

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



October 28, 2022

Mr. Dan Marsh  
Liberty Utilities  
Regulatory Affairs Manager  
933 Eloise Avenue  
South Lake Tahoe, CA 96150

**SUBJECT: Liberty Utilities  
2021 Risk Spending Accountability Report Review**

Dear Mr. Marsh:

On May 25, 2022, Liberty Utilities filed their 2021 Risk Spending Accountability Report (RSAR) in their General Rate Case (GRC) that authorized the spending, Application (A.)18-12-001, and their most recent GRC, A.21-05-017, pursuant to D.19-04-020. The CPUC's Energy Division (ED) has reviewed Liberty Utilities' 2021 RSAR and provides recommendations for the utility to consider future RSARs.

In D.19-04-020, the CPUC affirmed that ED's review of RSARs serves to raise concerns and seek understanding of the data and "does not constitute a reasonableness [review] of the utility's proposed risk mitigation budgets or programs as required in Public Utilities Code Section 451."<sup>1</sup> Reasonableness review of the utility's spending is accomplished in the general rate case (GRC) process. In addition, review and verification of the utility's safety, reliability and maintenance (SRM) activities and spending that took place during the reporting period are part of Safety Performance Metrics reporting. Therefore, ED's review of Liberty Utilities' RSAR in this letter is limited to the reporting on and highlighting of information and does not make any findings regarding the reasonableness of the utility's spending.

#### ANALYSIS

The SRM spending under the test year (TY) 2019 General Rate Case, A.18-12-001 contains 19 programs consisting of 14 operation and maintenance (O&M) programs and 5 capital programs. These programs have been reported for both 2020 and 2021. The 2021 RSAR represents the final year before the new test year for current GRC. Attachment A shows the authorized and reported SRM spending for 2020 and 2021.

From 2019 through 2021, Liberty Utilities underspent 4 percent (\$1.6 million) on capital expenses and overspent 16 percent (\$2.7 million) on operations and maintenance (O&M).

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<sup>1</sup> [D.19-04-020](#), Finding of Fact 32, p. 58

For capital programs, Mobile Home Park (MHP) Conversion had the largest cumulative underspend with \$4.6 million (-96 percent). Offsetting the large underspend on MHP Conversion are two capital projects with significant cumulative overspends: Topaz 1261 Line Reconductor with a \$1.2 million (74 percent) cumulative overspend and 7300 Line Rebuild with a \$1.9 million (55 percent) cumulative overspend.

The 16 percent cumulative overspend on O&M does not convey the variance of individual programs which range from -56 percent underspend to 143 percent overspend. The largest maintenance program, Maintenance of Overhead Lines, had a \$740,000 overspend during 2021, but has a underspend of \$102,000 from 2019 to 2021, showing the importance of review large capital projects over the entire GRC cycle.

The Balancing and Memorandum accounts had a total balance of \$25.236 million at the end of 2021, which is larger than the recorded spending for O&M for 2020 and 2021 combined.

## CONCLUSIONS

Energy Division reviewed the Liberty Utilities' 2021 RSAR and finds that the utility has complied with D.19-04-020. In the 2021 RSAR, Liberty Utilities presented information on authorized and actual spending on safety, reliability, and maintenance programs and provided explanations for spending variance exceeding 20 percent.

## RECOMMENDATIONS

The subsequent 2022 RSAR report will present the test year for the current GRC. For the 2022 RSAR ED staff recommends:

1. Liberty Utilities continue to report cumulative spending for multiple year programs and expand cumulative tracking over the entire GRC cycle for all programs as demonstrated in Attachment A.
2. Liberty Utilities report underspending variance as negative and overspending variance as positive.
3. When spending variances exceed 20 percent, Liberty Utilities should provide an explanation of the variance and estimate if the program will be accomplished and forecast if the authorized budget accurately covers program.

If you have any questions or comments, please contact Franz Cheng at [Franz.Cheng@cpuc.ca.gov](mailto:Franz.Cheng@cpuc.ca.gov).

Sincerely,

 For

Leuwam Tesfai  
Deputy Executive Director for Energy and Climate Policy/  
Director Energy Division

Enclosure: ATTACHMENT A – Liberty Utilities Safety, Reliability and Maintenance Spending  
2019 - 2021

cc: Pete Skala, Energy Division  
Franz Cheng, Energy Division  
Jedediah Gibson, Downey Brand LLP  
Service Lists for A.21-05-017 and A.18-12-001

**ATTACHMENT A - Liberty Utility Safety, Reliability and Maintenance Spending 2019 through 2021**

**Liberty SRM Capital Projects (\$000)**

Capital Project	Authorized 2019 <sup>a</sup>	Authorized 2020	Authorized 2021	Total Authorized	Recorded 2019	Recorded 2020	Recorded 2021	Total Recorded	Difference 2020	Difference 2020	Difference 2021	Variance	% Variance
Fleet	1,047			1,047	2,286			2,286	1,239			1,239	118%
Overhead and Underground Failures	1,026			1,026	430			430	-596			-596	-58%
Distribution System Capital	6,091			6,091	6,104			6,104	13			13	0%
Substation Capital	1,429			1,429	1,389			1,389	-40			-40	-3%
7300 Line Rebuild		1,700	1,700	3,400		3,563	1,696	5,259		1,863	-4	1,859	55%
Topaz 1261 Line Reconductor		810	810	1,620		2,479	341	2,820		1,669	-469	1,200	74%
MHP Conversions		3,496	1,298	4,794		0	185	185	-3,496	-1,113		-4,609	-96%
Distribution Replacements		6,300	6,300	12,600		8,518	1,610	10,128		2,218	-4,690	-2,472	-20%
625/650 Phase 2		13,000	0	13,000		8,515	6,319	14,834		-4,485	6,319	1,834	14%
<b>TOTAL</b>	<b>9,593</b>	<b>25,306</b>	<b>10,108</b>	<b>35,414</b>	<b>10,209</b>	<b>23,075</b>	<b>10,151</b>	<b>33,226</b>	<b>616</b>	<b>-2,231</b>	<b>43</b>	<b>-1,572</b>	<b>-4%</b>

a. 2019 authorized revenue approved in 2016 GRC

**Liberty SRM O&M Projects (\$000)**

O&M Project	Authorized 2019	Authorized 2020	Authorized 2021	Total Authorized	Recorded 2019	Recorded 2020	Recorded 2021	Total Recorded	Difference 2019	Difference 2020	Difference 2021	Variance	% Variance
581 Load dispatching	245	727	727	1699	642	679	738	2059	397	-48	11	360	21%
582 Station expenses	7	30	30	67	81	-30	53	104	74	-60	23	37	55%
583 Overhead line expenses	118	164	164	446	267	79	320	666	149	-85	156	220	49%
584 Underground line expenses	51	91	91	233	152	51	60	263	101	-40	-31	30	13%
585 Street lighting & signal system expenses	0	2	2	4	2	0	0	2	2	-2	-2	-2	-50%
588 Miscellaneous distribution expenses	2,701	1,473	1,473	5,647	2,774	2,105	1,791	6,670	73	632	318	1,023	18%
591 Maintenance of structures	4	38	38	80	0	27	8	35	-4	-11	-30	-45	-56%
592 Maintenance of station equipment	130	165	165	460	153	74	161	388	23	-91	-4	-72	-16%
593 Maintenance of overhead lines	1,882	1,927	1,927	5,736	585	2,382	2,667	5,634	-1,297	455	740	-102	-2%
594 Maintenance of underground lines	352	300	300	952	143	606	788	1,537	-209	306	488	585	61%
595 Maintenance of line transformers	7	16	16	39	25	0	1	26	18	-16	-15	-13	-33%
596 Maintenance of street lighting & signal systems	4	5	5	14	17	9	8	34	13	4	3	20	143%
597 Maintenance of meters	43	46	46	135	17	61	69	147	-26	15	23	12	9%
598 Maintenance of miscellaneous distribution plant	776	308	308	1,392	-21	787	1,225	1,991	-797	479	917	599	43%
<b>TOTAL</b>	<b>6,320</b>	<b>5,292</b>	<b>5,292</b>	<b>16,904</b>	<b>4,837</b>	<b>6,830</b>	<b>7,889</b>	<b>19,556</b>	<b>-1,483</b>	<b>1,538</b>	<b>2,597</b>	<b>2,652</b>	<b>16%</b>

Balancing and Memorandum Account	Balance at the End of 2021 (\$000)
Vegetation Management Balancing Account	10,422
CEMA	7,288
Fire Risk Mitigation Memorandum Account	1,342
Wildfire Mitigation Plan Memorandum Account	6,184
<b>TOTAL MA and BA Balance</b>	<b>25,236</b>