

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

Application of Liberty Utilities (CalPeco Electric) LLC (U 933 E) for Authority to Update Rates Pursuant to its Energy Cost Adjustment Clause and its California Climate Credit, Effective January 1, 2026.

Application 25-10-____

**APPLICATION OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E)
FOR AUTHORITY TO UPDATE RATES PURSUANT TO ITS ENERGY COST
ADJUSTMENT CLAUSE AND ITS CALIFORNIA CLIMATE CREDIT, EFFECTIVE
JANUARY 1, 2026**

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Dated: October 21, 2025

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I. INTRODUCTION

Pursuant to Article 2 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure (“Rules”), Liberty Utilities (CalPeco Electric) LLC (“Liberty”) submits the following application (“Application”) and accompanying testimony for authority to update rates pursuant to its Energy Cost Adjustment Clause (“ECAC”) and its California Climate Credit, effective January 1, 2026.

Liberty’s ECAC tariff, originally authorized in Decision (“D.”) 12-11-030 and as amended by D.21-05-005, requires the utility to file an ECAC application in any year in which total ECAC revenues are expected to deviate by more than plus or minus five percent from the revenues collected through its current ECAC rates. As such, Liberty requests an annual increase in the revenues to be collected through ECAC rates of \$53.865 million. The requested increase represents a 5.1% annual decrease in the rate recovery from ECAC rate modifications authorized

in Liberty's 2024 ECAC Application.¹ This change is largely driven by a \$6.859 decrease to the balancing account.

In addition, D.14-10-033 requires Liberty to present testimony with respect to its greenhouse gas ("GHG") costs and reconciliation as part of its ECAC application. Liberty seeks approval of its GHG 2025 cost and revenue forecast and reconciliation, and to set California Climate Credit rates accordingly to be effective January 1, 2026.

II. LIBERTY BACKGROUND

Liberty serves approximately 50,000 electric customers in and around the Lake Tahoe Basin in California. While Liberty's service territory extends from Portola in the north to Walker and Coleville in the south, the service territory is geographically compact and generally encompasses the western portions of the Lake Tahoe Basin. Liberty's customers are located in portions of Placer, El Dorado, Nevada, Sierra, Plumas, Mono, and Alpine Counties. The biggest population center is the City of South Lake Tahoe. Almost 80% of Liberty's customers are located in the Lake Tahoe Basin.

In D.15-12-021, the Commission authorized Liberty's application for approval of an agreement with NV Energy ("2016 NV Energy Services Agreement"), which commenced January 1, 2016 and expired December 30, 2020. Liberty received Commission approval for the current energy service agreement ("ESA") with NV Energy, which commenced on December 30, 2020.

The ECAC rates in this application are affected by the 2021 ESA, under which NV Energy serves the full energy requirements of Liberty's electric loads during the period of this Application. The NV Energy ESA allows Liberty to displace NV Energy Renewables Portfolio

¹ See D.25-08-012.

Standard (“RPS”) generation by procuring RPS-generation from future “Liberty Renewable Projects” (*i.e.*, the Luning Solar Energy Facility and the Turquoise Solar Facility) and requires NV Energy to deliver energy from those projects over NV Energy’s transmission facilities into Liberty’s California service territory at Federal Energy Regulatory Commission-regulated cost-based rates.²

For purposes of this Application, Liberty forecasts generation in 2026 as follows: (1) the Luning Project delivers approximately 101,000 megawatt hours (“MWh”) to Liberty, and (2) the Turquoise Project delivers approximately 21,000 MWh to Liberty. The generation from both the Luning Project and the Turquoise Project displaces renewable generation that Liberty would otherwise purchase pursuant to the 2020 NV Energy Services Agreement. This displacement in purchases from NV Energy by the deliveries from the Luning Project and the Turquoise Project decreases Liberty’s forecast of power purchases, which, in turn, reduces the forecast of the Fuel and Purchased Power Costs used to derive Liberty’s ECAC rates.

Lastly, Liberty owns and operates the 12 MW diesel-fired Kings Beach Generating Station (“Kings Beach”). Kings Beach is permitted to operate no more than 720 “machine

² The 2021 NV Energy ESA provides material benefits for Liberty’s customers as it allows Liberty to (1) continue to develop additional utility-owned renewable resources (2) explore possible alternative transmission arrangements; (3) reduce the distribution charge and demand charge rate paid to NV Energy; and (4) remove the demand ratchet so that charges better reflect actual demand. (AL 153-E, “Liberty Utilities (CalPeco Electric) LLC (U-933 E) – Request for Approval of 2021 Energy Services Agreement with Sierra Pacific Power Company, dba NV Energy.”)

hours” per calendar year and is used in limited, emergency situations.³ Production is expected to be minimal at this plant.

III. ENERGY COST ADJUSTMENT CLAUSE

A. Overview

The ECAC’s purpose is to reflect in rates (1) Liberty’s Fuel and Purchased Power Costs, and (2) certain other energy-related costs. Under its ECAC tariff, Liberty is obligated to revise its ECAC Billing Factors in calendar years if a change to total ECAC revenues of plus or minus five percent occurs as a result of the combination of revisions to:

- 1) the Offset Rate, based on the new Fuel and Purchased Power forecast for the Forecast Period; and
- 2) the Balancing Rate, to amortize any projected over- or under-collection balance in the Energy Cost Adjustment Balancing Account as of the Revision Date.⁴

The ECAC tariff defines “Forecast Period” as the 12-calendar-month period commencing with the Revision Date, which, for this Application, is January 1, 2026.

B. ECAC Request Summary

Liberty proposes an overall annual decrease in ECAC revenues of \$2.917 million from its current ECAC rates to reflect and pass through to customers the costs to Liberty to recover its Fuel and Purchased Power Costs. The net decrease is composed of (1) an approximate annual \$3.942 million increase associated with changes to the Offset Rate and (2) an approximate annual \$6.859 million decrease associated with changes to the Balancing Rate.

³ See Placer County Air Pollution Control District, Authority to Construct/Temporary Permit to Operate, Permit Nos. AC-07-113A, AC-07-113B, AC-07-113C, AC-07-113D, AC-07-113E, and AC-07-113F. A machine hour represents the operation by any one of the facility’s six two-megawatt units (e.g., for an hour during which Kings Beach operates its six generators, it will be charged with six machine hours against its permit limitation).

⁴ See D. 12-11-030 at Ex. B.

i. Offset Rate

The increase related to the Offset Rate is driven primarily by increased spending on Renewable Energy Credits to meet the Renewable Portfolio Standard requirements, as well as increased energy rates for renewable resources.

Another component of Fuel and Purchased Power Costs is the fuel-related costs associated with Kings Beach. The cost for the fuel burn associated with Kings Beach is projected to be \$0 in 2026. Liberty projects its annual fuel cost by calculating its average recorded fuel consumption for the immediately preceding three years.

The final component of the Fuel and Purchased Power Cost is associated with certain confidential payments that Liberty will indirectly be obligated to pay to the minority owners (“Tax Equity Partners”) of the Luning Project and Turquoise Project (“Tax Equity Partner Distribution Payments”).⁵ The Luning Project was bought out from the tax equity partner and the Turquoise Project will be bought out by end of 2025, ending the Tax Equity Partner Distribution Payments in 2025.

ii. Balancing Rate

Liberty’s ECAC Balancing Account, as of December 31, 2025, reflects a \$32.047 million under-collection. Liberty’s under-collection is due to two factors: (1) higher than forecasted energy costs and (2) delayed implementation of 2022, 2023, and 2024 ECAC rates. The 2024 ECAC rates went into effect September 1, 2025, when they were designed for an effective date

⁵ In the Luning Approval Decision, the Commission determined that the “ratemaking treatments for all expenses related to the acquisition and operation of the Luning facility described in the [Luning] Settlement Agreement should result in just and reasonable rates.” D.16-01-021 at 42 (Conclusion of Law No. 2). The Luning Settlement Agreement provides that Liberty could record the distributions it will make to the Tax Equity Partner in its ECAC Balancing Account and to recover the amount of the Tax Equity Partner Distribution Payments in accordance with its ECAC tariff. *See* D.16-01-021, Attachment A, § 3.7. The Turquoise Settlement Agreement includes an identical provision. *See Joint Motion for Approval of an All-Party Settlement Agreement* in A.16-12-009 (filed June 30, 2017), Attachment A, at § 3.6.

of January 1, 2024. These factors resulted in customers being charged an outdated rate reflective of a forecast made in 2023. In order to help smooth out the increase in ECAC rates, Liberty proposes to amortize the \$32.047 million under-collection over a 24-month period, beginning January 1, 2026. As a consequence of the recorded under-collection in the Balancing Account, Liberty proposes to decrease the Balancing Rate annually by \$6.859 million.

C. Revenue Allocation and Rate Design

Liberty's proposed ECAC-related change will be allocated as follows: (1) the Offset Rate will be changed to \$66.56/MWh and will generate 11.6% more revenue than the current Offset Rate of \$57.65/MWh, and (2) the Balancing Rate will be changed to \$28.18/MWh and will generate 30.0% less revenue than the current Balancing Rate of \$38.92/MWh. The combination of the proposed changes will result in an overall decrease in the aggregate ECAC rate from \$96.57/MWh to \$94.74/MWh.

IV. CALIFORNIA CLIMATE CREDIT

A. Overview

In D.14-10-033, the Commission required Liberty to "file its [future GHG forecast revenue and reconciliation requests] as an additional chapter or section within its . . . [ECAC application], but in any event not later than August 1 of each year."⁶ Accordingly, Liberty includes its 2025 GHG revenue forecast and reconciliation request as part of this Application. Liberty's climate credit calculations are based on the Commission's direction in the aforementioned decisions.

B. GHG Request Summary

Liberty requests Commission authorization to use the following for purposes of setting its GHG rates that reflect and pass through to customers the GHG costs Liberty incurs for the

⁶ See D. 14-10-033, at 51 (Ordering Paragraph No. 10).

California Cap-and-Trade program, to be effective January 1, 2026:

- 1) Forecast 2025 GHG emissions costs incurred directly or indirectly by Liberty as a result of the GHG cap-and-trade program (“GHG Costs”);
- 2) Forecast 2025 administrative and customer outreach expenditures by Liberty associated with the cap-and-trade program (“GHG Administrative and Customer Outreach Expenses”); and
- 3) Forecast 2025 allowance revenues Liberty will realize by selling the allowances allocated to its customers by the California Air Resources Board (“GHG Allowance Revenues”), as adjusted by the amortization of the 2024 year-end forecasted over-collection in the GHG Revenue Balancing Account (“GHG Account Balance”) (as adjusted, “GHG Adjusted Allowance Revenues”).

Liberty also requests that the Commission find Liberty’s reconciliation of its 2025 GHG costs to be reasonable and allow it to adjust its 2026 California Climate Credit rates accordingly.

Liberty specifically requests approval to (a) decrease its Carbon Pollution Permit Cost rate by \$0.00448/kWh, and (b) decrease the amount of the semi-annual climate credit for residential and applicable small business customers by \$28.04 through the following GHG-cost, accounting and ratemaking matters:

- 1) Total confidential forecast 2025 GHG Costs represented on Line 15 of Template D-2 attached in Appendix C of the supporting testimony;
- 2) Total forecast 2025 GHG Administrative and Outreach Expenses: \$11,050
- 3) Total forecast 2025 GHG Adjusted Allowance Revenues: \$5,138,750;
- 4) Total forecast 2025 EITE Customer Return: \$0; and
- 5) Total recorded 2024 GHG Administrative and Outreach Expenses: \$11,050.

Based on its current forecasts, Liberty projects that eligible customers will receive a semi-annual California Climate Credit of \$43.94 on the bills they receive in April and October 2026. The actual amount of the California Climate Credit will change based on the forecasts that the Commission approves for Liberty.

V. INFORMATION REQUIRED BY COMMISSION RULES

A. Statutory Authority

Liberty files this Application pursuant to California Public Utilities Code Sections 451, 454, and 701; Article 2 of the Rules; and the Commission’s prior decisions, orders, and resolutions.

B. Rule 2.1(a) – Legal Name and Principal Place of Business; Correspondence or Communication Regarding this Application

Liberty is a California limited liability company. Its principal place of business is 933 Eloise Avenue, South Lake Tahoe, California 96150.

C. Rule 2.1(b) – Correspondence

All correspondence and communications regarding this Application should be addressed or directed as follows:

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D. Rule 2.1(c) – Scoping Memo; Categorization; Hearings; Issues to be Considered; and Proposed Schedule

Pursuant to Rule 2.1(c), Liberty proposes the following categorization, need for hearings, issues to be considered, and proposed schedule.

i. Proceeding Category

Rule 1.3(g) of the Commission’s Rules of Practice and Procedure defines “ratesetting”

proceedings as “proceedings in which the Commission sets or investigates rates for a specifically named utility (or utilities) or establishes a mechanism that in turn sets the rates for a specifically named utility (or utilities).”

Liberty submits this Application to seek Commission approval for authority to update rates pursuant to its ECAC and its California Climate Credit, effective January 1, 2026.

Therefore, Liberty proposes this proceeding be categorized as ratesetting.

ii. Need for Hearings

The need for hearings in this proceeding and the issues to be considered in such hearings will depend in large part upon whether and the degree to which any party contests Liberty’s requests in this Application. Liberty’s proposed procedural schedule below assumes evidentiary hearings will not be held. However, the need for hearings will be determined by the assigned Administrative Law Judge.

iii. Issues to be Considered

The issues that should be considered as part of this proceeding are the following:

- 1) Whether the requests to update Liberty’s rates pursuant to its ECAC tariff, effective January 1, 2026, are reasonable; and
- 2) Whether the approval of Liberty’s GHG 2025 cost and revenue forecast and 2024 reconciliation and the determination that the GHG rates proposed to become effective January 1, 2026 are reasonable.

iv. Proposed Schedule

Liberty requests that the Commission approve the following proposed schedule:

<u>Date</u>	<u>Action Item</u>
October 21, 2025	Application filed
Within 30 days of the date the notice of this application first appears	Protests Due

<u>Date</u>	<u>Action Item</u>
in the Commission's Daily Calendar – Rule 2.6(a)	
Within 10 days of protest due date – Rule 2.6(e)	Reply to Protests Due
December, 2025	Prehearing Conference
January, 2026	Scoping Memo
March, 2026	Proposed Decision Issued
April, 2026	Final Commission Decision Issued

E. Organization and Qualification to Transact Business

Pursuant to Rule 2.2, a copy of Liberty's 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.16-12-009.

F. Index of the Exhibits and Attachments to this Application

Attachment 1 – Algonquin Proxy Statement

VI. CONCLUSION

Based on the foregoing and the submissions made in support of this Application, Liberty respectfully requests the Commission:

- 1) Grant Liberty's request to update its ECAC rates pursuant to this Application, effective January 1, 2026;
- 2) Authorize Liberty to file a Tier 1 Advice Letter to revise its ECAC tariff with new ECAC Billing Factors as described above;
- 3) Grant Liberty's requests to update its 2026 California Climate Credits based on its 2025 GHG cost and revenue forecast and reconciliation by approving its:

- a. forecast 2025 GHG Costs;
 - b. forecast 2025 GHG Administrative and Customer Outreach Expenses;
 - c. forecast 2025 GHG Adjusted Revenues;
 - d. proposed reconciliation of its 2023 GHG costs as reasonable; and
 - e. proposed adjustment of 2024 California Climate Credit rates as reasonable and in accordance with the outcome of the proposed reconciliations;
- 4) Authorize Liberty Utilities to file a Tier 1 Advice Letter to implement changes to its California Climate Credit rates associated with Liberty's 2025 GHG cost and revenue forecast and reconciliation, as described above; and
- 5) Grant Liberty such other and further relief requested and as the Commission finds just and reasonable.

Respectfully submitted,

/s/ Tracy Luu-Varnes

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Dated: October 21, 2025

VERIFICATION

I, Eric Schwarzrock , hereby declare that I am the President of Liberty Utilities (CalPeco Electric) LLC, and that I have read the foregoing Application, and that the information set forth therein concerning Liberty is true and correct to the best of my knowledge, information, and belief.

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

Executed this 21st day of October, 2025, at Lake Tahoe, California.

A handwritten signature in black ink, appearing to read "E = S R", is positioned above the printed name.

Eric Schwarzrock
President, Liberty California
Liberty Utilities (CalPeco Electric) LLC

Attachment 1
Algonquin Proxy Statement

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 17th 2025

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

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

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>		
ASSETS		
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>		
LIABILITIES AND MEMBER'S EQUITY		
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					
	Member's capital	Accumulated surplus	Accumulated other comprehensive loss	Non- controlling interests	Total	
<i>(thousands of U.S. dollars)</i>						
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
Cash provided by (used in):		
Operating Activities		
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
	74,738	110,452
Financing Activities		
Increase in advances in aid of construction	959	729
	959	729
Investing Activities		
Additions to utility plant	(75,662)	(106,851)
Increases in other assets	—	(4,947)
	(75,662)	(111,798)
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
Supplemental disclosure of cash flow information:	2024	2023
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)

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
	<u>\$ 426</u>	<u>\$ 412</u>

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	10-179	10-179	46	47
Equipment, office furniture and improvements	15-25	15-25	17	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)

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)

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)

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
Regulatory assets		
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
Regulatory liabilities		
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)

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
Change in projected benefit obligation				
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)	—
Projected benefit obligation, end of year	\$ 7,467	\$ 6,932	\$ 1,062	\$ 1,067
Change in plan assets				
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)	—
Fair value of plan assets, end of year	\$ 7,942	\$ 6,924	\$ —	\$ —
Unfunded status	\$ (475)	\$ 8	\$ 1,062	\$ 1,067
Amounts recognized in the consolidated balance sheets consist of:				
Current liabilities	—	—	(36)	(49)
Non-current liabilities	(475)	(9)	(1,026)	(1,018)
Net amount recognized	\$ (475)	\$ (9)	\$ (1,062)	\$ (1,067)

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)
Balance, December 31, 2024	\$ 368	\$ (44)	\$ (869)	\$ 20

(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	5.82%	5.27%	5.87%	5.25%
Rate of compensation increase	6.00%	6.00%	N/A	N/A
Health care cost trend rate				
Before age 65			6.750%	7.000%
Age 65 and after			11.000%	6.000%
Assumed Ultimate Medical Inflation Rate			4.50%	4.50%
Year in which Ultimate Rate is reached			2034	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

Asset class	Level 1	Percentage
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:

	2025	2026	2027	2028	2029	2030-2034
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

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(in thousands of U.S. dollars)

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.

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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.

	2025
Power purchases	\$ 17,039

12. Non-cash operating items

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

	2024	2023
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)
	\$ 47,694	\$ 59,476

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.

	2024	2023
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

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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.

Attachment 2
Affordability Ratio Calculations

Electric (Non-Care) Affordability Metrics			
	Present 2025	Proposed 2026	Change from Present
AR20	9.89%	8.78%	-1.11%
AR50	2.62%	2.57%	-0.05%

Hours at Minimum Wage ("HM")

Average Monthly Essential Charge (\$)

Current California Minimum Wage \$ 16.50

	Basic	All-Electric		
2025 Base Case	\$ 162.56	\$ 226.33		
HM	9.85	13.72		
2025 ECAC	\$ 161.63	\$ 225.00		
HM	9.80	13.64		
			Diff to Base Case	
			-0.06	-0.08