



Liberty Utilities

Exhibit No.:
Issue: The Empire District Electric
Company –Merger Impact
Witness: David Pasieka
Type of Exhibit: Direct Testimony
Sponsoring Party: Liberty Utilities
File No.: EM-2016-0213

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

FILED

SEP 6 2016

Direct Testimony

Missouri Public
Service Commission

of

David Pasieka

Empire/
Liberty Exhibit No. 7
Date 8-30-16 Reporter XF
File No. Em-2016-0213

1 **I. INTRODUCTION**

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

3 A. My name is David Pasieka. My principal place of business is 354 Davis Road, Oakville,
4 Ontario, Canada L6J 2X1.

5 **Q. By whom are you employed and what is your job title?**

6 A. I am President of Liberty Utilities (Canada) Corp., the holding company that owns Liberty
7 Utilities Co. ("Liberty Utilities"), and indirectly owns Liberty Utilities (Central) Co., ("LU
8 Central"), and Liberty Sub Corp. ("LSC").

9 **Q. What are your responsibilities as President of Liberty Utilities (Canada) Corp.?**

10 A. As President, I am responsible for the overall strategy and direction of the regulated utilities
11 owned by Liberty Utilities. These responsibilities include, among other things, overseeing
12 Operations, Human Resources, Safety, Regulatory, Customer Service and Finance.

13 **Q. Please describe your educational background and professional experience.**

14 A. I earned a Bachelor of Science degree from the University of Waterloo in 1980, a Master
15 of Business Administration from York University's Schulich School of Business in 1984,
16 and a Chartered Director designation from McMaster University in 2007. My business
17 experience includes more than 30 years of executive leadership in the telecommunications,
18 financial services, energy, utility and sustainability sectors.

19 For the first 20 years of my career I was involved with the Canadian telecommunications
20 sector, working for Bell Canada, CNPC Telecommunications, Unitel Communications,
21 AT&T Canada, and MetroNet Communications. During the late 1990's and early 2000's,
22 my career focused on early-stage start-ups and corporate turnarounds, working in the
23 energy, sustainability, enterprise software, and innovation sectors.

1 I have significant experience in organization development, corporate integration, profit and
2 loss management, customer service, strategy, information technology, business
3 development, and network operations. My board of directors' experience consists of
4 chairing the Audit Committee of Iseemedia (a Canadian wireless software company) from
5 2007-2010, chairing the Human Resources Committee of Luxell Technologies (a Canadian
6 aerospace company) from 2005-2009, and chairing the Human Resources Committee of
7 Oakville Hydro (a local electric distribution company) from 2008-2011.

8 **Q. Have you previously testified before the Missouri Public Service Commission**
9 **("Commission") or similar regulatory commissions?**

10 A. Yes, I have. I filed written testimony in Commission File No. GM-2012-0037, in which
11 Liberty Utilities acquired the natural gas distribution assets of Atmos Energy Corp. and
12 have testified before the New Hampshire Public Utilities Commission on the acquisition
13 of electric and natural gas distribution utilities from National Grid in 2012.

14 **Q. What is the purpose of your testimony in this case?**

15 A. The purpose of my testimony is to (1) describe the proposed transaction and identify the
16 parties involved, including a description of the corporate and operating structure of Liberty
17 Utilities and how Empire will fit into that structure post-merger; (2) describe Liberty
18 Utilities' experience in the electric, gas, and water utility industries and its transition plans;
19 (3) discuss Liberty Utilities' approach and commitment to providing high quality, cost-
20 effective customer service; and (4) explain why the transaction meets the Commission's
21 "no net detriment" standard and is beneficial to the public interest.

22

1 Q. Are you sponsoring any exhibits or schedules as part of your direct testimony?

2 A. Yes, I am sponsoring Schedule DP-1, an organizational chart showing where Empire
3 would fit within the overall Liberty Utilities organization; Schedule DP-2, the resolutions
4 of LU Central's board of directors approving the transaction; Schedule DP-3, the
5 resolutions of LSC's board of directors approving the transaction; and Schedule DP-4,
6 Liberty Utilities (Midstates Natural Gas) Corp.'s 2015 customer satisfaction results.

7 **II. DESCRIPTION OF THE PROPOSED TRANSACTION**

8 Q. Please describe the transaction the joint applicants are asking the Commission to
9 approve in this case.

10 A. The specific terms of the proposed transaction are set out in the February 9, 2016,
11 "Agreement and Plan of Merger by and among The Empire District Electric Company,
12 Liberty Utilities (Central) Co. and Liberty Sub Corp." ("Agreement"). A copy of the
13 Agreement was filed as part of the joint application in this case, and also is attached to Mr.
14 Beecher's direct testimony as Schedule BPB-1. Under the Agreement, LU Central will
15 acquire all issued and outstanding shares of Empire's stock and then merge Empire with
16 Liberty Sub Corp, a wholly-owned merger subsidiary of LU Central created solely for this
17 transaction, with Empire emerging as the surviving corporation. Following the merger,
18 LSC will cease to exist and Empire will be a wholly-owned subsidiary of LU Central. An
19 organizational chart showing where Empire would fit within the overall Liberty Utilities
20 organization is attached to my testimony as Schedule DP-1.

21 Q. Please describe how you intend to operate Empire and your existing utility portfolio.

22 A. Our ultimate plan is for Empire and certain of Liberty Utilities' existing utilities to be
23 reorganized under LU Central, with Brad Beecher, the current CEO of Empire, assuming

1 the role of the CEO of LU Central. The entities to be within LU Central will be Empire
2 District, Liberty Utilities natural gas utilities located in Missouri, Illinois and Iowa, and
3 Liberty Utilities water utilities located in Arkansas, Missouri and Texas. Combined,
4 approximately 340,000 customers will be served by LU Central.

5 As discussed further in my testimony, the management team of Empire will provide
6 services to all the utilities within LU Central and shared services may be provided where
7 appropriate and in accordance with applicable affiliate transaction rules. Further, a board
8 of directors with commensurate fiduciary duties consisting of senior business and
9 community leaders will be established to provide guidance and counsel to the operations
10 of the utilities within LU Central with the members of the current Empire board of directors
11 being offered a position on the regional board.

12 **Q. Will the utilities mentioned above continue to operate on a standalone basis or be
13 merged in to a single entity?**

14 **A.** The utilities will continue to operate on a standalone basis, with separate tariffs, assets, and
15 books and records.

16 **III. STANDARD OF APPROVAL**

17 **Q. Are you familiar with the legal standard that governs the Commission's consideration
18 of utility acquisitions in Missouri?**

19 **A.** My understanding is the legal standard applicable to utility acquisitions established by
20 Missouri's courts is that a proposed acquisition must be approved unless it can be shown
21 to be detrimental to the public interest. I also am advised by legal counsel that the
22 Commission applies a "no net detriment" test to determine if a utility acquisition meets the
23 standard. I believe LU Central's proposed acquisition of Empire satisfies this standard.

1 Q. What is the primary rationale behind the transaction?

2 A. This transaction has many benefits that will inure to the customers, employees, regulators,
3 and shareholders of both Empire and Liberty Utilities. These benefits are:

4 1) **Efficacy of scale** – This transaction represents an opportunity to increase the size of
5 the respective organizations to nearly 800,000 combined customers providing service
6 across 13 states with expertise in water, gas, and electric distribution utilities. This
7 scale is expected to result in greater management expertise, access to broader
8 management capabilities, and an ability to capitalize on greater opportunities for future
9 efficiencies.

10 2) **Increased Management Capability** – By combining the expertise of both companies,
11 a joint entity will now enjoy expertise in:

12 a. Electric utility operations of over 270,000 customers, including vertical
13 integration with utility owned and developed renewable energy and
14 conventional generation fleet;

15 b. Gas utility operations of over 330,000 customers, with expertise in the
16 development of distribution utility best practices, service territory expansion,
17 alternate fuel procurement, and investment in gas transmission infrastructure;

18 c. Distribution utility expertise of running large water operations in excess of
19 175,000 customers, including in drought prone areas;

20 d. Access to renewable energy development expertise that has already proven to
21 be beneficial to Liberty’s electric utilities it owns in other jurisdictions, with
22 investments in utility-owned solar generation that is expected to reduce overall
23 customer energy costs.

- 1 3) **Enhanced regional senior leadership support** – By reorganizing Liberty Utilities’
2 operations to include LU Central, each utility will now have access to senior level
3 leadership. Liberty Utilities’ operations in Missouri, Arkansas, Illinois, Iowa, and
4 Texas will now have access to the diverse and talented management team based in
5 Joplin, Missouri. This means that senior management of the utilities will be even closer
6 to the service territory, ensuring responsiveness to the local community and expeditious
7 responsiveness to emerging issues within each community.
- 8 4) **Board of Directors for LU Central** – A regional board of directors will be established
9 consisting of senior business and community leaders. This board is expected to provide
10 guidance and counsel on local issues to ensure that the combined entity will enhance
11 its understanding of local operating conditions and be able to better serve the needs of
12 customers. The board will have commensurate fiduciary duties, and all existing board
13 members of Empire will be offered a position on the board.
- 14 5) **Enhanced financial capabilities** – Combining the financial strength of two
15 organizations with a BBB credit rating will ensure stronger access to financial markets
16 and provide enhanced momentum to work towards enhancing the credit rating in the
17 future by providing increased diversification of modality, geography, and ultimately
18 further diversifying the risks of both organizations.
- 19 6) **Maintains jobs** – This transaction is not about cutting jobs. Rather, the rationale of the
20 transaction is to enhance the capabilities of both organizations, and as such there will
21 be no involuntary reductions associated with this transaction.
- 22 7) **Seamless transition** – Over the last 5 years, Liberty Utilities has completed 7 major
23 transitions that have been seamless from a customer perspective, and has developed a

1 core competence in merging utility operations in to its own. With the Empire
2 transaction, this capability will be enhanced as the acquisition is of a fully functioning
3 standalone utility operation which will allow optimal staging of transition activities.

4 As can be seen, these items represent significant benefits of the transaction for customers,
5 employees, regulators, and shareholders of both Empire and Liberty Utilities.

6 **Q. In your previous answer, you pointed to numerous benefits Empire and its customers**
7 **would derive from the proposed transaction. Are there any detriments the**
8 **Commission should consider in evaluating the transaction under its “no net**
9 **detriment” standard?**

10 **A.** None of which I am aware. To the extent any detriments can be identified, I am confident
11 they are nullified by commitments made in my testimony and the direct testimonies of Mr.
12 Eichler and Mr. Krygier or are more than outweighed by the many beneficial aspects of the
13 proposed transaction.

14 **Q. Do the other state commissions in which Empire operates apply different standards**
15 **for consideration of utility acquisitions?**

16 **A.** Yes. Each state has its own approach. While Missouri applies a “no net detriment
17 standard,” Arkansas applies a “consistent with public interest standard, Kansas applies a
18 “public interest” and “net-benefit” test, and Oklahoma applies a “public interest” standard.
19 The proposed acquisition meets all of these tests, because as demonstrated above, there are
20 many benefits associated with the transaction, which far outweigh any potential detriments.

21

1 **Q. What are the next steps before the proposed transaction can be consummated?**

2 A. Although the boards of directors of Empire and LU Central already have approved the
3 transaction (see **Schedule BPB-2**, the resolutions of Empire's board of directors which are
4 attached to Mr. Beecher's direct testimony, and **Schedule DP-2** and **Schedule DP-3**, copies
5 of the resolutions of LU Central's and Liberty Sub Corp.'s boards of directors which are
6 attached to my testimony), certain contingencies must be satisfied before it can be
7 consummated. Empire's current shareholders must approve the transaction. Empire's
8 board has recommended approval to its shareholders, and a shareholder vote is planned for
9 the summer of 2016. In addition, the Federal Energy Regulatory Commission, and the
10 utility regulatory commissions in each of the four states where Empire provides utility
11 services -- Missouri, Arkansas, Oklahoma, and Kansas -- must each approve the transaction.
12 Contemporaneous with the filing of this application, the joint applicants have filed for
13 regulatory approval with each of these other commissions.
14 Further, an application will be made with the Federal Trade Commission for approval
15 under the Hart-Scott-Rodino Antitrust Improvements Act. As this approval expires 360
16 days after receipt, it will be sought shortly.

17 **Q. When do you anticipate that this transaction would close?**

18 A. The joint applicants are seeking Commission approval by December 31, 2016 so the
19 transaction can close by January 31, 2017.

20

1 **IV. OPERATING PHILOSOPHY AND CUSTOMER SERVICE**

2 **Q. What is Liberty Utilities' philosophy regarding customer service?**

3 **A.** Liberty Utilities' approach to customer service is guided by the following principles:

- 4 • Our goal is to provide high quality service to all our customers at a reasonable price.
5 We want satisfied customers and are willing to take steps necessary to achieve that
6 objective.
- 7 • Our model is to deliver service to customers primarily through customer service
8 representatives located in and dedicated to the local utility service territory. We believe
9 customers respond most favorably to customer service representatives who are familiar
10 with the service territory's geography, demography, and economy. Simply put, we
11 want our customer service representatives to be from and be part of the communities
12 they serve so they can experience what customers experience at the same time
13 customers are experiencing them.
- 14 • We strive to continuously improve our customer service. To that end, we tailor our
15 offerings locally and continually measure our performance in customer satisfaction
16 surveys and "best in class" surveys where we seek to understand our performance
17 relative to other utilities in the areas we serve.
- 18 • Liberty Utilities gives its local management teams significant authority and autonomy
19 to determine how best to meet customers' needs. We believe managers and employees
20 who are empowered are more inclined to take initiative and are more resourceful in
21 resolving customer problems.
- 22 • Because the Liberty Utilities family of companies includes numerous utilities, we
23 constantly seek ways to share information across companies and benefit from the

1 knowledge and experience of affiliates while still leaving decision making in the hands
2 of local management.

- 3 • As regulated businesses, we are committed to satisfying all legal regulatory obligations,
4 and we believe local management and satisfied customers help enable us to achieve
5 that objective.

6 **Q. Please elaborate on Liberty Utilities' local approach to management and operation of**
7 **its utility subsidiaries.**

8 A. Generally speaking, Liberty Utilities believes that if a function touches its employees, its
9 customers, or its regulators, then it is best done within the service territory. This ensures
10 an empathy with key stakeholders by ensuring that our employees are in tune with the
11 needs of our customers and regulators. Additionally, we encourage employees to volunteer
12 in local community events and participate in civic organizations such as the chamber of
13 commerce and rotary. The local teams also make charitable donations supporting local
14 causes in each community.

15 **Q. Since announcement of the merger, has Liberty Utilities engaged in any outreach to**
16 **local communities?**

17 A. Absolutely. Immediately after announcing the transaction, our management team set out
18 to engage the local communities. We have held meetings with each of the state
19 commissions in Missouri, Kansas, Oklahoma and Arkansas; other state and local officials,
20 including local legislators; as well as meeting with current Empire employees and Empire
21 retirees. We believe this outreach is important and it is fundamental to who we are as a
22 company. We look forward to continuing these efforts both pre- and post-merger.

1 Q. Does Liberty Utilities plan to monitor and measure how effective its customer service
2 efforts are and how successful these efforts are in satisfying customers?

3 A. Yes. In other jurisdictions our affiliates have engaged an independent research firm to
4 conduct an annual customer service and satisfaction survey. The results of these surveys
5 have shown consistently good customer service ratings in all our utility service territories.
6 A copy of the most recent customer satisfaction results in 2015 is attached to this testimony
7 as Schedule DP-4. I offer these survey results for two purposes. First, they illustrate our
8 commitment to good customer service and customer satisfaction, a value shared by Empire.
9 Second, the results show how we have used data from the surveys to identify areas for
10 improvement and make improvement in those areas. Some of the changes we have made
11 based on survey data include improvements to our website and bill presentation.

12 Q. If the proposed acquisition of Empire is approved, does Liberty Utilities intend to
13 implement annual customer surveys in Empire's service area?

14 A. Yes, just like Empire does today and Liberty Utilities does with its systems, we will include
15 the Empire customers in our third party annual customer service surveys to continue
16 finding the best ways to improve the customer experience.

17 Q. What other programs to improve customer service and customer satisfaction does
18 Liberty Utilities intend to implement if the acquisition is approved?

19 A. The Empire team provides great service today, continuous improvement is part of our
20 philosophy. As such, one example of an area that may be evaluated is the opportunity to
21 further reopen walk-in centers in local communities. Like any potential change, we will
22 evaluate what is best for the utility and its customers.

23

1 **V. LIBERTY UTILITIES' OPERATIONAL EXPERIENCE**

2 **Q. You previously testified that following the merger, Empire will be a wholly-owned**
3 **subsidiary of LU Central. Please describe Liberty Utilities experience in the regulated**
4 **utility business and the role it would play in Empire's post-merger operations.**

5 A. Liberty Utilities has deep experience in the regulated utility business. We acquired our
6 first regulated utility approximately fifteen years ago and have grown to serve over 560,000
7 customers today, our customer roster will increase to nearly 800,000 customers with the
8 addition of Empire. Our utility platform includes regulated water, wastewater, natural gas
9 and electric utilities in eleven states across the country. In California and New Hampshire
10 together, Liberty Utilities serves approximately 93,000 electric customers; our gas
11 distribution utilities in Georgia, Illinois, Iowa, Massachusetts, Missouri and New
12 Hampshire together serve approximately 292,000 customers and our water distribution and
13 wastewater collection utility systems serve approximately 177,000 customers in Arizona,
14 Arkansas, California, Illinois, Missouri, Montana and Texas. We see the addition of
15 Empire as a perfect fit into our current operations. After the acquisition closes, we will
16 add to our customer counts in Missouri and Arkansas while expanding our total states
17 served from eleven to thirteen. With the addition of Empire's customers in Kansas and
18 Oklahoma, Liberty Utilities overall customer count will increase from approximately
19 560,000 to nearly 800,000. Operationally, one of the customer benefits of this transaction
20 is that the existing Empire senior leadership team will continue to run all current Empire
21 operations based out of Joplin and assume additional oversight responsibilities for existing
22 Liberty Utilities Arkansas, Texas, Missouri, Iowa and Illinois operations. With such a
23 regional oversight model, customers of Empire and other Liberty Utilities regulated

1 operations will see benefits from best practices, a deeper knowledge bench, and a larger
2 management resource pool that all benefit customers.

3 **Q. What is Liberty Utilities' overall philosophy regarding operation of its regulated**
4 **utility businesses?**

5 A. Liberty Utilities uses a de-centralized approach to operating its regulated utility business,
6 which emphasizes the importance of local management and local control of day-to-day
7 business operations. This is especially true for customer service activities and employee
8 and community outreach activities. We believe these activities are best performed locally.
9 Evidence of this approach is seen from our operating history. When we acquired utility
10 assets in California, Massachusetts, New Hampshire, Georgia, Arkansas and Missouri, we
11 established a local headquarters in the service area to provide critical customer and
12 regulator-facing functions like customer service, billing, and regulatory. We established a
13 local leadership team empowered to make the right business decisions for our customers
14 and other stakeholders. Our commitment to Empire to maintain the employees and Joplin
15 headquarters is consistent with our approach to management of our utility businesses.
16 Even though we generally favor performing activities locally, where the quality and
17 empathy of a service is not prejudiced and there is an economy of scale benefit we do
18 provide certain non-customer, non-regulator, non-employee-facing services centrally. For
19 example, treasury, information technology, insurance and risk management are provided
20 centrally which provides the benefits of allowing a more sophisticated service group,
21 delivers certain economies of scale, and facilitates the standardization of these activities.
22 When structured and provided correctly, providing these selected services centrally does
23 not detract from the local presence we believe our customers prefer.

1 **Q. How does this operating philosophy affect the way Liberty Utilities approaches the**
2 **management and operation of its subsidiaries?**

3 A. For any utility continually striving to achieve the highest level of customer satisfaction and
4 maintaining strong relationships with regulators, customers, and the communities in which
5 they serve, we believe that there is no substitute for local management, local decision-
6 making, and local operational control. Liberty Utilities believes our utility affiliates can
7 best meet the needs of their stakeholders by having operational decisions made by
8 individuals who are located in or near the communities they serve and who maintain regular
9 contact with customers and regulators. As I noted earlier in my testimony, Empire's Joplin
10 management team and employee group will remain intact following the merger and that
11 team will continue to have full oversight for the company's utility operations.

12 **VI. TRANSITION PLANNING**

13 **Q. Does Liberty Utilities have an overarching approach to the integration of Empire in**
14 **to the Liberty Utilities family?**

15 A. Yes. In its simplest terms, the transition should be seamless to customers from a customer
16 service, reliability, rates and operational perspective. We are confident that this will be the
17 case for Empire given that the current operations will continue as they exist today and only
18 the ownership of Empire's shares will change hands.

19 **Q. Please update the Commission on the status of the transition between the two**
20 **companies.**

21 A. Having overseen seven utility transitions resulting from acquisitions in the past five years,
22 Liberty Utilities has developed a core competency in performing the activities associated

1 with acquisition of additional regulated utilities. In the case of Empire, Liberty Utilities
2 has made certain specific commitments regarding the transition, including the following:

- 3 • As discussed elsewhere in my testimony, Liberty Utilities will establish a “Central
4 Region,” which will be headquartered in Joplin, Missouri. This regional office will
5 provide senior leadership to the current operations of Empire and Liberty Utilities’
6 gas operations in Missouri, Illinois, and Iowa, and Liberty Utilities’ water
7 operations in Missouri, Arkansas, Missouri and Texas. Combined, this regional
8 organization will serve approximately 340,000 customers. The remainder of
9 Liberty Utilities’ operations in the United States will be similarly realigned under
10 Liberty East and Liberty West regions. The Central Region will be the largest of
11 the regions. This will provide the benefits of the depth of the Empire management
12 team to all Liberty Utilities mid-west and central customers;
- 13 • Brad Beecher will be offered the role of Chief Executive Officer of the Central
14 Region, providing continuity and added breadth and depth to the Liberty Utilities
15 management team;
- 16 • The Empire brand will be maintained for a minimum of five years. This will allow
17 the rich history of Empire to continue and will provide time to educate customers
18 and the public regarding the Liberty Utilities brand and brand promise, and;
- 19 • Empire’s current Board of Directors will be offered positions to continue serving
20 the LU Central region through a regional board of directors whose role is to provide
21 governance and guidance to local issues affecting the utility. This will be important
22 to maintaining a true local presence and experience for our customers.

23

1 **Q. What stage is your transition process currently in?**

2 A. We are in the preliminary stages of transition planning and will continue to build out our
3 plans as we progress through the regulatory approval process and ultimately the closing of
4 the transaction. Currently, Liberty Utilities and Empire are evaluating each other's
5 capabilities, strengths, functions, systems, processes, and policies and determining where
6 opportunities may present themselves to create efficiencies, capitalize on scale, enhanced
7 management capabilities, and eliminate redundancies. This stage is typical for the point in
8 time we are at relative to having signed the merger agreements and consistent with previous
9 transitions.

10 **Q. If you have not completed the transition planning process, how do you know you will
11 meet the "no net detriment" test?**

12 A. There are several reasons for my confidence. Most importantly, nothing is changing as a
13 result of the acquisition from a customer service or operational perspective. After the
14 acquisition closes, retaining the Empire employees and management team allows us to
15 continue providing safe, reliable service along with a positive customer experience.
16 Second, our teams have already identified opportunities where the business combination
17 can result in greater scale benefitting customers and the respective companies. One
18 example is the bill printing process; Empire owns a sophisticated bill printing machine
19 located in Joplin that has some excess capacity available. Liberty Utilities currently
20 outsources its bill printing function. By combining our respective bill print requirements at
21 the Joplin facility, greater utilization of equipment and greater scale can emerge. Another
22 example is the fees associated with the Securities and Exchange Commission listings, audit
23 fees, and other public company costs which will be saved given that Empire will no longer

1 be a publicly traded corporation after the acquisition. These are two examples that provide
2 us confidence that our business combination will not result in a detriment to stakeholders.

3 **Q. Does the acquisition pose any opportunities to leverage greater scale in customer
4 service?**

5 A. Yes. Another opportunity to capture the benefit of scale is the potential combination of
6 our respective needs for customer information systems (“CIS”). At present, Empire is
7 undertaking an upgrade of its current CIS, after which the system will no longer be
8 supported by the vendor. Similarly, Liberty Utilities, as part of a continual review of its
9 systems and operations, is currently evaluating its CIS needs and capabilities. As a result,
10 this presents a unique opportunity to achieve greater scale through the adoption of one CIS
11 to serve all Liberty Utilities operations. Based on my experience, there will be other areas
12 of opportunity identified throughout the process, and therefore, I am confident that there
13 will be further opportunities to gain advantage from the business combination.

14 **Q. Does Liberty Utilities bring financial strength to Empire’s future operations?**

15 A. Yes. As explained further in the testimony of Mr. Eichler, the financial strength of the
16 combined organizations will continue to have strong capital market access and continue a
17 strong investment grade balance sheet which is important to the future success of Empire’s
18 operations.

19 **Q. Are there other opportunities presented by this acquisition?**

20 A. Yes. As previously discussed in my testimony, from a non-financial perspective this
21 transaction will add significant capabilities in management to both organizations. From a
22 Liberty Utilities perspective, in Empire we are acquiring a company with significant
23 management strength in utility operations, which will help provide context and

1 management best practices. Similarly, Liberty Utilities, through its affiliates, brings not
2 only distribution utility expertise but also expertise in the development and management
3 of renewable energy sources.

4 **Q. Is anything different about this transition than prior acquisitions?**

5 A. Yes. This acquisition comes with a standalone utility operation, which will allow us to
6 stage and implement the transition in a manner that is most ideal for LU Central's
7 customers. Prior transactions have typically not come with systems or senior management
8 teams in place. This increases our confidence that we expect the transition to be seamless.

9 **Q. Please describe the resources and management expertise Liberty Utilities will provide**
10 **to assist the current Joplin management team post-merger.**

11 A. As I mentioned above, Liberty Utilities has a deep utility knowledge pool with over 1,000
12 employees in water, wastewater, natural gas and electric utilities in eleven states which
13 span all aspects of utility operations. In addition, Liberty Utilities' affiliates have
14 significant experience developing and operating renewable generation assets through its
15 ownership or interest in hydroelectric, wind, solar and thermal facilities with a combined
16 gross generating capacity of approximately 120 Megawatt ("MW"), 700 MW, 35 MW and
17 335 MW, respectively. This experience may be useful as the region considers the role of
18 renewable generation in renewable portfolio standards or otherwise. Post-merger, we will
19 be able to share our talent pool with the Empire team and vice-versa, which can only stand
20 to make our organization stronger through the sharing of best practices.

21 **Q. How will the proposed transaction affect Empire's utility operations in Missouri**
22 **immediately following the merger?**

1 A. The proposed merger will have no effect on Empire’s utility operations in Missouri or
2 Empire’s customers. From a customer standpoint, we expect the merger will be seamless,
3 and all rates and tariffs in effect at the time of the merger will continue to apply. We also
4 do not expect to significantly alter Empire’s field operations as a result of the transaction
5 because we will offer employment to all current employees. The continued employment
6 of these knowledgeable and experienced employees will benefit Empire’s customers in all
7 the states where it provides service.

8 **Q. What does the transaction mean for Liberty Utilities’ current operations in Missouri?**

9 A. While there are no operational changes to Liberty’s current operations, the operations in
10 Missouri will be enhanced by the transaction as Liberty’s current operations will be able
11 to benefit from the enhancements outlined above. More specifically, however, the
12 acquisition allows for access to a senior management team with significant utility expertise
13 in gas, water, and electric utility operations based closer to its operations in Joplin,
14 Missouri. This proximity will allow for enhanced responsiveness to respond to utility
15 operating requirements. In addition, through a regional board of directors the management
16 teams in Missouri will have opportunities to receive guidance and counsel from local
17 business and community leaders who can provide insight to the emerging issues within the
18 service territory. Further, the utilities will now be a part of a division with approximately
19 340,000 customers in a company with nearly 800,000 customers. This scale will allow
20 future opportunities to capitalize on efficiencies as they emerge.

21 **Q. Following the proposed merger, what assurances can you provide that Empire will**
22 **continue to provide safe, adequate, reliable, and cost-effective utility service to its**
23 **Missouri customers?**

- 1 A. Liberty Utilities has the management, technical, and financial expertise and capabilities
2 necessary to ensure Empire continues to provide its Missouri customers with safe,
3 adequate, reliable, and cost-effective electric, natural gas, and water utility services.
4 Liberty Utilities and its utility affiliates have been in the regulated utility business for more
5 than a decade and over that period have developed a strong customer service record for
6 both existing operations and the utilities they acquire. In addition, with the retention of
7 Empire's employees, we anticipate providing the same great safe, adequate, cost-effective
8 and reliable service that Empire customers have come to expect.
- 9 **Q. Does this conclude your direct testimony?**
- 10 A. Yes it does.

**LIBERTY UTILITIES
ORGANIZATION CHART
POST EMPIRE MERGER**

NOTES

1. Unless otherwise indicated, the ownership of all entities is 100%.
2. Defined terms have the meaning ascribed to them in Algonquin Power & Utilities Corp's ("Algonquin") most recent Annual Information Form.
3. "Non-Algonquin" means that the entity in question would not satisfy the definition of an "APCo Entity" in Algonquin's credit agreement.
4. The highlighted boxes denote facilities/assets that are owned by the legal entities, not the legal entity.

KEY

1. Corporation or LLC
2. Facility or Asset

Chart A

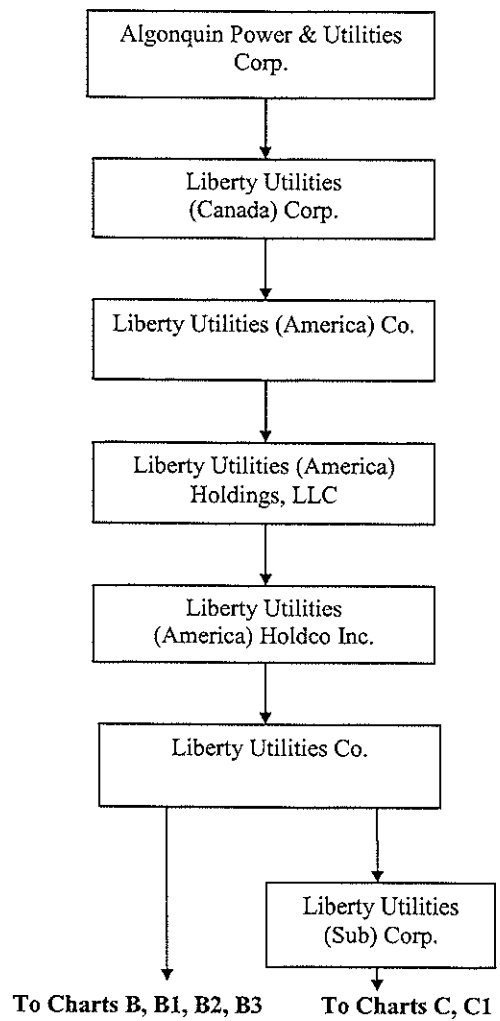


Chart B
(Continued on Chart B1, B2, B3)

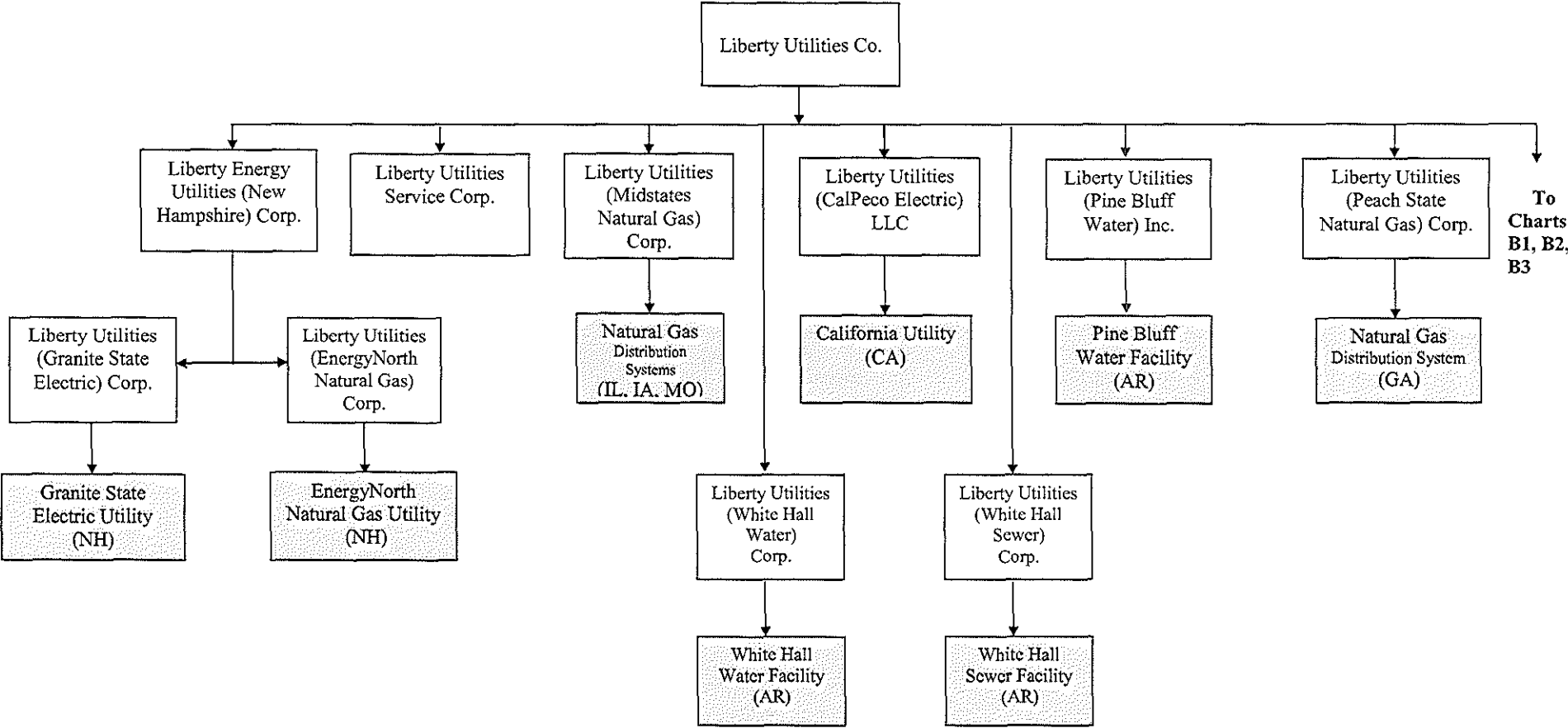


Chart B1

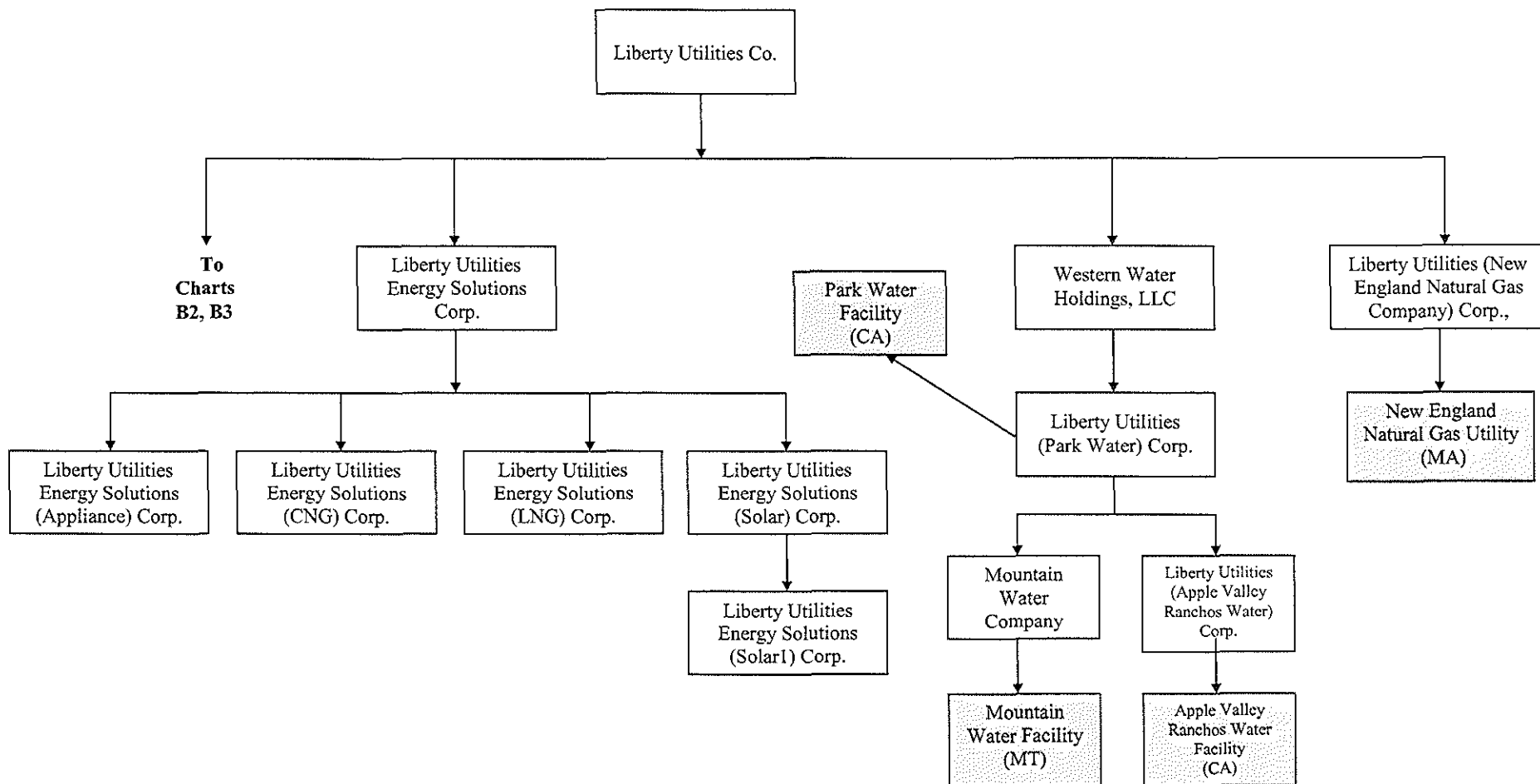


Chart B2

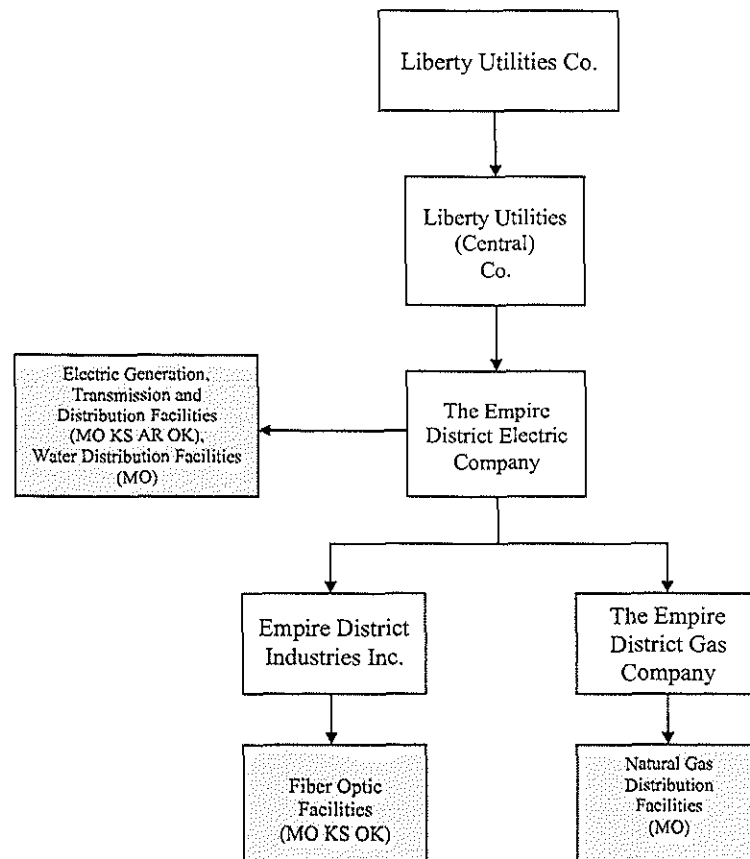


Chart B3

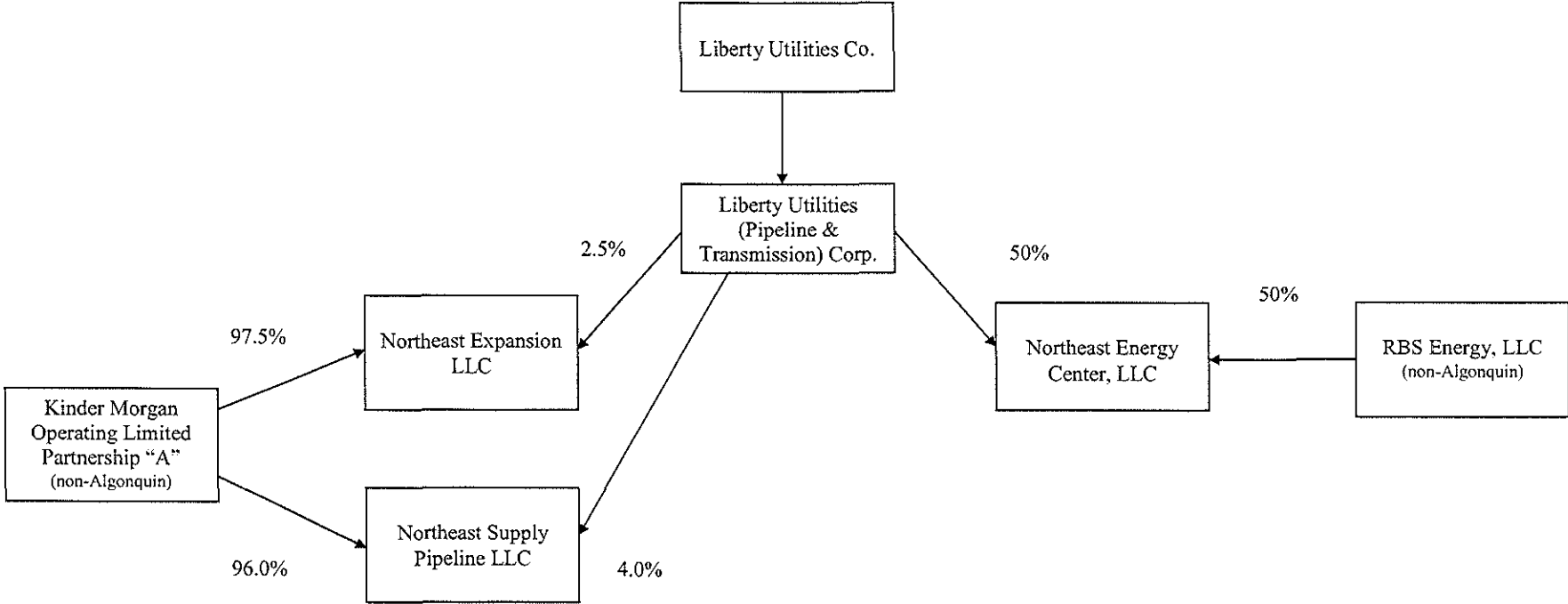
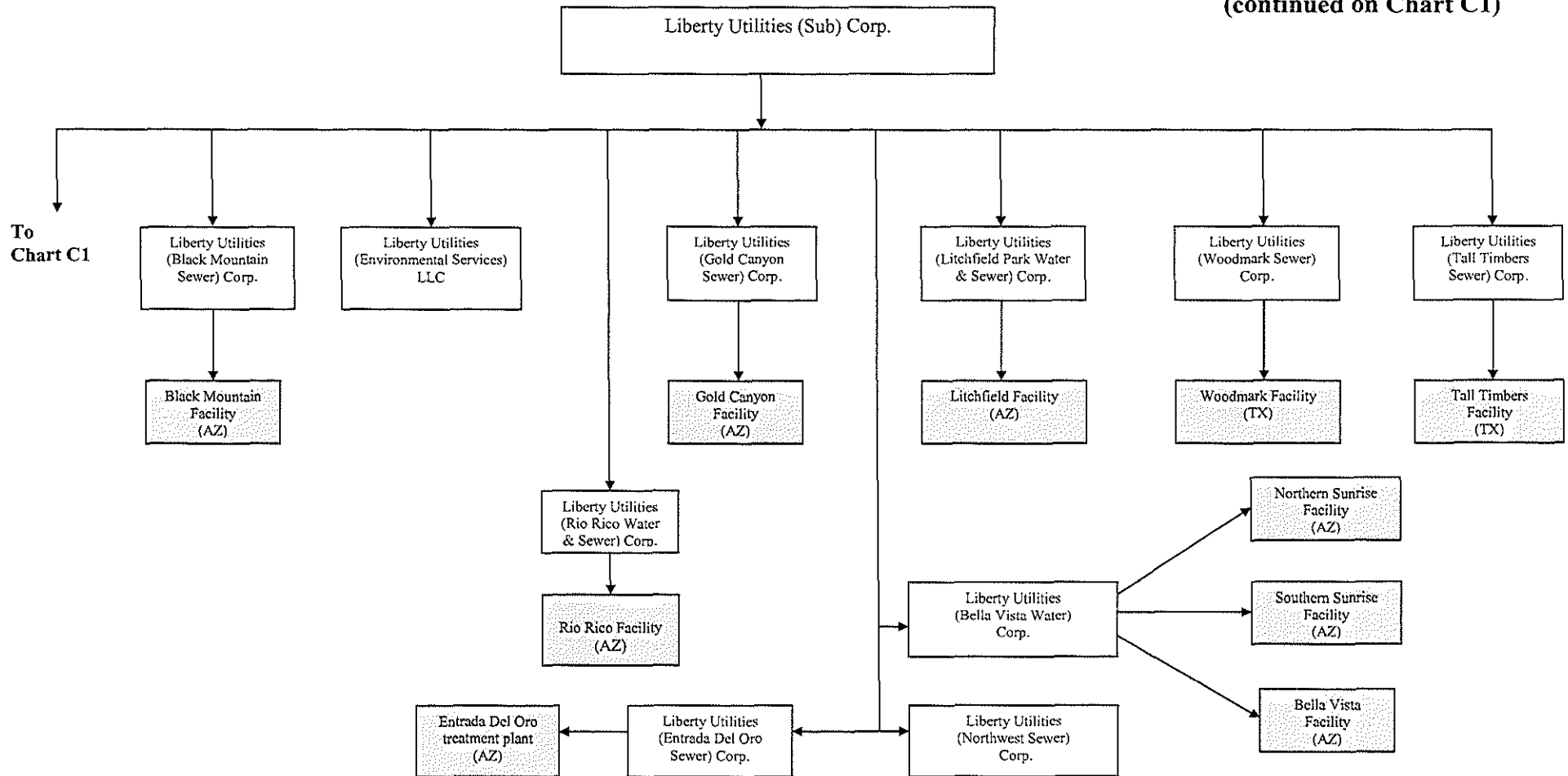
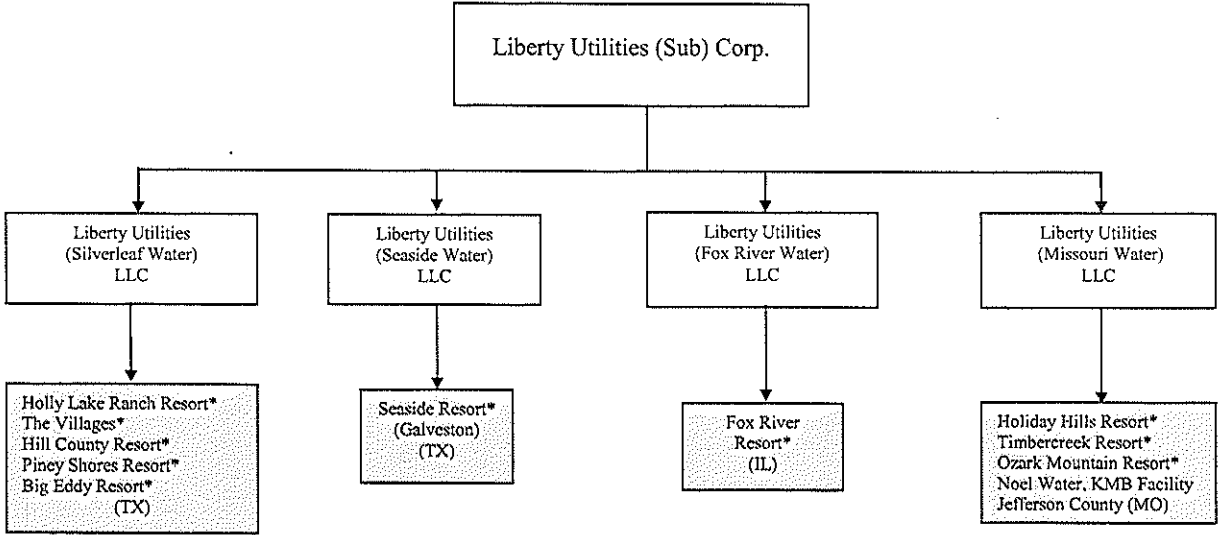


Chart C
(continued on Chart C1)



To
Chart C1

Chart C1



* Algonquin owns water treatment plants, water wells, lines, wastewater collection systems, rest line wastewater treatment plants and certain other assets located at these resorts.

Certified Copy of Resolutions
Passed by the Board of Directors
of
Liberty Utilities (Central) Co.
on
February 9, 2016

I, TODD WILEY, Secretary of Liberty Utilities (Central) Co., a corporation organized and existing under and by virtue of the laws of the State of Delaware (hereinafter called the "Company"), DO HEREBY CERTIFY that the following is a true and correct copy of resolutions adopted by the Board of Directors of the Company at a meeting duly called and held on the 9th day of February 2016; that at said meeting a majority of the Directors, constituting a quorum for the transaction of business, was present and voted in favor of said resolutions; and that said resolutions have not been amended or modified, rescinded or revoked by remain in full force and effect:

WHEREAS, the Board deems it desirable and in the best interests of the Company for the Company to enter into and perform its obligations under, and to consummate the merger and other transactions contemplated by, that certain Agreement and Plan of Merger (the "Merger Agreement") among the Company, Liberty Sub Corp., and The Empire District Electric Company, in substantially the form attached hereto as Exhibit A, and all additional documents, agreements and certificates to be delivered by the Company thereunder, in each case with such changes as any Authorized Representatives of the Company, or any of them, deem necessary and desirable as conclusively evidenced by the execution thereof by any such Authorized Representative (the "Approved Agreements");

NOW, THEREFORE, BE IT RESOLVED, FURTHER RESOLVED, that the execution, delivery, and performance by the Company of the Approved Agreements, and the consummation of the merger and all other transactions contemplated thereby be, and they hereby are, authorized and approved in all respects;

FURTHER RESOLVED, that for purposes of these resolutions and all actions taken in connection herewith, the "Authorized Representatives" of the Company shall include Ian Robertson, David Bronicheski, any officer or director of the Company, and any person to whom any of the foregoing may delegate any of their authority as an Authorized Representative;

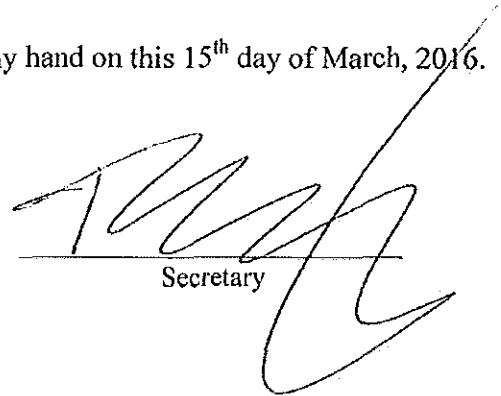
FURTHER RESOLVED, that any two Authorized Representatives of the Company be, and each of them individually hereby is, authorized, empowered and directed, for and on behalf of the Company, to do, and to cause any and all of the Company's counsel and advisors to do, any and all acts, deeds and things, and to sign, seal, execute, acknowledge, file, record and deliver the Approved Agreements and any and all agreements, documents, instruments, notices, certificates or undertakings which may be or may become necessary, desirable or appropriate to effectuate the purposes of the foregoing resolutions, and to incur and pay all such fees and expenses as they shall in their good faith and judgment determine to be necessary, desirable or advisable to carry out fully the intent and purposes of the foregoing resolutions and the execution

by them of any such document, instrument or agreement or the payment of any such fees and expenses or the doing by them of any act in connection with the foregoing matters shall conclusively establish their authority therefor and the approval of the documents, instruments or agreements so executed, the expenses so paid, the filings so made and the actions so taken;

FURTHER RESOLVED, that all actions heretofore taken by any officer, director, or other Authorized Representative of the Company in connection with any matter referred to in or contemplated by any of the foregoing resolutions be, and hereby are, approved, ratified, and confirmed in all respects; and

FURTHER RESOLVED, that this Consent will be in lieu of a special meeting of the Board and will be included in the minutes and filed with the records of the Company in place of any minutes of such meeting.

IN WITNESS WHEREOF, I have hereunto set my hand on this 15th day of March, 2016.



Secretary

Certified Copy of Resolutions

Passed by the Board of Directors

of

Liberty Sub Corp.

on

February 9, 2016

I, TODD WILEY, Secretary of Liberty Sub Corp., a corporation organized and existing under and by virtue of the laws of the State of Kansas (hereinafter called the "Company"), DO HEREBY CERTIFY that the following is a true and correct copy of resolutions adopted by the Board of Directors of the Company at a meeting duly called and held on the 9th day of February 2016; that at said meeting a majority of the Directors, constituting a quorum for the transaction of business, was present and voted in favor of said resolutions; and that said resolutions have not been amended or modified, rescinded or revoked by remain in full force and effect:

WHEREAS, the Board deems it desirable and in the best interests of the Company for the Company to enter into and perform its obligations under, and to consummate the merger and other transactions contemplated by, that certain Agreement and Plan of Merger (the "Merger Agreement") among the Company, Liberty Utilities (Central) Co. ("Liberty Central"), and The Empire District Electric Company, in substantially the form attached hereto as Exhibit A, and all additional documents, agreements and certificates to be delivered by the Company thereunder, in each case with such changes as the Authorized Representatives of the Company, or any of them, deem necessary and desirable as conclusively evidenced by the execution thereof by any such Authorized Representative (the "Approved Agreements");

NOW, THEREFORE, BE IT RESOLVED, FURTHER RESOLVED, that the execution, delivery, and performance by the Company of the Approved Agreements, and the consummation of the merger and all other transactions contemplated thereby be, and they hereby are, authorized and approved in all respects;

FURTHER RESOLVED, that the Merger Agreement be submitted to Liberty Central, the sole stockholder of the Company, for approval, and the Board hereby recommends that Liberty Central approve, and advises Liberty Central to approve, the Company's execution, performance, and delivery of the Merger Agreement and the consummation of the merger and all other transactions contemplated thereby;

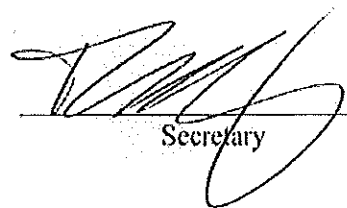
FURTHER RESOLVED, that for purposes of these resolutions and all actions taken in connection herewith, the "Authorized Representatives" of the Company shall include Ian Robertson, David Bronicheski, any officer or director of the Company, and any person to whom any of the foregoing may delegate any of their authority as an Authorized Representative;

FURTHER RESOLVED, that any two Authorized Representatives of the Company be, and each of them individually hereby is, authorized, empowered and directed, for and on behalf of the Company, to do, and to cause any and all of the Company's counsel and advisors to do, any and all acts, deeds and things, and to sign, seal, execute, acknowledge, file, record and deliver the Approved Agreements and any and all agreements, documents, instruments, notices, certificates or undertakings which may be or may become necessary, desirable or appropriate to effectuate the purposes of the foregoing resolutions, and to incur and pay all such fees and expenses as they shall in their good faith and judgment determine to be necessary, desirable or advisable to carry out fully the intent and purposes of the foregoing resolutions and the execution by them of any such document, instrument or agreement or the payment of any such fees and expenses or the doing by them of any act in connection with the foregoing matters shall conclusively establish their authority therefor and the approval of the documents, instruments or agreements so executed, the expenses so paid, the filings so made and the actions so taken;

FURTHER RESOLVED, that all actions heretofore taken by any officer, director or other Authorized Representative of the Company in connection with any matter referred to in or contemplated by any of the foregoing resolutions be, and hereby are, approved, ratified, and confirmed in all respects and

FURTHER RESOLVED, that this Consent will be in lieu of a special meeting of the Board and will be included in the minutes and filed with the records of the Company in place of any minutes of such meeting.

IN WITNESS WHEREOF, I have hereunto set my hand on this 15th day of March, 2016.

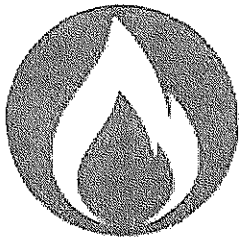

Secretary



Liberty Utilities™

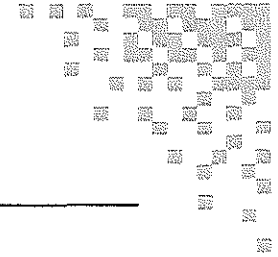
CUSTOMER SATISFACTION TRACKING MIDSTATES (IL, IA, MO) GAS

OCTOBER 2015



LUTH
research

OVERALL AWARENESS & SATISFACTION



Overall satisfaction has remained consistently high at 83%.



- Notably, three in five Midstates customers reported that they were very satisfied.
- However, the percentage of customers reporting dissatisfaction (9%) increased significantly from 2014 (6%).

The most common reason customers were satisfied was that they have never had a problem or complaint with Liberty (42%).

- A smaller portion were also satisfied because of good gas service and friendly customer service.

Why Satisfied (Unaided)

- 42%* No problem/complaint
- 14%^ Service is good
- 12%^ Friendly customer service

Problems with billing was the top reason customers were dissatisfied with Liberty (38%).

- Nearly a third of dissatisfied customers were also dissatisfied due to high costs.

Why Dissatisfied (Unaided)

- 38% Billing problems
- 31% Cost is too high
- 24% Poor customer service

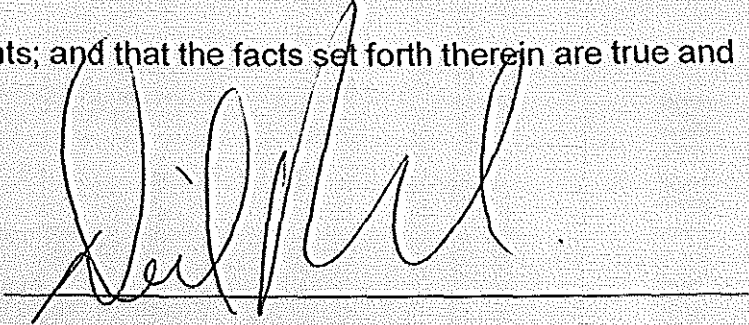


^ Significantly higher than 2014 scores
* Significantly lower than 2014 scores

VERIFICATION

PROVINCE OF ONTARIO)
) ss:
CANADA)

I, David Pasioka, being first duly sworn on oath, depose and state that I am the witness identified in the foregoing Direct Testimony of David Pasioka; that I have read the testimony and am familiar with its contents; and that the facts set forth therein are true and correct.



SUBSCRIBED AND SWORN to before me this 16th day of MARCH, 2016.



Notary Public

Commission/Appointment Expires: Does not expire