

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

In the Matter of Liberty Utilities (Missouri )  
Water), LLC d/b/a Liberty's Application )  
for Authority to Issue Long Term )  
Unsecured Debt )

Case No. WF-2024-0135

**PUBLIC COUNSEL’S RESPONSE TO STAFF’S RECOMMENDATION**

COMES NOW the Office of Public Counsel (Public Counsel) and, as explained in the attached memorandum of David Murray, subject to the Commission Staff’s first recommendation in this case (Commission grant of the authorization Liberty requests in its application has no ratemaking effect), Public Counsel does not oppose the Commission granting Liberty authorization to engage in inter-affiliate transactions to restructure its debt-to-equity ratio by issuing up to \$30 million of long-term unsecured debt to Liberty Utilities, Co. (“LUCo”).

Respectfully,

/s/ Nathan Williams

Nathan Williams  
Chief Deputy Public Counsel  
Missouri Bar No. 35512

Office of the Public Counsel  
Post Office Box 2230  
Jefferson City, MO 65102  
(573) 526-4975 (Voice)  
(573) 751-5562 (FAX)  
[Nnathan.Williams@opc.mo.gov](mailto:Nnathan.Williams@opc.mo.gov)

**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 29<sup>th</sup> day of December 2023.

/s/ Nathan Williams

## MEMORANDUM

To: Missouri Public Service Commission Official Case File, File No. WF-2024-0135

From: David Murray, Utility Regulatory Manager  
Missouri Office of the Public Counsel

Subject: Response to the Staff of the Public Service Commission's Recommendation Filed on December 21, 2023

Date: December 29, 2023

On behalf of the Office of the Public Counsel ("OPC") I support the Staff of the Public Service Commission's recommended Condition No. 1; and do not oppose the other conditions it recommends.

With its financing application Liberty Utilities (Missouri Water) LLC ("Liberty") requests the Public Service Commission of the State of Missouri ("Commission") to grant it authority to issue long-term affiliate promissory notes to "refinance" affiliate short-term borrowings and effectuate the transfer of funds for future planned capital expenditures.

Liberty filed its Notice of Intended [Rate] Case Filing docketed in Case Nos. WR-2024-0104 and SR-2024-0105 on September 26, 2023. Liberty and its affiliates historically recommend ratemaking common equity ratios in the low 50% range. Liberty does not directly access third-party capital markets. Liberty per books capital structure is purely a function of intra-affiliate transactions recorded in their accounting books. The purpose for a major portion of the requested affiliate long-term promissory note is simply to reclassify funds that were previously advanced as "money pool" borrowings to fund Liberty's purchase of the City of Bolivar System on February 1, 2022, to long-term debt. If Liberty's affiliate financing transactions had legitimate financial consequences to it, i.e., if they would impact its access to the capital markets, then it would not allow transactions classified as "money pool" borrowings (*i.e.* a type of affiliate short-term debt) to remain outstanding for almost two years. Liberty is simply "cleaning up" its books—changing its book debt-to-equity ratio—for its upcoming rate case. According to Liberty's responses to Staff's Data Request Nos. 5 and 18, Liberty will reclassify approximately 49% of its "money pool" borrowings as affiliate long-term promissory notes and 51% of its "money pool" borrowings as common equity.

I am also concerned about the cost assigned to the affiliate long-term promissory notes. However, I anticipate addressing these issues in Liberty's upcoming rate case. I have not fully investigated the potential cost of debt consequences of the financial instability of Liberty's ultimate parent company, Algonquin Power & Utilities Corp. ("APUC").<sup>1</sup> In fact, because it has been standard practice for

---

<sup>1</sup> APUC's stock price declined precipitously at the end of 2022 due to APUC's shareholders concern that APUC would need to reduce its dividend to preserve capital because of problems with its non-regulated business and exposure to variable rate debt. This prompted APUC's recent strategic decisions, which ultimately led to APUC announcing its plan to sell its renewables

financing authorizations not to be binding for ratemaking purposes, I did not pursue certain corporate level information that Liberty objected to providing in context of this financing proceeding on the basis that providing the information “[wa]s not proportional to the needs of the case considering the totality of the circumstances.” Because, as the Commission consistently recognizes, a financing authority is not binding for ratemaking, OPC agrees with Liberty’s objection so long as the Commission’s approval of Liberty’s financing request is not used to justify Liberty’s requested capital structure and cost of debt to set its authorized ROR in its next rate case. In past rate cases involving Liberty and its affiliates,<sup>2</sup> the Commission has weighed the evidence offered in those cases and not given deference to its past financing authorizations, consistent with Staff’s Condition No. 1.

For the foregoing reasons, OPC does not oppose the Commission authorizing Liberty to execute the affiliate financing transactions for which it has sought Commission authority to do.

---

business, which is owned by APUC’s non-regulated subsidiary, Algonquin Power Company (“APCo”). APUC made the strategic decision to sell its renewable business in part due to its goal of maintaining an investment grade credit rating (currently rated BBB).

<sup>2</sup> Case Nos. WR-2018-0170, GR-2018-0013, and ER-2019-0374.

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

**AFFIDAVIT OF DAVID MURRAY**

STATE OF MISSOURI    )  
                                  )    SS.  
COUNTY OF COLE     )

**COMES NOW DAVID MURRAY** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Memorandum* and that the same is true and correct according to his best knowledge and belief.

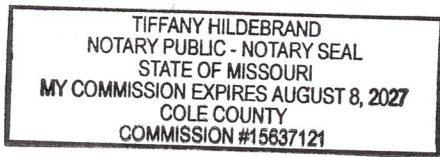
Further the Affiant sayeth not.



David Murray  
Utility Regulatory Manager

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 29<sup>th</sup> day of December, 2023.



Tiffany Hildebrand  
Notary Public

My Commission expires August 8, 2027.