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

Application of Liberty Utilities (CalPeco Electric) LLC (U 933 E) for Approval of its 2017 Transportation Electrification Proposals.

Application 17-06- ____
(Filed June 30, 2017)

**TESTIMONY OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933-E) IN
SUPPORT OF ITS 2017 TRANSPORTATION ELECTRIFICATION APPLICATION**

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I. POLICY AND PROGRAM OBJECTIVES

A. Introduction

The State of California has set ambitious climate change goals aimed at improving air quality and reducing greenhouse gas (“GHG”) emissions. For example, under Senate Bills (“SB”) 350 and 32, the State of California has set the goal to increase California’s renewable electricity procurement from 33% by 2020 to 50% by 2030 while reducing GHG emissions 40% below 1990 levels by 2030. Given that the transportation sector – powered primarily by fossil fuels – accounted for 37% of California’s GHG emissions in 2014, increasing Transportation Electrification (“TE”) programs, to power the transportation sector with clean electric power, will be critical to the state’s ability to achieve its climate change goals.

Liberty Utilities (CalPeco Electric) LLC (“Liberty CalPeco”) seeks to do its part to help California reach these and other goals, and proposes a TE Program designed to significantly accelerate TE in our service territory and region.¹

B. Current Barriers to Widespread TE

Although TE has expanded in recent years, many barriers to widespread TE adoption must be addressed if California is to reach its climate change goals, including the goals set by SB 350 and SB 32. Barriers to achieving these and other climate change goals include the cost and availability of electric vehicles (“EV”), charging station costs and availability, EV range limitations, and lack of EV awareness and understanding. As discussed below, Liberty CalPeco

^{1/} “Transportation Electrification” is defined as “the use of electricity from external sources of electrical power, including the electrical grid, for all or part of vehicles, vessels, trains, boats, or other equipment that are mobile sources of air pollution and greenhouse gases and the related programs and charging and propulsion infrastructure investments to enable and encourage this use of electricity.” CAL. PUB. UTIL. CODE § 237.5.

has designed its TE Program to address many of these barriers and meet the requirements of Public Utilities Code § 740.12.

C. Liberty CalPeco's TE Program

Liberty CalPeco's TE Program includes four priority review projects and one standard review project.²

The priority review projects consist of the following:

1. DC Fast Charger Installations – installation of DC fast chargers in strategic locations throughout Liberty CalPeco's service territory.
2. Residential Charger Installation Rebate Program – a rebate of up to \$1,500 to qualified residential customers that install charging stations at their residence.
3. Small Business Charger Installation Rebate Program – a rebate of up to \$2,500 to qualified small business customers that install charging stations at their business.
4. Customer Online Resource – a website that will provide customers with information on EVs, charging infrastructure, rebate programs, EV incentives, and other EV-related information.

Liberty CalPeco's TE Program also includes one standard review project – the EV Bus Infrastructure Program – which will entail the installation of a charging station at a Tahoe Transportation District site to enable overnight charging of EV buses.

Each of these priority and standard review programs are described in detail in Chapter II.

^{2/} “Priority Review” projects are projects and investments that are not controversial and which should be reviewed and approved on an expedited basis: “In order to expedite the priority review projects and investments, these should be non-controversial in nature, and limited to no more than \$4 million in costs per project, with a total funding limit of \$20 million for each utility. The priority review projects and investments can be of a short duration (up to one year), as opposed to other projects and investments proposed which should be two to five years in duration.... All other proposed projects and investments that do not meet the above criteria for priority review, will be reviewed using the normal timeline for the review of an application filed with the Commission.” *See* Assigned Commissioner Ruling Regarding the Filing of Transportation Electrification Applications Pursuant to Senate Bill 350, issued September 14, 2016, in Rulemaking (R.) 13-11-007 (“ACR”), at 31-32.

D. Liberty CalPeco’s TE Program Meets the Requirements of SB 350 and the ACR

As demonstrated below, Liberty CalPeco’s TE program conforms to the guidelines established in Commissioner Carla Peterman’s September 14, 2016 Assigned Commissioner’s Ruling Regarding the Filing of Transportation Electrification Applications Pursuant to Senate Bill 350 in Rulemaking (R.) 13-11-007 (“ACR”)

1. The Program Meets the Requirements of Public Utilities Code § 740.12 and Accelerates Widespread TE

Liberty CalPeco’s TE Program addresses and fulfills the Legislature’s findings and declaration that “[d]eploying electric vehicles should assist in grid management, integrating generation from eligible renewable energy resources, and reducing fuel costs for vehicle drivers who charge in a manner consistent with electrical grid conditions.” PUB. UTIL. CODE § 740.12(a)(1). The program will result in the installation of Liberty CalPeco owned EV charging stations, provide financial incentives for residential and small commercial customers to install EV charging stations, and provide customers with valuable EV-related information. Each of these components will directly contribute to increasing access to electricity as a transportation fuel, accelerating widespread TE, and assisting in grid management. Likewise, the program initiatives will reduce petroleum use and generate health and environmental benefits for customers in Liberty CalPeco’s service territory. The program also strives to increase access to EV charging to disadvantaged communities through targeted rebates.

2. The Program Components are Measurable and Trackable

Each of Liberty CalPeco’s TE Projects and its components are measurable and trackable – e.g., number of EV charging stations installed and number of rebates issued – and the results of the Priority Review projects will be reported to the Commission through annual reports as these projects progress. Liberty CalPeco’s annual report will include details, including costs, on the

charging stations installed, the number of rebates issued, and the usage of its customer online resource.

3. The Program Aims to Minimize Costs and Maximize Benefits

In identifying and developing its TE Projects, Liberty CalPeco has sought to minimize costs while maximizing the benefits to be derived from each project. For example, the costs for the DC Fast Charger program will be minimized through the use of a competitive RFP process while benefits will be maximized by the strategic placement of the DC Fast Chargers at locations that will optimize their utilization in Liberty CalPeco's service area. Moreover, Liberty CalPeco has selected sites that will be scalable to increase charger capacity as TE grows in the future, which will reduce costs of infrastructure for additional charging stations.

4. The Program is Subject to a Specific Cost Recovery Mechanism

Liberty CalPeco proposes a balancing account to record its 2017 and 2018 TE Program costs. Liberty CalPeco will seek recovery of the amounts recorded in the balancing account in its next general rate case ("GRC"), which will be filed in 2018 and result in the Commission setting rates for 2019-2021. Additionally Liberty CalPeco proposes recovery of its 2019 TE Program costs through rates set in the 2019 GRC. Additional cost recovery details are discussed below in Chapter III.

5. The Program Fairly Competes with Non-Utility Enterprises

Liberty CalPeco's Program is based on a market neutral approach. For example, the residential and small business rebate programs provide incentives and support to non-utility enterprises, as the type of EV chargers installed at a customer's home or business will be chosen by the customer. Moreover, under the proposed terms for these programs, the rebate will be paid only if the equipment is installed by licensed electricians.

6. The Program is in the Interest of Ratepayers

Liberty CalPeco's TE Program is in the "interests of ratepayers," as that term is defined in Public Utilities Code § 740.8 – direct benefits that are specific to ratepayers, consistent with both of the following:

- (a) Safer, more reliable, or less costly gas or electrical service, consistent with Section 451, including electrical service that is safer, more reliable, or less costly due to either improved use of the electric system or improved integration of renewable energy generation.
- (b) Any one of the following:
 - (1) Improvement in energy efficiency of travel.
 - (2) Reduction of health and environmental impacts from air pollution.
 - (3) Reduction of greenhouse gas emissions related to electricity and natural gas production and use.
 - (4) Increased use of alternative fuels.
 - (5) Creating high-quality jobs or other economic benefits, including in disadvantaged communities identified pursuant to Section 39711 of the Health and Safety Code.

PUB. UTIL. CODE § 740.8(a).

The TE Program will provide safer service, as all residential and small business rebates require that the EV charging stations be installed by a licensed electrician, which lowers the risk of unsafe electrical practices. The use of Time of Use ("TOU") rates for rebate program participants will help improve load management by shifting load to hours of the day when there is spare capacity on the grid. Moreover, each of the projects will help reduce GHG emissions by improving the infrastructure for the increased use of EVs. The customer benefits for each project is discussed in Chapter III below.

7. The Program is Designed to Avoid Long-Term Stranded Costs

The TE Program is designed to avoid long-term stranded costs by requiring rebate recipients to agree to maintain their home and small business charging stations for the ten-year expected life of the charging stations. Moreover, Liberty CalPeco will own the DC Fast Chargers and the forecast for the DC Fast Chargers specifically includes the cost of a maintenance plan from the charger provider, evidencing the intended long-term use of these chargers.

8. The Program is Aligned with Local, Regional, and State TE Efforts

Liberty CalPeco's TE Program seeks to accelerate TE growth and expansion, which is aligned with and supports local, regional, and state policies for reducing petroleum use, air pollutants, and GHG emissions.

For statewide TE efforts, the program contributes to the Zero Emission Vehicle ("ZEV") Action Plans goal of having 1.5 million zero-emission vehicles on the road by 2025 and SB 1274's "California Charge Ahead Initiative," which seeks to increase customer access to EVs by creating vehicle rebates and financing for low and moderate-income consumers.

Regionally, the program supports the Tahoe Regional Planning Agency's ("TRPA") Tahoe-Truckee Plug-In Electric Vehicle ("PEV") Readiness Plan,³ which identified key needs to prepare for and coordinate PEV infrastructure deployment in the Tahoe-Truckee area. Liberty CalPeco's program addresses several of the gaps identified in the PEV Readiness Plan, including charging infrastructure deployment, coordination for charging infrastructure deployment, and consumer awareness.⁴ Liberty CalPeco is working with, and will continue to work with, TRPA to identify the best sites to deploy the DC Fast Chargers.

^{3/} See Attachment 1.

^{4/} Liberty CalPeco has received letters of support for its Application from the TRPA and the California Tahoe Conservancy, both of which are included in Attachment 2.

9. The Program Reduces GHG Emissions and Contributes to Air Quality Improvements

If California's ambitious GHG emission reduction targets are to be met, TE acceleration is absolutely necessary. According to a California Air Resources Board ("CARB") report, the transportation sector contributes more than one-third of California's annual GHG emissions.⁵ Accelerating widespread TE, which Liberty CalPeco's program aims to do, will contribute to reducing GHG emissions and improving air quality conditions.

10. The Program Addresses Equity Concerns

The broad range of environmental benefits of TE acceleration will benefit all Californians. Liberty CalPeco's TE program is inclusive and is designed so all customers can receive direct benefits. As discussed in Chapter III, a portion of the residential rebates will be set aside specifically for low-income California Alternative Rates for Energy ("CARE") customers. In addition, the DC Fast Chargers will be implemented strategically to benefit customers throughout Liberty CalPeco's service territory while maximizing the chargers' utilization.

II. LIBERTY CALPECO'S TE PORTFOLIO

A. Priority Review Projects

1. DC Fast Charger Project

a. Description of Project

The DC Fast Charger ("DCFC") Project proposes to deploy and operate five to nine DCFC sites. Each charging station will have dual ports that will be able to charge most, if not all, EVs on the market. Each of these sites may include up to four dual-port charging stations. Liberty CalPeco has not yet identified the specific locations for all the clusters but, at this time, has

^{5/} See CARB (2016), California Greenhouse Gas Emissions for 2000 to 2014 – Trends of Emissions and Other Indicators: https://www.arb.ca.gov/cc/inventory/pubs/reports/2000_2014/ghg_inventory_trends_00-14_20160617.pdf, p. 2.

identified two potential locations: (1) South Lake Tahoe Airport; and (2) Alpine Meadows Ski Resort in North Lake Tahoe. As noted above, Liberty CalPeco will continue working with TRPA to identify the best sites to deploy the charging stations in Liberty CalPeco's service area to maximize utilization of the chargers.

Liberty CalPeco intends to install, own, and maintain the DCFC stations at participating customer sites. When building the stations, Liberty CalPeco intends to install the infrastructure for additional charging stations so the stations can grow as EV penetration increases in the future. For example, Liberty CalPeco's current plan for the South Lake Tahoe Airport is to install infrastructure for four DCFC stations, but only install two DCFC stations in Phase 1 of the project. Participating sites will be required to provide public access to the charging stations and Liberty CalPeco will set tariffs for the cost of utilizing the charging stations.

b. Concern, Gap, or Problem to Be Addressed

The DCFC Project will deploy DCFC stations around the Lake Tahoe Region, which will enable EV drivers to get in, around, and out of the region expeditiously as many EV drivers may not have access to home charging. The focus of the sites will be to serve the intra-regional corridors in the Lake Tahoe Region that connect the City of South Lake Tahoe, Kings Beach, Stateline, Incline Village, Homewood, and Tahoe City. DCFCs located in and around resorts and colleges would also help not only travelers to the region but also residential customers who do not have access to overnight charging.

c. Program Benefits

The DCFC Project provides many potential benefits to the region. The project aims to increase EV adoption for both full-time and part-time residents in the service territory by providing readily available charging stations, which will help eliminate range anxiety. The increased EV

adoption the project intends to encourage will result in a reduction of the use of fossil fuels, thereby reducing GHG emissions and improving air quality.

d. Project Costs

Liberty CalPeco is still in the process of identifying the optimal sites for the DCFC installations. Preliminary cost estimates have been prepared for installations at South Lake Tahoe Airport and Alpine Meadows Ski Resort. Once the locations and equipment requirements have been confirmed, Liberty CalPeco will seek to minimize the costs for this project by procuring equipment via a competitive RFP bid process. If the DCFC Project is approved, Liberty CalPeco expects to expend the full \$4 million limit for priority review projects.

2. Residential Charger Installation Rebate Program

a. Description of Project

The Residential Charger Installation Rebate Program will provide a rebate of up to \$1,500 to the first 1,000 residential customers who qualify for and enroll in the program. The Residential Charger Installation Rebate Program is designed to incentivize the installation of home EV chargers by providing an offset for the customers' hardware, permitting, and installation costs. To encourage participation in disadvantaged communities, Liberty CalPeco will reserve 100 of the 1,000 potential rebates for existing CARE customers.

The program will be available on a first-come, first-served basis to residential customers who meet the program's eligibility requirements. To be eligible, the customer must:

- Own or lease the residential site and be the customer of record associated with the premises where the station will be deployed;
- Provide proof of purchase of a plug-in EV registered in the customer of record's name;

- Install a charging station that meets various technical standards and energy efficiency recommendations listed by a nationally recognized testing laboratory,
- Provide a receipt from a licensed electrical contractor for installing the charging station and copies of all permits required by the relevant authority having jurisdiction;
- Agree to take service on an eligible TOU rate;
- Agree to participate in the project for 10 years, including maintaining the charging station in working order and contracting with a qualified EV charging network service provider to provide transactional data to Liberty CalPeco; and
- Agree that Liberty CalPeco may conduct random spot checks at the customer's residence to confirm that the work was performed.

b. Concern, Gap, or Problem to Be Addressed

A critical driver of EV adoption is reliable access to daily charging. The cost of installing EV charging infrastructure may be a barrier for potential EV adopters. In addition, the use of TOU rates, which this program requires, will also provide incentives to customers to charge their EVs in a more cost-effective manner.

c. Program Benefits

The Residential Charger Installation Rebate Program provides many benefits to Liberty CalPeco customers and the region. The program supports EV adoption, limits the risk of stranded assets, improves safety, increases grid reliability, provides environmental benefits, and provides high-quality jobs in the region.

The program supports EV adoption by providing a low-, or no-cost solution to home energy charging needs and requiring proof of purchase of a plug-in EV. The requirement of purchasing an EV and agreeing to participate in the program for 10 years limits the risk of stranded assets.

The program improves safety by requiring that the charging station be installed by a licensed electrical contractor, which prevents customers from installing charging stations in an incorrect, unsafe manner.

The program also potentially improves grid reliability by requiring adoption of a TOU rate, which incentivizes customers to charge EVs during off-peak hours, minimizing the grid impact related to EV charging.

The program will provide environmental benefits by increasing the adoption of EVs, which will result in a reduction of the use of fossil fuels, thereby reducing GHG emissions and improving air quality.

Lastly, the program will create high-quality jobs for local certified electrical contractors, since customers are required to use them in installing the charging stations.

d. Project Costs

The total forecast cost of the program is \$1.6 million. The budget includes \$1.5 million for the 1,000 residential rebates themselves and \$0.1 million for the cost of enrolling customers, processing rebates, performing spot checks of installations, and performing education and outreach to potential participants.

3. Small Business Charger Installation Rebate Program

a. Description of Project

The Small Business Charger Installation Rebate Program will provide a rebate of up to \$2,500 for the first 100 customers that enroll in and meet the requirements of the program. The

Small Business Charger Installation Rebate Program is designed to incentivize the installation of EV chargers at businesses by providing an offset to hardware, permitting, and installation costs.

The program will be available on a first-come, first-served basis to small business customers who meet the following eligibility requirements. To be eligible, the customer must:

- Own or lease the site and be the customer of record associated with the premises where the station(s) will be deployed;
- Install a charging station(s) that meets various technical standards and energy efficiency recommendations listed by a nationally recognized testing laboratory;
- Provide a receipt from a licensed electrical contractor for installing the charging station(s);
- Provide copies of all permits required by the relevant authority having jurisdiction;
- Agree to take service on an eligible TOU rate;
- Agree to participate in the project for a minimum of 10 years, including maintaining the charging station(s) in working order and contracting with a qualified EV charging network service provider to provide transactional data to Liberty CalPeco;
- Agree to provide public access to the charging stations; and
- Agree that Liberty CalPeco may conduct random spot checks at the customer site to confirm that the work was performed.

b. Concern, Gap, or Problem to Be Addressed

A critical driver of EV adoption is reliable access to daily charging. The cost of installing EV charging infrastructure may be a barrier for small businesses. Access to charging stations at work locations provides an incentive for residents to purchase an EV if they know they can reliably charge their EV at their place of work. Many people employed in the Lake Tahoe region reside

outside the region, and access to charging station at their place of work will increase EV adoption. Access to a charging station may also incentivize small businesses to adopt EVs into their work fleets.

c. Program Benefits

This program provides many of the same benefits discussed above with respect to the Residential Charger Installation Rebate Program. This program also supports EV adoption, limits the risk of stranded assets, improves safety, increases grid reliability, provides environmental benefits, and provides high-quality jobs in the region.

d. Project Costs

The total forecast cost of the program is \$300,000. The budget includes \$250,000 for the 100 small business rebates themselves and \$50,000 for the cost of enrolling customers, processing rebates, performing spot checks of installations, and performing education and outreach to potential participants.

4. Customer Online Resource Project

a. Description of Project

Liberty CalPeco intends to develop a web-based information resource, available on Liberty CalPeco's website, which will provide current and prospective EV owners with convenient and readily accessible source for a wealth of EV-related information. The site will include information to educate customers on EVs, charging requirements, charger locations within Liberty CalPeco's service territory, federal and state rebate programs for EV purchases, Liberty CalPeco's charger installation rebate programs, Liberty CalPeco's TOU rates, and other valuable information – information to increase customers' awareness of EVs and increase the likelihood of their purchasing EVs.

b. Concern, Gap, or Problem to Be Addressed

One barrier to entry for EV adoption is a lack of knowledge of information concerning EVs and the costs and benefits of owning and driving an EV. This project is designed to provide Liberty CalPeco customers with convenient access to all the information they need to evaluate whether to purchase an EV, which will lead to increased EV adoption.

c. Project Benefits

The project provides Liberty CalPeco customers with a convenient and readily accessible resource that has all the information Liberty CalPeco customers need in evaluating whether to purchase an EV. The website will also provide charging station location information to those outside Liberty CalPeco’s service territory, incentivizing them to drive EVs into Liberty CalPeco’s service territory. Both the increased EV adoption by Liberty CalPeco customers and the increased EV use of visitors created by the website will reduce the use of fossil fuels, thereby reducing GHG emissions and improving air quality.

d. Project Costs

Liberty CalPeco estimates first year start-up costs of approximately \$65,000 for this project, with costs reducing to approximately \$35,000 in the second year and approximately \$20,000 a year beyond that. The costs include setup and maintenance of the website, marketing, information updates, and media placement.

B. Standard Review Program

1. EV Bus Infrastructure Program

a. Description of Project

The Tahoe Transportation District (“TTD”) is a local state agency that is responsible for facilitating and implementing safe, environmentally positive, multi-modal transportation plans, programs and projects for the Lake Tahoe Basin, including transit operations. TTD intends to

procure two EV buses within the next three to four years. Under the EV Bus Infrastructure Program, Liberty CalPeco will install, build, own and operate charging stations at a TTD site to enable overnight charging for TTD's EV buses.

To obtain the benefit of this program, TTD must:

- Grant Liberty CalPeco appropriate real property rights and continuous access to the customer participant site infrastructure installed, owned, and maintained by Liberty CalPeco;
- Agree to take service on an eligible TOU rate;
- Agree to participate in the project for 10 years; and
- Agree to install charging stations that meet various technical standards and energy efficiency recommendations listed by a nationally recognized testifying laboratory.

b. Concern, Gap, or Problem to Be Addressed

The EV Bus Infrastructure Program will help provide TDD with the charging infrastructure necessary to allow for overnight charging.

c. Program Benefits

This program will provide environmental benefits to Liberty CalPeco's service territory by both removing fossil-fueled buses from TTD's fleet and providing an environmentally-friendly transportation option to residents of and visitors to the Lake Tahoe Basin. The environmental benefits include a reduction of GHGs and improved air quality in the region.

The program will also serve as a demonstration model to other transportation services in the Lake Tahoe region and other areas within California as to the viability of EV buses.

d. Project Costs

The total cost of the project is \$223,000, which includes the cost of the required infrastructure and equipment and the installation of two fast-charging stations. This project is not expected to be undertaken for at least 3 to 4 years in the future.

III. PROGRAM COST RECOVERY

Depending on the timing of the approval of Liberty CalPeco's TE Program, Liberty CalPeco expects to incur minimal costs in 2017 and the beginning of 2018, and expects to incur some operation and maintenance ("O&M") start-up costs in the latter part of 2018. The majority of capital costs, including the DCFCs and rebates (which Liberty CalPeco proposes to treat as regulatory assets) will be incurred in late 2018 and 2019. Therefore, Liberty proposes to include the forecast costs of its TE Program in its next GRC, which will be filed in 2018 and set rates for 2019-2021.

A. Transportation Electrification Balancing Account for Capital and O&M Costs from 2017-2018

Liberty CalPeco proposes to establish a Transportation Electrification Balancing Account ("TEBA") to record the capital and O&M costs incurred in 2017 and 2018. Liberty will include these recorded costs in its 2019 GRC to be recovered in rates over a to-be-determined period, depending on the extent of the recorded costs.

B. 2019 GRC Cost Recovery for Capital and O&M Costs in 2019 and Beyond

For costs in 2019 and beyond, Liberty CalPeco proposes including the capital and O&M costs related to the TE Program in the 2019 GRC, which it plans to file in March, 2018, resulting in Commission-set rates for 2019-2021.

C. Regulatory Asset Treatment for Residential and Small Business Rebates

The Residential and Small Business Charger Installation Rebate Programs involve Liberty CalPeco providing a rebate to customer participants for purchasing and installing charging station equipment that the customer participant will own, maintain, and operate. Liberty CalPeco's cost for the charging station is the rebate that Liberty CalPeco will provide to the customer participant. Liberty CalPeco proposes to amortize these costs as a regulatory asset over the expected ten-year life of the charging station. Although Liberty CalPeco will not own the assets, the rebates will constitute a significant portion of the cost of the charging station. The program requires the charging stations to remain in place and in working order for at least ten years to ensure the associated benefits accrue to customers. Because Liberty CalPeco's investment in the charging stations is necessary for the entire new infrastructure to function, that investment should be recoverable from customers over time, as the benefits of the entire new investment accrue. It would be appropriate, and consistent with cost-of-service ratemaking principles, to allocate this cost over the estimated life of the charging station. Thus, customers benefitting from the service of the charging station will be allocated a portion of the cost.

Liberty CalPeco's proposed treatment has the added benefit of spreading out the cost of the charging stations over a longer period, rather than providing for full recovery as an expense in the year incurred. The regulatory asset treatment is also consistent with Commission precedent. In D.14-03-021, the Commission concluded that costs for infrastructure not owned by the utility can be treated as a regulatory asset, included in rate base, and recovered through amortization.⁶ This

^{6/} See D.14-03-021, at 77, Ordering Paragraph 8 (Costs for "beyond the meter" component of mobile home park conversions, which relate to infrastructure not owned by the utility).

regulatory asset treatment is consistent with the Commission's invitation to propose utility incentives to invest in TE.⁷

⁷/ ACR, at 31.