

FORM OF ISSUANCE ADVICE LETTER

_____ day, _____, 2022

Case Nos. EO-2022-0040 and EO-2022-0193

MISSOURI PUBLIC SERVICE COMMISSION

SUBJECT: ISSUANCE ADVICE LETTER FOR SECURITIZED UTILITY TARIFF BONDS

Pursuant to the Financing Order adopted in *Petitions of The Empire District Electric Company d/b/a Liberty for a Financing Order*, Case Nos. EO-2022-0040 and EO-2022-0193 (the “Financing Order”), THE EMPIRE DISTRICT ELECTRIC COMPANY D/B/A LIBERTY (“Petitioner”) hereby submits, no later than the day after the pricing date of the Securitized Utility Tariff Bonds, the information referenced below. This Issuance Advice Letter is for the 20[●] Securitized Utility Tariff Bonds, tranches A-1 through A-_. Any capitalized terms not defined in this letter have the meanings ascribed to them in the Financing Order.

PURPOSE

This filing establishes the following:

- (a) the total amount of Securitized Utility Tariff Costs and Financing Costs being financed;
- (b) the amounts of quantifiable net present value savings;
- (c) confirmation of compliance with issuance standards;
- (d) the actual terms and structure of the Securitized Utility Tariff Bonds being issued;
- (e) the initial Securitized Utility Tariff Charge for retail customers; and
- (f) the identification of the Special Purpose Entity (SPE).

SECURITIZED UTILITY TARIFF COSTS AND FINANCING COSTS BEING FINANCED

The total amount of Securitized Utility Tariff Costs and Financing Costs being financed (the “Securitized Costs”) is presented in Attachment 1.

COMPLIANCE WITH ISSUANCE STANDARDS

The Financing Order requires Petitioner to confirm, using the methodology approved therein, that the actual terms of the Securitized Utility Tariff Bonds result in compliance with the standards set forth in the Financing Order. These standards are:

1. The financing of Energy Transition Costs, Qualified Extraordinary Costs and Financing Costs will provide quantifiable net present value benefits to retail customers, greater than would be achieved compared to (a) the traditional method of financing with respect to the Energy Transition Costs and (b) the customary method of financing with respect to the Qualified Extraordinary Costs, collectively, in retail customer rates (See Attachment 2, Schedule D-1 and Schedule D-2).
2. The Securitized Utility Tariff Bonds will be issued in one or more tranches having a scheduled final payment of ___years and legal final maturities not exceeding ___years from the date of issuance (See Attachment 2, Schedule A).
3. The Securitized Utility Tariff Bonds may be issued with an original issue discount, additional credit enhancements, or arrangements to enhance marketability provided that the Petitioner certifies that the original issue discount is reasonably expected to provide quantifiable net present value benefits greater than its cost.
4. The structuring, marketing and pricing of the Securitized Utility Tariff Bonds is certified by the Petitioner to result in the lowest Securitized Utility Tariff Charges consistent with market conditions at the time the Securitized Utility Tariff Bonds were priced and the terms of the Financing Order (See Attachment 4).
5. The amount of [Securitized Utility Tariff Costs] to be financed using Securitized Utility Tariff Bonds are \$_____.
6. The recovery of such [Securitized Utility Tariff Costs] is just and reasonable and in the public interest.
7. The estimate of the amount of Financing Costs that may be recovered through Securitized Utility Tariff Charges is \$_____.
8. The period over which the Securitized Utility Tariff Costs and Financing Costs may be recovered is _years.
9. [Add other findings from Section 393.1700.2.(3)(c).]

ACTUAL TERMS OF ISSUANCE

Securitized Utility Tariff Bond: _____

Securitized Utility Tariff Bond Issuer: [**BondCo**]

Trustee: _____

Closing Date: _____, 20[●]

Bond Ratings: S&P AAA(sf), Moody's Aaa(sf)

Amount Issued: \$_____

Securitized Utility Tariff Bond Upfront Financing Costs: See Attachment 1, Schedule B.

Securitized Utility Tariff Bond Ongoing Financing Costs: See Attachment 2, Schedule B.

| Tranche | Coupon Rate | Scheduled Final Payment | Legal Final Maturity |
|---------|-------------|-------------------------|----------------------|
| A-1 | % | | |

| | |
|--|---------------------------------|
| Effective Annual Weighted Average Interest Rate of the Securitized Utility Tariff Bonds: | [_____]% |
| Weighted Average Life: | _____years |
| Target Amortization Schedule: | Attachment 2, Schedule A |
| Scheduled Final Payment Dates: | Attachment 2, Schedule A |
| Legal Final Maturity Dates: | Attachment 2, Schedule A |
| Payments to Investors: | Semi-annually Beginning____, 20 |
| Initial annual Servicing Fee as a percent of original Securitized Utility Tariff Bond principal balance: | [0.05]% |

INITIAL SECURITIZED UTILITY TARIFF CHARGE

Table I below shows the current assumptions for each of the variables used in the calculation of the initial Securitized Utility Tariff Charges.

| TABLE I | |
|---|----|
| Input Values For Initial Securitized Utility Tariff Charges | |
| Applicable recovery period: from | to |
| Voltage-adjusted forecasted retail kWh sales at meter for the applicable recovery period: | \$ |
| Voltage-adjusted forecasted retail kWh sales for the subsequent recovery period: | |
| 1/13 of Securitized Utility Tariff Amount: | \$ |
| Revenue Adjustment amount for the initial recovery period: | \$ |
| Projected transaction costs for the initial recovery period: | \$ |
| Total recovery period amounts for initial recovery period: | \$ |

Allocation of the recovery period amount is to each applicable customer on the basis of total company projected energy sales at meter adjusted to a consistent voltage. See Attachment 3.

Based on the foregoing, the initial Securitized Utility Tariff Charges calculated for retail users are as follows:

| TABLE II | |
|----------------------|--|
| <u>Voltage Level</u> | <u>Initial Securitized Utility Tariff Charge</u> |
| Primary | \$ /kWh |
| Secondary | \$ /kWh |
| Transmission | \$ /kWh |

IDENTIFICATION OF SPE

The owner of the Securitized Utility Tariff Property will be: _____[**BondCo**].

EFFECTIVE DATE

In accordance with the Financing Order, the Securitized Utility Tariff Charge shall be automatically effective upon the Petitioner’s receipt of payment in the amount of \$_____ from [**BondCo**], following Petitioner’s execution and delivery to [**BondCo**] of the Bill of Sale transferring Petitioner’s rights and interests under the Financing Order and other rights and interests that will become Securitized Utility Tariff Property upon transfer to [**BondCo**] as described in the Financing Order.

NOTICE

Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at Petitioner's corporate headquarters.

AUTHORIZED OFFICER

The undersigned is an officer of Petitioner and authorized to deliver this Issuance Advice Letter on behalf of Petitioner.

Respectfully submitted,

THE EMPIRE DISTRICT ELECTRIC COMPANY
D/B/A LIBERTY

By: _____

Name: _____

Title: _____

ATTACHMENT 1
SCHEDULE A
CALCULATION OF SECURITIZED UTILITY TARIFF COSTS AND FINANCING
COSTS

| | |
|--|-------------|
| Securitized Utility Tariff Costs to be financed: | \$ _ |
| Upfront Financing Costs | \$ _ |
| TOTAL COSTS TO BE FINANCED | \$ _ |

ATTACHMENT 1
SCHEDULE B
ESTIMATED UPFRONT FINANCING COSTS

| | |
|---|-----------------|
| UPFRONT FINANCING COSTS | |
| Legal Fees (Company, Issuer, and Underwriter) | \$ _____ |
| Trustee's/Trustee Counsel's Fees and Expenses | \$ _____ |
| Underwriters' Fees | \$ _____ |
| Auditor Fees | \$ _____ |
| Miscellaneous | \$ _____ |
| SPE Setup Costs | \$ _____ |
| Costs of the Commission | \$ _____ |
| SEC Registration Fees | \$ _____ |
| Rating Agency Fees | \$ _____ |
| Printing/EDGARizing | \$ _____ |
| | \$ _____ |
| TOTAL UPFRONT FINANCING COSTS FINANCED | \$ _____ |

Note: Differences that result from the Estimated Upfront Financing Costs financed being more or less than the Actual Upfront Financing Costs incurred will be resolved through the process described in the Financing Order.

ATTACHMENT 2
SCHEDULE B
ONGOING FINANCING COSTS

| | ANNUAL AMOUNT |
|---|----------------------|
| Servicing Fee (Liberty as Servicer) (0.05% of initial Securitized Utility Tariff Bond principal amount) | \$ _____ |
| Independent Director or Manager's Fee | \$ _____ |
| Administration Fee | \$ _____ |
| Trustee's/Trustee's Counsel Fees and Expenses | \$ _____ |
| Accountant's Fee | \$ _____ |
| Legal Fees for Issuer's Counsel | \$ _____ |
| Rating Agency Fees | \$ _____ |
| Printing/EDGARizing | \$ _____ |
| Miscellaneous | |
| | |
| TOTAL ONGOING FINANCING COSTS (with Liberty as Servicer) | \$ _____ |
| Ongoing Servicers Fee (Third Party as Servicer) (0.60% of principal amount) | \$ _____ |
| TOTAL ONGOING FINANCING COSTS (Third Party as Servicer) | \$ _____ |

Note: The amounts shown for each category of operating expense on this attachments are the expected expenses for the first year of the Securitized Utility Tariff Bonds. Securitized Utility Tariff Charges will be adjusted at least annually to reflect any changes in Ongoing Financing Costs through the true-up process described in the Financing Order.

ATTACHMENT 2
SCHEDULE C
CALCULATION OF SECURITIZED UTILITY TARIFF CHARGES

| Year | Securitized Utility Tariff Bond Payments¹ | Ongoing Costs² | Total Nominal Securitized Utility Tariff Charge Requirement³ | Present Value of Securitized Utility Tariff Charges⁴ |
|--------------|---|----------------------------------|--|--|
| 1 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 2 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 3 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 4 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 5 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 6 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 7 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 8 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 9 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 10 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 11 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 12 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 13 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 14 | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| Total | \$ _____ | \$ _____ | \$ _____ | \$ _____ |

¹ From Attachment 2, Schedule A.

² From Attachment 2, Schedule B.

³ Sum of Securitized Utility Tariff Bond payments and ongoing costs.

⁴ Calculated in accordance with the methodology cited in the Financing Order.

ATTACHMENT 2
SCHEDULE D-1
COMPLIANCE WITH SECTION 393.1700

Quantifiable Benefits Test:⁵

| | Range of Traditional Financing with respect to Energy Transition Costs | Securitization Financing with respect to Energy Transition Costs ⁶ | Range of Savings/(Cost) of Securitization Financing with respect to Energy Transition Costs |
|---------------|--|---|---|
| Nominal | \$ _____ million - \$ _____ million | \$ _____ million | \$ _____ million - \$ _____ million |
| Present Value | \$ _____ million - \$ _____ million | \$ _____ million | \$ _____ million - \$ _____ million |

ATTACHMENT 2
SCHEDULE D-2
COMPLIANCE WITH SECTION 393.1700

Quantifiable Benefits Test:⁷

| | Range of Customary Financing with respect to Qualified Extraordinary Costs | Securitization Financing with respect to Qualified Extraordinary Costs ⁸ | Range of Savings/(Cost) of Securitization Financing with respect to Qualified Extraordinary Costs |
|---------------|--|---|---|
| Nominal | \$ _____ million - \$ _____ million | \$ _____ million | \$ _____ million - \$ _____ million |
| Present Value | \$ _____ million - \$ _____ million | \$ _____ million | \$ _____ million - \$ _____ million |

⁵ Calculated in accordance with the methodology cited in the Financing Order.

⁶ From Attachment 2, Schedule C.

⁷ Calculated in accordance with the methodology cited in the Financing Order.

⁸ From Attachment 2, Schedule C.

ATTACHMENT 3

INITIAL ALLOCATION OF COSTS ON BASIS OF LOSS-ADJUSTED ENERGY

Allocation of the recovery period amount is to each applicable customers on the basis of total company projected energy sales at meter adjusted to a consistent voltage.

ATTACHMENT 4
FORM OF PETITIONER'S CERTIFICATION⁹

⁹ To be structured with the Finance Team.

ESTIMATED UPFRONT FINANCING COSTS

| UPFRONT FINANCING COSTS | |
|---|-----------------------|
| Legal Fees (Company, Issuer, and Underwriter) | \$ [3,800,000] |
| Trustee's/Trustee Counsel's Fees and Expenses | \$ TBD |
| Underwriters' Fees | \$ [1,390,038] |
| Auditor Fees | \$ [400,000] |
| Structuring Advisor | \$ [510,000] |
| Miscellaneous | \$ [100,000] |
| Commission's Financial Advisor Fees, Counsel Fees and other fees and expenses | \$ TBD |
| SEC Registration Fees | [0.00927%] |
| Rating Agency Fees | [0.1150%] |
| Printing/EDGARizing | \$ TBD |
| TOTAL UPFRONT FINANCING COSTS FINANCED | \$ [6,920,258] |

ONGOING FINANCING COSTS

| | ANNUAL AMOUNT |
|---|----------------------|
| Servicing Fee (Liberty as Servicer) (0.05% of initial Securitized Utility Tariff Bond principal amount) | \$ [181,210] |
| Independent Director or Manager's Fee | \$ TBD |
| Administration Fee | \$ [50,000] |
| Trustee's Fees and Expenses | \$ [10,000] |
| Accountant's Fee | \$ [75,000] |
| Legal Fees for Issuer's Counsel | \$ [35,000] |
| Rating Agency Fees | \$ [40,000] |
| Miscellaneous | \$ [10,000] |
| | |
| TOTAL ONGOING FINANCING COSTS (with Liberty as Servicer) | \$ [441,210] |
| Ongoing Servicers Fee (Third Party as Servicer) ([0.60]% of principal amount) | \$ [2,174,520] |
| TOTAL ONGOING FINANCING COSTS (Third Party as Servicer) | \$ [2,698,769] |