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Exhibit No.: Liberty-01
Witnesses: Cynthia Fisher



(U933-E)

Liberty Utilities

Before the California Public Utilities Commission

Testimony

Tahoe Vista, California

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Contents

I. INTRODUCTION1

II. RESIDENTIAL FIXED CHARGE PROPOSAL.....2

A. Determinants of Average Level of Fixed Charge2

 1. Which cost categories should be recovered through a fixed charge?2

 2. Should the Commission increase the residential fixed charge level over time?3

B. Impact on Volumetric Rates and Achieving Revenue Neutrality3

 1. What is the impact of a higher fixed charge on volumetric rates?4

C. Income-Based Graduation of Fixed Charge Levels4

 1. What are the income thresholds and what degree of differentiation in the fixed charge should there be based on income?4

D. Lower Average Monthly Bills for Low-Income Ratepayers5

 1. How will the proposal guarantee that low-income ratepayers pay a lower average monthly bill without any change in usage, as required by AB 205?5

E. Income Verification Processes.....5

 1. What processes should be used to verify and reverify customers’ income?.....5

 2. What costs associated with implementation of an income-graduated fixed charge should be considered when evaluating proposals? How long will it take to implement a given proposal? What information can the IOUs provide to help understand the costs associated with different implementation plans?6

F. CARE Discount Methodology and Income Graduated Fixed Charge.....6

| | | |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| 1. | How should the CARE discount be applied in rates that feature an income-graduated fixed charge? | 6 |
| G. | Post-Implementation Assessment of Income-Graduated Fixed Charges | 6 |
| 1. | How should over- or under-collection of revenue through the fixed charge be handled? | 6 |
| 2. | How should the CPUC assess the effectiveness of the design and implementation of income-graduated fixed charges after they have been incorporated into residential rates?..... | 7 |

Attachment 1: Sample Rate Design Analysis

Attachment 2: Witness Qualifications

I.

INTRODUCTION

My name is Cynthia Fisher and I am the Manager of Rates and Regulatory Affairs for Liberty Utilities (CalPeco Electric) LLC (“Liberty”). My qualifications are provided in Attachment 2 to this testimony (Witness Qualifications).

In this testimony, I present Liberty’s proposal for an income-graduated fixed charge for residential customers. Liberty provides this testimony in accordance with Assembly Bill (“AB”) 205, the January 17, 2023 Administrative Law Judge’s Ruling Providing Guidance for Phase 1 Track A Proposals (“January 17, 2023 Ruling”), and the Phase 1 Track A: Income-Graduated Fixed Charge Guidance Memo (“Guidance Memo”) attached to the January 17, 2023 Ruling.¹

As outlined in the Guidance Memo, the “goal of Phase 1, Track A of the Demand Flexibility Rulemaking is to establish income-graduated fixed charges in residential electric rates and adjust the California Alternate Rates for Energy (CARE) discount, in compliance with AB 205 (2022).”² AB 205 “requires default residential electric rates to include a fixed charge to be implemented on an income-graduated basis with progressively higher charges for customers with higher incomes. By shifting a portion of IOUs’ cost recovery to fixed charges, volumetric rates will be lower, which will increase bill affordability and encourage residential customers to adopt electrification measures.”³

To implement AB 205 and new income-graduated fixed charges, the Commission initially held a workshop on November 29, 2022 “to discuss what issues need to be resolved prior to the Commission authorizing income-graduated fixed charges in residential rates” and “to ensure that parties ... have sufficient information to develop their proposals for an income-graduated fixed charge and CARE adjustments.”⁴ On December 21, 2022, Pacific Gas and Electric Company hosted a workshop to discuss income verification as it pertains to AB 205 and income-graduated fixed charges. Commission staff hosted a workshop on February 1, 2023 to discuss the income-graduated fixed charge design tool and to

¹ The November 2, 2022 Assigned Commissioner’s Phase 1 Scoping Memo and Ruling, the February 22, 2023 Procedural Email Granting Request for Extension of Deadlines for Track A Testimony, and the March 23, 2023 Administrative Law Judge’s Ruling Providing Additional Guidance for Track A Proposals

² Guidance Memo, p. 1, footnotes omitted.

³ Guidance Memo, p. 1.

⁴ Guidance Memo, p. 1.

further discuss income verification issues. Staff held an informal workshop on March 10, 2023 on the fixed charge design tool.

On December 9, 2022, an Administrative Law Judge’s Ruling Requesting Track A Briefs on Statutory Interpretation was issued. Parties submitted briefs on statutory interpretation issues on January 23, 2023,⁵ and reply briefs on February 13, 2023. The January 17, 2023 Ruling and Guidance Memo provided additional information outlining what parties should include in their income-graduated fixed charge proposals.

II.

RESIDENTIAL FIXED CHARGE PROPOSAL

A. Determinants of Average Level of Fixed Charge

Liberty proposes to recover all of its base distribution revenues through a fixed charge. Due to the fixed charge limitations with PU Code 739.9, Liberty has only been able to recover a \$10 per month fixed customer charge from its residential customers despite rising costs related to wildfire mitigation measures. CARE customers are provided a 20% discount on the customer charge, or \$8 per month and discounted volumetric distribution rates. Liberty analyzed different approaches for shifting revenue recovery from volumetric to fixed charges using different revenue categories to justify its fixed charge proposal. Historically, Liberty’s authorized sales forecast that sets volumetric rates over the GRC cycle has been significantly higher than actual sales causing a significant under-collection in base revenues. Shifting a higher percentage of recovery of base revenues to a fixed charge would lead to more timely annual recovery of base revenues since it would be independent of actual consumption. Liberty’s proposal for the variable revenue rate recovery would be for authorized energy procurement, other surcharges, and state mandated public purpose programs such as transportation electrification, solar incentives, energy efficiency, and mobile home park conversions.

1. Which cost categories should be recovered through a fixed charge?

Liberty proposes the following categories be recovered through a fixed charge: Distribution Customer Charges, Distribution Base Revenues, Generation Base Revenues, and any related distribution

⁵ Liberty signed on to the Joint Opening Brief of Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company on Statutory Interpretation Questions Posed by December 9, 2022, Ruling.

surcharges that are amortized under-collections due to sales differences or regulatory lags for setting GRC base revenues.

Distribution-related costs, which include costs associated with operations, maintenance, and upgrades to the distribution system, and customer service-related functions, should be included in the fixed charge because these costs are not directly tied to the amount of electricity used by a customer. These baseline costs are incurred regardless of how much electricity is used, and represent a necessary and ongoing cost for the utility. Including these costs provides a more equitable distribution of costs among customers, rather than placing a disproportionate burden on those who use more electricity.

Liberty's wildfire-related costs should also be included in the fixed charge, because these costs do not vary based on electric consumption, and all customers benefit from the reduced wildfire risk.

Liberty's generation-related costs, which include the costs for Liberty's two solar facilities, Luning and Turquoise, should also be included in the fixed charge because these two facilities reduce the overall amount of energy Liberty must purchase from NV Energy.

Liberty also proposes that the recovery of costs recorded to specific regulatory accounts, including the General Rate Case Memorandum Account ("GRCMA") and its Base Revenue Requirement Balancing Account ("BRRBA") be recovered through the fixed charge. These regulatory accounts are associated with distribution-related revenues. The GRCMA records the difference between the current authorized base revenue requirement and the revenue requirement that is ultimately approved in a GRC Decision, back to the effective date of the decision. The BRRBA tracks the difference between the authorized base revenue requirement and the recorded revenues collected from customers.

2. Should the Commission increase the residential fixed charge level over time?

No, Liberty proposes that the Commission implement the complete fixed charge immediately. The fixed charge will be offset for most customers by the reduction in the variable charge, especially for mid- to high-usage residential customers. Low-income customers will also see a reduction to their overall bill once the fixed charge is implemented because of the larger discount Liberty proposes in Section F, below. A phased-in approach would extend the timeframe for higher-use customers paying more than their fair share for costs that are not tied to energy consumption.

B. Impact on Volumetric Rates and Achieving Revenue Neutrality

Total authorized revenues allocated to the residential and CARE customers will not change and this proposal merely shifts revenue recovery from volumetric rates to fixed charges, which results in

lower volumetric rates. Figure I-1 shows Liberty’s current authorized revenue categories for fixed versus volumetric compared to the proposed fixed rate components.

Figure I-1
Liberty’s Proposed Revenue Categories – Fixed Charge

| | GRC Proposed Decision Base Revenues & Current BRRBA | | | | |
|-------------------------------------------------------------|----------------------------------------------------------------|-------------------|--------------------------|-----------|-------------------|
| Total Proposed Fixed Charge by Customer Class | Customer Charge (Fixed) | Base Distribution | Generation Base Revenues | BRRBA | Total Fixed Base |
| Residential | 5,887,927 | 33,928,400 | 5,747,464 | 2,803,298 | 48,367,089 |
| Residential - CARE | 431,728 | 2,059,344 | 546,973 | 285,074 | 3,323,119 |
| | 6,319,655 | 35,987,744 | 6,294,437 | 3,088,372 | 51,690,208 |
| Other Volumetric Revenues (ECAC, PPP, and Other Surcharges) | | | | | 18,909,878 |
| Total Revenues | | | | | 70,600,086 |
| Proposed Fixed Revenues Shift | | | | | 73.22% |
| Current Fixed Revenues | | | | | 8.83% |

1. What is the impact of a higher fixed charge on volumetric rates?

Since Liberty is shifting revenues from volumetric to fixed charges, the impact of a higher fixed charge on volumetric would be a reduction to the volumetric rate.

C. Income-Based Graduation of Fixed Charge Levels

1. What are the income thresholds and what degree of differentiation in the fixed charge should there be based on income?

Liberty proposes three income thresholds for its income-graduated fixed charge proposal:

- CARE customers will be split into two thresholds:
 - o 100-200% poverty income level threshold
 - o Below 100% poverty income level threshold.
- All other residential customers will bear the highest fixed charges and will subsidize the CARE customer discounted fixed charges.

See below for Liberty’s proposed income graduated fixed charge and Attachment 1 for the supporting rate schedule determination.

Figure I-2
Liberty's Proposed Income Graduated Fixed Charge

| Total Proposed Fixed Charge by Customer Class | | Fixed Charge | Fixed Charge with BRRBA | Temporary - GRCMA (partial 2024) | Total Proposed Fixed Charge |
|------------------------------------------------------|--------------|---------------------|--------------------------------|-----------------------------------------|------------------------------------|
| Non-Care Residential | | \$ 96.85 | \$ 103.01 | \$ 14.60 | \$ 117.61 |
| Care Customers (Tier I) | 50% Discount | \$ 46.74 | \$ 49.61 | \$ 1.19 | \$ 50.80 |
| Care Customers (Tier II) | 75% Discount | \$ 23.37 | \$ 24.81 | \$ 1.19 | \$ 25.99 |

D. Lower Average Monthly Bills for Low-Income Ratepayers

1. How will the proposal guarantee that low-income ratepayers pay a lower average monthly bill without any change in usage, as required by AB 205?

The proposal will merely shift the allocated CARE base revenues to be recovered through a fixed charge versus a volumetric charge. The total base revenues are authorized in Liberty's GRCs and are set using forecast sales through the rate case cycle.

E. Income Verification Processes

1. What processes should be used to verify and reverify customers' income?

Liberty recommends that a state agency process income verification applications and remit that information directly to Liberty post-processing. This information should also be packaged in a way that ties the customer application for the discounted fixed rate by Liberty's customer account number and billing address so that the information does not need to perform additional processing by our billing department.

Barring external verifications, Liberty would need to continue to utilize its self-attestation process currently used in its CARE program. Liberty would need to have customers provide their household income levels to allow Liberty to place the customer in one of its three proposed income tiers. Any customer that does not provide its household income level would automatically be placed in Liberty's highest income-tier.

2. **What costs associated with implementation of an income-graduated fixed charge should be considered when evaluating proposals? How long will it take to implement a given proposal? What information can the IOUs provide to help understand the costs associated with different implementation plans?**

Implementing the proposed income graduated fixed charge will require socializing the plan with the community through outreach events, publishing information on the company’s website, customer mailings, and at town hall meetings. Liberty’s Regulatory team will also need to internally train its customer service representatives and management on the significant change to customer bills.⁶ Liberty may also need to hire additional personnel to properly administer and implement this plan. Liberty also has a relatively small customer base, so incremental costs related to administering this new plan should be considered along with the Commission’s various state-wide initiatives at a holistic level to conserve customer affordability for its electric service.

F. **CARE Discount Methodology and Income Graduated Fixed Charge**

1. **How should the CARE discount be applied in rates that feature an income-graduated fixed charge?**

Liberty proposes to have two CARE discounts applied based on the two CARE income thresholds described above. The lowest income threshold (below 100% poverty income level) would receive a 75% discount on its fixed charge and the mid income level (100%-200% poverty income level) would receive a 50% discount on its fixed charge.

G. **Post-Implementation Assessment of Income-Graduated Fixed Charges**

1. **How should over- or under-collection of revenue through the fixed charge be handled?**

Liberty proposes to continue to track any over- or under-collection of revenue in its BRRBA revenue tracking account.

⁶ Liberty will be implementing its SAP conversion late 2023 and any changes to its customer billing process and reports, will be an incremental cost to be tracked for future recovery.

2. **How should the CPUC assess the effectiveness of the design and implementation of income-graduated fixed charges after they have been incorporated into residential rates?**

The CPUC should review Liberty's Annual BRRBA advice letter to assess the effectiveness of collecting the appropriate revenues from its residential customers.

Attachment 1
Sample Rate Design Analysis

**Liberty CalPeco
Proposed Income Graduated Fixed Charge**

| | Current Authorized Base Revenues | | | |
|------------------------------------------------------|----------------------------------|--------------------------------|------------------------------|---------------------|
| | Customer Charge (Fixed) | Base Distribution (Volumetric) | Base Generation (Volumetric) | Total Base Revenues |
| Total Proposed Fixed Charge by Customer Class | | | | |
| Residential | 4,623,606 | 22,849,426 | 4,057,001 | 31,530,033 |
| Residential - CARE | 357,480 | 1,451,805 | 330,452 | 2,139,736 |
| | 4,981,086 | 24,301,231 | 4,387,453 | 33,669,769 |
| Other Volumetric Revenues (ECAC, Surcharges, BRRBA) | | | | 21,998,250 |
| Total Revenues | | | | 55,668,020 |
| Fixed Revenues to Total Revenues | | | | 8.95% |

| | GRC Proposed Decision Base Revenues & Current BRRBA | | | | |
|-------------------------------------------------------------|-----------------------------------------------------|-------------------|--------------------------|-----------|-------------------|
| | Customer Charge (Fixed) | Base Distribution | Generation Base Revenues | BRRBA | Total Fixed Base |
| Total Proposed Fixed Charge by Customer Class | | | | | |
| Residential | 5,887,927 | 33,928,400 | 5,747,464 | 2,803,298 | 48,367,089 |
| Residential - CARE | 431,728 | 2,059,344 | 546,973 | 285,074 | 3,323,119 |
| | 6,319,655 | 35,987,744 | 6,294,437 | 3,088,372 | 51,690,208 |
| Other Volumetric Revenues (ECAC, PPP, and Other Surcharges) | | | | | 18,909,878 |
| Total Revenues | | | | | 70,600,086 |
| Proposed Fixed Revenues Shift | | | | | 73.22% |
| Current Fixed Revenues | | | | | 8.83% |

Propose Fixed for revenue component?

| | # of Customers | Current Monthly Fixed Costs (PD) | Proposed Monthly Fixed Costs (PD) | Proposed Monthly Fixed Costs (PD) | Proposed Total FC w/out BRRBA | Proposed Total FC with BRRBA | GRCMA - Proposed Temporary Monthly Fixed Costs | Proposed Total FC |
|-------------------------------------------|----------------|----------------------------------|-----------------------------------|-----------------------------------|-------------------------------|------------------------------|------------------------------------------------|-------------------|
| # of Residential Non-CARE Customers | 40,621 | \$ 12.00 | \$ 69.68 | \$ 11.79 | \$ 93.47 | \$ 99.22 | \$ 14.60 | \$ 113.82 |
| # of Residential CARE Customers | 3,305 | \$ 9.70 | \$ 53.11 | \$ 13.79 | \$ 76.60 | \$ 83.79 | \$ 1.19 | \$ 84.98 |
| CARE @ 50% Discount | 1,653 | \$ 9.70 | \$ 34.84 | \$ 5.90 | \$ 46.74 | \$ 49.61 | \$ 1.19 | \$ 50.80 |
| CARE @ 75% Discount | 1,653 | \$ 9.70 | \$ 17.42 | \$ 2.95 | \$ 23.37 | \$ 24.81 | \$ 1.19 | \$ 25.99 |
| CARE Rate Surcharge non-CARE 50% | 1,653 | \$ - | \$ 18.27 | \$ 7.90 | \$ 29.87 | \$ 34.18 | \$ - | \$ 34.18 |
| CARE Rate Surcharge non-CARE 75% | 1,653 | \$ - | \$ 35.69 | \$ 10.84 | \$ 53.23 | \$ 58.98 | \$ - | \$ 58.98 |
| CARE Income Graduated Shortfall (Tier I) | 1,653 | - | 30,196 | 13,048 | 49,353 | 56,479 | - | 56,479 |
| CARE Income Graduated Shortfall (Tier II) | 1,653 | - | 58,984 | 17,919 | 87,969 | 97,471 | - | 97,471 |
| Total monthly shortfall | | - | 89,181 | 30,968 | 137,322 | 153,950 | - | 153,950 |
| CARE surcharge to non-CARE resi | | - | | | 3.38 | 3.79 | - | 3.79 |
| Total Resi Fixed Charge | | 12.00 | | | 96.85 | 103.01 | 14.60 | 117.61 |

| Total Proposed Fixed Charge by Customer Class | Fixed Charge (excl. BRRBA) | Fixed Charge with BRRBA | Temporary - GRCMA (partial 2024) | Total Proposed Fixed Charge |
|-----------------------------------------------|----------------------------|-------------------------|----------------------------------|-----------------------------|
| Non-Care Residential | \$ 96.85 | \$ 103.01 | \$ 14.60 | \$ 117.61 |
| Care Customers (Tier I) | \$ 46.74 | \$ 49.61 | \$ 1.19 | \$ 50.80 |
| Care Customers (Tier II) | \$ 23.37 | \$ 24.81 | \$ 1.19 | \$ 25.99 |

Attachment 2
Witness Qualifications

**LIBERTY UTILITIES (CALPECO ELECTRIC) LLC
QUALIFICATIONS AND PREPARED TESTIMONY
OF CYNTHIA FISHER**

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

A. My name is Cynthia Fisher and my business address is 701 National Blvd, Tahoe Vista, CA 96148.

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

A. I am the Manager of Rates and Regulatory Affairs for Liberty CalPeco.

Q. Briefly describe your educational and professional background.

A. Prior to my present role, I was a regulatory consultant for Liberty and developed Liberty's Revenue Requirement model used in the 2019 GRC and the 2022 GRC. I also worked for the Southern California Edison company and held various roles as project management, regulatory, and financial analysts position in the Regulatory Policies & Affairs group, Capital Recovery, and the T&D Regulatory group. I have a B.S. in Business Administration from the University of Southern California with an emphasis in Finance and Information Systems. I also have an M.B.A. from Pepperdine University with an emphasis in Finance Management.

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

A. The purpose of my testimony in this proceeding is to sponsor testimony on Liberty's Income Graduated Fixed Charge Proposal for the Demand Flexibility Rulemaking.

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

A. Yes, it was.

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

A. Yes, I do.

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

A. Yes, it does.

Q. Does this conclude your qualifications and prepared testimony?

A. Yes, it does.