

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held by telephone
and internet audio conference
on the 14th day of April, 2021.

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

ORDER APPROVING APPLICATION FOR FINANCE AUTHORITY

Issue Date: April 14, 2021

Effective Date: May 14, 2021

On January 15, 2021, Liberty Utilities (Missouri Water) LLC (“Liberty Water”) filed an application requesting authority to issue additional long-term unsecured debt, pursuant to Section 393.200, RSMo (2016), and Commission Rule 20 CSR 4240-10.125.¹ Liberty Water proposes to issue two new unsecured promissory notes to its indirect parent company Liberty Utilities Co. (“LUCo”). Liberty Water proposes to issue a promissory note in the amount of \$5,715,000 for a 10-year term at a fixed rate of 2.079% (Refinanced Note). Liberty Water also proposes to issue a promissory note in an amount up to \$12.69 million for a term matching the tenor of the next debt issuance of Liberty Utilities Finance GP1 (GP1) and at a yield to maturity rate equal to the yield to maturity of GP1’s next debt placement (New Note).

Liberty Water’s application proposes the debt issuance will be used to (1) refinance

¹ As required by 20 CSR 4240-4.017, Liberty Water filed notice of its intent to file the application. *Liberty Utilities (Missouri Water) LLC’s Notice of Intended Case Filing* (July 20, 2020). On March 5, 2021, Liberty Water filed an amendment to its application to correct inconsistencies between the body of the application and the relief requested. References in this order to Liberty Water’s application include the application and the amendment filed on March 5, 2021. Liberty Water supplemented its application with additional materials filed on March 24, 2021.

an existing \$5,715,000 short-term unsecured debt obtained from LUCo and used, in part, to purchase the water assets of an 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, to acquire, control, operate and maintain the water and sewer system in Bolivar, Missouri. The Bolivar, Missouri system is the subject of Liberty Water's application in File Nos. WA-2020-0397 and SA-2020-0398.

On March 1, 2021, the Staff of the Commission (Staff) filed a recommendation that the Commission grant the application, with specified conditions.² On March 5, 2021, Liberty Water filed an amendment to its application. On March 15, 2021, Staff filed a recommendation that the Commission grant the application, as amended, with specified conditions.

On March 17, 2021, the Office of the Public Counsel (OPC) filed a response to Staff's recommendation. OPC's response proposed the Commission modify one of Staff's recommended conditions and impose two additional conditions. OPC stated it had no objection to the financing application if the authorization was conditioned as set out in OPC's response.

On March 24, 2021, Liberty Water filed a response to Staff's recommendation and OPC's response and requested that the Commission grant the authority requested with the conditions recommended by Staff and OPC. The period allowed by rule to respond to Staff's recommendation, OPC's response and Liberty Water's March 24 filing has

² On March 3, 2021, the Commission noted a possible anomaly in the figures referenced by the memorandum attached to Staff's recommendation and directed Staff to clarify its recommendation and file a corrected memo, if necessary. After Liberty Water amended its application on March 5, 2021, the Commission vacated that directive and directed Staff to file a recommendation on Liberty Water's application as amended.

expired,³ and no other responses have been filed.

With Commission approval, water corporations may issue securities when necessary or reasonably required for purposes enumerated in Section 393.200, RSMo (2016).⁴ The Commission has reviewed and considered Liberty Water's application, as amended, Staff's recommendation, OPC's response, and Liberty Water's response. Consistent with Section 393.200, the Commission finds that the proposed issuance of debt securities 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. The Commission will approve Liberty Water's application subject to the conditions recommended by Staff and OPC.

THE COMMISSION ORDERS THAT:

1. Liberty Water's application for finance authority, filed on January 15, 2021, as amended on March 5, 2021, is granted subject to the following conditions:
 - a. Nothing in this 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 of and debt costs assigned to Liberty Utilities. The Commission reserves the right to consider the rate making treatment to be afforded the financing transaction and its impact on the cost of capital, which includes Liberty Utilities' cost of debt, in any later proceeding;

³ Commission Rule 20 CSR 4240-2.080(13) allows 10 days from the date of filing to respond to any pleading unless otherwise ordered by the Commission.

⁴ *In re Laclede Gas Co. v. Pub. Serv. Comm'n*, 526 S.W.3d 245, 249-50 (Mo. App. WD. 2017); see also Section 393.180, RSMo (2016) (making issuance of indebtedness a privilege subject to state supervision and authorizing the Commission to prescribe rules and regulations governing debt issuance).

b. Liberty Water 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;

c. Liberty Water shall file with the Commission any information concerning communication with credit rating agencies concerning the proposed financing;

d. Approval of the issuance of the New Note is subject to Commission approval of Liberty Water's request for a certificate of convenience and necessity to acquire the water and sewer system in Bolivar, Missouri, in File Nos. WA-2020-0397 and SA-2020-0398;

e. Liberty Water shall file with the Commission the final terms and conditions of the Liberty Utilities Finance GP1 debt used to support the cost assigned to the \$12.69 million affiliate note that Liberty Water issues to LuCo; and

f. Liberty Water shall file with the Commission a reconciliation that clearly demonstrates that the effective interest rate assigned to the Liberty Water promissory note is the same as the effective interest rate charged on the GP1 debt that is the source of funds for that note.

2. Liberty Water is authorized to execute all documents and take all actions necessary for the above-described transactions.

3. This order shall become effective on May 14, 2021.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff". The signature is written in a cursive, flowing style.

Morris L. Woodruff
Secretary

Silvey, Chm., Kenney, Rupp, Coleman, and
Holsman CC., concur.

Jacobs, Regulatory Law Judge