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Witness: Todd Mooney
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Company
Case No.: GR-2021-0320
Date Testimony Prepared: August 2021

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

Direct Testimony

of

Todd Mooney

on behalf of

The Empire District Gas Company

August 2021



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FOR THE DIRECT TESTIMONY OF TODD MOONEY
THE EMPIRE DISTRICT GAS COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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DIRECT TESTIMONY OF TODD MOONEY
THE EMPIRE DISTRICT GAS COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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1 I. **INTRODUCTION**

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

3 A. My name is Todd Mooney. My business address is 354 Davis Road, Oakville, ON L6J
4 2X1.

5 Q. **By whom are you employed and in what capacity?**

6 A. I am Vice President, Finance & Administration at Liberty Utilities (Canada) Corp., a
7 subsidiary of Algonquin Power & Utilities Corp. (“APUC”), which is the ultimate
8 corporate parent of The Empire District Gas Company (“EDG” or the “Company”).

9 Q. **On whose behalf are you testifying in this proceeding?**

10 A. I am testifying on behalf of EDG.

11 Q. **Please describe your educational and professional background.**

12 A. I hold a Master of Accounting from the University of Waterloo and am a Chartered
13 Accountant. I have worked for APUC since January 2012 in a variety of capacities,
14 including as Director of Finance and Administration and Vice President of Finance and
15 Administration for Algonquin Power Co., APUC’s non-regulated generation
16 subsidiary. In my current position as Vice President, Finance & Administration, I lead
17 the Financial Reporting, Accounting & Tax function for APUC, representing a team of
18 over 100 professionals responsible for external reporting under US GAAP,
19 consolidations, accounting standards, regulatory accounting, fixed asset accounting,
20 accounts payable, general accounting and income tax planning and compliance. Prior

1 to my work at APUC, I was employed as the Director of Corporate Finance at Psion
2 PLC where I led Psion’s global accounting, tax, and treasury functions.

3 **Q. Have you previously testified before the Missouri Public Service Commission**
4 **(“Commission”) or any other regulatory agency?**

5 A. Yes. I testified before the Commission in File No. EO-2018-0092 (Application of The
6 Empire District Electric Company for Approval of its Customer Savings Plan) and File
7 No. EA-2019-0010 (Application of The Empire District Electric Company (“EDE” or
8 Empire) for Certificates of Convenience and Necessity Related to Wind Generation
9 Facilities). I have also testified before the Arkansas Public Service Commission, the
10 Kansas Corporation Commission and the Oklahoma Corporation Commission in
11 dockets relating to Empire’s wind generation facilities and before the California Public
12 Utilities Commission.

13 **Q. What is the purpose of your Direct Testimony in this proceeding?**

14 A. My testimony will provide details on EDG’s capital structure and the overall weighted
15 average rate of return recommendation for this case. The Direct Testimony of John J.
16 Reed discusses the Company’s proposed return on equity and the reasonableness of
17 Empire’s capital structure for ratemaking purposes.

18 **II. CAPITAL STRUCTURE**

19 **Q. What is the purpose of this section of your testimony?**

20 A. This section of my testimony will present the proposed pro forma capital structure for
21 EDG and the overall weighted average rate of return recommendation for this case. I
22 will start by presenting Empire’s, LUCo’s, and Algonquin Power & Utilities Corp.’s
23 (“APUC”) actual per books capital structures at December 31, 2020 (**Schedule TM-1,**

1 **Schedule TM-2** and **Schedule TM-3**, respectively). I will then compare the capital
2 structures to determine the most economical for EDG in this case for purposes of
3 complying with the financing conditions in File No. EM-2016-0213. Finally, I discuss
4 the actual cost rate for EDG's long-term debt including the pro forma long-term debt
5 changes. I then combine the long-term debt rate, witness Reed's cost of common equity
6 recommendation and my recommended capital structure ratios, resulting in the rate of
7 return of 8.51% proposed in this case. **Schedule TM-4** shows the weighted average
8 cost of capital calculations.

9 **Q. Why are you showing the capital structures for Empire, LUCo and APUC?**

10 A. Under the original Merger Order in File No. EM-2016-0213, there were various capital
11 structure and financing conditions. Regarding capital structure, merger stipulation
12 provisions 4 and 5 from the 2016 Order essentially require a comparison of EDG,
13 LUCo and APUC's capital structures to determine the most economical for purposes
14 of determining a fair and reasonable allowed rate of return for EDG. Below are the
15 actual conditions:

16 4. Empire shall not seek an increase to the cost of capital as a result of this
17 Transaction or Empire's ongoing affiliation with Algonquin Power & Utilities
18 Corp. and its affiliates other than Empire after the Transaction. Any net
19 increase in the cost of capital Empire seeks shall be supported by documentation
20 that: (a) the increases are a result of factors not associated with the Transaction
21 or the post Transaction operations of Algonquin Power & Utilities Corp. or its
22 non-Empire affiliates; (b) the increases are not a result of changes in business,
23 market, economic or other conditions caused by the Transaction or the post-
24 Transaction operations of Algonquin Power & Utilities Corp. or its non-Empire
25 affiliates; and (c) the increases are not a result of changes in the risk profile of
26 Empire caused by the Transaction or the post-Transaction operations of
27 Algonquin Power & Utilities Corp. or its non-Empire affiliates. The provisions
28 of this section are intended to recognize the Commission's authority to
29 consider, in appropriate proceedings, whether this Transaction or the post
30 Transaction operations of Algonquin Power & Utilities Corp. or its non-Empire
31 affiliates has resulted in capital cost increases for Empire. Nothing in this

1 agreement shall restrict the Commission from disallowing such capital cost
2 increases from recovery in Empire's rates.
3

- 4 5. If Empire's per books capital structure is different from that of the entity or
5 entities in which Empire relies for its financing needs, Empire shall be required
6 to provide evidence in subsequent rate cases as to why Empire's per book capital
7 structure is the most economical for purposes of determining a fair and
8 reasonable allowed rate of return for purposes of determining Empire's revenue
9 requirement.
10

11 **Q. What capital structure do you recommend for EDG in this case?**

12 A. I recommend a capital structure of 52.44% common equity and 47.56% long-term debt.

13 This is based on Empire's consolidated actual capital structure at December 31, 2020,
14 and pro forma adjustments to common equity through September 30, 2021 (**Schedule**
15 **TM-1**). Empire's consolidated capital structure is comparable to its indirect parent
16 company, LUCo, and more economical than APUC's after making pro forma
17 adjustments to common equity through September 30, 2021

18 **Q. What were LUCo's and APUC's per books capital structures at December 31,**
19 **2020?**

20 A. **Schedule TM-2** shows LUCo's actual per books capital structure of 61.37% total
21 equity and 38.63% long-term debt, and **Schedule TM-3** shows APUC's actual per
22 books capital structure of 52.23% total equity, 1.75% preferred stock, 2.91%
23 redeemable non-controlling interest, held by related party and 43.11% long-term debt.

24 **Q. What are LUCo's and APUC's capital structure ratios after reflecting the pro**
25 **forma adjustments for the financing of the wind farms for the Empire District**
26 **Electric Company?**

1 A. **Schedules TM-2 and TM-3** show 61.95% total equity and 38.05% long-term debt for
2 LUCo and 52.09% total equity, 1.46% preferred stock, 2.43% redeemable non-
3 controlling interest, held by related party and 44.03% long-term debt for APUC.

4 Q. **Did you use these pro forma capital structures to determine the most economical
5 capital structure for EDG pursuant to financing conditions 4 and 5 from Case No.
6 EM-2016-0213 discussed previously?**

7 A. No, I did not. I started with these pro formed capital structures and then adjusted
8 LUCo's and APUC's based on the submitted testimony and exhibits of the OPC in
9 Case No. ER-2019-0374. In that Order the Commission appears to have adopted OPC's
10 recommended capital structure adjustments for LUCo and APUC to reach its final
11 capital structure decision for Empire. **Schedules TM-2 and TM-3** show LUCo and
12 APUC's resulting capital structures and ratios after reflecting similar OPC adjustments
13 to their adjusted capital structures at the end of the test period.¹ **Schedule TM-2** shows
14 LUCO's total equity ratio at 52.45% and long-term debt at 47.55%. **Schedule TM-3**
15 shows APUC's total equity ratio at 55.34%, 0.73% preferred stock, 2.43% redeemable
16 non-controlling interest, held by related party and 41.50% long-term debt after the
17 assumed adjustments from File No. ER-2019-0374.

18 Q. **What is the cost of debt you are recommending in this case?**

19 A. As **Schedule TM-4** shows, the pro forma cost of debt is 6.87% which reflects the
20 outstanding long term debt for EDG at December 31, 2020 and the pro forma debt at

¹ For purposes of this filing, Empire has included the same Office of Public Counsel capital structure adjustment methodology for LUCO and APUC as used in Case No. ER-2019-0234 but does take issue with the specific adjustment methodology for LUCO. An appeal of this issue is pending in the Missouri Court of Appeals, Western District.

1 September 30, 2021. This cost of debt at 6.87% is applied to the debt ratio of 47.56%
2 and combined the return on equity of 10% at an equity ratio of 52.44%, resulting in a
3 weighted average cost of capital of 8.51%.

4 **Does this conclude your Direct Testimony at this time?**

5 A. Yes.

VERIFICATION

I, Todd Mooney, under penalty of perjury, on this 23rd day of August, 2021, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Todd Mooney