

Exhibit No.: 1015
Issues: Commissioner Questions - Financing
Witness: Mark T. Timpe
Type of Exhibit: Supplemental Testimony
Sponsoring Party: The Empire District
Electric Company
Case No.: ER-2019-0374
Date Testimony Prepared: May 2020

**Before the Public Service Commission
of the State of Missouri**

Supplemental Testimony to Address Commissioner Questions

of

Mark T. Timpe

on behalf of

**The Empire District Electric Company
a Liberty Utilities Company**

May 6, 2020



SUPPLEMENTAL TESTIMONY TO ADDRESS COMMISSIONER QUESTIONS
OF
MARK T. TIMPE
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2019-0374

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Mark T. Timpe. My business address is 602 S. Joplin Avenue, Joplin,
4 Missouri.

5 **Q. Are you the same Mark T. Timpe who filed rebuttal testimony in this matter on**
6 **behalf of The Empire District Electric Company (“Empire”)?**

7 A. Yes.

8 **Q. What is the purpose of your supplemental testimony in this proceeding?**

9 A. My supplemental testimony addresses certain questions directed to Empire by the
10 Missouri Public Service Commission (“Commission”). In particular, I address
11 questions 3 and 4 regarding Issue 18 - Affiliate Transactions that were contained
12 within the “Commissioner Questions” issued April 28, 2020. These questions pertain
13 to financings between Empire and Liberty Utilities Co. (“LUCo”).

14 **II. RESPONSES TO COMMISSIONER QUESTIONS**

15 **Q. What is your response to Affiliate Transactions question #3 from the**
16 **Commissioners which read “In Mark Timpe’s testimony he indicated that LUCo**
17 **aggregates financing through short-term credit facility until it gets to a scale**
18 **where they can take it to the debt capital markets to replace it with short term**
19 **debt. When is LUCo’s short-term credit facility due to be repaid? Has this debt**

1 **been taken to the capital markets to be replaced with long-term debt? If so, what**
2 **are the terms of the new debt?”**

3 A. LUCo’s bank credit facility matures on February 23, 2023, although, in keeping with
4 past practice and the ordinary course of business, it is reasonable to assume that the
5 facility will be extended well in advance of its stated maturity. The amounts
6 borrowed under the short term credit facility, or supported by the facility in the case
7 of commercial paper, go up and down over time based on the cash flows of LUCo.
8 Therefore the amounts borrowed or supported change over time. The future cash
9 flows of LUCo and its resultant short term debt balances will determine when LUCo
10 needs to return to the capital markets for new long term debt. Empire’s \$90 million
11 first mortgage bond was replaced with a like amount promissory note having
12 competitively bid market terms which resulted in a 15 year term and a 4.53% interest
13 rate. LUCo continually monitors the status of the capital markets, its short term debt
14 balances, future maturity schedules and projected cash flows in determining the
15 timing of its next return to the capital markets. The impact of the COVID-19
16 pandemic has only made the monitoring of these items even more critical as the
17 Company evaluates daily its options related to capital markets and cash flows.

18 **Q. What is your response to question #4 from the Commissioners which read**
19 **“What were the terms of the last debt Empire pre-acquisition in August 2015?”**

20 A. Empire issued a \$60 million 15-year non-amortizing first mortgage bond subject to its
21 Indenture which carries a coupon rate of 3.59%, is non-callable and subject to a
22 make-whole provision in the case of pre-payment.

23 **Q. Does this conclude your supplemental testimony?**

24 A. Yes.

VERIFICATION OF MARK T. TIMPE

Mark T. Timpe, under penalty of perjury, declares that the foregoing supplemental testimony is true and correct to the best of his knowledge, information, and belief.

/s/Mark T. Timpe _____

Mark T. Timpe
Director, Treasury