

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

In the Matter of the Request of The Empire     )  
 District Electric Company d/b/a Liberty for     ) Case No. ER-2021-0312  
 Authority to File Tariffs Increasing Rates for     )  
 Electric Service Provided to Customers     )  
 in its Missouri Service Area     )

**OPC RESPONSE TO EMPIRE DATA REQUESTS 11-21**

**Data Request 11**

RE: ER-2021-0312 Direct Testimony of David Murray, p. 3, lines 7-9.

Provide all documentation and evidence supporting the statement that “Senate Bill (“SB”) 564 is an investor-friendly ratemaking mechanism, which has reduced Empire’s business risk profile.”

*Answer: Mr. Murray likely does not have possession of “all” documentation and evidence supporting the fact that SB 564, which allowed election of plant-in-service accounting (PISA), is an investor-friendly ratemaking mechanism, but attached are a few of the examples of which he is immediately aware. Also, please see Mr. Murray’s testimony in Ameren Missouri’s electric rate cases, Case Nos. ER-2021-0240 and ER-2019-0335, for additional discussion and support for Mr. Murray’s testimony regarding the reduced business risk associate with PISA.*

**Data Request 12**

RE: ER-2021-0312 Direct Testimony of David Murray, p. 5, lines 6-14.

Please provide specific references and citations and explain in detail how APUC’s securities issuances disrupt the Uniform System of Account principles.

*Answer: Mr. Murray is referring to the fact that in Empire’s last rate case, Case No. ER-2019-0374, OPC discovered that liquidity maintained or available at LUCo (credit facility or commercial paper) was used to fund Empire’s capital needs. This affiliate transaction caused an inappropriate charge of long-term capital costs for AFUDC based on FERC USOA’s prescribed formula applied to Empire’s per books balance sheet. These same concerns hold true as it relates to APUC’s transfer of funds to LUCo. Other than Mr. Murray discovering that APUC is issuing more short-term debt now than at the time of the 2019 rate case, Mr. Murray has yet to discover a specific example of a current financing transaction from APUC to LUCo that demonstrates such an impact on LUCo’s capital structure.*

**Data Request 13**

RE: ER-2021-0312 Direct Testimony of David Murray, p. 7, lines 13-14.

Provide all factual evidence and all documentation that supports the statement “APUC’s increased use of holding company debt causes me concern as to the potential manipulation of LUCo’s capital structure.”

*Answer: See Mr. Murray’s response to Empire DR 12.*

**Data Request 14**

RE: ER-2021-0312 Direct Testimony of David Murray, p. 7, lines 15-16.

Provide all documentation and communications to investors referenced in the statement “LUCo is being capitalized consistent with the amount of leverage it communicates to investors as being reasonable for LUCo’s low-risk regulated utility assets.”

*Answer: See the attached source documents cited in Mr. Murray’s footnote 9 in his direct testimony. These source documents were provided by the Company in response to OPC DR 3001 in Case No. ER-2019-0374. See also the attached September 2020 Liberty Utilities Fixed Income Presentation provided by the Company in response to OPC DR No 3029 in this case. Note attachments are confidential*

**Data Request 15**

RE: ER-2021-0312 Direct Testimony of David Murray, p. 8, lines 1-5.

In Mr. Murray’s question and response, is it Mr. Murray’s contention that the LUF 10-year bond was not competitively bid?

*Answer: No.*

**Data Request 16**

RE: ER-2021-0312 Direct Testimony of David Murray, p. 8, lines 19-20.

Is it Mr. Murray’s contention that Empire’s filed capital structure testimony and exhibits did not specifically follow the Order of the Commission in ER-2019-0374? If so, please explain.

*Answer: No, but Mr. Murray disagrees with Empire’s conclusion and capital structure recommendation.*

**Data Request 17**

RE: ER-2021-0312 Direct Testimony of David Murray, p. 12, line 28 through p. 13, line 2.

Provide all communications referred to with the statement “This is consistent with APUC’s communication to its debt and equity investors.”

*Answer: See the documents Mr. Murray provided in response to Empire DR No. 14*

**Data Request 18**

RE: ER-2021-0312 Direct Testimony of David Murray, p. 13, footnote 7.

Provide a copy of the source document referred to in the footnote.

*Answer: A copy of the page specific to the reference from the source document (a textbook consisting of 235 pages) is attached. If the Company would like to review the entire document, OPC will make this information available at its office for review at a mutually agreed upon reasonable date and time.*

**Data Request 19**

RE: ER-2021-0312 Direct Testimony of David Murray, p. 14, lines 3-8.

Provide the specific Commission Order stating that Empire’s common equity ratio should not exceed 49%.

*Answer: The Commission's Order in Case No. EM-2016-2016 did not identify a specific common equity ratio. However, in Empire's last rate case, Case No. ER-2019-0374, Paragraph 59 of the Commission's Order indicated that an equity-rich capital structure is less economical than a capital structure with a lower equity ratio.<sup>1</sup> Paragraph 71 of the Commission's Order found that LUCo's common equity ratio of 46% was more economical than the equity ratio implied by Empire's balance sheet. The Commission's Order in Case No. EM-2016-0216 specifically states that Empire shall not "seek an increase to the cost of capital as a result of this Transaction [APUC's acquisition of Empire] or Empire's ongoing affiliation with Algonquin Power & Utilities Corp. and its affiliates other than Empire after the Transaction." Empire has not demonstrated that it needs a higher equity ratio as compared to that which it requested when it was a stand-alone company (~49%). As Mr. Murray has explained, Missouri's electric utility companies ability to elect PISA after the passage of SB564 supports a lower business risk profile, which supports a lower equity ratio compared to Empire's request in 2016, not a higher common equity ratio.*

**Data Request 20**

RE: ER-2021-0312 Direct Testimony of David Murray, p. 14, footnote 9, lines 11-27 and p. 18, lines 1-2.

Provide a copy of the source document referred to in the footnote. Also provide all recent documentation since September 2017 supporting Mr. Murray's contentions.

*Answer: See Mr. Murray's response to Empire DR No. 14.*

**Data Request 21**

RE: ER-2021-0312 Direct Testimony of David Murray, Exhibits DM-D-3-1 through DM-D-3-4. Provide all spreadsheets and analysis supporting the calculations in Exhibits DM-D-3-1 through DM-D-3-4.

*Answer: See Mr. Murray's response to Empire DR No. 2.b., which I provided to Empire on November 23, 2021.*

*Submitted by David Murray, November 30, 2021*

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<sup>1</sup> Paragraph 59