

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

In the Matter of the Application of Liberty)
Utilities (Missouri Water) LLC d/b/a)
Liberty Utilities for Authority to Issue) Case No. WF-2021-0016
Long Term Unsecured Debt)

PUBLIC COUNSEL’S RESPONSE TO STAFF’S RECOMMENDATION

COMES NOW the Office of Public Counsel and responds to Staff’s recommendation as follows:

1. On March 15, 2021, Commission Staff filed its recommendation in this case where it recommends the Commission, subject to the following four conditions, authorize Liberty Utilities (Missouri Water) LLC d/b/a Liberty Utilities to issue long-term unsecured debt as it requests in its application as amended:

1. That nothing in the Commission’s order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, which includes, but is not limited to, the capital structure, and that the Commission reserves the right to consider the rate making treatment to be afforded the financing transaction and its impact on cost of capital, in any later proceeding;
2. That the Company shall file with the Commission, all final terms and conditions of the proposed financing, including, but not limited to, the aggregate proceeds received, price information, and estimated expenses;
3. That the Company shall file with the Commission any information concerning communication with credit rating agencies concerning the proposed financing; and,
4. That the approval of the issuance of the New Note be subject to Commission approval of Liberty Water’s request for a CCN to acquire the Bolivar system, File Nos. WA-2020-0397 and SA-2020-0398.

2. The Office of Public Counsel has reviewed Liberty Utilities’ amended application, and Staff’s recommendation to the Commission that, subject to the foregoing four conditions, the Commission authorize Liberty Utilities to issue long-term unsecured debt as it requests in its amended application.

3. The terms, including the tenor and the interest rate, of the new \$12.69 million unsecured promissory note Liberty Utilities proposes to issue to its indirect parent company, Liberty Utilities Co., are intended to match those of Liberty Utilities Finance GP1's ("GP1") next debt issuance, which will not be known until GP1 executes its next debt issuance.

4. The financings for which Liberty Utilities is seeking authorization to engage in are inter-affiliate transactions to transfer capital from its affiliates that engage directly with third-party debt investors, not independent third-party transactions. In response to Staff Data Request No. 0002, Liberty Utilities asserts that it cannot directly issue debt to non-affiliates at a cost any lower than that which it would be charged based on the terms of debt its affiliate GP1 issues. Liberty Utilities did not provide underlying documentation supporting this assertion. Because investors buying GP1 debt evaluate the business risk and financial risk of Liberty Utilities Co., which secures GP1 debt, and its affiliation with Algonquin & Power Utilities Company ("APUC"), the cost of the debt assigned to Liberty Utilities is a function of the business and financial risk at these levels of APUC's holding company structure.

5. Because the terms of the up to \$12.69 million new unsecured promissory note Liberty Utilities proposes to issue will not be known until GP1 executes its next debt issuance, the Office of Public Counsel recommends that the Commission slightly modify one of Staff's two conditions, and add two additional conditions to its authorization for Liberty Water to issue long-term unsecured debt as it requests in its amended application.

6. The Office of Public Counsel recommends the Commission modify Staff's first recommended condition to specify that the Commission's order has no ratemaking import with regard to Liberty Utilities' assigned debt costs, as follows (additions in red font):

1. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, which

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 17th day of March 2021.

/s/ Nathan Williams