Letter: Questioning Liberty Utilities rate increase

Publisher's note: ***These comments were delivered to the CPUC last week in Kings Beach by North Shore resident Ellie Waller regarding the proposed Liberty Utilities rate hike and are republished with permission.***

Many of you may not know that Liberty Utilities is owned by parent company Algonquin, a Canadian based Company. **Algonquin Power & Utilities Corp.** is a $4.5 billion North American diversified generation, transmission and distribution utility.

Algonquin Power Income Fund was established in September 1997 and first listed its trust units on the Toronto Stock Exchange on Dec. 23, 1997. [1] Having raised nearly $75 million, Algonquin used $27.5 million to purchase 14 hydroelectric generation facilities located in Ontario, Québec, New York and New Hampshire.

From Liberty Utility webpage: The last time Liberty filed a general rate increase was in 2013 which resulted in an overall 4.97 percent increase in rates effective Jan. 1, 2013. This increase request is for 17.34 percent effective Jan. 1, 2016.

There is no specific information in Liberty Utilities (LU's) application about how much of the increase is for the 650 line upgrade. The public is being shut out of the details. Can you provide a breakdown? The 625 and 650 line upgrade project is seeking $50 million for the entire upgrade project translating into base rate increase of about $9 million per year with limited approval of Phase 1 at about $18 million and the requirement of a new network study to set the trigger points for Phases 2 and 3 due to numerous deficiencies in the technical studies. The big cost of the upgrade project is still ahead and very little of this increase is the upgrade project portion of Phase 1. Phases 2 and 3 have not been done yet.

Whatever the number it is small compared to the other base rate items.

The money attributed to capital improvements should be detailed for the specific improvements and criteria provided for: depreciation, taxes, insurance, and other costs related to the system’s capital improvements.

What is a fair capital cost? NV Energy just lowered rates in neighboring Reno by 5 percent.

Liberty Utilities (LU) has been aggressively raising rates since they purchased the system from Sierra Pacific Power in 2011. At the time of purchase, to get approval from the CPUC, LU insisted that its small size (lack of economy of scale compared to Sierra Pacific Power) would not cause rates to rise beyond what SPP would have done. The opposite has happened. The current increase of $13 million-plus per year would boost the base rate to over $50 million, not counting the cost of power which is just passed through to customers. The deception of the first increase in 2012 was due to LU keeping the money from the lower cost of wholesale power, which made the net increase to the customer seem small. The reality was a 47 percent increase in their base rates. Now LU wants to add $13 million to the $38.5 million.

On website under social responsibility header: **Corporate Responsibility** is about increasing stakeholder value and financial performance. We are responsible to the communities where we operate, where we can create a more lasting, sustainable prosperity for all.

Our distribution business takes a local, responsive, and caring approach in every utility service territory. This continues to be a key differentiator and competitive advantage for the company. Our customers’ issues are our issues—our frontline people live them every day.

All customer classes will get hit hard with the increases because these rate increases are much higher than the level of general inflation. LU is aggressively inflating rates, effectively doubling their base rates over five years from $26 million to over $50 million. How does this help support sustainability for the businesses in Lake Tahoe?

I’d like to better understand the difference between small, medium and large commercial. What category do ski resorts fall under versus a locally run restaurant?

LU has separated out vegetation expense from the cost per kwh. SPP had incorporated Vegetation into the kwh cost, and LU pulled them out. The CPUC approved an increase in Vegetation Management expense from about $ 1 million to $2.5 million per year beginning in 2012. This was to pay for deferred maintenance over three years and then be reduced. No reduction is being proposed, and LU appears to never lower rates for anything. The medium commercial rate is increased by 56 percent.

We received the Notice of Public Participation Hearing in our recent bills there is a lack of specificity and general information for the public to comment on.

Criteria for what is included in the distribution infrastructure, customer service satisfaction, safety and reliability that is not part of what most of the public understands to be the CalPeco. Upgrade project must be provided to the public for transparency.

Provide us detailed criteria why Sierra Pacific included vegetation in kwh while Liberty submits as a separate cost. Also provide us info on what the Catastrophic Emergency Memorandum Account is, as well as the Solar Incentive Program as related to the Lake Tahoe residential and commercial ratepayers. And also provide detailed criteria for the 332 percent increase for irrigation

We have researched Liberty Utilities and increases like what is proposed is part of their corporate culture, i.e. to raise money in the stock market to buy projects and then exploit those projects to maximize their stockholders' returns. The rationale is ultimately what is good or necessary for their stockholders to maximize and secure their gains regardless of the consequences to the ratepayer. This rationale is made explicitly over nearly 100 pages of testimony by Dr. Morin justifying their request for a 10.5 percent. Return on equity. Their two most significant reasons for this were 1) the system is small and therefore demands a premium return, and 2) LU has a capital budget that calls for spending $100 million over the next five years.

The point of this context is that LU appears to be using their monopoly license as a tool for generating profits at the expense of the relatively few (49,000) ratepayers.

When we were over 2 million customers with previous owners the smaller increases over many years was easier to swallow.

The PUC should not have approved the purchase of such a small ratepayer base and I oppose this ridiculously high increase and request that the rate case be studied further before approved to identify the details and criteria other than ROE. A poor investment by a multi-billion dollar company should not be the responsibility of the ratepayers. We the little ratepayers do not owe the investors a 10.5 percent return.

I am also submitting a comment letter that was provided to the Office of ratepayer advocates in May 2015. Unfortunately the ORA is underfunded and understaffed to deal effectively with our very small Liberty Utilities cases like this one.