

Letter: Trying to understand Liberty Utilities

Publisher's note: *The following letter is from the North Tahoe Citizens Action Alliance to the California Public Utilities Commission. It is published with permission.*

Dear Commissioner [Carla] Peterman,

We welcome you to your new assignment to preside over the administration of the decision. As citizens and ratepayers we understand the Commission is our ally for affordable and fair costs of any regulated utility monopoly. NTCAA intervened on behalf of residential and small commercial ratepayers and the Office of Ratepayer Advocates was not able (due to limited staff and funding) to intervene. As a group of ratepayers in a very small electric utility service area we could only hire a technical consultant. We are not presenting our side moderated by attorneys or their paid consultants contriving evidence to suit a particular argument for their client. Our concern has always been the technical realities; i.e. the scientific and economic facts used as the basis and rationale for the proposed expenditure.

Due to the most recent submission of Advice Letter filings we noticed how Liberty Utilities insists repeatedly that the 89MW peak load has validity per the decision. NTCAA finds this position a consistent and predictable pattern due to their zeal for the Phases 2 & 3 despite the lack of technical support. The numbers used in the Decision (e.g., 89MW for Phase 2) were derived from discredited technical data – the model inputs were flawed and constantly manipulated with every iteration of their studies (four iterations to date). The most recent iteration completely excludes the essential diesel power plant (recently upgraded), so that LU's consultant could try to show support for the 89MW number.

We do not understand why the completely discredited number was mentioned in the decision other than as a tentative example of triggers from prior technical studies. If the triggers were valid in the eyes of the presiding ALJ and the commissioner then there would have been no reason for the decision to explicitly condemn the studies for fatal flaws incapable of technical support and have specific language calling for a new network study.

But Liberty Utilities continues to spend ratepayer funds repeating the 89MW trigger as if it has any technical support. The decision calls for a new load study to establish technically supported triggers for Phase 2, and even more importantly for Phase 3 which is the most controversial power line expansion through the Lake Tahoe Basin. These two phases are a \$50 million investment for Liberty shareholders at with a return paid for by 46,000 ratepayers of about \$10 million per year.

Why is Liberty Utilities pushing so hard for the 89MW number? We can see a few reasons.

1) They are getting a very substantial return on rate base net of depreciation, taxes, insurance, and increased maintenance. So whether LU spends \$5 million or \$ 50 million is the same generous level of return on cash spent. Unchecked this can lead to "Cadillac" upgrades that only benefit investment groups.

2) They are completing the transmission network upgrade as envisioned and designed by NVEnergy (Sierra Pacific Power Company) in 1996. But the fact that NVEnergy retained assets that will significantly benefit from this regional upgrade does not matter for LU because they get the financial return anyway. Whether this obligation for LU to complete NVEnergy's Application from 2010 was a part of the sale we do not know. But LU's legal team has always been pushing it hard from the beginning as if there was some other motive behind being the

surrogate for NV Energy.

LU attorneys have submitted two Advice Letters (both pending) trying to push, or more precisely lobby, the Energy Division into granting Phases 2 and 3. The Energy Division is apparently working to implement the Decision as written to conduct a new network study using valid, technically supported, and consistent assumptions including the diesel power plant.

3) Once they have latched on to a number, especially a number from NV Energy, the legal strategy seems to be just dig in and repeat it over and over again, hoping people will eventually believe it. NTCAA is asking that you and the new ALJ Robert Haga, and any staff involved in the proceeding do not submit to this pressure by LU attorneys and their biased consultants. In LU's Advice letter filings the 89MW is mentioned several times referencing the Decision, but as usual it is taken out of context without any mention of the numerous references that the technical studies are flawed so deeply that number is unsupported, and therefore this led to the Decision's explicit language for a new network study to determine trigger points for Phase 2 and 3. The fabrication of a minor equipment failure as reason to approve Phase 2 is simply further evidence of LU advocacy on behalf of NV Energy.

NTCAA believes that LU is pushing a project originally conceived in NV Energy's 1996 study (under the name Sierra Pacific Power Company) was called the North Tahoe Capacity Plan covering the entire region (including Nevada's Incline Village and the Truckee Donner PUD) because SPP (NV Energy) owned all the substations in that region. Then SPP sold a slice of their system (just the California customers) and a few substations while retaining the key substations, some distribution lines, and half of the diesel generator output. A map of current system ownership is an attachment to NTCAA's Motion to Compel in the record.

The 1996 design was to accommodate growth that never happened. In fact, the loop that is to be upgraded experienced peak loads of about 61MW in 1996 and about 61MW in 2015. There was no net load growth because of technical efficiencies and restrictive growth controls in the Lake Tahoe Basin.

The key to understanding this issue is that the loop upgrade was SPP's 1996 plan to accomplish two system benefits: First, is to enhance the existing backup source for Incline Village since the Kings Beach substation currently feeds the Knotty substation in Incline Village, Nevada, and second, is to move the current loop source from the Truckee Substation (60kV) to the North Truckee substation (120kV). Under the 1996 Plan SPP was prepared to spend \$15,000,000 to make the same improvements on behalf of the regional system. But today it is LU customers only that would pay for the system's improvements.

The Truckee 60kV substation is being pushed to capacity by steady new net loads in Truckee. If NV Energy moves the source of the 61MW loop to its North Truckee 120kV substation, then they can increase revenues by serving continued load growth in Truckee. The regional improvements benefit NV Energy's substations in Truckee and Incline Village. With 120kV lines serving an upgraded Kings Beach substation which include additional 14.4kV feeder capabilities to NV Energy customers in Incline Village, their backup needs are paid for.

And of course this planning (1996) was all before the sale to LU of its California customer base. Now LU is pushing the same regional upgrades with huge benefits to what are now NV Energy assets on the backs of a narrow and very small LU customer base. This is unjustified from the LU ratepayers' perspective as the costs are not correlated to the beneficiaries, and at best are not proportional. NV Energy should be paying for at least half of the Kings Beach substation upgrade portion (\$ 9 million) and all the cost of moving the source line to the North Truckee substation (\$6 million). Instead, LU is using

their attorneys and biased consultants to suppress information, manipulate the technical studies, and divert the arguments to procedural issues.

NTCAA urges you to allow the Energy Division to continue its work in implementing the Decision without falling victim to carefully crafted legal jargon that is a smokescreen for the technical realities on the ground.

Sincerely,

David McClure, president NTCAA