-3 customer class recovers its share of the VM program as a monthly customer charge.[63] However, as Liberty explains, the basis for the monthly customer charge is to first calculate the

[58] Ex. Liberty-01 Phase 2, Table 2.1. Refer to Scenario A, Columns (f) and (h) of Table 2.1 for the percent change in rates for each rate class based on the proposed target base revenues of $86,015,030 for Test Year 2016.

[59] Liberty Supplemental Response to ORA-010-PZS.

[60] Response to ORA-028-PZS Question 1(d).

[61] Response to ORA-028-PZS Question 1(c).

[62] Response to ORA-028-PZS Question 1(c).

[63] Response to ORA-028-PZS Question 1(c).

dollars that would be recovered by an equal cents/kWh method – and then convert this dollar amount into a monthly customer charge for each A-3 customer.[64]

### 3. Proposed Rates and Allocation of the Vegetation Management Program and Other Programs

Based on the current GRC Settlement (Section 4.14) for Liberty, the parties agreed to a uniform rate for all classes, except the A-3 class, which will pay a flat monthly charge.[65]

As mentioned, in D.12-11-030, the Commission required Liberty to include in this GRC a rate design based on including VM expenses in the overall allocation of Base Rate Revenues. In the same decision, the Commission noted its underlying concern regarding the allocation of VM expenses, namely, "[t]hat vegetation management appears not to be dependent upon consumption – i.e., customers do not require or consume more vegetation management services as their consumption rises – it could instead be a cost that results simply by having facilities in place ready to serve customers. Thus it could be viewed as a fixed charge."[66]

Liberty explains that the result of inclusion of VM in the Base Rate Revenue allocation, when compared to the equal cents/kWh method which it prefers, is the shift of roughly $140,000 from the A-1 and A-3 customers to the Residential and A-2 customers and a corresponding reduction to A-1 and A-3 customers.[67]

Liberty states that "[a]s a percentage, the overall impact is to increase residential customer revenue allocation by about 0.10%, decrease A-1 customer revenue allocation by about 0.20%, increase A-2 customer revenue allocation by a

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[64] Response to ORA-028 Question 1(c).

[65] D.12-11-030, p.6.

[66] D.12-11-030, p.6.

[67] Response to ORA-028-PZS Question 1 (g) and (h).

little over 0.7%, and decrease A-3 customer revenue allocation by about 0.33%."[68] Recognizing that the VM program provides substantial benefits to all customers and customer classes, Liberty proposes to allocate the VM program on an equal cents per kWh basis.[69]

It is not only the VM program that Liberty considers as beneficial to all its customers. Liberty states that customers in every class and rate schedule benefit from the expenses associated with VM, EE, and CEMA.[70] The SIP program benefits are likely to be experienced mainly by residential and smaller commercial customers – however, there are system benefits associated with reduced consumption and load that help all Liberty customers associated with the installation of solar systems.[71]

In response to discovery, Liberty explains that it inadvertently stated that the fixed charge alternative for recovery of the VM Program is on Table 3.1.[72] Liberty clarified that the fixed charge alternative is actually on Table 3.2.[73] According to Liberty, the data shown in Table 3.2 is two separate fixed charges; one for the customer charge and one for the VM Expense charge.[74] Further, Liberty explains that the result of instituting a new fixed charge for all customers is that, if this alternative is chosen by the Commission, then all customers would now have two components in the fixed charges: one component for customer charges and the

[68] Ex. Liberty-01 Phase 2, p.2-4.

[69] Id.

[70] Response to ORA-028-PZS Question 1(k).

[71] Response to ORA-028-PZS Question 1(k).

[72] Response to ORA-030-PZS Question 1.

[73] Response to ORA-030-PZS Question 1.

[74] Id.

other for VM expenses.[75] Liberty's preferred method of allocating VM expenses is included in Table 3.1 which shows recovery on an equal cents/kWh basis.[76] Liberty's Table 3.1 shows a proposed VM rate of $0.00417 (in cents per kWh) for residential and commercial customers including A-3 except SL and OLS customers, whose rates depend on lamp size and type.

As shown in Liberty's Table 3.2 at line 2, the proposed customer charge for the residential (D-1) class is in the amount of $7.67 per month (i.e., up from the current $7.10 per meter per month) while the corresponding VM charge is in the amount of $2.68 per month.[77] The fixed monthly VM charges for the commercial customers are $7.06 from each A-1 customer, $114.92 from each A-2 customer, and $670.05 from each A-3 customer.[78] Liberty explains that the VM fixed charge, shown in Table 3.2, is the result of allocating the VM dollars as part of base rate revenues and then dividing this allocation by the number of customers.[79] This, it explains, is different than simply allocating the VM dollars on an equal cents/kWh basis as it currently does. Liberty's proposed revenue requirement in TY 2016 for the VM is shown in the amount of $2.523 million[80] and was reviewed by ORA in Phase 1 of this Application.

Liberty's Preliminary Statement on the VM program in its tariff schedule indicates that it has a one-way VM balancing account (i.e., VMBA) that is applicable to all rate schedules to record the difference between the 3-year authorized revenue requirement of $7.5 million pursuant to D.12-11-030 and Liberty's recorded VM

[75] Id.

[76] Id.

[77] Id.

[78] Ex. Liberty-01 Phase 2, p. 3-15.

[79] Response to ORA-030-PZS Question 1.

[80] Liberty Workpapers for the revenue allocation and rate design.

expense.[81] The current VMBA rates are shown below in Table 12-3 and the proposed rates are immediately below it:[82]

**Table 12-3**
**Current VMBA Rates**

| Residential ($/kwh) | Commercial ($/kwh) | | | | | |
|---|---|---|---|---|---|---|
| | A-1 | A-2 | A-3 | PA | SL | OL |
| | | | | | | |
| 0.00443 | 0.00443 | 0.00513 | N/A | 0.00443 | 0.00614 | 0.00443 |

**Proposed VMBA Rates**[83]

| Residential ($/kwh) | Commercial ($/kwh) | | | | | |
|---|---|---|---|---|---|---|
| | A-1 | A-2 | A-3 | PA | SL | OL |
| | | | | | | |
| 0.00417 | 0.00417 | 0.00417 | 0.00417 | 0.00417 | 0.00601 | 0.00431 |

## B. ORA's Discussion and Analysis

### 1. ORA's Recommended Base Rate Revenues

Based on the analysis and recommendations of several ORA witnesses in Liberty's Phase1 of the GRC, ORA's recommended Base Revenues that will be subject to revenue allocation in Phase 2 is in the amount of $76.117 million, and this amount will be subject to various adjustments as described in footnote 49 of this exhibit.[84] Table 12-1 at the beginning of the exhibit compares ORA's recommended Base Revenues against Liberty's proposed Base Revenues for the revenue allocation. The Phase 1 recommendations impact the revenue

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[81] Liberty Preliminary Statement on Vegetation Management per AL 28-E effective July 15, 2015.

[82] Id.

[83] As shown in Liberty's Workpapers on the rate model.

[84] Exhibit ORA-02 in Phase 1 of A.15-05-008.

requirements plus calculations of the O&M and A&G loaders to the extent that the Marginal Cost model has information based on the Results of Operations (R.O.) model for Liberty.[85]

Based on ORA's overall recommendations which served as inputs to Liberty's R.O. model in Phase I, ORA recommends the amount of $76.12 million for the TY 2016 Base Revenues compared to Liberty's proposed $86.04 million. ORA's recommendation is lower by approximately $9.9 million, or 13.0 percent less than Liberty's proposal.

Table 12-4 below provides the recent trend in Liberty's base revenues if the 2016 Test Year Base Revenues request in this proceeding were approved.

[85] Response to ORA-023-PZS confirms that the Liberty Marginal Cost model contains certain information based on the R.O. Model. The Marginal Cost model and the R.O. models are not linked. Neither is the Revenue Allocation and Rate Design model linked to the R.O. model.

Table 12-4

Liberty Base Rate Revenues By Customer Class[86]

Recorded 2011-2015 and Proposed 2016

(In Thousands of Dollars)

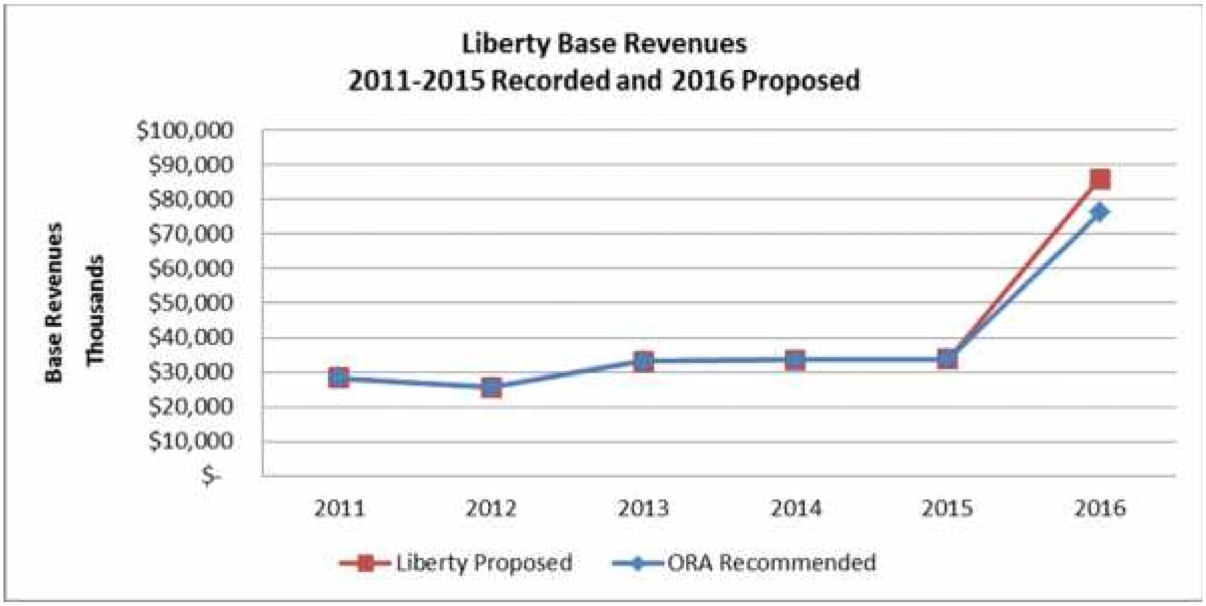
| Ln No. | Description | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|
| 1 | Res (D-1, DM-1, DS-1) | NA | 13,926 | 17,920 | 18,100 | 18,227 | 43,454 |
| 2 | A-1 | NA | 4,057 | 6,682 | 6,749 | 6,795 | 16,685 |
| 3 | A-2 | NA | 1,577 | 2,674 | 2,701 | 2,719 | 7,612 |
| 4 | A-3 | NA | 5,980 | 5,672 | 5,727 | 5,774 | 17,837 |
| 5 | Street Lights | NA | 18 | 12 | 12 | 12 | 88 |
| 6 | OLS | NA | 94 | 85 | 86 | 87 | 162 |
| 7 | PA | NA | 57 | 108 | 109 | 110 | 174 |
| 8 | Total | 28,324 | 25,710 | 33,153 | 33,484 | 33,724 | 86,015 |

Source: 2011-2015 data from Response to ORA-058-PZS. Data for TY 2016 from Ex. Liberty-01, Table 2.1. ORA should clarify that the recorded 2011-2015 base revenues shown above exclude ECAC, VM, CEMA, EE and SIP while the proposed 2016 Liberty base revenues shown above include the ECAC and other programs. For TY 2016, Liberty proposed a total of $40.92 million for the ECAC and other programs that were included in the $86.04 million, or approximately $45.12 million of base revenues that exclude them.

Table 12-4 is shown in graphical form in Figure 12-1 (next page) where the sharp spike in TY 2016 Base Revenues from recorded levels is notable.

[86] Response to ORA-058-PZS notes that due to a reporting issue with a new billing system, base revenues by customer class were not available (NA) for the year 2011. Also, Liberty's Response notes that the amounts shown for the years 2013 through 2015 excludes Vegetation Management revenues that are recorded in a memorandum account. Further, base revenues authorized in the 2013 GRC decision were increased in 2014 and 2015 based on Liberty's Post Test Year Adjustment Mechanism in AL 30-E and 40-E, respectively.

**Figure 12-1**




Source: Table 12-4.

### 2. ORA's Recommended Marginal Cost Allocation Methodology

Phase 2 of the GRC deals with cost and revenue allocation which is a process to determine a fair sharing of the investment costs, revenues and expenses of a utility among the customer classes which ultimately lead to the design of rates to recover the Commission-authorized revenue requirement for Liberty.

There are generally two broad types of cost allocation methodologies which have been used in California. One method uses embedded cost studies while the other uses marginal cost studies.[87] The principle of cost causation lies at the heart of cost allocation, whether marginal or embedded cost methodology is used. The cost allocation methodology should tie back to the customers for whom those costs are incurred. A cost study's ability to properly reflect cost causation and the actual

[87] Briefly, embedded cost studies use the utility's audited books from the Uniform System of Accounts while marginal cost studies make use of reasonable estimates of the utility's marginal cost of its primary functions required to continue providing service to its customers. In marginal cost studies, embedded costs are irrelevant to the decision to invest because those costs are considered spent.

verifiable operational costs to serve utility customers is an important consideration in judging the reasonableness of its underlying computational methodology on cost allocation. The cost allocation methodology should objectively determine the cost to serve particular customer classes. The Commission's cost allocation general guidelines focus on the principles of cost causation, economic efficiency, and equity as important considerations in selecting the appropriate allocation factors that are both just and reasonable.[88]

In various past Commission decisions regarding cost allocation, the Commission has expressed a preference for the marginal cost approach.[89] Marginal costs represent the cost of providing an additional unit of electric service over and above any currently being produced or served.[90] In this regard, to develop a reasonable estimate of its marginal costs going forward, the utility is expected to have prepared a least cost resource plan to meet its forecast of future demand and operate and maintain its system according to established standards of reliability. In this Application, Liberty proposes to use the marginal cost approach based on its 2016 MCS proposal. While the Liberty proposal to use the marginal cost approach seems appropriate and in line with the Commission's preferred cost allocation methodology, ORA is concerned about the way Liberty has made use of demand backcasts to develop its distribution marginal costs, which is a major portion of its electric distribution cost.

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[88] For instance, in D.86-12-009, the Commission states as part of guiding principles in ratemaking that "economic efficiency dictates that rates be based on marginal cost." But, as the Commission explained in that decision, economic efficiency is not the sole consideration. The Commission states that equity considerations remain important.

[89] See for instance D.92749 (i.e., where the Ordering Paragraph adopts the methodology for calculating marginal cost for electric utilities in Appendix B) and D.96-04-050 (COL#1) which states that marginal cost principles should be the starting point and central focus of revenue allocation and rate design for setting Edison's rates.

[90] See for instance D.92749 in OII 67 on the Commission's Investigation into the methodology for the calculation of marginal costs of electric service. This is the 1981 decision where the Commission first adopted a marginal cost framework. The adopted methodology is found in Appendix B of the decision.

In the 2016 MCS study, Liberty uses its monthly demand system peak forecasts for the period 2015 through 2019 to create a backcast of system peak demand starting from 2014 and goes backwards to 2000.[91] In other words, Liberty does not use actual recorded or historical system peak demand data but instead estimates what its system peak demand levels would have been on the basis of its forecast growth rate for the 2015 through 2019 period for purposes of the 2016 MCS study. A demand backcast was used as proxy for the utility's recorded system peak. The demand backcast proxy is based on the utility's forecast assumptions. On the other hand, the schedule of distribution investments made during the period 2000 through 2014 correspond to the actual system peak recorded numbers and not to the demand backcast.[92] Liberty uses the calculated difference between the forecast system peak in the year 2016 and the backcast year 2000 to represent the growth in California system peak (in Kw) that serves as the denominator to the distribution plant additions that determine the long run unit investment cost for the marginal cost study, which are subsequently subject to the loaders on O&M and A&G.[93] This is effectively a factual misrepresentation of the historical system peak because it is based on a backcast obtained by working backwards from a forecast of system peak growth.[94] A different set of forecast system peak growth for Liberty undoubtedly leads to a significantly different set of backcast on system peak demand every time this method is used by Liberty as shown in Attachment 1 Response to ORA-026-PZS.[95] In the 2012 MCS study shown in Attachment 1, the year 2000 backcast

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[91] Shown in Liberty's Workpapers on marginal cost, specifically in Excel spreadsheet Tab "T10 2015."

[92] Response to ORA-049-PZS Question 3(a).

[93] Shown in Liberty's Workpapers on marginal cost in Tab "T10 2015."

[94] Other than the numbers in the excel spreadsheet on the marginal cost study, no other support in Phase 2 is provided for the Liberty forecast of system peak demand for the period 2015-2019.

[95] Attachment 1 Response to ORA-026 Question 1(a) specifically in Tab "Table 1-5 R." shows the backcast of system peak for the CalPeco 2012 Marginal Cost Study.

(continued on next page)

showed system peak at 125,363 Kw compared to the 2016 MCS study, where the year 2000 backcast showed system peak at 120,103 Kw for that year.[96]

Due to the significant amount of Liberty's marginal demand charges attributable to distribution (Liberty's numbers show that approximately 76.6% of marginal demand charges are attributable solely to distribution), ORA considers this aspect of Liberty's 2016 MCS proposal highly questionable because the demand backcast/forecast of system peak taints the entire results of the 2016 marginal cost study. ORA's review shows that even a small change in the forecast growth of the system peak could impact the backcast and the resultant marginal cost calculations, which in turn could impact the EPMC factors.

ORA provided Liberty an opportunity to explain the use of a demand backcast for its marginal cost study.[97] Liberty cites the alleged lack of reliable data on system peak prior to 2011. Liberty's responses to ORA subsequently revealed the use of demand backcasts by Liberty in its 2013 marginal cost study.[98] ORA presents Liberty's full response below regarding its use of the demand backcast:[99]

> Liberty Utilities' back cast approach to determine the demand-related distribution investment cost was chosen as the only feasible and reasonable approach to estimate the growth in Liberty Utilities' system peak based on the following:
>
> Prior to 2011, Liberty Utilities' assumption of the responsibility for delivery of power to the current Liberty Utilities' service territory, NV Energy did not directly measure the system peak for the service territory. NV Energy estimated the system peak based on load-research meters at a number of residential and small commercial customers in combination with actual

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(continued from previous page)

The backcast system peak demand for the years 2000 through 2010 are different from those in the 2016 MCS Study for those same years.

[96] Id.

[97] Response to ORA-045-PZS Question 10.

[98] Response to ORA-026-PZS Question 1.

[99] Response to ORA-045-PZS Q.10.

peak measurements of A-2 and A-3 customers. Therefore, Liberty Utilities does not possess accurate data regarding the system peak prior to 2011.

Liberty Utilities believes that while system peak is, over time, increasing, there can be significant variability in the system peak that is not simply attributable to temperature considerations. For example, the system peak, both on a direct measurement and on the prior load research based approach, always occurs during the holiday season, sometime between December 22 and January 3 of each year. The size of this system peak is not directly attributable to a straightforward measurement such as temperature. Instead, it is temperature in combination with snow conditions that appears to determine system peak (other factors that could play a role include driving conditions to and from the Lake Tahoe area). For example, cold temperatures in combination with high precipitation could produce ideal skiing conditions where the ski-resorts do not have to use large amounts of electricity to make snow – and the reverse also occurs – cold temperatures with little or no precipitation would cause the ski resorts to use a great deal of electricity in a short period of time (thereby creating a higher system peak) to make snow.

Therefore, based on the lack of reliable data prior to 2011, and the straightforward ability to link that data to an easily available temperature factor, Liberty Utilities determined that the most reasonable approach to establish the growth in system peak was to take the most recent system peak forecast going forward and back-cast that percentage growth change to 2000 to establish a best estimate of the growth in system peak between 2000 and 2014.

Based on the foregoing response, Liberty admits that there was a method in place to estimate system peak, where the previous owners NV Energy made use of load-research meters at a number of residential and small commercial customers in combination with actual peak measurements of A-2 and A-3 customers. It is Liberty's opinion that the system peak data prior to 2011 was not reliable data due to "other factors that could play a role," citing snow conditions, cold temperatures, and precipitation conditions not captured by straightforward measurements.[100] None of these assertions have been substantiated by Liberty. As it stands, the Commission has been presented with two successive Liberty MCS studies in the 2013 and 2016 GRCs, but with two different demand backcasts corresponding to the years 2000

[100] Response to ORA-045-PZS Question 10.

going forward. The Commission should order Liberty to substantiate its assertions regarding system peak data prior to 2011 or otherwise, to provide a study to effectively make use of the system peak data prior to 2011 that it already has to eliminate the use of backcasts for such a significant portion of Liberty's distribution costs.

ORA has made no adjustments to Liberty's marginal generation, transmission or energy costs except with respect to use of ORA's updated natural gas price forecast assumptions based on U.S. EIA's October 2015 gas forecasts. ORA could provide a supplemental update to its marginal generation number when Liberty provides the update to the marginal generation cost number pursuant to the PUCN as previously mentioned.

In addition to the above-described concern with Liberty's 2016 MCS proposal, ORA's review indicates that with respect to marginal customer costs, Liberty's marginal cost NCO approach includes both the cost of the new customer hookups and a replacement cost at the rate of 1.5% applied to the total forecast of 2016 California customers.[101] ORA disagrees with Liberty's NCO approach to the extent that a replacement cost as described is included. By definition, marginal customer costs are those customer costs that vary with the change in the number of customers. Marginal customer costs are associated with the customer access costs incurred to hookup new customers, and pertain to Transformers, Service Lines, and Meters ("TSM"). In the past ORA had included a provision for the full replacement of customer access equipment in addition to the hookup costs of new customers. ORA's position has since evolved to one that now recognizes that the full replacement cost of existing hookup equipment is not a marginal customer cost since it is not a cost associated with a change in the number of customers. ORA recommends that if a replacement cost is to be included, it should only apply to new customers, not to the total existing customers.

[101] Response to ORA-049-PZS Question 5.

Under the marginal cost concept, customer costs associated with existing customers are considered sunk costs, and therefore, would be inconsistent with marginal cost which in theory measures the additional cost associated with a unit change in the customer number or energy usage. The extent of any fixed costs and embedded costs included in Liberty's marginal cost numbers could not be determined since the MCS workpapers do not show any detailed cost breakdown.[102] Liberty's residential marginal customer costs appear to be on the high side when compared to those of other investor-owned electric utilities.[103] The excessive amount estimated could be indicative of a large amount of fixed costs included in Liberty's marginal customer costs. The calculation of the A&G loading factor applicable to labor-related O&M in the marginal cost model shows the inclusion of A&G cost items such as A&G salaries, office supplies and expenses, employee pensions and benefits, rents, payroll taxes (taxes other) and miscellaneous general expenses, where there is no distinction between fixed and variable costs.[104]

Liberty's proposed residential class marginal customer cost on a full marginal cost basis is estimated at $15.55 per customer per month.[105] ORA compares this proposed residential marginal customer cost of $15.55 per customer per month with those of other investor-owned California electric utilities, namely, SDG&E, SCE, and

[102] Liberty Workpapers at Tab "T-12" in the 2016 MCS shows Total Customer Accounts Expense without any breakdo wn between fixed and variable expenses. Tab "T-13" shows Total Customer Service Expenses. Tab "T-11" shows Primary Distribution O&M expenses without any breakdown between fixed and variable components. Liberty uses 16.71% of these O&M expenses as customer-related portions.

[103] Shown in Liberty's Workpapers.

[104] Shown in Liberty's Marginal Cost model at Tab "T8 pg1 2015" and "T8 pg2 2015."

[105] Liberty Workpapers at Tab "TotRes 2015" shown at Excel cell number E52 in the Liberty Revenue Allocation and Rate Design Model for the 2016 GRC.

PG&E.[106] On a full marginal cost basis, Liberty's proposed residential marginal customer cost is almost 3 times higher than those other investor-owned utilities previously examined by ORA.

Thus, ORA's NCO approach to marginal customer cost excludes replacement costs, fixed costs, and any embedded costs. ORA's recommendation would make adjustments to Liberty marginal customer cost numbers by excluding the replacements in the calculation within the MCS model. However, to the extent that there were any fixed costs included in the A&G and O&M loaders, ORA is unable to exclude them. Other ORA adjustments impacting the marginal customer calculations are a result of ORA's recommendations in Phase 1 such as the forecast number of customers, and the economic carrying charges that result from ORA's recommendations on the cost of capital and capital structures. ORA also adjusted Liberty's assumptions on the inflation factors for 2015 and 2016.[107]

Shown below is a comparison of ORA's and Liberty's EPMC Factors which result from the marginal cost calculations:

Table 12 - 5
ORA's and Liberty's EPMC Factors

| Rate Schedule | Liberty EPMC Estimates (Rounded) | ORA's EPMC Estimates |
|---|---|---|
| Residential | 50.78% | 50.33% |
| A-1 Commercial | 19.31% | 19.27% |
| A-2 Commercial | 8.67% | 8.78% |
| A-3 Commercial | 20.67% | 21.03% |
| Streetlights | 0.12% | 0.126% |
| Outdoor Lighting Streetlights | 0.19% | 0.197% |
| Optional Interruptible Irrigation Service (PA) | 0.26% | 0.267% |

Source: Liberty's MC model with Liberty numbers and ORA's adjustments.

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[106] Marginal customer cost information obtained from ORA Testimonies in the rate cases for the SDG&E GRC II, SCE A.14-06-14 (Chapter 1), and PG&E A.13-04-12 (Chapter 3). These ORA testimonies are available in ORA's website at the http://www.ora.ca.gov/default.aspx.

[107] Consumer Price Indices from the US Bureau of Labor Statistics indicate negative inflation rates in the months of 2015and available at the website http://www.bls.gov/news.release/cpi.toc.htm

### 3. The Revenue Allocation with Caps and Floors

Liberty uses the results of its 2016 MCS proposal to justify the need to propose both a cap and a floor for purposes of its revenue allocation. As Liberty's Testimony and workpapers indicate, revenue allocation on a full marginal cost basis could potentially result in residential customers becoming subject to an 8.56% increase in base rates in Test Year 2016 while commercial customers such as those in the A-1, A-2, and A-3 classes could be subject to rate increases of up to 3.6% or decreases of 1.59%.[108] In addition, under full marginal cost allocation, the Street Lights customer class could also be subject to a much higher 28.42% rate increase in Test Year 2016 while PA customers could be subject to an even more extreme base rate increase of 39.71%. Liberty asserts that the use of a 3 percent cap over the System Average Percent Change (SAPC) increase would still provide a considerable benefit for the PA customers.[109] Liberty indicates in its testimony that the overall proposed revenue increase for the PA customers is 10.33 percent including all PPP charges,[110] but Liberty later admits this figure is incorrect, and that the correct proposed increase for this class is 10.43 percent.[111]

ORA is unable to verify the extent by which these extreme results presented by Liberty under full marginal cost allocation could have been driven by the use of the backcast/forecast due to the alleged lack of reliable data on system peak prior to 2011.

As explained in the last section, ORA considers Liberty's MCS proposal highly questionable given that marginal demand charges are such a significant part of Liberty's total marginal costs. ORA does not necessarily agree with Liberty's MCS proposal but in the absence of a marginal cost-based alternative for revenue

[108] Ex. Liberty-01 Phase 2, Chapter 2 in Table 2.1.

[109] Ex. Liberty-01 Phase 2, Chapter 3, p.3-11.

[110] Id.

[111] Response to ORA-045 Question 6.

allocation, ORA would simply move forward to the proposed revenue allocation and rate design based on the SAPC with the use of caps and floors to avoid any potential disruptive or extreme results to certain customer classes.

ORA does not per se disagree with the use of caps and floors in revenue allocation as potential tools to avoid disruptive or extreme results to certain customer classes. As the Commission states in D.90-12-066, revenue allocation under EPMC that results in increases above 20% for certain customers do not represent a reasonable balancing of our ratemaking goals.[112]

As mentioned, ORA's recommendation for base revenues of $76.107 million for TY 2016 represents a13.0 percent reduction to Liberty's request of $86.015 million. The SAPC associated with ORA's recommendation is (6.79) percent. ORA uses the SAPC of (6.79) percent as a floor for decreases and zero ("0") percent increase as a cap for increases in rates over the present rates. This means that to the extent possible in the revenue allocation and rate model, ORA performs several iterations to ensure that each customer class has no rate decrease over present rates that exceeds the floor of (6.79) percent and no customer class has an increase over present rates that exceeds the cap of 0 percent.

In terms of the respective revenue allocation for each class with capped revenues, ORA's recommendation results in the Residential customers with 48.46 percent, the A-1 customers with 19.88 percent, the A-2 customers with 9.44 percent, the A-3 customers with 21.7 percent, the SL customers with 0.11 percent, the OLS customers with 0.19 percent, and the PA customers with 0.22 percent share in revenues including the Public Purpose Programs. A comparison of ORA's and Liberty's resulting revenue allocation to the customer classes with the use of caps and floors is shown below. ORA's recommendation would allocate revenues to the residential customers at slightly over 1 percent less than Liberty's proposed.

[112] Finding of Fact #19, D.90-12-066.

Table 12 - 6
ORA's and Liberty's Revenue Allocation

| Rate Schedule | Liberty Proposed | ORA Recommended |
|---|---|---|
| Residential | 49.82% | 48.46% |
| A-1 Commercial | 19.59% | 19.88% |
| A-2 Commercial | 8.99% | 9.44% |
| A-3 Commercial | 21.10% | 21.70% |
| Streetlights | 0.10% | 0.11% |
| Outdoor Lighting Streetlights | 0.19% | 0.19% |
| Optional Interruptible Irrigation Service (PA) | 0.21% | 0.22% |

Source: Liberty's Revenue Allocation and Rate model with Liberty numbers and ORA's adjustments.

## IV. Liberty's Proposed Rate Design and ORA's Discussion

After the allocation of the overall revenue requirement to the classes of service is complete, the next step in the ratemaking process is the calculation of individual rate elements (e.g., customer charges and commodity charges) designed to collect the assigned revenue.

ORA recommends rates different from those proposed by Liberty, because ORA's base-margin revenue requirements are **lower**, including lower estimates for rate-of-return, as summarized in Exhibit ORA-09.[113]

### 1. Proposed Residential Rate Structures

Liberty proposes no change to its residential rate structures, which continues to consist of a customer charge and a volumetric energy rate, where the total energy rate is broken into a two-block inverted rate structure.[114]

### 2. Proposed Residential Class Customer Charge

Liberty proposes to increase the residential class customer charge to $7.67 per customer per month, which is an almost 8 percent upward change over the

[113] ORA Testimony on rate of return for Liberty in A.15-05-008.

[114] Ex. Liberty-01 Phase 2, p. 3-4.

existing $7.10 monthly charge.[115] According to Liberty, the increase in the customer charge is important to enable the residential customers, where the majority in Liberty's territory are non-permanent customers, to "pay a fairer share of the electric service cost that Liberty Utilities incurs to serve this class of customers."[116]

Liberty asserts that the current $7.10 fixed charge provides a degree of subsidy to non-permanent customers insofar as the non-permanent customers, in aggregate, are likely to contribute fewer dollars to the recovery of the residential class revenue requirement.[117] However, Liberty admits it has not quantified this amount.[118]

Liberty further argues that "The lower the customer charge, the more costs that are collected in the kwh charge, the greater the subsidy from permanent customers to non-permanent customers." [119] This is the classic argument about reducing intra-class subsidies. According to Liberty, "Even though non-permanent customers do not benefit from the lower baseline rate (i.e., all usage of non-permanent customers are billed at the second/excess tier rate), the shifting of customer costs into the Kwh rate results, to a degree, in the permanent customers subsidizing the customer-related facility costs of the non-permanent customers."[120] This assertion has not been substantiated in this proceeding.

All residential customers are subject to the fixed customer charge, whether permanent or non-permanent residential customers. Liberty explains that the term non-permanent is defined as those customers who are recreational or vacation

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[115] Ex. Liberty-01 Phase 2, p. 3-5.

[116] Ex. Liberty-01 Phase 2, p. 3-5.

[117] Response to ORA-030-PZS Question 6(e).

[118] Response to ORA-030-PZS Question 6(e).

[119] Ex. Liberty-01 Phase 2, p. 3-5.

[120] Id.

home customers.[121] Residential customers must declare themselves as permanent customers when applying for service.[122]

Liberty's proposed $7.67 monthly customer charge is the same amount monthly for all residential customers regardless of their kWh usage.[123] In other words, the residential customer charge of $7.67 is a fixed charge for both permanent and non-permanent residential customers.[124]

Liberty explains that the $7.67 per month covers a portion of the marginal customer cost calculation to serve residential customers.[125] Liberty explains how the amount of the proposed customer charge of $7.67 compares to the residential marginal cost of service for Liberty. As previously mentioned in the marginal cost discussion of this Exhibit, Liberty's residential marginal customer cost of service is estimated at $15.50 per customer per month on a full marginal cost basis. With the proposed capped revenues, the Liberty customer charge per month is estimated at $9.98.[126] According to Liberty, Liberty's proposed customer charge of $7.67 per customer per month is 23 percent less than the capped marginal cost calculation.[127]

However, based on ORA's review, Liberty's estimated residential marginal customer cost appears on the high side. With capped revenues, ORA's adjusted customer charge estimate is $7.05 per customer per month. The ORA adjusted customer charge of $7.05 is even below the amount of the current existing customer charge of $7.10 per customer per month. Therefore, based on the marginal

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[121] Response to ORA-030-PZS Question 3.

[122] Id.

[123] Response to ORA-030-PZS Question 6.

[124] Id.

[125] Id.

[126] Shown in Liberty's Workpapers.

[127] Response to ORA-030 Question 6(d).

customer cost numbers reviewed by ORA, ORA recommends no increase to the existing Liberty residential customer charge of $7.10 per customer per month.

More importantly, at a policy level, a fixed monthly customer charge serves as a disincentive to energy efficiency and conservation and the Commission recognizes this. For instance, in PG&E's A.10-03-014, where PG&E proposed a fixed customer charge, the Commission states in D.11-05-047 that "[s]hifting revenue recovery from a volumetric rate to a fixed customer charge produces a bill impact that cannot be avoided by changing usage patterns or being more energy efficient. A customer charge thus offers no price signal to be more energy efficient."[128] PG&E's request for a fixed residential customer charge was subsequently denied in that rate case.[129] Similarly, in a gas proceeding for SDG&E in A.11-11-002 (filed jointly with SoCalGas), where SDG&E proposed a residential customer charge for the recovery of some fixed costs, the Commission finds in D.14-06-007 that "[a] customer charge dilutes the price signals for conservation and energy efficiency."[130] SDG&E's request for a fixed residential customer charge was likewise denied in that rate case.[131]

In D.15-07-001, the Commission rejected the request of investor-owned utilities for a fixed monthly charge and directed them instead to implement a minimum bill in 2015.[132] The Commission further states "[a]s an alternative to the fixed charge, the minimum bill charge is a mechanism that is designed to recover a minimum level of revenue, recognizing that some costs are still incurred to maintain

[128] Finding of Fact #13, D.11-05-047, p. 79.

[129] Ordering Paragraph #4, D.11-05-047, p. 86.

[130] Finding of Fact #21 and #22, D.14-06-007, p. 54.

[131] Ordering Paragraph #11, D.14-06-007, p. 62.

[132] D.15-07-001, p. 5.

service even in the event that a customer does not use energy."[133] In Finding of Fact #6 of that decision, the Commission finds that SCE currently has a fixed charge of less than $1 for residential customers while SDG&E and PG&E currently do not charge residential customers a fixed monthly charge, but assess a minimum bill instead.[134]

Based on ORA's review, Liberty has not provided sufficient evidence to warrant a proposed increase in the customer charge. ORA recommends the Commission keep Liberty's customer charge at current existing levels. ORA recommends that in the alternative, should the Commission be persuaded to consider Liberty's request for increases to the customer charge (which is also referred to as "a minimum charge" in Liberty's Tariffs), ORA recommends that the Commission instead consider the implementation of a minimum bill.[135]

### 3. Proposed CARE Residential Rates and Billing Factor

Liberty's CARE customer and energy rates by tier are set to 80 percent of the non-discounted residential rates.[136] Liberty proposes to provide the 20 percent discount to CARE customers by reducing the proposed customer charge, and by reducing the distribution component of the energy rate by an amount sufficient to result in the 20 percent discount in the total energy rate, including all surcharges except the California PUC and California Energy Commission Charge.[137] The proposed customer charge is a fixed rate which is charged to customers, regardless of usage – meaning this fixed monthly rate is charged to the customer even if there

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[133] D.15-07-001, p. 217.

[134] Finding of Fact #6, D.15-07-001, p. 308.

[135] Refer to Schedule D-1 as filed in Liberty's Advice Letter 41-E for rates effective January 1, 2015. The Schedule D-1 Tariff shows the "Minimum Charge" is the per meter per month Customer Charge.

[136] Ex Liberty-01 Phase 2, pp. 3-5.

[137] Id.

is zero consumption. Currently, Liberty already provides the CARE residential customer a 20 percent discount on this charge.[138] Liberty also currently provides a 20 percent discount on the distribution component of the energy rate.[139] A proposed 20 percent discount to the customer charge portion and the distribution portion for CARE customers maintains the status quo. When asked to explain whether the Liberty proposal for the 20 percent discount to CARE customers as described above, will change the 20 percent discount and the way CARE discounts are currently calculated and provided by Liberty to its residential customers, Liberty responded in the negative.[140] Liberty explains that since it is increasing the residential D-1 rate, the CARE rate will also increase by the same percentage, prior to the 20% discount being applied.[141] Based on the foregoing, ORA does not oppose Liberty's proposal regarding CARE.

Liberty also proposes to increase the current billing factor for the CARE revenues. The billing factors and determinants generally refer to the measures of consumption to calculate the customer's bill (for example, the number of bills and kilowatthours). According to Liberty, there is a need to increase the current billing factor for CARE revenues because of the considerable increase in the overall dollar estimate of the CARE program dollars to be recovered from all other non-CARE customers.[142] The current CARE billing factor is $0.00113/kWh.[143] The proposed

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[138] For reference, see Liberty Advice Letters 41-E and 31-E.

[139] Id.

[140] Response to ORA-030-PZS Question 5(a).

[141] Response to ORA-030-PZS Question 5(b).

[142] Ex. Liberty-01 Phase 2, p. 3-7.

[143] Response to ORA-030-PZS Question 8(e).

CARE billing factor is $0.00196/kWh, and therefore, the proposed increase is $0.00083/kWh.[144]

The development of billing determinants would normally be dealt with as part of the Applicant's demand and sales forecasts in Phase 1. This exhibit does not provide a recommendation on this portion of the request.

**4. Proposed Residential Baseline Allowances**

Liberty proposes to update the residential baseline allowances following the method it used in its 2013 General Rate Case Application. When asked to explain why there is a need to change the residential baseline allowance, Liberty explains that the update to the residential baseline allowances as part of its General Rate Case filing allows a utility to ensure that the current baseline allowances represent 55 to 60 percent of the class usage as well as to determine the 60 percent level using the most recent year of usage history.[145] In addition, according to Liberty, its approach to updating the baseline allowances is identical to NV Energy's approach in its 2009 California General Rate Case filing that was adopted by the settlement approved by the Commission in D.09-10-041.

For the typical residential customer, the baseline quantity of gas and electricity refers to the amount needed to meet from 50 to 60 percent of average residential consumption of those commodities, except during the winter season, when those baseline quantities are at 60 to 70 percent of average consumption.[146] As provided for in Public Utilities Code section 739.(a)(1), the Commission" shall review and revise baseline quantities as average consumption patterns change in order to maintain these ratios."[147]

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[144] Response to ORA-030-PZS Question 8(f).

[145] Response to ORA-056-PZS Question 2.

[146] Public Utilities Code section 739.(a)(1).

[147] Id.

Liberty explains the reason for the difference in baseline quantities between those in this proceeding and the previous GRC. Liberty states that "[t]he baseline allowances calculated for Liberty Utilities' 2016 General Rate Case used a weather-adjusted bill frequency analysis of 2014 sales by rate class and season. In contrast, the baseline allowances used in the Liberty Utilities' 2013 General Rate Case were based on pre-2010 usage by rate class. The weather-adjusted bill frequency analysis of 2014 sales by rate class and season used in this 2016 filing resulted in the baseline allowance increase."[148]

ORA does not oppose the update to the residential baseline allowance.

**5. Proposed Master Meter Discounts**

The master metered customers pay exactly the same rates as the D-1 residential customers.[149] Liberty proposes to proportionally increase the current DS-1 credit (i.e., the master meter discount) to align with the proposed increase in operating revenue for the residential class.[150] The DS-1 discount rate refers to Liberty providing the CARE discount of 20% to master metered Mobile Home Park and Apartment tenants that qualify for the discounted CARE rate.[151] The DS-1 discount is provided to the mobile home park owners or managers who undertake the metering and billing function that is provided by Liberty for all other residential customers.[152] The current DS-1 discount is $0.4426 per customer per day.[153]

Liberty explains that since it is increasing the residential D-1 rate, the CARE rate will also increase by the same percentage, prior to the 20% discount being

[148] Response to ORA-030-PZS Question 7(b).

[149] Response to ORA-030-PZS Question 8(c).

[150] Ex. Liberty-01 Phase 2, p. 3-6.

[151] Response to ORA-030-PZS Question 5(d).

[152] Response to ORA-030-PZS Question 8(c).

[153] Response to ORA-030-PZS Question 8(a).

applied.[154] Liberty indicated that there are 794 mobile home residences in Liberty's service territory and the proposed credit provided to these owners will total $13,897.[155]

ORA agrees it is appropriate to align the DS-1 discount with a Commission-approved increase in operating revenue in this proceeding as described.

### 6. Proposed Commercial Rate Design for A-1, A-2 and A-3 Customers

For A-1 commercial rate design, Liberty proposes to increase the customer charge from the current level of $13.44 per month by the overall proposed increase in the base rate schedule (3.69%) and the distribution and generation billing factors be set to achieve the A-1 revenue allocation. The proposed new customer charge for A-1 customers is $13.94 per month. The resulting rates are shown in Liberty's Table 3.1.[156] No changes to A-2 and A-3 customer charges are proposed.[157] As earlier explained, ORA recommends to keep the Liberty customer charges at existing levels. Alternatively, a minimum bill can be considered.

### 7. Proposed Vegetation Management Rate and Other Liberty Programs

Liberty proposes to keep the VM rate allocation and recovery based on an equal cents per kilowatt-hour, and not to determine and impose a new fixed rate VM monthly charge separate from the proposed monthly customer charge.

Similar to a public purpose program surcharge, the proposed equal cents per kilowatt-hour allocation would be appropriate since all Liberty customers equally benefit from the VM program expense and the VM expense could not be attributed

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[154] Response to ORA-030-PZS Question 5(b).

[155] Response to ORA-030-PZS Question 8(d).

[156] Ex. Liberty-01 Phase 2, p. 3-7.

[157] Id.

to a single customer class.[158] The resulting VM rate would be a uniform per kilowatt-hour rate for all customer classes (except SL and OLS whose rates depend on lamp size and type), with the amount of VM charges based on usage. Although the VM expense is not directly tied to customer usage (and in that sense appears to be a fixed type of expense not tied to usage), one should also keep in mind that the VM program is a public safety and system reliability program and is an essential part of the safe and reliable delivery of electric service to Liberty's customers. In that sense, the VM program directly relates to the safe and reliable delivery and consumption of electric service.

ORA has presented its arguments against increasing the fixed monthly customer charge, and for those same reasons, ORA would oppose a new separate fixed monthly charge for VM. ORA does not oppose Liberty's proposal against a new separate fixed charge as described. Alternatively, should the Commission determine that a new fixed customer charge for VM is appropriate, a minimum bill can be considered.

In addition, Liberty proposes to collect the costs associated with the ECAC (both with regard to the Balancing Rate and the Offset Rate) and the other program costs associated with the EE, SIP, and CEMA on an equal cents per kilowatt-hour basis.[159] This exhibit only takes as an input the revenue requirement amount of the ECAC program which was part of the ORA review in Phase 1 of this case.[160] Any other recommendations by ORA's ECAC witness not captured in the rate model should be included in the final run of the tariffs. Liberty's proposed new ECAC Base rates for residential customers in TY 2016 are: $0.050155 and $0.076132, for Tiers 1 and 2, respectively.[161] On the other hand, ORA's recommended new ECAC Base

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[158] Refer to Appendix A of D.09-03-024 for the currently adopted cost allocation methods for Public Purpose Programs.

[159] Ex-Liberty-01 Phase 2, p.

[160] Ex-Liberty-01 Phase 2, p. 2-3.

[161] Liberty Workpapers on revenue allocation and rate design.

rates for residential customers in TY 2016 are: $0.04558 and $0.06918, for Tiers 1 and 2, respectively. ORA does not oppose Liberty's proposal on an equal cents per kilowatt-hour basis for ECAC, SIP, and CEMA.

With regard to the EE programs for SoCalGas, SDG&E, and PG&E, the Commission has usually allocated the costs of the EE programs on the basis of direct benefits.[162] Note that in Appendix A of D.09-03-024, the Commission states that the direct benefit (DB) "[c]ost allocation method was adopted so that EE program cost would be directly assigned to the customer classes for whom the EE programs are designed and to make the allocation more consistent with the distribution of program dollars."[163] Based on cost causation principles and for consistency, ORA recommends the DB method for Liberty's EE program.

### 8 Proposed New Rate Schedules or Changes to Existing Tariffs

#### a. Proposed New Curtailment Tariff for a Permanent Curtailment Program

Liberty seeks to implement a permanent curtailment program through the proposed Curtailment Tariff following the "success" of its interim Voluntary Curtailment Program approved by the Commission in Resolution E-4694 for larger than 200 kW customers from November 2014 to December 2015.[164] According to Liberty, it is a winter-peaking utility,[165] and the Curtailment Tariff is to provide incentives to A-3 customers to curtail load when Liberty is facing or approaching its

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[162] See Appendix A, pp. 1-2, D.09-03-024.

[163] Id. The Commission cites to the following references with respect to the DB allocation method: *See* D.95-12-053, 63 CPUC2d (1995), 414 at 456, and D.05-09-043.

[164] Id., p. 3-23.

[165] Ex-Liberty-01 Phase 2, p. 3-22.

capacity limits to deliver electricity to a section of its service territory in order to avoid brown-outs or black-outs.[166]

There are currently 56 Liberty A-3 customers, ten of which are ski customers.[167] Those who voluntarily participate as customers on the Curtailment Program will receive a $1/kW reduction in the price of the distribution winter on-peak demand charge for A-3 customers.[168] Liberty's testimony indicates that three customers are likely to sign up for the A-3 Interruptible Tariff and that the approximate loss in demand charge revenue from this discount would amount to approximately $30,000 over the winter season. Further, Liberty's proposed new Curtailment rates are designed to spread this amount of $30,000 to all customers on an equal cents per kwh basis.[169]

In a data response, Liberty explains that the $30,000 assumption was developed by taking the forecast amount of $2.12 million in on-peak distribution demand revenue from the A-3 class and dividing this amount by the number of customers per month during the winter.[170] This yields a dollar amount for the average customer/per winter period (8 months) of $37,321 for on-peak distribution demand revenue. Taking 20 percent of this amount —the $1/kW discount — yields an average winter period discount of $7,446 per customer. The assumption of three customers results in a total discount over the winter period of approximately $22,339. However this calculation assumes an "average" A-3 customer. Based on the assumption that the larger A-3 customers would both be interested in and qualify for Liberty's interruptible option, Liberty rounded the estimated figure up to $30,000. Liberty indicates that should its proposal be adopted by the Commission, it would

[166] Ex-Liberty-01 Phase 2, p. 3-3.

[167] Liberty Workpapers in the Marginal Cost model showing Customer Forecast.

[168] Ex. Liberty-01 Phase 2, p.3-14.

[169] Ex. Liberty-01 Phase 2, p.3-14.

[170] Response to ORA-045 Question 8.

reserve the right to, in a future filing, recover any actual amount that exceeds its $30,000 estimate.[171] If implementation of a permanent curtailment tariff is approved, Liberty proposes to submit a Tier 2 Advice Letter with its proposed language.[172]

Since Liberty's proposed permanent Curtailment Program remains voluntary and is limited to the large A-3 customers during the winter season only and to be used as a last step measure, ORA does not oppose this measure to avoid potential service interruptions due to blackouts or brownouts. Further, subject to a future filing for cost recovery of future actual amounts that may be significantly in excess of the initial estimate of $30,000, ORA reserves the right to oppose any unreasonable amounts based on this request to implement a permanent Curtailment Program. The initial Program as presented only involves a proposed amount of $30,000.

### b. Proposed Electric Vehicle (EV) Time-of-Use (TOU) Tariffs

Liberty's proposed EV TOU tariffs are a new addition to its existing tariffs and presented in Attachment A of Exhibit 1.[173] Liberty makes its proposals to encourage EV adoption in its service territory.[174]

Liberty states that "[a]ll three of the largest California investor-owned utilities currently have similar EV tariffs."[175] Liberty references the Commission's D.11-07-029 as acknowledging that "[r]ate design is the primary means to encourage EV owner charging behavior."[176] In Attachment A, Liberty presents its proposed EV

[171] Response to ORA-045 Question 8.

[172] Ex. Liberty-01 Phase 2, p.3-24.

[173] Ex. Liberty-01 Phase 2, p. .3-17.

[174] Id., p. 3-17.

[175] Id., p. 3-18.

[176] Id.

TOU tariffs for residential domestic (D-1) service and for small general service (A-1).[177]

According to Liberty, since it is in the NV Energy balancing authority and is directly tied to NV Energy's system, the EV tariffs were loosely based on NV Energy's EV tariffs that provide incentives to charging when the NV Energy system is "off-peak." [178] Liberty explains that the proposed EV tariffs were developed based on the existing Liberty TOU D-1 and TOU A-1 tariffs but with a lower discounted rate during the off-peak period.[179] But as explained in the next section, Liberty proposes some changes to the existing TOU residential and A-1 rates.[180] The ultimate test for these EV TOU tariffs is how they measure up with Liberty's ratepayers and whether they persuade them to sign up for them.

The proposed EV TOU tariffs consists of a monthly customer charge of $13.70 (similar to the residential TOU) and distribution rates which are differentiated by periods for winter on-peak, winter mid-peak, and winter off-peak. These distribution rates were calculated from the marginal cost of distribution by periods. The generation rates are also differentiated by these periods.

In addition, Liberty also explains that it proposes to revise the methodology to calculate the demand charge for A-3 customers installing electric bus charging stations.[181] Liberty provides a brief explanation on how it proposes to revise the methodology used to calculate the demand charge for A-3 customers. Liberty states that "[i]ncreasing the period to 30 minutes yields a demand that more accurately addresses the normal demand level and encourages growth in bus deployment. As more buses are added to the fleets…an A-3 customer must install electric bus

[177] Attachment A, Chapter 3, Ex. Liberty-01 Phase 2.

[178] Response to ORA-056-PZS, Question 1(b).

[179] Id., p. 3-18.

[180] Ex. Liberty-01 Phase 2, p. .3-12.

[181] Id., p. 3-19.

charging stations and deploy at least two electric buses that utilize these stations."[182] When asked to provide the basis to support its statements, Liberty clarified that it did not conduct a study to verify its assertions in these statements and that the benefits it discusses is based on Liberty's familiarity with the Regional Transportation Commission's electric bus operation in Reno, Nevada.[183]

Therefore, ORA recommends that these proposed revisions to the methodology to calculate the demand charge for A-3 customers installing an electric bus charging station be subject to further study by the Commission pending verification of these assertions.

#### c. Proposed Re-design of Existing TOU Schedules

Liberty has existing TOU rate schedules which were approved in the last GRC in D.12-11-030. Although these TOU schedules have no existing customers, Liberty proposes to re-design the existing residential and TOU A-1 rate schedules to make the rates more attractive to customers in terms of reducing the on-peak energy rates, ensuring winter mid-peak rates are as cost-based as possible, and inducing customers to switch to off-peak periods.[184] Liberty's residential TOU rates are optional for those who qualify under the schedule. Liberty has not made an estimate of the change in revenue to Liberty if customers moved to these rates.[185]

The Commission has looked favorably on the implementation of time-of-use rates. In the recent D.15-07-001 on Residential Rate Reform in Rulemaking (R.)12-06-013, the Commission approved time of use rates and expects that it will reduce electricity costs for all customers in the long run.[186]

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[182] Id., p.3-20.

[183] Response to ORA-056-PZS Question 1(c) and (d).

[184] Id., p. 3-12.

[185] Id., p. 3-12.

[186] D.15-07-001, p.1. The Commission acknowledges that the amount of savings has not been quantified.

Liberty's proposed residential TOU monthly customer charge is $13.70, which was calculated by Liberty by adding $3.72 to its marginal customer cost capped rate of $9.98. Liberty proposes a single TOU distribution rate of $0.05540 per kilowatt-hour for each of the different time periods of winter on-peak, winter mid-peak, winter off-peak, summer on-peak, and summer off-peak. This TOU rate is the same rate as the proposed distribution rate for residential (non-TOU) customers for TY 2016 for Tiers 1 and 2, which in turn, represents a 17 percent increase to the present residential distribution rate of $0.04735 per kilowatt-hour. Liberty proposes a single residential TOU generation rate for each of the different time periods. This TOU generation rate is the same as the residential non-TOU generation rate that applies to Tier 2. Liberty's proposed residential TOU rates are therefore similar to non-TOU rates with respect to the distribution and generation charge but differ only with respect to the monthly customer charge. Liberty's proposed residential TOU CARE rates would provide a 20 percent discount off the residential TOU customer charge and the distribution rate.

In the previous GRC, Liberty's residential TOU had a monthly customer charge which was only slightly higher than those for residential non-TOU customer charge. Also, in Liberty's previous GRC, the residential TOU distribution rates were differentiated for the summer/winter on-peak and off-peak periods. The highest distribution rate was charged for the winter on-peak period, followed by a rate lower by over 50 percent for summer/winter off-peak, and the lowest rate (approximately 10 cents lower compared to the winter on-peak rate) is during the summer on-peak. There are no Liberty residential customers who signed up for the existing residential TOU rates. Hence, the proposed changes by Liberty to its TOU rates are designed to entice customers to sign up. ORA will not speculate on the reasons why no customers have signed up for the existing TOU rates. However, it may be beneficial to include an effort on customer education about the pros and cons of TOU rates to promote customer awareness and understanding of the TOU rates.

So long as the TOU rates are optional for those who qualify under the schedules, ORA does not oppose Liberty's proposed revisions to its residential TOU rates as well as the TOU A-1 rates.

### 9. Liberty's Proposed New Base Rates and ORA's Recommended Rates and Bill Impacts for TY 2016

Liberty's proposed new base rates and ORA's recommended rates for TY 2016 are presented in Table 12-7 while the average monthly bill impact on customer class schedules are presented in Table 12-8.

| **Table 12-7 Comparative Rates** | **Liberty Proposed TY 2016** (in $ per kWh)* | | | | | **ORA Recommended TY 2016** (in $ per kWh)* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Rate Schedule | Customer | Distribution | Generation | ECAC Base | Veg Mgmt | Customer | Distribution | Generation | ECAC Base | Veg Mgmt |
| **RESIDENTIAL: D-1** | | | | | | | | | | |
| Fixed Monthly ($ /customer) | 7.67 | | | | | 7.10 | | | | |
| Tier 1 Baseline Energy | | 0.0554 | 0.0058 | 0.0502 | 0.00417 | | 0.04616 | 0.00577 | 0.04558 | 0.00417 |
| Tier 2 Excess Energy | | 0.0554 | 0.0107 | 0.0761 | 0.00417 | | 0.04616 | 0.01075 | 0.06918 | 0.00417 |
| **RESIDENTIAL: DM-1** | | | | | | | | | | |
| Fixed Monthly | 7.67 | | | | | 7.10 | | | | |
| Tier 1 Baseline Energy | | 0.0554 | 0.0058 | 0.0502 | 0.00417 | | 0.04616 | 0.00577 | 0.04558 | 0.00417 |
| Tier 2 Excess Energy | | 0.0554 | 0.0107 | 0.0761 | 0.00417 | | 0.04616 | 0.01075 | 0.06918 | 0.00417 |
| **RESIDENTIAL: DS-1** | | | | | | | | | | |
| Fixed Monthly | 7.67 | | | | | 7.10 | | | | |
| Tier 1 Baseline Energy | | 0.0554 | 0.0058 | 0.0502 | 0.00417 | | 0.04616 | 0.00577 | 0.04558 | 0.00417 |
| Tier 2 Excess Energy | | 0.0554 | 0.0107 | 0.0761 | 0.00417 | | 0.04616 | 0.01075 | 0.06918 | 0.00417 |
| Sub-Meter Disc Units | | (0.0379) | | | | | (0.03791) | | | |
| **RESIDENTIAL: CARE** | | | | | | | | | | |
| Fixed Monthly | 6.13 | | | | | 5.68 | | | | |
| Tier 1 Baseline Energy | | 0.0315 | 0.0058 | 0.0502 | 0.00417 | | 0.02582 | 0.00577 | 0.04558 | 0.00417 |
| Tier 2 Excess Energy | | 0.0253 | 0.0107 | 0.0761 | 0.00417 | | 0.02011 | 0.01075 | 0.06918 | 0.00417 |

| Table 12-7 Continuation | Liberty Proposed TY 2016 (in $ per kWh)* | | | | | ORA Recommended TY 2016 (in $ per kWh)* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Rate Schedule | Customer Chrg Price | Distribution Price | Generation Base Price | ECAC Base Price | Veg Mgmt Price | Customer Chrg Price | Distribution Price | Generation Base Price | ECAC Base Price | Veg Mgmt Price |
| | | | | | | | | | | |
| **A-1: <= 20 kW** | 13.94 | 0.0622 | 0.0126 | 0.06662 | 0.00417 | 13.44 | 0.05251 | 0.01155 | 0.06054 | 0.00417 |
| | | | | | | | | | | |
| **A-1: > 20 kW** | 13.94 | 0.0622 | 0.0126 | 0.06662 | 0.00417 | 13.44 | 0.05251 | 0.01155 | 0.06054 | 0.00417 |
| | | | | | | | | | | |
| **A-2 (>= 50 kW & <= 200 kW)** | 92.54 | | | | | 92.54 | | | | |
| WINTER-Demand | | 8.5168 | 0.0000 | | | | 8.9074 | 0.0000 | | |
| SUMMER-Demand | | 0.0000 | 5.5425 | | | | 0.0000 | 5.7764 | | |
| WINTER-Energy | | 0.0198 | 0.0000 | 0.0470 | 0.00417 | | 0.01798 | 0.0000 | 0.04271 | 0.00417 |
| SUMMER-Energy | | 0.0000 | 0.0207 | 0.1035 | 0.00417 | | 0.0000 | 0.02066 | 0.09404 | 0.00417 |
| | | | | | | | | | | |
| **A-3 (> 200 kW)** | 643.48 | | | | | 643.48 | | | | |
| ON - WINTER-Demand | | 4.7727 | 1.2405 | | | | 3.10226 | 1.2405 | | |
| MID - WINTER-Demand | | 1.4200 | 0.8539 | | | | 0.92300 | 0.8539 | | |
| ON - SUMMER-Demand | | 1.9950 | 7.9200 | | | | 1.72900 | 7.9200 | | |
| MAXIMUM DEMAND | | 3.8700 | 0.0000 | | | | 3.24654 | 0.0000 | | |
| | | | | | | | | | | |
| ON - WINTER-Energy | | 0.0090 | 0.0000 | 0.0714 | 0.00417 | | 0.00768 | 0.0000 | 0.0714 | 0.00417 |
| MID - WINTER-Energy | | 0.0076 | 0.0000 | 0.0728 | 0.00417 | | 0.00656 | 0.0000 | 0.0728 | 0.00417 |
| OFF - WINTER-Energy | | 0.0040 | 0.0000 | 0.0598 | 0.00417 | | 0.00346 | 0.0000 | 0.0598 | 0.00417 |
| ON - SUMMER-Energy | | 0.0119 | 0.0000 | 0.0713 | 0.00417 | | 0.01017 | 0.0000 | 0.0713 | 0.00417 |
| OFF - SUMMER-Energy | | 0.0064 | 0.0000 | 0.0558 | 0.00417 | | 0.00550 | 0.0000 | 0.0558 | 0.00417 |
| | | | | | | | | | | |
| **PA (Int. Irrigation)** | 13.94 | 0.0118 | 0.0097 | 0.06662 | 0.00417 | 13.44 | 0.01288 | 0.00960 | 0.06054 | 0.00417 |

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| Table 12-7 Continuation | Liberty Proposed TY 2016 | | | | | | ORA Recommended TY 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Street Light Service** | | | | | | | | | | | |
| **HPS Street Lights** | | | | | | | | | | | |
| *Rates in $ per Lamp per mo.* | | | | | | | | | | | |
| 5,800 Lumen @ 29 kWh/mo. | | 9.9908 | 0.0475 | 1.9320 | 0.1746 | | | 8.82645 | 0.04424 | 1.7556 | 0.1746 |
| 9,500 Lumen @ 41 kWh/mo. | | 10.0155 | 0.0792 | 2.7314 | 0.2425 | | | 8.84824 | 0.07373 | 2.4821 | 0.2425 |
| 22,000 Lumen @ 79 kWh/mo. | | 10.8295 | 0.1425 | 5.2630 | 0.4753 | | | 9.56744 | 0.13272 | 4.7826 | 0.4753 |
| | | | | | | | | | | | |
| **SL Charges (Per Pole)** | | | | | | | | | | | |
| New Wood Pole | | 6.10 | | | | | | 5.29 | | | |
| New Metal Pole (< 22,000 Lumen) | | 8.41 | | | | | | 7.29 | | | |
| New Metal Pole (>=22,000 Lumen) | | 8.54 | | | | | | 7.40 | | | |
| Underground Serv (Per 130 Ft Length) | | 4.13 | | | | | | 3.58 | | | |
| **Outdoor Light Service** | | | | | | | | | | | |
| **HPS Outdoor Lights** | | | | | | | | | | | |
| 5,800 Lumen @ 29 kWh/mo. | | 6.9578 | 0.0662 | 1.9320 | 0.1261 | | | 6.0920 | 0.06126 | 1.9320 | 0.1261 |
| 9,500 Lumen @ 41 kWh/mo. | | 7.1296 | 0.1059 | 2.7314 | 0.1746 | | | 6.2424 | 0.09801 | 2.7314 | 0.1746 |
| 16,000 Lumen @ 67 kWh/mo. | | 7.4303 | 0.1721 | 4.4635 | 0.2910 | | | 6.5056 | 0.15927 | 4.4635 | 0.2910 |
| 22,000 Lumen @ 85 kWh/mo. | | 7.9027 | 0.1986 | 5.6627 | 0.3686 | | | 6.9192 | 0.18377 | 5.6627 | 0.3686 |
| **OLS Charges (Per Pole)** | | | | | | | | | | | |
| New Wood Pole | | 6.15 | | | | | | 5.34 | | | |
| New Metal Pole (< 22,000 Lumen) | | 8.12 | | | | | | 7.06 | | | |
| Underground Serv (Per 130 Ft Length) | | 4.17 | | | | | | 3.62 | | | |

**Table 12 – 8**
**Average Monthly Bill Impact**

| | Proposed Liberty | | | ORA Recommended | | | |
|---|---|---|---|---|---|---|---|
| Rate Schedule | Ave. Proposed Monthly Bill 2016 | Average Monthly Bill No Change Case 2016 | Dollar Impact | Ave. Proposed Monthly Bill 2016 | Average Monthly Bill No Change Case 2016 | Dollar Impact | Liberty Dollar Impact Difference |
| (a) | (b) | (c) | (d) = (b)-(c) | (e) | (f) | (g)= (e)-(f) | (h) = (d)-(g) |
| Residential D-1 | $91.50 | $85.39 | $6.12 | $79.82 | $85.39 | $(5.57) | $11.69 |
| Residential – CARE | $79.78 | $75.20 | $4.58 | $68.81 | $75.20 | $(6.39) | $10.97 |
| A-1 Commercial | $289.62 | $278.81 | $10.81 | $261.74 | $278.81 | $(17.07) | $27.88 |
| A-2 Commercial | $3,244.87 | $3,204.68 | $40.18 | $3032.62 | $3,204.68 | $(172.06) | $212.24 |
| A-3 Commercial | $27,875.08 | $26,623.36 | $1,251.72 | $25502.99 | $26,623.36 | $(1,120.37) | $2,372.09 |
| PA Irrigation | $1,123.21 | $1,030.74 | $92.47 | $1016.91 | $1,030.74 | $(13.83) | $106.30 |
| Streetlights Average* | $16.32 | $14.85 | $1.47 | $14.35 | $14.85 | $(0.50) | $1.97 |
| Outdoor Street (OLS)* | $10.29 | $9.94 | $0.35 | $9.39 | $9.94 | $(0.55) | $0.90 |

* Per Lamp
Source: Response to ORA-024 Question 4.

# ATTACHMENTS

# ATTACHMENT LIST

1. Liberty Supplemental Response to ORA-010-PZS
2. Liberty Response to ORA-023-PZS
3. Liberty Response to ORA-026-PZS
4. Liberty Response to ORA-028-PZS
5. Liberty Response to ORA-030-PZS
6. Liberty Response to ORA-045-PZS
7. Liberty Response to ORA-049-PZS
8. Liberty Response to ORA-056-PZS
9. Liberty Response to ORA-058-PZS

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

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|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**SUPPLEMENTAL RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-010-PZS**


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Date: August 5, 2015


Attorneys for Liberty Utilities (CalPeco Electric) LLC

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**SUPPLEMENTAL RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-010-PZS**

## GENERAL STATEMENT

Nothing in this response to Office of Ratepayer Advocates ("ORA") Tenth Set of Data Requests ("Data Requests" or "Requests") should be construed as prejudicing or waiving Liberty Utilities (CalPeco Electric) LLC (U 933-E) ("Liberty Utilities") right to produce and provide additional documentary evidence based on information, evidence or analysis hereafter obtained or evaluated. Liberty Utilities' responses are made subject to inadvertent or undiscovered errors, and are limited by records and information still inexistence and or presently recollected and thus far discovered in the course of preparing this response. Liberty Utilities reserves the right to update and/or supplement the responses provided herein if and when additional evidence which is responsive to the Requests becomes available and at any time if it appears that inadvertent errors or omissions have been made.

These responses are made without intending to waive or relinquish Liberty Utilities' rights to take the following actions:

1. Raise all questions regarding relevancy, materiality, privilege, admissibility as evidence for any purpose as to any documents identified or produced in response to these Requests which may arise in any subsequent proceeding, in, or at the trial of, any other action;

2. Object on any grounds to the use of said documents in any subsequent proceeding, in, or at the trial of this or any other action;

3. Object on any grounds to the introduction into evidence of documents identified or produced in response to these Requests; and/or

4. Object on any grounds at any time to other requests for production or other discovery involving said documents, or the subject matter thereof.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | June 4, 2015 |
| **REQUEST NO.:** | ORA-010-PZS | **RESPONSE DATE:** | August 5, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**REFERENCING:** Exhibit 1 – Revenue Allocation and Rate Design

**REQUEST 1**

Please provide the following:

> At page 8 of the above Exhibit Reference, Liberty Utilities states that it will make its proposals for Electric Marginal Costs, Revenue Allocation, and Rate Design in Phase II of this proceeding and intends to file Phase II on June 1, 2015. Please provide ORA with hard copies and electronic copies of all exhibits pertaining to the Liberty Utilities proposals for electric marginal costs, revenue allocation, and rate design, including all workpapers and excel spreadsheets supporting the said exhibits. The excel workpapers should contain the active spreadsheets used by Liberty Utilities to arrive at the output results shown and will enable ORA to replicate those results.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

Liberty Utilities has provided hard copies and electronic copies of all its proposals for electric marginal costs, revenue allocation and rate design. Liberty Utilities has also provided electronic copies of its workpapers, and will provide a hard copy of its workpapers as soon as possible.

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | June 4, 2015 |
| **REQUEST NO.:** | ORA-010-PZS | **RESPONSE DATE:** | August 5, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**REFERENCING:** Exhibit 1 – Revenue Allocation and Rate Design

**REQUEST 2**

Please provide the following:

> Please provide a brief description of the Liberty Utilities proposal to allocate revenues and to design rates and provide the cite reference to the exhibit where this is described.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

Liberty Utilities' rate allocation proposal is described in Phase 2, Exhibit 1, Chapter 2. Liberty Utilities' rate design proposal is described in Phase 2, Exhibit 1, Chapter 3.

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | June 4, 2015 |
| **REQUEST NO.:** | ORA-010-PZS | **RESPONSE DATE:** | August 5, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**REFERENCING:** Exhibit 1 – Revenue Allocation and Rate Design

**REQUEST 3**

Please provide the following:

> Does the Liberty Utilities proposal to allocate revenues represent a change from the previous GRC period? If so, please state whether the change represents a change of cost allocation methodology and describe the change in the methodology, including the rate and bill impact of the proposed change to residential customers. Please provide the cite reference to the exhibit where this is described.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

The Liberty Utilities proposal to allocate revenues in this General Rate Case ("GRC") application is largely a continuation of the same allocation method for revenues that was proposed by Liberty Utilities in its 2013 GRC application. One slight change is that Liberty Utilities previously proposed a 5 percent cap on increases in revenue allocation. In Liberty Utilities' current proposal the cap is 3 percent. Another change is the Catastrophic Emergency Memorandum Account, the Solar Incentive Program, and the A-3 interruptible rate shortfall expenditures are now allocated to customers on a cents/kWh basis.

A significant change for the residential customer class is the decrease in the percentage of marginal cost from the 52.15 percent (after allowance for Other Operating Revenue Credits and other miscellaneous changes) to the 50.62 percent in this GRC application (again, after Other Operating Revenue Credits and other miscellaneous changes). Given that the revenue allocation method is largely unaltered, there are no changes in overall methodology from which to determine rate or bill impacts for any class or schedule. However, the residential customer class will receive a benefit of approximately $87,000 due to the 3 percent cap above the system average percent change rather than the 5 percent cap. Lastly, the Optional Interruptible Irrigation Service and Street and Outdoor Lighting rate schedules also benefit from the 3 percent cap.

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

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| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-023-PZS**


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Date: July 30, 2015

Attorneys for Liberty Utilities (CalPeco Electric) LLC

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

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|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-023-PZS**

## GENERAL STATEMENT

Nothing in this response to Office of Ratepayer Advocates ("ORA") 23rd Set of Data Requests ("Data Requests" or "Requests") should be construed as prejudicing or waiving Liberty Utilities (CalPeco Electric) LLC (U 933-E) ("Liberty Utilities") right to produce and provide additional documentary evidence based on information, evidence or analysis hereafter obtained or evaluated. Liberty Utilities' responses are made subject to inadvertent or undiscovered errors, and are limited by records and information still inexistence and or presently recollected and thus far discovered in the course of preparing this response. Liberty Utilities reserves the right to update and/or supplement the responses provided herein if and when additional evidence which is responsive to the Requests becomes available and at any time if it appears that inadvertent errors or omissions have been made.

These responses are made without intending to waive or relinquish Liberty Utilities' rights to take the following actions:

1. Raise all questions regarding relevancy, materiality, privilege, admissibility as evidence for any purpose as to any documents identified or produced in response to these Requests which may arise in any subsequent proceeding, in, or at the trial of, any other action;

2. Object on any grounds to the use of said documents in any subsequent proceeding, in, or at the trial of this or any other action;

3. Object on any grounds to the introduction into evidence of documents identified or produced in response to these Requests; and/or

4. Object on any grounds at any time to other requests for production or other discovery involving said documents, or the subject matter thereof.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 22, 2015 |
| **REQUEST NO.:** | ORA-023-PZS | **RESPONSE DATE:** | July 29, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | |

**REFERENCING:** Revenue Allocation and Rate Design

**REQUEST 1:**

On July 17, 2015, Liberty Utilities served its Phase II testimony in A.15-05-008 on proposals for Electric Marginal Costs, Revenue Allocation, and Rate Design. ORA obtained electronic copies of the Phase II exhibits pertaining to the Liberty Utilities proposals for electric marginal costs, revenue allocation, and rate design, including the Excel spreadsheets provide to support the exhibits. Upon review of the Excel spreadsheets provided to ORA, ORA discovered that the cell entries in the Excel files all contain hardwired numbers which will not enable ORA to determine the different calculations and replicate the results, and is therefore, non-responsive to ORA's request.

In ORA-010-PZS, ORA's request is for Liberty Utilities to provide the Excel workpapers that should contain active Excel spreadsheets with cell formulas used by Liberty Utilities to arrive at the output results shown and will enable ORA to replicate those results.

Upon receipt of the Phase II active Excel spreadsheets, ORA would like to have the opportunity to request a walk-through of the spreadsheets with Liberty's witness.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

On July 29, 2015, the requested Excel spread-sheets were provided to ORA. Liberty Utilities is in e-mail contact with ORA regarding the timing of the requested walk-through.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 22, 2015 |
| **REQUEST NO.:** | ORA-023-PZS | **RESPONSE DATE:** | July 29, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | |

**REFERENCING:** Revenue Allocation and Rate Design

**REQUEST 2:**

Please explain how the Results of Operations (RO) model in Phase I and the cost allocation and rate models in Phase II of Liberty Utilities' filing work together, that is, in terms of the models being designed to link together to reflect any necessary updates to inputs of costs, expenses, cost of capital, and demand forecasts as a result of ORA's review.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

The Results of Operations ("RO") model and the Cost Allocation and Rate Design Models are not linked. The Marginal Cost model, which is the basis of the proposed Liberty Utilities revenue allocation and rate design, is based on certain information from the RO model.

The information used in the Marginal Cost model that is from the RO model is contained in the following tabs which are in the workpapers associated with Phase 2, Exhibit 1, Chapter 1 that have been previously sent:

- Tab "T7 2015" – Economic Carrying Charges
- Tabs "T8 pg 1 2015" and "T8 pg 2 2015" – Administrative/General Loading Factors
- Tabs "T11 pg 1 2015" and "T11 pg 2 2015" – Development of Operations/Maintenance Loading Factors
- Tabs "T12 2015" and "T13 2015" – Development of Customer Services and Accounts Loading Factors
- Tab "Wk 3 2015" – General Plant Loading Factors
- Tabs "Wk 4 pg 1 2015" and "Wk 4 pg 2 2015" – Cash Working Capital Factors

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

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| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-PZS-026**


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Date: August 26, 2015


Attorneys for Liberty Utilities (CalPeco Electric) LLC

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

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|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-PZS-026**

## GENERAL STATEMENT

Nothing in this response to Office of Ratepayer Advocates ("ORA") 26th Set of Data Requests ("Data Requests" or "Requests") should be construed as prejudicing or waiving Liberty Utilities (CalPeco Electric) LLC (U 933-E) ("Liberty Utilities") right to produce and provide additional documentary evidence based on information, evidence or analysis hereafter obtained or evaluated. Liberty Utilities' responses are made subject to inadvertent or undiscovered errors, and are limited by records and information still inexistence and or presently recollected and thus far discovered in the course of preparing this response. Liberty Utilities reserves the right to update and/or supplement the responses provided herein if and when additional evidence which is responsive to the Requests becomes available and at any time if it appears that inadvertent errors or omissions have been made.

These responses are made without intending to waive or relinquish Liberty Utilities' rights to take the following actions:

1. Raise all questions regarding relevancy, materiality, privilege, admissibility as evidence for any purpose as to any documents identified or produced in response to these Requests which may arise in any subsequent proceeding, in, or at the trial of, any other action;

2. Object on any grounds to the use of said documents in any subsequent proceeding, in, or at the trial of this or any other action;

3. Object on any grounds to the introduction into evidence of documents identified or produced in response to these Requests; and/or

4. Object on any grounds at any time to other requests for production or other discovery involving said documents, or the subject matter thereof.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 27, 2015 |
| **REQUEST NO.:** | ORA-026-PZS | **RESPONSE DATE:** | August 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 1:**

At page I-1 at lines 16-17 of the above referenced exhibit, Liberty Utilities (LU) states that its requested marginal cost of service (MCS) generally adheres to its MCS proposal for its 2013 Test Year Application A.12-12-014.

(a) Provide ORA with a copy of the MCS proposal for LU's 2013 GRC A.12-12-014, including the relevant workpapers and active Excel spreadsheets; and

(b) Describe how LU's requested MCS in A.15-05-008 "adheres" to its 2013 MCS proposal, that is, explain whether LU uses the methodology without any change except to only update the values of the various inputs and cost elements used within the methodology, or whether LU made substantial changes to both the methodology and the various inputs and cost elements within the methodology.

**CONFIDENTIAL (yes or no): No**

**RESPONSE:**

(a) The attached file titled "Attachment 1 to Response to ORA-026-PZS" contains the Marginal Cost Study from in Liberty Utilities' 2013 General Rate Case, A.12-12-014. Please note that the attached study is this responder's best recollection of the initial study that was provided to the ORA as part of that application. Subsequently, a number of other iterations of the study were developed as part of settlement and other discussions with parties including the ORA.

(b) In Liberty Utilities' Marginal Cost testimony, Phase II, Exhibit 1, Chapter 1, of this application, there is a discussion on how the Marginal Cost study and calculations in this application, in general, are similar to the Marginal Cost study and calculations in Liberty Utilities' 2013 General Rate Case, A.12-12-014 such as the most recent Sierra Pacific Power Company d/b/a NV Energy's ("NV Energy") filing is the source for the marginal costs of generation, transmission, and energy. The testimony also describes the following differences in this Marginal Cost study when compared to the study in Liberty Utilities' 2013 General Rate Case:

- Marginal Customer Costs - line extension data base that was the basis for the development of Marginal Customer Costs is not suitable to develop Marginal Customer costs.

- Development of Marginal Costs - Liberty Utilities' data was used for the various "loaders" (Operations/Maintenance expenses that are factors whereby investment data – such as marginal customer costs are translated into an annual per customer figure). In Liberty Utilities' 2013 General Rate Case, in many cases, such loaders were based on NV Energy's data since Liberty Utilities' data did not yet exist or was only based on 12 months of experience.

- Non-TOU Distribution Demand - data used changed from NV Energy's calculations to one which also uses Liberty Utilities' own forecast of maximum demands of different rate schedules.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 27, 2015 |
| **REQUEST NO.:** | ORA-026-PZS | **RESPONSE DATE:** | August 26, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 2:**

At page I-4 at lines 11-14 of the above referenced exhibit, LU states that the marginal cost to serve LU should and has to assume NV Energy's own marginal costs for generation, transmission and energy, and therefore, updated the marginal cost estimates from NV Energy's most recent GRC filing with the Nevada PUC in Docket No. 13-06002. In footnote 2, LU discloses a recent new Purchase Power Agreement (PPA) with NV Energy for "full requirements service." In footnote 3, LU represents that the Nevada PUC adopted the NV Energy marginal cost with "one minor modification" in its Modified Order in the docket on January 29$^{th}$, 2014.

(a) Explain the meaning of "full requirements service" referenced in footnote 2, that is, whether it means that all of LU's generation requirements are to be served one hundred percent by NV Energy under the new PPA or something else;
(b) Describe the "one minor modification" referenced in footnote 3 and explain whether the marginal cost that was updated by LU for purposes of its 2016 GRC uses the Nevada PUC-adopted NV Energy modified marginal cost;
(c) Explain whether LU owns and operates any electric generating plant/s, which are included in its rate base for purposes of the filing in A.15-05-008, and if so, identify the type and capacity of the LU electric generating plant/s and describe how any LU owned electric generation plants are considered in the calculation of marginal cost of generation; and
(d) Explain whether LU buys any power from the spot market, and if so, describe how any spot purchase costs are considered in the calculation of LU's marginal cost of generation.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

(a) For the purposes of determining marginal cost, “Full Requirements Service” means that all of Liberty Utilities’ generation, transmission, and energy requirements are provided by NV Energy. Under the 2016 NV Energy Services Agreement, NV Energy will in 2016 provide almost all of the energy supplies Liberty Utilities will use to serve its customers. See response to (c) below which references the Kings Beach Generating Station which Liberty Utilities owns and which supplies a very small amount of energy.

(b) The minor modification is that the Public Utilities Commission of Nevada (“PUCN”) adopted a marginal generation cost that was approximately $2/kW lower than the figure requested by NV Energy and used by Liberty Utilities in formulating the Marginal Cost Calculation for this Application. The $2/kW lower figure is very likely to have a de minimis impact on the overall marginal cost results. However, Liberty Utilities will be providing an updated Marginal Cost Calculation and Revenue Allocation/Rate Design that will incorporate the actual marginal generation cost that the PUCN has approved for NV Energy.

(c) Kings Beach Generating Station Facility is the only generation facility that Liberty Utilities owns. See page 5 of the Application for a description of the facility. Liberty Utilities did not include the Kings Beach Generating Station in its calculation of the marginal cost of generation.

(d) Liberty Utilities does not buy any power from the spot market.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 27, 2015 |
| **REQUEST NO.:** | ORA-026-PZS | **RESPONSE DATE:** | August 26, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 3:**

At pages I-4, lines 15-17 through page I-5, lines 1-4 of the above referenced exhibit, LU states that the overall level of marginal cost revenues for LU increased from $107 million in Test Year 2013 to $133 million for Test Year 2016, and attributes this increase primarily to the "increase in marginal generation cost estimated by NV Energy and a change in the input data now used to calculate marginal distribution costs" for LU. Further, at pages I-6, lines 14-18 through page I-7, lines 1-12, LU explains that NV Energy proposed a marginal cost of generation of $156.12 per Kilowatt (KW), which is said to be a considerable increase from the $108.73/KW marginal cost of generation used by LU in Test Year 2013. LU states that after allowing for losses and inflating to 2016 dollars, the amount corresponds to a marginal cost of capacity for LU of $171.60/KW for Test Year 2016. LU states that it also accounted for losses to serve at the secondary and primary level of service, resulting in marginal costs of generation of $181.62/KW at the secondary level and $175.48 at the primary level. LU states that these marginal costs of generation are multiplied by each individual class' Time of Use (TOU) consumption, then multiplied by the Loss of Load Probability (LOLP) previously calculated by NV Energy for the TOU periods for LU. LU states that the overall result of multiplying the LOLP factors by the forecast kwh loads and the marginal cost of capacity is a total marginal generation cost of $19.5 million for Test Year 2016, which LU represents to be an increase of almost 75 percent from the 2013 Test Year of $11.14 million, which is shown in Table I-3.

(a) Explain whether the NV Energy proposed marginal cost of generation of $156.12/KW is based on the Nevada PUC-adopted NV Energy marginal cost of generation that includes "one minor modification" as referenced in footnote 3;
(b) Confirm the price level of the $156.12/KW (i.e., is it in 2014 or in 2015 dollars?);
(c) Explain whether the marginal cost of generation of $156.12/KW represents new capacity (i.e., new steel on the ground) or represents a portfolio mix of existing and new capacity for NV Energy;
(d) Explain the reason that led to the considerable increase in the proposed marginal cost of generation of $156.12/KW from the $108.73/KW marginal cost of generation used by LU in its 2013 Test Year;

(e) Describe the allowance for losses that was used to adjust the marginal cost of generation of $156.12/KW and provide the calculations for the loss adjustment that enabled LU to arrive at the marginal cost of $171.60/KW for LU's 2016 Test Year;
(f) Provide the escalation rates used to inflate the marginal cost of generation of $156.12/KW to 2016 dollars and provide the calculations for the inflation adjustment that enabled LU to arrive at the marginal cost of $171.60/KW for LU's 2016 Test Year;
(g) Describe the allowance for losses to serve at the secondary and primary level of service and provide the calculations for these loss adjustments that enabled LU to arrive at the marginal costs of $181.62/kW at the secondary level and $175.48/KW at the primary level;
(h) Please explain LU's current TOU policy and how it is currently implemented.
(i) Please explain whether LU is proposing any change to LU's current TOU policy in A.15-05-008 and how it is proposed to be implemented.
(j) Provide each individual class' TOU consumption and the calculations that used those TOU consumption levels and clarify whether the same TOU consumption data inputs were used in the LU 2013 Test Year, and if so, why these remain reasonable to use for Test Year 2016;
(k) Provide the LOLP previously calculated by NV Energy for the TOU periods for LU and the calculations that used these LOLP for the TOU periods for LU and clarify whether the same LOLP data inputs were used in the LU 2013 Test Year, and if so, why these remain reasonable to use for Test Year 2016;
(l) Provide the active Excel spreadsheets with cell formulas for Table I-3 showing the calculations that enabled LU to arrive at the overall result of $19.5 million for Test Year 2016 and clarify whether the forecast kwh loads that were multiplied by the LOLP factors are higher than those used in the LU 2013 Test Year.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

(a) The Public Utilities Commission of Nevada ("PUCN") approved a marginal cost of generation of $154.66. *See* "Attachment 1 to Response to ORA-026-PZS – Request 3", page 164. This is about $2/kW less than the $156.12/kW used by Liberty Utilities. The impact of this small change is likely to be minor. Liberty Utilities will update its marginal cost calculation on or before its rebuttal testimony and will include this updated figure.

(b) It is Liberty Utilities' understanding that the $156.12 proposed by NV Energy was in 2014 dollars.

(c) Liberty Utilities is unable to determine whether NV Energy's marginal cost of generation of $156.12/KW represents new capacity or represents a portfolio mix of existing and new capacity.

(d) Liberty Utilities cannot speculate as to the specific reason, as Liberty Utilities instead simply used the data that the PUCN approved for NV Energy. However, the PUCN did provide some explanation for the increase in the proposed marginal cost of generation. *See* "Attachment 1 to Response to ORA-026-PZS – Request 3", at 154.

(e) The loss adjustment and inflation factor for 2015-1016 is determined by inflating NV Energy's loss factor for service at the primary level and secondary levels, $170.25 and $176.21, respectively by 3.07%. *See* "Attachment 2 to Response to ORA-026-PZS – Request 3", at 30.

(f) See response to subsection (e) above.

(g) The loss figures are based on the loss figures determined by NV Energy to serve at the secondary and primary levels. Liberty Utilities has taken the dollar values proposed by NV Energy for the marginal cost of generation to service at the secondary and primary levels and only changed those values to reflect estimated inflation to 2016.

(h) Liberty Utilities currently has three Time of Use ("TOU") rates; Residential (D-1); Small General Service (A-1); and Medium General Service (A-2). Currently, there are no customers on these TOU rates. Liberty Utilities' current TOU policy is available in the appropriate rate schedule in Liberty Utilities' tariff associated with each of these TOU rates, available at: http://www.libertyutilities.com/west/customer_support/rates_schedules.html.

(i) Liberty Utilities is not proposing any changes to its current TOU tariffs other than to change the actual rates. Liberty Utilities is proposing a new set of Electric Vehicle TOU tariffs, as described in Phase 2, Exhibit 1, Chapter 3.

(j) There is no consumption on TOU rates to measure.

(k) There were no Loss of Load Probability ("LOLP") numbers used in the development of the TOU rates.

(l) The spreadsheet was provided as part of the Phase 2 workpapers. The class loads for 2016 are higher than those used in 2013 and there were no LOLP factors used in the development of marginal energy costs.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 27, 2015 |
| **REQUEST NO.:** | ORA-026-PZS | **RESPONSE DATE:** | August 10, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 4:**

**Marginal Energy Costs**

At page I-5 starting at lines 11-19 through page I-6 at lines 1-11 of the referenced exhibit, LU states the NV Energy marginal energy costs from the 2013 PUCN GRC filing for the 2014 Test Year were updated for the 2016 Test Year by applying the US EIA's recorded and forecast Henry Hub natural gas prices for the years 2015 and 2016 to the NV Energy result for 2014. Further, LU states that "This recorded and forecast natural gas price data shows a marked decrease when compared to the actual 2014 data." LU states that the unadjusted value of the NV Energy marginal energy costs is $36.64/MWH after reductions to the NV Energy results. LU adds that an average value of $45.89/MWH is further obtained after calculations to include the NV Energy forecast amounts for working capital, administrative and general expense (A&G), Operation & Maintenance (O&M) adders, and expenses to meet the Nevada Renewable Portfolio Standard (RPS). LU states that "This average $45.89/MWh is lower than the $51.25/MWh marginal energy forecast previously for the 2013 test year." According to LU, the result is total marginal energy cost (which include losses) of $28.147 million versus $30.825 million forecast in the 2013 Test Year, as shown in Table I-1. LU states that "As a proportion of the overall marginal cost results, the marginal cost of energy for the 2016 Test Year is 21% as compared to the 29% for the 2013 Test Year."

(a) Provide all active Excel spreadsheets showing both data and all the detailed calculations described in the above statements to arrive at the average value of $36.64/MWh and the average value of $45.89/Mwh;
(b) Clarify what "losses" were included in the total marginal energy cost calculations as described in the above statements;
(c) Provide the data and assumptions that explain in detail the calculations for the adjustments to the NV Energy marginal energy costs, including showing how the value is updated from the 2014 Test Year from recorded and forecast data of the US EIA.

(d) Provide the data and assumptions that explain in detail the calculations for working capital, A&G, O&M adders, and expenses to meet the Nevada RPS which were included in NV Energy forecast amounts.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

(a) The Marginal Cost spreadsheet was provided to ORA as part of the Phase 2 workpapers.

(b) The kWh losses for each customer class or rate schedule were incorporated as part of the sales forecast for 2016.

(c) This data is shown in the Marginal Energy Costs 2015 tab which shows the EIA Natural Gas Price Forecast for 2016 and how that forecast is used by Liberty Utilities to adjust the NV Energy forecast of its marginal energy costs for 2014.

(d) The data and assumptions supporting these items are not available to Liberty Utilities – however, these are the adders that NV Energy incorporated into its marginal energy cost calculations (Nevada Docket No. 13-06002) and these assumptions and data were accepted by the Nevada Public Utilities Commission in its Order. The only change that Liberty Utilities has made is to increase the total value of these adders to reflect inflation for 2015-2016.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 27, 2015 |
| **REQUEST NO.:** | ORA-026- PZS | **RESPONSE DATE:** | August 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 5:**

**Marginal Cost of Transmission**

At page I-7 at lines 14-18 of the referenced exhibit, LU states that it calculated the marginal cost of transmission for Test Year 2016 to be $20.07/KW at the primary level and $20.78/KW at the secondary level and these calculations were based from NV Energy's proposed marginal cost of transmission for Test Year 2014 of $19.04/KW, and escalating the cost to 2016 dollars and allowing for losses. LU states that the LU 2013 Test Year value was $20.19/KW. Further, at page I-8, LU describes the additional calculations that enabled LU to arrive at the transmission marginal cost value of $2.67 million compared to the $2.49 million in the 2013 Test Year. In this regard, LU describes the use of LU's seasonal and TOU period class Kwh load forecast and multiplying those by the probability of peak (POP) method as developed by the NV Energy and used by NV Energy in its 2009 GRC Application, and then by the relevant marginal cost transmission.

(a) Explain whether the NV Energy proposed marginal cost of transmission for the 2014 Test Year of $19.04/KW was adopted and accepted by the Nevada PUC, and if not, please explain and provide any modifications adopted by the Nevada PUC that approved NV Energy's proposed marginal cost of transmission.
(b) ORA notes a slight decrease in NV Energy's marginal cost of transmission from the 2013 Test Year value of $20.19/KW to the proposed 2014 Test Year value of $19.04/KW, and if this is correct, please provide the reason for the decrease in the marginal cost of transmission; and
(c) Provide the active Excel spreadsheets with the details of the additional calculations performed by LU to bring the marginal cost of transmission for the 2016 Test Year to $20.07/KW at the primary level and $20.78/KW at the secondary level, including the allowance for losses, the escalation rates, the seasonal and TOU period class Kwh load forecast, and the POP factors as described above.

(d) Explain why it would remain reasonable to use the POP method which was developed for use in the 2009 GRC as described, for purposes of LU's 2016 Test Year.

**CONFIDENTIAL (yes or no): No**

**RESPONSE:**

(a) The Nevada Public Utilities Commission's ("Commission") Order makes no particular mention of the marginal cost of transmission filed by NV Energy (Nevada Docket No. 13-06002). Liberty Utilities' understanding of the Commission's Order in that case is that where the Commission makes no specific finding then the amount filed by NV Energy was not challenged and is accepted by the Commission.

(b) Liberty Utilities does not know the reasoning behind the slightly lower number for the marginal cost of transmission filed by NV Energy.

(c) The Excel spreadsheet has been provided to the ORA as part of the Phase 2 workpapers. The 2016 amounts of $20.07/kW and $20.78/kW were derived by escalating the amounts of $19.47/kW and $20.16/kW, respectively, from NV Energy's 2013 Nevada General Rate Case (Docket No. 13-06002, Certification Rate Design filed on September 3, 2013, Volume 3 of 3, Page 30 of 218).

(d) Liberty Utilities does not know the details behind NV Energy's calculation of marginal transmission costs, but is aware that NV Energy included updated loss of load probability ("LOLP") figures with its 2013 Nevada General Rate Case (Docket No. 13-06002, Certification Rate Design filed on September 3, 2013, Volume 3 of 3, Page 16 of 218 which makes note of Workpaper 2, Page 1 - LOLP).

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 27, 2015 |
| **REQUEST NO.:** | ORA-026- PZS | **RESPONSE DATE:** | August 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 6:**

**Marginal Cost Distribution**

At pages I-8, lines 6-19 through page I-9, lines 1-8 of the referenced exhibit, LU states that the increase in its distribution marginal cost revenue for the 2016 Test Year of $72.285 million compared to $49.5 million in the 2013 Test Year "is not a result of changing the *method* of calculating the distribution marginal costs, but rather, the *inputs* to that marginal cost." LU states further that the increase in the marginal cost of distribution is "combined with both the winter values for kwh consumption by rate schedule and the non-TOU distribution demand values by rate schedule. LU states that, as a result, this increase in the distribution marginal cost of LU's 2016 test year "has a large impact on the overall results of the marginal cost analysis that flow through to revenue allocation consideration." In addition, LU describes "one other major change in the input data used to calculate the distribution marginal cost." In this regard, LU explains that in the previous LU filing, "the marginal costs of distribution were developed on a 50-50 basis, meaning that the marginal cost development used 50% of the inflation-updated values previously developed by NV Energy in it's the 2009 CPUC GRC Application with 50% of the marginal distribution cost calculated based on actual Liberty Utilities data from 2013." LU states that for the 2016 Test Year, it proposes to "gradually phase in a Liberty Utilities stand-alone value by setting the distribution marginal cost calculations on a 25-75 basis." On this basis, LU explains that the distribution marginal costs for Test Year 2016 reflect "25% of the inflation-updated values developed by NV Energy for its 2009 CPUC GRC Application and 75% of the value of the estimated 2016 distribution marginal costs based on the LU's data."

(a) Explain the reference to "*inputs* to that marginal cost" as used in the above statement and clarify whether the "*inputs*" refer to the change from 50-50 split to the 25-75 split as described in the above statements;
(b) Provide the marginal cost of distribution developed by NV Energy in its 2009 CPUC GRC Application that served as 50% in the previous LU filing based on the 50-50 split;
(c) Provide the marginal cost of distribution calculated based on actual LU data from 2013 that served as 50% in the previous LU filing based on the 50-50 split;

(d) Provide the marginal cost of distribution developed by NV Energy in its 2009 CPUC GRC Application that served as 25% in the proposed LU filing based on the 25-75 split;

(e) Explain whether the portion that served as 75% in the proposed LU filing for the marginal cost of distribution calculation is based on actual LU data for the years 2013 and 2014 and/or other years, and if not, identify the years of the actual data used for the calculation of the 75% portion, or state whether the calculation still uses the actual LU data from only the year 2013, and why this would be reasonable for purposes of the 2016 Test Year;

(f) Provide the escalation factors used to update the values as described above; and

(g) Provide all active Excel spreadsheets with cell formulas that show the above-described calculations.

**CONFIDENTIAL (yes or no): No**

**RESPONSE:**

(a) The inputs refer to the calculation that uses a 75%-25% Liberty Utilities–NV Energy weighting as well as a small change to the method used to determine the Non-TOU (Maximum Demand) for each class or rate schedule.

(b) The 2009 non-inflated TOU marginal cost of distribution developed by NV Energy was \$1191/kW and the Non-TOU (Maximum Demand) was \$1012/kW.

(c) The 2013amount developed in Liberty Utilities' 2013 General Rate Case for the TOU marginal cost of distribution was \$4177/kW and the Non-TOU marginal cost of distribution was \$3551/kW

(d) See the answer to (b) above.

(e) The actual data used for the calculation of the 75% is found in the 2016 Marginal Cost Study, tab titled "T10 2015" which has the forecast/backcast for 2000-2019. The accumulated distribution investment total for years 2000-2016 is taken from the tab titled "Wk7pg2CalPeco 2015".

(f) The escalation factors for the distribution investments are found in the calculation cells in the tab titled "Wk7pg2CalPeco 2015" and comprise the Handy-Whitman data on the escalation of electrical investment costs – these costs are escalated through 2014 and then further escalated to 2016 by the standard 3% escalation factor used by Liberty Utilities in many parts of its filing.

(g) The Excel spreadsheet was provided as part of the Phase 2 workpapers. The details of the calculation of the marginal cost of distribution can be found in the Excel Marginal Cost Spreadsheet #33. The specific results for distribution marginal cost are in the tabs titled "T4 pg 1 2015 (2)" and "T4 pg 1 2015 (3)". These distribution marginal cost results are in turn linked to a number of other tabs that provide the inputs for the summary calculations.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 27, 2015 |
| **REQUEST NO.:** | ORA-026- PZS | **RESPONSE DATE:** | August 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 7:**

At page I-9 at lines 9-13 of the referenced exhibit, LU states that for the 2013 Test Year, the marginal cost of distribution to serve coincident peak load was estimated as $2751/KW while for the 2016 Test Year LU estimates this value to be $4380/KW. LU states that actual and forecast Liberty Utilities' investments in the distribution system are totaled and a dollar per/KW figure is derived by dividing this total investment by the growth in estimated peak demand.

(a) Provide all workpapers and active Excel spreadsheets with cell formulas that show how LU arrived at the 2016 Test Year LU estimates of $4380/KW compared to the previous $2751/KW, including the actual and forecast LU investments in the distribution system and the growth in estimated peak demand;

(b) Explain the reason/s for the substantial increase in estimated marginal cost of distribution to serve coincident peak load to $4380/KW compared to the previous $2751/KW, indicating a 59% increase.

**CONFIDENTIAL (yes or no): No**

**RESPONSE:**

(a) The data is contained in the tabs of the 2016 Marginal Cost Study titled "T10 2015" and "Wk7pg2Calpeco1 2015".

(b) The major reason for the increase in the estimated marginal cost of distribution is the shift away from a 50%-50% calculation to one in which Liberty Utilities' own investment and calculation of system peak is now 75% of the value is the major factor in the large percentage increase. In the 50%/50% calculation, Liberty Utilities used 50% of the estimated cost based on Liberty Utilities' actual investment data in its system (and recorded investment data from the time when NV Energy owned this system) and 50% of NV Energy's escalated 2009 value of the marginal cost of distribution that used a method incorporating *all* of NV Energy's distribution investment and not just investment in what is now the Liberty Utilities service territory.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 27, 2015 |
| **REQUEST NO.:** | ORA-026-PZS | **RESPONSE DATE:** | August 26, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 8:**

At page I-9 starting at line 14-19 through page I-10 at lines 1-2 of the referenced exhibit, LU states that non-TOU distribution demand is another important factor in determining a rate schedule's overall share of marginal cost revenues. LU states that for purposes of this filing, it uses the average values together with the estimated maximum non-coincident demands for each rate schedule instead of solely relying on NV Energy data. LU states that previously as part of the 2013 GRC Application, the latter sampled groups of customers prior to 2007 to determine average maximum loadings of these customer groups on line transformers. LU represents that the overall result for distribution demand revenues by rate schedule are shown in Table I-3 while Table I-4 shows the calculation of the dollar per KW unit distribution value along with the values used for generation and transmission.

(a) Explain the current non-TOU distribution demand policy and how it is implemented.
(b) Explain whether LU proposes to change the non-TOU distribution demand policy in A.15-05-008 and how it proposes to implement that policy.
(c) Provide the detailed active Excel spreadsheets showing the above described calculations for the average values together with the estimated maximum non-coincident demands for each rate schedule.
(d) Explain whether the calculations for purposes of this filing in A.15-05-008 now uses LU data in the calculation of average values and estimated maximum non-coincident demands instead of relying on NV Energy data as had been done in the 2013 GRC Application. If not, please explain.
(e) Explain how the change in the calculations for purposes of this filing in A.15-05-008 as described by LU above would be beneficial to the various customer rate schedules of LU.
(f) Pursuant to your response in item (e), please show how these beneficial effects can be gleaned from Tables I-3 and I-4.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

(a) As explained via a phone conversation between the ORA and Liberty Utilities on Tuesday, August 18th, the question is not relevant in the context of Liberty Utilities' development of marginal cost calculations and so Liberty Utilities provides no response.

(b) As explained via a phone conversation between the ORA and Liberty Utilities on Tuesday, August 18th, the question is not relevant in the context of Liberty Utilities' development of marginal cost calculations and so Liberty Utilities provides no response.

(c) Please see the marginal cost spreadsheet provided with the Phase 2 workpapers. Tab 2016 Non-Coincident Peaks (2) has the estimated total of non-TOU peaks for each rate schedule and Tab Wk2 (2) uses the NV Energy load research data to develop the ratios of non-TOU demand for each class or rate schedule. These are the load research data that are used to develop the Non-TOU dollar values found in Tab T4 pg 1 2015 (2).

The load research data used in the calculations for Tab T4 pg 1 2015 (3) are simpler and do not rely on the NV Energy load research data but rather use the estimated maximum demands for each rate schedule (with the exception of the A-2 and A-3 rate schedules where the actual 2014 values are used).

(d) As described above in the response to subsection (c), the load portions of the calculation are using either the Liberty Utilities' forecast of estimated maximum demands for each rate schedule or are using the total Liberty Utilities' forecast of estimated maximum demands for each rate schedule combined with the ratios that NV Energy derived from its 2007 load research study.

(e) The new calculations are beneficial for all customers because the marginal cost calculations made in this filing use the most current available data.

(f) All of the values in Tables I-3 and I-4 are now based on current available data.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 27, 2015 |
| **REQUEST NO.:** | ORA-026-PZS | **RESPONSE DATE:** | August 26, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 9:**

At page I-10 lines 7-11 of the referenced exhibit, LU states that the total of marginal customer cost revenues for LU's 2016 Test Year is $10.79 million and that this figure is shown in Table I-1 and compares to the $10.67 million (for the same aspects of marginal customer cost) estimated for the 2013 Test Year (with Footnote 11 citing reference for this). Exhibit 1, Chapter 1, Table I-1 show two columns relating to customer costs: the first one is labelled "Customer-Related Specific" under column (b) with the total amount of $7,547,719 at Line 18 and the second one is labelled "Customer-Related Common" under column (c) with the total amount of $3,171,819 at Line 18. ORA notes that when added together, the combined total of these two columns shown at Line 18 amounts to $10,719,538, or approximately $10.72 million, and not $10.79 million as described by LU in the previous statement. Further, LU states that the percentage of overall marginal cost revenues represented by marginal customer cost is now about 10% compared to approximately 11.7% in the 2013 Test Year (with footnote 12 citing reference for this). ORA notes that when $10,719,538 is taken as a percentage of the total amount of $133,254,262 shown under column (f) of Table I-1 at Line 18, the overall marginal cost revenues represented by marginal customer costs is now about 8% in Test Year 2016 and not 10%, as described by LU in the previous statement.

(a) Confirm that the correct figure for the total of marginal customer cost revenues for LU's 2016 Test Year is $10.72 million as noted by ORA in the Question 9 above, instead of $10.79 million as described by LU. If not, please explain where the figure of $10.79 million can be found in Table I-1 and show how it was derived.
(b) Provide a copy of the footnote 11 cite reference, or alternatively, a link to get to this reference.
(c) Confirm that the correct figure for the overall marginal cost revenues represented by marginal customer costs in now about 8% as noted by ORA in Question 9 above, instead of 10% as described by LU in the previous statement. If not, please explain where the 10% figure can be found in Table I-1 and show how it was derived.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

(a) $10.72 million is correct.

(b) The requested information is contained in the attached files titled “Attachment 1 to Partial Response to ORA-026-PZS – Request 9 – 2012 Marginal Cost Testimony” and “Attachment 2 to Partial Response to ORA-026-PZS – Request 9 – 2012 Marginal Cost Tables 1-1 thru 1-7”.

(c) About 8% is correct.

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-028-PZS**


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Date: September 1, 2015


Attorneys for Liberty Utilities (CalPeco Electric) LLC

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-028-PZS**

## GENERAL STATEMENT

Nothing in this response to Office of Ratepayer Advocates ("ORA") 28th Set of Data Requests ("Data Requests" or "Requests") should be construed as prejudicing or waiving Liberty Utilities (CalPeco Electric) LLC (U 933-E) ("Liberty Utilities") right to produce and provide additional documentary evidence based on information, evidence or analysis hereafter obtained or evaluated. Liberty Utilities' responses are made subject to inadvertent or undiscovered errors, and are limited by records and information still inexistence and or presently recollected and thus far discovered in the course of preparing this response. Liberty Utilities reserves the right to update and/or supplement the responses provided herein if and when additional evidence which is responsive to the Requests becomes available and at any time if it appears that inadvertent errors or omissions have been made.

These responses are made without intending to waive or relinquish Liberty Utilities' rights to take the following actions:

1. Raise all questions regarding relevancy, materiality, privilege, admissibility as evidence for any purpose as to any documents identified or produced in response to these Requests which may arise in any subsequent proceeding, in, or at the trial of, any other action;

2. Object on any grounds to the use of said documents in any subsequent proceeding, in, or at the trial of this or any other action;

3. Object on any grounds to the introduction into evidence of documents identified or produced in response to these Requests; and/or

4. Object on any grounds at any time to other requests for production or other discovery involving said documents, or the subject matter thereof.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 29, 2015 |
| **REQUEST NO.:** | ORA-028-MCL | **RESPONSE DATE:** | August 24, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 1:**

At page 2-1 starting at lines 15-17 through page 2-2 at lines 1-11 of above referenced exhibit, Liberty Utilities (LU) requests to allocate its proposed base rate revenue on the basis of an equal percent of marginal cost ("EPMC") for each rate class or schedule. Footnote 1 indicates that the total proposed Base Rate Revenues to be allocated are in the amount of $86.015 million. LU also requests to allocate the expenses associated with the Vegetation Management ("VM"), the Energy Efficiency ("EE") program, the Solar Initiative Program ("SIP"), and the Catastrophic Event Memorandum Account ("CEMA") on the basis of an equal cents per kilowatthour (kwh) methodology ("ECPKwh"). LU states that both the VM and EE budgets are currently recovered on an ECPKwh basis from all customers. LU requests the CEMA cost recovery should also be recovered on the same ECPKwh basis as the VM expenses. According to LU, the SIP costs are tied to similar public purpose program goals as the EE Program and LU requests that the SIP costs also be recovered on an ECPKwh basis.

(a) Briefly explain the proposed EPMC methodology to allocate the proposed base rate revenues for each rate class or schedule and provide working Excel spreadsheets of an illustrative example of the calculation assuming a hypothetical $1 million of base rate revenues;
(b) Explain whether the proposed EPMC represents a change from the current methodology to allocate base rate revenues adopted in D.12-11-030, and if so, please provide the reason for the proposed change;
(c) Briefly explain the proposed ECPKwh methodology to allocate the expenses associated VM, EE, SIP, and CEMA for all customers and provide working Excel spreadsheets of an illustrative example of the calculation assuming a hypothetical $1 million of expenses associated with each program;
(d) Explain whether the proposed ECPKwh represents a change from the current methodology to allocate the expenses associated with VM, EE, SIP, and CEMA, and if so, please provide the reason for the proposed change;
(e) Explain whether LU considered any other cost allocation methodology aside from the proposed EPMC to allocate the proposed base rate revenues for each rate class or schedule, and if so, then please identify all other methodologies considered but not

proposed, and provide the results of the analysis performed by LU using these other methodologies;

(f) Based on your response to item (c) above, please provide a comparative bill impact analysis showing the EPMC and these other methodologies for the allocation of base rate revenues for each rate class or schedule;

(g) Explain whether LU considered any other cost allocation methodology aside from the proposed ECPKwh to allocate the expenses associated with the VM, EE, SIP, and CEMA for all customers, and if so, then please identify all other methodologies considered but not proposed, and provide the results of the analysis performed by LU using these other methodologies;

(h) Based on your response to item (e) above, please provide a comparative bill impact analysis showing the ECPKwh and the other methodologies for the allocation of the VM, EE, SIP, and CEMA expenses;

(i) Explain whether the proposed Base Rate Revenues in the amount of $86.015 million indicated in footnote 1 represent LU's forecast revenues for the electric distribution function to serve end-use customers for Test Year 2016, and if not, please clarify what these represent;

(j) Describe the nature of the expenses associated with VM, EE, SIP, and CEMA, including whether these expenses vary with the amount of kwh used by ratepayers, or vary with the number of customers or eligible customers, or are neither affected by usage or customer count but are incurred evenly in fixed amounts each year;

(k) Explain whether all LU customer classes benefit from the expenses associated with the VM, EE, SIP, and CEMA, and if not, explain why some customer classes could benefit more than others.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

(a) The proposed equal percent of marginal cost ("EPMC") methodology is, in general, the same as the EPMC method used by Liberty Utilities in its 2013 General Rate Case. The EPMC method estimates the marginal cost of serving Liberty Utilities' customers and develops for each major rate schedule, estimated marginal cost revenues for customer service and marginal costs to meet customer demand and energy requirements.

In order to perform the requested calculation, you begin with the EMPC estimates for each major schedule or rate class. Using the current Liberty Utilities filing figures and rounding the EPMC results, the following impacts occur (absent any capping that occurs in revenue allocation or other impacts such as allocation of Other Operating Revenues):

| **Rate Schedule** | **EMPC estimates (rounded)** | **Hypothetical Impact with 1M base rate requirement** |
|---|---|---|
| Residential | 50.78% | $507,800 |
| A-1 Commercial | 19.31% | $193,100 |
| A-2 Commercial | 8.67% | $86,700 |

| | | |
|---|---|---|
| A-3 Commercial | 20.67% | $206,700 |
| Streetlights | 0.12% | $1,200 |
| Outdoor Lighting Streetlights | 0.19% | $1,900 |
| Optional Interruptible Irrigation Service (“PA”) | 0.26% | $2600 |

(b) As discussed above, the proposed EPMC methodology is, in general, the same as the methodology proposed in Liberty Utilities’ previous General Rate Case. The various minor changes to the methodology that are proposed in this General Rate Case can be found in the testimony included in Phase 2, Exhibit 1, Chapter 1, at 1-4 thru 1-10.

(c) The equal cents/kWh method for the allocation of the Vegetation Management (“VM”), Energy Efficiency (“EE”) programs, Solar Incentive Program (“SIP”), and Catastrophic Emergency Memorandum Account (“CEMA”) expenses is to simply take the total kWh consumption of Liberty Utilities’ forecasted 2016 customers and divide this total kWh consumption by the expenses for each of the above programs. The methodology yields a uniform cents/kWh rate to be applied to each forecasted kWh of consumption.

The actual dollars per rate schedule for all the PPP programs except CARE is shown below:

| Rate Schedule | $ Impact Cents/kWh - All PPP except CARE |
|---|---|
| Residential | $2,151,575 |
| A1- Commercial | $796,760 |
| A2- Commercial | $401,506 |
| A3 – Commercial | $960,391 |
| Stlights | $3,745 |
| Outdoor Lighting Stlights | $4,817 |
| PA – Irrigation Service | $13,840 |

One caveat to note in the equal cents/kWh approach, is that pursuant to the settlement in Liberty Utilities’ 2013 General Rate Case, the A-3 customer class recovers its share of the VM program as a monthly customer charge. However, the basis for the monthly customer charge is to first calculate the dollars that would be recovered by an equal cents/kWh method – and then convert this dollar amount into a monthly customer charge for each A-3 customer.

(d) The equal cents/kWh approach for the VM and EE programs is the current method approved by the Commission in Liberty Utilities 2013 General Rate Case decision.

(e) Liberty Utilities did not consider using any other approach or method as the basis for revenue allocation.

(f) Not applicable.

(g) Yes. The Commission in D.12-11-030 directed Liberty Utilities, in this General Rate Case filing, to provide data on the VM expenses as part of the allocation of base rate revenues. As discussed by Liberty Utilities in Phase Two, Exhibit 1, Chapter 2, the result of inclusion of VM in base rate revenue allocation, when compared to the equal cents/kWh method, is the shift of roughly $140,000 from the A-1 and A-3 customers to the Residential and A-2 customers.

(h) As stated in response to (g) above, Liberty Utilities only conducted one variation of its standard case -. That variation, which included VM in the base rate revenue allocation, produced a shift of an additional $140,000 in revenue allocation to Residential and A-2 customers and a corresponding reduction to A-1 and A-3 customers.

(i) Yes, the $86.015 million in base revenues is an accurate amount. The amount is derived by reducing the Liberty Utilities base revenue calculation of $86.372 million by the forecast for Other Operating Revenues (OOR). This OOR amount is a credit back to customers. In addition to this OOR credit, there is a both a minor revenue credit and a far smaller offsetting debit for the A-2 and A-3 rate schedules due to both power factor considerations (a debit) and voltage and transmission considerations (a credit).

(j) Please see Phase One Testimony, Exhibit 3, Chapters 1-4.

(k) Liberty Utilities believes that customers in every class and rate schedule benefit from the expenses associated with VM, EE, and CEMA . The SIP program benefits are likely to be experienced mainly by residential and smaller commercial customers – however, there are system benefits associated with reduced consumption and load that help all Liberty Utilities customers associated with the installation of the solar systems.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 29, 2015 |
| **REQUEST NO.:** | ORA-028-PZS | **RESPONSE DATE:** | August 24, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey and Rich Salgo |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 2:**

At page 2-2 at lines 4-6 of the referenced exhibit, for purposes of allocation, LU also requests to collect the estimated costs associated with its proposed Curtailment Tariff as described in Chapter 3 of its Phase 2 filing, on an ECPKwh basis from all customers. At page 3-21 of Chapter 3 at lines 5-6, LU proposes to make its interim Voluntary Curtailment Program into a permanent program. On the same page at lines 14-16, LU states that during the 2013-14 winter peak demand period, LU requested that several of its larger A-3 customers (e.g., ski resorts) voluntarily stand by to reduce their energy consumption during the on-peak hours. At page 3-23 lines 3-7, LU states that the interim Voluntary Curtailment program approved in Resolution E-4694 for larger than 200 KW customers from November 2014 to December 2015 to help maintain system reliability, had achieved success. The success is described on page 3-22 lines 8-14, where LU experienced a reduction in peak demand in the range of 0.6 MW to 3.9 MW. At page 3-23 lines 8-12, LU states that it considers the use of the proposed Curtailment tariff to be a last step measure to mitigate outages or blackouts and avoid curtailments and states that LU's historic winter peak of 145 MW occurred in December 2012.

(a) Identify and explain which LU customer classes, in addition to A-3 customers, can be requested by LU to voluntarily stand by to reduce their energy consumption and be subject to the proposed Curtailment Tariff;

(b) Describe the provisions of the proposed Curtailment Tariff, including whether the proposed tariff will have exactly the same provisions as the previous interim Voluntary Curtailment Program approved by the Commission, except that this Curtailment Tariff will be a permanent program;

(c) Explain whether the interim Voluntary Curtailment program was in effect only during the 2014-2015 winter period, or was the program in effect even before that period.

(d) If the interim Voluntary Curtailment program had been in effect during the 2012-2013 winter period, then how much reduction in peak demand would have been experienced by LU during the historic winter peak of 145 MW in December 2012;

(e) Provide a dollar estimate of the reduction in peak demand experienced in the range of 0.6 MW to 3.9 MW;

(f) Explain whether LU’s electric distribution system is designed based on a specific winter peaking system reliability standard, and if so, please cite the Commission decision that adopted this standard, if adopted by the California PUC.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

(a) Liberty Utilities may only request the A-3 customer class to voluntarily stand by to reduce their energy consumption.

(b) Liberty Utilities will submit its proposed tariff through an advice letter if the Commission approves making the Voluntary Curtailment Program permanent.

(c) The curtailment program was only in effect for the 2014-2015 winter period as Liberty Utilities’ Advice Letter No. 47, which proposed the pilot curtailment program, was not approved until October of 2014.

(d) If Liberty Utilities voluntary curtailment tariff would have been in place during the 2012 / 2013 winter season, Liberty Utilities would have been able to curtail 3 large commercial ski resort customers for periods of 5 hours each per day between 5pm and 10pm during the peak. Since each large commercial customer would have been able to contribute 2 MW of curtailment power per hour, Liberty Utilities would have been able to reduce its peak by 6 MW per hour. Accordingly, the 145MW peak would have been reduced to 139MW.

(e) The design of the curtailment tariff is such that the customers on this tariff will experience a reduction in their bills irrespective of the whether or not a curtailment is called in a particular period, so there is no dollar estimate to provide.

(f) Liberty Utilities plans and designs its electric delivery system in a manner that ensures its facilities continue to operate within their emergency limits under single contingency outage conditions. Such operation is consistent with the planning standards promulgated by the North American Electric Reliability Corporation. However, despite such planning, a curtailment program is needed for the reasons described in Phase 2, Exhibit 1, Chapter 3, pages 3-21 to 3-24.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 29, 2015 |
| **REQUEST NO.:** | ORA-028-MCL | **RESPONSE DATE:** | August 24, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 3:**

At page 2-2 starting at lines 14-15 through page 2-3 lines 1-13, LU confirms that it proposes to impose constraints on the use of EPMC to allocate the base rate revenue requirement through the proposed cap of 3% above the system average price change (SAPC) of 5.34%. Footnote 5 states that 5.34% is an estimate of the system average percent increase over the revenue forecast at present base rates for 2016. LU states that because of this cap, the base rate revenue allocation to any customer class or rate schedule is limited to a maximum of 8.34%. As a floor, LU proposes no rate class or schedule receive a base rate decrease due to allocation by EPMC. Further, LU states that the overall cap of 8.34% is based on base rate revenue allocation that does not incorporate the proposed revenue requirement for the ECAC, VM, EE, SIP or CEMA programs. LU explains that with these programs included in the revenue requirement on an ECPKwh basis and based on forecast 2016 levels of energy consumption, the rate schedule increases expect to vary from 1.21% to 10.43%.

(a) Explain the purpose of the proposed cap of 3%;
(b) Describe the calculation of the SAPC of 5.34% and the factors that would affect the value of the SAPC;
(c) Explain whether the GRC settlement adopted in D.12-11-030 had also included a cap above the SAPC and a floor, and if so, please describe the cap adopted, the SAPC, and the floor;
(d) Clarify whether LU's proposed cap and floor are only because of the proposed EPMC allocation, and that if a different allocator for base rate revenues were adopted by the Commission, these LU proposed caps and floors would probably not be needed;
(e) Explain what ECAC stands for; and
(f) Provide the forecast 2016 levels of energy consumption used for the calculations.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

(a) The proposed cap of 3% is intended to reduce the impact of allocating the revenue requirement on a full EPMC basis. For example, absent the 3% cap, the street lighting class of customers would receive an almost 28.5% increase in rates and the PA – irrigation customers would receive almost a 40% increase in rates.

(b) SAPC is calculated by subtracting the forecast Base Rate Revenues at existing rates from the proposed new total base rate revenues, and then dividing this result by the forecast Base Rate Revenues at existing rates. This calculation is shown in the Revenue Allocation and Rate Design Spreadsheet provided with the Phase 2 workpapers, Tab 2015-1(3), Row 19, Column F.

(c) The settlement in Liberty Utilities 2013 General Rate Case did not explicitly adopt any caps or floors on the base rate revenue allocation to rate schedules. The base rate revenue changes per rate schedule were as follows:

| | |
|---|---|
| Residential | 1.07% |
| A1 | 7.66% |
| A2 | -0.5% |
| A3 | 2.93% |
| SL | 1.52% |
| OLS | 5.76% |
| PA | 0.77% |

(d) Liberty Utilities proposed cap and floor are guided by the EPMC results. If the Commission were to adopt different marginal cost results that would in turn create different percentage responsibilities for various rate schedules, Liberty Utilities would re-evaluate its proposed cap and floor for allocation of the base rate revenue requirement.

(e) ECAC stands for Energy Cost Adjustment Clause.

(f) These forecast billing determinants are found in the following tabs in the Revenue Allocation and Rate Design Spreadsheet provided with the Phase 2 workpapers:

Bills Test Period 2016
Bills Test Period 2016-2
Bills Test Light

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 29, 2015 |
| **REQUEST NO.:** | ORA-028-MCL | **RESPONSE DATE:** | August 24, 2015/September 1, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 4:**

At page 2-3 lines 5-8 of the referenced exhibit, LU states that D-1 customers have a base rate increase of 8.34%, A-1 customers have a base rate increase of 3.69%; A-2 customers have no increase; A-3 customers have an increase of 2.29%; SL customers have an increase of 8.34%, OL customers have an increase of 2.65%, and PA customers have an increase of 8.34%. At lines16-19, LU explains the reason why the residential customer class allocation under EPMC will increase by the cap in Test Year 2016. According to LU, the residential base rate schedule increase of 8.34% is primarily because "while the customer count and kwh sales forecast for residential customers in the 2016 Test Year is larger than the actual totals for the 2013 Test Year, the kwh sales and customer counts are not projected to increase at the same rates as those of other schedules."

(a) Provide the projected kwh sales and customer counts for each rate class or schedule which show the basis for the statement "the kwh sales and customers counts are not projected to increase at the same rates as those of other schedules."
(b) Explain the basis for no increase to A-2 customers and why this should be considered reasonable;
(c) Explain the basis for the increase of 8.34% to both the SL and PA customers and why this should be considered reasonable; and
(d) Explain the basis for the increase of 2.29% to A-3 customers and 3.69% increase to A-1 customers, which are notably below the SAPC, and why these should be considered reasonable.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

(a) Please refer to tab "Bills Test Period 2016" in the Revenue Allocation/Rate Design Spreadsheet provided to ORA as part of the Phase 2 workpapers. Column M and column P in this Tab provide a comparison of forecast 2016 customers and sales to actual 2014 and

2013 customers and sales. The results show that the Residential total sales are expected to experience a 2.02% gain (col H ln 44) from 2014 to 2016 and a drop of 1.19% (col P ln 44) in comparing 2016 to 2013. The residential customer count shows a reduction of 1.75% (col H ln 41) in comparing 2014 to 2016.

Compare these to the gain in sales associated with A-1 customers (Col H ln 84), which indicates that the combined total for A-1 and A1A customers will experience a 13.8% gain in sales from 2014 to 2016, and a gain of 2.02% (Excel Col P Ln 84) over 2013. These gains in sales are forecasted despite the A-1 customer count showing a drop of about 5% in monthly customer counts between 2014 and 2016.

Finally, the A-3 customer class experiences a gain in forecast sales of 13.35% (Col H Ln 142) between 2014 and 2016 and a projected gain in sales of 3.89% (Col P Ln 142) between 2013 and 2016.

(b) The Equal Percent of Marginal Cost ("EPMC") result for the A-2 customers shows that these customers should actually receive, assuming full EPMC revenue allocation, almost a 1.6% decrease in base rate revenues. (*See* 2016 Marginal Cost Study in Phase 2 Workpapers, Tab "Passes 2015-1(3)", Column F, Row 13). Therefore, following the application of the caps and floors to the EPMC results, the allocation of no increase in base rate revenues is reasonable. Furthermore, the Commission has consistently found that use of the EPMC method is a reasonable approach to the allocation of revenue requirement and fairly allocates revenues across different rate schedules. In addition, the Commission has frequently found that rate increases or rate decreases as a result of the application of EPMC should be capped so as to prevent rate or bill shock to customers.

(c) See Liberty Utilities Response to Request 3(a) above.

(d) The application of the proposed caps and floors to the EPMC results for base rate revenue allocation for the A-1 and A-3 rate schedule results in the proposed increases. As described in response (b) above, using the EPMC method has consistently been found to be a reasonable approach to allocate revenues across different rate schedules.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | July 29, 2015 |
| **REQUEST NO.:** | ORA-028-MCL | **RESPONSE DATE:** | August 24, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application A.15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 5:**

At page 2-4 lines 514 of the referenced exhibit, LU reports on the results of the allocation required in Ordering Paragraph 2 of D.12-11-030 and shown in Table 2.1. At lines 17-19, LU states that it does not propose that the Commission adopt a revenue allocation based on the allocation presented in Table 2.1. LU states that the VM program provides a substantial benefit to all customers and customer classes, and therefore, assessing this charge on an ECPKwh basis appears to provide the fairest way of allocating this cost among customers.

(a) Does LU have actual data that show the VM program provides a substantial benefit to all customers and customer classes? If so, please provide the data. If not, provide the basis for the statement.
(b) Explain whether the VM Program expenses vary with customer usage and by customer class. If not, please explain the nature of the VM Program expense incurrence.
(c) Explain whether the Scenario A shown in Table 2.1 excludes the VM, SIP, CEMA and EE programs from revenue allocation while Scenario B includes only the VM in revenue allocation and still excludes the SIP, CEMA and EE programs from revenue allocation.

**CONFIDENTIAL (yes or no): No**

**RESPONSE:**

(a) Electric utility vegetation management seeks to reduce the incidence and severity of any vegetation caused interruptions to utility service for all customers across the system (e.g. from downed distribution lines and from fire). Accordingly, all customers benefit from a reduction in the incidence of vegetation-induced interruptions to utility service**.**

(b) These VM expenses do not vary with customer usage or rate schedule – VM expenses takes place across the entire system. However, the greater the customer usage of electricity during all time periods and seasons, the greater benefit the customer receives from the VM expenses reducing the incidence or potential for electric outages.

(c) Yes, Scenario A excludes all expenses that are proposed to be recovered on a cents/kWh basis whereas Scenario B only includes VM expenses in revenue allocation and excludes the SIP, CEMA, and EE programs.

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-PZS-030**


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Date: August 25, 2015

Attorneys for Liberty Utilities (CalPeco Electric) LLC

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-PZS-030**

## GENERAL STATEMENT

Nothing in this response to Office of Ratepayer Advocates ("ORA") 30th Set of Data Requests ("Data Requests" or "Requests") should be construed as prejudicing or waiving Liberty Utilities (CalPeco Electric) LLC (U 933-E) ("Liberty Utilities") right to produce and provide additional documentary evidence based on information, evidence or analysis hereafter obtained or evaluated. Liberty Utilities' responses are made subject to inadvertent or undiscovered errors, and are limited by records and information still inexistence and or presently recollected and thus far discovered in the course of preparing this response. Liberty Utilities reserves the right to update and/or supplement the responses provided herein if and when additional evidence which is responsive to the Requests becomes available and at any time if it appears that inadvertent errors or omissions have been made.

These responses are made without intending to waive or relinquish Liberty Utilities' rights to take the following actions:

1. Raise all questions regarding relevancy, materiality, privilege, admissibility as evidence for any purpose as to any documents identified or produced in response to these Requests which may arise in any subsequent proceeding, in, or at the trial of, any other action;

2. Object on any grounds to the use of said documents in any subsequent proceeding, in, or at the trial of this or any other action;

3. Object on any grounds to the introduction into evidence of documents identified or produced in response to these Requests; and/or

4. Object on any grounds at any time to other requests for production or other discovery involving said documents, or the subject matter thereof.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 6, 2015 |
| **REQUEST NO.:** | ORA-PZS-030 | **RESPONSE DATE:** | August 24, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A) 15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 1:**

On page 3-3 lines 1-3, Liberty Utilities (LU) states that "Additionally, in response to Ordering Paragraph 2 (OP#2) of D.12-11-030, Liberty Utilities provide Table 3.1 that shows the fixed customer charges for each rate schedule required to recover the allocated costs of Liberty Utilities associated with VM." OP#2 of D.12-11-030 states:

> California Pacific Electric Company, LLC., (CalPeco) must include in its next general rate case application a vegetation management rate proposal which is a fixed charge option. CalPeco must assume in this proposal the vegetation management charge to be the first dollars in the customer service charge and not the last incremental dollars. This fixed charge must be calculated as a fully allocated charge to all classes and thus not necessarily the identical fixed charge applied to all classes of customers. Therefore the overall service charge in this required option must have two components: vegetation management and other fixed costs. CalPeco may also file for any other preferred alternative form of rate recovery for vegetation management in addition to this required fixed charge option.

(a) Explain whether the information presented in LU's Table 3.1 specifically shows a Vegetation Management (VM) rate proposal which is a fixed charge option as ordered in OP#2 of D.12-11-030; and if so, please cite reference to the line numbers and column numbers in Table 3.1 where the VM rate proposal is shown as a fixed charge option;

(b) Explain whether the VM rate proposal shown in Table 3.1 assumes the VM charge to be the first dollars in the customer service charge and not the last incremental dollars as ordered in OP#2 of D.12-11-030, and if so, describe how this can be verified from the workpapers;

(c) Explain how LU calculated the VM rate proposal shown in Table 3.1 and confirm that this fixed charge was calculated as a fully allocated charge to all classes and not necessarily the identical fixed charge applied to all classes of customers as ordered in OP#2 of D.12-11-030;

(d) Explain whether the VM rate proposal shown in Table 3.1 has the two components described in OP#2 of D.12-11-030, and if so, explain how these two components can be verified from the LU workpapers; and

(e) Explain whether LU also filed for any other preferred alternative form of rate recovery for VM in addition to the required fixed charge option ordered in OP#2 of D.12-11-030.

**CONFIDENTIAL (yes or no): No**

**RESPONSE:**

(a) Liberty Utilities inadvertently stated that the fixed charge alternative for recovery of the Vegetation Management (VM) Program is on Table 3.1. The fixed charge alternative is actually on Table 3.2.

(b) The data shown is two separate fixed charges; one for the customer charge and one for the VM Expense charge.

(c) The VM fixed charge, shown in Table 3.2, is the result of allocating the VM dollars as part of base rate revenues and then dividing this allocation by the number of customers. This is different than simply allocating the VM dollars on an equal cents/kWh basis.

(d) The result of instituting a new fixed charge for all customers is that, if this alternative is chosen by the Commission, then all customers would now have two components in the fixed charges: one component for customer charges and the other for VM expenses.

(e) Liberty Utilities' preferred method of allocating the VM expenses is on Table 3.1 that shows recovery on an equal cents/kWh basis.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 6, 2015 |
| **REQUEST NO.:** | ORA-PZS-030 | **RESPONSE DATE:** | August 24, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A) 15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 2:**

On page 3-3 at lines 6-7, LU states that it is revising the existing rate schedules for Residential D-1 customers and Small Commercial A-1 customer time-of-use (TOU) rates.

(a) Explain the reason/s for the revisions that are being made to the existing rate schedules as described; and
(b) Explain the revisions to the existing rate schedules as described, and cite reference to the LU workpapers where these revisions are shown.

**CONFIDENTIAL (yes or no): No**

**RESPONSE:**

(a) (b) The existing TOU rates, while attracting a certain level of customer interest, do not provide sufficient incentive for customers to shift from existing rate schedules to TOU rates and in particular to TOU rates which have an EV rate option. Therefore, the rates have been altered to decrease, on a cost-basis, the on-peak rates for both winter and summer while providing attractive off-peak rates. The calculations for these TOU rates are found in the Revenue Allocation/Rate Design spreadsheet provided in the Phase 2 Workpapers, Tab TotalRes 2015, Column AA, Row 47 and in Tab A1-2015 column AA, Row 24.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 6, 2015 |
| **REQUEST NO.:** | ORA-PZS-030 | **RESPONSE DATE:** | August 24, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A) 15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 3:**

On page 3-3 at lines 17-20 continuing at page 3-4 lines 1-2, LU states that most LU residential customers and dwelling units receive service under the D-1 and California Alternate Rates for Energy (CARE) rate schedules and that over half (54 percent) of all LU residential customers are "non-permanent." According to LU, its CARE customers are forecast to increase to a little over 12 percent of LU residential customers. Also, LU states that about 11 percent of residential customers are considered non-basic because they depend upon electric space-heating. Further, at Tab "CustomersForecastFeb012" in LU's Marginal Cost 2015 excel workpapers provided to ORA, the 2016 average Residential Non-CARE customer count is shown as 38,155 at cell C120 and the 2016 average Residential CARE customer count is 4,763 at cell D120. When the customer numbers in the two cells mentioned are added, the sum total of average Residential customers for LU in 2016 is equal to 42,918 Residential customers.

(a) Define the term "non-permanent" as used in the statement;
(b) Clarify whether the designation of "non-permanent" residential customers is based on how residential customers have identified themselves when they applied for LU's service, and if not, explain how LU identifies the "non-permanent" from "permanent" residential customers;
(c) Explain whether the "non-permanent" residential customers, which comprise over half or 54 percent as mentioned by LU, refers to 54 percent of the total 42,918 Residential customers, or 23,176 Residential "non-permanent" customers;
(d) Clarify whether the term "non-basic" Residential customers refers solely to Residential customers who primarily depend upon their electric service for space heating needs and who do not depend on gas service for space heating;
(e) Explain whether the 11 percent of residential customers who are considered "non-basic" refers to 11% of the total 42,918 Residential customers, or 4,721 Residential "non-basic" customers; and
(f) Explain whether the forecast increase of a little over 12 percent of LU residential customers refers to 12% of the total 42,918 Residential customers, or a forecast of 5,150 Residential CARE customers.

**CONFIDENTIAL (yes or no): No**

**RESPONSE:**

(a) The term non-permanent is defined as those customers who are recreational or vacation home customers.

(b) Residential customers must declare themselves as permanent customers when applying for service.

(c) Liberty Utilities has 41,614 residential customers. *See* Marginal Cost spreadsheet provided in Phase 2 workpapers, tab CustomersForecastApr15, row 12, column O. Accordingly, Liberty Utilities has 22,471 residential non-permanent customers, or 54% of 41,614 residential customers.

(d) Yes, that is correct; non-basic refers to electric customers who use electricity rather than gas for space-heating.

(e) Liberty Utilities has 41,614 residential customers. *See* Marginal Cost spreadsheet provided in Phase 2 workpapers, tab CustomersForecastApr15, row 12, column O. Accordingly, Liberty Utilities has 4,577 non-basic customers, or 11% of 41,614 residential customers.

(f) The tab referred to by ORA, CustomerForecastFeb012, was a forecast from Liberty Utilities 2013 General Rate Case and has been retained in the marginal cost spreadsheet because some of the historical data on customer additions found in that tab have been used in some calculations. However, the actual forecast of customer additions in this 2016 General Rate Case is found in the adjacent tab CustomersForecastApr15 that reflects a 2016 forecast of 41,614 residential customers that results in a forecast of about 4,994 Care Customers.

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 6, 2015 |
| **REQUEST NO.:** | ORA-030-PZS | **RESPONSE DATE:** | August 24, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBT REFERENE:** Liberty's Application (A) 15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 4:**

On page 3-4 at lines 5-15, LU describes its proposed residential customer rate design stating that LU "combines the costing and revenue requirement information of all residential customers/schedules for purposes of developing its rate design for residential customers including: D-1, Multi-Unit Domestic Service- Not-Sub-metered ("DM-1"), and Multi-Unit Domestic Service – Sub-metered ("DS-1") customers." According to LU, the rate design it proposes for the total residential class establishes a uniform rate structure that is applied across the individual residential rate schedules. LU explains it continues with a residential rate structure that consist of a customer charge and a volumetric energy rate. Further, LU proposes that the total energy rate be broken down into a two-block inverted rate structure.

(a) Identify the specific "costing" and "revenue requirement" information elements which are combined by LU for purposes of developing its rate design for residential customers as described in the above statements;

(b) Provide all the relevant active excel workpapers for the proposed residential customer rate design showing how LU "combines" the above stated information to enable ORA to verify and replicate how LU arrived at the proposed residential customer schedules above; and

(c) If already previously provided, cite reference to LU's Phase 2 filing in this proceeding to locate the proposed tariff schedules for the residential customer rate design including for D-1, DM-1 and DS-1. Otherwise, please provide them or state when these will be provided;

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

(a) The revenue requirement information comes from the Revenue Allocation/Rate Design spreadsheet provided in Phase 2 workpapers, Tab Passes 2015-1(3), Column L, Row 26. This total is combined with the cents/kWh program costs found in Tab TotRes 2015, Column D, Rows 103 through109.

(b) Refer to the Revenue Allocation/Rate Design spreadsheet provided in Phase 2 workpapers, Tab TotRes 2015.

(c) Please refer to Table 3-1 in Liberty Utilities Phase 2 filing which reflects the Residential D-1, DM-1, DS-1 and the Residential CARE rates. The DS-1 rate for residential customers is identical to the D-1, DM-1 and Residential CARE rates prior to the 20% CARE discount being applied to qualified Residential CARE customers, Sub-metered CARE Customers and to Master-metered CARE customers. The Owner or Manager of a sub-metered mobile home park or apartment on the DS-1 schedule (as they own all of the sub-meters of their customers and are responsible for metering their own customers) will receive a credit per kWh. The credit can be found on the Revenue Allocation/Rate Design spreadsheet provided in Phase 2 workpapers, Tab TotRes, Column C starting at row 140.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 6, 2015 |
| **REQUEST NO.:** | ORA-PZS-030 | **RESPONSE DATE:** | August 24, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A) 15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 5:**

On page 3-4 at lines 16-19 continuing on page 3-5 at lines 1-5, LU states that "For CARE service, customer and energy rates by tier are set to 80 percent of the non-discounted residential rates. Liberty Utilities proposes to provide the 20 percent discount to CARE customers by reducing the proposed customer charge by 20 percent, and by reducing the distribution component of the energy rate by an amount sufficient to result in the 20 percent discount in the total energy rate, including all surcharges except the California Public Utilities Commission ("Commission") and California Energy Commission Charge." LU further explains that the CARE discount service is also available to the tenants served by LU's DS-1 customers and that the DS-1 discount applies to only the DS-1 schedule.

(a) Explain whether the LU proposal for the 20 percent discount to CARE customers as described above, will change the way CARE discounts are currently provided by LU to its residential customers;
(b) Based in your response to item (a) above, explain whether the proposed change will either lower/increase/stay the rates to CARE customers compared to the CARE rates that are currently provided by LU. If there is a difference in the resulting discounted rates to CARE customers compared to the current CARE discounts, then please explain whether this difference is a result of your response in item (a) above;
(c) Based on your response to item (a) above, explain the underlying reason for the proposed change to the way the 20 percent CARE discount is provided to residential customers; and
(d) Explain whether the "DS-1 discount" refers to the same as the "20 percent discount to CARE customers." If not, please explain what it is and how the "DS-1 discount" is different.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

(a) No. The 20% discount will not change. Nor will it change the way that Liberty Utilities calculates the CARE discount.

(b) Since Liberty Utilities is increasing the residential D-1 rate, the CARE rate will also increase by the same percentage, prior to the 20% discount being applied.

(c) Not applicable. Please see response to sections (a) and (b).

(d) The DS-1 discount rate refers to Liberty Utilities providing the CARE discount of 20% to master metered Mobile Home Park and Apartment tenants that qualify for the discounted CARE rate.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 6, 2015 |
| **REQUEST NO.:** | ORA-PZS-030 | **RESPONSE DATE:** | August 24, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A) 15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 6:**

1. On page 3-5 lines 9-20, LU proposes a customer charge of $7.67 per customer per month, which LU describes as almost 8 percent over the existing $7.10 charge. LU states that increasing the customer charge is important because "the increase in customer charge enables these non-permanent customers to pay a fairer share of the electric service cost that Liberty Utilities incurs to serve this class of customers." LU further argues that "The lower the customer charge, the more costs that are collected in the kwh charge, the greater the subsidy from permanent customers to non-permanent customers." According to LU, "Even though non-permanent customers do not benefit from the lower baseline rate (i.e., all usage of non-permanent customers are billed at the second/excess tier rate), the shifting of customer costs into the Kwh rate results, to a degree, in the permanent customers subsidizing the customer-related facility costs of the non-permanent customers."

   (a) Explain whether the proposed customer charge of $7.67 per customer per month is a fixed charge that will be paid in the same amount monthly by all residential customers regardless of kwh usage;
   (b) Explain whether the proposed customer charge of $7.67 per customer per month is a fixed charge to both permanent and non-permanent residential customers;
   (c) Explain whether the proposed customer charge of $7.67 covers the fixed cost of services provided every month, and if so, please identify the elements of the customer fixed costs included in this monthly charge;
   (d) Provide LU's marginal cost of service for residential customers and explain how the amount of the proposed customer charge of $7.67 compares to the residential marginal cost of service for LU; and
   (e) Explain whether it is LU's position that the current $7.10 customer charge provides a subsidy from permanent customers to non-permanent customers, and if so, please provide the quantitative data to support this assertion.

**CONFIDENTIAL (yes or no): No**

**RESPONSE:**

(a) The proposed $7.67 per customer per month is the same amount monthly for all residential customers regardless of their kWh usage.

(b) The residential customer charge of $7.67 is a fixed charge for all permanent and non-permanent residential customers.

(c) The $7.67 per month covers a portion of the marginal customer cost calculation to serve residential customers.

(d) The Liberty Utilities Marginal Cost of Service for residential customers can be found in the Marginal Cost Spreadsheet (provided as part of the Phase 2 workpapers)- Tab "T1-Summary 2015" where the total can be calculated as $7.762 million. This result is transferred to the Revenue Allocation/Rate Design spreadsheet, (also provided as part of the Phase 2 workpapers) Tab TotRes 2015, Column H, Row 52 where, after allowing for the capped revenue requirement, the customer charge is calculated at $9.98 per customer per month. Therefore the proposed customer cost of $7.67 per month is 23% less than the capped marginal cost calculation.

(e) The current $7.10 fixed charge does provide a degree of subsidy to non-permanent customers insofar as the non-permanent customers, in aggregate, are likely to contribute fewer dollars to the recovery of the residential class revenue requirement. However, Liberty Utilities has not quantified this amount.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 6, 2015 |
| **REQUEST NO.:** | ORA-PZS-030 | **RESPONSE DATE:** | August 25, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A) 15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 7:**

On page 3-6 lines 4-8, LU states that it has updated its residential baseline allowances following the same method it used in its 2013 General Rate Case (GRC) Application. Accordingly, LU proposes the following monthly allowances: For basic service: the summer months – 441 kwh; the winter months – 577 kwh; For all electric service: the summer months – 500 kwh; the winter months – 954 kwh.

(a) Explain whether the above described update represents a change in the amount of kwh quantities from the residential baseline allowances in LU's 2013 GRC, and if so, describe the change;

(b) Provide an explanation for any difference in the kwh quantities based on your response to item (a) above given that the same method was used in the update; and

(c) Identify the LU witness responsible for the update to the residential baseline allowances, if not the rate design witness.

**CONFIDENTIAL (yes or no): No**

**RESPONSE:**

(a) Yes, the baseline allowances have increased when compared to those approved in Liberty Utilities' 2013 General Rate Case.

(b) The baseline allowances calculated for Liberty Utilities' 2016 General Rate Case used a weather-adjusted bill frequency analysis of 2014 sales by rate class and season. In contrast, the baseline allowances used in the Liberty Utilities' 2013 General Rate Case were based on pre-2010 usage by rate class. The weather-adjusted bill frequency analysis of 2014 sales by rate class and season used in this 2016 filing resulted in the baseline allowance increase.

**(c)** Liberty Utilities' witness Alain Blunier calculated the new baseline amounts.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 6, 2015 |
| **REQUEST NO.:** | ORA-PZS-030 | **RESPONSE DATE:** | August 24, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A) 15-05-008 Phase 2 Exhibit I

**SUBJECT:** Marginal Cost, Revenue Allocation and Rate Design

**REQUEST 8:**

On page 3-6 lines 12-20 continuing at page 3-7 lines 1-18, LU describes its proposal for the implementation of the sub-metering discount under the DS-1 schedule. LU explains it has proportionally increased the current DS-1 credit (i.e., the master meter discount) to align with the proposed increase in operating revenue for the residential class. LU explains that its master meter customers are customers are currently charged under the same tariff as directly metered residential customers. LU explains "With (n) tenants, the master meter customer has a discount of (n-1) customer charges built into the current rate structure." Further, LU states the need to increase the current billing factor for the Public Purpose Program (PPP)-CARE revenues. According to LU, the updated increase is needed "due in large part to the continuing increase in the share of CARE customers from about 5 percent in 2007 to a little over 12 percent forecasted for 2016 and the commensurately larger proportion of residential kwh sales made at the 20 percent reduction." In the last full paragraph on page 3-7 at lines 13-18, LU explains:

> A combination of this larger proportion of CARE residential sales combined with the increase in residential base rates and recovery of some program costs on an equal cents/kWh basis has resulted in a considerable increase in the overall dollar estimate of the CARE program dollars to be recovered from all other non-CARE customers. The CARE program cost estimate for the 2016 Test Year is a little over $1 million and has resulted in an almost doubling of the CARE rate to be recovered from all non-CARE customers.

(a) State the amount of the current DS-1 credit;
(b) Describe the amount of the "proportionally increased" DS-1 credit and explain how LU calculated to achieve the "proportionally increased" amount of the current DS-1 credit;
(c) State whether it is LU's position that the DS-1 credit should be aligned with the proposed increase in operating revenue for the residential class given that it is state law that master meter customers are charged the same as directly metered residential customers;

(d) Provide the information for "n" and "n-1" in the above statement "With (n) tenants, the master meter customer has a discount of (n-1) customer charges built into the current rate structure";
(e) State the amount of the current billing factor for the PPP-CARE revenues;
(f) State the amount of the proposed increase in the current billing factor for the PPP-CARE revenues;
(g) Provide all the relevant data and active excel spreadsheets to enable ORA to verify the LU assertion that there is a "continuing increase in the share of CARE customers from about 5 percent in 2007 to a little over 12 percent forecasted for 2016 and the commensurately larger proportion of residential kwh sales made at the 20 percent reduction;" and
(h) Provide all the relevant data and active excel spreadsheets to enable ORA to verify the LU assertion in the last full paragraph on page 3-7 at lines 13-18 as described above.

**CONFIDENTIAL (yes or no): No**

**RESPONSE:**

(a) The current DS-1 discount is $0.4426 per customer per day.

(b) Liberty Utilities increased the amount of the discount by the amount of the increase in the proposed base rate revenue requirement for residential customers.

(c) Liberty Utilities is increasing the rates for all residential customers including the master-metered customers who will pay exactly the same rates as the D-1 residential customers. The DS-1 discount is provided, not to the residential customers who take service in mobile home parks, but to the mobile home park owners or managers who undertake the metering and billing function that is provided by Liberty Utilities for all other residential customers.

(d) This witness has been informed that there are 794 mobile home residences in Liberty Utilities' service territory and the proposed credit provided to these owners will total $13,897. Therefore the N in the above calculation simply refers to the number of mobile home residences.

(e) The current CARE billing factor is $0.00113/kWh.

(f) The proposed CARE billing factor is $0.00196/kWh, so the proposed increase is $0.00083/kWh.

(g) The attached file titled "Attachment 1 to Response to ORA-030-PZS – Request 8" contains the CARE customer data from January 2005 thru April 2015. The data shows an increase of about 60% in the number of CARE customers during this period and a simple illustration of about a 50% increase in CARE kWh consumption.

(h) This data is provided in the Revenue Allocation/Rate Design spreadsheet provided with the Phase 2 workpapers, Tab TotRes 2015, Column C, Row 85 which calculates the CARE shortfall (i.e., the shortfall in revenue requirement caused by the 20% CARE discount) at about $1.109 million and the calculation in Column D, Row 85 which calculates the new CARE rate at $0.0196/kWh.

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-045-PZS**

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Date: September 17, 2015

Attorneys for Liberty Utilities (CalPeco Electric) LLC

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-045-PZS**

## GENERAL STATEMENT

Nothing in this response to Office of Ratepayer Advocates ("ORA") 45th Set of Data Requests ("Data Requests" or "Requests") should be construed as prejudicing or waiving Liberty Utilities' (CalPeco Electric) LLC (U 933-E) ("Liberty Utilities") right to produce and provide additional documentary evidence based on information, evidence or analysis hereafter obtained or evaluated. Liberty Utilities' responses are made subject to inadvertent or undiscovered errors, and are limited by records and information still in existence and or presently recollected and thus far discovered in the course of preparing this response. Liberty Utilities reserves the right to update and/or supplement the responses provided herein if and when additional evidence which is responsive to the Requests becomes available and at any time if it appears that inadvertent errors or omissions have been made.

These responses are made without intending to waive or relinquish Liberty Utilities' rights to take the following actions:

1. Raise all questions regarding relevancy, materiality, privilege, admissibility as evidence for any purpose as to any documents identified or produced in response to these Requests which may arise in any subsequent proceeding, in, or at the trial of, any other action;

2. Object on any grounds to the use of said documents in any subsequent proceeding, in, or at the trial of this or any other action;

3. Object on any grounds to the introduction into evidence of documents identified or produced in response to these Requests; and/or

4. Object on any grounds at any time to other requests for production or other discovery involving said documents, or the subject matter thereof.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 31, 2015 |
| **REQUEST NO.:** | ORA-045-PZS | **RESPONSE DATE:** | September 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 1:**

Confirm the typo in Liberty Utilities (LU) Exhibit 1, at page 1-7 at lines 9-12, in the phrase "As shown in Table 1-3" on line 9 of the sentence, which as ORA understands from the amount on line 11, should instead read "As shown in Table 1-2" since the figure $19.5 million for the 2016 Test Year is found in Table 1-2 at line 18 under column (b) for Generation.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 1:**

Yes, the reference noted by ORA above is confirmed as a typo – the correct table is Table 1-2.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 31, 2015 |
| **REQUEST NO.:** | ORA-045-PZS | **RESPONSE DATE:** | September 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 2:**

Confirm the typo in LU's Exhibit 1, at page 1-8 at lines 3-4, in the sentence "The resulting marginal cost value is $2.67 million compared to the $2.49 million in the 2013 Test Year." ORA understands that the figure "$2.67 million" references that shown in Table 1-2 as "$2,617,971" at line 18 under column (c) for Transmission, hence, the figure should read "$2.62 million" and not "$2.67 million."

**CONFIDENTIAL (yes or no):** No

**RESPONSE 2:**

Yes, the figure noted by ORA above is confirmed as a typo; the correct figure is $2.62 million.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 31, 2015 |
| **REQUEST NO.:** | ORA-045-PZS | **RESPONSE DATE:** | September 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 3:**

Confirm the meaning of the term "system average percent change (SAPC)" at page 3-11 lines 11-14 of LU's Exhibit 1 where LU states "Therefore the 3 percent cap over the system average percent change ("SAPC") increase still confers a considerable benefit for the PA customers. The overall revenue increase for the PA customers is 10.33 percent." The term SAPC is undefined within Exhibit 1, but ORA understands that SAPC refers to the ratio of these two numbers: the numerator consists of the difference between the sum of functional cost-based class revenue after the adjustments for Other Operating Revenues and the Total Base Rate Revenues using present LU base rates applied to the 2016 test year forecast sales excluding All Public Purpose Charges ("PPP"), while the denominator consists of the latter number.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 3:**

Liberty Utilities can confirm that ORA's understanding is correct and that the resulting calculation is shown in Tab Passes 2015-1 (3) of the previously supplied Revenue Allocation/Rate Design spreadsheet at column F row 19; which in turn is a result that can be confirmed by dividing the amount shown in column C row 19, by that in column E row 19.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 31, 2015 |
| **REQUEST NO.:** | ORA-045-PZS | **RESPONSE DATE:** | September 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 4:**

Confirm that the SAPC in Question 3 above is in reference to the figure 5.34% as shown in Tab "Passes 2015-1 (3)" at cell F19 of the Revenue Allocation Rate Design excel spreadsheet.

**CONFIDENTIAL (yes or no):** No

**RESPONSE4:**

Yes, ORA's statement is correct.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 31, 2015 |
| **REQUEST NO.:** | ORA-045-PZS | **RESPONSE DATE:** | September 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 5:**

Confirm that the statement in Question 3 above "Therefore the 3 percent cap over the system average percent change ("SAPC")…" is in reference to the capped rate of 8.34% (i.e., from 3 percent plus SAPC of 5.34%) excluding All PPP.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 5:**

Yes, ORA's statement is correct.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 31, 2015 |
| **REQUEST NO.**: | ORA-045-PZS | **RESPONSE DATE:** | September 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 6:**

Confirm that the overall revenue increase for the PA customers of 10.33 percent is in reference to the capped percent increase over Total Present Rate Revenue <u>including All PPP</u>.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 6:**

The 10.33 percent increase cited in the Liberty Utilities testimony Exhibit 3.1 at page 11 is incorrect. The correct number is 10.43 percent; this percentage is the increase over present rate revenue including all Public Purpose Program ("PPP") charges ("PPP"). The figure is shown in Table 2.1 column (h) row 7.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 31, 2015 |
| **REQUEST NO.:** | ORA-045-PZS | **RESPONSE DATE:** | September 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 7:**

Confirm that the phrase "considerable benefit for the PA customers" at page 3-11 line 13 in LU's Exhibit 1 is in reference to the difference between the almost 40 percent rate increase under a pure equal percent marginal cost ("EPMC") approach shown in Tab "Passes 2015-1 (3)" at cell F17 of the Revenue Allocation Rate Design excel spreadsheet and the overall revenue increase for the PA customers of 10.33 percent in Question 6 above.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 7:**

Yes, ORA's statement above is the correct context for the referenced phrase, except that the PA customers' overall revenue increase is actually 10.43 percent as discussed in Request 6 of this Data Request.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 31, 2015 |
| **REQUEST NO.:** | ORA-045-PZS | **RESPONSE DATE:** | September 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 8:**

At page 3-14 lines 17-20, LU has estimated that three customers are likely to sign up for the A-3 Interruptible Tariff and that the approximate loss in demand charge revenue from this discount would amount to approximately $30,000 over the winter season. LU states that it has designed its rates to spread this amount of $30,000 to all customers on an equal cents per kwh basis.

(a) Provide the basis for the $30,000 assumption.

(b) If the LU proposal were to be adopted by the Commission, please clarify whether the demand charge revenue from the A-3 Interruptible discount that will be spread in rates to all customers will be based on the estimated amount of $30,000 or on the actual amount of the discounts, which could exceed $30,000 estimate.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 8:**

(a) The $30,000 assumption was developed by taking the forecasted amount of $2.12 million in on-peak distribution demand revenue from the A-3 class (which is found in the Revenue Allocation/Rate Design spreadsheet in Tab A3 -2015 cell, column I, row 34), and dividing this amount by the number of customers per month during the winter (which is three-fourths of the 684 customer months found in column C, row 33 of the abovementioned spreadsheet). This yields a dollar amount for the average customer/per winter period (8 months) of $37,321 for on-peak distribution demand revenue. Taking 20 percent of this amount — the $1/kW discount — yields an average winter period discount of $7,446 per customer. Assuming three customers results in a total discount over the winter period of approximately $22,339. However this calculation assumes an "average" A-3 customer. Based on the assumption that the larger A-3 customers would both be interested in and qualify for Liberty Utilities' interruptible option it seems reasonable to round the estimated figure up to $30,000.

(b) If the Liberty Utilities' proposal were adopted by the Commission, Liberty Utilities would reserve the right to, in a future filing, recover any actual amount that exceeds its $30,000 estimate.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 31, 2015 |
| **REQUEST NO.:** | ORA-045-PZS | **RESPONSE DATE:** | September 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 9:**

Describe the current structure of the tier differential between the LU's baseline rate and nonbaseline rate.

(a) Explain whether LU proposes to change the current tier differential between the baseline and nonbaseline rates from what was described in your response above. Provide a cite reference to LU's testimony where this proposal is discussed.

(b) If LU proposes to change the current tier differential based on your response to item (a) above, then describe the resulting impact on the nonbaseline rate.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 9:**

The current structure of the tier differential between the baseline rate and non-baseline rate for the D-1 rate schedule is to increase both the Energy Cost Adjustment Clause ("ECAC") Rate and the Generation Base Rate for Liberty Utilities' Tier 2 customers.

The current tier differential between the two rates is 27.1 percent — *i.e.*, the Tier 2 total rate exceeds the Tier 1 total rate by 27.1 percent. Liberty Utilities did not set out as a matter of policy to change the tier differential; however, the proposed tier differential for the D-1 rate will be 25.49 percent. This change occurred as a result of Liberty Utilities' calculations to recover the overall residential rate design. Liberty Utilities regards its proposed change to be de minimis. Liberty Utilities did not discuss the tier differential in its Rate Design testimony.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 31, 2015 |
| **REQUEST NO.:** | ORA-045-PZS | **RESPONSE DATE:** | September 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 10:**

Fully explain the reasoning behind LU's use of the backcast for the demand-related marginal distribution investment and provide the supporting data for any assertions.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 10:**

Liberty Utilities' back cast approach to determine the demand-related distribution investment cost was chosen as the only feasible and reasonable approach to estimate the growth in Liberty Utilities' system peak based on the following:

> Prior to 2011, Liberty Utilities' assumption of the responsibility for delivery of power to the current Liberty Utilities' service territory, NV Energy did not directly measure the system peak for the service territory. NV Energy estimated the system peak based on load-research meters at a number of residential and small commercial customers in combination with actual peak measurements of A-2 and A-3 customers. Therefore, Liberty Utilities does not possess accurate data regarding the system peak prior to 2011.
>
> Liberty Utilities believes that while system peak is, over time, increasing, there can be significant variability in the system peak that is not simply attributable to temperature considerations. For example, the system peak, both on a direct measurement and on the prior load research based approach, always occurs during the holiday season, sometime between December 22 and January 3 of each year. The size of this system peak is not directly attributable to a straightforward measurement such as temperature. Instead, it is temperature in combination with snow conditions that appears to determine system peak (other factors that could play a role include driving conditions to and from the Lake Tahoe area). For example, cold temperatures in combination with high precipitation could produce ideal skiing conditions where the ski-resorts do not have to use large

amounts of electricity to make snow – and the reverse also occurs – cold temperatures with little or no precipitation would cause the ski resorts to use a great deal of electricity in a short period of time (thereby creating a higher system peak) to make snow.

Therefore, based on the lack of reliable data prior to 2011, and the straightforward ability to link that data to an easily available temperature factor, Liberty Utilities determined that the most reasonable approach to establish the growth in system peak was to take the most recent system peak forecast going forward and back-cast that percentage growth change to 2000 to establish a best estimate of the growth in system peak between 2000 and 2014.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | August 31, 2015 |
| **REQUEST NO.:** | ORA-045-PZS | **RESPONSE DATE:** | September 17, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 11:**

Assume hypothetically that the backcast had not been used by LU as explained above. Describe other alternative methodology that would have been considered appropriate by LU for purposes of the demand-related marginal distribution investment under such as an assumption.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 11:**

Liberty Utilities does not believe that there is any alternative method that could have been reasonably used to estimate the growth in system peak (one of the two determinants to establish the distribution demand-related marginal cost, with the other determinant being the inflation adjusted annual distribution investment).

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-049-PZS**

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Date: September 28, 2015

Attorneys for Liberty Utilities (CalPeco Electric) LLC

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-049-PZS**

## GENERAL STATEMENT

Nothing in this response to Office of Ratepayer Advocates ("ORA") 49th Set of Data Requests ("Data Requests" or "Requests") should be construed as prejudicing or waiving Liberty Utilities' (CalPeco Electric) LLC (U 933-E) ("Liberty Utilities") right to produce and provide additional documentary evidence based on information, evidence or analysis hereafter obtained or evaluated. Liberty Utilities' responses are made subject to inadvertent or undiscovered errors, and are limited by records and information still in existence and or presently recollected and thus far discovered in the course of preparing this response. Liberty Utilities reserves the right to update and/or supplement the responses provided herein if and when additional evidence which is responsive to the Requests becomes available and at any time if it appears that inadvertent errors or omissions have been made.

These responses are made without intending to waive or relinquish Liberty Utilities' rights to take the following actions:

1. Raise all questions regarding relevancy, materiality, privilege, admissibility as evidence for any purpose as to any documents identified or produced in response to these Requests which may arise in any subsequent proceeding, in, or at the trial of, any other action;

2. Object on any grounds to the use of said documents in any subsequent proceeding, in, or at the trial of this or any other action;

3. Object on any grounds to the introduction into evidence of documents identified or produced in response to these Requests; and/or

4. Object on any grounds at any time to other requests for production or other discovery involving said documents, or the subject matter thereof.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | September 2, 2015 |
| **REQUEST NO.:** | ORA-049-PZS | **RESPONSE DATE:** | September 28, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 1:**

In deriving the marginal demand revenues for generation in the Electric Marginal Cost Study for 2016, Liberty Utilities (LU) uses the value of $181.62/KW (as shown in Tab T4 pg2 2015 at cell G61) for the residential class and all other classes (such as A1, A2, Street Lights, OLS, and PA) while it uses the value of $175.48/KW (as shown in the same Tab at cell G60) for the A3 class. The former is calculated from a hard-wired number shown as $176.21 updated/adjusted by the inflation rate while the latter is calculated from another hard-wired number shown as $170.26 updated/adjusted by the inflation rate. Please provide the basis for these two hard-wired numbers and explain why it would be reasonable to use these for purposes of deriving the unit demand cost for generation for these classes.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 1:**

The hard-wired numbers ORA references above come from NV Energy's 2013 Nevada General Rate Case, which can be found in Attachment 2 to Response to ORA-026-PZS – Request 3, at page 18 of 218, line 65, columns e & f. The hard-wired numbers are the marginal cost of generation at the primary distribution level (for the A-3 customers) and the secondary distribution level (for all other rate classes). For this filing, Liberty Utilities assumes that the A-3 rate schedule is served at primary distribution with all other rate classes being served at secondary distribution. The use of NV Energy's costs as approved by the Nevada Public Utilities Commission is the best available option in determining the marginal cost of generation.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | September 2, 2015 |
| **REQUEST NO.:** | ORA-049-PZS | **RESPONSE DATE:** | September 28, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 2:**

In deriving the marginal demand revenues for transmission in the Electric Marginal Cost Study 2016, LU uses the value of $20.78/KW (as shown in Tab T4 pg2 2015 at cell F61) for the residential class and all other classes except the A3 class, where the value of $20.07/KW (as shown in Tab T4 pg2 2015 at cell F60) is used instead. The former is calculated from a hard-wired number shown as $20.16 updated/adjusted by the inflation rate while the latter is calculated from another hard-wired number shown as $19.47 updated/adjusted by the inflation rate. Please provide the basis for these two hard-wired numbers and explain why it would be reasonable to use these for purposes of deriving the unit demand cost for transmission for these classes.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 2:**

The hard-wired numbers ORA references above come from NV Energy's 2013 Nevada General Rate Case, which can be found in Attachment 2 to Response to ORA-026-PZS – Request 3, at page 18 of 218, line 64, columns e & f. The hard-wired numbers are the marginal cost of transmission at the primary distribution level (for the A-3 class) and the secondary distribution level (for all other rate classes). For this filing, Liberty Utilities assumes that the A-3 rate schedule is served at primary distribution with all other rate classes being served at secondary distribution. The use of NV Energy's costs as approved by the Nevada Public Utilities Commission is the best available option in determining the marginal cost of transmission.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | September 2, 2015 |
| **REQUEST NO.:** | ORA-049-PZS | **RESPONSE DATE:** | September 28, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 3:**

At page I-9 lines 3-8 of Exhibit I of LU testimony in above exhibit reference, LU states that "For the 2016 Test Year, Liberty Utilities proposes to continue to gradually phase in a Liberty Utilities stand-alone value by setting the distribution marginal cost calculations on a 25-75 basis…reflect 25% of the inflation-updated values developed by NV Energy for its 2009 CPUC GRC Application, and 75% of the value of the estimated 2016 distribution marginal costs based on Liberty Utilities' data."

> In deriving the marginal demand revenues for distribution in the Electric Marginal Cost Study 2016, LU uses two values of unit demand cost for the calculation of the Long Run Unit Investment Distribution: First value is the Substation Plant Addition component ("Substation") at a cost of $329.89/KW (as shown in Tab T4pg2 2015 at cell D14 of the marginal cost excel workpaper) and the second value is the Customer Facilities & Non-Revenue Feeder component ("Non-Revenue Feeder") at a cost of $4,379.96/KW (as shown in Tab T4pg2 2015 at cell E14). Each is described below.
>
> The Substation component cost of $329.89/KW is derived by LU as 75% of the ratio of two items: First item in the ratio is the numerator, and shown as the net demand-related plant additions and the second item, which is the denominator, is the growth in California System Peak (i.e., the difference from year 2000 thru 2016).
>
> The numerator consists of net demand-related plant additions is shown to be calculated from the Calpeco Electric Schedule B (Analysis of Plant Accounts) for the period from 2000 until 2010 and from certain hard-wired investment numbers for the period from 2011 until 2016 (shown in Tab Wk7 pg2 Calpeco1 2015 at cells C25 –C30).
>
> The denominator which consists of the growth in California System Peak is shown to be calculated from a series of system peak numbers which are "backcast" for the period 2000 through the year 2014 and "forecast" for the period 2015 through the year 2019.

For purposes of the "forecast," system peak numbers, the calculation shows the use of an average peak growth rate of 0.73% while for purposes of the "backcast," the calculation shows the use of 99.27% (i.e., 1-0.73%). The remaining 25% of the Substation component is calculated by LU from a hard-wired number of $270 which is updated/adjusted for inflation rates. ORA understands that this is the same methodology used by LU in the 2012 GRC marginal cost study except with respect to the split of 75%/25%.

In addition, the Non-Revenue Feeder component cost of $4,380/KW is derived by LU in basically a similar manner as the Substation component except that the amount represents the portion of Distribution Plant Additions net of the Substation Plant additions component as described above. This component has 25% calculated from the hard-wired number of $1,191/KW updated/adjusted for inflation and the 75% portion from the ratio of the Non-Revenue Feeder net cost to the growth in California System Peak.

(a) Fully explain the basis of the hard-wired numbers provided from the Calpeco Electric Schedule B (Analysis of Plant Accounts) for the period 2000 until 2010 and confirm the nature of these cost data, that is, whether the data from Schedule B represent actual recorded distribution plant data for Liberty Utilities from accounting records.

(b) If the data from Schedule B do not represent actual recorded distribution plant data as indicated in your response to item (a) above, then please describe the source of the plant data shown in Schedule B and state what kind of costs these plant data represent, that is, whether the data from Schedule B represent LU's estimates of Calpeco's planned plant additions for the period 2000 until 2010 rather than actual recorded data from accounting records.

(c) Provide the basis for the hard-wired distribution plant numbers for each year during the period from 2011 through 2016 shown in Tab Wk7 pg2 Calpeco1 2015 (at cells C25 –C30) and fully explain why it would be reasonable to use for purposes of the marginal cost study for test year 2016.

(d) Fully explain the basis of the "forecast," California System Peak numbers for the period 2015 through 2019 where the calculation shows the use of an average peak growth rate of 0.73%. Identify the LU witness for the demand forecast and cite reference to LU's workpapers on its demand forecasts where the California System Peak forecast used in the marginal cost study for 2016 is presented and discussed.

(e) Provide a cite reference to verify and confirm that hard-wired number of $270 which is updated/adjusted for inflation rates and used for the remaining 25% of the Substation component is calculated by LU from NV Energy's 2009 CPUC GRC Application.

(f) Provide a cite reference to verify and confirm that the hard-wired number of $1,191/KW which is updated/adjusted for inflation and used for the remaining 25%

of the Non-Feeder component is calculated by LU from NV Energy's 2009 CPUC GRC Application.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 3:**

(a) The 2000 – 2010 information reflects the actual recorded information from NV Energy's books and records (note that Liberty Utilities acquired the California service territory from NV Energy on January 1, 2011).

(b) Not Applicable.

(c) The 2011 – 2014 information reflects the actual recorded information on Liberty Utilities' books and records. The 2015 and 2016 amounts are Liberty Utilities' projections. Using data over a longer period of time allows us to average investment data over a longer period and determine an improved marginal cost calculation.

(d) The forecast of monthly system peaks were built using the rate class monthly sales forecast as explained in the Response to ORA-007-MRK as well as the 2013 rate class load study. The 2013 rate class load study was developed employing hourly system loads, load research customer specific sample data, and 2013 monthly rate class sales data. The 2015-2019 monthly sales forecast by rate class was then spread across hours using the 2013 rate class load study results as a proportion of each hour per month to the monthly total. The 2013 monthly hourly proportion values were also sorted by day of week to ensure that if the 2013 monthly system peak was on a Saturday, it would also be on Saturday in 2018. The sum of the rate class specific 2015-2019 monthly hourly loads were summed to derive the system hourly loads by month for 2015-2019. The highest monthly hourly value was then identified as the monthly forecasted system peak. The method described above was used rather than a system peak regression model for the following reasons: 1) Liberty Utilities is a winter peaking utility based on seasonal customers vacationing during the Christmas- New Year holidays and snow making ski resort operations (all of the annual system peaks from 2007-2013 were between December 24th-January 4th) and 2) actual Liberty Utilities system hourly loads were not available until January 2011 when Liberty Utilities took over the service territory from NV Energy. Liberty Utilities' witness for the demand forecast is Alain Blunier.

(e) Please see the attached file titled "CONFIDENTIAL Attachment 1 to response to ORA-049-PZS – Request 3" at tab T10, cell J33.

(f) Per CONFIDENTIAL Attachment 1 to response to ORA-049-PZS – Request 3, at tab T10, cell K33 the hard-wired number ORA references is $1,195. In contrast, in the attached file titled "CONFIDENTIAL Attachment 2 to response to ORA-049-PZS – Request 3", at tab T10, cell K33, the value is $1191. The difference between the $1,195 and the $1,191 is that at least one year of additional actual data (rather than estimated or forecast) was available to make the $1,191 calculation that followed the NV Energy methodology.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | September 2, 2015 |
| **REQUEST NO.:** | ORA-049-PZS | **RESPONSE DATE:** | September 28, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 4:**

Provide the basis for the annual diversity factor of 1.176 found in Tab Input 1 at cell D77 and applied on the demand growth of California System Peak for purposes of calculating the non-coincident unit demand.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 4:**

This annual diversity factor was calculated by NV Energy as the difference in the ratio of the total of the maximum non-coincident demands to the maximum coincident demand.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | September 2, 2015 |
| **REQUEST NO.:** | ORA-049-PZS | **RESPONSE DATE:** | September 28, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 5:**

Confirm that LU's calculation of the customer-related investment uses the NCO approach, where the number of new customer additions is estimated from the sum of the estimated average annual new hookups of 371 (shown in Tab CustomersForecastApr15 at cell O8) and the replacement number of 624 obtained from a replacement rate of 1.5% applied on the total California 2016 customers (shown in Tab T3 pg1 NCO 2015 at cell E21).

**CONFIDENTIAL (yes or no):** No

**RESPONSE 5:**

Liberty Utilities confirms ORA's understanding of the customer-related investment calculation**.**

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | September 2, 2015 |
| **REQUEST NO.:** | ORA-049-PZS | **RESPONSE DATE:** | September 28, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 6:**

Provide the basis for the replacement rate of 1.5% described in question 5 above.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 6:**

Please refer to the response to ORA-042-PZS – Request 2.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | September 2, 2015 |
| **REQUEST NO.:** | ORA-049-PZS | **RESPONSE DATE:** | September 28, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 7:**

For the calculation of the marginal energy costs, fully explain and provide the basis for the hard-wired numbers shown at cell AE19 at Tab "Marginal Energy Costs 2015" which is labelled "adders" on the top line and Sierra Pacific Forecast Marginal Energy Cost from the line directly across cell AE19.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 7:**

The hard-wired numbers are the "adders" that NV Energy loaded onto its calculation of marginal energy costs. These adders are Administrative and General, Cash Working Capital, Materials and Supplies, Fixed Production O&M, and Renewable Energy Related Adder. These adders can be found in Attachment 2 to Response to ORA-026-PZS – Request 3, at page 33 of 218, rows 37-42.

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-056-PZS**

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Date: October 2, 2015

Attorneys for Liberty Utilities (CalPeco Electric) LLC

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-056-PZS**

## GENERAL STATEMENT

Nothing in this response to Office of Ratepayer Advocates ("ORA") 56th Set of Data Requests ("Data Requests" or "Requests") should be construed as prejudicing or waiving Liberty Utilities' (CalPeco Electric) LLC (U 933-E) ("Liberty Utilities") right to produce and provide additional documentary evidence based on information, evidence or analysis hereafter obtained or evaluated. Liberty Utilities' responses are made subject to inadvertent or undiscovered errors, and are limited by records and information still in existence and or presently recollected and thus far discovered in the course of preparing this response. Liberty Utilities reserves the right to update and/or supplement the responses provided herein if and when additional evidence which is responsive to the Requests becomes available and at any time if it appears that inadvertent errors or omissions have been made.

These responses are made without intending to waive or relinquish Liberty Utilities' rights to take the following actions:

1. Raise all questions regarding relevancy, materiality, privilege, admissibility as evidence for any purpose as to any documents identified or produced in response to these Requests which may arise in any subsequent proceeding, in, or at the trial of, any other action;

2. Object on any grounds to the use of said documents in any subsequent proceeding, in, or at the trial of this or any other action;

3. Object on any grounds to the introduction into evidence of documents identified or produced in response to these Requests; and/or

4. Object on any grounds at any time to other requests for production or other discovery involving said documents, or the subject matter thereof.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | September 15, 2015 |
| **REQUEST NO.:** | ORA-056-PZS | **RESPONSE DATE:** | October 2, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Travis Johnson |

**EXHIBIT REFERENCE:** Liberty's Application (A) 15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 1:**

At pages 3-17 through 3-20 of Exhibit 1, Liberty states that it proposes a new methodology to calculate the demand charge for electric bus charging stations installed by an A-3 customer. Liberty states its belief that "the revised methodology will help advance the adoption of zero in-basin emissions, electric mass transit." In addition, Liberty states that "All three of the largest California investor-owned utilities currently have similar EV tariffs." Liberty provides a brief explanation on how it proposes to revise the methodology used to calculate the demand charge for A-3 customers. At lines 2-8 on page 3-20, Liberty states that "increasing the period to 30 minutes yields a demand that more accurately addresses the normal demand level and encourages growth in bus deployment. As more buses are added to the fleets…an A-3 customer must install electric bus charging stations and deploy at least two electric buses that utilize these stations."

(a) Explain what is meant by "zero in-basin emissions, electric mass transit" as used in the statement.
(b) Clarify whether the statement "All three of the largest California investor-owned utilities currently have similar EV tariffs," means that Liberty's proposed revised methodology is similar to that used by the three largest California IOUs. If not, explain in what way Liberty's proposed revised methodology would make its EV tariffs different from the three largest California IOUs.
(c) Provide the basis to support the statements made on lines 2-8 on page 3-20 which are quoted above.
(d) State whether Liberty conducted a specific study to verify its assertions on lines 2-8 on page 3-20.

**CONFIDENTIAL (yes or no):** No

**RESPONSE 1:**

(a) The term "zero in-basin emissions, electric mass transit" is meant to describe an electric bus operating in the Lake Tahoe basin where the bus has no emissions in the Lake Tahoe basin.

(b) The statement cited in this question was simply provided to demonstrate that electric vehicle tariffs are common in California. It was not intended to imply that Liberty Utilities based its tariffs on those examples. Since Liberty Utilities is in the NV Energy balancing authority and is directly tied to NV Energy's system, the tariffs were loosely based on NV Energy's Electric Vehicle tariffs that incentivize charging when the NV Energy system is "off-peak."

(c) The statements discussing the benefits on increasing the demand period to 30 minutes were based on Liberty Utilities familiarity with Regional Transportation Commission ("RTC")'s electric bus operation in Reno, Nevada. The buses charge for approximately 5 minutes at 500kW. The demand is therefore a very short period which is normally separated by 10 or more minutes before the next bus charges. In rare scenarios, the buses can stack up and charge back to back which causes a high demand charge for the billing period – however this does not typically capture the demand that is present for normal operation of a small number of buses. As the fleet gets larger, back to back charging becomes the norm. Utilizing a 30 minute period will more accurately reflect the demand that is usually present and help prevent costly demand charges from inhibiting growth of an electric bus fleet.

(d) Liberty Utilities did not conduct a study. The information above was provided by Liberty Utilities' witness Travis Johnson, who was the former electric vehicle program manager for NV Energy that was assigned to the RTC electric bus project.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | September 15, 2015 |
| **REQUEST NO.:** | ORA-056-PZS | **RESPONSE DATE:** | October 2, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Sean Casey |

**EXHIBIT REFERENCE:** Liberty's Application (A) 15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 2:**

At page 3-6 of Exhibit 1, Liberty indicates a proposed update to the residential baseline allowances following the method it used in its 2013 General Rate Case (GRC) Application. The proposed updates to the monthly allowances are shown below:

| Season<br>(a) | Current Basic Use (Kwh)<br>(b) | Proposed Basic Use (Kwh<br>(c) | Current All-Electric Use (Kwh)<br>(d) | Proposed All-Electric Use (Kwh)<br>(e) |
|---|---|---|---|---|
| Summer | | 441 | | 500 |
| Winter | | 577 | | 954 |

(a) Explain the reason for the need to update the residential baseline allowances.
(b) Describe the update methodology Liberty used in its 2013 GRC Application.
(c) State whether the Commission has ever approved this methodology to update the residential baseline allowances, and if so, please cite the relevant decision number or resolution number.
(d) Provide the information regarding the current basic use in column (b) and current all-electric use in column (d).

**CONFIDENTIAL (yes or no):** No

**RESPONSE 2:**

(a) Updating the residential baseline allowances as part of its General Rate Case filing allows a utility to ensure that the current baseline allowances represent 55 to 60 percent of the class usage as well as to determine the 60 percent level using the most recent year of usage history.

(b) In its 2013 General Rate Case, Liberty Utilities used the same methodology described in subpart (a) above.

(c) Liberty Utilities' approach to updating the baseline allowances is identical to NV Energy's approach in its 2009 California General Rate Case filing that was adopted by the settlement approved by the Commission in D.09-10-041.

(d) The difference between the two baseline figures in column (b) and column (d) is that column (b) is baseline for a customer that has a heating, ventilating, and air conditioning ("HVAC") system that uses natural gas and electricity; column (d) is for customers that have an all-electric HVAC system.

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

**RESPONSE OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO OFFICE OF RATEPAYER ADVOCATES DATA REQUEST NO: ORA-058-PZS**


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Date: October 6, 2015


Attorneys for Liberty Utilities (CalPeco Electric) LLC

**BEFORE THE PUBLIC UTILITIES COMMISSION**
**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2016. | Application No. 15-05-008<br>(Filed May 1, 2015) |

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## GENERAL STATEMENT

Nothing in this response to Office of Ratepayer Advocates ("ORA") 58th Set of Data Requests ("Data Requests" or "Requests") should be construed as prejudicing or waiving Liberty Utilities' (CalPeco Electric) LLC (U 933-E) ("Liberty Utilities") right to produce and provide additional documentary evidence based on information, evidence or analysis hereafter obtained or evaluated. Liberty Utilities' responses are made subject to inadvertent or undiscovered errors, and are limited by records and information still in existence and or presently recollected and thus far discovered in the course of preparing this response. Liberty Utilities reserves the right to update and/or supplement the responses provided herein if and when additional evidence which is responsive to the Requests becomes available and at any time if it appears that inadvertent errors or omissions have been made.

These responses are made without intending to waive or relinquish Liberty Utilities' rights to take the following actions:

1. Raise all questions regarding relevancy, materiality, privilege, admissibility as evidence for any purpose as to any documents identified or produced in response to these Requests which may arise in any subsequent proceeding, in, or at the trial of, any other action;

2. Object on any grounds to the use of said documents in any subsequent proceeding, in, or at the trial of this or any other action;

3. Object on any grounds to the introduction into evidence of documents identified or produced in response to these Requests; and/or

4. Object on any grounds at any time to other requests for production or other discovery involving said documents, or the subject matter thereof.

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | September 18, 2015 |
| **REQUEST NO.:** | ORA-058-PZS | **RESPONSE DATE:** | October 6, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Alain Blunier/<br>Mike Long |

**EXHIBIT REFERENCE:** Liberty's Application (A)15-05-008

**SUBJECT:** Revenue Allocation and Rate Design

**REQUEST 1:**

In an excel spreadsheet, please provide the actual yearly recorded base rate revenues of Liberty Utilities by customer class for the most recent 5-year period available.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

The requested information is contained in the attached file titled "Attachment 1 to Response to ORA-058-PZS".

**Liberty Utilities (CalPeco Electric) LLC**

RESPONSE TO ORA DATA REQUEST

| | | | |
|---|---|---|---|
| **DOCKET NO.:** | A.15-05-008 | **REQUEST DATE:** | September 18, 2015 |
| **REQUEST NO.:** | ORA-058-PZS | **RESPONSE DATE:** | October 6, 2015 |
| **REQUESTER:** | ORA | **RESPONDER:** | Alain Blunier/<br>Mike Long |

**EXHIBIT REFERENCE:**

**SUBJECT:**

**REQUEST 2:**

In an excel spreadsheet, please provide the present year (2015) base rate revenues of Liberty Utilities by customer class as authorized in the 2013 GRC decision for Liberty in D.12-11-030.

**CONFIDENTIAL (yes or no):** No

**RESPONSE:**

The requested information is contained in the attached file titled "Attachment 1 to Response to ORA-058-PZS". Please note that the base rate revenues authorized in Liberty Utilities' 2013 General Rate Case (D.12-11-030) were increased in 2014 and 2015 via Liberty Utilities' Post-Test Year Adjustment Mechanism (Advice Letter 30-E and Advice Letter 40-E, respectively).