

# Letter: Liberty explains rate increase process

To the community,

I am writing to address inaccurate information about Liberty Utilities' current and authorized rates – effective over a year ago – and recently cited by an opponent of Liberty's proposed 625/650 Electric Lines Upgrade Project.

While some of the information cited is in California Public Utilities Commission documents as claimed, it is misleading when not presented in its entirety. A typical rate case request contains dozens of different components that comprise the rate, and the CPUC takes all those components into consideration when making a decision. Simply using only selected components of a rate case and calculating an increase on that component alone is a misrepresentation of the true overall impact of a rate case decision.

Liberty's latest rate case filed in 2012 took effect in January 2013 and resulted in about an overall 4 percent average rate increase. The letter's author is correct in citing this part of the CPUC documents, but his remaining information is flawed.

To understand why these statements are inaccurate, one needs to know what comprises a utility's overall rate. For Liberty Utility customers, 88.7 percent of their average rate is simply a pass through for costs incurred by the utility to provide service to customers. Liberty recovers dollar for dollar with no profit. And, 50 percent of that is for energy costs alone. Again, with no profit. The balance, or 11.3 percent, is actually the CPUC-allowed return to the stockholders to compensate them for their investment.

Knowing what makes up the average rate helps to understand

that simply looking at one of the rate's component's increase or decrease is an inappropriate and inaccurate way to present overall rate information,. The CPUC reviewed Liberty's rate case request in 2012 through an extensive audit and public hearing process, and looked at all the data presented for each of the rate's components. As is standard in the utility industry, any decrease in the energy costs (or increase) is to be offset (or added) to the base rate to arrive at the average overall rate.

In reference to the future rate impact of the proposed 625/650 Line Upgrade project, as a rule of thumb, Liberty customers can generally expect to see an increase of about 2 percent for every \$10 million allowed in rate recovery.

As a regulated utility, Liberty Utilities will continue to have all proposed cost recovery reviewed by the CPUC's extensive audit and public hearing process for appropriateness.

**Ken Wittman, manager of Rates & Regulatory Affairs Liberty Utilities**