

**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 Long Term)
Unsecured Debt)
File No. WF-2021-0016

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), through counsel, and files its *Staff’s Recommendation* and attached Memorandum, recommending that the Missouri Public Service Commission (“Commission”) approve Liberty Utilities (Missouri Water) LLC’s (“Liberty Water”) *Application for Authority to Issue Long Term Unsecured Debt* (“Application”), with conditions. In support of Staff’s Memorandum, Staff states as follows:

Procedural History

1. On January 15, 2021, Liberty Water filed its Application pursuant to Section 393.200 RSMo., and Commission Rules 20 CSR 4240-2.060, 20 CSR 4240-2.080, and 20 CSR 4240-10.125.
2. On January 19, 2021, the Commission issued an order directing Staff to file no later than February 9, 2021, a recommendation regarding Liberty Water’s Application or a status report stating when Staff expects to file its recommendation.
3. Staff filed a status report on February 9, 2021, in which Staff stated it was still awaiting a response from Liberty Water on an outstanding data request and further stated Staff anticipated filing its recommendation in this matter no later than March 1, 2021. Subsequently, the Commission issued an order directing Staff to file its recommendation no later than March 1, 2021.

Liberty Water's Application

4. Liberty Water proposes to issue two new unsecured promissory notes to its indirect parent company, Liberty Utilities Co. ("LUCo") in the amounts of \$5,715,000 (Refinanced Note) for a 10-year term at a fixed rate of 2.079%, and up to \$12.69 million (New Note) for a term matching the tenor of Liberty Utilities Finance GP1's ("GP1") next debt issuance and at a yield to maturity rate equal to the yield maturity of GP1's next debt placement.

5. Liberty Water proposes to use the issuance for the following purposes: 1) refinance an existing \$5,715,000 short-term unsecured debt obtained from LUCo, utilized, in part, to purchase the water assets of affiliate The Empire District Electric Company; and 2) issue a long-term unsecured promissory note to LUCo in an amount up to \$12.69 million, in order to acquire, control, operate and maintain the water and sewer system in Bolivar, Missouri, which serves approximately 9,000 water and wastewater connections.

Staff's Recommendation

6. Staff has reviewed Liberty Water's Application and conducted discovery. Based on Staff's review and investigation, Staff proposes five conditions in its Memorandum:

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;
4. That the Company shall file with the Commission, upon refunding of any outstanding debt, the net present value calculations indicating the amount of interest cost savings; and,
5. 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.

7. Consistent with Section 393.200, RSMo., the proposed issuance of debt is or will be reasonably required for the purposes specified in the Application and that such purposes are not in whole, or in part, reasonably chargeable to operating expenses or to income.

WHEREFORE, Staff recommends the Commission authorize Liberty Water's Application with Staff's recommended conditions.

Respectfully submitted,

/s/ Jamie S. Myers

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been electronically mailed to all parties and/or counsel of record on this 1st day of March, 2021.

/s/ Jamie S. Myers