



# What's Important to Our Customers

**Our customers tell us that providing them with safe, reliable and clean energy is the highest priority. Liberty Utilities is committed to meeting that request, and I wanted to share highlights of how we do that.**

**System Improvements.** We're constantly maintaining and upgrading our electrical system to better serve you. Last year we completed Phase 1 of one of our larger projects — replacing and upgrading an aging power line from Truckee to Kings Beach known as the 650 Electric Line Upgrade. We've made other significant improvements to our system in Alpine and Mono counties, as well as the Portola area.

**Vegetation Management.** Liberty annually invests \$2.5 million in trimming trees and branches around our structures to reduce outage and fire-related risks. This effort was even more important last year as California dealt with another year of drought with 102 million diseased and dying trees.

**Renewable Energy Commitment.** In our 2016 survey 75% of our customers said Liberty Utilities is an environmentally responsible utility; a 7 point increase over last year! Several things contribute to this:

**Luning Solar Project.** Liberty began construction on our first-ever solar project located in Luning, Nevada last year. The 50 MW plant will be in service 1st qtr. 2017, providing approximately 25% of our customers' total energy needs.

**New Purchase Power Agreement (PPA).** In 2016, our renegotiated PPA with NV Energy took effect. It called for the elimination of all coal-generated purchased power whenever possible and increased renewable sources when cost-effective. Our PPA with NV Energy in 2017 will continue this commitment.

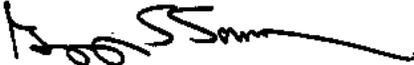
**Renewable Portion of Total Power Mix.**

The State of California mandates that utilities such as Liberty have certain levels of renewable energy resources as part of their overall power mix. Because of our new solar facility and renegotiated PPA, we'll be able to meet the 27% renewable mandate for 2017. Future plans for expanding our solar capabilities and other strategies will help us meet this ever-increasing mandate.

**Solar Incentives.** The CPUC recently approved our request to implement a solar incentive program for both residential and commercial customers. In addition to providing rebate incentives for solar installations, customers will also benefit from existing net metering rates.

**Energy Efficiency Incentives.** Another customer-driven priority is your desire to conserve energy and save money. Through our energy efficiency programs, customers can have a free energy audit of their home or business conducted, sign up for appliance rebates and recycling, and commercial customers can get rebates for pre-approved lighting and other improvements. We've asked the CPUC to allow us to expand many of these existing programs including some of the income-eligible ones that provide free energy efficiency home improvements.

Please visit our website regularly during the coming year to learn more about our plans to provide you with the most safe, reliable and clean energy possible. You can also learn about ways to reduce your energy use and save money!



**Greg Sorensen, Liberty Utilities President**

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## Rate Changes in 2017

No one wants to pay more for any service we receive, especially for utilities. And while Liberty is committed to keeping energy costs as low as possible while providing reliable service, customers will see changes to their rates during the coming year for costs associated with your service.

In 2015 and 2016, Liberty Utilities filed requests for rate adjustments for both increases and decreases to various rate components. The requests include increases based on capital improvements, including the Luning Solar Project and the 650 Electric Line Upgrade, and decreases based on reduced purchased power cost. ***Effective January 1, 2017, the net effect of these requests will be that the average residential and small commercial customers (A1) will see an increase of less than 1%, while the average medium and large commercial customers (A2 and A3) will see increases of approximately 16% and 17%, respectively.***

### Why Did I Receive a Notice in Late November About a Larger Increase?

The CPUC requires utilities to notify their customers of any pending rate increase 30 days prior to implementation, so Liberty

sent a notice to all customers to inform them about the PTAM rate increase effective January 1, 2017. After the notice was sent, the CPUC approved decisions in two other Liberty proceedings, both of which reduced rates.

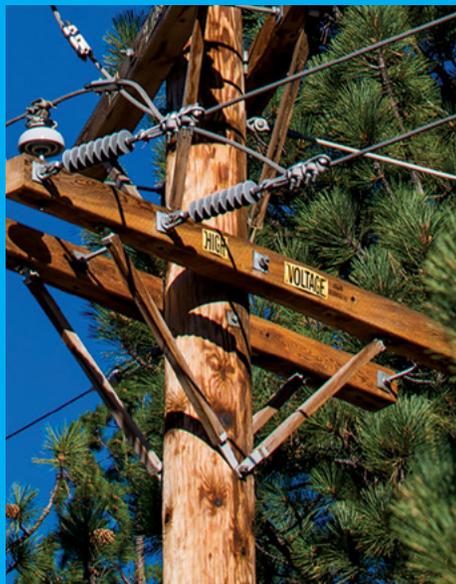
**What Makes Up Your Rate?** As a regulated utility, any expenses we incur to provide power to our customers must be reviewed and approved by the CPUC often involving extensive public review. And while utility rate-making is a complex process involving literally hundreds of factors that comprise what you ultimately pay for your electrical service, it's an accurate statement to say that about 90% of your rate is a direct pass-through of Liberty's cost to run the utility — and 50% of that alone is for fuel costs.

### What Can I Do To Reduce My Utility Costs?

The best way you can reduce your utility cost is to be energy smart. Liberty offers lots of free advice and programs to help you do this. You may also be income-eligible for programs that help you pay for utility expenses and make energy efficient improvements. Please visit our website and click on the "Smart Energy Use" link at the top of the screen, or call our local Customer Care representatives at **1-800-782-2506**.

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## CA Proposition 65 Warning

Liberty Utilities uses natural gas and petroleum products, solvents and other chemicals in our operations. We also use wooden utility poles treated with wood preservatives. Petroleum products and their combustion by-products, wood preservatives and other chemicals used in our operations contain chemicals known to the State of California to cause cancer, birth defects or other reproductive harm. Please avoid contact with wooden utility poles.

More safety information can be found at <http://oag.ca.gov/prop65/chemicals>