



the name “Liberty Utilities” is registered to Liberty Utilities (Missouri Water) LLC. These documents are incorporated by reference and made a part of this Application for all purposes.

4. Liberty Water has no pending actions or final unsatisfied judgments or decisions against it from a state or federal agency or court that involves customer service or rates, which action, judgment or decision has occurred within three (3) years of date of this Application.

5. Liberty Water has no annual reports or assessment fees overdue or unpaid.

6. Communications in regard to this Application should be addressed to the undersigned counsel.

#### **Capitalization of Liberty Water**

7. As of September 30, 2020, Liberty Water had no outstanding long-term senior unsecured indebtedness and \$5,719,842 of common stock.

8. As of September 30, 2020, Liberty Water had \$5,715,000 in short-term unsecured indebtedness.

9. As of September 30, 2020, 100% of Liberty Water’s membership interest(s) were owned by Liberty Utilities (Sub) Corp., a direct subsidiary of Liberty Utilities Co.

10. None of the Liberty Water’s equity or indebtedness, have been issued or used in capitalizing the right to be a limited liability company or any franchise or permit, or the right to run, operate or enjoy such franchise or permit, or any contract for consolidation or the lease, or issued against or as a lien upon any contract for consolidation or merger.

#### **The Relief Requested From the Commission**

11. Liberty Water seeks the Commission’s approval to issue long term unsecured debt for the following purposes: 1) to refinance an existing \$5,715,000.00 short-term unsecured debt obtained from its indirect parent company, Liberty Utilities Co. (“LUCo”), utilized, in part, to

purchase the water assets of affiliate, The Empire District Electric Company, in the amount of \$8,846,602.00 (LUCo also contributed \$3,129,602 of additional equity to complete the financing for this purchase), and 2) to issue a long-term unsecured promissory note to its indirect parent company, LUCo in an amount up to \$12.69 million, in order to acquire, control, operate and maintain the water and sewer system in Bolivar, Missouri, which serves approximately 9,000 water and wastewater connections. On June 2, 2020, the City of Bolivar residents voted to approve the transfer of the water and sewer systems to Liberty Water.

12. Specifically, Liberty Water proposes to issue two new unsecured promissory notes to its indirect parent company, LUCo in the amounts of \$5,715,000.00 (the “Refinanced Note”), for a 10-year term at a fixed rate of 2.079%, the rate matching Liberty Utilities Finance GP1’s (GP1) most recent \$600 million investment grade 10-year senior unsecured Green Bond debt placement completed September 23, 2020 (“Green Bond”), and up to \$12.69 million (the “New Note”) for a term matching the tenor of GP1’s next debt issuance and at a yield to maturity note rate equal to the yield to maturity of GP1’s next debt placement. GP1’s September debt issuance was rated BBB by S&P and BBB+ by Fitch Ratings. Neither the Refinanced Note nor the New Note will be secured by a mortgage, lien or encumbrance on Liberty Water’s properties in the State of Missouri. A draft copy of the promissory note form to be used for the Refinanced and New Note, is attached hereto as **Appendix 1**. The Refinanced Note and the New Note will contain customary arms-length credit terms including: a default interest rate, a right to pre-pay subject to a make-whole provision and acceleration for payment default and change of control.

13. While the New Note will not be priced until after receipt of Commission approval of this application and of Liberty Water’s request for authority to acquire the Bolivar water system [Commission File No. WA-2020-0397] and GP1’s next debt issuance, Liberty Water offers the

following for illustrative purposes: As of December 4, 2020, the yield on the 10-year U.S. Treasury was 0.972% which, when added to the \*\* \_\_\_\_\*\* basis point credit spread from GP1's most recent debt issuance, results in an all-in interest rate of \*\* \_\_\_\_\*\*%. This rate is subject to change based on changes in the U.S. credit markets between December 4, 2020 and the pricing date, as well as changes in market-set credit spreads based on the tenor of GP1's next debt issuance.

14. The customers of Liberty Water will benefit greatly from the Refinanced Note and the New Note by receiving access to funding at investment grade financing rates which Liberty Water could not obtain based on its own financial standing.

15. Concurrent with the issuance of the Refinanced Note and the New Note, Applicant will pay to LUCo a placement fee equal to \*\* \_\_\_\_\_\*\* for the Refinanced Note and a prorata share of the issuance fees of GP1's next debt issuance for the New Note. The fee for the Refinance Note is proportionate to the total fees paid by GP1 for its Green Bond. Fees of this nature are usual and customary in the commercial banking market.

16. As previously noted, only the proceeds from the New Note (up to \$12.69 million) will be new funds and subject to the Commission's fee schedule pursuant to Section 386.300, RSMo.

### **Regulatory Considerations**

17. Liberty Water has no objections to the Commission's order approving this Application containing express language to the effect that its authorization is not a finding by the Commission of the appropriateness of the choice of financing options for ratemaking treatment afforded the activities undertaken by the Liberty Water pursuant to its order in this case and their impact on the cost of capital in pending or subsequent rate proceedings.

### **Additional Filing Requirements**

18. In accordance with Commission Rule 20 CSR 4240-10.125(1)(D), a certified copy of the Resolutions of the Board of Directors of Liberty Water which, among other things, authorizes the issuance of the Notes which are the subject of this Application and the filing of this Application will be late filed as **Appendix 2**.

19. In accordance with Commission Rule 20 CSR 4240-10.125(1)(E)1, attached hereto as **Appendix 3** are a balance sheet and income statement with adjustments showing the effects of the proposed debt issuance on bonded and other indebtedness and stock authorized and outstanding.

20. In accordance with Commission Rule 20 CSR 4240-10.125(1)(G), attached hereto as **Appendix 4** is a five-year capitalization expenditures schedule.

21. The money to be procured or paid by the issuance and sale of the Refinanced Note and the New Note hereinabove described is reasonably required for the purposes specified in this Application and such purposes are not in whole or in part reasonable chargeable to operating expenses or to income.

WHEREFORE, Liberty Water requests the Commission to issue an order authorizing it to:

A. Issue a new long-term unsecured note having a face value of \$5,715,000.00 for a maturity of not more than ten (10) years, such debt bearing an interest rate of 2.079%;

B. Issue a new long-term unsecured note having a face value of up to \$12.69 million and a maturity of not more than ten (10) years, such debt bearing an interest rate to be determined at the date of issuance based on the conditions specified above;

C. Incur, pay and amortize the debt issuance expense of \*\* \_\_\_\_\_\*\* incident to the issuance of the \$5,715,000.00 note and a proportional share of the actual fees paid by GP1 for



**Certificate of Service**

I hereby certify that a true and correct copy of the above and foregoing document was delivered by first class mail, electronic mail or hand delivery, on this 15<sup>th</sup> day of January, 2021, to the following parties:

General Counsel  
Missouri Public Service Commission  
PO Box 360  
Jefferson City, MO 65102  
[staffcounsel@psc.mo.gov](mailto:staffcounsel@psc.mo.gov)

Office of Public Counsel  
PO Box 7800  
Jefferson City, MO 65102  
[opcservice@ded.mo.gov](mailto:opcservice@ded.mo.gov)

\_\_\_\_\_/s/ W.R. England, III\_\_\_\_\_

**VERIFICATION**

Under penalty of perjury, I declare that the foregoing is true and correct to the best of my knowledge and belief.



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Mark T. Timpe  
Liberty Utilities (Missouri Water) LLC

Director, Treasury  
Title

January 6, 2021  
Date



# **APPENDIX 1**

(confidential pursuant to 20 CSR 4240-2.135(2)(A)4&6, containing market-specific information relating to goods and services acquired for use in providing services to customers and strategies under consideration in contract negotiations)

**(Public Version)**

In the Matter of Liberty Utilities (Missouri Water) LLC for Authority to Issue Long Term  
Unsecured Debt

# **APPENDIX 2**

(will be late-filed)

## **APPENDIX 3**

(confidential pursuant to 20 CSR 4240-2.135(2)(A)4&6, containing market-specific information relating to goods and services acquired for use in providing services to customers and strategies under consideration in contract negotiations)

**(Public Version)**

In the Matter of Liberty Utilities (Missouri Water) LLC for Authority to Issue Long Term  
Unsecured Debt

# **APPENDIX 4**

**Liberty Utilities (Missouri Water) LLC**  
**Capital Expenditure History**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 YTD</u>	<u>Total</u>
Facilities/Storage	50,718	46,003	85,065	30,305	560,168	772,259
Mains	23,190	11,149	93,316	294,498	295,398	717,550
IT			121,678	222,132	13,224	357,034
Meters	14,962	5,885	130,124	334,000	1,626,666	2,111,637
Pumps	32,630	76,276	120,890	363,210	140,433	733,440
Equipment	23,064	286,527	234,171	114,197	522,655	1,180,615
Well/Well houses	144,656	200,115	111,755	175,999	274,068	906,593
Service Lines	20,762		52,389	114,963	233,109	421,222
Other	4,618	8,590	19,591	7,017	7,763	47,578
<b>Total</b>	<b>314,600</b>	<b>634,545</b>	<b>968,979</b>	<b>1,656,322</b>	<b>3,673,482</b>	<b>7,247,928</b>