

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Liberty Utilities (Midstates)
Natural Gas) Corp.’s Application for) Case No. GF-2023-0280
Authority to Issue Long Term Unsecured Debt)

AMENDED FINANCING APPLICATION

COMES NOW Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty (“Liberty Midstates” or the “Company”), pursuant to RSMo. §393.200 and 20 CSR 4240-2.060, 2.080, and 10.125, and for its Amended Financing Application, respectfully states as follows to the Missouri Public Service Commission (“Commission”):

1. Following submission of the original Financing Application and Request for Waiver herein, the Staff of the Commission (“Staff”) served data requests, to which Liberty Midstates responded. Staff and the Company also discussed various issues regarding the filing and a possible resolution of this docket.

2. This Amended Financing Application replaces the original Financing Application and Request for Waiver in total, with the exception of the Request for Waiver portion regarding waiver of the 60-day pre-filing notice requirement of 20 CSR 4240-4.017.

3. Liberty Midstates requests that Staff be relieved of the obligation to file a recommendation regarding the original Financing Application and Request for Waiver as currently scheduled and that Staff be directed to file a recommendation within thirty days after the filing of this Amended Financing Application.

4. Regarding changes from the original Financing Application to this Amended Financing Application, Liberty Midstates directs the Commission and the parties to paragraphs 10, 14, 18, and 21.

5. Liberty Midstates is a Missouri corporation with its principal office and place of business at 602 S. Joplin Avenue, Joplin, Missouri, 64801. It is a wholly-owned subsidiary of Liberty Utilities Co. (“LUCo”). Liberty Midstates is qualified to conduct business as a public utility in the state of Missouri subject to the jurisdiction of the Commission as provided by law. A copy of Liberty Midstates’ Certificate of Corporate Good Standing issued by the Missouri Secretary of State’s Office addressing Liberty Midstates’ corporate status was filed with the Commission in Case No. GM-2012-0037 and is incorporated herein by reference in accordance with Commission Rule 20 CSR 4240-2.060(1)(G).

6. The Company is engaged in the business of distributing and selling natural gas to approximately 80,000 customers in the states of Missouri, Illinois, and Iowa. Approximately 58,000 customers are served by Liberty Midstates in Missouri.

7. The Company 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, judgement or decision has occurred within three years of the date of this Application. Liberty Midstates has no annual reports or assessment fees overdue or unpaid.

8. RSMo. §393.200.1 provides that a gas corporation organized under the laws of Missouri “may issue stocks, bonds, notes or other evidence of indebtedness payable at periods of more than twelve months” when “there shall have been secured from the commission an order authorizing such issue, and the amount thereof, and stating the purposes to which the issue or proceeds thereof are to be applied, and that, in the opinion of the commission, the money, property or labor to be procured or paid for by the issue of stock, bonds, notes or other evidence of indebtedness is or has been reasonably required for the purposes specified in the order, and that except as otherwise permitted in the order in the case of bonds, notes and other indebtedness, such purposes are not in whole or in part reasonably chargeable to operating expense or to income.”

9. None of Liberty Midstates' outstanding stock, stock certificates, or indebtedness fall within the prohibited purposes set forth in RSMo. §393.200.

10. The Company seeks the Commission's approval to refinance an existing unsecured debt obligation to LUCo in the amount of \$25.6 million that matured on May 1, 2023 ("Existing Note") as well as the issuance of additional long-term debt to LUCo of up to \$65 million to fund long term capital expenditures and Storm Uri costs shown on **Appendix 1**.

11. As part of LUCo's acquisition of Liberty Midstates in 2012, Liberty Midstates issued \$55 million in long-term debt to LUCo, effective July 31, 2012, in the following four tranches: (1) \$5 million, maturing on July 30, 2027, and having an interest rate of 4.89 percent; (2) \$11.1 million, maturing July 31, 2017, and having an interest rate of 3.51 percent; (3) \$13.3 million, maturing on July 30, 2027, and having an interest rate of 4.89 percent; and (4) \$25.6 million, that matured on May 1, 2023, and having an interest rate of 4.49% (the Existing Note).

12. In replacement of the Existing Note and for the additional long-term debt issuance requested, Applicant proposes to issue a new unsecured fixed rate note to LUCo in like amount for a 10-year term (the "New Note").

13. Upon receipt of Commission approval, Liberty Midstates anticipates that the New Note will be priced based on the 10-year U.S. Treasury note, plus a credit spread of 225 basis points (or such other like term credit spread based on the most recent indicative issuance pricing received from a bank).

14. Further, Liberty Midstates will pay to LUCo a placement fee equal to 80 basis points of the principal amount of the New Note. Liberty, however, is not requesting approval of the payment of this fee for ratemaking purposes. Liberty agrees that approval of the requested financing may be conditioned on the Commission reserving the right to consider the ratemaking

treatment to be afforded the financing transactions and their impact on cost of capital in a subsequent rate case.

15. The New Note will not be secured by a mortgage, lien, or encumbrance on Liberty Midstates' properties in the state of Missouri. A copy of the form of the New Note is attached as **Appendix 2**.

16. The 225 basis point credit spread is equal to the spread that LUCo would incur on the issuance of a 10-year note externally, based on recent indicative new issue pricing received from one of its banks. The 10-year term of the New Note, which was chosen to match the Existing Note, is appropriate based on the long-term nature of Liberty Midstates' assets.

17. While the New Note will not be priced until after receipt of Commission approval, Liberty Midstates offers the following for illustrative purposes: as of May 2, 2023, the yield on the 10-year U.S. Treasury was 3.43% which, when added to the 225 basis point credit spread noted immediately above, results in an all-in interest rate of 5.68%. This rate is subject to change based on changes in the U.S. credit markets between May 2, 2023 and the pricing date.

18. As previously noted, the proceeds from the New Note will be used to replace maturing long-term debt (\$25.6 million) and to fund long term capital investments since 2019 (up to \$65 million for the capital expenditures and Storm Uri costs shown on **Appendix 1**). No new funds are being generated by the requested financing.

19. Pursuant to Commission Rule 20 CSR 4240-10.125(1)(D), a certified copy of the Resolution of the Board of Directors of Applicant authorizing the issuance of the New Note which is the subject of this Application and authorizing the filing of this Application is attached as **Appendix 3**.

20. In accordance with Commission Rule 20 CSR 4240-10.125(1)(E)1, **Confidential Appendix 4** attached hereto shows the pro forma effect of the issuance of the New Note on Applicant's outstanding indebtedness.

21. As noted above, the purpose of the New Note is to replace maturing long-term debt and allow for the issuance of additional long-term debt to LUCo of up to \$65 million to fund long term capital expenditures since 2019 and Storm Uri costs shown on **Appendix 1**. No new funds are being generated by the requested financing. As such, Applicant requests that the Commission waive the requirement to file a five-year capitalization expenditures schedule as contemplated by 20 CSR 4240-10.125(1)(G) because such information is not pertinent to the matters contemplated by this Application.

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

23. No portion of the face value of the New Note is subject to the fee schedule set forth in RSMo. §386.300 because it represents a refunding and retiring of the Existing Note.

WHEREFORE, Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty requests the Commission to issue an order authorizing the Company to:

A. Issue the New Note having a face value of up to \$90.6 million and a maturity of not more than ten (10) years, such debt bearing an interest rate priced, upon receipt of Commission approval, at the 10-year US Treasury Rate plus 225 basis points (or such other like term credit spread based on the most recent indicative issuance pricing received from a bank);

B. Incur, pay, and amortize the debt issuance expense of 80 basis points of the principal amount of the New Note and/or similar expenses related thereto over the life thereof, with ratemaking treatment to be determined in future rate proceedings;

C. Enter into, execute, deliver, and perform the necessary arrangements or other documents necessary to effectuate the transactions hereinabove described; and

D. Take such other actions as may be necessary to complete the subject transactions; and,

Further ordering that the proceeds from the issuance and sale of the New Note will be used by Liberty Midstates for the discharge or lawful refunding of outstanding debt obligations;

Further ordering that the money to be procured by the Applicant through the New Note is reasonably required and necessary for the purposes set forth and will be used therefore and such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income, all as required by RSMo. §393.200; and

Further waiving the filing requirement of 20 CSR 4240-10.125(1)(G) and the 60-day notice requirement of 20 CSR 4240-4.017, each for good cause shown.

Respectfully submitted,

/s/ Diana C. Carter

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CERTIFICATE OF SERVICE

I hereby certify that the above document was filed in EFIS on this 19th day of May, 2023, and sent by electronic transmission to the Staff of the Commission and the Office of the Public Counsel.

/s/ Diana C. Carter

VERIFICATION

On behalf of Liberty Utilities (Midstates Natural Gas) Corp., and pursuant to Commission Rules, the undersigned, upon his oath and under penalty of perjury, hereby states that the above filing is true and correct to the best of his information, knowledge, and belief.

/s/ Michael Beatty
Liberty Central Region Vice President