



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

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Application of Liberty Utilities (CalPeco Electric)  
LLC (U 933-E) for Authority to Recover Costs  
Related to the 2020 Mountain View Fire  
Recorded in the Wildfire Expense Memorandum  
Account

Application 25-06-

**APPLICATION OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933-E)  
FOR AUTHORITY TO RECOVER COSTS RELATED TO THE 2020 MOUNTAIN  
VIEW FIRE RECORDED IN THE WILDFIRE EXPENSE MEMORANDUM ACCOUNT**

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AUTHORITY TO RECOVER COSTS RELATED TO THE 2020 MOUNTAIN VIEW  
FIRE RECORDED IN THE WILDFIRE EXPENSE MEMORANDUM ACCOUNT**

Pursuant to sections 451.1 and 1701.8 of the California Public Utilities Code, the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), and Decision (D.) 20-11-034, Liberty Utilities (CalPeco Electric) LLC (“Liberty”) hereby files an application (the “Application”) for authority to recover in rates costs related to the 2020 Mountain View Fire that have been recorded in Liberty’s Wildfire Expense Memorandum Account (“WEMA”). Specifically, Liberty seeks to recover approximately \$78.2 million in costs to resolve third-party claims arising from the Mountain View Fire, which ignited on November 17, 2020, as well as associated legal and financing costs (collectively, the “WEMA costs”). As of May 31, 2025, Liberty has incurred a total of approximately \$179.7 million in costs to defend and resolve third-party claims; the majority of these costs were covered by insurance recoveries of approximately \$116 million, covering roughly 64% of that total. Liberty seeks authorization to recover its uninsured costs, as well as its incurred and ongoing financing costs.

The Mountain View Fire is a “covered wildfire” subject to the framework established through Assembly Bill 1054 (“AB 1054”). Therefore, recovery of Liberty’s WEMA costs is

governed by California Public Utilities Code<sup>1</sup> section 451.1, which states that the Commission “shall allow cost recovery if the costs and expenses are just and reasonable.”<sup>2</sup> The statute provides for recovery of costs and expenses where a utility shows that its conduct related to the ignition “was consistent with actions that a reasonable utility would have undertaken in good faith under similar circumstances, at the relevant point in time, and based on the information available to the electrical corporation at the relevant point in time.”<sup>3</sup> Reasonable conduct “is not limited to the optimum practice, method, or act to the exclusion of others, but rather encompasses a spectrum of possible practices, methods, or acts consistent with utility system needs, the interest of the ratepayers, and the requirements of governmental agencies of competent jurisdiction.”<sup>4</sup> In applying this standard, the Commission may allocate “cost recovery in full or in part taking into account factors both within and beyond the utility’s control that may have exacerbated the costs and expenses, including humidity, temperature, and winds.”<sup>5</sup>

Recovery of Liberty’s WEMA costs arising from the Mountain View Fire is warranted under Section 451.1. Through this Application and supporting testimony, Liberty demonstrates that its conduct relating to the Mountain View Fire was “consistent with the actions that a reasonable utility would have undertaken in good faith under similar circumstances, at the relevant point in time, and based on the information available to” Liberty at that time.<sup>6</sup> This Application also shows that the resulting damages were exacerbated by various factors outside Liberty’s control, including extreme winds that drove the fire’s progression and climate change. The Application shows that Liberty’s WEMA costs were reasonably incurred and that recovery of the costs arising from the Mountain View Fire is in the public interest.

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<sup>1</sup> All statutory references are to the Public Utilities Code unless otherwise noted.

<sup>2</sup> Cal. Pub. Util. Code § 451.1(b).

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

As the first catastrophic wildfire proceeding subject to AB 1054, granting recovery of Liberty's reasonably incurred WEMA costs would support investor confidence in California's constructive regulatory framework and further the interest of Liberty's customers, the general public, and the State. A decision authorizing recovery of Liberty's prudent WEMA costs would build on the Commission's decision approving the settlement of A.23-08-013 regarding cost recovery related to the 2017 Thomas Fire and send a positive signal to investors regarding the fairness and predictability of California's cost recovery framework. Because the WEMA costs at issue in this Application are significant for Liberty given its small size relative to the State's other investor-owned utilities, a decision granting recovery will support Liberty's overall financial health and ability to continue accessing low-cost capital to fund necessary capital investments in its system to the ultimate benefit of both customers and the State.

Recovery of Liberty's reasonably incurred costs also is consistent with California's application of the inverse condemnation doctrine, which holds utilities liable for property damage resulting from a fire determined to be caused by utility facilities, regardless of fault. This doctrine is based on the theory that such costs should be spread across society, such as through utility rates. Finally, Liberty's cost recovery proposal supports customer affordability by recovering the WEMA costs over a three-year period, rather than 12 months, reducing the monthly bill impact on customers while balancing the overall cost to customers.

## **I.**

### **PROCEDURAL BACKGROUND**

#### **A. Establishment of the WEMA**

On August 13, 2020, Liberty filed an application requesting authorization to establish the WEMA to record incremental unreimbursed liability-related costs resulting from wildfires.<sup>7</sup> In Decision (D.) 20-11-034, the Commission approved Liberty's application for a WEMA, effective

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<sup>7</sup> See A.20-08-009.

August 13, 2020, concluding that the application “align[ed] with prior authorizations granted to other utilities for tracking similar wildfire liability-related costs.”<sup>8</sup>

The WEMA is set forth in Liberty’s Preliminary Statement Part O, which provides that the purpose of the WEMA is to “track all amounts paid by Liberty Utilities (CalPeco Electric) LLC (‘Liberty CalPeco’) that are related to or are the result of a wildfire, and that were not previously authorized in Liberty CalPeco’s General Rate Case (‘GRC’).”<sup>9</sup> These costs include: “a) Payments to satisfy wildfire claims, including any deductibles, coinsurance, and other insurance expense paid by Liberty CalPeco; b) Outside legal expenses incurred in the defense of wildfire claims; c) Payments made for wildfire insurance and related risk-transfer mechanisms; [and] d) The cost of financing these amounts.”<sup>10</sup>

In approving the WEMA, the Commission directed that “[t]he recovery of costs recorded in the WEMA should be addressed in separate rate recovery proceedings.”<sup>11</sup>

## II.

### **LEGAL STANDARD**

The Mountain View Fire is a “covered wildfire” subject to the cost recovery framework California enacted in 2019 in AB 1054 because it ignited after July 12, 2019. This Application is the first cost recovery proceeding under AB 1054’s regulatory framework. Review of this application is governed by Section 451.1. At the time of the fire, Liberty had and was executing an approved Wildfire Mitigation Plan (“WMP”), but had not requested a safety certification and does not invoke the presumption of prudence established by AB 1054.

Section 451.1(b) states that “[w]hen determining an application by an electrical corporation to recover costs and expenses arising from a covered wildfire, the commission shall

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<sup>8</sup> D.20-11-034 at 5.

<sup>9</sup> Liberty’s Preliminary Statement Part O.1, Advice 159-E.

<sup>10</sup> *Id.*

<sup>11</sup> D.20-11-034, Conclusion of Law 4.

allow cost recovery if the costs and expenses are just and reasonable.”<sup>12</sup> This reasonableness standard considers whether “the conduct of the electrical corporation related to the ignition was consistent with actions that a reasonable utility would have undertaken in good faith under similar circumstances, at the relevant point in time, and based on the information available to the electrical corporation at the relevant point in time.”<sup>13</sup> The provision affirms that reasonable conduct “is not limited to the optimum practice, method, or act to the exclusion of others, but rather encompasses a spectrum of possible practices, methods, or acts consistent with utility system needs, the interest of the ratepayers, and the requirements of governmental agencies of competent jurisdiction.”<sup>14</sup> Under Section 451.1(c), Liberty “bears the burden to demonstrate, based on a preponderance of the evidence, that its conduct was reasonable.”<sup>15</sup>

When applying Section 451.1(b)’s prudence standard, the Commission should assess Liberty’s ignition-related conduct based on the reasonableness of the utility’s overall policies, systems, and practice. The statute’s reference to the *utility*’s conduct implies a corporate-level evaluation of whether actions taken by the utility’s management as a whole demonstrate reasonable judgment based on information available at the time of the fire. Moreover, AB 1054 also amended Section 8386 to require each electrical corporation to submit a wildfire mitigation plan for review and approval. The statutory requirements for these plans focus on corporate-level policies and programs that account for and minimize wildfire risk, rather than the actions of individual employees, further suggesting that a utility’s reasonableness should be determined based on the utility’s overall policies, systems, and practices. Indeed, the Commission’s pre-AB 1054 precedent also underscores that the soundness of a utility’s decisions should be evaluated under the prudent manager standard. The Commission has said that the reasonableness of a utility’s decisions will turn on whether “its *managers* considered a range of possible options in

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<sup>12</sup> Cal. Pub. Util. Code § 451.1(b).

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*, § 451.1(c).



light of the information that was or should have been available to them, and that its *managers* decided on a course of action that fell within the bounds of reasonableness, even if it turns out not to have led to the best possible outcome.”<sup>16</sup>

AB 1054’s language also makes clear that even where the Commission finds some imprudence by a utility, such a finding must be “related to the ignition” in order for the Commission to disallow recovery of any costs.<sup>17</sup> In other words, there must be a causal nexus between a utility’s imprudence and any costs disallowed, and when a utility exercises reasonable judgment and nevertheless could not avoid the costs at issue, the prudence standard supports recovery of those costs. AB 1054 also affirms that the Commission may allow cost recovery in full or in part taking into account factors both within and beyond the utility’s control that may have exacerbated the costs at issue.<sup>18</sup> Therefore, it is important that the Commission consider relevant external factors outside of a utility’s control, such as climate change, humidity, temperature, winds, drought, and others, before disallowing costs in a catastrophic wildfire cost recovery proceeding.

Pursuant to Section 1708.1(b)(1), a utility may file a catastrophic wildfire proceeding “at any time after it has paid, or entered into binding commitments to pay, all or, if authorized by the commission for good cause, substantially all third-party damage claims.”<sup>19</sup> As described in more detail in Liberty-05: Litigation and Claims Resolution, Liberty has resolved all but three filed claims related to the Mountain View Fire and only a few additional potential claims remain unresolved. This Application and the supporting testimony show good cause to proceed at this time given the ongoing financing costs associated with the WEMA costs and the significance of cost recovery to Liberty’s financial health.<sup>20</sup>

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<sup>16</sup> D.89-02-074 at 9 (emphasis added); D.02-08-064 at 6 (citation omitted); D.05-08-037 at 11 (citation omitted); D.09-07-021 at 64-65 (citation omitted).

<sup>17</sup> Cal. Pub. Util. Code § 451.1(b).

<sup>18</sup> *Id.*

<sup>19</sup> Cal. Pub. Util. Code § 1701.8(b)(1)(A).

<sup>20</sup> See, e.g., Liberty-01: Policy; Liberty-06: Legal and Financing Costs.

### **III.**

#### **OVERVIEW OF LIBERTY'S WEMA REQUEST**

##### **A. The Mountain View Fire**

The Mountain View Fire was first reported shortly before noon on November 17, 2020, in a field alongside Highway 395 between the Mountain View Barbeque and the Andruss Motel, near the town of Walker, California. High winds that increased substantially in the hours after ignition caused the fire to spread rapidly. According to the investigation report prepared by the California Department of Forestry and Fire Protection ("Cal Fire") (referred to herein as the "fire agency report"), the fire ultimately consumed more than 20,000 acres, damaged nearly 100 structures, and resulted in one civilian fatality.

Cal Fire conducted an investigation into the origin and cause of the Mountain View Fire, and its findings are set forth in the fire agency report. Cal Fire's investigator concluded that, although there were other possible causes of the fire, given it ignited so close to Highway 395, the "most probable" cause of the fire was an energized power line contacting the ground and igniting grassy fuels. The Commission's Safety and Enforcement Division also investigated the Mountain View Fire, and no investigation report or alleged violations were issued.

In connection with litigation resulting from the Mountain View Fire, Liberty engaged an experienced wildland fire origin and cause expert, who opined that Cal Fire's investigation was not sufficiently thorough and did not meaningfully address conflicting witness statements. The expert also noted that evidence gathering and analysis was hampered by rainfall in the area, which began early the next day following the ignition and before investigators arrived on scene (though the precipitation did aid fire suppression efforts). Despite the investigation's limitations and shortcomings, Liberty acknowledges that there is evidence consistent with the possibility that its electrical facilities caused the Mountain View Fire. This includes an eyewitness report of sparks from electric facilities at a Liberty distribution pole and fire ignition near the pole's base, discovery of Liberty's conductors separated and on the ground after the fire's ignition, and

evidence of conductor damage consistent with phase-to-phase contact. Neither the fire agency investigation nor Liberty's own investigation identified significant evidence showing an alternate cause of the Mountain View Fire.

**B. Liberty Prudently Managed Its System in Relation to the Mountain View Fire**

In the years prior to the Mountain View Fire and on the day of the ignition, Liberty's actions and practices were consistent with those "that a reasonable utility would have undertaken in good faith under similar circumstances, at the relevant point in time, and based on the information available" at that time.<sup>21</sup> As noted, the possibility that electrical facilities caused the fire cannot be ruled out. Assuming Liberty's facilities were the cause of ignition, the evidence clearly shows that the ignition was not caused by any imprudent act by Liberty.

Liberty took steps to mitigate wildfire risk in the years prior to the Mountain View Fire. Liberty proactively developed its first Fire Prevention Plan in 2012, and later built upon and expanded its wildfire mitigation efforts in its 2019 Wildfire Mitigation Plan and subsequent revisions. This included additional investments in hardening its system, deploying Cal Fire-exempt equipment, and expanding situational awareness—from installing weather stations across its service area and developing fire risk modeling capabilities to increasing deployment of monitoring sensors and upgrading devices across the system. Liberty also implemented operational wildfire mitigation measures, adopting a PSPS protocol as a mitigation of last resort and expanding its emergency response capabilities. Liberty also had a practice of disabling automatic reclosing during fire season, called "fire mode" or "non-reclose" settings. Thus, Liberty developed and implemented programs and policies to respond to the changes in wildfire risk seen across the State and to mitigate the risk of wildfires posed by its equipment, calibrated to the specifics of Liberty's service area.

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<sup>21</sup> Cal. Pub. Util. Code § 451.1(b).

More broadly, Liberty prudently designed and constructed, inspected and maintained, and operated its system. Liberty's programs conformed to regulatory requirements and were consistent with industry practice. Just six months before the fire, Liberty performed an asset survey that included detailed inspections of the Specific Facilities adjacent to the fire origin area, and no safety hazards were identified. The configuration of these facilities increased conductor spacing by placing the center phase conductor on top of the pole, rather than on one side of the cross-arm. Liberty also had robust vegetation management programs in place to reduce the risk of fire from vegetation contact with electrical facilities and was appropriately executing those programs, including with respect to the Specific Facilities.

**C. External Factors Exacerbated the Damage Caused by the Mountain View Fire**

Several external factors beyond Liberty's control contributed to the fire's rapid spread and destructiveness, thereby exacerbating the damages that resulted from the Mountain View Fire. These external factors included climate change, strong winds, low humidity, and dry fuels. In California, climatological trends like global warming, long-term drying, and more variable precipitation extremes have contributed to fuel build up, increasing the frequency of critical fire weather days and extending the traditional fire season into windier months. Large fires occurring in November used to be rare in California, and unheard of east of the Sierra Nevada mountains until the day that the Mountain View Fire ignited. Although the first significant snowfall in the Tahoe Basin approximately 10 days before the fire marked the end of fire season, weather conditions at the time of and immediately following the ignition ultimately proved worse than forecast. Indeed, the combination of low humidity and high winds observed on that day would rank in the 99.99th percentile of all days in Walker dating back to 1979. Weather station data and other evidence from the origin area show that the fire was primarily driven by high winds, which increased substantially a short time after ignition, with gusts peaking at over 85 mph. By the time winds began to subside and precipitation fell in the early morning hours of November 18, virtually all damage resulting from the fire had already occurred. Indeed, fire

progression modeling shows that the Mountain View Fire would not have spread as rapidly or widely under lower wind conditions, with an estimated \$82.8 million in fire damages avoided or significantly reduced.

**D. Liberty Reasonably Defended Against and Resolved Third-Party Claims Resulting from the Events**

After the Mountain View Fire, around 340 individual plaintiffs, 40 subrogation plaintiffs, and five public entities brought claims against Liberty.<sup>22</sup> The civil lawsuits filed against Liberty sought compensation for damages caused by the fire, alleging claims based on inverse condemnation, negligence, and other statutory and common law tort theories, and one individual plaintiff case involved a wrongful death claim. The inverse condemnation doctrine, which holds investor-owned utilities like Liberty liable for property damage absent any showing of fault, along with the risks inherent in litigating dozens of trial, led Liberty to enter reasonable settlements with all subrogation plaintiffs and the vast majority of public entity plaintiffs and individual plaintiffs. These reasonable settlements were reached with several individual plaintiff groups through party-led negotiations or negotiations overseen by experienced mediators. These settlements also allowed Liberty to avoid the risks, uncertainties, and expense of trial and to expedite the resolution of the claims. Liberty resolved these claims for a total of approximately \$175 million, significantly less than the amounts that plaintiffs had demanded.

Liberty's approach and strategy to resolving claims brought against it after the Mountain View Fire was influenced by the doctrine of inverse condemnation. California courts have applied this doctrine to hold investor-owned utilities strictly liable for property damage resulting from a fire caused by utility facilities. This doctrine holds a utility liable "whether or not the damage was foreseeable, and even if there was no fault or negligence by the [utility]."<sup>23</sup>

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<sup>22</sup> Two other public entities—the United States Department of Agriculture and Bureau of Land Management—brought potential claims against Liberty, but have not filed civil lawsuits.

<sup>23</sup> D.18-07-025 at 23.

Although Liberty contended during litigation that plaintiffs could not carry their burden of proof on the issue of causation, that question was strongly disputed and would ultimately have been decided by a judge. And if found liable for inverse condemnation, Liberty would not only have faced claims for property damage, but also attorneys' fees, expert costs, and prejudgment interest. The prospect of liability on inverse condemnation prompted Liberty to enter reasonable settlements before plaintiffs' claims went to trial.

The inverse condemnation doctrine in California is designed to "distribute throughout the community the losses resulting from the public improvement."<sup>24</sup> Historically, this doctrine ensured that individuals who suffered losses resulting from government actions were duly compensated for those losses, as the government was uniquely positioned to spread those losses among the community. When California courts have applied the inverse condemnation doctrine against investor-owned public utilities like Liberty, the application is based on the assumption that the costs associated with inverse condemnation claims can be recovered in rates and thereby spread among the utility's customer base, who benefit from the utility's service.<sup>25</sup> The Commission should consider the cost-spreading rationale inverse condemnation doctrine in evaluating Liberty's request and applying Section 451.1 here.

**E. Liberty Reasonably Financed the WEMA Costs Related to the Mountain View Fire**

Liberty has reasonably financed and continues to reasonably finance the WEMA costs subject to this Application, pending the Commission's resolution of Liberty's request. Liberty's financing costs were necessary to bridge the period between when Liberty began incurring costs related to the Mountain View Fire and when it could file its cost recovery application. The

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<sup>24</sup> *City of Oroville v. Super. Ct.*, 7 Cal.5th 1091, 1103 (2019).

<sup>25</sup> *Pac. Bell v. S. Cal. Edison*, 208 Cal. App. 4th 1400, 1407 (2012) ("Edison argues that this loss-spreading rationale does not apply because as a public utility it does not have taxing authority and may raise rates only with the approval of California's Public Utilities Commission. We note that in this case the judgment was for \$123,841.95 and that Edison has not pointed to any evidence to support its implication that the commission would not allow Edison adjustments to pass on damages liability during its periodic reviews.").

primary source of financing was a short-term intercompany revolving loan from Liberty's parent company, Liberty Utilities Co., the terms of which were favorable and reasonable considering Liberty's credit profile. Liberty anticipates establishing a long-term debt facility for continued, low-cost financing of its WEMA costs during the pendency of this Application and until authorized WEMA costs can be fully recovered from customers.

#### IV.

#### **PUBLIC POLICY SUPPORTING RECOVERY**

Granting Liberty's Application for recovery of costs reasonably incurred and recorded in its WEMA account as a result of the Mountain View Fire furthers the interest of Liberty, its customers, and the State. Electric utilities like Liberty, their customers, and indeed the State as a whole benefit from a durable, reasonable, and predictable regulatory environment that facilitates recovery of catastrophic wildfire costs where utilities can demonstrate that they managed their systems prudently. As this is the first cost recovery proceeding under AB 1054, the Commission's decision on this Application will be especially important for investor confidence in California's regulatory framework and, more broadly, the public interest.

A public utility's ability to recover costs prudently incurred through the provision of public utility services is the keystone of rating agencies' evaluation of the regulatory environment and business risk for a utility and of investors' decision to invest capital in a utility and on what terms. Access to capital on reasonable terms is critical to the utility industry because of the capital-intensive nature of the business. As the Legislature recognized in enacting AB 1054, utilities "need capital to fund ongoing operations and make new investments to promote safety, reliability, and California's clean energy mandates and ratepayers benefit from low utility capital costs in the form of reduced rates."<sup>26</sup> The Commission has recognized that

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<sup>26</sup> AB 1054, Sec. 1(a)(4); *see also id.*, Sec. 1(a)(2) ("With increased risk of catastrophic wildfires, the electrical corporations' exposure to financial liability resulting from wildfires that were caused by utility equipment has created increased costs to ratepayers.").

credit rating downgrades increase a utility's cost of debt, which, in turn, increases a utility's cost of capital and rates charged to customers.<sup>27</sup> When the Commission approved a settlement agreement providing for recovery of costs associated with the 2017 Thomas Fire for Southern California Edison, it reiterated that “[a]ccess to low-cost capital is essential for making the necessary investments to enhance safety and to achieve the State’s ambitious clean energy goals, to the ultimate benefit of customers, the public, and the State.”<sup>28</sup>

Against this backdrop, Liberty’s ability to fund critical and substantial capital investments in its electrical system, including critical wildfire mitigation measures and other safety and reliability investments, depends on its ability to access capital at reasonable rates, which, in turn, depends on its ability to recover costs reasonably incurred as a result of the Mountain View Fire. As reflected in its Test Year 2025 General Rate Case, Liberty expected to make capital investments totaling over \$300 million during the 2024-2027 period, including approximately \$230 million to support safety and reliability for Liberty’s customers, employees, and the public. Since the Mountain View Fire, Liberty has carried the WEMA costs associated with that fire, which has strained its credit metrics. The debt to reasonably finance Liberty’s WEMA costs has reduced Liberty’s CFO/Debt ratio—a key credit metric that reflects the ratio of a utility’s cash flow from operations to total debt.

Resolution of Liberty’s cost recovery request here will have a significant impact on Liberty’s future financial condition. A decision authorizing recovery of Liberty’s WEMA costs would build on the Commission’s decision in A.23-08-013 regarding the 2017 Thomas Fire and send a positive signal regarding the fairness and predictability of California’s cost recovery framework. Such a decision also would help restore Liberty’s CFO/Debt ratio and support

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<sup>27</sup> See D.01-03-082 at 10-13; D.20-05-053 at 81, 84 (stressing the need for PG&E to “improve its credit rating and maintain access to capital markets” and noting the importance of utility financial health “both for PG&E and its customers”); *see also* D.12-12-030 at 105 (“[D]rastically reducing return on equity harms the ratepayers in the long run by increasing borrowing costs and potentially diminishing the financial health of the utility.”).

<sup>28</sup> D.25-01-042 at 21.



Liberty's overall financial health. This would ensure that Liberty retains the ability to continue accessing low-cost capital to fund necessary capital investments in its system to the ultimate benefit of both Liberty customers and the State.

## V.

### **RELIEF REQUESTED**

Through this Application and the supporting testimony, Liberty requests Commission authorization to recover in rates the costs incurred in connection with the 2020 Mountain View Fire, recorded in Liberty's WEMA. Specifically, Liberty respectfully requests that the Commission issue appropriate orders:

1. Finding just and reasonable and authorizing recovery of approximately \$59.85 million in costs booked and recorded in the WEMA as of May 31, 2025, to resolve third-party claims, net of insurance, including claims payments to individual claimants, subrogated insurers, and public entities.
2. Finding just and reasonable and authorizing recovery of approximately \$4.05 million in costs booked and recorded in the WEMA as of May 31, 2025, to respond to claims, net of insurance, including costs in connection with outside counsel, experts and consultants, and mediators hired to defend, assess, settle, and resolve claims.
3. Finding just and reasonable and authorizing recovery of approximately \$2.84 million in costs incurred as of May 31, 2025, to finance the costs identified in (1) and (2), and actual costs to be incurred to finance those amounts pending the recovery of costs approved in this Application from customers, currently estimated at approximately \$11.48 million in costs.

## VI.

### **SUMMARY OF PREPARED TESTIMONY**

Liberty's prepared testimony in support of this Application comprises seven exhibits, summarized as follows:

*Liberty-01: Policy* provides an overview of the Mountain View Fire and Liberty's request. This testimony discusses the AB 1054 framework and the standard of review. It highlights Liberty's prudent management of its electric system at the time of the Mountain View Fire, the external factors that exacerbated the damages caused by the fire, and the reasonable resolution of third-party claims and financing of those claims. This testimony further explains why cost recovery is in the public interest, including because it would support Liberty's access to cost-effective financing and strengthen investor confidence in the California regulatory environment.

*Liberty-02: Ignition* provides an overview of Liberty's investigation of the origin and cause of the Mountain View Fire, including a summary of Cal Fire's investigation and report, expert testimony that highlights certain shortcomings of Cal Fire's investigation and report, and acknowledgment that the possibility that Liberty's electrical facilities caused the Mountain View Fire cannot be ruled out.

*Liberty-03: Prudence of Operations* describes Liberty's prudent operation and management of its electric system, in accordance with regulatory requirements and good utility practice, and in recognition of the wildfire risk in its service area. This testimony describes the measures Liberty undertook in the years preceding the Mountain View Fire to mitigate wildfire risk across its system, including investing in system hardening initiatives, upgrading equipment, and expanding situational awareness through the installation of weather stations, development of fire risk modeling tools, and implementation of a Public Safety Power Shutoff (PSPS) protocol as a measure of last resort. More broadly, Liberty prudently designed and constructed, inspected and maintained, and operated its electric system pursuant to programs that conformed to regulatory requirements and were consistent with industry practice. Six months before the fire, Liberty performed detailed inspections of the Specific Facilities as part of a comprehensive systemwide asset survey. No safety hazards requiring immediate remediation were identified on the Specific Facilities during this inspection. Liberty also had robust vegetation management programs that reduced the risk of wildfire ignition from vegetation contact with electric facilities.

*Liberty-04: External Factors* addresses the external factors such as climate change and high winds that propelled the Mountain View Fire's rapid spread and exacerbated the damages caused by the fire. This testimony explains how climate change trends have increased wildfire risk in California and highlights how those trends contributed to the worse-than-predicted weather conditions that caused the fire to burn out of control in the critical initial hours after the ignition when most of the damage was done. This testimony also examines weather station data and other evidence showing that the fire was driven primarily by high winds which increased substantially in the hours after ignition and were worse than forecast. Fire progression modeling shows that the Mountain View Fire would not have spread as rapidly or widely under lower wind conditions, with an estimated \$82.8 million in fire damages avoided or significantly reduced.

*Liberty-05: Litigation and Claims Resolution* describes Liberty's prudent litigation defense of, and the reasonable process it undertook to settle, third-party claims brought against it in the aftermath of the Mountain View Fire. Liberty faced significant exposure from nearly two dozen lawsuits brought by individual plaintiffs, subrogation plaintiffs, and public entities. Liberty's risk of liability was amplified by California courts' application of the inverse condemnation doctrine, including the conclusions of the fire agency report and other available evidence. In light of these risks, Liberty resolved these claims for reasonable amounts, through global settlements and group settlements where possible, and with the help of experienced mediators, where appropriate. Liberty's reasonable settlements avoided the risks, delay, and uncertainties associated with taking claims to trial.

*Liberty-06: Legal and Financing Costs* describes the legal costs that Liberty reasonably incurred in connection with its defense against and settlement of lawsuits brought against it as a result of the Mountain View Fire, and the financing costs that Liberty reasonably incurred in connection with the litigation defense and settlement payments. Liberty prudently defended itself by using an experienced and cost-effective team of attorneys and experts. It reasonably relied on the assistance of mediators in some instances to reach settlements that minimized overall litigation costs. Liberty's financing costs were necessary to bridge the period when

Liberty began incurring WEMA costs and resolving the claims, and when it could file its cost recovery application. Liberty initially drew from a short-term intercompany revolving loan from its parent company and anticipates establishing a long-term debt instrument to finance the WEMA costs pending ultimate recovery from customers.

*Liberty-07: Cost Recovery* presents estimated bill impacts of Liberty's cost recovery request if approved by the Commission. Liberty's proposal seeks to recover the incremental costs recorded in WEMA through a surcharge on customer bills over a 36-month amortization period. This chapter also sets forth a proposal for how Liberty intends to seek recovery for expected WEMA-eligible costs after May 31, 2025, related to the Mountain View Fire that have not yet been incurred and to update its estimated financing costs to be incurred once Liberty establishes a long-term debt instrument.

## **VII.**

### **ISSUES IN SCOPE FOR THIS PROCEEDING**

Liberty anticipates the following issues will be in scope for this proceeding:

1. Whether Liberty should be authorized to recover the costs sought in the Application;
2. Whether factors beyond Liberty's control exacerbated the costs and expenses attributable to the Mountain View Fire;
3. Whether Liberty's settlements of legal claims arising from the Mountain View Fire were reasonable;
4. Whether Liberty's legal costs paid in defense of claims arising from the Mountain View Fire were reasonable;
5. Whether Liberty's incurred and estimated future financing costs related to the Mountain Fire are reasonable; and
6. Whether Liberty's cost recovery proposal should be adopted, including its proposal to quantify additional claims and associated costs as part of its rebuttal

testimony and use a Tier 2 advice letter process for claims and associated costs not reviewed and authorized in this Application.

## **VIII.**

### **STATUTORY AND REGULATORY REQUIREMENTS**

#### **A. Statutory and Procedural Authority**

Rule 2.1 of the Commission's Rules of Practice and Procedure requires that all applications: (1) clearly and concisely state authority or relief sought; (2) cite the statutory or other authority under which that relief is sought; and (3) be verified by the applicant. Rules 2.1(a), 2.1(b), and 2.1(c) set forth further requirements that are addressed separately below. The relief being sought is summarized above in Section V and is further described in the testimony as identified in Section VI.

The statutory and other authority under which this relief is being sought includes D.20-11-034, which authorized Liberty to establish the WEMA to track incremental unreimbursed wildfire liability-related costs and seek rate recovery in a separate proceeding. This request complies with Rules 1.5 through 1.11 and 1.13 of the Commission's Rules of Practice and Procedure, which specify the procedures for, among other things, filing documents, as well as Rules 2.1, 2.2, and 3.2.

This Application has been verified by a Liberty officer as provided in Rules 1.11 and 2.1.

#### **B. Legal Name – Rule 2.1(a)**

Pursuant to Rule 2.1(a), the full legal name of the applicant is Liberty Utilities (CalPeco Electric) LLC. Liberty is a California limited liability company. Liberty's principal place of business is 933 Eloise Avenue, South Lake Tahoe, CA 96150.

**C. Correspondence – Rule 2.1(b)**

All correspondence and communications with respect to this Application should be addressed or directed as follows:

SHARON YANG  
Senior Director, Legal Services  
MANASA RAO  
Senior Director, Rates and Regulatory Affairs  
DAN MARSH  
Director, Rates and Regulatory Affairs  
Liberty Utilities (CalPeco Electric) LLC  
  
701 National Avenue  
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Telephone: (562) 805-2014  
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**D. Proposed Categorization, Need for Hearings, Issues to Be Considered, and Proposed Schedule – Rule 2.1(c)**

Rule 2.1(c) requires that all applications state “[t]he proposed category for the proceeding, the need for hearing, the issues to be considered including relevant safety considerations, and a proposed schedule.”

**1. Proposed Category**

This Application is a catastrophic wildfire proceeding, as defined in Public Utilities Code § 1701.8(a)(1) and Rule 1.3(b).

**2. Need for Hearings**

The need for hearings and the issues to be considered in such hearings will depend in large part on the degree to which other parties contest Liberty’s request, and the need for hearings will ultimately be determined by the assigned Administrative Law Judge(s). For the sake of thoroughness, Liberty’s proposed procedural schedule allows for evidentiary hearings.

### **3. Issues to be Considered, Including Relevant Safety Considerations**

In general, the issues to be considered are discussed above and outlined in Section VII and in more detail in Liberty's supporting testimony served concurrently with this Application. The Application addresses several safety-related issues. In *Liberty-01*, Liberty explains that recovery of prudently incurred costs will support Liberty's financial health and investor confidence in the California regulatory environment, which will enable Liberty and other California utilities to provide safe and reliable service. In *Liberty-03*, Liberty explains that it prudently operated its system at the time of the Mountain View Fire in the interest of public safety.

### **4. Procedural Schedule**

Assuming evidentiary hearings are necessary, Liberty proposes the following procedural schedule. Pursuant to the schedule requirements set forth in Public Utilities Code section 1701.8(b), the proposed schedule incorporates the expedited timeline for the prehearing conference and issuance of the scoping memorandum and provides for issuance of a proposed decision within 12 months after the filing date of the Application. Liberty emphasizes the importance of a timely decision and respectfully requests a proposed decision in accordance with the proposed schedule below.

<b>DATE</b>	<b>EVENT</b>
June 23, 2025	Application filed
July 10, 2025 <sup>29</sup>	Protests and responses due
July 14, 2025	Applicant's reply to protests

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<sup>29</sup> In light of the expedited schedule for catastrophic wildfire proceedings set forth in Public Utilities Code section 1701.8(b), Liberty is concurrently filing a motion to shorten the period for protests and responses and replies to protests/responses; this date presumes that Liberty's concurrently filed motion is granted.

DATE	EVENT
On or before July 17, 2025 <sup>30</sup>	Prehearing Conference
On or before July 23, 2025 <sup>31</sup>	Scoping ruling issued
November 3, 2025	Public Advocates Office and intervenor testimony due
December 8, 2025	Rebuttal testimony due
Mid- to Late-February 2026	Evidentiary hearings
March 30, 2026	Opening briefs due
April 20, 2026	Reply briefs due
On or before June 22, 2026	Proposed decision issues
July/August 2026	Final decision issues

**E. Organization and Qualification to Transact Business – Rule 2.2**

A copy of the Articles of Organization of Liberty has previously been filed with the Commission as part of A.14-04-037, Exhibit A. A Certificate of Status for Liberty issued by the California Secretary of State has previously been filed with the Commission as part of A.21-04-006, Exhibit A. These documents are incorporated herein by this reference pursuant to Rule 2.2 of the Commission’s Rules of Practice and Procedure.

**F. Balance Sheet and Income Statement – Rule 3.2(a)(1)**

Appendix A to this Application contains copies of Liberty’s Balance Sheet and Income Statement for the period ending December 31, 2024, the most recent period available.

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<sup>30</sup> See Cal. Pub. Util. § 1701.8(b)(3) (“Within 15 days of the filing date of the application, the commission shall notice a prehearing conference, which shall be held within 25 days of the filing date.”). Although the statutory deadline for a prehearing conference is July 18, 2025, Liberty requests that a prehearing conference be held on or before July 17, 2025.

<sup>31</sup> See Cal. Pub. Util. § 1701.8(b)(4) (“Within 30 days of the filing date of the application, the assigned commissioner shall prepare and issue, by order or ruling, a scoping memorandum that states that the scope of the proceeding shall be whether the electrical corporation’s costs and expenses for the covered wildfire are just and reasonable pursuant to Section 451 or 451.1, as applicable.”).



**G. Statement of Presently Effective Rates – Rule 3.2(a)(2)**

Liberty's current rates and charges for electric service are contained in its respective electric tariffs and schedules on file with the Commission and available from Liberty's website at <http://www.libertyutilities.com>.

**H. Statement of Proposed Changes – Rule 3.2(a)(3)**

Liberty's revenue recovery proposal for the WEMA costs is set forth in Liberty-07: Cost Recovery and provided in Appendix C to this Application.

**I. Affordability Metrics**

Pursuant to D.22-08-023, issued in the Order Instituting Rulemaking to Establish a Framework and Processes for Assessing the Affordability of Utility Service (R.18-07-006), electric utilities are to address specified affordability metric information in any initial filing in a proceeding with a revenue increase estimated to exceed one percent of currently authorized revenues systemwide.<sup>32</sup> The affordability metrics required by D.22-08-023 are provided in Appendix D to this Application.

**J. Description of Liberty's Property and Equipment, Original Cost Thereof, and Depreciation Reserve – Rule 3.2(a)(4)**

Because this Application is not a General Rate Case application, this requirement does not apply.

**K. Summary of Earnings – Rule 3.2(a)(5)**

In compliance with Rule 3.2(a)(5), Appendix B hereto contains a copy of Liberty's summary of earnings for 2024.

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<sup>32</sup> D.22-08-023, Ordering Paragraphs 5-6.

**L. Tax Depreciation – Rule 3.2(a)(7)**

Because this Application is not a general rate case application, this requirement does not apply.

**M. Proxy Statement – Rule 3.2(a)(8)**

Because this Application is not a general rate case application, this requirement does not apply.

**N. Statement Pursuant to Rule 3.2(a)(10)**

This Application seeks Commission authorization to recover the WEMA costs associated with the Mountain View Fire in rates and thus reflects a request to pass through to customers increased costs Liberty incurred in its provision of electric service to customers.

**O. Notice and Service of Application – Rule 3.2(b), (c) and (d)**

Liberty will provide notice to customers in the forms prescribed in Rule 3.2. Cities and counties that would be affected by the rate changes resulting from this Application include the cities and towns of South Lake Tahoe, Portola, Kings Beach and Markleeville. Counties affected by the rate changes this Application proposes are Nevada, Placer, Sierra, Plumas, Mono, Alpine and El Dorado. Pursuant to Rule 3.2(b), Liberty will mail a notice of the filing of this Application and a description, in general terms, of the changes proposed in rates, to each of these governmental entities and the State of California Attorney General and Department of General Services within twenty (20) days following the filing of this Application.

Pursuant to Rule 3.2(c), within twenty (20) days following the filing of this Application, Liberty will publish a notice in a newspaper of general circulation in each county in which the changes proposed here will become effective. This notice will state that a copy of this Application and related attachments may be examined at the Commission's offices and such offices of Liberty as are specified in the notice. Pursuant to Rule 3.2(d), Liberty will include a similar notice in the regular bills mailed to all customers within forty-five (45) days of the filing

date of this Application. A list of government officials and other potential interested parties to whom either the notice of this Application or this Application will be sent is included in the attached Certificate of Service. Liberty will provide these three forms of notice and also file proof of its compliance with Rule 3.2, as prescribed by Rule 3.2(e).

The official service list has not yet been established in this proceeding. Liberty is serving this Application and supporting testimony on the Commission's Public Advocates Office, as well as the service lists established by the Commission for A.24-09-010 (Liberty's 2025 General Rate Case application) and A.20-08-009 (Liberty's 2020 Application to establish the WEMA).

## **IX.**

### **CONCLUSION**

Liberty respectfully requests that the Commission:

1. Grant Liberty's Application and find just and reasonable and authorize recovery of the WEMA costs, as described herein;
2. Adopt Liberty's cost recovery proposal for the WEMA costs;
3. Adopt Liberty's proposal to submit a final accounting and seek recovery of costs associated with outstanding claims and associated legal fees and costs, including the costs of financing such amounts, via advice letter once those claims are resolved;
4. Render such other Findings of Fact, Conclusions of Law, and issuing orders consistent with the foregoing request; and
5. Grant such other relief as the Commission finds to be just and reasonable.

Respectfully submitted,

/s/ Giovanni Saarman González

By: Giovanni Saarman González

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Attorneys for  
LIBERTY UTILITIES (CALPECO ELECTRIC) LLC

Dated: June 23, 2025

## **VERIFICATION**

I am an officer of the applicant corporation herein and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing document are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this June 23, 2025, at Tahoe Vista, California



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By: Eric Schwarzrock  
President

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC  
701 National Avenue  
Tahoe Vista, California 96148

## **Appendix A**

### **Balance Sheets**

**Consolidated Financial Statements of  
Liberty Utilities (CalPeco Electric) LLC  
For the years ended December 31, 2024 and 2023**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
**Algonquin Power & Utilities Corp.**

### Opinion

We have audited the consolidated financial statements of Liberty Utilities (CalPeco Electric) LLC [the "Company"], which comprise the consolidated balance sheet as at December 31, 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in member's interest, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024, and the consolidated results of its financial performance and its consolidated cash flows for the year ended in accordance with United States generally accepted accounting principles.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with United States generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
April 17<sup>th</sup> 2025

**Liberty Utilities (CalPeco Electric) LLC**  
**Consolidated Statements of Comprehensive Income**

	Years ended December 31,	
	2024	2023
<i>(thousands of U.S. dollars)</i>		
<b>Revenue</b>		
Residential	\$ 79,087	\$ 87,963
Commercial	78,332	70,894
Other	9,105	11,302
	<b>166,524</b>	<b>170,159</b>
<b>Expenses</b>		
Energy purchased	47,288	38,357
Operating costs	62,736	68,916
Taxes other than income taxes	9,198	6,089
Depreciation and amortization of utility plant	21,090	18,317
	<b>140,312</b>	<b>131,679</b>
<b>Operating income</b>	<b>26,212</b>	<b>38,480</b>
Interest expense	20,387	4,005
Pension and post-employment non-service costs (note 6)	68	95
Loss on disposal	436	19
	<b>20,891</b>	<b>4,119</b>
<b>Net earnings</b>	<b>\$ 5,321</b>	<b>\$ 34,361</b>
Net effect of non-controlling interest (note 13)	(1,324)	(1,324)
<b>Net earnings attributable to the member</b>	<b>6,645</b>	<b>35,685</b>
<b>Other comprehensive income:</b>		
Change in unrealized pension and other post-employment benefits (note 6)	223	52
<b>Comprehensive income</b>	<b>\$ 6,868</b>	<b>\$ 35,737</b>

See accompanying notes to consolidated financial statements

# **Liberty Utilities (CalPeco Electric) LLC** **Consolidated Balance Sheets**

	December 31, 2024	December 31, 2023
<i>(thousands of U.S. dollars)</i>		
<b>ASSETS</b>		
Utility plant		
Utility plant in service	\$ 713,956	\$ 633,571
Less: accumulated depreciation	(101,431)	(84,116)
	612,525	549,455
Construction work-in-progress	47,519	59,789
Utility plant, net (note 4)	660,044	609,244
Goodwill	10,381	10,381
Regulatory assets (note 5)	210,856	181,768
Other assets	7,096	72,060
Current assets		
Cash and cash equivalents	1,501	1,466
Supplies and consumables inventory	14,209	13,127
Accounts receivable, net (note 3)	39,206	25,577
Prepaid expenses and other	18,861	14,911
Due from related parties (note 8)	—	110,132
Regulatory assets (note 5)	33,237	16,807
	107,014	182,020
	\$ 995,391	\$ 1,055,473

# **Liberty Utilities (CalPeco Electric) LLC** **Consolidated Balance Sheets**

	December 31, 2024	December 31, 2023
<i>(thousands of U.S. dollars)</i>		
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
Member's equity		
Member's capital (note 10)	\$ 178,231	\$ 135,780
Accumulated surplus	238,320	231,675
Accumulated other comprehensive income	377	154
Total equity	416,928	367,609
Redeemable non-controlling interests (note 13)	—	1,409
Regulatory liabilities (note 5)	34,586	33,384
Pension and other post-employment benefits obligation (note 6)	1,026	1,027
Advances in aid of construction (note 9)	22,768	21,808
Asset retirement obligation	858	811
Other long term liabilities (note 11)	—	66,000
Current liabilities		
Short-term debt (note 7)	24,799	24,947
Accounts payable and accrued liabilities	35,602	28,240
Customer deposits	400	1,878
Regulatory liabilities (note 5)	1,274	5,718
Other post-employment benefit obligation (note 6)	36	49
Due to related parties (note 8)	457,114	502,593
	519,225	563,425
Commitments and contingencies (note 11)		
Subsequent events (note 15)		
	\$ 995,391	\$ 1,055,473

See accompanying notes to consolidated financial statements

**Liberty Utilities (CalPeco Electric) LLC**  
**Consolidated Statements of Changes in Member's Interest**

	Liberty Utilities (CalPeco Electric) LLC					
<i>(thousands of U.S. dollars)</i>	Member's capital	Accumulated surplus	Accumulated other comprehensive loss	Non- controlling interests	Total	
Balance, December 31, 2022	\$ 135,780	\$ 195,990	\$ 102	\$ —	\$ 331,872	
Net earnings (loss)	—	35,685	—	(1,324)	34,361	
Redeemable non-controlling interests not included in member's equity (note 13)	—	—	—	1,324	1,324	
Other comprehensive income (loss)	—	—	52	—	52	
Balance, December 31, 2023	\$ 135,780	\$ 231,675	\$ 154	\$ —	\$ 367,609	
Net earnings (loss)	—	6,645	—	(1,324)	5,321	
Redeemable non-controlling interests not included in member's equity (note 13)	—	—	—	1,324	1,324	
Additional paid-in capital	42,451	—	—	—	42,451	
Other comprehensive income	—	—	223	—	223	
Balance, December 31, 2024	\$ 178,231	\$ 238,320	\$ 377	\$ —	\$ 416,928	

See accompanying notes to consolidated financial statements

# Liberty Utilities (CalPeco Electric) LLC

## Consolidated Statements of Cash Flow

(thousands of U.S. dollars)

	Years ended December 31,	
	2024	2023
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Net earnings	\$ 5,321	\$ 34,361
Items not affecting cash:		
Depreciation and amortization of utility plant	21,090	18,317
Cost of equity funds used for construction purposes	(311)	(284)
Write-down of assets	(72)	(1,240)
Pension and post-employment contributions in excess of expense	1,016	(178)
Changes in non-cash operating items (note 12)	47,694	59,476
	<b>74,738</b>	<b>110,452</b>
<b>Financing Activities</b>		
Increase in advances in aid of construction	959	729
	<b>959</b>	<b>729</b>
<b>Investing Activities</b>		
Additions to utility plant	(75,662)	(106,851)
Increases in other assets	—	(4,947)
	<b>(75,662)</b>	<b>(111,798)</b>
Increase (decrease) in cash and cash equivalents	35	(617)
Cash and cash equivalents, beginning of period	1,466	2,083
Cash and cash equivalents, end of period	\$ 1,501	\$ 1,466
<b>Supplemental disclosure of cash flow information:</b>	<b>2024</b>	<b>2023</b>
Cash paid during the year for interest expense (note 7)	\$ 30,948	\$ 1,397
Non-cash transactions: Utility plant in accruals	\$ 4,503	\$ 6,545

See accompanying notes to consolidated financial statements

## **Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)*

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Liberty Utilities (CalPeco Electric) LLC (the "Company") is a limited liability company organized on April 14, 2009 under the laws of California. The Company is in the business of providing regulated electric distribution service to approximately 50,000 customers in the Lake Tahoe region of California.

The Company is 100% owned by Liberty Utilities Co. ("Liberty Utilities").

### **1. Significant accounting policies**

(a) Basis of preparation

The accompanying consolidated financial statements and notes have been prepared in accordance with generally accepted accounting principles in the United States.

(b) Basis of consolidation

The accompanying consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries, Liberty Utilities (Luning Holdings) LLC and Liberty Utilities (Turquoise Holdings) LLC. Intercompany transactions and balances have been eliminated. Interests in subsidiaries owned by third parties are included in non-controlling interests (note 1(I)).

(c) Business combinations and goodwill

The Company accounts for acquisitions of entities or assets that meet the definition of a business as business combinations. Business combinations are accounted for using the acquisition method. Assets acquired and liabilities assumed are measured at their fair value at the acquisition date. Acquisition costs are expensed in the period incurred. When the set of activities does not represent a business, the transaction is accounted for as an asset acquisition and includes acquisition costs. Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net assets acquired. Goodwill is not included in the rate-base on which the utility is allowed to earn a return and is not amortized.

As at September 30 of each year, the Company assesses qualitative and quantitative factors to determine whether it is more likely than not that the fair value of a reporting unit to which goodwill is attributed is less than its carrying amount. If it is more likely than not that a reporting unit's fair value is less than its carrying amount or if a quantitative assessment is elected, the Company calculates the fair value of the reporting unit. If the carrying amount of the reporting unit as a whole exceeds the reporting unit's fair value, an impairment charge is recorded in an amount of that excess, limited to the total amount of goodwill allocated to that reporting unit. Goodwill is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

(d) Accounting for rate-regulated operations

The Company is subject to rate regulation overseen by the public utility commission in California (the "Regulator"). The Regulator provides the final determination of the rates charged to customers. The Company is accounted for under the principles of U.S. Financial Accounting Standards Board ("FASB") ASC Topic 980, *Regulated Operations* ("ASC 980"). Under ASC 980, regulatory assets and liabilities are recorded to the extent that they represent probable future revenue or expenses associated with certain charges or credits that will be recovered from or refunded to customers through the rate-making process. Included in note 5, "Regulatory matters" are details of regulatory assets and liabilities, and their current regulatory treatment.

In the event the Company determines that its net regulatory assets are not probable of recovery, it would no longer apply the principles of the current accounting guidance for rate-regulated enterprises, and would be required to record an after-tax, non-cash charge or credit against earnings for any remaining regulatory assets or liabilities. The impact could be material to the Company's consolidated reported financial condition and consolidated results of operations.

The Company's accounts are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC").

**Liberty Utilities (CalPeco Electric) LLC**

## Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)***1. Significant accounting policies (continued)****(e) Cash and cash equivalents**

Cash and cash equivalents include all highly liquid instruments with an original maturity of three months or less.

**(f) Accounts receivable**

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, future economic conditions and outlook, and the receivables aging and current payment patterns. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

**(g) Supplies and consumables inventory**

Supplies and consumables inventory (other than capital spares and rotatable spares, which are included in utility plant) are charged to inventory when purchased and then capitalized to plant or expensed, as appropriate, when installed, used or upon becoming obsolete. These items are stated at the lower of cost and net realizable value. Through rate orders and the regulatory environment, capitalized construction jobs are recovered through rate base and repair and maintenance expenses are recovered through a cost of service calculation. Accordingly, the cost usually reflects the net realizable value.

**(h) Utility plant**

Utility plant of the Company consists of solar generation assets and electricity distribution assets used to generate and distribute electricity within a specific geographic service territory to supply end users with electricity. These assets include solar panels, inverters, poles, towers and fixtures, low-voltage wires, transformers, overhead and underground conductors, street lighting, meters, metering equipment and other related equipment.

The costs of acquiring or constructing plant include the following: materials, labor, contractor and professional services, construction overhead directly attributable to the capital project (where applicable) and allowance for funds used during construction ("AFUDC"). Where possible, individual components are recorded and depreciated separately in the books and records of the Company. Plant under finance leases are initially recorded at cost determined as the present value of lease payments to be made over the lease term.

AFUDC represents the cost of borrowed funds and a return on other funds. Under ASC 980, an allowance for funds used during construction projects that are included in rate base is capitalized. This allowance is designed to enable a utility to capitalize financing costs during periods of construction of property subject to rate regulation. The AFUDC capitalized that relates to equity funds is recorded as other income on the consolidated statements of comprehensive income.

	2024	2023
AFUDC capitalized on regulated property:		
Allowance for borrowed funds	\$ 115	\$ 128
Allowance for equity funds	311	284
	<b>\$ 426</b>	<b>\$ 412</b>

Improvements that increase or prolong the service life or capacity of an asset are capitalized. Maintenance and repair costs are expensed as incurred.



**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)***1. Significant accounting policies (continued)****(h) Utility plant (continued)**

Contributions in aid of construction represent amounts contributed by customers, governments and developers to assist with the funding of some or all of the cost of utility capital assets. They also include amounts initially recorded as advances in aid of construction (note 9) but where the advance repayment period has expired. These contributions are recorded as a reduction in the cost of utility assets and are amortized at the rate of the related asset as a reduction to depreciation expense.

The Company's depreciation is based on the estimated useful lives of the depreciable assets in each category and is determined using the straight-line method. The ranges of estimated useful lives and the weighted average useful lives are summarized below:

	Range of useful lives		Weighted average useful lives	
	2024	2023	2024	2023
Plant	<b>10-179</b>	10-179	<b>46</b>	47
Equipment, office furniture and improvements	<b>15-25</b>	15-25	<b>17</b>	18

In accordance with regulator-approved accounting policies, when depreciable plant is replaced or retired, the original cost plus any removal costs incurred (net of salvage) are charged to accumulated depreciation with no gain or loss reflected in consolidated results of operations. Gains and losses will be charged to consolidated results of operations in the future through adjustments to depreciation expense.

**(i) Impairment of long-lived assets**

The Company reviews utility plant and intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Recoverability of assets expected to be held and used is measured by comparing the carrying amount of an asset to undiscounted expected future cash flows. If the carrying amount exceeds the recoverable amount, the asset is written down to its fair value.

**(j) Pension and other post-employment plans**

The Company has established defined contribution pension plans, defined benefit pension plans, and other post-employment benefit ("OPEB") plans for its various employee groups. Employer contributions to the defined contribution pension plans are expensed as employees render service. The Company recognizes the funded status of its defined benefit pension plans and OPEB plans on the consolidated balance sheets. The Company's expense and liabilities are determined by actuarial valuations, using assumptions that are evaluated annually as of December 31, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates and healthcare cost trend rates. The impact of modifications to those assumptions and modifications to prior services are recorded as actuarial gains and losses in accumulated other comprehensive income ("AOCI") and amortized to net periodic cost over future periods using the corridor method. When settlements of the Company's pension plans occur, the Company recognizes associated gains or losses immediately in earnings if the cost of all settlements during the year is greater than the sum of the service cost and interest cost components of the pension plan for the year. The amount recognized is a pro rata portion of the gains and losses in AOCI equal to the percentage reduction in the projected benefit obligation as a result of the settlement. The costs of the Company's pension for employees are expensed over the periods during which employees render service and are recognized as part of operating costs in the consolidated statements of comprehensive income.

The components of net periodic benefit cost other than the service cost component are included in pension and other post-employment non-service costs in the consolidated statements of comprehensive income.

**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)*

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**1. Significant accounting policies (continued)****(k) Leases**

The Company accounts for leases in accordance with ASC Topic 842, *Leases* ("ASC 842").

The Company leases office equipment for use in its day-to-day operations. The Company has options to extend the lease term of many of its lease agreements, with renewal periods ranging from one to five years. As at the consolidated balance sheet date, the Company is not reasonably certain that these renewal options will be exercised.

The right-of-use assets are included in plant while lease liabilities are included in operating leases on the consolidated balance sheets. The discount rates used in the measurement of the Company's right-of-use assets and liabilities are the discount rates at the date of lease inception. The Company's lease balances as at December 31, 2024 and its expected lease payments for the next five years and thereafter are not significant.

**(l) Non-controlling interests**

Non-controlling interests represent the portion of equity ownership in subsidiaries that is not attributable to the equity holders of the Company. Non-controlling interests are initially recorded at fair value and subsequently adjusted for the proportionate share of earnings and other comprehensive income ("OCI") attributable to the non-controlling interests and any dividends or distributions paid to the non-controlling interests.

One subsidiaries of the Company have non-controlling Class A equity investors ("Class A Interest"), which are entitled to allocations of earnings, tax attributes and cash flows in accordance with contractual agreements. The partnership agreements have liquidation rights and priorities that are different from the underlying percentage ownership interests. In such situation, simply applying the percentage ownership interest to U.S. GAAP net income in order to determine earnings or losses would not accurately represent the income allocation and cash flow distributions that will ultimately be received by the investors. As such, the share of earnings attributable to the non-controlling interest holders in these entities is calculated using the Hypothetical Liquidation at Book Value ("HLBV") method of accounting (note 13).

The HLBV method uses a balance sheet approach. A calculation is prepared as each balance sheet date to determine the amount that Class A Equity Investors would receive if an equity investment entity were to liquidate all of its assets and distribute that cash to the investors based on the contractually defined liquidation priorities. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period is the Class A Equity Investors' share of the earnings or losses from the investment for that period.

Equity instruments subject to redemption upon the occurrence of uncertain events not solely within the Company's control are classified as temporary equity and presented as redeemable non-controlling interests on the consolidated balance sheets (note 13). The Company records temporary equity at issuance based on cash received less any transaction costs. As needed, the Company reevaluates the classification of its redeemable instruments, as well as the probability of redemption. If the redemption amount is probable or currently redeemable, the Company records the instruments at their redemption value. Increases or decreases in the carrying amount of a redeemable instrument are recorded within equity. When the redemption feature lapses or other events cause the classification of an equity instrument as temporary equity to be no longer required, the existing carrying amount of the equity instrument is reclassified to permanent equity at the date of the event that caused the reclassification.

**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)*

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**1. Significant accounting policies (continued)****(m) Revenue Recognition**

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

Revenue related to utility electricity distribution is recognized over time as the energy is delivered. At the end of each month, the electricity delivered to the customers from the date of their last meter read to the end of the month is estimated and the corresponding unbilled revenue is recorded. These estimates of unbilled revenue and sales are based on the ratio of billable days versus unbilled days, amount of electricity procured during that month, historical customer class usage patterns, weather, line loss, and current tariffs. Unbilled receivables are typically billed within the next month. Some customers elect to pay their bill on an equal monthly plan. As a result, in some months cash is received in advance of the delivery of electricity. Deferred revenue is recorded for that amount. The amount of revenue recognized in the period from the balance of deferred revenue is not significant.

On occasion, the utility is permitted to implement new rates that have not been formally approved by the regulatory commission, which are subject to refund. The Company recognizes revenue based on the interim rate and if needed, establishes a reserve for amounts that could be refunded based on experience for the jurisdiction in which the rates were implemented.

The Company's revenue is subject to alternative revenue programs approved by its Regulator, which require to charge approved annual delivery revenue on a systematic basis over the fiscal year. As a result, the difference between delivery revenue calculated based on metered consumption and approved delivery revenue is disclosed as alternative revenue and is recorded as a regulatory asset or liability to reflect future recovery or refund, respectively, from customers (note 5). The amount subsequently billed to customers is recorded as a recovery of the regulatory asset. The Company's revenues include \$1,673 (2023 - \$1,838) related to alternative revenue programs for the year ended December 31, 2024.

**(n) Income taxes**

The Company is a limited liability company and is a disregarded entity for income tax purposes. Accordingly, it is not subject to federal income taxes or state income taxes. The tax on the Company's net earnings is borne by the member through the allocation of taxable income. Net earnings for financial statement purposes may differ significantly from taxable income of the member because of differences between the tax basis and financial reporting basis of assets and liabilities, and the taxable income allocation requirements under the operating agreement. The aggregate difference in the basis of the net assets for financial and tax reporting purposes cannot be readily determined because it is based on the information regarding the member's tax attribute.

**(o) Financial instruments and derivatives**

Accounts receivable and notes receivable are measured at amortized cost. Long-term debt is measured at amortized cost using the effective interest rate method, adjusted for the amortization or accretion of premiums or discounts.

Transaction costs related to a recognized debt liability are presented in the consolidated balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and premiums. Deferred financing costs, premiums and discounts on long-term debt are amortized on a straight-line basis over the term of the financial liability as required by the Regulator.

The Company, enters into power purchase contracts for load serving requirements. These contracts meet the exemption for normal purchase and normal sales and as such, are not required to be recorded at fair value as derivatives and are accounted for on an accrual basis. Counterparties are evaluated on an ongoing basis for non-performance risk to ensure it does not impact the conclusion with respect to this exemption.

**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)*

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**1. Significant accounting policies (continued)****(p) Fair value measurements**

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: other than quoted prices included in level 1, inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

**(q) Commitments and contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

**(r) Use of estimates**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as the date of these consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. During the years presented, management has made a number of estimates and valuation assumptions, including the useful lives and recoverability of utility plant and goodwill; assessments of unbilled revenue; pension and OPEB obligations; timing effect of regulated assets and liabilities; and the fair value of assets and liabilities acquired in an asset acquisition. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

**2. Recently issued accounting pronouncements**

Recently issued accounting guidance not yet adopted

On November 4, 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses (DISE)*, requiring additional disclosure of the nature of expenses included in the income statement in response to longstanding requests from investors for more information about an entity's expenses. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. The new guidance applies to all public business entities and is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. The Company is currently evaluating the impact from the new FASB accounting guidance.

**Liberty Utilities (CalPeco Electric) LLC**

## Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)***3. Accounts receivable**

Accounts receivable as of December 31, 2024, include unbilled revenue of \$10,611 (2023 - \$9,568). Accounts receivable as of December 31, 2024 are presented net of allowance for doubtful accounts of \$1,054 (2023 - \$814).

**4. Utility plant**

Utility plant of the Company consists of solar generation assets and electricity distribution assets used to generate and distribute electricity within a specific geographic service territory to supply end users with electricity. These assets include solar panels, inverters, poles, towers and fixtures, low-voltage wires, transformers, overhead and underground conductors, street lighting, meters, metering equipment and other related equipment.

	2024	2023
Land and land rights	\$ 3,878	\$ 3,878
Plant	679,301	600,349
Equipment, office furniture and improvements	30,777	29,344
	713,956	633,571
Accumulated depreciation	(101,431)	(84,116)
	612,525	549,455
Construction work-in-progress	47,519	59,789
Net utility plant	\$ 660,044	\$ 609,244

**5. Regulatory matters**

The Company is subject to rate regulation by the California Public Utilities Commission ("CPUC"), and the FERC in some instances. The CPUC has jurisdiction with respect to rate, service, accounting procedures, issuance of securities, acquisitions and other matters. The Company operates under cost-of-service regulation as administered by the CPUC. The Company uses a test year in the establishment of its rates and pursuant to this method, the determination of the rate of return on approved rate base and deemed capital structure, together with all reasonable and prudent costs, establishes the revenue requirement upon which the Company's customer rates are determined.

The Company is accounted for under the principles of ASC 980. Under ASC 980, regulatory assets and liabilities that would not be recorded under U.S. GAAP for non-regulated entities are recorded to the extent that they represent probable future revenue or expenses associated with certain charges or credits that will be recovered from or refunded to customers through the rate-setting process.

The Company is required to file a rate case with its regulator on a regular three-year cycle. Rate cases seek to ensure that the Company has the opportunity to recover its operating costs and earn a fair and reasonable return on its capital investment as allowed by the regulatory authority under which the Company operates.

**Revenue decoupling and vegetation management**

The Company's revenue is subject to a decoupling mechanism that decouples base revenue from fluctuations caused by weather and economic factors.

**Post Test Year Adjustment Mechanism ("PTAM")**

The PTAM allows the Company to update its rates annually by a cost inflation index. In addition, rates are allowed to be updated to recover the return on investment and associated depreciation of major capital projects.

**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)***5. Regulatory matters (continued)****Renewables Portfolio Standard**

The Company is required to satisfy the current 33% California Renewables Portfolio Standard requirement. The 33% California Renewables Portfolio Standard is currently met through deliveries under a power purchase agreement that is structured in a manner that satisfies the CPUC resource adequacy ("RA") requirements, and is designed to enable the California Utility to comply with the associated RA reporting requirements, and from energy production at Luning Energy LLC (the "Luning Solar project") and Turquoise Liberty ProjectCo LLC (the "Turquoise Solar project").

Regulatory assets and liabilities consist of the following:

	December 31, 2024	December 31, 2023
<b>Regulatory assets</b>		
Rate adjustment mechanism (a)	\$ 77,728	\$ 71,632
Wildfire mitigation and vegetation management (b)	111,002	63,656
Storm costs (c)	5,131	9,986
Rate review costs (d)	446	1,082
Energy cost adjustment clause (e)	41,294	45,118
Other	8,492	7,101
Total regulatory assets	\$ 244,093	\$ 198,575
Less: current regulatory assets	(33,237)	(16,807)
Non-current regulatory assets	\$ 210,856	\$ 181,768
<b>Regulatory liabilities</b>		
Cost of removal (f)	\$ 24,973	\$ 27,624
Income taxes (g)	8,581	3,990
Other	2,306	7,488
Total regulatory liabilities	\$ 35,860	\$ 39,102
Less: current regulatory liabilities	(1,274)	(5,718)
Non-current regulatory liabilities	\$ 34,586	\$ 33,384

**(a) Rate adjustment mechanism**

The Company is subject to a revenue decoupling mechanism approved by the Regulator, which requires charging approved annual delivery revenues on a systematic basis over the fiscal year. As a result, the difference between delivery revenue calculated based on metered consumption and approved delivery revenue is recorded as a regulatory asset or liability to reflect future recovery or refund, respectively, from customers.

**(b) Wildfire mitigation and vegetation management**

The regulatory asset for vegetation management includes wildfire insurance in the Company's California operations as well as spending related to dead trees program, to prevent future forest fires and general vegetation management.

**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)*

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**5. Regulatory matters (continued)****(c) Storm costs**

Incurred repair costs resulting from certain storms over or under amounts collected from customers, which are expected to be recovered or refunded through rates.

**(d) Rate review costs**

The costs to file, prosecute and defend rate review applications are referred to as rate review costs. These costs are capitalized and amortized over the period of rate recovery granted by the CPUC. The Company does not earn a return on these amounts but receives recovery of these costs in rates over the periods prescribed by the Regulator (three years).

**(e) Energy cost adjustment clause ("ECAC")**

ECAC is designed to recover the cost of electricity through rates charged to customers. Under deferred energy accounting, to the extent actual purchased power costs differ from purchased power costs recoverable through current rates, that difference is not recorded on the consolidated statements of comprehensive income but rather is deferred and recorded as a regulatory asset or liability on the consolidated balance sheets. These differences are reflected in adjustments to rates and recorded as an adjustment to cost of electricity in future periods, subject to regulatory review.

**(f) Cost of removal**

The regulatory liability for cost of removal represents amounts that have been collected from rate payers for costs that are expected to be incurred in the future to retire utility plant.

**(g) Income taxes**

As a result of the *Tax Act* being enacted in 2017, CPUC is contemplating the rate-making implications of the reduction of federal tax rates from the legacy 35% tax rate and the new 21% federal statutory income tax rate effective January 2018. The regulatory liability reflects the excess deferred taxes of the members normally reflected in the revenue requirement and probable of being refunded to customers. The Company is working with CPUC to identify the most appropriate way to address the impact of the *Tax Act* on cost of service based rates.

As recovery of regulatory assets is subject to regulatory approval, if there were any changes in regulatory positions that indicate recovery is not probable, the related cost would be charged to earnings in the period of such determination.

**6. Pension and other post-employment benefits obligation**

The Company provides defined contribution pension plans to substantially all of its employees. The Company's contributions for 2024 were \$1,195 (2023 - \$950).

The Company provides a defined benefit cash balance pension plan covering substantially all its employees, under which employees are credited with a percentage of base pay plus a prescribed interest rate credit. The Company also has an OPEB plan providing health care and life insurance coverage to eligible retired employees. Eligibility is based on age and length of service requirements and, in most cases, retirees must cover a portion of the cost of their coverage.



**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)*
**6. Pension and other post-employment benefits obligation (continued)**
**(a) Net pension and OPEB obligation**

The following table sets forth the projected benefit obligations, fair value of plan assets, and funded status of the Company's plans as of December 31:

	Pension benefits		OPEB	
	2024	2023	2024	2023
<b>Change in projected benefit obligation</b>				
Projected benefit obligation, beginning of year	\$ 6,932	\$ 5,767	\$ 1,067	\$ 1,131
Service cost	918	648	31	29
Interest cost	408	338	47	58
Actuarial loss (gain)	(179)	403	(69)	(151)
Transfers	9	30	—	—
Benefits paid	(621)	(254)	(14)	—
<b>Projected benefit obligation, end of year</b>	<b>\$ 7,467</b>	<b>\$ 6,932</b>	<b>\$ 1,062</b>	<b>\$ 1,067</b>
<b>Change in plan assets</b>				
Fair value of plan assets, beginning of year	6,924	5,572	—	—
Actual return on plan assets	450	626	—	—
Employer contributions	1,181	950	14	—
Transfers	9	30	—	—
Benefits paid	(622)	(254)	(14)	—
<b>Fair value of plan assets, end of year</b>	<b>\$ 7,942</b>	<b>\$ 6,924</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Unfunded status</b>	<b>\$ (475)</b>	<b>\$ 8</b>	<b>\$ 1,062</b>	<b>\$ 1,067</b>
Amounts recognized in the consolidated balance sheets consist of:				
Current liabilities	—	—	(36)	(49)
Non-current liabilities	(475)	(9)	(1,026)	(1,018)
<b>Net amount recognized</b>	<b>\$ (475)</b>	<b>\$ (9)</b>	<b>\$ (1,062)</b>	<b>\$ (1,067)</b>

The accumulated benefit obligation for the pension plans was \$6,277 and \$5,819 as of December 31, 2024 and 2023, respectively.



**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)*
**6. Pension and other post-employment benefits (continued)**
**(b) Pension and OPEB actuarial changes**

The amounts recognized in AOCI were as follows:

Change in AOCI (before tax)	Pension		OPEB	
	Actuarial losses (gains)	Past service gains	Actuarial losses (gains)	Past service gains
Balance, January 1, 2023	\$ 700	\$ (78)	\$ (791)	\$ 26
Additions to AOCI	26	—	(151)	—
Amortization in current period	(31)	17	71	(3)
Balance, December 31, 2023	\$ 695	\$ (61)	\$ (871)	\$ 23
Additions to AOCI	(301)	—	(69)	—
Amortization in current period	(26)	17	71	(3)
<b>Balance, December 31, 2024</b>	<b>\$ 368</b>	<b>\$ (44)</b>	<b>\$ (869)</b>	<b>\$ 20</b>

**(c) Assumptions**

Assumptions used to determine net benefit cost for 2024 and 2023 were as follows:

	Pension benefits		OPEB	
	2024	2023	2024	2023
Discount rate	5.27 %	5.52 %	5.25 %	5.55 %
Expected return on assets	5.50 %	5.50 %	N/A	N/A
Rate of compensation increase	6.00 %	4.00 %	N/A	N/A
Health care cost trend rate				
Before age 65			7.00 %	6.00 %
Age 65 and after			6.00 %	6.00 %
Assumed Ultimate Medical Inflation Rate			4.50 %	4.75 %
Year in which Ultimate Rate is reached			2034	2033

**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)***6. Pension and other post-employment benefits (continued)****(c) Assumptions (continued)**

Assumptions used to determine benefit obligation for 2024 and 2023 were as follows:

	Pension benefits		OPEB	
	2024	2023	2024	2023
Discount rate	<b>5.82%</b>	5.27%	<b>5.87%</b>	5.25%
Rate of compensation increase	<b>6.00%</b>	6.00%	<b>N/A</b>	N/A
Health care cost trend rate				
Before age 65			<b>6.750%</b>	7.000%
Age 65 and after			<b>11.000%</b>	6.000%
Assumed Ultimate Medical Inflation Rate			<b>4.50%</b>	4.50%
Year in which Ultimate Rate is reached			<b>2034</b>	2034

The mortality improvement projection Scale MP-2021 was adjusted to reflect the ultimate improvement rates from the Intermediate Alternative scenario provided in the Social Security Administration's ("SSA") Long Range Demographic Assumptions for the 2021 Trustees Report. This adjustment was made using the Society of Actuary's Mortality Improvement Model (MIM-2021-v2). The purpose of this model is to construct sets of mortality improvement rates reflecting specific adjustments. The model requires the inputs that we have taken from the SSA's intermediate assumptions, such that the following ultimate rates reached in the year 2045: 0.85% improvement for ages 20-49, 0.96% improvement for ages 50-64, 0.71% improvement for ages 65-84, and 0.55% improvement for ages 85 and older.

A yield curve model is used to develop the single equivalent discount rate that reflects the characteristics of the Plan. Under this model, the Plan's expected benefit payments are matched to the spot rates along the yield curve to determine their present values. Then a single equivalent discount rate is solved for which it produces the same total present value as the spot rates. CBIZ relies on the yield curve spot rates developed by experts as of the measurement date (i.e. the Ryan ALM Above Median yield curve). We are not aware of any material inconsistencies, limitations or weaknesses in this model.

**(d) Benefit costs**

The following table lists the components of net benefit cost for the pension plans and OPEB recorded as part of operating expenses in the consolidated statements of comprehensive income.

	Pension benefits		OPEB	
	2024	2023	2024	2023
Service cost	\$ 918	\$ 648	\$ 30	\$ 29
Non-service costs				
Interest cost	408	338	47	58
Expected return on plan assets (gain)	(328)	(247)	—	—
Amortization of net actuarial (gain)	(17)	(17)	(70)	(71)
Amortization of prior service credits	26	31	3	3
	89	105	(20)	(10)
Net benefit cost	\$ 1,007	\$ 753	\$ 10	\$ 19

**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)***6. Pension and other post-employment benefits (continued)****(e) Plan assets**

The Company's investment strategy for its pension and post-employment plan assets is to maintain a diversified portfolio of assets with the primary goal of meeting long-term cash requirements as they become due.

The Company's target asset allocation is 50% in equity securities and 50% in debt securities.

The fair values of investments as of December 31, 2024, by asset category, are as follows

<b>Asset class</b>	<b>Level 1</b>	<b>Percentage</b>
Equity securities	\$ 4,368	55 %
Debt securities	2,780	35 %
Other	794	10 %
	\$ 7,942	100 %

As at December 31, 2024, the funds do not hold any material investments in the parent company of Liberty Utilities, Algonquin Power and Utilities Corp.

**(f) Cash flows**

The Company expects to contribute \$1,151 to its pension plans and \$36 to its post-employment benefit plans in 2025.

The expected benefit payments over the next 10 years are as follows:

	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030-2034</b>
Pension plan	\$567	\$394	\$417	\$487	\$500	\$3634
OPEB	36	41	44	46	44	329

**7. Short term external debt**

Due to related parties represents advances for current operating costs and reimbursement for management and accounting services provided by entities related to Liberty Utilities as well as other third-party costs incurred by entities related to Liberty Utilities on behalf of the Company.

The Company has a \$25,000 note bearing an interest rate of 5.59% and maturing on December 29, 2025. The note has interest-only payments, payable semi-annually in arrears. The note has certain financial covenants, which must be maintained on a quarterly basis. The Company is in compliance with the covenants as of December 31, 2024.

As of December 31, 2024, the Company has accrued \$nil in interest expense (2023 - \$nil). Interest paid on the long-term debt in 2024 was \$1,397 (2023 - \$1,397).

**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)*

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**8. Related party transactions**

Due from related parties represents advances for current operating costs and reimbursement for management and accounting services provided by entities related to Liberty Utilities as well as other third-party costs incurred by entities related to Liberty Utilities on behalf of the Company. These amounts bear interest on variable rates and have no fixed repayment terms. Total amounts allocated for year ended December 31, 2024 were \$6,375 (2023 - \$6,807). Periodically, there are advances due to related parties. Such advances bear interest on variable rates and are due on demand. As at December 31, 2024, the amounts payable to related parties total \$457,114 (2023 - \$502,593). As of December 31, 2024, the Company has accrued \$29,551 in interest expense (2023 - \$10,548).

**9. Advances in aid of construction**

The Company has various agreements with real estate development companies (the “developers”) conducting business within the Company’s utility service territories, whereby funds are advanced to the Company by the developers to assist with funding some or all of the costs of the development.

In many instances, developer advances can be subject to refund but the refund is non-interest bearing. Refunds of developer advances are made over a period of 10 years. Advances not refunded within the prescribed period are usually not required to be repaid. After the prescribed period has lapsed, any remaining unpaid balance is transferred to contributions in aid of construction and recorded as an offsetting amount to the cost of property, plant and equipment. No amounts were transferred from advances in aid of construction to contributions in aid of construction in 2024 and 2023.

**10. Member’s capital**

The Company is a single member limited liability corporation. As of December 31, 2024, all outstanding equity membership units of the Company are owned by Liberty Utilities.

**11. Commitments and contingencies****(a) Contingencies**

The Company is involved in various litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company’s exposure to such litigation to be material to these consolidated financial statements. Accruals for any contingencies related to these items, if any, are recorded in the consolidated financial statements at the time it is concluded that its occurrence is probable and the related liability is estimable.

*Mountain View fire*

On November 17, 2020, a wildfire now known as the Mountain View Fire occurred in the territory of Liberty CalPeco. The cause of the fire remains in dispute, and CAL FIRE has not yet released its final report. There were 22 lawsuits filed that name certain subsidiaries of the Company as defendants in connection with the Mountain View Fire, as well as a non-litigation claim brought by the U.S. Department of Agriculture seeking reimbursement for alleged fire suppression costs and a notice from the U.S. Bureau of Land Management seeking damages for the alleged burning of public lands without authorization. Fifteen lawsuits were brought by groups of individual plaintiffs and a Native American group alleging causes of action including negligence, inverse condemnation, nuisance, trespass, and violations of Cal. Pub. Util. Code 2106 and Cal. Health and Safety Code 13007 (one of these 15 lawsuits also alleges the wrongful death of an individual and various subrogation claims on behalf of insurance companies). In six other lawsuits, insurance companies alleged inverse condemnation and negligence and seek recovery of amounts paid and to be paid to their insureds. In one other lawsuit, County of Mono, Antelope Valley Fire Protection District, and Bridgeport Indian Colony allege similar causes of action and seek damages for fire suppression costs, law enforcement costs, property and infrastructure damage, and other costs. Liberty CalPeco has resolved 20 of the lawsuits, and Liberty CalPeco is in the process of obtaining dismissals with prejudice of said lawsuits. Trial on the remaining 2 lawsuits is currently scheduled for April 15, 2025. The likelihood of success in these lawsuits is uncertain. Liberty CalPeco intends to vigorously defend them. The Company accrued estimated losses of \$172,300 for claims related to the Mountain View Fire, against which Liberty CalPeco has recorded recoveries through insurance of \$116,000 and WEMA of \$56,300. The resulting net charge to earnings was \$nil. The estimate of losses is subject to change as additional information becomes available. The actual amount of losses may be higher or lower than these estimates. While the Company may incur a material loss in excess of the amount accrued, the Company cannot estimate the upper end of the range of reasonably possible losses that may be incurred. The Company has wildfire liability insurance that was applied up to applicable policy limits.

**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)***11. Commitments and contingencies (continued)****(b) Commitments**

The Company has a purchase commitment to purchase physical quantities of power for load-serving requirements. The commitment amounts included in the table below are based on market prices as of December 31, 2024. However, the effects of purchased power unit cost adjustments are mitigated through a purchased power rate-adjustment mechanism.

	<b>2025</b>
Power purchases	\$ 17,039

**12. Non-cash operating items**

The changes in non-cash operating items consist of the following:

	<b>2024</b>	<b>2023</b>
Accounts receivable	\$ (13,629)	\$ (5,574)
Prepaid expenses and other	(3,950)	(4,850)
Supplies and consumables inventory	(1,082)	(3,100)
Accounts payable and accrued liabilities	5,884	(1,447)
Due to related parties	64,653	123,259
Net regulatory assets and liabilities	(4,182)	(48,812)
	<b>\$ 47,694</b>	<b>\$ 59,476</b>

**13. Redeemable non-controlling interests**

Non-controlling interests in subsidiaries that are redeemable upon the occurrence of uncertain events not solely within the Company's control are classified as temporary equity on the consolidated balance sheets. The redeemable non-controlling interests in subsidiaries' balance are determined using the HLBV method subsequent to initial recognition, however, if the redemption amount is probable or currently redeemable, the Company records the instruments at their redemption value. Redemption is not considered probable as of December 31, 2024.

	<b>2024</b>	<b>2023</b>
Opening balance	\$ 1,409	\$ 6,502
Net earnings attributable to redeemable non-controlling interest	(1,324)	(1,324)
Dividends declared to redeemable non-controlling interest	(85)	(3,769)
Closing balance	\$ —	\$ 1,409

**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)***14. Financial instruments****(a) Fair value of financial instruments**

	December 31, 2024		December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	\$ 24,799	\$ 25,070	\$ 24,947	\$ 24,995

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates fair value as of December 31, 2024 and 2023 due to the short-term maturity of these instruments.

Long-term debt (level 2 inputs) is at fixed interest rates. The estimated fair value is calculated using a discounted cash flow method and current interest rates.

Advances in aid of construction have a carrying value of \$22,768 as of December 31, 2024 (2023 - \$21,808). Portions of these non-interest bearing instruments are payable annually through 2027, including new customer connections, customer consumption levels, and future rate increase. However, amounts not paid by the contract expiration date become non-refundable. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables. The fair value of these amounts would be less than their carrying value due to the non-interest bearing feature.

Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

**(b) Risk management**

In the normal course of business, the Company is exposed to financial risks that potentially impact its operating results. The Company employs risk management strategies with a view of mitigating these risks to the extent possible on a cost-effective basis.

This note provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk and liquidity risk, and how the Company manages those risks.

***Credit risk***

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. The Company limits its exposure to credit risk with respect to cash equivalents by ensuring available cash is deposited with its senior lenders, all of which have a credit rating of A or better.

Credit risk related to the accounts receivable balance of \$39,206 is spread over thousands of customers. The Company has processes in place to monitor and evaluate this risk on an ongoing basis including background credit checks and security deposits from new customers. In addition, the Regulator allows for a reasonable bad debt expense to be incorporated in the rates and therefore recovered from rate payers.

As of December 31, 2024, the Company's maximum exposure to credit risk for these financial instruments is as follows:

**Liberty Utilities (CalPeco Electric) LLC**

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

*(in thousands of U.S. dollars)***14. Financial instruments (continued)****(c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient liquidity to meet liabilities when due. The Company's liabilities mature as follows:

	Due less than 1 year	Due 2–3 years	Due 4–5 years	Due after 5 years	Total
Long-term debt	\$ 24,799	\$ —	\$ —	\$ —	\$ 24,799
Advances in aid of construction	—	—	—	22,768	22,768
Purchase obligations	492,716	—	—	—	492,716
Interest on long-term debt	1,397	—	—	—	1,397
Other obligations	1,710	—	—	—	1,710
Total obligations	\$ 520,622	\$ —	\$ —	\$ 22,768	\$ 543,390

  

	2024
Cash and cash equivalents	\$ 1,501
Accounts receivable	40,260
Allowance for doubtful accounts	(1,054)
	\$ 40,707

**15. Subsequent events**

The Company has evaluated subsequent events from the consolidated balance sheets date through April 17, 2025, the date at which the consolidated financial statements were available to be issued, and determined that there are no other items to disclose.

## **Appendix B**

### **Summary of Earnings**



Liberty Utilities 2022 GRC Authorized Summary of Earnings		
Line No.	Item	Total
1	Base Revenues	122,292
2	Expenses:	
3	Operation & Maintenance	45,009
4	Depreciation	15,068
5	Taxes	11,445
7	Purchased Power	24,986
8	Total Expenses	96,508
9		
10	Net Operating Revenue	25,784
11		
12	Rate Base	365,239
13		
14	Authorized Rate of Return	7.06%

Liberty Utilities 2023 PTY Authorized Summary of Earnings		
Line No.	Item	Total
1	Base Revenues	127,596
2	Expenses:	
3	Operation & Maintenance	48,524
4	Depreciation	15,068
5	Taxes	11,445
7	Purchased Power	24,986
8	Total Expenses	100,023
9		
10	Net Operating Revenue	27,573
11		
12	Rate Base	365,239
13		
14	Authorized Rate of Return	7.06%

Liberty Utilities 2024 PTY Authorized Summary of Earnings		
Line No.	Item	Total
1	Base Revenues	160,492
2	Expenses:	
3	Operation & Maintenance	50,077
4	Depreciation	18,088
5	Taxes	13,828
7	Purchased Power	44,172
8	Total Expenses	126,164
9		
10	Net Operating Revenue	34,328
11		
12	Rate Base	441,975
13		
14	Authorized Rate of Return	7.06%

## **Appendix C**

### **Cost Recovery Proposal**

## Statement of Proposed Rates

Customer Class	Three-Year Amortization				
	Current Rate	Proposed Rate	Rate Impact (\$/kwh)	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Residential (Permanent)	0.27103	0.31555	0.04451	0.04451	16.4%
Residential (Non-Permanent)	0.29590	0.34041	0.04451	0.04451	15.0%
Residential (CARE)	0.22360	0.26811	0.04451	0.04451	19.9%
A1 - Small General Service	0.33732	0.38183	0.04451	0.04451	13.2%
A2 - Medium General Service	0.33790	0.38241	0.04451	0.04451	13.2%
A3 - Large General Service	0.20663	0.25114	0.04451	0.04451	21.5%
PA - Irrigation	0.25113	0.29564	0.04451	0.04451	17.7%

## **Appendix D**

### **Affordability Metrics**

Affordability Ratio Calculations

Electric (Non-Care) Affordability Metrics			
	Present 2025	Proposed 2025	Change from Present
AR20	8.31%	9.41%	1.10%
AR50	2.45%	2.76%	0.31%

Hours at Minimum Wage ("HM")

Average Monthly Essential Charge (\$)

Current California Minimum Wage	\$ 16.50	
	Basic	
2025 Base Case	\$ 198.97	
HM	12.06	
		Diff to Base Case
2025 WEMA	\$ 228.76	
HM	13.86	1.80