

Decision 12-06-005 June 7, 2012

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of California Pacific Electric Company, LLC (U933E), Algonquin Power & Utilities Corp., Liberty Energy Utilities Co., Emera Incorporated, Emera US Holdings Inc., and California Pacific Utility Ventures, LLC for Expedited Approval of Indirect Transfer of Control of California Pacific Electric Company, LLC (U933E) Pursuant to California Public Utilities Code Section 854(a).

Application 11-09-012
(Filed September 14, 2011)

DECISION APPROVING SETTLEMENT AGREEMENT

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
DECISION APPROVING SETTLEMENT AGREEMENT	1
1. Summary	2
2. Background.....	2
3. Description of the Joint Applicants.....	4
4. The Proposed Transaction.....	5
4.1. Summary of the Proposed Transaction.....	5
4.2. Reasons for the Proposed Transaction.....	6
4.3. Effect of the Proposed Transaction on CalPeco	7
4.4. The Compliance Filings.....	7
5. Summary of DRA’s Protest.....	8
6. The Settlement Agreement.....	8
7. Discussion.....	9
7.1. Section 854(a)	9
7.2. Rule 12.1(d).....	12
7.2.1. Reasonable in Light of the Whole Record	12
7.2.2. Consistent with the Law	13
7.2.3. In the Public Interest.....	13
7.3. Conclusion.....	14
8. California Environmental Quality Act	14
9. Categorization and Need for Hearing.....	15
10. Waiver of Comment Period	15
11. Assignment of the Proceeding.....	15
Findings of Fact.....	15
Conclusions of Law	15
ORDER	16
Appendix 1: Settlement Agreement.....	1-1
Appendix 2: Current and Post-Transaction Ownership Structure	2-1
Appendix 3: Regulatory Commitments	3-1

DECISION APPROVING SETTLEMENT AGREEMENT

1. Summary

This decision approves a settlement agreement between the Commission's Division of Ratepayer Advocates and the Joint Applicants consisting of California Pacific Electric Company, LLC (CalPeco), California Pacific Utility Ventures, LLC, Liberty Energy Utilities Co., Algonquin Power & Utilities Corp. (Algonquin), Emera US Holdings Inc., and Emera Incorporated (Emera).

The approved settlement agreement provides the Joint Applicants with authority under California Public Utilities Code Section 854(a) to revise the ownership structure for CalPeco, a regulated electric utility that serves much of the Lake Tahoe area. Currently, Algonquin holds a 50.001% indirect ownership interest in CalPeco, and Emera holds a 49.999% indirect ownership interest. Algonquin will acquire the 49.999% interest held by Emera, resulting in Algonquin having a 100% indirect ownership interest in CalPeco. The approved settlement agreement contains provisions that ensure the revised ownership structure will not harm CalPeco's regulated operations and customers.

2. Background

In Decision (D.) 10-10-017, the Commission approved the sale of Sierra Pacific Power Company's (Sierra) electric utility operations and facilities in California to California Pacific Electric Company, LLC (CalPeco). At the time, Sierra had 46,000 retail electric customers in California, mostly in the Lake Tahoe area. The sale was completed on January 1, 2011.

On September 14, 2011, the following parties jointly filed Application (A.) 11-09-012 for authority under California Public Utilities Code Section 854(a)¹ to revise the ownership structure for CalPeco: California Pacific Utility Ventures, LLC, Liberty Energy Utilities Co., Emera Incorporated, Emera US Holdings Inc., Algonquin Power & Utilities Corp., and CalPeco (together, the “Joint Applicants”). The Division of Ratepayer Advocates (DRA) filed a protest on October 24, 2011. There were no other protests or responses to the application. The Joint Applicants filed a reply on November 11, 2011.

A prehearing conference (PHC) was held on November 30, 2011. During the PHC, the Joint Applicants were instructed to submit two compliance filings containing specified information about the proposed transaction. The first compliance filing was submitted on December 9, 2011, and the second on December 16, 2011. The assigned Commissioner issued a scoping memo pursuant to Rule 7.3 of the Commission’s Rules of Practice and Procedure (Rule) on December 23, 2011.

On December 16, 2011, DRA sent an e-mail to the service list in which DRA announced that it had reached a settlement agreement in principle with the Joint Applicants. DRA and the Joint Applicants held a properly noticed settlement conference on January 11, 2012, pursuant to Rule 12.1(b).

On April 5, DRA and the Joint Applicants filed an all-party motion for Commission approval of a settlement agreement pursuant to Rule 12.1(a) (the “Settlement Agreement”). The Settlement Agreement was attached to the

¹ The term “Section” hereafter means a statutory provision of the California Public Utilities Code unless otherwise stated.

motion. The motion explains why the settlement is reasonable in light of the record, consistent with the law, and in the public interest.

3. Description of the Joint Applicants

California Pacific Electric Company, LLC (CalPeco)

CalPeco is a California limited liability company and a regulated electric utility subject to the Commission's jurisdiction. CalPeco's service territory covers parts of following seven counties in the Lake Tahoe area: Alpine, El Dorado, Mono, Nevada, Plumas, Placer, and Sierra. CalPeco is a wholly owned by CPUV.

California Pacific Utility Ventures, LLC (CPUV)

CPUV is a California limited liability company. It is the sole owner and direct parent of CalPeco. CPUV is currently owned 50.001% by Liberty Energy Utilities Co. and 49.999% by Emera US Holdings, Inc.

Liberty Energy Utilities Co. (Liberty Energy)

Liberty Energy is a Delaware corporation that holds a 50.001% ownership interest in CPUV, the direct parent of CalPeco. Liberty Energy also owns several other small electric and natural gas utilities. Pursuant to previously announced agreements, Liberty Energy plans to acquire (1) Granite State Electric Company, an electric utility with 43,000 customers in New Hampshire; (2) EnergyNorth Natural Gas Inc., a natural gas utility with 83,000 customers in New Hampshire; and (3) the natural gas utility assets of Atmos Energy Corp. that serve 84,000 customers in Missouri, Iowa, and Illinois.

Algonquin Power & Utilities Corp. (Algonquin)

Algonquin is a Canadian corporation whose common shares are traded on the Toronto Stock Exchange. Through its operating subsidiaries, Algonquin owns renewable electric generation and utility businesses in North America.

Algonquin indirectly owns 50.001% of CalPeco through its wholly-owned subsidiary, Liberty Energy.²

Emera US Holdings Inc. (EUSHI)

EUSHI is a Delaware corporation that currently holds a 49.999% ownership interest in CPUV. EUSHI is a wholly-owned subsidiary of Emera Incorporated.

Emera Incorporated (Emera)

Emera is an energy holding company incorporated under the laws of the Province of Nova Scotia, Canada. Its common shares are traded on the Toronto Stock Exchange. Emera has approximately \$6.6 billion of assets (Canadian). It owns electric utilities, natural gas utilities, and unregulated businesses involved in energy marketing and electric generation. Emera indirectly owns 49.999% of CalPeco through its wholly-owned subsidiary, EUSHI.

4. The Proposed Transaction

4.1. Summary of the Proposed Transaction

As described previously, CalPeco is wholly owned by CPUV. The owners of CPUV are Liberty Energy (50.001%) and EUSHI (49.999%). Liberty Energy is an indirect wholly-owned subsidiary of Algonquin. EUSHI is a direct wholly-owned subsidiary of Emera.

In A.11-09-012, the Joint Applicants request authority under Section 854(a) to revise the upstream ownership structure for CalPeco (the “Proposed Transaction”). Under the Proposed Transaction, Liberty Energy will acquire the

² Algonquin owns Liberty Energy through its wholly owned subsidiary, Liberty Utilities Co., which, in turn, owns 100% of Liberty Energy.

49.999% ownership interest in CPUV that is held by EUSHI, giving Liberty Energy 100% ownership of CPUV. This will change the ownership of CalPeco from Algonquin and Emera being essentially equal indirect owners, to Algonquin being the sole indirect owner of CalPeco. At the same time, Emera will increase its investment in Algonquin from 7.15% of the outstanding common shares to 14.05% of the outstanding common shares. The effect of the Proposed Transaction is that Emera will exchange its 49.999% indirect ownership interest in CalPeco for an additional 6.9% direct ownership interest in Algonquin. Corporate organization charts showing the current and post-transaction ownership structures for CalPeco are in Appendix 2 of today's decision.

4.2. Reasons for the Proposed Transaction

The joint acquisition of CalPeco was the first step in a strategic relationship between Algonquin and Emera. Following the closing of the CalPeco acquisition, Algonquin and Emera executed a Strategic Investment Agreement that outlines a joint-investment strategy whereby Algonquin will seek to acquire 100% indirect ownership of small electric and natural gas utilities. Emera may participate in these acquisitions through investment in Algonquin's common shares. This ownership structure for acquired small utilities capitalizes on Algonquin's expertise in operating small utilities and, at the same time, enables Algonquin and Emera to efficiently coordinate their investments.

In A.11-09-012, Algonquin and Emera seek to revise the current ownership structure for CalPeco to conform to the structure they are using in the Strategic Investment Agreement for the acquisition of other small utilities. Thus, consistent with Strategic Investment Agreement and upon the consummation of the Proposed Transaction, Algonquin will indirectly own 100% of CalPeco, and Emera will participate through investment in Algonquin's common shares.

4.3. Effect of the Proposed Transaction on CalPeco

The Joint Applicants aver that the Proposed Transaction will have no adverse effects on CalPeco's operations and customers. In particular, the Proposed Transaction will not affect any rates, terms, or conditions of utility service. CalPeco's customers will continue to receive the same electric service from the same facilities under the same tariffs. Customer service functions will continue unchanged, including billing, new connections, and responding to outages. CalPeco will employ the same personnel, and the roles and responsibilities of employees will not change.

The Joint Applicants state that they will continue to comply with the Regulatory Commitments that were adopted by D.10-10-017. The Regulatory Commitments require, among other things, that CalPeco's upstream owners provide access to sufficient capital for CalPeco's utility operations. In addition, the Joint Applicants will continue to comply with the requirement in Ordering Paragraph (OP) 1(c) of D.10-10-017 to provide their officers and employees to testify in California about matters pertinent to CalPeco, as the Commission may deem necessary, consistent with principles of due process and fairness.

4.4. The Compliance Filings

The Joint Applicants submitted two compliance filings in response to directives from the assigned Commissioner and the assigned Administrative Law Judge (ALJ). In the first Compliance Filing on December 9, 2011, the Joint Applicants submitted a declaration from a senior officer of each Joint Applicant. By these declarations, the Joint Applicants swear under oath that if the Commission approves the proposed change in the upstream ownership for CalPeco, the Joint Applicants will continue to comply with (1) the Regulatory

Commitments adopted by D.10-10-017, and (2) the requirement in OP 1(c) of D.10-10-017 to provide their officers and employees to testify in California regarding matters pertinent to CalPeco, as the Commission may determine to be necessary, consistent with established principles of due process and fairness.³

In the second Compliance Filing on December 16, 2011, the Joint Applicants provided the Subscription Agreement between Algonquin and Emera. The Subscription Agreement establishes the contractual terms and conditions by which EUSHI will transfer its 49.999% interest in CPUV to Liberty Energy, and Emera will acquire an additional equity stake in Algonquin.

5. Summary of DRA's Protest

In its protest, DRA expressed concern that the proposed change in the upstream ownership of CalPeco might vitiate the Regulatory Commitments that were adopted by the Commission in D.10-10-017.

6. The Settlement Agreement

The purpose of the Settlement Agreement is to resolve DRA's concern that the Proposed Transaction might undermine the ratepayer protections adopted by D.10-10-017. To resolve DRA's concern, the Settlement Agreement affirms that the ratepayer protections adopted by D.10-10-017 will remain in full force and effect with respect to each of the Joint Applicants following the Commission's approval of A.11-09-012. These ratepayer protections include the Regulatory Commitments in Appendix 3 of D.10-10-017, and the requirement in OP 1(c) of D.10-10-017 that the Joint Applicants will provide their officers and

³ The Joint Applicants provided a draft of the declarations to DRA. DRA's feedback was incorporated into the declarations that were filed on December 9, 2011.

employees to testify in California about matters pertinent to CalPeco, as the Commission may determine to be necessary, consistent with established principles of due process and fairness. The Settlement Agreement extends OP 1(c) to include the “Additional Algonquin Entities⁴” that are not explicitly subject to OP 1(c).

DRA joins the Joint Applicants in requesting that the Commission approve A.11-09-012 and adopt the Settlement Agreement. A copy of the Settlement Agreement is attached to today’s decision as Appendix 1.

7. Discussion

We will first review A.11-09-012 in the context of Section 854(a). We will then evaluate the Settlement Agreement using the criteria in Rule 12.1(d).

7.1. Section 854(a)

The Joint Applicants request authority under Section 854(a) to revise the upstream ownership structure for CalPeco whereby Emera will transfer its 49.999% indirect ownership interest in CalPeco to Algonquin, and Algonquin will increase its indirect ownership interest in CalPeco from 50.001% to 100%. Section 854(a) states, in relevant part, as follows:

⁴ The Settlement Agreement defines the “Additional Algonquin Entities” as Liberties Utilities (Canada) Corp. (LUCC) and Liberty Utilities Co. (LUC). LUCC is a wholly owned subsidiary of Algonquin that, in turn, wholly owns LUC, a Delaware corporation that wholly owns Liberty Energy. The Additional Algonquin Entities are not included as applicants to A.11-09-012.

No person or corporation . . . shall merge, acquire, or control either directly or indirectly any public utility organized and doing business in this state without first securing authorization to do so from the commission
Any merger, acquisition, or control without prior authorization shall be void and of no effect.

The purpose of Section 854(a) is to enable the Commission to review a proposed transaction, before it takes place, so that the Commission can take such actions as the public interest may require.⁵ In general, the Commission will approve a proposed transaction pursuant to Section 854(a) if the transaction does not harm ratepayers and is not otherwise adverse to the public interest.⁶

The record of this proceeding establishes that Algonquin is qualified to assume 100% indirect ownership of CalPeco. Algonquin has sufficient managerial and technical expertise to operate CalPeco, as demonstrated by its ownership of electric, natural gas, water, and sewer utilities in North America. Algonquin also has adequate financial resources to fulfill its Regulatory Commitments, discussed below, should that become necessary. In particular, Algonquin's financial statements show that it had total revenues of \$183 million (Canadian) in 2010, and total assets and shareholder equity of \$981 million and \$349 million (Canadian), respectively, on December 31, 2010.⁷ We are not aware of any issues since Algonquin acquired its current 50.001% indirect ownership in

⁵ Sections 854(b) and 854(c) apply only when a transacting utility has annual California revenues exceeding \$500 million. As shown in Exhibit C of A.11-09-012, CalPeco's annual revenues are less than \$100 million.

⁶ D.10-10-017 at 60, Conclusion of Law 3, and D.09-08-017 at 7.

⁷ A.11-09-012, Appendix F.

CalPeco pursuant to D.10-10-017 that indicate Algonquin should not be allowed to acquire 100% indirect ownership.

The record further establishes that the Proposed Transaction will have no adverse effects on CalPeco's regulated operations and customers. As set forth in A.11-09-012, there will be no changes to CalPeco's operations, personnel, revenue requirement, rates, or service from the Proposed Transaction. The Joint Applicants affirm that the Regulatory Commitments adopted by D.10-10-017 will remain in full force and effect. The Regulatory Commitments require, among other things, the following:

- The California utility CalPeco shall be held as a separate legal entity with no other operations. CalPeco shall hold all of its assets in its own name, and shall maintain adequate capital and number of employees in light of its business purposes.
- CalPeco shall not provide financing or guarantees for, extend credit to, or pledge utility assets in support of Algonquin, Emera, or their affiliates. Algonquin and Emera shall finance and fund their business activities independently of CalPeco, with no recourse to CalPeco's assets. The assets of CalPeco shall be used solely for the purpose of providing electric utility service to its customers and securing any debt obtained by CalPeco.
- CalPeco shall not transfer any physical assets used to provide utility services to Algonquin, Emera, or their affiliates without first obtaining the necessary approvals from the Commission and shall in no event transfer any physical assets if doing so would impair CalPeco's ability to fulfill its public utility obligations.
- Based on the understanding that the Commission will grant CalPeco timely recovery in rates for the reasonable costs it incurs to provide electric service, including a reasonable return on rate base, Emera and Algonquin shall

ensure that CalPeco maintains sufficient funds for operations and necessary capital investments.

- CalPeco shall maintain separate books and records, systems of accounts, financial statements, and bank accounts. All financial books and records will be kept in California and, together with records of any Emera and/or Algonquin affiliate that are relevant to CalPeco (wherever held), will be made available for review by the Commission upon request.

The complete set of Regulatory Commitments is contained in Appendix 3 of today's decision.

The Joint Applicants also affirm that OP 1(c) of D.10-10-017 will remain in full force and effect. OP 1(c) requires each Joint Applicant to provide its officers and employees to testify in California about matters pertinent to CalPeco, as the Commission may determine to be necessary, consistent with established principles of due process and fairness.

For the preceding reasons, we find the Proposed Transaction will not harm ratepayers or the public interest. Therefore, the Proposed Transaction satisfies the Commission's standard for approval under Section 854(a).

7.2. Rule 12.1(d)

Rule 12.1(d) provides that the Commission may approve a settlement agreement that is reasonable in light of the whole record, consistent with the law, and in the public interest. We address these criteria below.

7.2.1. Reasonable in Light of the Whole Record

The Settlement Agreement ensures that the ratepayer protections adopted by D.10-10-017 will remain in full force and effect if the Commission approves the Proposed Transaction, including the Regulatory Commitments in Appendix 3 of D.10-10-017 and the requirement in OP 1(c) of D.10-10-017 that the

Joint Applicants' officers and employees will testify in California, if necessary. The Settlement Agreement adds the new ratepayer protection that the Additional Algonquin Entities, who are not parties to A.11-09-012, will provide their officers and employees to testify in California about matters pertinent to CalPeco, as the Commission may determine to be necessary, consistent with established principles of due process and fairness.

Based on our review of the record of this proceeding, which includes A.11-09-012, DRA's protest and the Joint Applicants' reply, the written PHC statements and the PHC transcript, and the Joint Applicants' Compliance Filings, we find the Settlement Agreement is reasonable in light of the whole record.

7.2.2. Consistent with the Law

We find the Settlement Agreement is consistent with the law, including the California Public Utilities Code and Commission decisions, rules, and general orders. Of particular relevance here, the Settlement Agreement ensures that the ratepayer protections adopted by D.10-10-017 will remain in full force and effect with respect to the upstream owners of CalPeco, including Emera, notwithstanding Emera's transfer of its 49.999% indirect ownership interest in CalPeco to Algonquin in accordance with A.11-09-012.

7.2.3. In the Public Interest

The Commission has long favored the settlement of disputes. This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results. The Settlement Agreement achieves these goals in a way that allows the Proposed Transaction to proceed with no adverse effects on CalPeco's regulated operations and customers. We conclude, therefore, that the Settlement Agreement is in the public interest.

7.3. Conclusion

For the reasons stated previously, we find the Proposed Transaction and the associated Settlement Agreement are reasonable in light of the whole record, consistent with the law, and in the public interest, and should be approved pursuant to Section 854(a) and Rule 12.1(d). In accordance with Rule 12.5, the approved Settlement Agreement is binding on the settling parties, but the settlement does not establish a precedent for any principle or issue.

8. California Environmental Quality Act

The California Environmental Quality Act (CEQA)⁸ applies to any project that has a potential for resulting in a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment.⁹ CEQA does not apply where “it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.”¹⁰ The Commission is the lead agency under CEQA with respect to A.11-09-012.

A.11-09-012 does not request, and today’s decision does not approve, any new construction, any changes to CalPeco’s operations or facilities, or any other activities that could result in a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Consequently, our review and approval of A.11-09-012 and the associated Settlement Agreement is exempt from CEQA.

⁸ CEQA is contained in Cal. Pub. Resource Code § 21000 et seq.

⁹ Cal. Pub. Res. Code § 21065 and 14 Cal. Code of Regulations, § 15378.

¹⁰ 14 Cal. Code of Reg., § 15061(b)(3).

9. Categorization and Need for Hearing

In Resolution ALJ 176-3282 dated October 6, 2011, the Commission preliminary categorized this application as ratesetting and preliminarily determined that hearings were not necessary. These preliminary determinations were affirmed in the assigned Commissioner's scoping memo that was issued on December 23, 2011, pursuant to Rule 7.3.

10. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

11. Assignment of the Proceeding

Catherine J. K. Sandoval is the assigned Commissioner and Timothy Kenney is the assigned ALJ for this proceeding.

Findings of Fact

1. The Proposed Transaction will not have any adverse effects on CalPeco's regulated operations or customers.
2. The Proposed Transaction and the associated Settlement Agreement will not result in a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment.

Conclusions of Law

1. The ratepayer protections adopted by D.10-10-017, including those protections in OP 1(c) of D.10-10-017 and the Regulatory Commitments in Appendix 3 of D.10-10-017, will remain in full force and effect if the Proposed Transaction and the Settlement Agreement are approved.

2. The Proposed Transaction is not adverse to the public interest and, therefore, should be approved pursuant to Section 854(a).

3. The Settlement Agreement should be approved pursuant to Rule 12.1(d) because it is reasonable in light of the whole record, consistent with the law, and in the public interest. The all-party motion for approval of the Settlement Agreement should be granted.

4. The Commission is the lead agency under CEQA for A.11-09-012.

5. A.11-09-012 and the associated Settlement Agreement are exempt from CEQA pursuant to 14 Cal. Code Regs., § 15061(b)(3).

6. The following order should be effective immediately so that the Proposed Transaction may be consummated expeditiously.

O R D E R

IT IS ORDERED that:

1. Application 11-09-012 is granted pursuant to California Public Utilities Code Section 854(a).

2. The attached Settlement Agreement between the Commission's Division of Ratepayer Advocates and the Joint Applicants is approved. The all-party motion for approval of the attached Settlement Agreement is granted.

3. The Joint Applicants shall comply with all provisions, terms, and conditions of the Settlement Agreement, including the following:

- i. The Joint Applicants' duties and obligations under the Regulatory Commitments in Appendix 3 of Decision 10-10-017 shall remain in full force and effect, notwithstanding any changes made in the Upstream Ownership of California Pacific Electric Company, LLC, (CalPeco) resulting from Commission's approval of Application 11-09-012.

- ii. The Joint Applicants and the Additional Algonquin Entities, as defined in Section 2.3 of the Settlement Agreement, shall provide their officers and employees to testify in California regarding matters pertinent to CalPeco, as the Commission itself may determine to be necessary, consistent with established principles of due process and fundamental fairness.

4. The ratepayer protections adopted by Decision (D.) 10-10-017 remain in full force and effect, including the protections in Ordering Paragraph 1(c) of D.10-10-017 and the Regulatory Commitments in Appendix 3 of D.10-10-017. The Regulatory Commitments are reproduced in Appendix 3 of today's decision.

5. Application 11-09-012 is closed.

This order is effective today.

Dated June 7, 2012, at San Francisco, California.

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners

APPENDIX 1: SETTLEMENT AGREEMENT

Note: The signatures of the Settling Parties are not included on the signature pages of the Settlement Agreement attached to today's decision. The signatures are included with the Settlement Agreement that was filed at the Commission's Docket Office, copies of which were served on the service list.

Note: The attached Settlement Agreement has non-substantive pagination and formatting changes that are not reflected in the copies of the Settlement Agreement that were filed and served.

Note: The attached Settlement Agreement does not include the Joint Applicants' First and Second Compliance Filings that were filed on December 9 and 16, 2011, respectively. These Compliance Filings are incorporated by reference into the Settlement Agreement as if fully stated therein, and are appended to the Settlement Agreement that was filed and served.

ALL-PARTY SETTLEMENT AGREEMENT

1. Introduction

- 1.1. In accordance with Rule 12.1, subdivision (a) of the California Public Utilities Commission (Commission) Rules of Practice and Procedure (Rule), the Settling Parties (as defined in section 2 below) enter into this settlement agreement (Settlement) for purposes of resolving this matter without having an evidentiary hearing.
- 1.2. The attached Motion states the factual and legal bases of the Settlement; advises the Commission of its scope; and presents the grounds on which Commission approval and adoption are urged.
- 1.3. As the Motion explains, the Settlement complies with Section 854, subdivision (a)¹ as well as Commission requirements for approval of settlements under Rule 12.1, subdivision (d), because it is reasonable in light of the whole record, consistent with the law, and in the public interest. Accordingly, the Settling Parties respectfully urge the Commission to adopt and approve this Settlement.

2. Definitions

- 2.1. The term “Settling Parties” means the “Joint Applicants” and the Division of Ratepayer Advocates (DRA).
- 2.2. The term “Joint Applicants” means the following:
 - 2.2.1. Algonquin Power & Utilities Corp. (Algonquin), which is incorporated under the Canada Business Corporations Act;
 - 2.2.2. Liberty Energy Utilities Co. (Liberty Energy Utilities), a Delaware corporation, which currently owns 50.001% of California Pacific Utility Ventures, LLC

¹ The term “Section” means a statutory provision of the California Public Utilities Code, unless otherwise indicated.

- (CPUV) and will own 100% of CPUV if the Commission approves Application (A.) 11-09-012;
- 2.2.3. CPUV, a California limited liability company which wholly owns California Pacific Electric Company, LLC (CalPeco);
- 2.2.4. CalPeco, a California limited liability company;
- 2.2.5. Emera Incorporated (Emera), which is incorporated under the laws of the Province of Nova Scotia, Canada, and wholly owns Emera US Holdings Inc. (EUSHI); and
- 2.2.6. EUSHI, a Delaware corporation, which currently owns 49.999% of CPUV and will transfer its entire CPUV ownership to Liberty Energy Utilities if the Commission approves A.11-09-012.
- 2.3. The term “Additional Algonquin Entities” means the following:
- 2.3.1. Liberties Utilities (Canada) Corp. (LUCC), a wholly-owned subsidiary of Algonquin, which was formed under the Canada Business Corporations Act and wholly owns Liberty Utilities Co. (LUC); and
- 2.3.2. LUC, a Delaware corporation, which wholly owns Liberty Energy Utilities.²
- 2.4. The term “Upstream Owner” or “Upstream Ownership” means a business entity that has a direct or indirect ownership interest in CalPeco, as per Commission Decision (D.) 10-10-017, at Ordering Paragraph (O.P.) 1, subdivision (b) (“[A]ny change of ownership

² While A.11-09-012 at p. 6 n.7 mentions LUC’s ownership of Liberty Energy Utilities, LUC’s upstream owner, LUCC, was not referenced.

affecting CalPeco's upstream owners must be sought by application filed pursuant to Public Utilities Code Section 854."³).

- 2.5. The term "Regulatory Commitments" means those provisions that Ordering Paragraph (O.P.) 1 of Commission Decision (D.) 10-10-017 refers to as "the Regulatory Commitments attached to this Order as Appendix 3."⁴

3. Terms and Conditions

- 3.1. DRA was concerned that if approved, A.11-09-012's changes of upstream owners would "vitiate" the force and effect of the Regulatory Commitments that D.10-10-017 adopted for the protection of the ratepayers.⁵ This Settlement ensures that those Regulatory Commitments remain binding on the Joint Applicants, even if A.11-09-012 were approved.
- 3.2. The Joint Applicants acknowledge and reaffirm that their duties and obligations under the Regulatory Commitments shall remain in full force and effect, notwithstanding any changes made in the Upstream Ownership of CalPeco resulting from Commission approval of A. 11-09-012.
- 3.3. In accordance with D.10-10-017, O.P. 1, subdivision (c), the Joint Applicants agree to provide their officers and employees to testify in California regarding matters pertinent to CalPeco, as the Commission, itself, may determine to be necessary, consistent with established principles of due process and fundamental fairness.
- 3.4. While the Additional Algonquin Entities are not included as applicants in A.11-09-012, Algonquin agrees for Settlement purposes to provide the officers and employees of the Additional Algonquin Entities to testify in California regarding matters pertinent to CalPeco, as the Commission, itself, may determine to

³ CalPeco, D.10-10-017, O.P. 1(b), at p. 63, available at http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/124926.pdf/.

⁴ Id., O.P. 1, at 62.

⁵ See supra note 4, definition of the term "Regulatory Commitments."

be necessary, consistent with established principles of due process and fundamental fairness.

- 3.5. Attached to this Settlement are the Joint Applicants' First and Second Compliance Filings, which respectively were made on December 9 and 16, 2011, and consisted of their Declarations and a Subscription Agreement between Algonquin and Emera. Both the Declarations and Subscription Agreement are incorporated by reference as if fully stated herein.
- 3.6. Based on the Joint Applicants' acceptance of the Terms and Conditions herein, DRA enters into this Settlement to resolve this matter without having an evidentiary hearing, notwithstanding its Protest filed November 22, 2011. DRA joins the Joint Applicants in requesting that the Commission approve and adopt the Settlement, because it is reasonable in light of the whole record, consistent with the law, and in the public interest.

4. Other Terms and Conditions

- 4.1. **Commission's Primary Jurisdiction.** The Settling Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedies regarding this Settlement. None of the Settling Parties may bring an action regarding this Settlement in any court of competent jurisdiction or another administrative agency without having first exhausted its administrative remedies at the Commission.
- 4.2. **Further Actions.** The Settling Parties acknowledge that this Settlement is subject to approval by the Commission. As soon as practicable after all the Settling Parties have signed the Settlement, the Settling Parties through their respective attorneys will prepare and file the Settling Parties' Motion for Commission Approval and Adoption of the Settlement Agreement. The Settling Parties will furnish such additional information, documents, or testimonies as the Commission may require for purposes of granting the Motion and approving and adopting the Settlement.
- 4.3. **No Personal Liability.** None of the Settling Parties, or their respective employees, attorneys, or any other individual representative or agent, assumes any personal liability as a result of the Joint Parties signing this Settlement.

- 4.4. **Non-Severability.** The provisions of this Settlement are non-severable. If any of the Settling Parties fails to perform its respective obligations under this Settlement, the Settlement will be regarded as rescinded. Further, if the Commission or any court of competent jurisdiction overrules or modifies as legally invalid any material provision of this Settlement, this Settlement will be deemed rescinded as of the date when such ruling, decision, or modification becomes final.
- 4.5. **Voluntary and Knowing Acceptance.** Each Settling Party hereto acknowledges and stipulates that it is agreeing to this Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other Settling Party. Each Settling Party has read and fully understands its rights, privileges, and duties under this Settlement, including its right to discuss this Settlement with its legal counsel, which has been exercised to the extent deemed necessary.
- 4.6. **No Modification.** This Settlement constitutes the entire Settlement among the Settling Parties regarding the matters set forth herein, which may not be altered, amended, or modified in any respect except in writing and with the express written and signed consent of all the Settling Parties hereto. All prior settlements, agreements, or other understandings, whether oral or in writing, regarding the matters set forth in this Settlement are expressly waived and have no further force or effect.
- 4.7. **No Reliance.** None of the Settling Parties has relied or presently relies on any statement, promise, or representation by any other Settling Party, whether oral or written, except as specifically set forth in this Settlement. Each Settling Party expressly assumes the risk of any mistake of law or fact made by such Settling Party or its authorized representative.
- 4.8. **Counterparts.** This Settlement may be executed in separate counterparts by the different Settling Parties hereto and all so executed will be binding and have the same effect as if all the Settling Parties had signed one and the same document. All such counterparts will be deemed to be an original and together constitute one and the same Settlement, notwithstanding that the signatures of all the Settling Parties and/or of a Settling Party's

attorney or other representative do not appear on the same page of this Settlement or the related Motion.

- 4.9. **Binding upon Full Execution.** This Settlement will become effective and binding on each of the Settling Parties as of the date when it is fully executed. It will also be binding upon each of the Settling Parties' respective successors, subsidiaries, affiliates, representatives, agents, officers, directors, employees, and personal representatives, whether past, present, or future.
- 4.10. **Commission Adoption Not Precedential.** In accordance with Rule 12.5, the Settling Parties agree and acknowledge that unless the Commission expressly provides otherwise, its adoption of this Settlement does not constitute approval of or precedent regarding any principle or issue of law or fact in this or any other current or future proceeding.
- 4.11. **Enforceability.** The Settling Parties agree and acknowledge that after issuance of a Commission Decision approving and adopting this Settlement, the Commission may reassert jurisdiction and reopen this proceeding to enforce the terms and conditions of this Settlement, including the Regulatory Commitments.
- 4.12. **Finality.** Once fully executed by the Settling Parties and adopted and approved by a Commission Decision, this Settlement fully and finally settles any and all disputes between the Joint Applicants and DRA in this proceeding, unless otherwise specifically provided in the Settlement.
- 4.13. **No Admission.** Nothing in this Settlement or related negotiations may be construed as an admission of any law or fact by any of the Settling Parties, or as precedential or binding on any of the Settling Parties in any other proceeding, whether before the Commission, in any court of competent jurisdiction, or in any other state or federal administrative agency. Further, unless expressly stated herein this Settlement does not constitute an acknowledgement, admission, or acceptance by any of the Settling Parties regarding any issue of law or fact in this matter, or the validity or invalidity of any particular method, theory, or principle of ratemaking or regulation in this or any other proceeding.
- 4.14. **Authority to Sign.** Each Settling Party who executes this Settlement represents and warrants to each other Settling Party that

the individual signing this Settlement and the related Motion has the legal authority to do so on behalf of the Settling Party.

- 4.15. **Future Admissibility.** Each Settling Party signing this Settlement agrees and acknowledges that this Settlement will be admissible in any subsequent Commission proceeding for the sole purpose of enforcing the Terms and Conditions of this Settlement.
- 4.16. **Estoppel or Waiver.** Unless expressly stated herein, the Settling Parties' execution of this Settlement is not intended to provide any of the Settling Parties in any manner a basis of estoppel or waiver in this or any other proceeding.
- 4.17. **Rescission.** If the Commission rejects or materially alters any provision of the Settlement, it will be deemed rescinded by the Settling Parties and of no legal effect as of the date of issuance of the Commission decision rejecting or materially altering the Settlement. The Settling Parties may negotiate in good faith regarding whether they want to accept the Commission changes and resubmit a revised Settlement.

5. Conclusion.

- 5.1. The Settling Parties have executed this Settlement as of the date appearing below each of their respective signatures.

[SIGNATURE PAGES FOLLOW NEXT]

ALGONQUIN POWER & UTILITIES CORP.

_____, Dated:_____
Ian E. Robertson, Chief Executive Officer

LIBERTY ENERGY UTILITIES CO.

_____, Dated:_____
Ian E. Robertson, President

CALIFORNIA PACIFIC UTILITY VENTURES, LLC

_____, Dated:_____
Ian E. Robertson, Designated Representative

CALIFORNIA PACIFIC ELECTRIC COMPANY, LLC

_____, Dated:_____
Michael R. Smart, President

EMERA INCORPORATED

_____, Dated:_____
Nancy G. Tower, Executive Vice President
of Business Development

EMERA US HOLDINGS INC.

_____, Dated:_____
Stephen Aftanas, Assistant Secretary

DIVISION OF RATEPAYER ADVOCATES

_____, Dated:_____
Joe Como, Acting Director

(END OF APPENDIX 1)

APPENDIX 2: CURRENT AND POST-TRANSACTION OWNERSHIP STRUCTURE

Current CalPeco Ownership Structure

Some Intermediate Holding Companies Not Shown

Post-Transaction CalPeco Ownership Structure

Some Intermediate Holding Companies Not Shown

(END OF APPENDIX 2)

APPENDIX 3: REGULATORY COMMITMENTS

The Following Regulatory Commitments Were Adopted by Decision 10-10-017 and Are Affirmed by Today's Decision

1. Separateness.

- a. The California Utility¹ shall be held in a separate legal subsidiary (CalPeco) with no other operations. The only other California business activity currently undertaken by Algonquin Power & Utilities Corp. ("Algonquin") and/or by Emera Incorporated ("Emera") and/or their respective affiliates is a non-utility cogeneration power plant in the Fresno area ("Sanger Cogeneration"), which is owned and operated by Algonquin. Sanger Cogeneration sells power only at wholesale. It owns no electric distribution or transmission lines and it serves no retail electric customers. Sanger Cogeneration shall have no ownership or other interest in CalPeco. There shall be no overlapping of employees or responsibilities between the operations of Sanger Cogeneration and CalPeco.
- b. Although each of Algonquin and Emera is an experienced owner/operator of regulated utilities and actively involved in developing and operating electric generating assets, including renewable generation sources, neither Algonquin nor Emera owns utility assets in the State of California subject to public utility regulation. In the event that either Algonquin or Emera were to acquire any other regulated utility in addition to CalPeco:
 1. The assets of such other public utility would be held in a legal entity separate from CalPeco;

¹ Capitalized terms used in the Regulatory Commitments and not otherwise defined in the Regulatory Commitments have the meanings ascribed to such terms in the Joint Application [i.e., Applications 09-10-028 and 10-04-032].

2. Algonquin or Emera, as the case may be, would segregate the capitalization, financing, and working cash for such other utility and CalPeco in totally separate money pools;
 3. There would be no cross ownership or other interests between such other utility and CalPeco; and
 4. The operations of such other utility and CalPeco would be totally discrete.
- c. CalPeco will not provide financing or guarantees for, extend credit to, or pledge utility assets in support of either Algonquin or Emera or any of their respective affiliates. Algonquin and Emera each shall finance and fund their respective other business activities independently of CalPeco. The assets of CalPeco shall be used solely and exclusively for the purpose of providing electric distribution services to its customers and securing any debt financing obtained by CalPeco.
 - d. To the extent that Algonquin or Emera shall finance its non-utility or any business activities other than CalPeco's provision of public utility service, any such financing shall provide the financing parties no recourse to CalPeco's assets.
 - e. CalPeco shall not alter the "ring fencing" provisions set forth in sections 1(a)-1(d) above without first requesting and obtaining approval from the Commission to make any such change.
 - f. CalPeco shall not transfer any physical assets used to provide services to its customers to either Algonquin or Emera or any of their respective affiliates without first obtaining the necessary approvals from the Commission and shall in no event request approval to transfer any physical assets if such transfer would impair CalPeco's ability to fulfill its public utility obligations to serve, or to operate in a prudent and efficient manner.
 - g. Emera and Algonquin will provide sufficient initial equity to fund fifty percent (50%) of the purchase price for CalPeco. CalPeco shall seek to obtain the balance of the required capital necessary for the purchase price through stand-alone debt issued by CalPeco. Algonquin and Emera are prepared to make this initial equity investment and invest any additional equity in CalPeco based on

their understanding that the Commission shall grant CalPeco timely recovery in rates (i) for the reasonable expenses it will make or undertake, respectively, to provide electric service; and (ii) for CalPeco to earn a reasonable return of and on CalPeco's investment in rate base. On this basis Emera and Algonquin are committed to ensure that CalPeco maintains sufficient funds to operate and has sufficient capital available for necessary capital investments. CalPeco, Algonquin and Emera acknowledge that dividends or similar distributions by CalPeco may be restricted as necessary to maintain minimum equity levels that are reasonable in relation to any equity ratio requirements.

- h. CalPeco shall hold all of its assets in its own name, and will maintain adequate capital and number of employees in light of its business purposes. CalPeco shall maintain the current level of employees for a period of at least three (3) years.

2. Books and Records.

- a. CalPeco shall maintain separate books and records, systems of accounts, financial statements and bank accounts and shall in all events maintain its books and records in full compliance with Commission, and to the extent applicable, FERC, rules and regulations. All financial books and records of CalPeco will be kept in the California operations office, and, together with any records of any Emera and/or Algonquin affiliate that are relevant to CalPeco (wherever held), will be made available for review by the Commission upon request. Algonquin and Emera will make available to the Commission upon request its books and records and the books and records of any of their respective affiliates that allocate overhead or have operational or financial dealings with CalPeco, including any Algonquin or Emera affiliate that is a recipient of any funds (including dividends or similar distributions) from CalPeco. Algonquin, Emera and CalPeco have reviewed the Commission's regulations and decisions on affiliate transactions and commit to comply fully with such rules and regulations.
- b. Neither Algonquin nor Emera nor any of their respective affiliates conducts any other business within the geographic proximity of the California Utility. Accordingly, Algonquin and Emera (and their respective affiliates) do not anticipate that CalPeco and either

Algonquin and/or Emera (and/or their respective affiliates) will be providing any operations-related services to one another. It is, however, contemplated that Algonquin or Emera (or their respective affiliates) may provide management, administrative, and regulatory services to CalPeco with respect to the California Utility. In the event that Algonquin and/or Emera (and/or or their respective affiliates) provide services to CalPeco or CalPeco provides services to Algonquin and/or Emera (and/or their respective affiliates), CalPeco will develop and file with the Commission such shared services agreements and such agreements will comply with applicable affiliate rules and regulations of the Commission.

3. Operating Commitments.

- a. Credit extended by Algonquin or Emera, jointly or individually, to CalPeco will be at rates and upon terms no less advantageous than those otherwise available to CalPeco from unaffiliated third parties for similar transactions.
- b. CalPeco will conduct business in the same or similar manner as it has under Sierra's ownership concerning functions such as power delivery, contracting and management, system operation and maintenance activities, safety and service reliability, customer service functions, and billing operations. With respect to regulatory relations, CalPeco will maintain a manager level representative (having such authority as may be required by the Commission) physically present in an office located within the California Utility's service territory with primary responsibility for maintaining Sierra's positive relationships with, and responding to requests for information from, the Commission and other regulatory agencies. CalPeco will also engage competent and respected area consultants such as the Davis Wright Tremaine law firm to provide CalPeco with San Francisco-based support and presence with respect to the maintenance of such positive relationship.
- c. For an initial period extending through the filing of the next general rate case for the California Utility, CalPeco will maintain and accept all tariffs of the California Utility existing at the Closing or approved by the Commission in response to filings made by Sierra prior to the Closing and as requested to be modified in this proceeding with

respect to (i) the reallocation of certain amounts of revenue recovery from general rate to ECAC rate recovery and (ii) the ECAC tariff as explained and requested at pages 30-37 of the Joint Application (but shall not be required to accept a reduction or roll-back in such rates pursuant to the Required Regulatory Approvals).² In this § 854(a) proceeding, CalPeco is requesting no increase in rates or in the total revenue requirement; on the day after Closing, rates for the customers of the California Utility shall remain at the same rate levels as the day prior to Closing and the total revenue requirement shall remain the same.

- d. CalPeco shall provide service to its customers in compliance with all rules, regulations and decisions issued by the Commission. Among other matters, CalPeco will not change any rate or any other terms and conditions of service for its customers without first having obtained the necessary Commission approvals and CalPeco shall comply with all existing statutes and Commission regulations regarding affiliated interest transactions.
- e. CalPeco agrees to maintain the existing low-income programs as part of the pending request under § 854(a) to acquire the California Utility. CalPeco shall operate within the existing rate case cycles now in effect for Sierra, including for general rates and ECAC rates.

² References to "Joint Application" herein are to the Joint Application of Sierra Pacific Power Company (U903E) and California Pacific Electric Company, LLC for Transfer of Control and Additional Requests Relating to Proposed Transaction filed with the Commission on October 16, 2009, as updated and supplemented by Joint Applicants' letters to Administrative Law Judge Vieth dated April 7, 2010, June 11, 2010, and June 16, 2010. (A.09-10-028 and A.10-04-032.)

- f. CalPeco and Sierra have entered into a settlement agreement with the Plumas-Sierra Rural Electric Cooperative ("PSREC"), City of Loyalton, City of Portola, Sierra County and Plumas County ("PSREC Settlement"). The PSREC Settlement is Exhibit Q to Exhibit 1 to the proceeding. The PSREC Settlement obligates Sierra and CalPeco to make certain payments to PSREC at specified times and subject to certain conditions. Among these is a payment of \$250,000 to be made to PSREC within fifteen days of Closing. Under the terms of the PSREC Settlement, in the event that the Commission were to ultimately approve CalPeco making an \$1 million investment in the Herlong Transmission Project (as defined in the PSREC Settlement) and to authorize CalPeco to recover rates on this investment, PSREC has agreed that it will credit the \$250,000 payment as an advance payment against CalPeco's \$1 million investment. CalPeco and Sierra commit that if CalPeco never requests authority to make an investment in the PSREC Herlong Transmission Project or if CalPeco requests Commission authorization to invest in the Herlong Transmission Project and the Commission rejects such request in its entirety, that CalPeco and Sierra will retain 100% of the cost responsibility for the \$250,000 payment to PSREC (i.e., customers will be held harmless).
- g. CalPeco shall adopt, maintain and strive to improve the high quality of service standards that Sierra presently provides its customers.
- h. Algonquin shall own at least fifty percent (50%) of CalPeco for a minimum period of ten (10) years.
- i. CalPeco has requested that the Commission approve that either Algonquin or Emera be allowed to transfer to the other all or any portion of its ownership interest in CalPeco and without the need for any additional approval by the Commission ("Internal Transfer Approval"). The Internal Transfer Approval is described at page 70 and 71 of the Joint Application. In the event that the Commission were to grant the request for the Internal Transfer Approval, Emera and Algonquin will also commit to the following additional terms and conditions:
 - 1. Any reduction in the dollar amount of Emera's direct investment in CalPeco will be made up by an increase in a

corresponding dollar amount of Emera's investment in Algonquin;

2. Emera shall maintain its investment in Algonquin for a minimum period of three (3) years;
3. Should Emera use the Internal Transfer Approval process to sell down all or any portion of its direct ownership in CalPeco, Emera nonetheless through its ownership in Algonquin would continue to be active in the oversight of CalPeco in a manner designed to enable CalPeco to continue to realize the benefits of Emera's financial and operating strengths and resources and in developing renewable projects; and
4. Regardless of the authority that the Commission grants with respect to the Internal Transfer Approval with respect to changes of ownership interests in CalPeco between Algonquin and Emera, in no event shall Algonquin reduce for a minimum period of ten (10) years its ownership interest in CalPeco below the fifty percent (50%) interest committed to in Section 3(h) above.

4. Employees and Management Team.

- a. CalPeco intends to the extent practicable to retain the same experienced operations team that has been responsible for operations of the California Utility under Sierra's ownership. Any additional management team members which need to be recruited by CalPeco shall be experienced in electric utility operations.
- b. CalPeco intends to maintain a local headquarters within the California Utility's service territory, including maintaining a local management and customer service headquarters at a location within such service territory.
- c. CalPeco intends to offer each of Sierra's current administration and operations employees located within the service territory employment with CalPeco at the same locations with responsibilities and remuneration consistent with each of their existing roles. Accordingly, CalPeco shall make no material changes in the nature of the employment roles of the California Utility fulfilled by individuals located within the service territory

and intends, to the extent practical, to recruit within the California Utility service territory any additional operations staff necessary to replace functions currently performed by staff of Sierra located in Nevada. CalPeco will recognize the service and seniority of the former employees of Sierra who accept CalPeco's offer of employment for all non-pension purposes including vacation, sick pay benefits and for non-pension post retirement benefits such as retiree health benefits.

5. Premium and Cost Synergies.

- a. CalPeco agrees that its rate recovery shall be calculated based on the regulatory value of the California Utility, as depreciated by Sierra, and totally independent of the purchase price to acquire the California Utility. CalPeco shall in no event seek to recover the excess of the purchase price over the regulatory book value of the utility assets (i.e., "premium") in rates. Any premium which CalPeco shall pay shall not be recorded in the accounts of CalPeco utilized in the establishment of rates and tariffs for the California Utility.
- b. The cost levels CalPeco shall use to request rates in future general rate cases shall be based on the actual recorded cost levels of CalPeco and will incorporate any cost savings synergies arising in comparison to the baseline costs established in Sierra's 2008 rate case with respect to the California Utility.
- c. CalPeco shall not seek to recover from ratepayers the "transaction costs" (e.g. investment banking and legal fees, and perimeter metering costs) associated with its acquisition of the California Utility. CalPeco recognizes that its incurrence of any such "transaction costs" is not related to the provision of electric service to the ratepayers of the California Utility and thus these costs are necessarily to be borne exclusively by its owners.

6. California Regulatory Programs.

- a. Subject to the exemptions which are to be sought pursuant to the Required Regulatory Approvals as set out in the Power Purchase Agreement, CalPeco shall reaffirm Sierra's commitment to comply fully with the California RPS standards, the Commission's GHG Emissions Performance Standard, and the compliance requirements for operators of generating units imposed by the Commission's General Order 167.

(END OF APPENDIX 3)